

# Macroeconomic Challenges in CESEE



Access to Finance, Bank Lending and the Banking Sectors  
in CESEE Countries

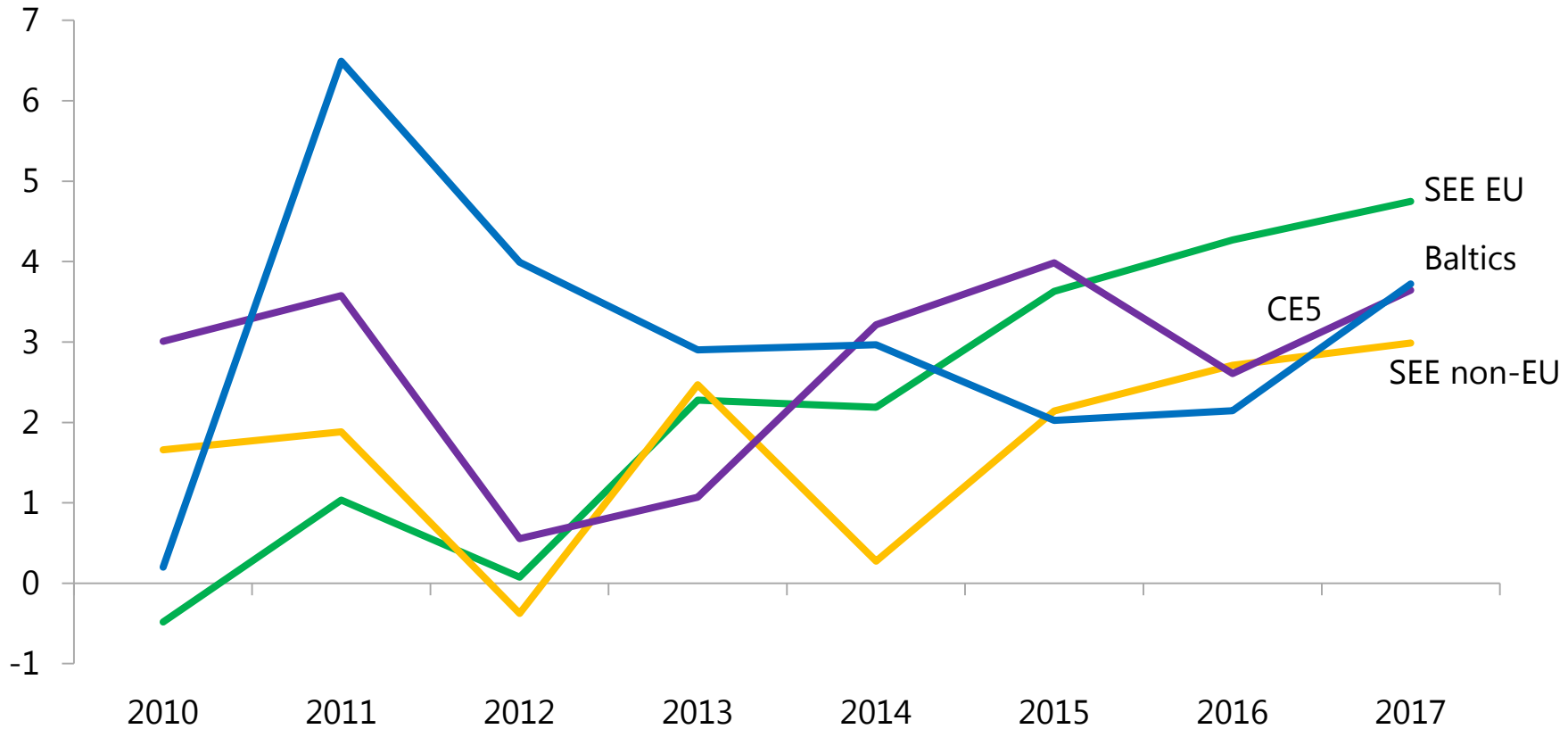
Prishtina, November 2017

Bas B. Bakker  
Senior Regional Resident Representative  
for Central and Eastern Europe

# Growth has picked up...



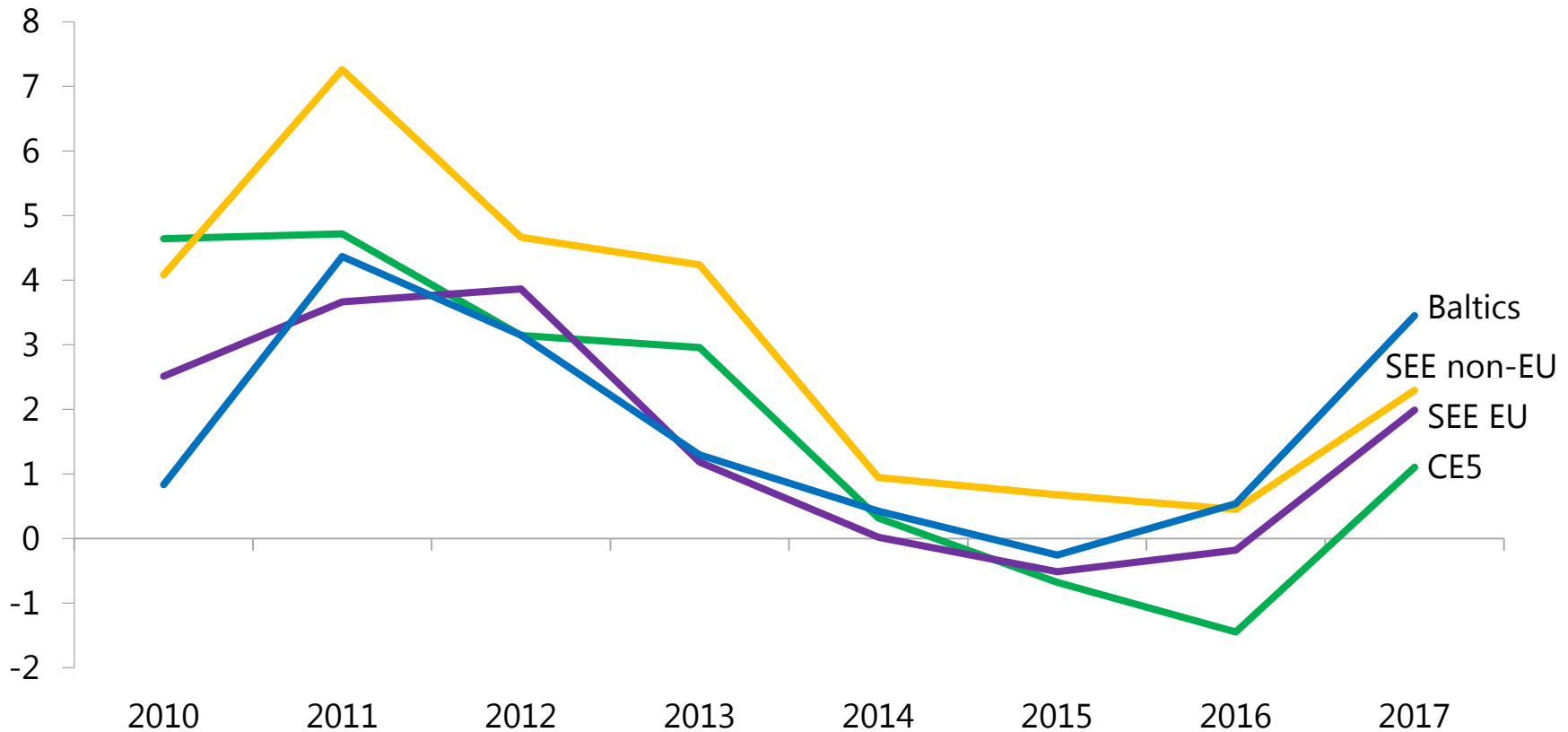
Real GDP growth  
(Percent)



# Inflation is modest in most countries



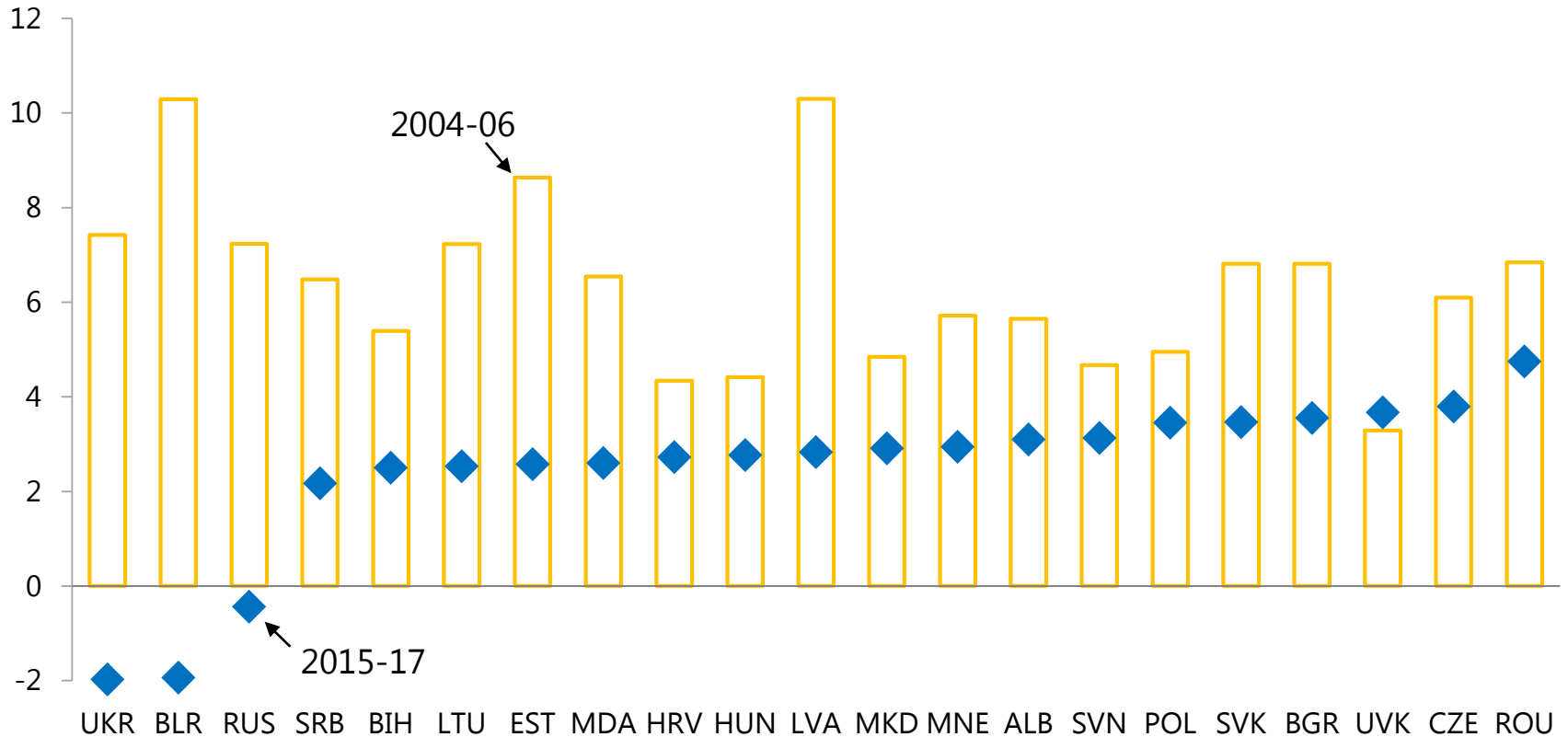
CPI Inflation  
(Percent)



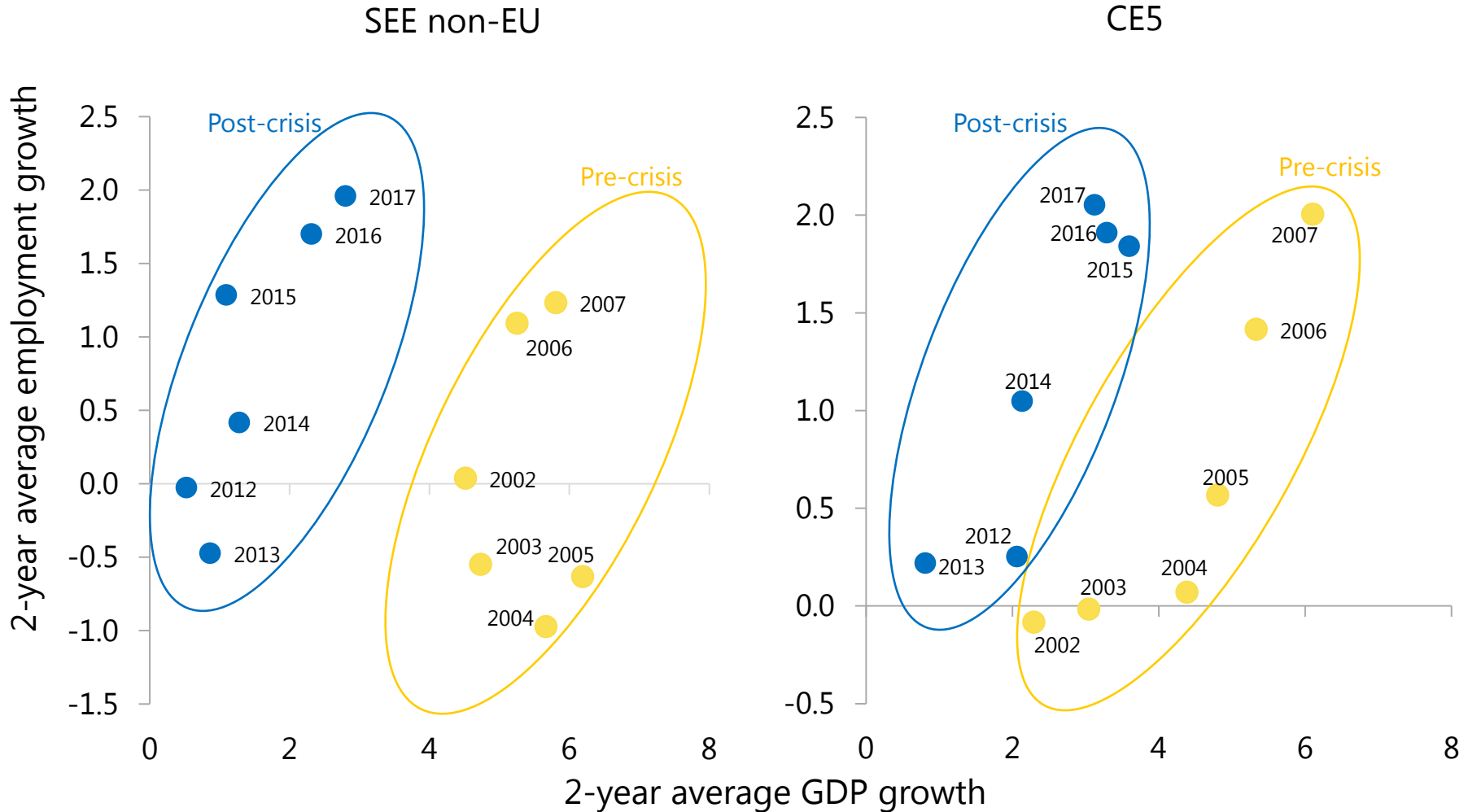
Growth is lower than before the crisis (even excluding the overheating in 07/08).



Average real GDP growth in 2004-06 and 2015-17  
(Percent y/y)



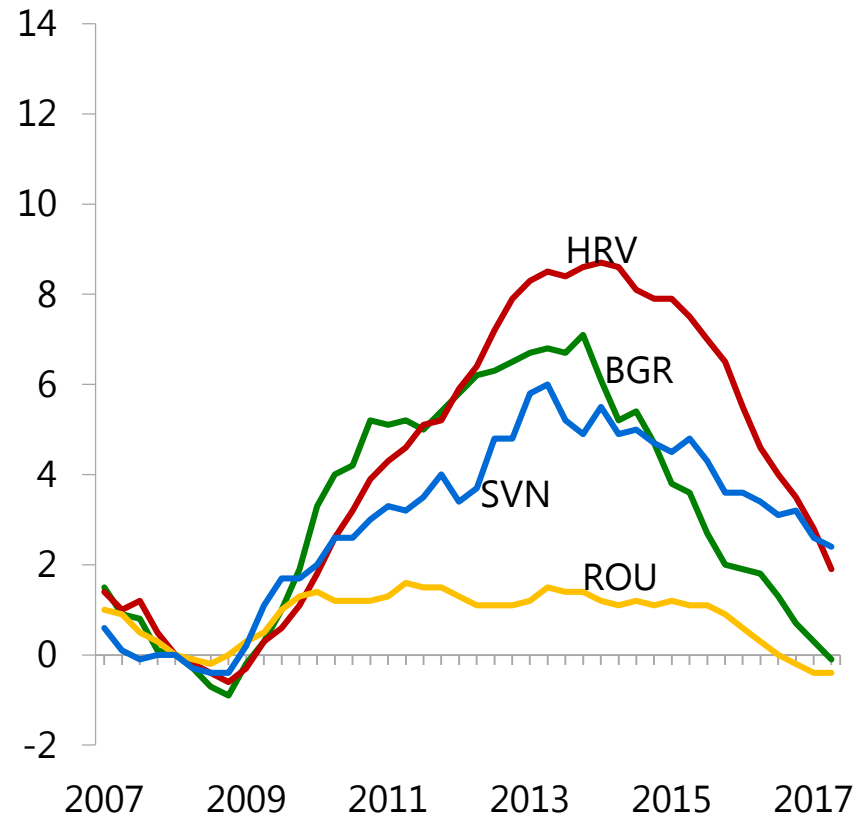
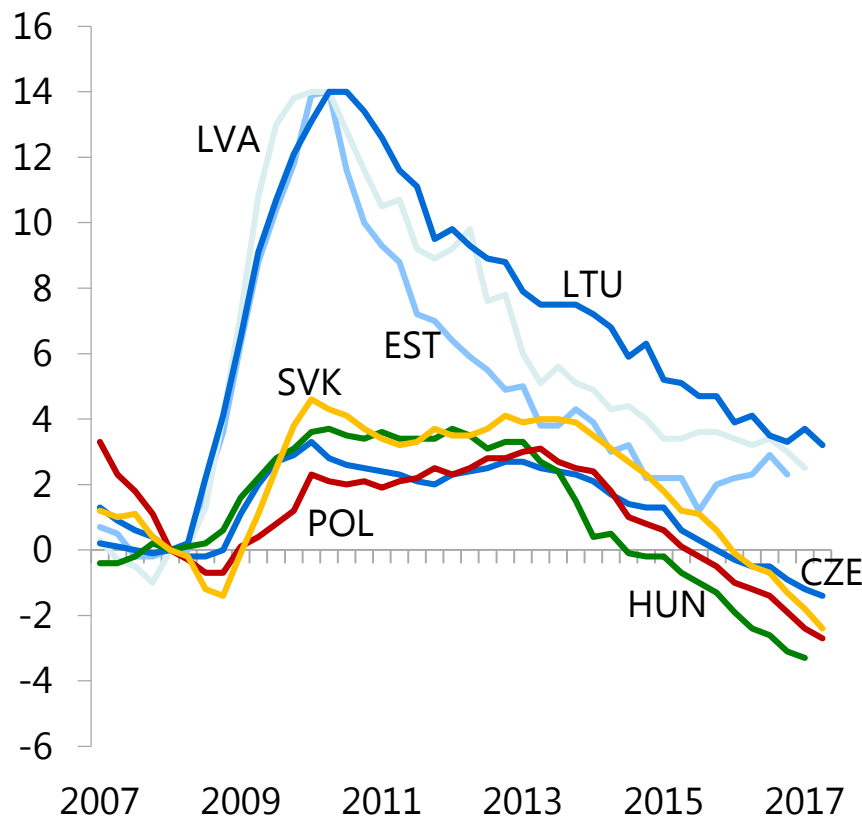
# Employment growth at pre-crisis peaks, suggesting potential GDP growth has fallen significantly



# Unemployment has come down rapidly



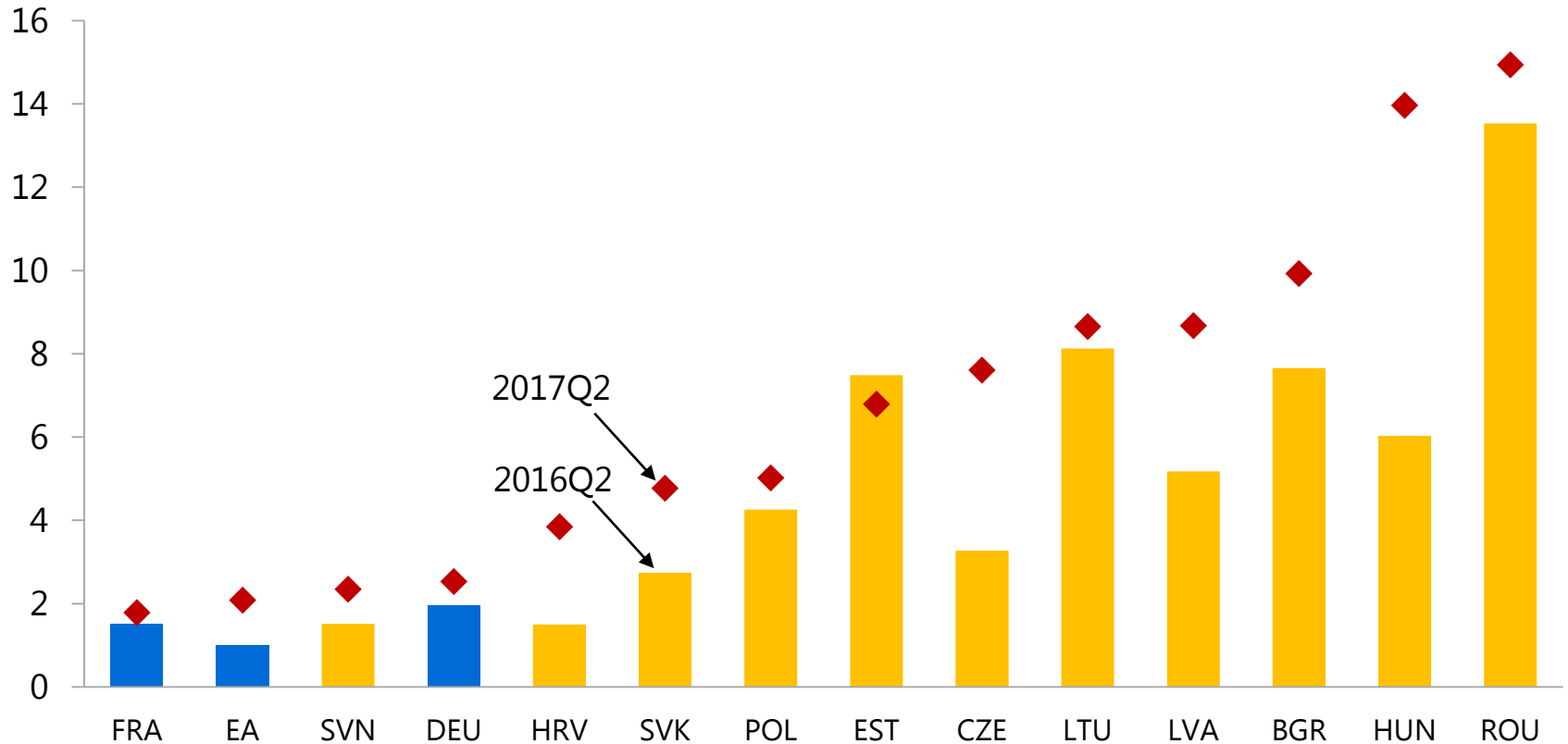
Cumulative changes in unemployment rate  
(2008Q1=0, seasonally adjusted)



# In a number of countries, wage growth has accelerated



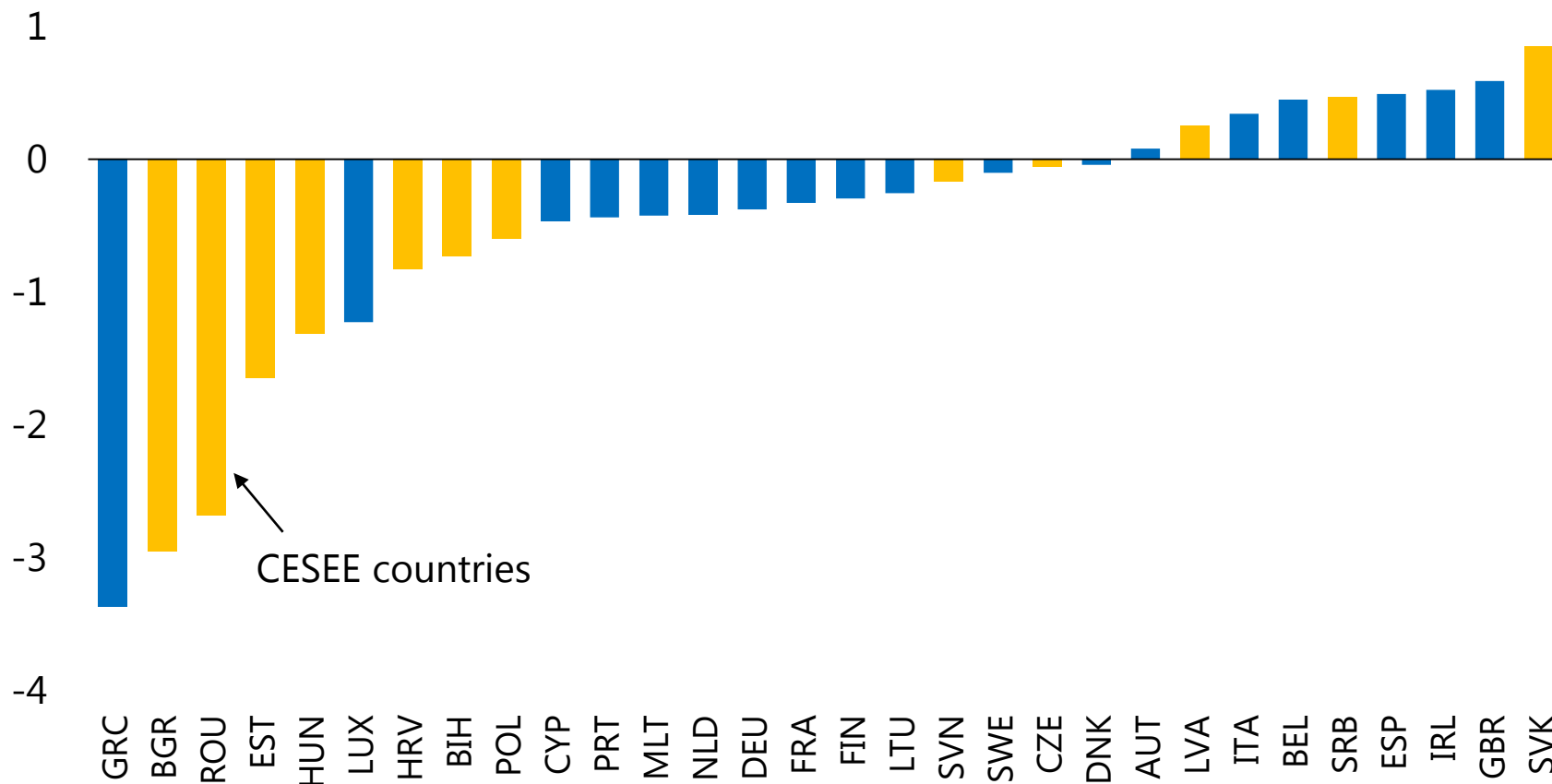
Wage Growth  
(Percent y/y)



# Yet fiscal policy is pro-cyclical



Change in Structural General Government Balance, 2016-18  
(Percent of potential output)

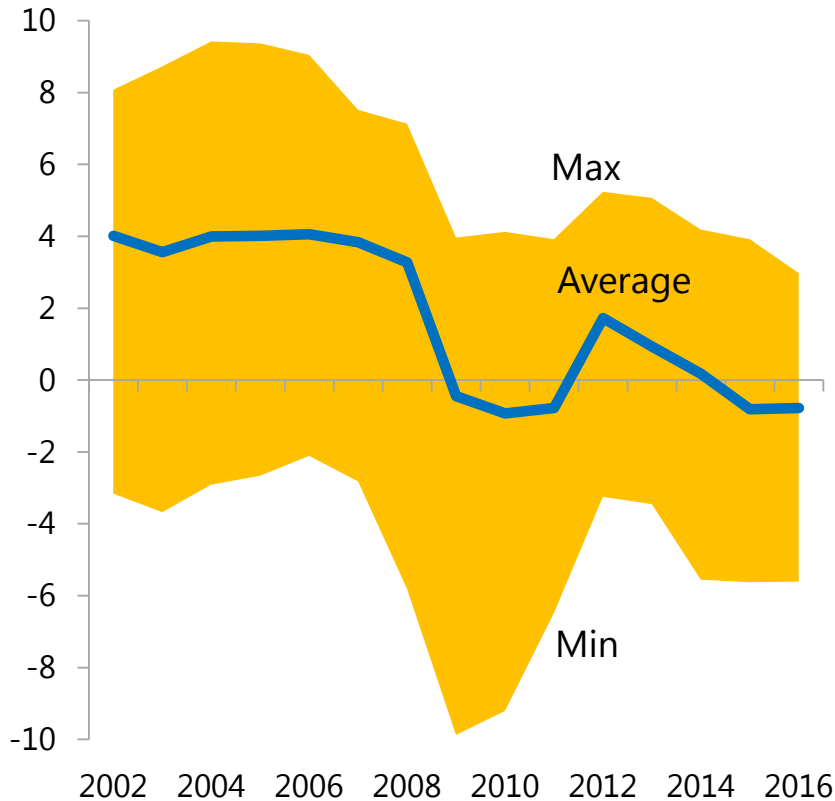




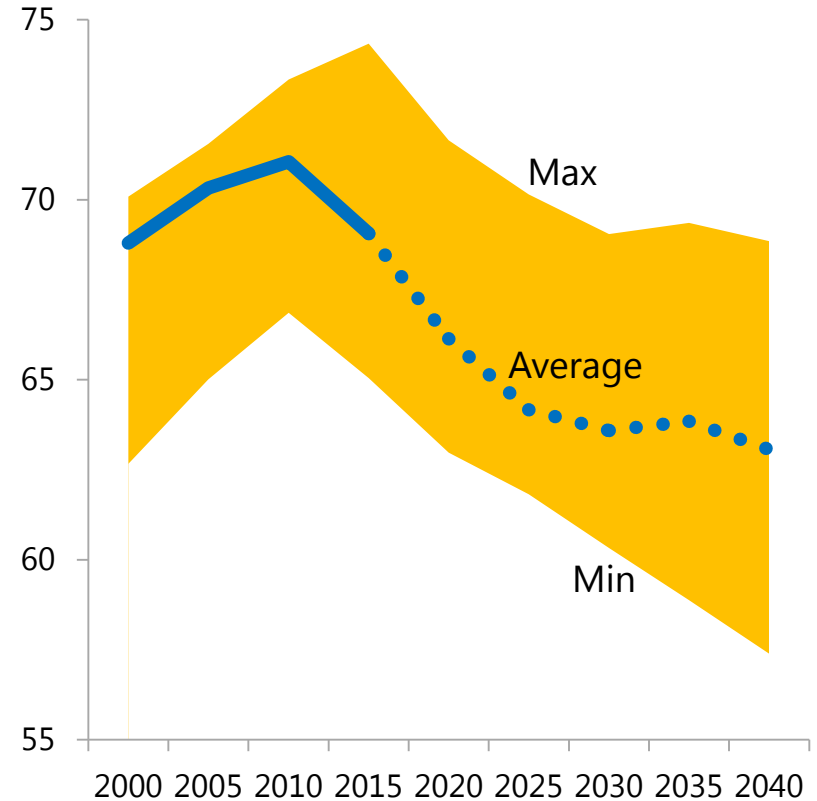
Longer-term growth prospects challenging: TFP growth has slowed sharply (not unique to CESEE!); ratio of working age to total age population to drop



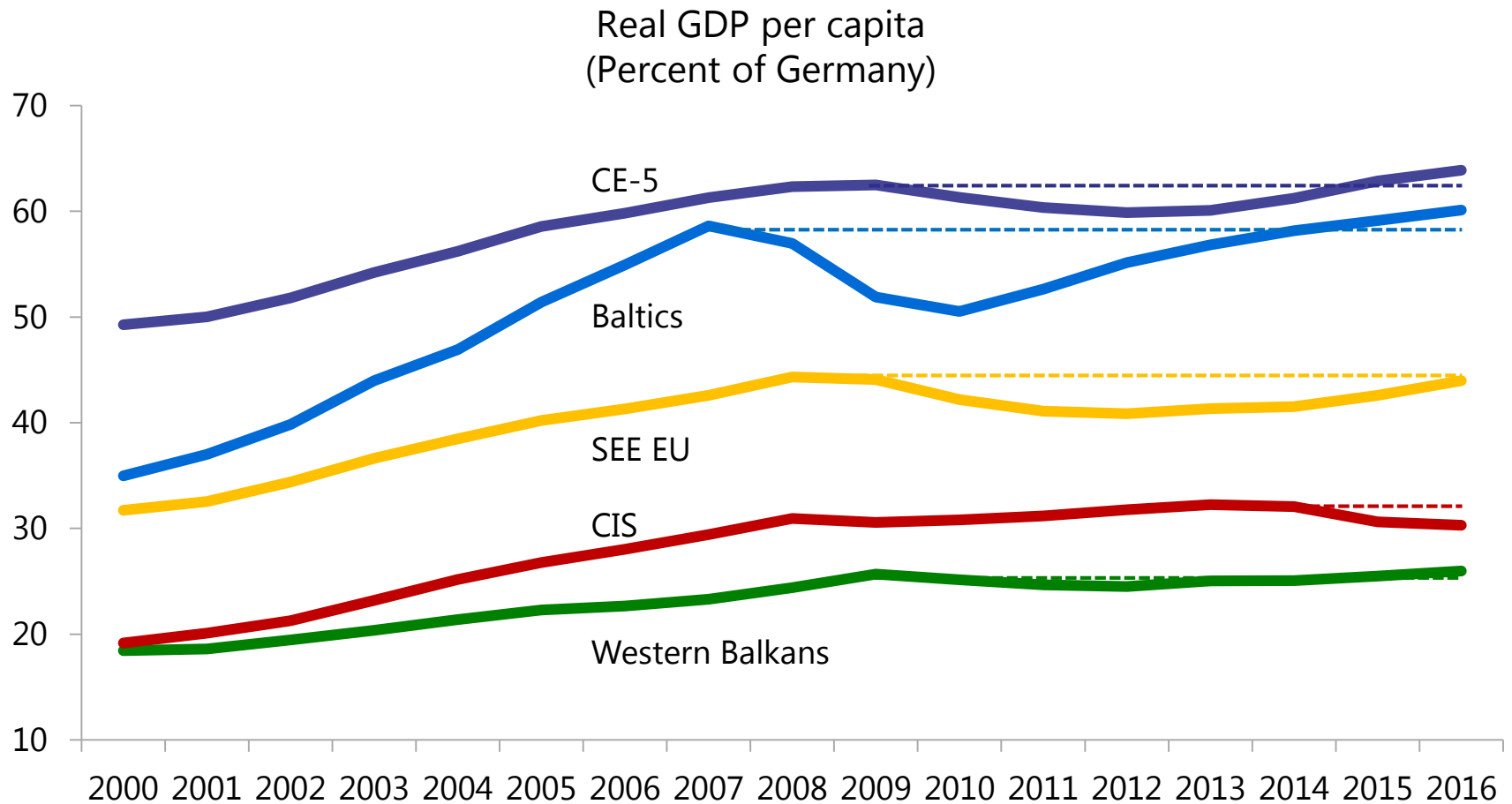
TFP growth in CESEE  
(Percent, 3-year average)



Population ages 15-64  
(Percent of total population)



# Can convergence continue?





Thank you