

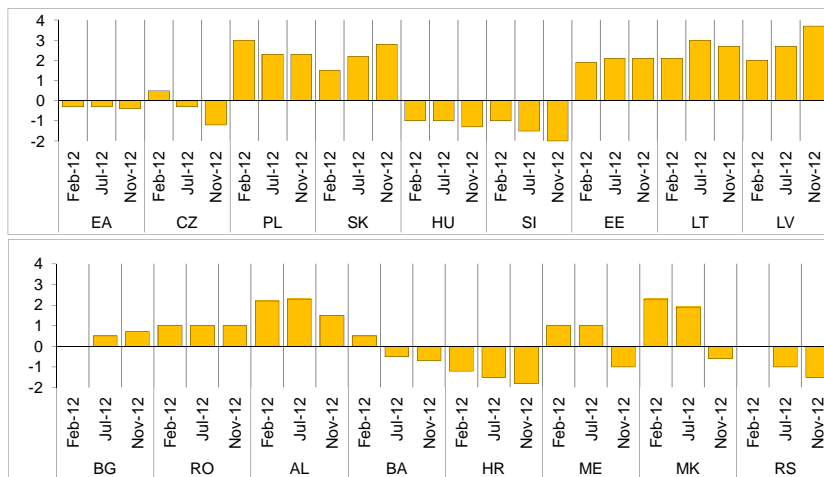
Press Conference, 26 November 2012

wiiw Forecast for Central, East and Southeast Europe, 2012-2014

Eurozone crisis and fiscal austerity push half of the
region into recession

GDP growth, 2012

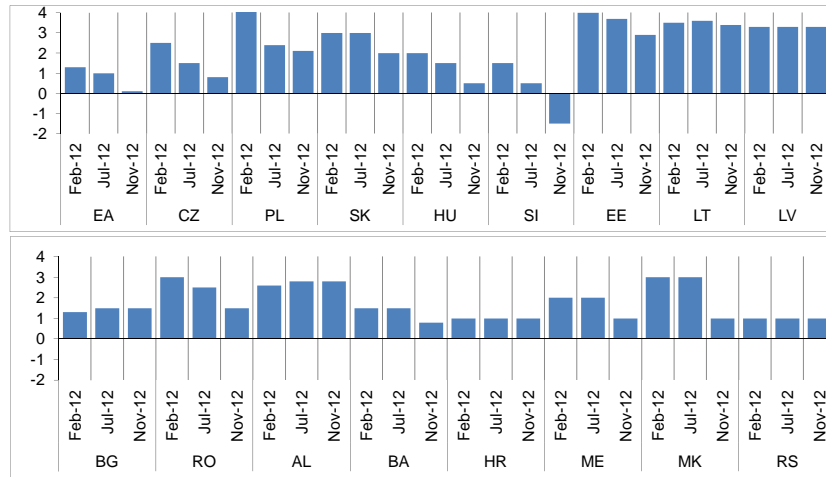
Revisions of wiiw forecasts (February 2012, July 2012, November 2012)



Source: wiiw and European Commission (for EA, euro area).

GDP growth, 2013

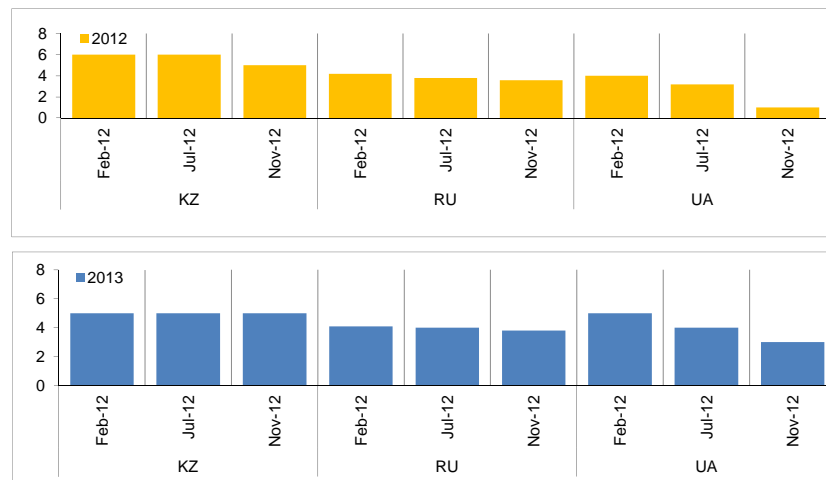
Revisions of wiiw forecasts (February 2012, July 2012, November 2012)



Source: wiiw and European Commission (for EA).

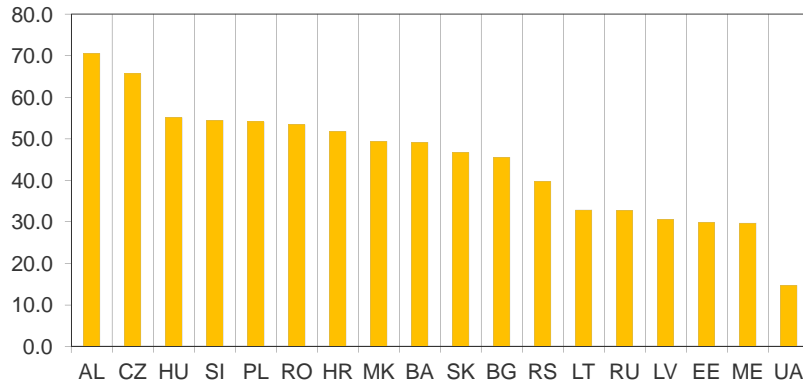
GDP growth: wiiw forecasts for 2012-2013

Revisions of wiiw forecasts (February 2012, July 2012, November 2012)



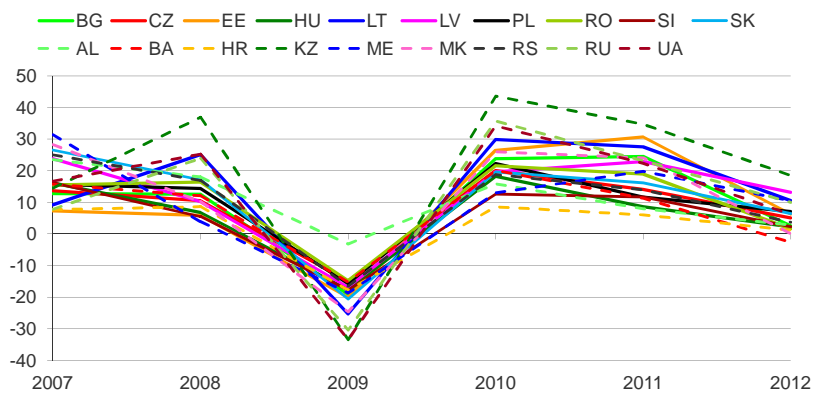
Source: wiiw.

Exports of goods to the euro area in % of total exports, 2011



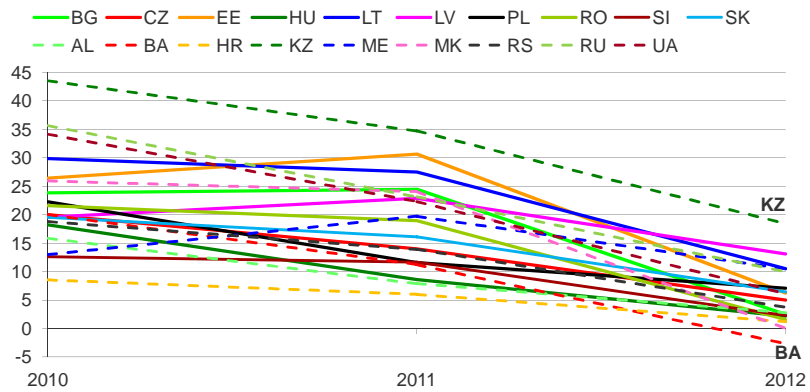
Source: wiiw Database incorporating national and Comext.

Exports of goods and services change in % against preceding year, euro based



Source: wiiw Database incorporating national and Eurostat statistics, 2012: wiiw forecast.

Exports of goods and services change in % against preceding year, euro based

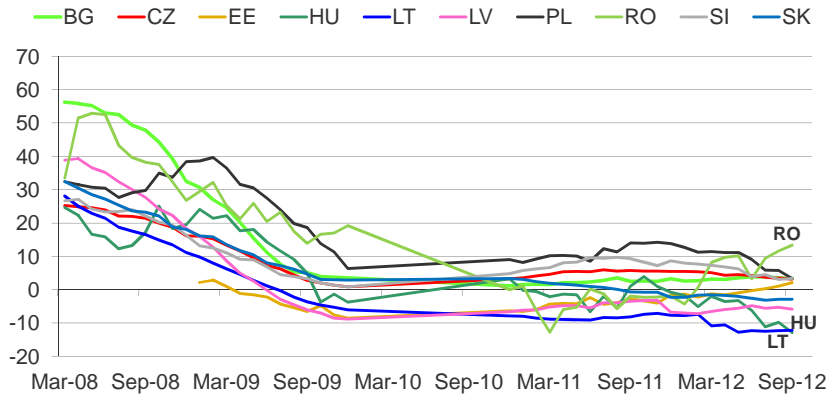


Source: wiiw Database incorporating national and Eurostat statistics, 2012: wiiw forecast.

Private consumption and investment

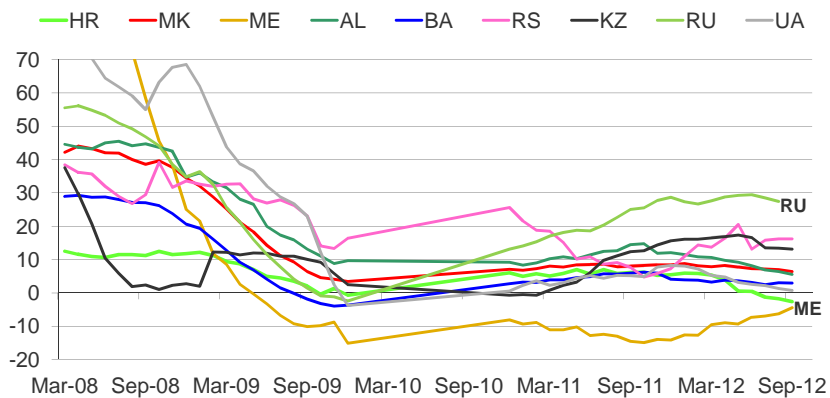
- Generally weak: great uncertainties in the future
- More dynamic in the Baltics and in UA: rising employment and wages (but base effects play a role too)
- 'Credit crunch': balance sheet reduction by western banks
- SI: banking crisis (burst of the real estate bubble)
- CZ, PL: weak credit demand
- But: increasing lending activity in RU und KZ

Bank loans to non-financial private sector
change in % against preceding year (nominal)



Source: National Bank of respective country, wiiw calculations.

Bank loans to non-financial private sector
change in % against preceding year (nominal)



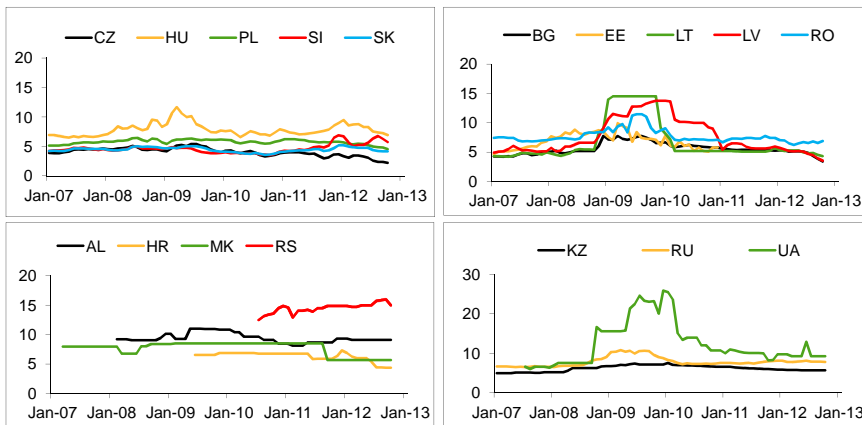
Source: National Bank of respective country, wiiw calculations.

Role of fiscal policy

- HU, CZ, SI, SK, PL, Western Balkans: budget consolidation
 - Public debt generally lower than in Western Europe, but: high (re-)financing costs!
 - PL, AL: legal limit on public debt
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- Baltics, RU, KZ: hardly any budget consolidation
 - BG, RO, UA: loosening of fiscal policy ahead of elections

Yields on long-term government bonds

% p.a.



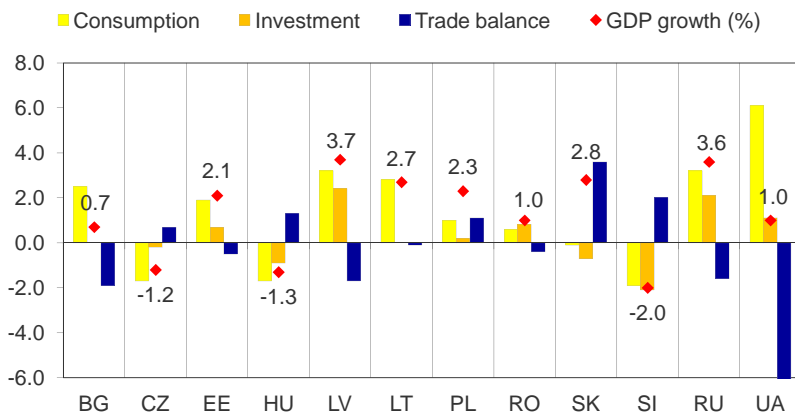
Source: Eurostat, National Banks.

GDP growth, wiiw forecast for 2012-2014

	2012	2013	2014		2012	2013	2014
Kazakhstan	5.0	5.0	6.0	Macedonia	-0.6	1.0	1.7
Latvia	3.7	3.3	3.8	Bosnia-Herzegovina	-0.7	0.8	2.0
Russia	3.6	3.8	4.2	Montenegro	-1.0	1.0	2.0
Slovakia	2.8	2.0	3.0	Czech Republic	-1.2	0.8	2.0
Lithuania	2.7	3.4	4.0	Hungary	-1.3	0.5	2.0
Poland	2.3	2.1	2.6	Serbia	-1.5	1.0	2.0
Estonia	2.1	2.9	3.9	Croatia	-1.8	1.0	2.0
Albania	1.5	2.8	3.3	Slovenia	-2.0	-1.5	0.5
Romania	1.0	1.5	3.0				
Ukraine	1.0	3.0	4.0				
Bulgaria	0.7	1.5	2.0				

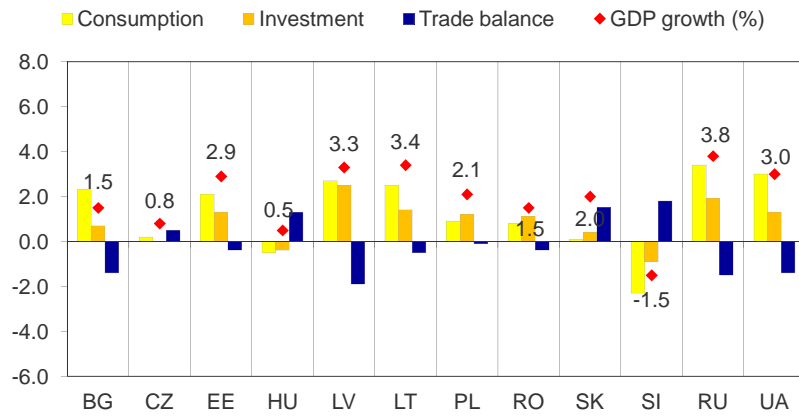
Source: wiiw forecast (November 2012).

GDP growth in 2012 (in %) and contribution of individual demand components



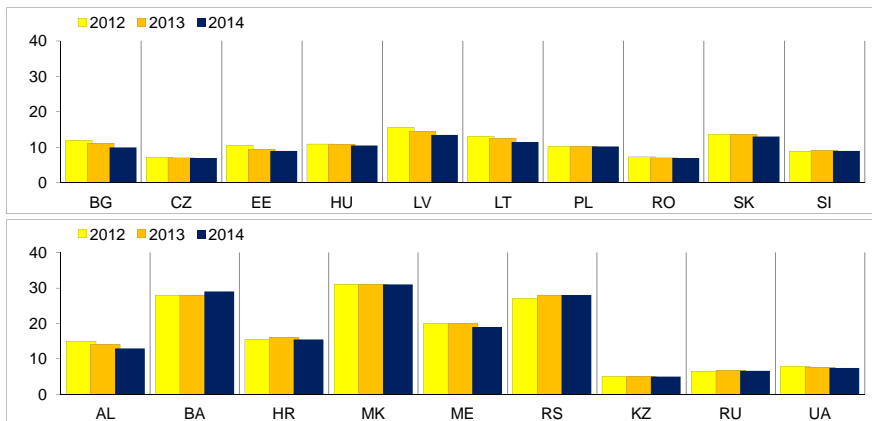
Source: wiiw forecast (November 2012).

GDP growth in 2013 (in %) and contribution of individual demand components



Source: wiiw forecast (November 2012).

Unemployment rates, 2012-2014 LFS, in %



Source: wiiw forecast (November 2012).

Conclusions

- Forecasts for 2012-2013 revised downwards in most cases
- 2012: recession in CZ, HU, SI and Western Balkans (except AL)
- 2013: positive GDP growth everywhere (except SI), mainly thanks to recovery of domestic demand
- 2014: possibly positive growth stimuli from the euro area
- Assumptions: no collapse of the euro area, loosening of fiscal policy and possibly of monetary policy in the euro area
- However: GDP growth generally too low to relieve the labour market