Central Eastern European Economies
in changing international context

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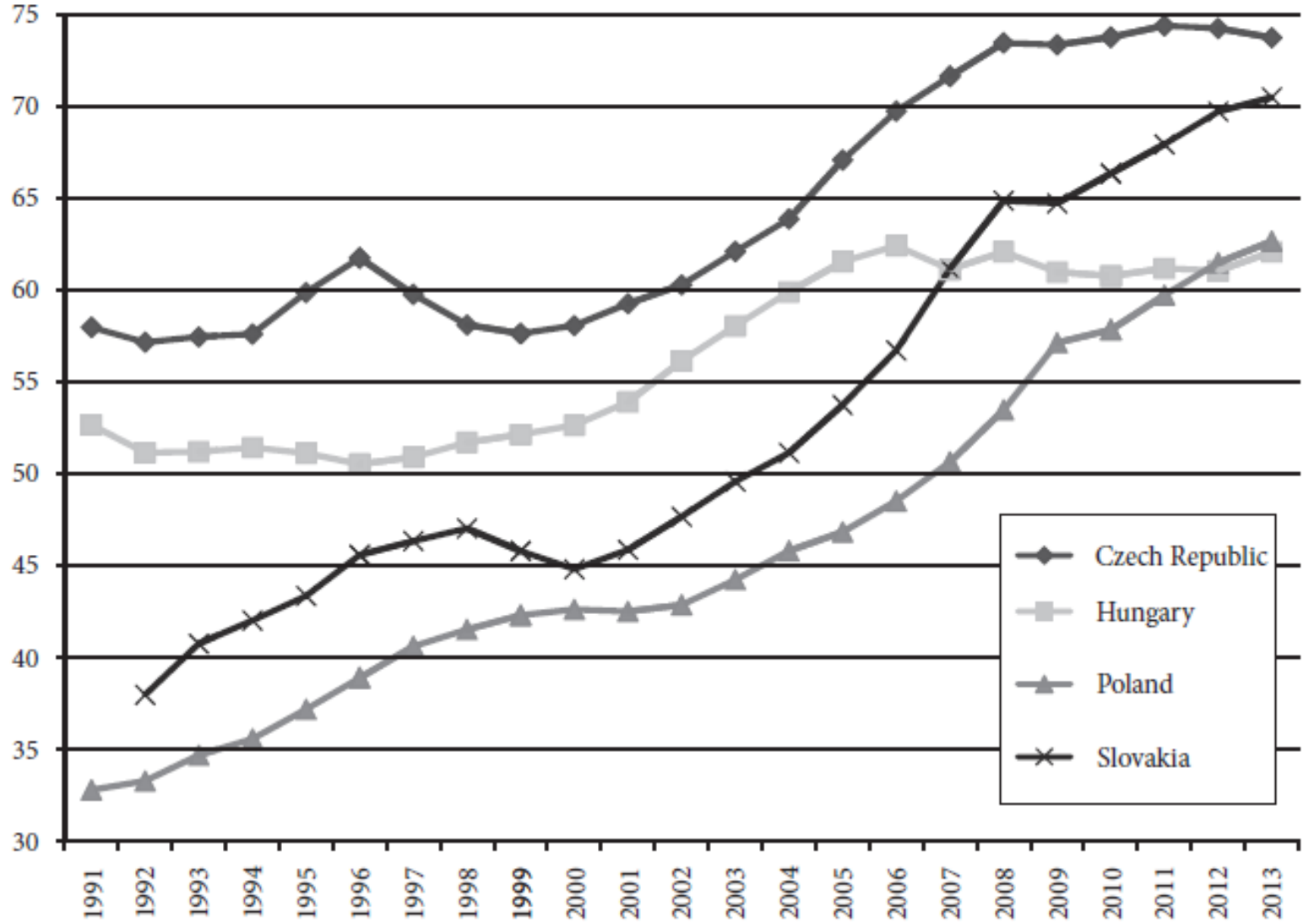
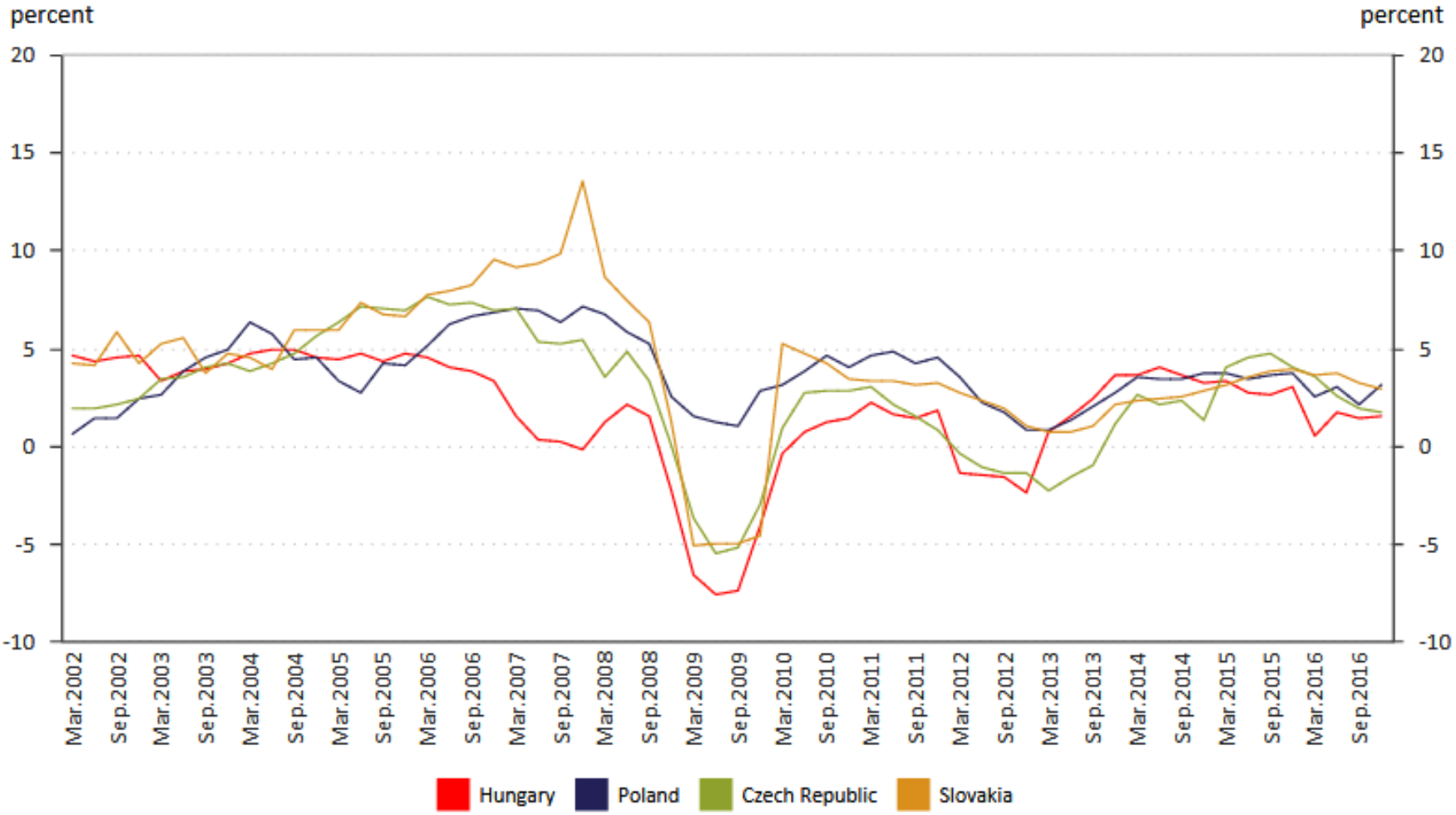
- Paths leading to the present state
- Some important characteristics of Central Europe in face of challenges
- New risks and uncertainties: Brexit, Trump presidency, China slowdown, Eurozone issues, international interest rates and commodity prices, demography

A quarter of century of shocks, challenges and performance

Convergence of GDP per capita (at local prices) to EU15

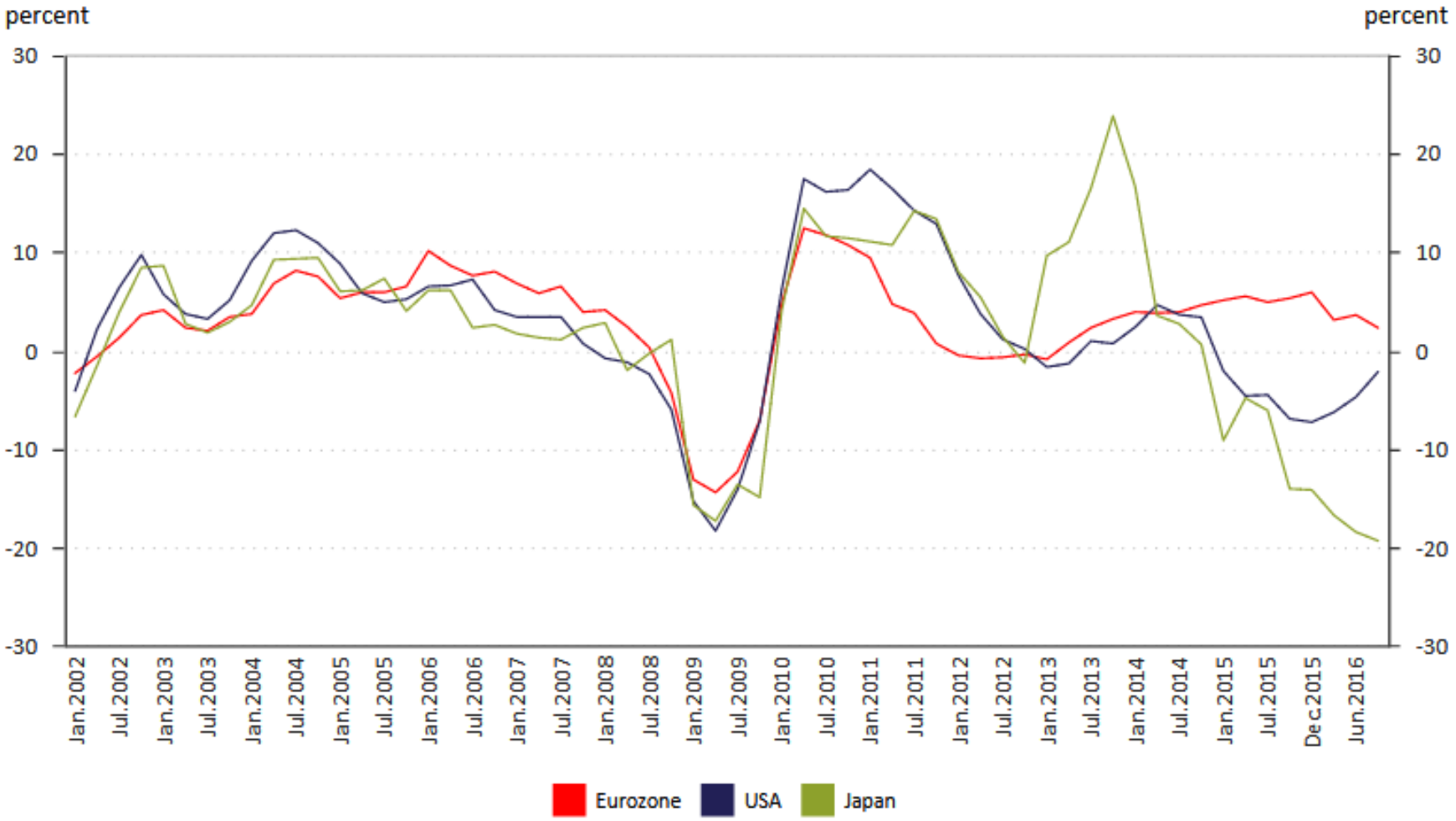


Growth rate in V4 – same environment, different reactions



Source: Eurostat

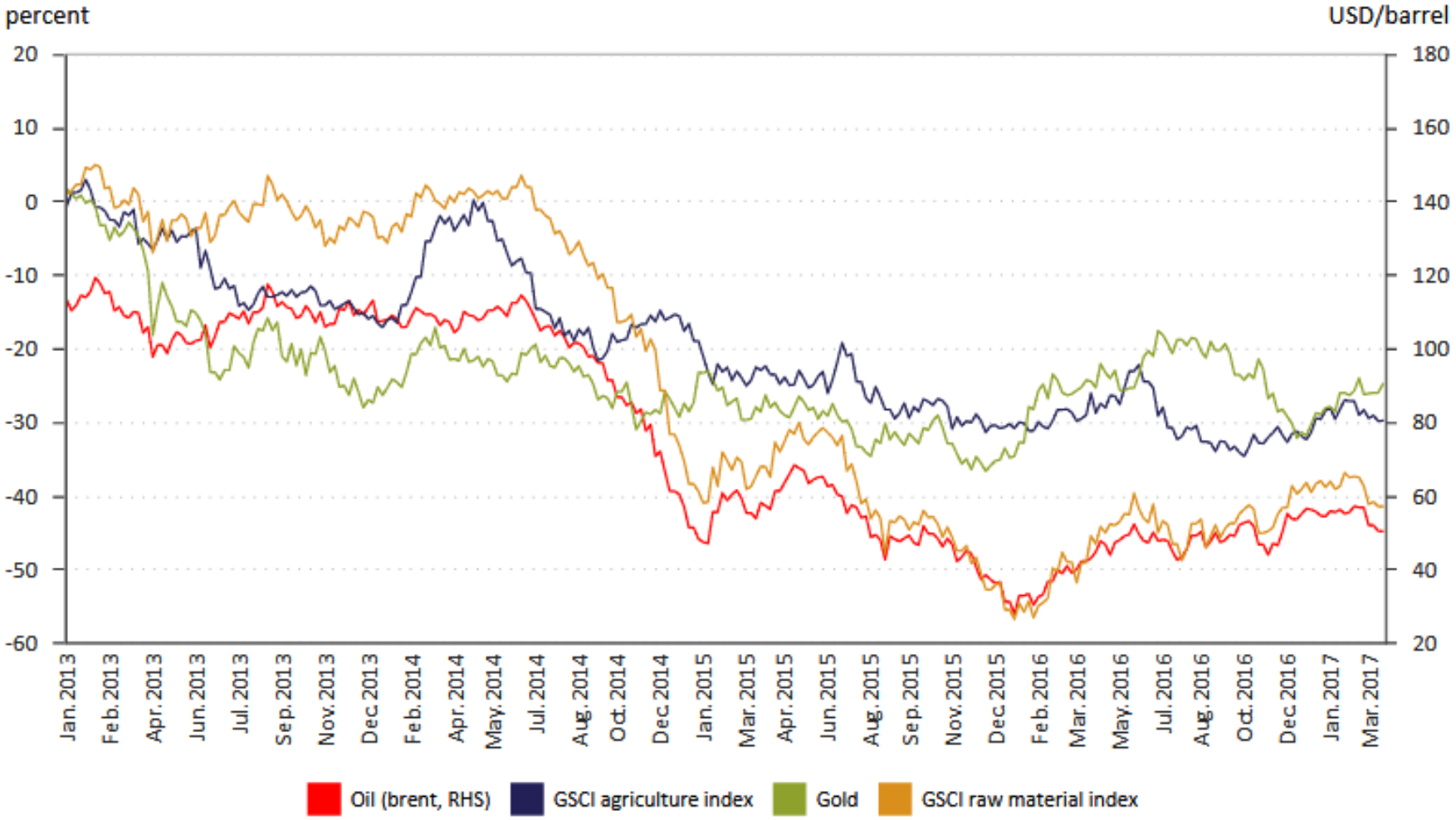
Export dynamics: Europe is doing well



Source: Eurostat.

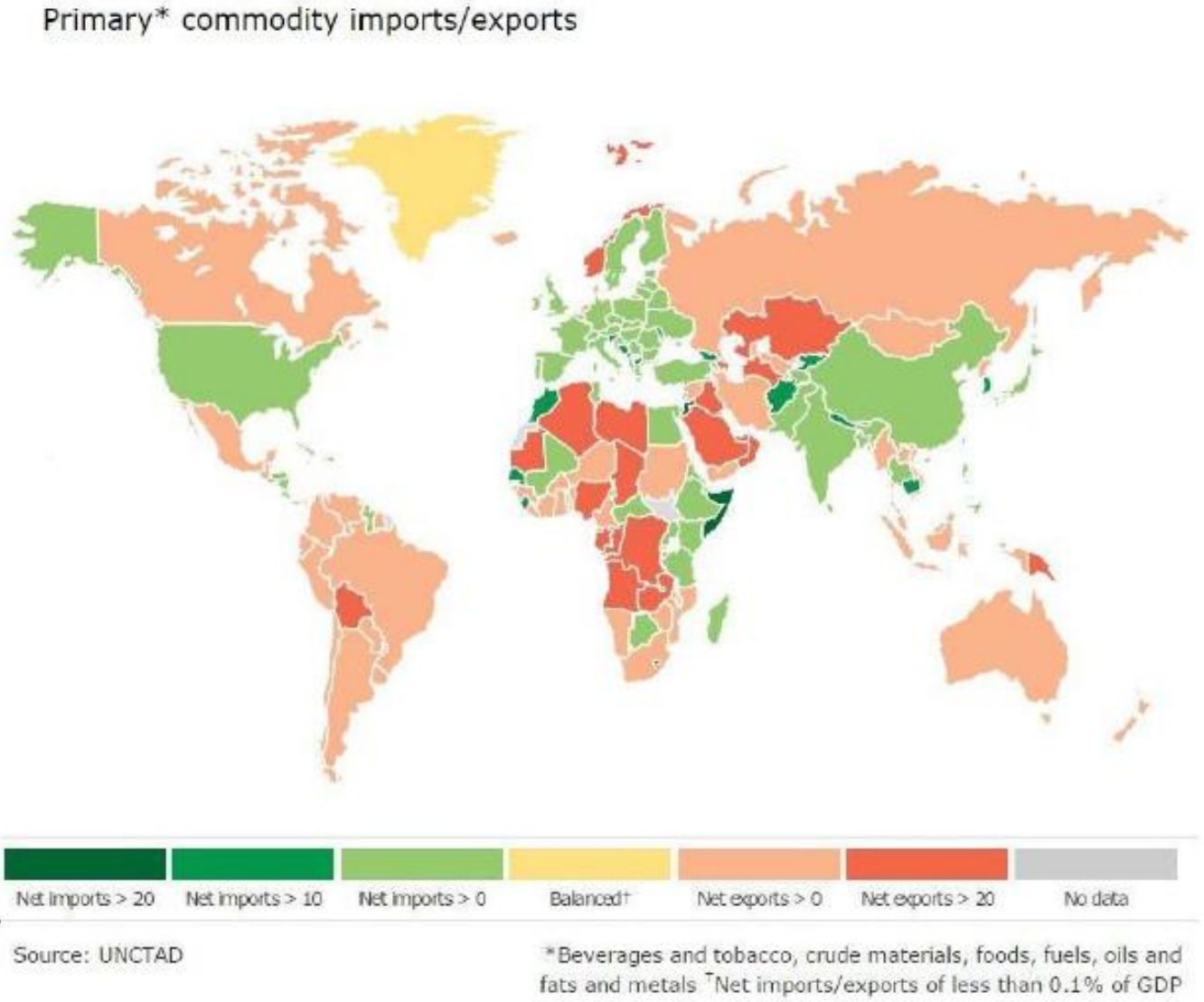
Supportive environment in recent years

Prices changes of commodities

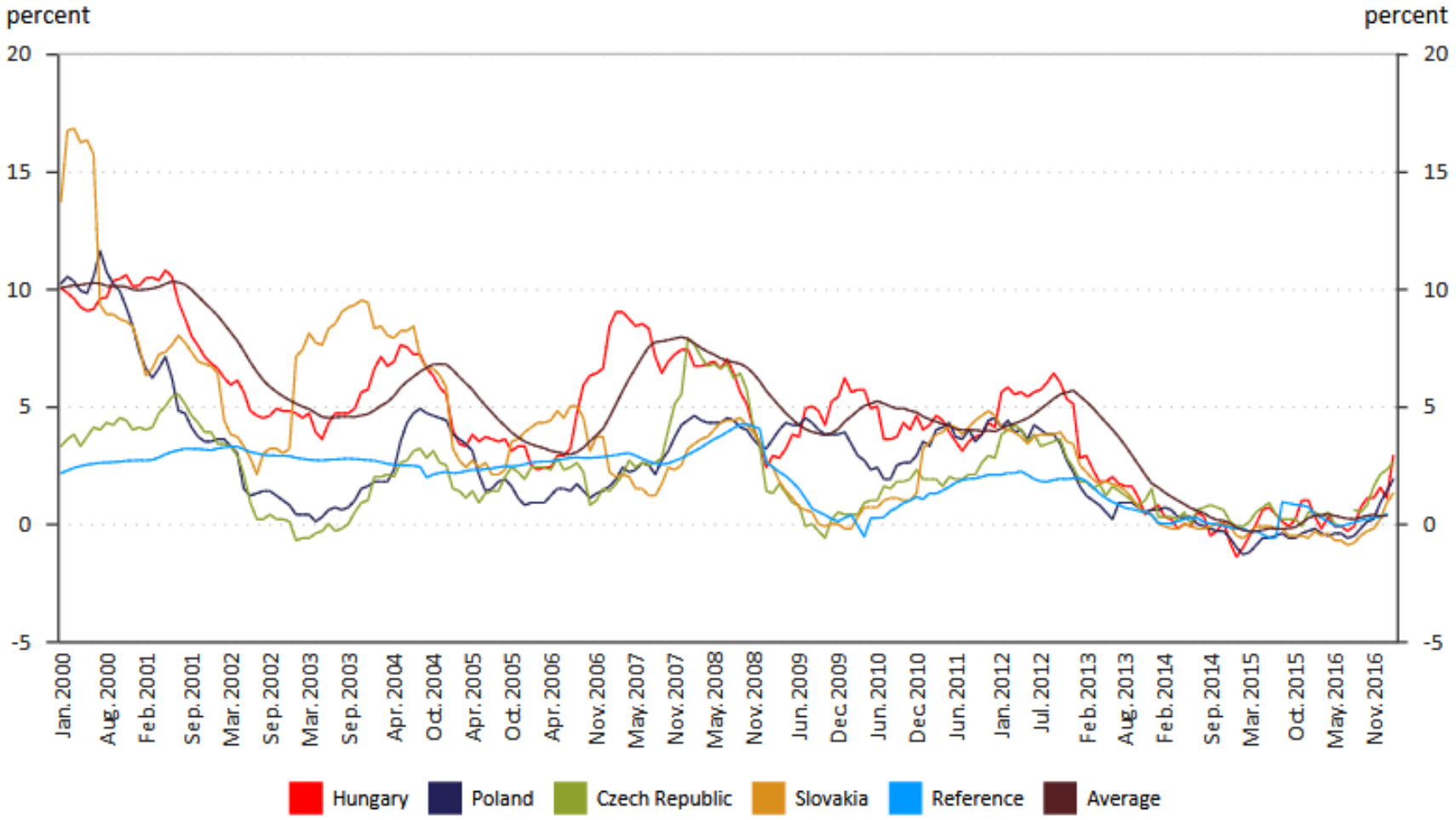


Source: Thomson Reuters Note: cumulative change except the Brent oil where the scale is nominal.

The map of international income transfer in 2014-2015



Harmonized index of consumer prices in the region – and a Maastricht criterion

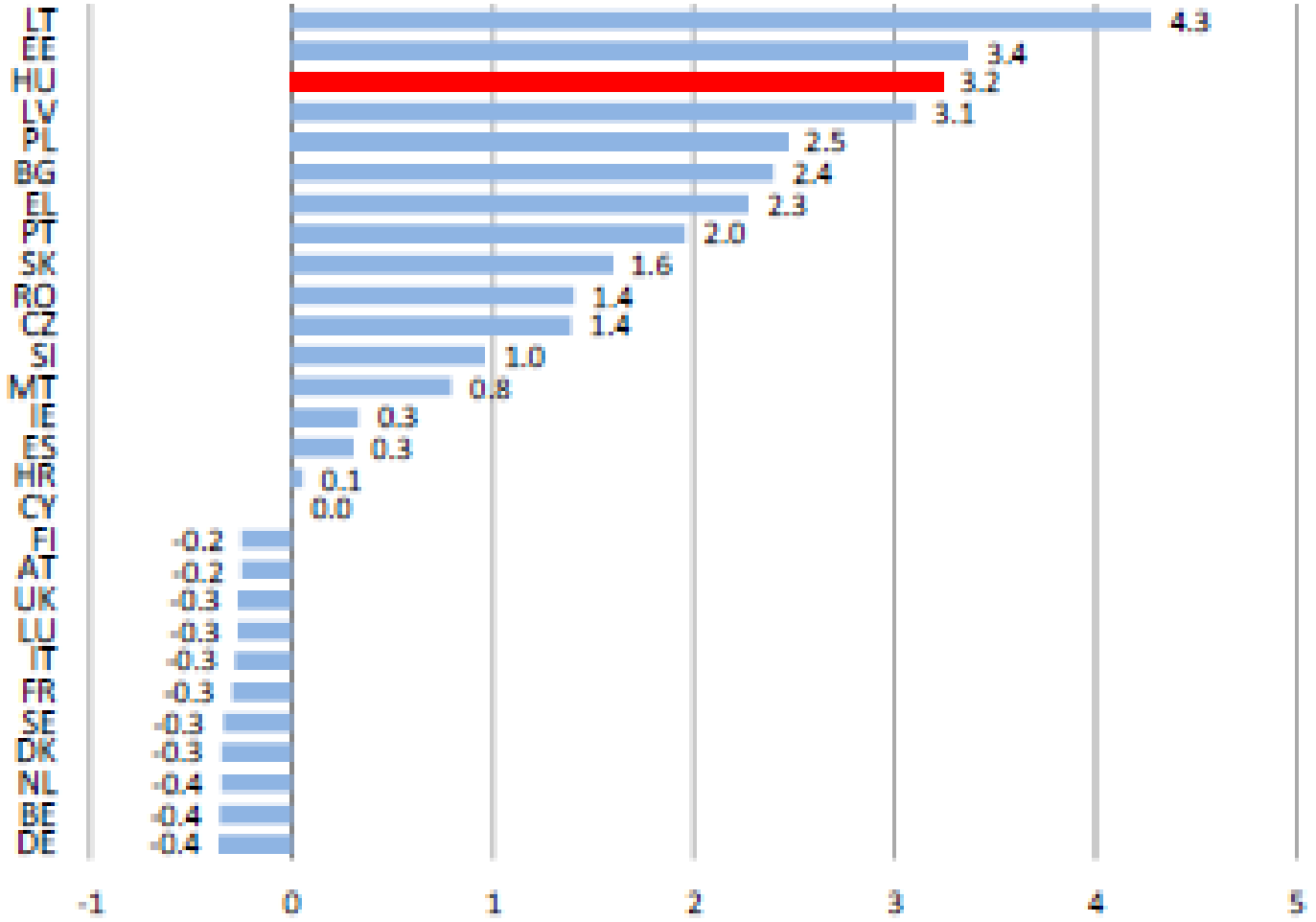


Source: Eurostat

Significant income transfer within EU

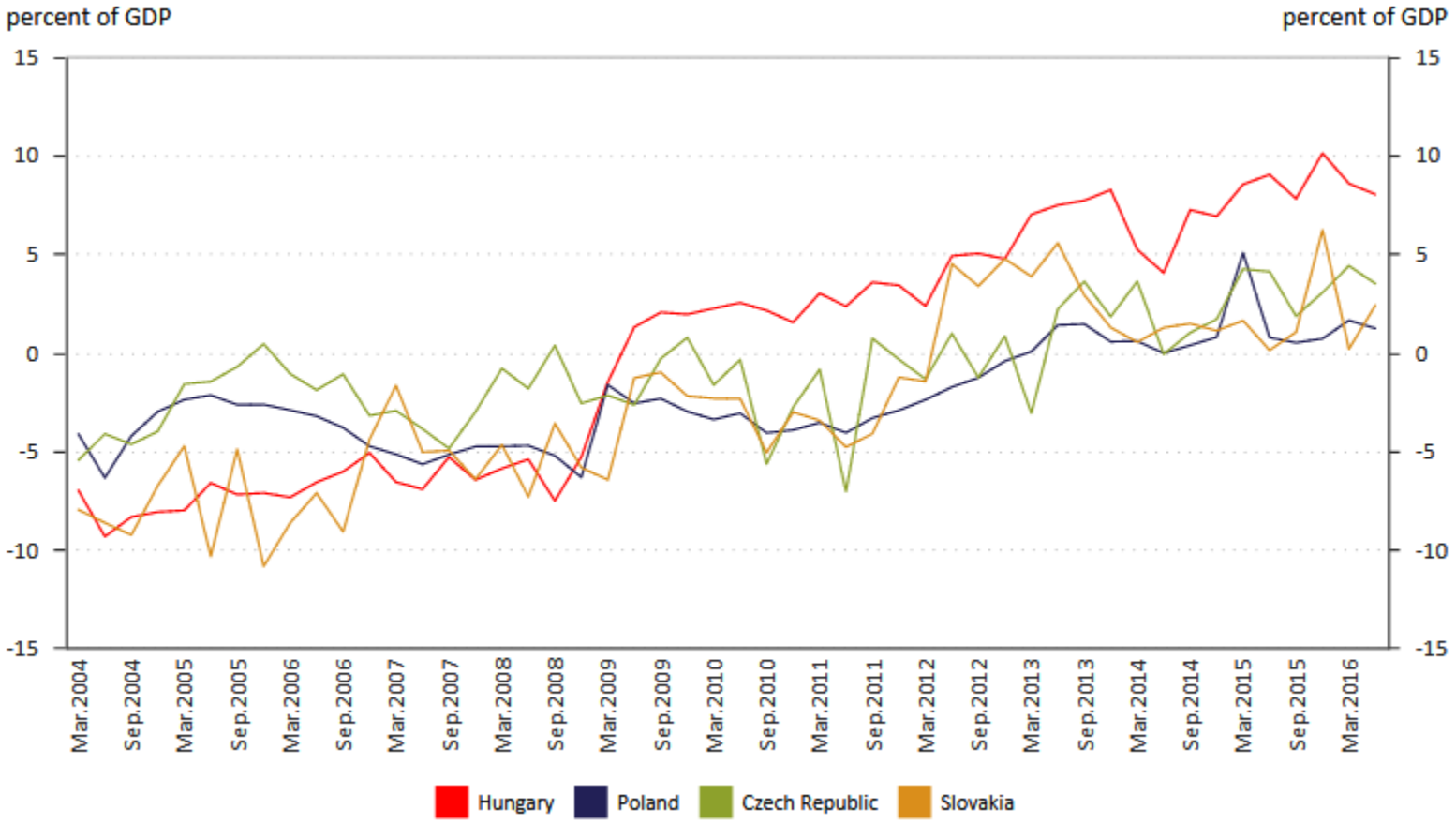
Net contributors and recipients in 2007-2013 financial cycle

In per cent of GDP, annual average



Reduction of external debt levels in V4

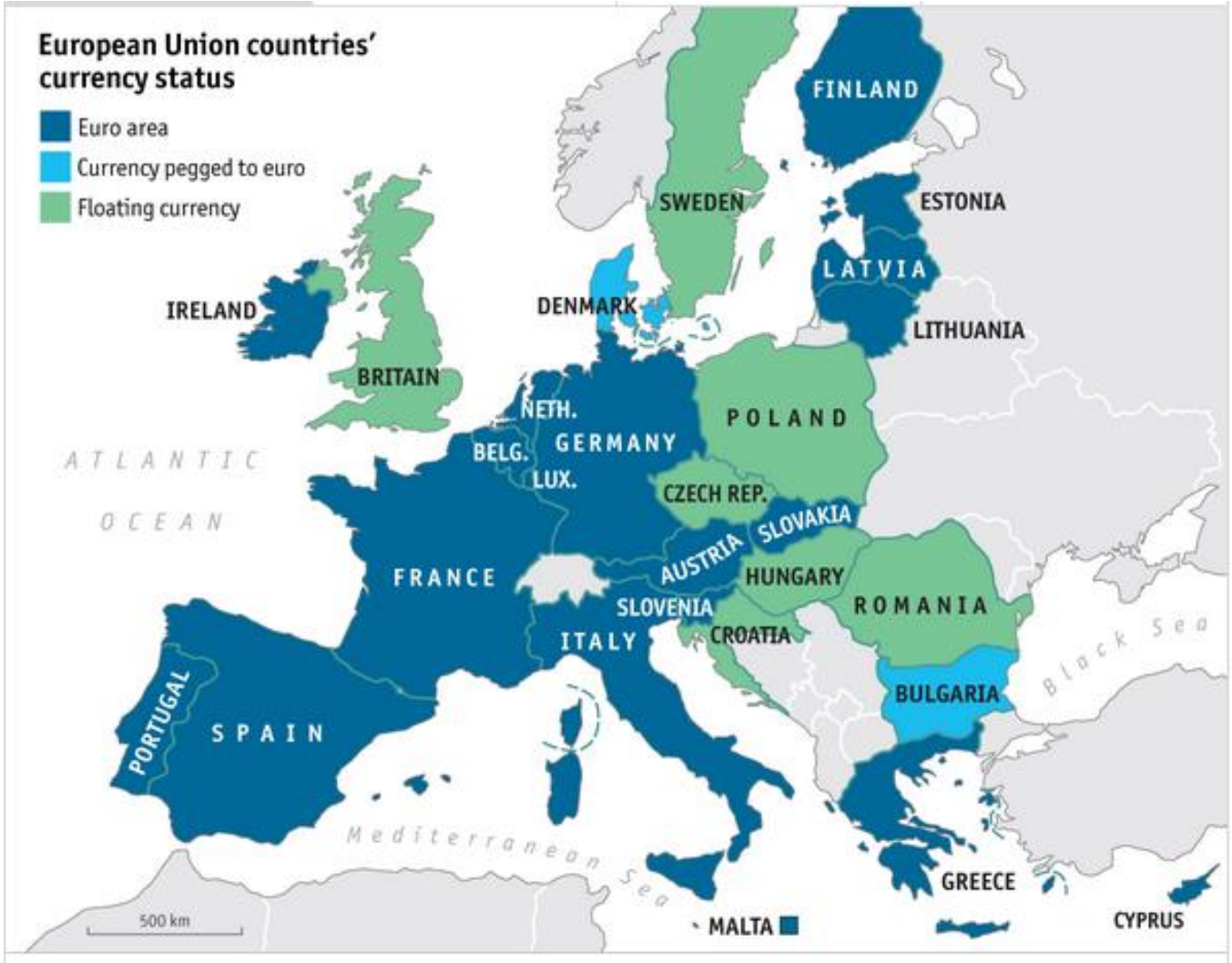
External financing (financial accounts) in % of GDP



Source: MNB.

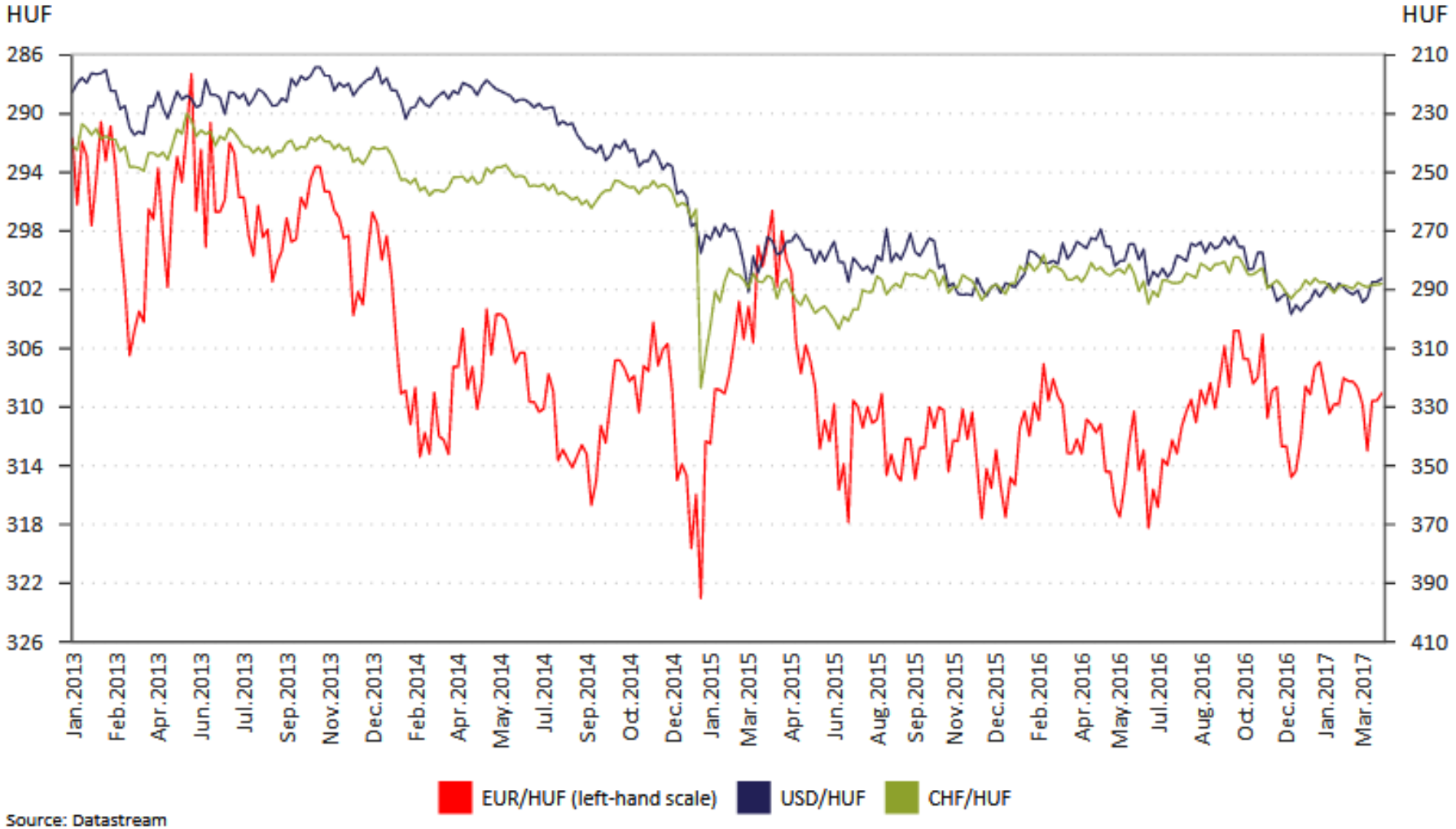
CEE is divided by currency status

5 states in Euro-zone and 6 out



Source: *The Economist*

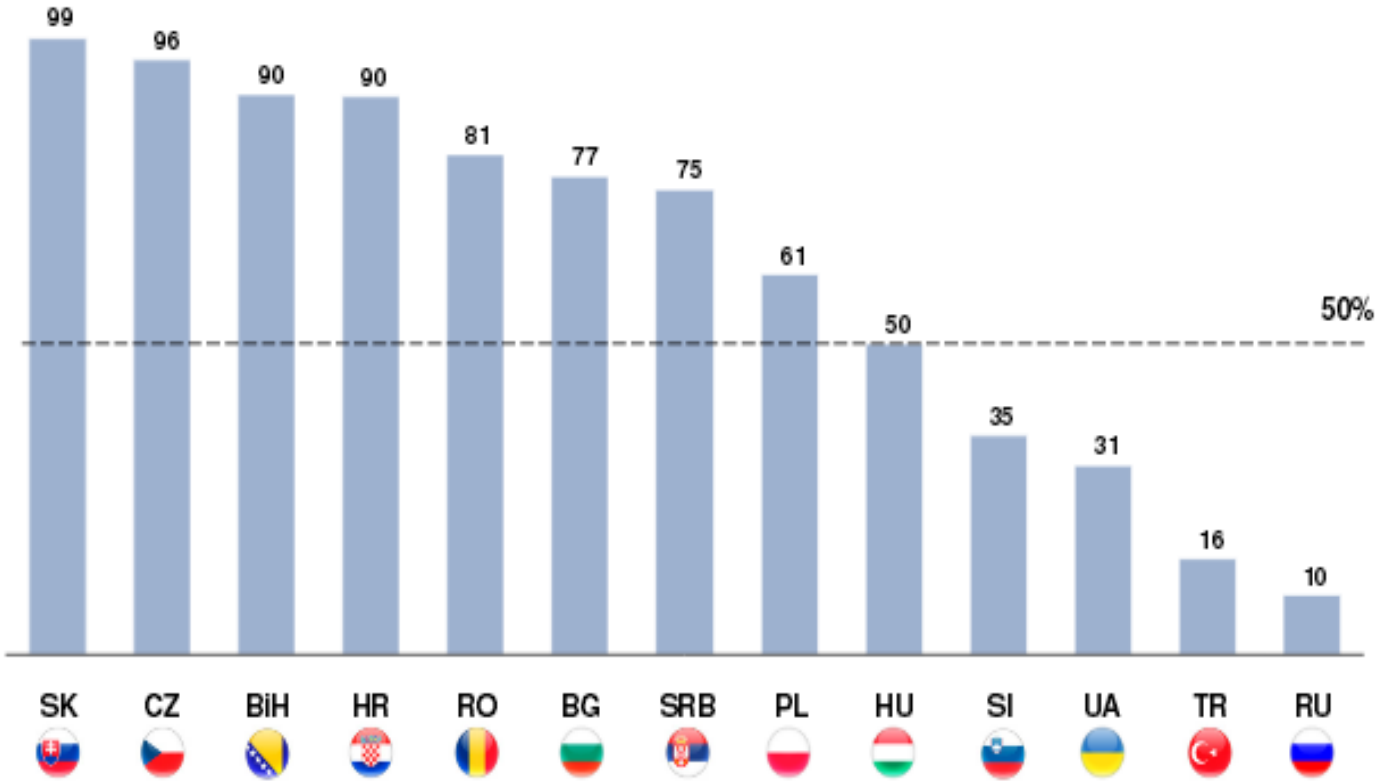
National (floating) currency carries high exchange rate risk



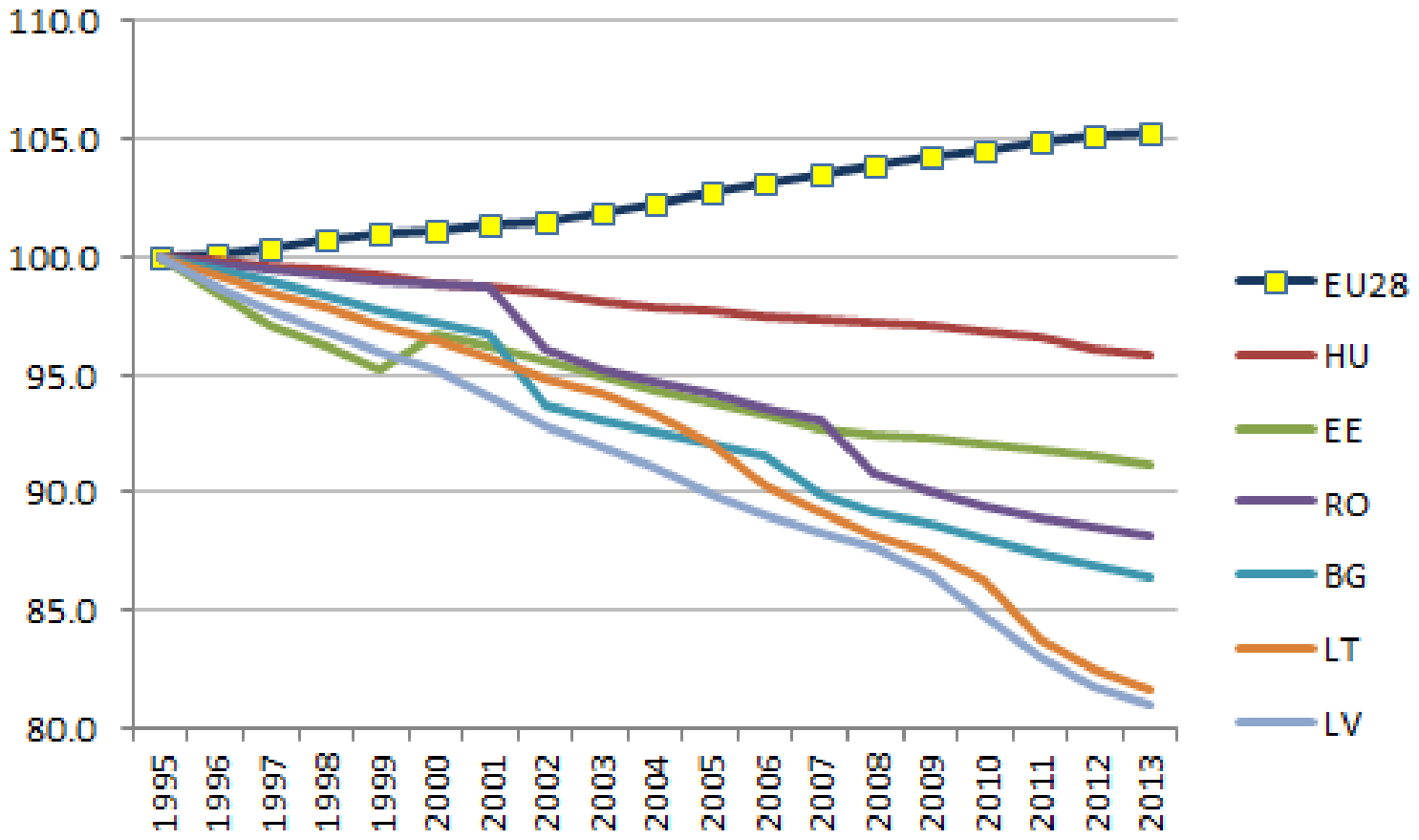
Source: Datastream

Share of foreign ownership in banking

2014, assets of foreign-controlled banks as % of total



Dramatic demographic changes in European periphery



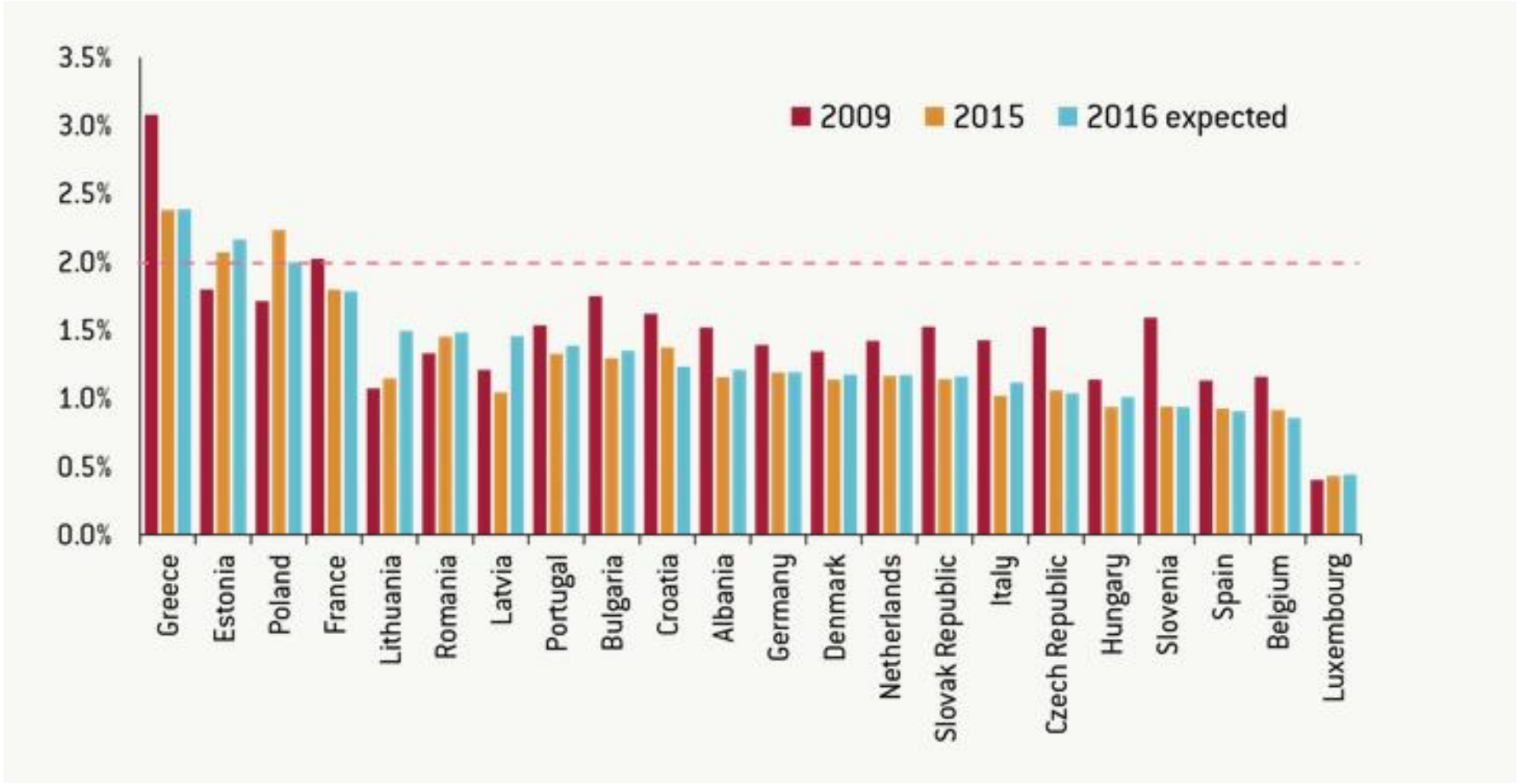
Interesting flows of economic migrants

Number of resident permits, issued by EU member states, 2015

	Total	Of which:							
		Family reasons		Education reasons		Employment reasons		Other reasons	
	#	#	%	#	%	#	%	#	%
TOTAL	**2 605 629**	**753 377**	**28.9%**	**525 635**	**20.2%**	**707 598**	**27.2%**	**619 019**	**23.8%**
Ukraine	499 992	29 276	5.9%	30 356	6.1%	376 037	75.2%	64 323	12.9%
United States	261 760	22 292	8.5%	80 643	30.8%	37 861	14.5%	120 964	46.2%
China	167 118	34 938	20.9%	102 223	61.2%	18 396	11.0%	11 561	6.9%
India	135 514	52 001	38.4%	20 931	15.4%	52 188	38.5%	10 394	7.7%
Syria	104 134	35 373	34.0%	1 524	1.5%	1 090	1.0%	66 147	63.5%
Morocco	96 099	67 739	70.5%	10 572	11.0%	10 929	11.4%	6 859	7.1%
Belarus	82 024	2 995	3.7%	3 892	4.7%	5 903	7.2%	69 234	84.4%
Russia	73 528	27 316	37.2%	14 709	20.0%	13 511	18.4%	17 992	24.5%
Turkey	58 131	29 305	50.4%	13 755	23.7%	4 901	8.4%	10 170	17.5%
Brazil	57 027	17 439	30.6%	24 344	42.7%	7 472	13.1%	7 772	13.6%

Different challenges in defence spending levels

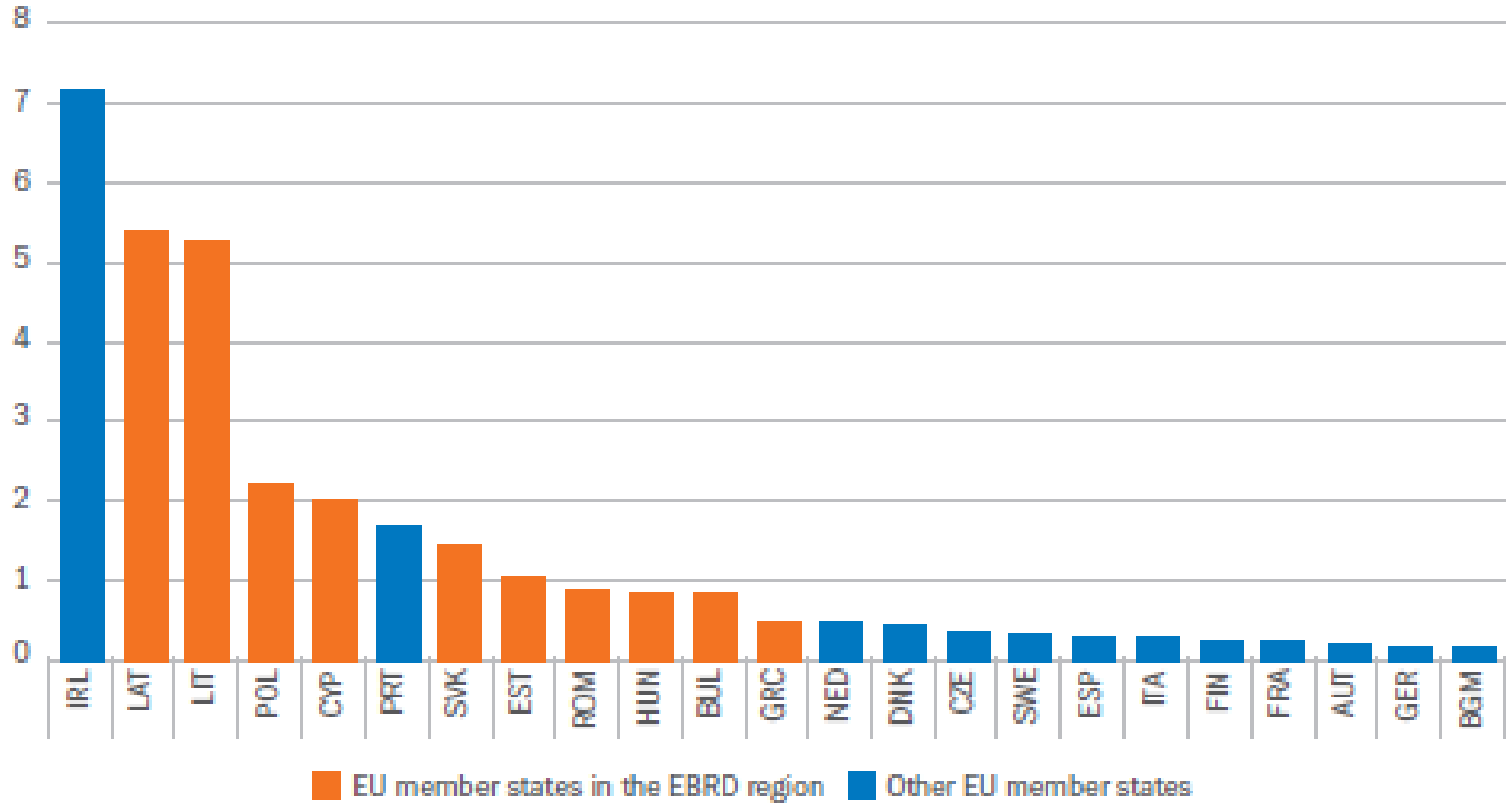
defence spending as per cent of GDP



Emigrants who reside in UK

in per cent of domestic population, 2014

Source: EBRD



Conclusions

- Central Europe has proved to be adaptive – but fatigue to changes and policy reversals also appear

- Economic growth in medium term above EU average (driven by various factors inc. EU funds, wage differentials, incentives)

- Medium/long term challenges: demography, education, socio-economic effects of digitalisation