

**European
Banking
Coordination
(Vienna 2)
Initiative**

Full Forum Meeting Vienna

November 18, 2015

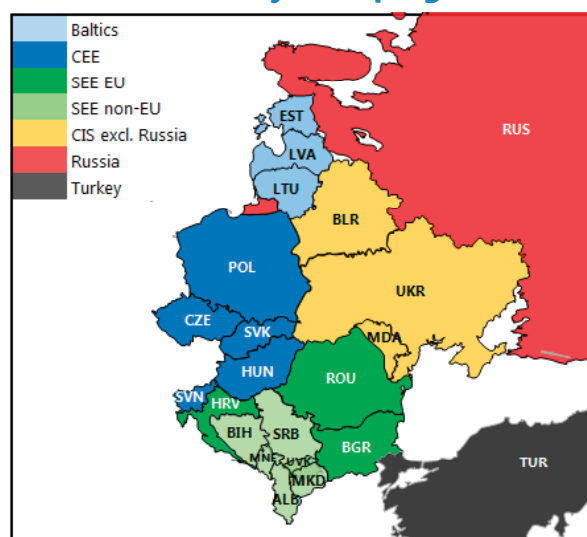
Macroeconomic Developments and Outlook for Central, Eastern and Southeastern Europe (CESEE)

Anna Ilyina (IMF)



Central, Eastern and Southeastern Europe (CESEE)

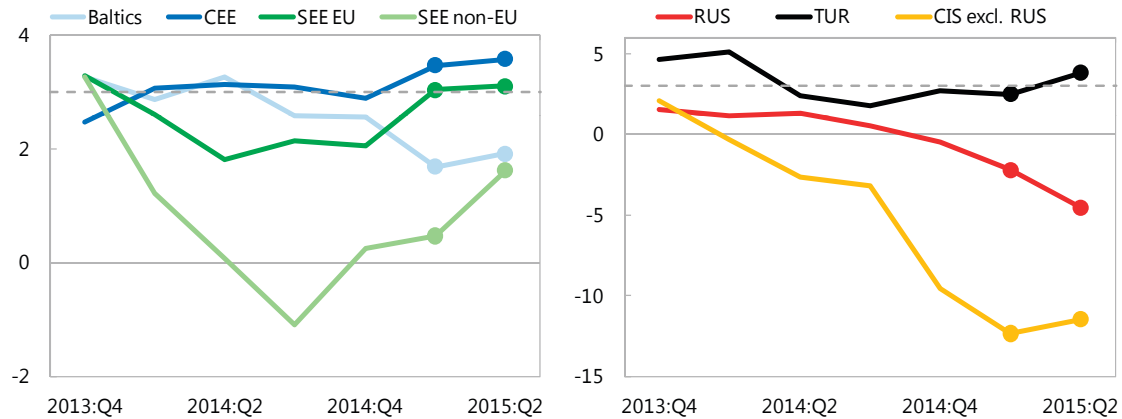
Country Groupings



Note: Aggregates are calculated using weights based on the 2014 GDP in PPP U.S. dollars. The boundaries, colors, denominations, and any other information shown on the maps do not imply, on the part of the International Monetary Fund, any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries. In the report, statistical data on Crimea and the City of Sevastopol are included as part of the data for the Russian Federation.

In 2015:H1, solid **growth** in most CESEE economies, except the CIS,...

CESEE: Quarterly GDP Growth, 2013-15 (Percent, year-on-year)

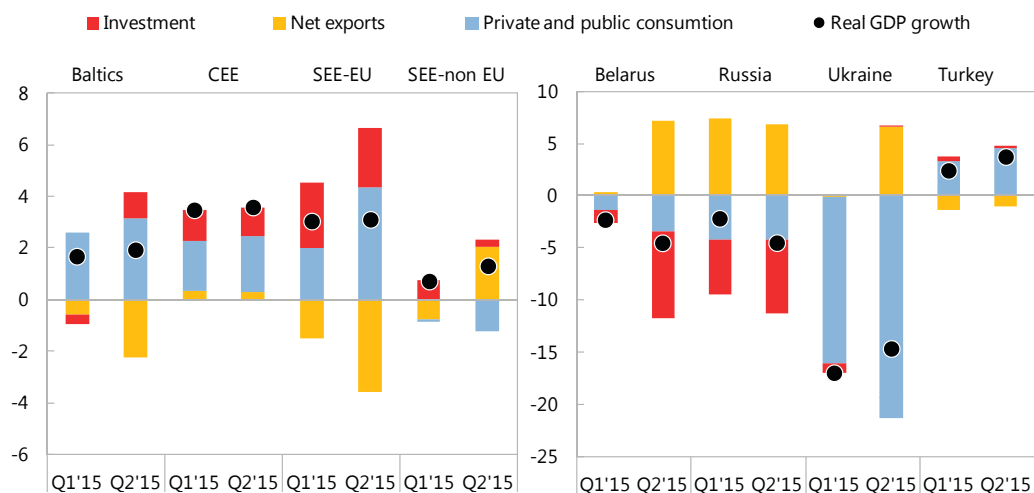


Sources: Haver Analytics; and IMF staff calculations.

Note: CEE: Central and Eastern Europe; EA: Euro Area; SEE: Southeastern Europe.

...was largely driven by domestic demand, incl. stronger investment,...

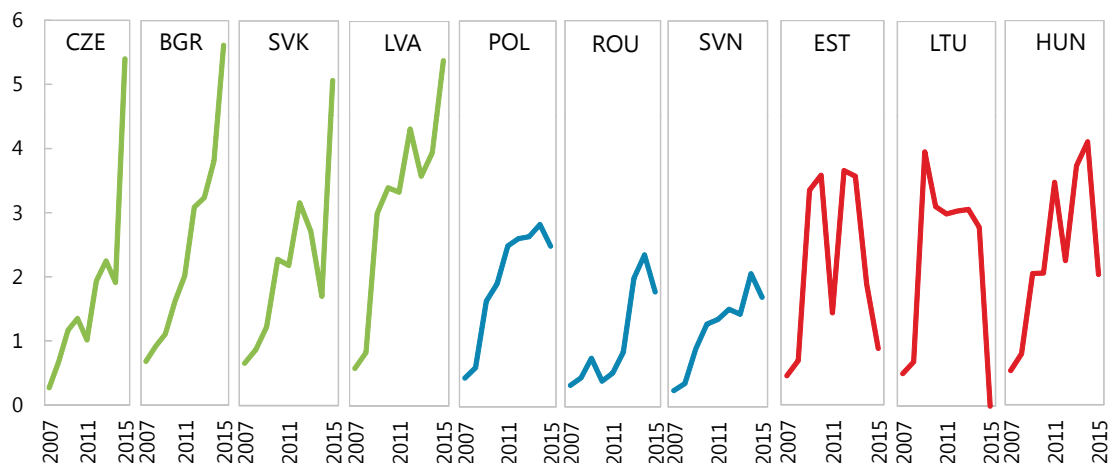
CESEE: Quarterly GDP Growth, 2015 (Percent, year-on-year)



Sources: Haver Analytics; IMF, World Economic Outlook database; and IMF staff calculations.

...boosted, in some cases, by
increased utilization of EU funds.

CESEE: Payouts from 2007-13 EU Structural and Cohesion Funds' Program (Percent of recipient country's GDP)

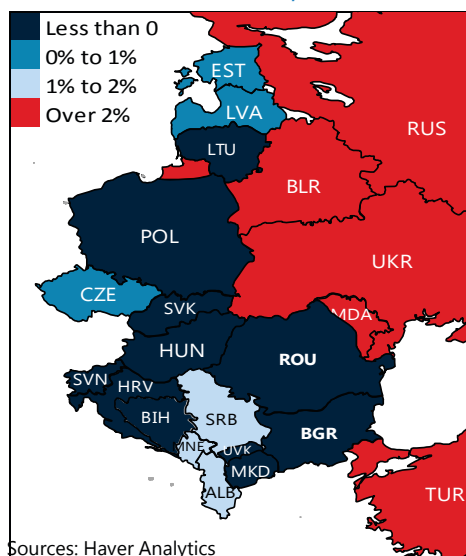


Source: European Commission and IMF staff estimates.

Note: 2015 data is until June and is divided by half of projected 2015 GDP.

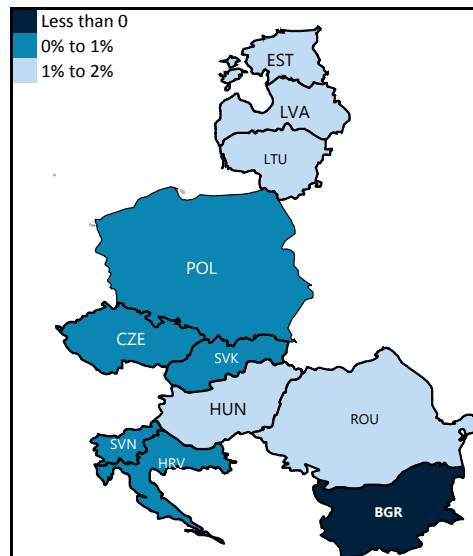
Inflation trends remain divergent, with very low inflation in the Baltics, CEE and SEE

CESEE: Average Headline Inflation in 2015 (12-month, percent)



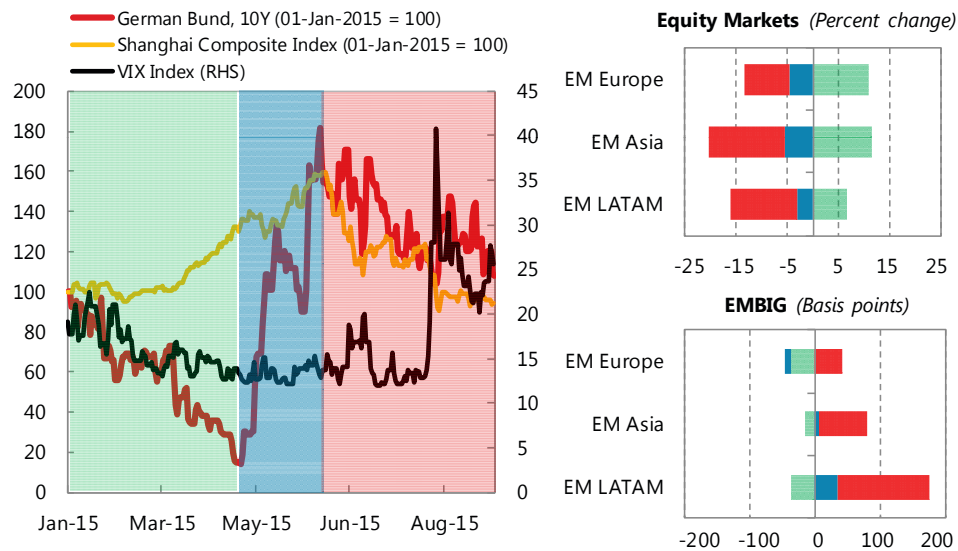
Sources: Haver Analytics

CESEE: Average Core Inflation in 2015 (12-month, percent)



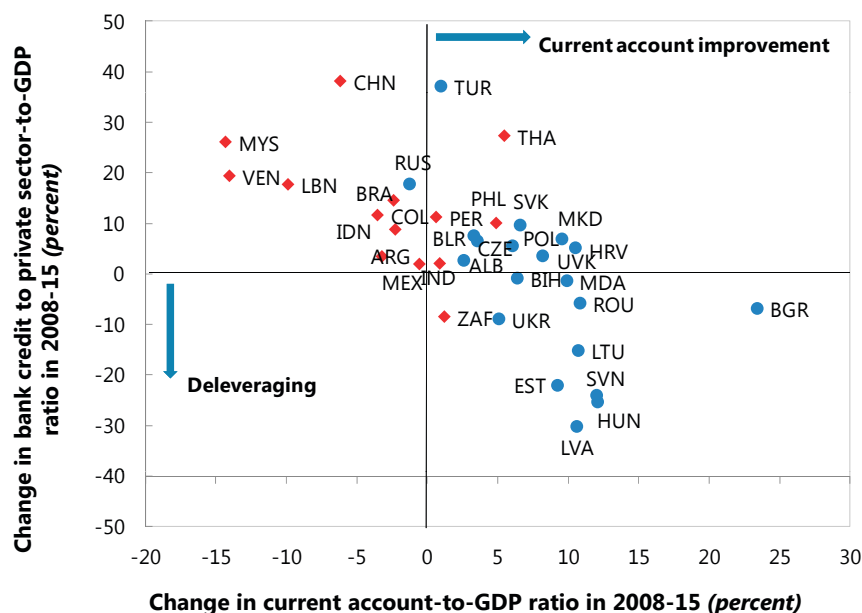
CESEE financial markets generally performed better than other EMs through summer turbulence,...

■ 31-Dec-14 to 30-Apr-15 ■ 01-May-15 to 10-Jun-15 ■ 10-Jun-15 to 30-Sep-15



Source: Bloomberg and Fund staff estimates.

...as many CESEE are ahead of other EMs in the credit cycle and private deleveraging

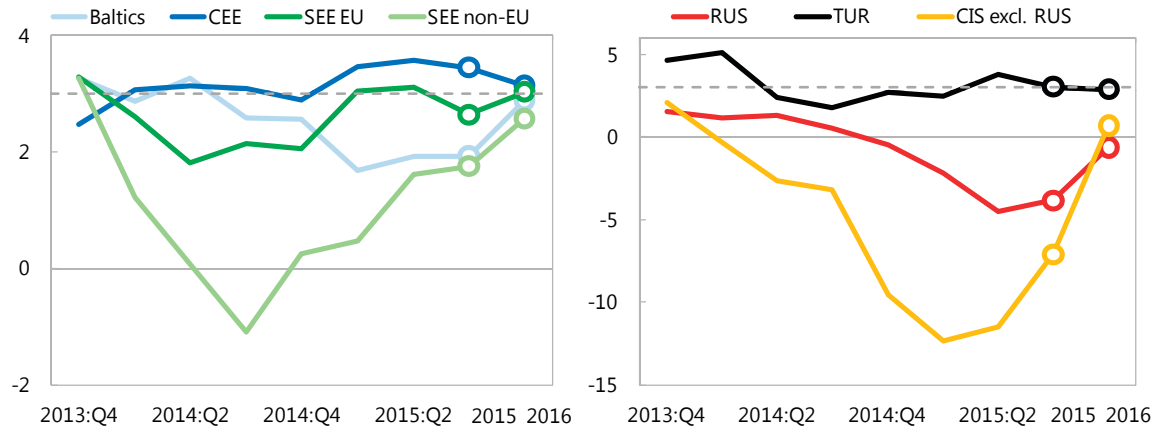


Source: WEO and Fund staff estimates.

Outlook: robust growth outside the CIS and more growth convergence ahead

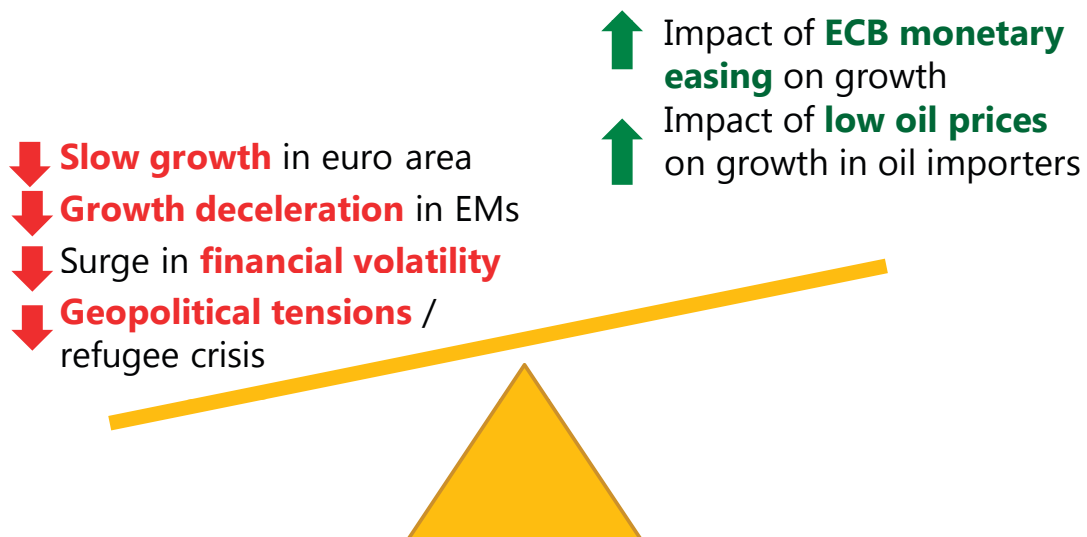
CESEE: GDP Growth, 2013-16

(Percent, year-on-year)



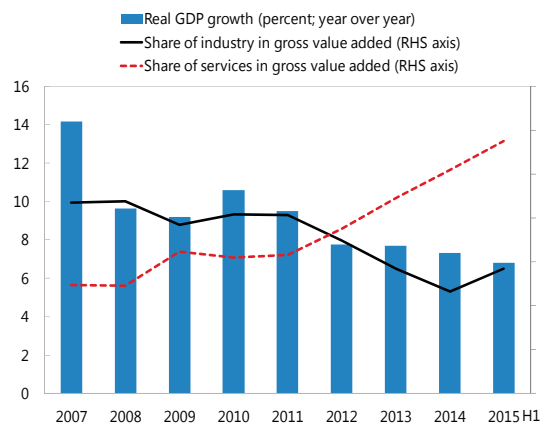
Risks are tilted to the downside

Balance of risks

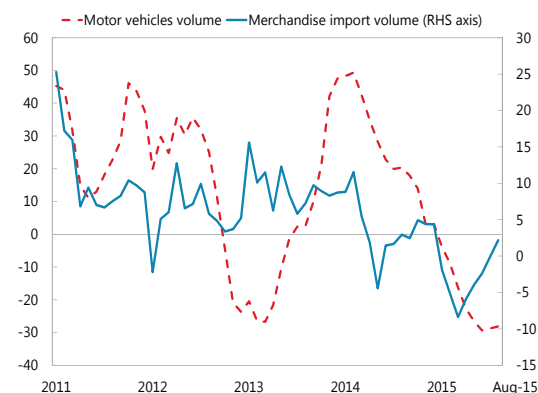


New Risk: China's rebalancing, growth and imports

China: Real GDP Growth and Value Added Structure (Percent)



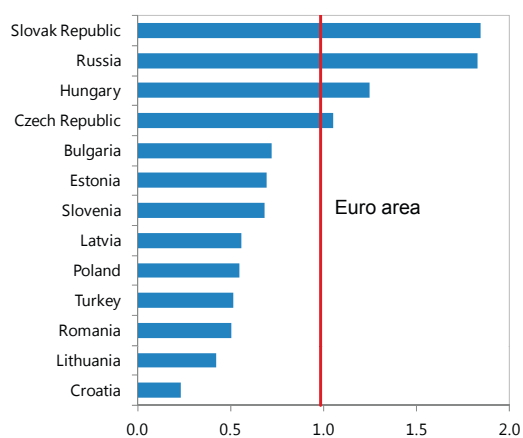
China: Merchandise Imports Volume (3-month average, year-on-year, percent)



Source: National Bureau of Statistics of China; and IMF staff calculations.

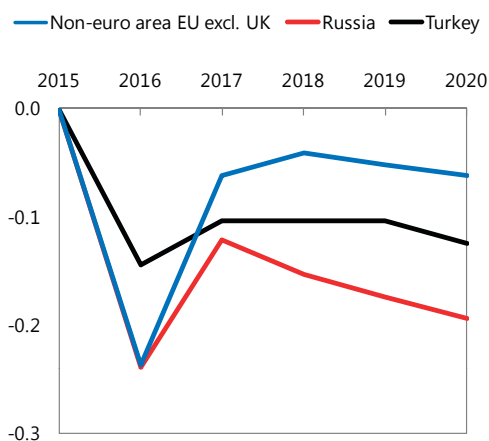
New Risk: China/broader EM growth slowdown

Domestic Value-Added in Chinese Final Demand, 2011 (Percent of GDP of exporting country)



Source: OECD-WTO Trade in Value Added (TIVA) dataset.

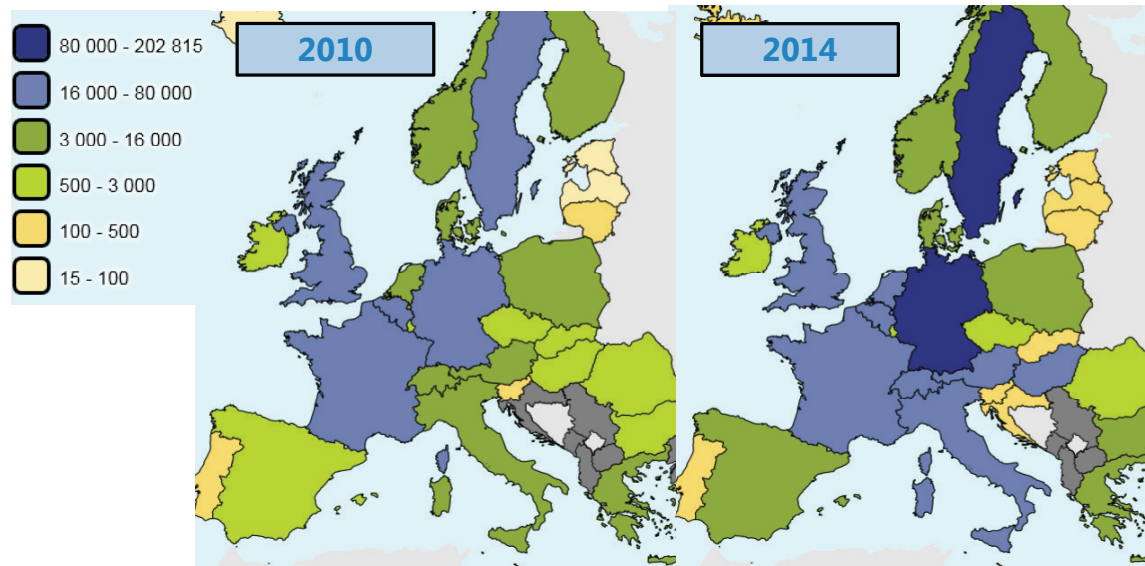
Model Simulation of China Slowdown (Deviations of GDP growth from October WEO forecasts, percentage points)



Source: IMF's Research Department's Flexible System of Global Models. Note: Simulation assumes 1.5 percentage point lower growth (on average) over the next five years, 10 percent yuan depreciation vis-à-vis USD, and 100 basis point increase in Chinese risk premium.

New Risk: Refugee crisis

Number of Asylum Applicants



Source: Eurostat Asylum and Managed Migration Statistics illustrated.

Thank you

*This presentation is based on the
Fall 2015 IMF's CESEE Regional Economic Issues Report
<http://www.imf.org/external/pubs/ft/reo/2015/eur/eng/pdf/rei1115.pdf>