Trade shocks, growth and resilience in CESEE countries

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Export Openness in the World Economy

Note: EU15 small open includes Austria, Belgium, Denmark, Finland, Netherlands and Sweden; SEA small open includes Cambodia, Korea, Malaysia and Vietnam. EU11 includes Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. Unweighted group averages.

Source: World Bank
Stocks of Inward and Outward FDI in the EU

Source: UNCTAD
Note: EU15 small open includes Austria, Belgium, Denmark, Finland Netherlands, and Sweden; EU11 includes Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. Unweighted group averages
Value added produced by foreign-controlled enterprises

Note: EU15 small open includes Austria, Belgium, Denmark, Finland Netherlands, and Sweden; EU11 includes Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. Unweighted group averages.

Source: Eurostat
Regional differences in inward FDI in EU11 countries

Source: statistics of the national central bank and/or statistical institute of the EU11 countries concerned.
Changes in localized population density in Europe, 2000-2014

Response to a recessionary shock in CESEE countries

Source: Economic Commission, DG ECFIN staff calculations using Quest model
Note: QUEST models calibrated to EU11 and rest of EU countries. The model used for EU11 (Foreign Own.) assumes a high share of foreign ownership of productive capacities in EU11 countries. Models assume flexible exchange rate regimes.
Note: EU15 small open includes Austria, Belgium, Denmark, Finland, Netherlands, and Sweden.
EU11 includes Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. Unweighted group averages.

Source: AMECO
To increase social and political resilience of CESEE countries within a EU single market

Pre-market
Accumulation of human capital
- Equal opportunity vs. high private return
- Equal opportunity vs. cross-border mobility
Supporting balanced regional development
- Structural Funds can play a key role

In-market
Growth potential vs resilience
- Flexibility vs protection
- Open to inward FDI vs more balanced FDI position

Post-market
Providing adequate income support, with labour & capital mobility, capital imports and weaker institutions
- Higher volatility, faster relocation
- Labour mobility with major impact on fiscal capacity

Inclusive growth
Endowments (Tangibles & Intangibles)
Efficient product and capital markets
Equal pay for equal productivity
Growth-friendly tax systems
Empowering benefit systems