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The economic situation in the region of Central and Eastern European countries

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In 2014 a revival in the economies of most countries of East-Central Europe took place. The level of actual GDP has increased in eight economies out of the eleven analysed countries. The highest level of the actual GDP increase in 2014 took place in economies of such countries as: Hungary, Czech Republic and Poland. The increasing tendency of GDP is an outcome of the growing domestic demand, consumption and investments.[1]

An increase of consumption in 2013-2014 is a result of improvement of the labour market situation through reduction of the unemployment level as well as increase of employment and salaries. It is also important to note the inflation which remains at a relatively low level. The increased consumption is visible in Hungary, Romania and the Baltic states, such as Latvia and Estonia. Furthermore, a reasonably fast growth is also shown by capital expenditure but it is characterised by diversity in the region. Dynamic increase of investment is visible in Poland, Slovakia and Hungary owing to implementing a programme for SMEs. On the other hand, low level of investment can be observed in such countries as Estonia, Latvia and Czech Republic. The level of export in the analysed countries is significantly influenced by the limitations imposed by Russia, being a response to the limitations applied by the EU, including in particular those imposed by Poland and Hungary. Adverse conditions in commodity exchange (export) have been alleviated by reducing prices for energy raw materials, owing to which the costs of import were lower, thus enabling to maintain a slight surplus in the current accounts.[2]

The forecasts relating to economic revival in 2015-2016 indicate that in the second half of 2015, the symptoms of acceleration should be visible, but this growth will not be strong. It is expected that, beside Poland, the other Baltic states, including Lithuania and Latvia, will be the fastest developing economies of this region. The stable growth rate similarly to that of 2014, will take place in Czech Republic, Romania and Slovakia. It is expected that the economic growth rate which occurred in 2014 will slow down in Hungary as a result of reduced domestic demand in this country. Nevertheless, the forecasts indicate that the main factor of growth in East-Central Europe will consist in domestic demand. This will be possible owing to further limitation of the unemployment rate and increase of employment. Investment increase will still depend on the quantity of public procurements.[3]

[1] M. Grela, M. Humanicki, M. Kitala, T. Michałek, W. Mroczek "Sytuacja gospodarcza w krajach Europy Środkowej i Wschodniej", National Bank of Poland, Nr 1/15 January 2015, p. 3
[2] there. p. 4
[3] Ibidem. p. 29-30

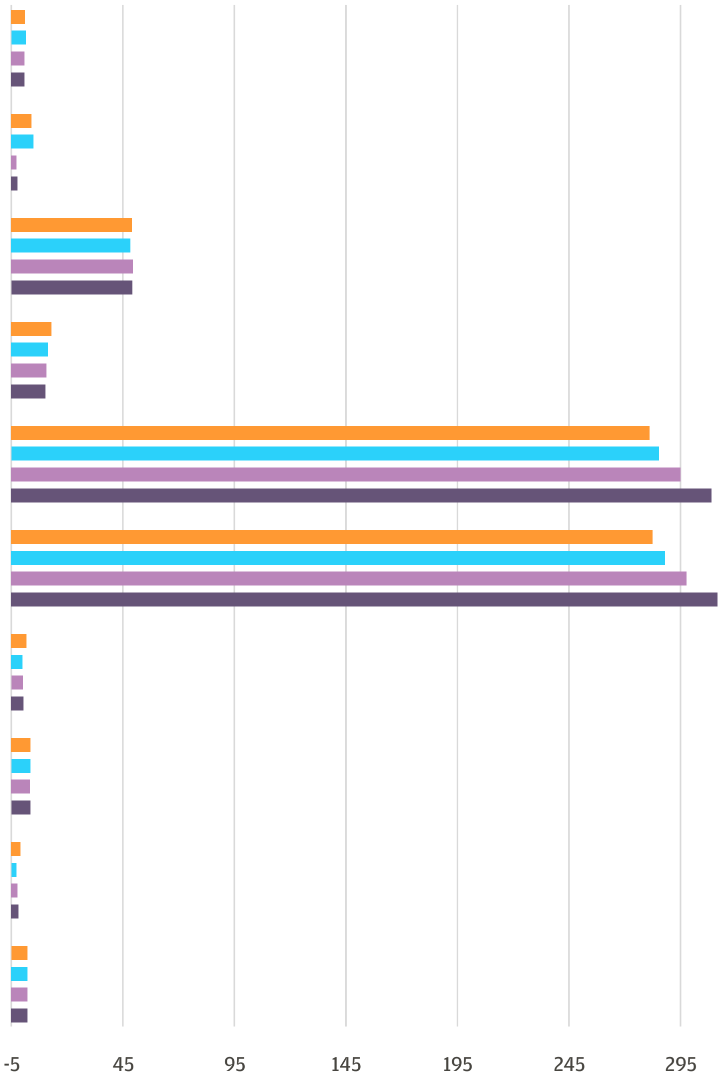
In particular countries of East-Central Europe, the economic situation and the perspectives are as follows[4]:

Bulgaria

The actual level of GDP in 2014 was 1.4% and this result was 0.3% higher as compared to 2013. The forecasts for 2015 indicate a decrease to the level of 0.8% in 2015, and 1% in 2016. These forecasts result from a limitation in domestic demand including in particular investments and private consumption. Slower growth of actual income of households is expected, which in 2014 was higher than it was assumed due to the lower costs of energy raw materials.

Macroeconomic indicators[5]

Real GDP	2013	1.1
	2014	1.4
	2015	0.8
	2016	1.0
Gross fixed capital formation (% y/y)	2013	4.1
	2014	5.0
	2015	-2.3
	2016	-2.8
Consumer prices (avg per year)	2013	49.0
	2014	48.4
	2015	49.6
	2016	49.2
Unemployment rate (avg per year)	2013	13.0
	2014	11.4
	2015	10.9
	2016	10.4
Exports of goods (EUR million) (value * 1000)	2013	280.7390
	2014	285.2590
	2015	295.2430
	2016	309.4150
Imports of goods (EUR million) (value * 1000)	2013	283.1190
	2014	288.2520
	2015	298.0530
	2016	311.4650
Deficit in the current account balance (% of GDP)	2013	1.8
	2014	0.0
	2015	0.2
	2016	0.5
Foreign Direct Investment (% of GDP)	2013	3.7
	2014	3.6
	2015	3.4
	2016	3.5
The budget deficit (% of GDP)	2013	-0.9
	2014	-2.8
	2015	-2.2
	2016	-1.7
The average currency exchange rate / EUR	2013	2.1205
	2014	2.1793
	2015	2.1800
	2016	2.1800

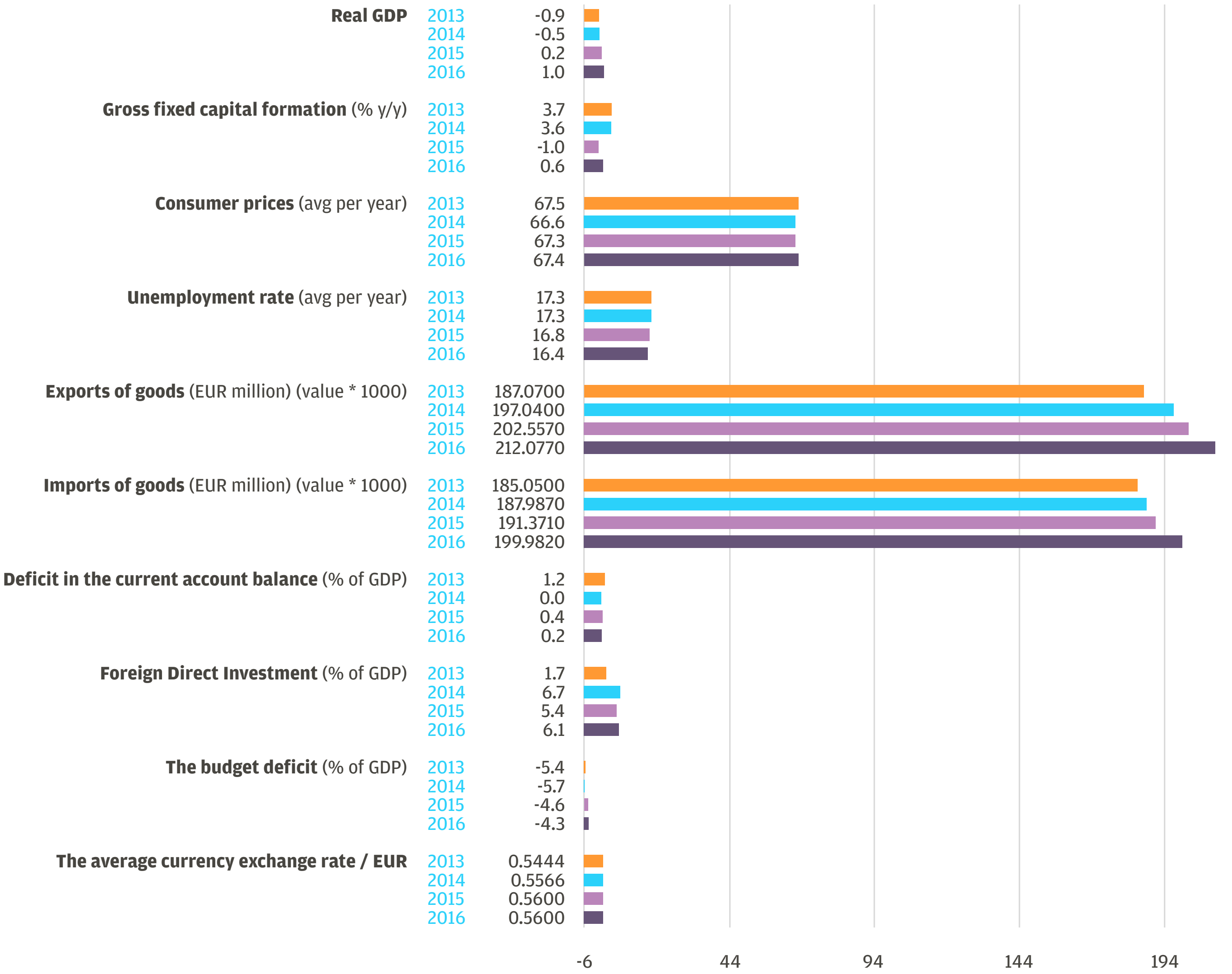


[4] European Commission, "European Economic Forecast" 1/ 2015 , Winter 2015, ecfin-info@ec.europa.eu, 04.07.2015. p. 66- 170, http://ec.europa.eu/eurostat
[5] Ibidem.

Croatia

The data published by Eurostat shows that recession is still taking place in this country, however the pace of economy shrinkage is gradually weakening, and thus there are premises for an economic revival in 2016 with GDP being at the level of 1%. Owing to the EU grants, it is possible to activate investments and reduce the budget deficit.

Macroeconomic indicators[6]



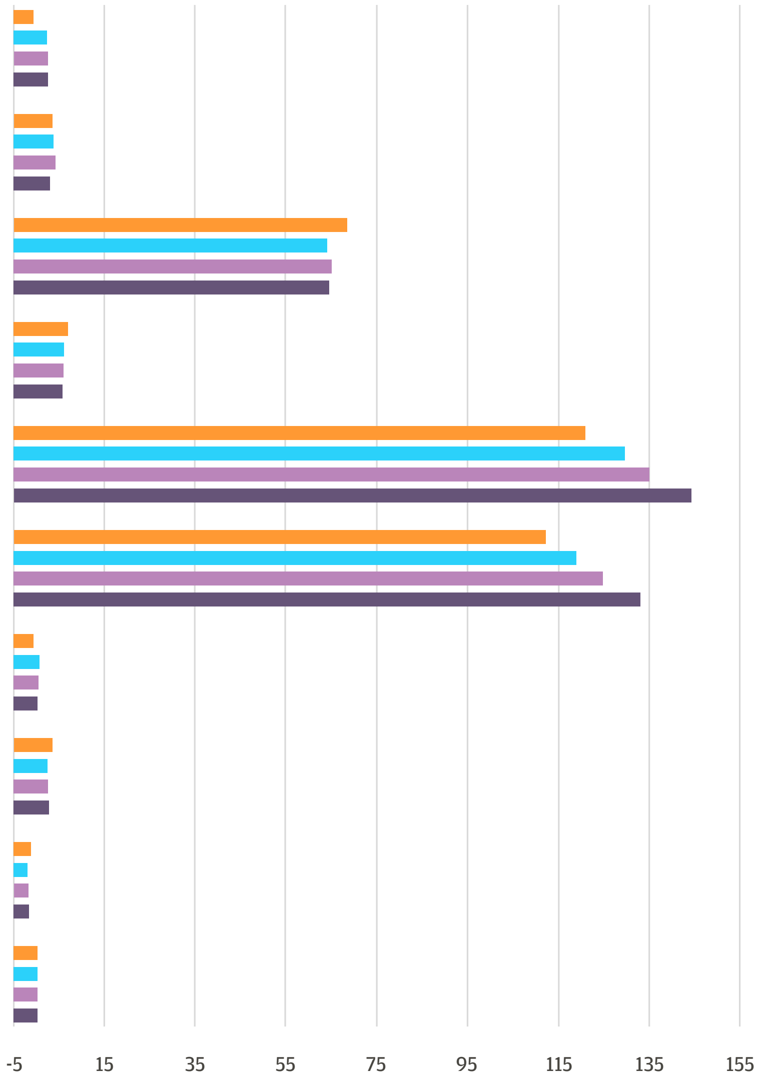
[6] European Commission, "European Economic Forecast" 1/ 2015 , Winter 2015, ecfin-info@ec.europa.eu, 04.07.2015. p. 66- 170, http://ec.europa.eu/eurostat

Czech Republic

The data published by Eurostat shows that this country is currently undergoing an economic revival driven by domestic consumption and investments, which was visible in 2013-2014.
A reinforcement of the Czech economy in the upcoming years, will show through improvement of the labour market situation where unemployment will drop to the level of 5.9%. Further increase of salaries will take place, and thus the situation of households will improve.
The more advantageous macroeconomic environment and public investments will enable further increase of GDP.

Macroeconomic indicators[7]

Real GDP	2013	-0.7
	2014	2.3
	2015	2.5
	2016	2.6
Gross fixed capital formation (% y/y)	2013	3.5
	2014	3.9
	2015	4.1
	2016	3.0
Consumer prices (avg per year)	2013	68.7
	2014	64.2
	2015	65.2
	2016	64.8
Unemployment rate (avg per year)	2013	7.0
	2014	6.1
	2015	6.0
	2016	5.9
Exports of goods (EUR million) (value * 1000)	2013	121.2575
	2014	129.6982
	2015	135.2752
	2016	144.4739
Imports of goods (EUR million) (value * 1000)	2013	112.1657
	2014	119.3010
	2015	124.7888
	2016	133.2745
Deficit in the current account balance (% of GDP)	2013	-0.5
	2014	0.7
	2015	0.4
	2016	0.2
Foreign Direct Investment (% of GDP)	2013	3.5
	2014	2.4
	2015	2.5
	2016	2.8
The budget deficit (% of GDP)	2013	-1.2
	2014	-2.0
	2015	-1.8
	2016	-1.6
The average currency exchange rate / EUR	2013	0.1513
	2014	0.1537
	2015	0.1600
	2016	0.1600



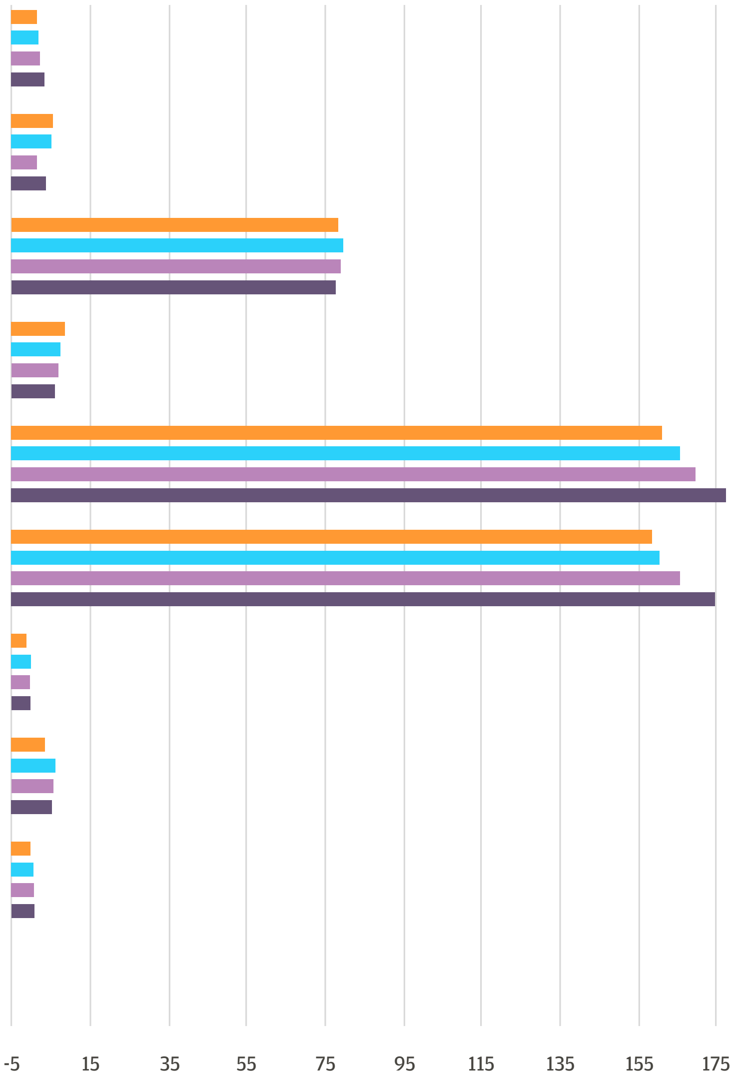
[7] European Commission, “European Economic Forecast” 1/ 2015 , Winter 2015, ecfin-info@ec.europa.eu, 04.07.2015. p. 66- 170, http://ec.europa.eu/eurostat

Estonia

Slow revival has been observed in this country despite adverse external factors such as limiting trade with Russia. In 2014, GDP increased by 1.9% and was a result of consumption increase. Continuous and gradual increase of export is visible which is beneficial for this country. A continued high share is assumed to consist in foreign investments, including residential investments supported by advantageous financing conditions and actual increase of income of the society.

Macroeconomic indicators[8]

Real GDP	2013	1.6
	2014	1.9
	2015	2.3
	2016	2.9
Gross fixed capital formation (% y/y)	2013	5.5
	2014	5.1
	2015	1.5
	2016	3.7
Consumer prices (avg per year)	2013	78.1
	2014	79.4
	2015	78.9
	2016	77.8
Unemployment rate (avg per year)	2013	8.6
	2014	7.4
	2015	6.8
	2016	5.9
Exports of goods (EUR million) (value * 1000)	2013	161.3220
	2014	165.4400
	2015	169.4110
	2016	177.5420
Imports of goods (EUR million) (value * 1000)	2013	158.6150
	2014	160.3210
	2015	165.6120
	2016	174.7200
Deficit in the current account balance (% of GDP)	2013	-1.2
	2014	0.0
	2015	-0.3
	2016	-0.2
Foreign Direct Investment (% of GDP)	2013	3.6
	2014	6.1
	2015	5.6
	2016	5.3
The budget deficit (% of GDP)	2013	-0.2
	2014	0.6
	2015	0.7
	2016	0.8
The average currency exchange rate / EUR	2013	euro
	2014	euro
	2015	euro
	2016	euro

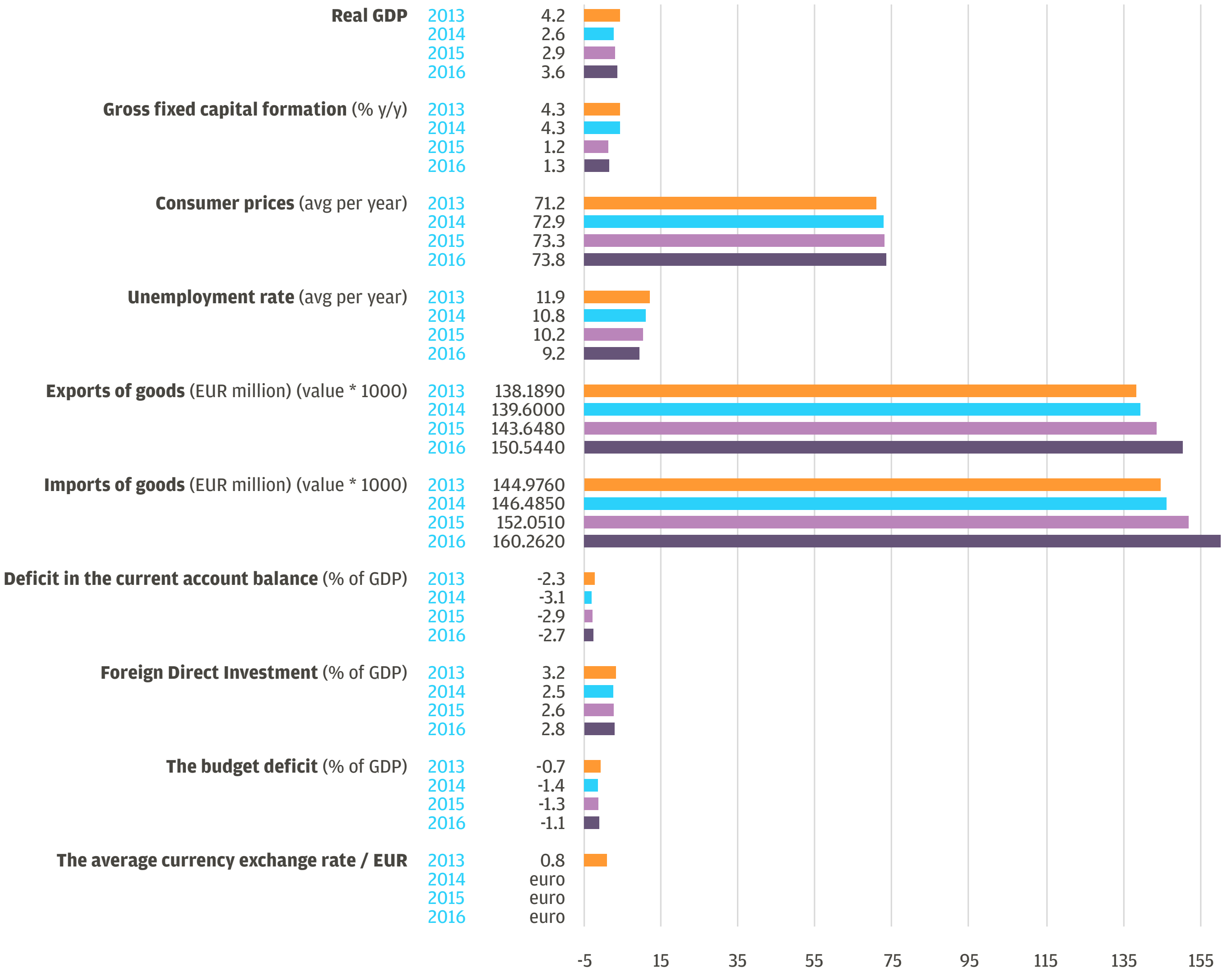


[8] European Commission, "European Economic Forecast" 1/ 2015 , Winter 2015, ecfin-info@ec.europa.eu, 04.07.2015. p. 66- 170, http://ec.europa.eu/eurostat

Latvia

After decreasing the pace in 2014, it is expected that, despite numerous external factors, it is possible to return the balance of economic growth in this country in 2015-2016. The reduction of unemployment and budget deficit as well as the public debt, constitute a big challenge, but it is possible to achieve success in this scope. The decreasing unemployment as well as the increase in employment and salaries are positive forecasts for the increase of the domestic demand, being a drive for economic growth, especially because this country is in the Eurozone.

Macroeconomic indicators[9]

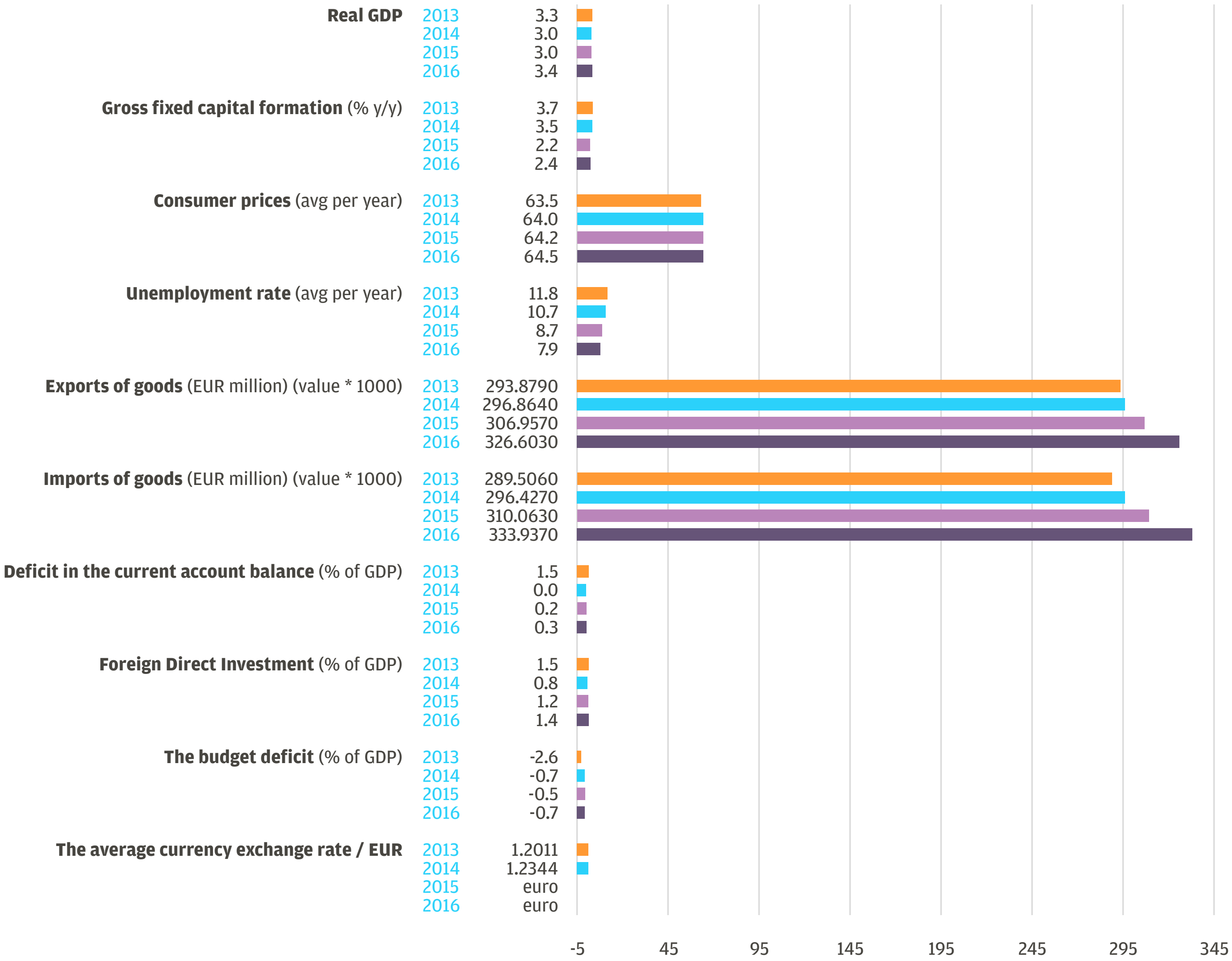


[9] European Commission, "European Economic Forecast" 1/ 2015 , Winter 2015, ecfin-info@ec.europa.eu, 04.07.2015. p. 66- 170, http://ec.europa.eu/eurostat

Lithuania

The actual level of GDP in 2014 was at a high 3% and such a level is expected in the upcoming years, despite the sanctions imposed by Russia. The employment and actual salaries are increasing, and thus the national demand is too. Investments as well as export of commodities are continuously increasing. Despite the geopolitical uncertainties as well as EU support, Lithuania is facing the opportunity of retaining the existing economic growth rate.

Macroeconomic indicators[10]

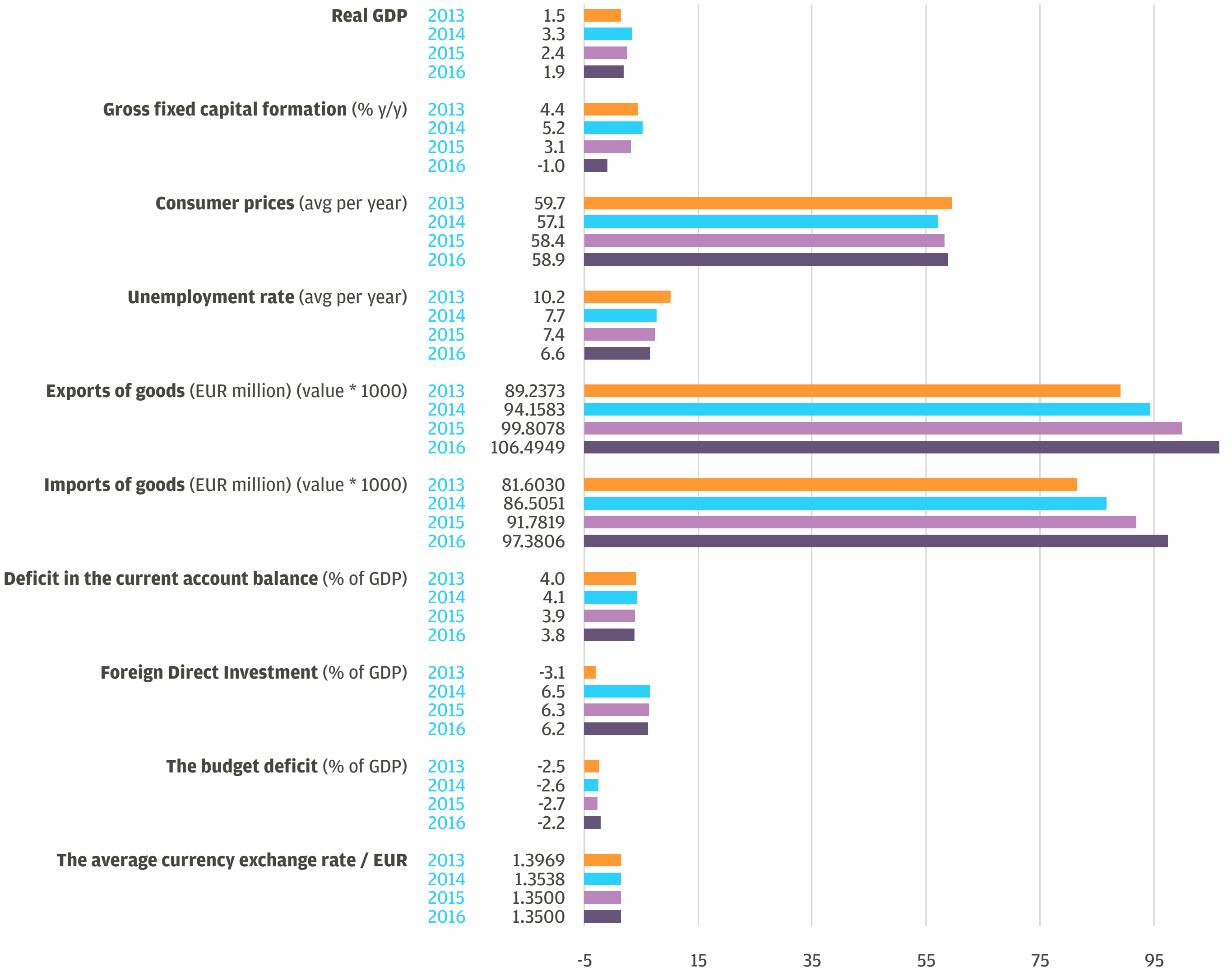


[10] European Commission, “European Economic Forecast” 1/ 2015 , Winter 2015, ecfin-info@ec.europa.eu, 04.07.2015. p. 66- 170, http://ec.europa.eu/eurostat

Hungary

The economy of this country is slowing down and will continue to do so. Such a condition has been observed from the second half of 2014 and this is a result of the impact of limitations on consumer investments. A reduction of EU grants is expected and this will impact investment limitation. An increase of export which has been taking place continues to be stable similarly to import.

Macroeconomic indicators[11]

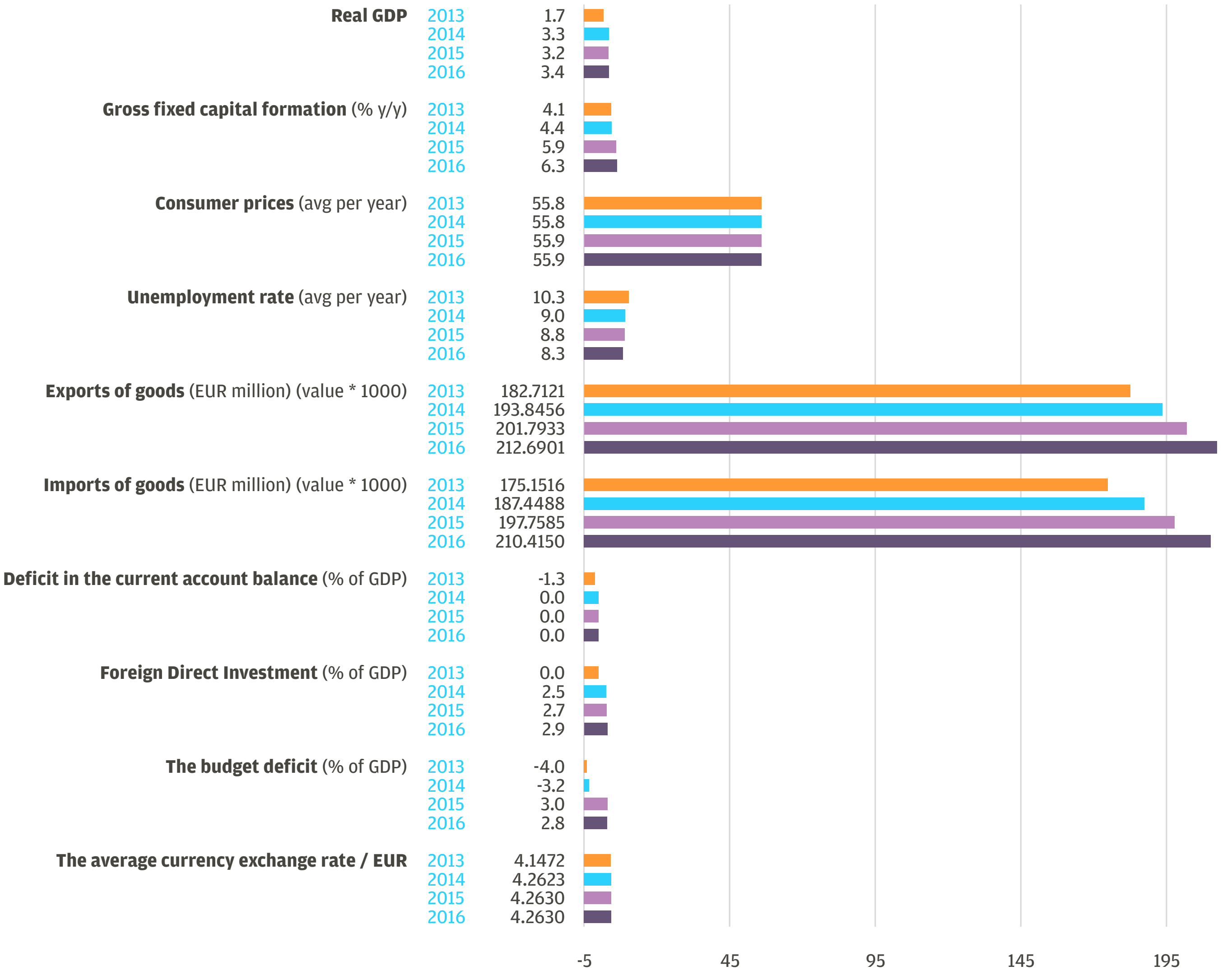


[11] European Commission, "European Economic Forecast" 1/ 2015 , Winter 2015, ecfin-info@ec.europa.eu, 04.07.2015. p. 66- 170, http://ec.europa.eu/eurostat

Poland

Despite the internal adversities, the actual increase of GDP in 2014 was significant. This indicates a strong economy and a continuous domestic demand as well as a reinforcement through improving the market situation and an increase in the actual income. Export and private investments are at a moderate level which results from the Russia/Ukraine crisis. Their slowdown is estimated to last for a short period. It is expected that the Polish export will be aimed at more dynamic markets offering more competitive profit. Further private consumption growth is expected owing to increased actual salaries and limiting unemployment.

Macroeconomic indicators[12]

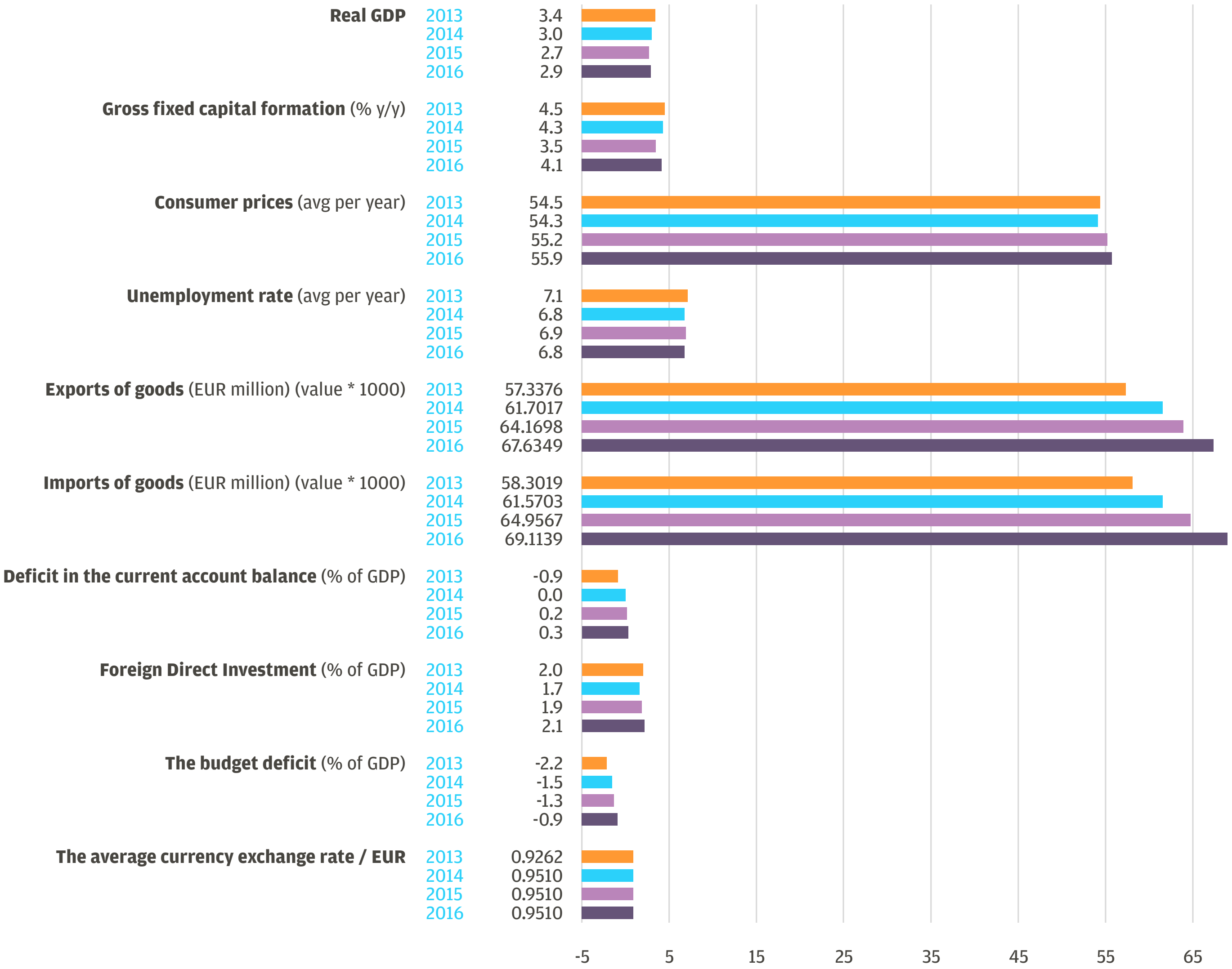


[12] European Commission, "European Economic Forecast" 1/ 2015 , Winter 2015, ecfin-info@ec.europa.eu, 04.07.2015. p. 66- 170, http://ec.europa.eu/eurostat

Romania

Economic growth is expected in Romania in 2015-2016 mainly due to the domestic demand and the stabilising labour market as well as the revival of global economy.

Macroeconomic indicators[13]



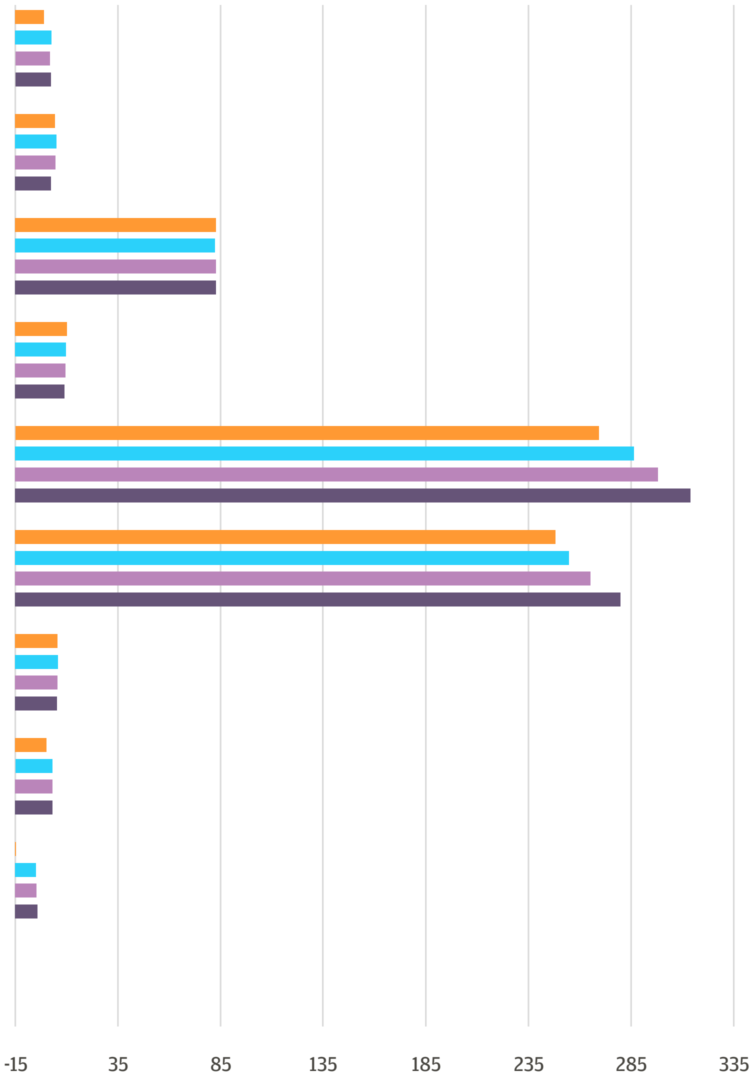
[13] European Commission, "European Economic Forecast" 1/ 2015 , Winter 2015, ecfin-info@ec.europa.eu, 04.07.2015. p. 66- 170, http://ec.europa.eu/eurostat

Slovenia

The actual GDP increased by 2.6% in 2014 and it was driven by net export and investments into infrastructure. The growth forecast for 2015 are moderate and equal to 1.8% while in 2016, they equal to 2.3%. What is important is that a reduction of the public debt is expected as well as the end of restructuring in the sector of banking.

Macroeconomic indicators[14]

Real GDP	2013	-1.0
	2014	2.6
	2015	1.8
	2016	2.3
Gross fixed capital formation (% y/y)	2013	4.3
	2014	5.1
	2015	4.7
	2016	2.5
Consumer prices (avg per year)	2013	83.1
	2014	82.6
	2015	83.4
	2016	83.8
Unemployment rate (avg per year)	2013	10.1
	2014	9.7
	2015	9.5
	2016	8.9
Exports of goods (EUR million) (value * 1000)	2013	269.9630
	2014	286.0730
	2015	298.0881
	2016	313.8867
Imports of goods (EUR million) (value * 1000)	2013	248.2400
	2014	255.7380
	2015	265.4560
	2016	279.7907
Deficit in the current account balance (% of GDP)	2013	5.6
	2014	5.8
	2015	5.6
	2016	5.4
Foreign Direct Investment (% of GDP)	2013	0.2
	2014	3.0
	2015	3.2
	2016	3.2
The budget deficit (% of GDP)	2013	-14.9
	2014	-4.9
	2015	-4.7
	2016	-4.3
The average currency exchange rate / EUR	2013	euro
	2014	euro
	2015	euro
	2016	euro

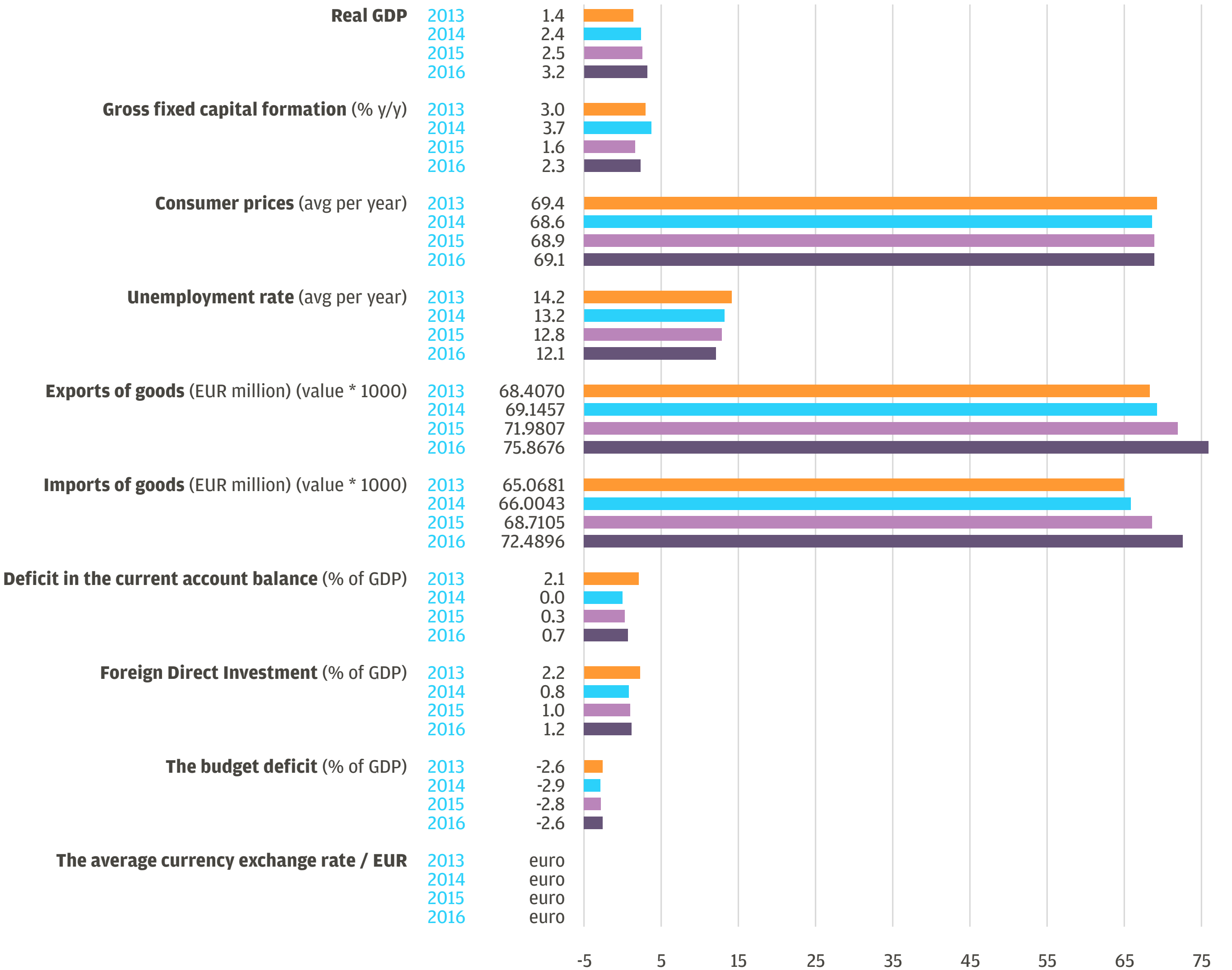


[14] European Commission, "European Economic Forecast" 1/ 2015 , Winter 2015, ecfin-info@ec.europa.eu, 04.07.2015. p. 66- 170, http://ec.europa.eu/eurostat

Slovakia

Despite a slowdown in export, the Slovakian economy has grown as a result of reviving the domestic demand which is to become the motor of economic growth in 2015-2016. Unemployment has to gradually decrease as it is at the highest level in this region of the EU, in order to improve the economic condition and maintain profit at the level of inflation which took place in 2014.

Macroeconomic indicators[15]



[15] European Commission, "European Economic Forecast" 1/ 2015 , Winter 2015, ecfin-info@ec.europa.eu, 04.07.2015. p. 66- 170, http://ec.europa.eu/eurostat

Economic outlook of the Central Eastern Europe improves

The analysis of the basic macroeconomic values has shown that in the group of countries of East-Central Europe, there are states which are able to retain the pace of economic growth, despite the changing external conditions. Economic growth in the majority of the region's economies was better than expected at the outset of the year. An estimate shows that the CEE region dodged an economic contraction in the first quarter: regional GDP growth fell from 1.1% in Q4 of 2014, to 0.5% in Q1 of 2015. The gradual recovery in global oil prices and stronger global economic growth are expected to contribute to a recovery in Eastern Europe in 2016, when the region expanding 2.0%.

Sources:

1. European Commission, "European Economic Forecast" 1/2015, Winter 2015, ecfin-info@ec.europa.eu 04.07.2015, p. 66-170
2. http://ec.europa.eu/eurostat 05.07.2015.

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