Trade shocks, growth and resilience in CESEE countries

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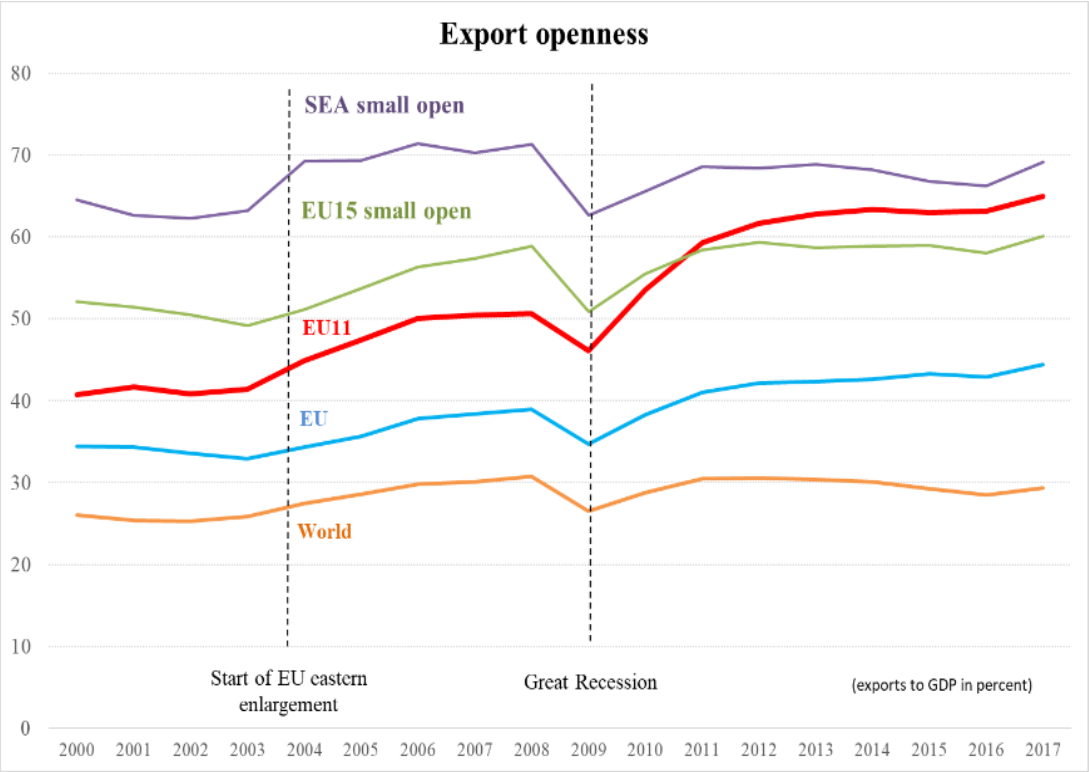
Export Openness in the World Economy

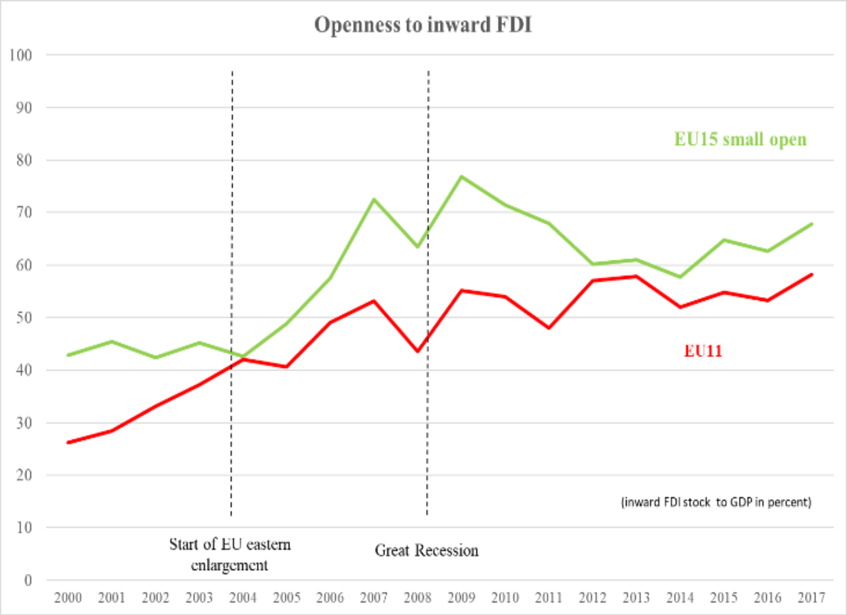


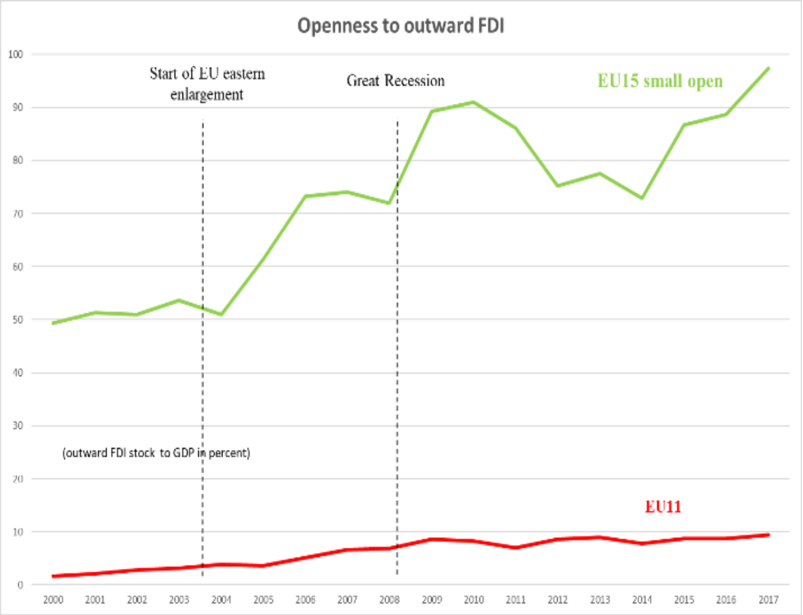
Note: EU15 small open includes Austria, Belgium, Denmark, Finland Netherlands and Sweden;
SEA small open includes Cambodia, Korea, Malaysia and Vietnam.
EU11 inlcudes Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. Unweighted group averages.

Source: World Bank

European Commission

Stocks of Inward and Outward FDI in the EU



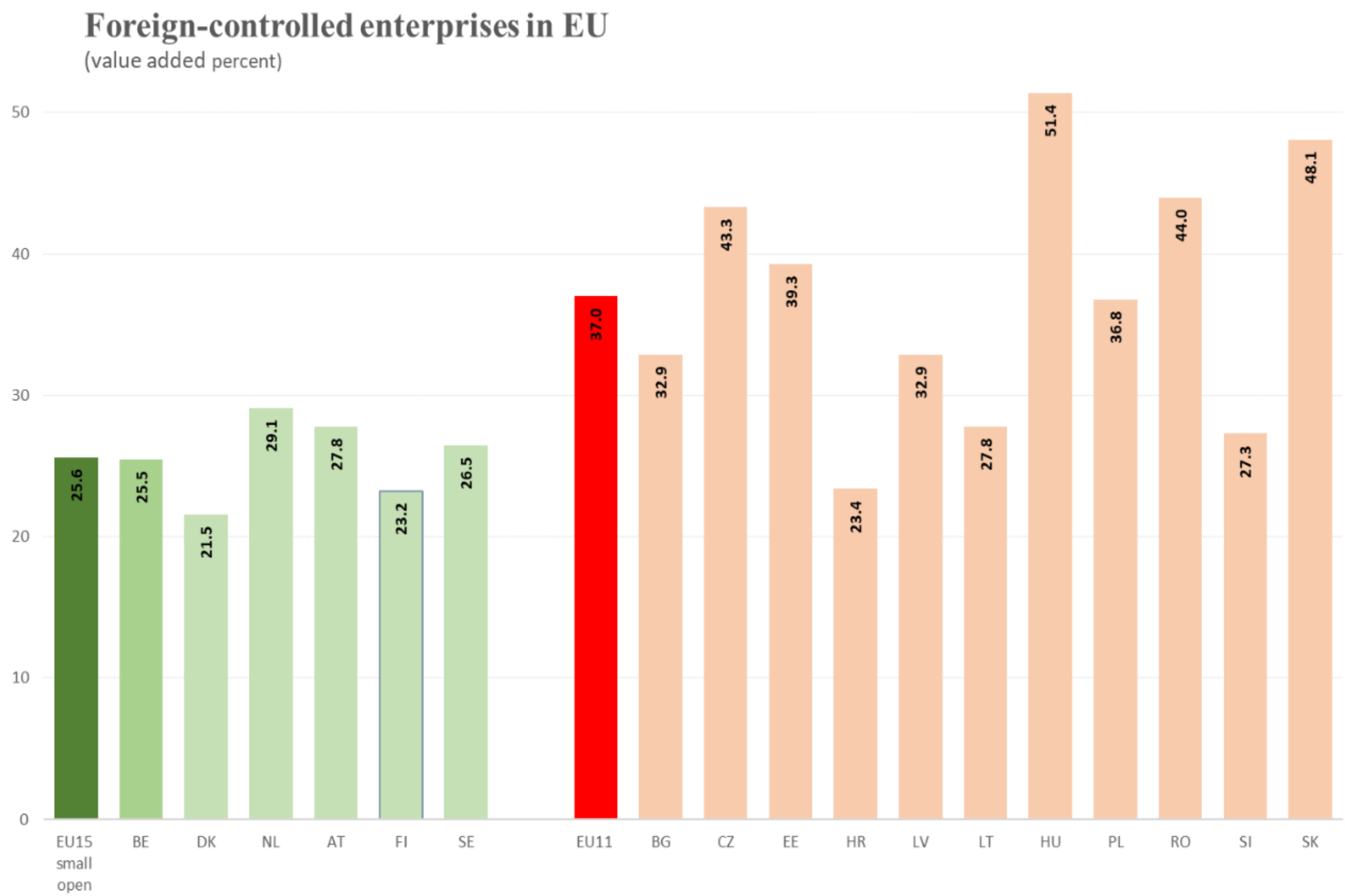


Source: UNCTAD

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

European Commission

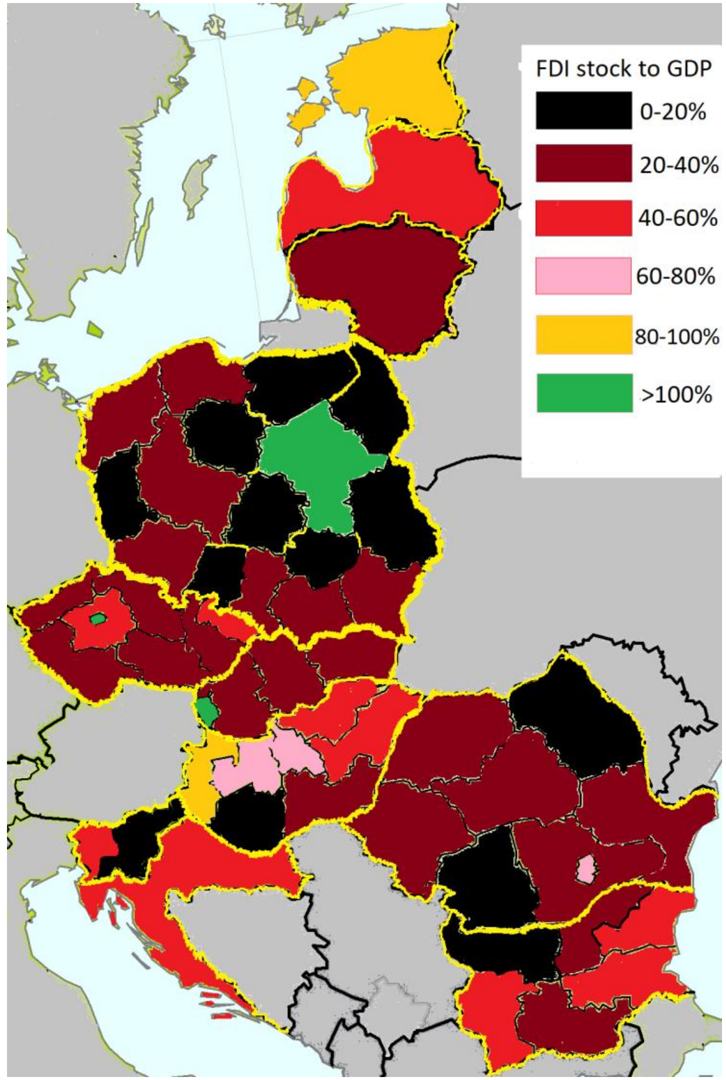
Value added produced by foreign-controlled enterprises



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

Source: Eurostat

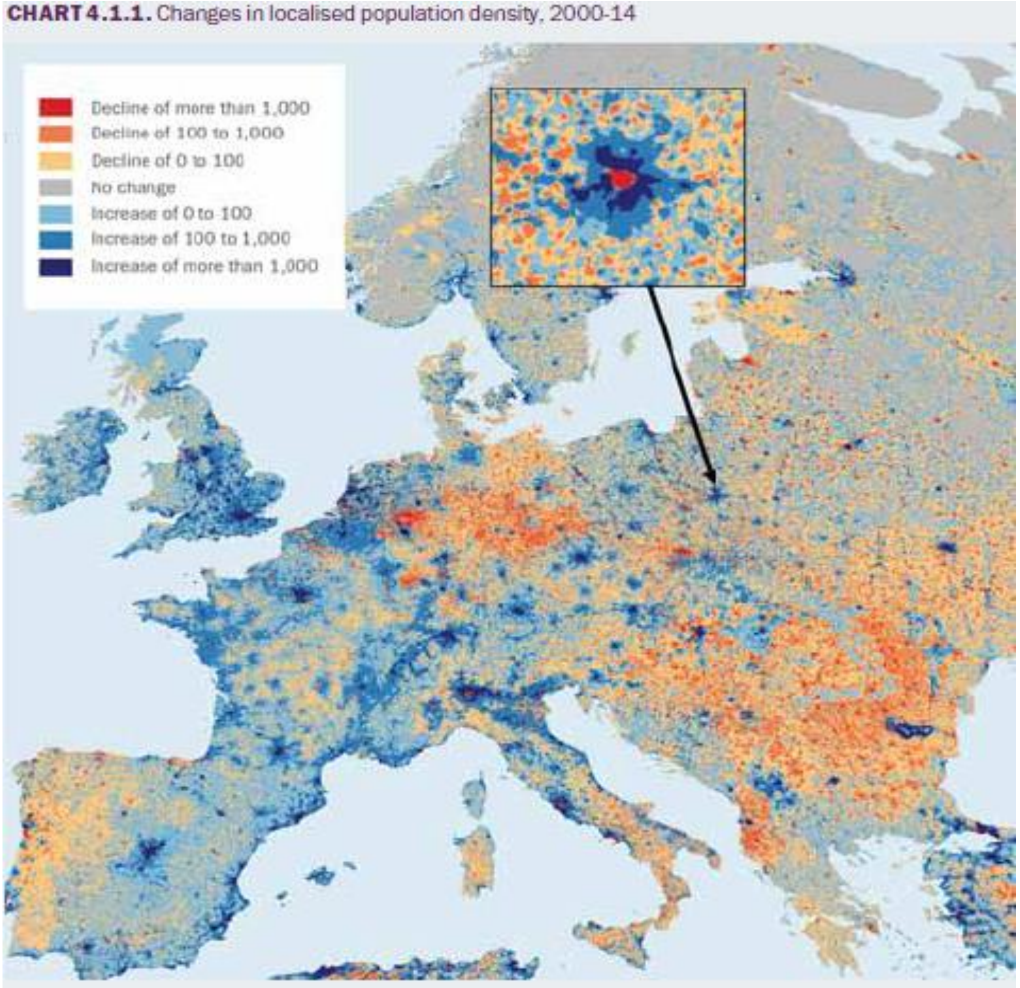
Regional differences in inward FDI in EU11 countries



Source: statistics of the national central bank and/or statistical institute of the EU11 countries concerned.

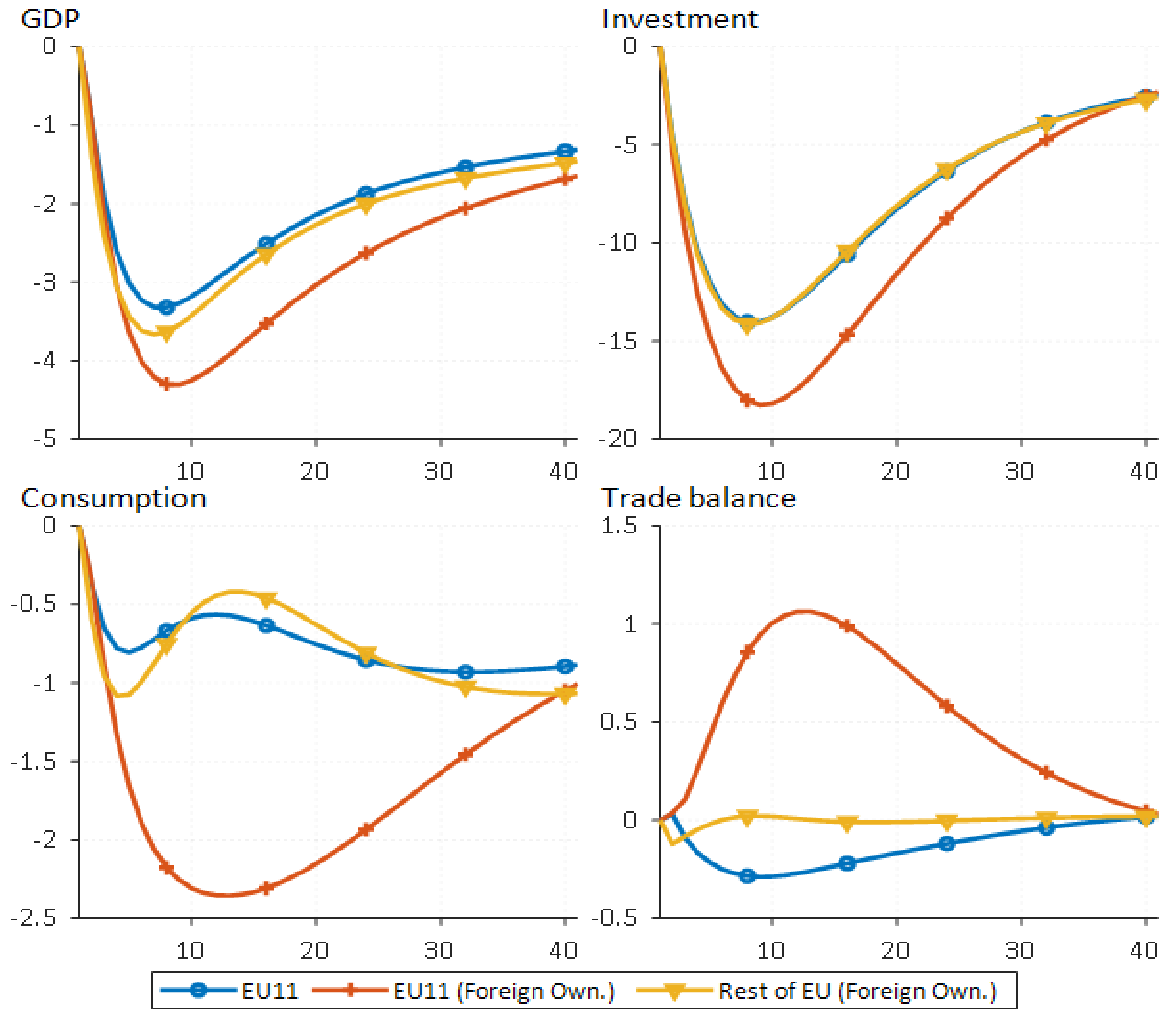
European Commission

Changes in localized population density in Europe, 2000-2014



Source: EBRD, Transition Report 2018-2019.

Response to a recessionary shock in CESEE countries

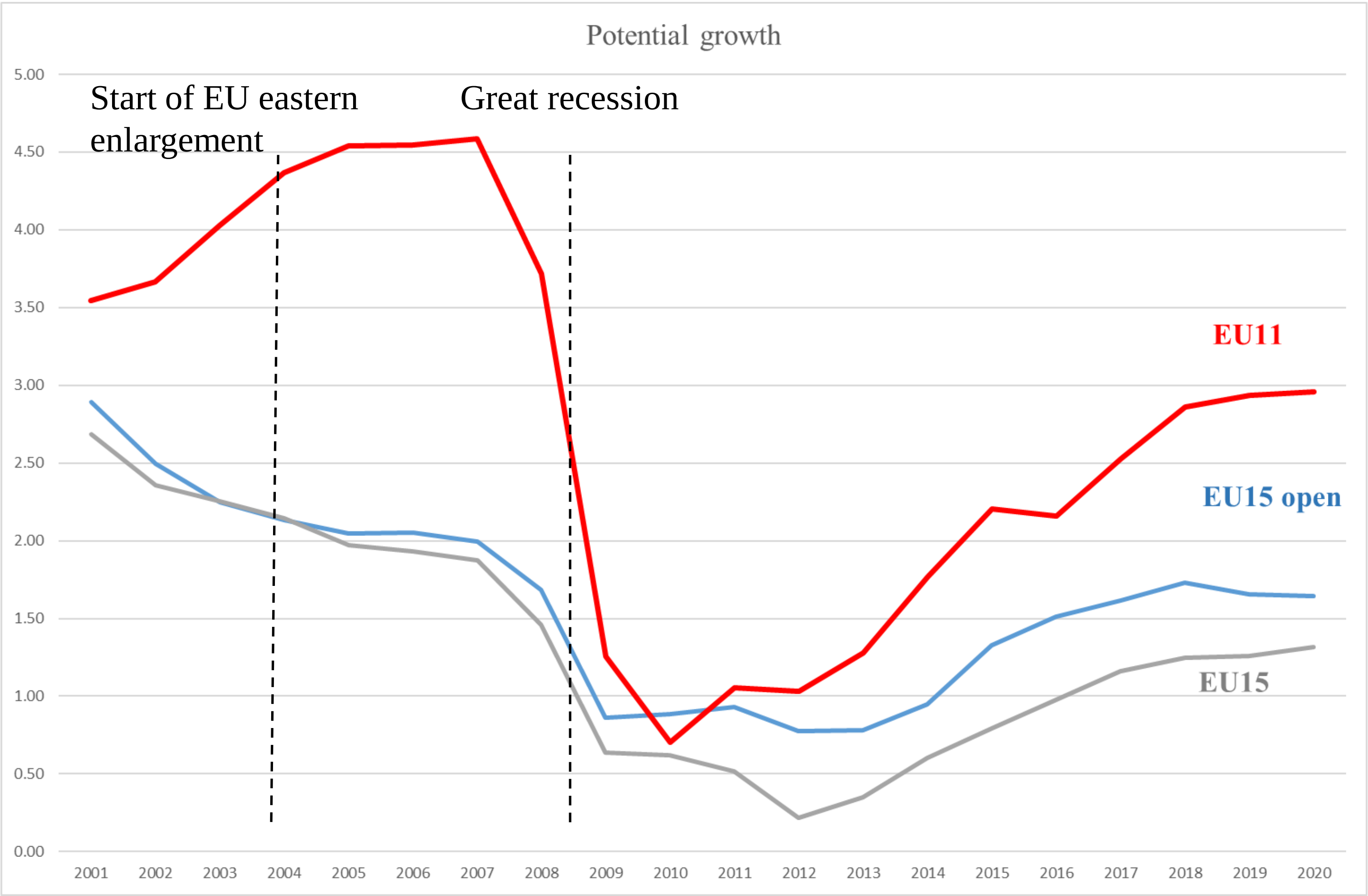


Source: Economic Commission, DG ECFIN staff calculations using Quest model

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.

European Commission

Potential output growth 2001-2018



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Source: AMECO

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

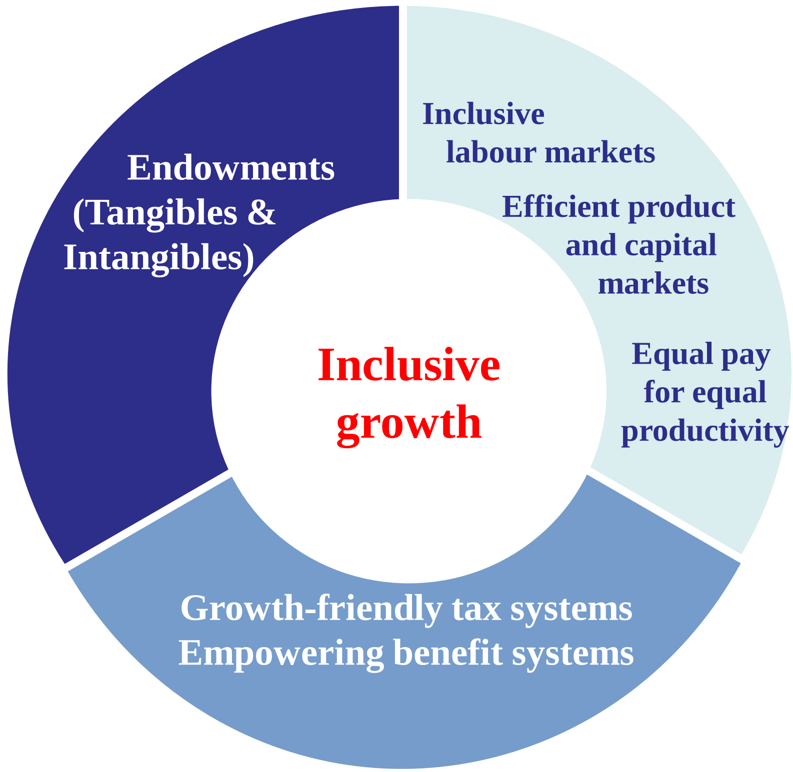
Pre-market

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*