

Sectoral Risks in Central and Eastern Europe

December 2016

Central & Eastern Europe: Sectoral Challenges

- Despite the impact of European-wide recession, austerity measures taken by governments in Central and East Europe are beginning to bear fruit. Real GDP growth of 2-3% is forecast for 2017 in all states, except Russia. Unemployment has fallen below 10%, with Serbia and Turkey as outliers. Ukraine remains troubled as limited structural reforms hold back recovery.
- Most states report fiscal deficits of between 2-3% of GDP. But dependence on foreign funding for 50% or more of budget financing places huge pressure on Hungary, Slovakia, Slovenia, and Lithuania. High public debt levels are also a worry in Hungary, Croatia and Slovenia.
- Banking systems need serious repair. Non-performing loans absorb more than 20% of capital in many countries, rising to 50% and 90% in Bulgaria and Ukraine. Low liquidity ratios poses a risk in almost all CE Europe.

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