

Ewald Nowotny: CESEE outlook - reconciling fiscal consolidation and growth

Opening remarks by Prof Dr Ewald Nowotny, Governor of the Central Bank of the Republic of Austria, at the Seminar on the IMF's Regional Economic Issues Report "CESEE Outlook: Reconciling Fiscal Consolidation and Growth", Vienna, 13 November 2015.

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Ladies and gentlemen,

- On behalf of the Oesterreichische Nationalbank, I would like to welcome you to today's seminar on the IMF's new „Regional Economic Issues Report“, the REI.
- The REI is a semiannual publication by the IMF and assesses the macroeconomic outlook for the Central, Eastern and Southeastern Europe (CESEE) region in light of the latest global economic and financial developments.
- Hence, this report covers more than twenty countries, including Central and Eastern Europe (CEE), Southeastern Europe (SEE), the Baltic region, the CIS group, and Turkey.
- CESEE is a region of strategic interest for the OeNB and is therefore in the focus of our analytical work.
- This year, the Oesterreichische Nationalbank has the honour to host the launch of the new REI in Vienna. The REI will then be presented in a series of seminars in several European cities, such as Ljubljana and Zagreb.
- By launching the new REI here in Vienna, the OeNB continues a well-established tradition, as the OeNB has already hosted several REI launches, with the last presentation having taken place in October 2013.
- The title of this new REI is „Reconciling Fiscal Consolidation and Growth in CESEE“. This is without doubt a well chosen topic, which is also highly relevant in the Euro Area and in Austria.
- The REI shows that especially the Central European countries are growing at a healthy pace, while Russia, Ukraine and the rest of the CIS countries are in recession, mainly because of Russia. Overall, activity in the region is set to contract by 0.6 % in 2015, but to expand by 1.3 % in 2016.
- Compared to the 2015 Spring REI, the policy challenges have not changed much and still include supporting domestic demand and rebuilding buffers against external shocks.
- However, the balance of risks has shifted to the downside, as new risks stem from further slowdown in major emerging markets (China). The ongoing refugee crisis in Europe constitutes a potential risk, but will bring a fiscal stimulus outside of the restrictions of the EU Stability and Growth Pact. Hence, it should have an expansionary effect and will contribute to growth and employment, especially in Austria and Germany.
- When analyzing the fiscal consolidation in CESEE, the REI finds that, despite improvements in the quality of budgets in recent years, large fiscal challenges still remain. Especially in the SEE region, sizeable budgetary adjustments are needed.

Just a few words on today's seminar: We will start out with two presentations:

The first one on „CESEE Outlook, Risks and Policy Priorities“, will be given by Mr. Jörg Decressin.

The second presentation by Mr. Johannes Wiegand will deal with “Reconciling Fiscal Consolidation and Growth in CESEE”.

Mrs. Anna Ilyina will then be happy to answer any questions.

These presentations will be followed by a panel discussion, to be chaired by my colleague Franz Nauschnigg. The idea is to have an interactive discussion with the audience. 3

Let me now introduce the distinguished panellists:

Jörg Decressin:

Since early 2014, Mr. Decressin is Deputy Director in the European Department of the IMF. Before that, Mr. Decressin was the Research Department’s Deputy Director and was in charge of the IMF’s WEO (World Economic Outlook).

Mr. Decressin holds a Ph.D. from Harvard University, a B.Sc. from LSE and has published on Labor and Capital Market Adjustments, Deflation, and on Fiscal Policy and Financial Integration in Europe.

Johannes Wiegand:

Mr. Wiegand is Economist in the IMF’s European Department and was Mission Chief to Kosovo and Desk Officer for Hungary. Before that, Mr. Wiegand has worked in the IMF’s Research, Policy Development and Review Department as well as in the African Department, and has published on Macro-Financial Linkages, Financial Stability and on Emerging Market Vulnerabilities.

Mr. Wiegand holds a Ph.D. and M.Sc. from the University College London.

Anna Ilyina:

Mrs. Ilyina is Chief of the Emerging Economies Division in the IMF’s European Department since 2013. Before that, she was Deputy Chief of the Global Markets Analysis Division and of the Financial Sector Analysis Division in the IMF’s Monetary and Capital Markets Department.

Mrs. Ilyina holds a Ph.D. from the University of Pennsylvania and a B.A. from Moscow State University and has published on Europe’s Problem Loans, Analytical Tools for Crisis Vulnerability Assessment, and on Emerging Markets as Net Capital Exporters.

Franz Nauschnigg:

As of 2000, Mr. Nauschnigg is the Head of the OeNB’s European Affairs and International Financial Organizations Division. Before that, he worked in the Austrian Ministry for Agriculture and Economy as well as in the Austrian Ministry of Finance.

Mr. Nauschnigg holds a Master degree from Graz University and has published extensively on European Integration and Monetary Policy, Fiscal Issues, International Trade and Infrastructure.