

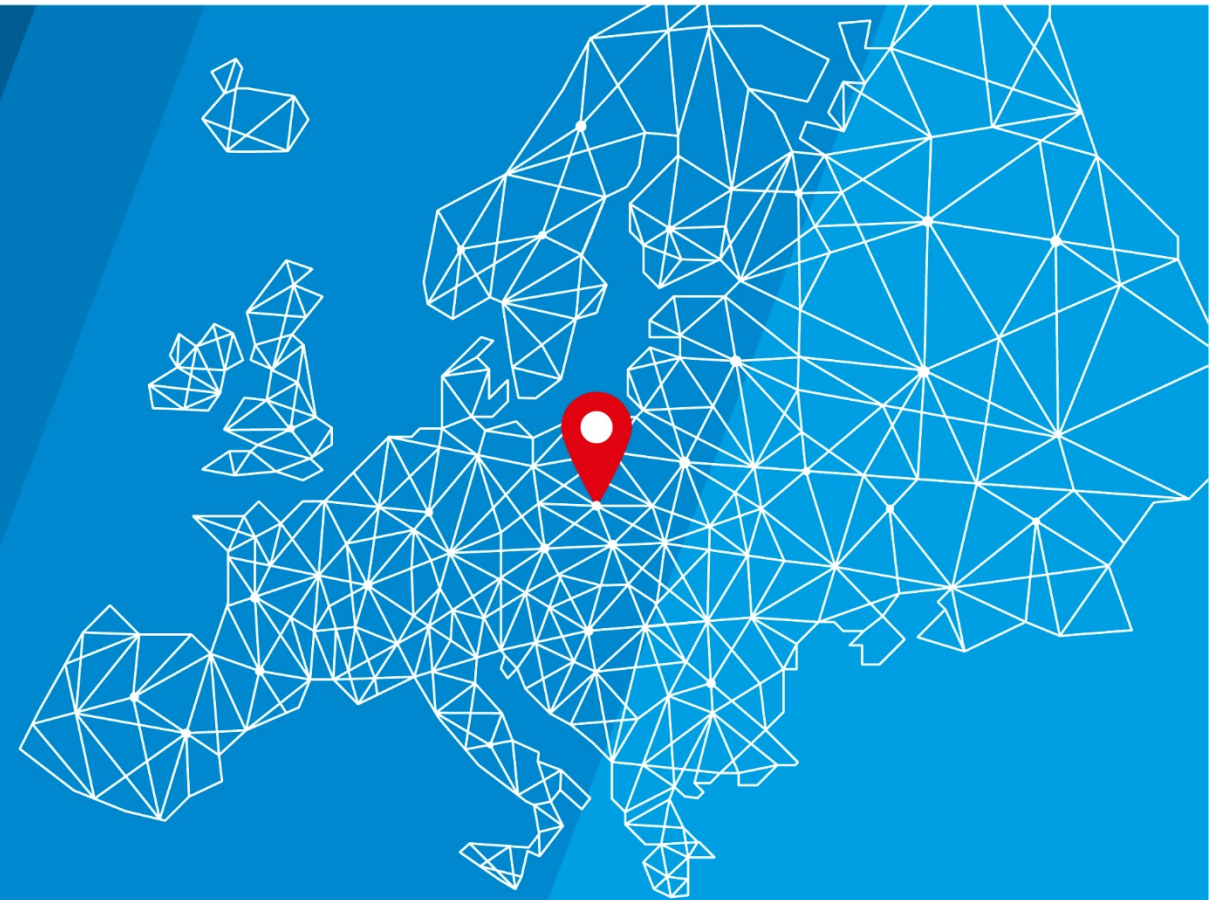


Cracow, Poland / 1-3 June 2017

EUROPEAN UNION
OF ELECTRICAL
WHOLESALEERS

dr Marcin
Piątkowski

HARVARD UNIVERSITY,
THE WORLD BANK



Central and Eastern Europe: Growth Prospects for the Region

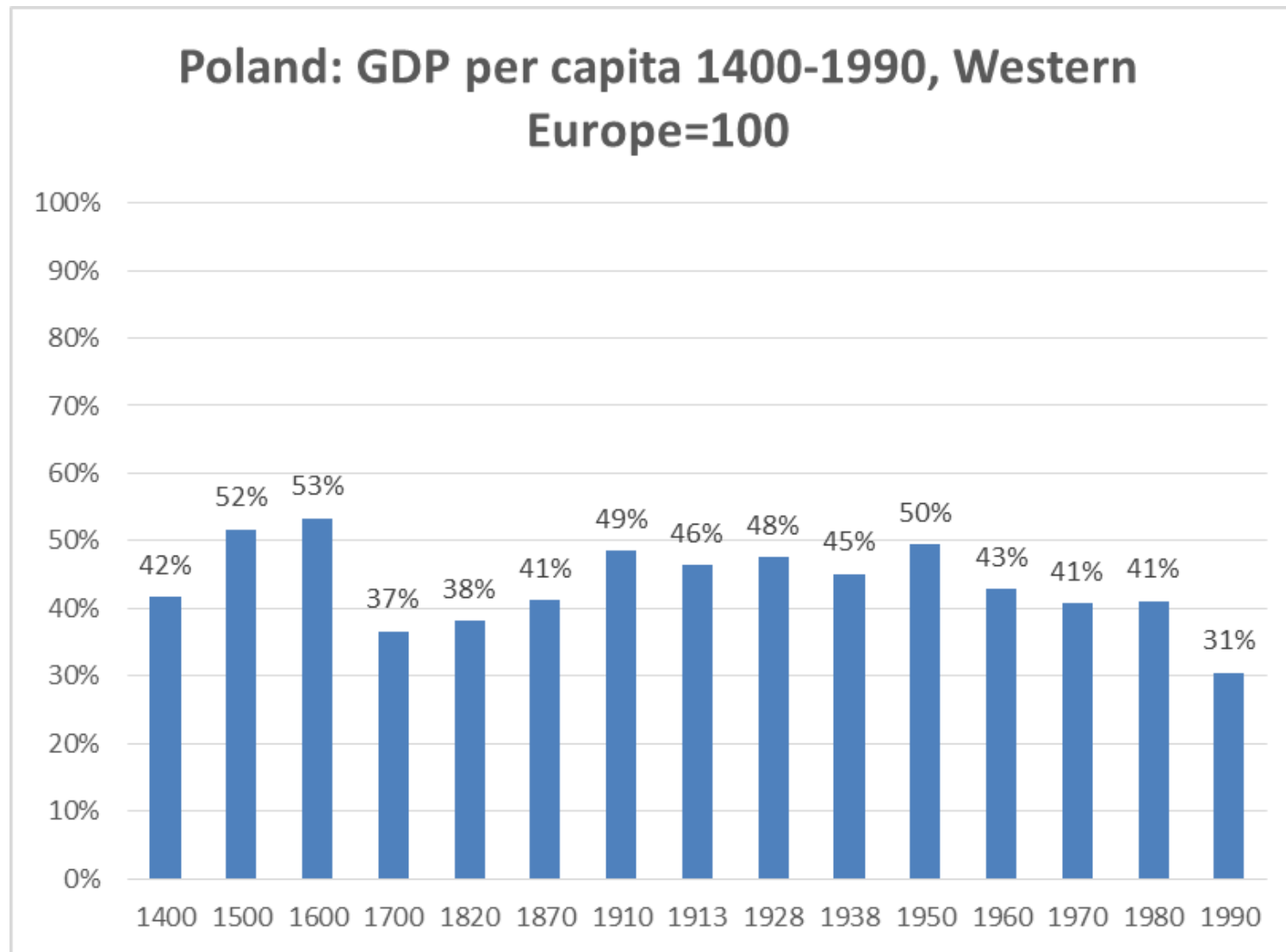
Dr. Marcin Piatkowski
Harvard University and the World Bank

Krakow, June 2, 2017

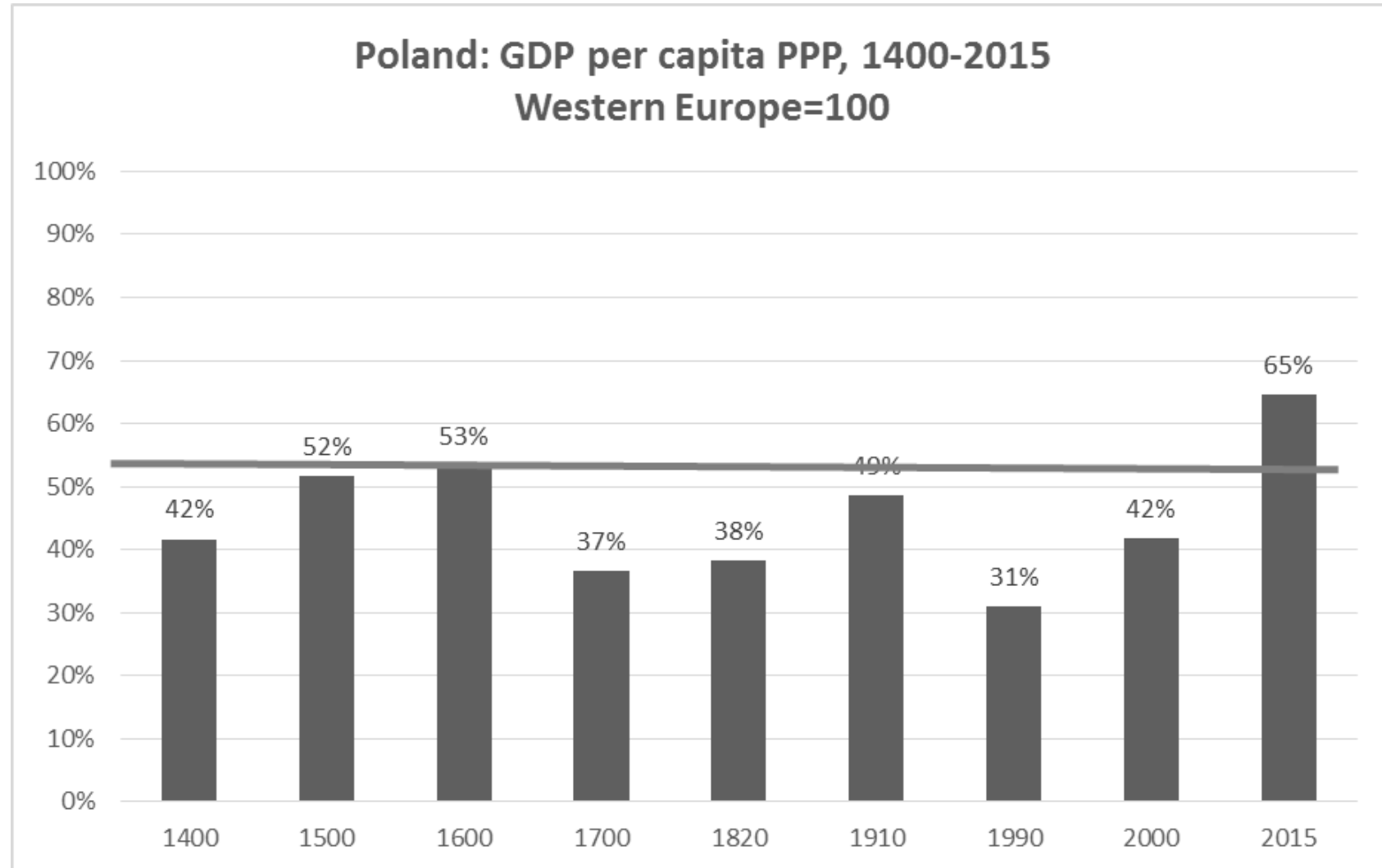
Key messages

- After 1000 years of backwardness, CEE is now entering its Golden Age
- Mid-term growth prospects until 2020 are good
- But in the longer-term, the region's catching up with the West will stall
- A re-adjusted growth model is needed

600 years of stagnation and decline

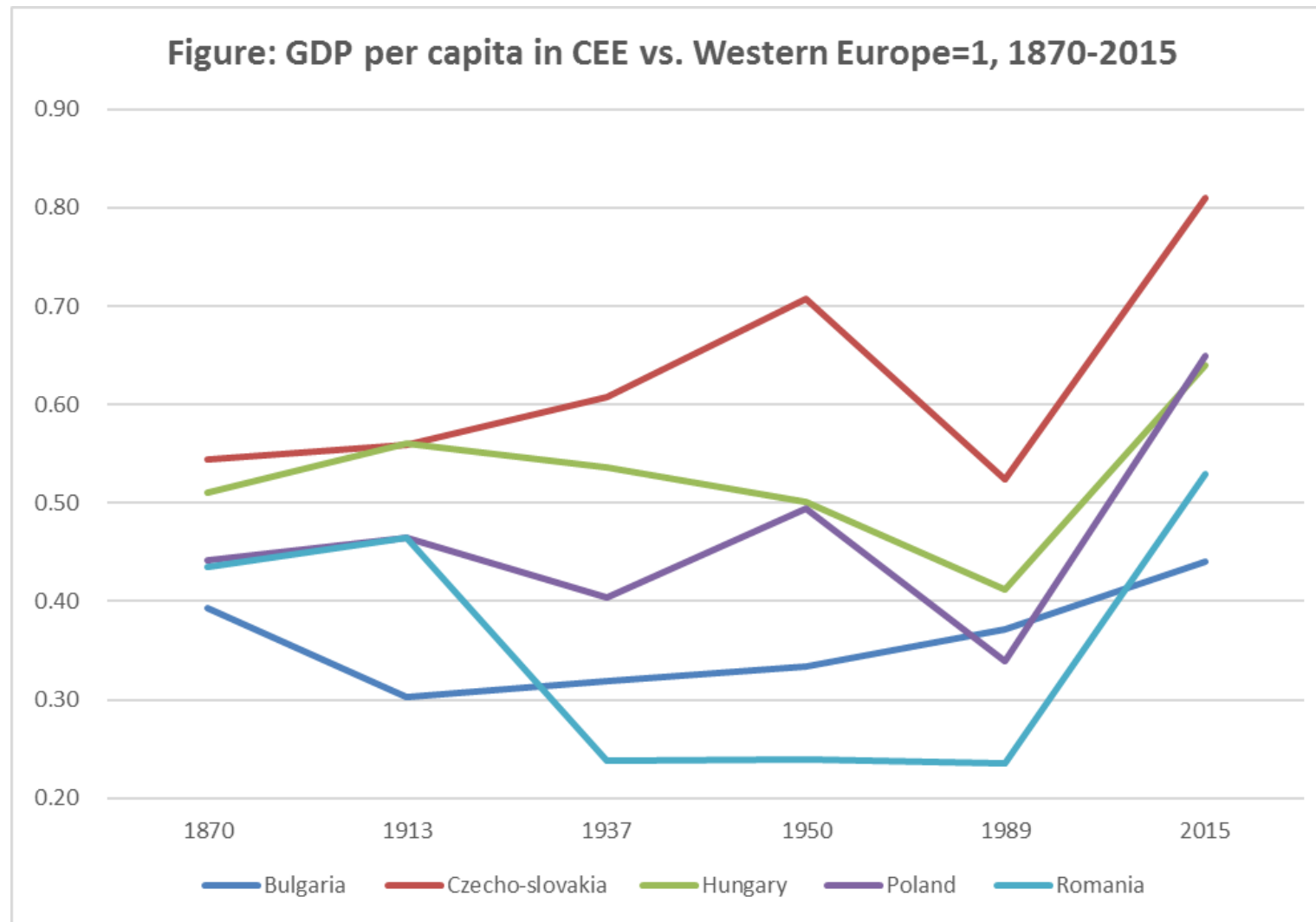


Followed by the 1989 miracle



Source: Marcin Piatkowski based on Malinowski and van Zanden (2015), Bolt and van Zanden (2013) and Eurostat

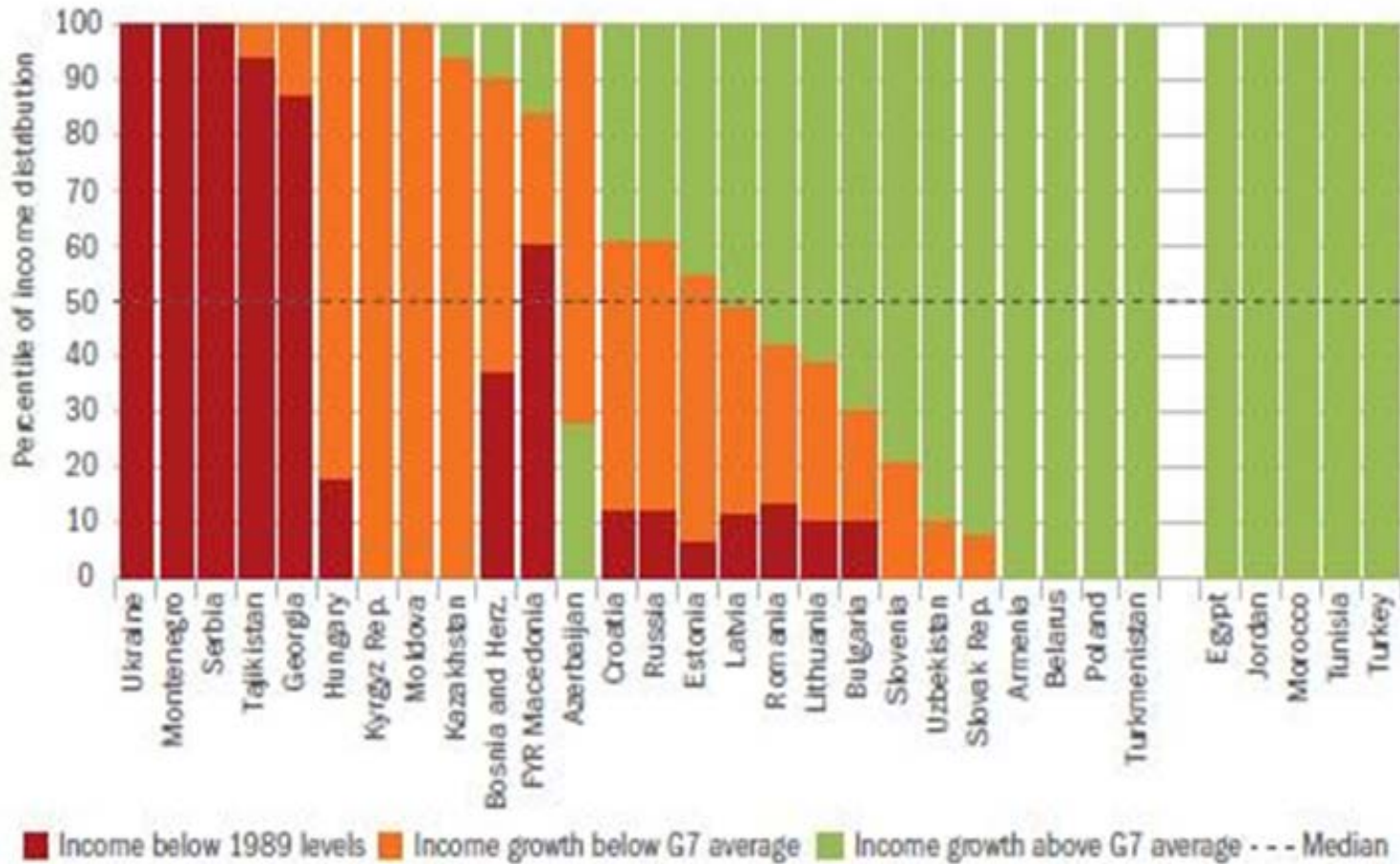
All CEE countries have never done better



Source: Marcin Piatkowski based on Bolt and van Zanden (2014) and Eurostat

Growth lifted most boats since 1989

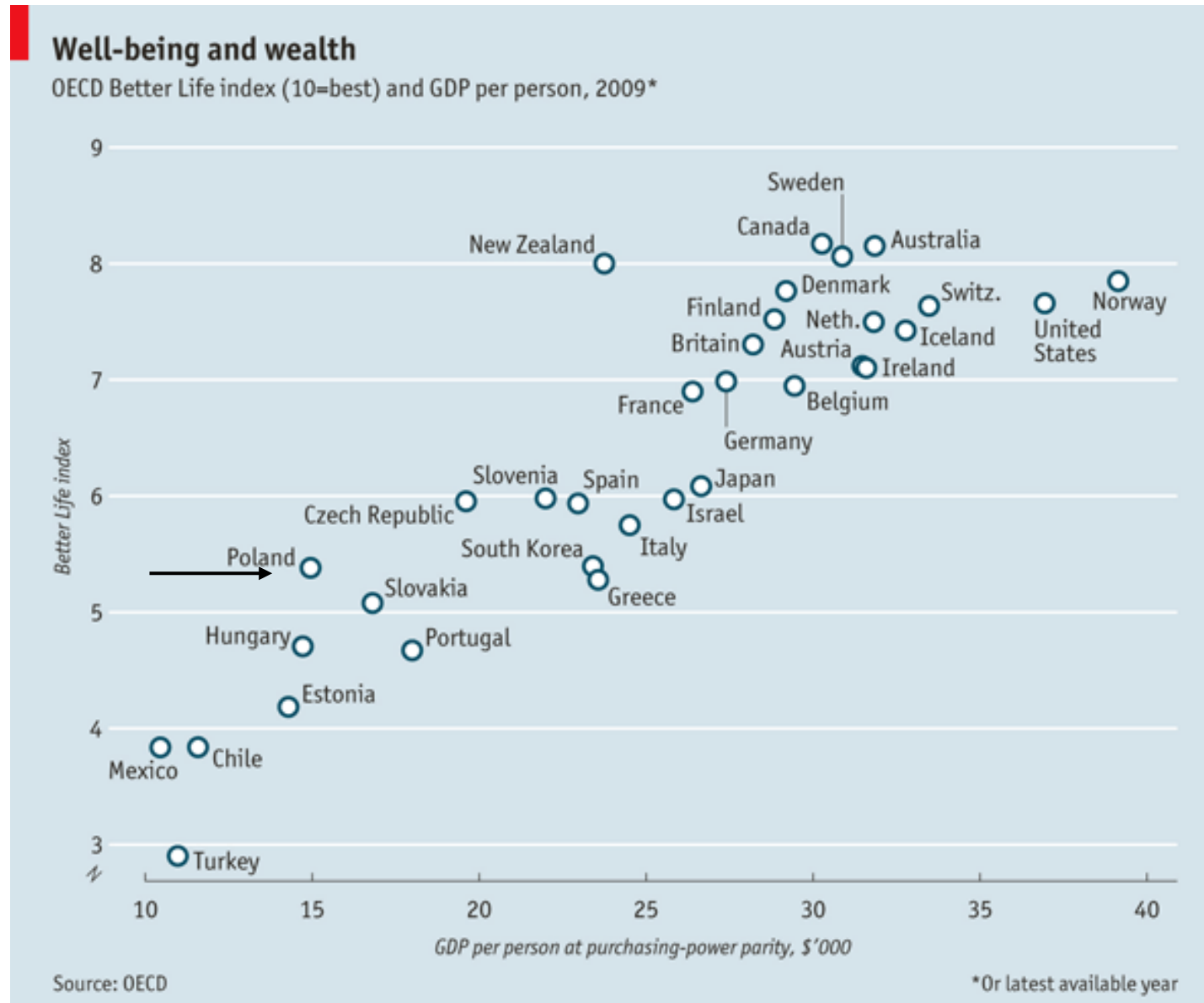
CHART 1.13. Percentiles of the population with income growth above/below the G7 average, 1989-2016



CEE countries achieved success despite the odds

- Lack of natural resources
- Low debt
- Slow growing EU economy
- Vibrant and multi-party democracy

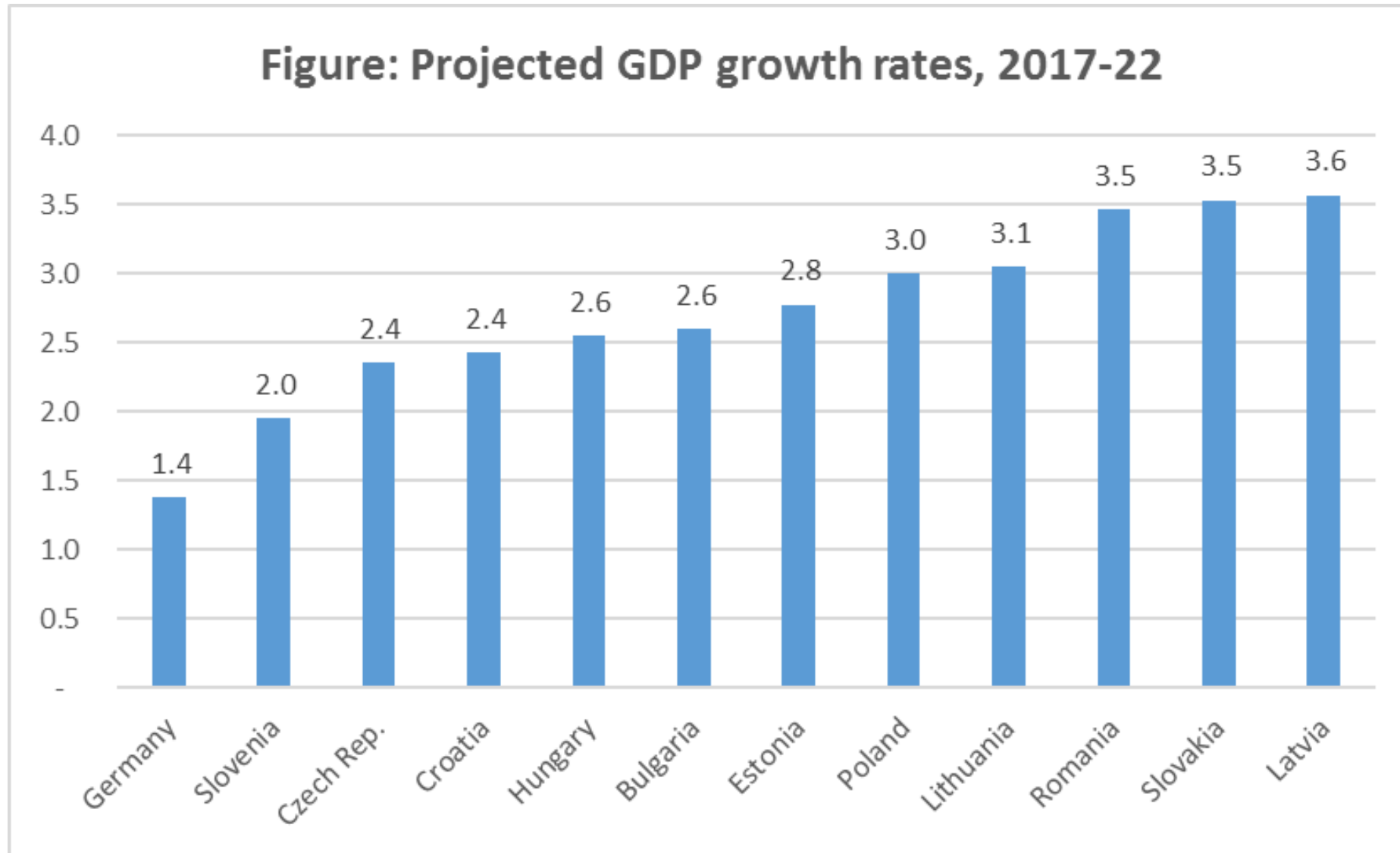
Well being is higher than suggested by income



A green rectangular sign with rounded corners and a white border is mounted on two wooden posts. The sign features the text "Welcome To The Future" in white, bold, sans-serif font. The background is a bright blue sky filled with scattered white, fluffy clouds.

Welcome To
The Future

CEE growth is projected to remain strong



Supported by a global recovery

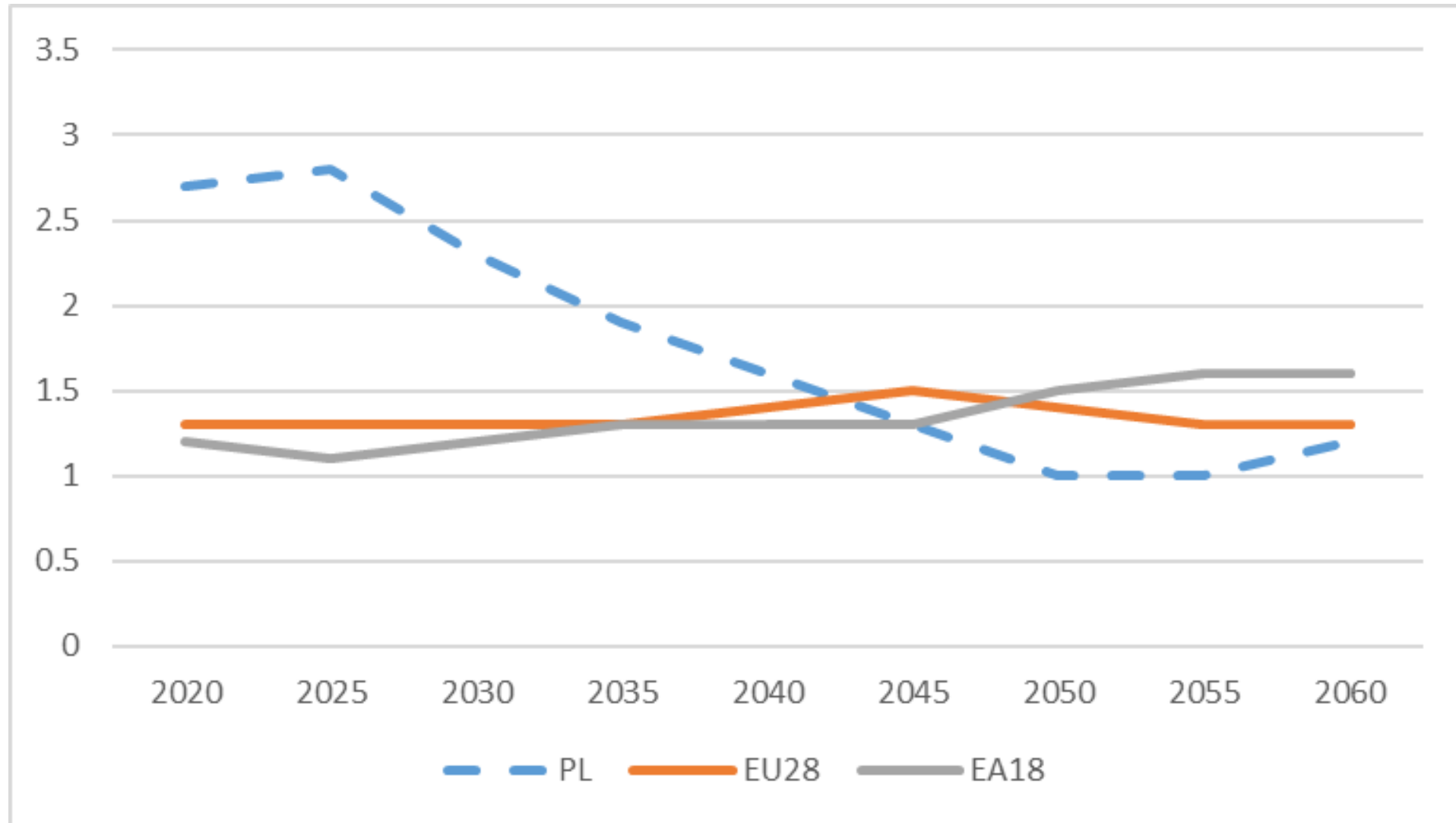
Table 1.1. Overview of the *World Economic Outlook* Projections
(Percent change, unless noted otherwise)

	2016	Projections		Difference from January 2017 <i>WEO Update</i> ¹	
		2017	2018	2017	2018
World Output	3.1	3.5	3.6	0.1	0.0
Advanced Economies	1.7	2.0	2.0	0.1	0.0
United States	1.6	2.3	2.5	0.0	0.0
Euro Area	1.7	1.7	1.6	0.1	0.0
Germany	1.8	1.6	1.5	0.1	0.0
France	1.2	1.4	1.6	0.1	0.0
Italy	0.9	0.8	0.8	0.1	0.0
Spain	3.2	2.6	2.1	0.3	0.0
Japan ²	1.0	1.2	0.6	0.4	0.1
United Kingdom	1.8	2.0	1.5	0.5	0.1
Canada	1.4	1.9	2.0	0.0	0.0
Other Advanced Economies ³	2.2	2.3	2.4	0.1	0.0

What can go wrong with CEE?

- Economic populism
- Financial crisis in China
- Trump's trade war

Long-term growth projections



Growth to be supported by a number of strengths

- High quality of education
- Low labor costs/high productivity
- Much improved infrastructure
- Macroeconomic stability
- Good business environment
- Relatively low debt
- Low taxes
- Materialistic outlook, work ethos

The most competitive generation ever!

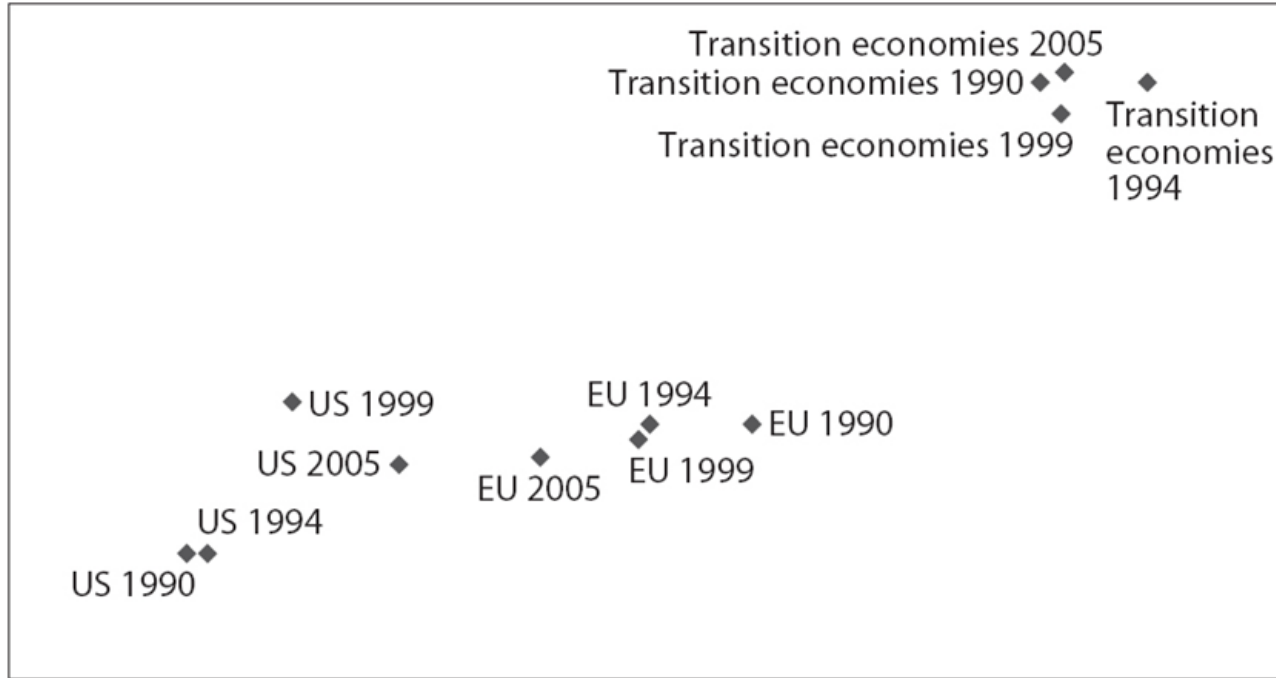


In sports too!



Changing culture: time is on “our” side

support for political authoritarianism



support for economic intervention

Age Gap on Change to Democracy and Capitalism

% Approve of change to...	% Approve of change to...				Oldest-youngest gap
	18-29	30-49	50-64	65+	
Multiparty system	%	%	%	%	
Russia	65	60	46	27	-38
Bulgaria	56	61	51	37	-19
Czech Rep.	87	82	76	70	-17
Poland	76	76	65	60	-16
Lithuania	59	58	56	43	-16
Hungary	60	59	55	45	-15
Ukraine	34	39	22	20	-14
Slovakia	74	76	65	65	-9
East Germany	90	85	86	81	-9
Market economy					
Russia	63	56	39	27	-36
Bulgaria	66	60	49	32	-34
Slovakia	75	73	60	46	-29
Ukraine	48	43	24	20	-28
Poland	80	78	68	53	-27
Czech Rep.	83	87	76	63	-20
Hungary	51	47	48	36	-15
Lithuania	53	53	51	41	-12
East Germany	82	83	87	77	-5

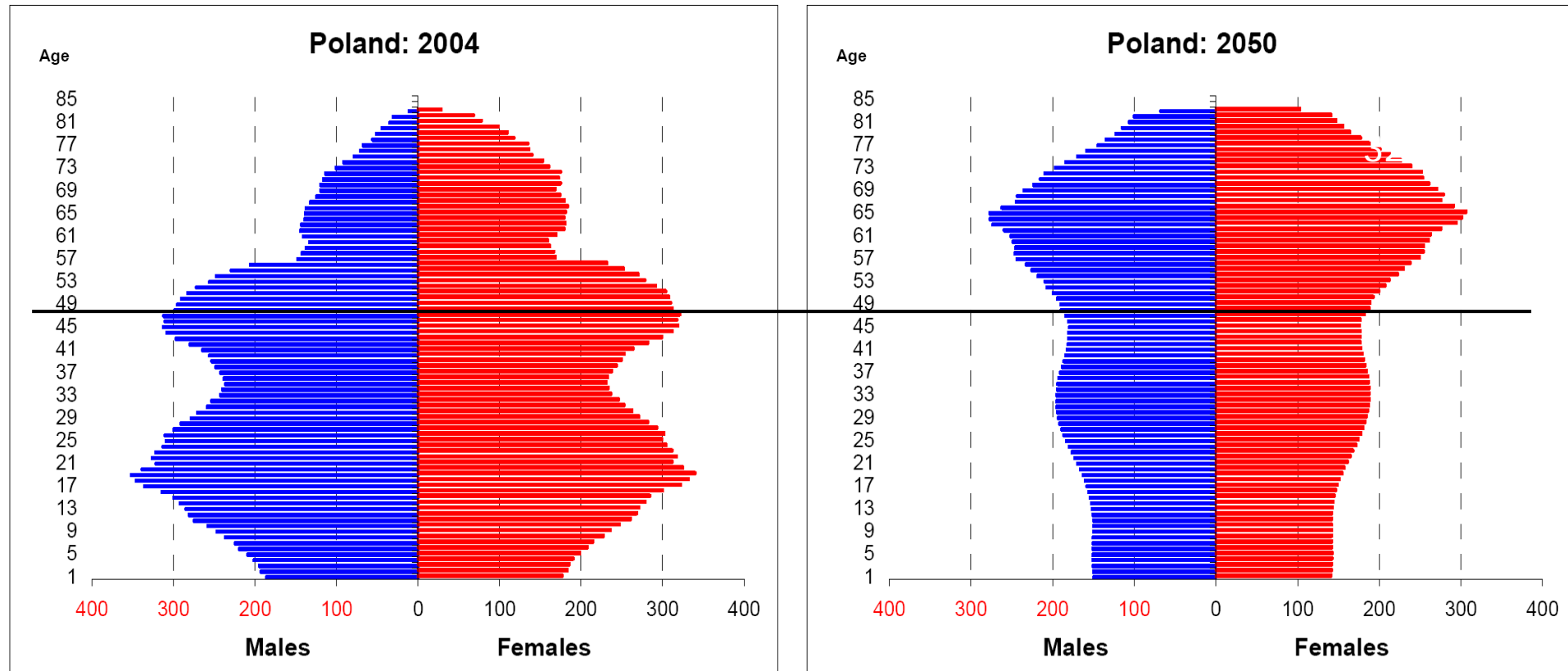
Questions 12 and 13.

But large long-term risks

- Population decline and aging
- Reform slowdown
- Weakening of institutions and the rule of law
- Anti-Western sentiment
- Disintegration of the euro/EU
- War

Fast population ageing

Poland: age structure in 2004 and 2050.





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FITNESS

POINT L...

“The Warsaw Consensus”



The “Warsaw Consensus”

1. Strengthen institutions
2. Increase domestic savings
3. Promote education and innovation
4. Boost employment rate
5. Open up to immigration
6. Keep exchange rate competitive
7. Sustain strong financial supervision
8. Urbanize
9. Keep growth inclusive
10. Focus on well-being

Implementation



Conclusions

- CEE is living through its Golden Age
- Short-term and medium-term growth prospects are positive: CEE will continue to converge with the West
- But longer-term prospects fraught with risks
- Full catch up with the West will require a re-adjusted growth model: the “Warsaw Consensus”

Thank you!

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