

GRENDEL 3rd Public Consultation: Impact of COVID-19 and possible recovery actions for Danube IWT

Danube Commission countries and Covid-19: Impact and recovery

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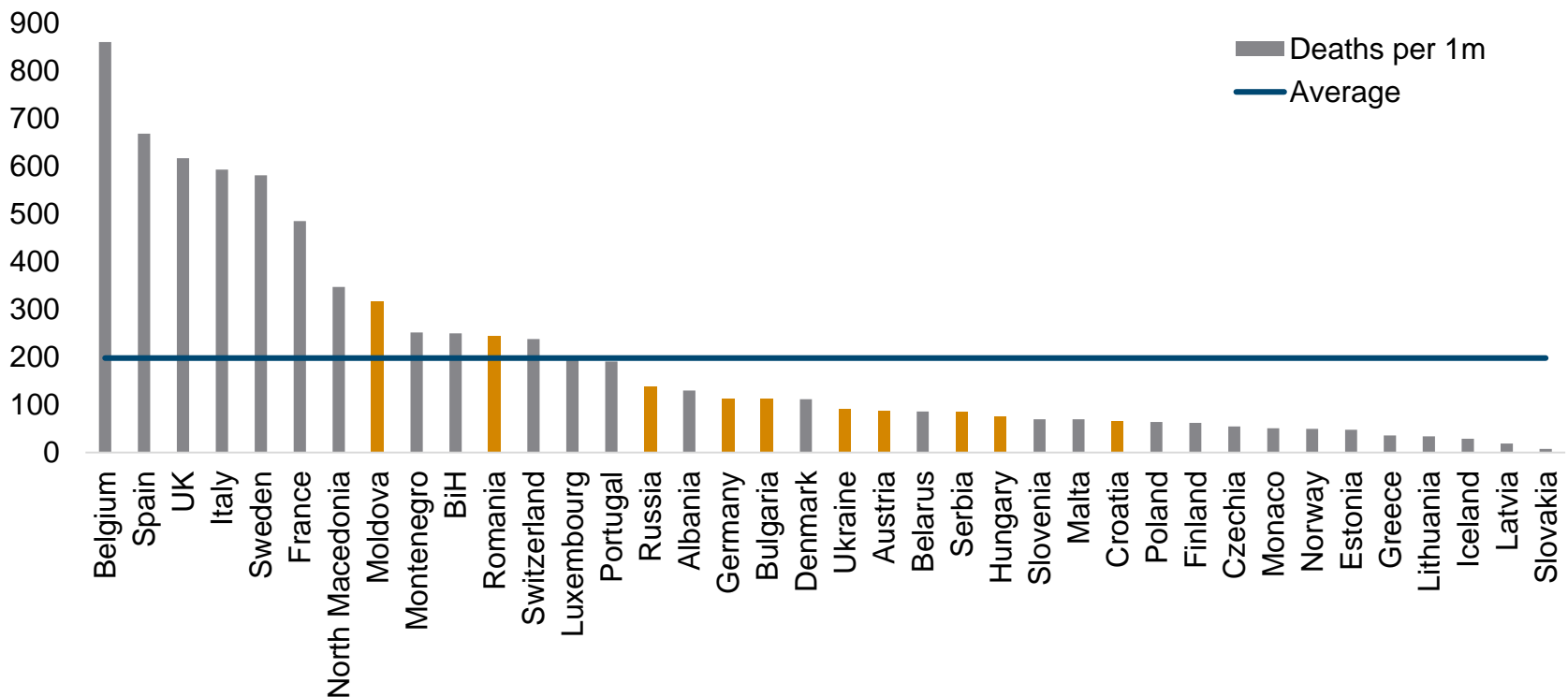
Overview

1. Impact of Covid-19 on public health and mobility
2. Economic fallout: first signs
3. Sectoral impact
4. What are the prospects for recovery?

1. Impact on public health and mobility

Public health impact mostly lower for Danube Commission countries than European average

Deaths from Covid-19 in Europe



Lockdown extent and timings have varied, significant restrictions in some countries

Stringency index; max = 100, min = 0

	March 15th	April 15th	May 15th	Early September		Average since start of March
Austria	48.2	81.5	59.3	31.5		49.7
Bulgaria	50.9	73.2	63.0	38.9		47.2
Croatia	41.7	96.3	70.4	31.5		60.2
Germany	32.9	76.8	64.3	57.9		50.4
Hungary	53.7	76.8	63.0	51.8		58.2
Moldova	51.8	87.0	84.3	53.7		69.9
Romania	58.3	87.0	75.0	45.4		57.9
Russia	35.7	85.2	78.2	38.9		68.4
Serbia	49.1	100.0	93.5	50.9		60.0
Slovakia	67.6	75.0	73.2	25.9		50.9
Ukraine	50.0	88.9	88.9	62.5		63.5
Italy	85.2	93.5	63.0	54.6		66.5
Sweden	16.7	46.3	46.3	37.0		37.9

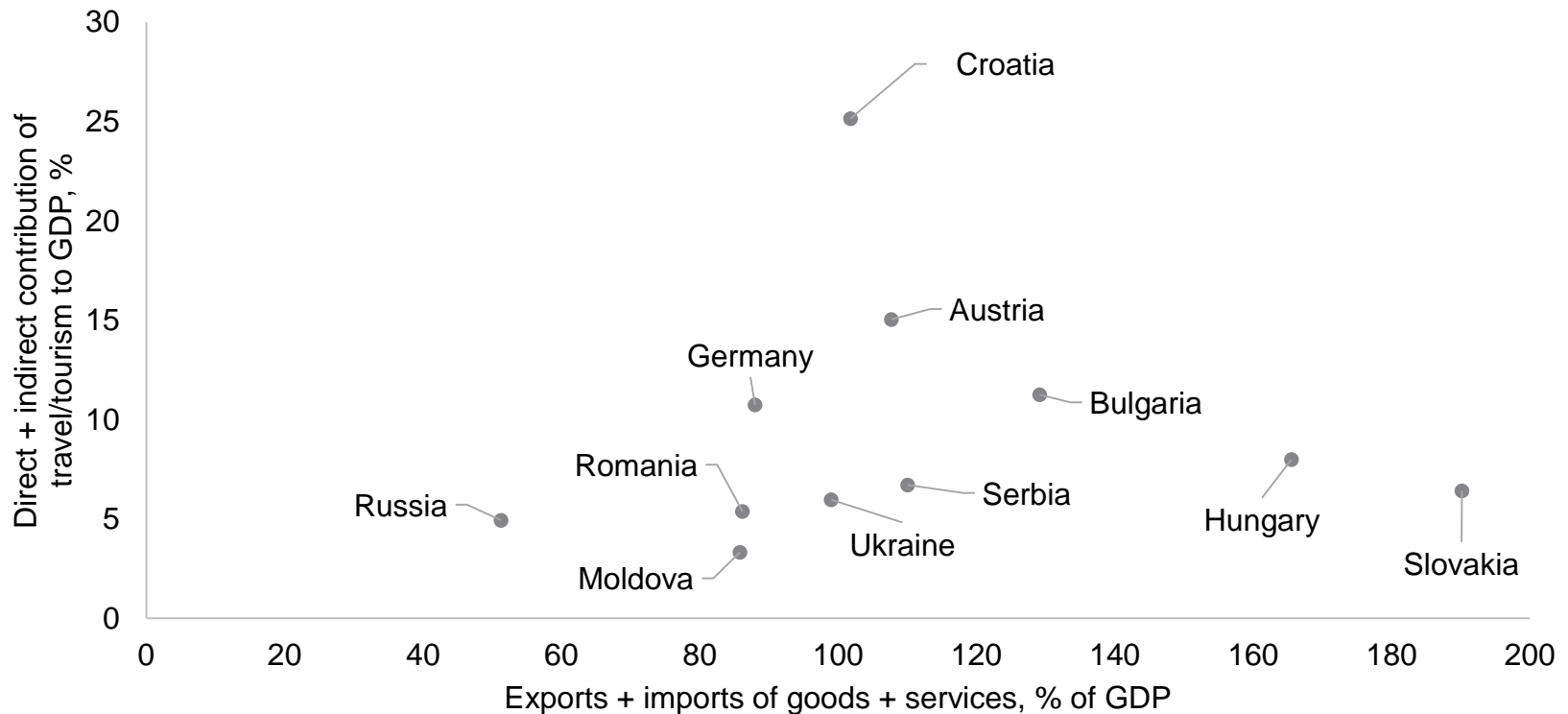
Sources: Oxford Blavatnik School of Government, wiiw.

Note: Red = max, green = min

2. Economic fallout: first signs

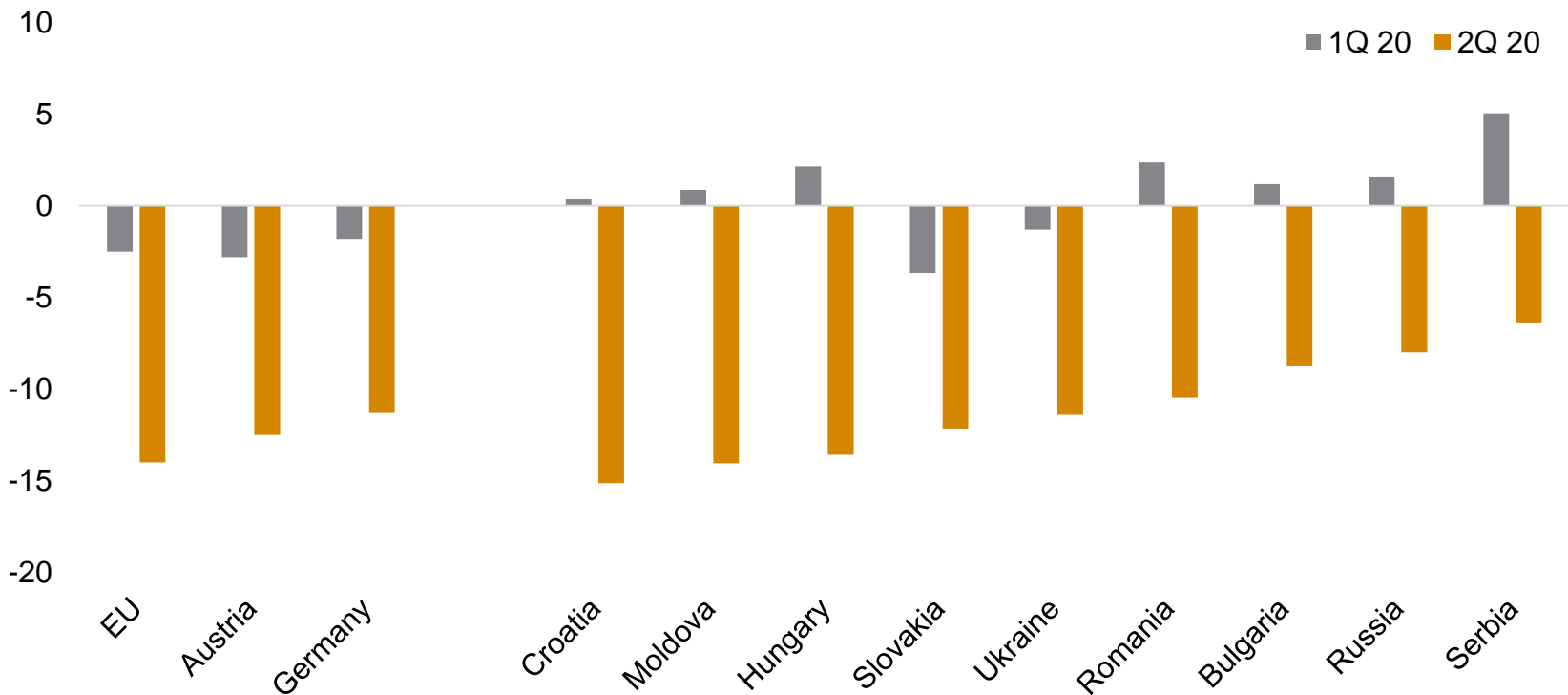
This year, external exposure seems to be a key area of vulnerability for the region's economies

Exposure to travel/tourism and external trade, % of GDP



Initial economic data suggest tough recessions for all, but clearly worse for some than others

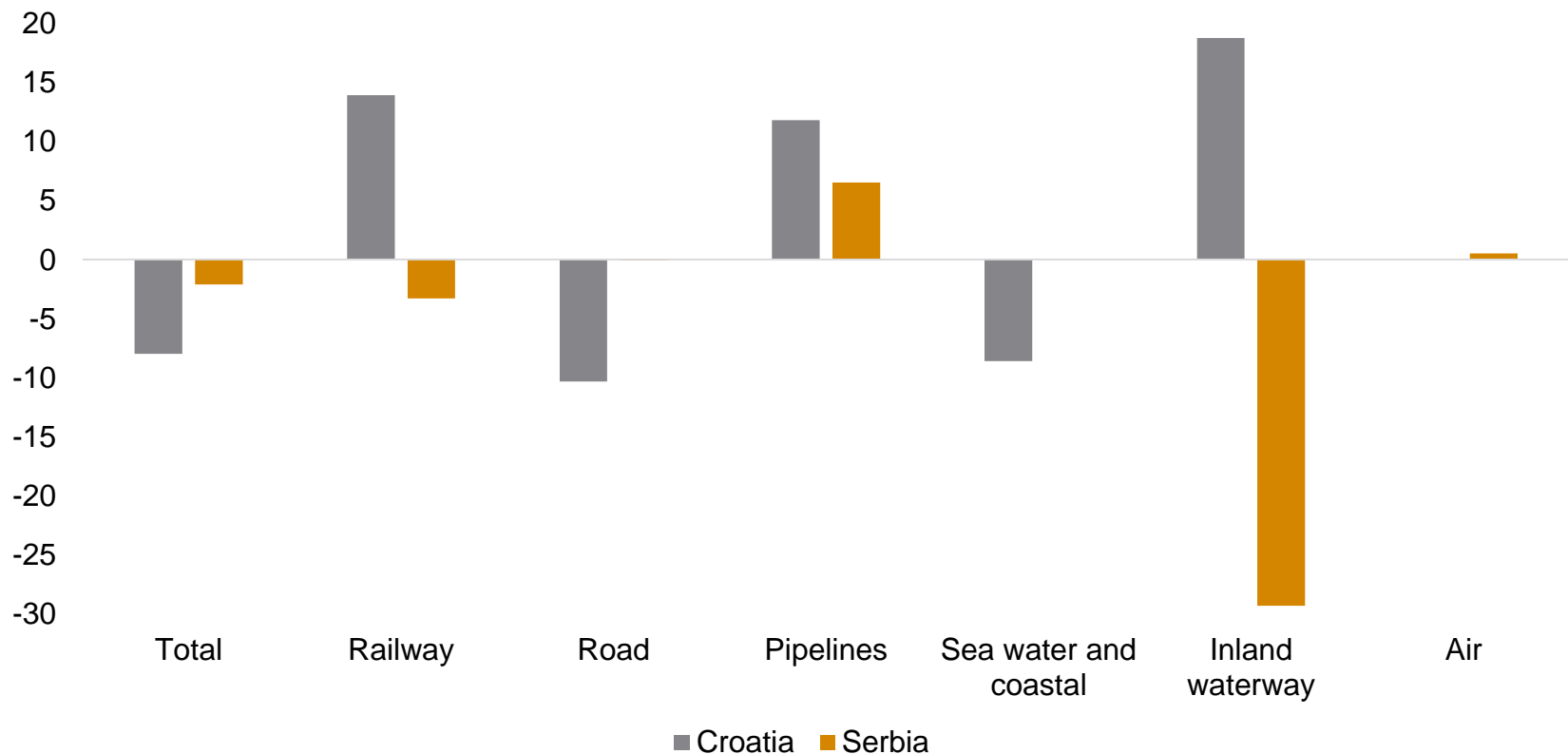
Real GDP; % change, year on year



3. Sectoral impact

Transport sector: initial signs of impact quite divergent

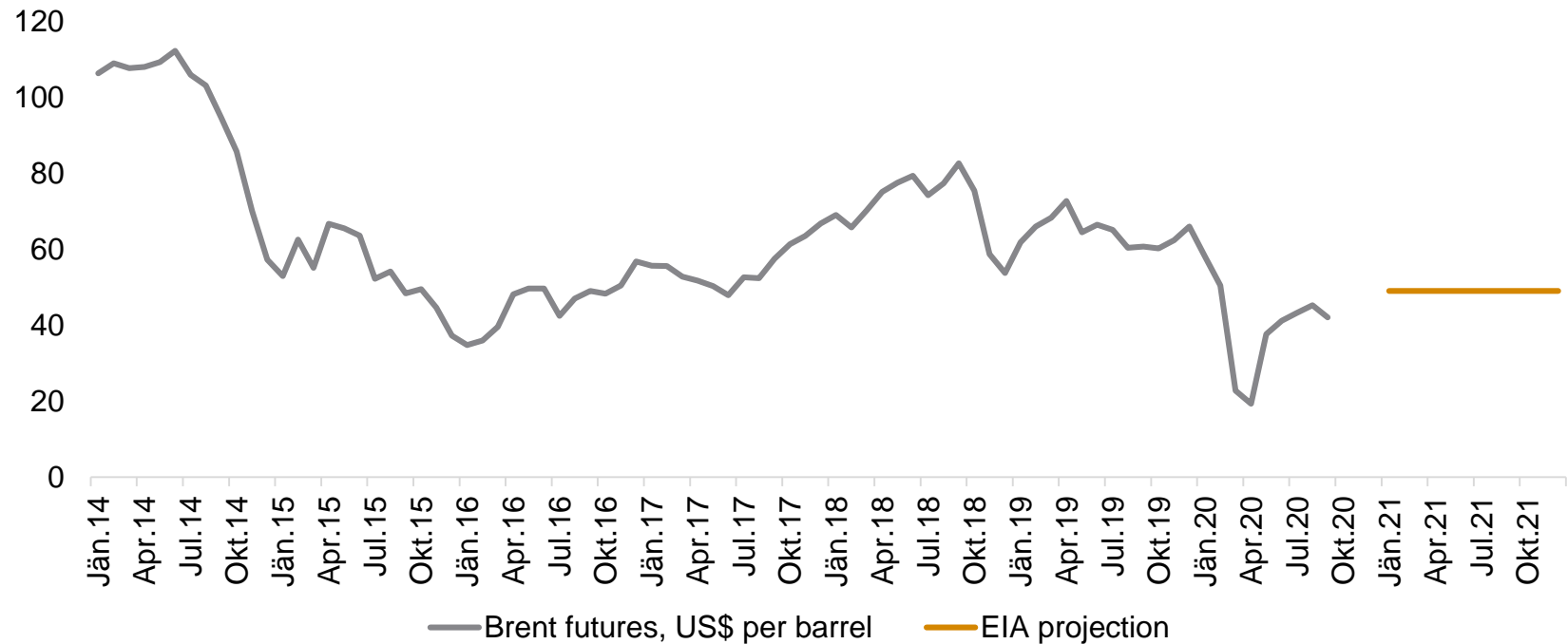
Goods transported by volume, January-June 2020, % change year on year



Sources: National sources, wiiw. Note: No Serbia data for sea water and coastal; no Croatia data for air.

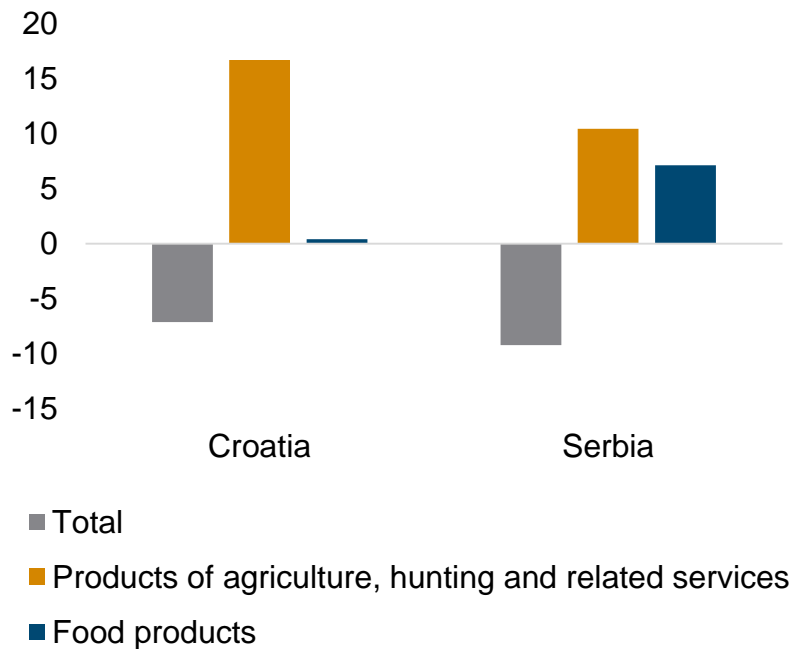
Energy sector: a tough year with only a modest recovery in sight

Brent crude front-month contract, US\$ per barrel

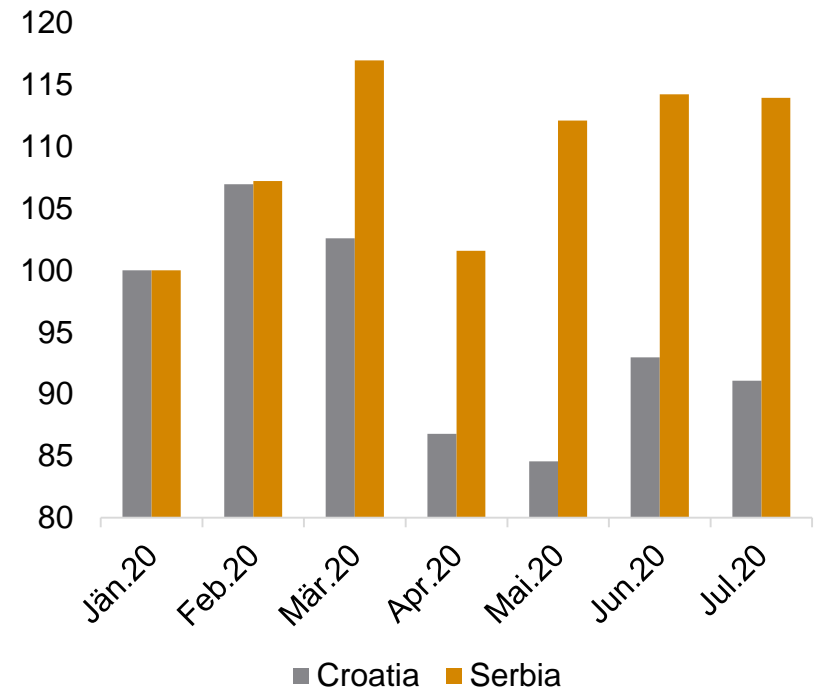


Agriculture: A rare bright spot in 2020

Nominal value of exports, selected categories, H1 2020, % change year on year

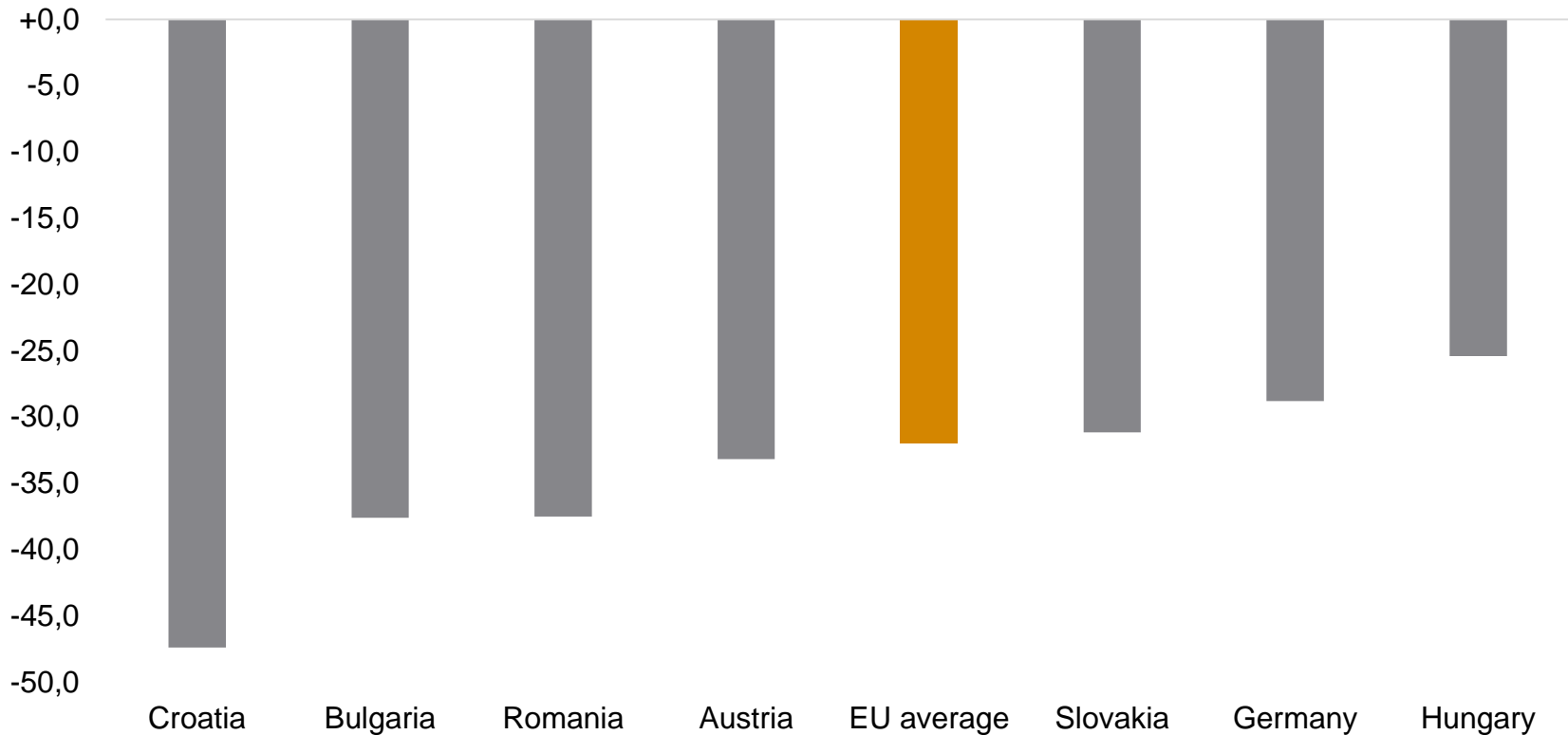


Manufacture of food products, volume, January 2020 = 100



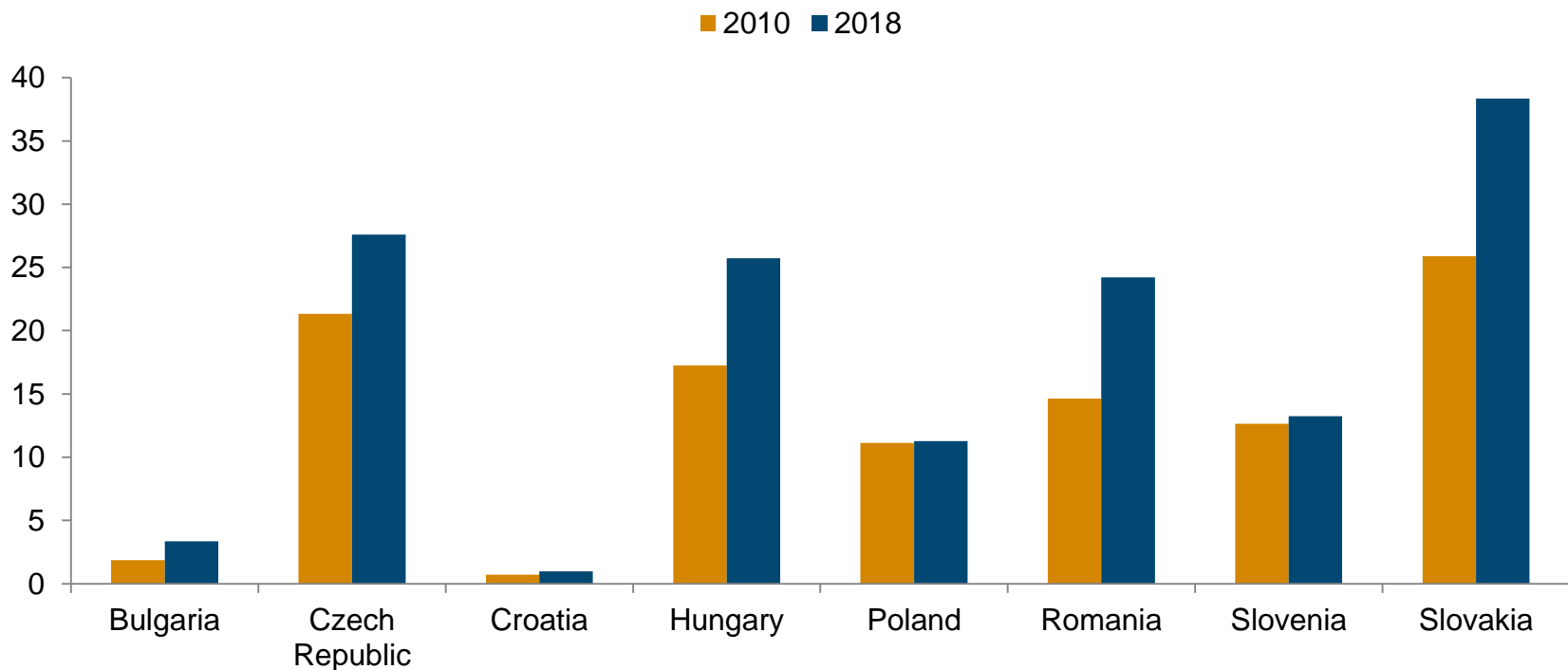
Automotive sector: suffering especially badly this year

New passenger car registration, January-August 2020, % change year on year



Medium-term challenge for carmakers: Protectionism and structural change in the industry

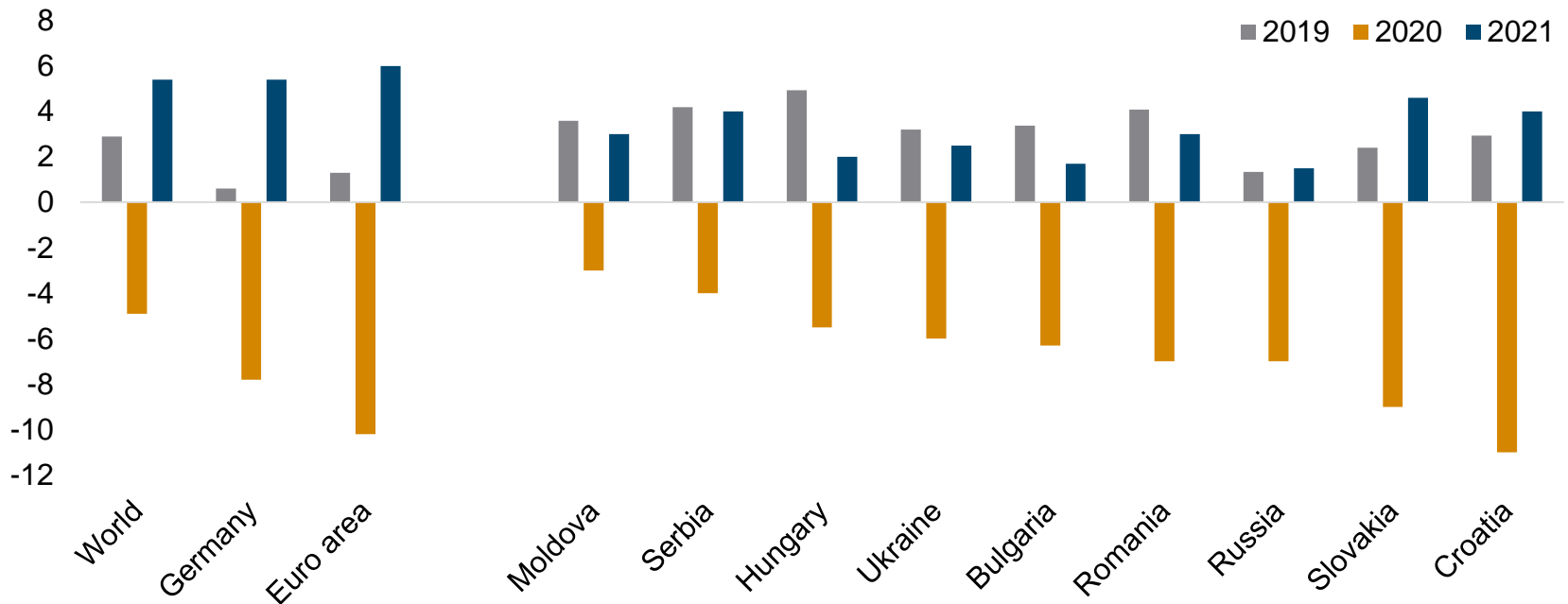
Automotive production, % of total production, selected EU-CEE countries



4. Prospects for recovery

wiiw forecasts: Big recession, but not as bad as feared so far; recovery most likely Nike-shaped for most

Real GDP, % change, year on year



Sources: National sources, Eurostat, wiiw May 2020 projections, IMF June 2020 projections.

Note: all projections by wiiw except world, Germany and euro area.

Vulnerability versus resilience

Factors of vulnerability

- Health system quality and capacity
- Tourism reliance (Southeast Europe)
- Reliance on capital flows (Southeast Europe)
- Large share of SMEs
- Limited fiscal/monetary space (especially non-EU members)

Factors of resilience

- Large EU funds allocation
- International financial support
- Quick initial reaction and lockdown
- Some more 'closed' economies
- Spill-overs from big policy response in euro area

Conclusions

- Deepest peacetime recession since the 1930s for the global economy, and worst for CESEE since early 1990s.
- Overall public health impact in Danube Commission countries has been less bad than for Europe on average.
- Economic fallout generally negative, but not all countries and sectors affected equally: pockets of resilience and even success. Automotive sector struggling whereas agriculture seems to be a relative bright spot.
- Worst is probably over in economic terms, but recovery speed and shape highly uncertain. Everything depends on public health.

Thank you for your attention!

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