



CROATIAN NATIONAL BANK

EUROSYSTEM

# Changing geopolitical landscape - economic implications for CESEE

## *Session 2*

### *A longer-term view – potential structural changes ahead*

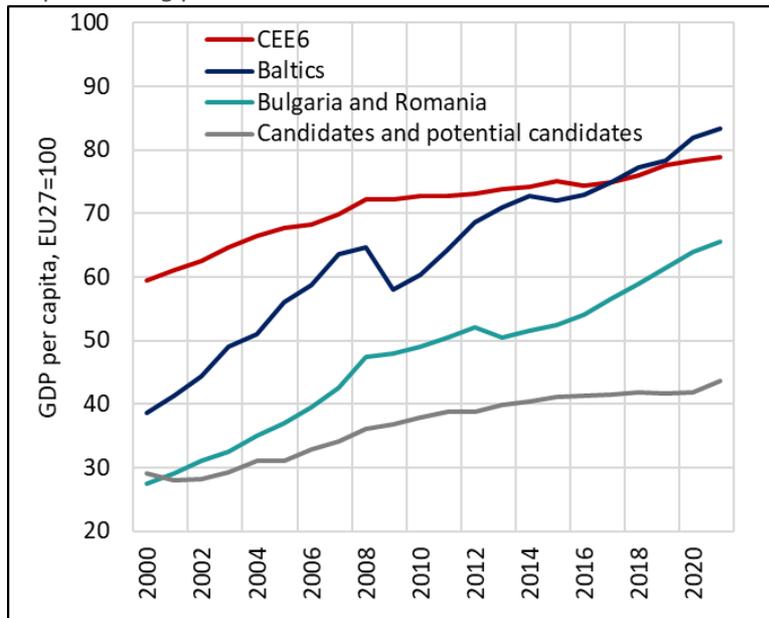
Boris Vujčić, Governor  
Frankfurt am Main, 17 July 2023

9th ECB conference on central, eastern and south-eastern European (CESEE) countries

# High level of convergence is achieved but the prospects for continued catching-up are uncertain

## GDP per capita of the CESEE region

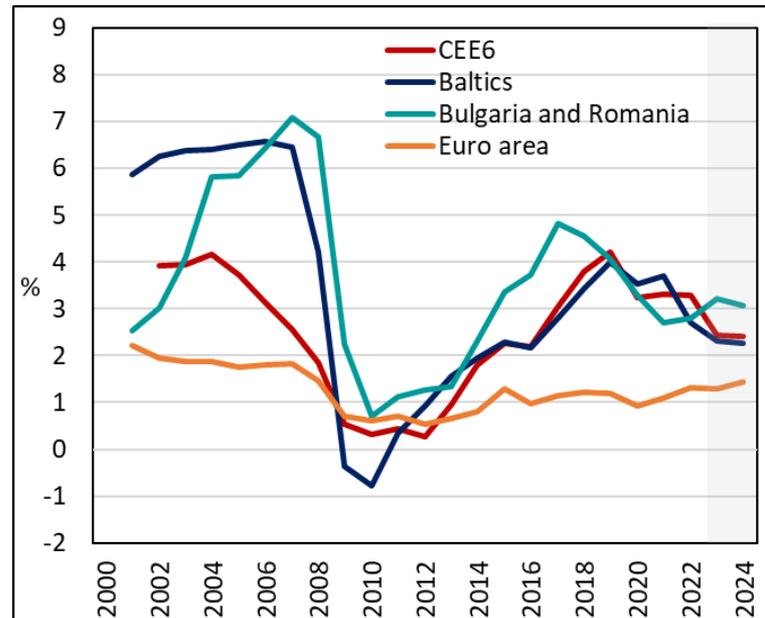
*in purchasing power standards*



Note: CEE6 include: Croatia, Czechia, Hungary, Poland, Slovakia and Slovenia.

Source: Eurostat

## Potential GDP growth of the CESEE region

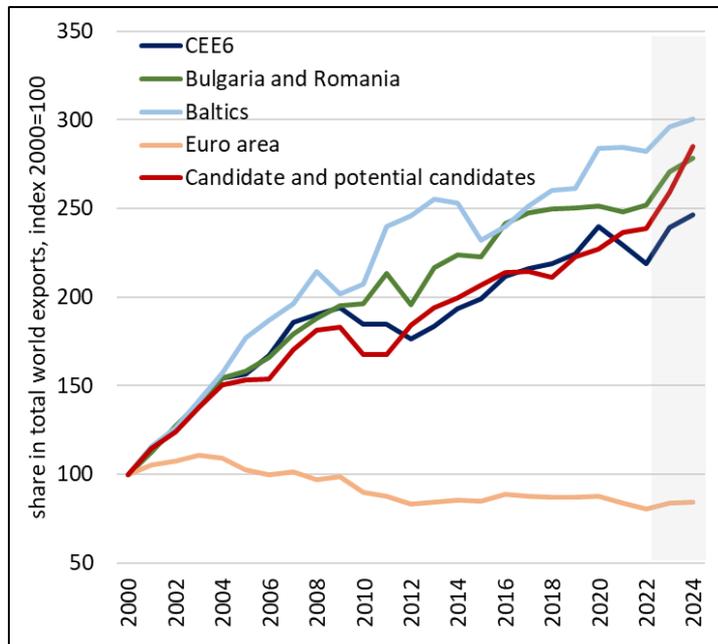


Note: CEE6 include: Croatia, Czechia, Hungary, Poland, Slovakia and Slovenia.

Source: AMECO

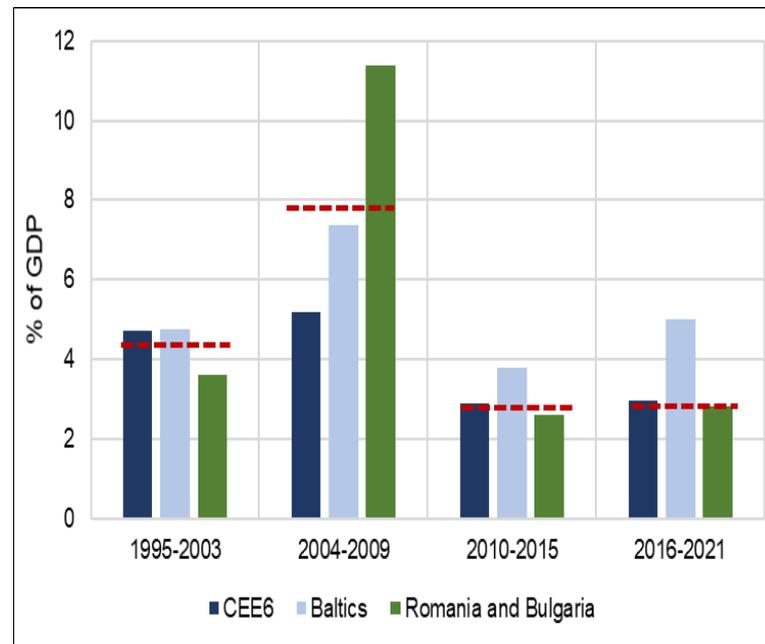
# Gains from external trade and FDI are largely exhausted requiring new sources of growth

## Export market shares



Source: AMECO

## FDI inflows in CESEE region

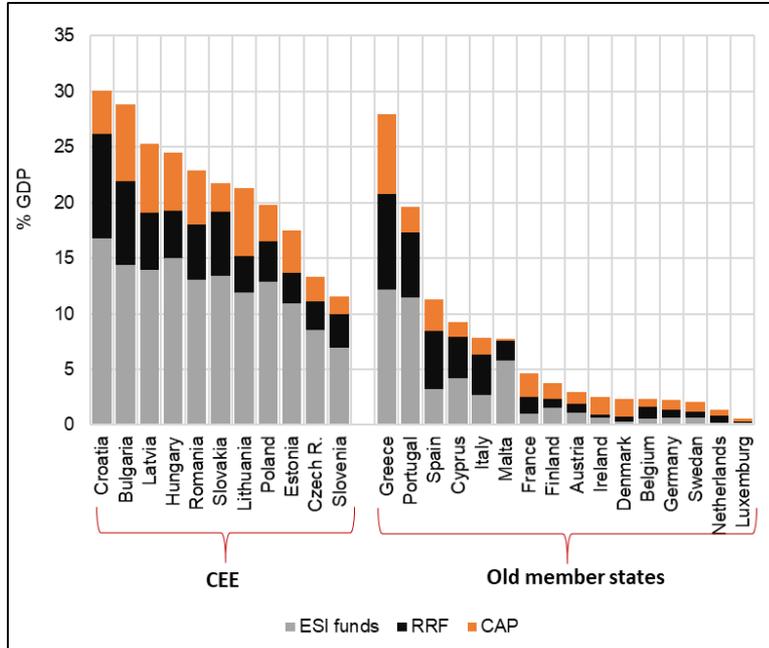


Source: IMF, Eurostat

Note: Dotted line represent the average for all observed countries.

# The relative importance of EU funds will also decrease over time

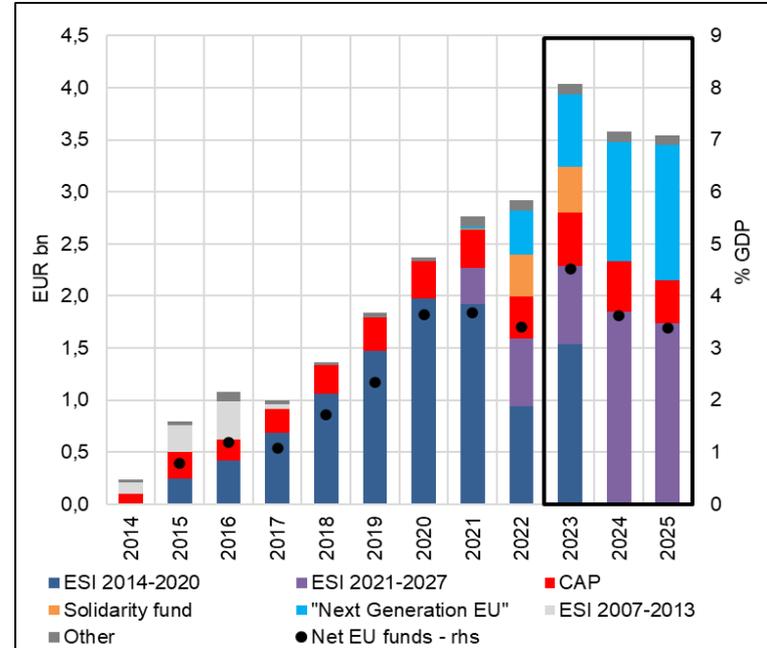
Current allocation of EU funds, by member state



Note: CAP = Common Agricultural Policy; ESI = European Structural and Investment funds; RRF = Recovery and Resilience Facility (main part of NextGenerationEU. Regular allocations are for 2021-2027, whereas NextGenEU expires in 2026.

Source: European Commission

Inflows of EU funds in Croatia

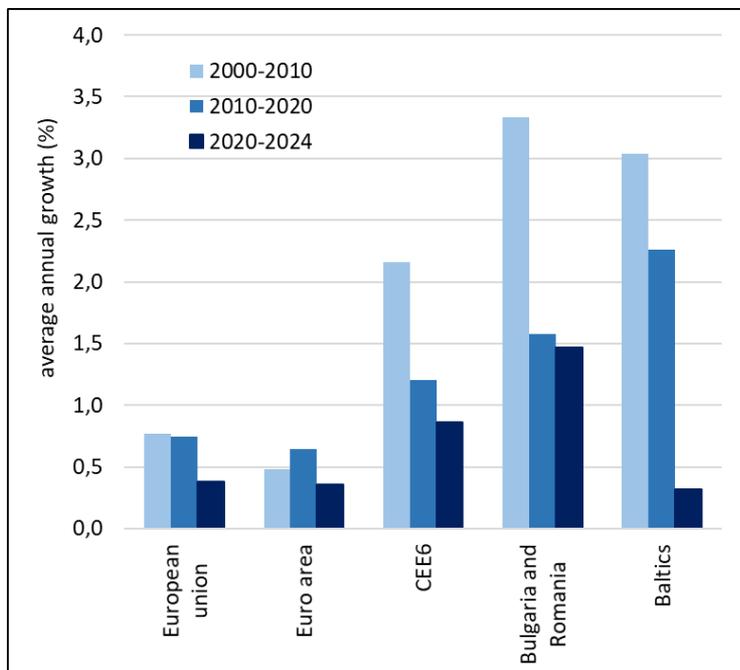


Note: CAP = Common Agricultural Policy; ESI = European Structural and Investment funds.

Source: CNB

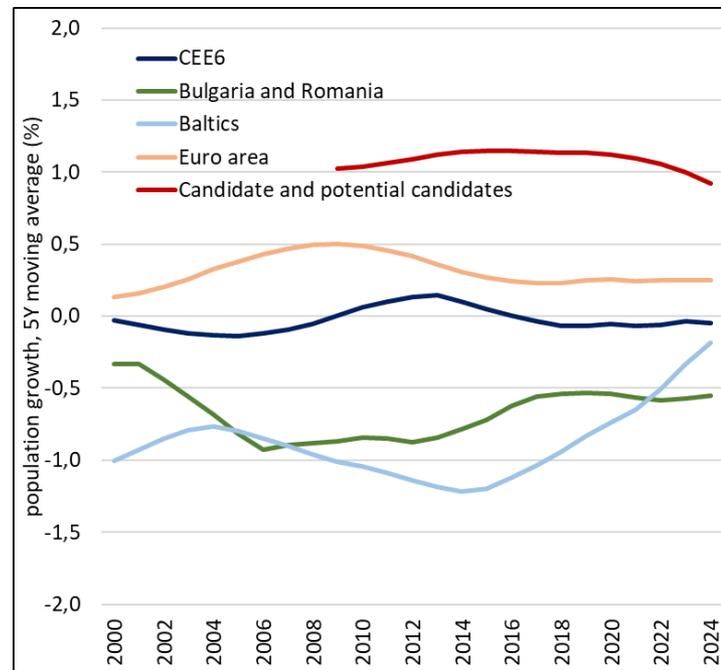
# Decelerating TFP growth is coupled with unfavourable demographic trends and diminishing efficiency of capital

Total factor productivity growth



Source: AMECO

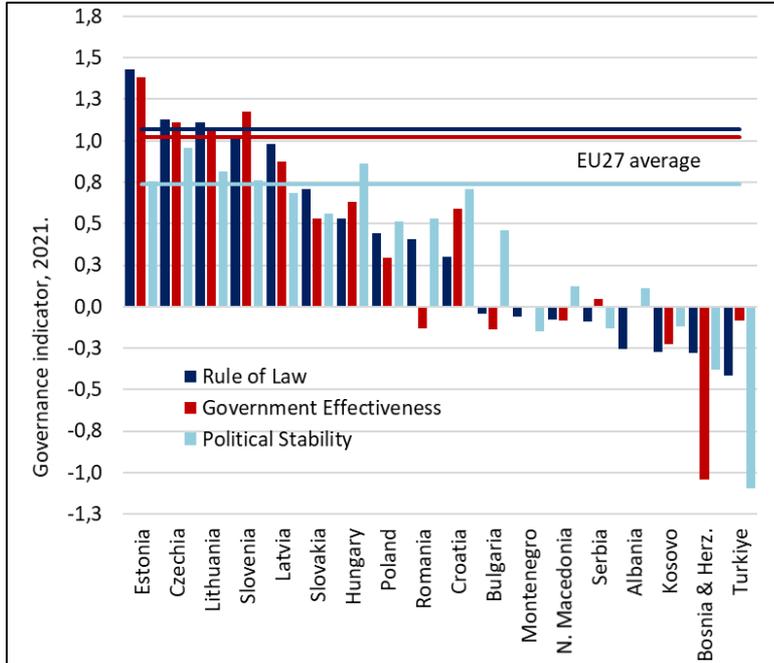
Population growth



Source: AMECO

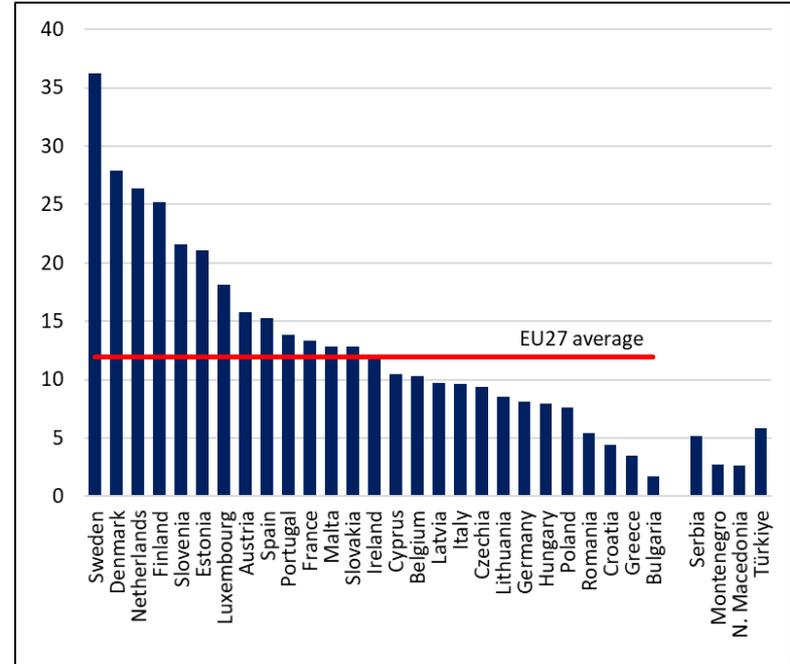
# Significant scope for improvement in the quality of institutions and labour force

## Governance indicators



Source: World Bank

## Adult participation in learning

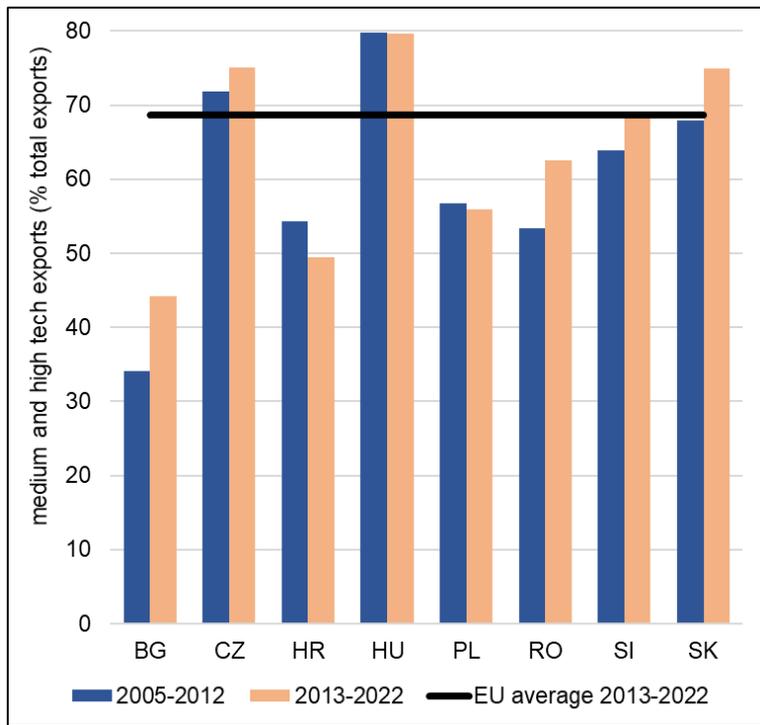


Note: The indicator measures the share of people aged 25 to 64 who stated that they received formal or non-formal education and training in the four weeks preceding the survey.

Source: Eurostat

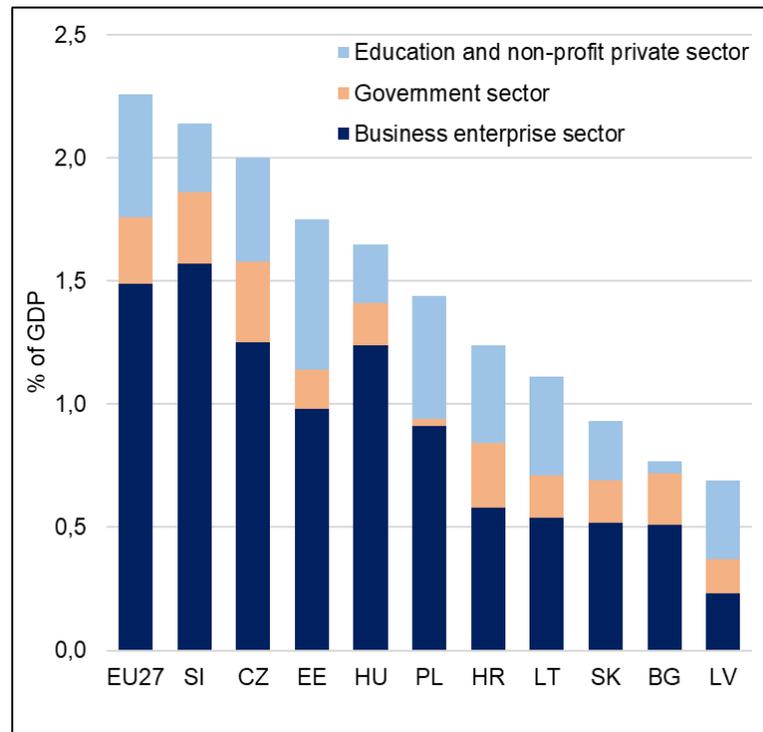
# Technology, innovations and R&D provide opportunities for continued convergence

Tehnological intensity of exports



Source: Eurostat

Expenditure on research and development, 2021.



Source: Eurostat

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**Thank you for your attention!**

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