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PRESS RELEASE

CEE economies prove more resilient than expected

UniCredit economists expect a recovery in the CEE region after a winter of an atypical recession due to falling purchasing power and foreign demand, tighter financial conditions, and lower fiscal spending **“A rebound is likely from 2H23 onwards if the eurozone economy recovers as well. In the first half of 2023 there will be a shallow and, hopefully, short recession. Consumers are pessimistic, but in good financial position. Industry orders are resilient and there is a good pipeline for more foreign investment in the region”**, commented **Dan Bucsa**, Chief Economist for Central and Eastern Europe during the workshop “CEE: Weathering economic and geopolitical shocks” at the *The Euromoney CEE Forum 2023*, held in Vienna, Austria.

“We expect the economies in EU-CEE¹ to grow by around 0.5% in 2023 and 3.3% in 2024, slowing from 4.4% in 2022. The Western Balkans might trail the EU-CEE recovery, as it has less access to market and EU funding,” said **Dan Bucsa**.

The economists forecast inflation to peak in 1Q23 in both EU-CEE and the Western Balkans. Thereafter, fiscal transfers, tight labor-market conditions and higher energy and food prices could keep inflation outside target ranges in 2023-24.

CEE economies more resilient than feared

CEE economies have proven more resilient than had been feared at the start of the Russia-Ukraine war. While consumers turned markedly more pessimistic when the conflict began, their spending habits changed only gradually. Expecting higher prices and interest rates, households frontloaded spending and borrowing in 1H22 and many exhausted the precautionary savings they amassed in 2020-21. The exceptions are clustered in countries where energy prices rose at a slower pace owing to administrative caps and/or where wage growth tracked inflation (Croatia, Czechia, Hungary, Serbia, Slovenia). Despite the economic slowdown in Europe, orders and economic activity remained resilient in 4Q22, while vacancies fell little from all-time highs in sectors with high employment, such as electronics, machinery and automotive. Companies in construction and services from retail to IT reported labor shortages, despite expectations that business would slow over the winter.

For the full version of Q1 2023 CEE Quarterly “Weathering geopolitical and economic shocks”: [Document](#)

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Contacts:

Media Relations: e-mail: MediaRelations@unicredit.eu

Investor Relations: e-mail: InvestorRelations@unicredit.eu

¹ (BG, CZ, HR, HU, PL, RO, SK, SI)