

What's up in CEE? – Erste Group Research looks forward to 2017

- **Global and not local politics will be decisive for CEE in 2017**
- **Inflation will increase in 1Q17 only but cool thereafter**
- **EU funds to drive investments up again next year**

When trying to ascertain what events could be decisive next year for CEE, we at Erste Group Research can see a relative scarcity of exact events. **On the political front, global events - and not local, CEE ones - could be decisive.** Elections will come in France, the Netherlands and Germany that could entail risks for CEE, too, while snap elections elsewhere in Europe could also occur. Elections are only scheduled in the Czech Republic, but the country's economy has always been rather immune to political changes. While we see Euroscepticism as high in many parts of CEE as well, the popularity of EU membership is still solid and has been increasing in some CEE countries in the last few months. Still, **global political uncertainty will limit the gains of CEE fixed assets.**

A key factor in recent years has been the rather low level of inflation for CEE, which is currently changing, mostly due to the changing dynamics in the oil price. Due to this, **we see inflation going up strongly in the coming months, but the factor stemming from the oil price should fade later on; for the remainder of 2017, inflation should not accelerate too much further.** Although domestic demand is picking up, imported inflation is still rather muted in CEE.

Investments have been a drag in CEE in 2016, mainly due to the major slowdown in EU fund inflows. This should reverse next year. Therefore, **in most CEE countries, investments could be a positive driver of GDP growth.**

Press department:

Michael Mauritz (Head of Group Communications)
Carmen Staicu (Spokesperson for the Group)
Peter Klopf (Group Press Officer)

Tel: +43 50100 – 19603
Tel: +43 50100 – 11681
Tel. +43 50100 – 11676

E-Mail: michael.mauritz@erstegroup.com
E-Mail: carmen.staicu@erstegroup.com
E-Mail: peter.klopf@erstegroup.com

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