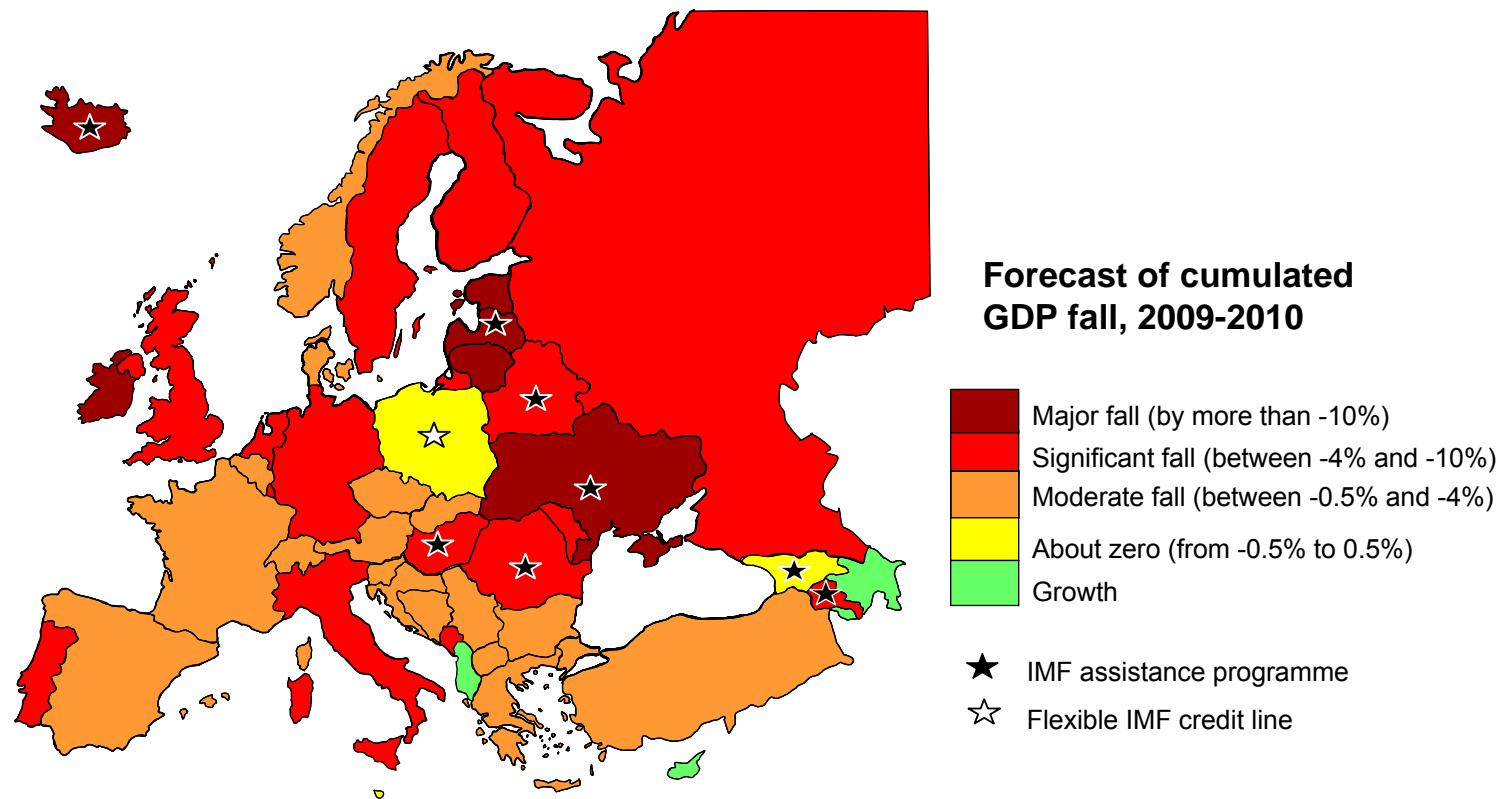


19th Economic Forum, Krynica Zdrój, Poland

Hard Landing Central and Eastern Europe Facing the Global Crisis 9 September 2009

CEE Region was seriously hurt by the Global Crisis...

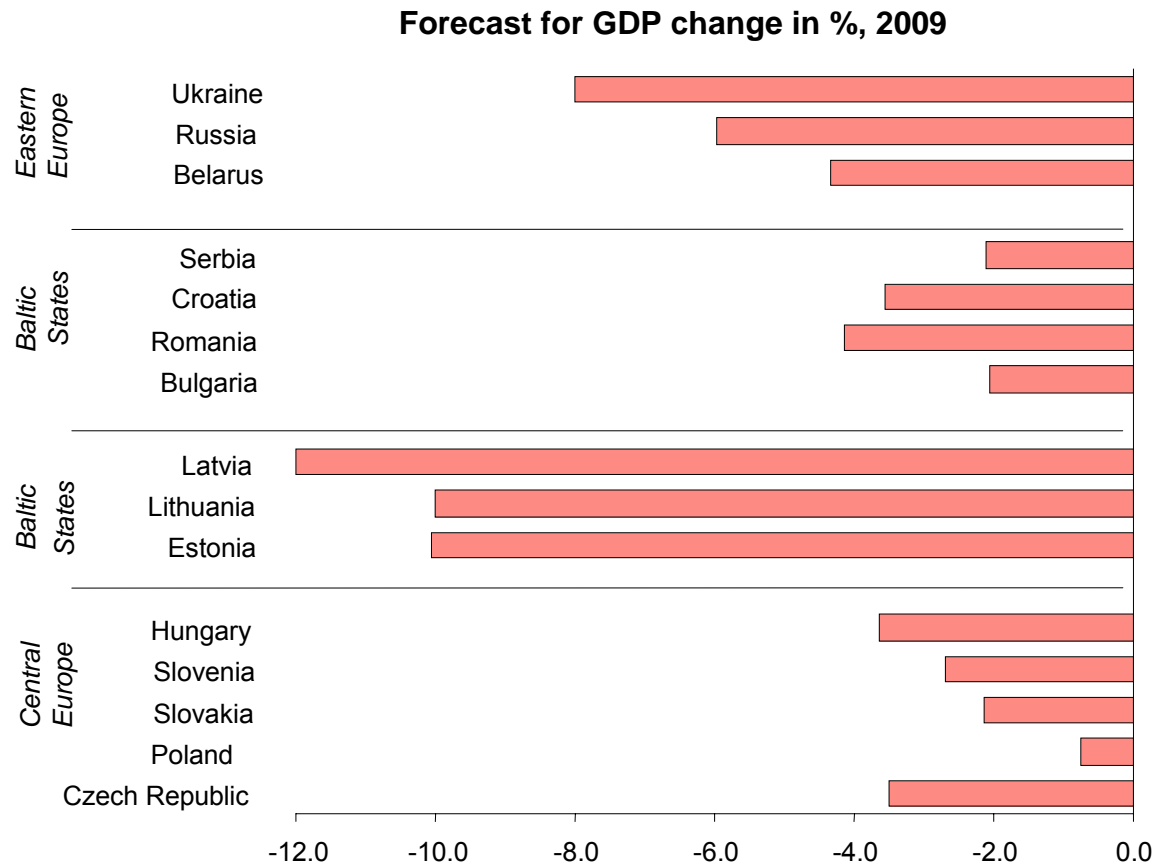


Source: IMF, EBRD

The global crisis affected CEE countries through various channels...

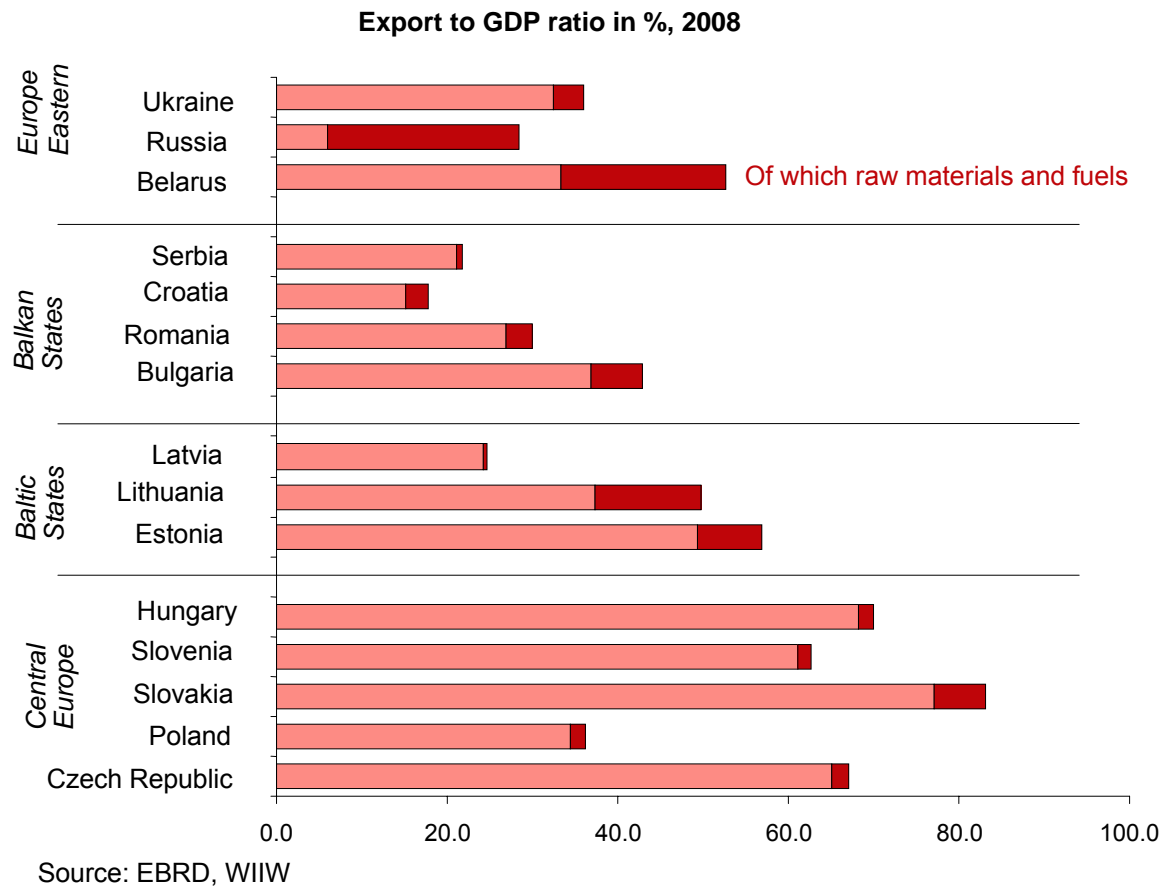
1. Fall of exports
2. Fall of FDI
3. Reduced access to financial markets
4. Internal channels: weakening of currencies, banking crisis, unemployment, deterioration of the public finance...

...with the single outcome: fall of GDP

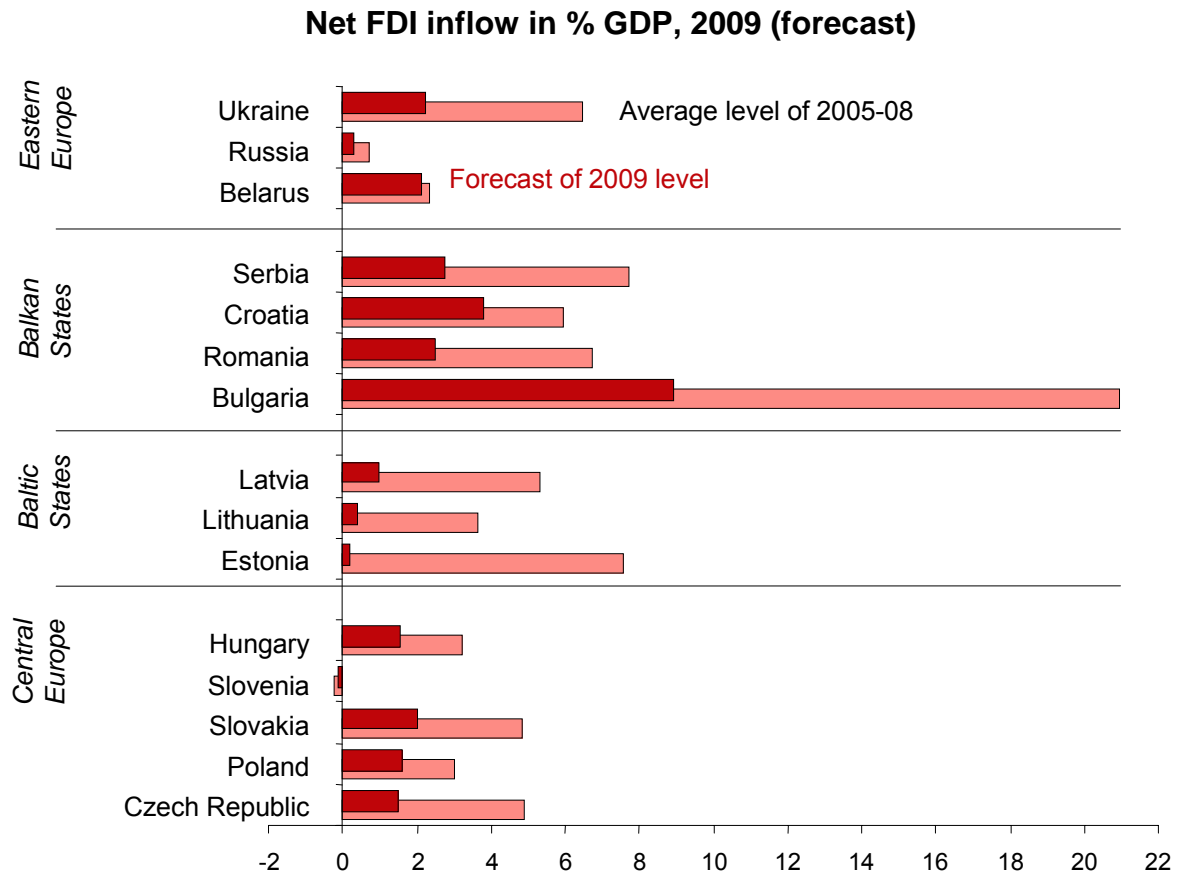


Source : IMF

The scale of the shock depends on the openness to the trade...

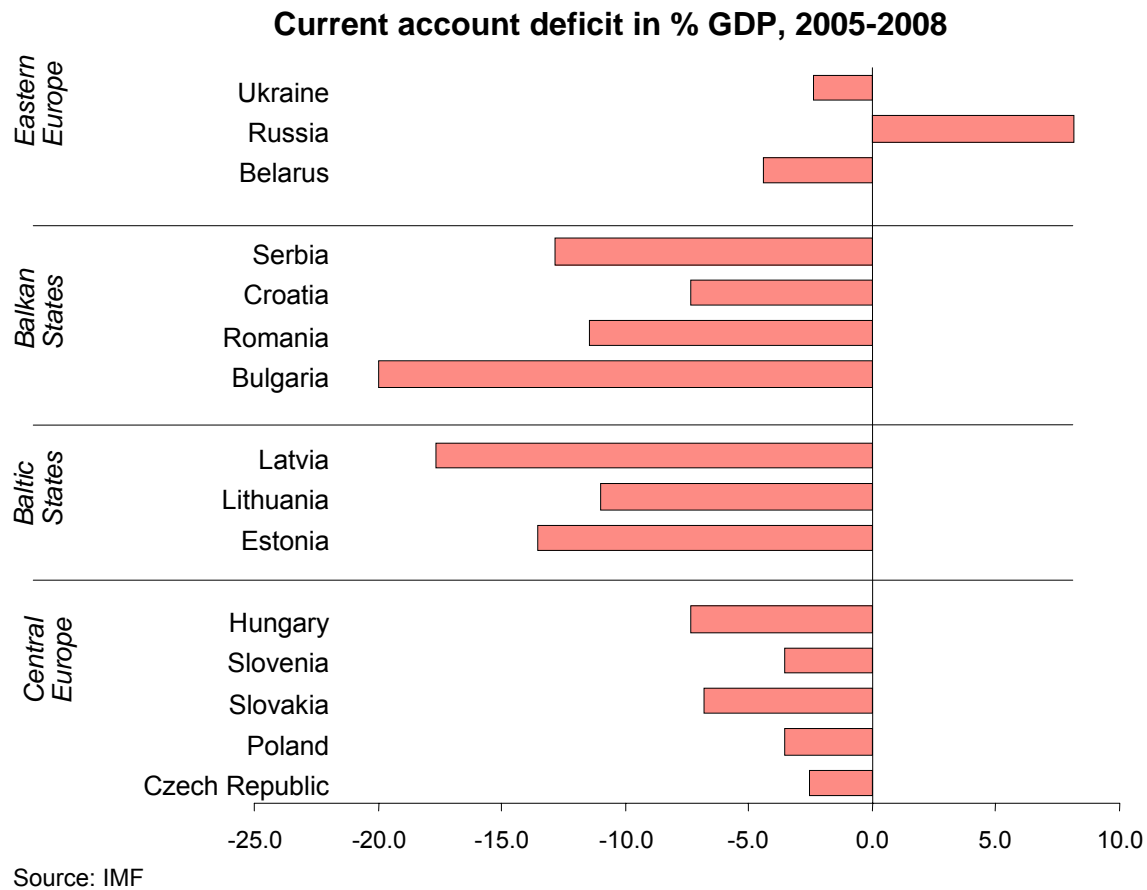


As well as on the past dependence on the FDI inflows...

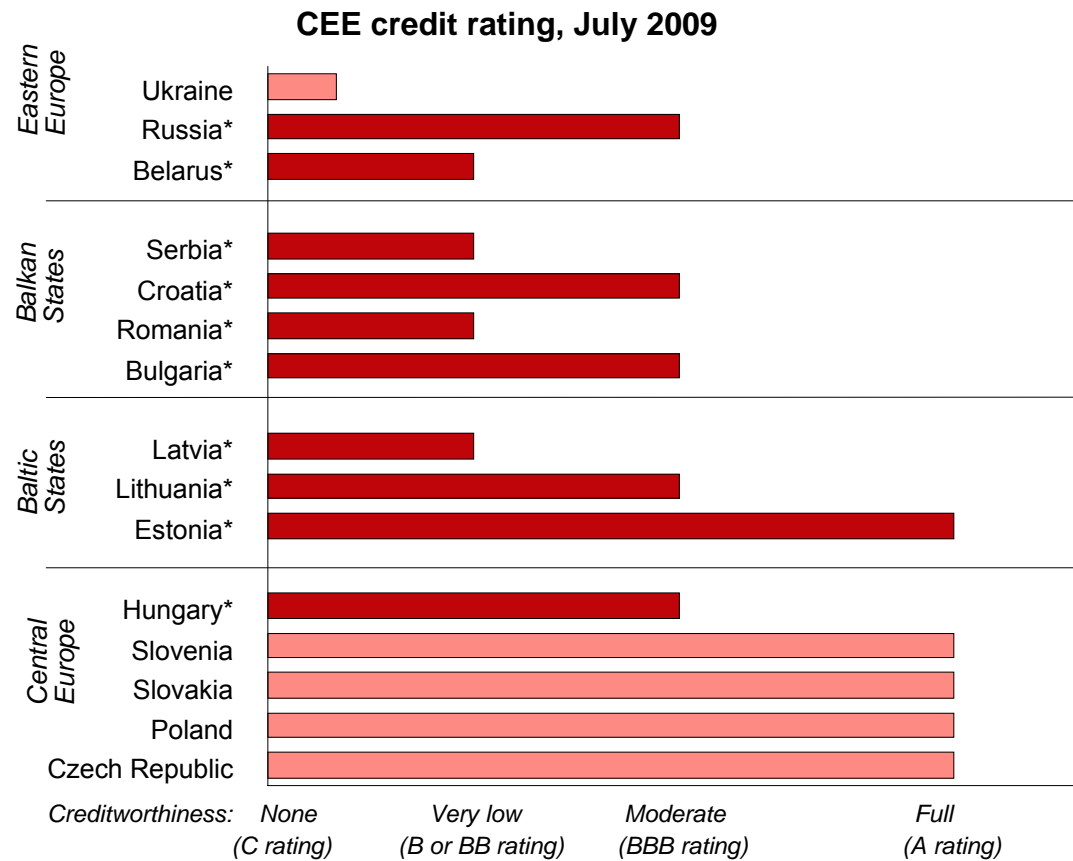


Source: EBRD, the European Commission, The Economist, IMF

... and those countries with higher current account deficits proved to be more vulnerable to the shock



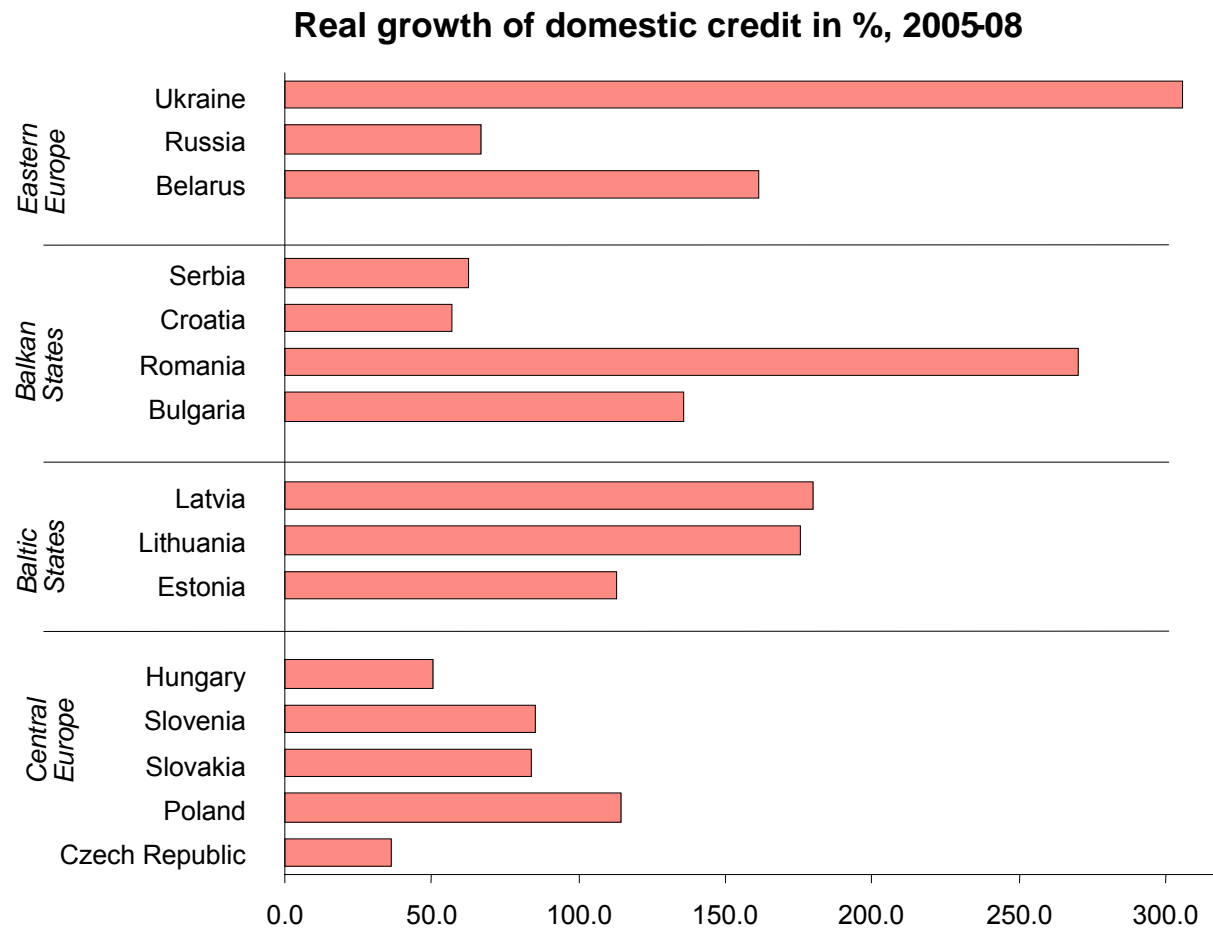
Different exposure to the risk led to different creditworthiness...



Source: Standard & Poor's

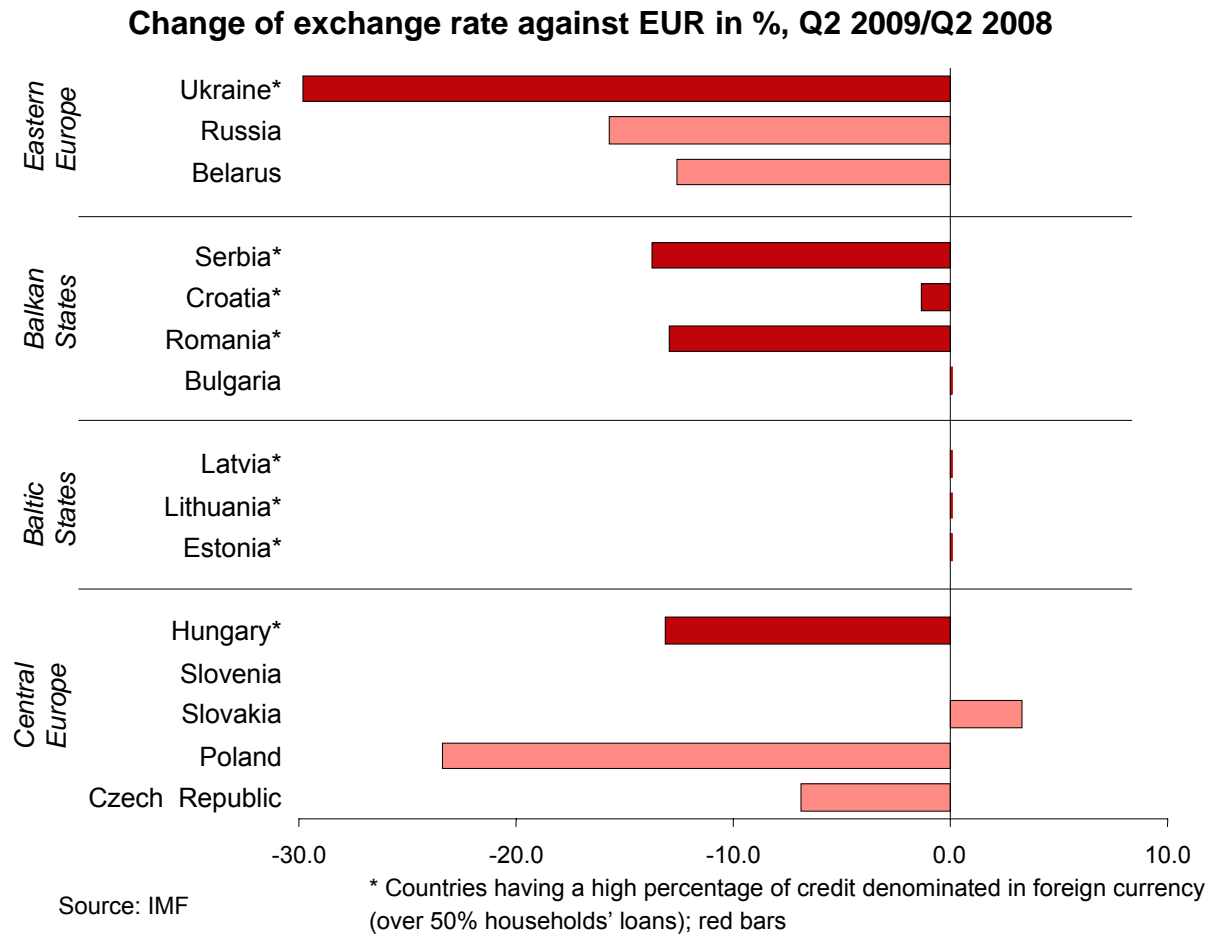
* Negative outlook (possible rating reduction; red bars)

External shocks frequently overlapped with the internal instability...

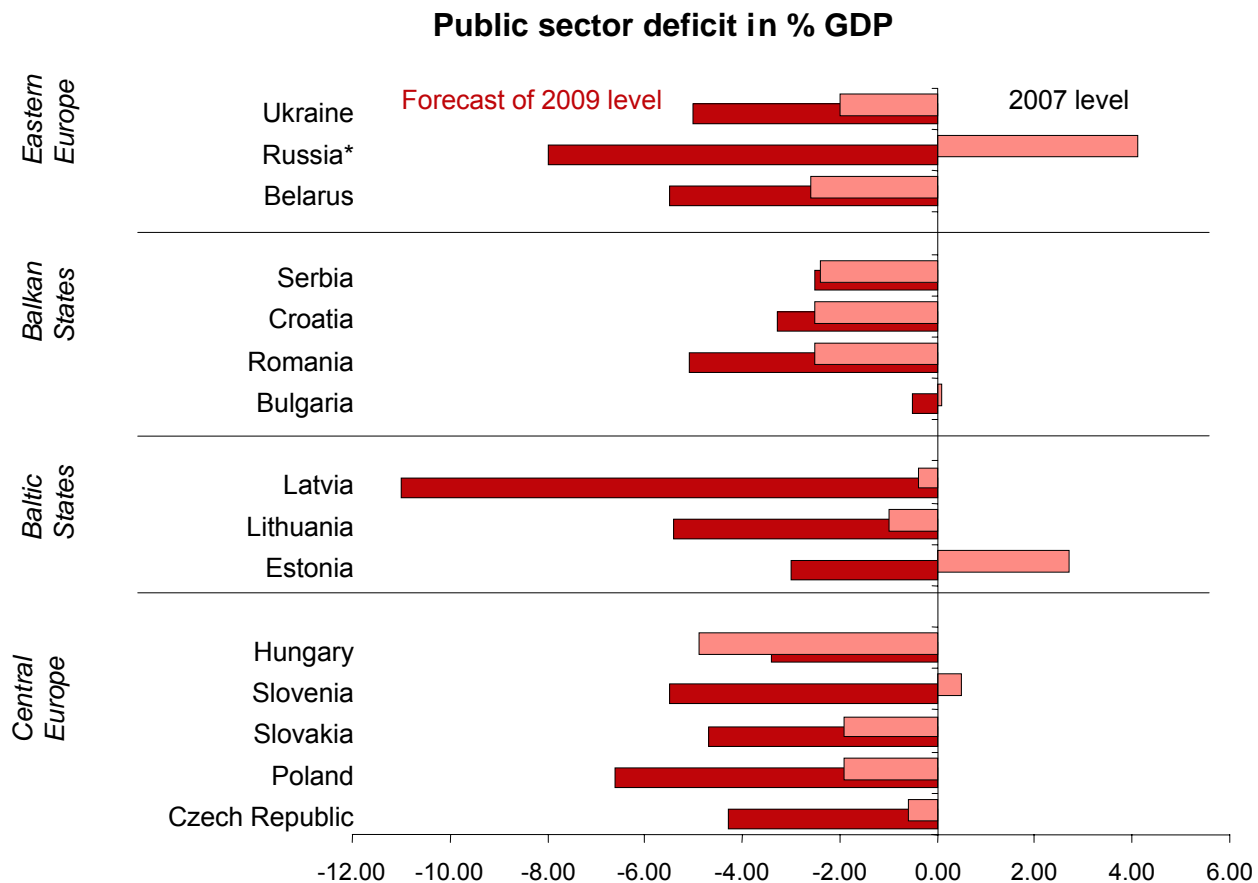


Source: EBRD

Putting into doubt the stability of currencies and creating risk for the financial sector



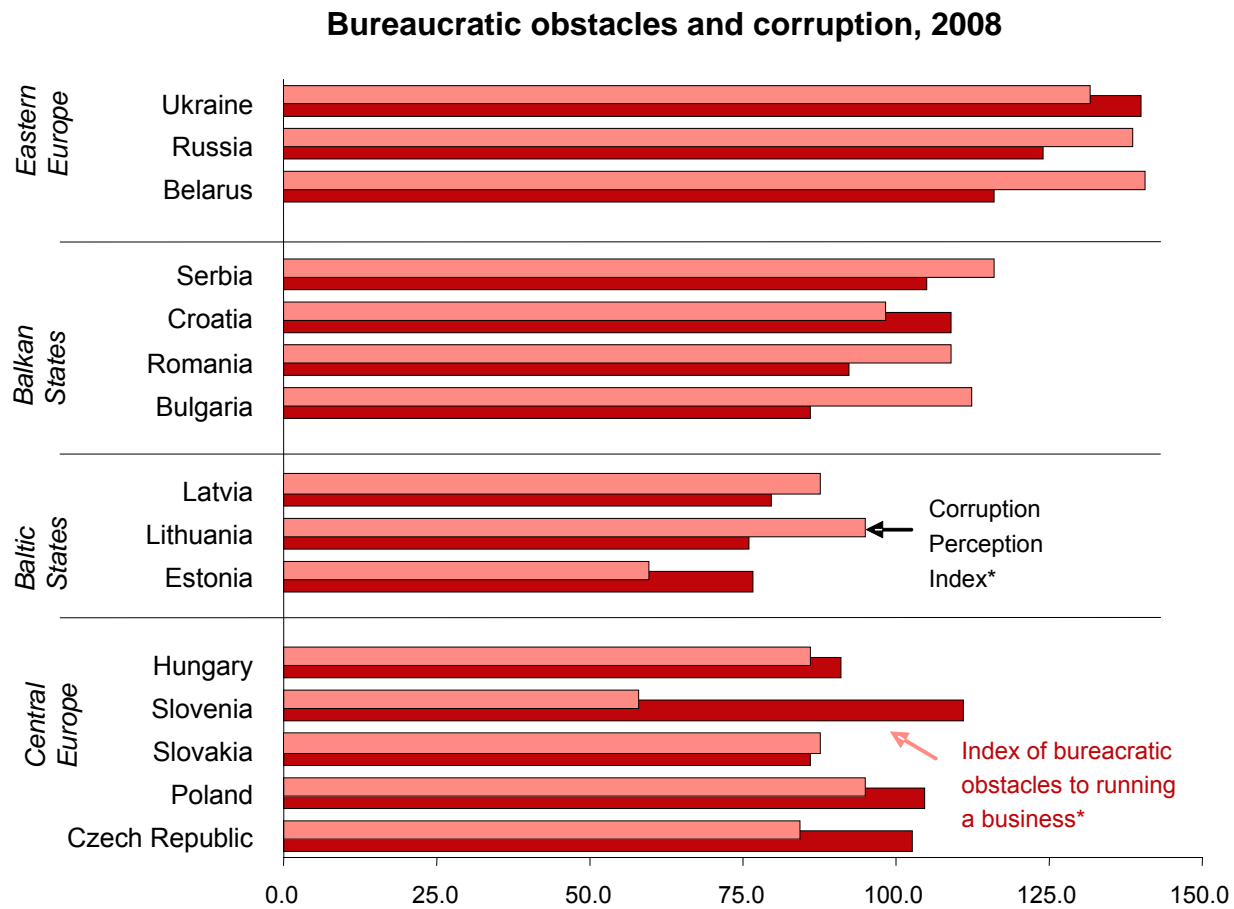
The problems translated into deterioration of the public finance, reducing the governments' room for manouver



Source: EBRD, the European Commission, The Economist, IMF

*Russia is the only country in the Region with a sizeable stimulus package

However, the countries generally missed the opportunity to help their economies by improving business environment



Source: The World Bank, Transparency International

* CEE average: 100

Summary of threats for various countries

	Difficulties in external financing	Threat of internal imbalance	Dependence on foreign economic situation
Czech Republic	●	●	●
Poland	●	●	●
Slovakia	●	●	●
Slovenia	●	●	●
Hungary	●	●	●
Estonia	●	●	●
Lithuania	●	●	●
Latvia	●	●	●
Bulgaria	●	●	●
Romania	●	●	●
Croatia	●	●	●
Serbia	●	●	●
Belarus	●	●	●
Russia	●	●	●
Ukraine	●	●	●

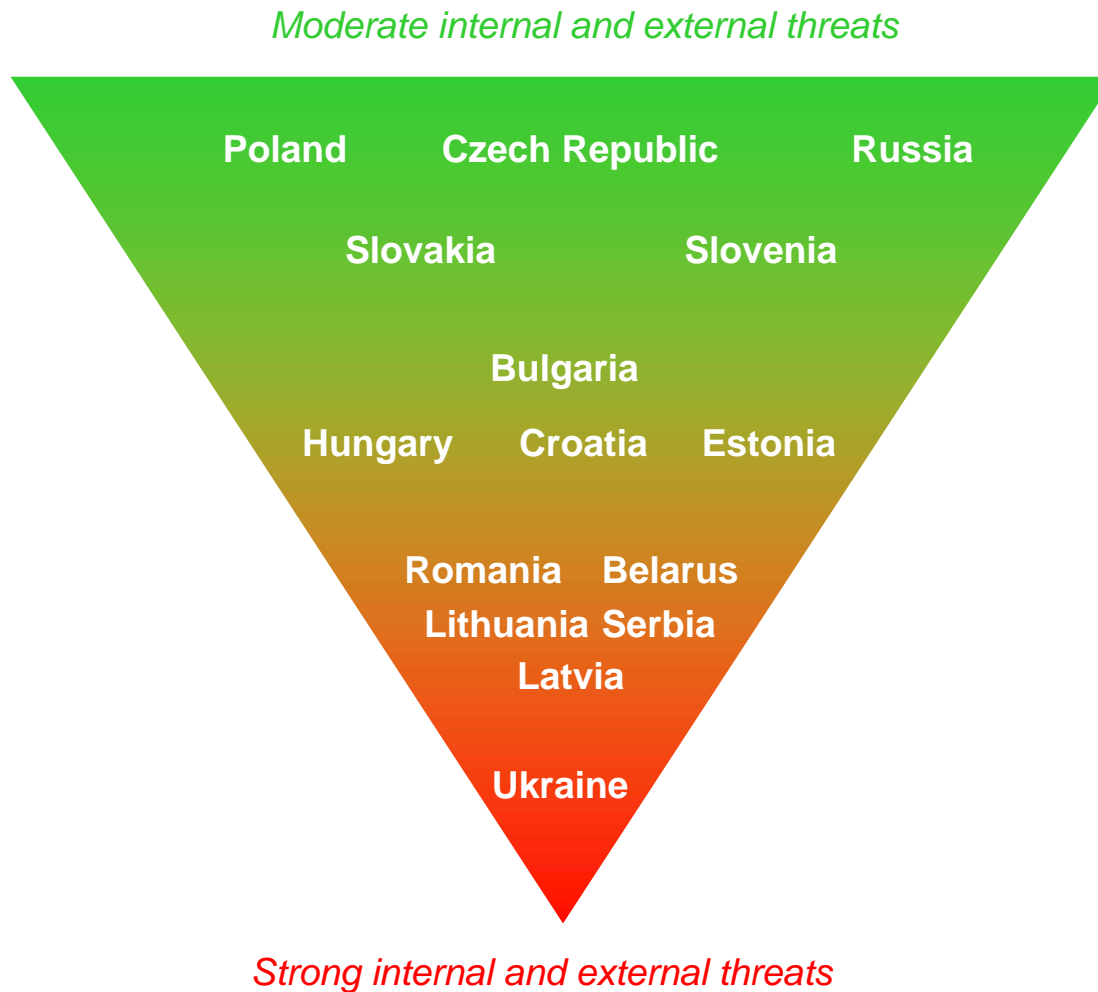
● No significant threat

● Moderate threat

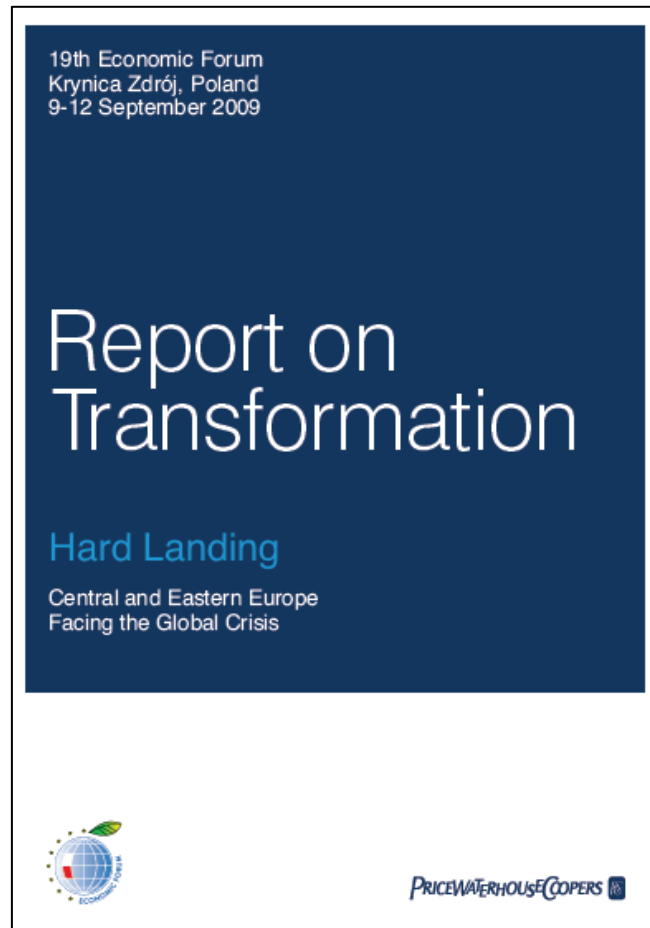
● Serious threat

● Very serious threat

Conclusion: who faces the most serious threats?



More available at:



Olga Grygier-Siddons
Chairman
Tel. (+48) 22 523 4214
olga.grygier@pl.pwc.com

Witold Orłowski
Chief Economic Advisor
Tel. (+48) 22 523 4394
witold.orlowski@pl.pwc.com

Thank you