Keynote: Eastern Europe - Well on track due to solid growth fundamentals

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Central and Eastern European EU countries currently are delivering strong economic growth.

**Real GDP growth of various EU countries (2016, in % yoy)**

- **Bulgaria**: 3.9%
- **Croatia**: 3.0%
- **Czech Republic**: 2.6%
- **Estonia**: 2.1%
- **Hungary**: 2.2%
- **Latvia**: 2.2%
- **Lithuania**: 2.3%
- **Poland**: 2.7%
- **Romania**: 4.8%
- **Slovakia**: 3.3%
- **Slovenia**: 3.1%
- **Germany**: 1.9%
- **France**: 1.2%
- **Italy**: 0.9%

Source: Eurostat, Thomson Reuters Datastream, Baader Helvea Research
Economic growth is rather driven by solid fundamentals than by excessive public spending.

Public Finances (2016, in % of GDP)

**Government Debt**

- Bulgaria: 29.5
- Croatia: 84.2
- Estonia: 37.9
- Hungary: 40.1
- Latvia: 40.2
- Lithuania: 37.6
- Poland: 51.9
- Romania: 79.7
- Slovakia: 68.3
- Slovenia: 96.0
- Germany: 132.6

**Budget Deficit**

- Bulgaria: -0.8
- Croatia: 0.6
- Estonia: 0.3
- Hungary: -1.8
- Latvia: 0.0
- Lithuania: 0.3
- Poland: -2.4
- Romania: -1.8
- Slovakia: -3.0
- Slovenia: -1.8
- Germany: -3.4
- France: 0.8
- Italy: -3.4

Source: Eurostat, Thomson Reuters Datastream, Baader Helvea Research
Most Eastern European equity markets had a strong run over the last 2 years, Croatia was an outperformer.

Performance comparison: Western Europe vs. CEE/CIS countries (in EUR)

Source: MSCI, Thomson Reuters Datastream, Baader Helvea Research

MSCI Croatia
MSCI Frontier Markets: CEE + CIS (Croatia, Estonia, Kazakhstan, Lithuania, Romania, Serbia, Slovenia)
MSCI Emerging Markets: Eastern Europe ex Russia (Poland, Hungary, Czech Republic)
MSCI Europe (Developed Markets)
Further catch-up potential lies ahead as upside due to EU accession has been delayed and thus is not fully reflected yet.
Caveat: A further clampdown on corruption and other growth inhibiting factors is needed to unlock further growth potential.