

CESEE sensitivity and responses to trade shocks

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Key messages

- CESEE (EU members) are open economies, well integrated in the GVC
- So far resilient to global trade shocks
- Continued productivity growth key - Important structural challenges ahead
 - Structural impediments
 - Skills
 - Digitalization & Innovation
 - Finance for Innovation
- Focus on structural policies

Very open economies, integrated in the GVC

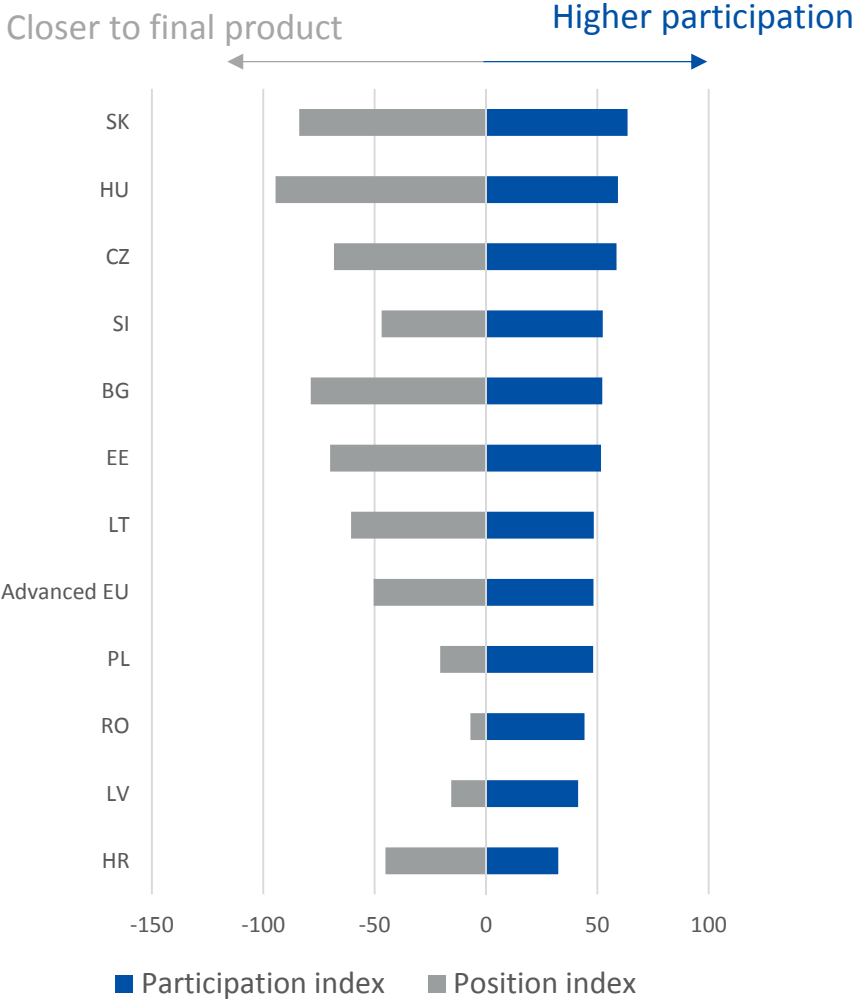
Export share



Export structure:

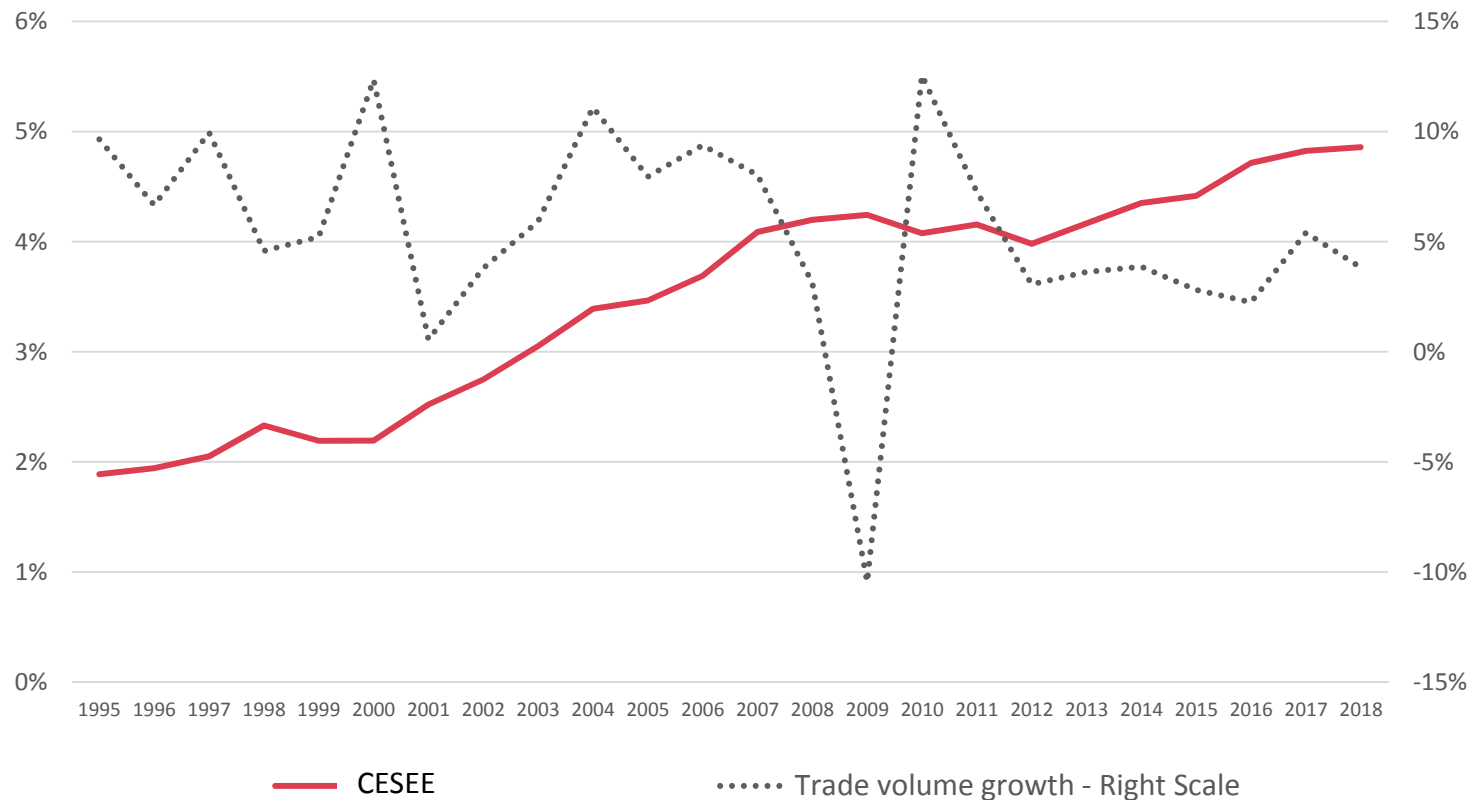
- ▶ Mostly in manufacturing
- ▶ Geographically concentrated
- ▶ Product-wise concentrated

Participation in GVC



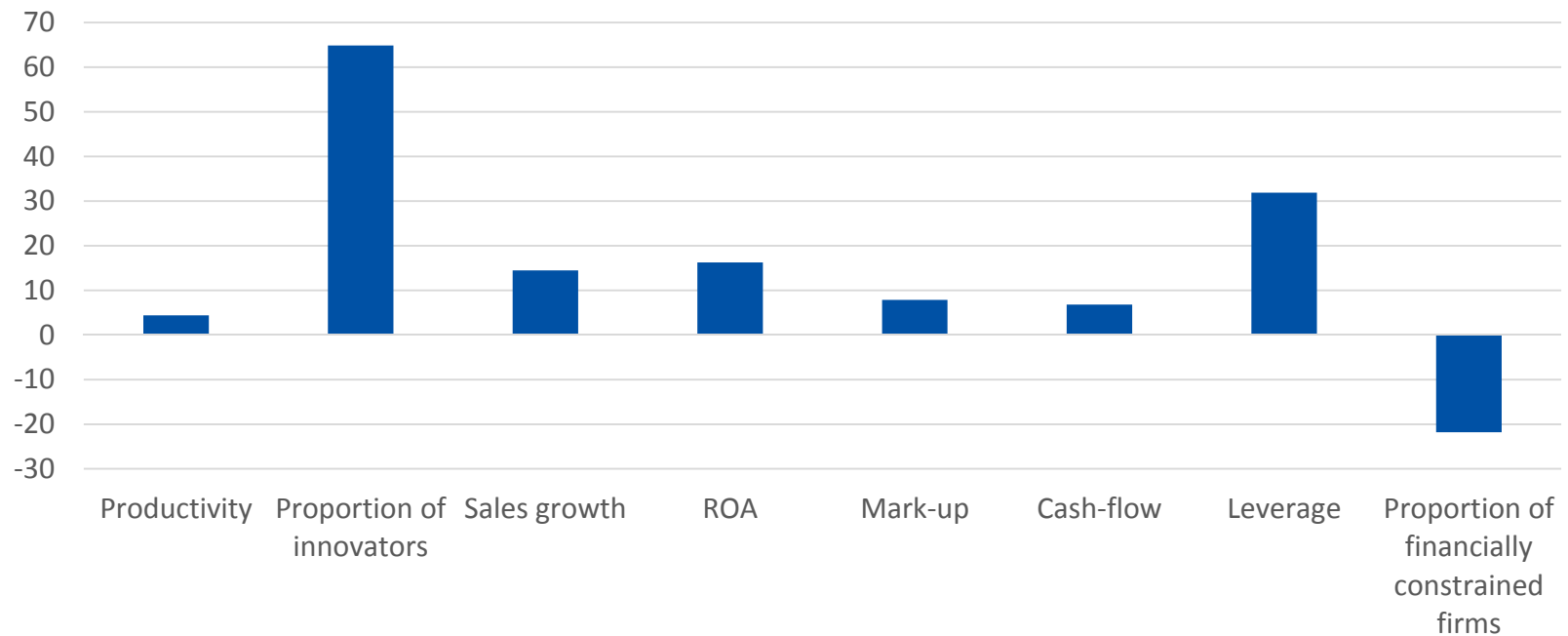
Less affected by the global trade slowdown so far, as structural factors have prevailed

CESEE Market share in world exports and global trade dynamics



Exporters' premium is relevant

Exporters vs non exporters in CESEE
Net % difference in means

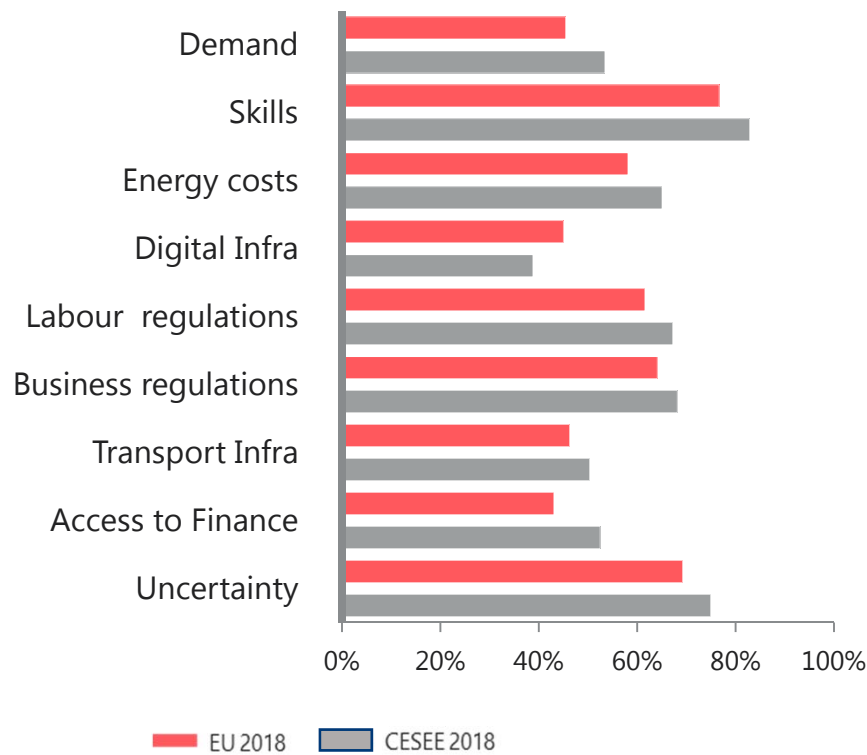


Challenges ahead

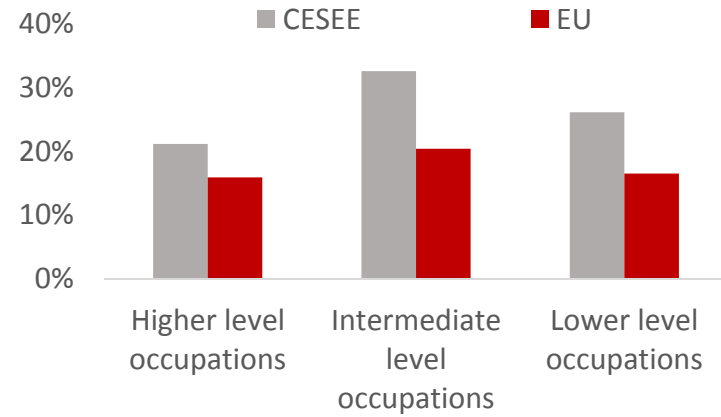
- Important challenges ahead - Continued productivity growth key
 - Structural impediments
 - Skills
 - Digitalization & Innovation
 - Innovation finance

Structural impediments, skills and energy costs

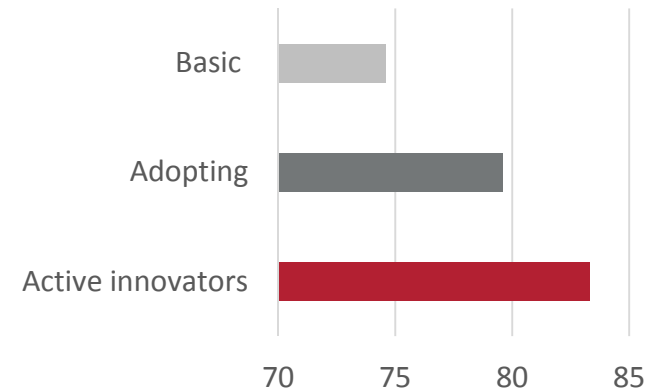
Impediments to investment
% firms



Share of firms reporting mathematics, sciences and technical skills hardest to find, % firms

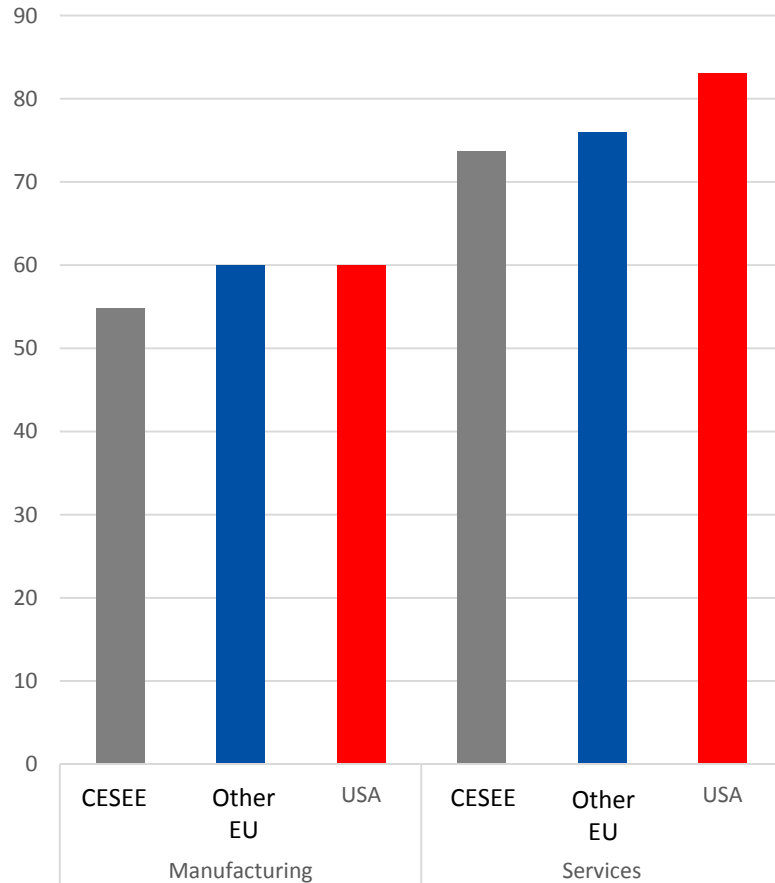


Lack of skills, by type of firms
% firms

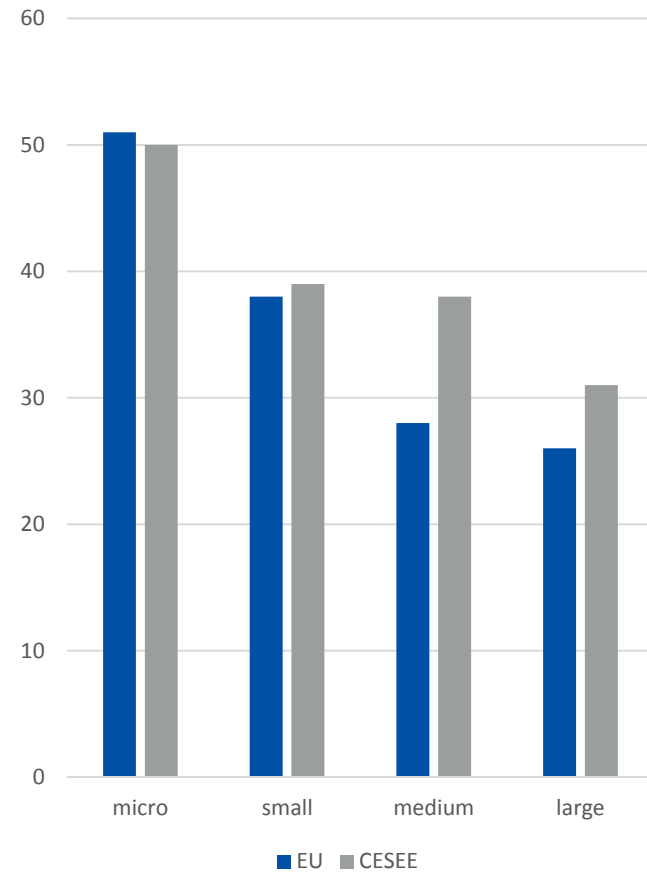


Digitalization is the next challenge

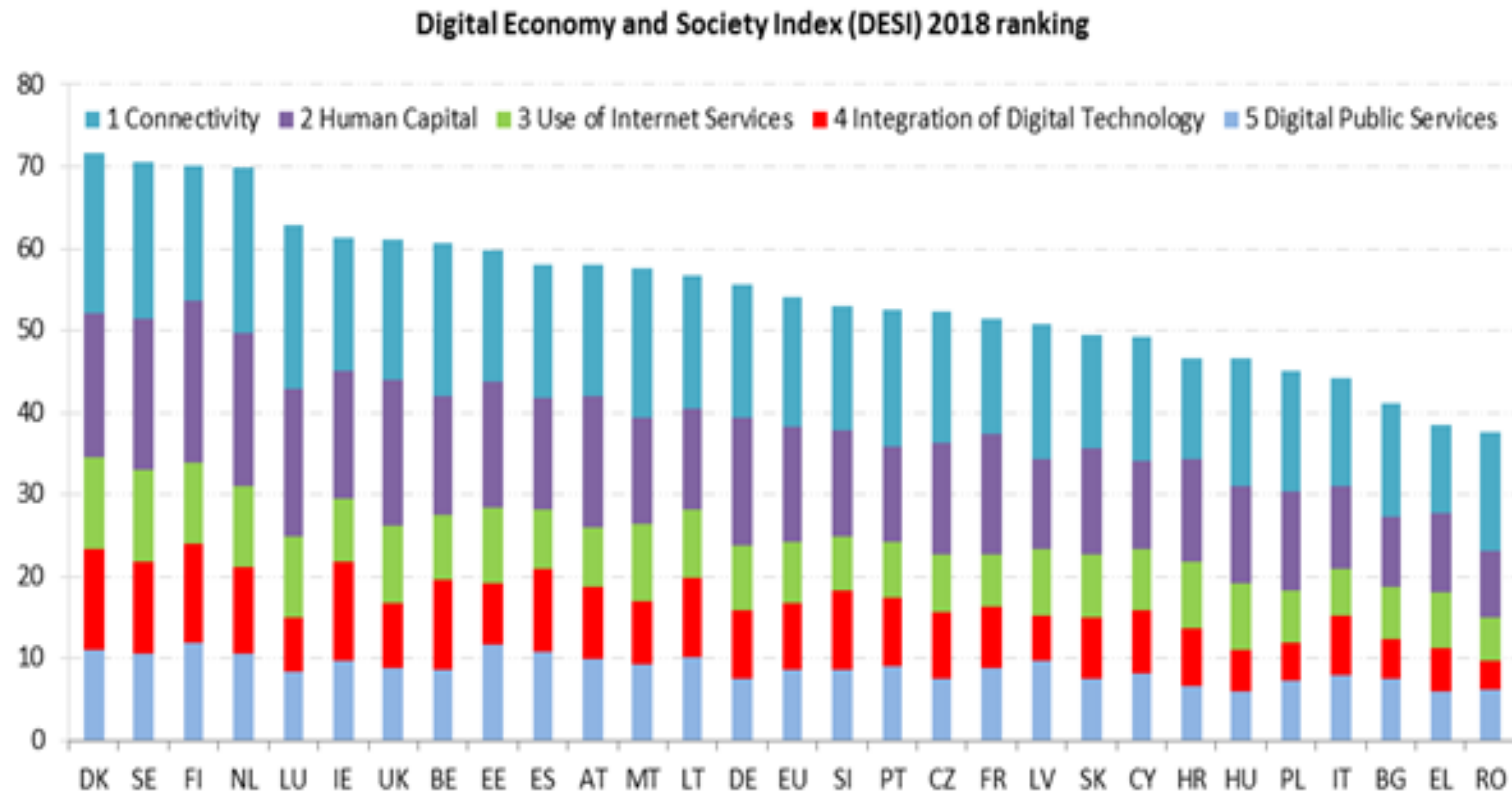
Firms adopting at least one digital technology (%)



Non digital firms by size (%)

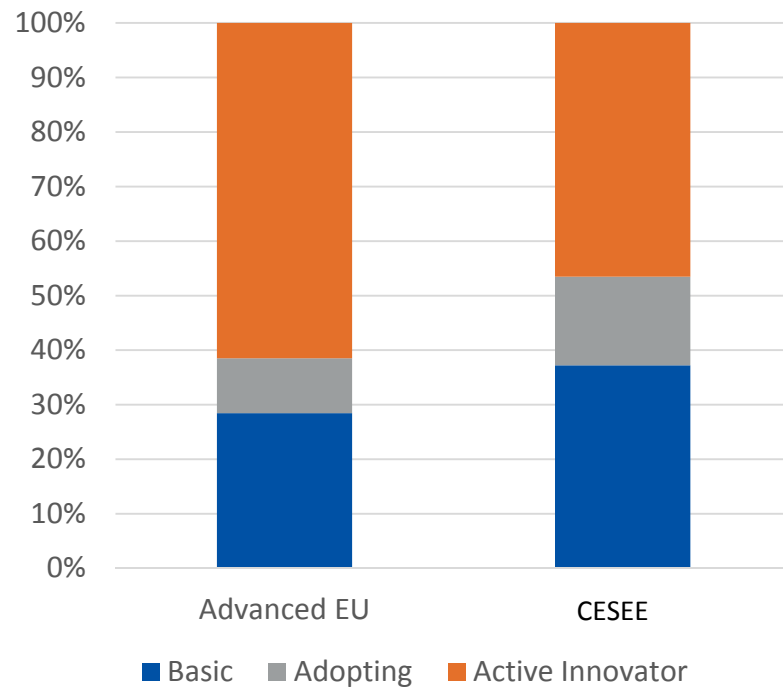


CESEE countries score lower in digitalisation readiness



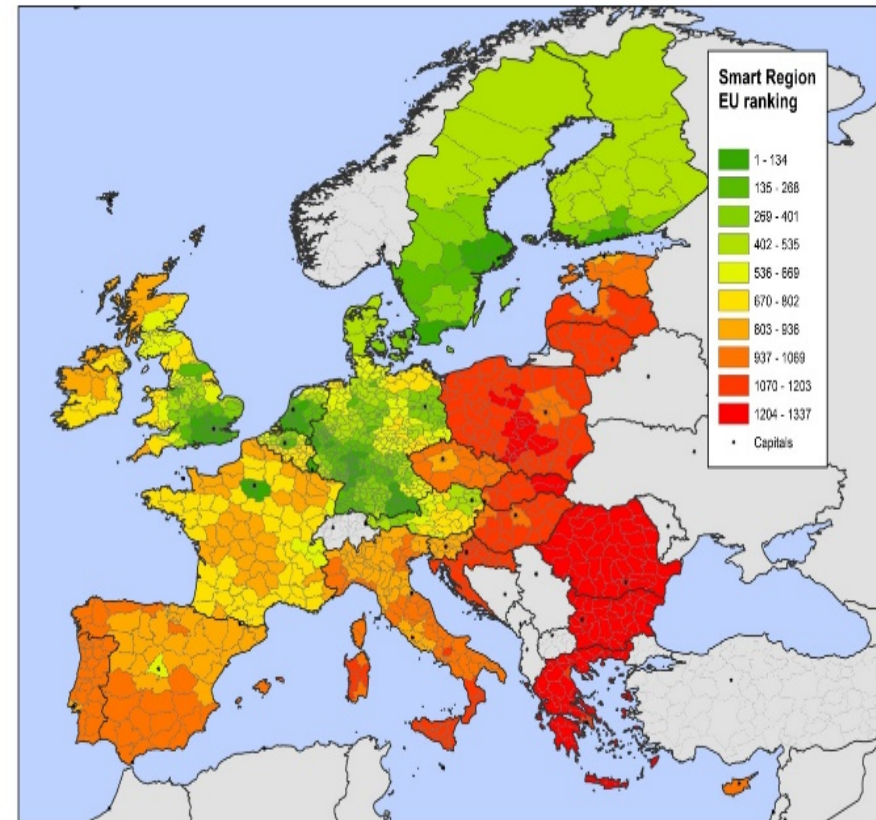
Innovation profiles and smart environment

CESEE vs EU innovation profiles



Basic firms do not invest in R&D and do not innovate; Adopting firms do not invest in R&D, but adopt innovation. Active innovators are investing in R&D and innovating

Smartness of regions



Financing for innovation

- Low public sector prioritization and some dependency on grants
- A bank based system ill-suited to support innovation
 - Some niche for experimentation
- Guarantee schemes play a role
- VC maturing, with potential to become an hot hub, but:
 - Valley of death
 - Low integration in global and pan-European markets
- Venture debt as a new option

Policy response

- Structural challenges call for structural policies
 - Structural impediments
 - Skills and re-skilling
 - Innovation and advancement of digitalization on the more innovative side
 - Finance for innovation