

EUSDR Annual Forum 2024

‘Cooperation in the Danube Region: Now more than ever!’

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# **Economic challenges in the Danube Region**

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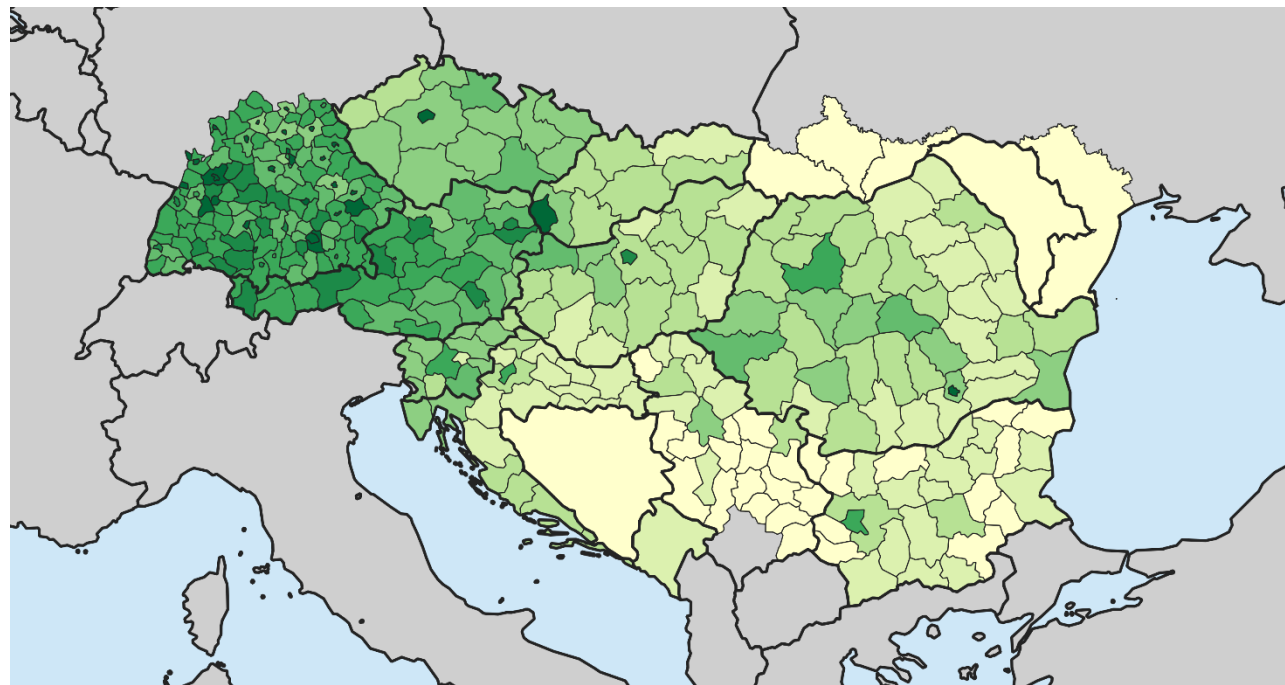
@MarioHolzner

# The region is an important economic area in Europe, yet one of huge disparities

The Danube Region has a **population** of around 110mn people. This is around **25% of the EU-27** population.

The total value of the goods and services produced in the DR in 2021 corresponds to **21% of the EU-27 GDP**.

In 2021, the average **GDP per capita** (at PPS) in the DR was around **85% of the EU-27 average**.



**Regional GDP per capita, 2020**  
in EUR, purchasing power standards

Source: Eurostat, wiiw

## Categories

below 10,000	25,000 - 30,000
10,000 - 15,000	30,000 - 40,000
15,000 - 20,000	40,000 - 50,000
20,000 - 25,000	above 50,000

## However, economic disparities are decreasing, yet slowly and with exceptions

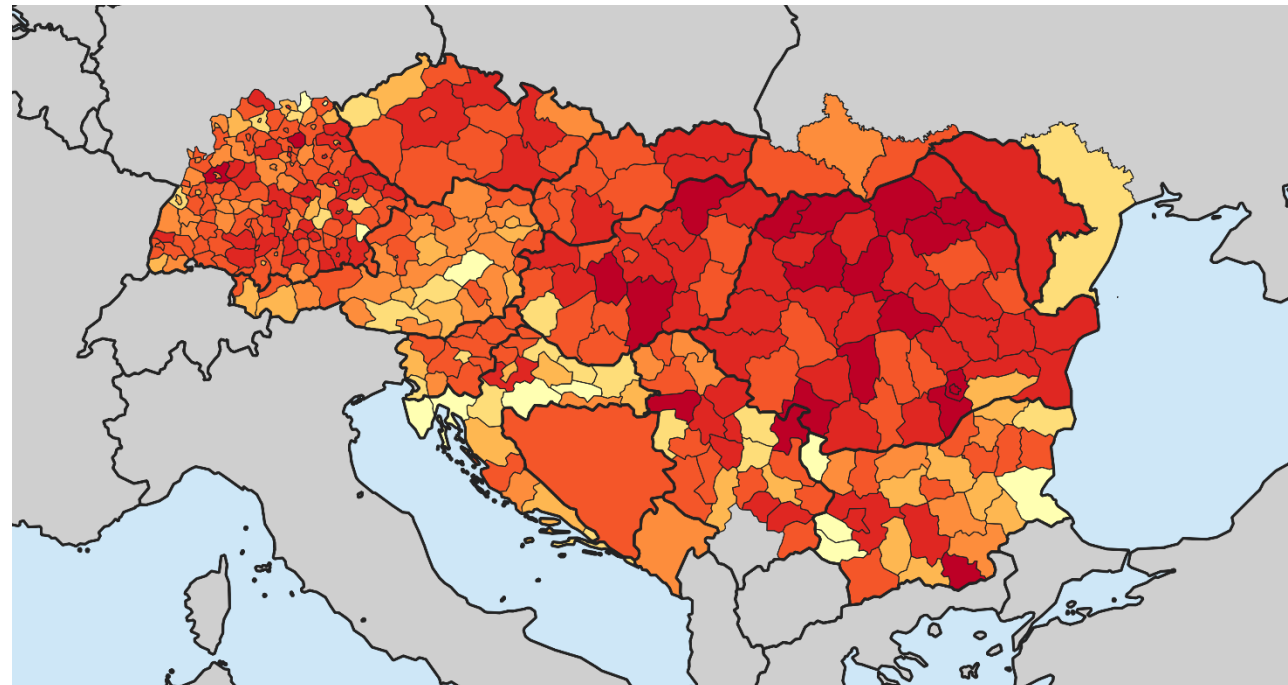
Economic disparities between DR countries tend to **decrease** over time.



Yet, the **pace of convergence** slowed down over the last decade.



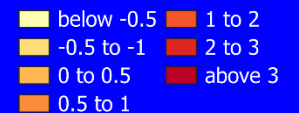
At the same time, **regional disparities** within countries are **increasing**.



### Regional GDP growth 2010-2020

annual average growth rates, in %

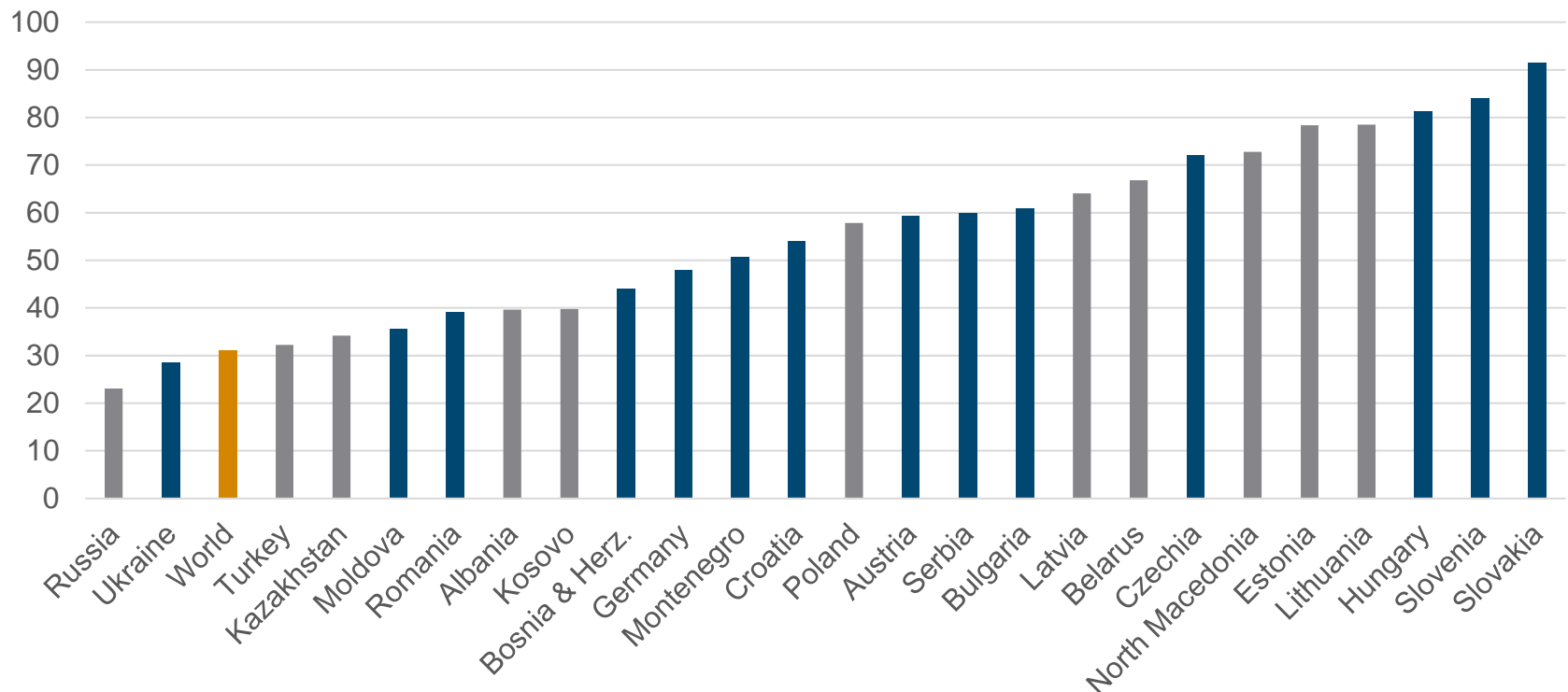
#### Categories



Source: Eurostat, wiiw

# The region participated in globalisation via FDI and has some of the most open economies in the world

Exports of goods and services, % of GDP, 2023

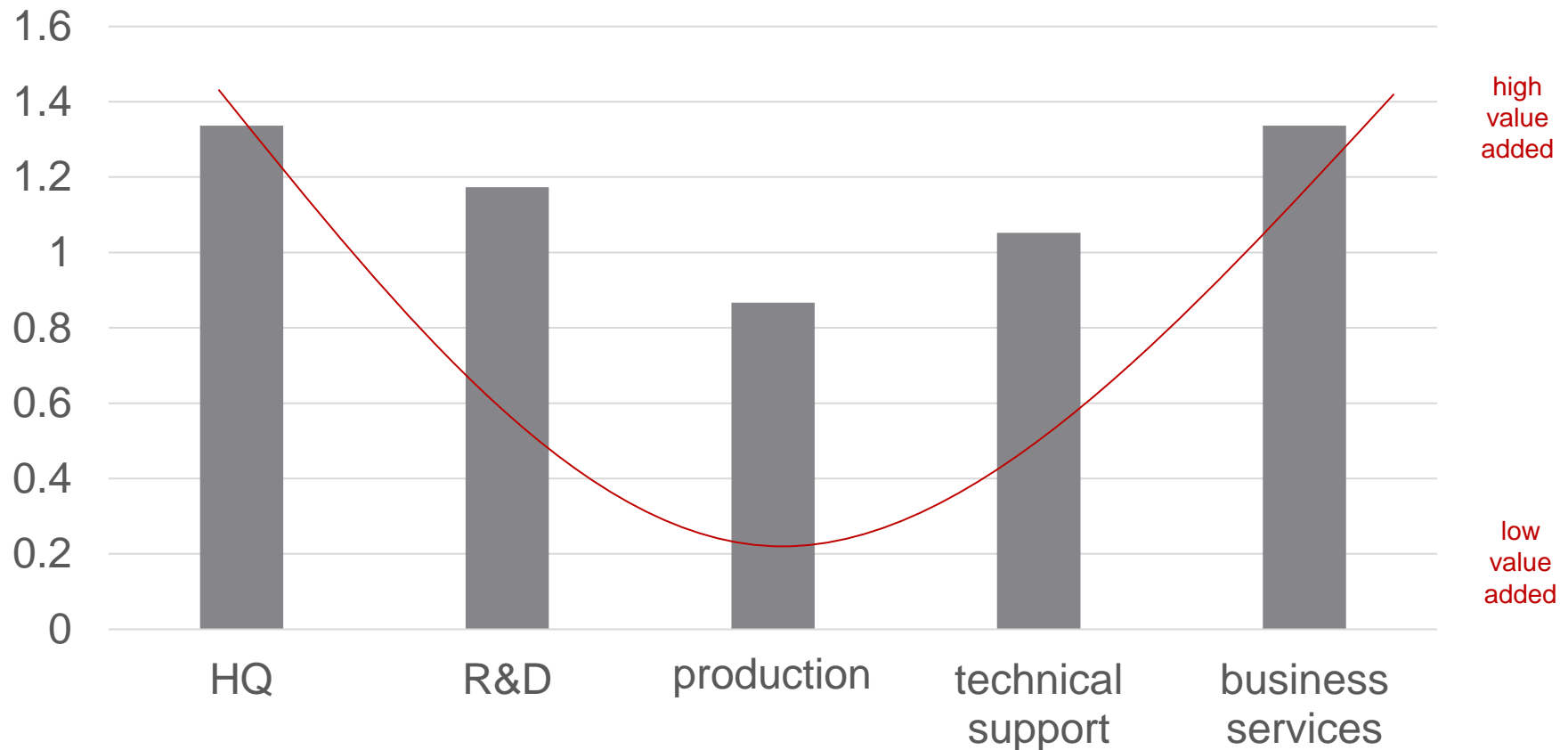


Notes: Russia 2022.

Sources: World Bank, national sources, Eurostat, wiiw.

## Complementarity in global value chains...

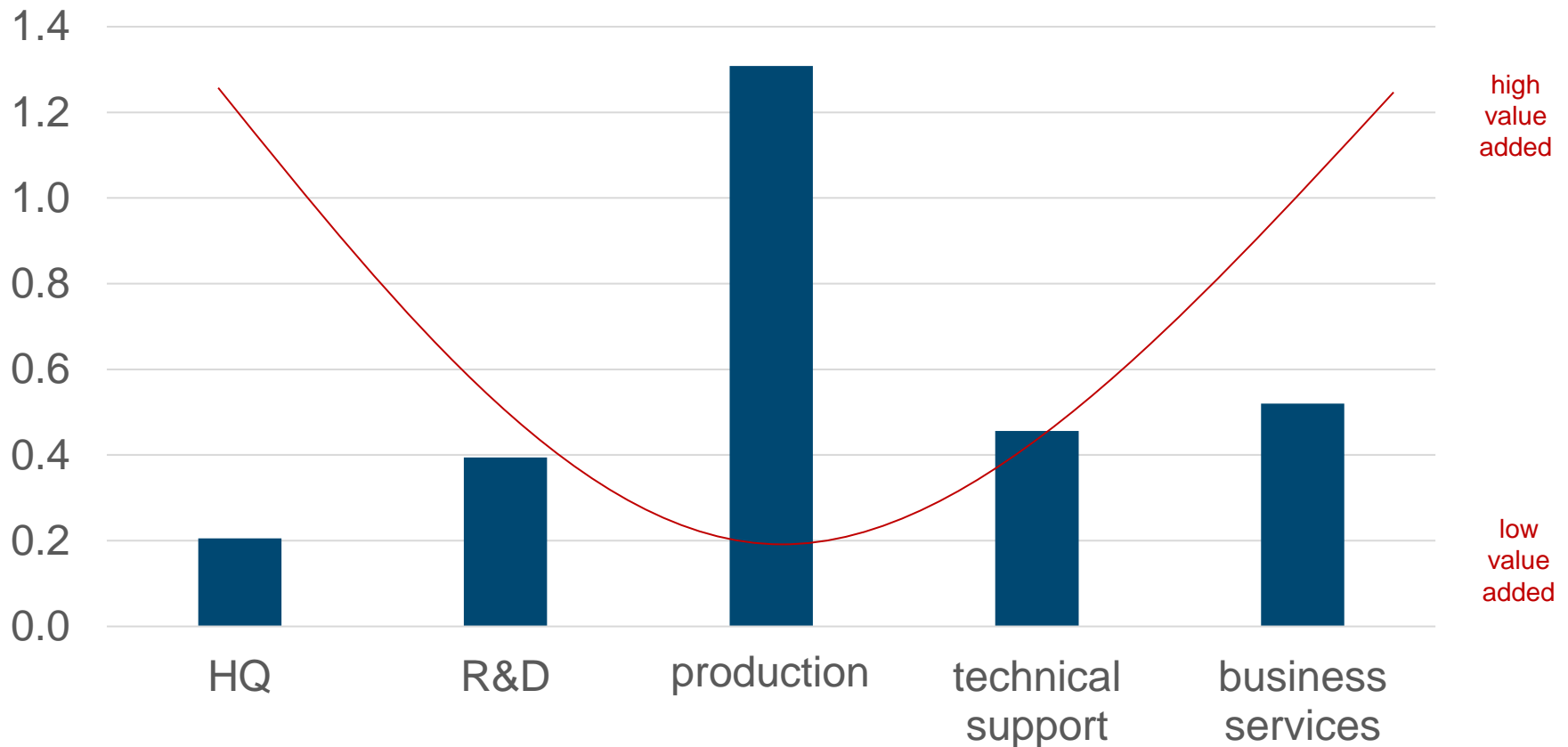
Relative functional specialisation of greenfield-FDI CapEx in **Germany**,  
2012-2021 (lhs)



Notes: A relative functional specialisation of above 1 in any value chain function indicates that that the particular country is more often used as a location for that value chain function than the world average.

## ... leaves some specialised as ‘factory economies’

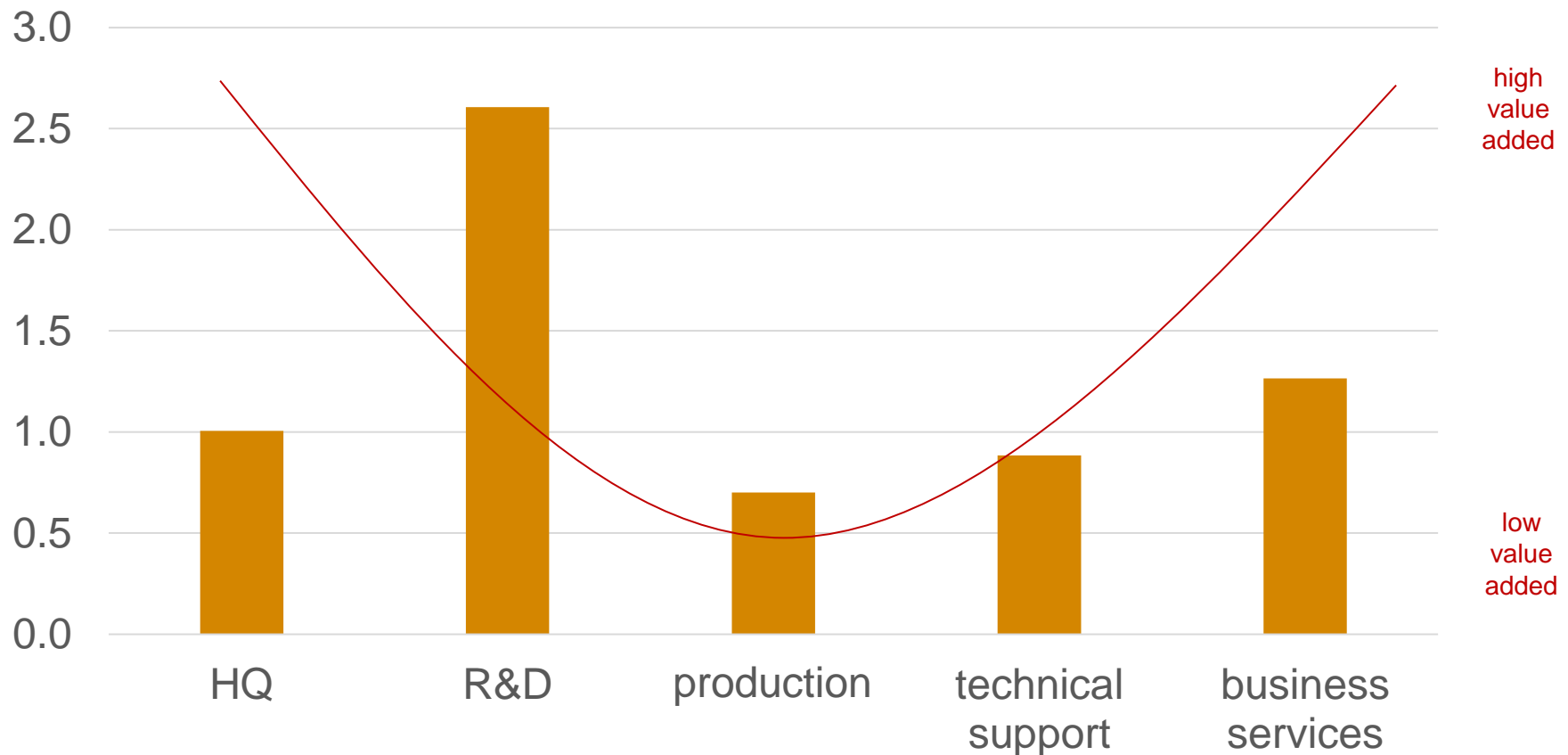
Relative functional specialisation of greenfield-FDI CapEx in **Hungary**,  
2012-2021 (lhs)



Notes: A relative functional specialisation of above 1 in any value chain function indicates that that the particular country is more often used as a location for that value chain function than the world average.

# ... is a new growth model based on innovation possible?

Relative functional specialisation of greenfield-FDI CapEx in **Austria**,  
2012-2021 (lhs)

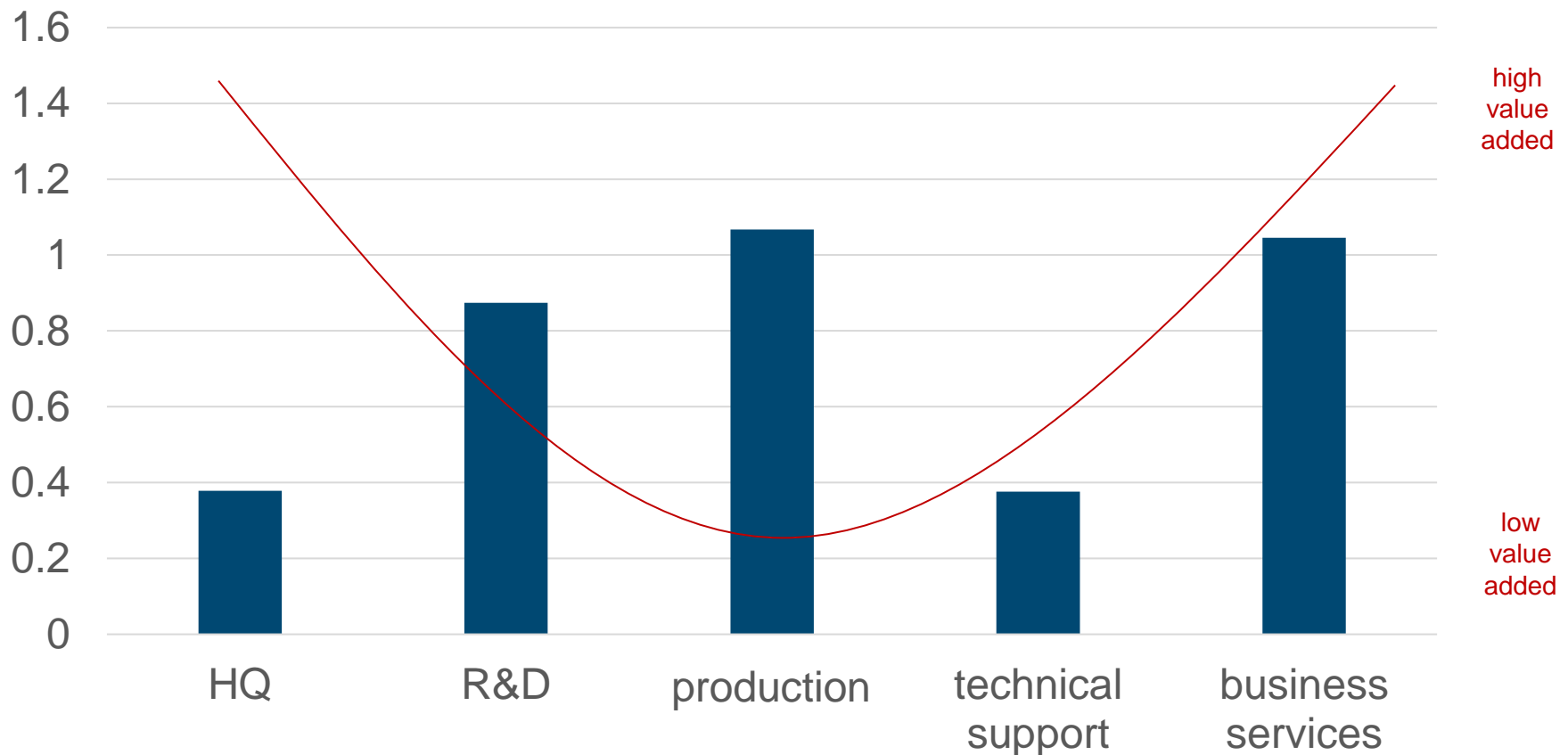


Notes: A relative functional specialisation of above 1 in any value chain function indicates that that the particular country is more often used as a location for that value chain function than the world average.

Source: fDi markets database, wiiw calculations.

## ... or is a growing specialisation in services more likely?

Relative functional specialisation of greenfield-FDI CapEx in **Czechia**,  
2012-2021 (lhs)

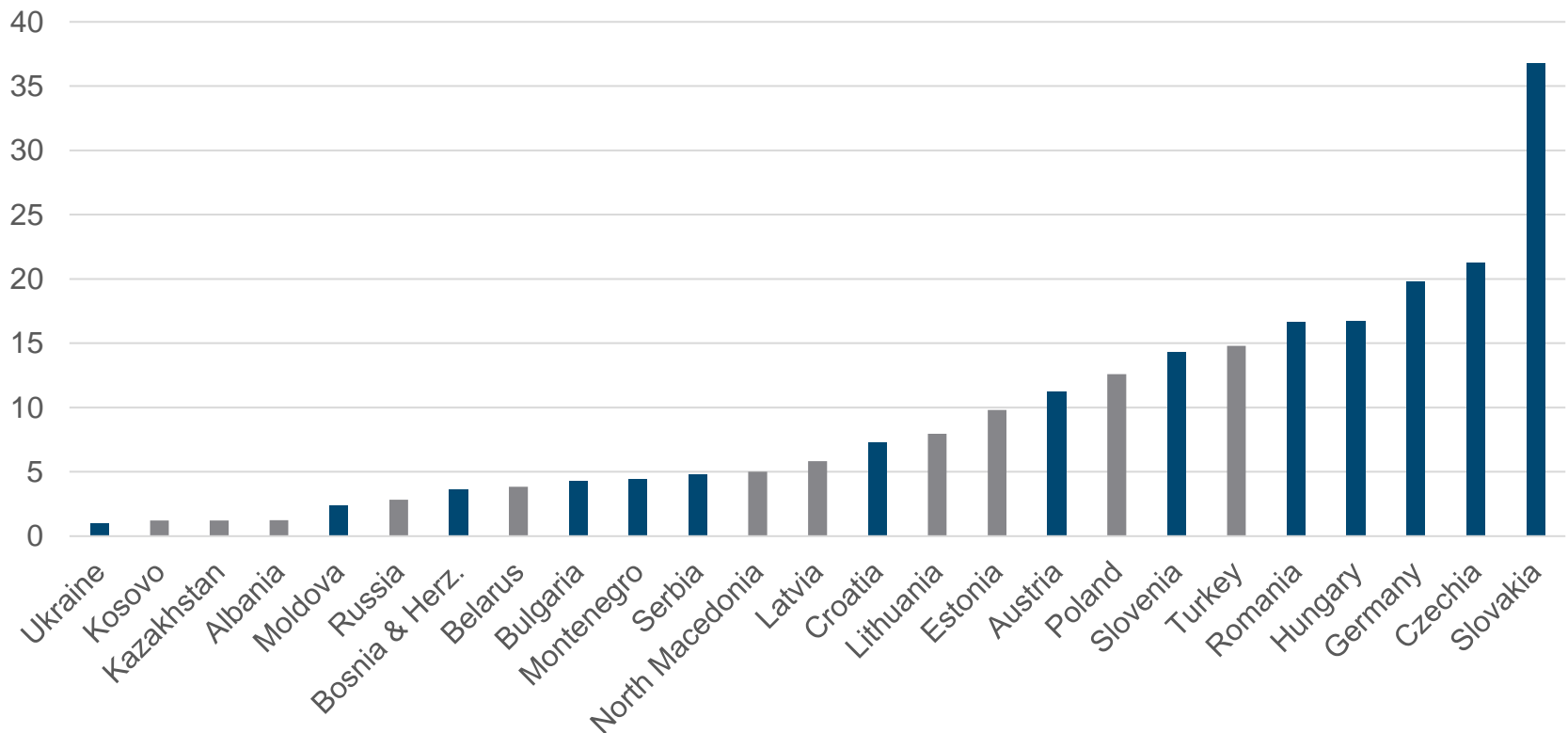


Notes: A relative functional specialisation of above 1 in any value chain function indicates that that the particular country is more often used as a location for that value chain function than the world average.



# Cold war 2.0 and structural changes in the automotive industry have the potential for high-risk impact

Vehicles, aircraft and vessels exports (HS XVII), in % of total exports, 2023



Note: Albania, Kosovo, Moldova, North Macedonia 2022; Belarus, Russia, Serbia 2021.

Source: Eurostat, wiiw Annual Database.

# Nevertheless, the younger population is highly educated and thus potentially well prepared for structural change

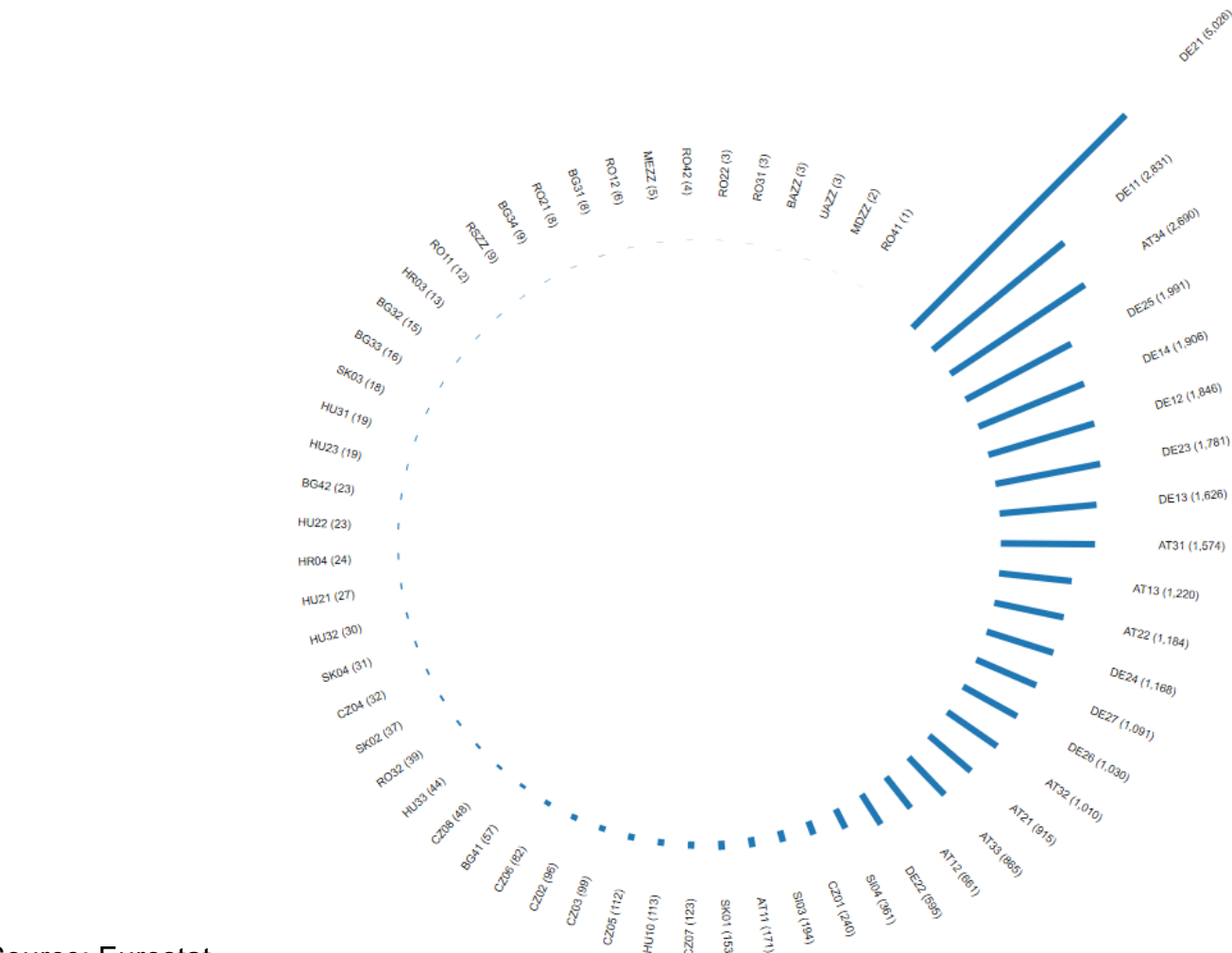
Share of population aged 20-24 who have completed at least upper secondary education in percent of total population



Source: Danube Region Monitor, Eurostat, national statistical offices.

# Still, major differences in the region's innovative potential

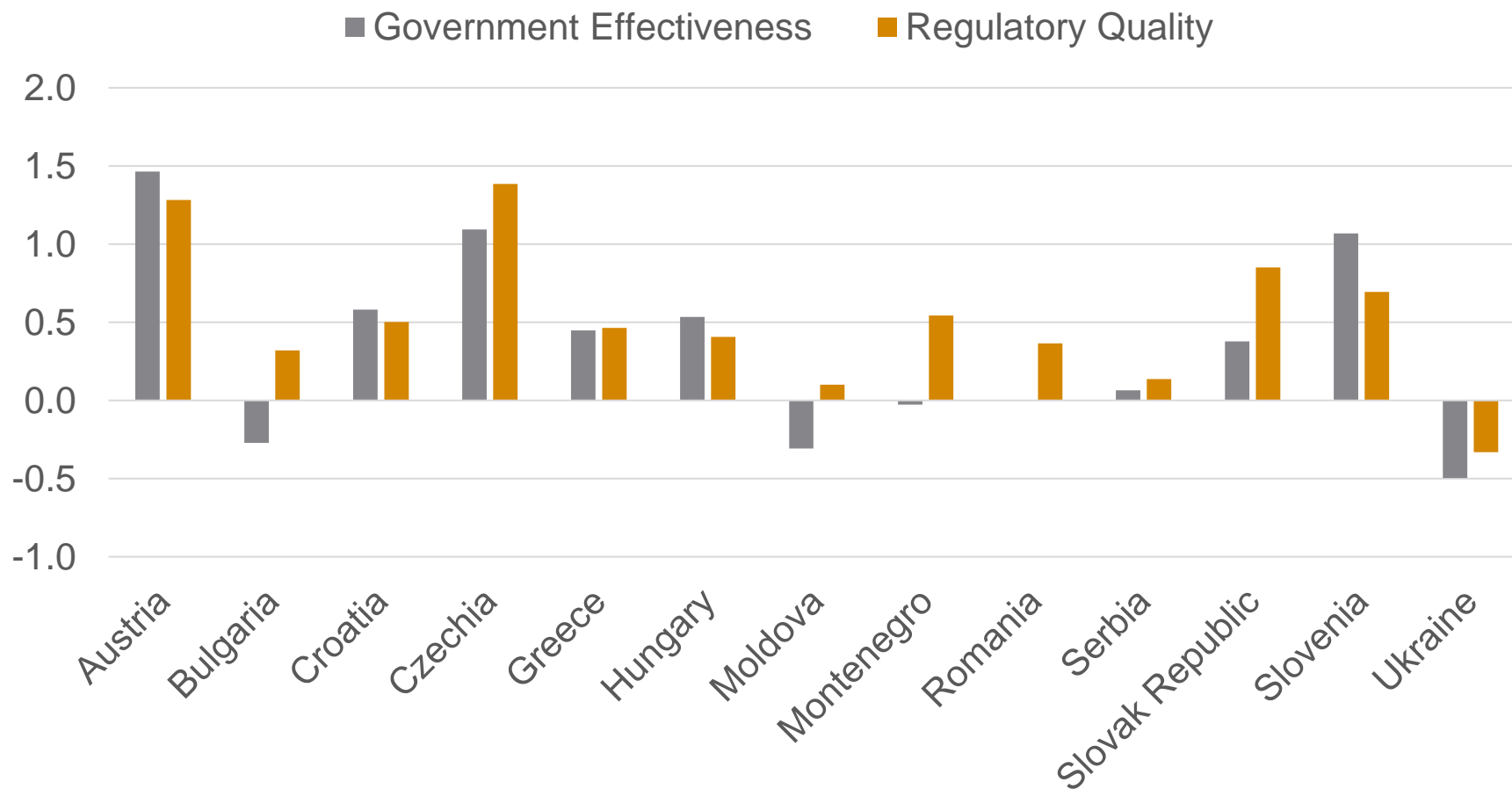
Number of patents 2016-2020, per 1mn. inhabitants



Source: Eurostat.

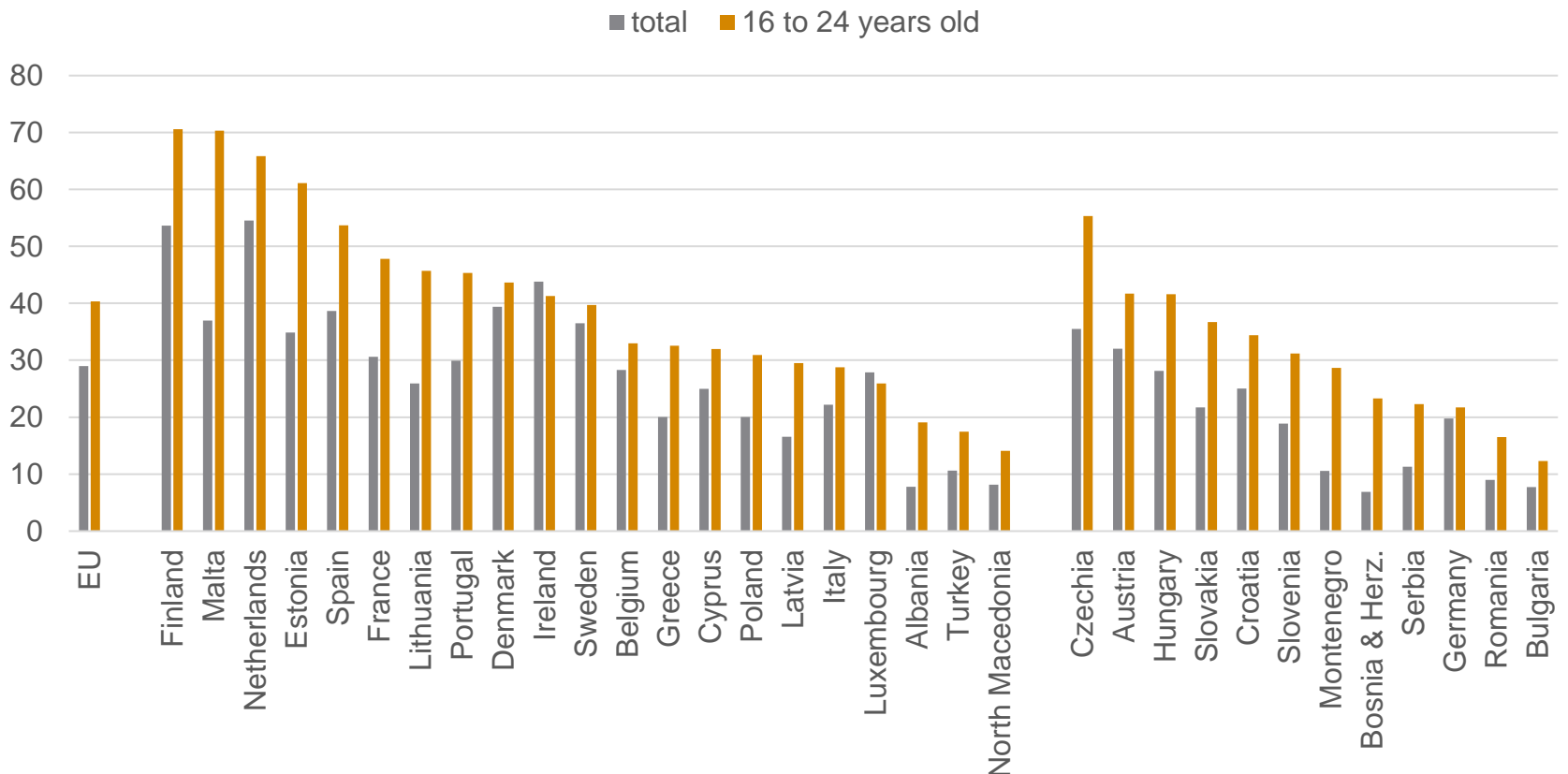
# Technological, structural change requires good governance

Assessment indicators of the countries' quality of governance



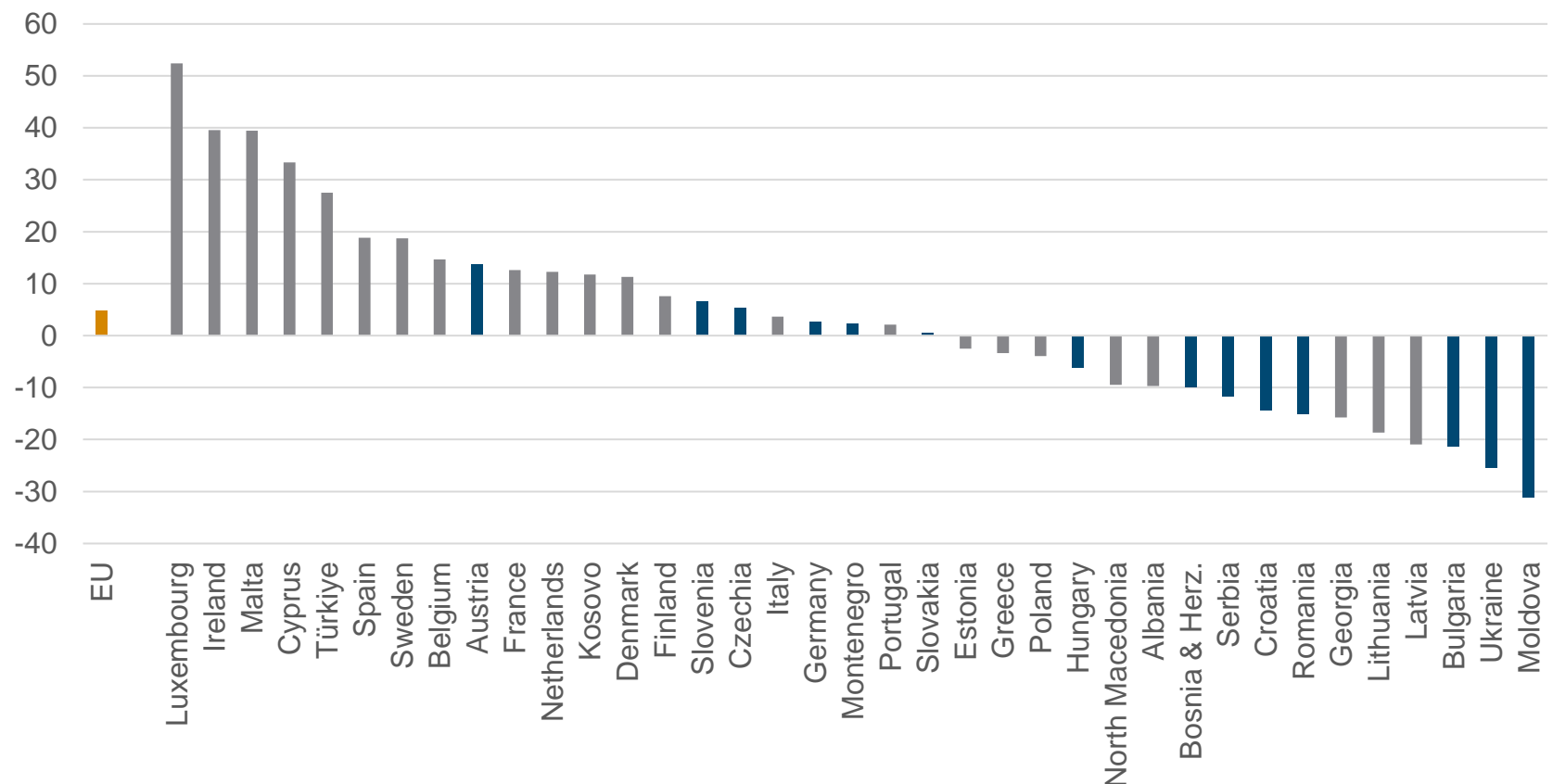
# The digital revolution as a driving force for leap-frogging towards high-tech services?

Individuals with an above basic level of digital skills in 2023, in % of age group



# Unprecedented demographic decline in large parts of the region – particularly in working age population

Population, % change between 2000 and 2023

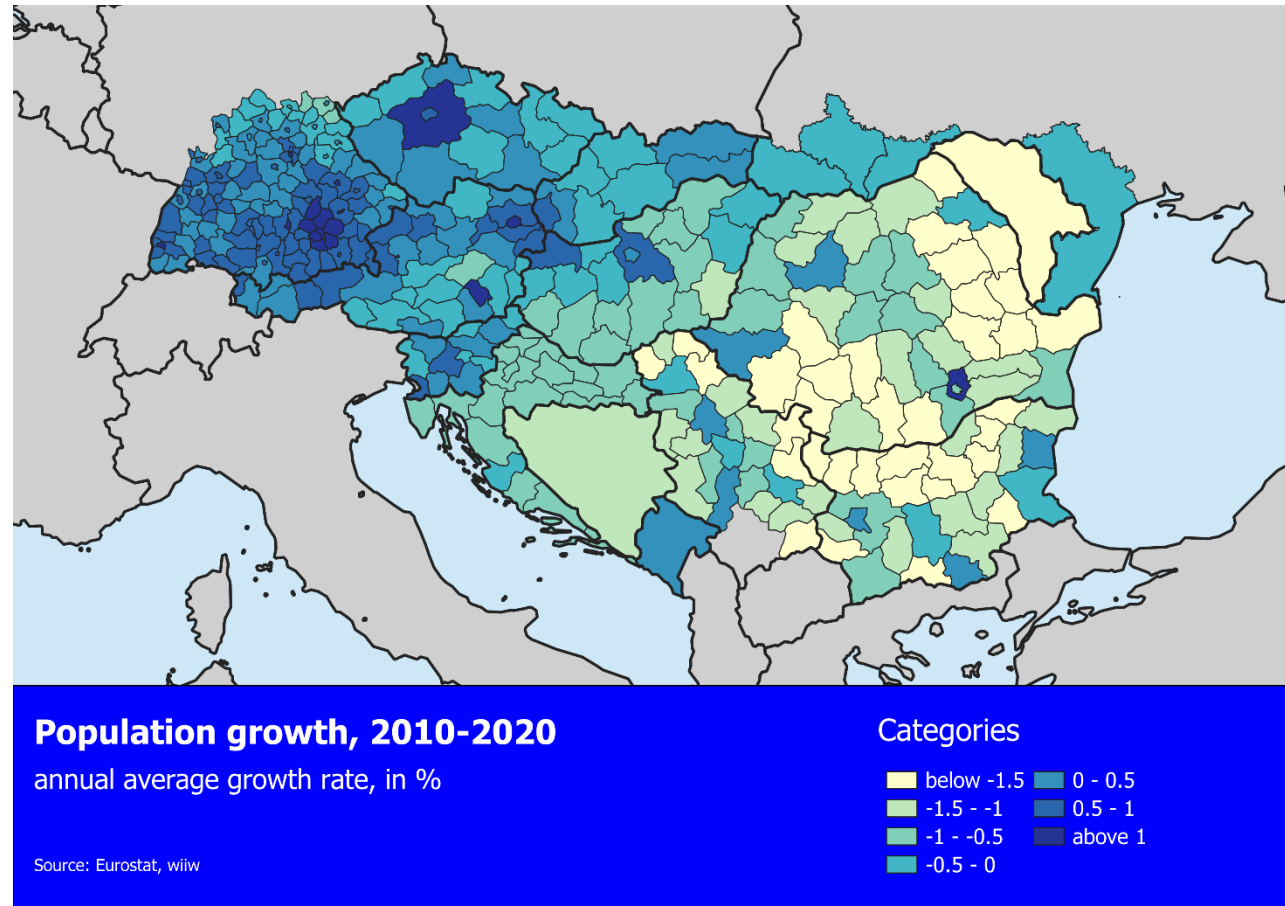


# Differences in population dynamics are strong, though

East-West pattern of population dynamics

Strong urbanisation process

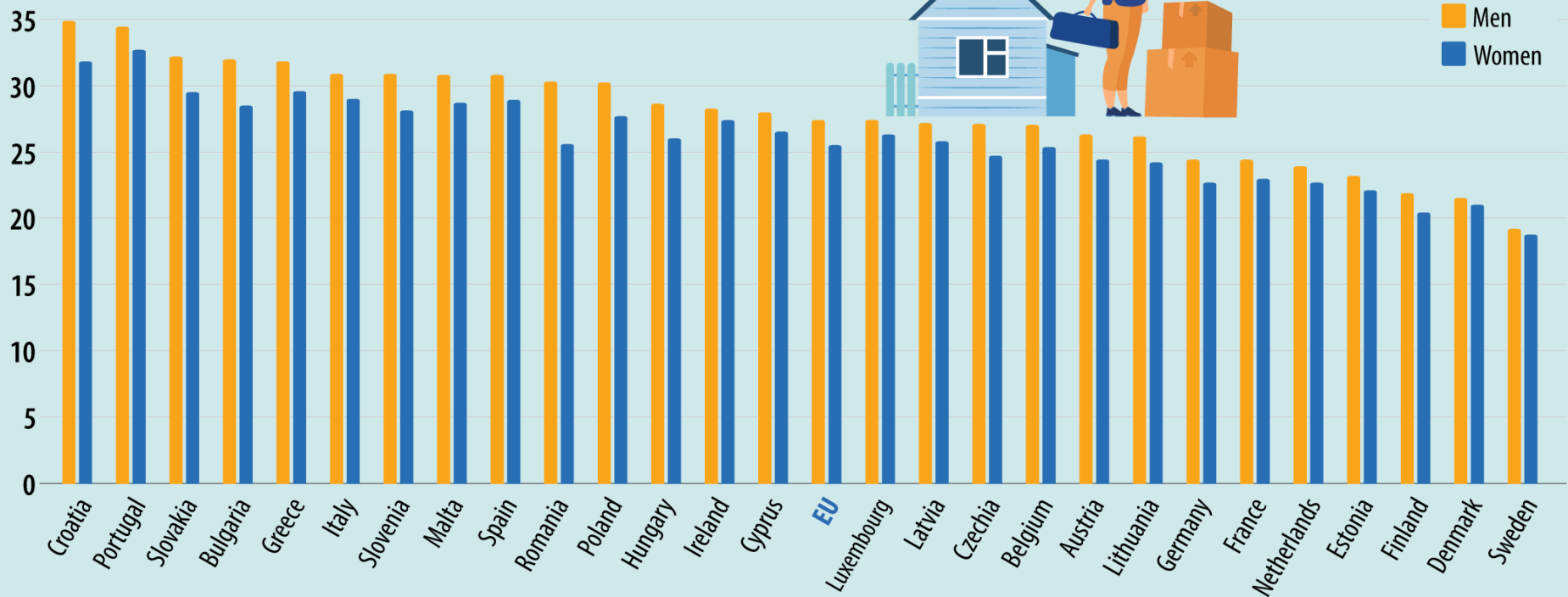
Rural, remote regions decline in population



# How to attract young families and accumulate human capital for the digital revolution?

## Young people leaving the parental household by sex, 2021

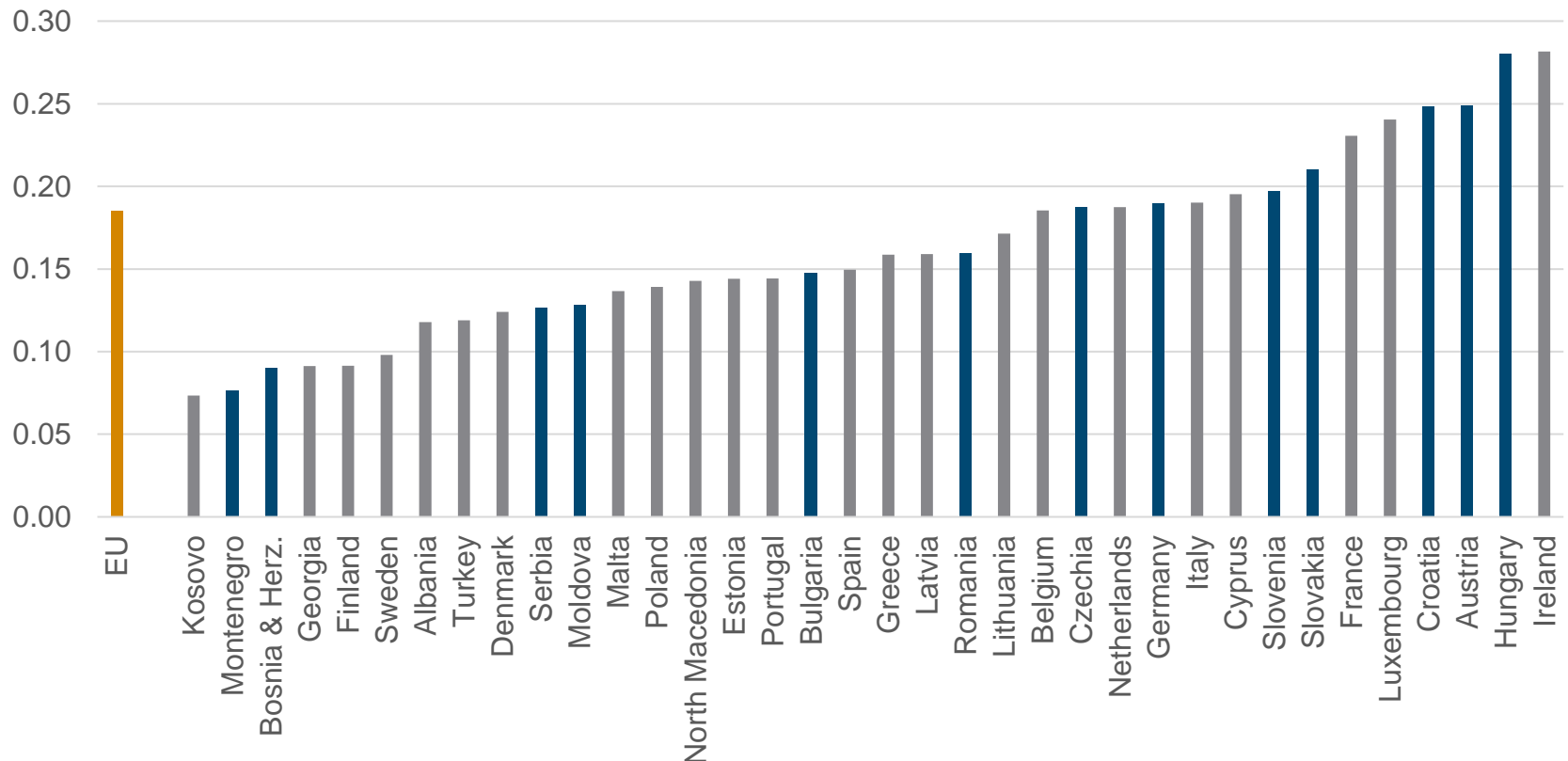
Estimated average age in years





# Raising the share of cheaper renewables is imperative

Electricity price for non-household consumers, consumption band from 500 MWh to 1999 MWh, 2023, Euro per kilowatt-hour, excluding taxes and levies



## **Policy recommendations for more cooperation**

- Support accommodative macroeconomic (EU-)policy
- Move up the value chain (e.g. joint R&D investment)
- Fully embrace digital revolution (e.g. joint e-government standards)
- Maximise (EU-)resources available to fund green transition
- Stimulate automation of low-paid jobs to address demographic decline (e.g. joint robotisation procurement)
- Limit economic and social volatility caused by these changes (e.g. by 'policies for a good life')
- We need an EU-wide 'Catalytic Industrial Policy'  
(target 3 areas at the same time: green, digital & social)

**Thank you for your attention!**

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