

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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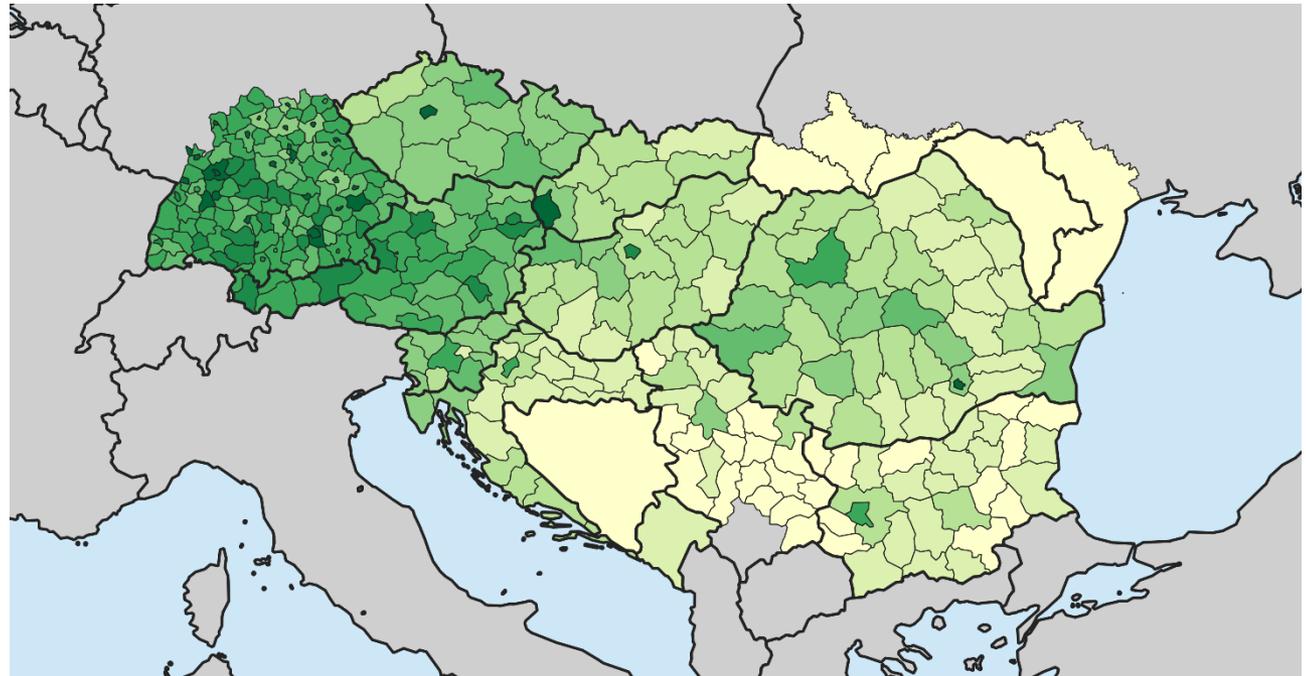
@MarioHolzner

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

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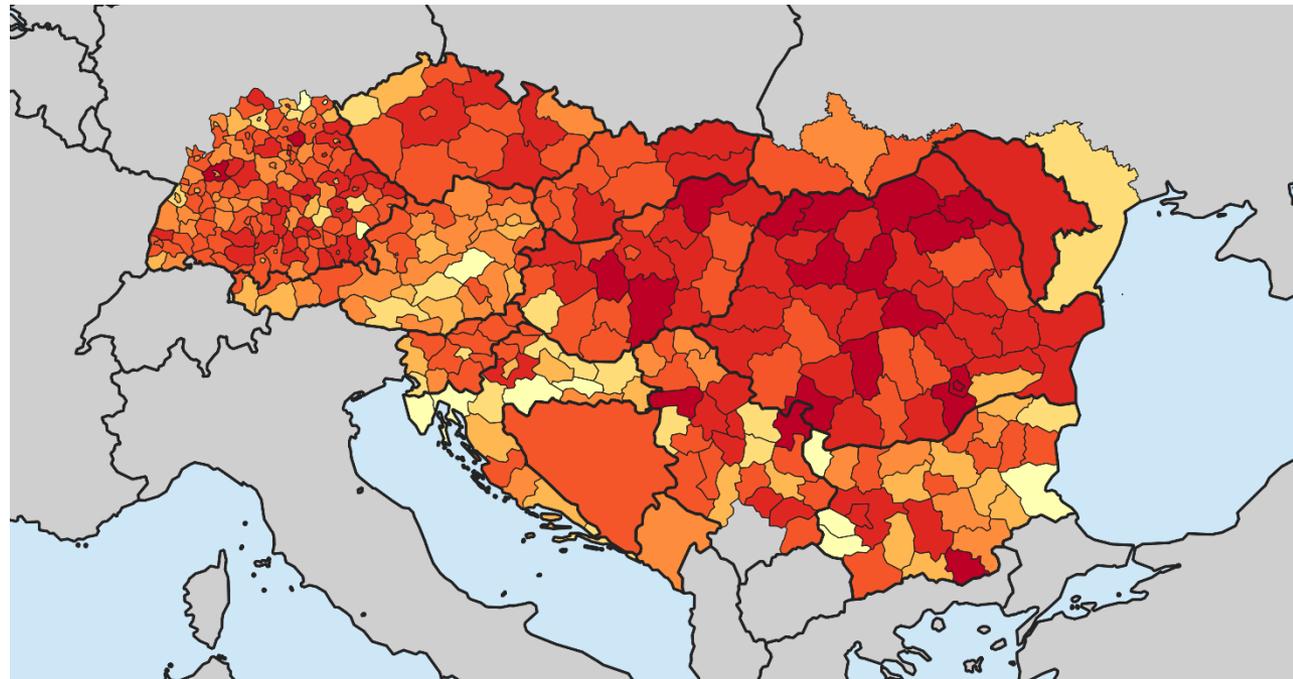
below 10,000	25,000 - 30,000
10,000 - 15,000	30,000 - 40,000
15,000 - 20,000	40,000 - 50,000
20,000 - 25,000	above 50,000

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

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

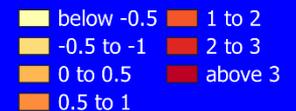
Yet, the **pace of convergence** slowed down over the last decade.

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



Regional GDP growth 2010-2020
annual average growth rates, in %

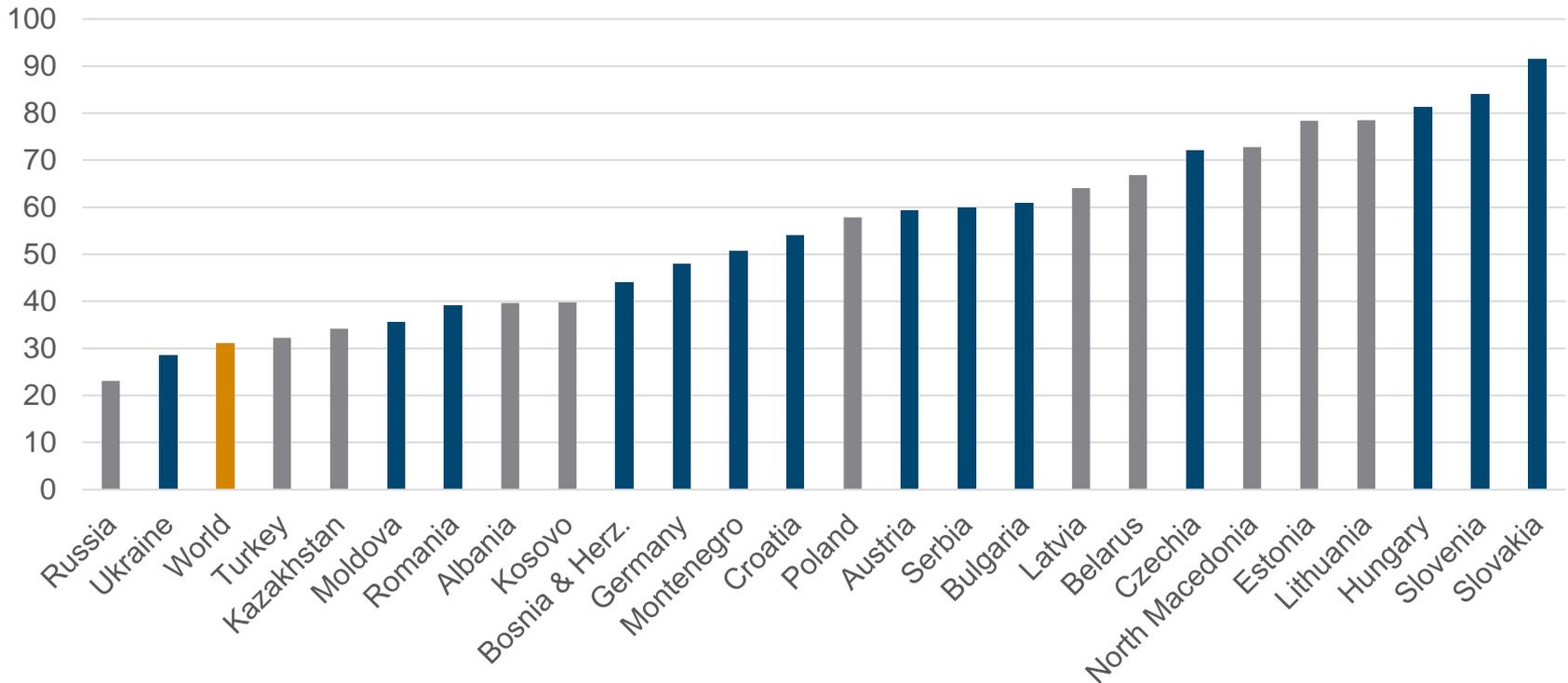
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Source: Eurostat, wiiw

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

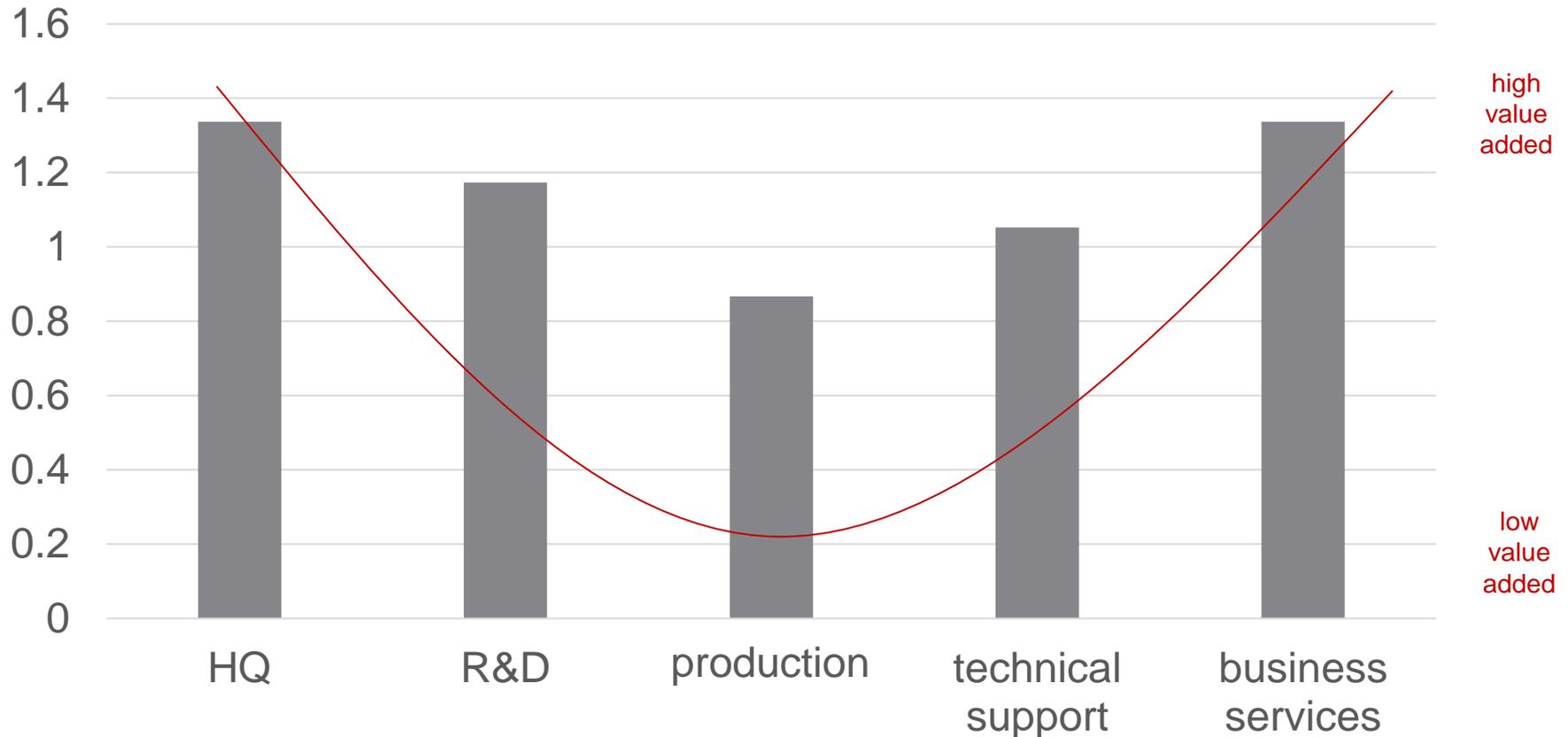


Notes: Russia 2022.

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

Complementarity in global value chains...

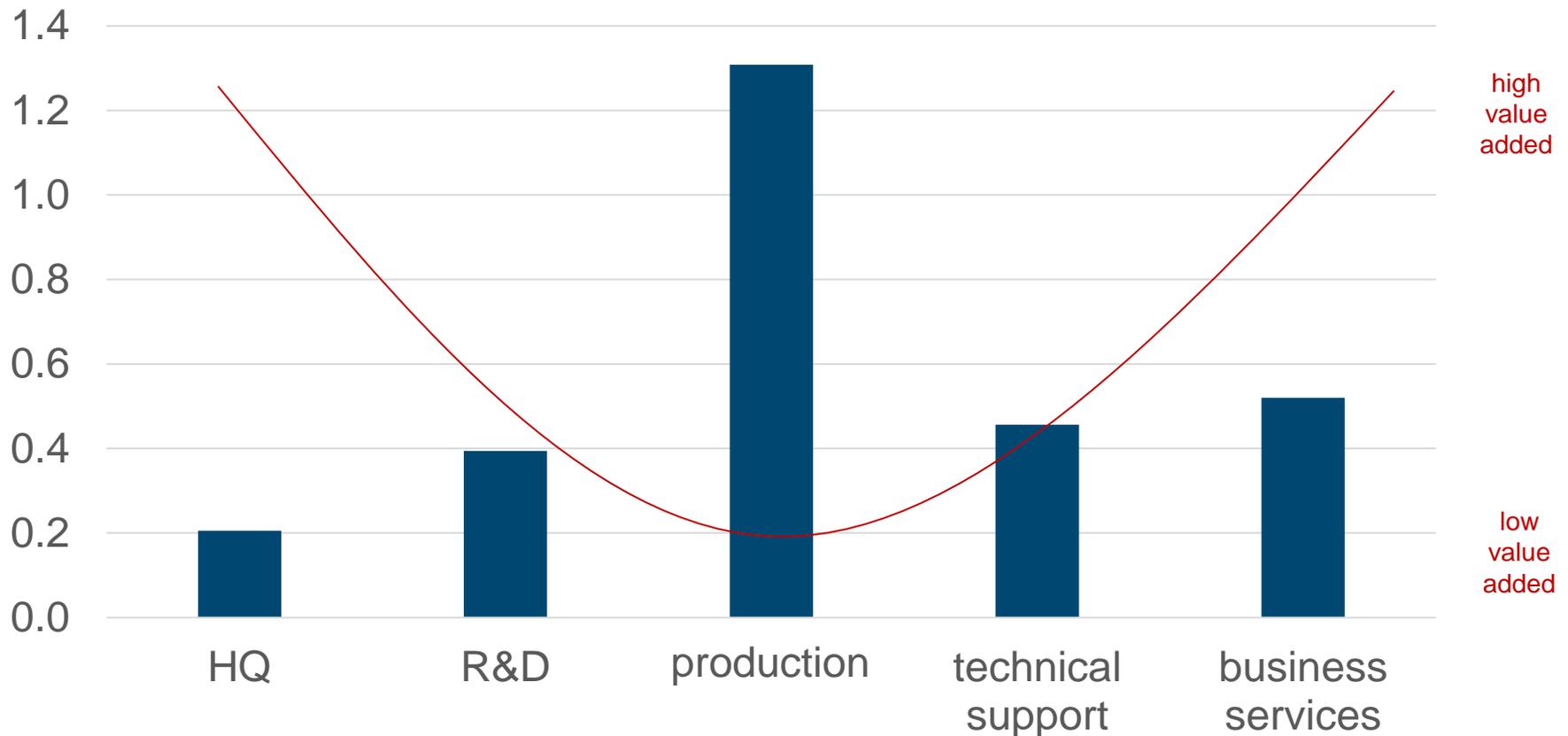
Relative functional specialisation of greenfield-FDI CapEx in **Germany**,
2012-2021 (lhs)



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’

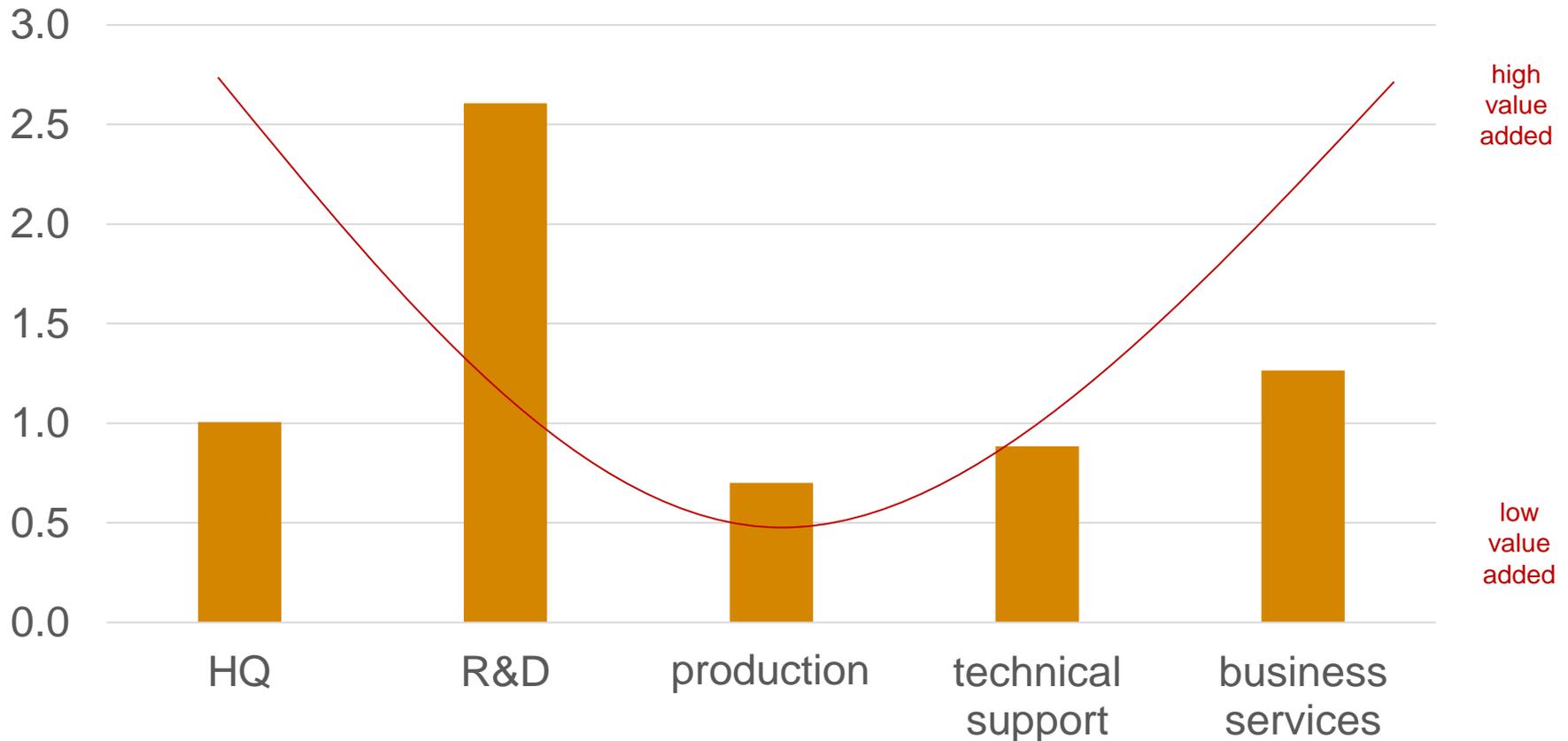
Relative functional specialisation of greenfield-FDI CapEx in **Hungary**,
2012-2021 (lhs)



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?

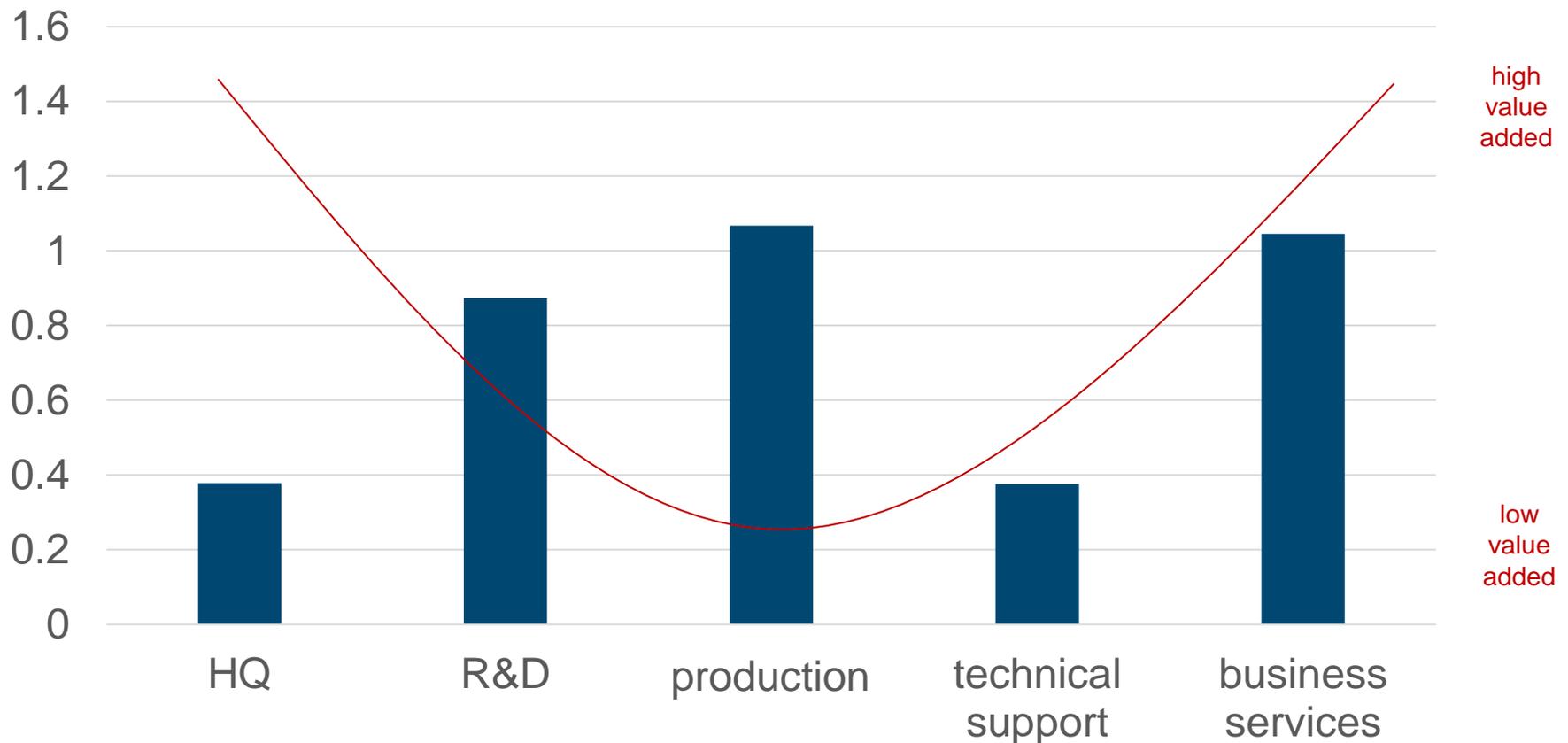
Relative functional specialisation of greenfield-FDI CapEx in **Austria**,
2012-2021 (lhs)



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.

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

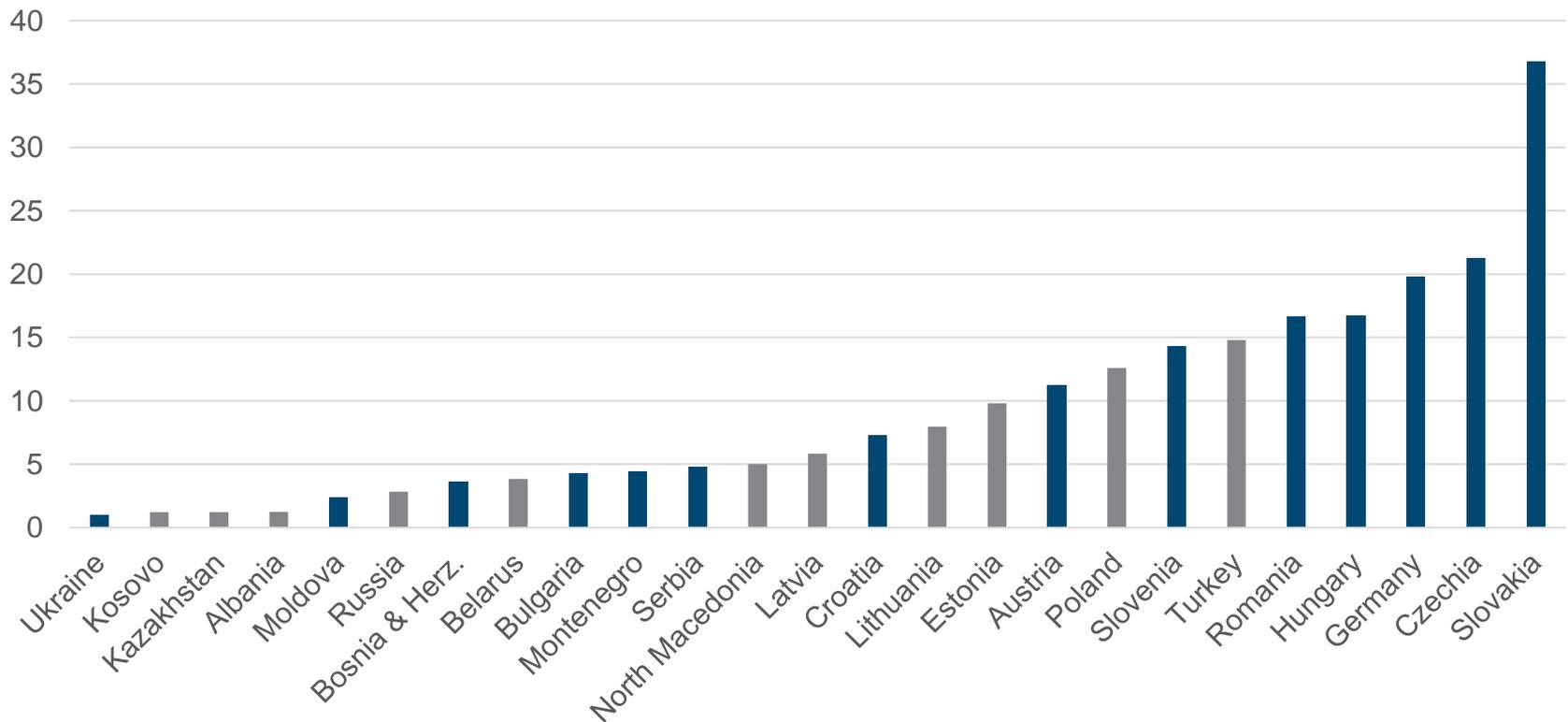
Relative functional specialisation of greenfield-FDI CapEx in **Czechia**,
2012-2021 (lhs)



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.

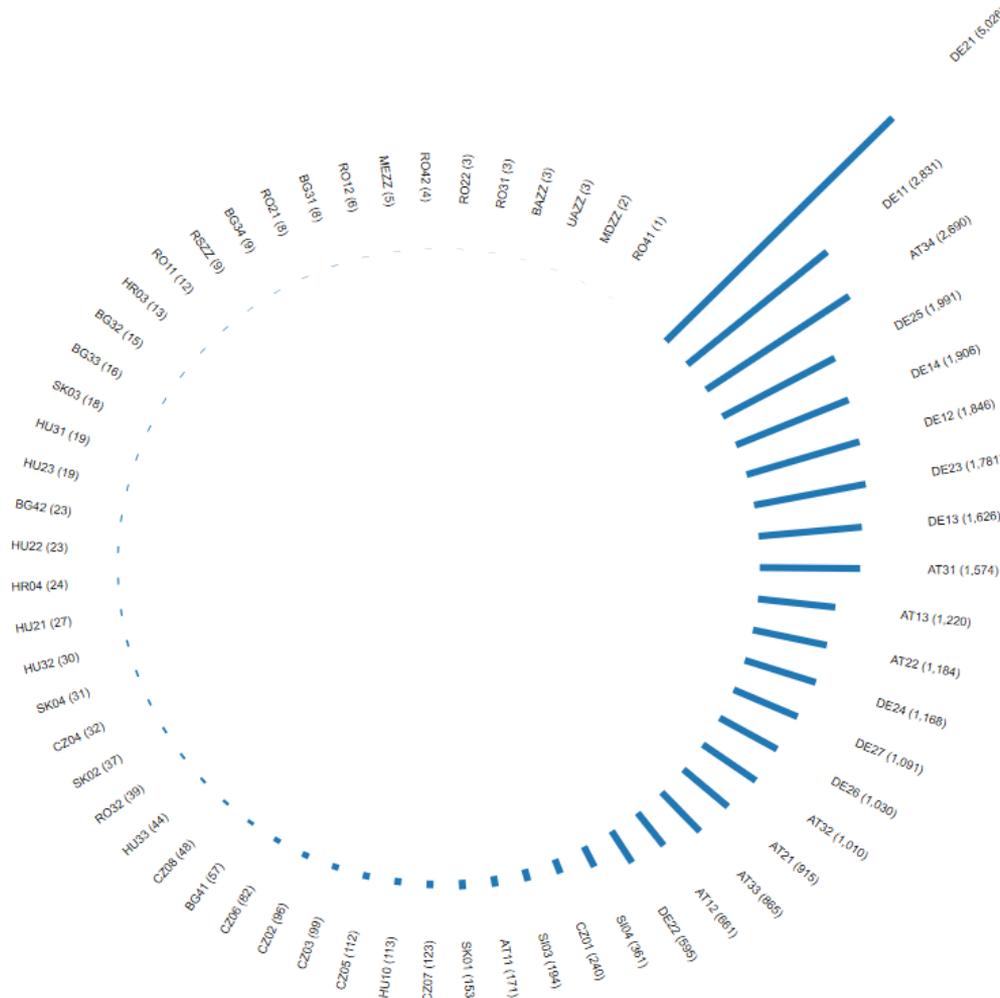
Nevertheless, the younger population is highly educated and thus potentially well prepared for structural change

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



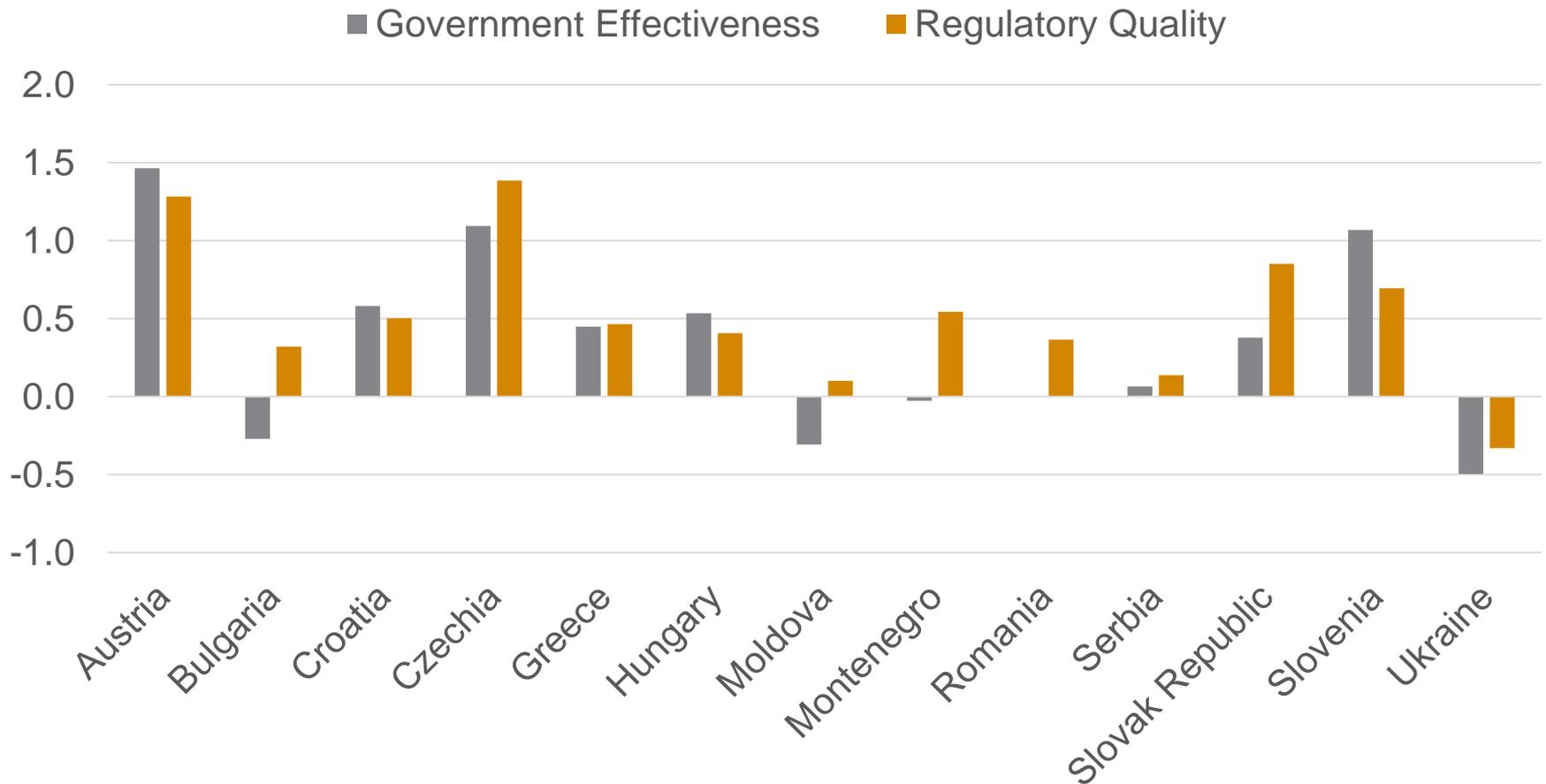
Still, major differences in the region's innovative potential

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



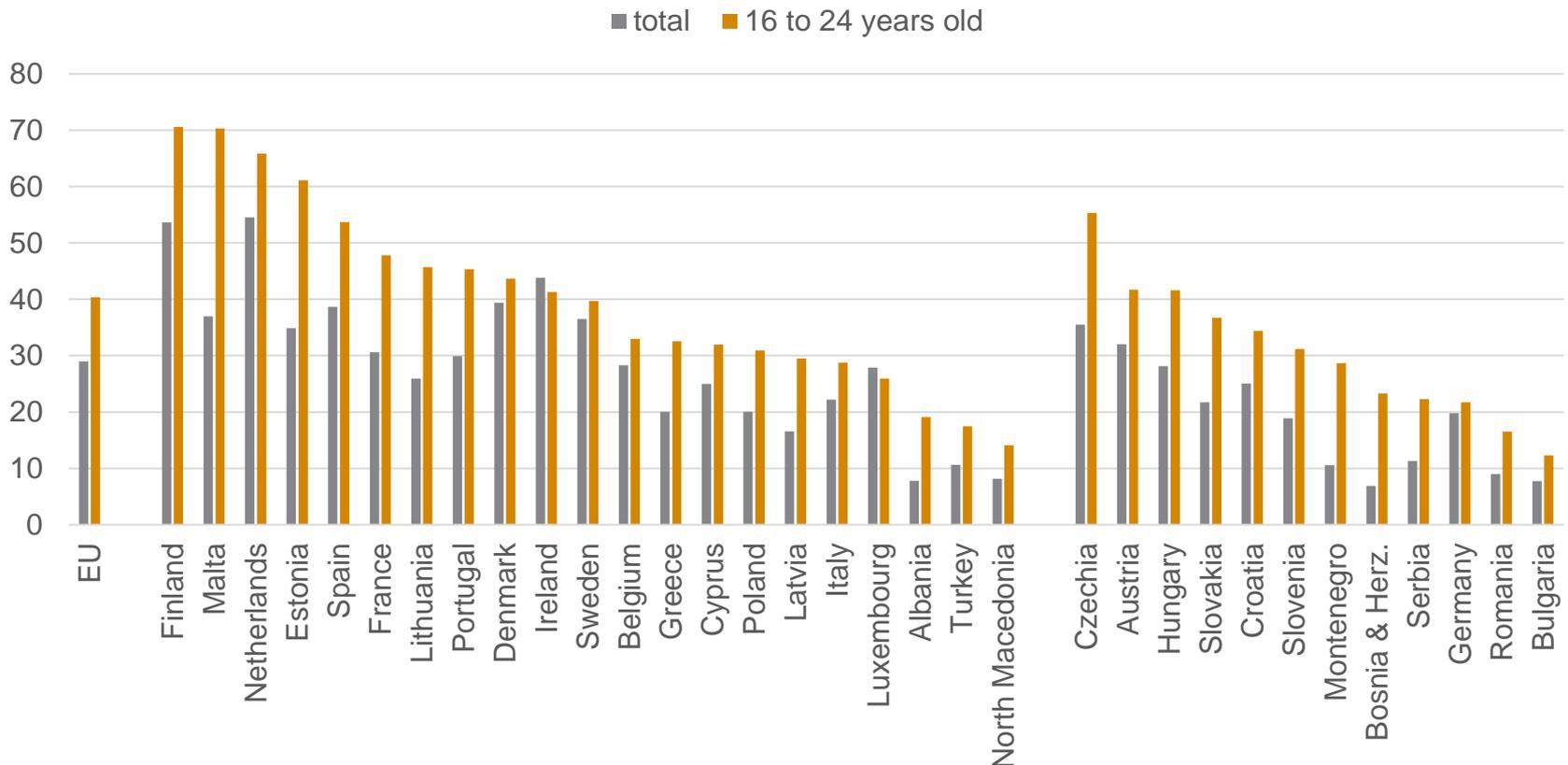
Technological, structural change requires good governance

Assessment indicators of the countries' quality of governance



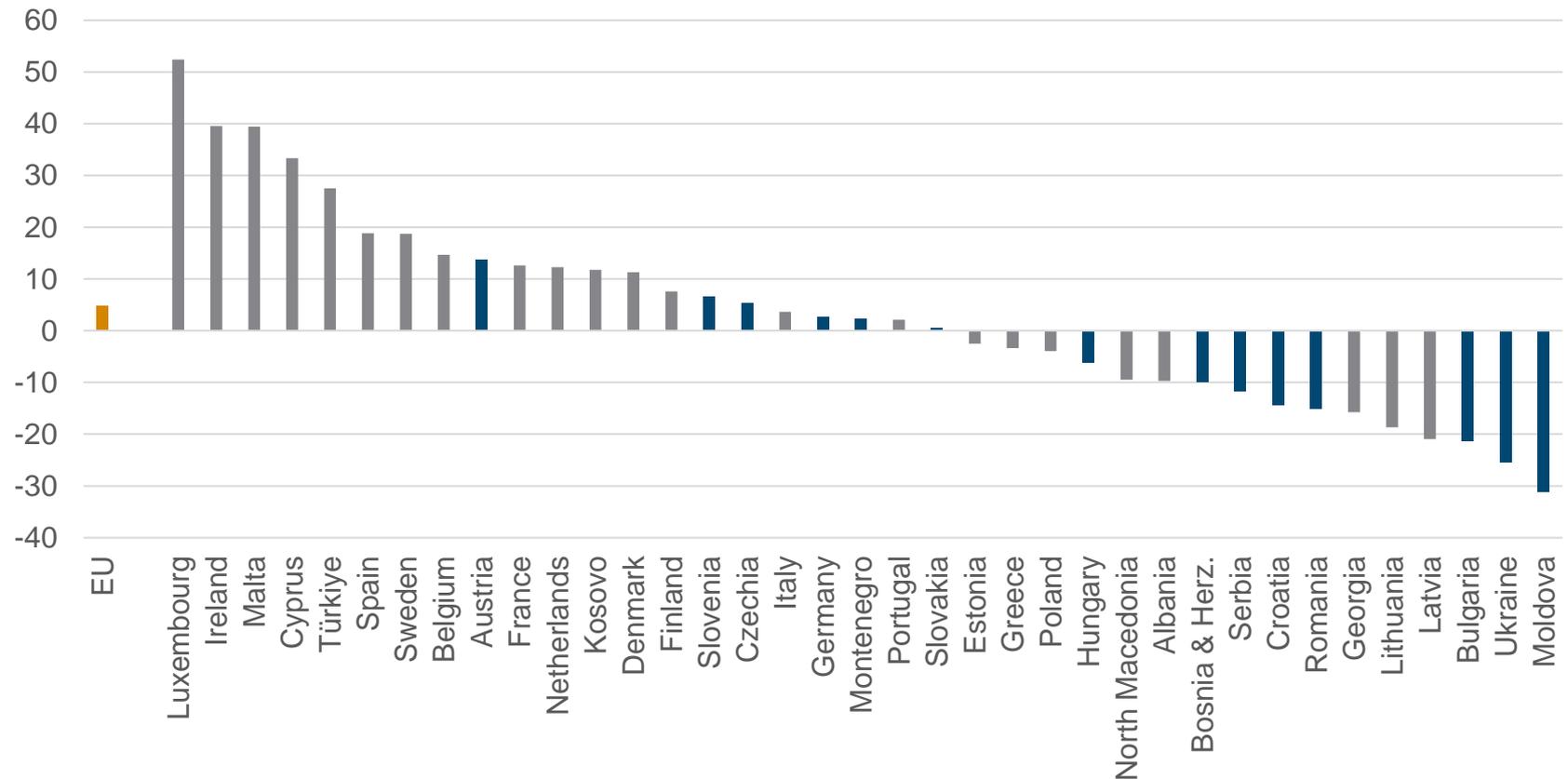
The digital revolution as a driving force for leap-frogging towards high-tech services?

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



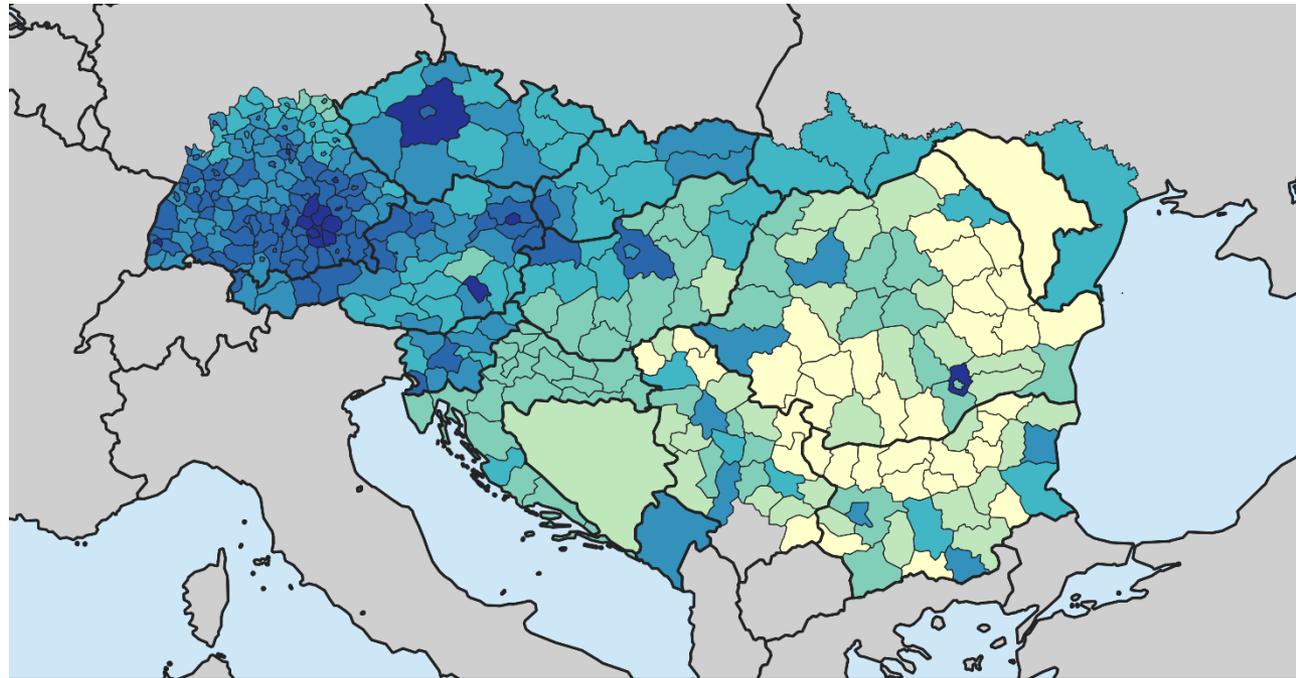
Unprecedented demographic decline in large parts of the region – particularly in working age population

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



Population growth, 2010-2020

annual average growth rate, in %

Source: Eurostat, wiiw

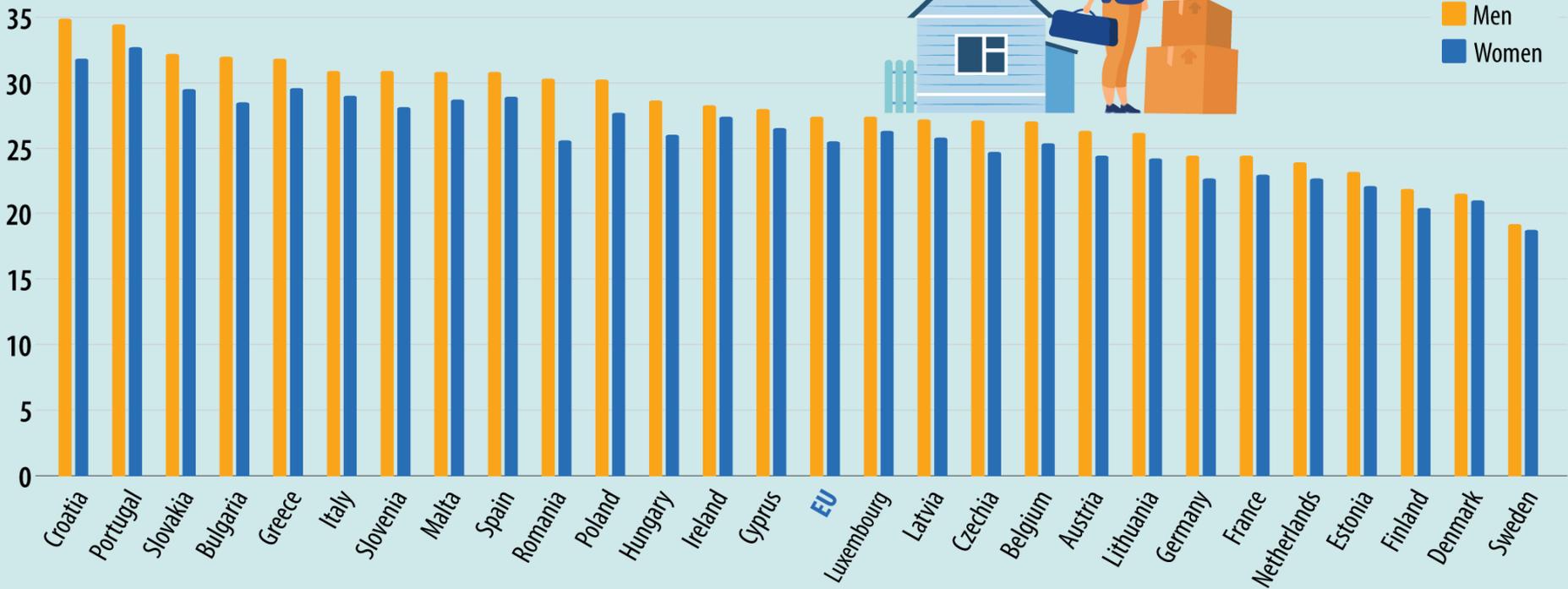
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- below -1.5
- -1.5 - -1
- -1 - -0.5
- -0.5 - 0
- 0 - 0.5
- 0.5 - 1
- above 1

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

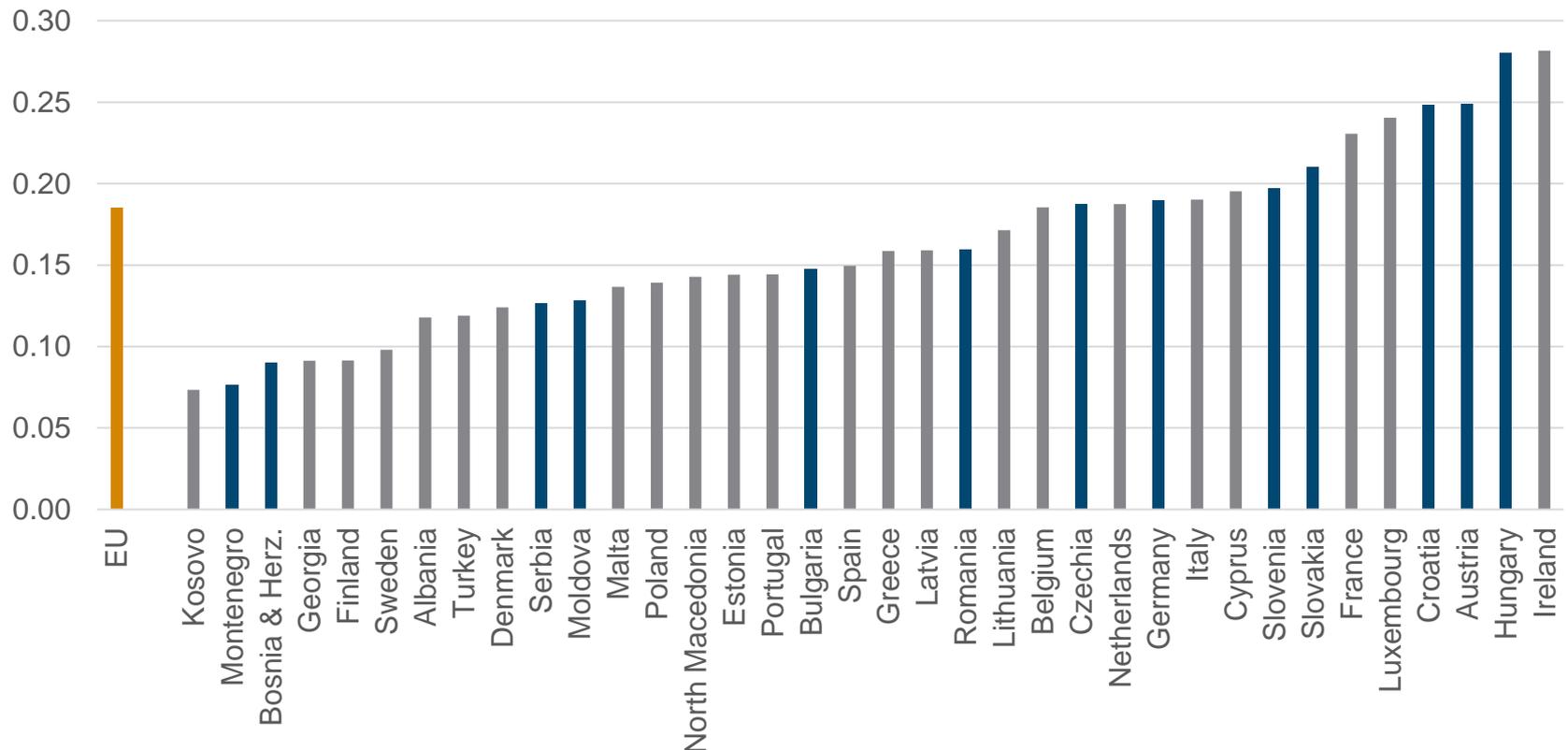
Young people leaving the parental household by sex, 2021

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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