



Overview and some risks of investment developments in the Eastern EU Member States

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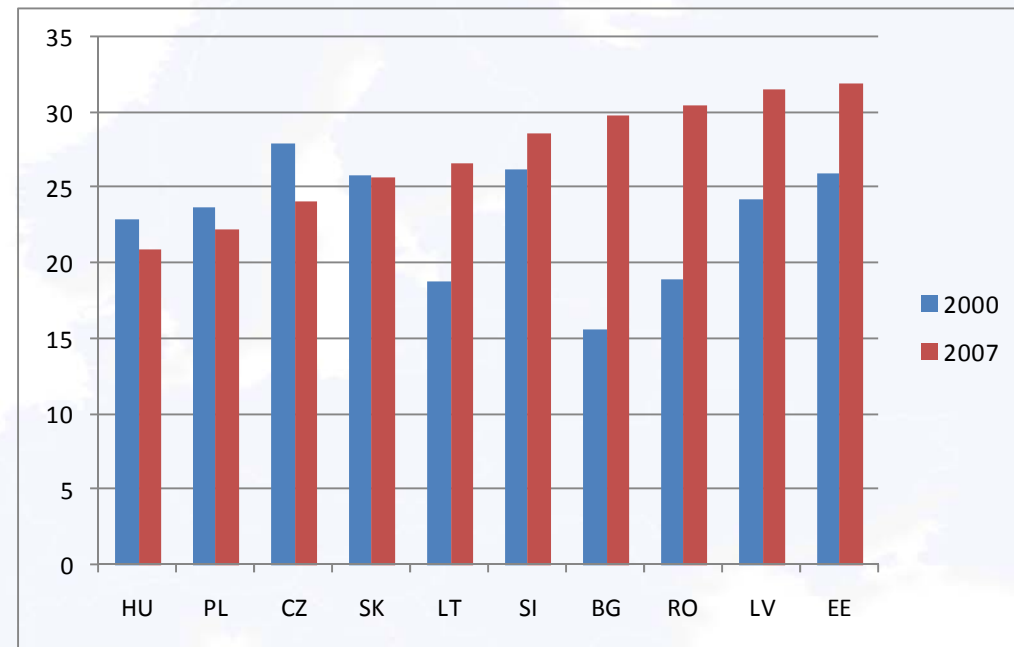
Bruxelles, 14 May 2008



Introduction

- Gross fixed capital formation increased in most countries between 2000 and 2007
- 2 groups:
 - Baltics + Bulgaria and Romania - more than 30% investment ratio
 - CE-5 - 20-25% investment ratio
- In other emerging countries investment ratios were higher (in Asia)

Gross fixed capital formation / GDP (%)

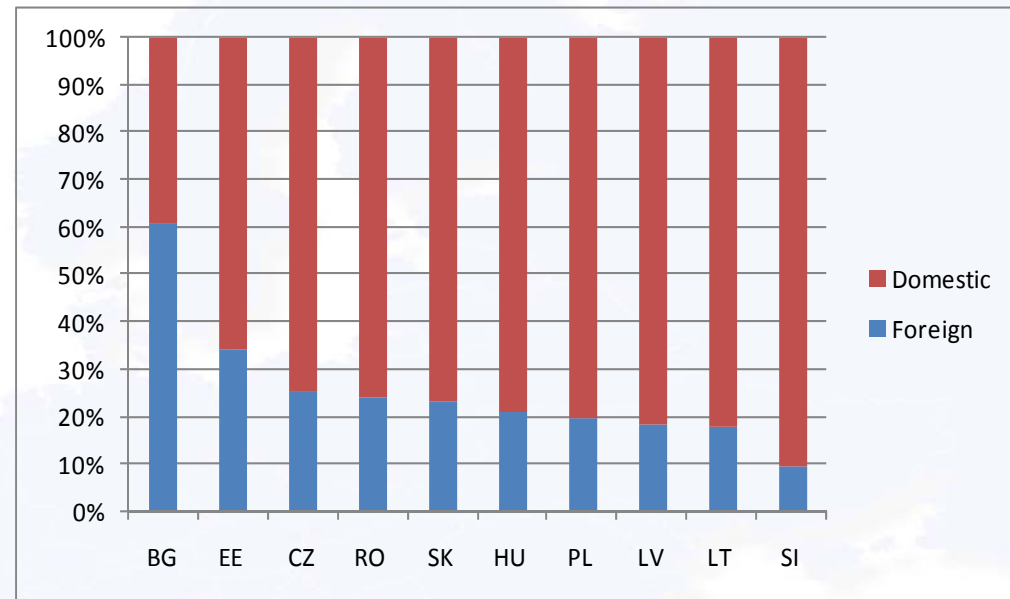




Foreign and domestic investments

- Foreign direct investment played smaller role in most countries between 2000 and 2007 than domestic investments
- 20-30% in average
- Bulgaria is the exception with its 60%, significant amount of FDI was attracted in the last years

Net FDI / Gross fixed capital formation (%)





Savings and investments

- Savings in many cases are much lower than investments
- It results in attraction of foreign savings
- Especially in those countries where investment ratio is higher (Baltics + BG + RO)

Gross Savings and Investments, 2007 (% of GDP)

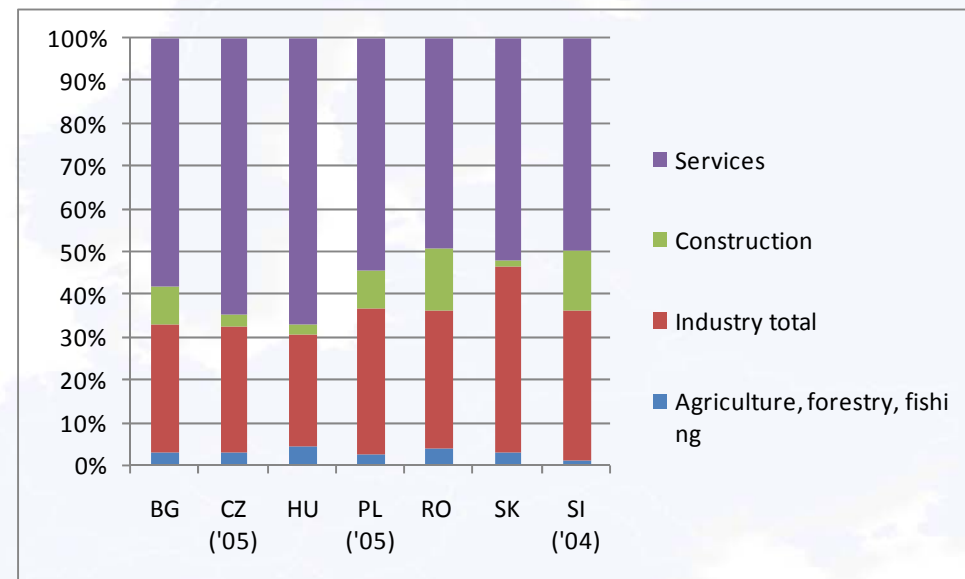




Investment by sector

- Higher than average investments in industry (manufacturing) sector in case of Slovakia and Slovenia
- Construction investments are also significant in Romania and Slovenia
- Services had highest share in the Czech Republic and Hungary

Investments by sectors, 2006 (%)

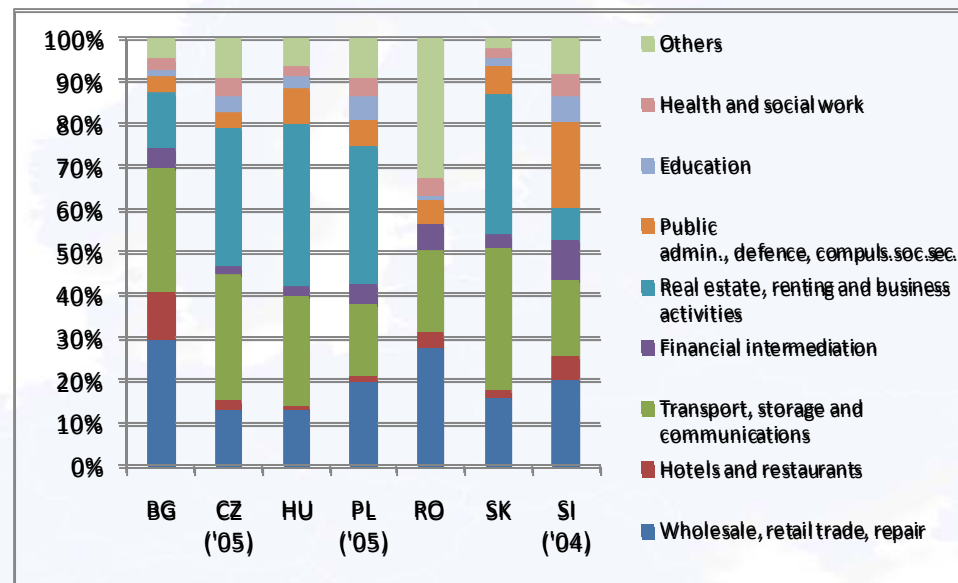




Investment in services

Investment in services, 2006 (%)

- Main shares:
 - Transport, storage and communication ;
 - real estate, renting and business activities
 - and wholesale, retail trade

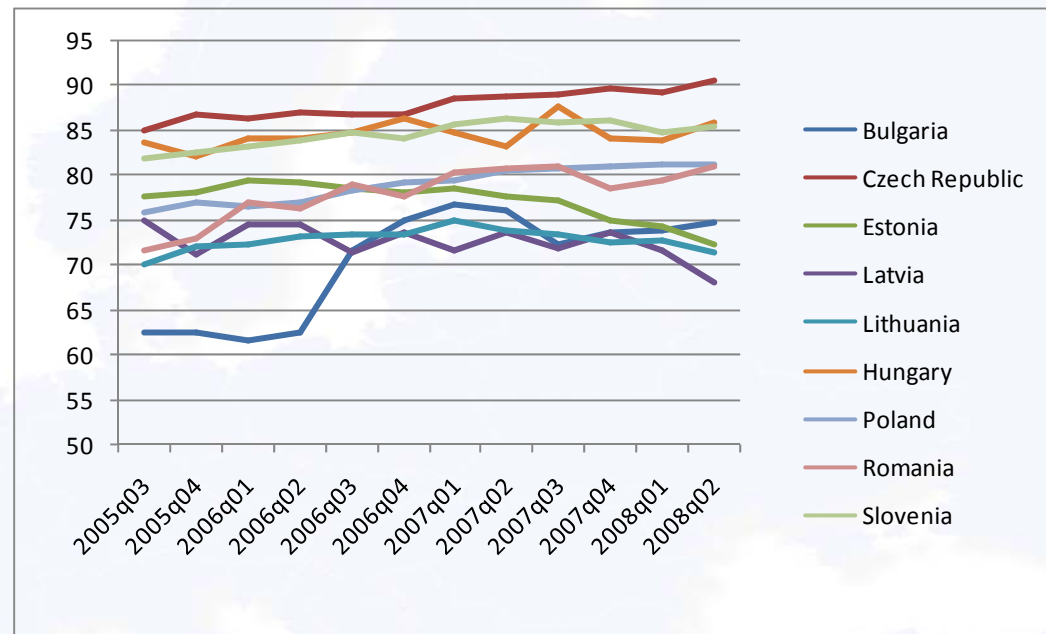




Capacity utilization in manufacturing

- Current level of capacity utilization in manufacturing industry is relatively high in the Czech Republic, Hungary and Slovenia
- Investments (in that sector) are expected to increase more in these countries in the near future
- Capacity utilization is moderate in the Baltics and Bulgaria

Capacity utilization in manufacturing (%)

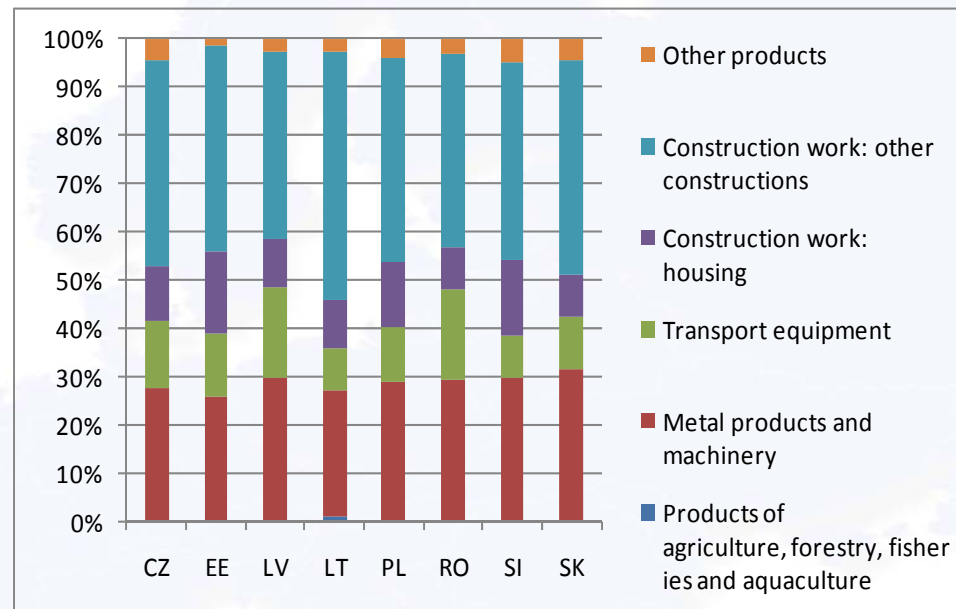




Investment by type

- Majority of investments is construction work
- Second most significant type is metal products and machinery
- No significant differences among the countries

Investment by type (%)

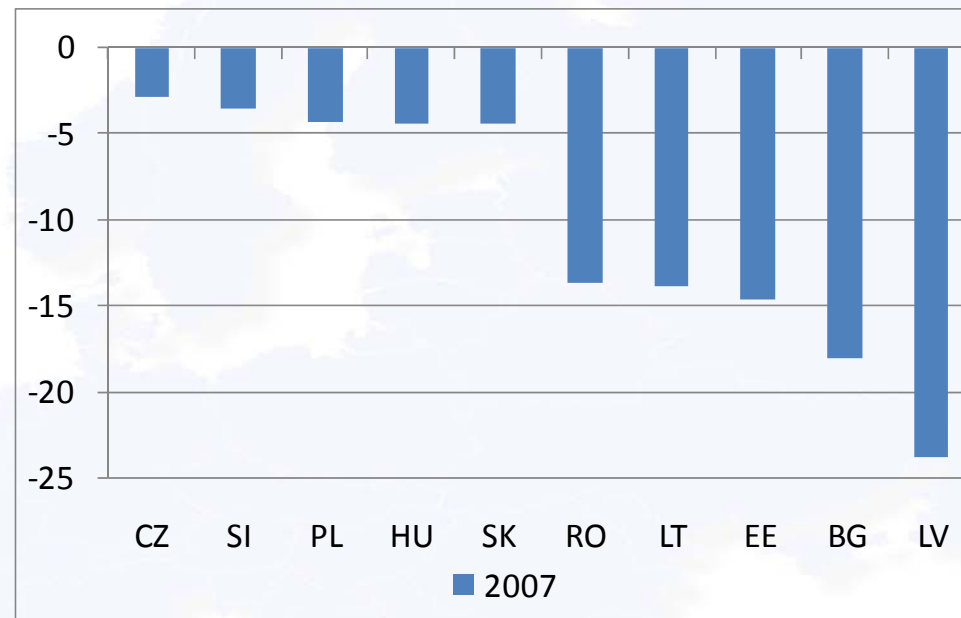




Risks 1.

- There are some risks in connection with the aforementioned development of investment
- First, high current account deficit in the Baltics + BG + RO
- CAD reached or exceeded 15% of GDP
- Investments are significantly higher than savings

Current Account Deficit (% of GDP)

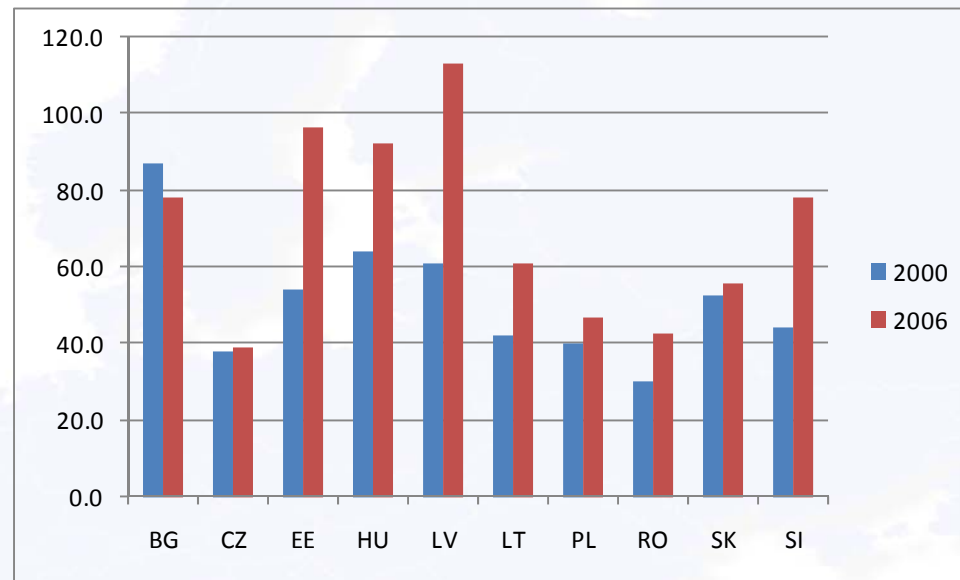




Risks 2.

- Second, gross external debt increased in these countries
- Investments were financed by foreign credit
- Gross external debt reached or increased above 80% of GDP in Bulgaria, Estonia, Hungary, Latvia and Slovenia

Gross External Debt (% of GDP)

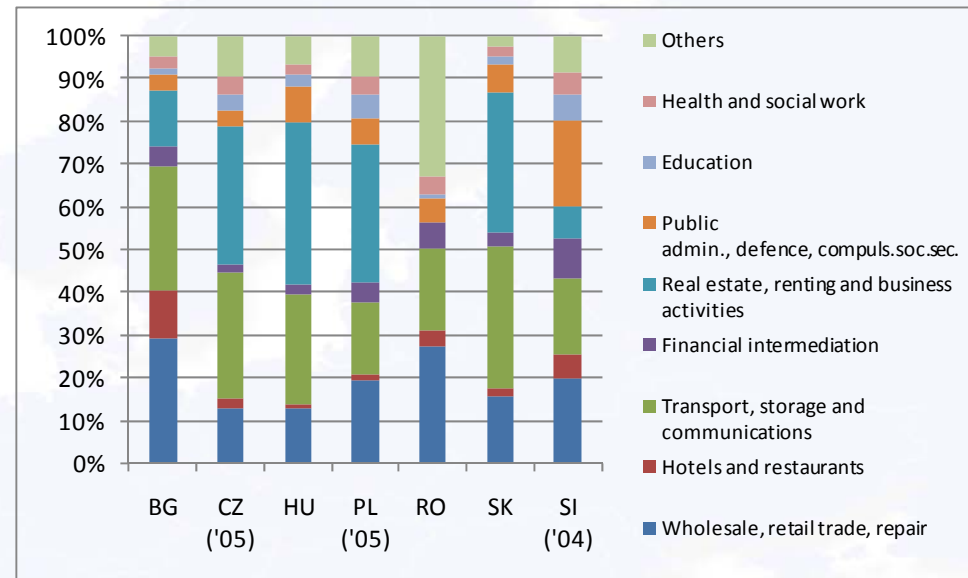




Risks 3.

- Third, investment into non-tradable sector
- Large share of investments were realised in non-tradable sector
- Investment in non-tradable sector may have a negative impact on competitiveness and future economic growth

Investment in services, 2006 (%)





Thank you for your attention!