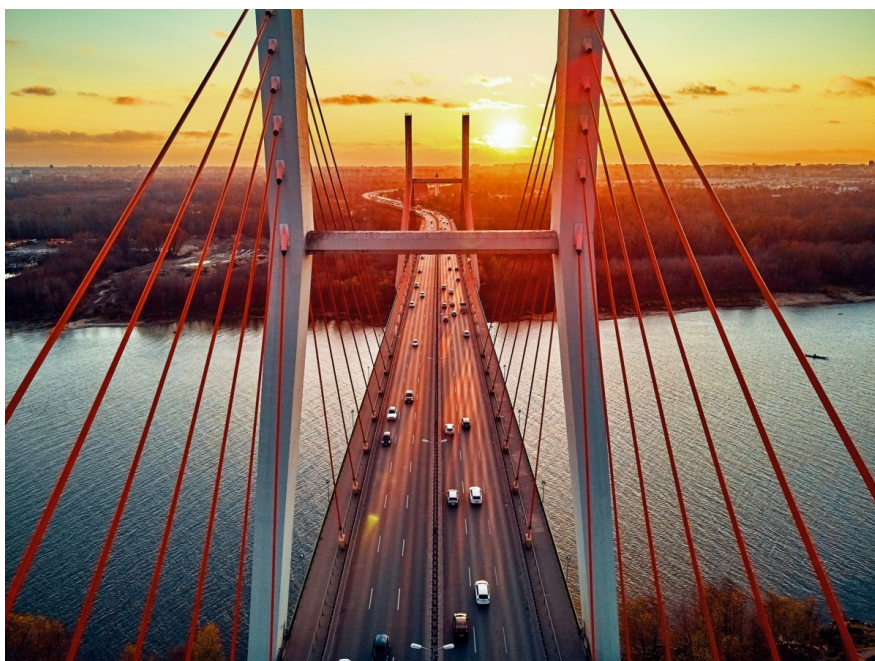


Directional Economics Webinar: What you think of the hot topics in CEE

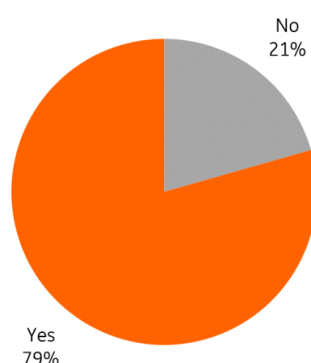
Online poll results of our Directional Economics webinar show customers believe nearshoring will be a big driver of CEE growth and that Turkey's economic shift will be maintained



Here's what our audience said

Nearly 300 people attended our Economics Live Webinar, where we discussed our latest [Directional Economics report](#). We asked those attending what they thought of key topics such as nearshoring, the durability of Turkey's turnaround in economic policy and when Ukraine might enter the EU. Here's what they said.

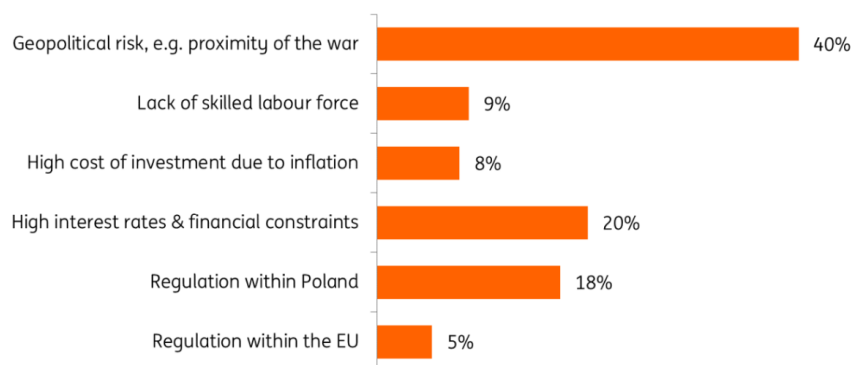
Do you see nearshoring as a major driver of CEE growth in the next five to ten years?



Source: ING
102 responses

Valentin Tataru: We believe that the CEE region is a prime candidate for nearshoring, thanks to its strategic location, cost advantages, skilled workforce and supportive government policies that encourage the establishment of new businesses. Nevertheless, the obvious positive regional impact in terms of GDP growth and employment needs to be balanced against a broader context. Worldwide, the shift towards nearshoring is driven by a de-risking strategy of the companies a process which, at the global level, will likely generate a GDP loss, among other side effects.

Why have Polish companies been hesitant to invest?



Source: ING
114 responses

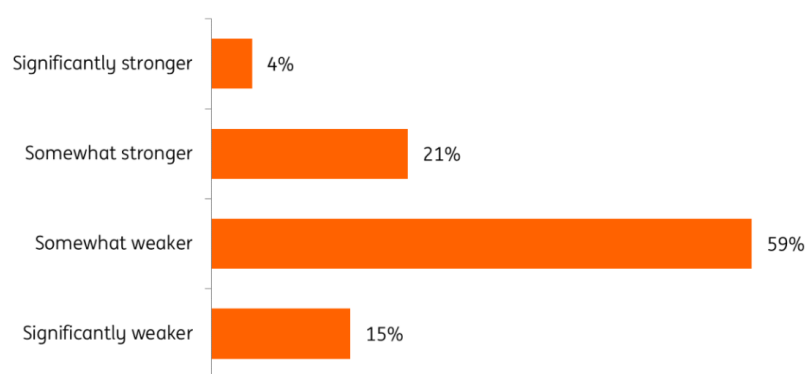
Rafal Benecki: Investment as a percentage of GDP in Poland decreased to 17.8% in 2023 from 20%+ a decade ago. The reluctance of companies to invest is one of the reasons behind this. This is an important weakness in Poland's corporate sector, as the other economies in Central Europe and the eurozone have managed to increase investment and reverse the negative trend that prevailed since the Global Financial Crisis.

The above survey indicates that companies may refrain from investing due to the proximity of the

war. Other research we have conducted on this topic suggests that institutional deterioration before the October 2023 election is responsible for weak investment, such as unpredictable taxes and other regulations.

Also, the stop-and-go policy of the previous government when it comes to EU funds has derailed companies' investment plans. With interest rates much higher than before the pandemic, the choice between EU funds and expensive loans is obvious. We think there is room to catch up, as the corporate sector in Poland is the second most deleveraged in the EU.

The forint has been quite volatile lately, but where is the forint heading over the next year relative to the euro. The current level is 397. Will the forint be:

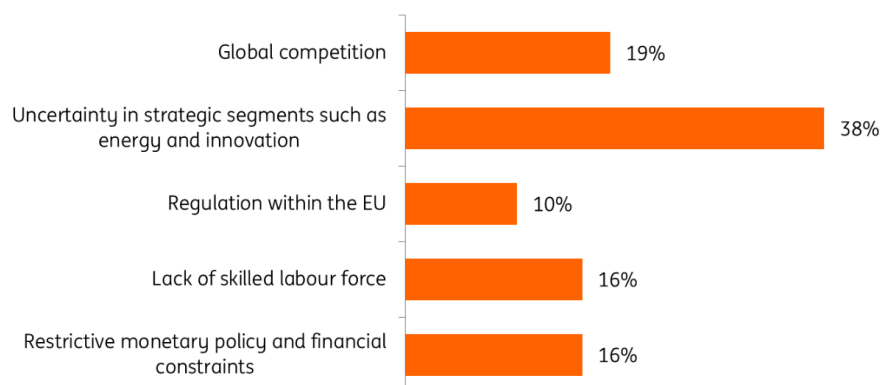


Source: ING
112 responses

Peter Virovacz: Three-quarters of respondents believe that the forint could depreciate beyond its current level against the euro in the next 12 months. This shows how fragile investor confidence in Hungary remains in the face of rising inflation and fiscal challenges.

However, this is hardly surprising given that our own forecast also predicts a significant weakening in 2025 (EUR/HUF to hit 405-410) after the expected strengthening in the second half of this year (EUR/HUF at around 385).

What is the main reason behind the sluggish investment in the Czech Republic?

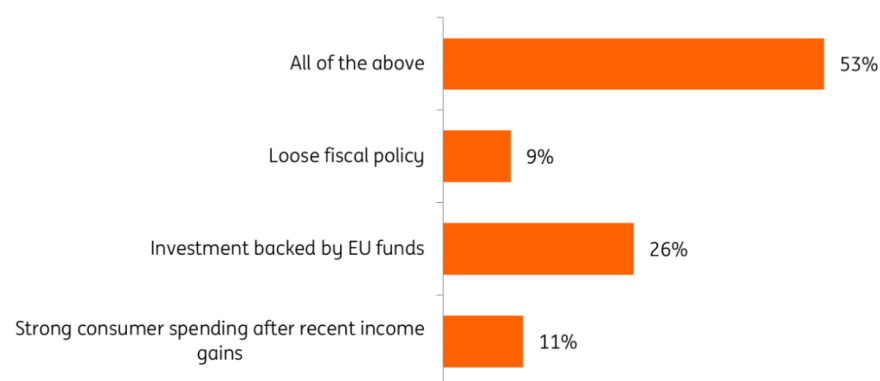


Source: ING
117 responses

David Havrlant: It seems that a mix of reasons has been hampering the investment performance in the Czech Republic, with a lack of clarity about the way forward in strategic segments being the front-runner. Amid fierce global competition driven by cutting-edge technologies like microchips and AI, a more detailed top-down plan for strategic sectors and a clear commitment could boost domestic investment appetite and attract investment from abroad.

In contrast, the poll suggests that coping with EU regulation is perceived as a less pressing issue. Meanwhile, the tightness in the labour market is going to remain an issue to tackle in the quarters and likely years ahead.

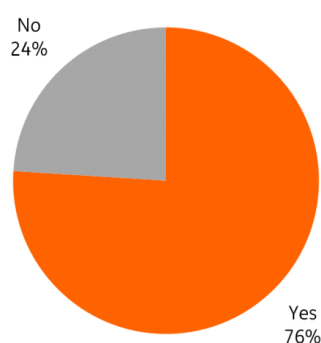
What is the main factor boosting growth in Romania?



Source: ING
117 responses

Stefan Posea: The dominating view was right in our view. All three have been actively contributing to growth and all three can be strong drivers again this year. That said, while positive for growth, these factors are set to further complicate Romania's twin-deficit problem, as internal demand is set to outpace what the external sector can provide in the near-to-medium term. The good news though, is that this time the much-needed infrastructure investments are in full swing, which will improve the productive potential.

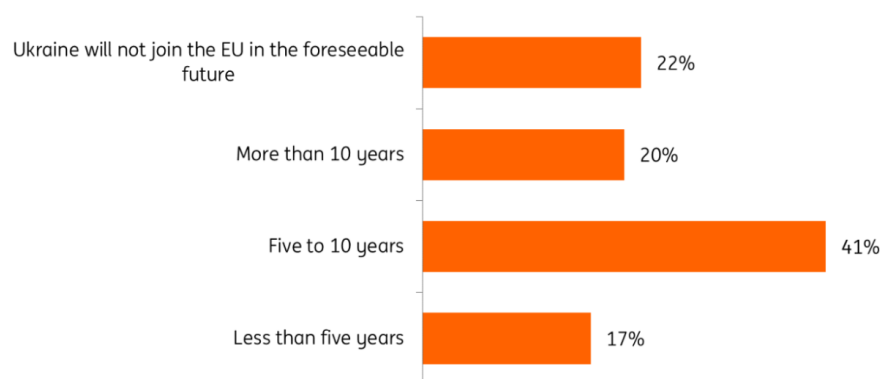
Do you think the pivot away from unconventional monetary policy and regulations will continue in Turkey?



Source: ING
100 responses

Muhammet Mercan: The poll suggests increasing confidence towards policy making in Turkey. The authorities are committed to achieving disinflation, as evidenced by the full support for the central bank's tight policy stance and fiscal consolidation actions, which include efforts to control spending and raise revenues without adding pressure to prices. All of this shows that the policy direction will remain aligned with the orthodox opinion, in our view.

Ukraine started EU membership negotiations on Tuesday. This formal process took Poland five years, and major advances to harmonise laws were made the previous years. How long will it take Ukraine to enter the EU?



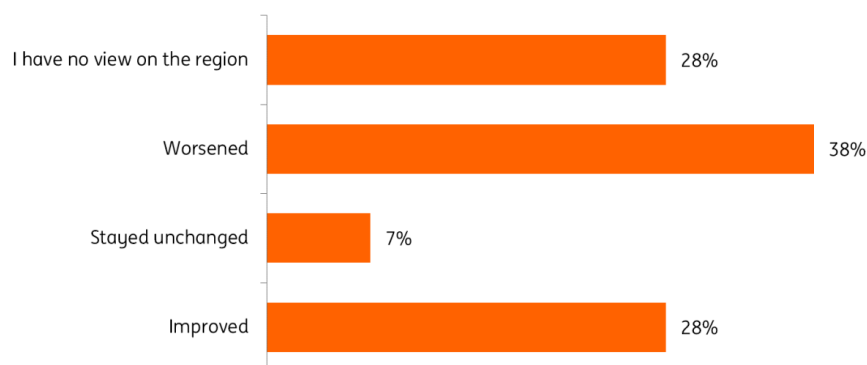
Source: ING
118 responses

Leszek Kqsek: The results of our poll on the length of Ukraine's negotiations for EU membership look sensible and fairly optimistic. The dominant view (40%) is that this process will take five to 10 years. This would be in line with about five to six years of negotiations for CEE countries or around eight years in the case of Croatia. But we need to keep in mind that the EU's legal framework is

growing year by year - there is more and more to discuss and agree on.

What is more important, for the first time ever, the EU will conduct membership negotiations with a large country in a state of war. This uncertainty is reflected in the votes assuming that negotiations will take longer than 10 years and difficulties in predicting their conclusion in the foreseeable future.

In your opinion, over the last two years, has the investment/business appeal of the CIS:



Source: ING
98 responses

Dmitry Dolgin: CIS-4 countries are facing challenges due to the relatively small size of the economies, complicated politics in the region, and the developing institutional and ESG framework.

At the same time, higher integration into the global trade, capital and migration flows, as well as higher domestic activity suggest that the region offers new growth opportunities.

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