

OeNB Conference on European Economic Integration
Vienna, November 24-25, 2014

„Macroeconomic Imbalances and Economic Inequality in CESEE“

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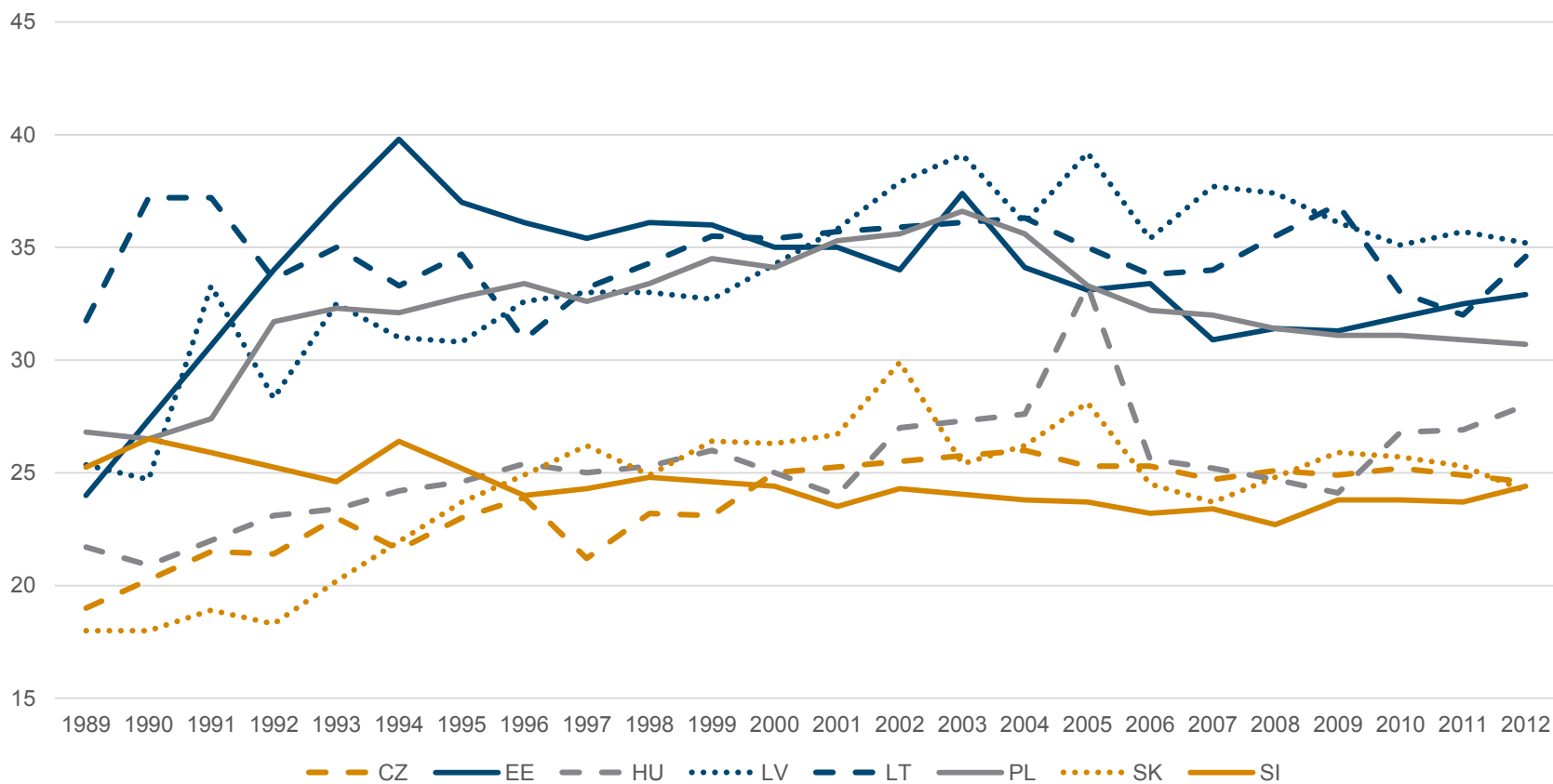
The Vienna Institute for International Economic Studies (wiiw)

Structure of Presentation

- Household income inequality in CEE, SEE and CIS
- Transition crisis, bumpy recovery & imbalances
- Personal/sectoral income inequality in the NMS
- Early boom & imbalances
- Household wealth & debt distribution in SK and SI
- Boom peak, great recession & imbalances
- Conclusions

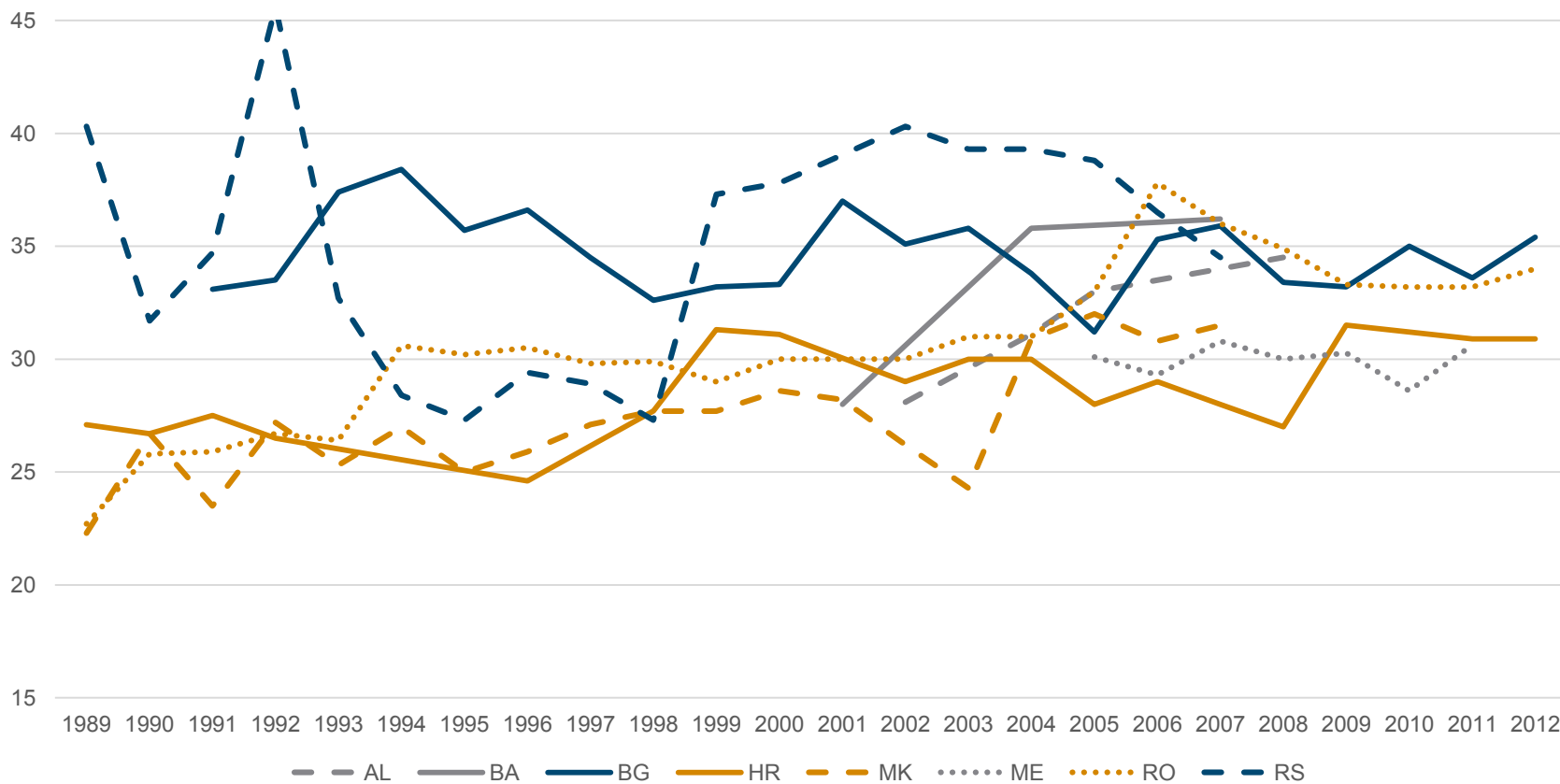
An inverted U-shape? Probably not...

Gini index for disposable household income in CEE (1989-2012)



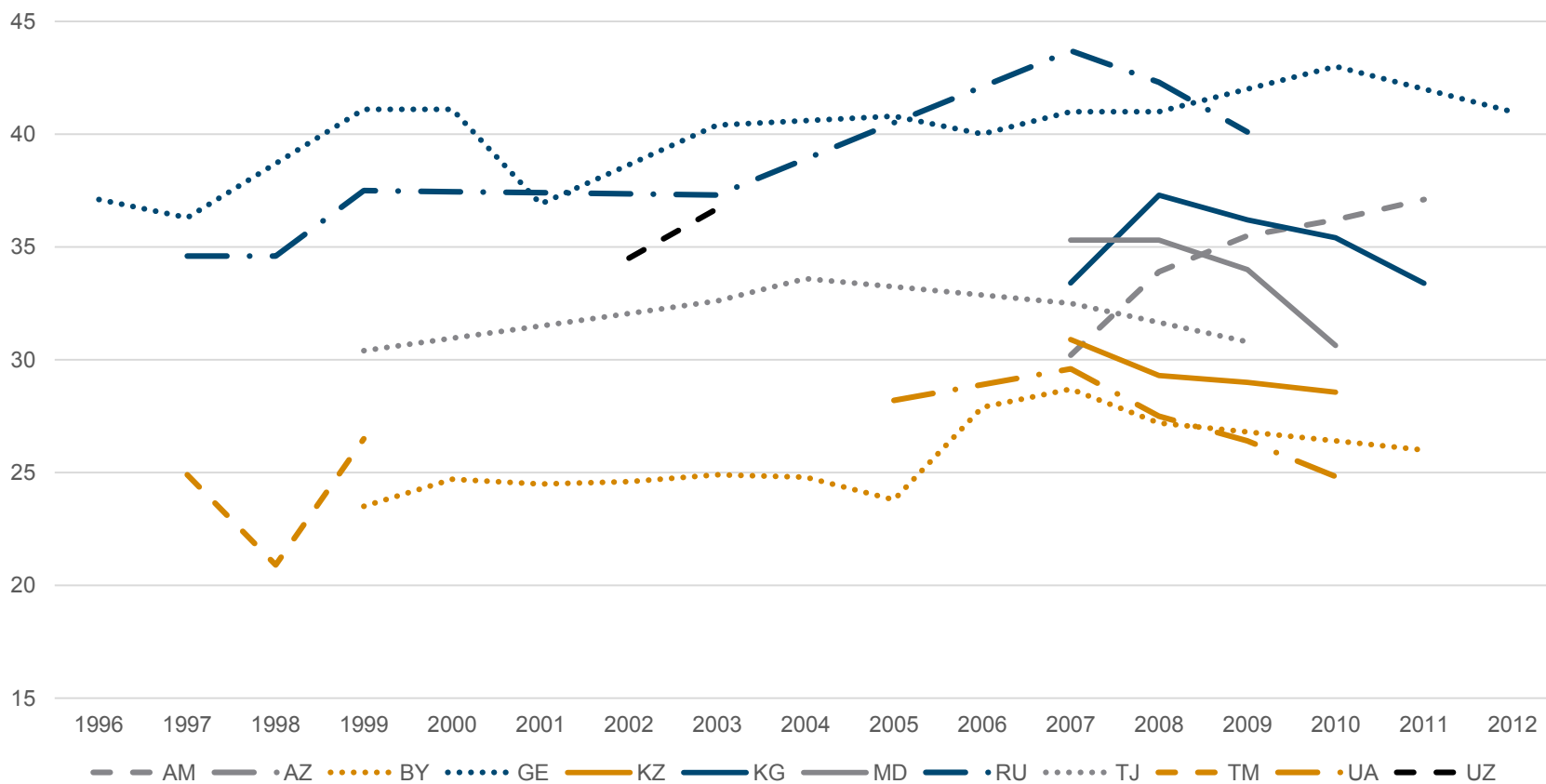
Inequality progression in SEE

Gini index for income/consumption in SEE (1989-2012)



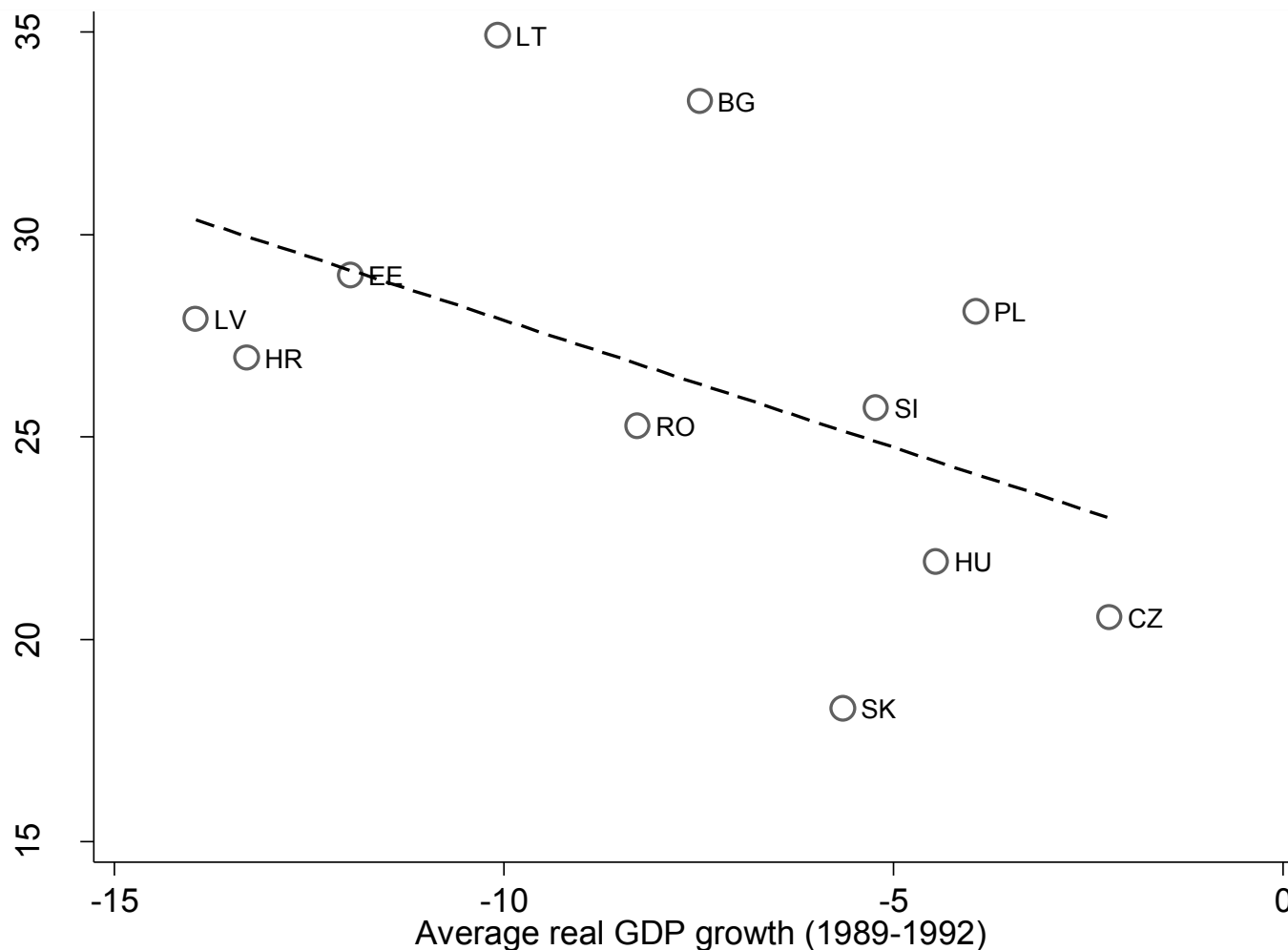
A moderate reversal from high inequality in CIS

Gini index for income/consumption in CIS (1996-2012)



Transition Crisis: Huge Output Loss & Inequality

Average Gini index & GDP growth (1989-1992)

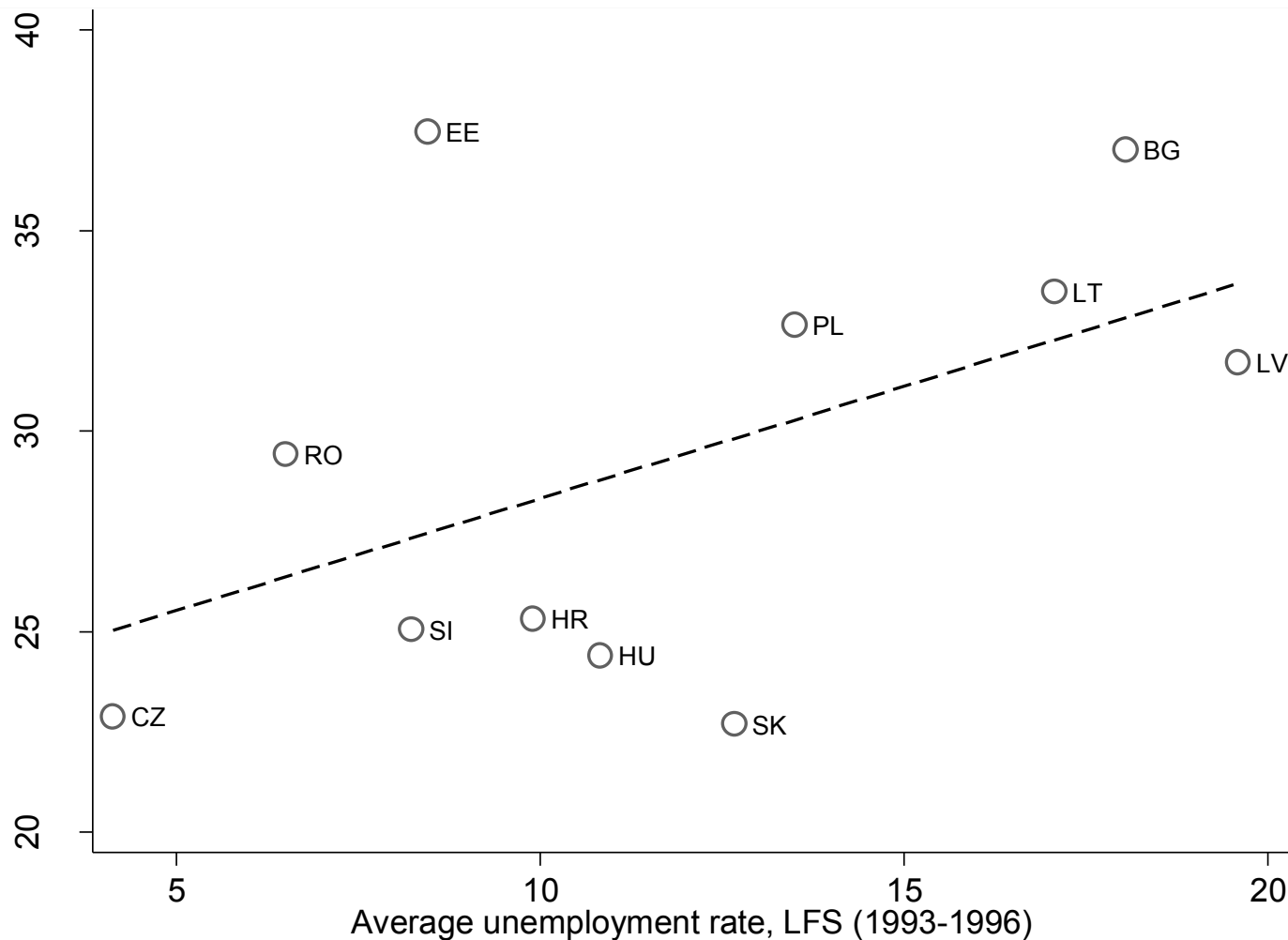


Source: wiiw, UNU-WIDER WIID V.3.0B, Eurostat, TransMonEE, interpolations

Note: Averages due to data availability

Transition Crisis: Mass Unemployment & Inequality

Average Gini index & unemployment rate (1993-1996)

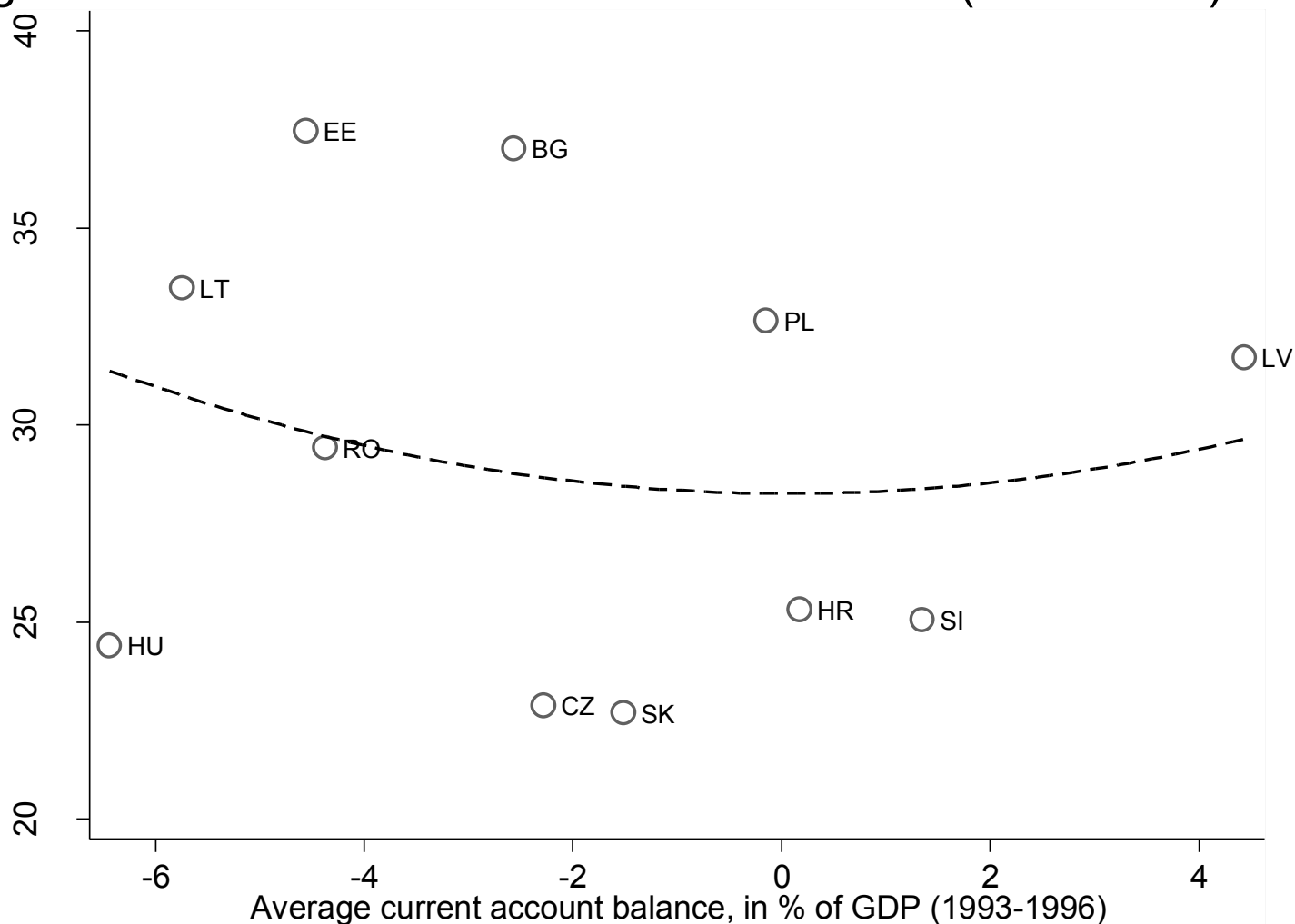


Source: wiiw, UNU-WIDER WIID V.3.0B, Eurostat, TransMonEE, interpolations

Note: Averages due to data availability

Transition Crisis: U-shaped? Imbalances & Inequality

Average Gini index & current account in % of GDP (1993-1996)

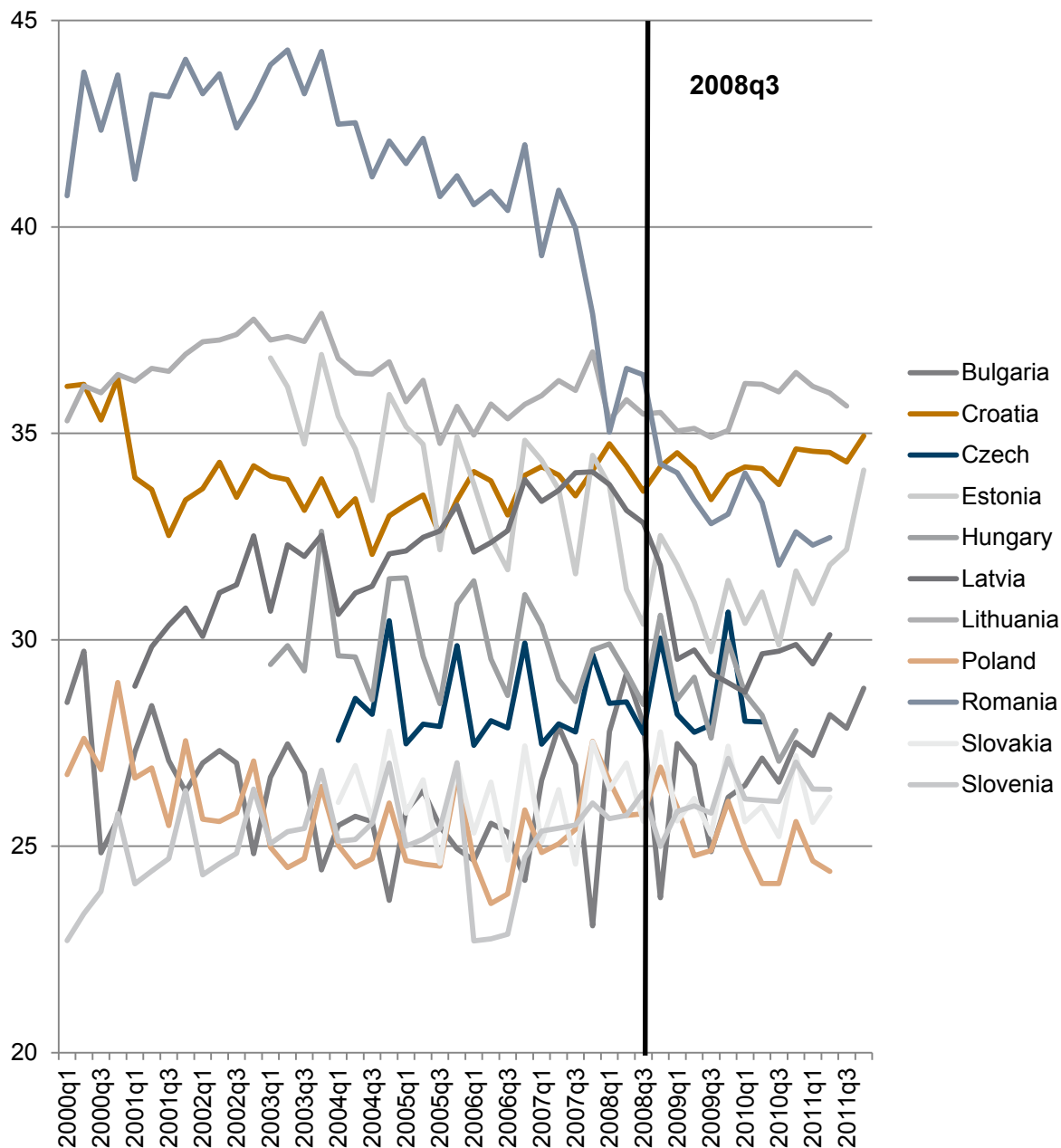


Source: wiiw, UNU-WIDER WIID V.3.0B, Eurostat, TransMonEE, interpolations

Note: Averages due to data availability

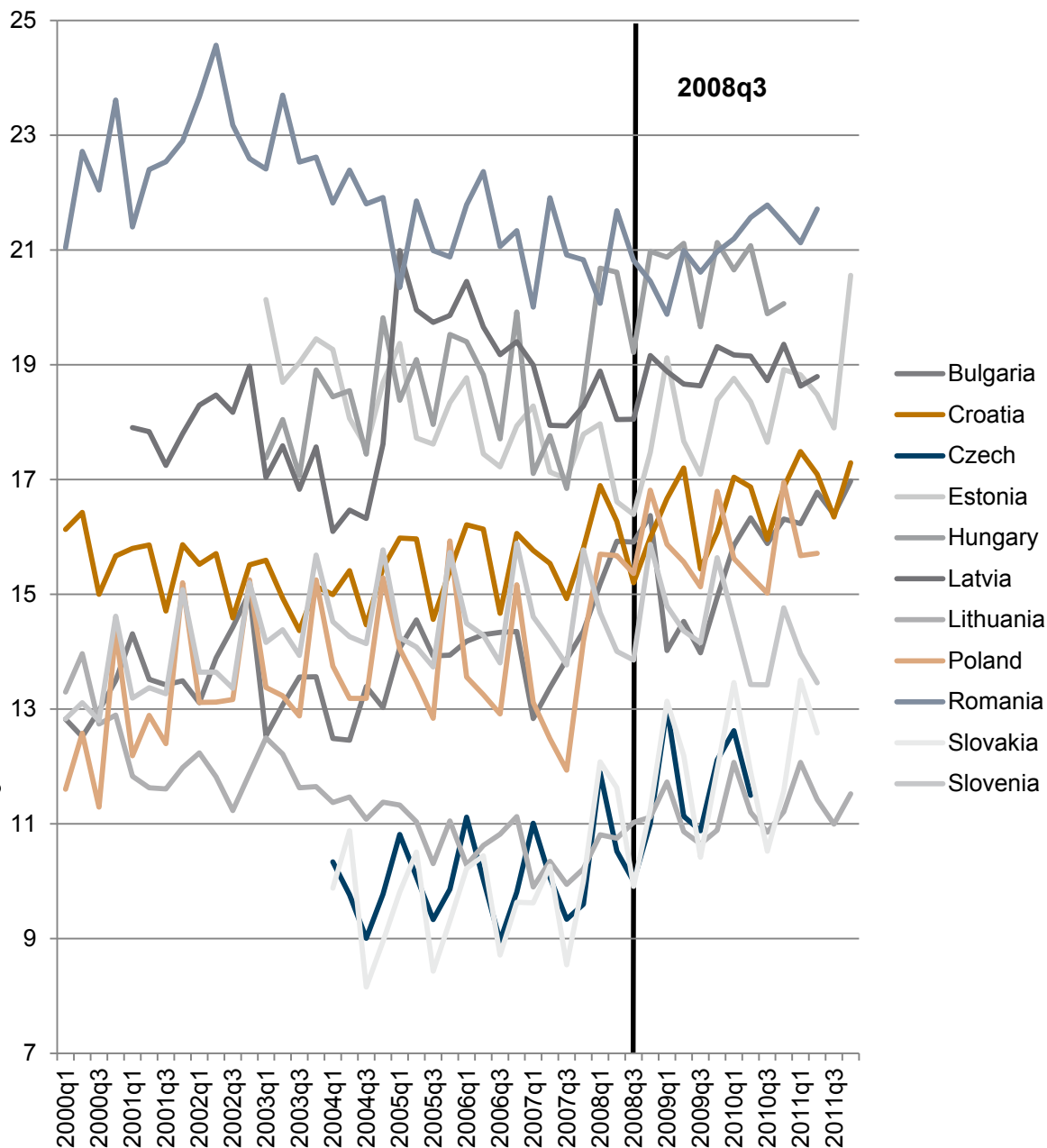
Boom & Recession: Stable or even Falling Inequality?

Gini index for income inequality based on sectoral data on average gross wages & employment, unemployment benefits & receivers, average pensions & pensioners



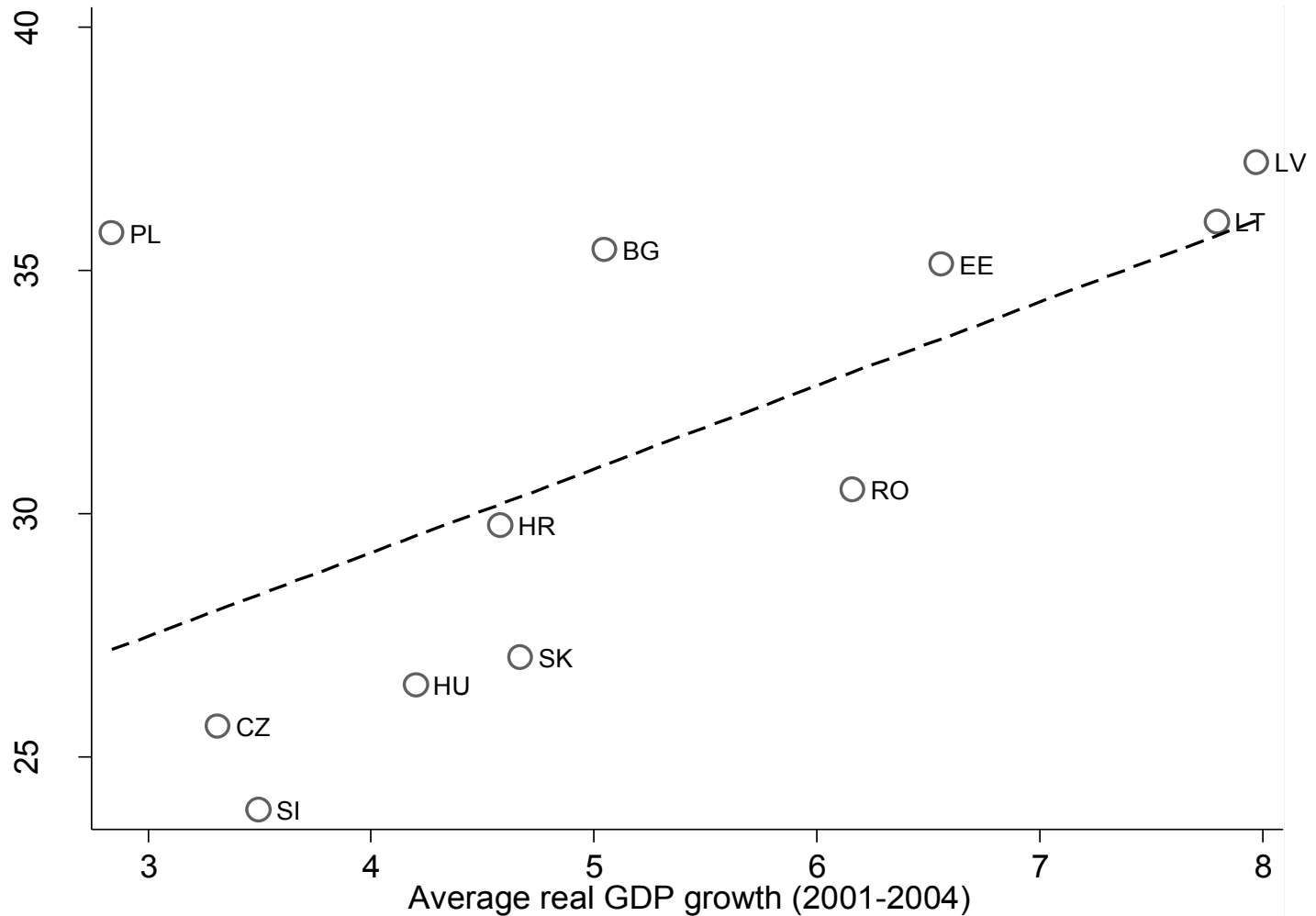
Boom & Recession: Stable or Even Falling Inequality? Not in the Private Sector!

Gini index for income inequality based on private sector data on average gross wages & employment



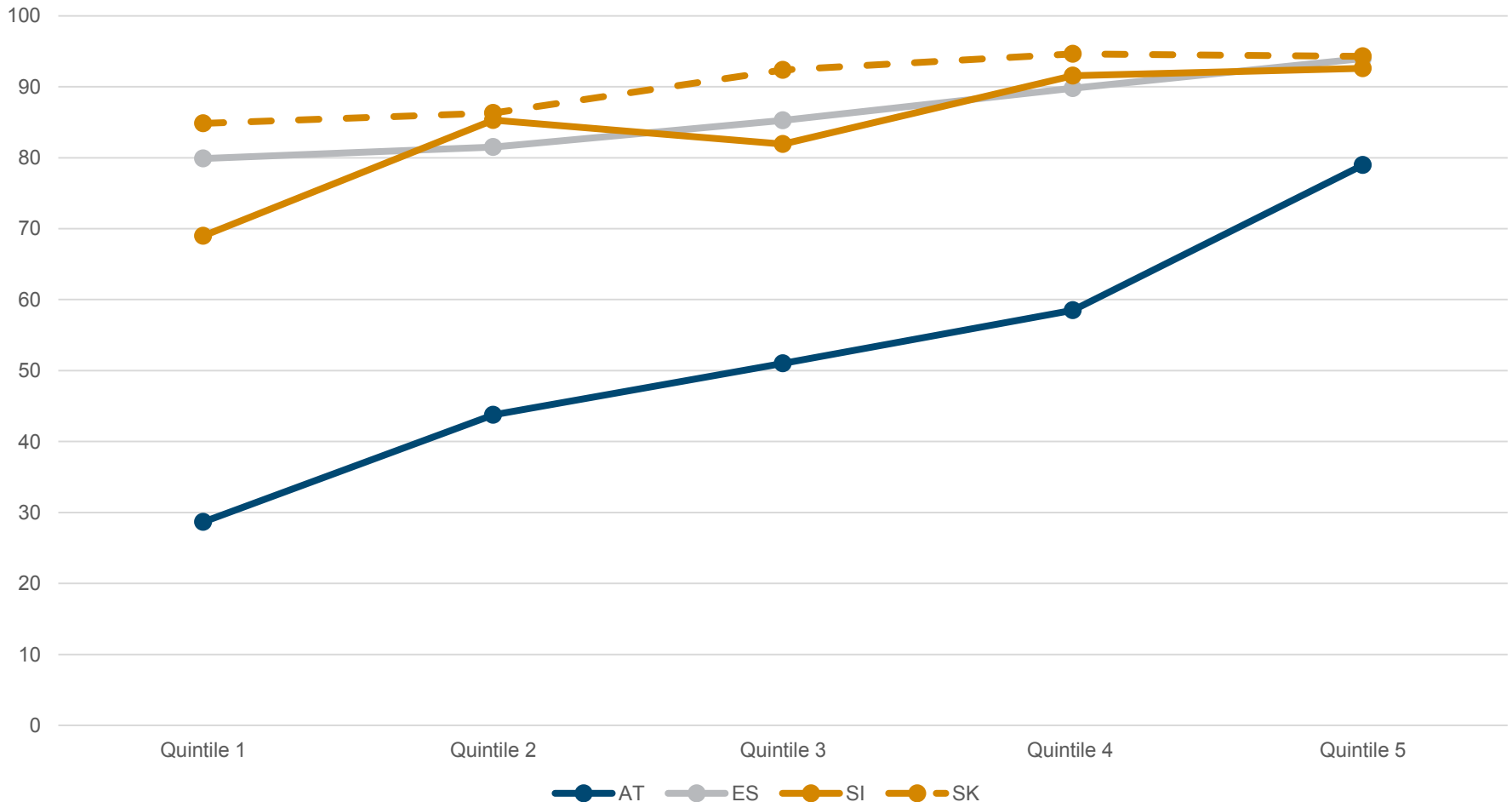
Early Boom: Inequality & Bubbles & Inequality

Average Gini index & GDP growth (2001-2004)



Wealth distribution: NMS 'Ownership Society'

Share of households holding real estate by gross income quintiles, in %

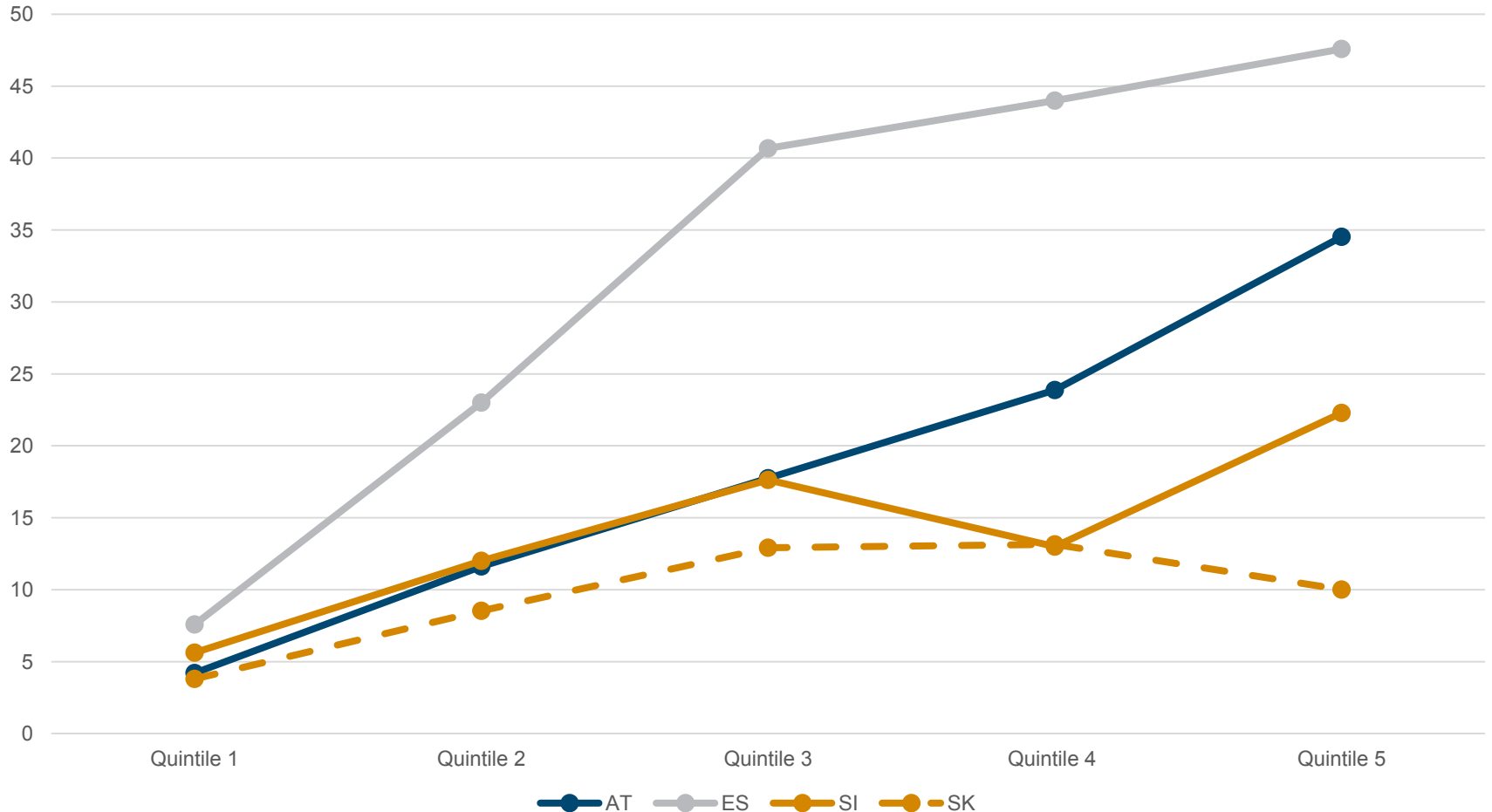


Source: HFCS, first survey

Note: Data collected 2008-2011

Debt distribution: Low Indebtedness in SI & SK

Share of households holding mortgage debt by gross income quintiles, in %

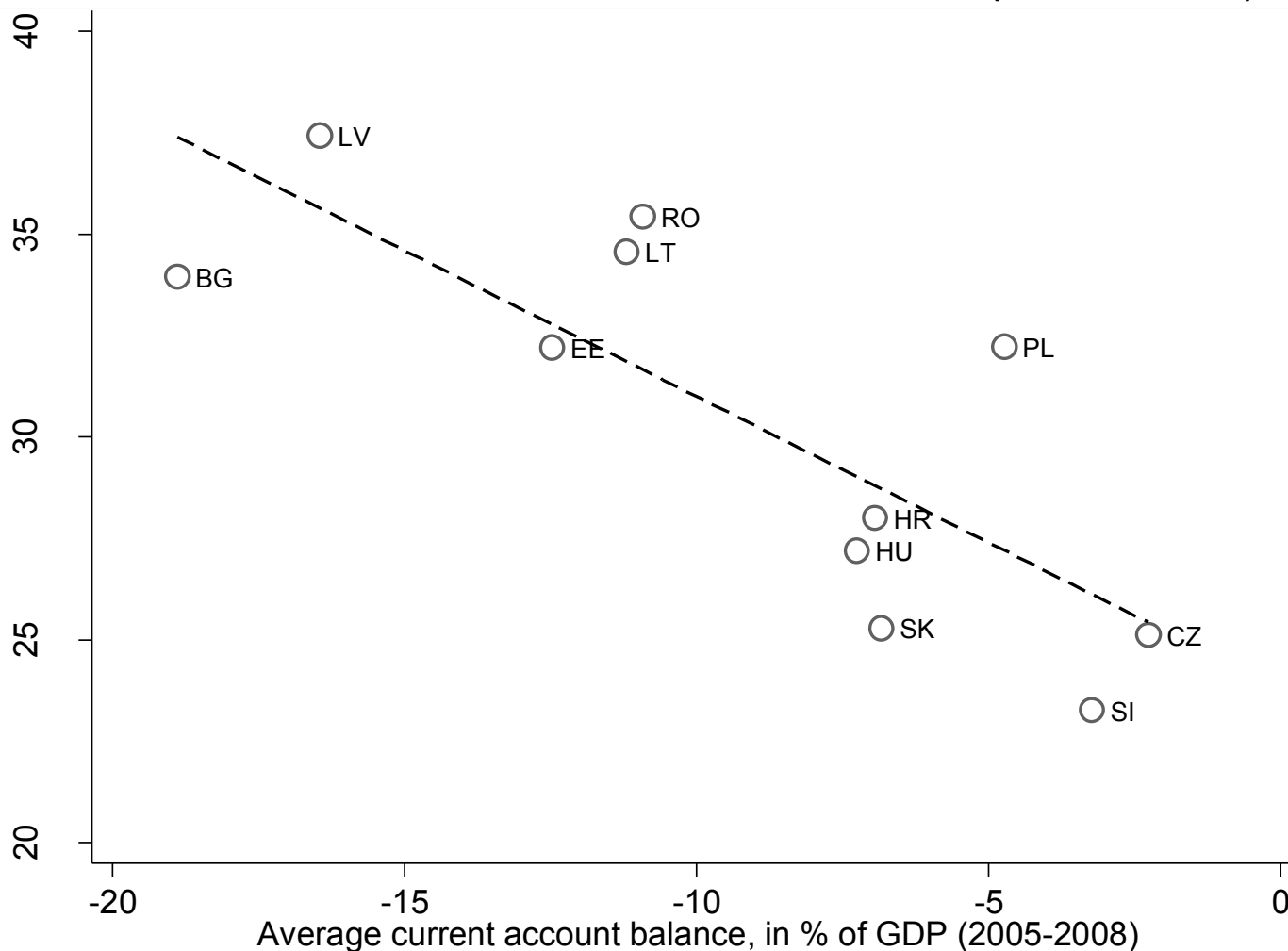


Source: HFCS, first survey

Note: Data collected 2008-2011

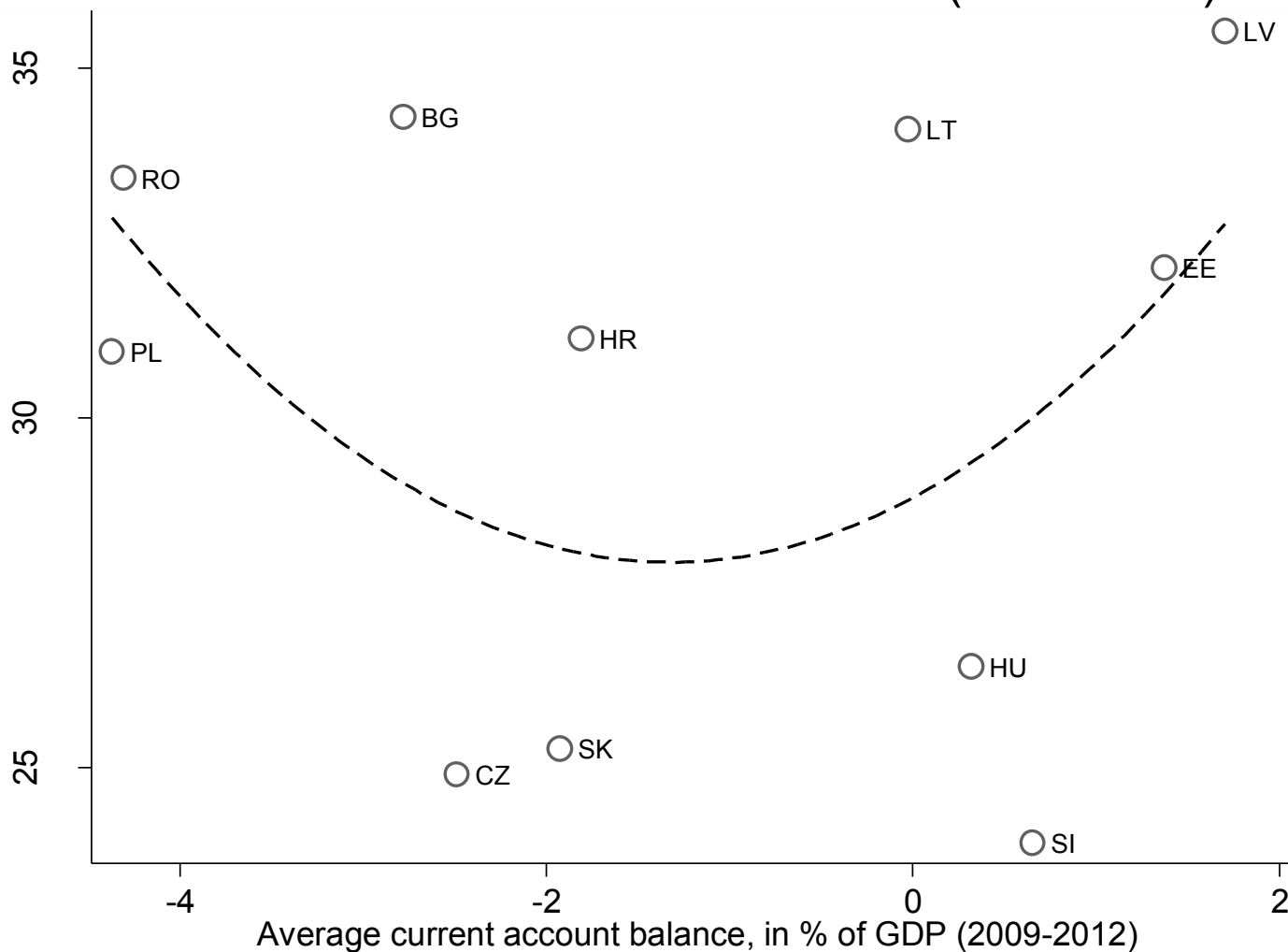
Boom Peak: Inequality & Imbalances Linear (ER!)

Average Gini index & current account in % of GDP (2005-2008)



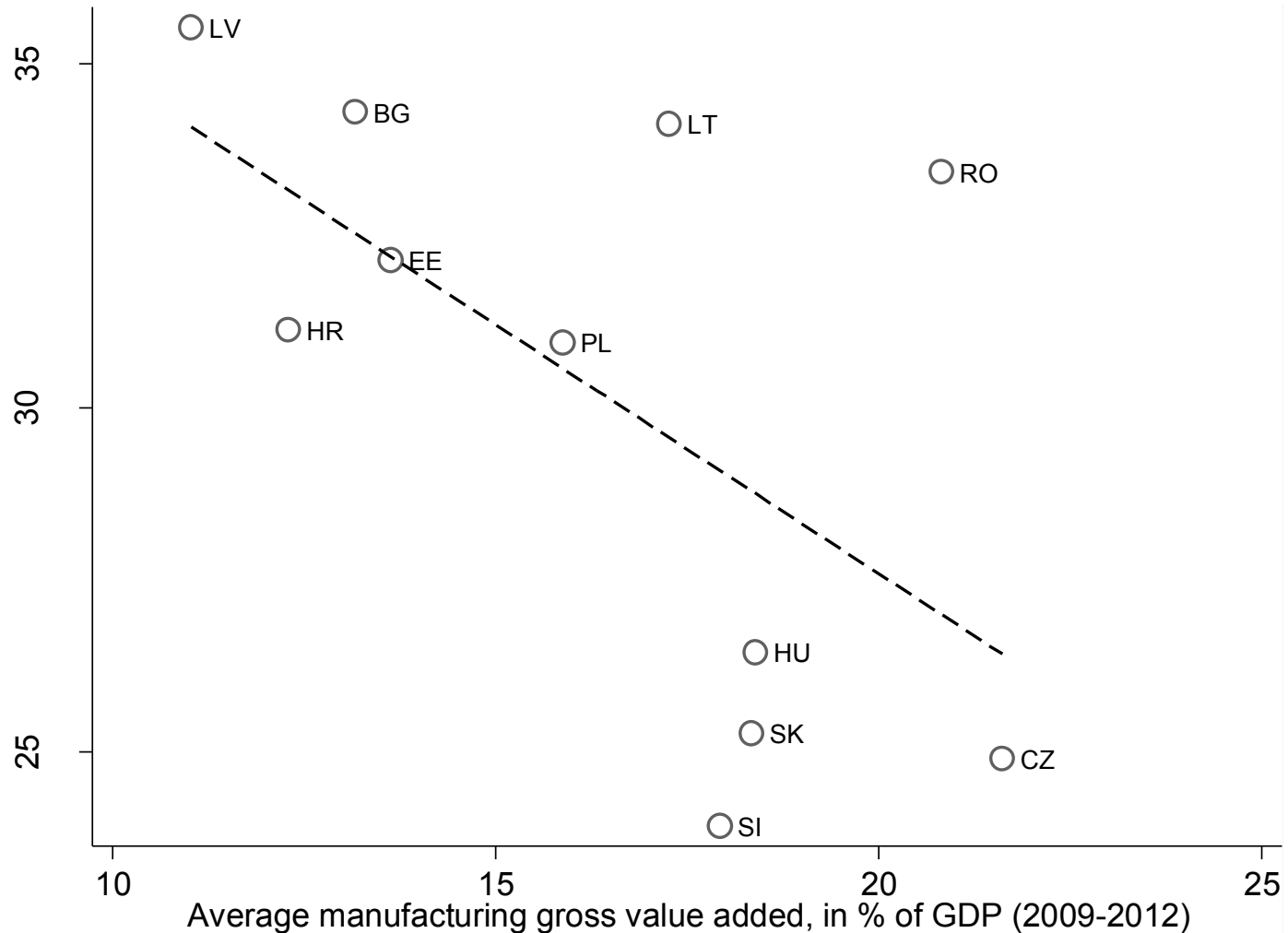
Great Recession: Inequality & Imbalances U-shaped

Average Gini index & current account in % of GDP (2009-2012)



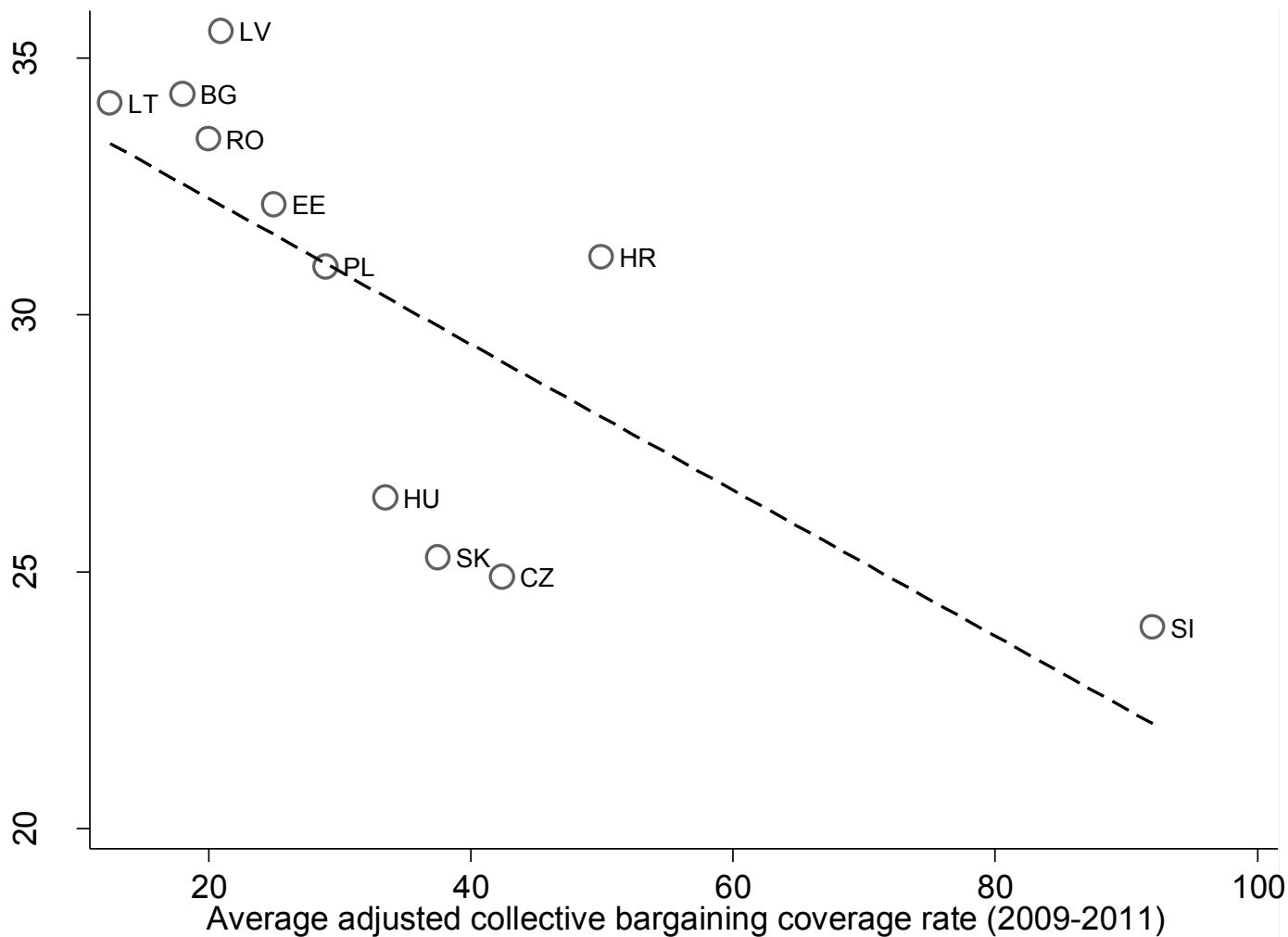
Now & Before: Manufacturing & Equity Constant

Average Gini index & manufacturing share in GDP (2009-2012)



Related: Collective Bargaining & Equity

Average Gini index & collective bargaining coverage (2009-2012)

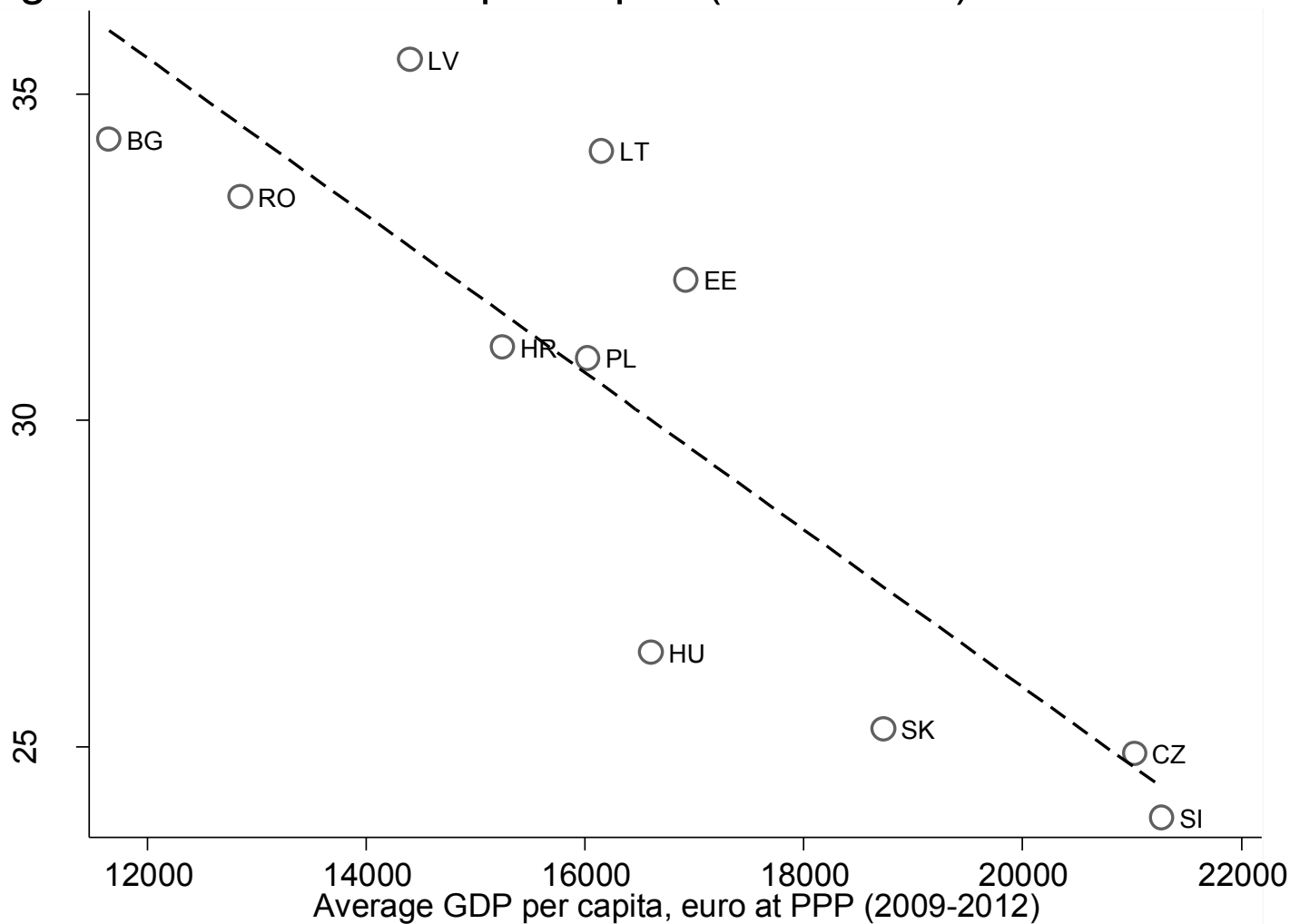


Source: ICTWSS, ILO, UNU-WIDER WIID V.3.0B, Eurostat, TransMonEE, interpolations © **wiiw**

Note: Averages due to data availability

Related: Income & Equity

Average Gini index & GDP per capita (2009-2012)



Conclusions

- Inequality in CESEE core low, northern and southern periphery high & eastern periphery even higher
- Transition crisis: strong output loss, mass unemployment, macro-imbalances & high inequality (nominal ER choice!)
- Boom & bust: Inequality fostered bubbles & imbalances cementing inequality, state intervention compensating
- Constant relationship: Equity & manufacturing (related social partnership, income level)
- Policy recommendations: Industrial policy (including public infrastructure investment) & social partnership (real ER!) basis of balanced & wealthy economy

Thank you for your attention!

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