Crisis Uncertainty Shocks and Macroeconomic Vulnerability in Emerging Eurozone and Non-Eurozone Economies

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Abstract:

This paper examines the transmission of the crisis indicator, the European Uncertainty Index, to the real economy, prices, and external balance of emerging EU member states in the period 2004Q1–2024Q4. Crisis sensitivity is analyzed for Poland, the Czech Republic, and Hungary (monetary autonomous – MA - EU members), as well as Slovenia, Slovakia, and Estonia (Eurozone – EZ - members), using a structural VAR model. The research aims to identify distinctions between MA and EZ emerging EU economies in terms of the trade-off between internal and external balance indicators during episodes of global crisis shocks. Empirical findings suggest that the weak point of MA countries is inflationary pressure during crisis surges, whereas EZ members experience a more pronounced real and external destabilization. Inflationary stability, as the cornerstone of monetary union stability, and the ECB's rigid anti-inflationary stance yield results, but at the expense of the real economy and external balance indicators, reaffirming the notion that supranational monetary policy follows a "one size doesn't fit all" approach. The burden borne by EZ members during crises is a contributing factor to the delay in the final stage of monetary convergence among the analyzed MA EU member states.

Keywords:

European uncertainty index, crisis spillover, emerging EU members, internal balance, external balance, SVAR.