

# **The importance of different aspects of uncertainty in driving the industrial production in CEE countries**

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## **Abstract**

There are two aims of the study. First, we collect and compare uncertainty measures which are related to financial, industrial and consumer aspects in CEE countries, as well as in the euro area. This part exploits, after some decomposition, the connectedness table, originally proposed by Diebold and Yilmaz (2009). Our proposed decomposition makes it possible to show the similarities between the uncertainty measures and also allows for indicating the net volatility spillover. Second, we examine the reaction of CEE economies to uncertainty shocks. This part utilizes SVAR models, identified in the same way as in the papers of Meinen and Röhe (2017), Bachmann et al. (2013). The sample covers quarterly data spanning the period from January 2000 to December 2017 (limited by data availability). Several conclusions are derived from the analysis. First, alternative measures of uncertainty are - to a large extent - independent. Financial uncertainties are similar in all analysed countries, while the remaining two types of uncertainty are country-specific. Second, financial uncertainty is transmitted to industrial and consumer uncertainty. Third, CEE countries are susceptible to uncertainty shocks, but their reactions are heterogeneous. External industrial and consumer uncertainty shocks (which represent the euro area) seem to be more important for most CEE countries than internal, country-specific ones. Finally, Romania appears to be robust to any uncertainty shocks.

**Keywords:** uncertainty, CEE countries, volatility spillover, structural VAR

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