

Along the adjustment path

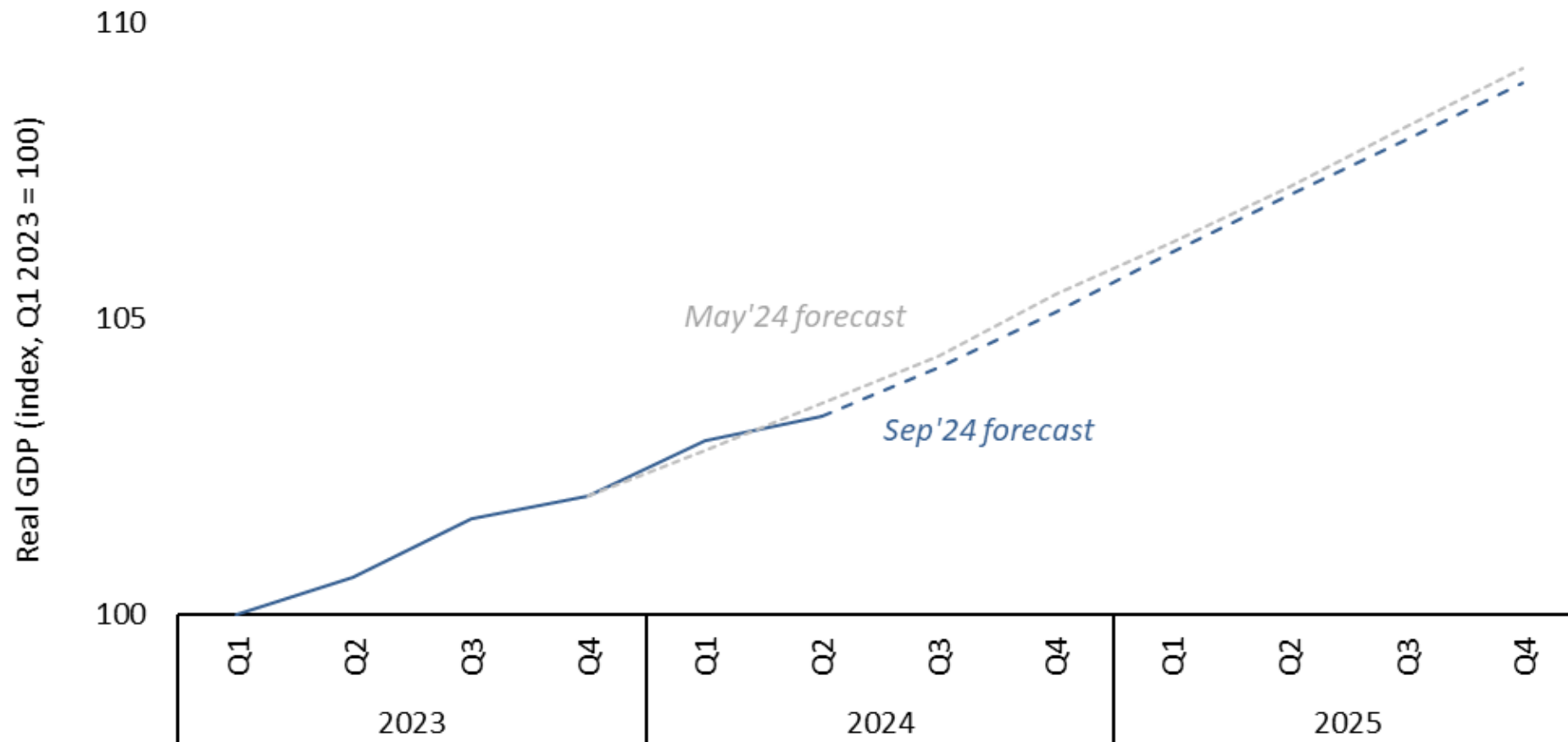
Regional Economic Prospects, September 2024



European Bank
for Reconstruction and Development

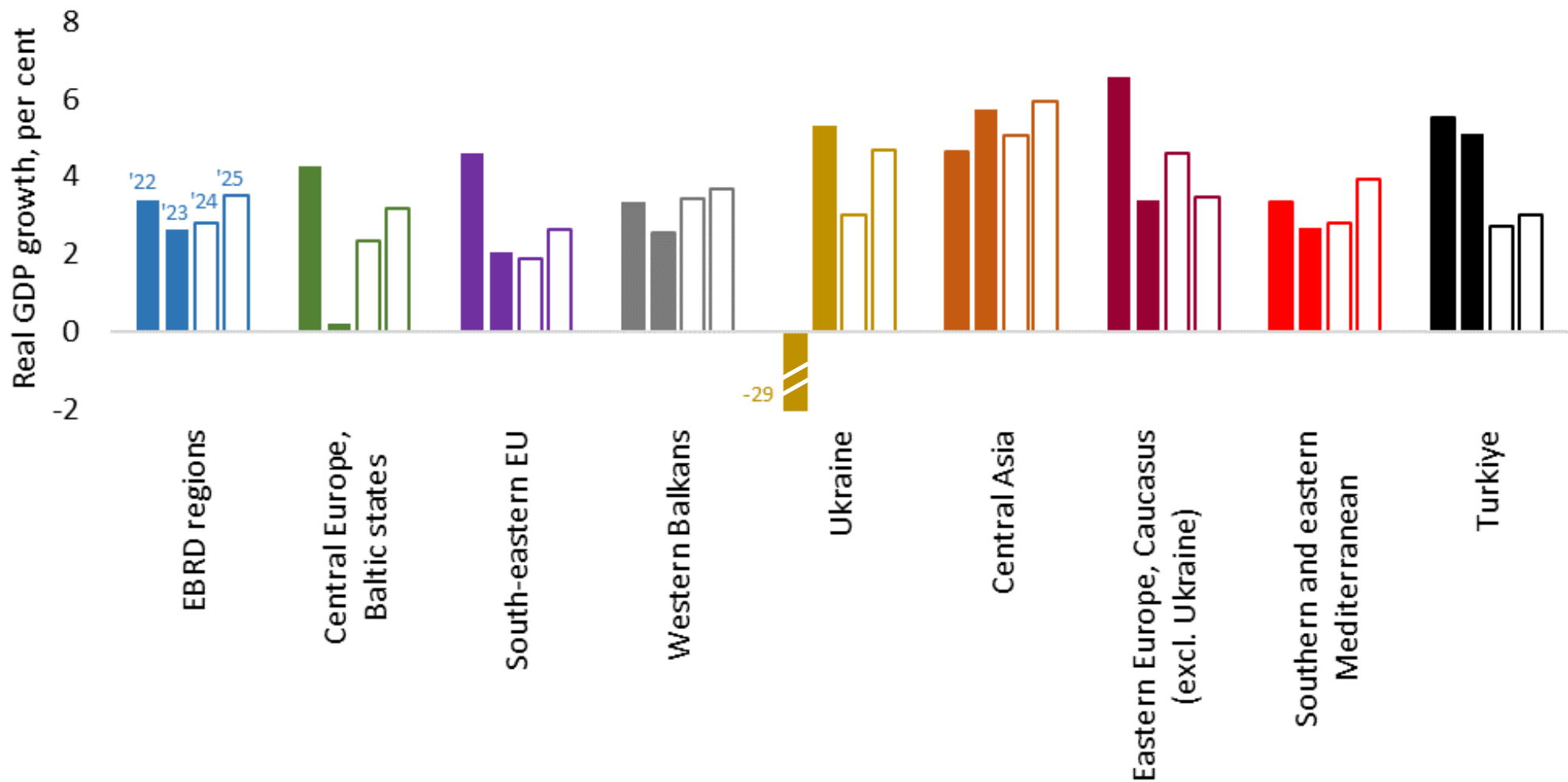


Growth in EBRD regions expected to pick up to 2.8% in 2024 & 3.5% in 2025, though the forecast is slightly less optimistic than last May



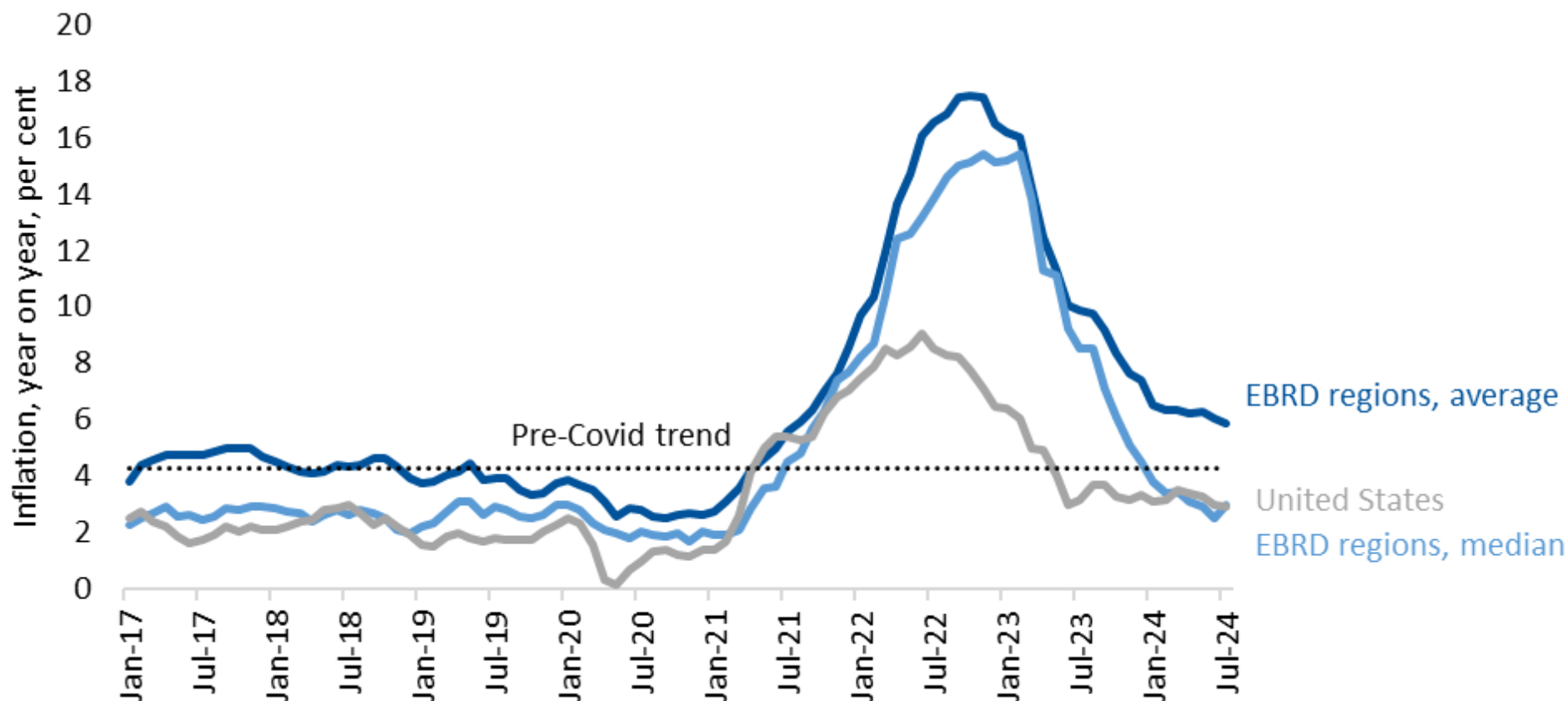
Source: National authorities, EBRD, IMF and authors' calculations.

A -0.2pp revision for 2024 (relative to May forecast) and -0.1pp revision for 2025



Source: National authorities, EBRD, IMF and authors' calculations.

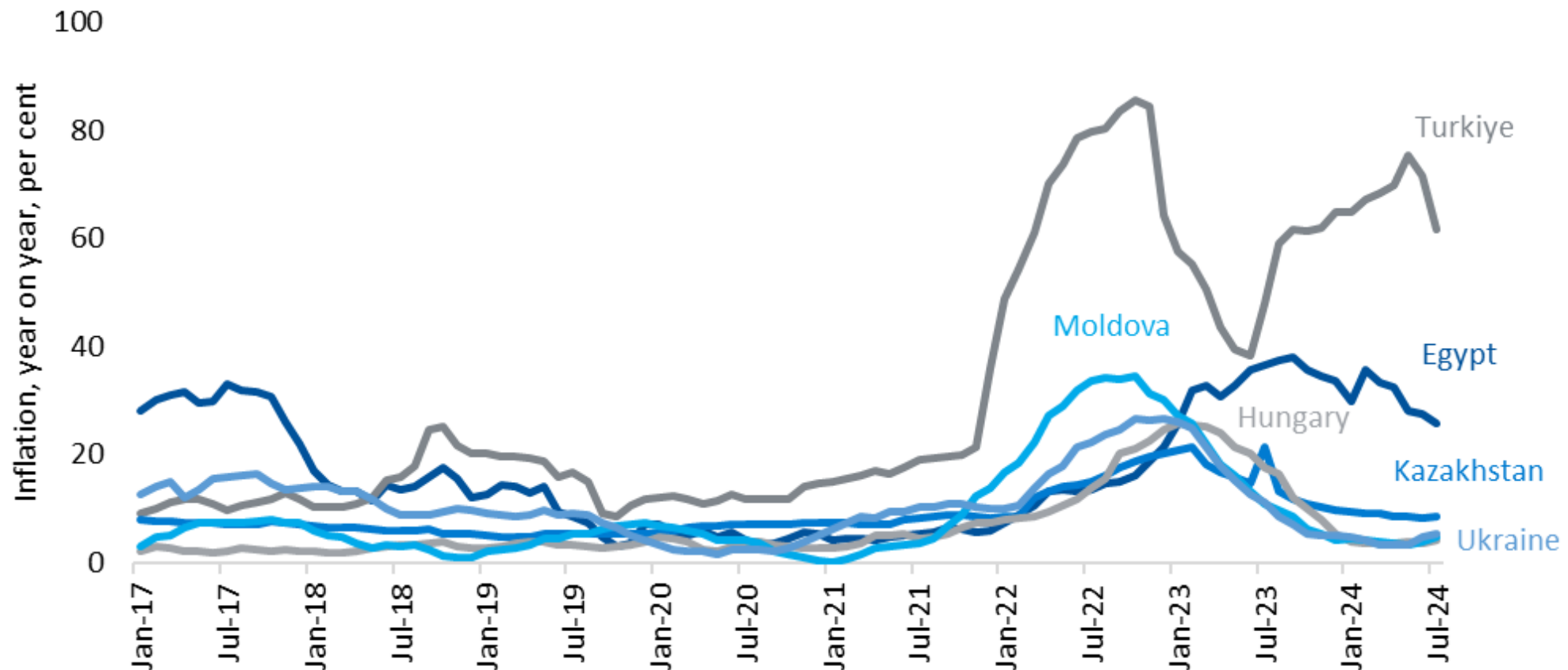
Average inflation in the EBRD regions down from 17.5% in Oct'22 to 5.8% in Jul'24 but remains 1.6 ppt above pre-pandemic average



Source: National authorities via Refinitiv and authors' calculations.

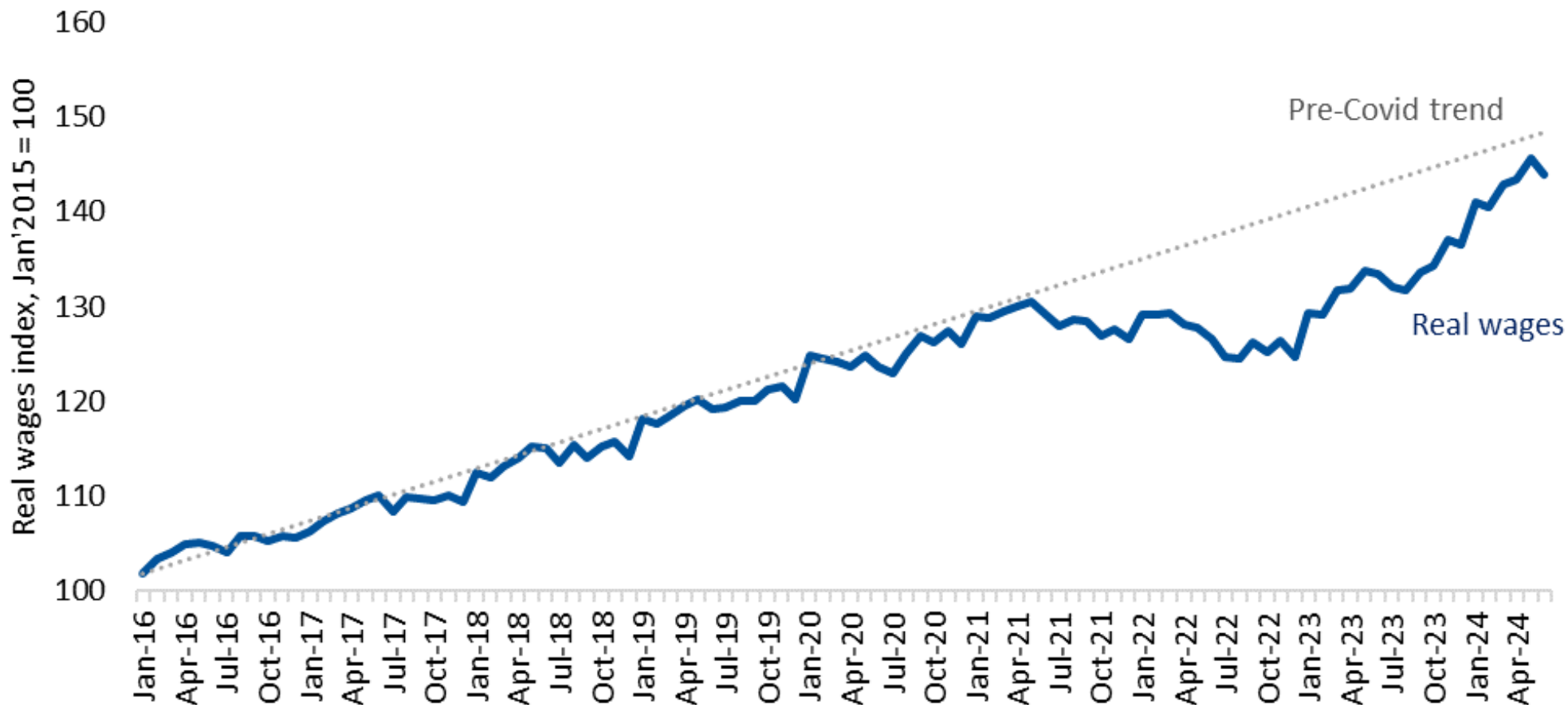
Note: Pre-Covid trend in the EBRD regions.

Disinflation has been slow in EGY, TUR, KAZ, HUN, MDA, UKR, with cumulative price increases since Feb'22 in excess of 30%



Source: National authorities via Refinitiv and authors' calculations.

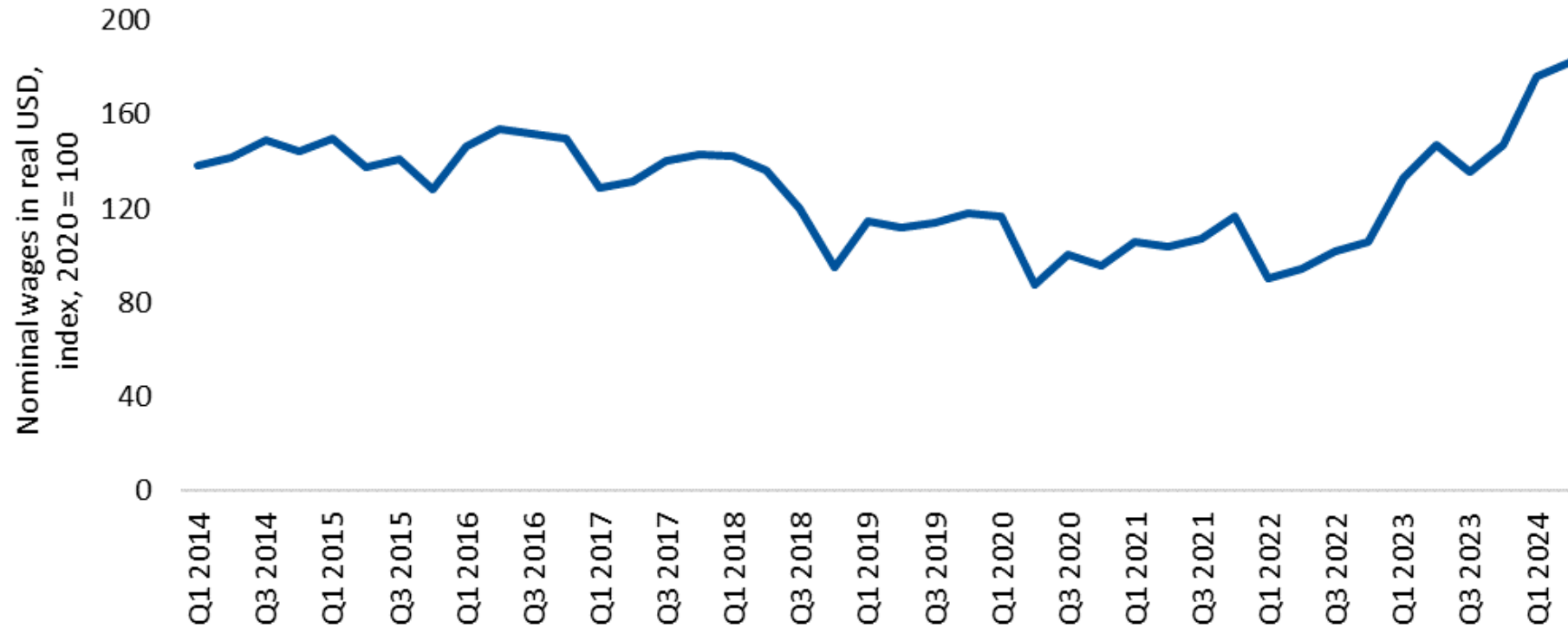
As inflation moderated, real wages resumed growth after several quarters of declines, but have not yet recovered to pre-Covid trend



Source: Refinitiv Eikon and authors' calculations.

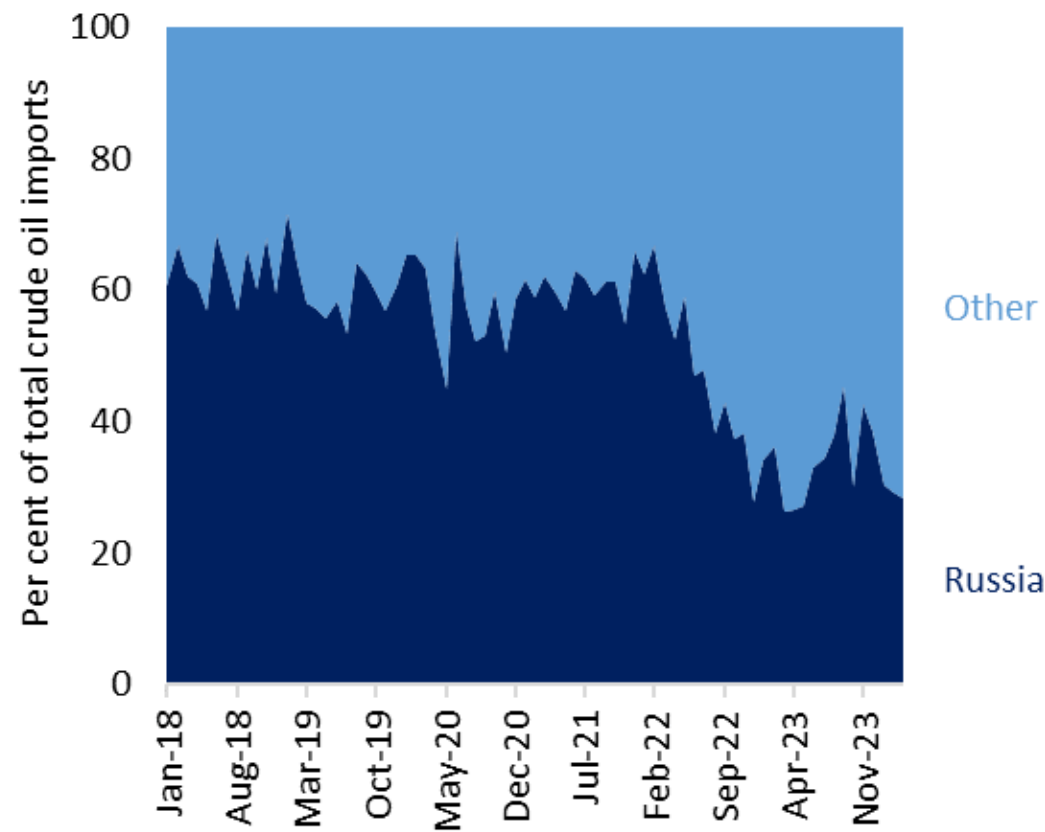
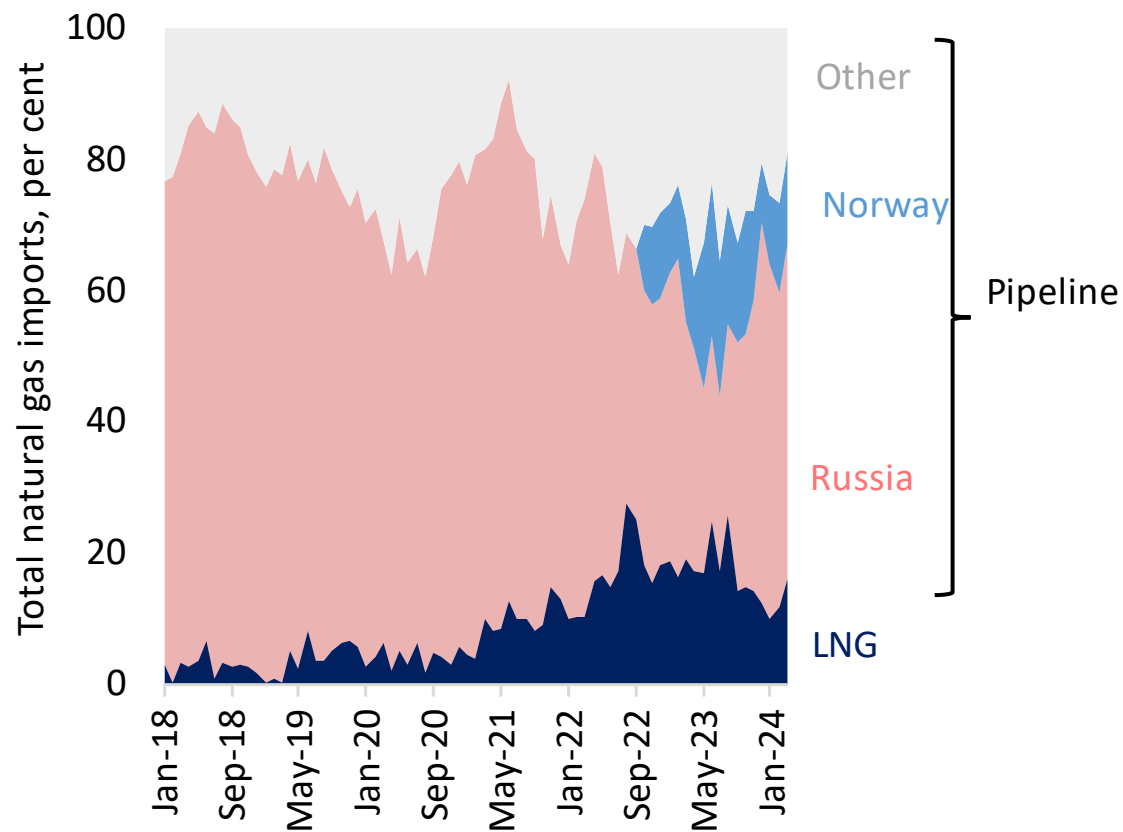
Note: Simple average across 19-24 economies in the EBRD regions. Last data point: June 2024.

In Türkiye, real wage growth (including in US dollar terms) has been particularly fast since Q2 2022



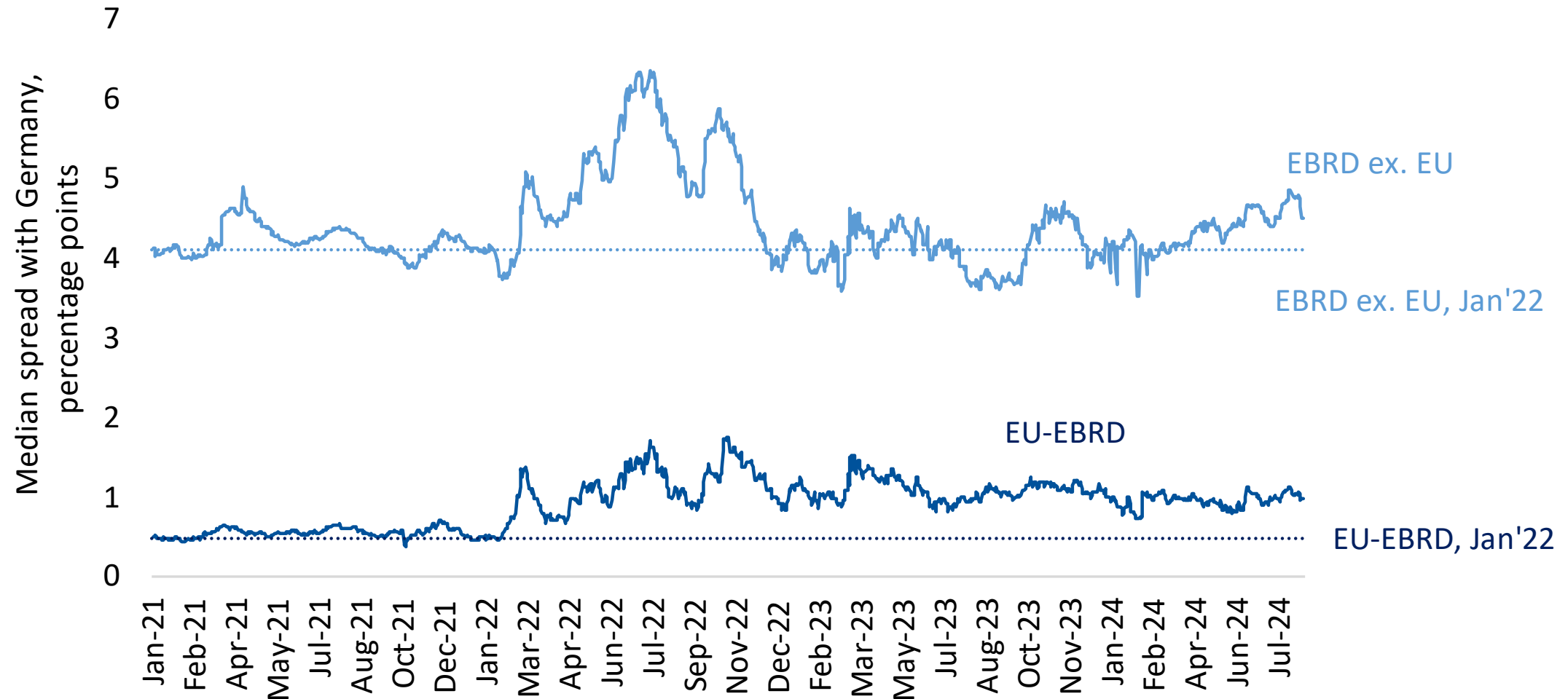
Source: National authorities via Refinitiv and authors' calculations.

While Emerging Europe's composition of gas and oil imports shifted away from Russia, significant reliance on Russian gas and oil in the energy mix remains



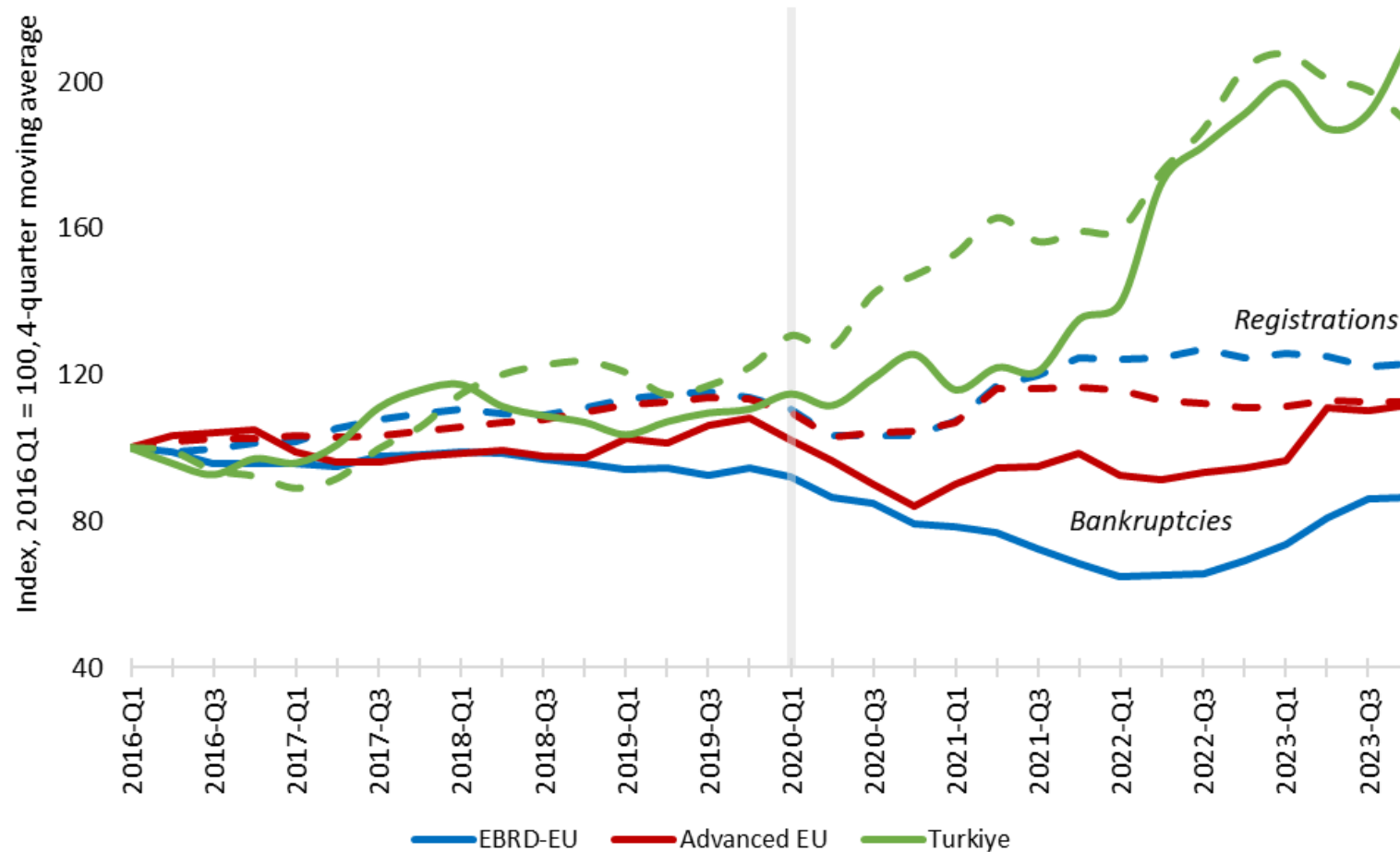
Source: UN Comtrade and authors' calculations. Note: Implied price per 1000 cubic meters based on COMTRADE reporting of trade values and quantities in kilograms. Sample includes Bosnia and Herzegovina, Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, N. Macedonia, Romania, Serbia, Slovak R., and Slovenia. HS 271111 used for LNG, 271121 for pipeline, 270900 for crude oil.

In a typical non-EU EBRD economy spread vs Germany has reopened recently; in a typical EU-EBRD economy the spread that opened in Mar'22 has been maintained (around 1 ppt)



Source: Bloomberg and authors' calculations. Note: Spread between the German 5 year bond and median government bond in EUR or USD of maturity between 4-7 years. EU-EBRD includes Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Rep. and Slovenia.

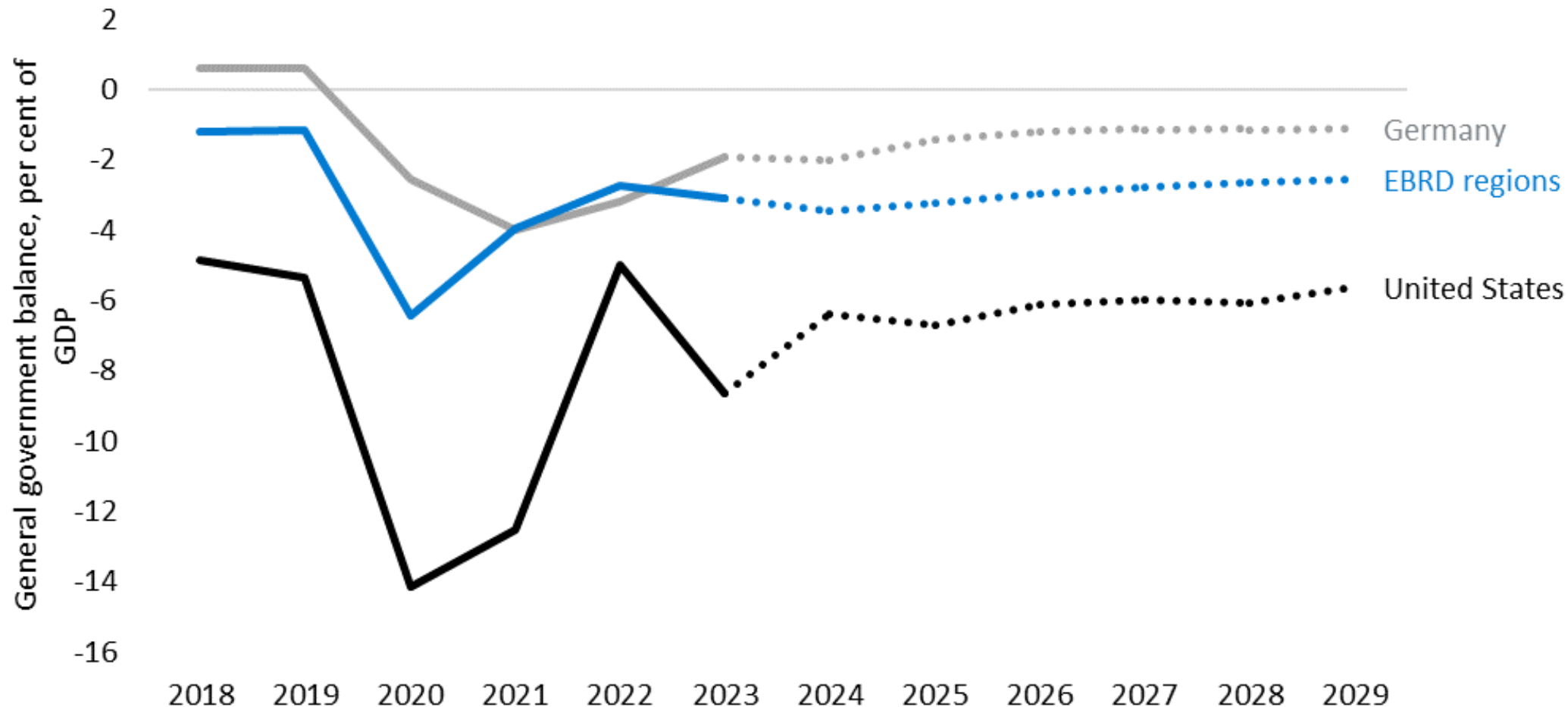
Bankruptcies have picked up only moderately in the EBRD regions as many corporates are yet to refinance and face higher effective debt service burden



Source: Eurostat, The Union of Chambers and Commodity Exchanges of Turkiye and authors' calculations.

Note: EBRD regions is a simple average of 8 EBRD-EU economies. Advanced EU is a simple average of 13 economies. Liquidations for Turkiye.

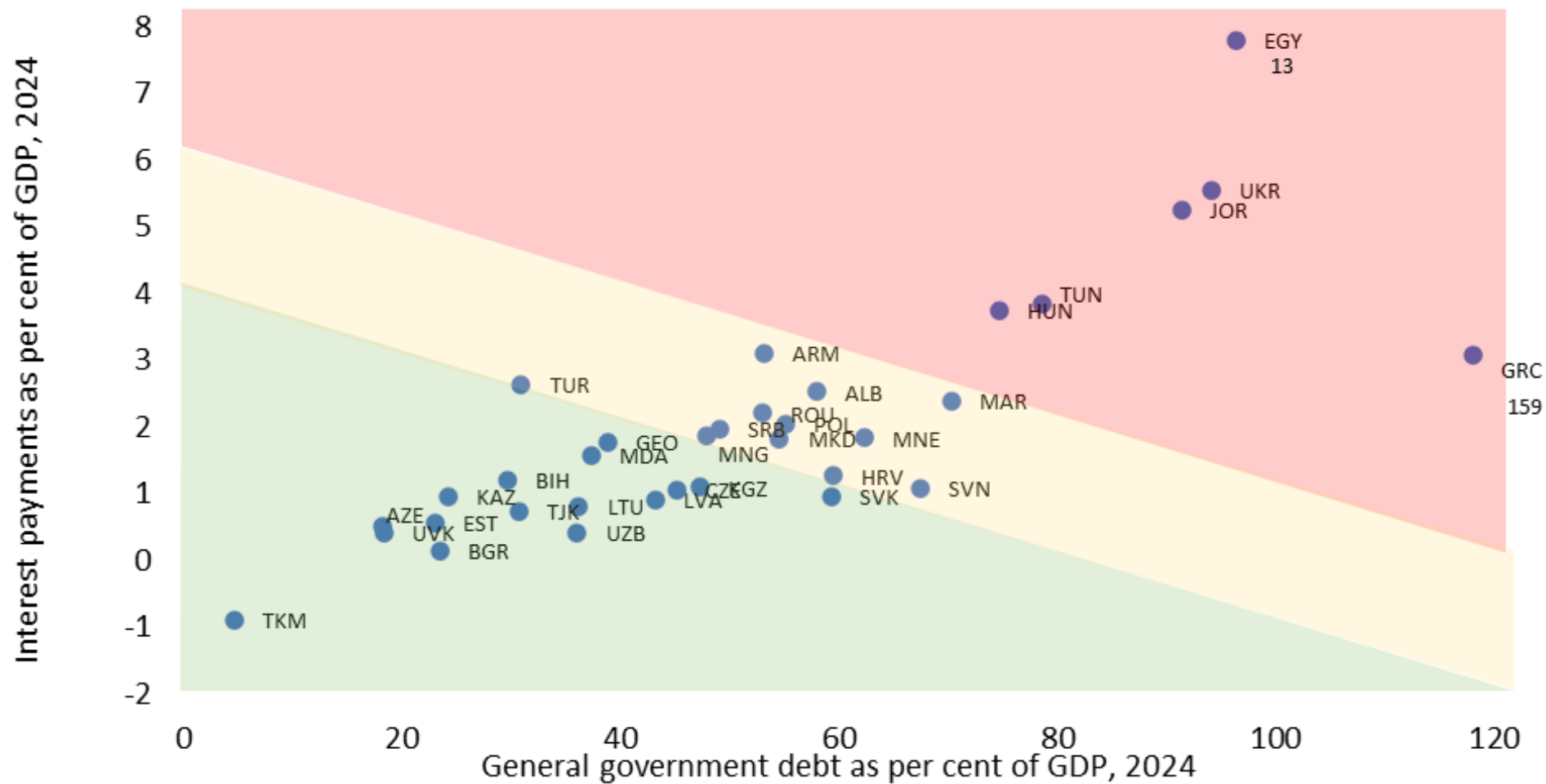
Likewise, governments that have benefitted from “surprise inflation” will gradually face increasing interest rate bills as fiscal deficits remain above pre-Covid levels



Source: IMF April 2023 World Economic Outlook and authors' calculations.

Note: Simple average based on 34 economies in the EBRD regions. Dashed lines denote IMF forecasts.

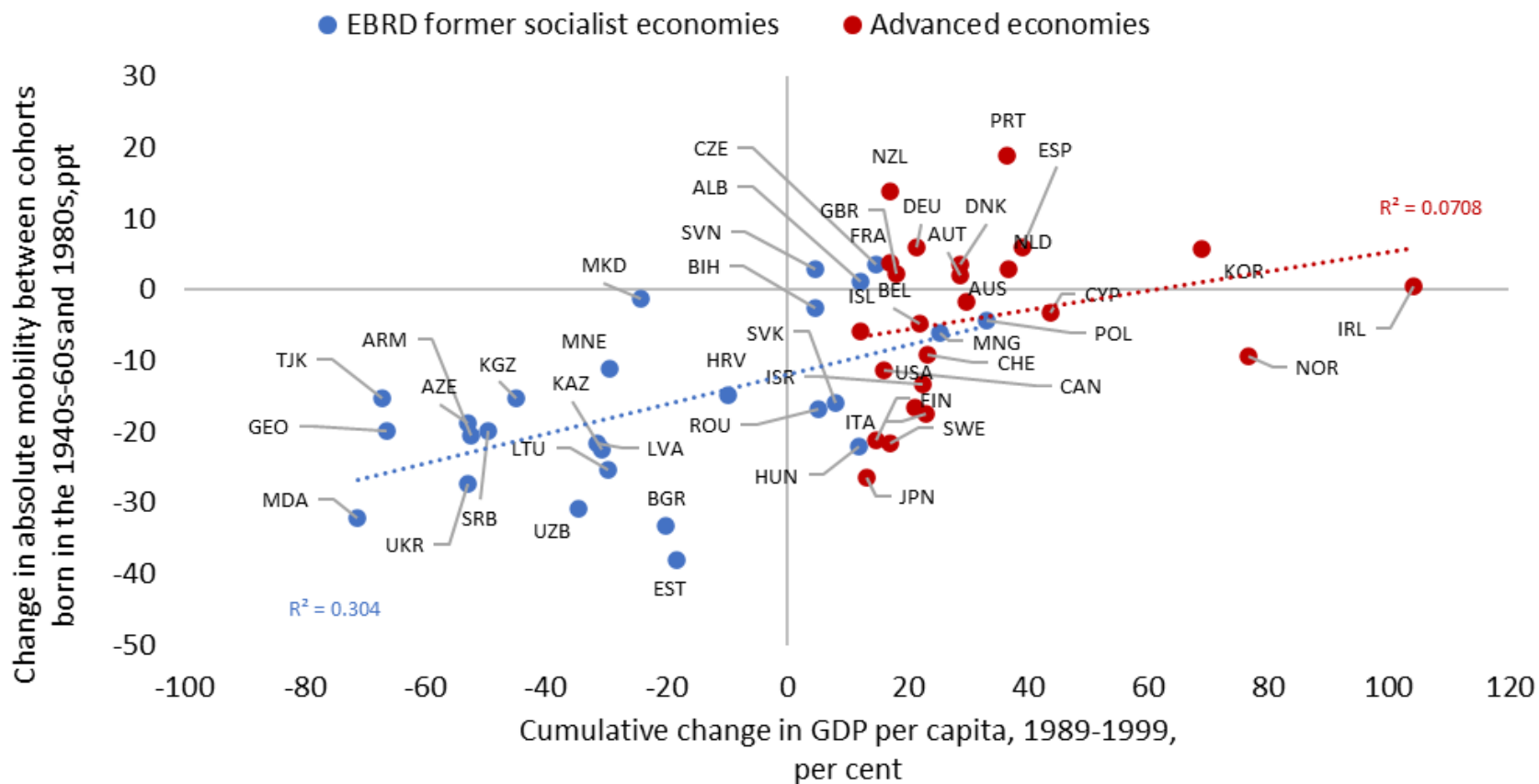
Fiscal vulnerabilities are significant in parts of the southern and eastern Mediterranean, Greece and Hungary



Source: IMF April 2023 World Economic Outlook and authors' calculations.

Intergenerational mobility in former socialist EBRD economies declined for those born in 1980s rel. to those born 1940s-60s, more so where transition recessions were deeper

Declines reflect large investments in education under central planning; high levels of social mobility in formerly socialist economies and the effects of deep transition recessions of the 1990s forcing lower-income individuals to prioritise income at hand over investment in human capital



Source: Maddison Project, World Bank WDI and authors' calculations.

Note: Advanced economies based on IMF classification.