

Regional Economic Prospects in EBRD Countries of Operations: January 2011¹

EBRD Office of the Chief Economist

Overview

Steady private-sector led growth but increasing downside risks

Our estimate for overall growth in 2010 remains at around 4.2 per cent for the region, with upward revisions in most countries but downward revisions in Russia, Slovenia, Mongolia, and Turkmenistan. The recovery has been increasingly private sector driven as fiscal consolidation was implemented in many countries in the region and the fiscal stimulus measures of 2009, where they had been possible, were not renewed.

During the second half of 2010, external and domestic economic conditions generally improved faster than anticipated. The recovery in the core Eurozone and the US was faster than expected, commodity prices increased (aiding the recovery in commodity-rich countries), remittances out of Russia (Chart 1) strengthened in many countries and credit growth picked up, especially in local currency (Chart 2), while unemployment declined or levelled off. The effects of the benign external environment on the recovery were particularly marked in Central Europe and the Baltics and in Central Asia. However, V-shaped rebounds in Turkey and to some extent also in the Slovak Republic seem to have run their course, with growth rates settling to more moderate levels. A major summer drought caused damage to agricultural output especially in Russia and to a lesser extent Ukraine, Kazakhstan, and much of the Caucasus. Elsewhere, in Slovenia and much of south-eastern Europe, the recovery continues to be held back by fiscal consolidation measures, which are dampening domestic demand. Growth is estimated to have been negative again in 2010 in Romania and Croatia, although a strong tourist season in the latter has helped to offset weak domestic demand. In Moldova, heavy construction following summer floods has supported stronger than expected growth.

Rising global commodity prices have begun to be reflected in higher headline inflation rates. In most countries, with the exception of Slovenia, Hungary, Turkey and Albania, headline inflation increased between June and November 2010 (see Chart 3). Core inflation, in contrast, typically continued to decline on the back of still modest domestic

¹ This document is provided as a companion to the EBRD's growth forecasts for its countries of operations, which are released four times a year. For more comprehensive coverage of economic policies and structural changes, the reader is referred to the EBRD's Transition Report 2010 as well as country strategies and updates and statistical series on economic and structural reform variables, which are all available on the EBRD's website (www.ebrd.com).

demand growth except in those countries with one-off effects – e.g. the VAT hike in Romania or a price adjustment among large processed food producers in Serbia.

Outlook

Growth in 2011 is likely to remain reasonably strong – a little over 4 percent on average, with continued regional divergences - but downside risks have increased. Stronger-than-anticipated growth in the core Eurozone and fiscal and monetary stimuli in the US are likely to especially boost external demand for Central and south-eastern Europe and the Baltics. Given the perceived fragility of the recovery in the US and the persistent difficulties in Eurozone financial markets, global liquidity is expected to remain abundant, with loose monetary policy in advanced countries. This may result in stronger net capital inflows into the region which may strain monetary policy frameworks of the larger and more liquid financial markets in the region (Poland, Turkey and Russia). Abundant global liquidity may also spill over into higher commodity prices, supporting a faster-than-anticipated recovery in Kazakhstan. In most other countries in the region, growth is likely to remain as expected in October 2010.

Risks to this outlook are increasingly tilted to the downside (Chart 5). If loose monetary policies fuel persistently higher advanced country inflation, advanced country central banks may begin to tighten monetary policy sooner than anticipated. In addition, financial sector turmoil surrounding Eurozone sovereign and related bank debt markets may cause a stronger increase in global risk aversion than we have seen so far. Domestic policies, such as moves to cut back on private pension funds (several CEB countries) or the introduction of significant bank taxes (as happened in Hungary and is currently under debate in Romania, for example), could worsen investor sentiment. As a result, recent net capital inflows may reverse rapidly and net FDI inflows – which have remained weak throughout the region except in Eastern Europe and the Caucasus – may dry up, causing sharp exchange rate depreciations or putting pressure on central bank reserves. Given the still high stock of foreign currency loans in most countries in the region, private sector borrowers are vulnerable to sharp depreciations. Market finance of still substantial fiscal deficits in most countries would become more difficult in this case.

An even worse scenario could materialize if currency wars turn into trade wars in the form of import restrictions. Rising food prices and extreme-weather-related food security concerns can also lead to trade restrictions in the absence of global policy coordination. Steps taken by Ukraine and Russia to restrict grain exports following the summer drought are a reminder that trade protectionism continues to be a risk. Much of the region is deeply integrated into global and local production networks or commodity markets. This makes the region particularly vulnerable to a trade shock if protectionist measures become sufficiently wide-spread for global trade to suffer.

Chart 1. Remittances out of Russia by destination country, Q1-Q3
(millions of USD)

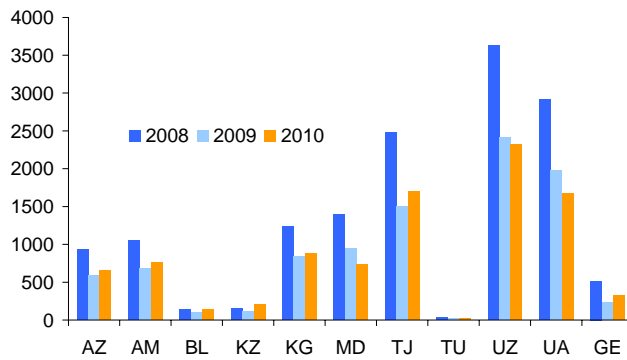


Chart 2a. Contribution to private sector credit growth, SEE and EEC 2/
(year-on-year)

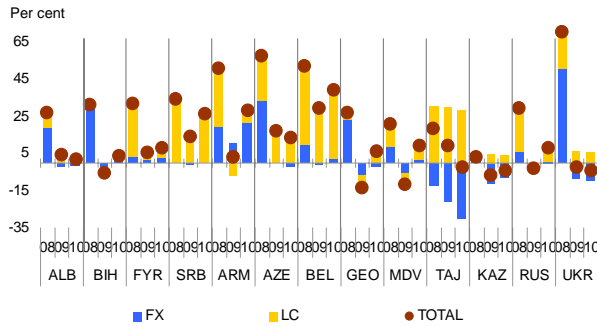


Chart 2b. Contribution to private sector credit growth, New EU member states and Turkey 2/
(year-on-year)

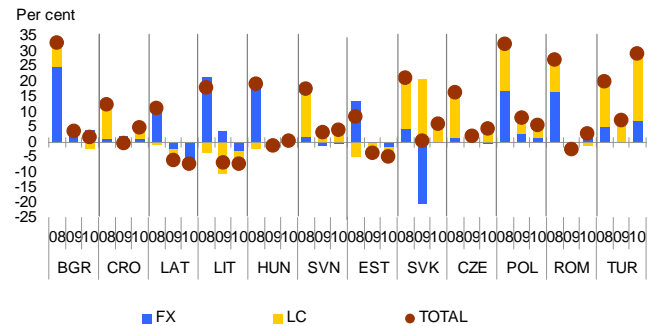


Chart 3a. Headline inflation
(year-on-year)

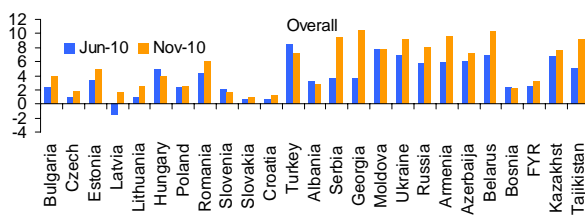


Chart 3b. Core inflation 1/
(year-on-year)

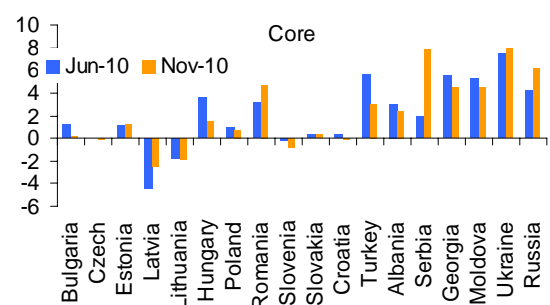
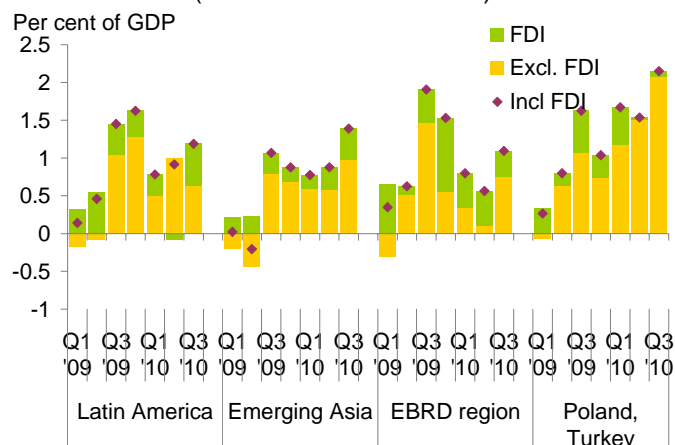


Chart 4. Net capital inflows
(Per cent of annual GDP)

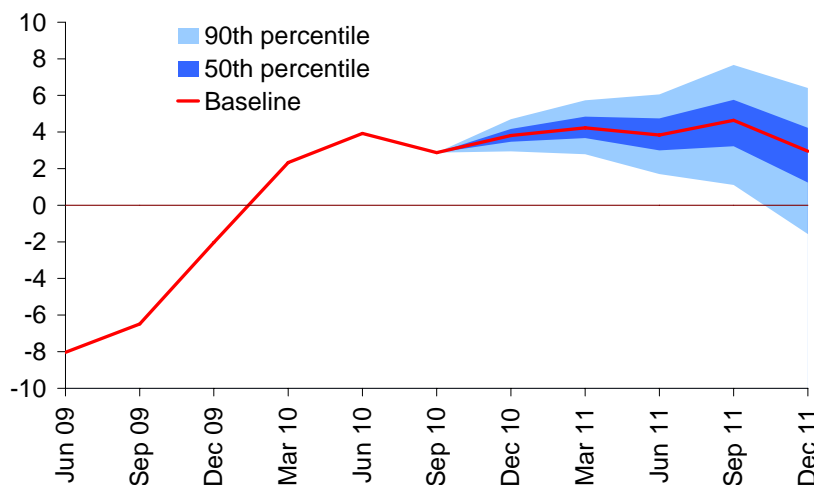


Source: CEIC database, Eurostat, IFS, Central Bank of Russia, and other national authorities.

1/ Staff estimate for Albania and Georgia.

2/ Data for end-2008, end-2009, and end-November 2010. End-October 2010 for Romania, Bulgaria, Tajikistan, and Slovenia.

Chart 5. Impact of the External Environment on Real GDP Growth 1/



1/ Year-on-year growth in aggregate real GDP (2000 prices and exchange rates) of the new EU member states, Croatia, Armenia, Moldova, Georgia, Ukraine, Azerbaijan, Kazakhstan, and Russia. The fanchart is based on a Bayesian Vector Autoregression Model that is described in more detail in the *Regional Economic Prospects May 2010*. The baseline scenario assumes Eurozone real GDP growth of 1.7 per cent in 2010 and 1.5 per cent in 2011, a broadly constant VIX, Euribor and Libor, and an oil price of about \$75-80 per barrel. The downside scenario assumes turmoil in financial markets similar to that prevailing during the sovereign debt crisis in the Eurozone in late Spring 2010, a resulting slowdown in Eurozone credit growth, another round of Eurozone fiscal tightening and therefore broadly flat real GDP in the Eurozone in 2011. Under the upside scenario, financial markets remain calm and the recovery abroad proceeds faster than projected.

Growth in real GDP

(In per cent; EBRD forecasts as of January 19, 2011)

	GDP Growth (year over year per cent change)							
	Current forecast				EBRD Forecast in October 2010			
	2008	2009	2010	2011	2010	Change Oct- Jan	2011	Change Oct- Jan
Central Europe and the Baltic states								
Croatia	2.4	-5.8	-1.3	2.0	-1.5	0.2	1.9	0.1
Estonia	-5.1	-13.9	2.4	3.6	2.4	0.1	3.2	0.4
Hungary	0.8	-6.7	1.3	2.0	0.8	0.6	1.7	0.3
Latvia	-4.2	-18.0	-0.1	2.7	-1.0	0.9	2.6	0.1
Lithuania	2.9	-14.7	0.7	2.5	0.5	0.2	4.0	-1.5
Poland	5.1	1.7	3.6	3.9	3.3	0.3	3.5	0.3
Slovak Republic	5.8	-4.8	4.0	3.7	4.0	0.0	3.5	0.3
Slovenia	3.7	-8.1	1.0	1.7	1.1	-0.1	2.1	-0.4
Average^{1,2}	3.6	-3.1	2.5	3.2	2.2	0.3	3.0	0.2
South-eastern Europe								
Albania	7.8	3.3	3.8	2.6	3.0	0.7	2.2	0.4
Bosnia and Herzegovina	6.0	-2.8	0.8	2.2	0.8	0.0	2.2	0.0
Bulgaria	6.2	-4.9	0.4	2.6	0.4	0.0	2.4	0.3
FYR Macedonia	4.8	-0.9	0.8	3.2	0.8	0.0	2.3	0.9
Montenegro	6.9	-5.7	0.2	3.1	-0.6	0.8	2.5	0.5
Romania	7.3	-7.1	-1.9	1.1	-2.0	0.2	0.9	0.2
Serbia	5.5	-3.1	2.0	3.0	1.6	0.4	2.9	0.1
Average¹	6.8	-5.3	-0.4	1.9	-0.6	0.2	1.6	0.3
Eastern Europe and the Caucasus								
Armenia	6.9	-14.2	4.0	4.5	4.0	0.0	4.5	0.0
Azerbaijan	10.9	9.3	5.0	3.5	4.0	1.0	2.5	1.0
Belarus	9.9	0.5	7.6	4.0	6.0	1.6	4.0	0.0
Georgia	1.9	-3.6	5.5	5.0	5.5	0.0	4.0	0.9
Moldova	7.3	-6.5	6.5	4.5	4.5	2.0	3.5	1.1
Ukraine	2.3	-14.8	4.5	4.0	5.0	-0.5	4.5	-0.5
Average¹	5.3	-6.4	5.3	4.0	5.0	0.3	4.0	0.0
Turkey	0.7	-4.7	8.0	5.0	8.0	0.0	5.0	0.0
Russia	5.3	-7.9	4.0	4.6	4.4	-0.4	4.6	0.0
Central Asia								
Kazakhstan	3.3	1.2	7.0	5.5	6.0	1.0	5.0	0.4
Kyrgyz Republic	8.4	2.3	-1.4	5.0	-3.5	2.1	7.1	-2.1
Mongolia	8.9	-1.6	6.1	9.0	7.0	-0.9	9.0	0.0
Tajikistan	7.9	3.4	6.5	6.7	5.5	1.0	5.0	1.7
Turkmenistan	10.5	6.1	9.2	10.0	11.0	-1.8	12.0	-2.0
Uzbekistan	9.0	8.1	8.5	8.5	8.2	0.3	8.5	0.0
Average¹	5.2	3.0	7.2	6.6	6.7	0.5	6.6	0.0
All transition countries								
Average¹	4.2	-5.2	4.2	4.2	4.2	0.0	4.1	0.1

¹ Weighted averages. The weights used for the growth rates are WEO estimates of nominal dollar-GDP lagged by one year. Weighted averages for October 2010 forecasts shown above might vary from weighted averages used at the time due to revisions in nominal GDP.

² Weighted averages do not include the Czech Republic, for which EBRD no longer produces a forecast. With the Czech Republic included (using IMF October 2010 projections), the Central European and Baltic average would be -3.3 per cent in 2009, 2.4 per cent in 2010 and 3.6 per cent in 2011.

Central Europe and the Baltic States (CEB)

The CEB region shows an increasingly divided growth path. Estonia, Poland, and the Slovak Republic are forecast to show growth above 3 per cent in 2011, the second consecutive year of robust performance. This is premised on a baseline scenario for the eurozone that envisages only slightly lower growth in Germany this year, and we expect continued positive spillovers to those new EU members with strong trade and investment linkages to Germany. By contrast the unwinding of the excessive pre-crisis credit boom and fiscal retrenchment continue to hold back growth in Latvia and Lithuania. Latvia has so far complied well with requirements under the EU/IMF adjustment programme. On the whole, upgrades dominate the average for the region, and we have again raised projections for growth relative to those made in October to a weighted average of 2.5 per cent in 2010, rising to 3.2 per cent in 2011.

Key risks in the region emanate where no credible medium term fiscal adjustment strategy has been identified, as is the case in Hungary, or where the lack of structural reforms will impede medium term growth prospects, and hence bank asset quality, as in Slovenia. Capital flows into the region have markedly picked up in recent months. This may pose an upside risk for growth, but also raises the concern that central banks may begin raising policy rates, as Hungary has already done, and Poland is about to do.

- **Hungary** has seen modest growth last year, which we expect to accelerate only marginally in the current year. As elsewhere in the region, growth is predominantly export-led, while domestic demand contributes little, as is evident in trends in retail trade, credit extension and unemployment. The government has so far refrained from any wide-ranging expenditure consolidation, though it is committed to meeting targets under the EU excessive deficit procedure. Nevertheless, many analysts have questioned the sustainability of ‘crisis taxes’, which in the eyes of some investors are discriminatory. The lack of a credible medium term strategy and confidence-weakening measures, such as those against private pension funds, have begun to unsettle investors and all three rating agencies now assess the country at one level above speculative grade. Tension between government and central bank may also further disrupt bond markets.
- By contrast, growth in **Poland** has again surprised positively, underpinned by resilient domestic demand and credit markets. Household consumption is expected to be weighed down by still high unemployment which remains stubbornly close to 10 per cent. While a more decisive fiscal strategy remains elusive, the government has reduced the contributions to private pensions funds, the largest such funds in the CEB region. As the central bank is about to begin rate hiking cycle this could aggravate problems from capital inflows, importantly to financial stability.
- The **Slovak Republic** is expected to continue benefiting from an export-led recovery with growth at about 4 per cent this year, and slightly less next year. The substantial fiscal consolidation package should arrest public debt accumulation, though the political resolve to implement reforms remains uncertain.

- All three **Baltic economies** will likely exceed our 2010 growth projections made in October, benefiting from the improved environment in the EU. Foreign exchange risks are much diminished as **Estonia** adopted the euro in January 2011, and **Latvia** continues to perform well under the EU/IMF programme. Financial sector stability in Latvia has been helped by the stabilisation of Parex. **Lithuania** has increasingly met financing needs in external capital markets, and will face a continued need to consolidate its public finances.
- Elsewhere in the region, vulnerabilities remain. **Croatia's** economy remains stagnant, with GDP falling again last year, and the large level of private debt, mostly in unhedged foreign currency, is still a risk. However, the country could receive a major confidence boost this year if, as expected, it can finalise EU accession negotiations. **Slovenia** experienced only modest growth in 2010. Given the poorly capitalised banking sector, and the lack of governance reform in the corporate sector this is unlikely to change. Funding problems in the banking sector, and growing problems with loan quality remain the key problems as the government capacity to back stop the economy is increasingly constrained.

South-Eastern Europe (SEE) and Turkey

Economic recovery in the SEE continues to lag behind other transition regions, with the exception of Turkey, where growth is proceeding at a rapid pace. Major imbalances built up during the boom years continue to be unwound. Important fiscal consolidation measures have been introduced, including (but not only) in those countries with IMF programmes – Bosnia and Herzegovina, Romania and Serbia – which gives hope of improved growth prospects in the future but dampens the short-term recovery. Financial markets continue to unwind imbalances after the pre-crisis boom and consumer and investor confidence remains low. On the positive side, exports in most countries are growing rapidly reflecting both a base effect from the deep slump in 2009 and renewed global demand for key exports from the region. Industrial production is also rising on a year-on-year basis in most countries, but recent figures on FDI from several countries show a dramatic fall relative to 2009, which was itself a weaker year for attracting foreign investment. The share of non-performing loans is still rising, and lending from Western parent banks to their subsidiaries in the region may be subject to further stresses if external economic conditions deteriorate. Risks of major spillovers from the crisis in Greece have been contained so far but they have the potential to disrupt economic activity in the region if the situation in Greece deteriorates further.

- Economic prospects have improved slightly in recent months in the EU members, **Bulgaria** and **Romania**. In the former, distinct signs of a turnaround have emerged, including booming export growth, a good tourism season and prospects of a strong agricultural performance, all of which help to compensate for continued weaknesses in other key industries and in consumer demand more generally. In Romania, the government has managed to remain on course with the IMF programme by implementing harsh austerity measures that will help to keep the fiscal accounts under control. However, the Romanian economy declined again in 2010, by an estimated 2 per cent, and any recovery this year is likely to be modest.
- In the western Balkans, all countries are expected to record positive growth in 2011. **Bosnia and Herzegovina**, **FYR Macedonia** and **Serbia** are benefiting from global demand for key metal commodities, and in Serbia, a major programme of infrastructure development is underway, helping to support growth. Both Bosnia and Herzegovina and Serbia remain on track with their IMF programmes while FYR Macedonia has received an IMF Precautionary Credit Line (a new IMF instrument introduced last year). **Montenegro** has also managed to weather the worst of the crisis, and its recent elevation to EU candidate status may boost investor confidence. The highest growth rate last year was in **Albania**, where industrial production grew strongly on the back of record levels of electricity exports. However, Albania remains vulnerable to a serious Greek downturn, as the majority of remittances into Albania come from migrants in Greece, many of whom work temporarily in seasonal jobs.
- In **Turkey**, the strong growth in 2010 is expected to carry over into 2011. Domestic demand growth will remain the key driver of growth as credit growth

will continue to be strong despite recent measures to tighten reserve requirements. As a result, import growth is expected to increase, the current account deficit to widen further (increasingly financed by portfolio capital flows), and inflationary pressures to strengthen.

Eastern Europe and the Caucasus (EEC)

This diverse group of countries has benefited from stronger external demand, commodity price increases, and a revival of remittance flows. However, vulnerabilities remain significant due to reliance on external demand to support growth (in particular in the EU and Russia), terms of trade pressures (as all countries except for Azerbaijan are net energy importers, and the Caucasus countries depend on import of foodstuffs), and volatility of remittances (Armenia, Georgia and Moldova). All countries in the group experienced substantial growth in 2010, building in part on the base effects of the post-crisis output reversals and recent strengthening of external and domestic demand. Risks to the outlook are related to future developments of external demand, commodity prices, and stability of the domestic and, in some cases, broader European financial sectors, and continued international support (all of the region's countries except Azerbaijan and Belarus have active IMF-supported programmes).

- **Ukraine's** economy has continued to recover from the 15 per cent output contraction in 2009, although the regional drought adversely affected agricultural production. The re-engagement with the IMF in July 2010 under a new US\$ 15 billion Stand-By Arrangement has helped to stabilise the market and improve confidence. Under the programme, the authorities have pursued fiscal consolidation measures which include excise tax increases, reform of the tax and pension security systems, streamlining expenditure and strengthening of the tax administration. Some progress has been made in restoring confidence in the financial system including through private bank recapitalization and steps toward strengthening of the NBU's supervisory framework.
- **Armenia** has recovered from an exceptionally sharp output contraction during the crisis. The pace of growth has slowed down compared to the vigorous acceleration of the first months of 2010, largely reflecting a substantial decline in agricultural output. The authorities are pursuing fiscal consolidation and structural reforms under an IMF-supported programme. The economy continues to benefit from large remittance inflows and substantial official financing.
- Official estimates suggest that output in **Belarus** has grown at a fast pace during the months preceding the December presidential elections, stimulated in part by an ambitious but unsustainable directed lending programme. Some progress has been made in structural reforms. However, the economy remains vulnerable to external and domestic shocks. The current account deficit is stubbornly high and central bank reserves low. If international support and external borrowing capacity decrease over time and energy prices remain high, the country's heavily managed economy is likely to experience pressures to accelerated structural and fiscal adjustments.
- **Moldova** has continued to recover from the crisis with real GDP increasing by 6.5 percent in the first nine months of 2010. The recovery is supported by growth of exports and remittances, and IFI financing. The economy is vulnerable to growth volatility in the main trading partners and uncertain remittance inflows. The immediate growth prospects are limited by continuing political uncertainty.

- Economic vulnerabilities in **Georgia**, including a large trade deficit, continue to be mitigated by a generous aid package from a wide range of donors, which has partly compensated for the collapse of foreign direct investment. While the fraction of non-performing loans has decreased in recent months, the banking sector remains vulnerable. The authorities are pursuing further structural reforms to maintain the country's business friendly image and strengthen investor confidence.
- Economic growth in **Azerbaijan** has slowed down as oil and gas production stabilised, but the non-oil sector recovered faster than expected. The pace of structural reforms accelerated somewhat as the authorities negotiate the WTO accession. The diversification of the economy remains important as risks associated with high oil dependence became apparent during the crisis, when oil prices declined. FDI inflows into the non-oil sector remain low. Immediate macroeconomic risks are mitigated by a very strong fiscal position.

Russia, Central Asia and Mongolia

Both the Russian and the Kazakh economies have been on a recovery path since the end of 2009, on the back of higher oil prices, large-scale fiscal stimulus packages and banking-system support. Private sector credit growth has resumed in Russia, while banks in Kazakhstan still remain restrained by the low quality of their credit portfolio. The outlook for growth in Russia and Kazakhstan is good, but remains highly dependent on oil and other commodity price developments, as well as on global sentiment affecting capital flows to emerging markets. Turkmenistan has also continued to grow strongly, driven by a recovery in gas exports and large foreign investments in the country's hydrocarbon sector. The economies of the Kyrgyz Republic, Tajikistan, and Uzbekistan remain dependent on remittances inflows and shock-prone sectors such as gold mining, agriculture, and hydroelectric power. In 2010, they benefited from the pick-up in remittances and rising commodity prices, although socio-political instability led to a temporary drop in output in the Kyrgyz Republic.

- In **Russia**, the growth momentum is expected to pick up again after slowing in the 3rd quarter of 2010 when the economy was adversely affected by the heat wave, drought and forest fires. As a result, growth is likely to accelerate from the estimated 4 per cent in 2010 to 4.6 per cent in 2011 and 4.7 per cent in 2012. With real incomes increasing again, asset quality in the banking sector has stopped deteriorating and credit growth has gradually resumed, albeit at a slow pace. This was supported by cuts in policy interest rates to 7.75 per cent by July 2010, low levels of MosPrime, and the expansionary drive of state-owned banks. The medium-term budget would postpone depletion of the fiscal reserve fund until at least 2013, and higher oil prices will facilitate fiscal consolidation. But the eventual depletion of oil stabilisation funds remains a concern, and it could make the economy and the currency more volatile in response to swings in commodity prices.
- Economic growth in **Kazakhstan** picked up strongly from 1.2 per cent in 2009 to an estimated 7 per cent in 2010, driven by increasing oil production, associated services sector growth, and the demand stimulus imparted by the government's "*National Programme of Forced Industrial and Innovative Development for 2010-2014*". However, credit remains stagnant, as Kazakh banks continue to be largely cut-off from foreign borrowing, while non-performing loans exceeded 25 per cent as of December 1, 2010. Given this, and with not much further growth coming from oil production, GDP growth is expected to slow down to 5.5 per cent in 2011. Nevertheless, the medium-term growth prospects remain good, particularly around 2015, when the large Kashagan oilfield is expected to start production. There is also potential for expanding uranium, copper and grain production. The exchange rate has been stable but the national bank announced the introduction of a managed float in March 2011, which could create more exchange rate volatility but should help to keep inflation within the 6-8 percent target range.
- Seemingly unaffected by the crisis, **Uzbekistan** has remained on a strong growth path, with GDP picking up slightly from 8.1 percent in 2009 to an estimated 8.5 per cent in both 2010 and 2011, driven by higher cotton prices and exports, and

supported by the government's expansive fiscal policies. **Turkmenistan** has also experienced a buoyant economic expansion with GDP growth of 9.2 per cent in 2010, but the economy remains undiversified. Economic growth in 2011 is expected to be around 10 per cent, mainly driven by growing hydrocarbon production and exports. The **Kyrgyz Republic** experienced a large drop in GDP (around 12 per cent on a seasonally adjusted basis) during the second quarter of 2010 as a result of the political turmoil in April and subsequent large-scale riots in the South in June. However, the economy started recovering in the second half of the year, limiting the overall contraction during 2010 to 1.4 per cent. Growth is expected to accelerate further and to reach 5 per cent for 2011 as a whole.

- In **Tajikistan**, economic growth is estimated at 6.5 per cent in 2010, and will reach 6.7 per cent in 2011, driven by aluminium production and rapidly growing remittances inflows supporting local demand. The economy remains sensitive to external shocks (e.g., railway border disputes with neighbouring Uzbekistan) and economic growth in Russia. Following a recession and a banking crisis in 2009, **Mongolia** has stayed firmly on a V-shaped recovery path with growth estimated at 6.1 per cent in 2010. Growth is expected to accelerate further to 9 per cent in 2011 and 12 per cent in 2012, reflecting record-high copper prices, substantial mining-related FDI inflows projected for a number of years, as well as a highly procyclical fiscal policy.

Tables

Growth in real GDP

(In per cent; EBRD forecasts as of January 19, 2011)

(In per cent; EBRD forecasts as of January 19, 2011)	GDP Growth (year over year per cent change)							
	Current forecast				EBRD Forecast in October 2010			
	2008	2009	2010	2011	2010	Change Oct-	2011	Change Oct-
						Jan		Jan
Central Europe and the Baltic states								
Croatia	2.4	-5.8	-1.3	2.0	-1.5	0.2	1.9	0.1
Estonia	-5.1	-13.9	2.4	3.6	2.4	0.1	3.2	0.4
Hungary	0.8	-6.7	1.3	2.0	0.8	0.6	1.7	0.3
Latvia	-4.2	-18.0	-0.1	2.7	-1.0	0.9	2.6	0.1
Lithuania	2.9	-14.7	0.7	2.5	0.5	0.2	4.0	-1.5
Poland	5.1	1.7	3.6	3.9	3.3	0.3	3.5	0.3
Slovak Republic	5.8	-4.8	4.0	3.7	4.0	0.0	3.5	0.3
Slovenia	3.7	-8.1	1.0	1.7	1.1	-0.1	2.1	-0.4
Average^{1,2}	3.6	-3.1	2.5	3.2	2.2	0.3	3.0	0.2
South-eastern Europe								
Albania	7.8	3.3	3.8	2.6	3.0	0.7	2.2	0.4
Bosnia and Herzegovina	6.0	-2.8	0.8	2.2	0.8	0.0	2.2	0.0
Bulgaria	6.2	-4.9	0.4	2.6	0.4	0.0	2.4	0.3
FYR Macedonia	4.8	-0.9	0.8	3.2	0.8	0.0	2.3	0.9
Montenegro	6.9	-5.7	0.2	3.1	-0.6	0.8	2.5	0.5
Romania	7.3	-7.1	-1.9	1.1	-2.0	0.2	0.9	0.2
Serbia	5.5	-3.1	2.0	3.0	1.6	0.4	2.9	0.1
Average¹	6.8	-5.3	-0.4	1.9	-0.6	0.2	1.6	0.3
Eastern Europe and the Caucasus								
Armenia	6.9	-14.2	4.0	4.5	4.0	0.0	4.5	0.0
Azerbaijan	10.9	9.3	5.0	3.5	4.0	1.0	2.5	1.0
Belarus	9.9	0.5	7.6	4.0	6.0	1.6	4.0	0.0
Georgia	1.9	-3.6	5.5	5.0	5.5	0.0	4.0	0.9
Moldova	7.3	-6.5	6.5	4.5	4.5	2.0	3.5	1.1
Ukraine	2.3	-14.8	4.5	4.0	5.0	-0.5	4.5	-0.5
Average¹	5.3	-6.4	5.3	4.0	5.0	0.3	4.0	0.0
Turkey	0.7	-4.7	8.0	5.0	8.0	0.0	5.0	0.0
Russia	5.3	-7.9	4.0	4.6	4.4	-0.4	4.6	0.0
Central Asia								
Kazakhstan	3.3	1.2	7.0	5.5	6.0	1.0	5.0	0.4
Kyrgyz Republic	8.4	2.3	-1.4	5.0	-3.5	2.1	7.1	-2.1
Mongolia	8.9	-1.6	6.1	9.0	7.0	-0.9	9.0	0.0
Tajikistan	7.9	3.4	6.5	6.7	5.5	1.0	5.0	1.7
Turkmenistan	10.5	6.1	9.2	10.0	11.0	-1.8	12.0	-2.0
Uzbekistan	9.0	8.1	8.5	8.5	8.2	0.3	8.5	0.0
Average¹	5.2	3.0	7.2	6.6	6.7	0.5	6.6	0.0
All transition countries								
Average¹	4.2	-5.2	4.2	4.2	4.2	0.0	4.1	0.1

¹ Weighted averages. The weights used for the growth rates are WEO estimates of nominal dollar-GDP lagged by one year. Weighted averages for October 2010 forecasts shown above might vary from weighted averages used at the time due to revisions in nominal GDP.

² Weighted averages do not include the Czech Republic, for which EBRD no longer produces a forecast. With the Czech Republic included (using IMF October 2010 projections), the Central European and Baltic average would be -3.3 per cent in 2009, 2.4 per cent in 2010 and 3.6 per cent in 2011.

Table 1. Transition Region: Vulnerability Indicators 1/

	Domestic FX loans (latest)				Public and External Debt 2/				Gross reserves			Banking system			Bank deposits	Loans/ deposits	Country risk
	(% GDP)			% FX credit in total lending	(% of GDP)						(end of 2009)/3			(end of 2009)/3	(end of 2009)/3	12-Jan-11	
	Total pvt sector	of which			Government (end 2009)	External		Short term (remaining maturity)	in percent of		Share in total assets:			% of GDP	Private sector, in %	(CDS spread, bps)	
		Corp.	House-holds			Total (end 2009)	Private (end 2009)		billions US\$ (latest)	GDP	Short term debt 3/	Total assets as share of GDP	State-owned banks				Foreign owned banks
Central Europe and Baltics																	
Croatia	51.1	30.4	37.9	72.8	35.4	94.8	78.2	31.4	14.6	21.5	68.6	111.5	4.1	91.0	68.2	111.0	290.5
Estonia	90.2	45.0	45.2	89.3	7.2	125.9	119.3	61.5	2.5	13.0	21.1	148.6	0.0	98.3	72.5	155.7	...
Hungary	39.1	17.1	22.0	62.7	78.4	147.3	127.8	32.7	43.3	33.4	102.2	116.5	3.9	81.3	45.9	165.9	388.0
Latvia	82.8	42.9	40.0	92.5	36.7	156.3	131.0	53.4	7.7	29.7	55.5	165.7	17.1	69.3	73.0	161.7	264.1
Lithuania	46.7	24.9	21.8	74.6	29.5	91.0	69.0	42.0	6.0	16.2	38.5	91.5	0.0	91.5	44.6	149.9	...
Poland	17.2	3.8	13.3	33.7	50.9	64.9	64.9	22.1	92.0	21.4	96.6	74.3	22.1	72.3	38.3	115.1	154.2
Slovak Republic	10.2	9.8	0.4	0.7	35.4	64.4	46.4	45.8	0.7	0.8	1.7	83.7	0.9	91.6	58.2	86.6	92.7
Slovenia	4.7	1.2	3.5	5.4	35.4	113.4	76.7	24.9	0.9	1.8	7.2	147.9	16.7	29.5	113.2	100.3	...
South-Eastern Europe																	
Albania	27.8	20.3	7.6	70.2	59.5	34.0	9.8	5.6	2.4	19.5	345.1	76.7	0.0	92.4	60.0	64.8	...
Bosnia and Herzegovina	43.9	...	...	73.9	35.4	54.9	32.4	7.5	2.3	13.4	178.1	86.7	0.8	94.5	63.4	88.8	...
Bulgaria	46.2	36.3	9.9	60.6	16.1	107.9	96.0	35.6	14.7	31.3	59.7	106.9	2.4	84.0	80.1	94.9	257.9
FYR Macedonia	26.2	17.5	8.6	56.9	23.5	58.5	41.1	25.9	1.9	20.5	79.1	65.0	1.4	93.3	45.5	92.5	...
Montenegro	...	...	...	...	38.2	98.2	74.4	...	0.6	15.5	...	101.5	0.0	87.1	61.2	131.4	...
Romania	26.1	12.9	13.2	62.7	29.9	69.2	52.7	25.6	42.8	26.5	103.3	62.1	7.9	84.3	44.0	92.7	303.0
Serbia	40.7	26.3	14.3	80.2	35.6	76.3	55.8	14.4	12.9	30.1	209.1	65.3	16.0	75.3	37.6	104.3	...
Eastern Europe and the Caucasus																	
Armenia	15.3	11.3	4.0	56.9	40.6	34.7	18.2	5.9	1.8	21.2	362.0	42.7	0.0	63.6	23.0	101.8	...
Azerbaijan	9.8	...	...	37.3	12.1	7.9	...	...	6.2	14.4	...	33.8	43.4	9.3	12.4	191.9	...
Belarus	10.7	9.3	1.3	22.7	25.1	45.0	26.2	20.4	4.1	8.5	41.4	51.6	77.9	20.6	20.2	192.0	...
Georgia	23.4	...	...	74.3	37.4	58.4	26.9	12.3	2.2	20.9	170.2	46.2	0.0	89.1	22.0	83.6	...
Moldova	16.6	15.2	1.5	42.1	27.6	64.8	44.2	30.9	1.6	29.8	96.5	66.5	12.8	41.0	44.0	84.9	...
Ukraine	36.8	20.5	16.3	47.2	...	88.0	67.6	33.0	32.3	27.5	83.4	96.2	17.0	50.8	36.9	221.4	457.5
Turkey	13.7	...	...	26.1	45.5	43.6	30.1	13.6	78.5	12.8	93.8	87.5	32.2	15.8	54.0	80.5	148.1
Russia	10.8	9.9	0.9	23.1	...	38.3	34.6	12.0	448.8	36.4	304.5	75.3	39.2	18.3	33.1	153.2	139.7
Central Asia																	
Kazakhstan	20.4	15.5	4.9	43.2	10.9	103.6	102.0	12.5	24.8	23.0	184.6	72.6	0.6	17.2	49.0	123.6	169.5
Kyrgyz Republic	7.1	...	...	54.8	59.4	59.6	5.5	2.7	1.6	35.2	1283.1	29.3	9.9	72.0	12.4	109.7	...
Mongolia	...	...	...	...	...	53.9	6.8	...	1.6	38.2	...	71.8	3.2	41.9	47.4	94.8	...
Tajikistan	8.3	...	...	30.9	33.0	51.6	18.1	0.9	...	...	...	23.9	...	...	12.8	95.3	...
Turkmenistan	...	...	...	...	2.7	2.7	0.0	2.0	...	...	...	96.2	96.3	1.2	...	...	...
Uzbekistan	...	...	...	...	11.2	15.3	4.9	1.8	...	...	...	...	...	...	...	...	...

1/ National sources based on CEIC and IFS, unless stated otherwise.

2/ WEO October 2010 except for Armenia, Slovenia and Slovak Republic where national sources are used

3/ End of 2008 for Belarus, Kyrgyz Republic, Serbia, Turkmenistan

* Euro adoption

Table 2. Transition Region: Annual indicators and projections 1/

	GDP Growth (average)				GDP Growth (end year)				Inflation (average)		Fiscal Balance		Current Account		Net FDI	
	(year over year percent change)				(Q4 over Q4 percent change)				(year over year percent change)		(Gen. gov; % of GDP)		(% of GDP)		(% of GDP)	
			Forecast 2/				Forecast 2/				Estimate 2/				Estimate 2/	
	2008	2009	2010	2011	2008	2009	2010	2011	2009	2010	2009	2010	2009	2010	2009	2010
Central Europe and Baltics																
Croatia	2.4	-5.8	-1.3	2.0	0.2	-4.5	0.2	-0.5	2.4	1.1	-3.2	-4.7	-5.3	-3.8	2.6	0.7
Estonia	-5.1	-13.9	2.4	3.6	-10.7	-8.8	-10.7	4.1	-0.1	3.0	-2.1	-1.1	4.5	4.2	0.7	0.9
Hungary	0.8	-6.7	1.3	2.0	-2.4	-4.3	-2.4	2.4	4.2	4.9	-4.1	-4.2	0.2	0.5	0.0	-1.3
Latvia	-4.2	-18.0	-0.1	2.7	-10.1	-16.8	-10.1	3.8	3.5	-1.1	-7.8	-11.9	8.6	5.5	0.6	1.2
Lithuania	2.9	-14.7	0.7	2.5	-2.3	-14.5	-2.3	2.3	4.5	1.3	-8.9	-7.7	4.2	1.9	-0.1	0.4
Poland	5.1	1.7	3.6	3.9	2.8	3.5	2.8	3.4	3.8	2.7	-7.1	-7.4	-1.7	-2.4	2.0	2.8
Slovak Republic	5.8	-4.8	4.0	3.7	1.4	-3.6	1.4	3.2	1.6	0.9	-6.8	-8.0	-3.2	-1.4	-0.5	1.8
Slovenia	3.7	-8.1	1.0	1.7	-0.8	-5.7	-0.8	1.4	0.9	1.8	-5.6	-5.7	-1.5	-0.7	-1.5	0.8
South-Eastern Europe																
Albania	7.8	3.3	3.8	2.6	4.1	-0.5	4.1	4.6	2.3	3.6	-7.4	-4.1	-14.0	-9.2	7.7	6.0
Bosnia and Herzegovina	6.0	-2.8	0.8	2.2	...	...	...	...	...	...	-5.8	-5.0	-6.9	-5.5	1.5	1.6
Bulgaria	6.2	-4.9	0.4	2.6	3.4	-6.3	3.4	4.4	2.5	3.0	-0.9	-4.9	-9.5	-3.0	9.8	3.0
FYR Macedonia	4.8	-0.9	0.8	3.2	2.5	1.2	2.5	1.8	-0.4	1.3	-2.6	-2.5	-7.2	-3.9	2.6	2.5
Montenegro	6.9	-5.7	0.2	3.1	...	...	...	...	...	...	-4.4	-7.1	-30.3	-17.0	30.2	10.5
Romania	7.3	-7.1	-1.9	1.1	3.1	-6.5	3.1	-1.8	5.6	6.1	-7.4	-6.8	-4.5	-5.1	3.8	3.0
Serbia	5.5	-3.1	2.0	3.0	2.9	-1.7	2.9	2.5	7.8	5.9	-4.1	-4.8	-6.7	-9.6	4.4	3.5
Eastern Europe and the Caucasus																
Armenia	6.9	-14.2	4.0	4.5	-5.9	-8.4	-5.9	8.7	3.4	8.1	-7.8	-4.8	-16.0	-14.6	8.5	8.6
Azerbaijan	10.9	9.3	5.0	3.5	7.9	12.3	7.9	3.1	1.5	5.7	6.8	13.9	23.6	24.1	0.3	0.9
Belarus	9.9	0.5	7.6	4.0	8.1	1.7	8.1	9.0	13.0	7.8	-0.4	-4.0	-13.1	-14.0	3.7	2.8
Georgia	1.9	-3.6	5.5	5.0	-0.8	0.4	-0.8	3.2	1.7	7.1	-6.6	-5.4	-11.7	-12.0	7.1	5.9
Moldova	7.3	-6.5	6.5	4.5	6.2	-4.3	6.2	6.1	-0.1	7.5	-6.4	-5.4	-8.1	-11.2	2.1	4.0
Ukraine	2.3	-14.8	4.5	4.0	-7.8	-6.8	-7.8	4.1	15.9	9.4	-6.2	-5.5	-1.5	-0.4	4.0	3.3
Turkey	0.7	-4.7	8.0	5.0	-7.0	6.0	-7.0	5.5	6.3	8.6	-5.6	-3.5	-2.3	-5.2	1.0	1.0
Russia	5.3	-7.9	4.0	4.6	-1.2	-2.9	-1.2	4.9	11.7	6.8	-6.2	-4.8	4.0	4.7	-0.7	0.0
Central Asia																
Kazakhstan	3.3	1.2	7.0	5.5	1.6	10.3	1.6	5.7	7.3	7.1	-1.5	-2.8	-3.2	3.2	8.8	8.4
Kyrgyz Republic	8.4	2.3	-1.4	5.0	11.2	0.8	11.2	-3.5	6.9	8.0	-1.2	-11.0	2.1	-5.4	4.2	3.2
Mongolia	8.9	-1.6	6.1	9.0	4.4	3.8	4.4	5.7	7.5	10.1	-5.4	-2.2	-9.8	-13.9	11.8	7.3
Tajikistan	7.9	3.4	6.5	6.7	9.3	4.7	9.3	7.1	6.4	6.5	-5.2	-4.4	-4.9	-3.6	0.3	1.6
Turkmenistan	10.5	6.1	9.2	10.0	...	...	...	...	-2.7	5.0	7.8	2.8	-16.1	-4.7	24.6	10.0
Uzbekistan	9.0	8.1	8.5	8.5	8.1	8.3	8.1	9.5	14.1	9.0	3.2	2.2	2.7	3.8	2.6	2.5

1/ EBRD data and projections.

2/ As of January 19, 2011.

3/ WEO October 2010

Table 3. Transition Region: Quarterly GDP actuals and projections, Q2 2008- Q4 2010 1/

	Quarterly GDP Growth												Quarterly GDP growth												GDP Growth (average)			
	(seasonally adjusted, quarter-on-quarter percent change)												(year-on-year percent change)												(year over year percent change) 3/			
	Estimates 2/												Forecast 2/															
	2008			2009			2010						2008			2009			2010						Forecast 2/			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		2008	2009	2010	2011
Central Europe and Baltics																												
Croatia	0.1	-1.3	-0.6	-5.6	1.2	-0.6	0.7	-3.7	1.2	2.1	0.0		3.4	1.6	0.2	-6.7	-6.3	-5.7	-4.5	-2.5	-2.5	0.2	-0.5		2.4	-5.8	-1.3	2.0
Estonia	-1.0	-2.6	-5.7	-5.6	-3.7	-1.3	1.4	1.0	1.9	0.7	0.7		-2.6	-4.5	-10.7	-14.6	-16.6	-15.4	-8.8	-2.6	3.1	5.0	4.1		-5.1	-13.9	2.4	3.6
Hungary	-0.2	-1.0	-2.1	-3.2	-1.3	-0.8	0.0	1.0	0.4	0.8	0.4		2.3	1.6	-2.4	-7.1	-8.0	-7.5	-4.3	0.1	1.0	1.7	2.4		0.8	-6.7	1.3	2.0
Latvia	-1.8	-1.8	-4.0	-11.3	-1.3	-4.2	-0.6	1.0	1.2	0.9	0.5		-1.5	-4.7	-10.1	-17.8	-18.1	-19.1	-16.8	-6.0	-2.1	2.9	3.8		-4.2	-18.0	-0.1	2.7
Lithuania	-1.2	-0.1	-1.1	-13.6	0.1	-0.5	-0.2	-0.1	0.5	0.6	0.7		5.7	1.9	-2.3	-14.0	-15.9	-14.5	-14.5	-2.0	1.1	1.1	2.3		2.9	-14.7	0.7	2.5
Poland	0.7	0.8	-0.4	0.4	0.6	0.4	1.4	0.7	1.2	1.3	0.7		6.0	5.6	2.8	0.6	1.1	1.2	3.5	2.7	3.6	4.8	3.4		5.1	1.7	3.6	3.9
Slovak Republic	1.0	1.2	0.6	-7.6	1.1	1.2	1.3	0.8	1.0	1.0	1.0		6.9	6.3	1.4	-5.1	-5.4	-5.0	-3.6	4.7	4.2	3.8	3.2		5.8	-4.8	4.0	3.7
Slovenia	0.7	0.2	-3.3	-6.0	-0.6	0.4	0.1	-0.1	1.0	0.3	0.6		5.9	3.8	-0.8	-8.4	-9.4	-8.8	-5.7	-1.2	2.1	1.7	1.4		3.7	-8.1	1.0	1.7
South-Eastern Europe																												
Albania	0.0	2.6	0.3	1.0	2.5	-0.5	-0.8	1.1	2.6	1.6	-5.1		9.2	9.8	4.1	4.0	7.6	4.4	-0.5	2.5	3.3	4.9	4.6		7.8	3.3	3.8	2.6
Bosnia and Herzegovina	...	...	...	...	...	...	...	...	...	...	...		...	...	...	...	...	...	...	...	...	...	...		6.0	-2.8	0.8	2.2
Bulgaria	0.9	1.2	-1.8	-4.7	1.6	-0.2	-3.2	-1.3	3.4	1.7	0.5		6.9	7.7	3.4	-4.9	-3.4	-4.9	-6.3	-3.2	-1.4	0.5	4.4		6.2	-4.9	0.4	2.6
FYR Macedonia	1.4	0.7	-0.6	-2.3	0.3	0.3	3.0	-4.8	2.7	0.5	3.6		6.5	5.9	2.5	-0.8	-1.9	-2.2	1.2	-1.3	1.1	1.3	1.8		4.8	-0.9	0.8	3.2
Montenegro	...	...	...	...	...	...	...	...	...	...	...		...	...	...	...	...	...	...	...	...	...	...		6.9	-5.7	0.2	3.1
Romania	1.5	-0.4	-2.2	-4.1	-1.5	0.1	-1.5	-0.3	0.3	-0.7	-0.5		9.6	9.4	3.1	-6.2	-8.7	-7.1	-6.5	-2.6	-0.5	-2.5	-1.8		7.3	-7.1	-1.9	1.1
Serbia	-0.5	-0.5	-0.2	-4.0	0.2	1.8	0.2	-1.6	1.6	2.5	0.0		6.3	4.6	2.9	-4.3	-4.5	-2.2	-1.7	0.4	2.0	2.7	2.5		5.5	-3.1	2.0	3.0
Eastern Europe and the Caucasus																												
Armenia	0.4	6.2	-16.2	3.9	-11.1	3.8	-4.3	19.5	-10.0	-4.9	6.4		9.6	15.4	-5.9	-6.1	-17.9	-19.8	-8.4	5.4	6.7	-2.2	8.7		6.9	-14.2	4.0	4.5
Azerbaijan	3.1	-0.7	2.1	-1.4	8.4	0.5	4.6	-7.5	11.1	-2.3	2.6		14.3	10.5	7.9	4.1	8.4	9.7	12.3	5.4	8.0	5.0	3.1		10.9	9.3	5.0	3.5
Belarus	2.2	2.2	-1.4	-1.6	0.6	1.2	2.0	0.2	5.3	-0.9	4.2		10.5	11.3	8.1	1.1	-0.4	-1.1	1.7	4.0	8.9	6.6	9.0		9.9	0.5	7.6	4.0
Georgia	1.3	-6.6	4.0	-3.2	-4.3	2.6	5.6	0.2	0.1	0.7	2.2		7.9	-5.0	-0.8	-5.1	-10.1	-1.2	0.4	3.9	8.7	6.7	3.2		1.9	-3.6	5.5	5.0
Moldova	2.1	-0.4	-1.0	-7.6	-0.4	2.5	1.5	1.1	1.2	4.0	-0.3		6.2	10.8	6.2	-6.9	-8.6	-7.5	-4.3	4.7	6.4	8.0	6.1		7.3	-6.5	6.5	4.5
Ukraine	-1.8	-1.9	-8.1	-9.1	0.3	0.2	2.0	2.3	1.2	-2.1	2.6		6.2	4.3	-7.8	-20.2	-17.8	-16.0	-6.8	4.9	5.9	3.4	4.1		2.3	-14.8	4.5	4.0
Turkey	-1.1	-0.8	-5.8	-5.8	5.3	3.3	2.0	0.4	3.7	1.1	1.0		2.6	0.9	-7.0	-14.5	-7.7	-2.9	6.0	11.8	10.2	5.5	5.5		0.7	-4.7	8.0	5.0
Russia	0.8	-0.7	-4.3	-5.0	-1.2	1.7	1.7	0.9	0.8	-0.7	3.8		7.7	6.4	-1.2	-9.3	-11.0	-8.6	-2.9	3.1	5.2	2.7	4.9		5.3	-7.9	4.0	4.6
Central Asia																												
Kazakhstan	0.0	-1.1	-2.1	-0.6	1.8	1.3	7.8	-3.7	2.7	0.7	6.2		5.4	1.1	1.6	-4.5	-2.6	-0.3	10.3	7.1	8.0	7.4	5.7		3.3	1.2	7.0	5.5
Kyrgyz Republic	6.0	-2.1	3.9	-7.0	6.8	3.0	-0.9	4.9	-11.9	1.0	1.5		8.5	6.7	11.2	0.2	0.4	5.5	0.8	16.4	-4.0	-5.8	-3.5		8.4	2.3	-1.4	5.0
Mongolia	0.8	1.2	-4.9	-1.0	2.0	-0.7	4.9	0.6	-1.0	3.9	1.6		10.0	9.0	4.4	-4.3	-3.0	-4.1	3.8	7.6	3.4	8.4	5.7		8.9	-1.6	6.1	9.0
Tajikistan	4.9	1.6	1.2	-3.0	2.4	2.2	2.5	0.4	2.3	-0.8	4.5		7.7	8.7	9.3	3.5	2.3	2.6	4.7	6.8	7.8	4.9	7.4		7.9	3.4	6.5	6.7
Turkmenistan	...	...	...	...	...	...	...	...	...	...	...		...	...	...	...	...	...	...	...	...	...	...		10.5	6.1	9.2	10.0
Uzbekistan	3.6	1.6	0.6	2.2	3.5	1.2	1.4	1.6	3.5	1.2	2.9		10.2	9.5	8.1	7.9	8.4	7.8	8.3	8.0	8.0	8.0	9.5		9.0	8.1	8.5	8.5

1/ Q1 2010 data either published actual data or EBRD estimate based on short- term activity indicators.

2/ As of 19 January, 2011.

Table 4. Transition Region: Financial Market Indicators

updated
12 Jan 11

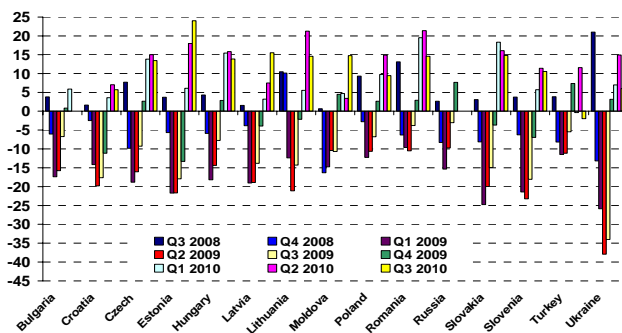
	Country Risk CDS spread (bps)			Interbank rates (three month)			Equities (index, July 1, 2008 = 100)			Currencies (national currency per € or US\$) 1/		
	Mar 1 2009	week ago	latest	Mar 1 2009	week ago	latest	Mar 1 2009	week ago	latest	Mar 1 2009	week ago	latest
Central Europe and Baltics												
Croatia	527.4	265.9	290.5	11.8	2.5	2.7	39.4	61.3	63.8	7.4	7.4	7.4
Czech Republic	305.0	88.1	90.1	2.5	1.2	1.2	43.9	85.2	85.3	28.1	24.8	24.3
Hungary	563.6	394.3	388.0	9.5	5.9	5.9	50.7	110.0	111.8	299.4	275.3	275.5
Latvia	1050.0	261.3	264.1	8.1	0.3	0.3	41.5	77.8	76.7	0.7	0.7	0.7
Poland	366.0	146.1	154.2	4.4	3.9	3.9	53.6	105.7	106.3	4.6	3.9	3.8
Slovak Republic	211.7	83.9	92.7	...	...	...	76.4	52.6	53.0	...	...	...
South-Eastern Europe												
Bulgaria	597.4	251.4	257.9	6.8	3.9	3.9	23.4	32.3	32.3	...	...	...
Romania	723.6	297.7	303.0	14.7	5.6	5.0	30.1	86.1	91.4	4.3	4.3	4.3
CIS												
Russia	761.1	136.8	139.7	22.8	4.1	4.1	24.3	78.9	83.3	35.9	30.5	30.2
Kazakhstan	1494.2	171.3	169.5	15.0	2.0	1.9	24.1	65.4	67.1	150.6	147.1	147.2
Ukraine	3741.0	475.3	457.5	34.8	8.3	7.0	28.9	134.9	141.8	8.6	7.9	8.0
Turkey	487.4	137.4	148.1	12.6	7.1	7.0	72.4	207.3	204.5	1.7	1.5	1.6

1/ For CEB and SEE countries: reference currency is Euro; for CIS and Turkey reference currency is US dollar

Figures

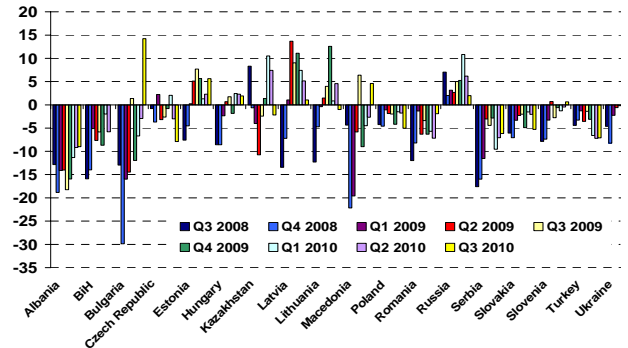
Figure 1. External environment

Export volumes, y-o-y, %



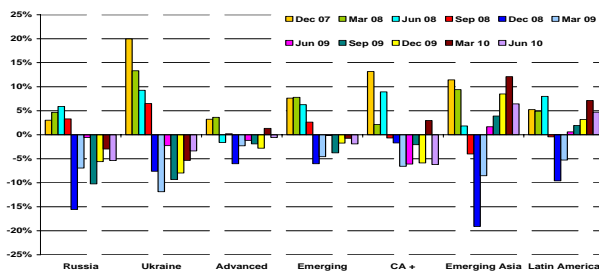
Source: National authorities via CEIC data service.

Current account (annualized), % of GDP



Source: National authorities via CEIC data service.

Net lending from BIS-reporting banks, excl. rate adjusted, US\$ bn

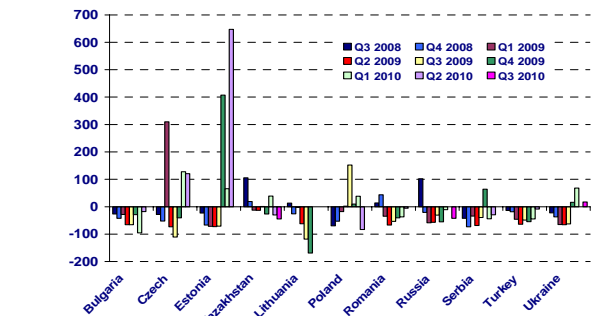


1/ Emerging Europe excludes Russia and Ukraine.

2/ Emerging Asia excludes China, Central Asia and Caucasus.

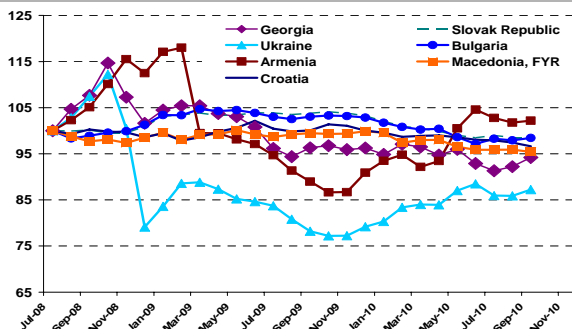
Source: BIS via CEIC data service.

FDI gross inflows, y-o-y, %



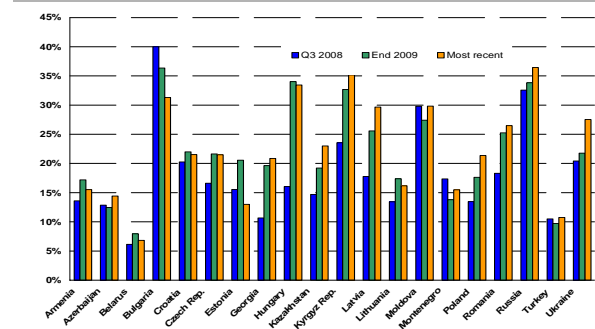
Source: National authorities via CEIC data service.

Real effective exchange rate, July 2008=100



Source: IMF International Financial Statistics.

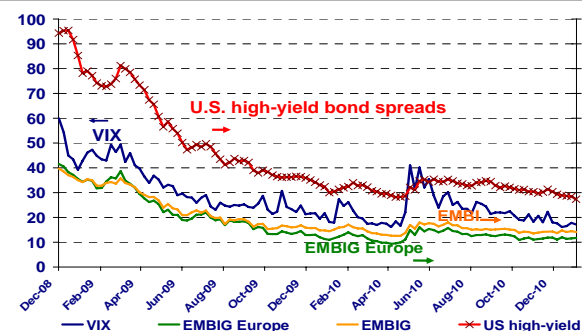
Reserves, end of period, % of GDP



*Most recent is October 2010

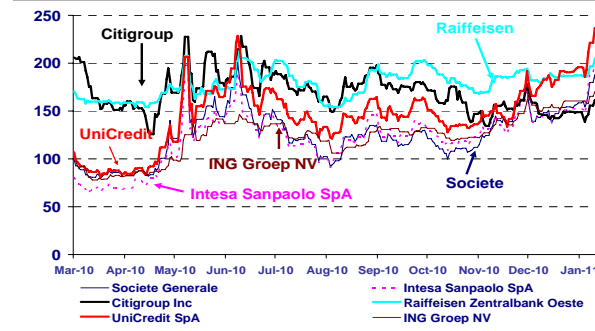
Source: IMF International Financial Statistics.

Global risk



Source: Bloomberg.

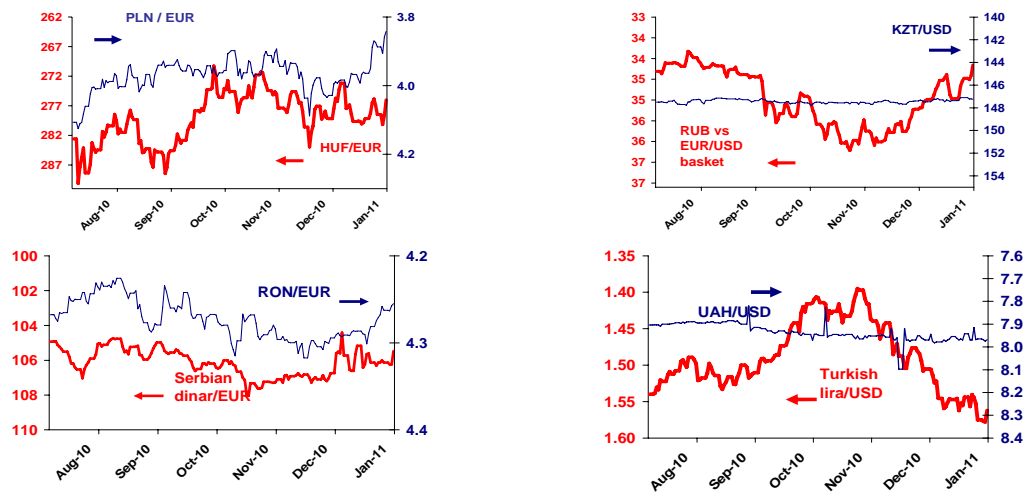
Parent banks CDS spreads



Source: Bloomberg.

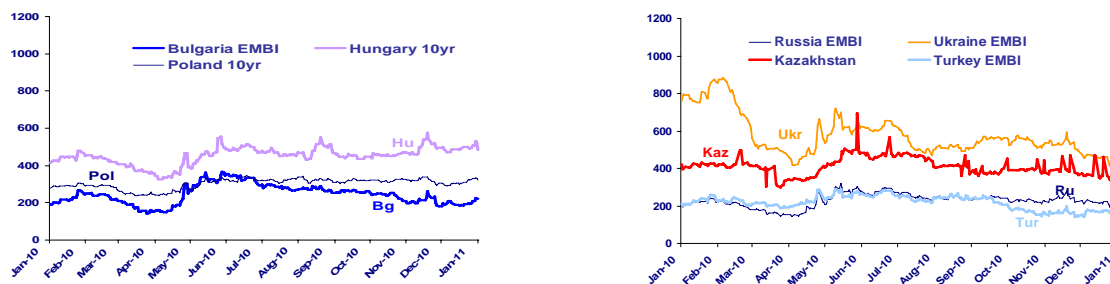
Figure 2. Currencies and financial market indicators (daily frequency)

Currencies



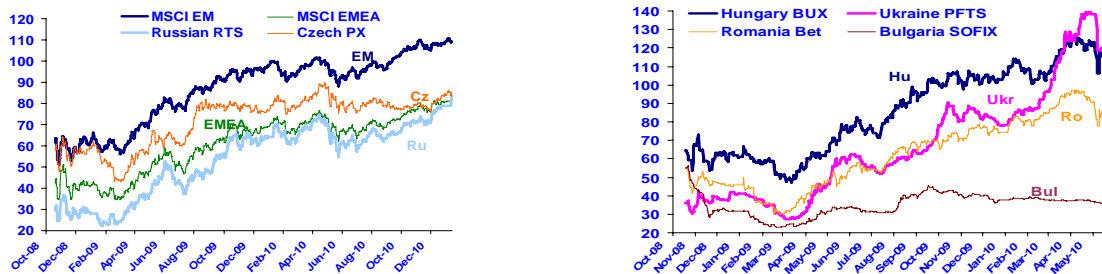
Source: Bloomberg.

Sovereign risk (bond spreads)



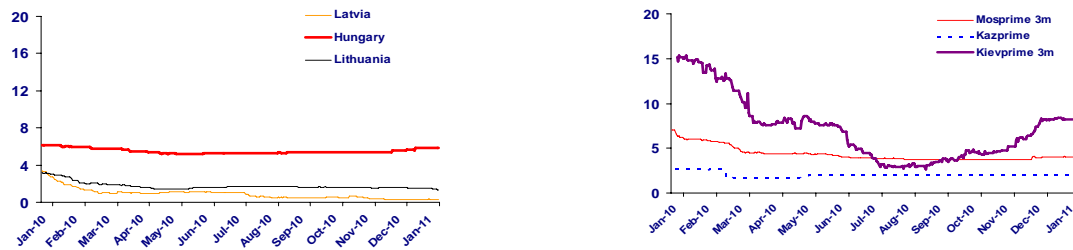
Source: Bloomberg.

Stock markets (July 2008=100)



Source: Bloomberg.

Interbank rates



Source: Bloomberg.

Figure 3. Indicators of real activity: GDP and industrial production

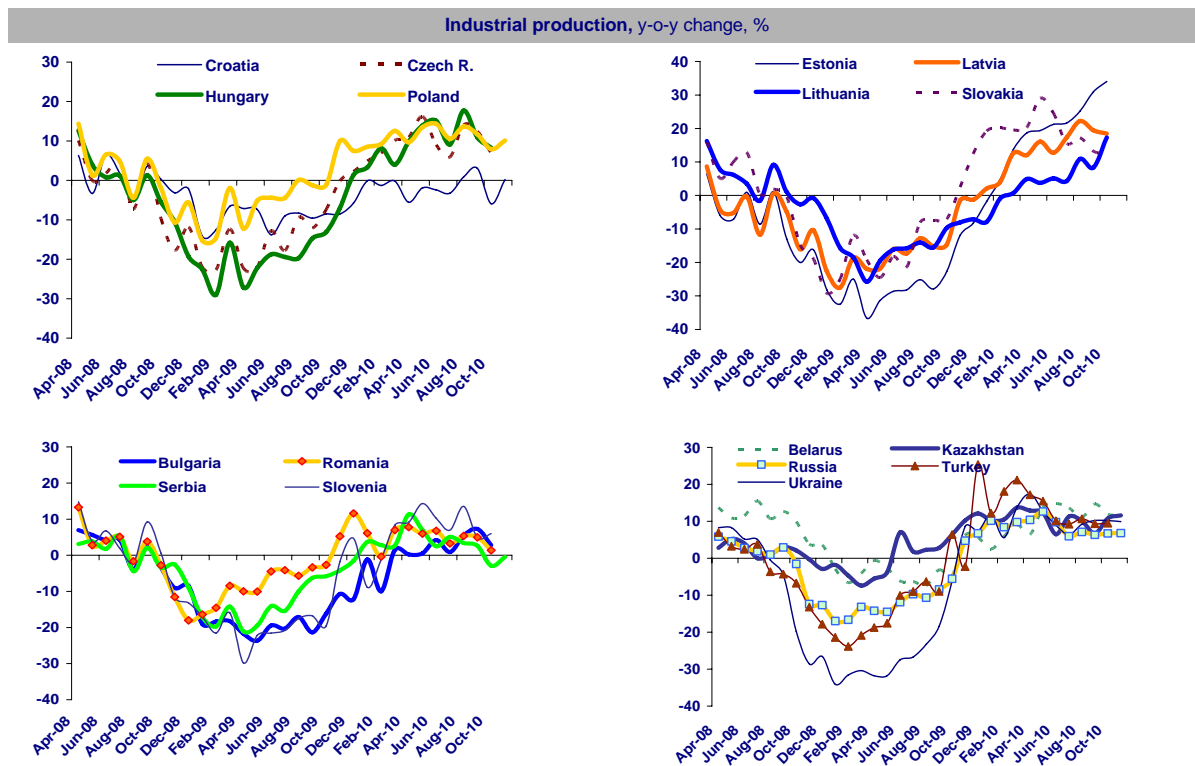
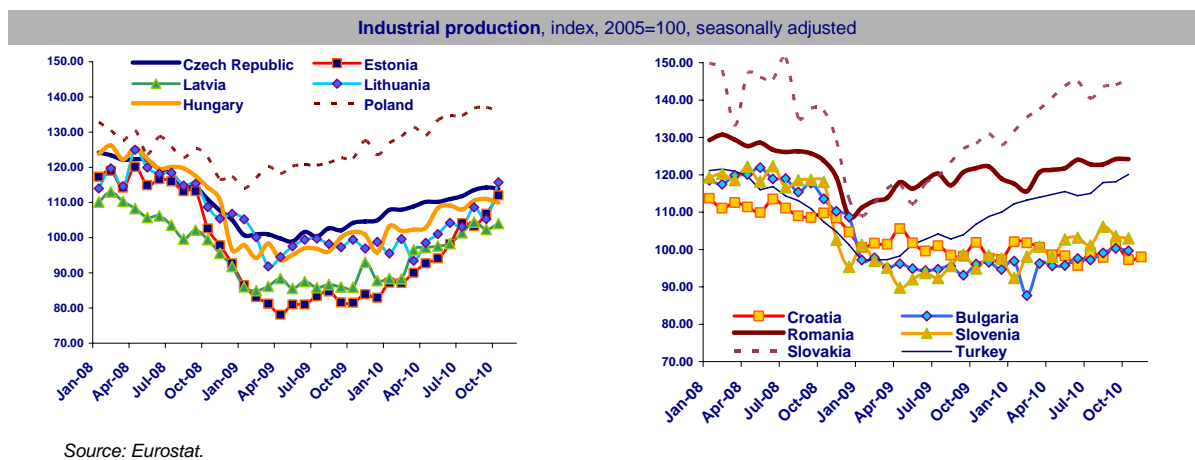
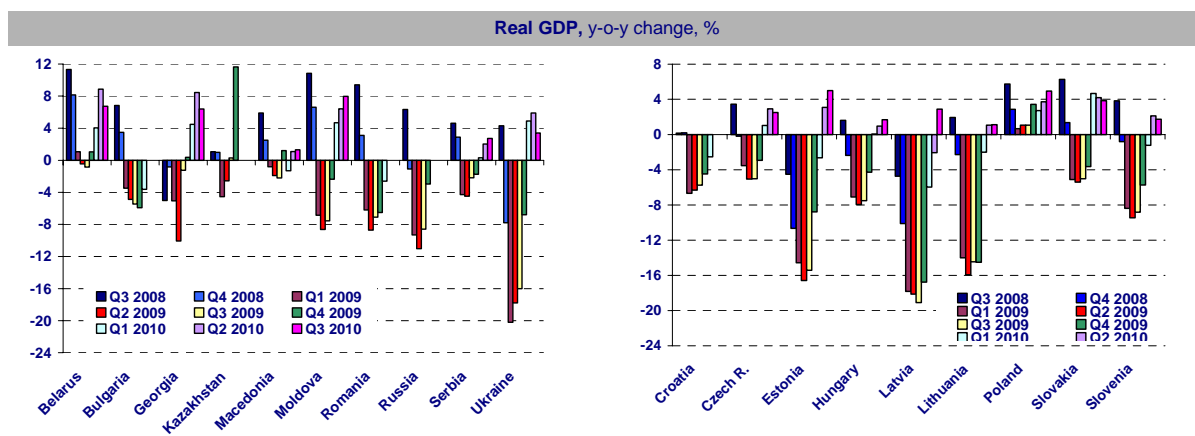
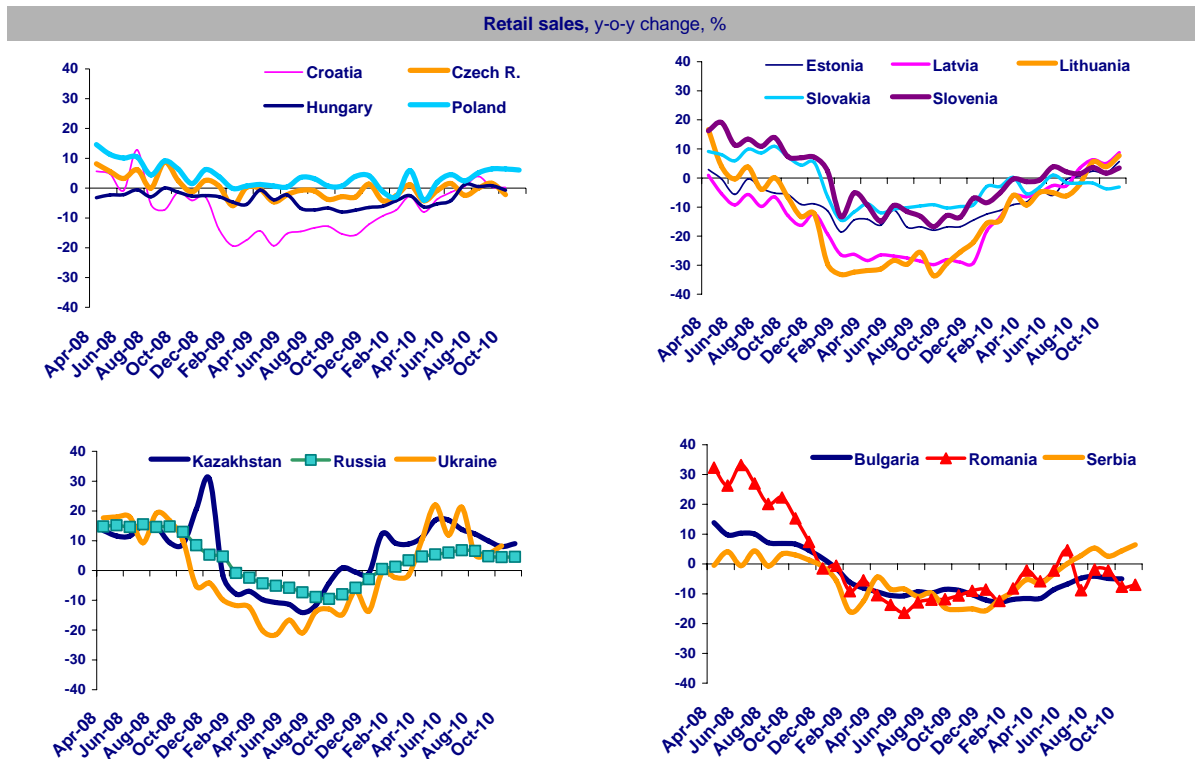
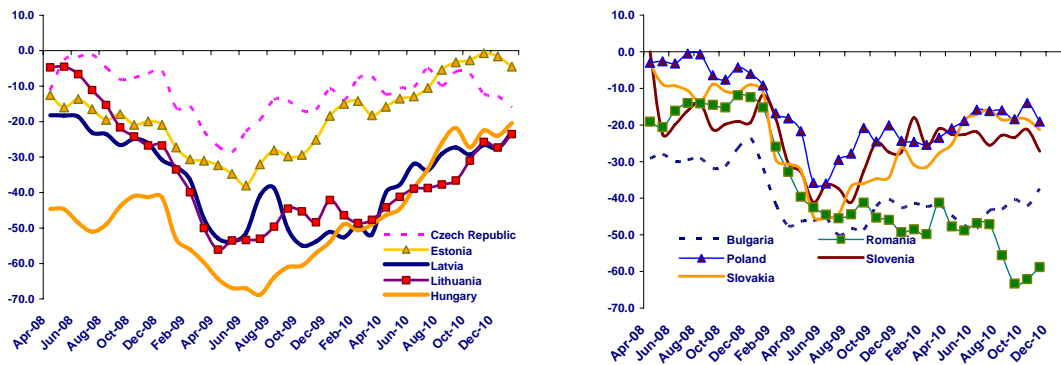


Figure 4. Indicators of real activity: retail sales and confidence indexes



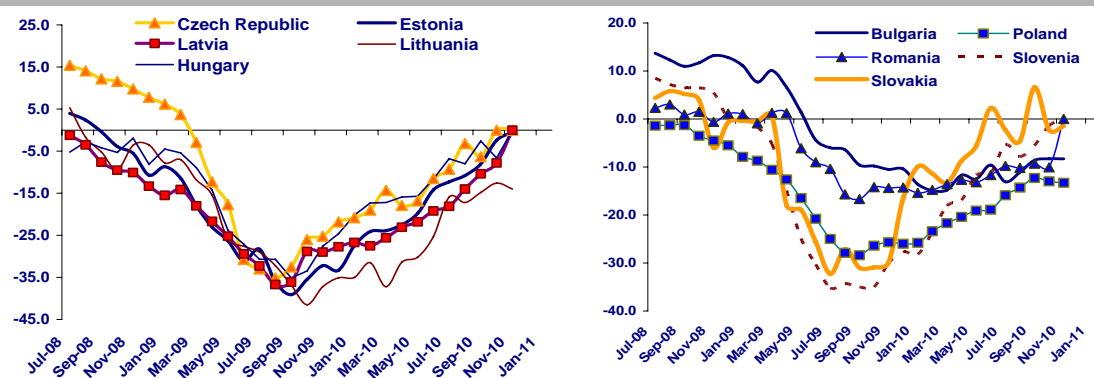
Source: National authorities via CEIC data service.

Consumer confidence, seasonally adjusted balances, defined as the difference (in percentage points of total answers) between positive and negative answers



Source: Eurostat.

Industrial confidence, seasonally adjusted balances, defined as the difference (in percentage points of total answers) between positive and negative answers



Source: Eurostat.

Figure 5. Indicators of real activity: CPI and unemployment

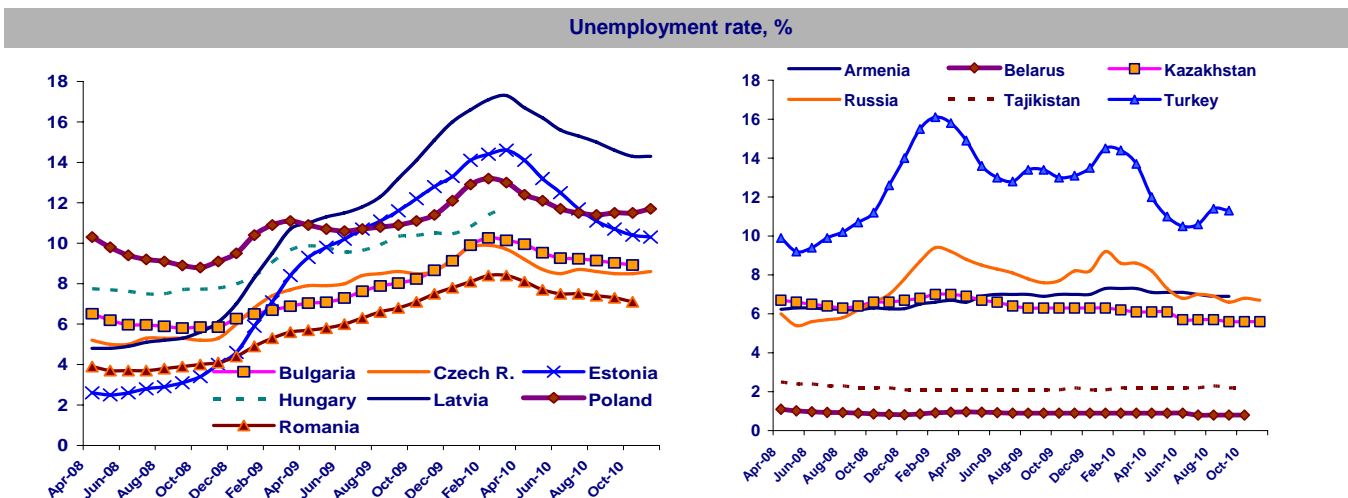
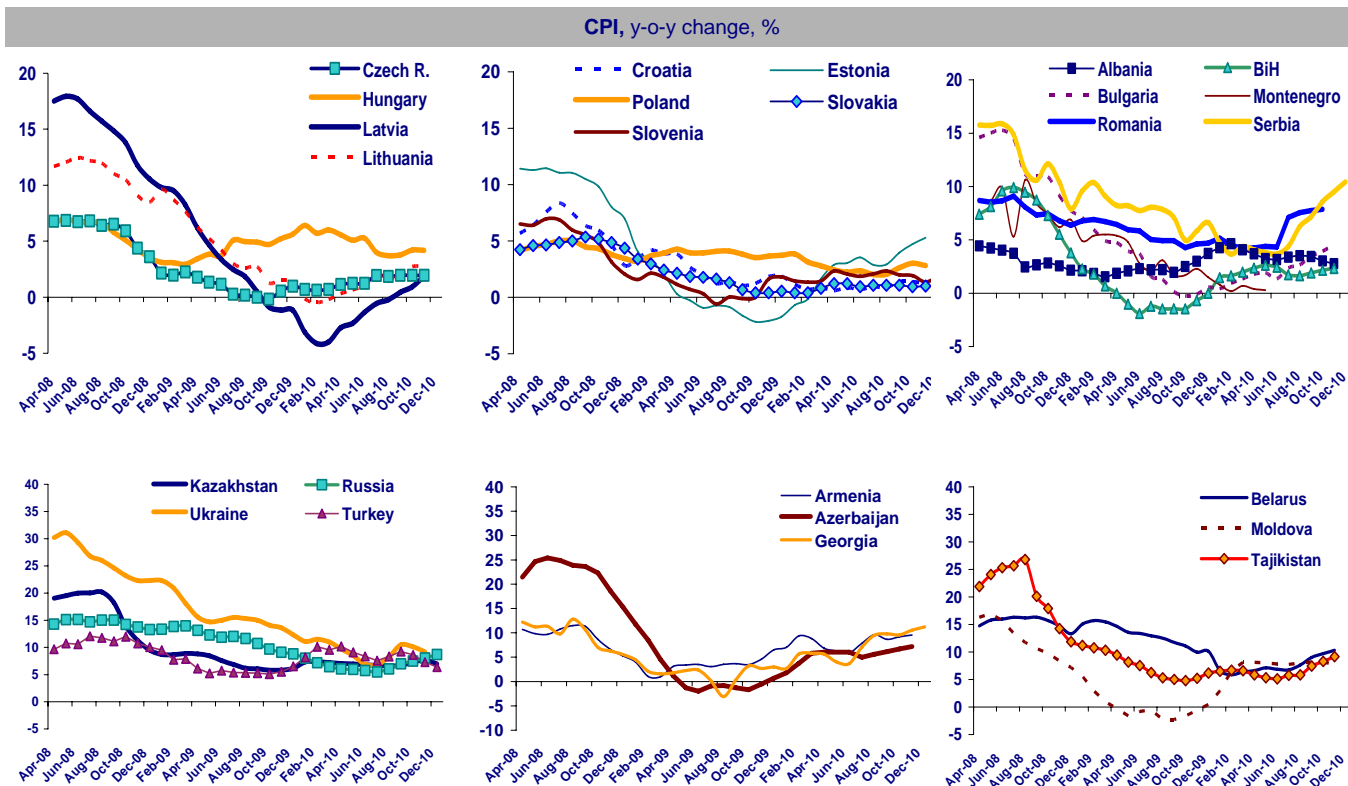
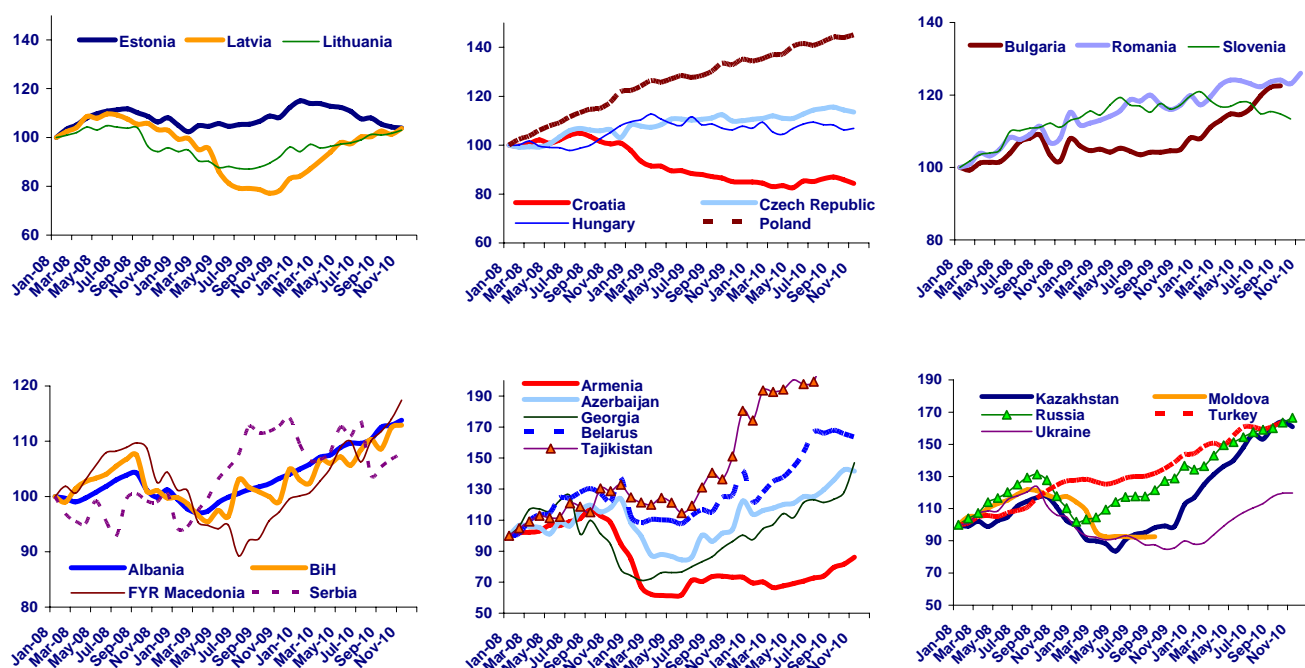


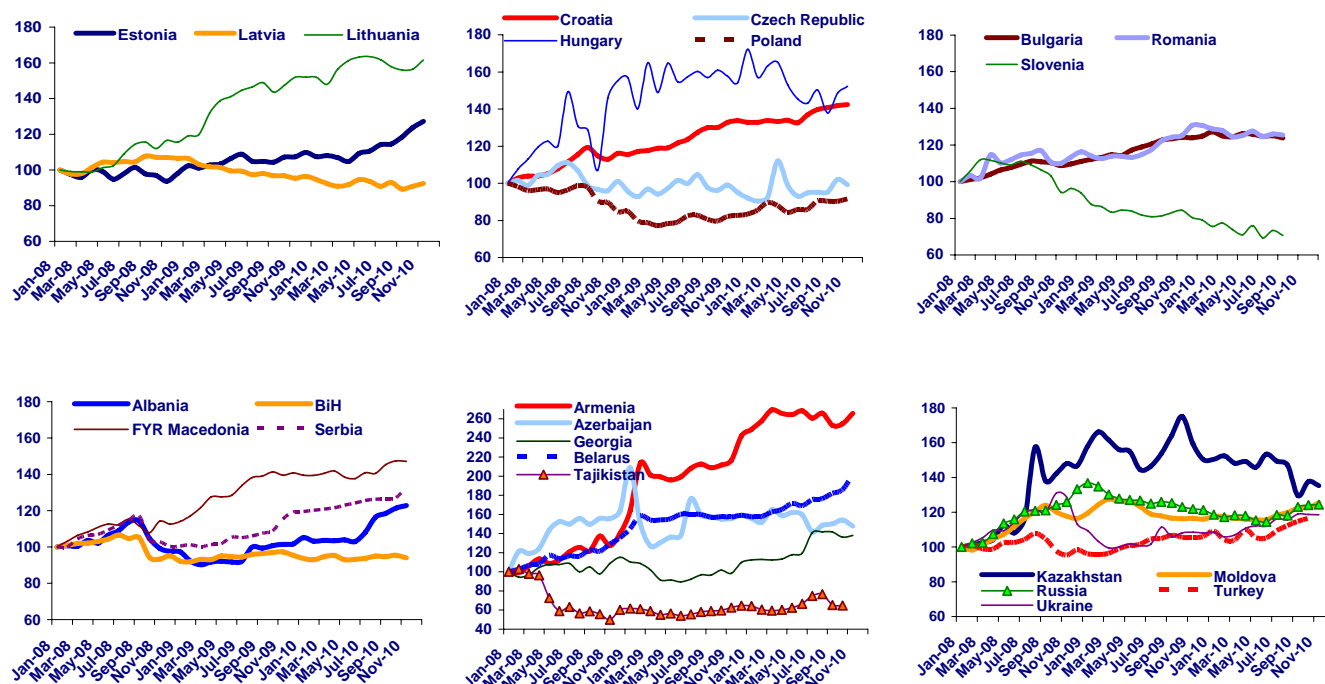
Figure 6. Financial sector indicators: deposits by currency

Local currency total deposits, stocks. January 2008 = 100



Source: National authorities via CEIC data service.

Foreign currency total deposits, stocks (FX adjusted)/1. January 2008 = 100



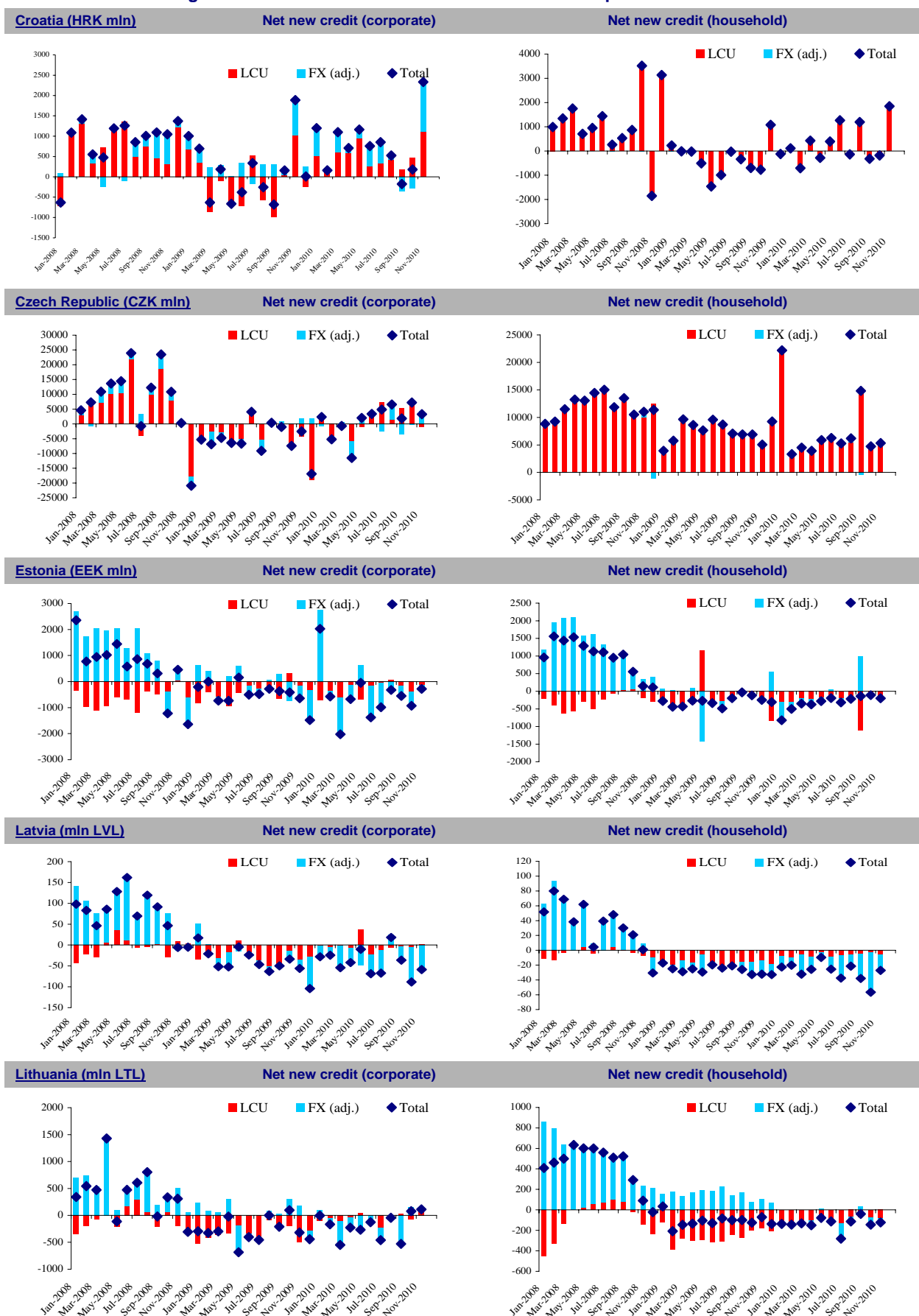
/1Composition of assumed FX Baskets (€: \$ weights): 100:0 for Bulgaria, Latvia, Lithuania, Poland, Serbia; 90:10 for Croatia and Romania; 50:50 for Albania, Armenia, Bosnia, Czech Republic, Estonia, FYR Macedonia, Georgia, Hungary, Moldova and Turkey; 20:80 for Ukraine; 15:85 for Russia, 10:90 for Kazakhstan, 0:100 for Azerbaijan and Tajikistan and 30:40:30 as a €-\$-RUB basket for Belarus.

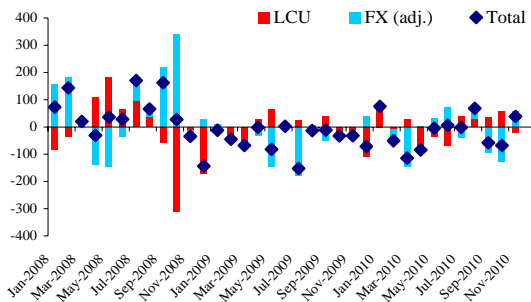
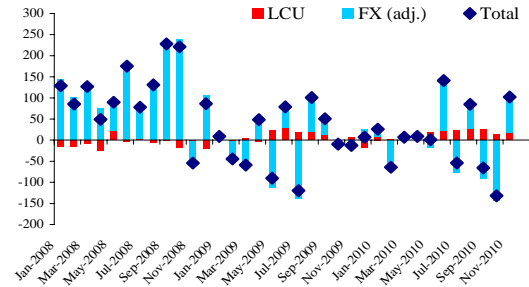
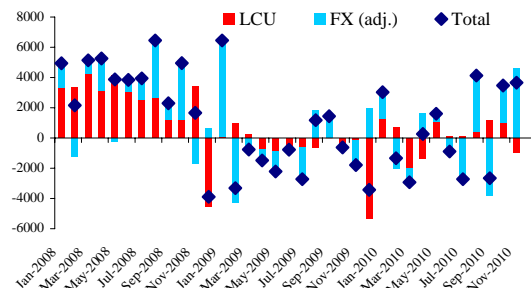
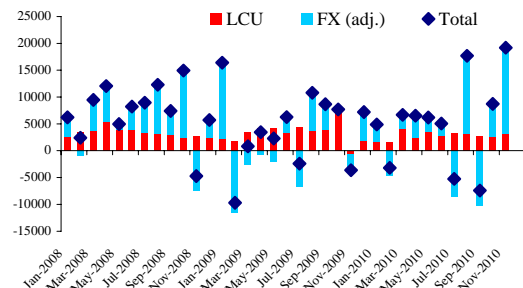
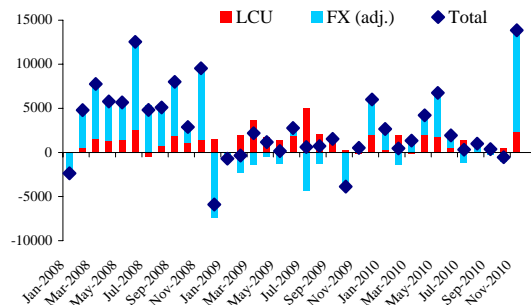
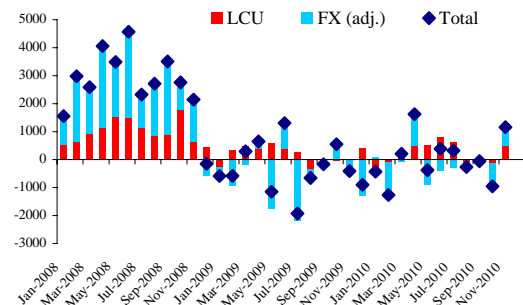
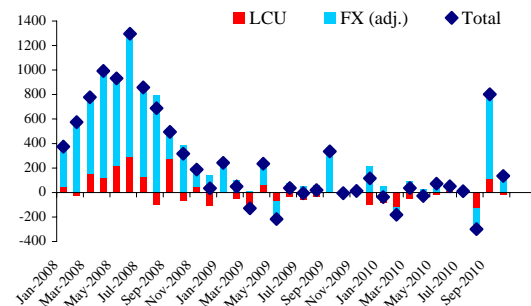
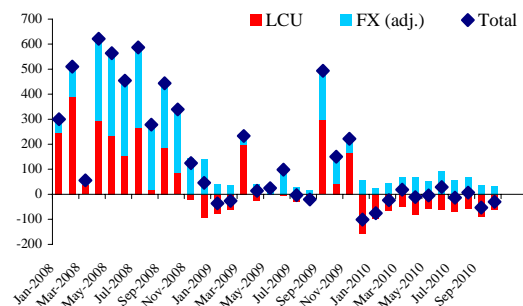
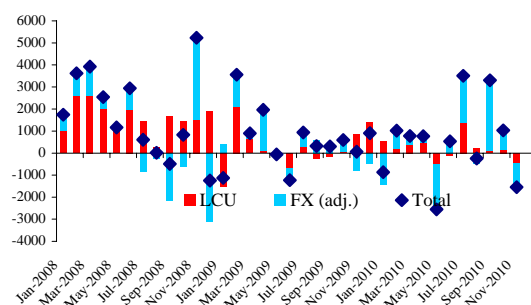
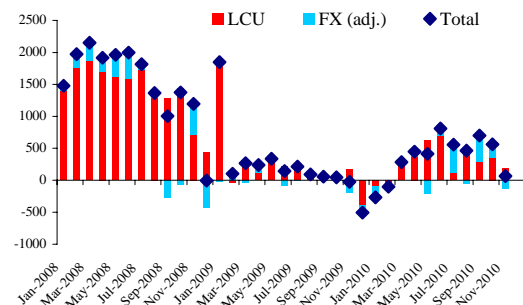
Source: National authorities via CEIC data service.

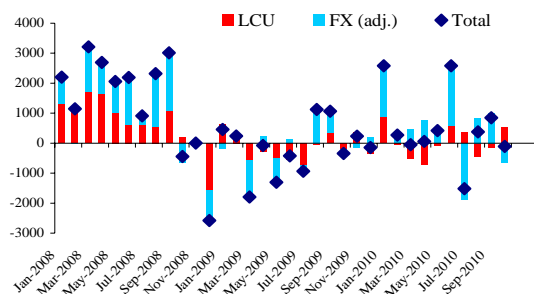
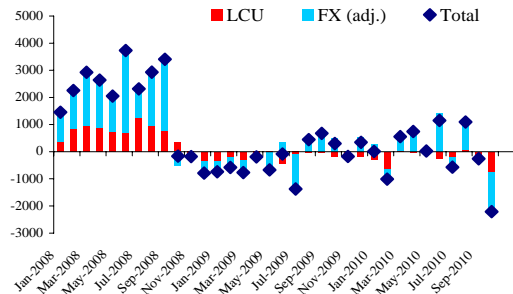
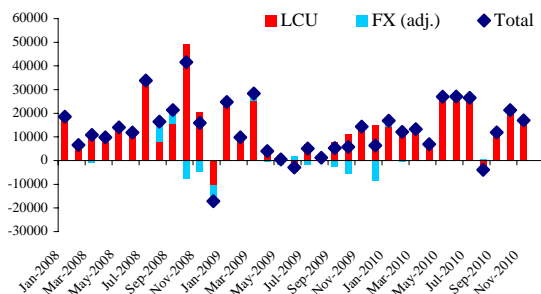
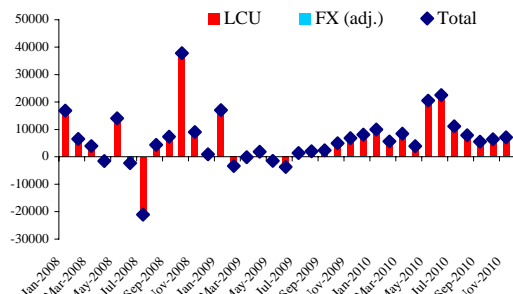
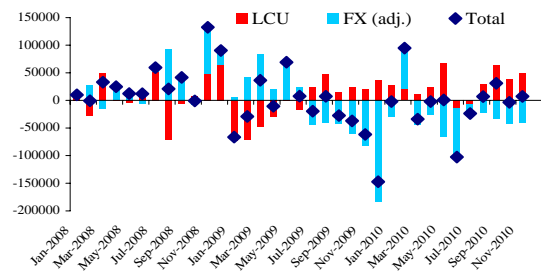
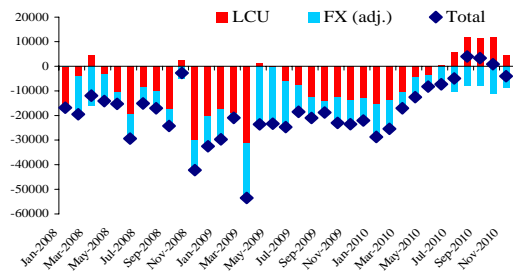
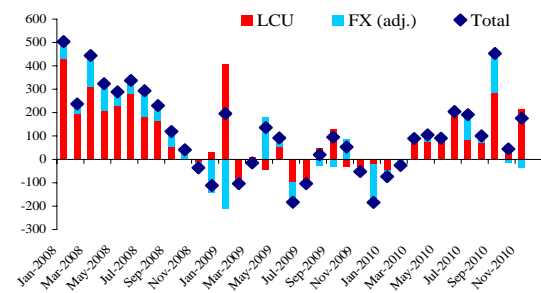
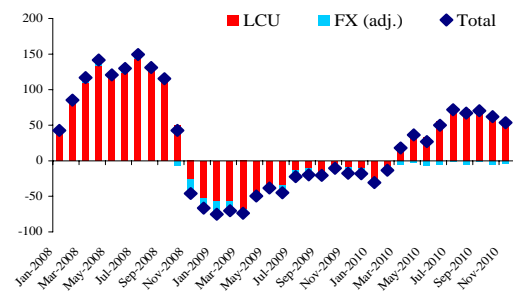
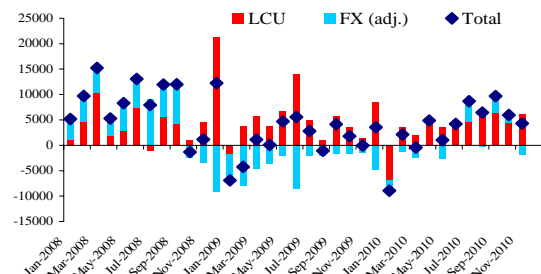
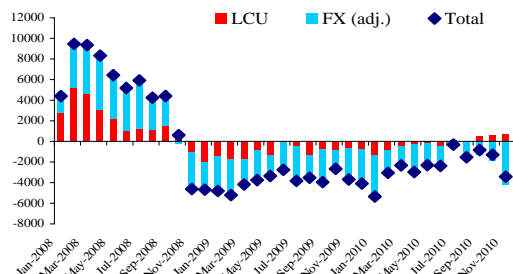
Contribution to private sector credit growth (year-on-year, in %)



Figure 7b. Financial sector indicators: new credit to private sector



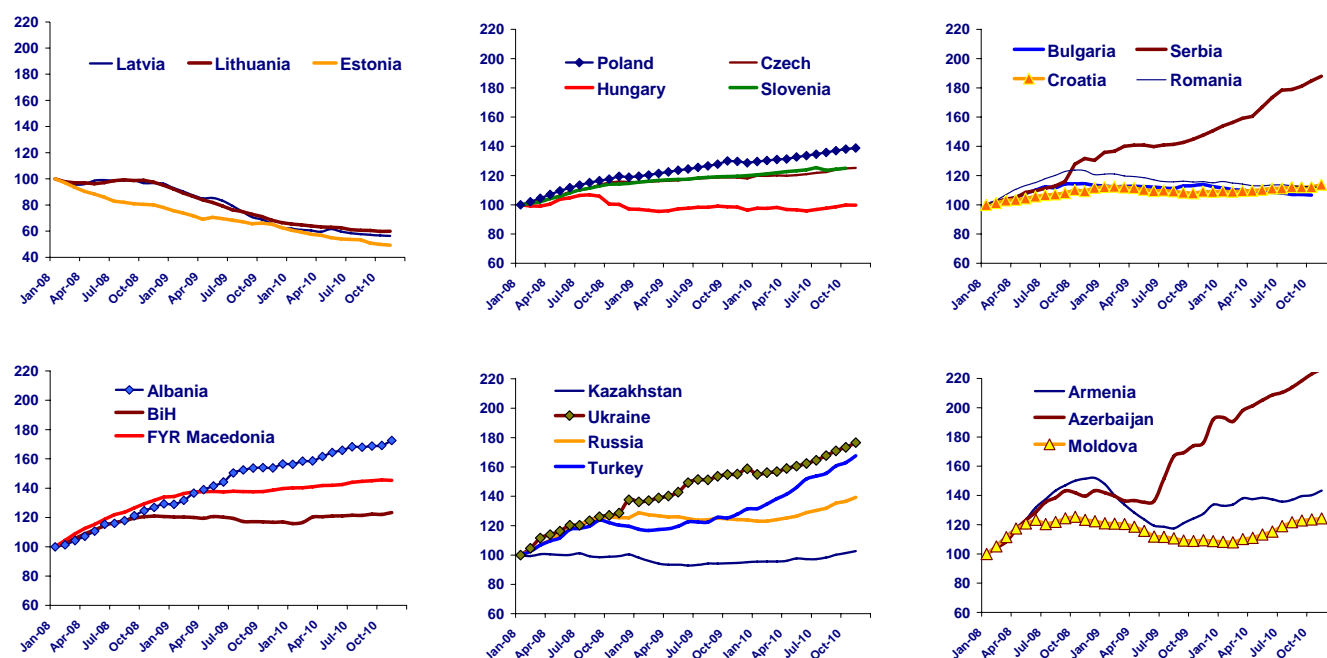
Hungary (bn HUF)**Net new credit (corporate)****Net new credit (household)****Poland (mln PLN)****Net new credit (corporate)****Net new credit (household)****Albania (mln ALL)****Net new credit (corporate)****Net new credit (household)****Bulgaria (mln BGN)****Net new credit (corporate)****Net new credit (household)****FYR Macedonia (mln MKD)****Net new credit (corporate)****Net new credit (household)**

Romania (mln RON)**Net new credit (corporate)****Net new credit (household)****Serbia (mln RSD)****Net new credit (corporate)****Net new credit (household)****Kazakhstan (mln KZT)****Net new credit (corporate)****Net new credit (household)****Russia (bn RUB)****Net new credit (corporate)****Net new credit (household)****Ukraine (mln UAH)****Net new credit (corporate)****Net new credit (household)**

Source: National authorities via CEIC data service.

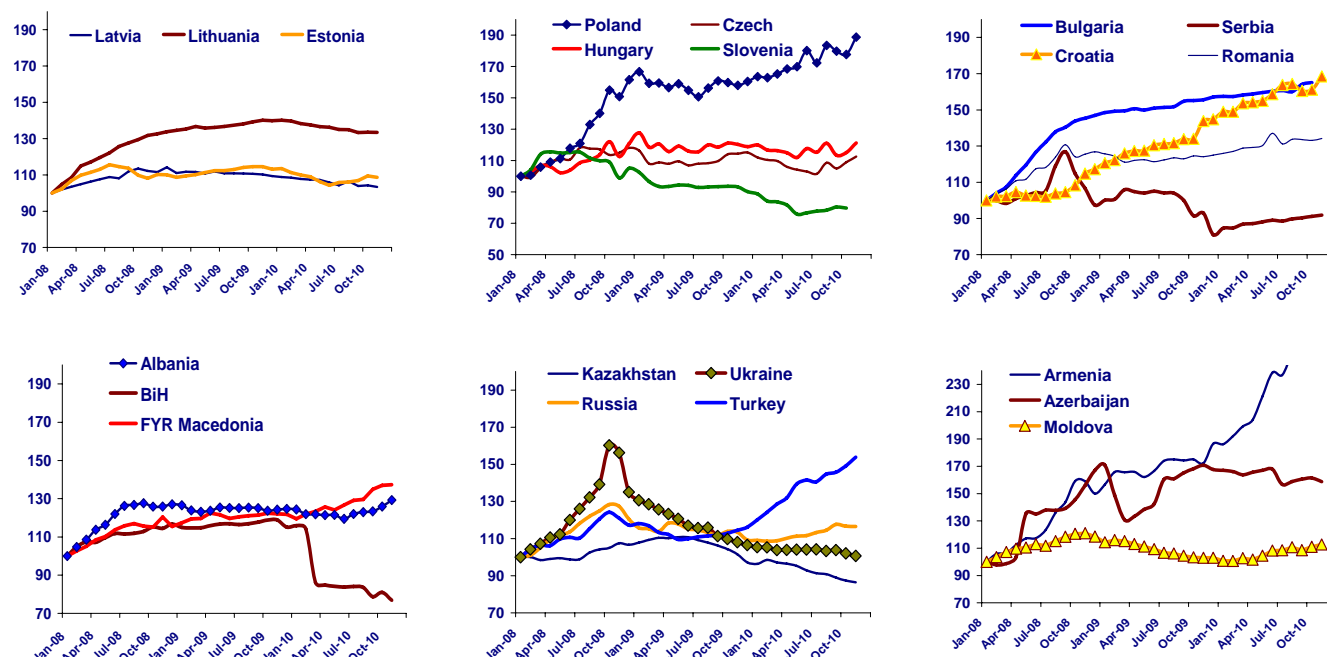
Figure 8. Financial sector indicators: private sector credit by currency components

Local currency private sector credit, amounts outstanding. January 2008 = 100



Source: National authorities via CEIC data service.

Foreign currency private sector credit, amounts outstanding (FX adjusted). January 2008 = 100



/1Composition of assumed FX Baskets (€:\$ weights): 100:0 for Bulgaria, Latvia, Lithuania, Poland, Serbia; 90:10 for Croatia and Romania; 50:50 for Albania, Armenia, BiH, Czech Republic, Estonia, FYR Macedonia, Georgia, Hungary, Moldova and Turkey; 20:80 for Ukraine; 15:85 for Russia, 10:90 for Kazakhstan, 0:100 for Azerbaijan and Tajikistan and 30:40:30 as a €-\$-RUB basket for Belarus.

Source: National authorities via CEIC data service.