



WORLD BANK

Europe and Central Asia

Presentation by Laura Tuck,
Vice President, ECA;
and Hans Timmer,
Chief Economist, ECA.

April 9, 2014

Meetings

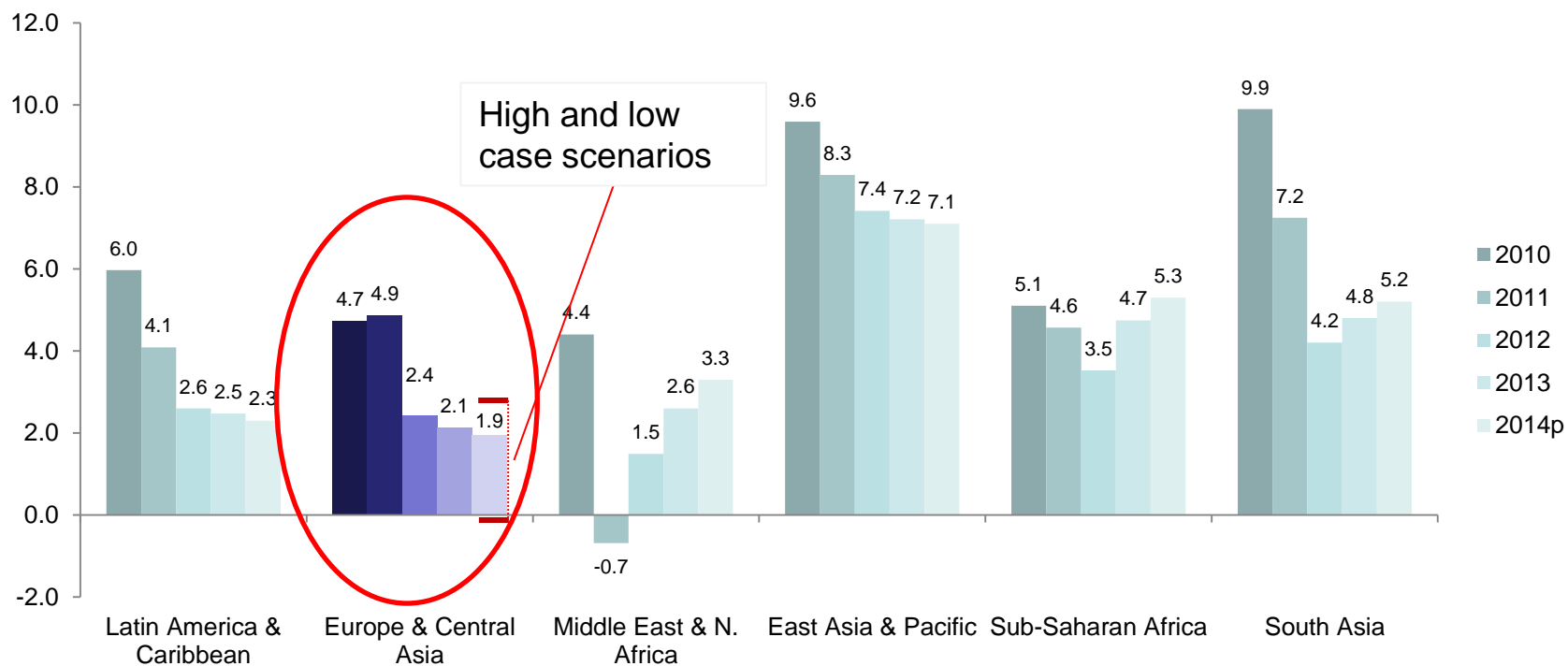
Emerging Europe And Central Asia At a Crossroads

- **Growth outlook in 2014 for Emerging Europe and Central Asia is much lower than what we expected—particularly in the eastern part of the region—and is projected to be the lowest among all developing regions.**
- **The region needs to pursue tough reforms to set the stage for boosting shared prosperity and creating jobs. This will also help build resilience to future shocks and build the foundation for strong growth.**
- **Political tensions may affect not only the Russian and Ukrainian economies, but also other economies in the region.**



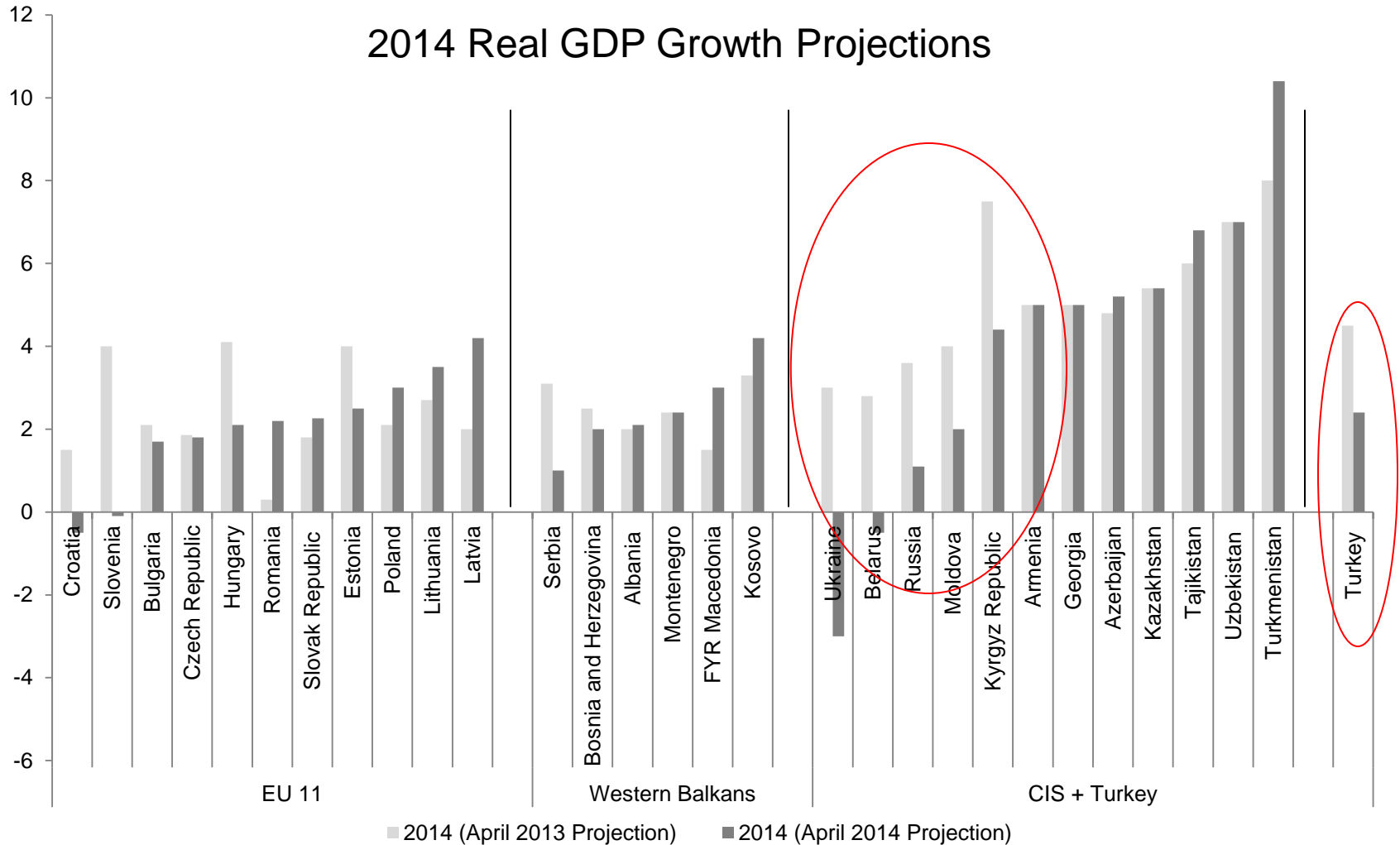
Economic Growth in ECA is expected to be the lowest among all developing regions in 2014

GDP Growth (%), weighted average by region



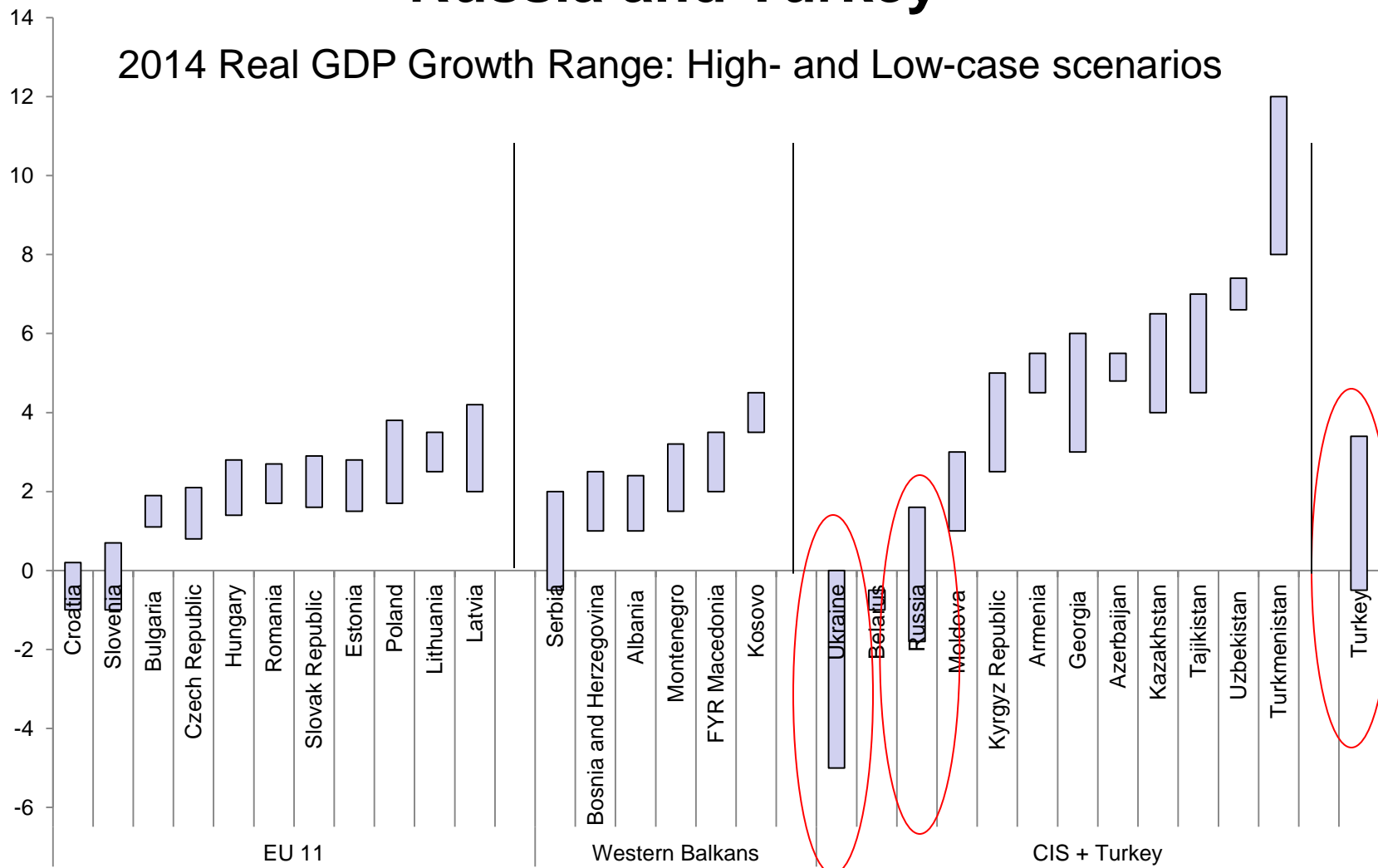
Source: World Bank

Many CIS countries and Turkey's growth prospects have been revised down



Note: CIS includes Georgia and Ukraine

....and there is a wide gap between high-case and low-case scenarios, particularly for Ukraine, Russia and Turkey



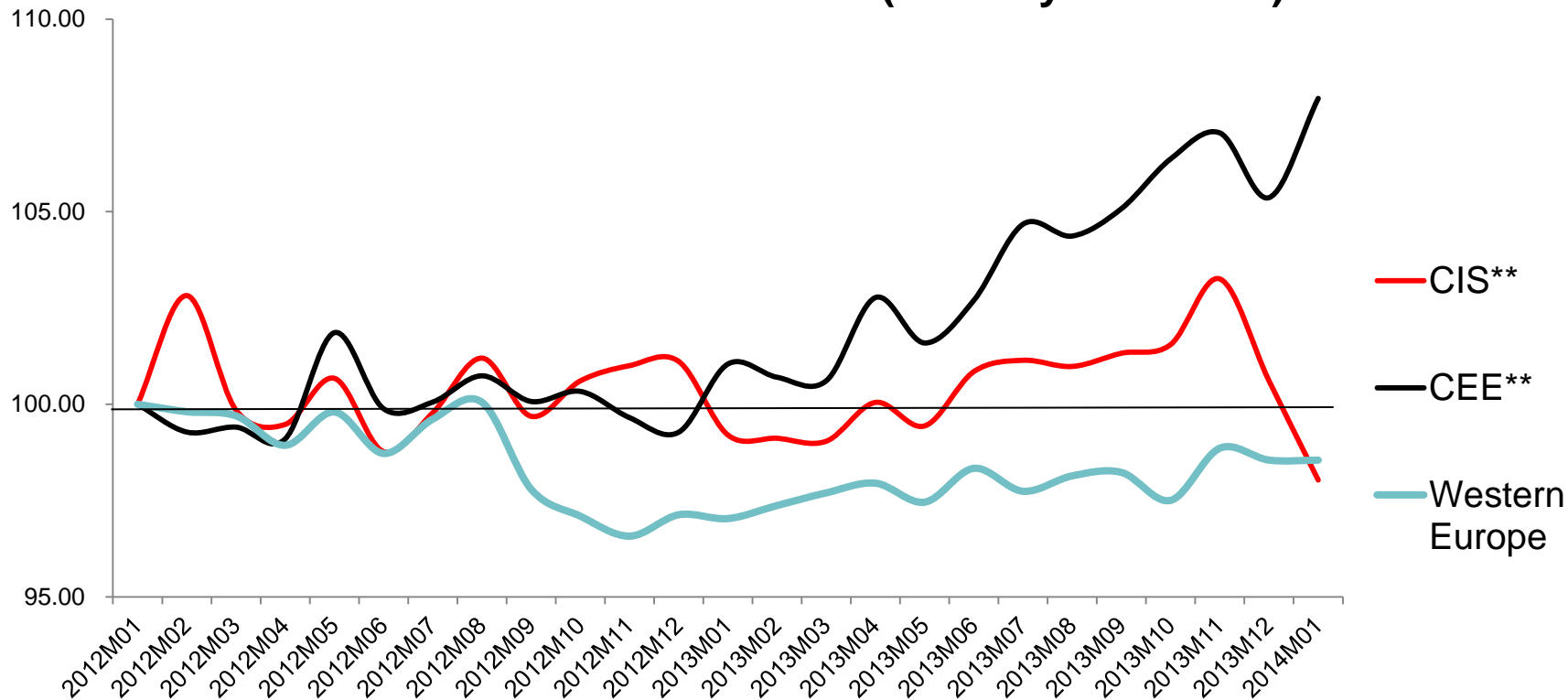
Note: CIS includes Georgia and Ukraine



Growth outlook in 2014 for Emerging Europe and Central Asia is much lower than what we expected—particularly in the eastern part of the region—and is projected to be the lowest among all developing regions.

Industrial Production has suddenly slowed for the CIS countries

Industrial Production Index* (January 2012=100)

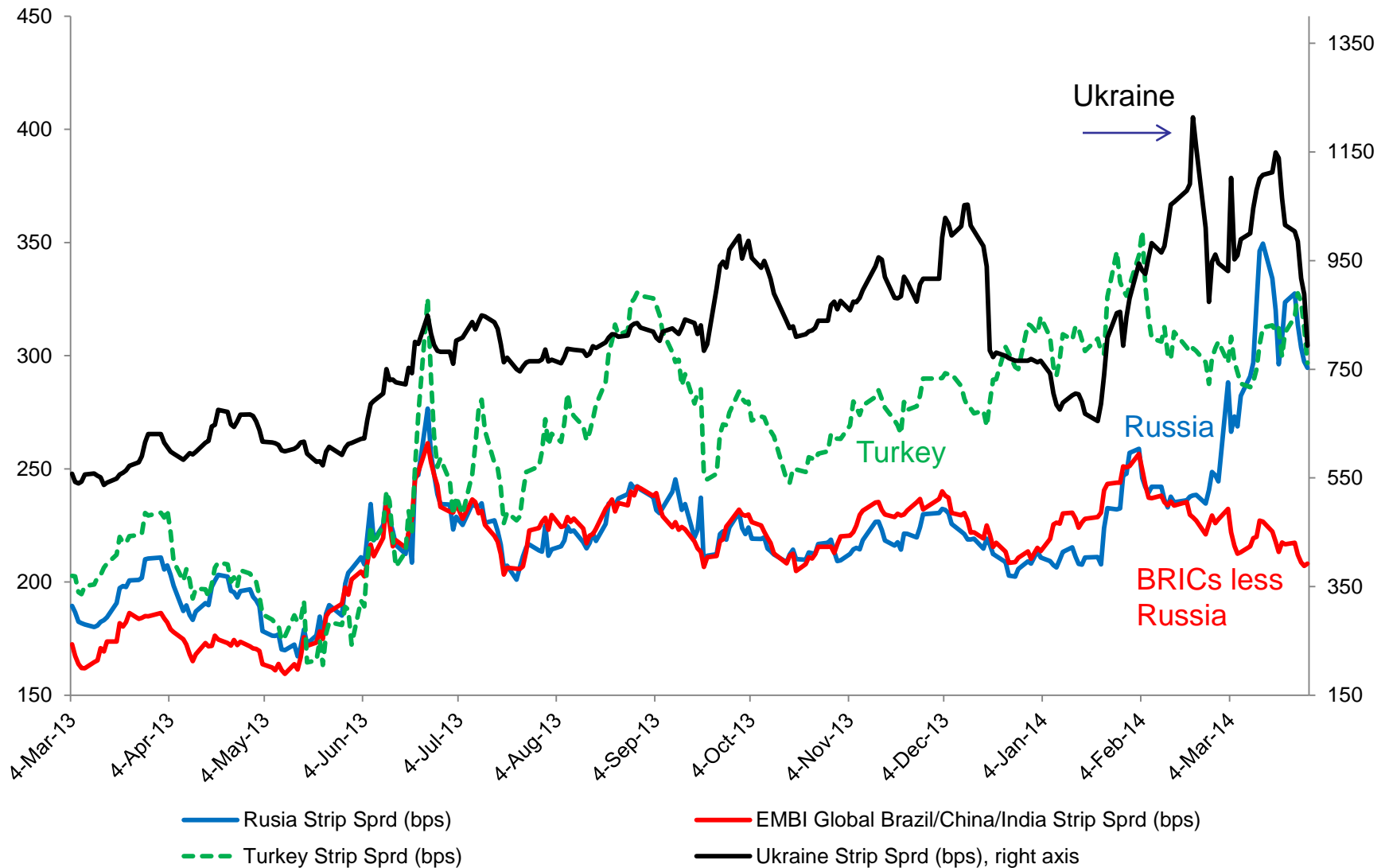


*The industrial sector includes manufacturing, mining, and utilities. Underlying data is in constant US\$, seasonally adjusted.

** CIS includes Russia, Armenia, Ukraine and Kazakhstan, CEE includes Slovak Republic, Hungary, Poland, Bulgaria, Croatia and Romania



Spreads have increased in Turkey, Russia and Ukraine

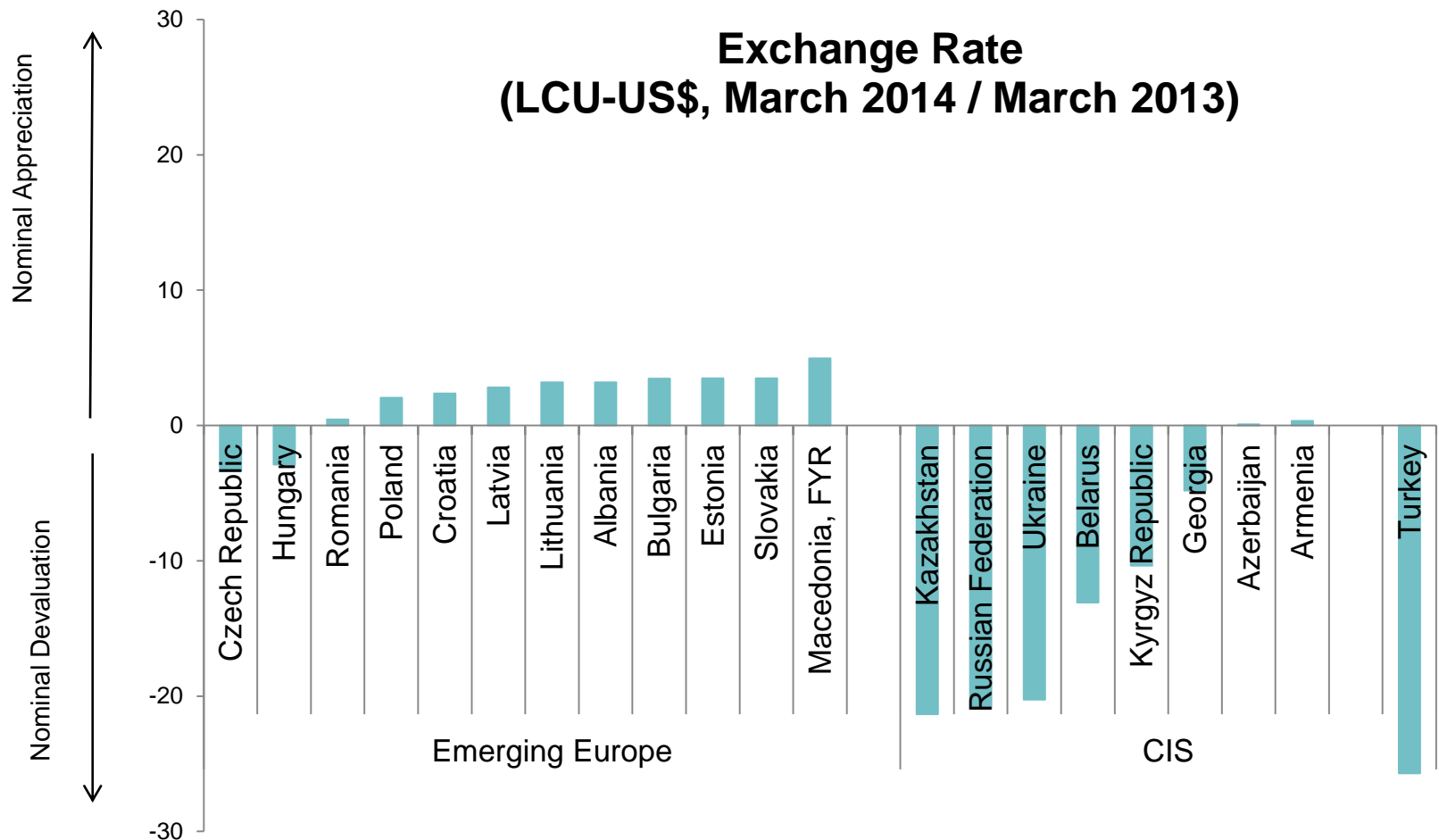


Courtesy JPMorgan Index Research, Copyright 2014




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Nominal exchange rates have weakened



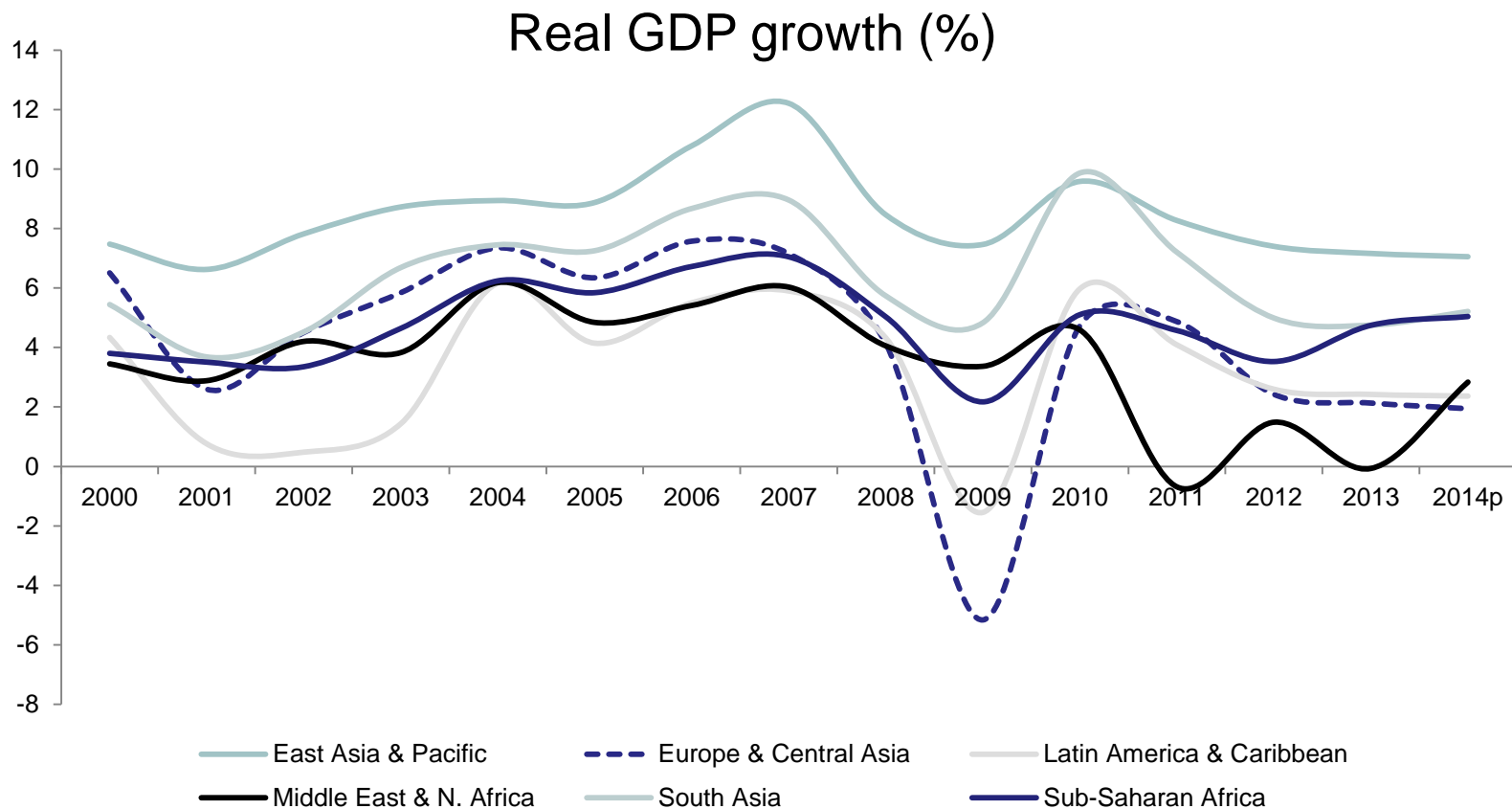
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The region needs to pursue tough reforms to set the stage for boosting shared prosperity and creating jobs. This will also help build resilience to future shocks and build the foundation for strong growth.

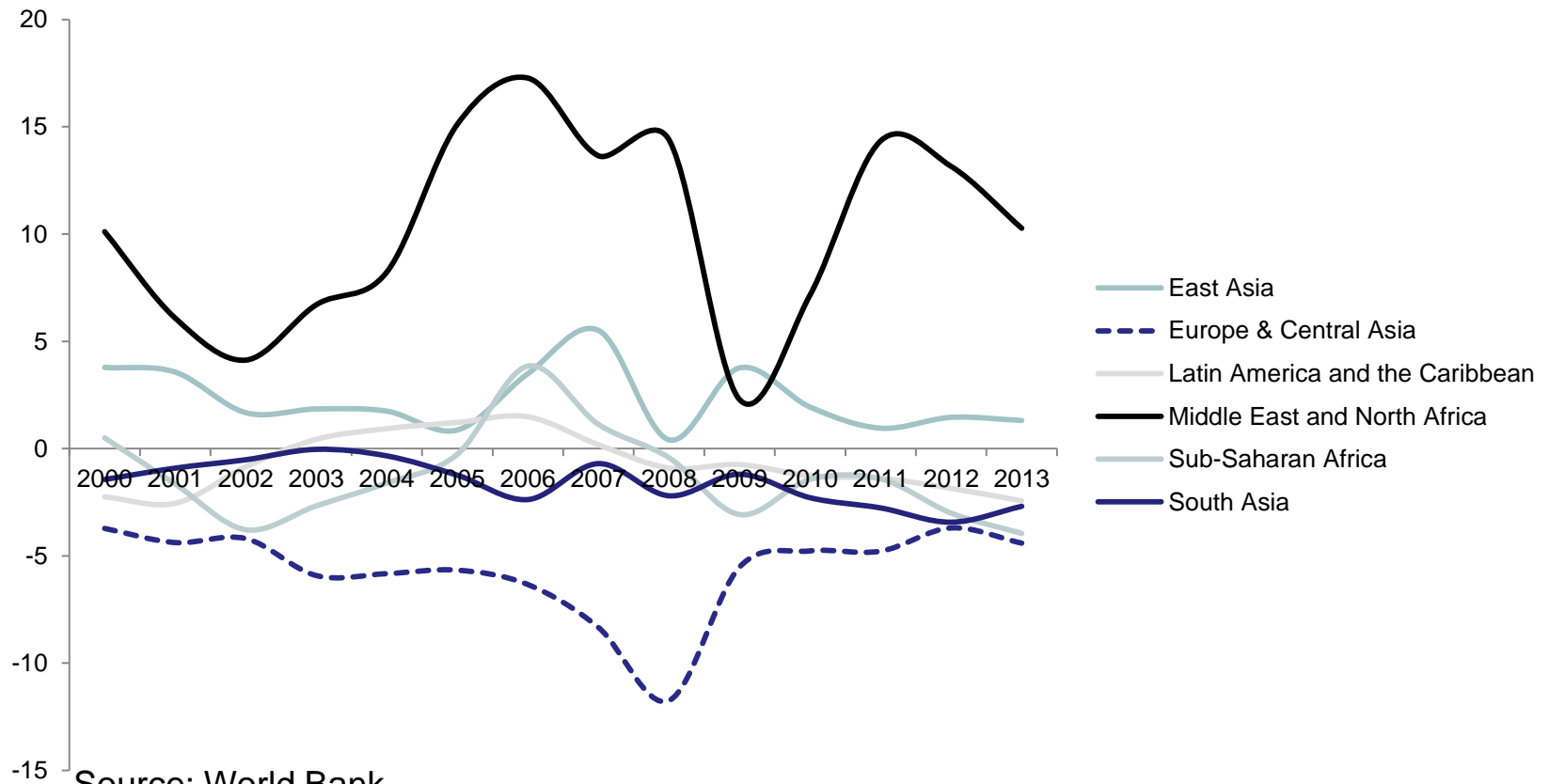
ECA was the hardest hit and has been the slowest to recover since the Crisis



Source: World Bank

Current account deficits remain large compared to other regions

Current Account balance as percent of GDP

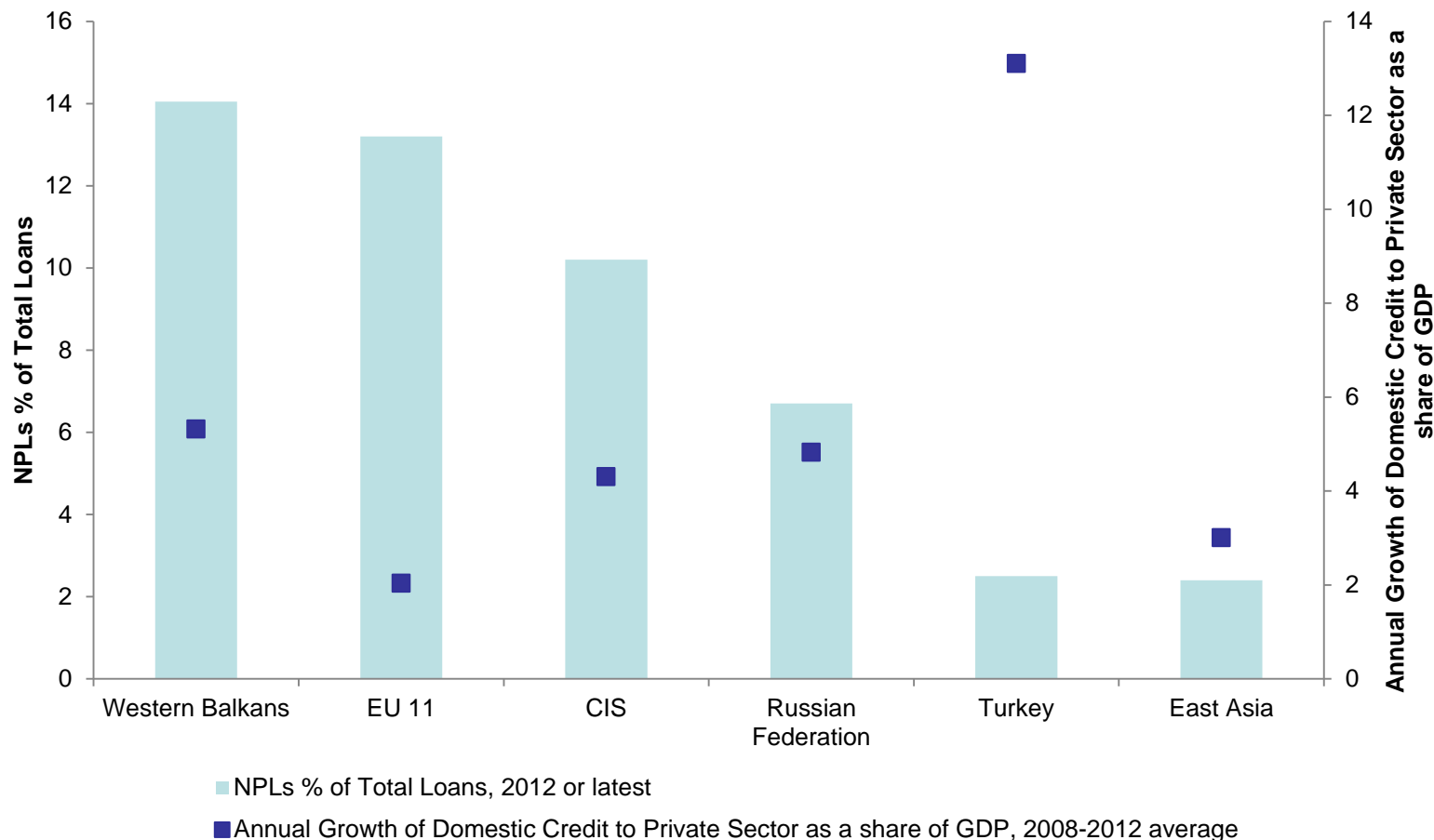


Source: World Bank

*Excludes Russian Federation

**Excludes China

Ongoing banking sector weakness has contributed to low private credit growth

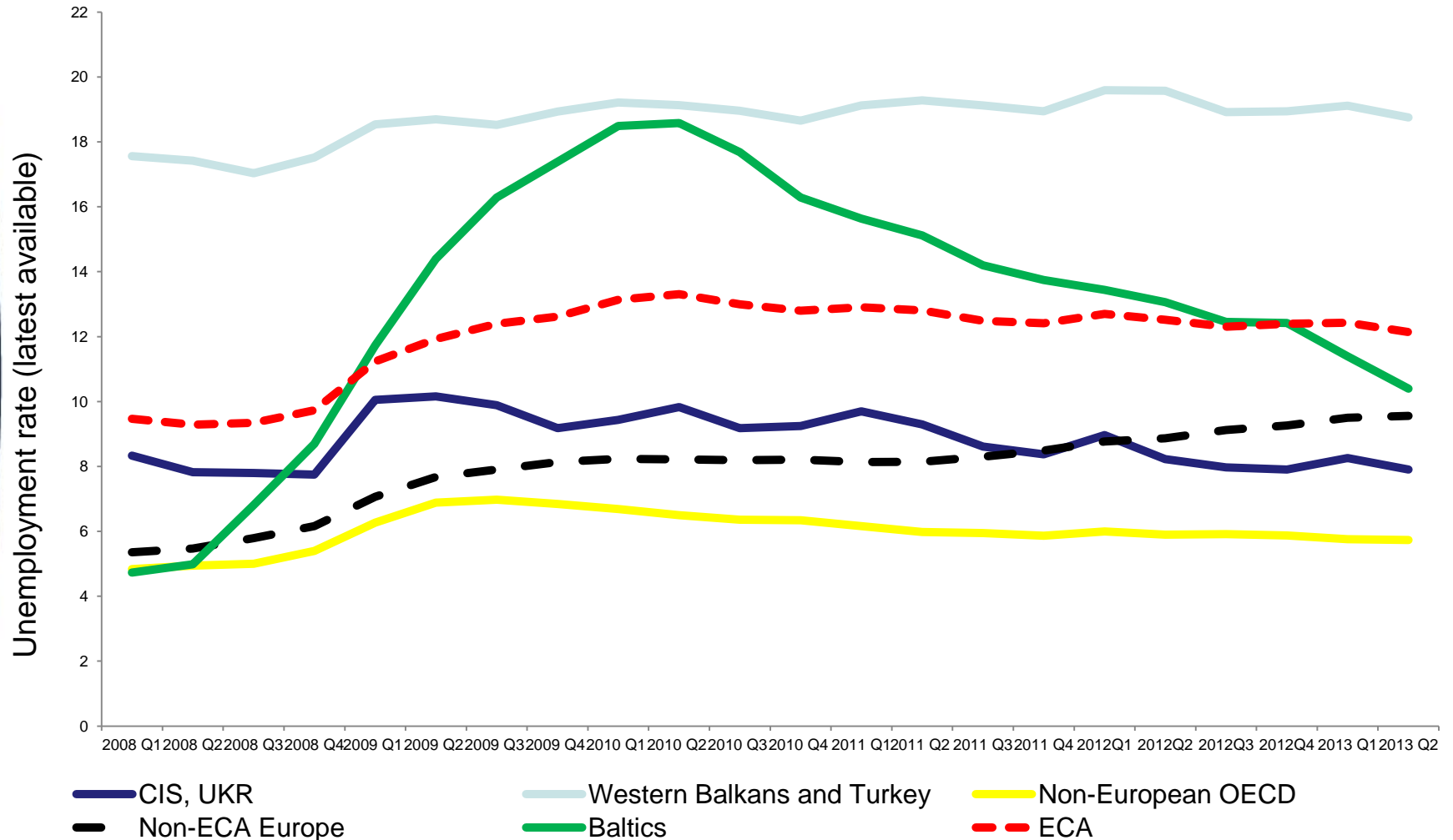


Source: World Bank

Note: East Asia excludes China, CIS includes Georgia and Ukraine



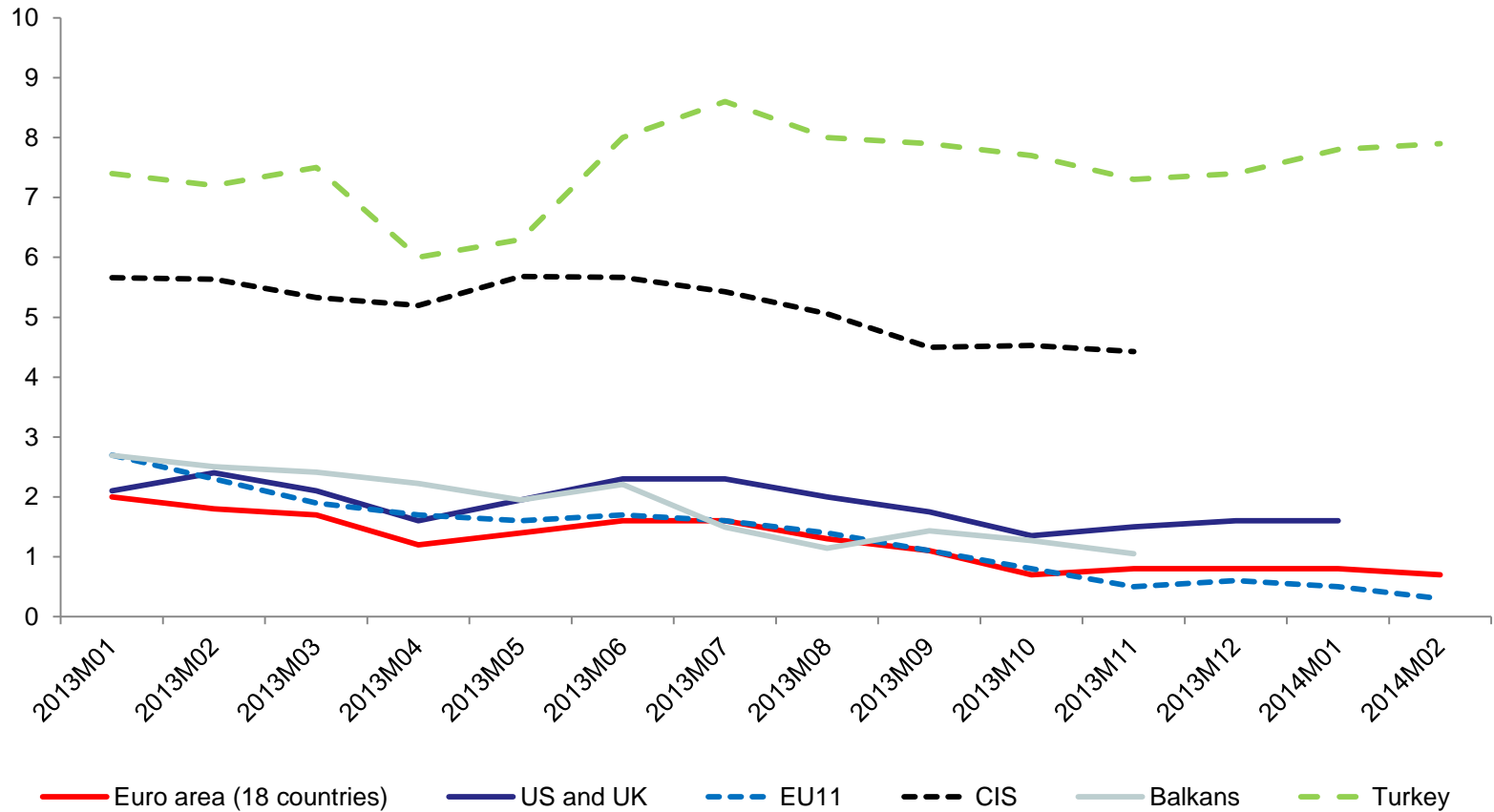
Unemployment has stabilized at very high levels across most of ECA economies



Source: Calculation based on ILO seasonally adjusted data.

Which is putting downward pressure on prices

Consumer Price Index (Annual Rate of Change)



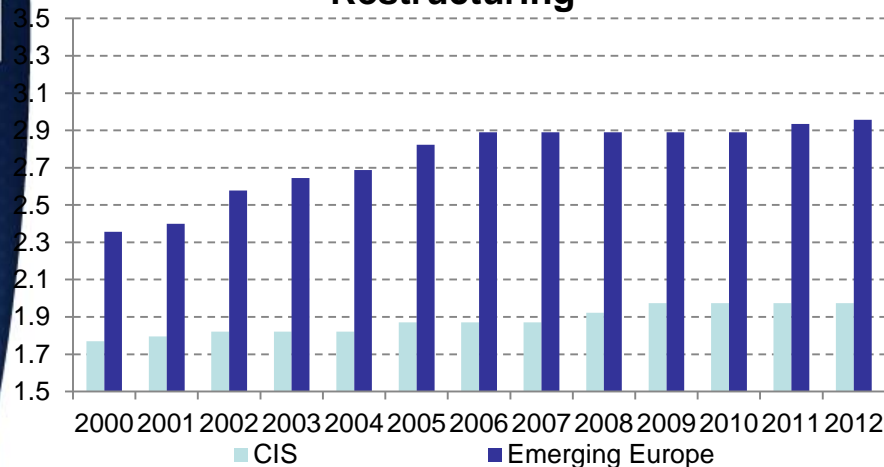
Note: CIS includes Georgia and Ukraine



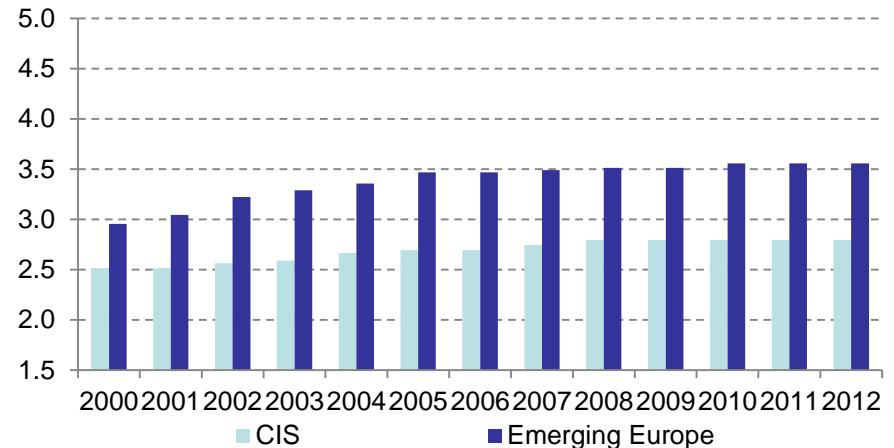
While structural reforms took place, it has slowed and large gaps remain for the CIS

EBRD Transition Indexes

Governance and Enterprise Restructuring



Large Scale Privatization

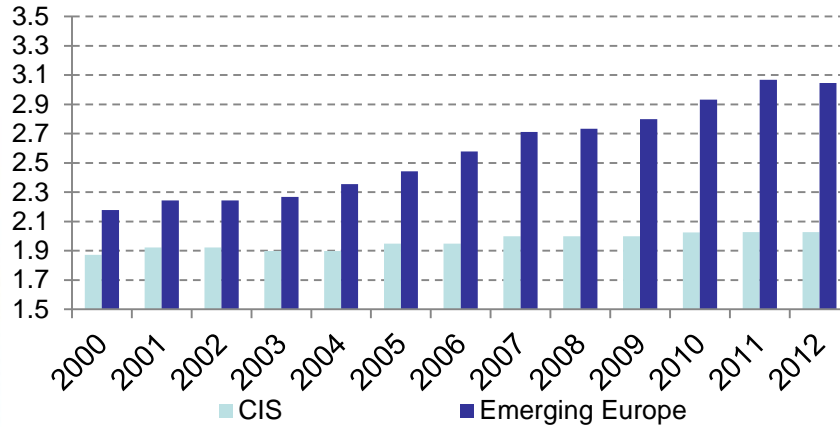


The measurement scale for the indicators ranges from 1 to 4+, where 1 represents little or no change from a rigid centrally planned economy and 4+ represents the standards of an industrialized market economy. CIS includes Georgia and Ukraine.

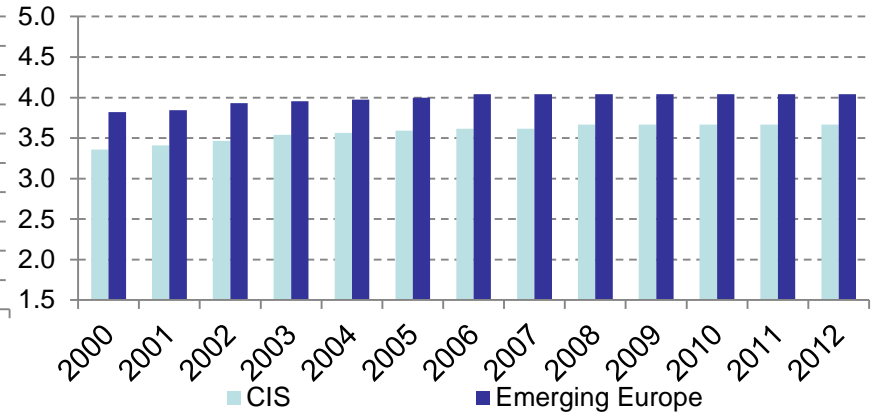


...including

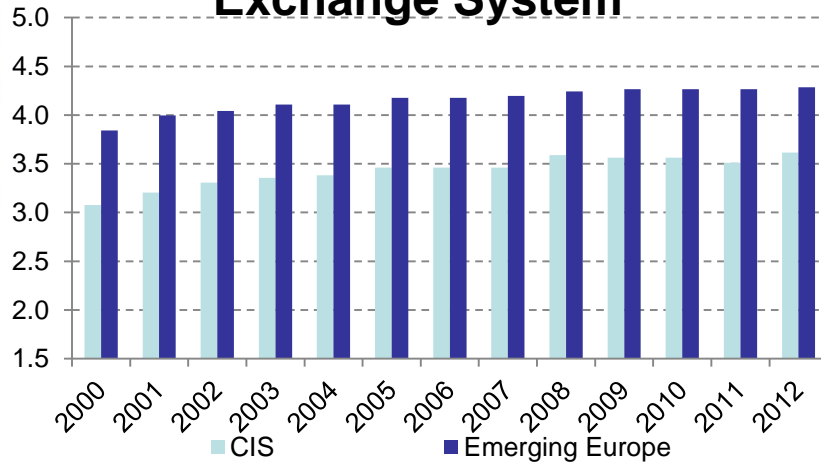
Competition Policy



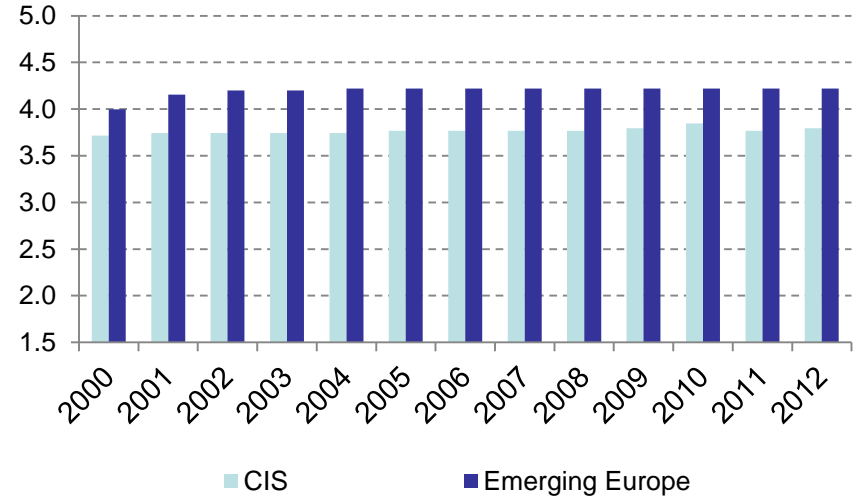
Small Scale Privatization



Trade and Foreign Exchange System



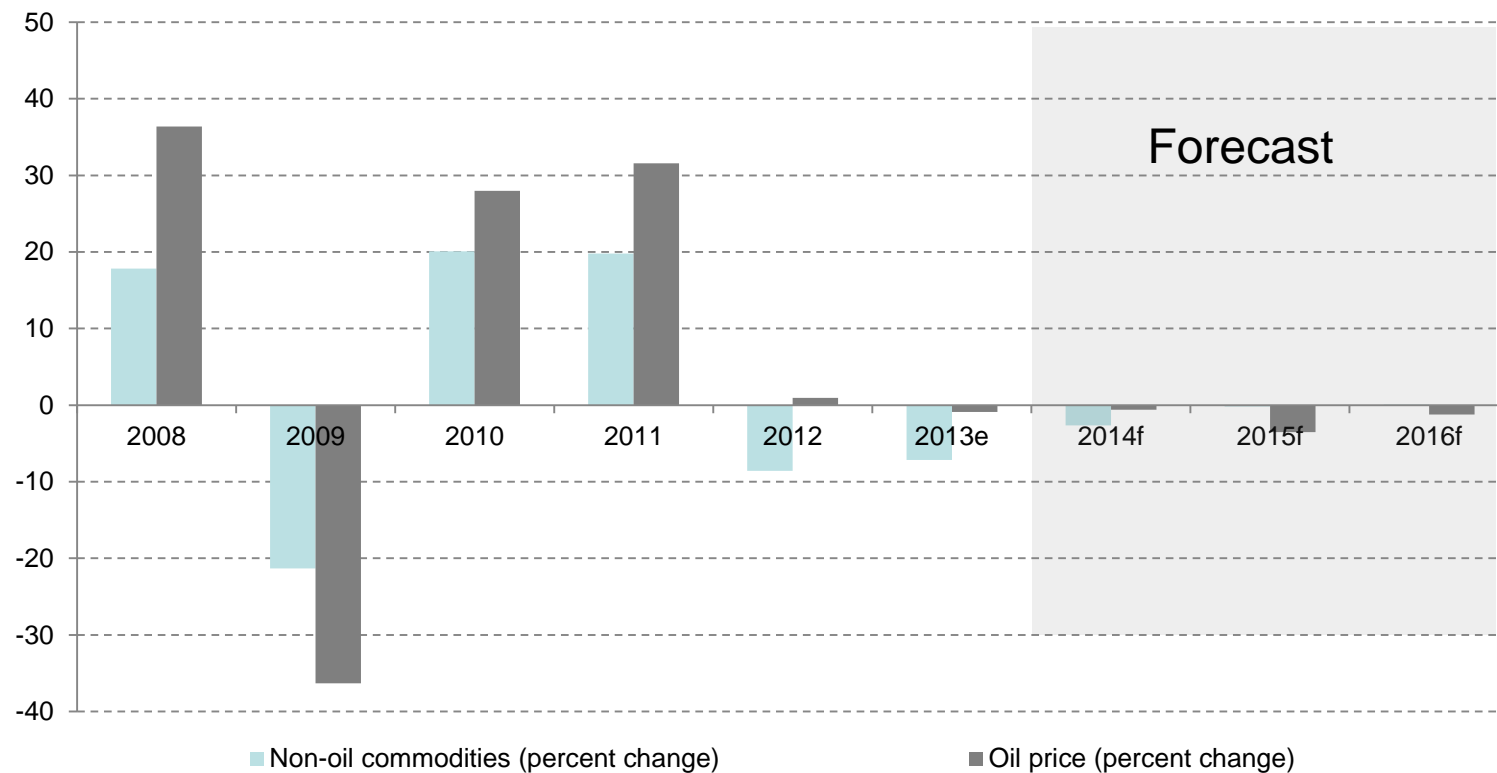
Price Liberalization



CIS includes Georgia and Ukraine.

Resource-rich economies of CIS are facing headwinds from soft commodities prices

Commodity Prices,
Actual and Forecast Changes



Source: World Bank



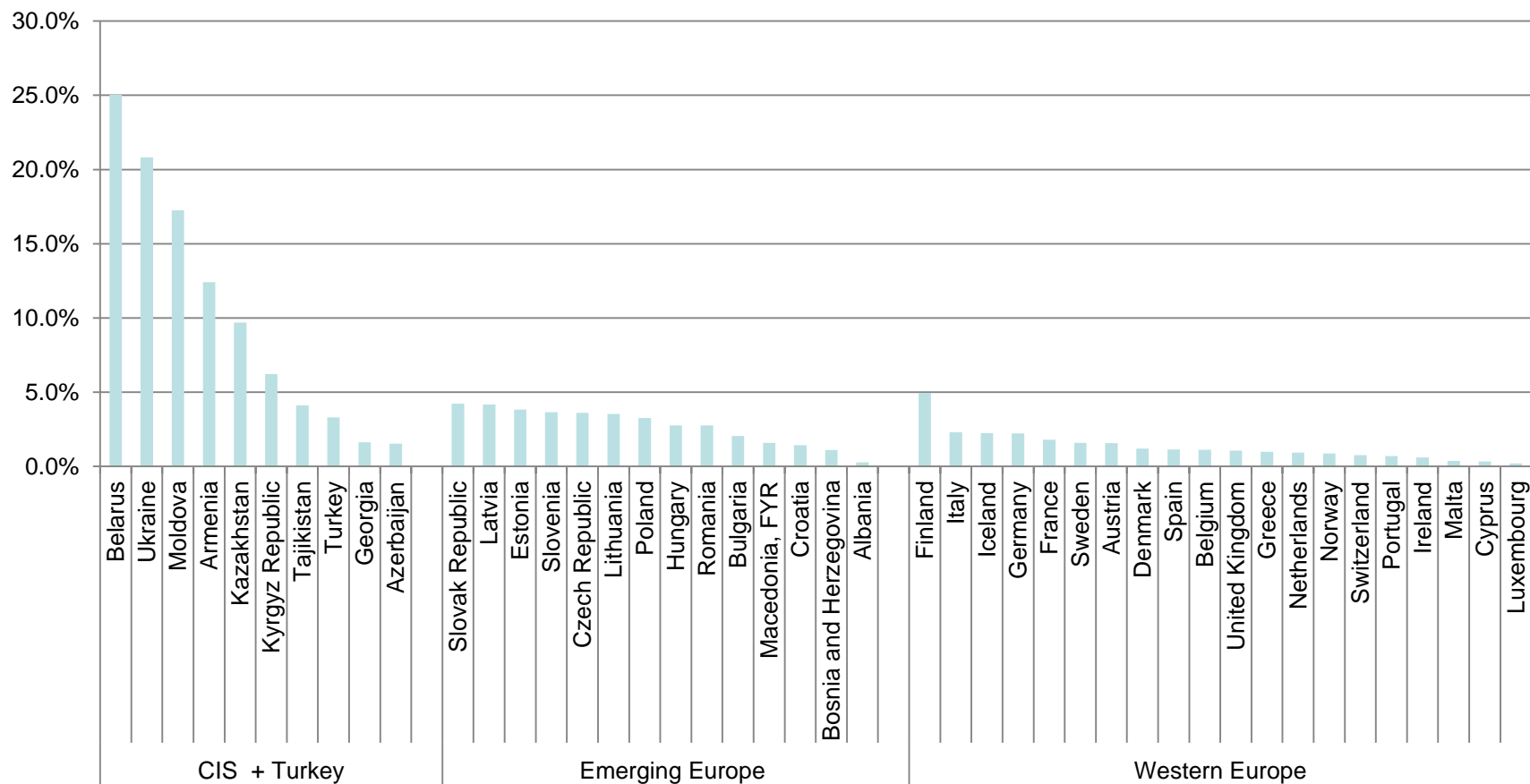
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Political tensions may affect not only the Russian and Ukrainian economies, but also other economies in the region.



Lower growth in Russia likely to suppress economic activity among trading partners

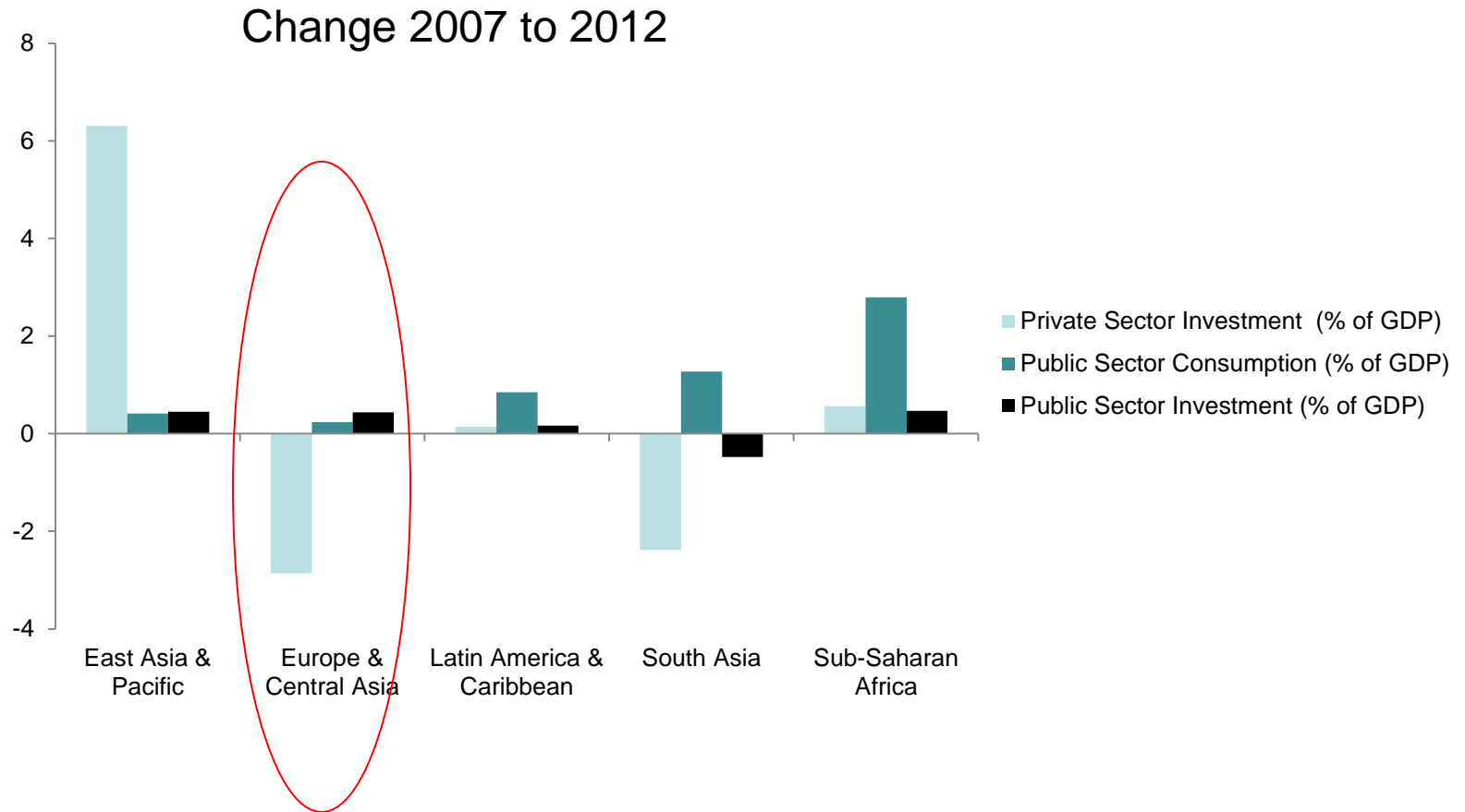
Exports to Russia (% of total exports, 2012)



Note: CIS includes Georgia and Ukraine



Private investment fell the most and can disappoint further



Source: World Bank

Bottom-Line....

ECA is at a cross-roads...

...to build economic resilience and set the stage for a robust shared prosperity, reinvigorating reforms is critical.





Thank You