

# EUROPE & CENTRAL ASIA



*Growth in Europe and Central Asia is estimated to have slowed to a lower-than-expected 2.4 percent in 2014 as a stuttering recovery in the Euro Area and stagnation in the Russian Federation posed headwinds. In contrast, growth in Turkey exceeded expectations despite slowing to about 3.1 percent. Growth in the region is expected to rebound to 3.0 percent in 2015 and 3.8 percent in 2016–17 but with considerable divergence. Recession in Russia holds back growth in Commonwealth of Independent States whereas a gradual recovery in the Euro Area should lift growth in Central and Eastern Europe and Turkey. The tensions between Russia and Ukraine and the associated economic sanctions, the possibility of prolonged stagnation in the Euro Area, and sustained commodity price declines remain key downside risks for the region. Long-term growth is held back by structural impediments, including weak business environments and institutions and fragile banking systems.*

## Recent Developments

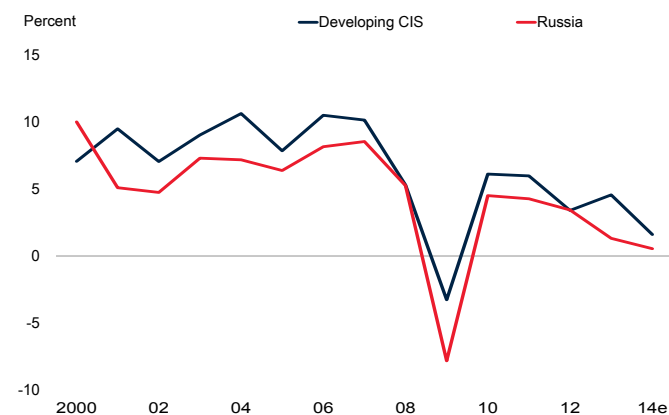
A stuttering recovery in the Euro Area and slowing growth in the Russian Federation have posed headwinds to developing Europe and Central Asia (ECA).<sup>1</sup> Growth in the region is estimated to have slowed to a lower-than-expected 2.4 percent in 2014, from 3.7 percent in 2013. This reflected a sharp contraction in Ukraine, spillovers from weakness in Russia and the Euro Area, and slowing capital inflows (Table 2.3).

Activity in Russia slowed further to 0.7 percent in 2014 (Figure 2.9, Table 2.4). Tensions with Ukraine, sanctions, and falling crude oil prices interacted with a structural slowdown, although a depreciating ruble and increased public spending supported exports and industrial production in the final quarter of 2014 after a sharp contraction in mid-2014. Capital flight and the loss of access to international capital markets by Russian banks and

corporates under sanctions led to over 75 percent depreciation of the ruble against the U.S. dollar between January and mid-December 2014 despite repeated interest rate hikes and interventions in the currency markets by the central bank. Borrowing and rollover costs have risen sharply and business confidence and investment have sagged. Rising inflation was exacerbated by the retaliatory sanctions that Russia imposed on the imports of a range of food items. In turn, rising prices have had adverse effects on household real income and consumer spending in Russia.

**FIGURE 2.9 Russian Federation and CIS: GDP**

*Spillovers from stagnation in the Russian Federation have dampened growth in the CIS.*



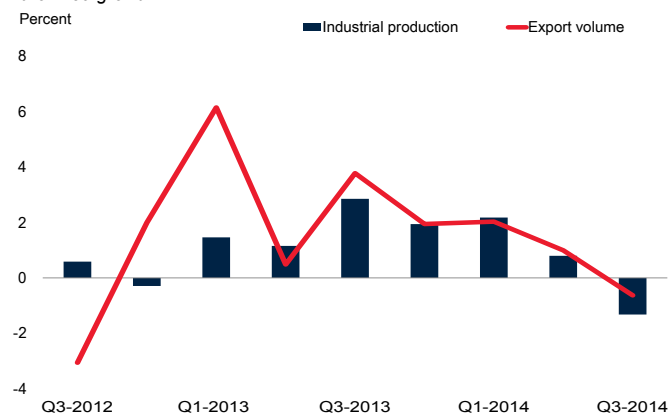
Sources: Haver Analytics and World Bank.

Note: GDP-weighted average real GDP growth for CIS.

<sup>1</sup>Countries in developing ECA region include only the low- and middle-income countries of the geographic region. Developing countries in Central and Eastern Europe (CEE) are Albania, Bosnia and Herzegovina, Bulgaria, Georgia, Hungary, Kosovo, the Former Yugoslav Republic of Macedonia, Montenegro, Romania, and Serbia. Recently high-income CEE countries include Croatia, the Czech Republic, Estonia, Latvia, Lithuania, Poland, the Slovak Republic, and Slovenia. Developing countries in the Commonwealth of Independent States (CIS) are Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyz Republic, Moldova, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

**FIGURE 2.10 CEE: Industrial production and export volume growth**

Exports and industrial production in CEE countries slowed partly as a result of weak Euro Area growth.

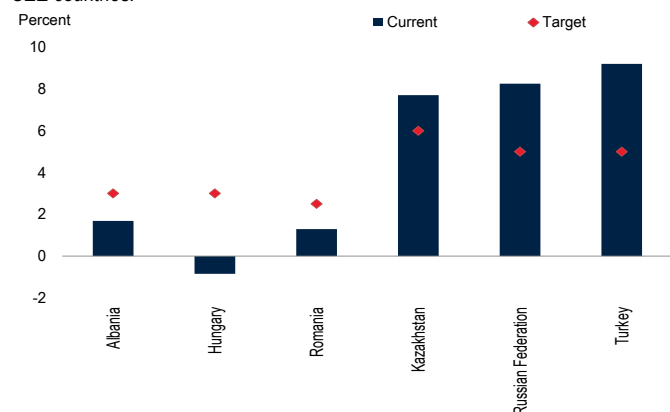


Sources: Haver Analytics and World Bank.

Note: The figure reflects quarter-on-quarter growth in GDP-weighted export volumes and industrial production.

**FIGURE 2.11 Inflation and inflation targets**

Inflation is above target in several CIS countries and Turkey and below target in the CEE countries.

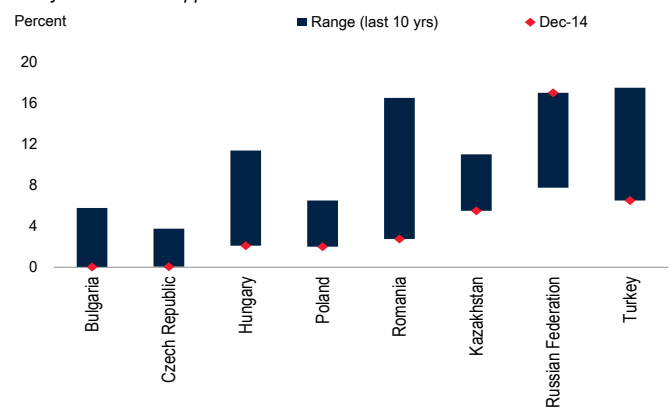


Sources: World Bank and centralbanking.com.

Note: "Current" denotes year-on-year inflation in November 2014. Formal and informal non binding inflation targets compiled by centralbanking.com.

**FIGURE 2.12 Policy interest rates**

Policy rates have dropped to historic lows in a number of countries.



Source: World Bank.

Note: Monetary policy rates at end-November 2014.

Conflict has taken a severe toll on Ukraine's economy, with output estimated to have contracted an estimated 8.2 percent in 2014. An 85 percent depreciation of the currency against the U.S. dollar in 2014 and a sharp import compression led to a significant current account adjustment. The fiscal deficit remains high amid weakness in revenue collection and increased security-related spending. High debt refinancing needs weigh on the balance of payments. Although an EU-brokered ceasefire agreement was reached in October, disputes with Russia over natural gas supplies, prices, and debts, as well as over pipeline transit, have heightened uncertainties.

In countries in the Commonwealth of Independent States (CIS), growth slowed sharply to 1.5 percent, mainly attributable to the sharp output contraction in Ukraine. Russia's slowdown has had negative spillovers on trade and remittances, notwithstanding recent declines in exposure to Russia. In the first half of 2014, export volumes to Russia fell more than 10 percent year on year in Kazakhstan, and by almost 20 percent in Uzbekistan. Others have been hit hard by a significant decline in the dollar value of remittances, partly due to a sharp depreciation of Russian ruble. Tajikistan and the Kyrgyz Republic, where remittances from Russia represent 46 and 29 percent of GDP, respectively, are most exposed. Some governments, in an effort to offset the impact of currency depreciations on purchasing power and safeguard political stability, raised public sector wages and social benefits (Belarus, Kazakhstan, the Kyrgyz Republic, and Uzbekistan). This has pushed inflation higher or kept it in double-digits.

Growth in Central and Eastern Europe (CEE) was broadly steady at an estimated 2.6 percent, reflecting close trade ties to struggling core Euro Area countries (Figure 2.10). In addition, the escalating economic sanctions between Russia and other high-income countries reduced confidence and slowed FDI inflows. Investment was further damped by sluggish bank lending, and by rising real interest rates as inflation approached zero or even turned negative.

Many CEE countries are in or near deflation (Figure 2.11), because of negative output gaps, significant cuts in regulated energy prices (in Bulgaria, Croatia, Czech Republic, Hungary, and FYR Macedonia), and declining food and fuel prices. Falling food prices reflected bumper harvests (especially in Bulgaria and Romania), as well as weaker demand because of the Russian ban on food imports. Several central banks cut interest rates to historic lows to support weak economies in the second half of 2014 (Figure 2.12). However, the high share of foreign currency-denominated lending and nonresident debt holdings has

constrained central banks' ability to support growth, because of the risk that interest rate cuts might lead to large depreciations, and thereby impair balance sheets.

Growth in Turkey was an estimated 3.1 percent in 2014, exceeding earlier expectations. Strong government spending and export growth mitigated investment and consumption weakness associated with high inflation, domestic policy uncertainties, and rising geopolitical risk. The combination of robust export growth and slowing domestic demand, as well as a temporary decline in gold imports, helped narrow the current account deficit to 5.6 percent of GDP in 2014, down from 7.9 percent in 2013. Inflation rose to almost double the central bank's target rate of 5 percent. This increase was partly the result of one-off factors, such as high food prices following a drought in mid-2014. However, demand pressures were also at work, as evidenced by tight capacity, and by sustained growth in employment. In response, the central bank raised interest rates in early 2014. This move was also motivated by concerns about the exchange rate, and Turkey's heavy reliance on short-term foreign borrowing (Figure 2.13). However, the rate increase was partially reversed in the second half of 2014, as domestic demand softened.

Capital inflows into the ECA region as a whole have been weak, reflecting the region's economic struggles. A few countries did nevertheless successfully place modest-sized bond issues in international markets (Azerbaijan, Bulgaria, Kazakhstan, Romania, and Turkey). Gross capital flows to Turkey remained strong, partly because global investors diverted funds from Russia.

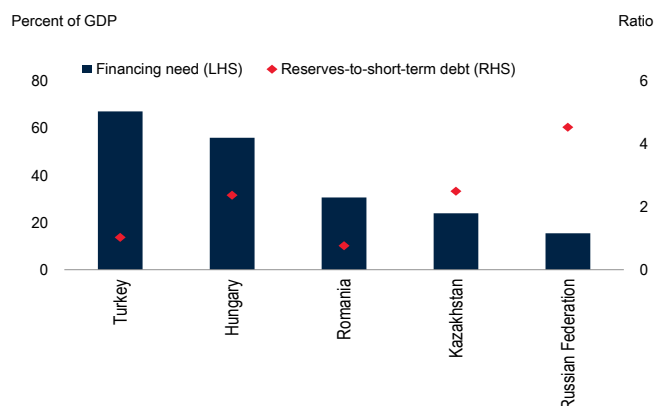
## Outlook

After a sharp deceleration in 2014, growth in the region is projected to recover moderately, with growth in developing countries in the region averaging 3.5 percent in 2015–17, but with considerable divergence across countries. In the baseline scenario, the expected contraction in Russia in 2015 and gradually tightening global financial conditions are expected to be offset to some extent by a modest recovery in Euro Area demand, diminishing political tensions, and the benefits of lower international energy prices on net importers.

The outlook for Russia hinges on geopolitical tensions and related sanctions and on oil prices. The baseline scenario assumes that geopolitical tensions remain contained, but that current sanctions on banks, energy, and defense sectors stay in place for an extended period. Increased funding difficulties and uncertainty will depress private investment,

## FIGURE 2.13 External vulnerability, Q2 2014

*Financing needs remain high and reserve coverage moderate in some countries.*



Source: World Bank.

Note: Financing need calculated as current account balance plus short-term debt in Q2 2014. Reserves-to-short-term debt based on Q3 2014 data. Short-term debt data for Q3 2014 proxied by data for Q2 2014 and debt repayments, assuming no rollover.

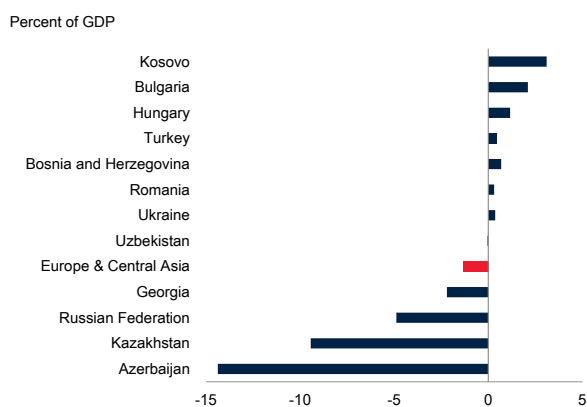
while continued currency depreciation, high inflation and weak real wage growth will dampen consumption, the main engine of growth for the past decade. Banks and corporates that have lost access to international capital markets will continue to struggle to roll over debt and may need to resort to central bank funding, resources from the National Welfare Fund, and domestic market funding (at sharply higher interest rates than earlier in 2014). Absent major structural reforms, import substitution stimulated by the weaker ruble and import restrictions is expected to be limited. Low oil prices will put significant pressure on the budget, limiting fiscal space for further public investment and other stimulus. Growth is expected to be negative in 2015 and barely positive in 2016.

Ukraine's economy faces a highly uncertain outlook. In the baseline scenario, which assumes no further escalation of tensions, activity is expected to bottom out in 2015 and to recover in 2016–17.

Among energy—exporting CIS countries, a slowdown in emerging market trading partners (especially China and Russia) and continued weakness in crude oil and other key commodity prices are expected to reduce growth in 2015, before the onset of a recovery in 2016–17. In particular, growth is expected to decelerate in Azerbaijan and Kazakhstan as oil prices remain soft and domestic oil production stagnates because of persistent production difficulties at key oil fields. Non-oil sector growth is also expected to weaken as tight macroprudential regulations slow bank lending (in particular to households), and as Chinese and Russian import demand softens. In Uzbekistan, buoyant natural gas exports will be offset by

## FIGURE 2.14 Changes in trade balance due to terms of trade effects, 2014–2017

Trade balances of some CIS oil producers could deteriorate sharply if the recent softening in commodity prices is sustained.



Source: World Bank.

Note: Effect of 30 percent decline in oil, 5 percent decline in agricultural prices, and 10 percent decline in metal prices on the difference between exports and imports in percent of GDP, assuming no supply response.

falling prices in other key commodities (gold and cotton), weaker remittances from migrant workers in Russia, and softening Russian demand for manufactured goods. Turkmenistan is especially exposed to China, which accounts for two-thirds of the country's exports.

Among non-energy-exporting CIS countries, Belarus is expected to benefit from increased agricultural exports to Russia in the wake of the ban on Western food imports. Nevertheless, recession in Russia and large depreciation of the Russian ruble will reduce manufacturing exports and investment. The state's substantial footprint on the economy will continue to deter foreign investment, while still-high inflation will dampen consumption growth.

Armenia, the Kyrgyz Republic, Moldova, and Tajikistan are vulnerable to dislocations in the Russian labor market because of the importance of remittances from Russia. Declining prices of agricultural commodities, metals, and raw materials are expected to weaken the terms of trade and reduce trade balances.

In oil-importing CEE countries, a gradual strengthening in the Euro Area, additional monetary accommodation and a decline in international energy prices should support industrial activity and export growth. In Hungary and Romania, domestic demand is expected to increasingly drive growth, supported by improving labor market conditions and consumer confidence, and by public investment in infrastructure largely financed by the EU. In South and Eastern European countries,

including Bulgaria, Bosnia and Herzegovina, FYR Macedonia, and Serbia, external demand will remain the key driver of growth as consumer and business confidence remain weak over lingering political uncertainty, chronically high unemployment, and still-fragile banking systems saddled with high nonperforming loans. Russia's ban on food imports from the EU could affect some of the Baltic countries, Hungary, and Poland to varying degrees.

In Turkey, growth is expected to gradually pick up in 2015–17 on the back of stronger private consumption. Nevertheless, growth will remain below its historical average. With softening commodity prices and stronger export demand from the Euro Area, the current account deficit is expected to continue narrowing but remain elevated in the forecast period. Short-term portfolio flows continued to finance much of this deficit through 2014 (Figure 2.13).

## Risks

The balance of risks to the region's outlook remains tilted to the downside. Further escalation in political tensions with Russia, persistent stagnation in the Euro Area, or a sudden tightening of global financial conditions are key downside risks to the region's outlook.

Tensions between Russia and Western countries escalated throughout 2014, resulting in a series of sanctions and countersanctions that disrupted trade and financial flows, and curtailed access to international financial markets for Russia's oil, finance, and defense industries. Although the natural gas sector has thus far been largely excluded from the sanctions, and gas stocks remain ample following a mild winter, several countries in the region are vulnerable to disruptions in supply. The recent cancellation of the South Stream gas pipeline project, which was to supply Russian gas to southern Europe, has raised the stakes. Should sanctions materially disrupt the gas sector, protracted weakness in both EU and Russia could ensue, with negative spillovers to the entire region. In such a high-risk scenario, activity in Russia could contract by more than 2.9 percent in 2015, with domestic demand falling by more, and for longer, than projected. The relaxation of the fiscal rule by the government, and greater public investment, would only partly offset the contraction in private demand.<sup>2</sup> In addition, there is a risk that exchange rate pressures in Russia increase and some borrowers, including some large corporates or banks, begin to struggle to roll over debt.

Sharp or sustained declines in commodity prices or remittance inflows from Russia—the major source of remittances to the region—represent major risks for CIS countries. A significant slowdown in remittances from Russia would weaken these countries' current account balances, household consumption, and poverty dynamics. Most countries are heavily reliant on a few commodity exports, which make them vulnerable to commodity price swings. Furthermore, some CIS countries trade extensively with each other, increasing the risk of self-reinforcing declines. A further decline in crude oil prices could reduce the trade balance in Russia, Azerbaijan, and Kazakhstan by 5–14 percentage points of GDP (Figure 2.14). In contrast, such a decline would benefit net oil importers in the region, improving their trade balance by 1.2 percentage point of GDP on average, and more than 2 percentage points in Bulgaria and Kosovo.

Failure of the expected modest upturn in the Euro Area to materialize represents a significant risk to the outlook of CEE countries that could derail their already-weak recovery. Because of their integration in Euro Area production chains, persistent stagnation in the core Euro Area would reduce exports and investments in the manufacturing sector, and weigh on consumer demand through confidence and employment.

Financial market volatility is another potential source of uncertainty for countries with large financing needs. Several countries have reduced their vulnerability to external shocks, through tightened policies or exchange rate depreciations, which have helped narrow current account deficits. But others, still rely on short-term foreign capital (Turkey), or their balance sheets reflect currency and maturity mismatches (Hungary).

## Policy Challenges

Notwithstanding recent improvements, countries in the region face further challenges in implementing fiscal and monetary policies to counteract the projected gradual tightening of global financial conditions and weak growth in major trading partners, such as Russia and the Euro Area. A legacy of fiscal deficits and high public debt has reduced fiscal space in several countries, especially in

South Eastern Europe (Albania, Serbia, and FYR Macedonia). Efforts so far to reduce public expenditure have focused on cutting capital investment rather than tackling structural rigidities such as large public wage bills and poorly targeted social benefits (World Bank, 2014c). Room for monetary policy easing also remains limited, especially in CEE countries where policy rates are already very low or where foreign-currency denominated debt is high. In countries facing high inflation or the risk of capital outflows further tightening may be in order to anchor inflation expectations and sustain capital inflows (Kazakhstan and Turkey).

Long-term growth is held back by structural weaknesses, including weak business environments and institutions and fragile banking sectors across the region. Perceived corruption, weak competition, and excessive government intervention remain significant obstacles for diversification and private sector growth in resource-rich Central Asia (World Bank, 2014d). Lack of reliable access to electricity supplies, along with other infrastructure bottlenecks, are also perceived as significant constraints. In some countries, dependence on a few commodities for export revenues is a further structural weakness.

In several countries, banking systems remain saddled with an overhang of nonperforming loans. Fourteen of the twenty developing countries with the highest share of nonperforming loans are in Europe and Central Asia, led by Kazakhstan, Serbia, Albania, Bulgaria, Romania, and Ukraine. Even though these loans appear to be well provisioned and backed by adequate bank capital, they weigh on new lending for efficient investment and job-creating growth, and pose a contingent liability for the public sector.<sup>3</sup> Recognizing this, authorities have recently introduced measures to jump-start the resolution process. For example, in Kazakhstan, the authorities are increasing the capitalization of the Problem Loan Fund, expanding the eligible loans for purchase by the entity, and changing the tax rules and insolvency regime to incentivize debt write-offs. In Ukraine, the authorities, with the financial and technical assistance from the International Monetary Fund and the World Bank, are introducing changes to the legal and regulatory framework to facilitate the workout of nonperforming loans.

<sup>2</sup>Russia's fiscal rule, approved in 2012 and aimed at medium-term fiscal adjustment, caps federal government expenditures at the projected sum of non-oil revenues, oil and gas revenues calculated at benchmark prices, and net financing of 1 percent of GDP. The benchmark price is a backward-looking 10-year average (in 2013, however, 5-year average) of the Urals oil price (IMF, 2013a).

<sup>3</sup>See, for example, Caballero, Hoshi, and Kashyap (2008) and Barnett et al., (2014).

**TABLE 2.3 Europe and Central Asia forecast summary**

(Annual percent change unless indicated otherwise)

	00-10 <sup>a</sup>	2011	2012	2013	2014e	2015f	2016f	2017f
<b>GDP at market prices<sup>b</sup></b>	4.6	6.2	1.9	3.7	2.4	3.0	3.6	4.0
(Average including countries with full national accounts and balance of payments data only) <sup>c</sup>								
<b>GDP at market prices<sup>c</sup></b>	4.6	6.3	1.9	3.6	2.4	3.0	3.6	3.9
GDP per capita (units in US\$)	4.1	5.5	1.2	2.9	1.8	2.3	2.9	3.4
PPP GDP	4.8	6.0	2.0	3.6	2.2	2.9	3.6	4.0
Private consumption	5.2	7.2	2.2	5.0	2.4	3.0	3.7	3.8
Public consumption	3.0	2.8	4.4	3.7	4.5	4.9	4.0	4.0
Fixed investment	6.1	11.0	-0.1	4.1	1.6	3.0	2.3	3.8
Exports, GNFS <sup>d</sup>	5.9	9.0	4.9	1.0	3.7	4.6	4.8	4.9
Imports, GNFS <sup>d</sup>	6.5	11.7	2.5	4.2	1.2	5.5	6.2	7.2
<b>Net exports, contribution to growth</b>	-0.3	-1.2	0.8	-1.3	0.9	-0.5	-0.7	-1.2
<b>Current account balance (percent of GDP)</b>	-3.6	-4.3	-3.5	-4.0	-2.3	-2.2	-2.8	-2.9
<b>Consumer prices (annual average)</b>	13.9	8.2	8.7	6.2	7.1	...	...	...
<b>Fiscal balance (percent of GDP)</b>	-4.4	0.7	-0.6	-1.3	-1.5	-1.6	-1.5	-1.4
<b>Memo items: GDP</b>								
Broader geographic region (incl. recently high income countries) <sup>e</sup>	4.5	4.9	2.3	2.2	1.8	0.8	2.2	2.8
Central and Eastern Europe <sup>f</sup>	3.3	2.0	-0.2	2.2	2.6	2.4	2.8	3.3
Commonwealth of Independent States <sup>g</sup>	7.2	6.0	3.4	4.0	1.5	2.8	4.1	4.7
Kazakhstan	8.3	7.5	5.0	6.0	4.1	1.8	3.2	4.7
Turkey	3.9	8.8	2.1	4.1	3.1	3.5	3.7	3.9
Romania	4.1	2.3	0.6	3.5	2.6	2.9	3.2	3.9
Russian Federation	4.8	4.3	3.4	1.3	0.7	-2.9	0.1	1.1

Source: World Bank.

World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other Bank documents, even if basic assessments of countries' prospects do not differ at any given moment in time.

a. Growth rates over intervals are compound weighted averages; average growth contributions, ratios and deflators are calculated as simple averages of the annual weighted averages for the region.

b. GDP at market prices and expenditure components are measured in constant 2010 U.S. dollars.

c. Sub-region aggregate excludes Bosnia and Herzegovina, Kosovo, Montenegro, Serbia, Tajikistan and Turkmenistan. Data limitations prevent the forecasting of GDP components or Balance of Payments details for these countries.

d. Exports and imports of goods and non-factor services (GNFS).

e. Recently high-income countries include Croatia, Czech Republic, Estonia, Latvia, Lithuania, Poland, Russian Federation, and Slovak Republic.

f. Central and Eastern Europe: Albania; Bosnia and Herzegovina; Bulgaria; Georgia; Kosovo; Lithuania; Macedonia, FYR; Montenegro; Romania; Serbia.

g. Commonwealth of Independent States: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyz Republic, Moldova, Tajikistan, Turkmenistan, Ukraine, Uzbekistan.

**TABLE 2.4 Europe Central Asia country forecast**

(Real GDP growth at market prices in percent and current account balance in percent of GDP, unless indicated otherwise)

	00-10 <sup>a</sup>	2011	2012	2013	2014e	2015f	2016f	2017f
<b>Albania</b>								
GDP	5.5	2.5	1.6	1.4	2.1	3.0	4.0	4.5
Current account balance	-7.7	-13.4	-10.2	-10.6	-11.9	-11.8	-11.7	-11.5
<b>Armenia</b>								
GDP	7.9	4.7	7.2	3.5	2.6	3.3	3.7	4.1
Current account balance	-9.3	-10.9	-11.2	-8.0	-9.2	-7.2	-7.1	-6.7
<b>Azerbaijan</b>								
GDP	14.9	0.1	2.2	5.8	4.5	4.4	4.1	3.8
Current account balance	5.1	26.0	21.7	16.5	12.6	9.8	8.1	5.3
<b>Belarus</b>								
GDP	7.4	5.5	1.7	0.9	1.5	1.8	2.0	2.0
Current account balance	-5.5	-8.6	-2.7	-10.2	-8.1	-6.3	-8.5	-8.8
<b>Bosnia and Herzegovina</b>								
GDP	4.1	1.0	-1.2	2.5	0.4	1.5	2.5	3.0
Current account balance	-12.3	-9.5	-9.3	-5.4	-9.7	-8.6	-6.9	-6.2
<b>Bulgaria</b>								
GDP	4.1	1.8	0.6	1.1	1.4	1.1	2.0	2.7
Current account balance	-10.3	0.1	-0.8	2.1	1.2	-0.5	1.9	0.7
<b>Georgia</b>								
GDP	6.2	7.2	6.2	3.3	5.0	5.0	5.0	5.5
Current account balance	-11.4	-12.7	-11.7	-5.7	-8.5	-7.8	-7.1	-6.7
<b>Hungary</b>								
GDP	1.9	1.6	-1.7	1.5	3.2	2.0	2.5	2.7
Current account balance	-6.2	0.4	0.9	4.2	4.3	4.3	4.3	4.4
<b>Kazakhstan</b>								
GDP	8.3	7.5	5.0	6.0	4.1	1.8	3.2	4.7
Current account balance	-1.7	5.4	0.5	0.5	2.0	-1.1	-1.1	0.0
<b>Kosovo</b>								
GDP	6.2	4.5	2.8	3.4	2.5	3.0	3.5	3.5
Current account balance	-7.9	-20.3	-7.5	-6.4	-7.7	-6.8	-6.5	-6.1
<b>Kyrgyz Republic</b>								
GDP	4.1	6.0	-0.1	10.9	3.0	2.0	4.0	5.0
Current account balance	-3.1	-6.5	-15.1	-13.9	-12.4	-15.0	-13.8	-13.1
<b>Macedonia, FYR</b>								
GDP	3.0	2.3	-0.5	2.7	3.3	3.5	3.8	4.0
Current account balance	-5.6	-2.5	-2.9	-1.8	-2.2	-3.0	-4.9	-5.5
<b>Moldova</b>								
GDP	5.1	6.8	-0.7	8.9	2.0	3.0	3.5	5.0
Current account balance	-7.7	-11.2	-6.8	5.0	-4.5	-4.8	-6.6	-7.0
<b>Montenegro</b>								
GDP	3.6	3.2	-2.5	3.3	1.5	3.4	2.9	3.0
Current account balance	-20.6	-17.7	-18.7	-14.6	-15.7	-16.3	-16.8	-17.5
<b>Romania</b>								
GDP	4.1	2.3	0.6	3.5	2.6	2.9	3.2	3.9
Current account balance	-7.1	-4.5	-4.5	-1.4	-2.0	-2.5	-2.5	-2.9
<b>Serbia</b>								
GDP	3.7	1.6	-1.5	2.5	-2.0	-0.5	1.5	2.0
Current account balance	-9.5	-9.1	-12.3	-6.5	-6.1	-4.7	-4.3	-4.1

**TABLE 2.4 (continued)**

(Real GDP growth at market prices in percent and current account balance in percent of GDP, unless indicated otherwise)

	00-10 <sup>a</sup>	2011	2012	2013	2014e	2015f	2016f	2017f
<b>Tajikistan</b>								
GDP	8.3	7.4	7.5	7.4	6.4	4.2	5.3	6.2
Current account balance	-4.4	-4.7	-1.3	-0.7	-6.1	-5.7	-5.2	-4.7
<b>Turkey</b>								
GDP	3.9	8.8	2.1	4.1	3.1	3.5	3.7	3.9
Current account balance	-3.5	-9.7	-6.2	-7.9	-5.6	-4.5	-4.9	-5.0
<b>Turkmenistan</b>								
GDP	13.6	14.7	11.1	10.2	10.1	10.0	10.4	10.6
Current account balance	5.8	2.0	0.0	0.2	0.6	-1.5	-1.5	-1.7
<b>Ukraine</b>								
GDP	4.3	5.2	0.3	0.0	-8.2	-2.3	3.5	3.8
Current account balance	1.8	-6.3	-8.1	-9.2	-2.7	-2.7	-2.9	-2.7
<b>Uzbekistan</b>								
GDP	6.9	8.3	8.2	8.0	7.9	7.4	8.2	8.1
Current account balance	5.1	5.8	1.2	1.8	1.7	1.5	1.7	1.3

	00-10 <sup>a</sup>	2011	2012	2013	2014e	2015f	2016f	2017f
<b>Recently transitioned to high income countries<sup>b</sup></b>								
<b>Croatia</b>								
GDP	2.4	-0.2	-2.2	-0.9	-0.5	0.5	1.2	1.5
Current account balance	-5.2	-0.9	-0.1	0.9	1.3	1.3	1.2	0.5
<b>Czech Republic</b>								
GDP	3.4	1.9	-1.0	-0.7	2.5	2.7	2.7	2.7
Current account balance	-3.8	-2.9	-1.3	-2.2	-1.3	-0.9	-0.4	-0.6
<b>Estonia</b>								
GDP	3.3	8.3	4.7	1.6	1.9	2.0	2.8	3.6
Current account balance	-8.4	0.0	-2.1	-1.4	-2.8	-3.1	-3.7	-2.5
<b>Latvia</b>								
GDP	4.1	5.3	5.2	4.2	2.5	2.6	3.4	4.1
Current account balance	-9.1	-2.9	-3.3	-2.3	-2.1	-2.2	-2.8	-2.6
<b>Lithuania</b>								
GDP	4.4	6.0	3.7	3.3	2.9	3.2	3.5	3.7
Current account balance	-6.5	-3.7	-0.2	1.6	0.8	-0.4	-1.4	-0.4
<b>Poland</b>								
GDP	3.9	4.5	2.0	1.7	3.2	3.2	3.3	3.5
Current account balance	-4.4	-5.0	-3.7	-1.4	-1.2	-1.6	-1.8	-2.5
<b>Russian Federation</b>								
GDP	4.8	4.3	3.4	1.3	0.7	-2.9	0.1	1.1
Current account balance	8.8	5.1	3.6	1.6	3.1	7.3	4.4	2.1
<b>Slovak Republic</b>								
GDP	4.8	3.0	1.8	1.4	2.4	2.7	3.4	3.4
Current account balance	-4.9	-3.8	2.2	0.8	0.5	0.2	0.3	0.6

Source: World Bank.

World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time.

Bosnia and Herzegovina and Turkmenistan are not forecast owing to data limitations.

a. GDP growth rates over intervals are compound average; current account balance shares are simple averages over the period.

b. The recently high-income countries are based on World Bank's reclassification from 2004 to 2014.