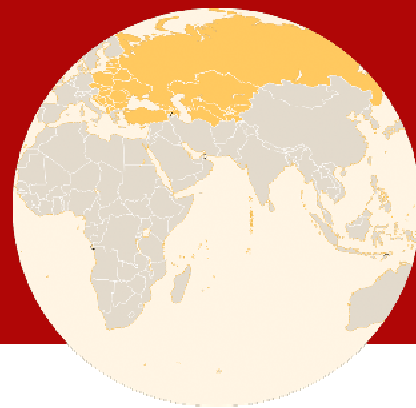


# EUROPE and CENTRAL ASIA



*Economic activity in emerging market Europe and Central Asia stagnated in 2015, driven by the deep recession in the Russian Federation.<sup>1</sup> Excluding Russia, regional growth remained at the 2014 rate of 2.5 percent. Turkey saw continued robust growth, while commodity exporters generally slowed. Despite the uptick in oil prices in April and May, they remain at low levels and continue to exert pressure on key oil exporters, including Azerbaijan, Kazakhstan and Russia, where government policy buffers are eroding. Regional growth is expected to pick up to only 1.2 percent in 2016, as the Russian economy contracts further (albeit at a shallower pace) and political uncertainty in Turkey and Ukraine weighs on confidence. With a return to positive growth in Russia and Ukraine, regional growth will accelerate to about 2.6 percent in 2017-18. Key downside risks include geopolitical flare-ups, pressures from persistently low oil prices, less favorable external financing conditions as substantial bond repayments come due, and political polarization. Managing the adjustment to low commodity prices will be a major policy challenge for exporters, especially in view of the limited scope for fiscal and monetary accommodation. Priorities for non-commodity exporters center on making the most of the lower fuel import bill and implementing structural reforms to lift productivity and long-term growth.*

## Recent developments

Activity in emerging market and developing economies (EMDE) of the Europe and Central Asia (ECA) region contracted by 0.1 percent in 2015, compared to the 1.8 percent expansion in 2014 (Tables 2.2.1 and 2.2.2, and Figure 2.2.1). The dip mainly reflected the ongoing recession in Russia, which accounts for about 37 percent of GDP in the region. Excluding Russia, regional growth in 2015 was 2.5 percent, unchanged from the previous year's pace. Recent data point to

continued weakness across much of the region, as low oil prices put pressure on exporters (Azerbaijan, Kazakhstan, Russia), geopolitical tensions dampen confidence (Russia, Turkey, Ukraine), and external financing conditions become more difficult with wide spreads and ratings downgrades. Exchange rates have come under pressure, and in some countries non-performing loans have ticked upwards or remain at elevated levels. High inflation rates and efforts to defend exchange rates have led to tight or procyclical tightening of monetary policy stances (Azerbaijan, Kazakhstan, Russia). The U.S. dollar value of recorded remittances is estimated to have fallen by over 20 percent in 2015, led by a decline in transfers from Russia (World Bank 2016f; Figure 2.2.2).

The eastern part of the region comprises mostly commodity-exporting countries and has seen the biggest slowdown, especially among oil exporters (Azerbaijan, Kazakhstan, Russia), as economies adjust to a deterioration in the terms of trade (Figure 2.2.3). With average oil prices falling by 47 percent to \$51 per barrel in 2015, and touching lows of under \$30 per barrel in January 2016, export receipts and government revenues

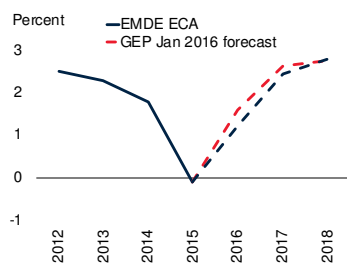
Note: The author of this section is Christian Eigen-Zucchi. Research assistance was provided by Shituo Sun.

<sup>1</sup>The EMDE grouping for Europe and Central Asia adds Croatia, Hungary, Poland, and the Russian Federation to the previous developing economy grouping, and encompasses the following sub-groupings and countries: The eastern part of the region comprises Eastern Europe (Belarus, Moldova, and Ukraine), South Caucasus (Armenia, Azerbaijan and Georgia), Central Asia (Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan) and Russia; all except Belarus, Georgia, and Moldova are classified as commodity exporters (commodities account for more than 30 percent of exports, or a single commodity accounts for more than 20 percent of exports). The western part of the region includes Central and Southeastern Europe (Bulgaria, Hungary, Poland and Romania), the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo, the Former Yugoslav Republic of Macedonia, Montenegro, and Serbia), Croatia, and Turkey; all are classified as commodity importers.

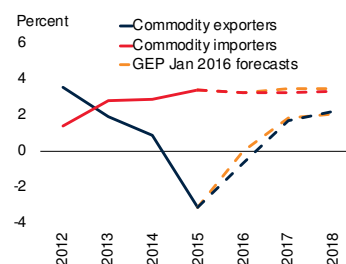
## FIGURE 2.1 Key indicators

Growth came to a halt in the EMDE ECA region in 2015, as Russia went into recession. A modest rebound is expected in 2016, but growth projections have been revised downwards, especially among commodity exporters, as low oil prices widen current account deficits and put downward pressure on exchange rates.

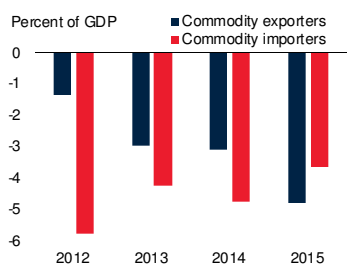
### A. EMDE ECA growth and forecast revisions



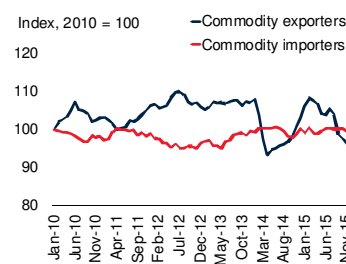
### B. Sub-region growth and forecast revisions



### C. Current account balances



### D. Nominal effective exchange rates



Sources: World Bank; International Monetary Fund, World Economic Outlook (April 2016).

A. Dashed lines indicate projections.

B. GDP data are aggregations of all countries in each grouping. EMDE ECA commodity importers include Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Former Yugoslav Republic of Macedonia, Georgia, Hungary, Kosovo, Moldova, Montenegro, Poland, Romania, Serbia, and Turkey. EMDE ECA commodity exporters include Armenia, Azerbaijan, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Dashed lines indicate projections.

C. Data for groupings are simple averages for all countries where data are available.

D. Median nominal effective exchange rates of commodity exporters and commodity importers, where data are available. A decline denotes depreciation. Latest observations are December 2015.

have fallen, current account balances have generally weakened, and reserves and other buffers have eroded. Commodity exporters have seen sharp exchange rate devaluations and depreciations, which though necessary for adjustment, added strains to financial systems in a context of vulnerabilities associated with the build-up of private nonfinancial debt (Chapter 1, Special Focus 1). The ongoing recession in Russia is bringing adverse spillovers through trade and remittances, which have fallen precipitously in U.S. dollar terms. Turkmenistan and Uzbekistan are also experiencing slowdowns in growth, despite their strong buffers and limited economic ties to the rest of the world.

The western part of the region is comprised of commodity importers that are more closely linked to, or are members of, the European Union (EU), and has been growing modestly. Lower fuel costs are putting downward pressure on prices (Poland, Turkey), and boosting consumer spending. In a context of soft external demand from key trading partners in the EU, growth will hinge on domestic demand, both consumption and investment. Policy uncertainty and geopolitical tensions contributed to bouts of exchange rate volatility during 2015.

Real GDP in Russia declined by 1.2 percent (year-on-year) in the first quarter of 2016, following the sharp 3.7 percent contraction in 2015 (Figure 2.2.4). The Russian economy is struggling to adjust to continued low oil prices, trade embargoes and geopolitical concerns. Though necessary to support the adjustment, tight fiscal and monetary policies are also weighing on growth. The sharp fall in oil revenues is weakening the fiscal position. Even with across-the-board spending cuts, the country's oil reserve fund is financing government spending at a pace that may deplete its resources. Interest rates are being maintained at 11 percent, despite the ongoing recession. With activity so far in 2016 contracting more slowly than in 2015, there are tentative indications that the decline in some sectors may be bottoming out. Industrial production is recovering, despite shrinking investment and restricted access to external financing for Russian firms. After depreciating sharply at the beginning of 2016, the ruble has strengthened to levels last seen in mid-2015, helping to reduce the rate of inflation from double digits throughout 2015 to 7.3 percent in May 2016.

Growth in Turkey picked up to 4.0 percent in 2015. Domestic demand was strong, despite the uncertainty associated with two rounds of elections, and rising geopolitical risks (World Bank 2016g). Lower fuel costs helped narrow the current account deficit to 4.5 percent of GDP. Indicators on industrial production, exports and retail sales suggest continued solid growth in the first half of 2016. However, tourism slowed sharply so far this year, and geopolitical tensions (violence in the East, terrorist attacks in

metropolitan centers, and the refugee crisis emanating from Syria) are weighing on confidence. In the three months to May, the manufacturing Purchasing Managers' Index (PMI) weakened to levels signaling contraction, and capital inflows have been easing, pointing to some moderation in growth ahead.

Growth in Poland slowed to 3 percent year-on-year in the first quarter of 2016, easing from the robust expansion of 3.6 percent registered in 2015. Private consumption and investment growth accelerated in the first quarter on continued employment gains and low oil prices, but public spending fell in part due to lower funds from the European Union. Industrial production grew strongly in the first four months of 2016, and retail sales have also posted solid gains. Consistent with weak price pressures across the EU and falling oil prices, inflation has been negative since mid-2014, and was -1 percent (year-on-year) in May 2016. Against the backdrop of deflation, the central bank has kept interest rates at a record-low of 1.5 percent since March 2015.

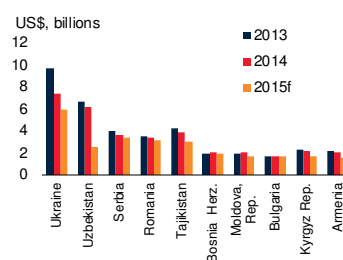
In Kazakhstan, growth decelerated to 1.2 percent in 2015, from 4.1 percent in 2014, as the economy adjusted to the decline in the price of oil (which accounted for 19 percent of GDP and 76 percent of exports in 2014), the deep recession in Russia, and the slowdown in China. The contraction in industrial production, exports, and retail sales persisted through the first quarter of 2016. The sharp devaluation, followed by the move to a floating exchange rate in August 2015, boosted inflation and put pressure on domestic borrowers, as about 30 percent of loans in the banking system in mid-2015 were denominated in foreign currency, mostly U.S. dollars. While policy interest rates were lowered by 200 basis points to 15 percent in May, they remain elevated as the authorities seek to support of the tenge, sharply constraining domestic borrowing. Government spending supported by a drawdown of the oil fund has provided a cushion, but buffers are eroding.

Ukraine returned to positive growth of 0.1 percent (year-on-year) in the first quarter of 2016, and the contraction of 9.9 percent in 2015 was not as

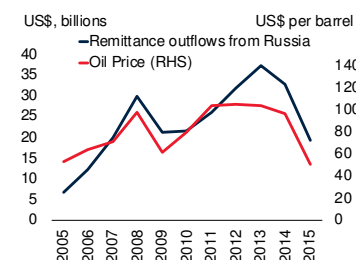
## FIGURE 2.2.2 Remittances

Remittances to the ECA region expressed in U.S. dollars fell by over 20 percent in 2015, led by a drop in flows from Russia, one of the biggest sources for the region. Part of the fall is explained by exchange rate movements. Lower remittances are impacting household consumption in recipient countries.

### A. Remittance inflows



### B. Remittance outflows from Russia and oil prices



Sources: World Bank 2016f; International Monetary Fund, Balance of Payments Statistics. B. Oil price is the average crude oil price from World Bank Commodities Price Data. Remittance outflows for 2015 are estimates based on IMF Balance of Payments Statistics available up to 2015 Q3.

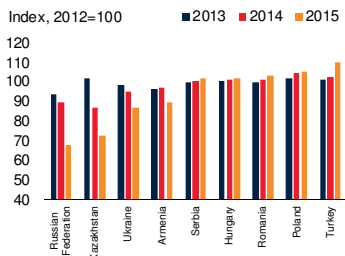
severe as previously anticipated. Other data so far this year also suggest that the recession has bottomed out. Following steep price increases in 2014 and 2015 associated with the devaluation of the hryvnia and price reforms, inflation slowed as the currency stabilized, enabling a lowering of policy interest rates to 18 percent in May. The western part of Ukraine is not directly affected by conflict and is recovering. Still, exports and imports are down by more than half from their 2012 levels and remain weak. The capacity of the banking sector to lend is sharply constrained. External financing remains costly, with average spreads on euro and U.S. dollar-denominated borrowings more than 400 basis points above those of other countries in the region during the first quarter of 2016 (Figure 2.2.5). Additional downgrades by ratings agencies could contribute to keeping spreads elevated. Tensions over a debt dispute with Russia continue. The authorities are endeavoring to maintain progress on the reform program agreed with the IMF, despite the fall of the ruling coalition, which was replaced in mid-April with an administration that has pledged to combat corruption and promote closer ties with the EU.

Several other countries in the region are maintaining robust economic activity.

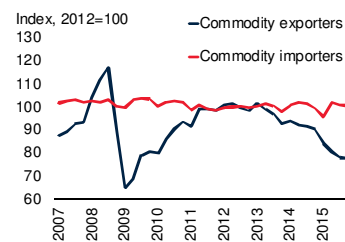
### FIGURE 2.2.3 Terms of trade

The sharp fall in commodity prices has led to substantial changes in the terms of trade in both commodity exporters and importers.

**A. Terms of trade of selected countries**



**B. Terms of trade: commodity exporters and importers**



Source: Haver Analytics.

B: Median of terms of trade data available for each sub-grouping. Latest observations are 2015Q4.

Turkmenistan and Uzbekistan grew by 6.5 percent and 8.0 percent in 2015, respectively, helped by the deployment of strong buffers. However, there was a deceleration relative to 2014, and indications so far this year are of further slowing. Also posting growth above 3 percent in 2015 were Armenia, Kosovo, and Macedonia FYR, all of which enjoy close economic ties with the EU. In contrast, Belarus and Moldova, which are closely connected to the Russian and Ukrainian economies, went into recession in 2015, and both encountered sharp falls in industrial production in early 2016.

## Outlook

Despite some expected uptick from the soft performance in 2015, prospects for the region have generally slipped. Growth is subdued, external accounts are under pressure, and exchange rates are weakened, while policy uncertainty continues. Geopolitical concerns, including in eastern Ukraine and the Caucasus, terror attacks in Turkey, and the ongoing refugee crisis, are weighing on the outlook.

The continuing contraction in Russia keeps the expected growth rate for ECA at about 1.2 percent this year. Excluding Russia, forecast growth accelerates to 2.9 percent. Activity in western ECA will benefit from moderate growth in the Euro Area and strengthening domestic demand, with

subdued fuel costs boosting the purchasing power of consumers. Growth projections for the mostly commodity exporting eastern part of the region have been revised downward relative to the January 2016 *Global Economic Prospects*, amid the ongoing adjustment to the terms of trade shock (affecting oil exporters especially, and to varying degrees metals and agricultural commodities exporters), with little scope for policy accommodation to smooth the transition.

Across the largest countries in the region, there is considerable variation in prospects. Russia's economy is projected to decline by 1.2 percent in 2016, led by falls in private investment and consumption, before returning to modest growth in 2017 (World Bank 2016h). Growth is expected to come to a virtual stand-still in Kazakhstan in 2016, as falling oil revenues constrain public spending and exchange rate pressures compel the central bank to maintain elevated policy interest rates. Growth in Turkey is likely to slow in 2016, partly due to lower net exports (falling tourism, weak external demand, and trade restrictions with Russia) and policy uncertainty weighing on confidence. Economic activity in Poland will be helped by additional public spending in the form of monthly support payments for parents with two or more children, and growth is forecast at about 3.5 percent in 2016-18. In the absence of an escalation of conflict in the east, Ukraine's economy could return to modest growth in 2016, helped by the real depreciation of the hryvnia, efforts to boost exports to the EU market, and banking sector reforms that will support a resumption of lending.

The outlook for the external sector across the region diverges between commodity importers and exporters, especially of oil. With commodity prices projected to remain low for longer, exporters (Azerbaijan, Kazakhstan, Russia) face further adjustment to the deterioration in the terms of trade that is weakening current account balances, eroding reserves, and exerting pressure on exchange rates (World Bank 2016i). Key priorities include adjusting to lower government revenues and mitigating financial sector risks in a context of reduced fiscal space for potential financial sector stabilization measures. Several neighboring

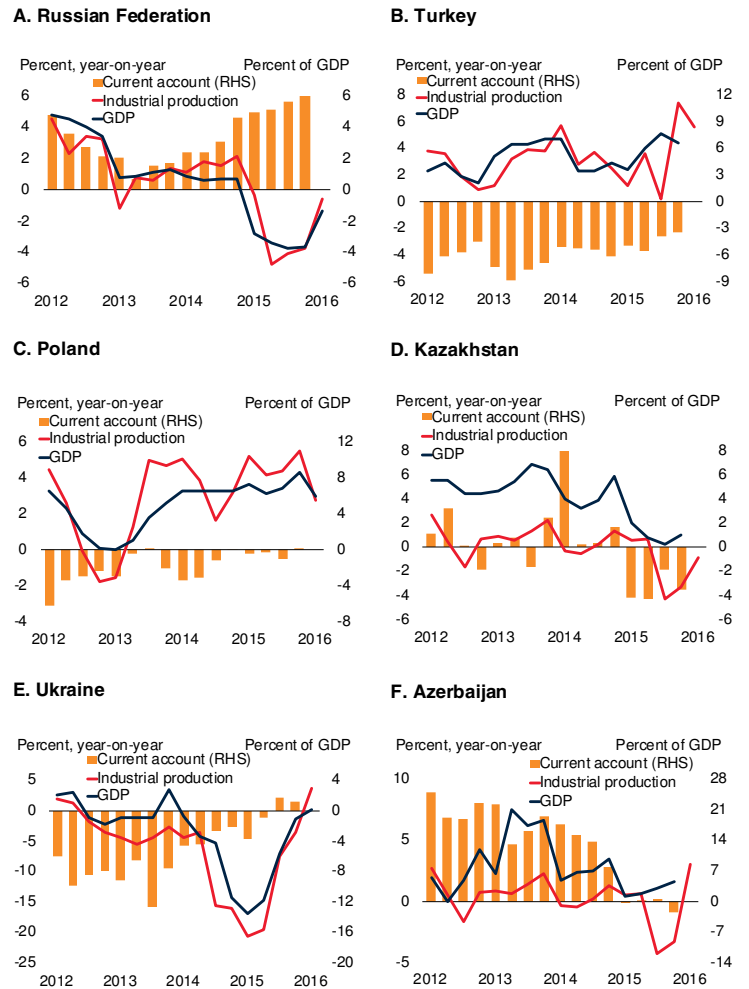
countries are being adversely affected by spillovers in the form of reduced trade and remittances (Armenia, Georgia, Kyrgyz Republic, Moldova, Tajikistan). Trade embargos and quantitative trade restrictions will affect Russia, Turkey, and Ukraine. Commodity importers, however, will continue to reap windfalls in the form of low fuel prices, helping to strengthen current account balances and ease pressures on exchange rates. Countries that are oriented towards, or are members of, the European Union (Bulgaria, Hungary, Poland, Romania, and increasingly Ukraine) will benefit from some recovery in export demand, supported by real exchange rate depreciation (Bulgaria, Poland, Romania, Ukraine). Ukraine will be helped by the accession on January 1, 2016, to the Deep and Comprehensive Free Trade Area with the European Union.

External financing conditions are expected to remain challenging for several countries in the region. Despite some easing of spreads in March and April, they remain elevated (Kazakhstan, Russia, Turkey, Ukraine; Figure 2.2.5), and downgrades in 2016 by ratings agencies (Armenia, Azerbaijan, Croatia, Kazakhstan, Poland), and sanctions imposed on Russia have raised borrowing costs or constrained access to international financial markets. With large volumes of bonds falling due in 2016-18 (Russia, Turkey), and current account deficits remaining sizable in the baseline (Albania, Bosnia and Herzegovina, Georgia, Kosovo, Montenegro, Serbia, Turkey), managing external financing will remain a priority. For Ukraine, this will also require staying on track with the reform program underpinning the debt restructuring agreement.

Geopolitical concerns and political uncertainty are major factors weighing on baseline prospects in ECA. The refugee crisis that is directly affecting host countries (Turkey) and transit countries (Western Balkans) is posing enormous humanitarian and political challenges. The baseline forecast of strengthening growth in the region is predicated on an easing of conflict in the southeast of Turkey and eastern Ukraine, and a subsiding of terrorist attacks in urban centers in Turkey.

**FIGURE 2.2.4 Recent developments at the country level**

*Growth performance continues to diverge between commodity exporters, where activity contracted or slowed, and commodity importers, which have seen a pickup. The steep fall in activity in Ukraine has bottomed out.*



Sources: Haver Analytics; International Monetary Fund, International Financial Statistics. A.- F. Latest observations for GDP are 2016Q1 for Russia, Poland and Ukraine, and 2015Q4 for Turkey, Kazakhstan and Azerbaijan. Latest observations for industrial production are 2016Q1. Latest observations for current account (seasonally adjusted) are 2015Q4.

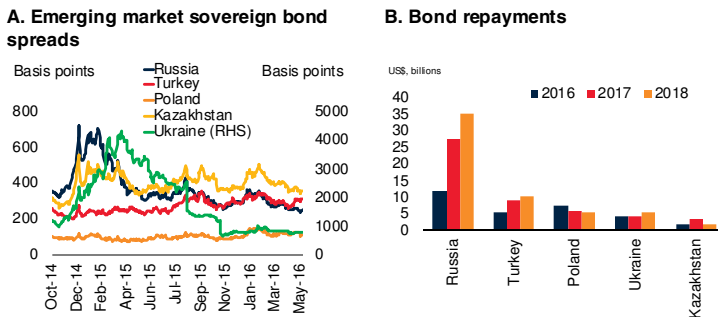
## Risks

ECA countries face a wide range of risks, primarily to the downside—particularly for the commodity exporters of the eastern part of the region. The impacts of geopolitical tensions (especially in eastern Ukraine and the South Caucasus), terror attacks and conflict in Turkey, and the refugee crisis emanating from Syria could intensify, dampening confidence, capital inflows, investment, tourism and growth. Knock-on effects could include sharply increased contingent



### FIGURE 2.2.5 External financing

Despite some easing in the first quarter of 2016, spreads remain elevated among major borrowers in the region. Elevated bond repayments fall due in 2016-18.



Sources: J.P. Morgan Chase; Dealogic.

A. Emerging Market Bond Index Global produced by JP Morgan Chase. Latest observations are May 2016.

B. Debt redemptions are indicated at face value.

liabilities (stemming from state owned enterprises and financial sector disruptions) that undermine fiscal positions. There is also a risk that policy responses will be inadequate to address challenges. External financing conditions may become more difficult and volatile, despite low bond yields and generally loose monetary conditions in advanced market economies, as greater risk aversion is reflected in elevated spreads.

The main risks confronting the eastern, mostly commodity exporting part of the region center on oil prices remaining lower for longer than expected. This would increase pressure on oil exporters (Azerbaijan, Kazakhstan, Russia) and could precipitate disorderly adjustments, including further fiscal deterioration, sharp exchange rate depreciations, and financial system instability. Financial strains and fiscal deterioration could lead to further pro-cyclical policy tightening to preserve fiscal and reserve buffers, including public spending cuts and policy interest rate increases. A deeper than expected recession in Russia could generate intensified spillovers for neighboring countries (Armenia, Belarus, Georgia, Kyrgyz Republic, Moldova, Tajikistan, Uzbekistan) through reduced remittance flows and lower demand for imports.

The western part of the ECA region faces risks associated with policy uncertainty. Further political polarization (Hungary, Poland, Turkey,

Ukraine) would jeopardize the independence of key economic institutions and set back efforts to strengthen the overall policy framework. Geopolitical concerns in Turkey may lead to a sharp reduction in tourist arrivals, especially from the Euro Area and Russia. Since the region remains heavily dependent on trade, financial and labor market ties with the Euro Area (World Bank 2016b), growth would disappoint in the event of slower-than-anticipated Euro Area growth. On the positive side, if as expected oil prices do not rise significantly, inflation would remain subdued, interest rates could be reduced, current accounts and exchange rates would strengthen, and output would rise.

## Policy challenges

Policy makers in ECA countries are confronting a range of challenges. Eastern commodity exporters are grappling with adjustment to the terms of trade shock from the drop in oil prices, while trying to sustain domestic demand, ensure financial sector stability, and mitigate vulnerabilities. The western part of the region is seeing a windfall from lower fuel import costs, but faces challenges in public expenditure management and structural issues. A decline in the working age share of the population underscores the need to boost productivity.

The scope for countercyclical monetary policy is limited in several commodity exporters, as they are constrained by concerns about the exchange rate and persistent or above-target inflation, leading to pro-cyclical monetary tightening or maintenance of elevated policy interest rates (Azerbaijan, Kazakhstan, Russia; Figure 2.2.6). For example, the largest deviations of Russian inflation above target were associated with substantial ruble depreciations, as in 2009 and 2015 (Korhonen and Nuutilainen 2016). While exchange rate depreciation serves as an important adjustment mechanism, it may also raise concerns about financial stability. Even oil exporters that entered the oil price decline with strong sovereign wealth funds and reserves (Azerbaijan, Kazakhstan) are scaling back their exchange market intervention in support of depreciating currencies, which had led to significant reserve losses.

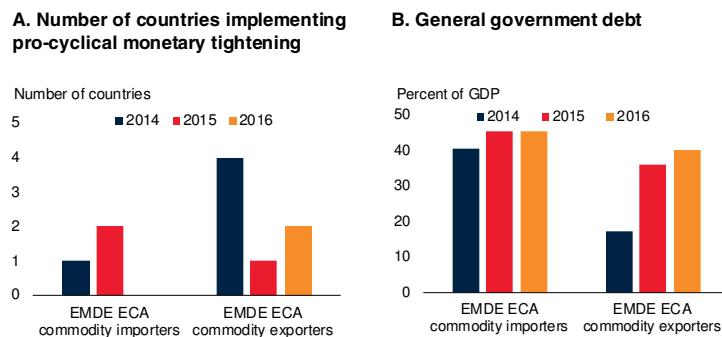
Oil importing countries are benefiting from reduced fuel import costs. Those with very subdued inflation or deflation (Croatia, Poland, Romania) have more room for maneuver, helped by the accommodative monetary policy stance of the European Central Bank. In Turkey, inflation pressures resulting from exchange rate depreciation in 2015 are abating, but core inflation remains above target. In a context of weaker currencies and substantial foreign currency denominated liabilities (Azerbaijan, Kazakhstan, Russia), policy makers will need to ensure sound macro-prudential frameworks. Measures might include introducing higher risk weights or capping exposure to corporate lending, constraining lending in foreign currency to unhedged borrowers, intensifying supervision, and increasing transparency (IMF 2015c, 2015d). Together with efforts to address existing non-performing loans and limit deterioration of financial sector balance sheets, private sector credit is weakening in the short-term (IMF 2016f).

Space for countercyclical fiscal policy is also limited across the region, by the size of government debt in the case of commodity importers. Oil-exporting countries have suffered a substantial fall in revenues from oil. While they have revised their budgets to reflect lower oil prices, in many instances fiscal break-even oil prices remain above the \$41 per barrel currently projected for 2016 (Azerbaijan, Kazakhstan, Russia). Buffers, such as reserve funds or low overall public debt levels that were built up during the period of high oil prices, are eroding. Even countries where public finances were in surplus for many years and reserve funds are very large, such as Azerbaijan, face challenges balancing pressures for fiscal consolidation and stimulus, and may need to pursue pro-cyclical tightening to stem fiscal deterioration over the medium-term.

Oil importers are realizing fiscal savings, especially those that are taking advantage of low energy prices to implement subsidy reforms (Romania, Ukraine). Still, many countries entered the period of low commodity prices carrying substantial structural fiscal deficits and elevated public debt levels. Given limited fiscal space, they will need to consolidate spending (Armenia, Georgia). Efforts

## FIGURE 2.2.6 Monetary and fiscal policy

Over 40 percent of eastern commodity exporters have implemented pro-cyclical tightening, amidst exchange rate pressures and above-target inflation. Government debt in the eastern part of the region is generally lower than the western part, but is on an upward trajectory.



Sources: Central Bank Rates; International Monetary Fund, World Economic Outlook (April 2016).  
 A. Number of countries in each sub-grouping that adopted pro-cyclical increases of policy interest rates (as of May 23, 2016).  
 B. Median gross general government debt of the countries in each sub-grouping.

to boost revenues have also had a significant impact on strengthened fiscal balances (Western Balkans, World Bank 2016i). Governments need to be prepared for spikes in risk aversion, which in past episodes have sharply raised financing costs, or cut off access to capital. In order to support these efforts, several countries (Kazakhstan, Ukraine) have embarked on ambitious public expenditure management and civil service reforms aimed at boosting the efficiency of public spending, enhancing the effectiveness of public service provision, and improving the targeting of social support.

Structural reforms will be central to responding effectively to the economic headwinds faced by the region. Mounting evidence shows that structural reforms play an important role in improving resource allocation, boosting productivity and raising long-term growth (Dabla-Noris, Ho and Kyobe, 2016). Gains in EMDEs are largest from enhancing the efficiency of the banking system, facilitating capital market development, and improving the business environment. For example, firm-level data from 10 ECA EMDEs suggest that reforms improving access to finance for smaller, younger firms may increase manufacturing productivity by 17 percent (Larrain and Stumpner 2013). More generally, structural reforms provide a boost to investor confidence,

and over time have substantial benefits through improved allocation of resources and productivity. The pull of the European Union is also helping to incentivize reform efforts, especially in the western parts of the region.

Structural reforms are needed if firms in the tradeable goods sector are to benefit from the relative price advantages associated with weaker currencies. Such reforms should aim to increase competition, improve factor allocation, and reduce policy uncertainty, especially in commodity

exporting countries. Several Central Asian countries are poorly integrated into global trade networks, with the state playing an outsized role in the economy. Key initiatives that would raise productivity and growth in these countries include privatization, trade liberalization, and the promotion of foreign direct investment, especially by multinationals that can facilitate integration into supply chains, transfer technology, and enable the transition towards higher value-added exports (Mitra et al. 2016).

**TABLE 2.2.1 Europe and Central Asia forecast summary**

(Real GDP growth at market prices in percent, unless indicated otherwise)

							(percentage point difference from January 2016 projections)			
	2013	2014	2015e	2016f	2017f	2018f	2015e	2016f	2017f	2018f
<b>EMDE ECA, GDP<sup>a</sup></b>	<b>2.3</b>	<b>1.8</b>	<b>-0.1</b>	<b>1.2</b>	<b>2.5</b>	<b>2.8</b>	<b>0.0</b>	<b>-0.4</b>	<b>-0.1</b>	<b>0.0</b>
<b>EMDE ECA, GDP excl. Russia</b>	3.1	2.5	2.5	2.9	3.2	3.4	0.1	-0.2	-0.3	-0.1
(Average including countries with full national accounts and balance of payments data only) <sup>b</sup>										
<b>EMDE ECA, GDP<sup>b</sup></b>	2.3	1.8	-0.2	1.2	2.4	2.8	0.0	-0.4	-0.2	0.1
GDP per capita (U.S. dollars)	1.8	1.3	-0.5	0.9	2.2	2.6	0.0	-0.4	-0.2	0.1
PPP GDP	2.3	1.7	-0.3	1.1	2.4	2.8	0.2	-0.4	-0.2	0.1
Private consumption	3.8	1.3	-3.0	1.9	2.5	3.0	-3.2	0.5	-0.3	0.1
Public consumption	2.7	1.1	1.6	1.2	1.2	1.5	2.0	0.3	-1.6	-1.3
Fixed investment	1.3	4.8	-1.7	-1.0	4.4	5.7	3.2	-1.7	1.8	2.6
Exports, GNFS <sup>c</sup>	3.3	2.2	2.8	3.1	3.6	3.6	2.2	-0.8	-1.5	-1.6
Imports, GNFS <sup>c</sup>	3.4	-1.3	-7.0	3.3	4.7	6.3	-3.4	-0.5	-0.6	1.0
Net exports, contribution to growth	0.0	1.2	3.2	0.1	-0.2	-0.7	1.8	0.0	-0.3	-0.8
<b>Memo items: GDP</b>										
Central Europe <sup>d</sup>	1.6	2.9	3.4	3.4	3.3	3.2	0.2	0.1	-0.2	-0.4
Western Balkans <sup>e</sup>	2.4	0.5	2.3	2.7	3.1	3.7	0.4	0.1	0.1	0.2
Eastern Europe <sup>f</sup>	0.6	-3.9	-7.8	-0.3	1.2	2.3	1.3	-0.8	-0.5	0.6
South Caucasus <sup>g</sup>	5.1	3.2	1.6	-0.5	1.7	2.2	-0.5	-1.8	-0.3	-0.9
Central Asia <sup>h</sup>	6.7	5.4	3.0	2.1	3.4	4.6	0.2	-1.1	-1.4	-0.3
Russian Federation	1.3	0.7	-3.7	-1.2	1.4	1.8	0.1	-0.5	0.1	0.3
Turkey	4.2	3.0	4.0	3.5	3.5	3.6	-0.2	0.0	0.0	0.2
Poland	1.3	3.3	3.6	3.7	3.5	3.5	0.1	0.0	-0.4	-0.4

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. EMDE refers to emerging market and developing economy. GDP at market prices and expenditure components are measured in constant 2010 U.S. dollars.

b. Sub-region aggregate excludes Bosnia and Herzegovina, Kosovo, Montenegro, Serbia, Tajikistan, and Turkmenistan, for which data limitations prevent the forecasting of GDP components.

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

d. Includes Bulgaria, Croatia, Hungary, Poland, and Romania.

e. Includes Albania, Bosnia and Herzegovina, Kosovo, FYR Macedonia, Montenegro, and Serbia.

f. Includes Belarus, Moldova, and Ukraine.

g. Includes Armenia, Azerbaijan, and Georgia.

h. Includes Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.



**TABLE 2.2.2 Europe and Central Asia country forecasts<sup>a</sup>**

(Real GDP growth at market prices in percent, unless indicated otherwise)

(percentage point difference  
from January 2016 projections)

	2013	2014	2015e	2016f	2017f	2018f	2015e	2016f	2017f	2018f
Albania	1.1	2.0	2.6	3.2	3.5	3.8	-0.1	-0.2	0.0	0.3
Armenia	3.3	3.5	3.0	1.9	2.8	2.9	0.5	-0.3	0.0	-0.1
Azerbaijan	5.8	2.8	1.1	-1.9	0.7	1.3	-0.9	-2.7	-0.5	-1.4
Belarus	1.1	1.6	-3.9	-3.0	-1.0	0.3	-0.4	-2.5	-2.0	-0.7
Bosnia and Herzegovina	2.3	1.1	3.2	2.6	3.1	3.5	1.3	0.3	0.0	0.0
Bulgaria	1.3	1.6	3.0	2.2	2.7	3.0	0.1	0.0	0.0	0.3
Croatia	-1.1	-0.4	1.6	1.9	2.0	2.4	0.6	0.5	0.3	0.4
Georgia	3.4	4.6	2.8	3.0	4.5	5.0	0.3	0.0	0.0	0.0
Hungary	1.9	3.7	2.9	2.6	2.4	2.3	0.1	0.1	-0.3	-0.7
Kazakhstan	5.8	4.1	1.2	0.1	1.9	3.7	0.3	-1.0	-1.4	0.3
Kosovo	3.4	1.2	3.6	3.6	4.0	4.1	0.6	0.1	0.3	0.1
Kyrgyz Republic	10.9	4.0	3.5	3.4	3.1	4.1	1.5	-0.8	-0.3	-0.2
Macedonia, FYR	2.9	3.5	3.7	3.7	4.0	4.0	0.5	0.3	0.3	0.3
Moldova	9.4	4.6	-0.5	0.5	4.0	4.5	1.5	0.0	0.0	0.5
Montenegro	3.5	1.8	3.4	3.7	3.1	3.0	0.0	0.8	0.1	0.1
Poland	1.3	3.3	3.6	3.7	3.5	3.5	0.1	0.0	-0.4	-0.4
Romania	3.4	2.8	3.7	4.0	3.7	3.4	0.1	0.1	-0.4	-0.6
Russian Federation	1.3	0.7	-3.7	-1.2	1.4	1.8	0.1	-0.5	0.1	0.3
Serbia	2.6	-1.8	0.8	1.8	2.3	3.5	0.0	0.0	0.1	0.0
Tajikistan	7.4	6.7	4.2	4.0	4.8	5.3	0.0	-0.8	-0.7	-0.2
Turkey	4.2	3.0	4.0	3.5	3.5	3.6	-0.2	0.0	0.0	0.2
Turkmenistan	10.2	10.3	6.5	5.0	5.0	5.0	-2.0	-3.9	-3.9	-3.9
Ukraine	0.0	-6.6	-9.9	1.0	2.0	3.0	2.1	0.0	0.0	1.0
Uzbekistan	8.0	8.1	8.0	7.3	7.2	7.2	1.0	-0.2	-0.5	-0.5

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.

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

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