Global Economic Prospects

Fiscal Headwinds and Recovery

Regional appendix: East Asia and the Pacific

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1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org
E-mail: feedback@worldbank.org
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Europe and Central Asia

Recent developments

After an estimated 5.3 percent contraction in economic activity in 2009—the sharpest slowdown of any region—the recovery in real GDP in Europe and Central Asia in 2010 is projected at 4.1 percent. With the exception of the Middle East and North Africa, this is the slowest pace of growth projected among the developing regions—and is 3.2 percentage points slower than the region's pre-crisis five-year average. The recovery largely reflects the strong growth rebound in the region's two largest economies (Russia and Turkey), which account for 62 percent of regional GDP, and are projected to grow 4.5 percent and 6.3 percent, respectively. The recovery in activity in the next four largest economies is weak (Poland, Kazakhstan and Ukraine) or remains negative (Romania). And for the remaining 16 countries in the region, growth is expected to register 3 percent or less for 13 economies.

Regional growth has been held back relative to other regions because of the intense domestic adjustments that some countries have had to undergo as a consequence of their dependence on debt-creating flows and associated large current account imbalance with which they entered the crisis. Heightened uncertainty—tied to the sovereign-debt crisis in some of the high-income European countries (Greece, Ireland, Italy, Portugal, and Spain) and their related diminished growth prospects—has also created additional headwinds for developing Europe and Central Asia, including weakened external demand for exports as high-income Europe tightens fiscal policy to reduce its debt burden.

More so than elsewhere, the global financial crisis had a severe impact on domestic output reflecting the pre-crisis dependence of many countries on international bank and bond-lending to finance domestic expenditure (and associated current account deficits). The drying up of capital flows to the region has forced large-scale cutbacks in spending. Overall, net private inflows to the region declined by more than two-thirds, and net debt flows (international bank and bond-lending) were decimated, falling from $153.8 billion to an estimated $13.7 billion between 2008 and 2009 (Table B2.1). With the drying up of financial flows, the region's current account balance shifted from a $34.9 billion deficit in 2007 to an estimated surplus of $13.6 billion in 2009.

As global import demand was falling (and did not permit adjustment through higher exports), most of the adjustment came through reduced imports, which fell by 13.7 percent during 2009. More generally domestic demand fell sharply, as fixed investment spending contracted 16 percent and private consumption contracted 3.9 percent. Within the region, the macro-impacts of the crisis were most severe for those countries with large current account deficits and vulnerable external debt dynamics at the onset, including Bulgaria, Latvia, Lithuania, and Ukraine. The plunge in capital inflows and contraction in trade following the crisis, given large internal and external imbalances, led nine of the 24 developing ECA countries to enter IMF programs (since September 2008).[1]

Countries with significant reliance on petroleum exports—notably Russia, Azerbaijan and Kazakhstan—also saw sharp contractions in GDP growth, as lower oil revenues led to pronounced fall-off in economic activity through fiscal linkages.

The impact of the crisis was exacerbated by falling remittances, which in aggregate dropped by an estimated 20 percent in 2009 for the region as a whole, the sharpest decline of any developing region. The impact of Russia's weak growth performance in 2009 was felt, in particular, by regional economies dependent on remittances inflows from Russia. The decline has been especially acute in Tajikistan, where remittances inflows represent 50 percent of GDP. Notably, while recorded worker remittances outflows from Russia to other CIS member countries declined 26% to $5.3 billion in 2009 over 2008, on a quarterly basis they have begun to recover to over $1.5 billion in both the third and fourth quarters of 2009, reflecting

Table B2.1 Net capital flows to Europe and Central Asia
$ billions

	2003	2004	2005	2006	2007	2008	2009e	2010f	2011f	2012f
Financial flows:										
Net private and official inflows	**77.9**	**120.9**	**155.4**	**279.9**	**485.8**	**312.8**	**115.9**			
Net private inflows (equity+debt)	**84.5**	**131.2**	**191.4**	**312.5**	**491.2**	**303.9**	**84.0**	**151.6**	**178.0**	**195.8**
..Net private inflows (% GDP)	6.8	8.2	9.5	12.8	15.8	7.8	2.6	4.0	4.2	4.1
Net equity inflows	29.4	58.7	69.6	123.9	183.3	159.0	102.2	124.1	138.1	155.6
..Net FDI inflows	28.6	55.3	61.6	113.8	156.8	173.6	97.2			
..Net portfolio equity inflows	0.7	3.5	8.0	10.2	26.5	-14.6	4.9			
Net debt flows	48.5	62.2	85.8	156.0	302.5	153.8	13.7			
..Official creditors	-6.6	-10.3	-36.0	-32.6	-5.4	8.9	31.9			
....World Bank	-0.6	0.4	-0.6	0.2	-0.1	0.6	5.9			
....IMF	-2.0	-5.9	-9.8	-5.8	-5.0	7.0	21.1			
....Other official	-4.0	-4.8	-25.6	-27.0	-0.3	1.3	4.9			
..Private creditors	55.1	72.5	121.8	188.6	307.9	144.9	-18.2			
....Net M-L term debt flows	21.5	52.8	100.6	134.5	204.2	154.2	-7.6			
......Bonds	11.2	19.1	28.1	34.6	58.7	19.3	9.6			
......Banks	10.7	35.0	73.8	100.8	146.6	135.5	-16.7			
......Other private	-0.4	-1.3	-1.3	-0.9	-1.1	-0.6	-0.5			
....Net short-term debt flows	33.6	19.7	21.2	54.1	103.7	-9.3	-10.6			
Balancing item	**-40.0**	**-75.7**	**-107.4**	**-125.6**	**-213.7**	**-355.0**	**-101.3**			
Change in reserves (- = increase)	**-53.5**	**-72.1**	**-93.1**	**-179.7**	**-237.2**	**61.0**	**-15.7**			
Memorandum items										
Workers' remittances	14.4	21.0	30.1	37.0	51.0	58.0	46.0	**48.0**	**52.0**	

Source: World Bank. *Note*: e = estimate; f = forecast.

higher oil prices—this after having reached a post-crisis low of $871 million in the first quarter of the year (versus $2 billion in both the third and fourth quarters of 2007).[2] Remittances inflows to Romania and Poland also fell sharply in 2009, but this primarily was a reflection of economic weakness and higher unemployment in the European Union.

The region started to recover during the second half of 2009, initially responding to rebound factors, including a recovery from exceptionally depressed bases, and strengthening external demand. As global growth gained momentum, prices and demand for commodities (particularly oil) also rebounded and provided a further fillip to incomes and foreign currency earnings for regional commodity exporteres.

The recent rebound in output was also supported by countercyclical monetary policy actions, with policy interest rate cuts across much of the region (where countries have independent monetary policy), as inflationary pressures diminished significantly, given the marked compression in demand and economic activity. For instance, Hungary, Poland, Romania, Russia, Turkey, among others, introduced policy rate cuts since the onset of the crisis and have yet to begin to introduce rate hikes to normalize monetary policy stances.

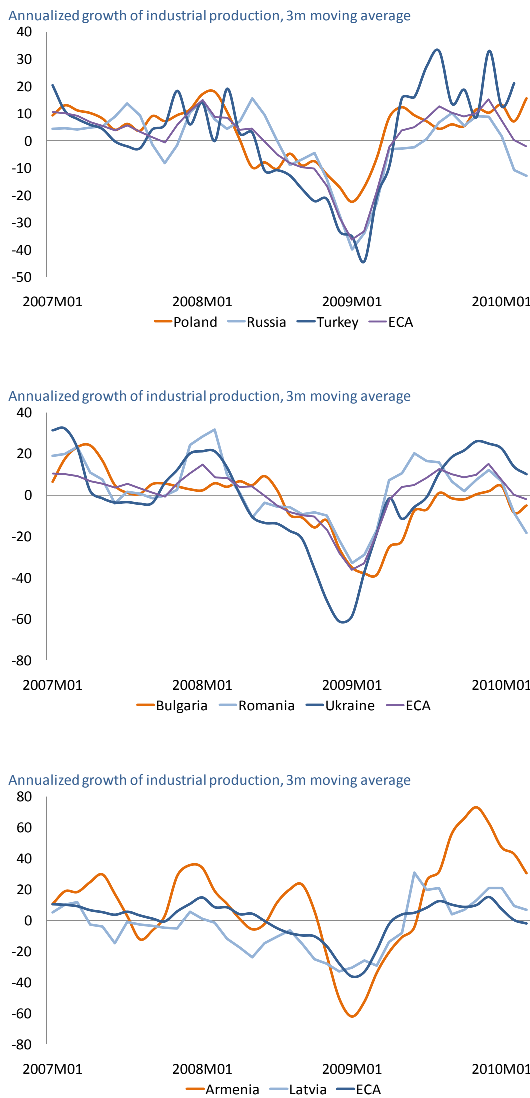
Similarly, the recovery has been supported by fiscal stimulus measures, in countries with sufficient fiscal space, such as Russia. These higher outlays, combined with increased transfer payments through automatic stabilizers, and lower revenues (given the contraction in economic activity), with increased liabilities (as governments absorbed problem private sector assets) led to a shift from a regional fiscal surplus of 0.3 percent of GDP in 2008 to a deficit of 6 percent in 2009—the largest among developing regions with the exception of South Asia.

The growth rebound has primarily been driven by recovery in the largest economies of the region, masking continued weak growth in many of the smaller economies. This is particularly

evident in the evolution of industrial production over the past two years (Figure B2.1). In the three largest economies, i.e. Russia, Poland and Turkey, growth rates in industrial production have bounced back strongly and have returned to pre-crisis growth rates. Indeed, Poland was the only European Union member state for which GDP did not decline in 2009.

The contraction in industrial production was more pronounced in smaller countries, particularly those that entered the recession with

Figure B2.1 Industrial production after easing is rebounding fast

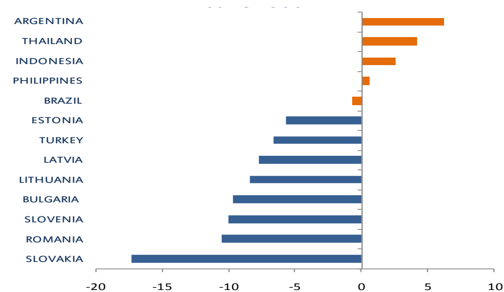


Source: World Bank

large current account deficits that were supported by rapid credit expansion and financed through debt-creating flows (Armenia, Belarus, Bulgaria, Latvia, Lithuania, Montenegro, Moldova, Romania and Ukraine). GDP growth in these countries decelerated or fell by 10 percentage points or more in 2009. Indeed, in Armenia, industrial production had fallen by 31.5 percent by April 2009 from September 2008, although it has since bounced back to pre-crisis levels. While industrial production fell less deeply in Lithuania and Bulgaria, for example, because of the sharp contraction in domestic demand required as financing of large current accounts dried up, output has not recovered to the same degree and remains 11 percent and 21 percent, respectively, below pre-crisis peaks.

The combination of extremely deep falls in output in 2009 and a relatively modest recovery means that many countries in the region continue to be characterized by ample spare capacity and high unemployment. Indeed, capacity utilization rates have not recovered to the extent that other developing markets have done (Figure B2.2). Moreover, unemployment continues to rise in many economies. Registered unemployment has risen by 3 million and exceeded 10 percent of the labor force in several countries, including Latvia, Turkey, Estonia, Lithuania, Slovakia and Hungary. Rising joblessness is pushing households into poverty and creating greater challenges for those already in poverty. The number of poor and vulnerable has risen by an estimated 12 million since the onset of the crisis, with Armenia, Georgia and Moldova particularly hard hit.

Figure B2.2 Change in capacity utilization rates since June 2008



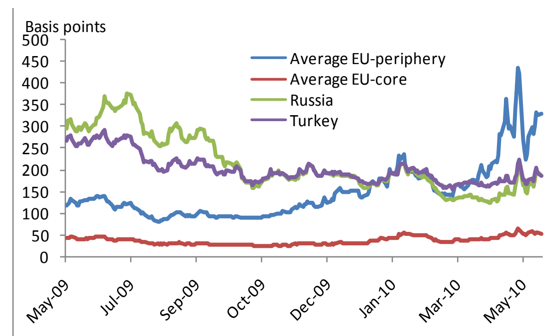
Source: World Bank and Datastream

The recovery in the Commonwealth of Independent States appears to be somewhat more robust than in the rest of the region, GDP is projected to rise 4.2 percent in 2010. In contrast, countries in Central and Eastern Europe are expected to grow at a very modest 1.8 percent.[3] Despite signals of a pick-up in activity (retail sales, industrial production, business and consumer confidence surveys), GDP in the EU-10 is projected to rise only 1.6 percent in 2010, weighed down by sluggish growth in the rest of the European Union, where growth is projected at a tepid 0.8 percent in 2010, as these economies are vulnerable to heightened economic uncertainty following the crisis in Greece.

GDP in Uzbekistan is projected to increase 8.3 percent, reflecting a massive program of public infrastructure construction, supported by a rebound in international energy prices since early-2009. Other energy exporters are benefitting from strong oil prices. Growth in Russia is expected to reach 4.5 percent, following a 7.9 percent contraction in 2009, while Poland and Turkey are forecast to grow by 3 and 6.3 percent, respectively. In contrast, Romania and Latvia are expected to experience their second and third years, respectively, of economic contraction in 2010, although the rates of decline have decelerated sharply. For example, Latvia posted an estimated 18 percent contraction in 2009 and is projected to contract by a further 3.5 percent in 2010.

The projected improvement in the region's fiscal indicators (see below) is fortuitous, as markets are increasingly becoming concerned about sovereign debt and fiscal sustainability. So far, the spread of sovereign stress in highly indebted high-income European countries to developing countries has been limited, and CDS spreads in the major countries in the region (Turkey and Russia, for example) have been relatively stable. (Figure B2.3).

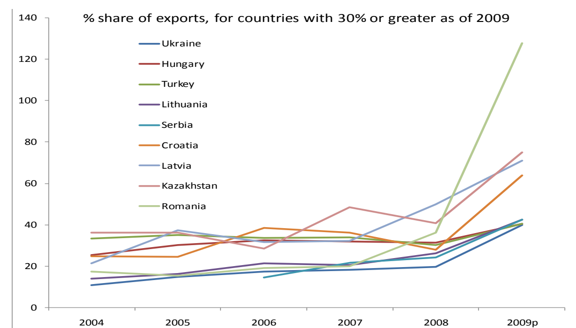
Figure B2.3 CDS spreads – EU periphery vs. selected emerging Europe and core EU countries



Source: Bloomberg

With the sharp fall-off in external demand and associated hit to exports, median debt servicing charges in the region have risen from 14.6 percent of exports in 2007 to an estimated 21.4 percent in 2009 (Figure B2.4). And debt servicing charges of nine reporting countries exceed 30 percent of exports (in Romania they reached an estimated 128 percent of exports in 2009). Given existing debt obligations and growth projections for 2010, external debt-to-GDP ratios are on track to increase further in 2010 to 87 percent and 47 percent, respectively, in Central and Eastern Europe, and the Commonwealth of Independent States sub-regions.

Figure B2.4 External debt-servicing burden rose sharply for ECA economies, as exports declined

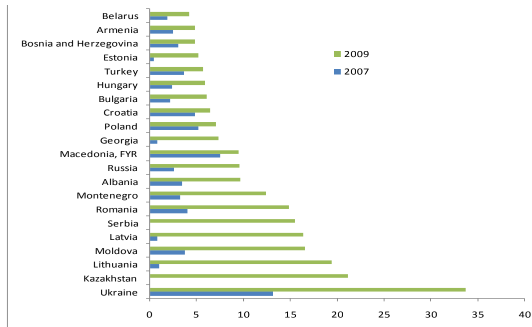


Source: World Bank

The burden of household and corporate losses incurred during the financial crisis is also constraining the pace of recovery, and has contributed to a rise in non-performing loans (NPLs). Eleven of the 16 countries across the globe which reported that NPLs represented at least 9 percent of total loans outstanding, were within the ECA region (Figure B2.5). Among ECA countries with NPLs exceeding 9 percent,

are Ukrainian banks (reporting provisioning for only 32 percent of NPLs), while in Albania, Latvia, Moldova, Montenegro, and Romania 50 percent to 60 percent are provisioned (as of the second half of 2009). In contrast, provisioning of NPLs is close to or exceeds 100 percent in Kazakhstan, FYR Macedonia, Russia and Serbia.

Figure B2.5 Non-performing loans in selected ECA countries in % of total loans outstanding



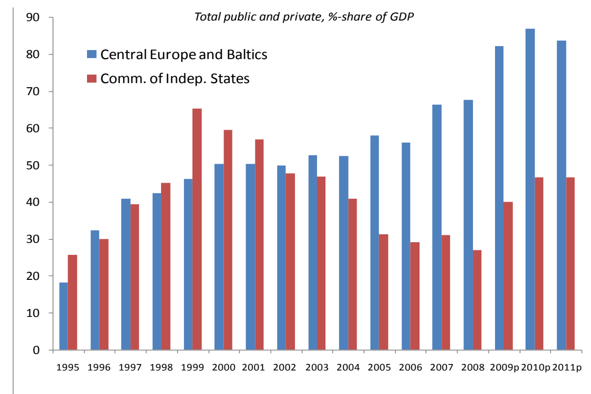
Source: IMF Global Financial Stability Report April 2010

Outlook

GDP growth in Europe and Central Asia is projected to expand 4.1 percent in 2010 and firm further by 4.2 percent and 4.5 percent in 2011 and 2012, respectively (Table B2.2). This aggregate result masks sub-regional variations, with a relatively stable 4.5 percent expansion expected for the Commonwealth of Independent States, a steady improvement in growth rates in Central and Eastern Europe from 1.8 percent in 2010 to 4 percent by 2012. Compared with other developing regions, this recovery is slower to gather momentum and more muted—with GDP growth over the entire period at rates well below the pre-crisis pace of 7.1 percent in 2007. Large household foreign-currency denominated debt obligations, significant negative wealth effects (due to the collapse in local real estate and equity markets), the sharp restructuring underway in high current-account deficit countries, and the weak recovery in high-income Europe are all factors expected to weigh on domestic demand in the region. A move toward fiscal consolidation is expected throughout the region, which will also serve to dampen growth momentum. On the plus side, private capital inflows are projected to firm, which is expected to result in a 1.1 percentage point of GDP decline in the region's financing gap, much of which is likely to be met through strong official lending over the medium-term. Moreover, inflation pressures in most of the region (with the notable exceptions of Russia and Turkey) remain muted—and are expected to remain subdued—so that monetary policy is expected to be broadly supportive of growth.

Although public debt levels remain relatively low, private-sector debt is a concern, and is expected to remain a drag on growth. The median shares of total private and public sector external debt rose to an estimated 60.5 percent for the region as a whole, with Central and Eastern Europe's share rising to an estimated 82 percent in 2009 (Figure B2.6). Moreover, in Central and Eastern Europe they are projected to increase further to 87 percent in 2010, and to 47 percent in the Commonwealth of Independent States.

Figure B2.6 External debt rose across sub-regions - led by an upswing in Central Europe



Source: World Bank

The recovery in Russia, initially export-led and fed by bounce-back factors, is expected to continue through the first half of 2010, but should lose some momentum towards the end of the year as these factors fade (Table B2.3). So far, consumer demand and investment have lagged the recovery, in part because of continued high unemployment and spare capacity, but also

Table B2.2 Europe and Central Asia forecast summary

(annual percent change unless indicated otherwise)				Est.	Forecast		
	95-05 [1]	2007	2008	2009	2010	2011	2012
GDP at market prices (2005 USD) [2]	4.1	7.1	4.2	-5.3	4.1	4.2	4.5
GDP per capita (units in USD)	4.0	7.1	4.1	-5.3	4.0	4.2	4.4
PPP GDP [3]	4.0	7.4	4.5	-5.5	4.0	4.3	4.5
Private consumption	4.8	10.1	8.1	-3.9	3.6	4.0	4.1
Public consumption	2.0	6.0	3.4	2.9	2.2	2.6	2.6
Fixed investment	4.7	15.2	6.1	-16.0	6.4	5.4	6.6
Exports, GNFS [4]	7.9	8.0	7.3	-12.8	6.7	7.0	7.2
Imports, GNFS [4]	8.7	17.9	11.1	-13.7	6.1	6.2	6.7
Net exports, contribution to growth	0.1	-3.1	-1.5	0.7	0.1	0.2	0.1
Current account bal/GDP (%)	0.9	-1.1	-0.1	0.5	0.4	-0.7	-0.8
GDP deflator (median, LCU)	18.8	9.6	10.0	3.5	4.5	5.7	5.7
Fiscal balance/GDP (%)	-5.2	2.3	0.3	-6.0	-4.5	-3.8	-3.3
Memo items: GDP							
Transition countries [5]	4.0	5.7	2.9	-3.3	4.0	3.9	4.3
Central and Eastern Europe [6]	3.8	6.8	5.0	-2.1	1.8	3.6	4.0
Commonwealth of Independent States [7]	4.1	8.5	5.4	-7.1	4.2	4.6	4.6
Russia	3.9	8.1	5.6	-7.9	4.5	4.8	4.7
Turkey	4.3	4.6	0.7	-4.7	6.3	4.2	4.7
Poland	4.3	6.7	4.8	1.7	3.0	3.7	4.0

Notes: 1. Growth rates over intervals are compound average; growth contributions, ratios and the GDP deflator are averages.
2. GDP measured in constant 2005 U.S. dollars. 3. GDP measured at PPP exchange rates.
4. Exports and imports of goods and non-factor services.
5. Transition Countries: Albania, Bulgaria, Lithuania, Latvia, Macedonia, FYR, Poland, Romania, Turkey
6. Central and Eastern Europe: Albania, Bulgaria, Lithuania, Latvia, Macedonia, FYR, Poland, Romania
7. Commonwealth of Independent States: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russian Federation, Ukraine, Uzbekistan

Source: World Bank

because of declining credit as the banking sector restructures. Looking forward, rising wages and oil incomes should combine with a reduced drag from the financial sector, to support an increasingly prominent role for domestic demand in the recovery. These forces, however, will be partially offset by the appreciation of the currency, which would curb export competitiveness. Overall, regional growth is expected to find itself on more sustainable footing by 2012, led by strengthening domestic demand.

Poland was the only country in the European Union to record positive growth in 2009. Partly because its economy did not decline as sharply as others, its recovery will be less marked with growth accelerating from 1.7 percent in 2009 to around 3 percent in 2010. Despite the relatively muted cycle, unemployment has risen to 9 percent of the labor force, which will weigh on consumer demand. Fiscal policy is expected to play a declining role as the government is forced to scale back on spending, given the unsustainable level of the deficit at 7.1 percent of GDP (although Poland is advantaged by its relatively low debt-to-GDP ratio). A modest strengthening of investment demand, partly reflecting EU transfers and preparations for the 2012 European football championships, plus a gradual strengthening of the labor market are expected to underpin a modest pick-up in growth in 2011 and 2012 to 3.7 and 4 percent, respectively.

The recovery in Turkey, which began in the second quarter of 2009, is more advanced than in other countries, and is overwhelmingly driven by a firming in consumer and business demand, supported by tax cuts on durables consumption as part of fiscal stimulus measures. The economy is projected to grow close to potential in 2011 and 2012—following the rebound in activity in 2010 coming out of sharply negative growth in

2009. Rising inflationary pressures could translate into appreciation of the currency through higher import costs and hurt competiveness, which along with weak demand in export markets and a tightening of monetary and fiscal policies is expected to contribute to a slowing of growth to 4.2 and 4.7 percent in 2011 and 2012, respectively, from 6.3 percent in 2010. However, recent depreciation pressure on the Turkish lira, due to concerns on financing debt in some high-income European countries, might offset some of the negative impacts stemming from weak external demand on exports.

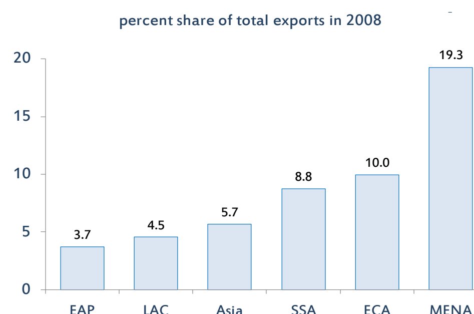
Household consumption is also projected to post a slow recovery in many smaller regional economies, (in Central and Eastern Europe, on weak employment prospects and negative wealth effects, and in the CIS, as the pace of growth in remittances inflows is expected to be lower than during the pre-crisis period). The weak recovery in high-income Europe and a generalized move toward fiscal tightening will constrain consumer and business sector activity and growth. Remittances are likely to pick up with oil prices and activity in Russia, but are likely to be more subdued than in the immediate pre-crisis era, reflecting lingering high rates of unemployment in the EU.

Risks

The outcome of the debt crisis in high-income Europe will shape conditions globally, but particularly in Europe and Central Asia, both because of its tight trade and financial linkages to countries most immediately affected, but also its increasing integration into the broader high-income European economy. Europe and Central Asia is the developing region with the second largest share in Southern Euro zone total exports (Figure B2.7). The most vulnerable countries in the region include Albania and Azerbaijan, for which Greece, Italy, Portugal and Spain represent more than 20 percent of their total exports.

The region is also dependent on financial flows from lenders in some of the most vulnerable high -income countries in Western Europe. In fact,

Figure B2.7 Share of Southern Euro-Zone in total exports



Source: World Bank, UN-COMTRADE

EU-5 banks own a large share of the banking sectors in several countries in the region. While during the crisis these banks managed to maintain their exposures, a protracted crisis in Western Europe could lead to a reassessment. Also, going forward, there might be an increased aversion to issuing new credit as loans come due. And banking systems in ECA countries might be challenged by possible withdrawals by resident and non-resident depositors. To reduce risks, countries in the region introduced liquidity support operations and strengthened deposit insurance schemes at the peak of the global financial crisis. Some countries entered into crisis management agreements with the banking sector regulators of their parent banks. Yet, risks remain. In particular, one issue to follow in coming months is the case of Greek banks that hold large shares of outstanding loans in Albania, Bulgaria, Romania, and Serbia. Should Greek banks in an effort to restore their own balance sheets choose (or are forced) not to roll-over loans, this could have significant implications for investment and economic activity in this group of countries. Area wide, the debt-burdened EU-5 (Greece, Ireland, Italy, Portugal and Spain) have supplied some $400 billion or 13 percent of ECA regional GDP as of end-2009.

Finally, the depth and prolonged nature of the crisis poses a risk to the region itself. As outlined in the main text, an extended period of high-unemployment and spare capacity risks taking its toll on the ability of consumers and firms in the

region to pay back loans. Already, non-performing loans are rising rapidly and at least in some countries, banks are lagging in their efforts to provision these loans. Should the problem intensify, a second regionally based financial crisis cannot be ruled out.

Table B2.3 Europe and Central Asia country forecasts

(annual percent change unless indicated otherwise)				Est.	Forecast		
	95-05 [1]	2007	2008	2009	2010	2011	2012
Albania							
Real GDP at market prices	5.4	6.0	6.5	2.2	3.0	4.0	4.7
Current account bal/GDP (%)	-5.5	-10.6	-15.2	-15.7	-10.9	-9.9	-8.9
Armenia							
Real GDP at market prices	8.6	13.7	6.8	-14.4	1.2	3.5	4.5
Current account bal/GDP (%)	-11.7	-6.4	-11.6	-15.4	-13.7	-12.3	-10.8
Azerbaijan							
Real GDP at market prices	10.2	25.0	10.8	9.3	2.3	1.0	2.5
Current account bal/GDP (%)	-16.6	27.3	35.7	24.1	27.4	22.1	20.4
Belarus							
Real GDP at market prices	6.9	8.6	10.0	0.2	2.4	4.6	4.9
Current account bal/GDP (%)	-3.2	-6.7	-8.6	-13.0	-10.4	-9.2	-9.1
Bosnia Herzegovina							
Real GDP at market prices	-	6.8	5.4	-3.4	0.5	4.0	6.0
Current account bal/GDP (%)	-	-12.6	-14.9	-7.8	-8.0	-8.1	-7.9
Bulgaria							
Real GDP at market prices	2.2	6.2	6.0	-5.0	0.2	2.0	3.6
Current account bal/GDP (%)	-3.6	-25.4	-25.2	-9.4	-6.2	-5.8	-4.8
Georgia							
Real GDP at market prices	6.6	12.3	2.3	-3.9	4.5	4.0	4.7
Current account bal/GDP (%)	-10.0	-20.9	-22.7	-11.9	-12.8	-12.6	-12.4
Kazakhstan							
Real GDP at market prices	6.4	8.9	3.3	1.2	2.1	2.7	3.5
Current account bal/GDP (%)	-2.3	-7.8	5.3	-2.5	3.3	4.1	4.0
Kyrgyz Republic							
Real GDP at market prices	4.7	8.2	8.4	2.3	2.2	3.0	4.5
Current account bal/GDP (%)	-10.2	-7.0	-8.1	4.0	-6.1	-6.4	-6.5
Lithuania							
Real GDP at market prices	6.0	9.8	2.8	-14.8	0.5	3.1	2.2
Current account bal/GDP (%)	-7.9	-14.5	-12.0	3.8	1.5	-0.6	-1.0
Latvia							
Real GDP at market prices	6.9	10.0	-4.6	-18.0	-3.5	3.3	4.0
Current account bal/GDP (%)	-7.5	-22.3	-13.0	9.4	7.3	7.0	6.5
Moldova							
Real GDP at market prices	2.3	3.0	7.2	-6.5	2.5	3.6	4.5
Current account bal/GDP (%)	-7.9	-16.5	-16.7	-10.0	-9.9	-10.2	-10.0
Macedonia, FYR							
Real GDP at market prices	2.2	5.9	5.0	-1.3	1.9	3.8	3.8
Current account bal/GDP (%)	-5.9	-3.1	-12.7	-9.6	-8.5	-7.6	-4.8
Poland							
Real GDP at market prices	4.3	6.7	4.8	1.7	3.0	3.7	4.0
Current account bal/GDP (%)	-3.3	-4.8	-5.1	-1.6	-1.8	-2.6	-2.9
Romania							
Real GDP at market prices	2.2	6.3	7.3	-7.1	-0.5	3.6	4.4
Current account bal/GDP (%)	-5.8	-13.8	-12.1	-4.5	-5.0	-5.0	-5.0
Russian Federation							
Real GDP at market prices	3.9	8.1	5.6	-7.9	4.5	4.8	4.7
Current account bal/GDP (%)	7.6	6.0	6.1	3.9	4.0	2.0	2.1
Serbia							
Real GDP at market prices	-	6.9	5.5	-3.0	1.5	3.0	5.0
Current account bal/GDP (%)	-	-15.9	-17.6	-5.6	-8.5	-8.0	-7.4
Tajikistan							
GDP at market prices (2000 USD) [2]	4.6	7.8	7.9	3.4	4.0	5.0	5.0
Current account bal/GDP (%)	-4.5	-8.6	-7.7	-7.3	-8.0	-8.8	-9.1
Turkey							
Real GDP at market prices	4.3	4.6	0.7	-4.7	6.3	4.2	4.7
Current account bal/GDP (%)	-1.5	-5.7	-5.9	-2.5	-4.7	-5.2	-5.0
Ukraine							
Real GDP at market prices	2.7	7.9	2.1	-15.0	3.0	4.0	4.5
Current account bal/GDP (%)	2.7	-3.7	-7.3	-1.6	-0.9	-2.2	-2.4
Uzbekistan							
Real GDP at market prices	4.6	9.5	9.0	8.1	8.3	8.7	9.0
Current account bal/GDP (%)	3.3	17.4	13.1	7.0	7.8	8.5	8.8

Notes: 1. Growth rates over intervals are compound average; growth contributions, ratios and the GDP deflator are averages.

2. Turkmenistan, Montenegro, Kosovo are not forecast owing to data limitations.

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.

even if basic assessments of countries' prospects do not significantly differ at any given moment in time.

Notes:

1. Armenia, Bosnia and Herzegovina, Georgia, Latvia, Romania, and Ukraine entered Stand-by-Arrangements; Moldova and Tajikistan entered Extended Credit Facilities; Moldova also entered an Extended Arrangement, and the Kyrgyz Republic entered an Exogenous Shock Facility. Additionally, Poland opened a Flexible Credit Line of 13.7 billion SDRs, but it did not draw upon it before it expired in early-May 2010.

2. Central Bank of Russia (http://www.cbr.ru/eng/statistics/?Prtid=svs).

3. The countries covered in the Europe and Central Asia section of the regional appendix are those that fall into the World Bank's definition of low- and middle-income countries (with economies divided according to 2008 GNI per capita, calculated using the World Bank Atlas method, with income groups categorized as low income, with income of $975 or less; lower middle income with $976 - $3,855; upper middle income, with $3,856 - $11,905; and high income with $11,906 or more). The 24 countries are Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Latvia, Lithuania, Former Yugoslav Republic of Macedonia, Montenegro, Poland, Romania and Serbia (in the Central European sub -region); Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russian Federation, Tajikistan, Ukraine, and Uzbekistan (in the Commonwealth of Independent States sub -region); and Turkey. Transition countries include all 24 countries with the exception of Turkey. Among these developing countries, Bulgaria, Latvia, Lithuania, Poland and Romania are new European Union members. Owing to data limitations, forecasts are not available for Kosovo, Montenegro, and Turkmenistan. The EU -10 countries consist of: Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia.

4. The output gap is defined as the difference between the actual level of industrial production in March 2010 (or latest date) and the level that would have been observed if output had continued to expand at the average rate between January 2003 and August 2008, expressed as a percent of that trend rate.

5. IMF Regional Economic Outlook: Western Hemisphere, May 2010.

6. The low-and-middle income countries of the Middle East and North Africa region as presented in this report include Algeria, the Arab Republic of Egypt, the Islamic Republic of Iran, Jordan, Lebanon, Morocco, the Syrian Arab Republic, Tunisia and the Republic of Yemen (low-income country). Several developing countries are not covered owing to data insufficiencies, including Djibouti, Iraq, Libya and the West Bank and Gaza. High-income economies of the broader geographic region, including Gulf Cooperation Council (GCC) members, Bahrain, Kuwait, Oman and Saudi Arabia are covered in this report under the group of "other high-income countries". But as the GCC has become more integrated with the developing economies of the region, a brief discussion of economic developments is a feature of this appendix. Among the GCC, insufficient data exists for inclusion of Qatar and the United Arab Emirates in the database and forecasting model underlying this note.

7. Average growth for the developing Middle East and North Africa region over the ten-year span from 1995-2005, registered 4.4 percent--a fair estimate for growth of potential output for the region's developing countries.

8. Many countries in the region commonly report GDP on a fiscal year (FY) basis in contrast with most developing (and high-income) countries, which report GDP on a calendar year (CY) basis. In this annex, this data is converted onto a calendar year basis in order to ensure comparability with data presented for other countries. The conversion is achieved by calculating CY equivalents for GDP in India using quarterly data, and by making an estimate using appropriately weighted averages of the FY data for Bangladesh, Nepal and Pakistan. Sri Lanka reports national income and product accounts on a calendar year basis. The fiscal year runs from July 1 through June 30 in Bangladesh and Pakistan, from July 16 through July 15 in Nepal, and from April 1 through March 31 in India. Because of reporting practices, Bangladesh, Nepal, and Pakistan report FY2008/09 data in CY2009, while India reports FY2008/09 in CY2008.

9. The text references GDP at market prices for all countries including India for consistency across developing countries (as GDP at market prices is the metric used by most economies). In some South Asian economies, GDP at factor cost is more widely referenced in the press. GDP at factor cost excludes indirect taxes and includes subsidies—whereas GDP at market prices includes indirect taxes and excludes subsidies. Table B5.4 presents GDP at both factor cost and market prices for India.

10. World Bank, World Development Indicators, and Government sources.

11. World Development Indicators (April 2010).