



FEM Congress

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The economic situation in Eastern Europe and Russia

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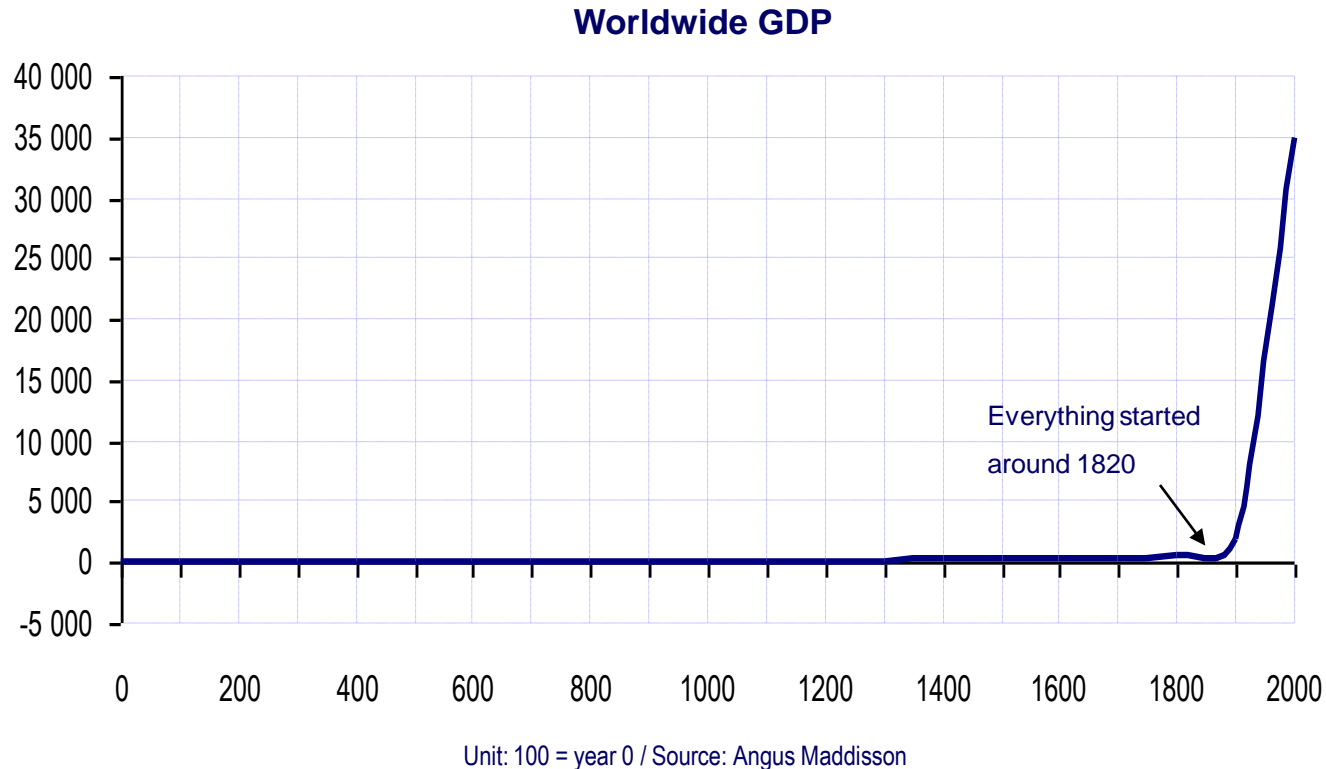
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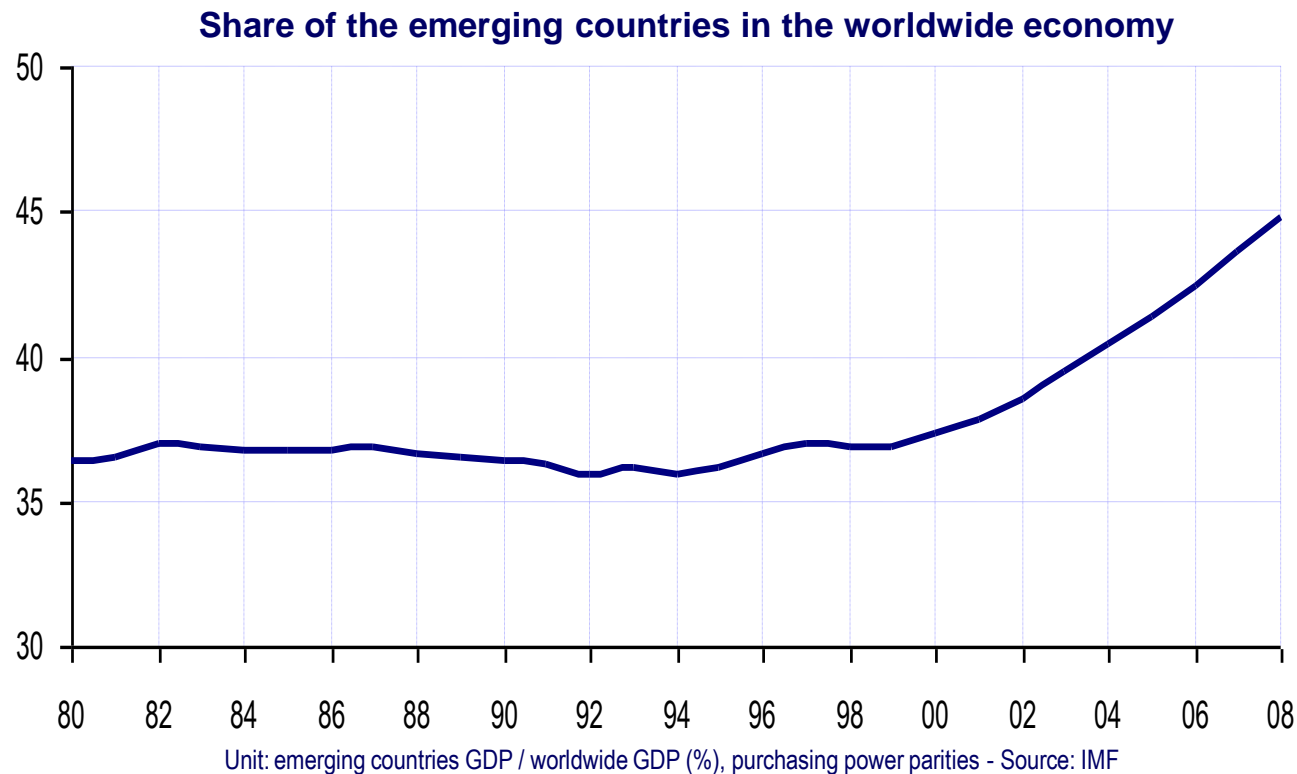
Global context: the great transformation

Emerging countries' economic growth, a new phase of a process that started 200 years ago



Global context: the great transformation

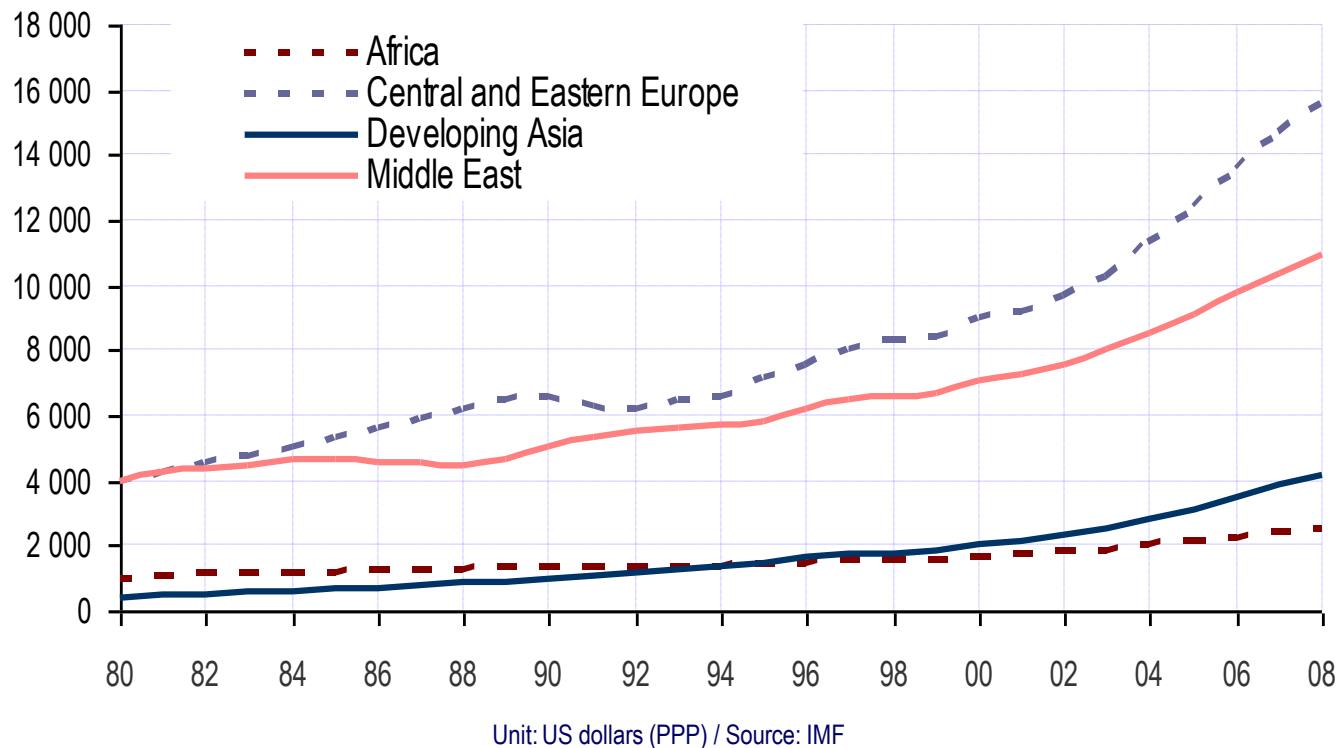
Emerging countries now account for 45% of the worldwide economy



Global context: the great transformation

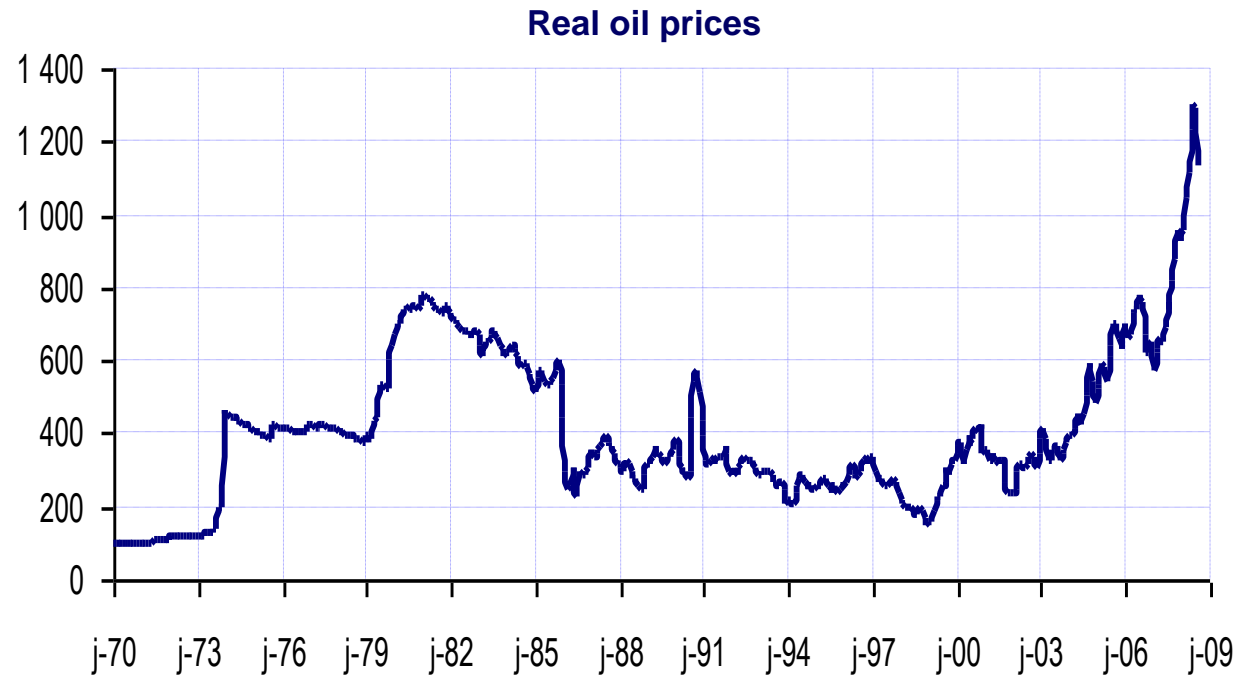
Central and Eastern Europe is clearly ahead

GDP per capita in emerging countries



Global context: the great transformation

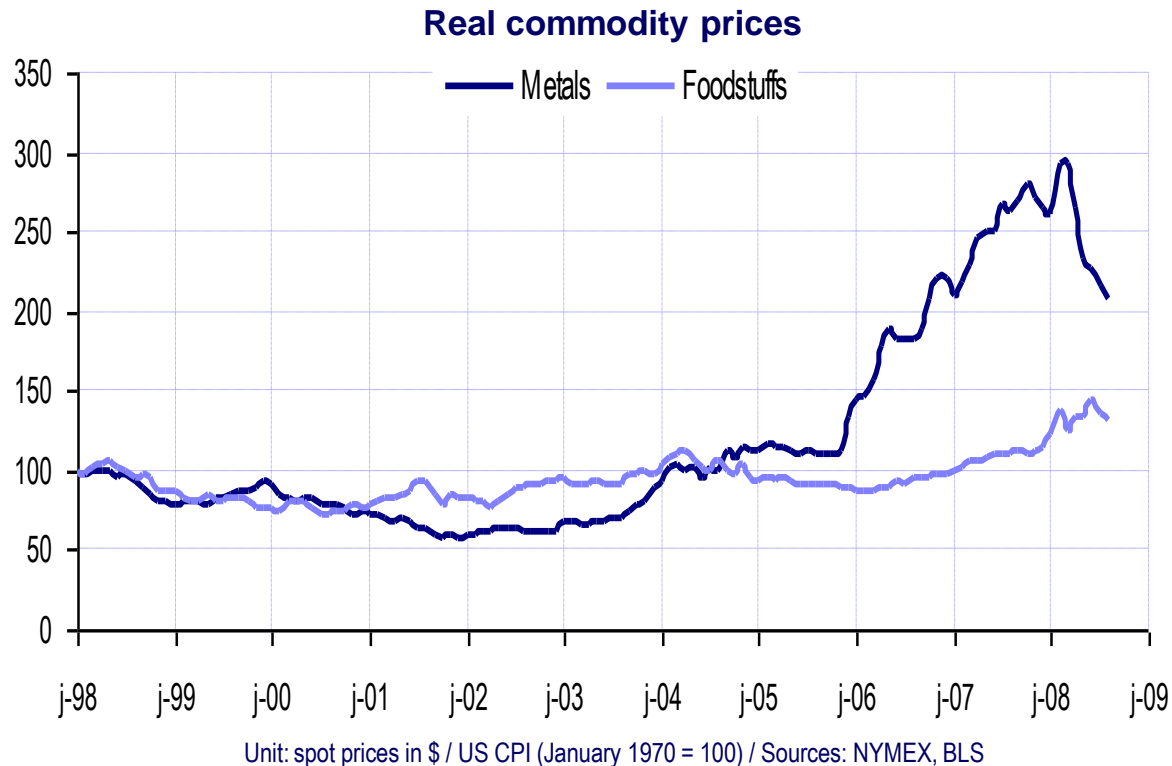
Strong pressure on commodity markets (1)



Unit: oil spot prices in \$ / US CPI (January 1970 = 100) / Sources: NYMEX, BLS

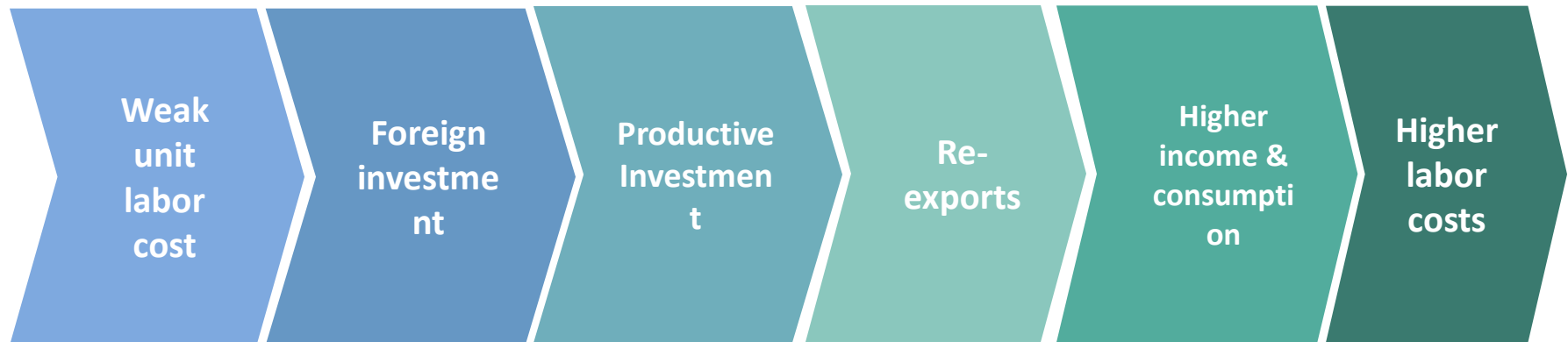
Global context: the great transformation

Strong pressure on commodity markets (2)



Central & Eastern Europe economies: an overview

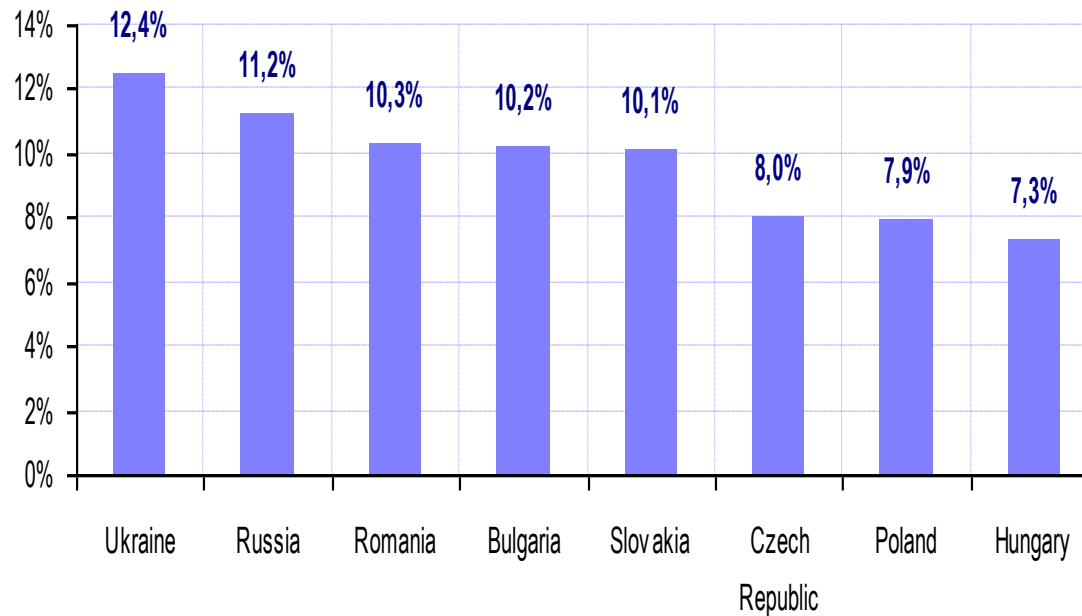
A traditional model of economic development



Central & Eastern Europe economies: an overview

Catching up the European average life level

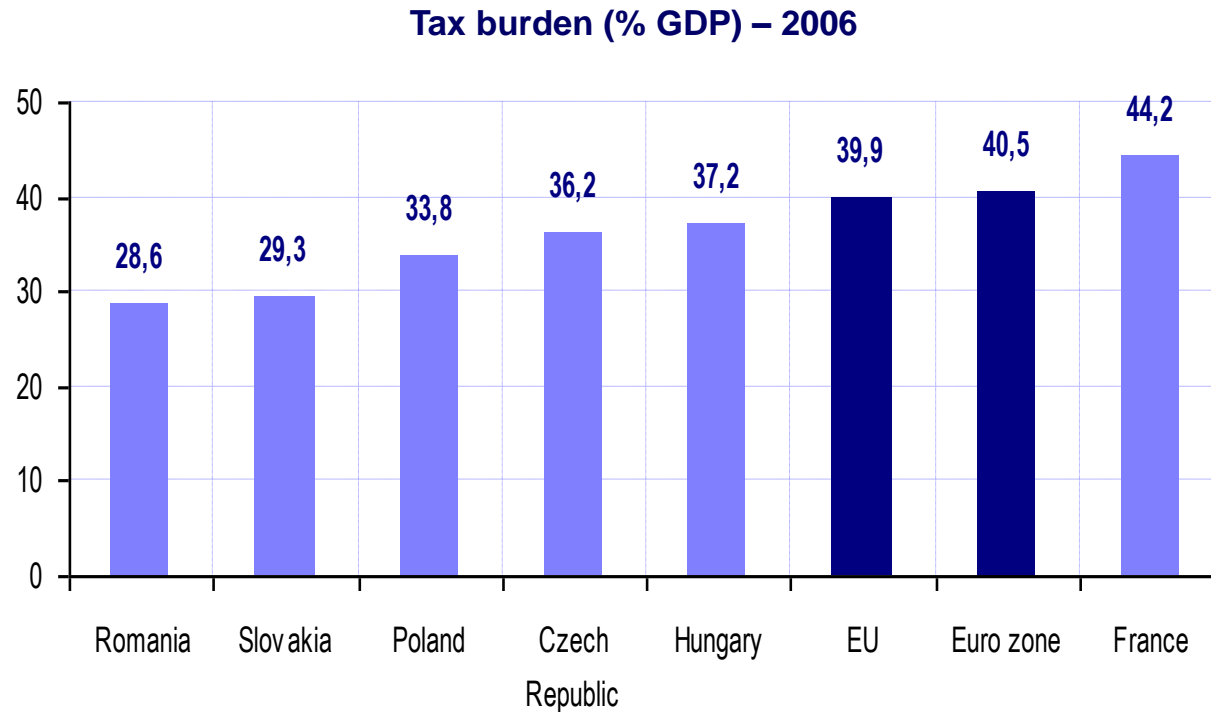
Annual GDP per capita growth – 2000-2008



Unit: annual mean growth of GDP per capita (PPP) / Source: IMF

Central & Eastern Europe economies: an overview

One explanation among others : the fiscal strategy

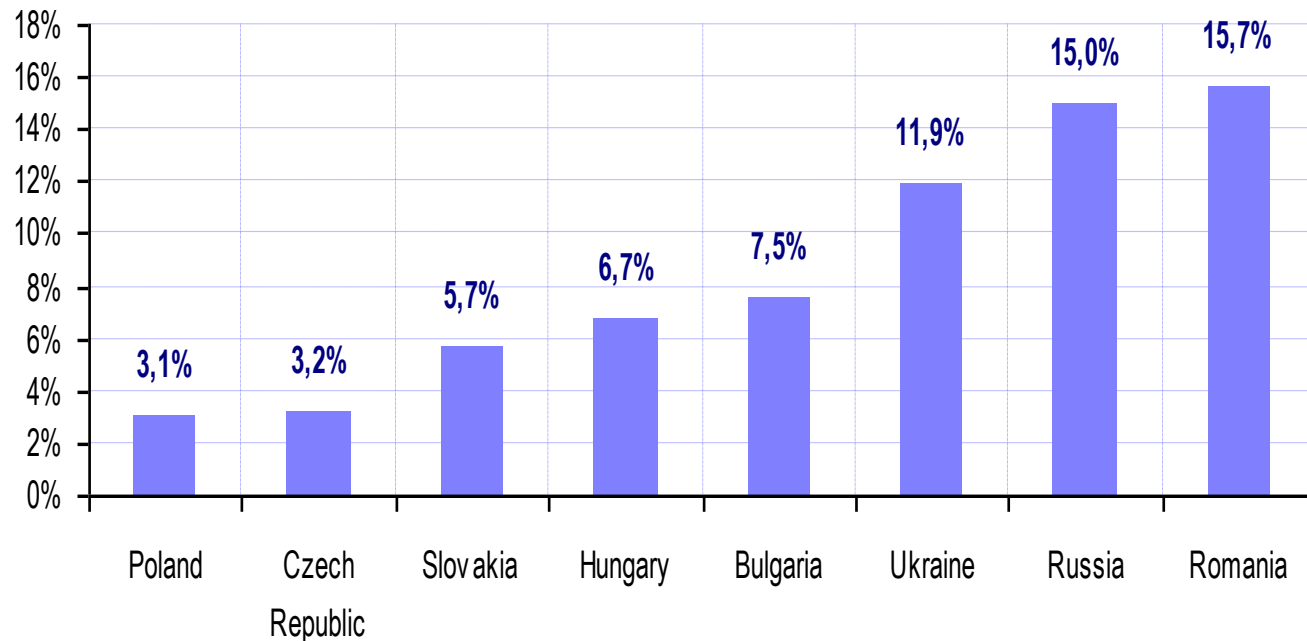


Unit: fiscal income / GDP (% , 2006) / Source: Eurostat

Central & Eastern Europe economies: an overview

In some countries, GDP growth is unsustainable (1)

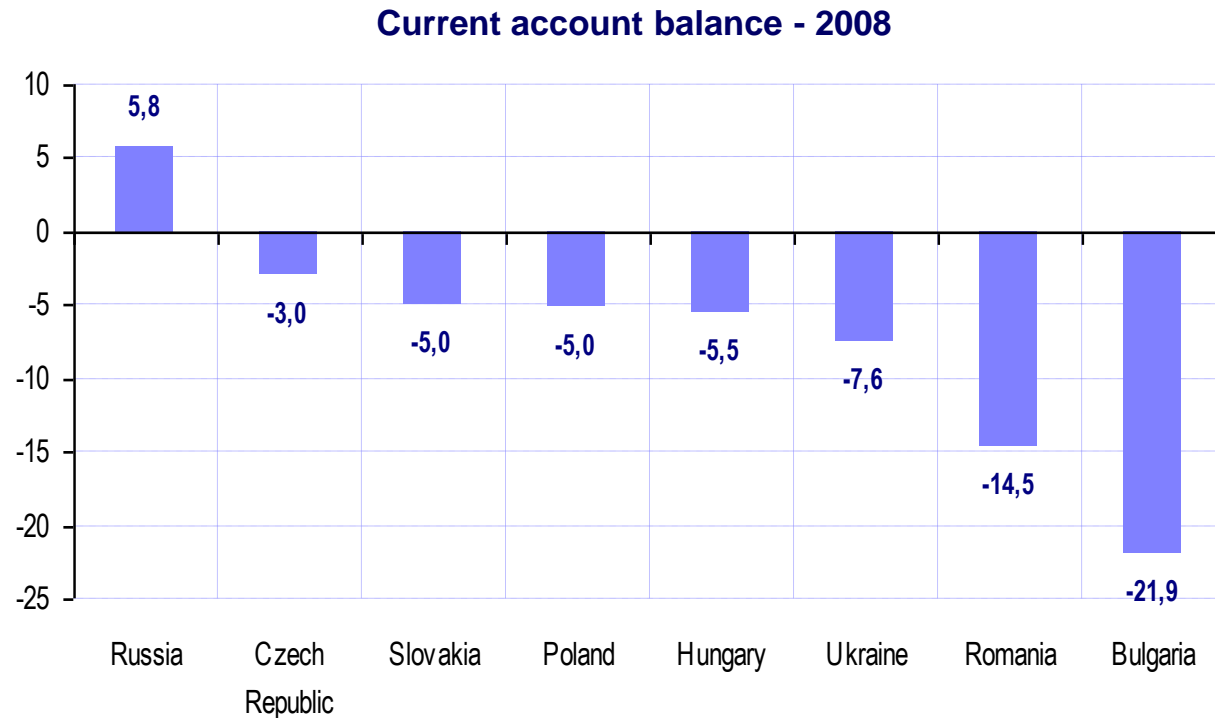
Annual inflation – 2000-2008



Unit: annual mean consumer price growth / Source: IMF

Central & Eastern Europe economies: an overview

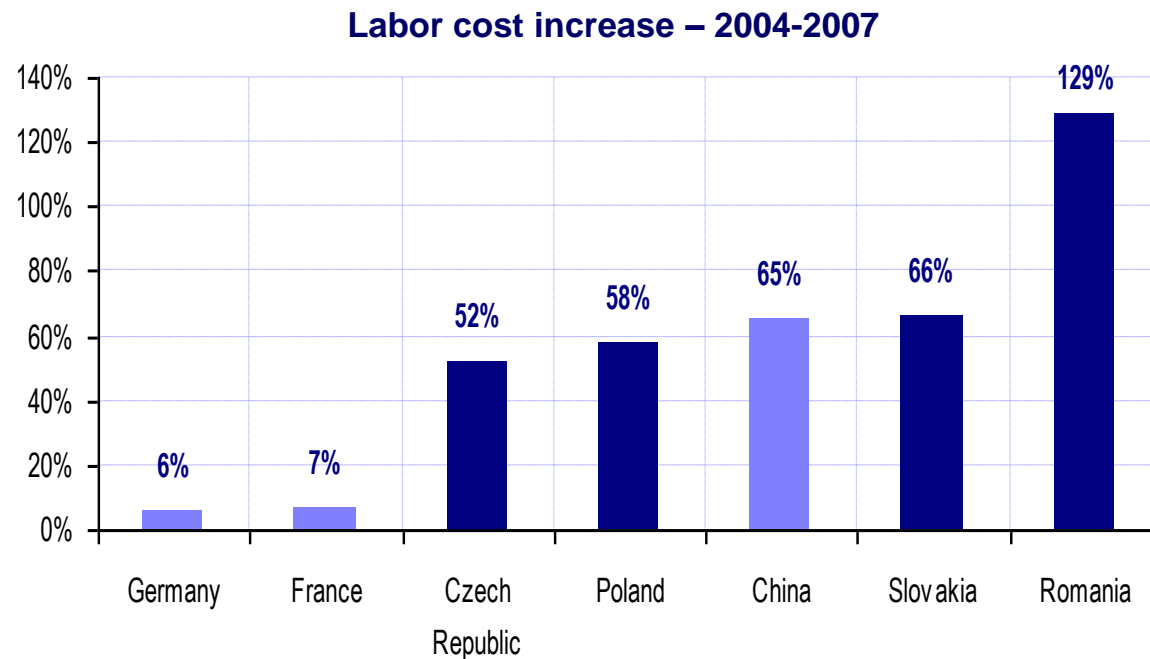
In some countries, GDP growth is unsustainable (2)



Unit: % of GDP / Source: IMF

Central & Eastern Europe economies: an overview

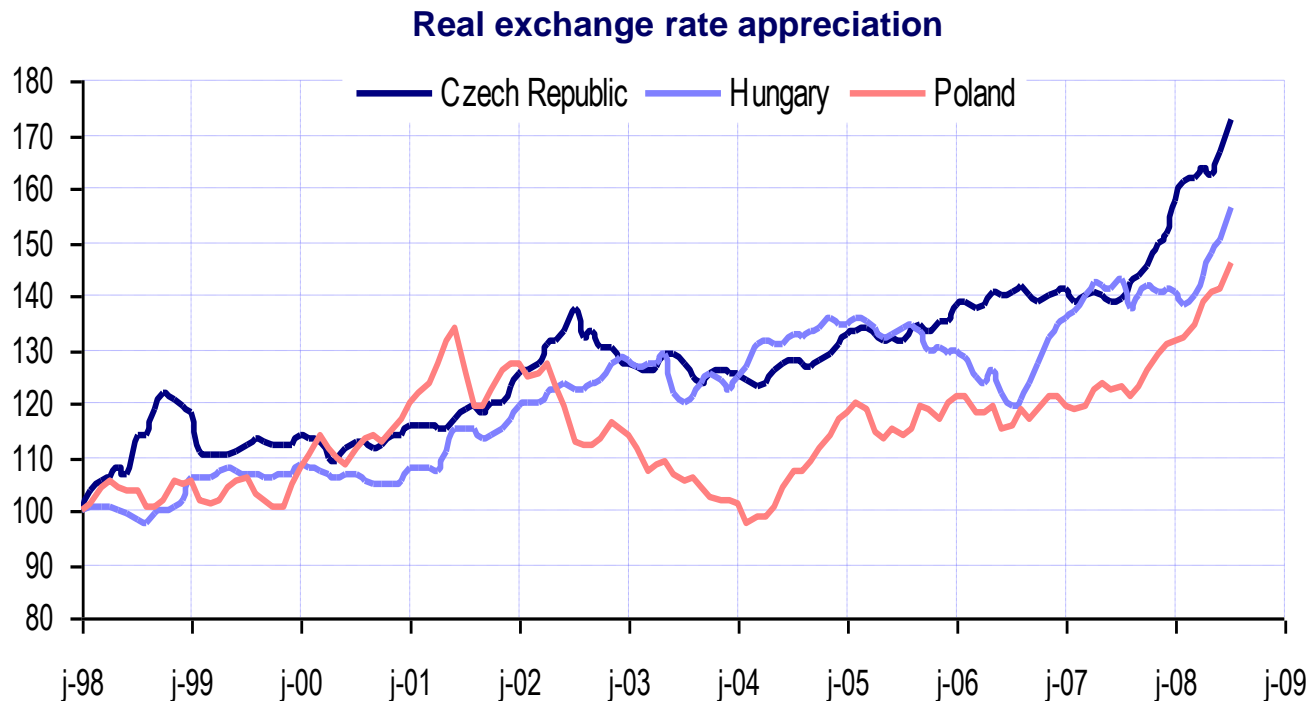
The new context : higher costs of production



Unit: % / Source: Eurostat

Central & Eastern Europe economies: an overview

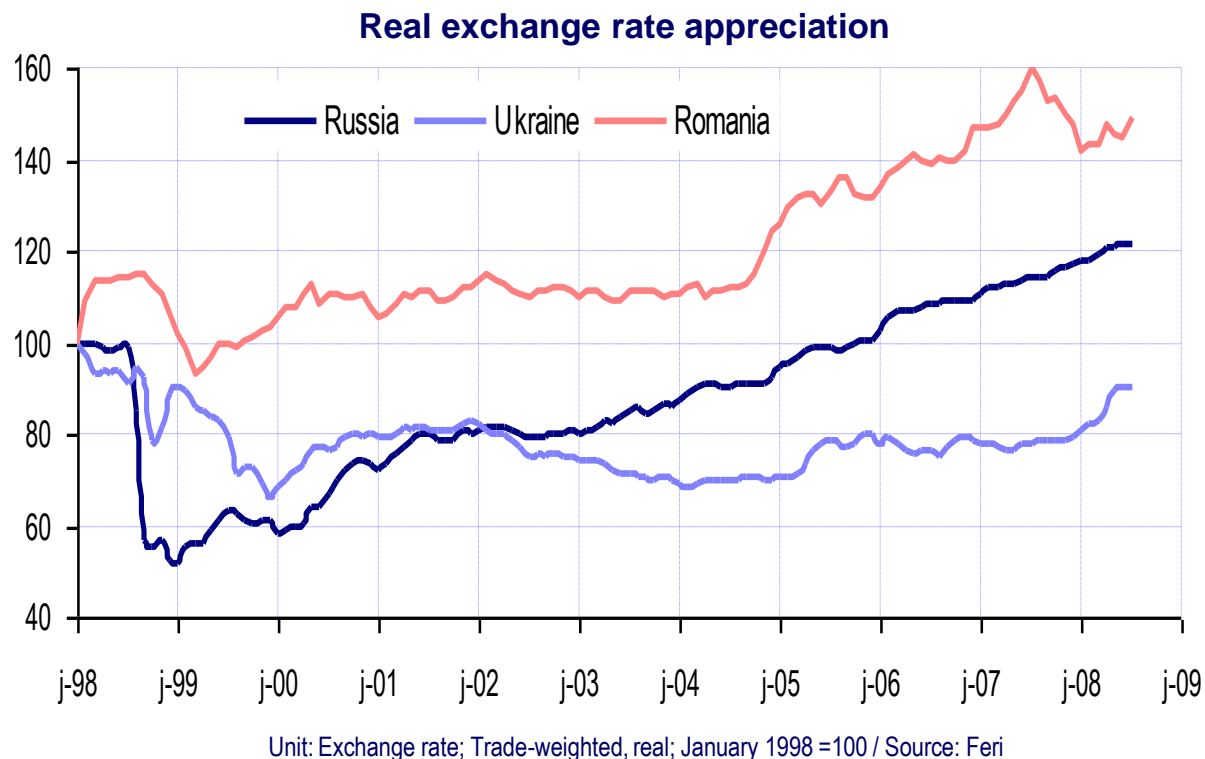
The new context : loss of competitiveness (1)



Unit: Exchange rate; Trade-weighted, real; January 1998 =100 / Source: Feri

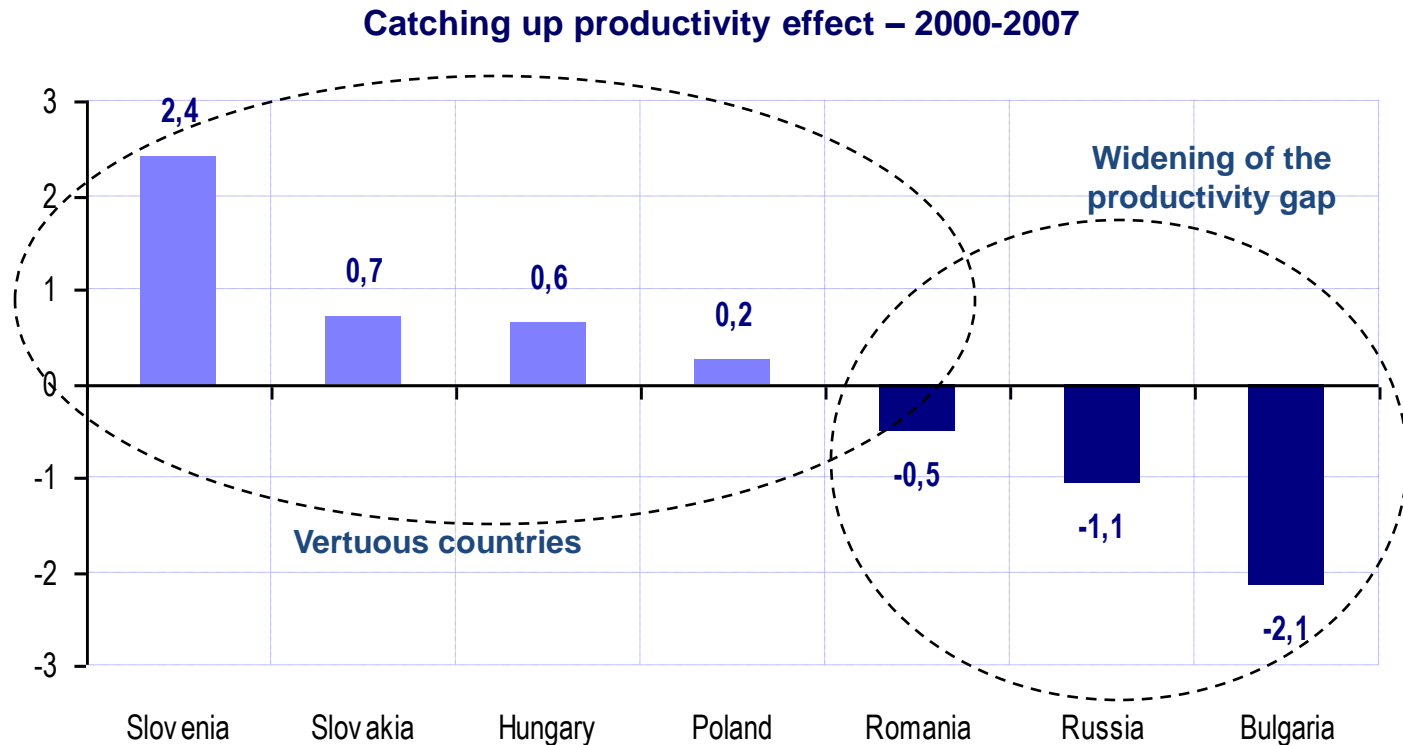
Central & Eastern Europe economies: an overview

The new context : loss of competitiveness (2)



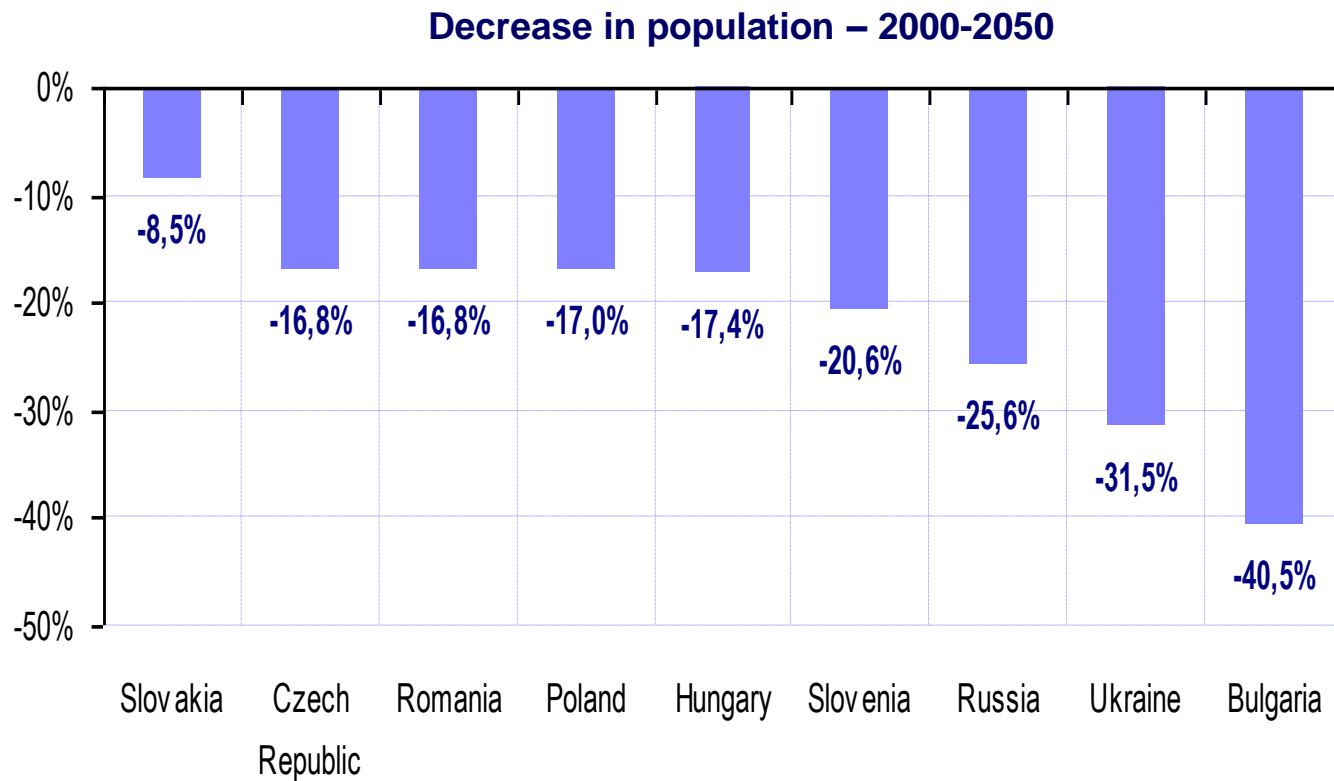
Central & Eastern Europe economies: an overview

High productivity is key for the future



Central & Eastern Europe economies: the Russian specificity

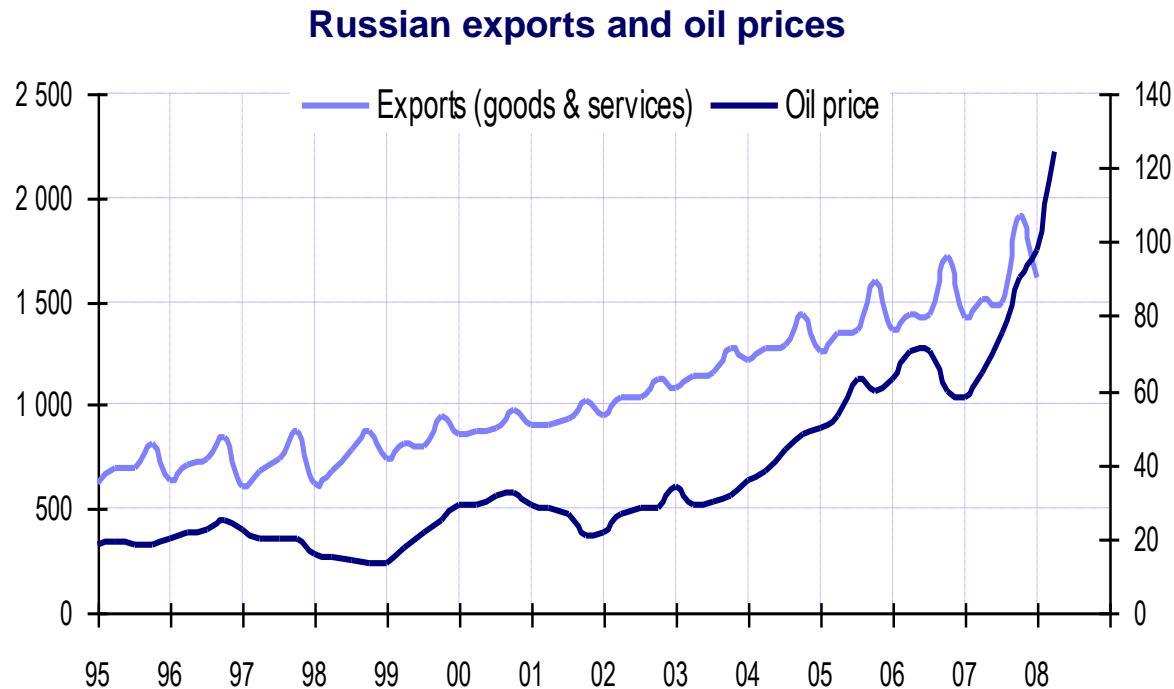
The demographic disaster



Unit: % / Source: Census

Central & Eastern Europe economies: the Russian specificity

The oil export dependence problem

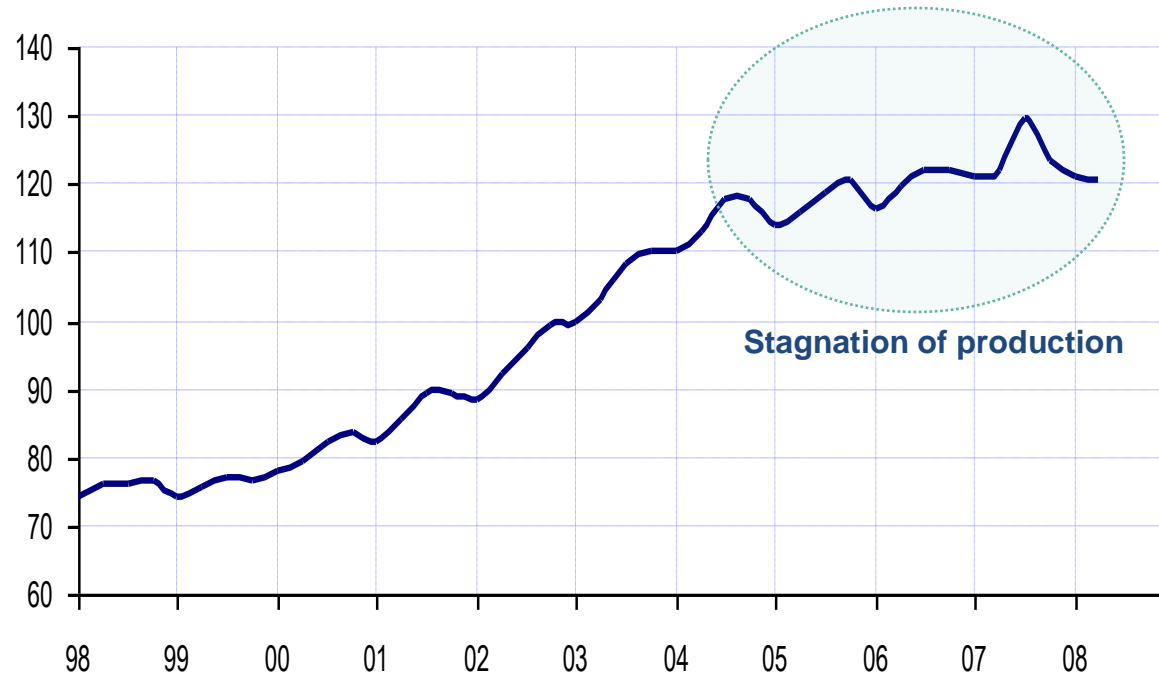


Unit: growth of real exports (year on year), barrel price in \$ / Sources: SCoS, Nymex

Central & Eastern Europe economies: the Russian specificity

Lack of investment

Production of crude oil



Unit: Mn tones / Source: SCoS

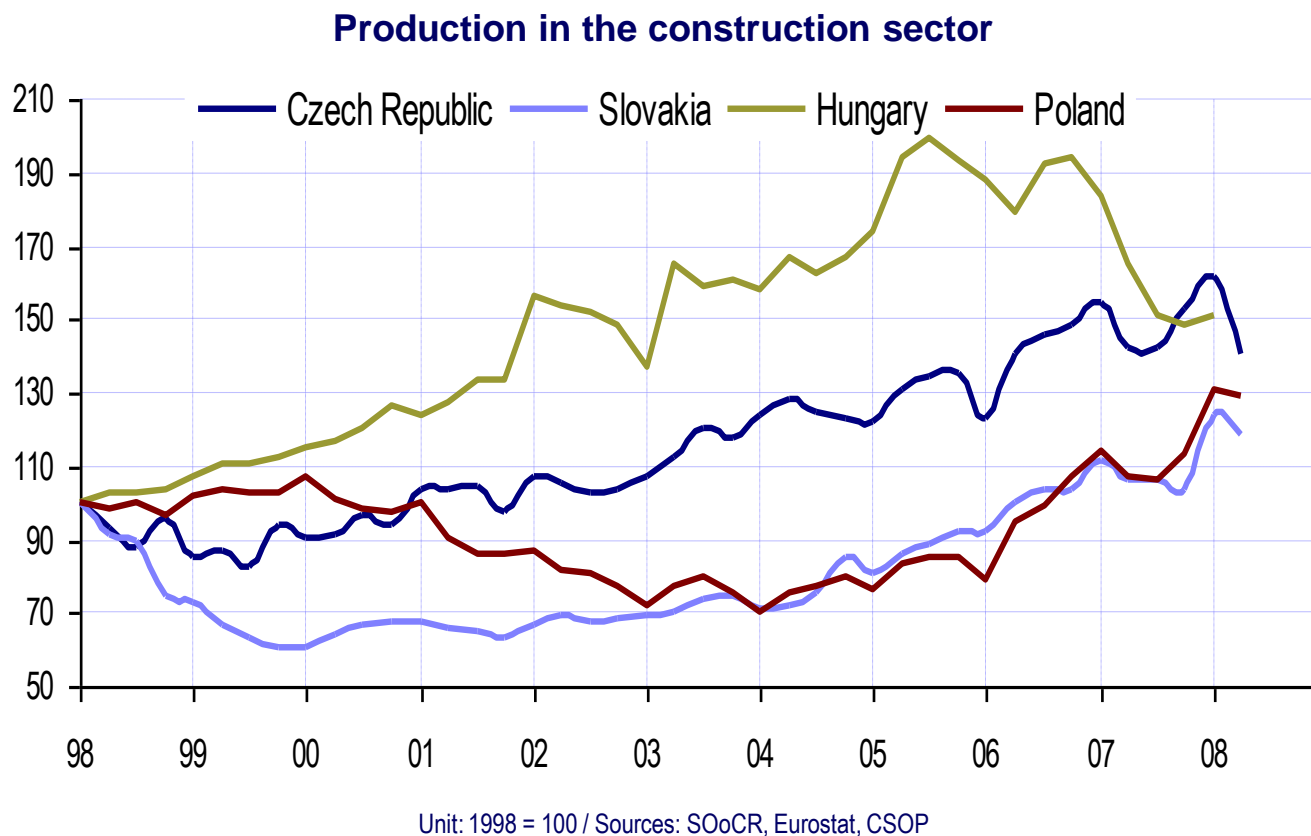
Central & Eastern Europe economies: the Russian specificity

Financial markets do not like imperialism



Central & Eastern Europe economies: what is coming next?

Housing sector: resilient, but risk of a sharper decrease





Central & Eastern Europe economies: What is coming next ?

Consumption

- ▶ Consumption is fuelled by rising household incomes and declining unemployment...
- ▶ ...but high inflationary pressure and tighter monetary conditions are resulting in moderation.
- ▶ Households have increasingly been financing their consumption with debt, making them more sensitive to potential shocks.



Central & Eastern Europe economies: What is coming next ?

Investment

- ▶ Prospects for investment remain relatively positive thanks to :
 - **robust business activity**
 - **infrastructure projects** financed by structural funds (in EU member countries)
- ▶ **Foreign direct investments** will be **affected** by global uncertainty.
- ▶ However, the region remains **competitive**.



Central & Eastern Europe economies: What is coming next ?

Exports

Exports will be affected by :

- ▶ lower growth levels in the euro zone
- ▶ rising production costs
- ▶ High real exchange rates

Central & Eastern Europe economies: What is coming next ?

2008-2009 macroeconomic forecasts

	GDP growth		Inflation	
	2008	2009	2008	2009
Czech republic	4,0	3,8	5,7	2,8
Hungary	2,4	2,7	5,6	3,5
Poland	5,0	4,0	4,2	3,8
Slovakia	7,5	5,5	4,3	4,4
Slovenia	4,0	3,8	6,4	4,6
Bulgaria	5,5	4,5	9,0	7,0
Romania	6,5	5,0	7,0	5,0
Russia	7,5	6,0	13,5	11,5
Ukraine	5,0	4,0	20,5	10,0



Central & Eastern Europe economies: What is coming next ?

On the longer term

- ▶ Economic convergence > reduction in the GDP per capita gap
- ▶ Euro adoption

