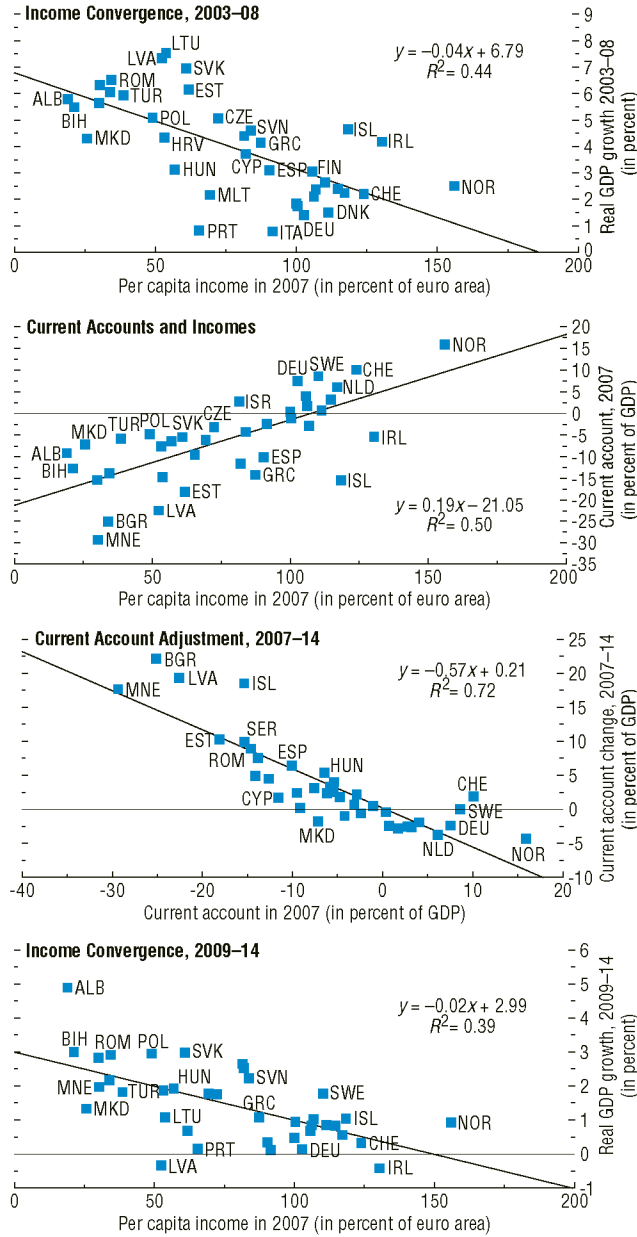


Figure 2.4. Europe: Subdued Medium-Run Growth Prospects¹

Emerging European countries have grown faster than their western European peers during 2003–08. This convergence has been helped by significant capital inflows, which have supported large current account deficits in the less rich economies. However, current account deficits and capital inflows will diminish appreciably over the medium run. Growth is expected to be noticeably lower and income convergence slower in all European economies, as illustrated by the smaller intercept and flatter slope of the regression in the bottom panel compared with the top one.



Source: IMF staff calculations.

¹See Figure 2.3 for country abbreviations. ALB: Albania; BIH: Bosnia and Herzegovina; CHE: Switzerland; CYP: Cyprus; DEU: Germany; DNK: Denmark; EST: Estonia; HRV: Croatia; MKD: Macedonia, FYR; IRL: Ireland; ISL: Iceland; MLT: Malta; MNE: Montenegro; NOR: Norway; SER: Serbia; SWE: Sweden.