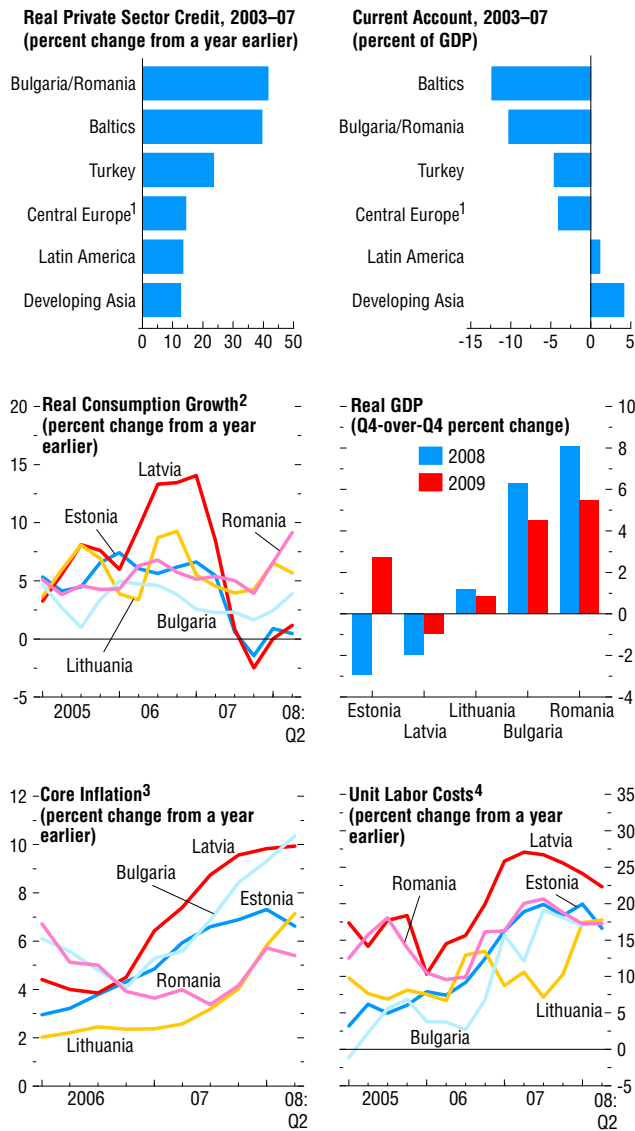


Figure 2.6. Emerging Europe: Are Credit Booms Cooling Off?

Credit to the private sector has expanded at a much faster rate in the Baltics, Bulgaria, and Romania than in other countries in the region. Credit booms have been accompanied by a buildup of significant external imbalances. Estonia and Latvia are now undergoing a sharp correction, while consumption and GDP continue to grow briskly in Bulgaria and Romania and, to a lesser extent, in Lithuania. Core inflation and growth of unit labor costs have started to stabilize in Estonia and Latvia, while in Bulgaria, Lithuania, and Romania inflation pressures remain strong.



Sources: Haver Analytics; IMF, *International Financial Statistics*; and IMF staff estimates.

¹Includes Czech Republic, Hungary, Poland, and Slovak Republic.

²Two-quarter moving average.

³Overall consumer price index (CPI) excluding energy, food, alcohol, and tobacco.

⁴Calculated as overall compensation divided by GDP, except for Romania, where wages are used instead of compensation.