The Western Balkans
15 Years of Economic Transition

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Outline

- Achievements
- Emerging Problems
- Future Challenges
Achievements
A Clear Shift Towards a Market Economy

Private Sector Share of GDP, 2010
(Percent)

Source: EBRD.
Opening Towards Foreign Markets

Exports of Goods and Services
(Percent of GDP)

Sources: World Economic Outlook; and IMF staff calculations.
1/ 2003 data uses Serbia and Montenegro data.
Big Modernization in Banking

Foreign Bank Ownership

(Group median, in percent share of total banks)

Evolution of Deposits

(Percent of GDP) 1/

1/ Groupings calculated with medians.
The Payoff: Solid Growth

Average Real GDP Growth
(Weighted average across countries, in percent)

Sources: Penn World Table; WEO; and IMF staff calculation.
The Payoff: Macro Improvement

**Primary Balance Average, 2002-08**
(Percent of GDP)

**Gross Debt Average, 2002-08**
(Percent of GDP)

Source: IMF, World Economic Outlook.
Note: Debt data for Kosovo only available after 2009.
IMF Involvement

IMF Programs in WBS - Lending Volume and Output Declines

Percent change in real GDP\(^1\)

1/ Maximum cumulative decline in three years from program inception (or lowest growth if no decline).

Lending volume=100 percent of quota

= Program arrangements in Western Balkans

Emerging Problems
Convergence Gap Persisted

Catching up with Advanced Europe
(Average country GDP per capita as percent of average EU17 GDP per capita)

Sources: Penn World Table; and IMF staff calculations.
Reforms Were Incomplete

**EBRD Indicators Compared**
(Median levels in year 2000)
Abundant Liquidity Temporarily Boosted Growth

Current Account Balances by Region
(Percent of GDP)

Sources: IMF, World Economic Outlook and IMF staff estimates.
The Crisis Exposed the Incomplete Transformation

Average Real GDP Growth
(Weighted average across countries, in percent)

Sources: Penn World Table; WEO; and IMF staff calculation.
Future Challenges
Needed: Faster Growth to Resume Income Convergence

Catching up with Advanced Europe
(Average country GDP per capita as percent of average EU17 GDP per capita)

Sources: Penn World Table; and IMF staff calculations.
Needed: More Inclusive Growth to Address Poor Labor Market Outcome

Unemployment Rate, 2013
(Percent)

Employment Rate, 2013
(Percent)

Sources: Country authorities; OECD; Haver; Eurostat; and IMF staff calculations.
How: Tackling the Large Stock of NPLs to get Credit Flowing

Non-Performing Loans
(Percent of total loans)

Sources: IMF, Financial Soundness Indicators Database; and country authorities.
Note: Group medians. Definition of NPL may differ by country. Data are the lastest available for each country.
How: Repair Fiscal Positions and Secure Sustainability

### Overall Fiscal Balances in 2008-13 (Percent of GDP)

![Graph showing overall fiscal balances from 2008 to 2013 for various countries.]

Source: IMF, World Economic Outlook.

### Gross Debt in 2008-13 (Percent of GDP)

![Graph showing gross debt from 2008 to 2013 for various countries.]

Source: IMF, World Economic Outlook.

Note: 2008 data for UVK is unavailable, 2009 data was used instead.
How: Resuming Structural Reforms

Top 5 Reform Priorities for Each of the WB States

1/ These are assessed relative to the NMS in each of the 10 main pillars of the Global Competitiveness Index.
2/ Larger bubbles represent reform areas that receive a higher rank ordering.

Note: For Kosovo, a different methodology was used as GCI data is not available for the country.
Momentum is Turning

- Commitments to consolidate
- Ambitious structural reform programs