



World Bank Global Economic Prospects

Some comments



National Bank of Poland,
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Three topics

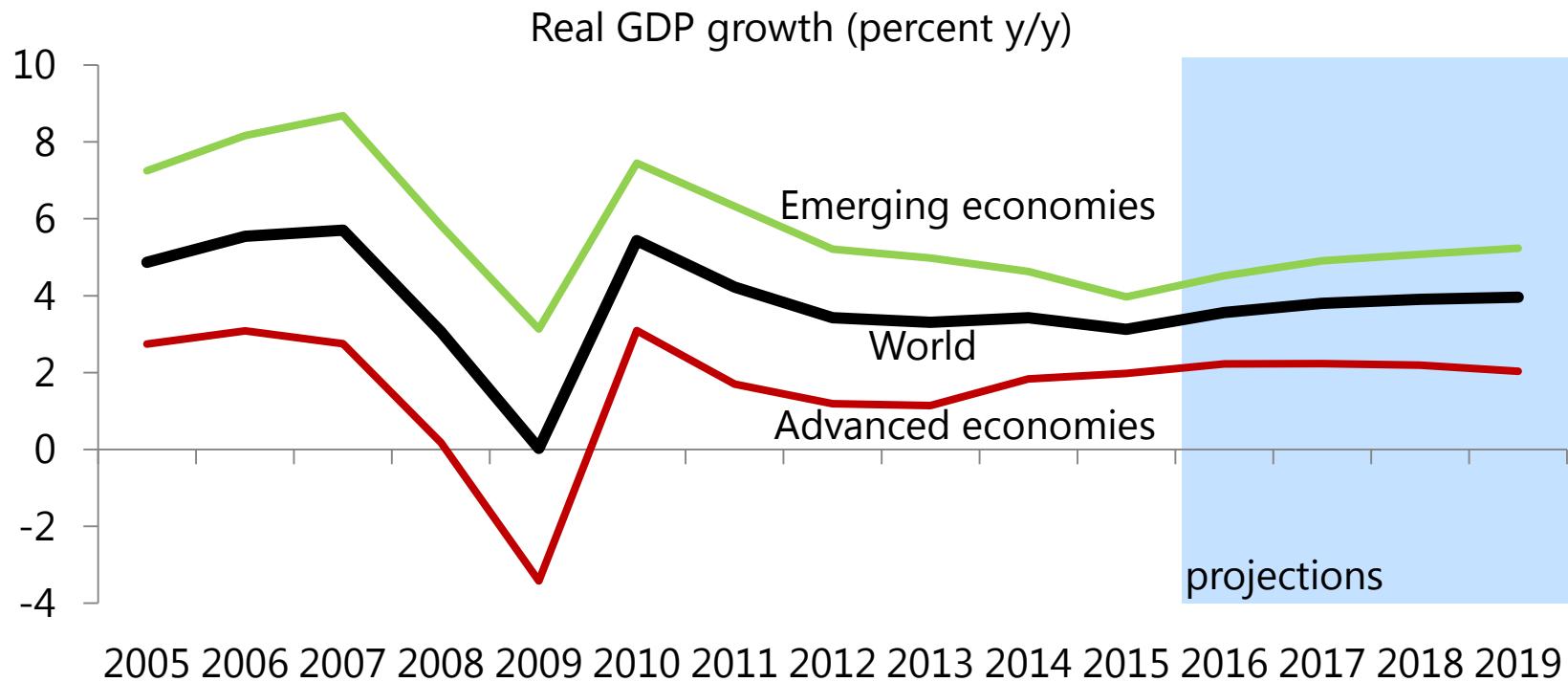


- 1. Slowdown in EMEs
- 2. Resilience of non-CIS CESEE
- 3. CESEE regional differences

Slowdown in Emerging Markets



- Growth in emerging market has slowed down
- Is this temporary?
- Or is it more structural?

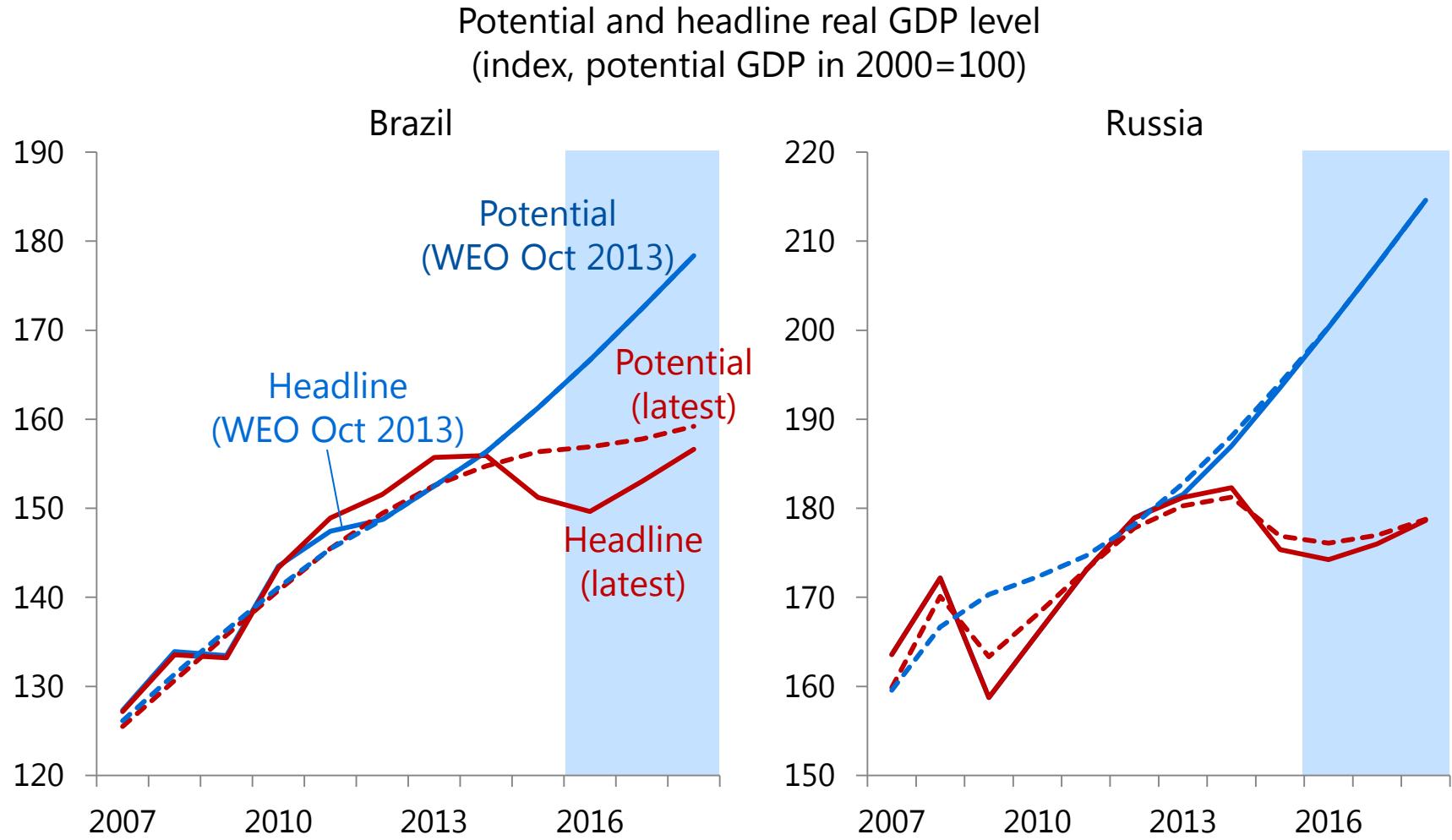


Report attributes slowdown to “shocks”

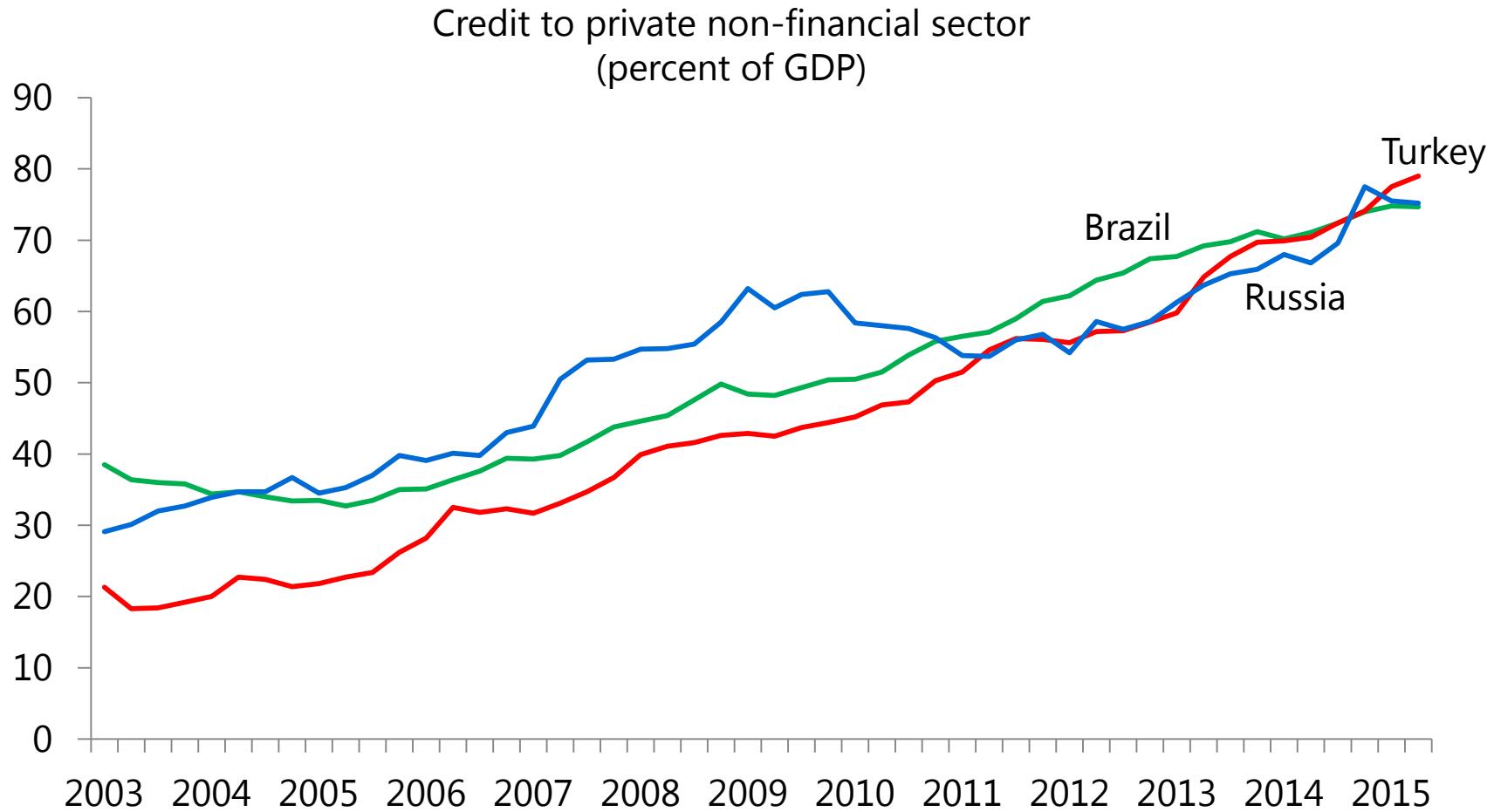


- Shocks have no doubt have played a role.
 - Commodity price shocks
 - Tightening of global financial conditions
- But there is also question whether growth model itself was sustainable.
- Would rapid growth have continued without shocks?

It is not just actual output that has been revised!



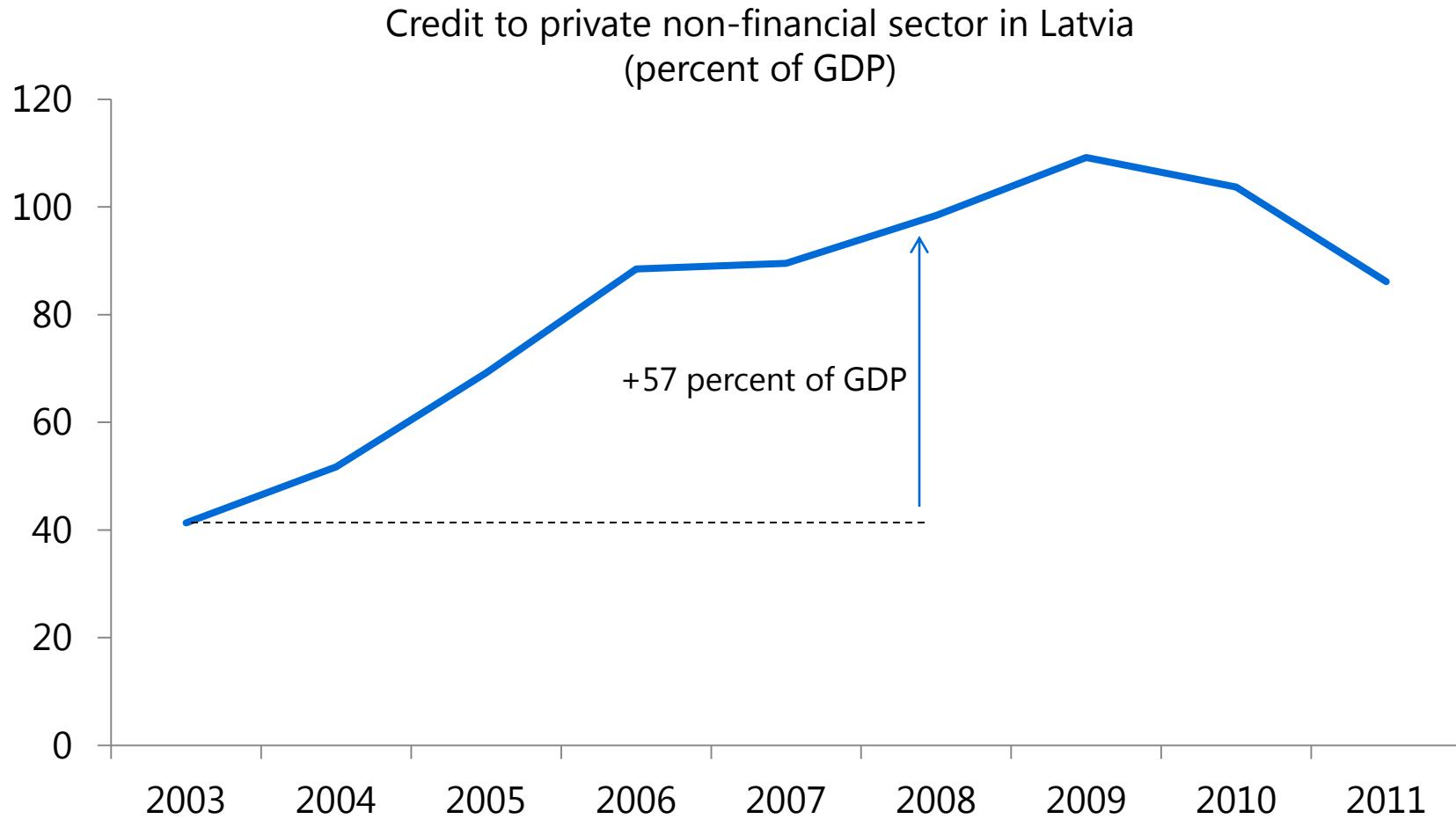
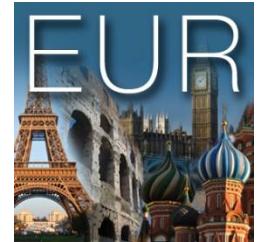
Growth in the large EMEs has been fueled by a credit boom



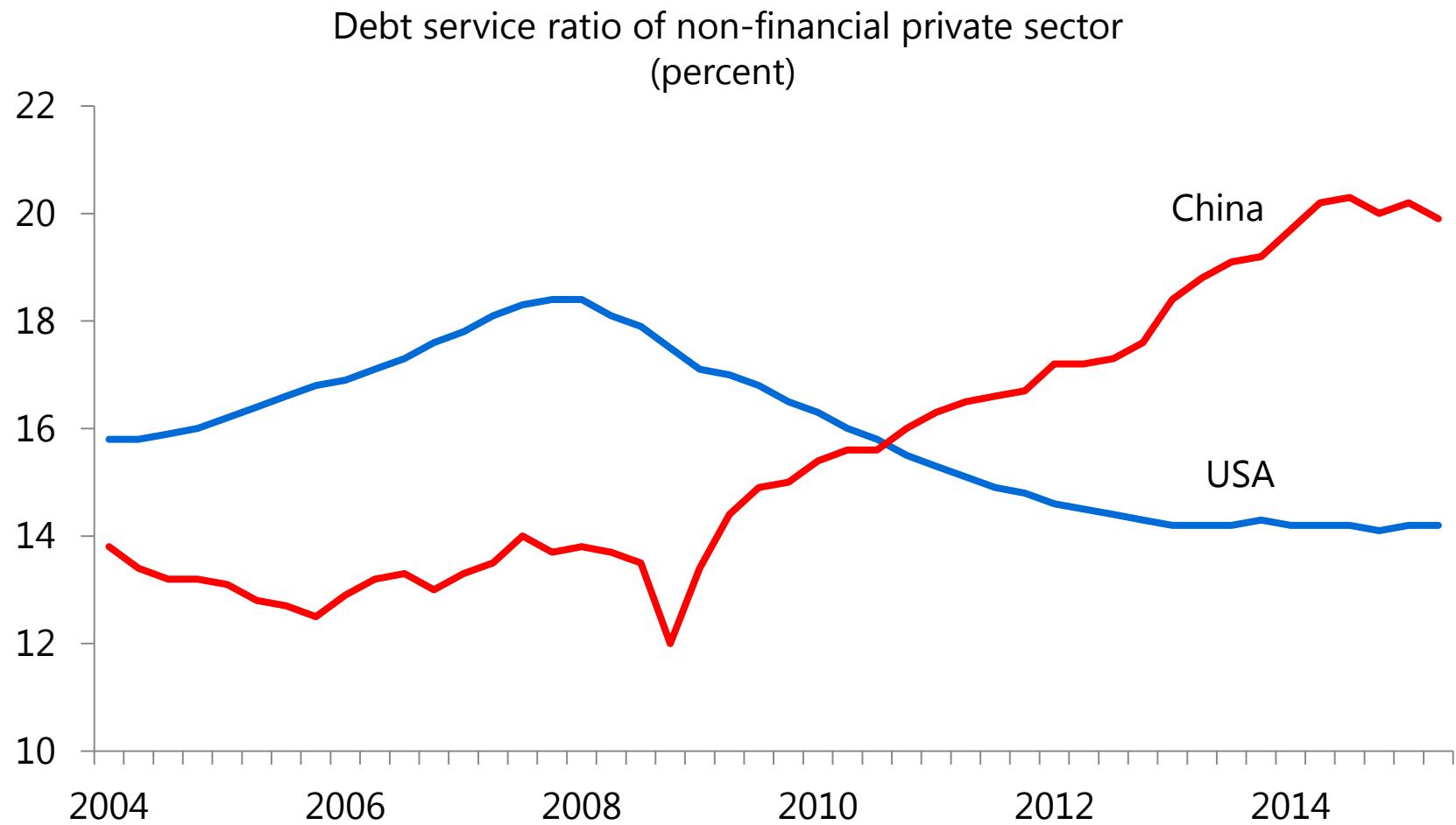
In China credit boom has been particularly dramatic



Even stronger than Latvia pre-crisis!



Debt service has increased as well

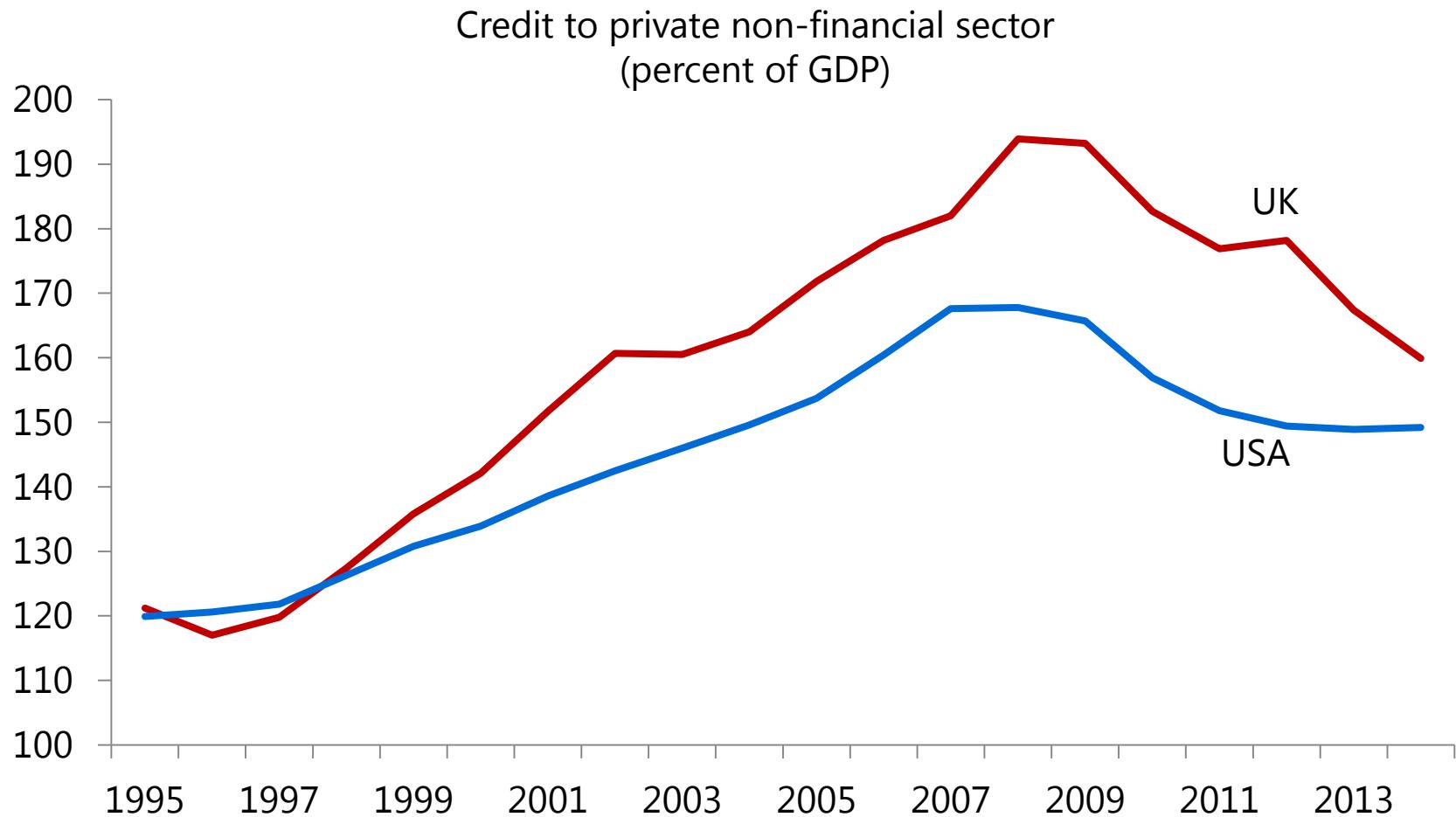


Big question: What happens if credit boom ends?



- What happens with domestic demand growth?
- NPLs?
- Will financial sector remain healthy?

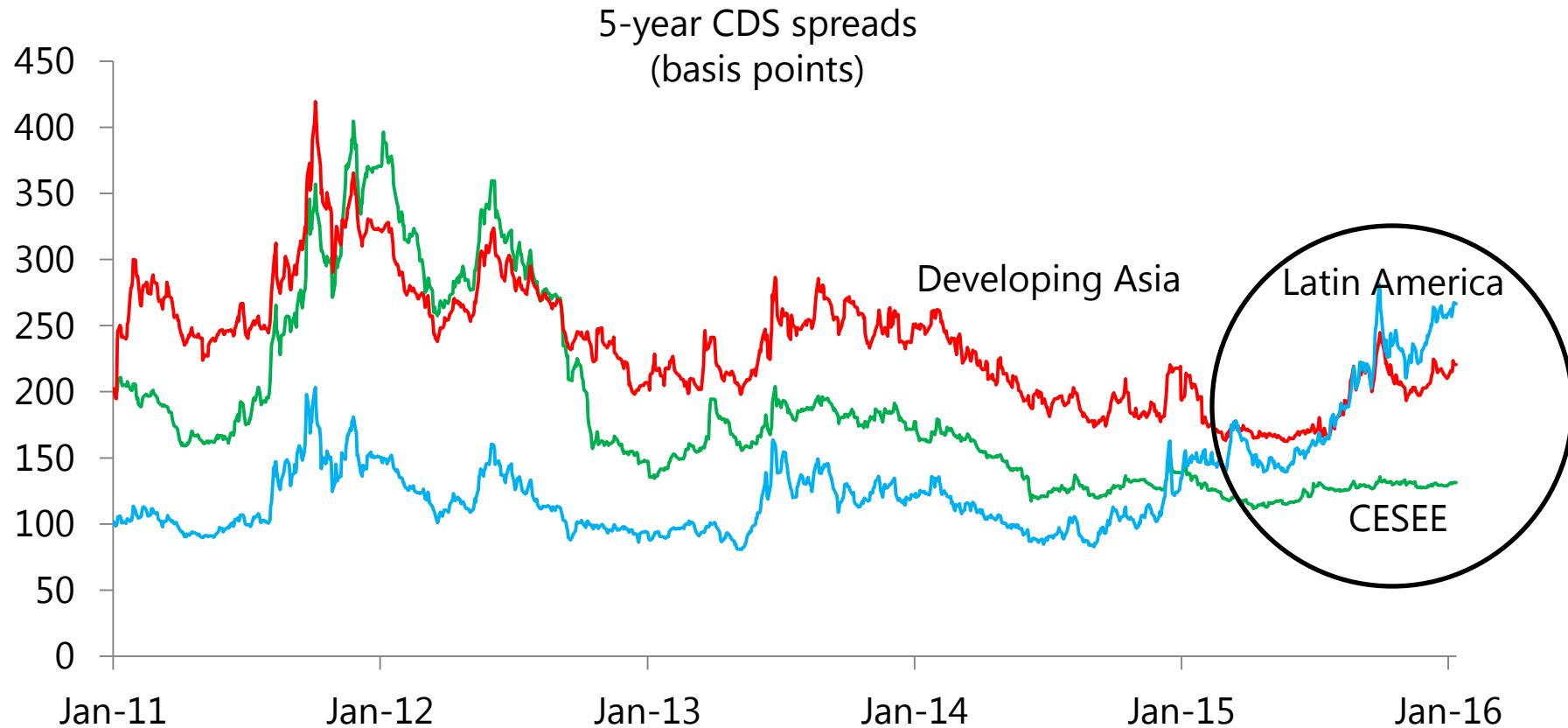
In 2007, we thought that credit booms in US and UK would end well.



2. Resilience of CESEE



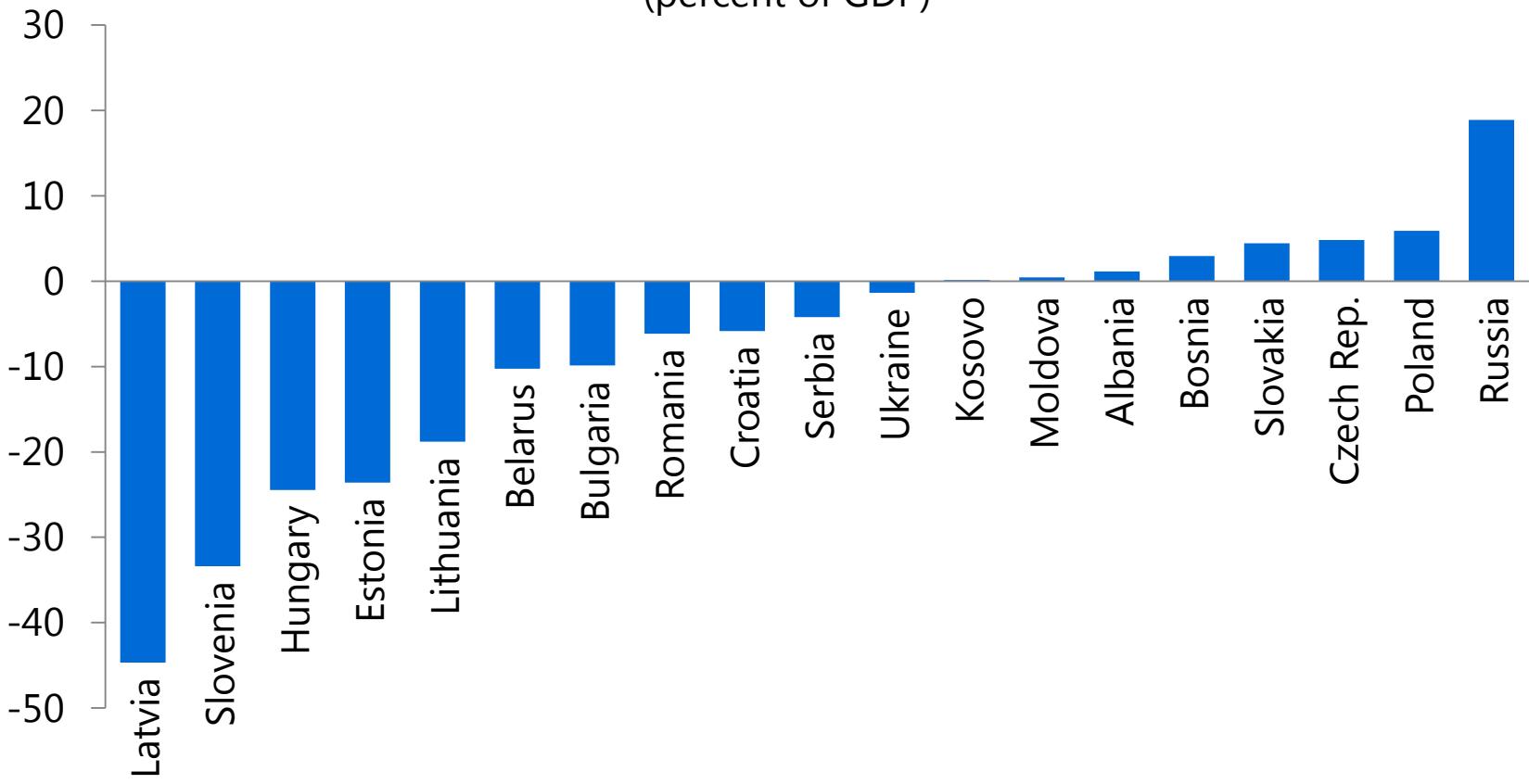
- CESEE has been much less affected by global financial turmoil



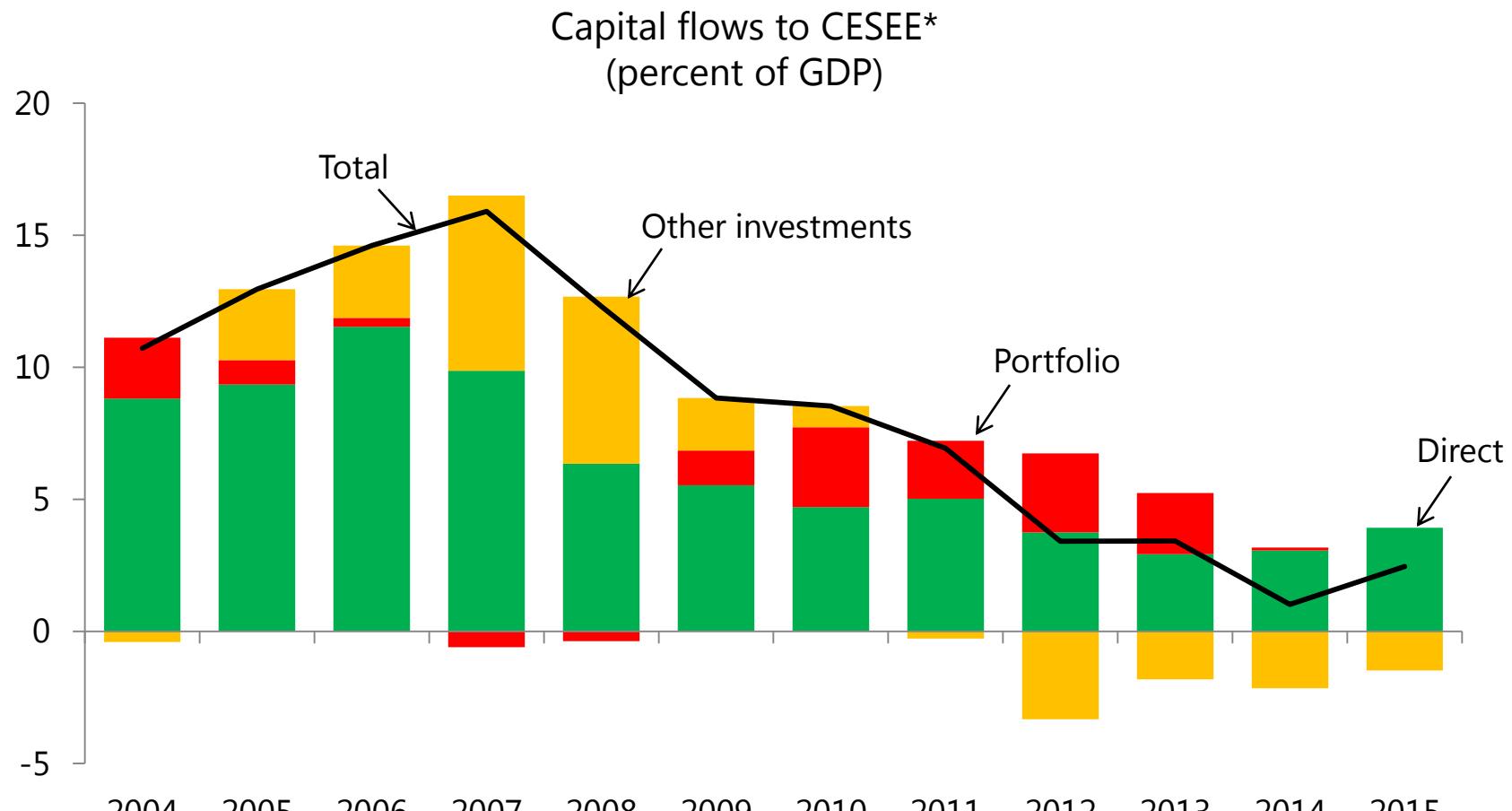
CESEE—excl Turkey and Russia—has not had a credit boom post 2008!



Change in claims on non-financial private sector, 2010-2014
(percent of GDP)



Post 2009, capital inflows have been low



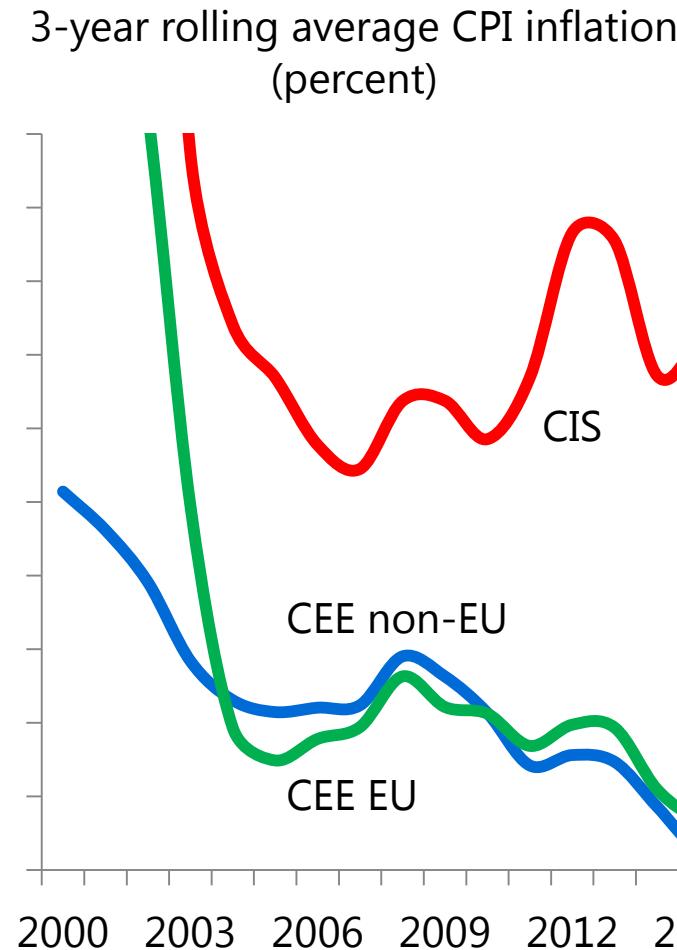
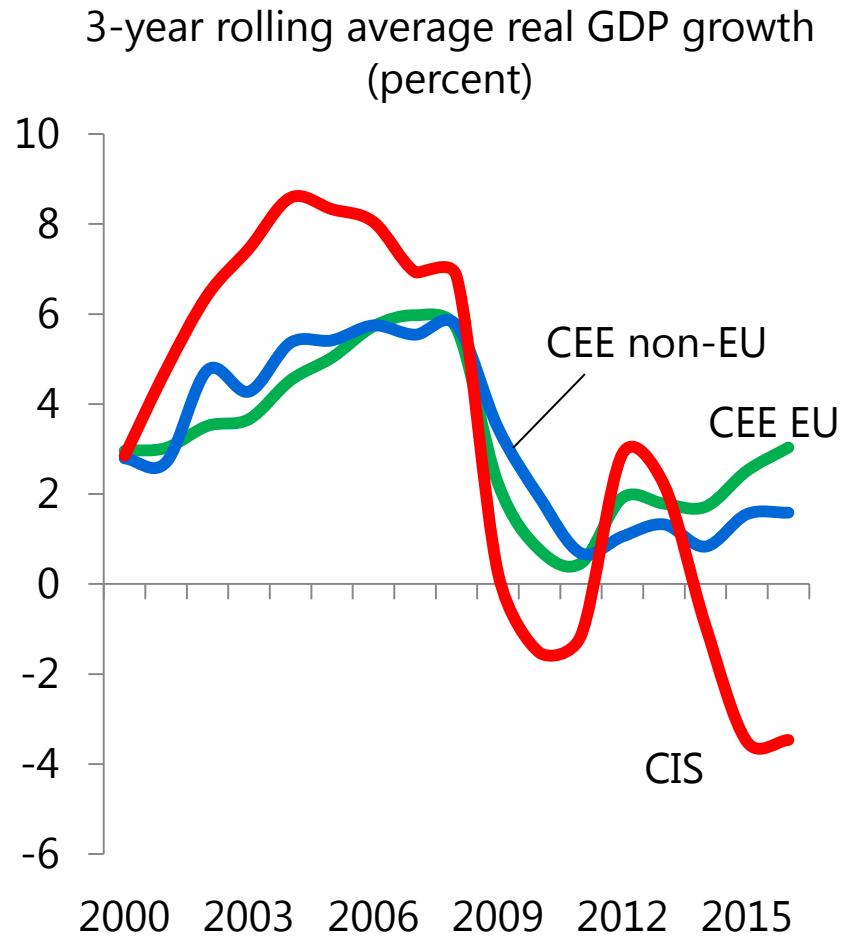
*excluding Russia and Turkey

3. Regional Differences

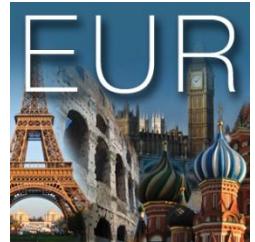


- May be better not to look at CESEE as one region
- Large regional differences in growth
 - CIS in recession
 - Non-CIS is seeing moderate to fairly strong growth
- And inflation
 - Elevated in CIS
 - Low in non-CIS

Growth and Inflation: Regional Differences

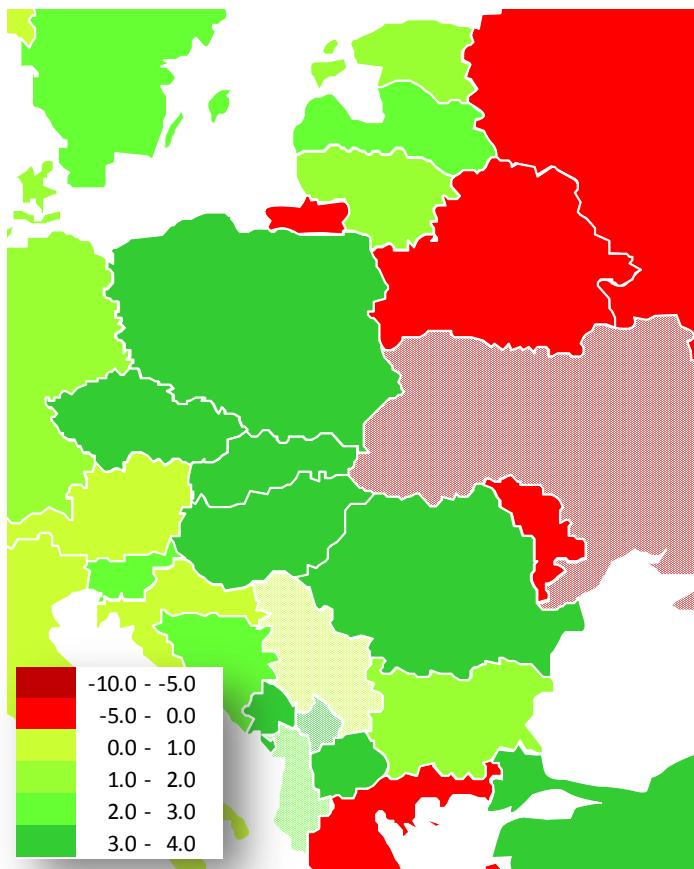


Regional growth projections

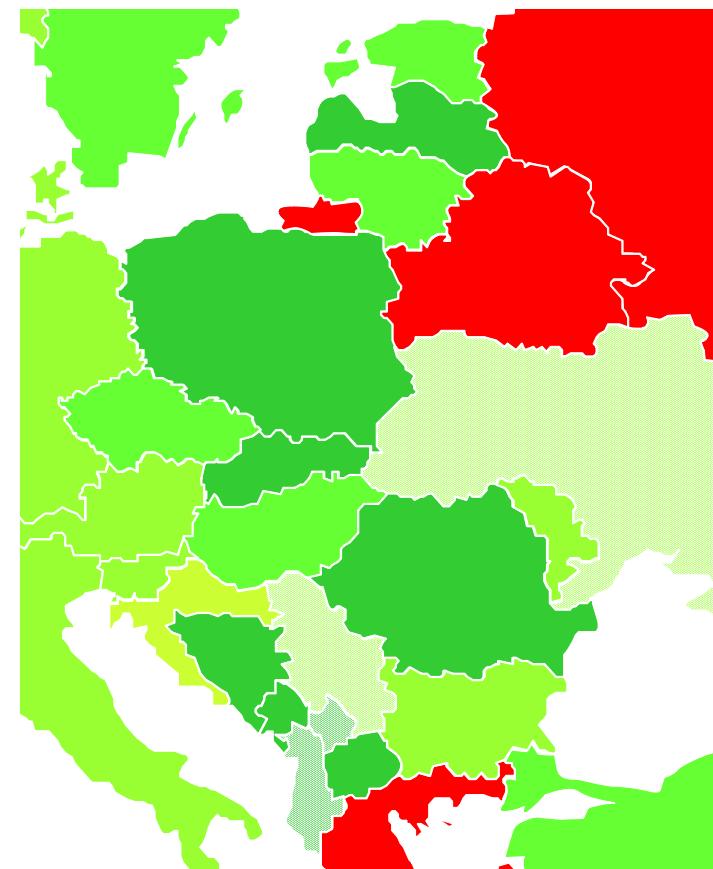


GDP growth projections
(percent)

2015



2016

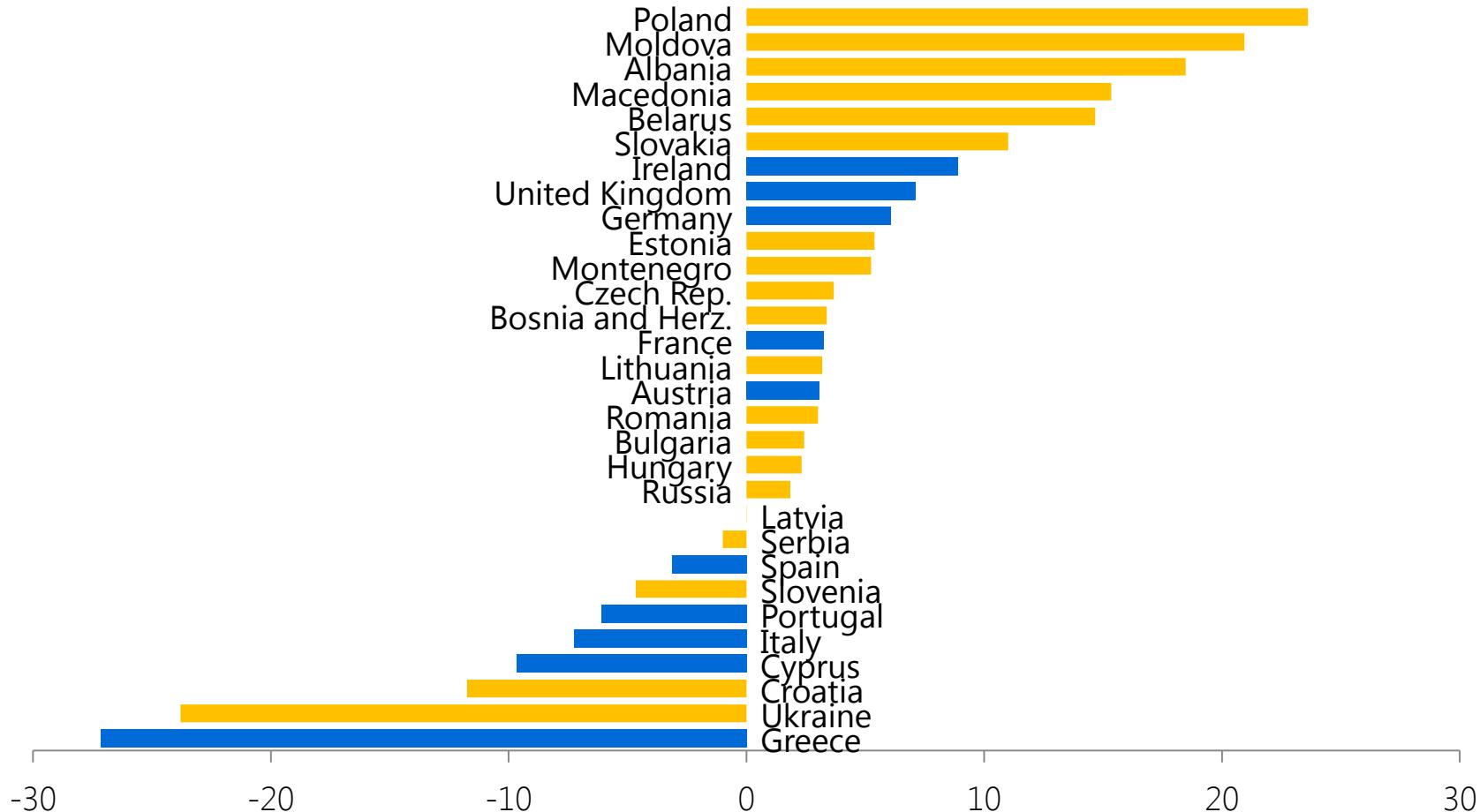


Note: Striped fill denotes CESEE country under IMF programs.

Almost all countries have recovered from crisis



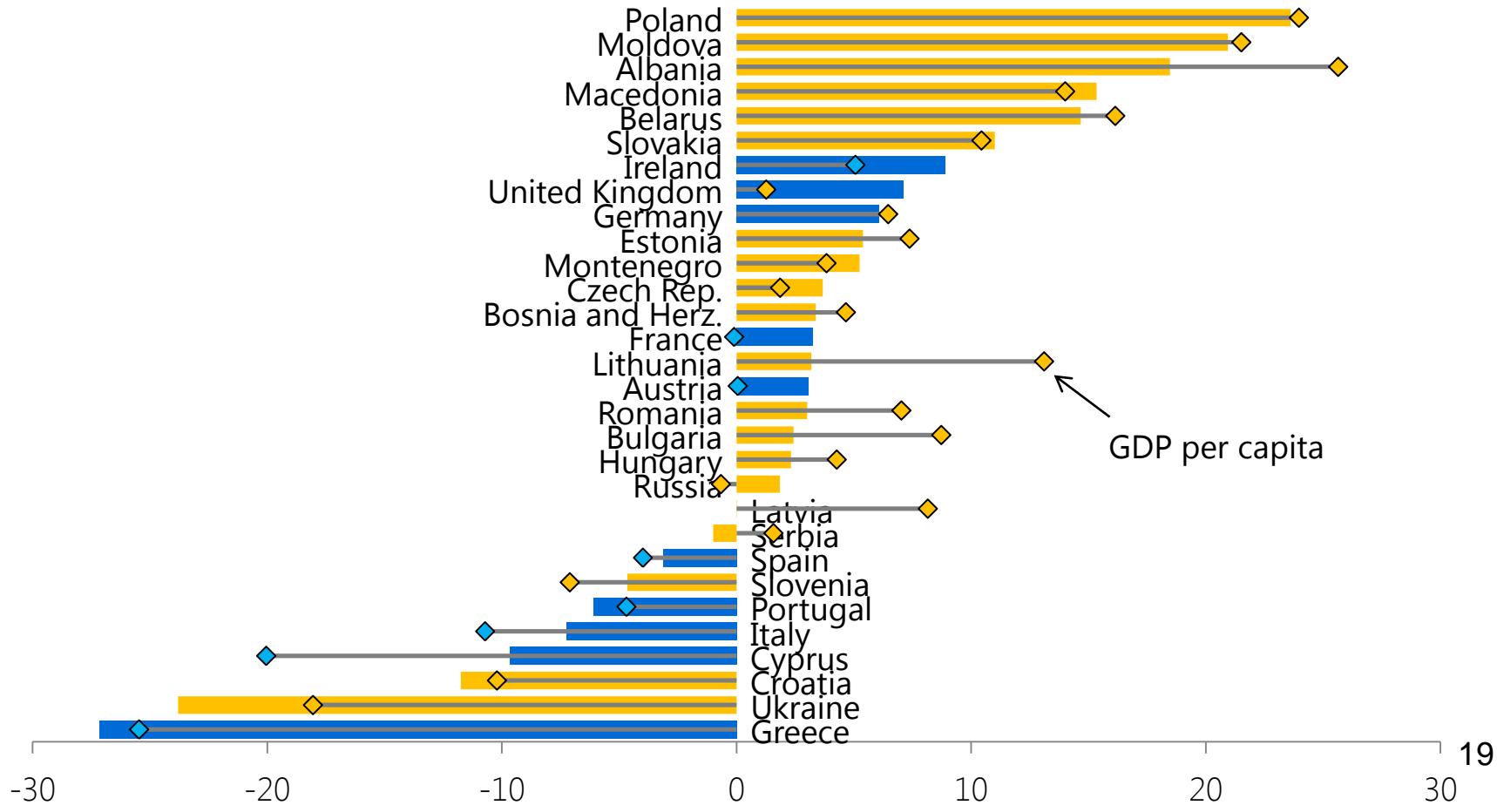
GDP, 2015
(percent change since 2008)



Particularly in per capita terms



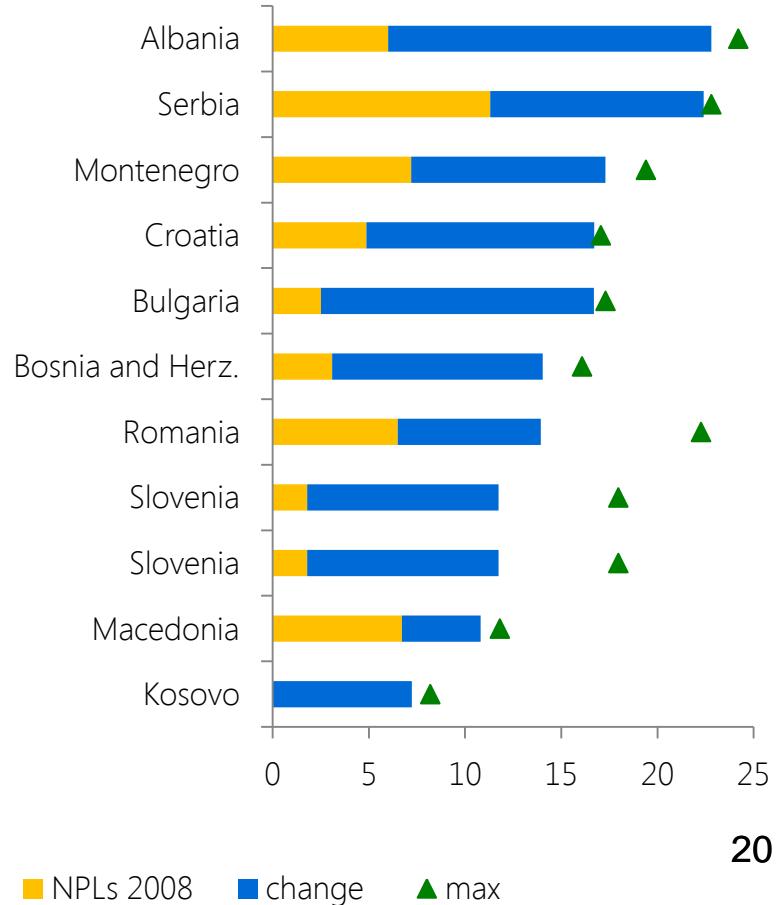
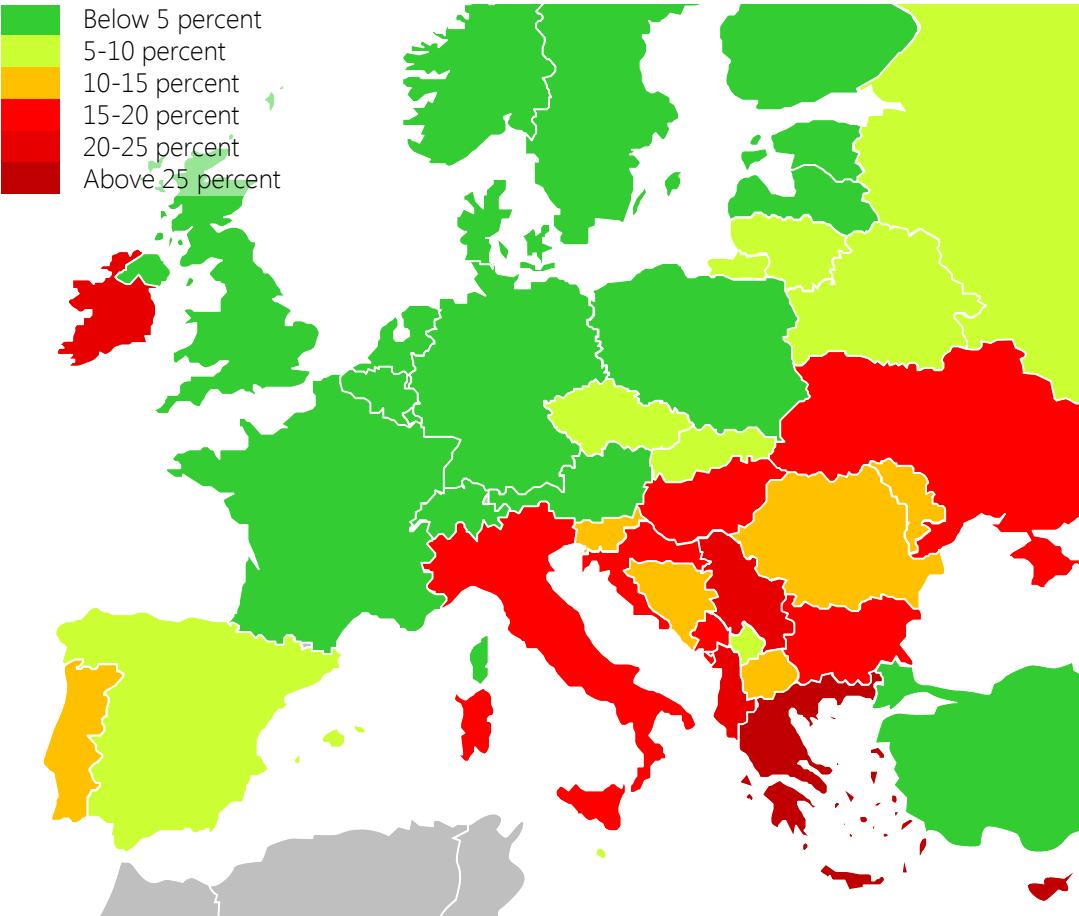
GDP and GDP per capita, 2015
(percent change since 2008)



Two main crisis legacies: high NPLs



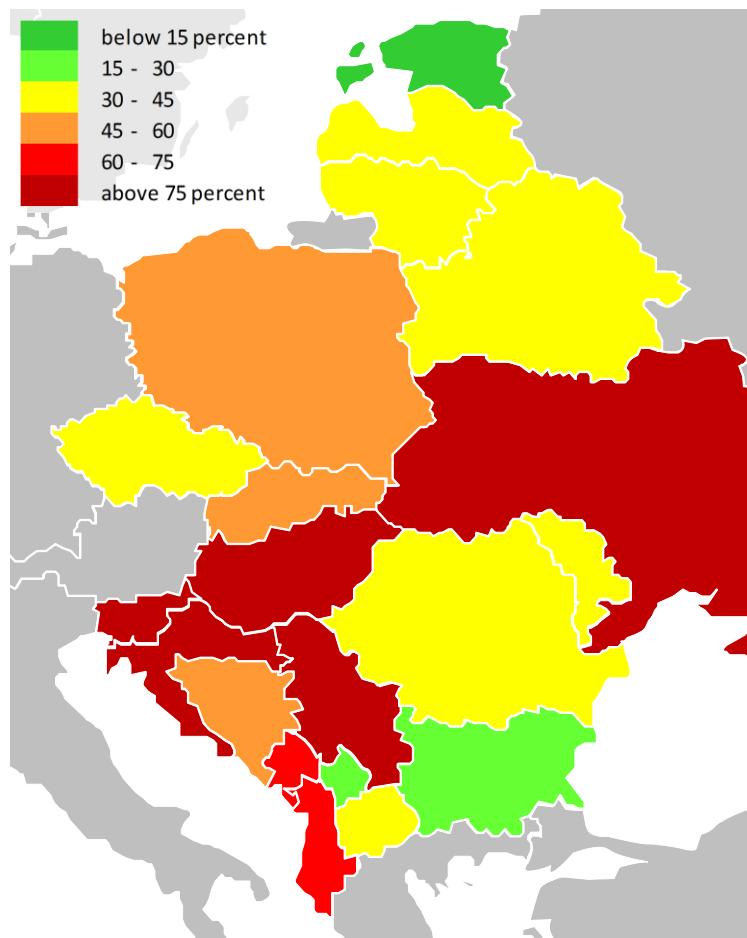
Non-performing loans
(latest available data, percent of total loans)



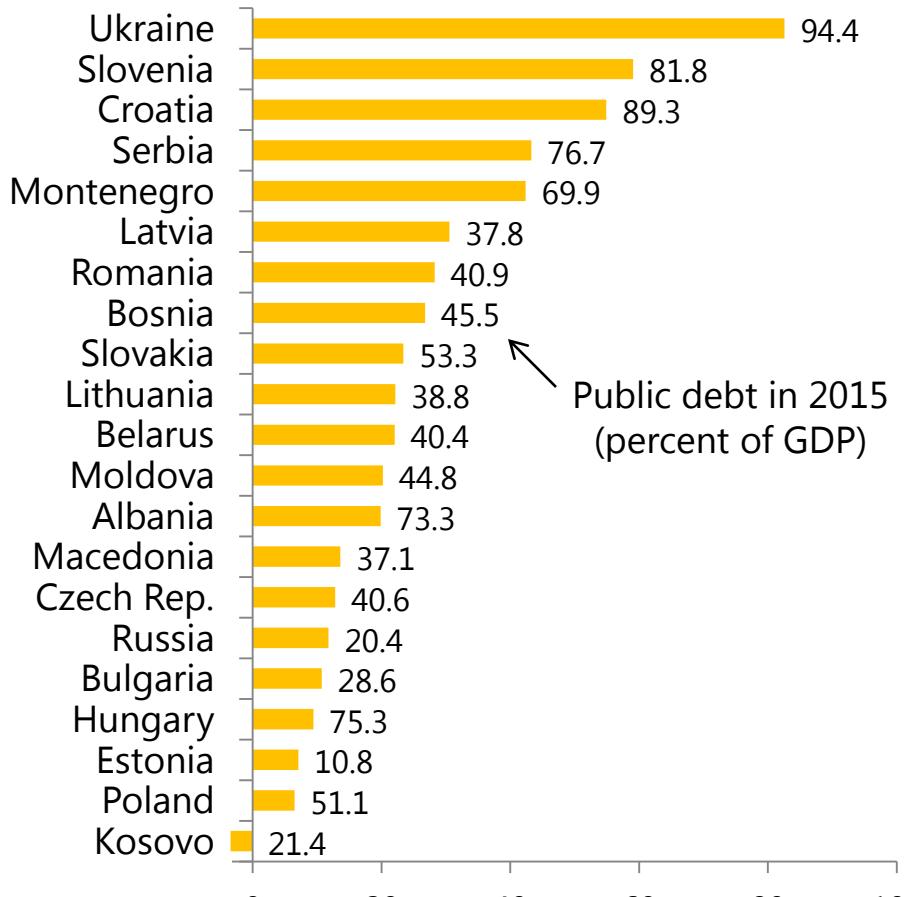
High public debt



Public debt
(percent of GDP)



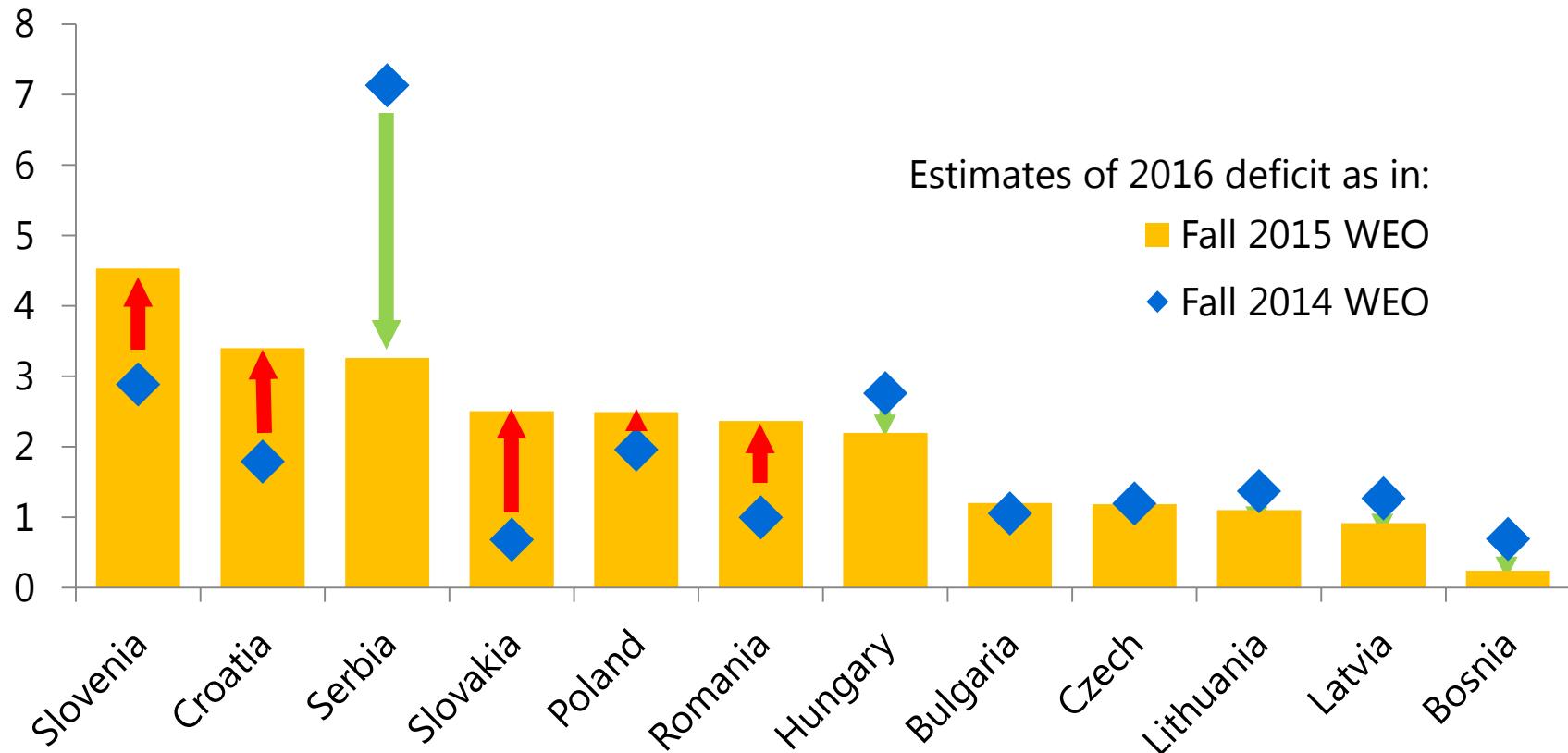
Change in public debt, 2007-15
(percent of GDP)



However, adjustment fatigue seems to have set in.



Estimates of 2016 Fiscal Deficit by WEO vintage
(percent of GDP)





Thank you