

# REGIONAL ECONOMIC PROSPECTS IN THE EBRD REGIONS



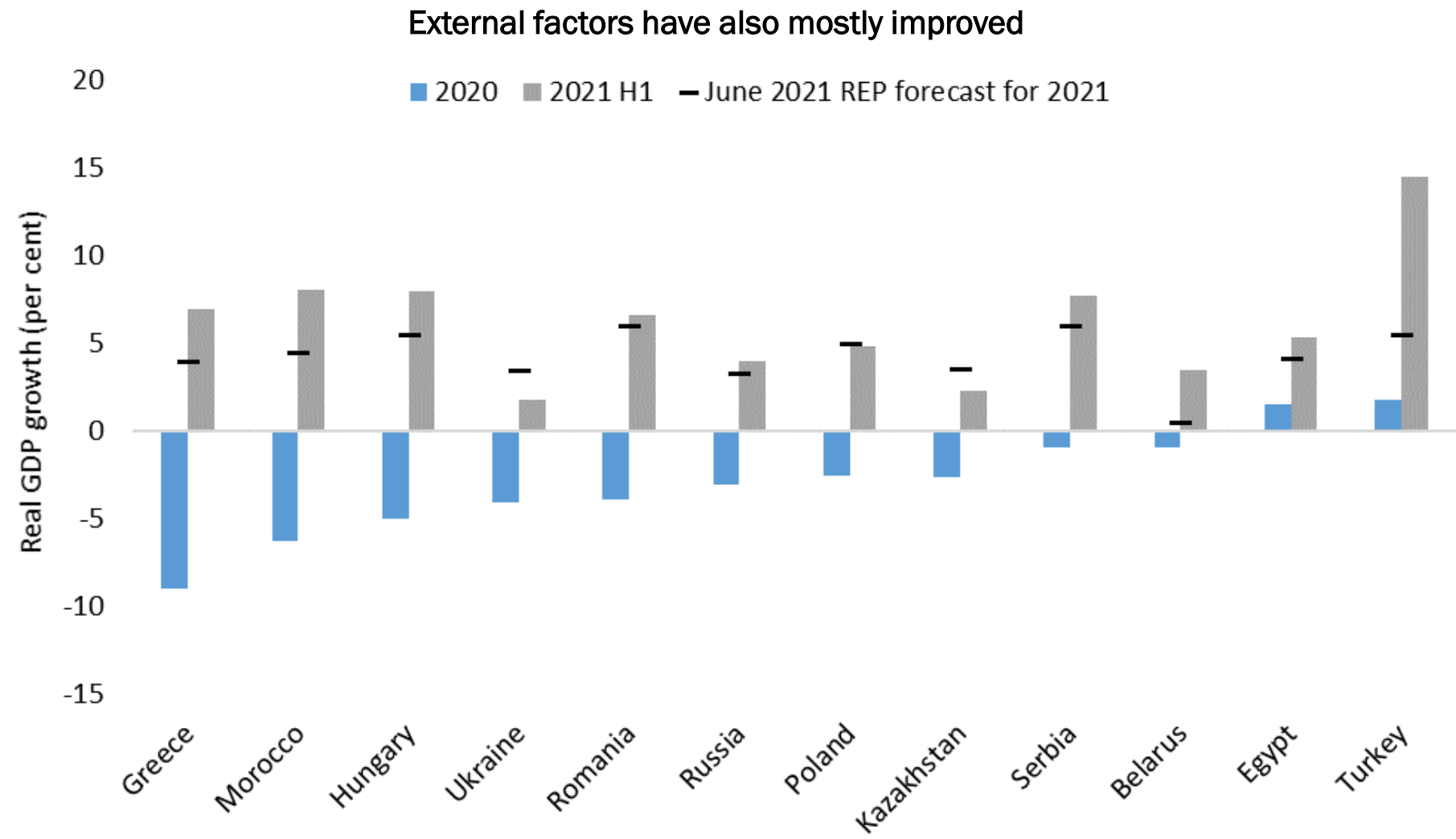
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## Bittersweet recovery

November 2021



# Output in the EBRD regions increased by 6.4% in H1 2021 as industrial production and retail sales rebounded

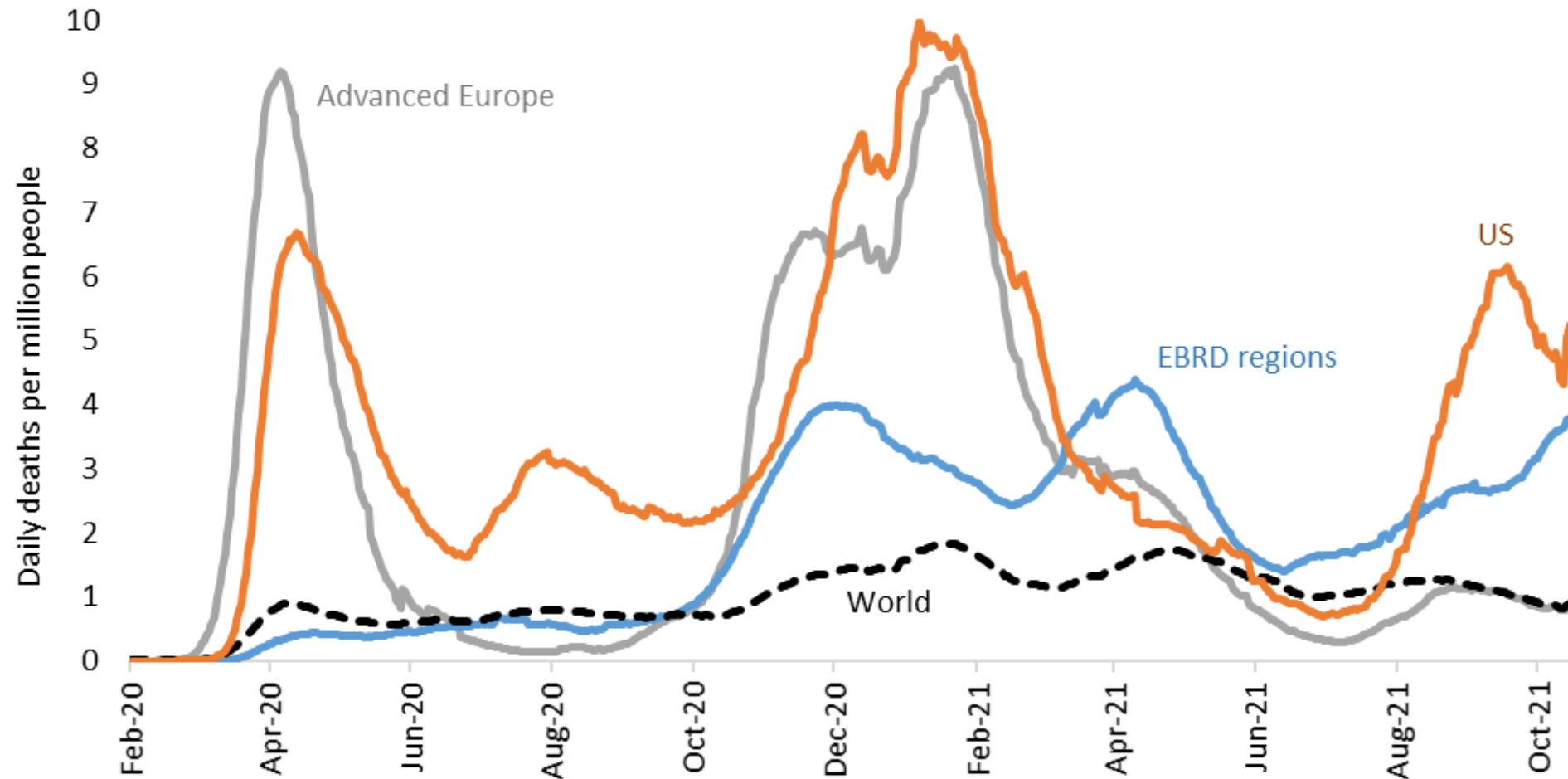


# Covid-19 deaths in the EBRD regions have started to rise again



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Daily Covid-19 deaths per million people in the EBRD regions exceeded the world average by a factor of four in Oct'21

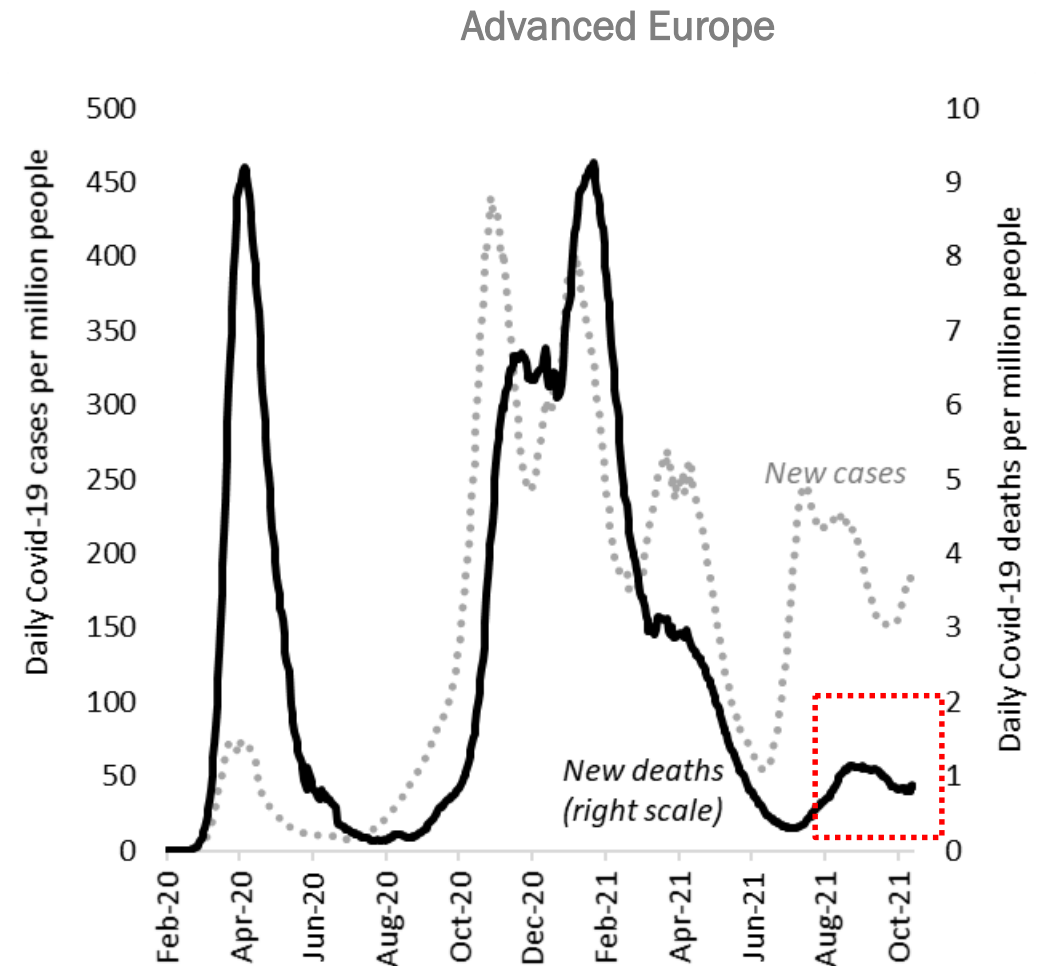
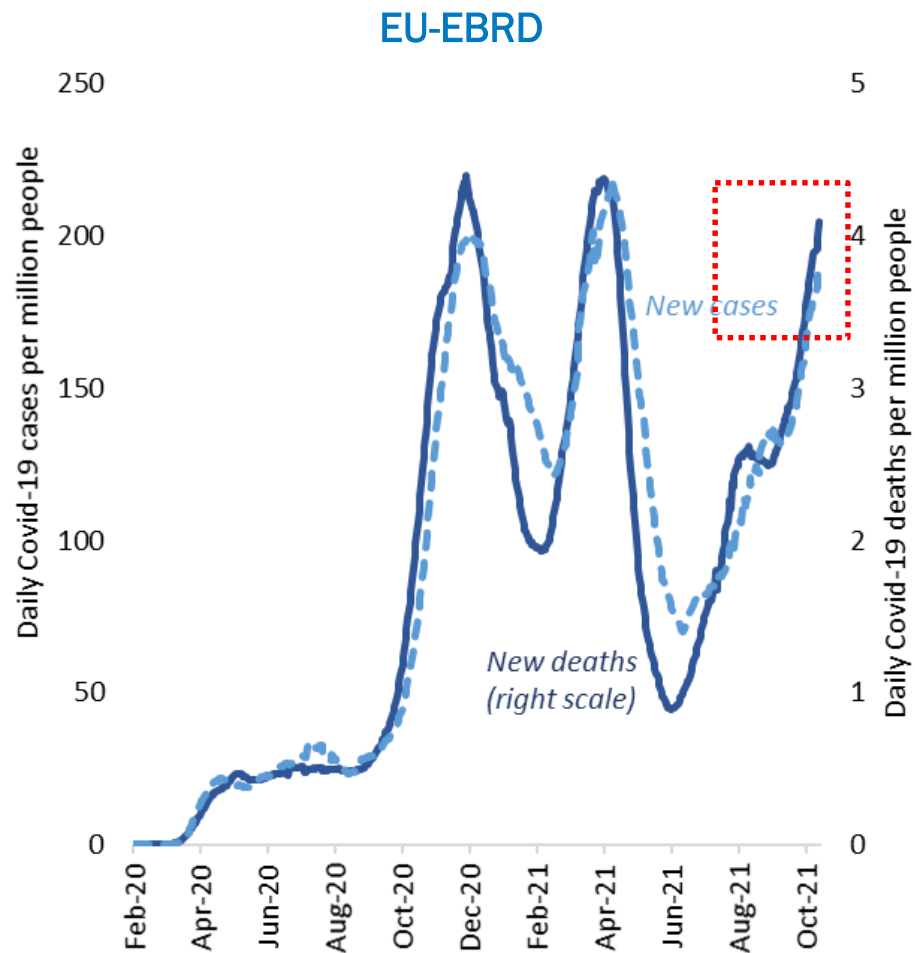


# In contrast to advanced Europe, mortality in the EBRD regions has picked up in line with increasing case numbers



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In advanced Europe mortality remained low despite the recent pick-up in cases

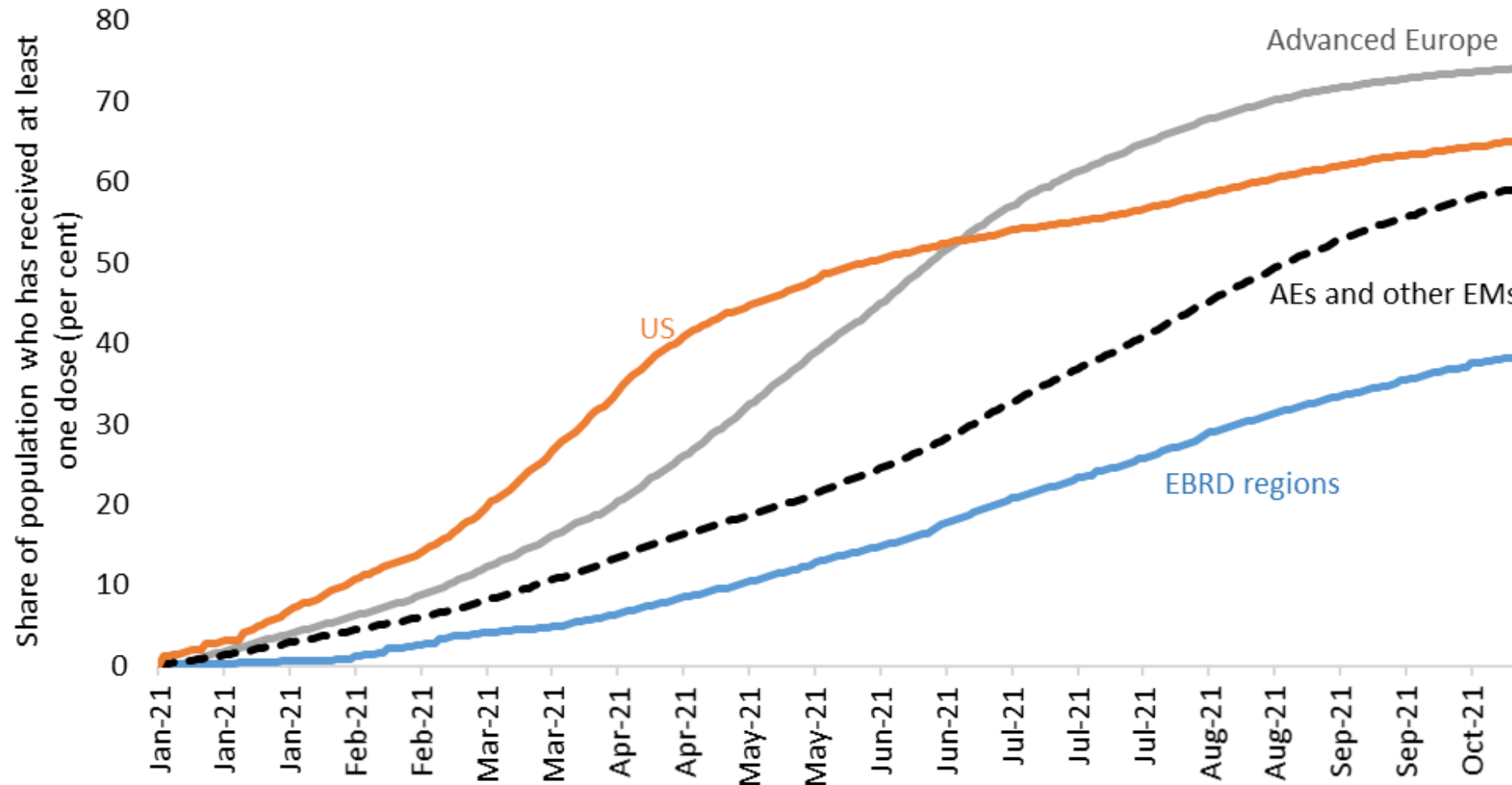


Sources: Our World in Data based on John Hopkins University and authors' calculations.

Notes: 2-week moving averages, population-weighted. Last observation refers to 19 October 2021

# Vaccinations have progressed, although at a slower pace

Slower rollout of vaccines reflects a combination of vaccine hesitancy and logistical issues

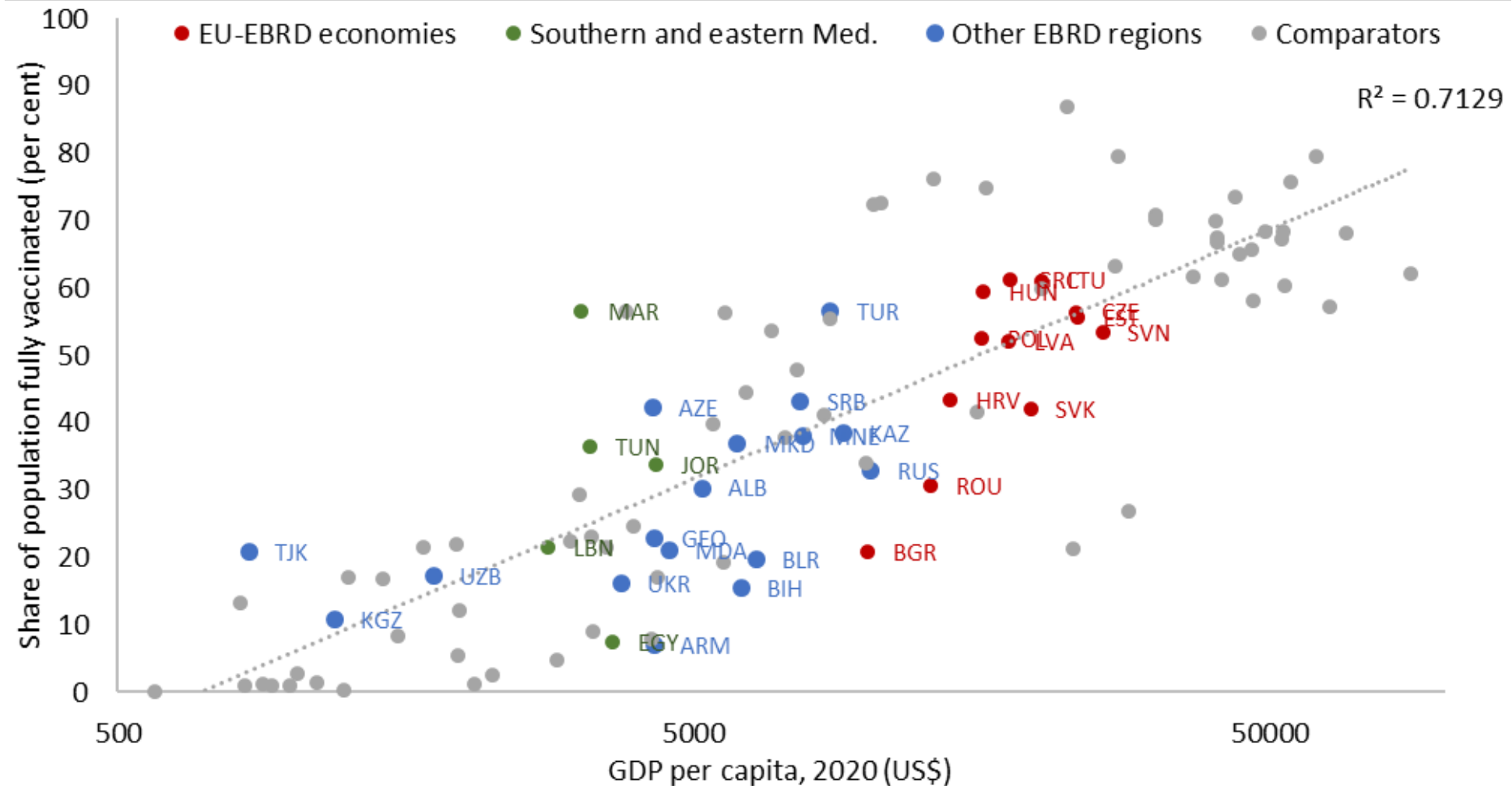


Sources: Our World in Data based on John Hopkins University and authors' calculations.

Notes: Last observation refers to 19 October 2021. Population-weighted averages. AEs and other EMs includes 37 advanced economies and 64 other emerging markets.

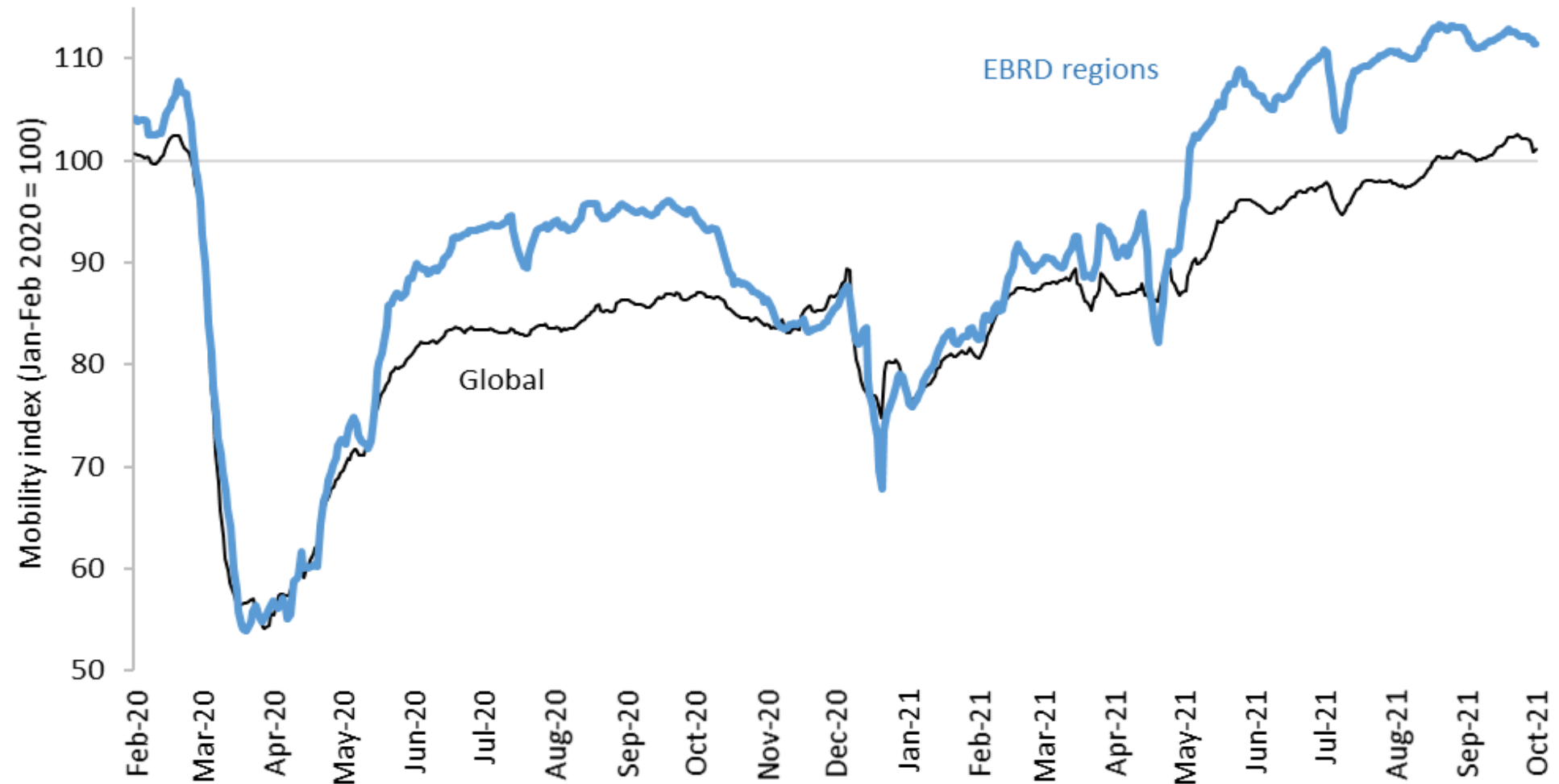
# Vaccination rates are typically higher in richer economies

They are at the expected level in the EBRD regions on average given their level of development



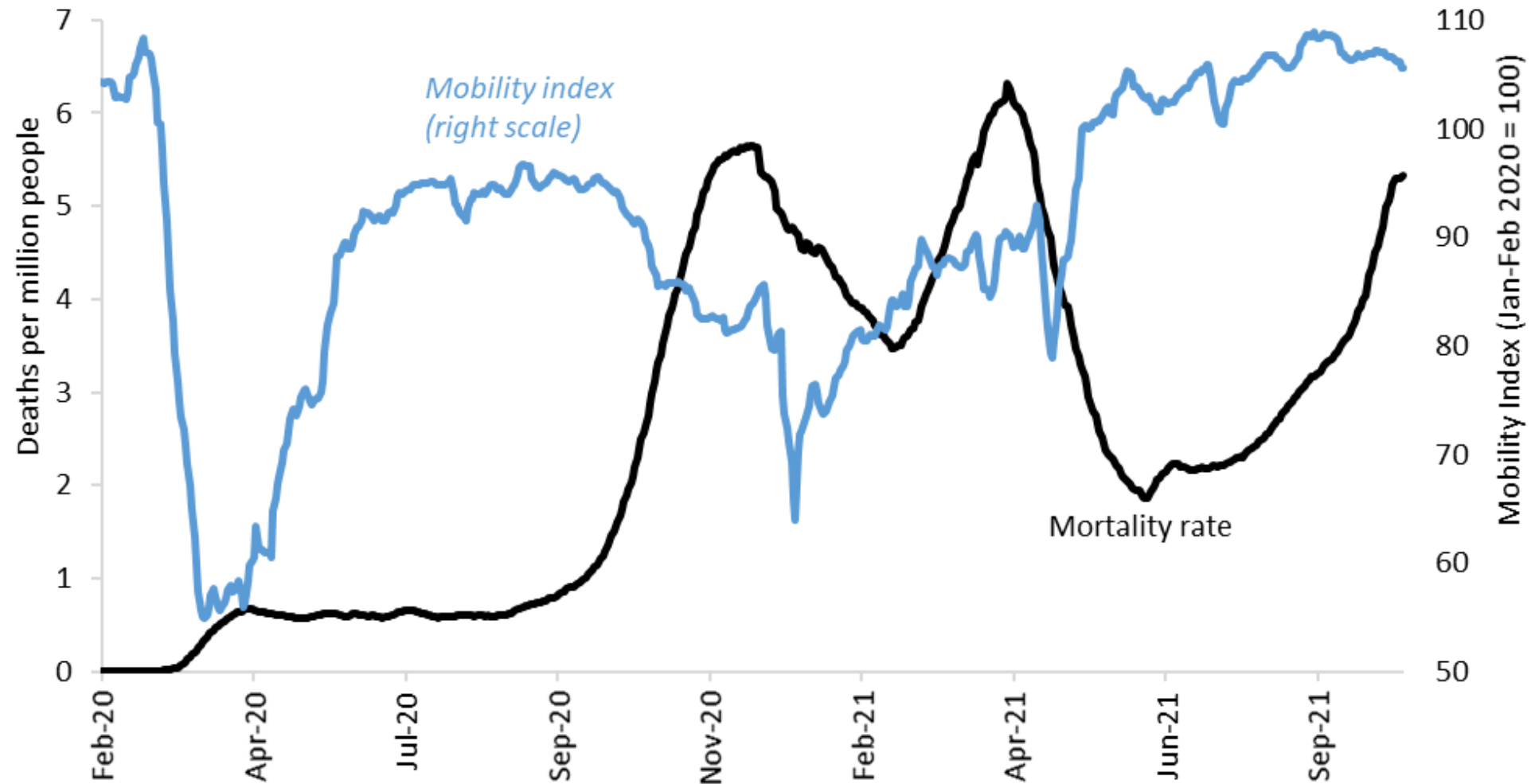
# Mobility in the EBRD regions recovered to its pre-pandemic level in May 2021

Global average mobility only reached its Jan-Feb 2020 level in September 2021



# Recent increase in Covid-19 deaths has, so far, not been accompanied by a marked decline in mobility

During 2020 and the first half of 2021, increases in deaths associated with larger drops in mobility



Source: Google Analytics, Our World in Data and authors' calculations.

Note: The mortality rate is based on a population-weighted 2-week moving average. Based on 28 economies in the EBRD regions.



# Oil prices have rebounded following initial drops



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Brent oil prices back to around US\$ 80 per barrel in October 2021, but below historic highs

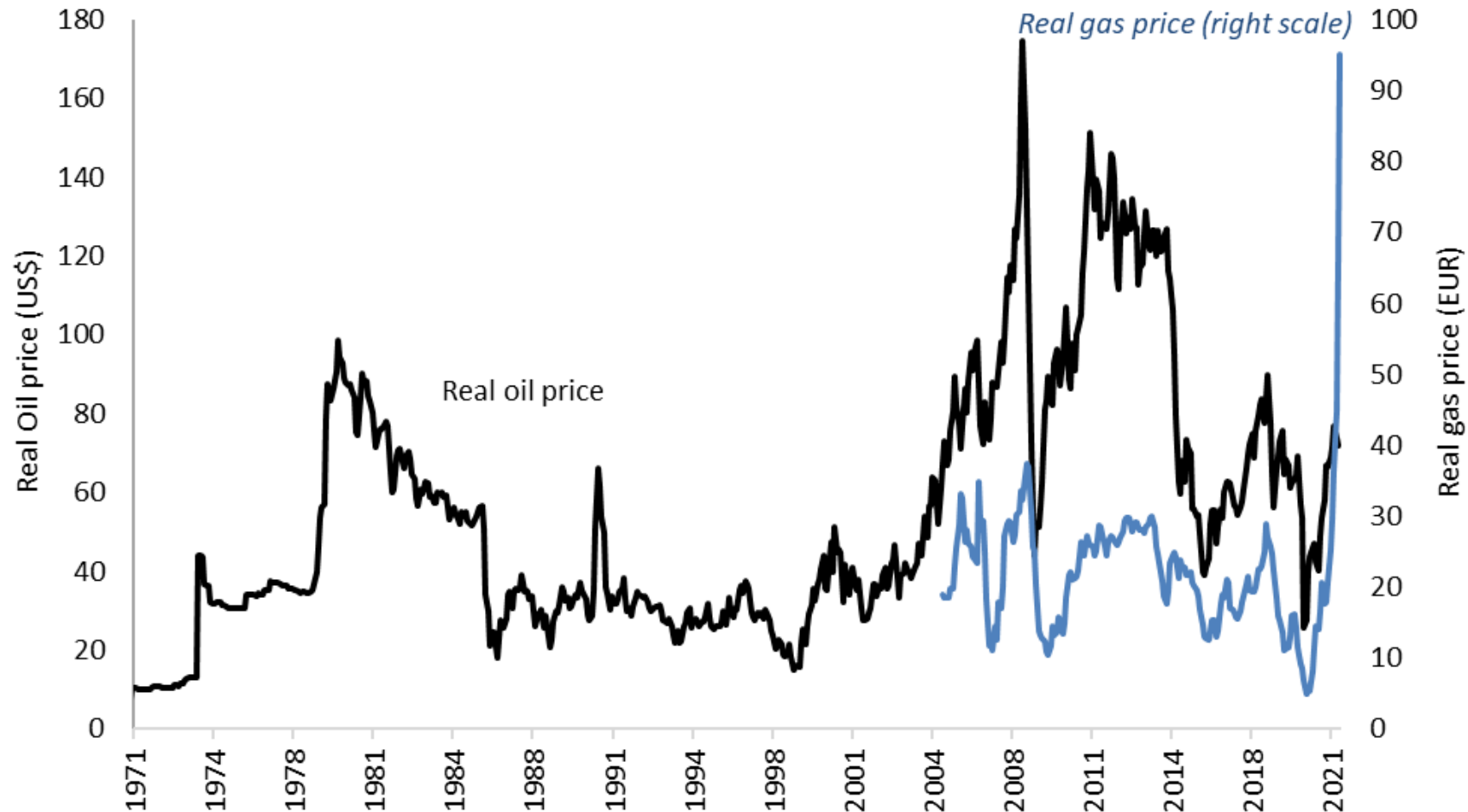


# Oil prices have rebounded following initial drops, gas prices in Europe jumped to historic highs



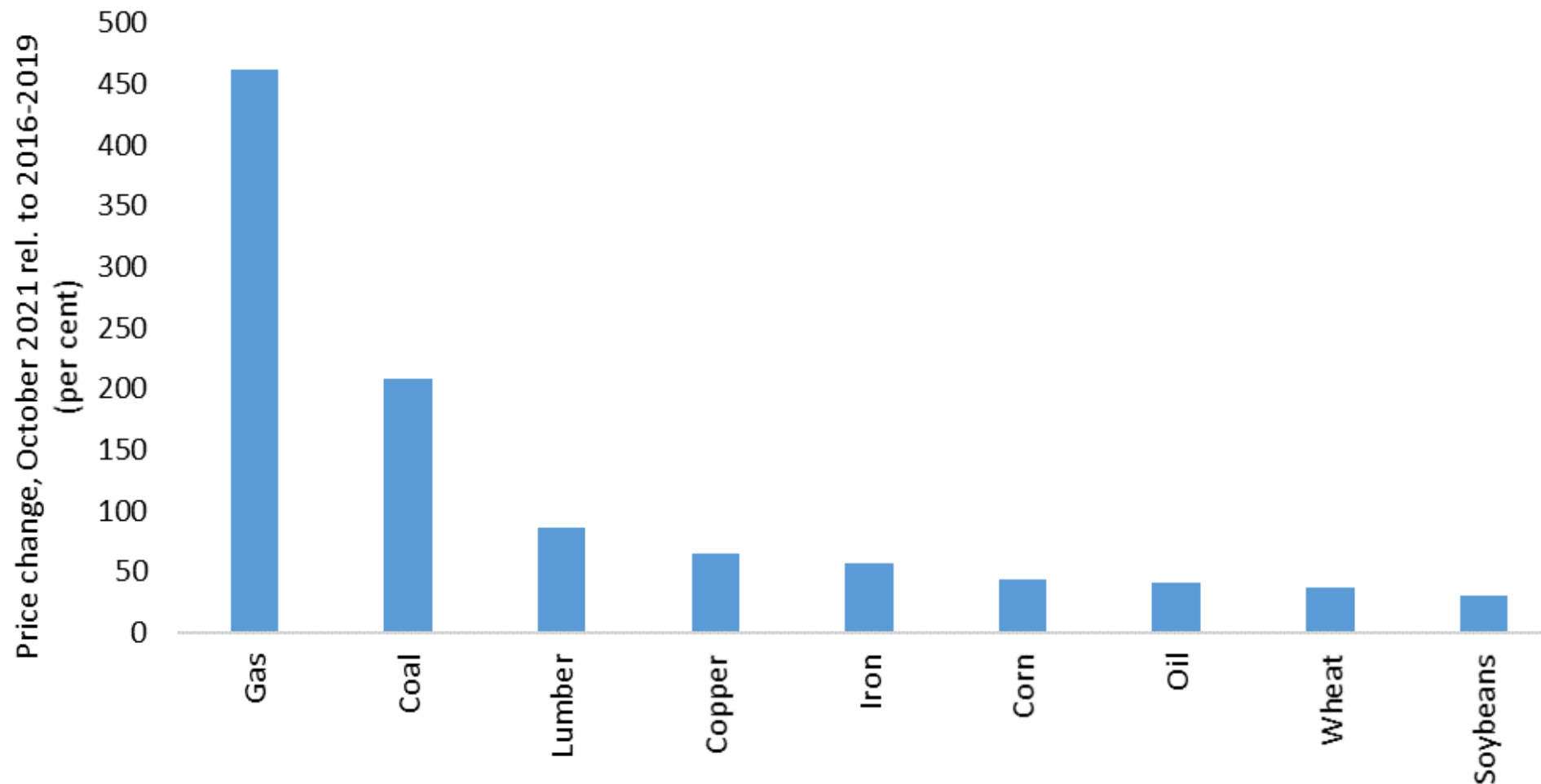
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Brent oil prices back to around US\$ 80 per barrel in October 2021, but below historic highs



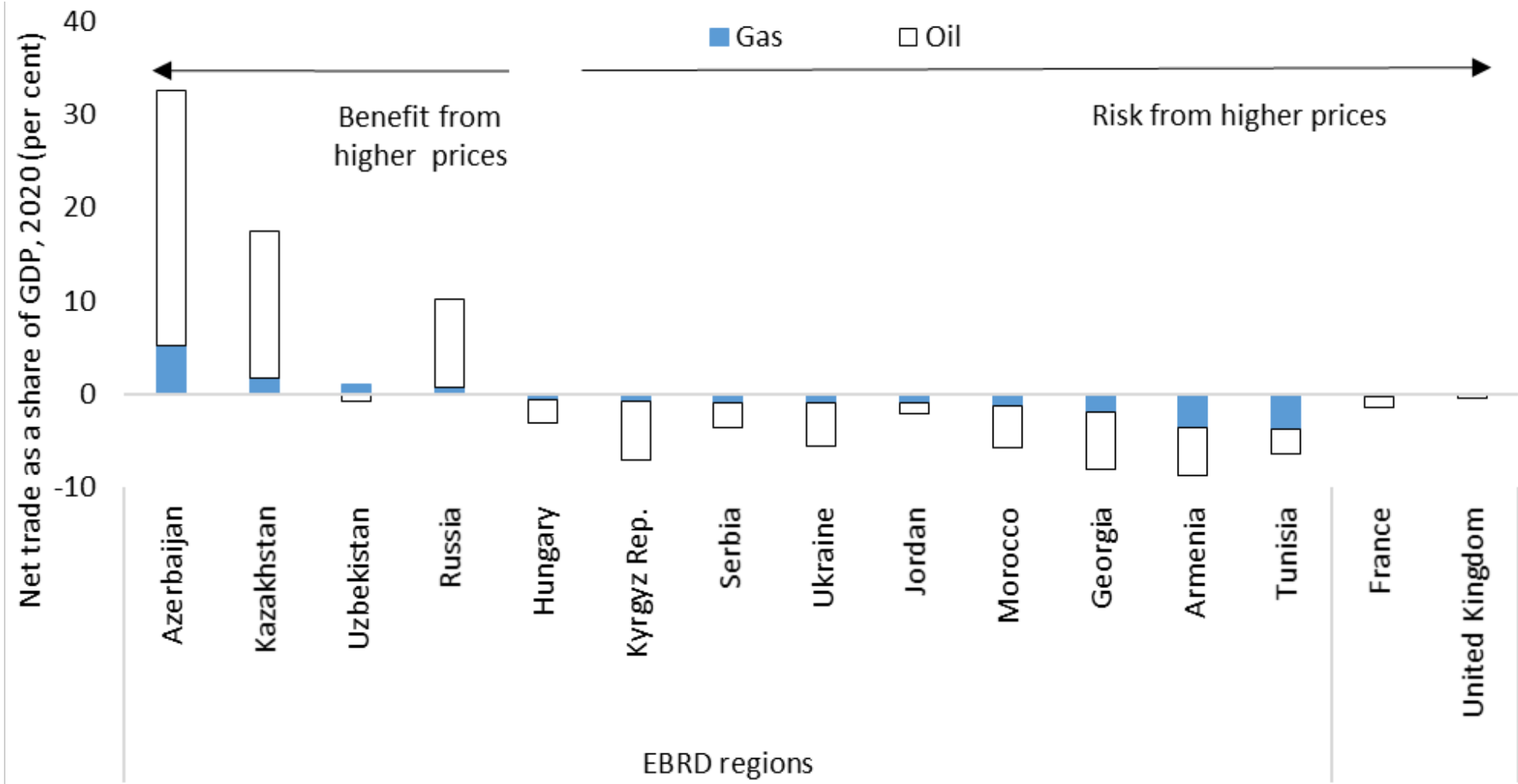
# Prices of energy and other commodities exceed their pre-pandemic levels

Rebound driven by strong demand for manufactured goods and construction, lower investment in fossil fuels  
Lumber prices spiked, but given more elastic demand have come back down



# High energy prices weigh on the trade balances of commodity importers

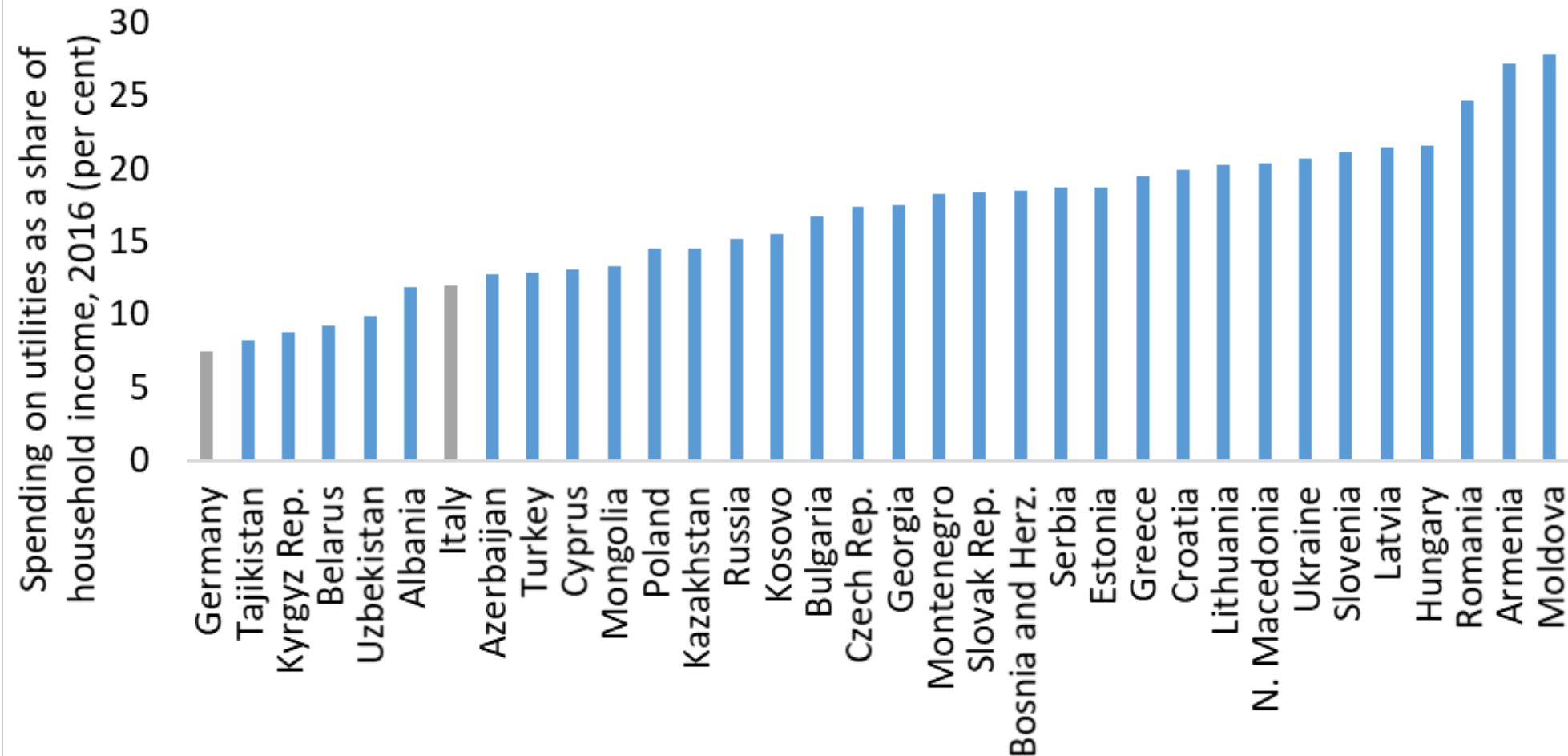
Though some importers will gain though trade, investment and remittance links with exporters and special agreements



Sources: ITC Trade Center and authors' calculations. Notes: Net balance of exports and imports of crude oil and natural gas. Sorted by largest to smallest gas balance.

# High energy prices may provide an early test of the strength of public support for greening

Utility spending in the EBRD regions is higher than in advanced economies

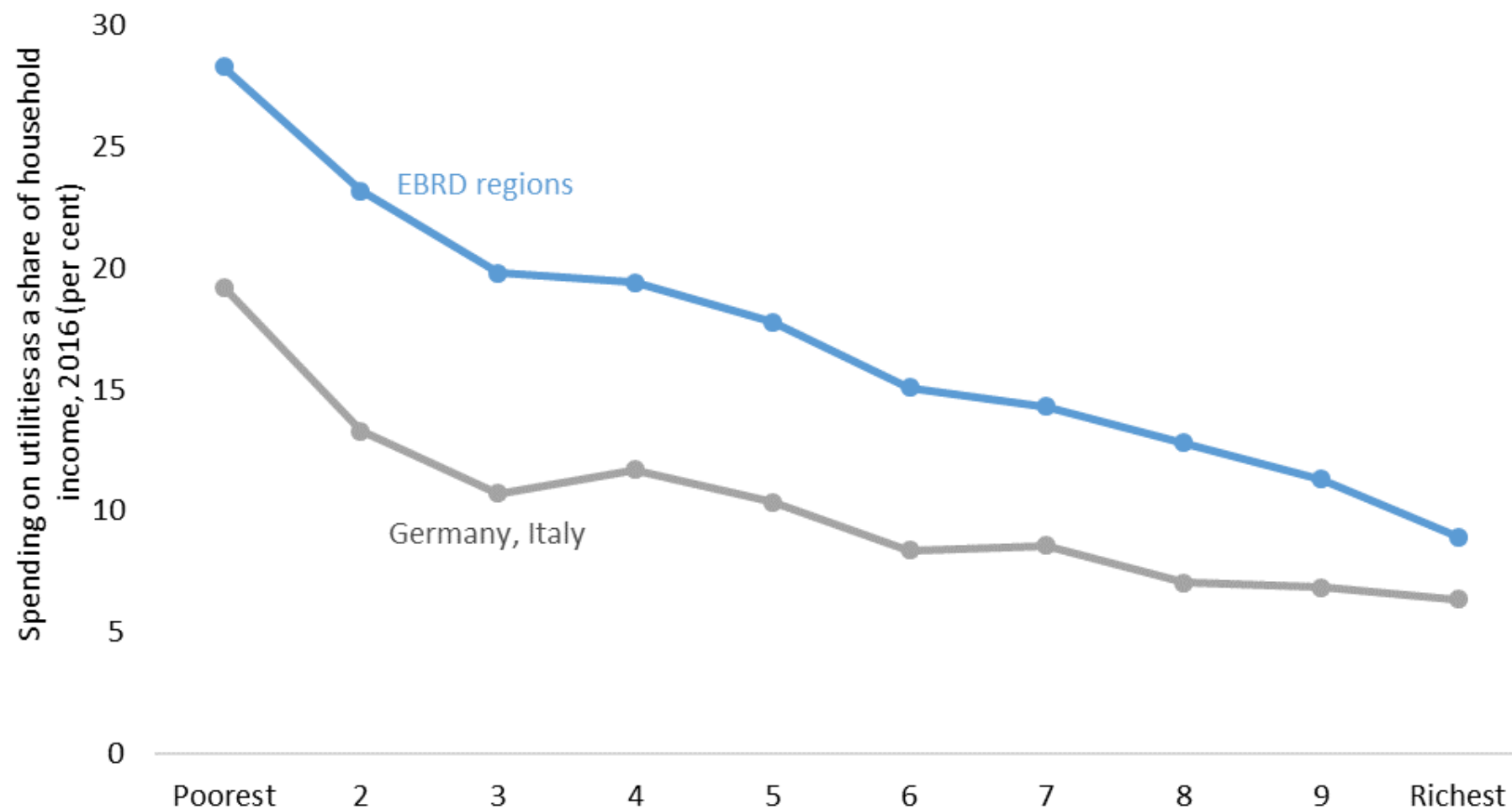


Sources: Life in Transition Survey 2016 and authors' calculations.

Notes: Expenditure on utilities (electricity, water, gas, heating, fixed telephone) as a share of household net monthly income. Selected economies in the EBRD regions.

# High energy prices could also place a disproportionate burden on lower-income families

Poorer households spend a higher share of their income on utilities than richer households

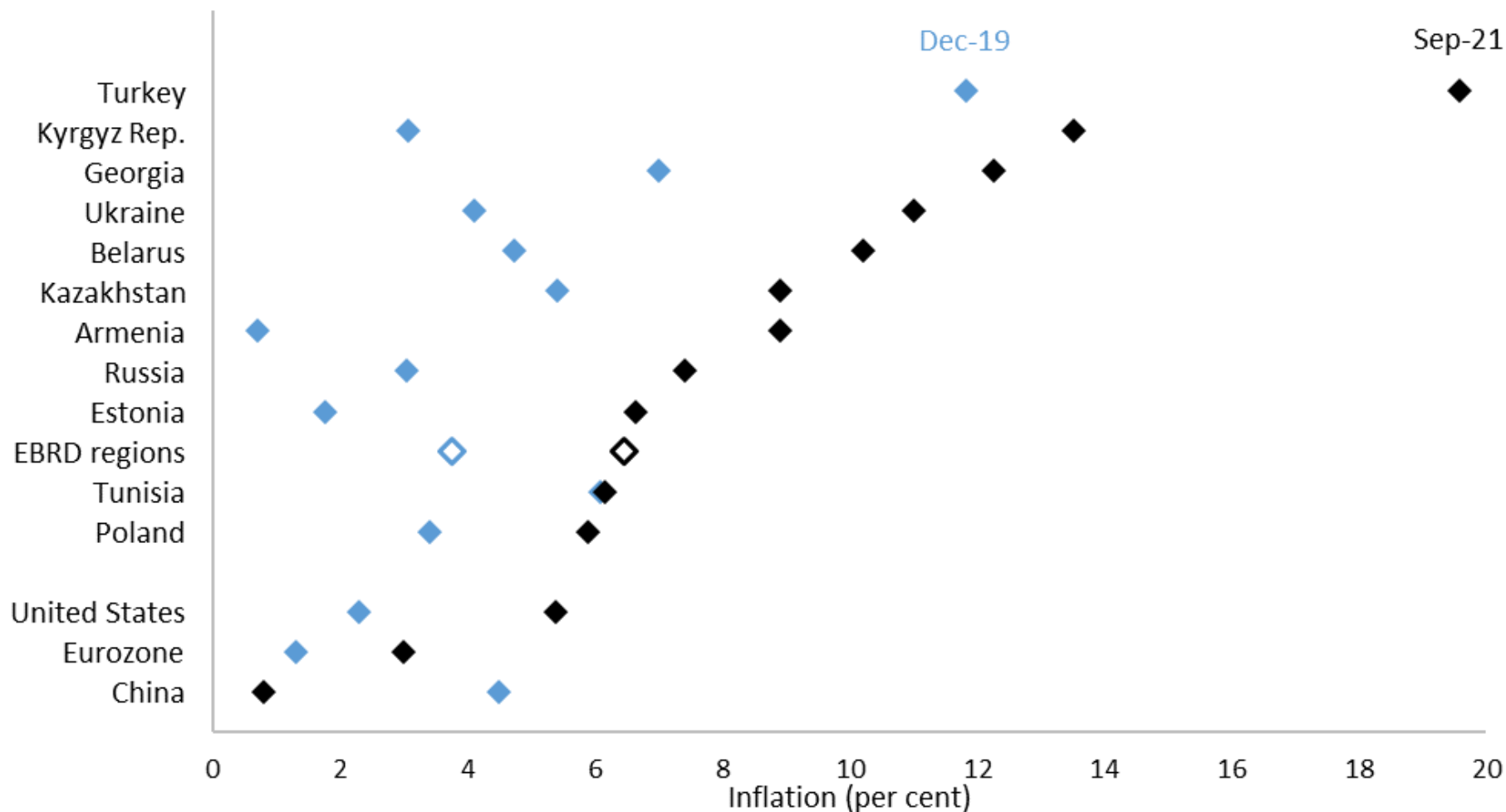


Sources: Life in Transition Survey 2016 and authors' calculations.

Notes: Expenditure on utilities (electricity, water, gas, heating, fixed telephone) as a share of household net monthly income, by income decile.

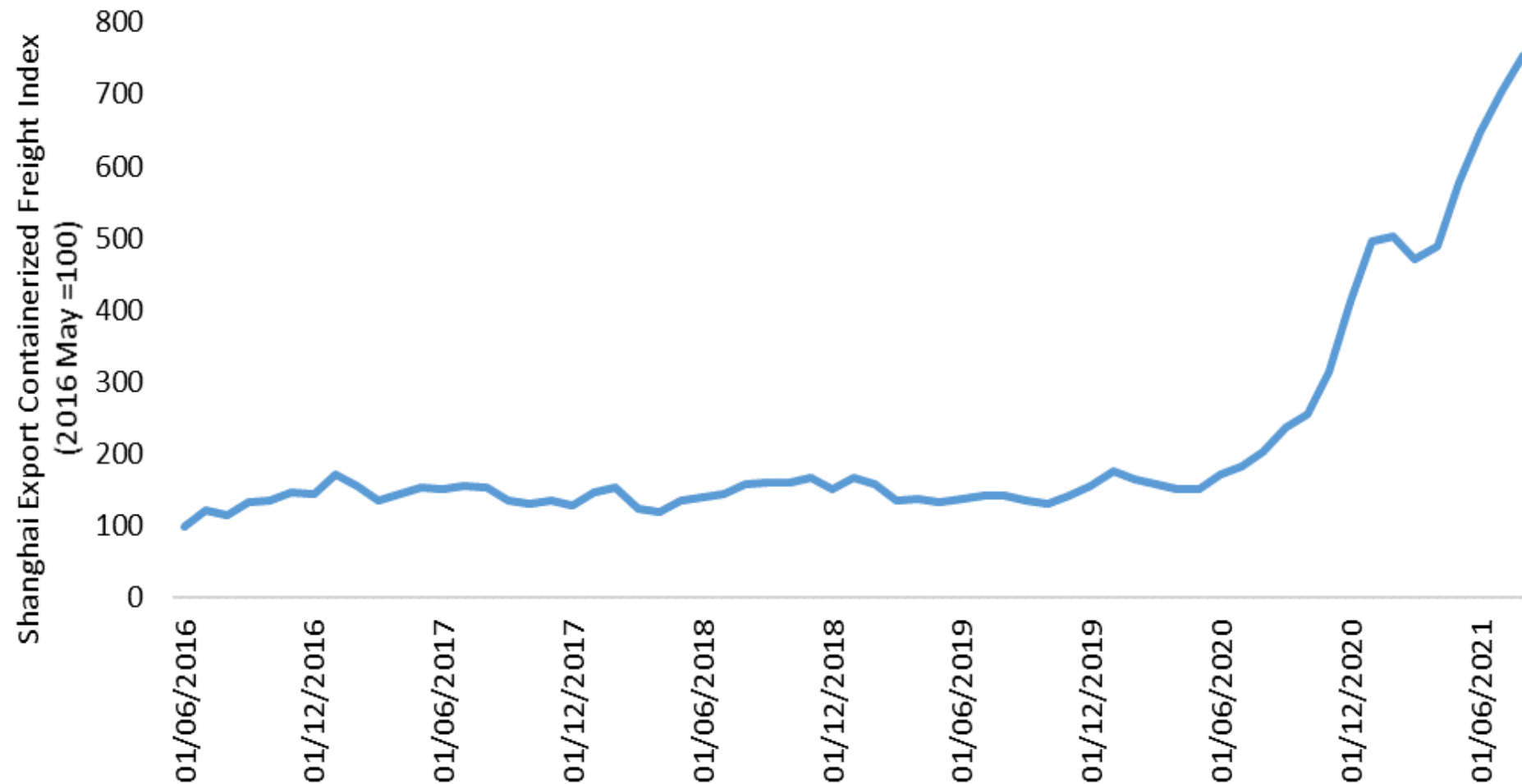
# Higher commodity prices have pushed inflation up

In September 2021, inflation rates were, on average, 3 ppt higher than before the pandemic



# The pick-up in inflation also reflects increased demand for manufactured goods and supply chain bottlenecks

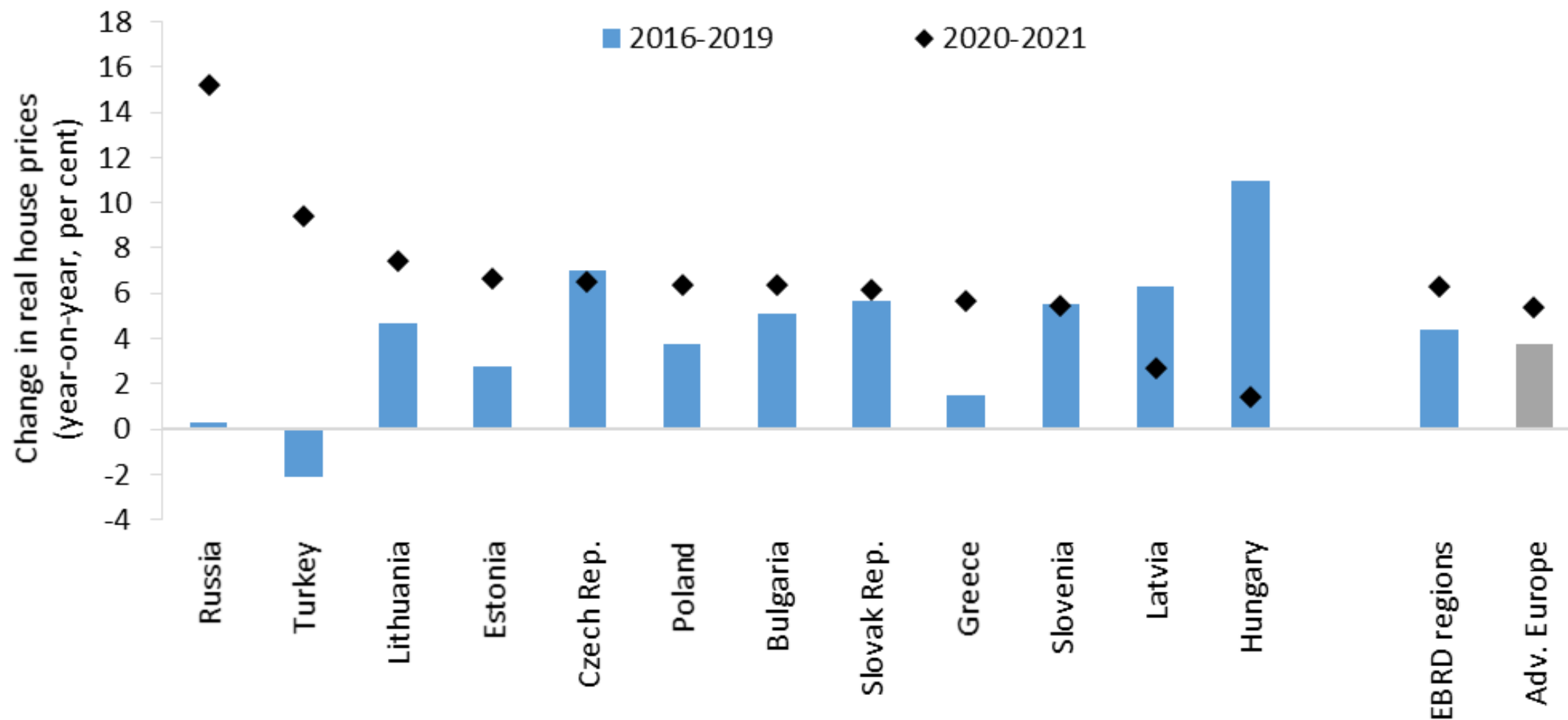
The costs of freight transport increased sharply





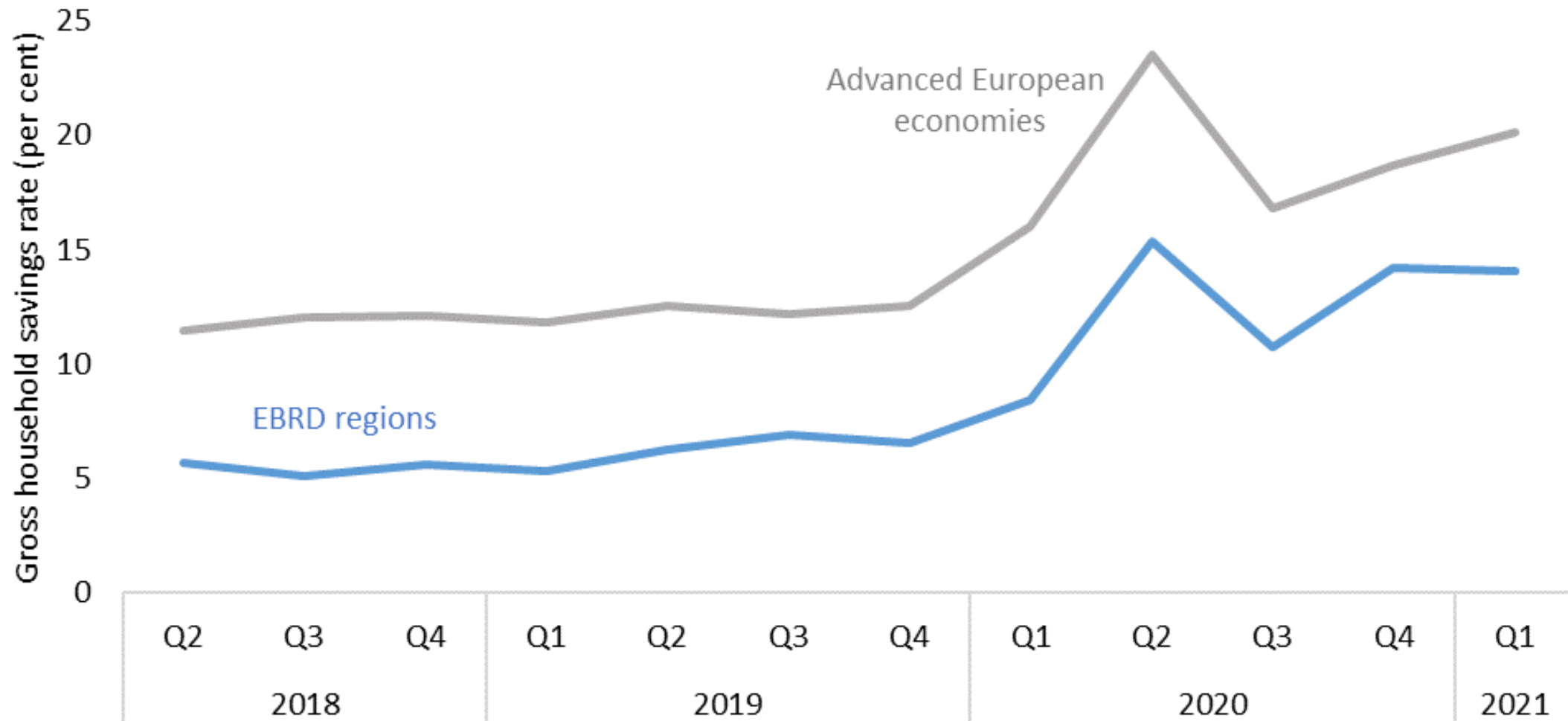
# Rapid house price growth also contributed to inflation

House price growth increased in 2020-21 relative to the years before the crisis



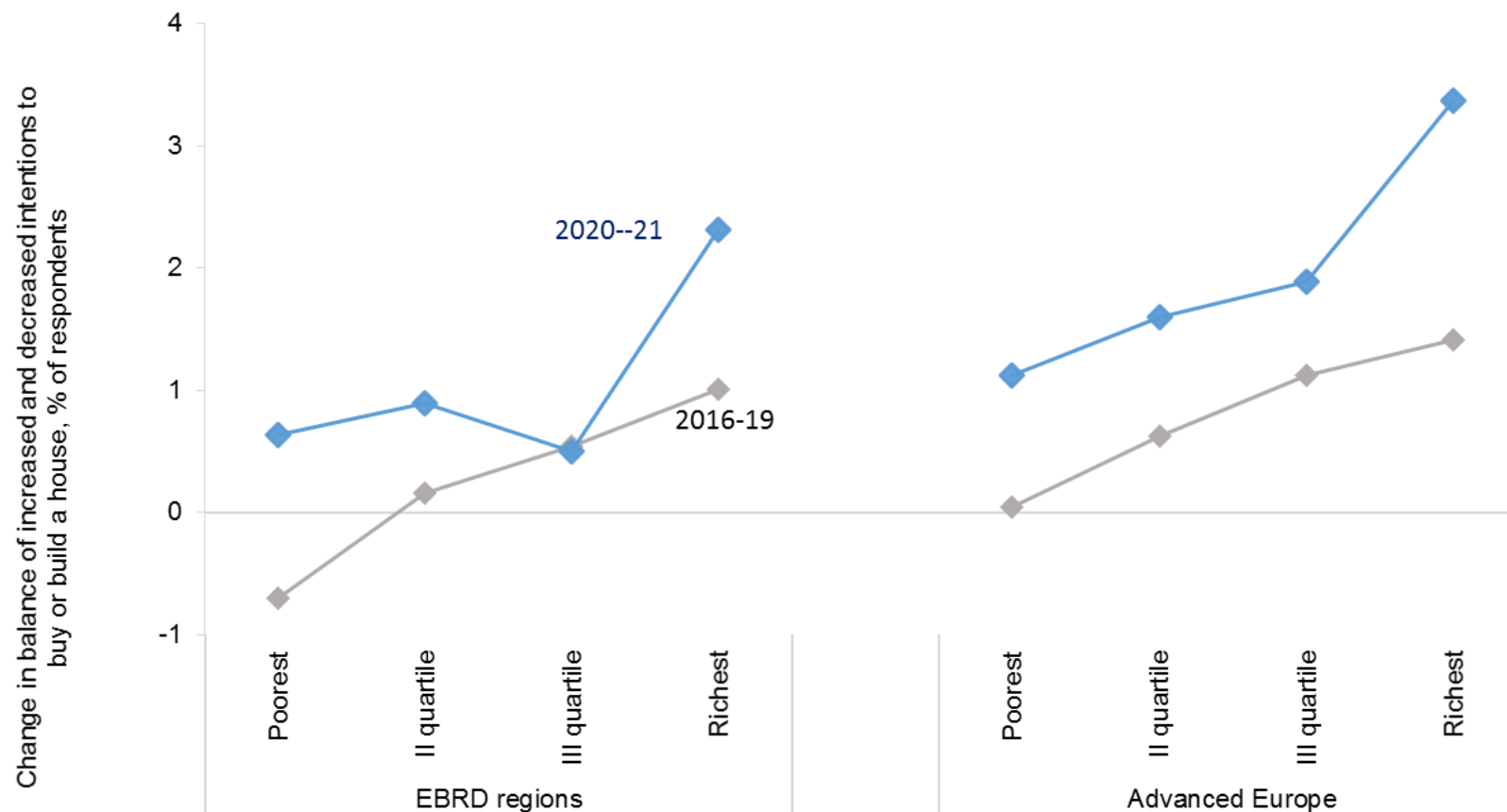
# The increase in house prices was in part supported by the pandemic-related growth in savings

The gross household savings rate increased sharply in the first months of the pandemic



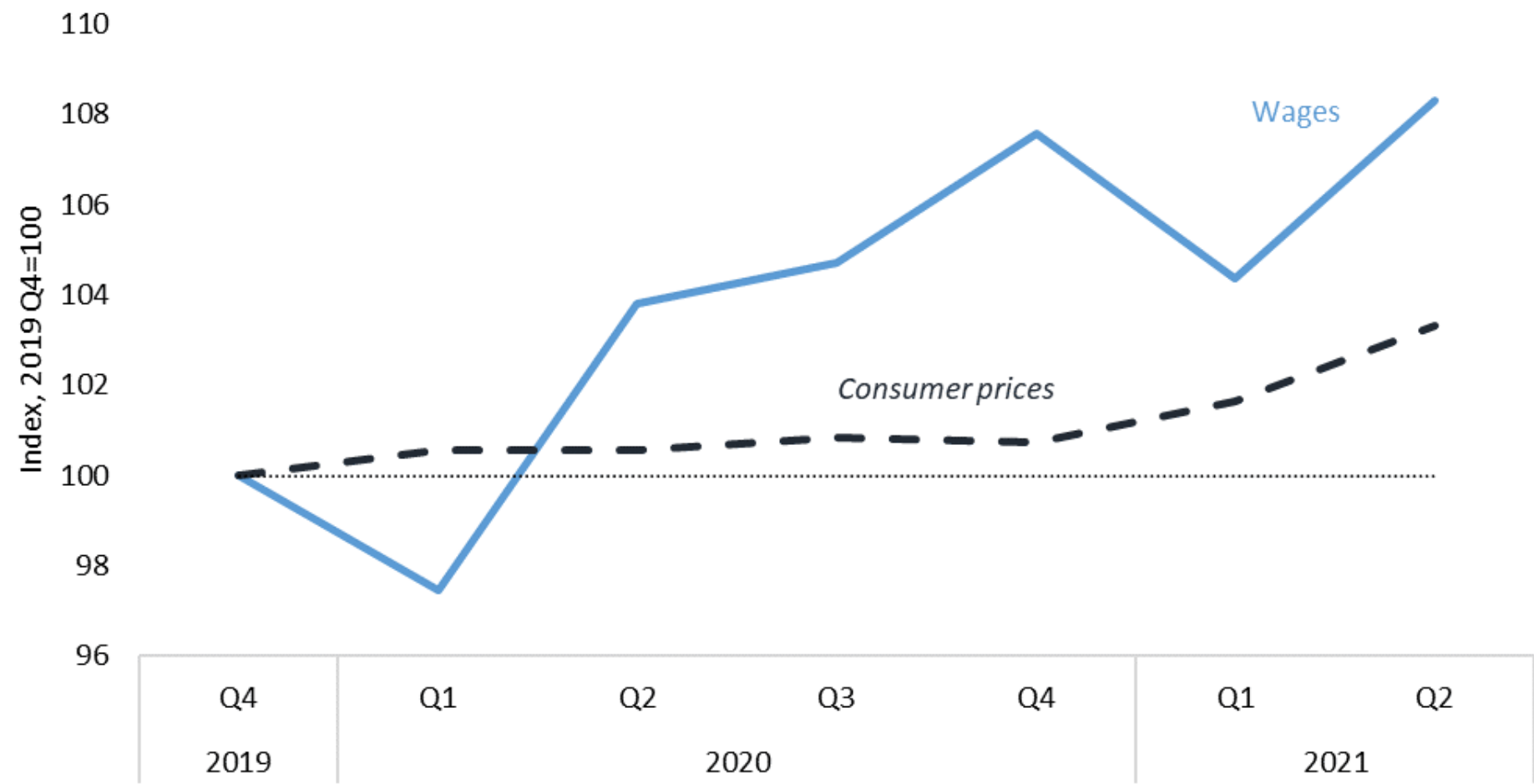
# The increase in house prices appears to be driven by continued rise in demand at the top

Intentions to buy or build a house continued to increase most among the richest



# In some economies, tight labour markets have added to inflationary pressures

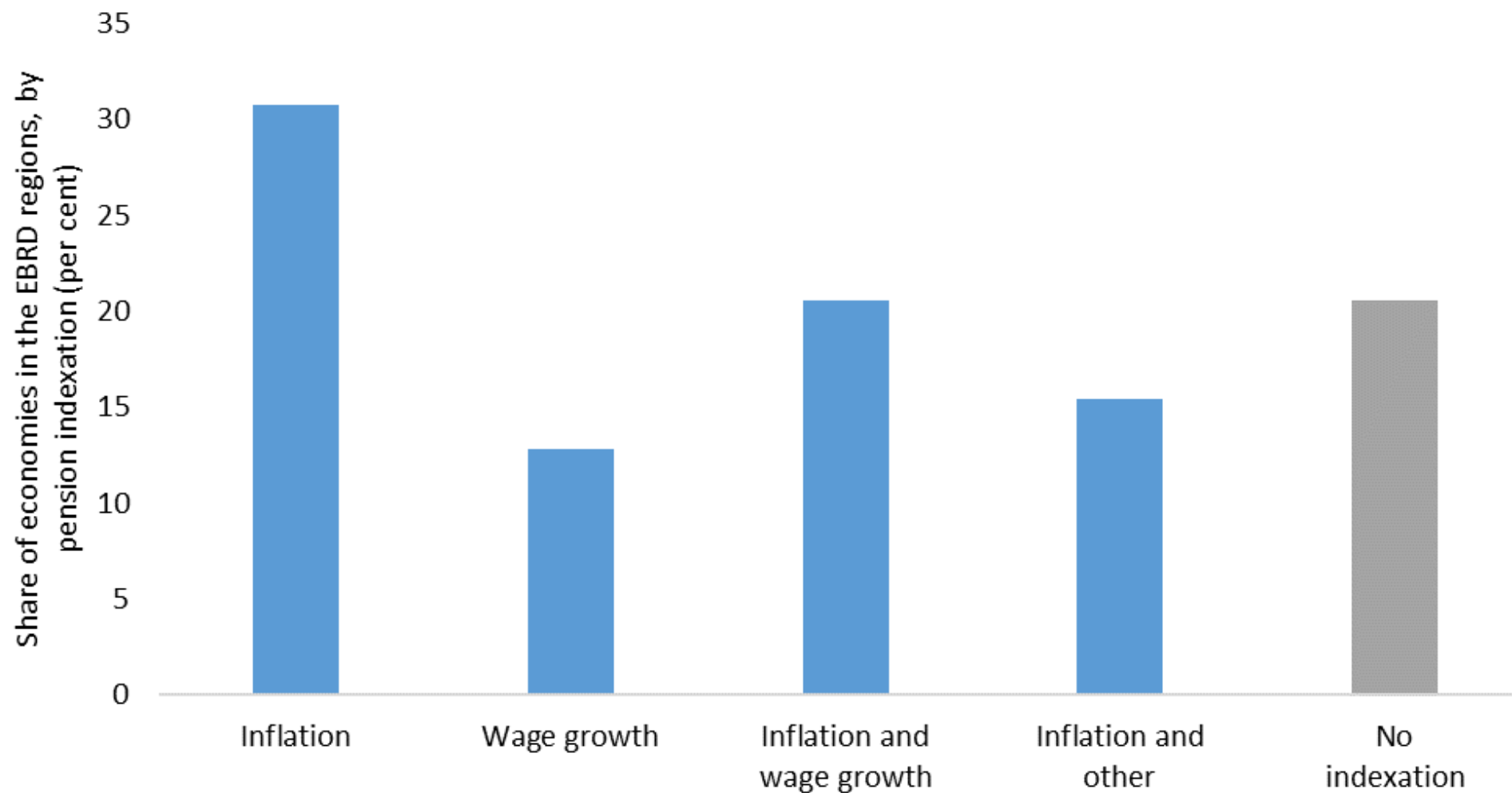
Rapid wage growth contributed to rising inflation in some economies in the EBRD regions, as in the United States



Sources: Eurostat and authors' calculations. Notes: Consumer price index, nominal labour cost index, 2019 Q4 = 100. EBRD regions, based on 13 economies, including Bulgaria, Czech Rep., Estonia, Greece, Croatia, Latvia, Lithuania, Hungary, Poland, Romania, Slovenia, Slovak Rep. and Serbia.

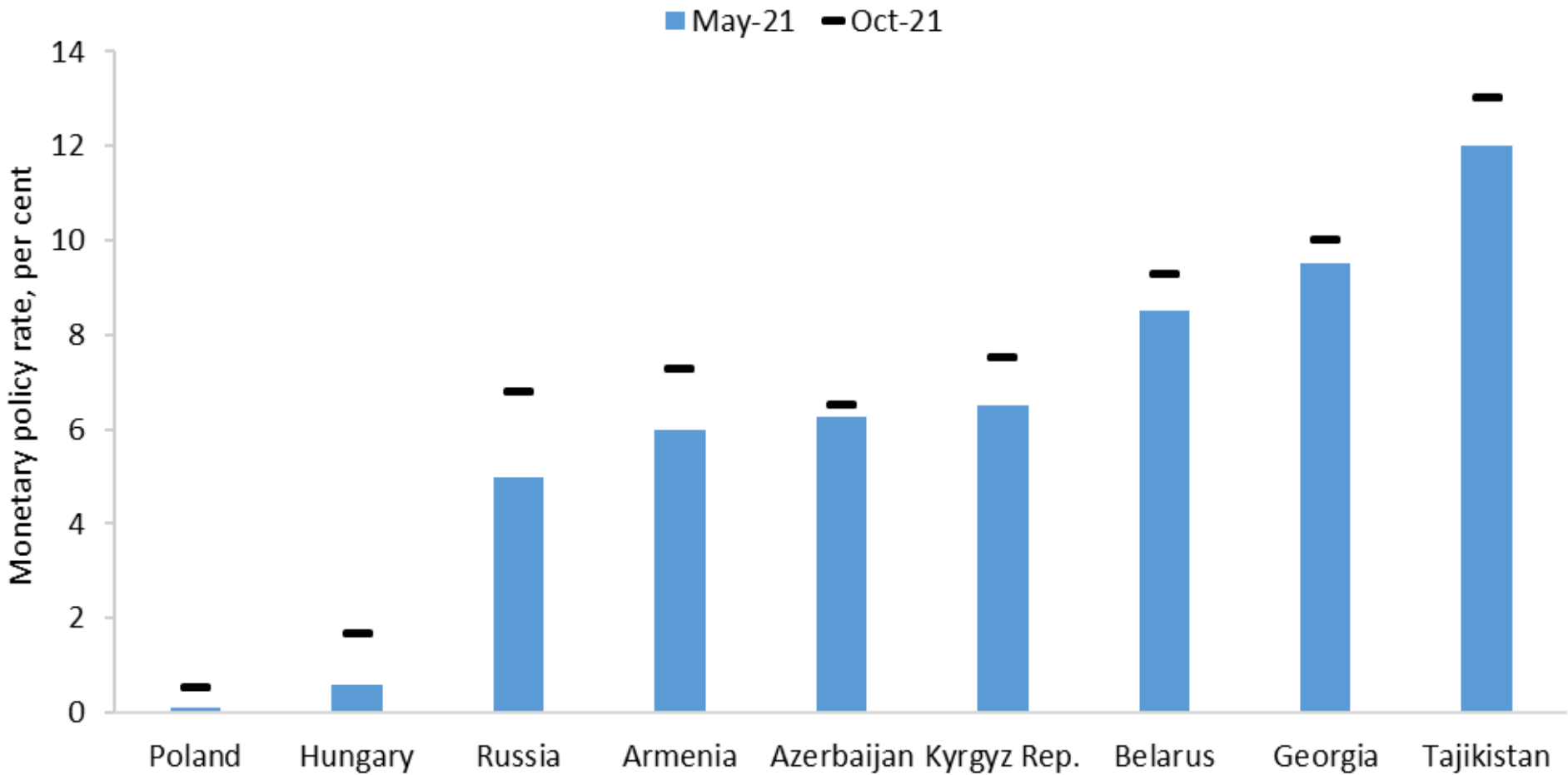
# Indexation could further propagate the effects of rising inflation through the economy

80% of economies in the EBRD regions index pensions to inflation, wage growth (or, in some cases, GDP growth)



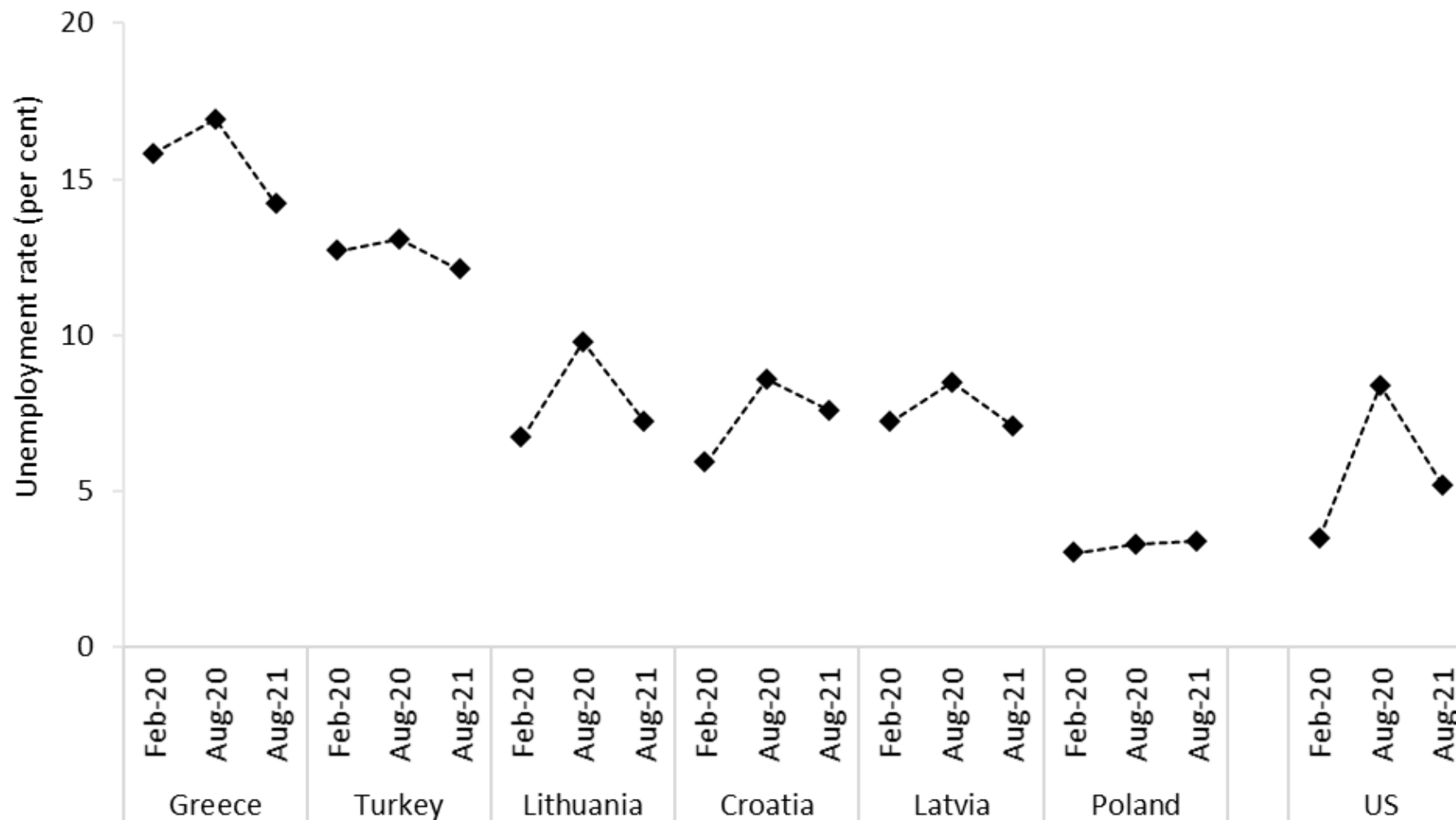
# Some economies started hiking rates in response to inflationary pressures

May in part reflect concerns that memories of high inflation and weaker anchoring of inflation expectations than in advanced economies could result in inflation remaining higher for longer



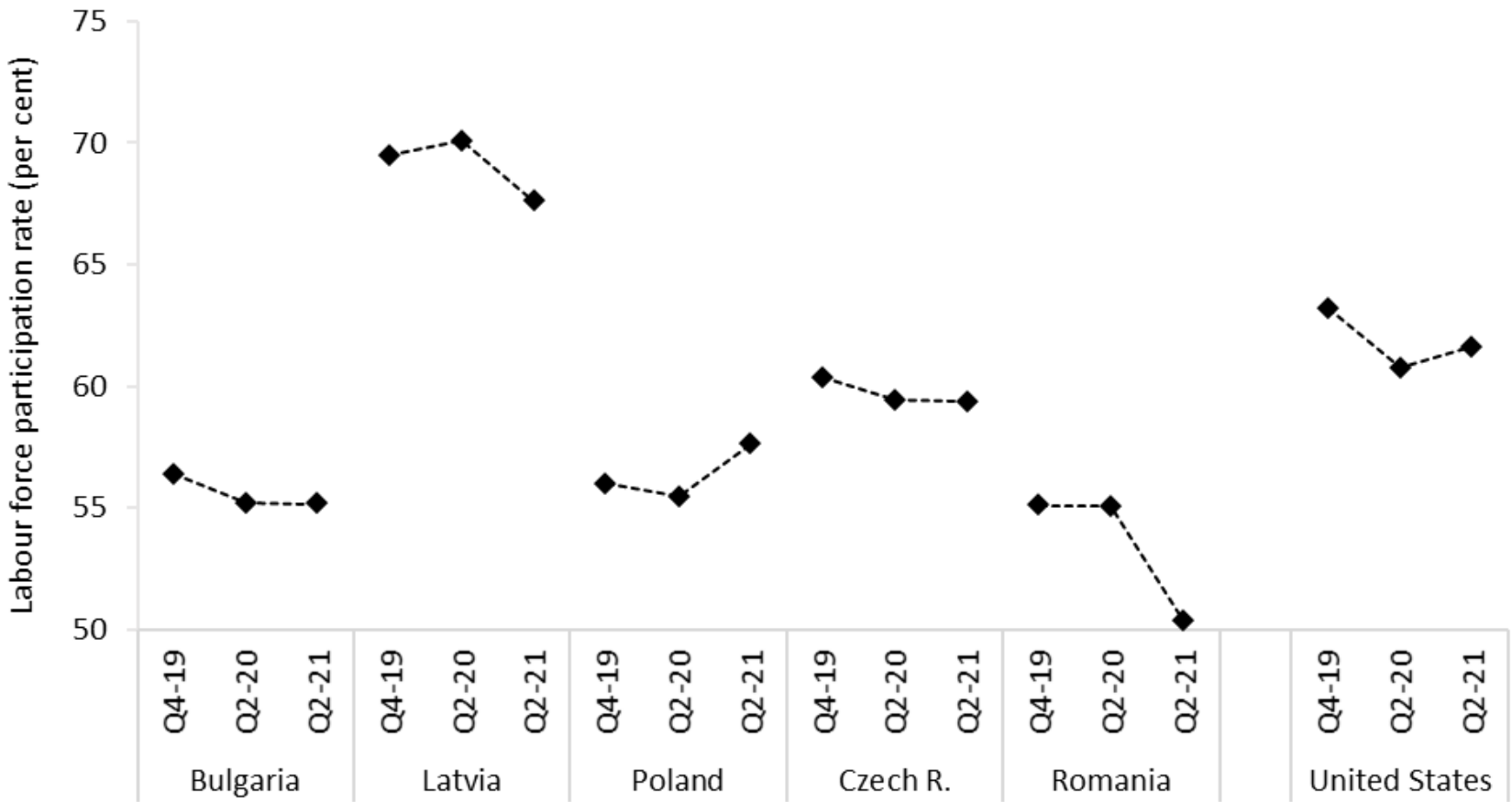
# In other economies in the EBRD regions, substantial labour market slack remains

Unemployment increased by 1.4 ppt on average in the EBRD regions between February and August 2020



# Labour force participation also fell by about 0.5 ppt in the EBRD regions

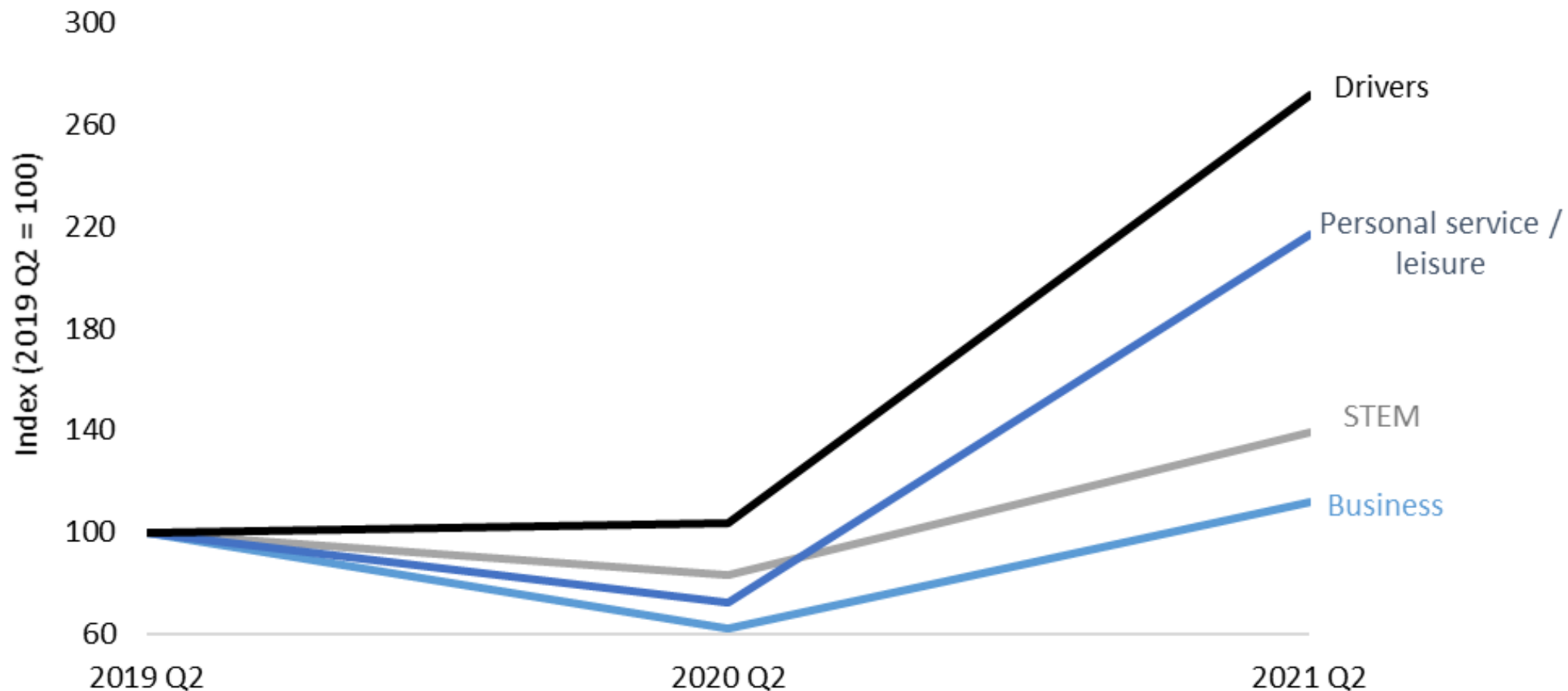
Increasing unemployment and declining labour force participation often went hand in hand





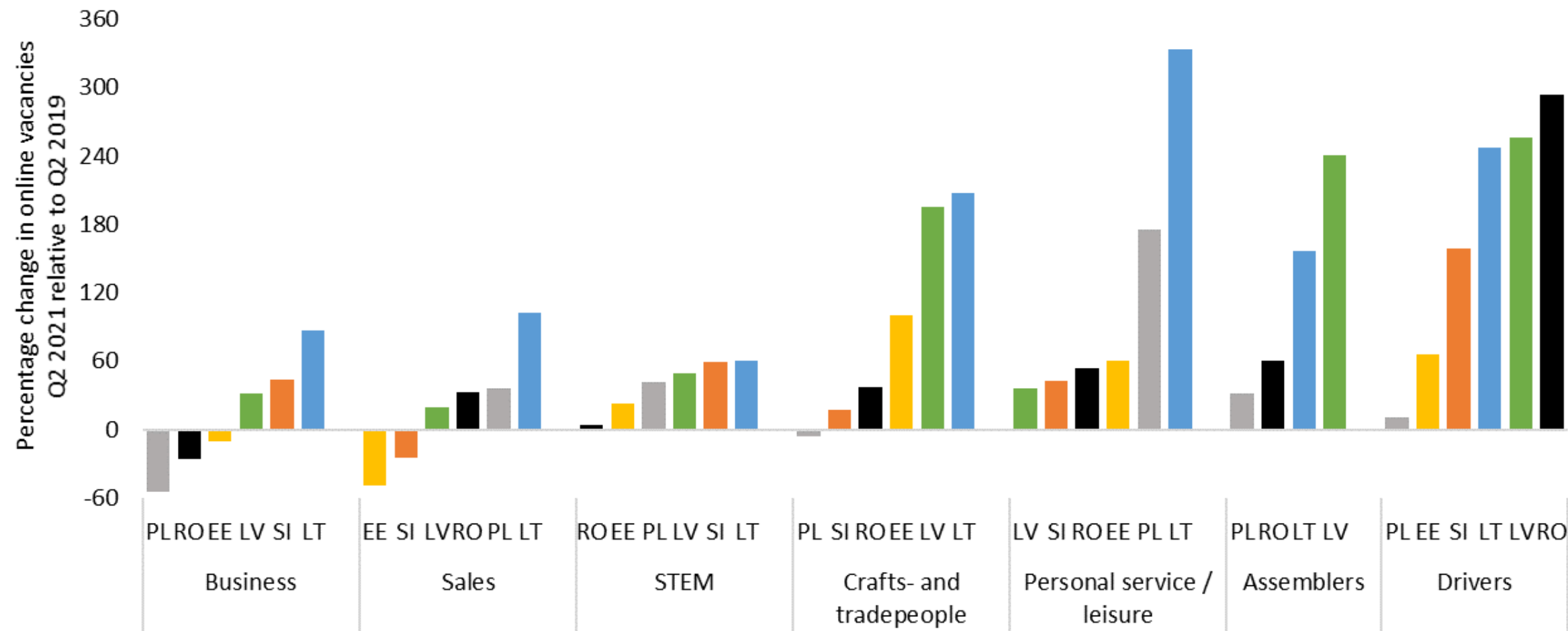
# Vacancies dropped sharply at the height of the Covid-19 crisis in 2020

Focus on vacancy-level data from Burning Glass Technologies

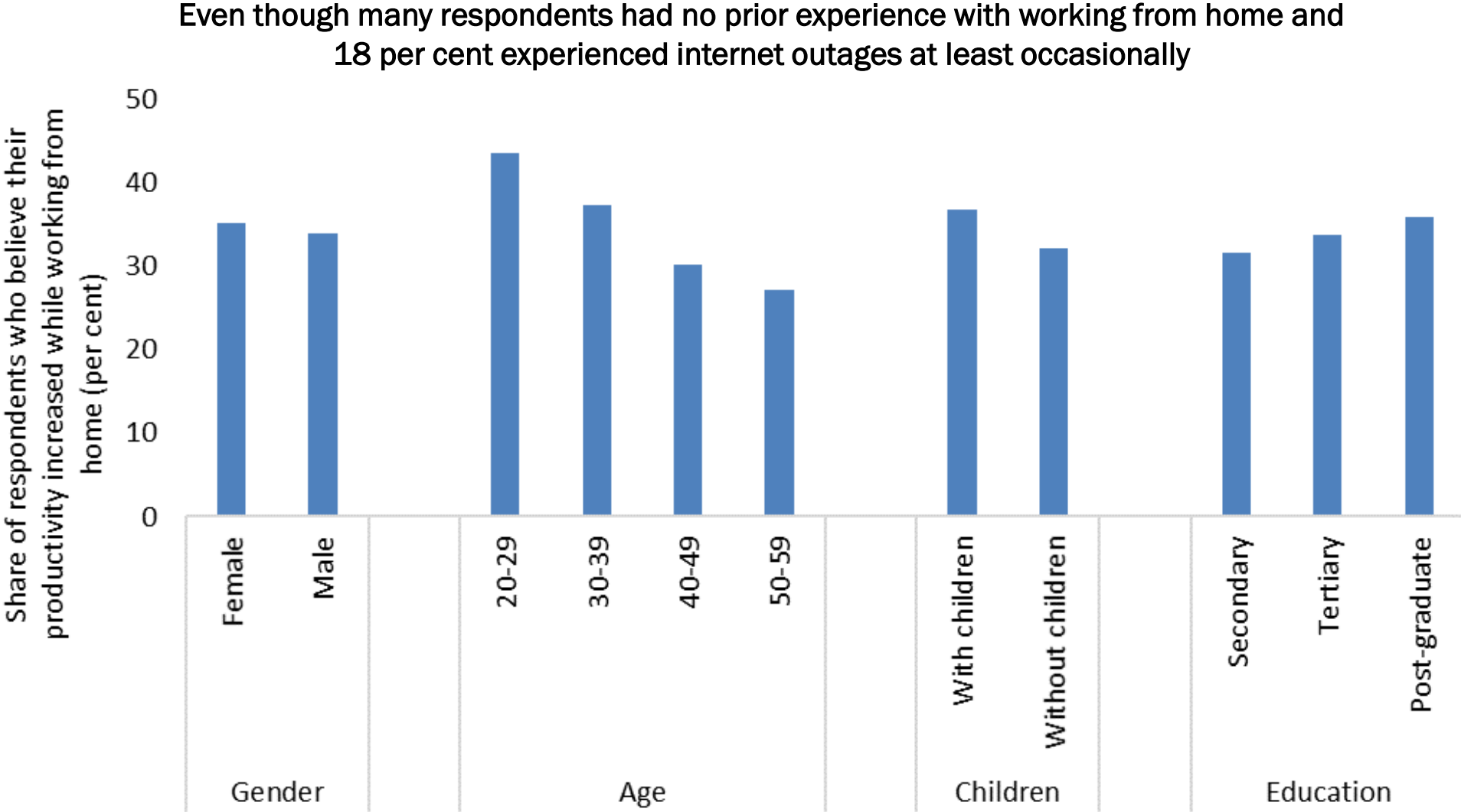


# Online job postings recovered strongly in 2021, in particular for lower-medium-skilled occupations

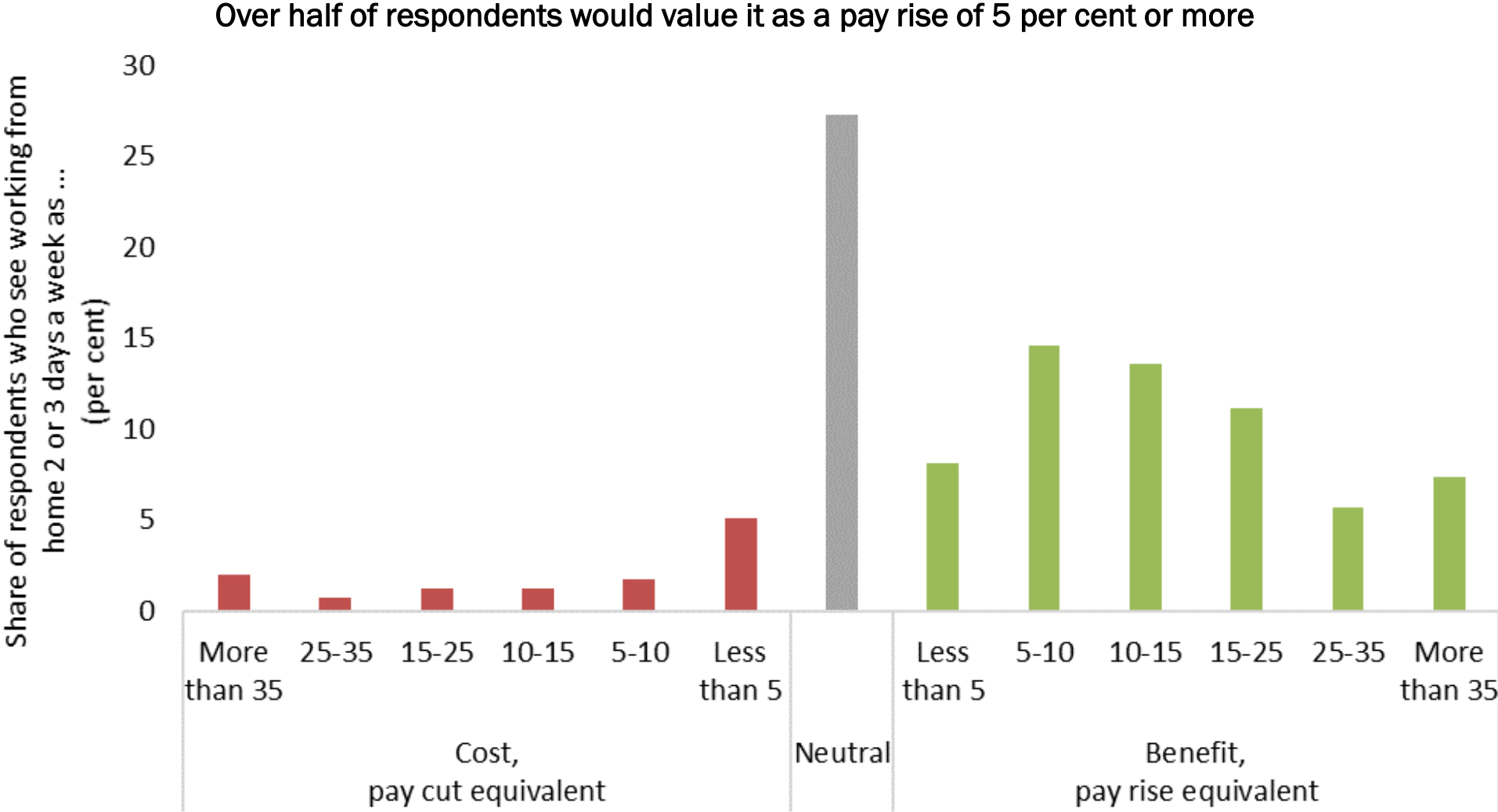
Focus on vacancy-level data from Burning Glass Technologies



# Many respondents believe that their productivity improved while working from home

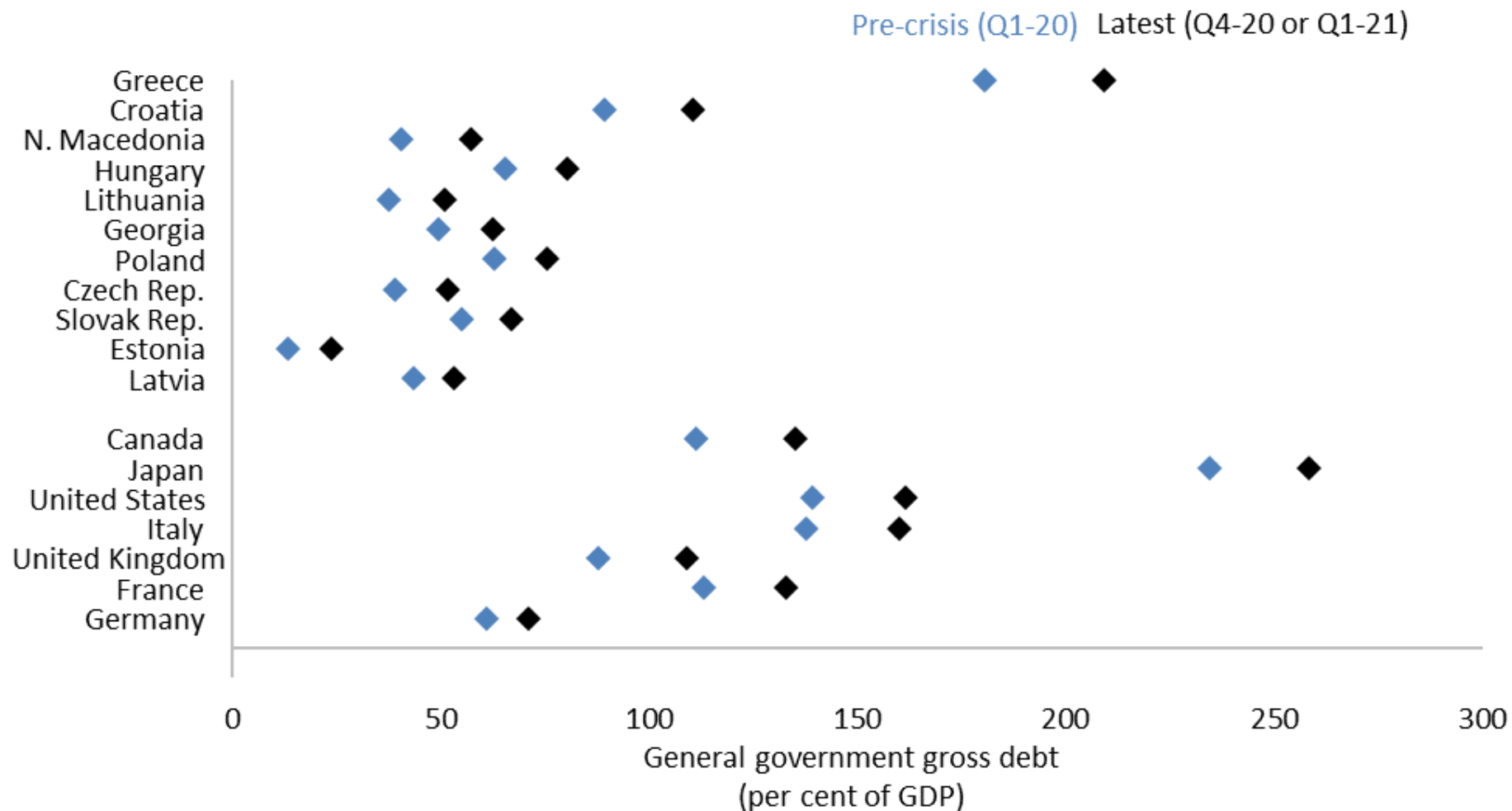


# Many respondents view working from home two or three days per week as a benefit



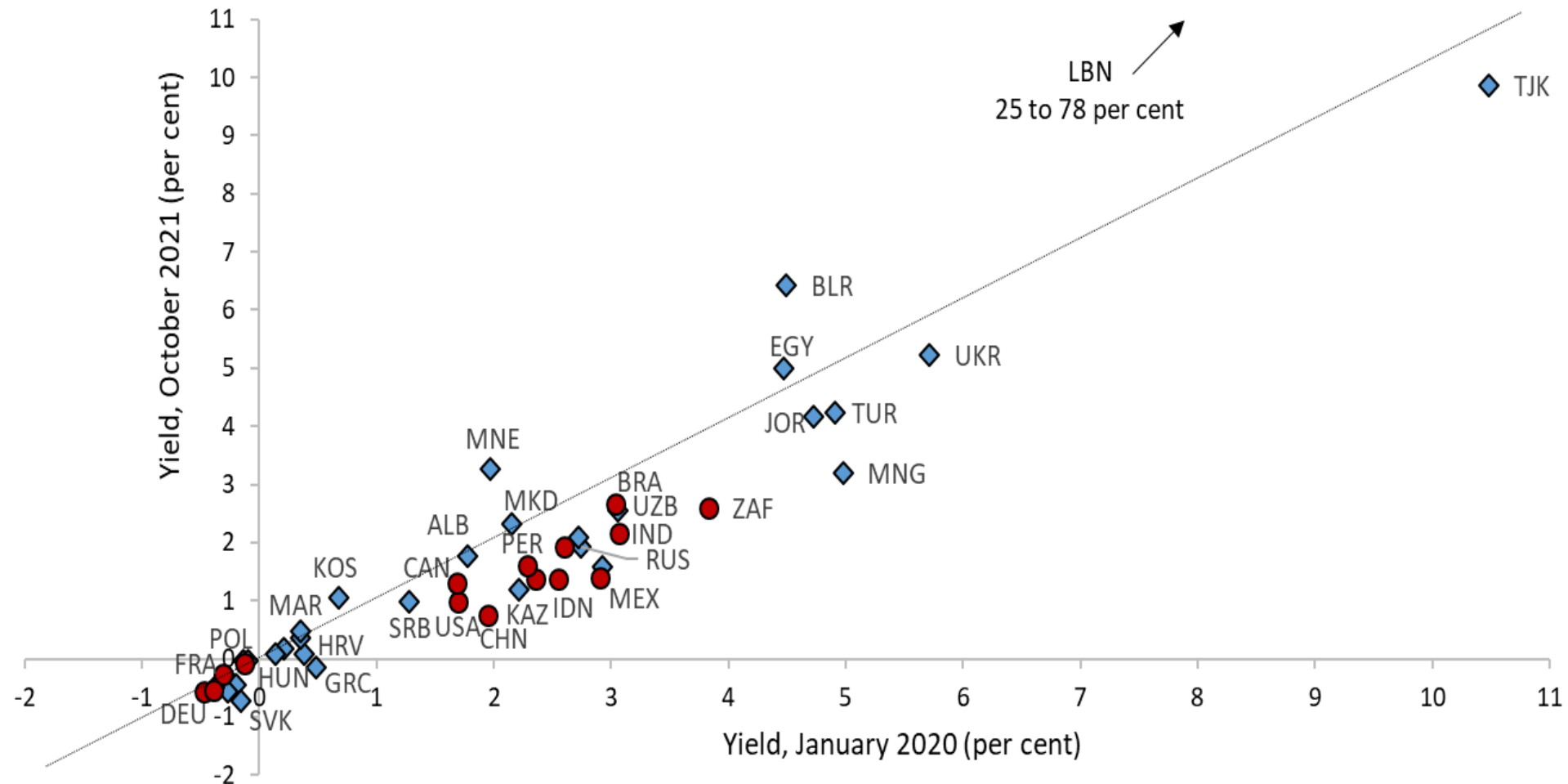
# Fiscal vulnerabilities have increased as large stimulus packages and output declines raised public debt

Public debt increased by almost 13 ppt in the EBRD regions, 20 ppt in advanced economies



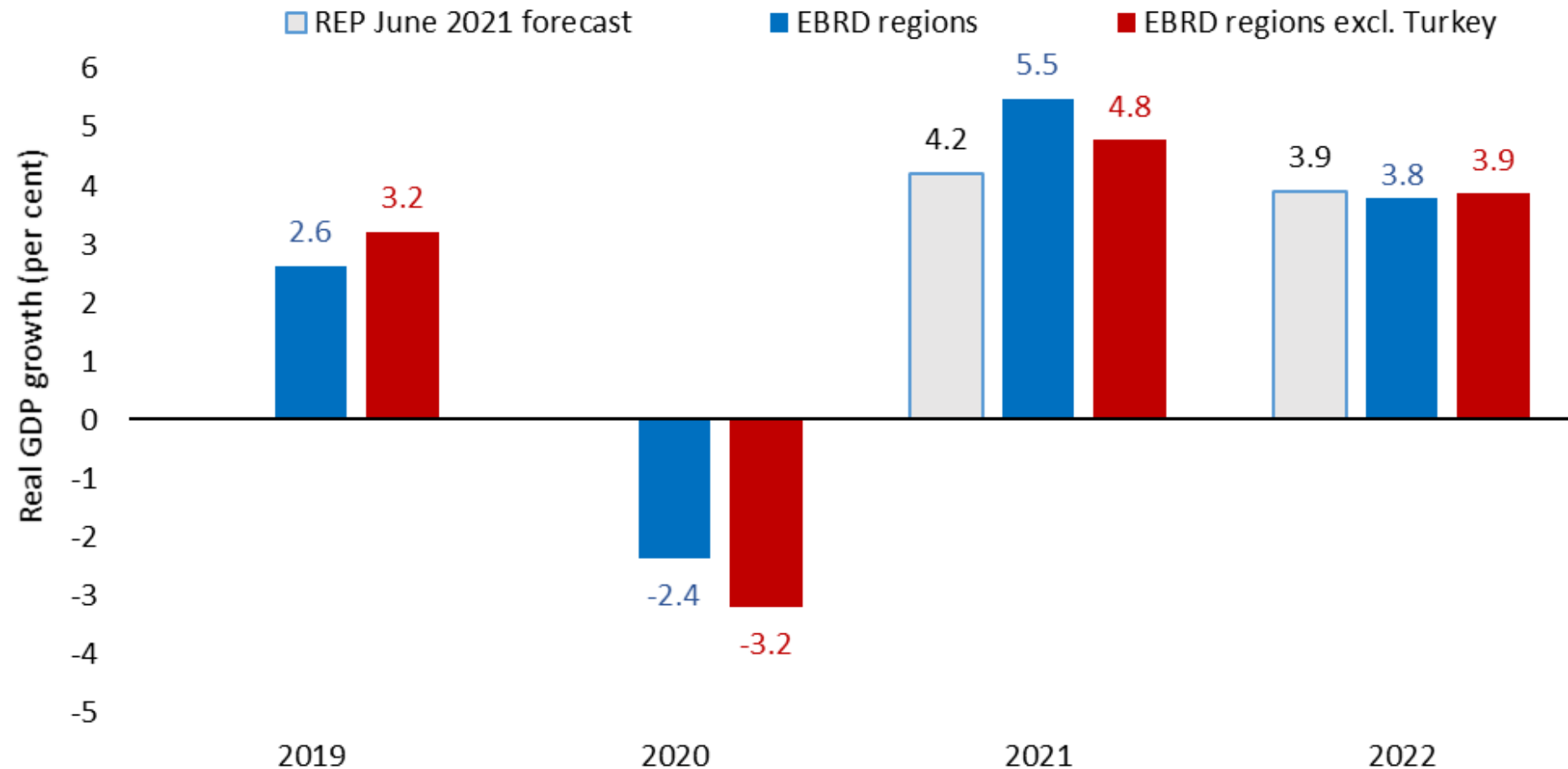
# Borrowing costs remain below their pre-crisis levels in most economies in the EBRD regions

However, in some economies, including Belarus, Egypt, Lebanon, Montenegro and Tajikistan, they are high or have increased



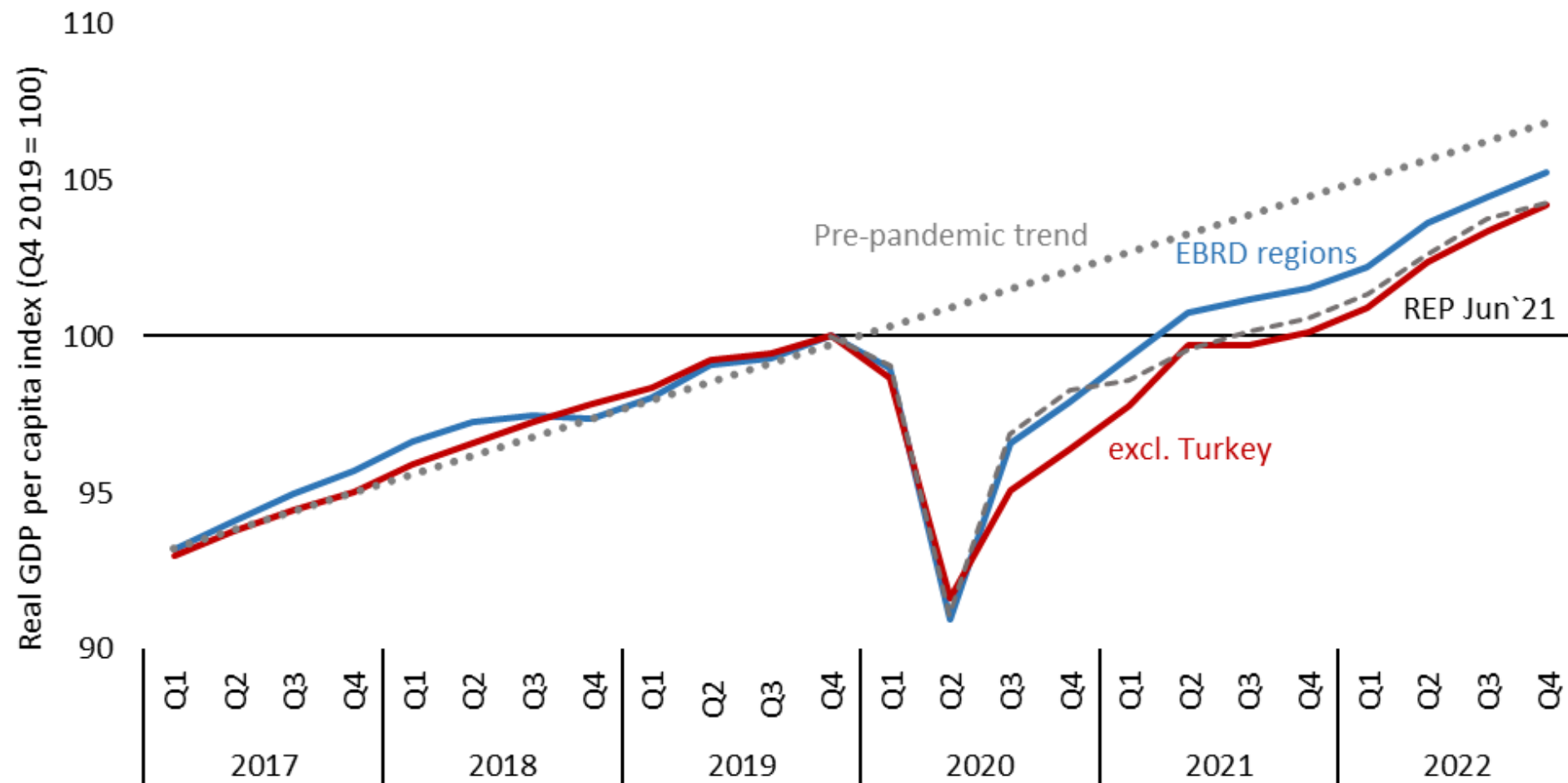
# Output in the EBRD regions is expected to grow by 5.5% in 2021 and 3.8% in 2022

Reflecting strong outturns in the first half of the year and continued momentum in the third quarter



# Forecasts have been revised up since June 2021

Including due to a sharp rebound in Turkey

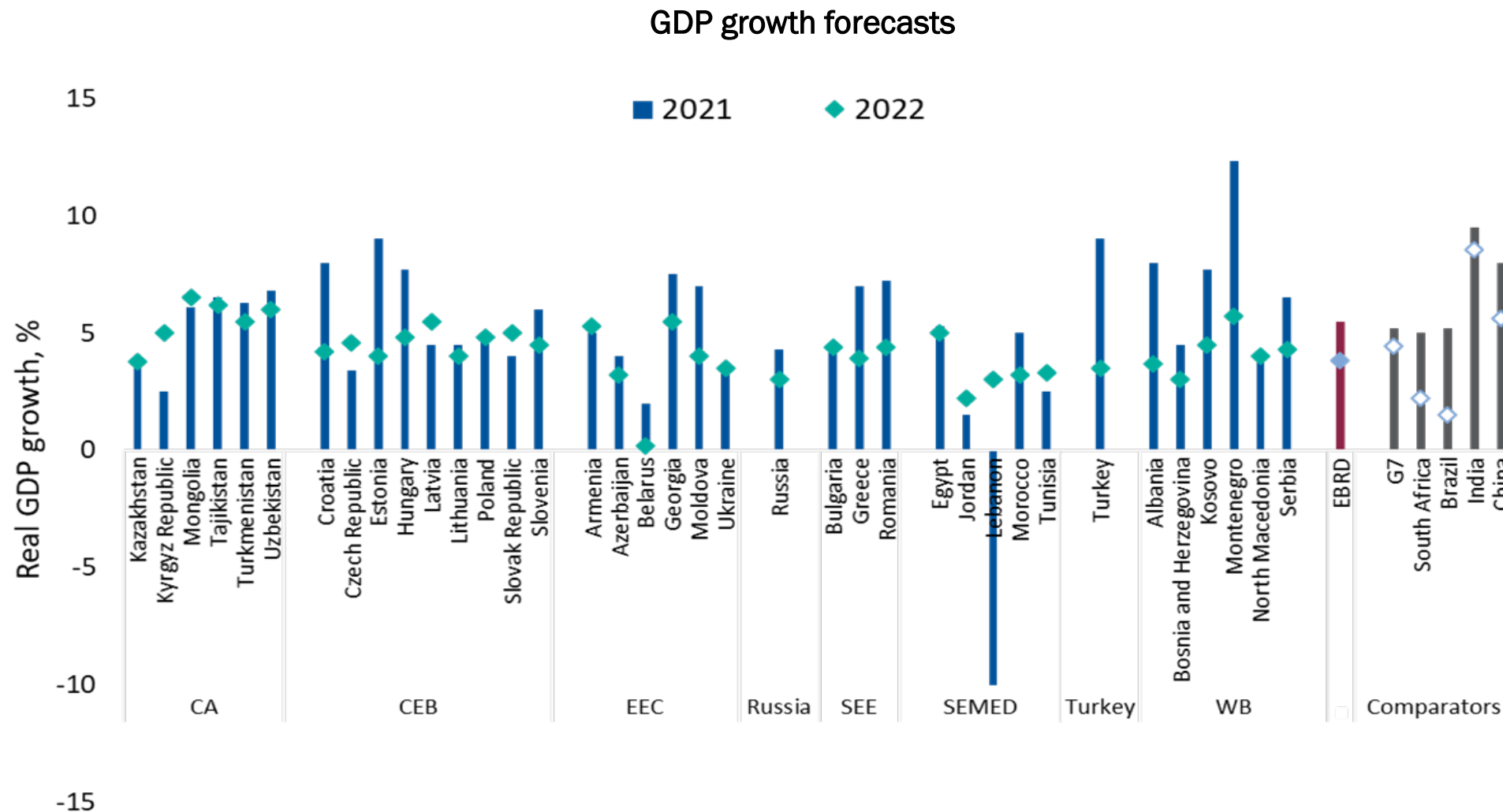




# Growth to moderate in 2022 in most economies after rapid recovery in 2021, with some variation further East and South



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Note: Comparators' forecasts are sourced from IMW WEO October 2021. G7 is simple average.