REGIONAL ECONOMIC PROSPECTS
IN THE EBRD REGIONS

Bittersweet recovery

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

External factors have also mostly improved

Sources: CEIC, national authorities, June 2021 REP forecasts and authors’ calculations. Notes: Selected economies in the EBRD regions.
Covid-19 deaths in the EBRD regions have started to rise again

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

Sources: Our World in Data based on John Hopkins University and authors’ calculations. Note: 2-week moving average; population-weighted. Last observation refers to 19 October 2021. Advanced Europe includes 18 economies. EBRD regions is based on 36 economies.
In contrast to advanced Europe, mortality in the EBRD regions has picked up in line with increasing case numbers.

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

Sources: IMF, Our World in Data based on John Hopkins University and authors’ calculations.
Notes: Vaccinations as of 19 October 2021, GDP per capita at market exchange rates.
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.

Sources: Google Analytics and authors' calculations. Note: Based on 7-day moving averages where January-February 2020 = 100. EBRD regions is based on 28 economies.
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.

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

Sources: Refinitiv Eikon and authors’ calculations. Notes: Europe Brent spot price, US$ per barrel.
Oil prices have rebounded following initial drops, gas prices in Europe jumped to historic highs.

Sources: Refinitiv Eikon and authors’ calculations. Notes: Europe Brent spot price, US$ per barrel. Natural gas, Euro per MWh, Dutch Title Transfer Facility.
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

Sources: Refinitiv Eikon. Notes: Natural gas in Euro per MWh, Rotterdam coal in US$ per 1000 metric tonne, framing lumber in US$ per thousand board feet, Copper Grade A in US$ per metric tonne, iron ore in US$ per metric tonne; wheat, soybeans and corn in US$ per bushel. October 2021 refers to data up until 19 October 2021.
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.
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

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.

Notes: Year-on-year changes. Simple average across 31 EBRD economies with September 2021 data, excludes Lebanon. Selected economies in the EBRD regions shown.

Sources: CEIC and national authorities.
The pick-up in inflation also reflects increased demand for manufactured goods and supply chain bottlenecks.

The costs of freight transport increased sharply.

Sources: Shanghai Shipping Exchange.
Rapid house price growth also contributed to inflation

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

Sources: OECD and authors’ calculations. Note: Based on quarterly year-on-year growth rates in the 2015 real house price index.
The increase in house prices was in part supported by the pandemic-related growth in savings.
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.

Sources: European Commission Consumer Survey (August 2021), authors’ calculations. Change in balance of respondents whose intentions increased and decreased (respondents reporting no change are omitted). Simple averages across 16 economies in the EBRD regions and 15 advanced economies.
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).

Sources: National sources and authors’ calculations. Inflation and other includes GDP, insurable earnings, pension contributions and living standards.
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.

Sources: CEIC and national authorities.
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.

Sources: CEIC and national authorities. Notes: July 2021 for Greece.
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.

Sources: CEIC and national authorities. 2021 Q1 for Romania.
Vacancies dropped sharply at the height of the Covid-19 crisis in 2020

Focus on vacancy-level data from Burning Glass Technologies

Sources: Burning Glass Technologies, Eurostat and authors’ calculations. Notes: Simple average across Estonia, Latvia, Lithuania, Poland, Romania and Slovenia. Based on economies where overall trends in vacancies match Eurostat data closely.
Online job postings recovered strongly in 2021, in particular for lower-medium-skilled occupations.

Sources: Burning Glass Technologies and authors’ calculations. Notes: Simple average across Estonia, Latvia, Lithuania, Poland, Romania and Slovenia.
Many respondents believe that their productivity improved while working from home

Even though many respondents had no prior experience with working from home and 18 per cent experienced internet outages at least occasionally.
Many respondents view working from home two or three days per week as a benefit

Over half of respondents would value it as a pay rise of 5 per cent or more

Sources: EBRD-ifo Institute Work from Home survey and authors’ calculations. Note: Share of respondents who worked primarily from home at some point during the pandemic.
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.

Sources: World Bank and authors’ calculations. Notes: Selected economies with quarterly data, ranked from largest to smallest percentage point increase.
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 outcomes 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

Sources: CEIC, national authorities and EBRD forecasts. Notes: EBRD regions average constructed using GDP at PPP weights.
Growth to moderate in 2022 in most economies after rapid recovery in 2021, with some variation further East and South.

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