

A cold winter ahead? Confronting the energy crunch

Regional Economic Prospects



European Bank
for Reconstruction and Development

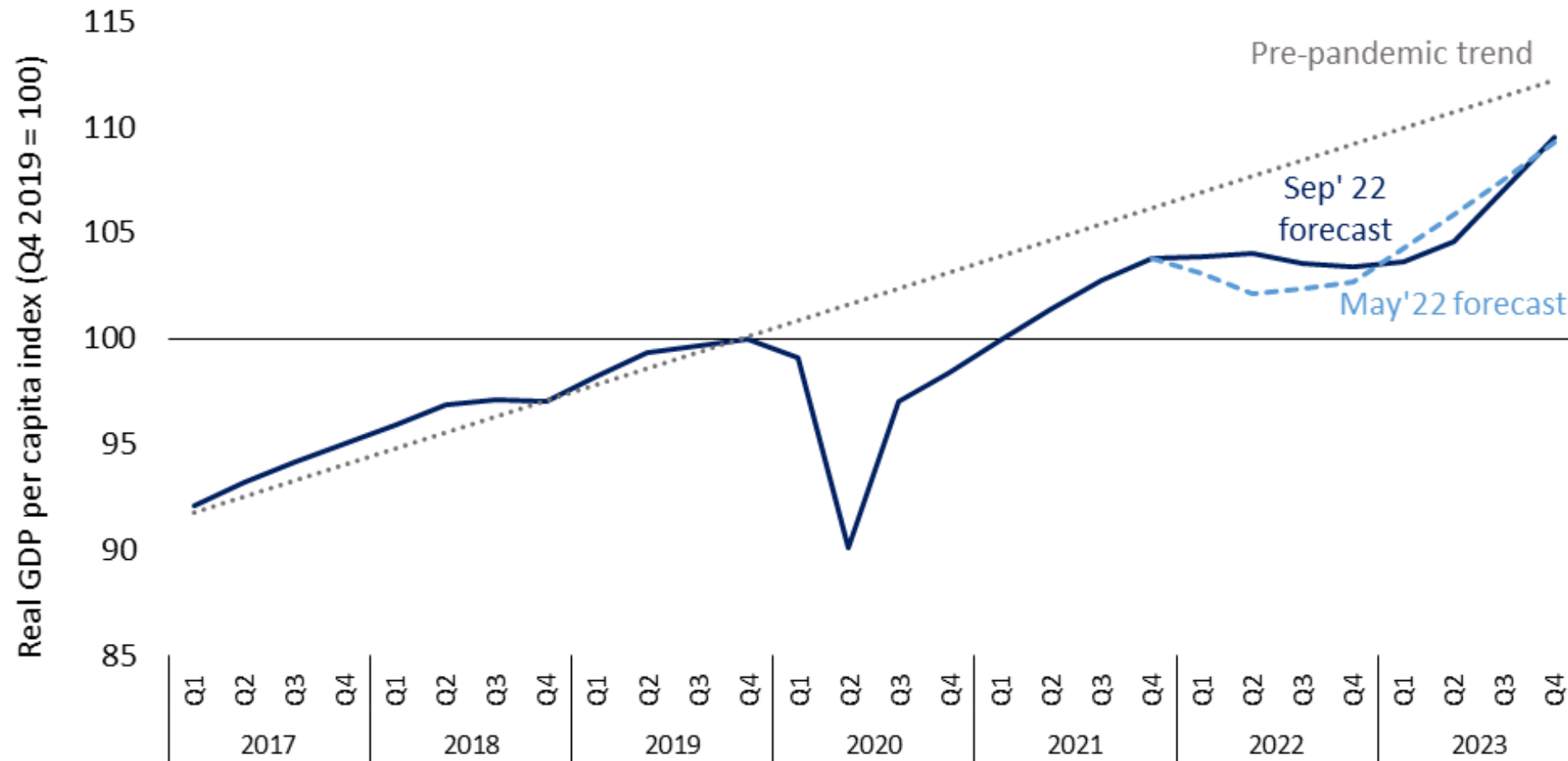
September 2022



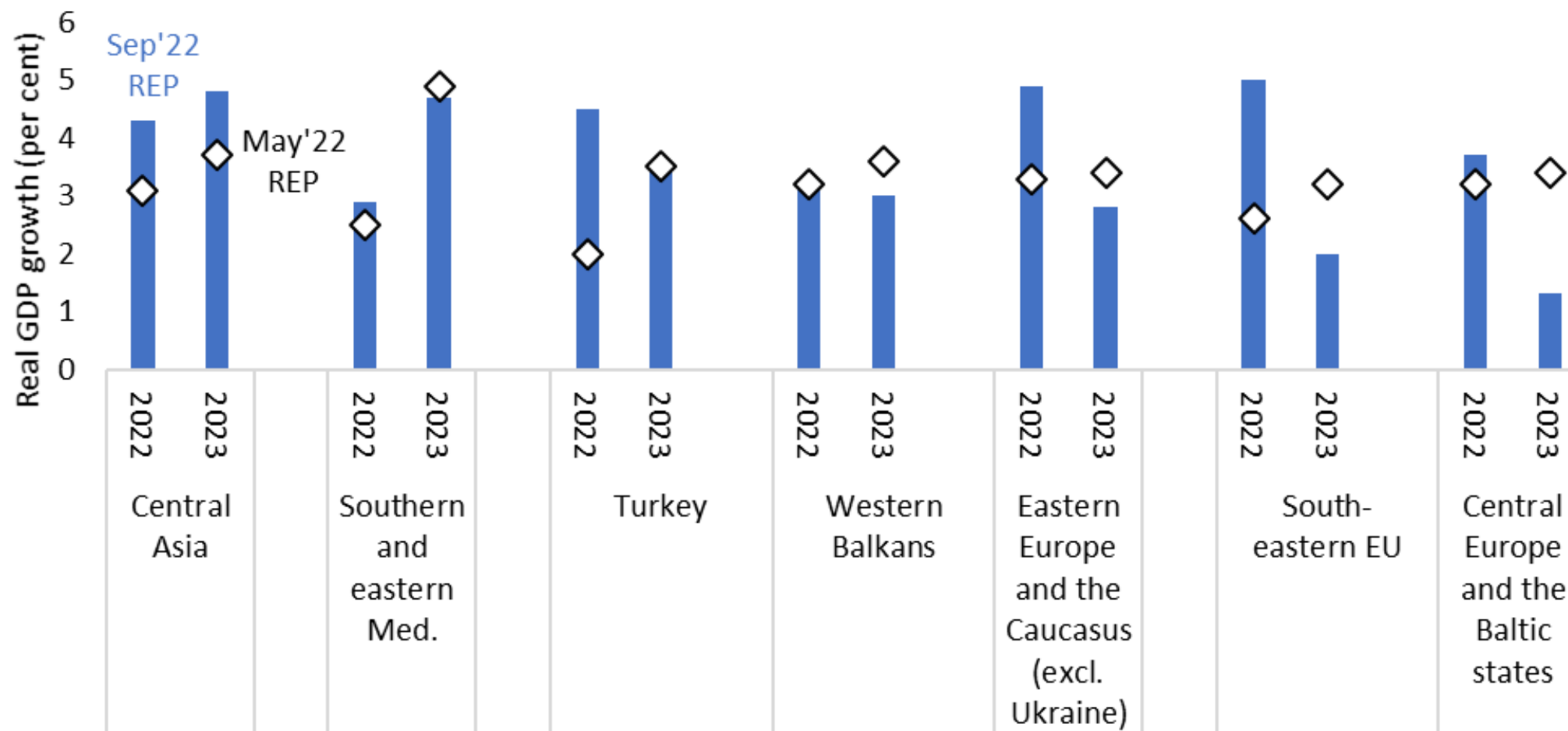
Output in the EBRD regions is expected to grow by 2.3% in 2022 and 3% in 2023 – a downward revision of 0.5% for 2022-23 since May



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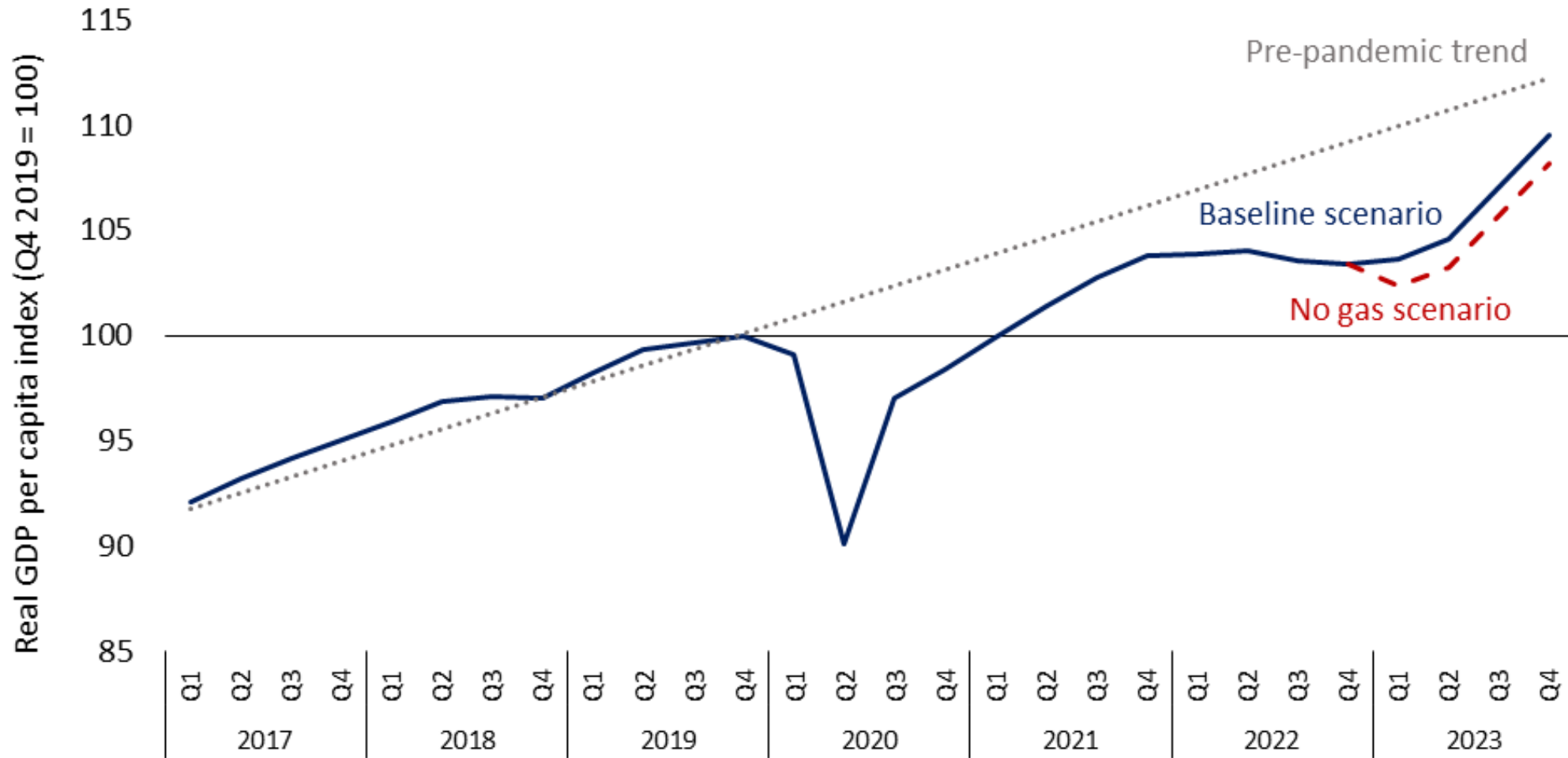
For most regions forecasts revised up for 2022 and down for 2023; for Central Asia revised up for both years



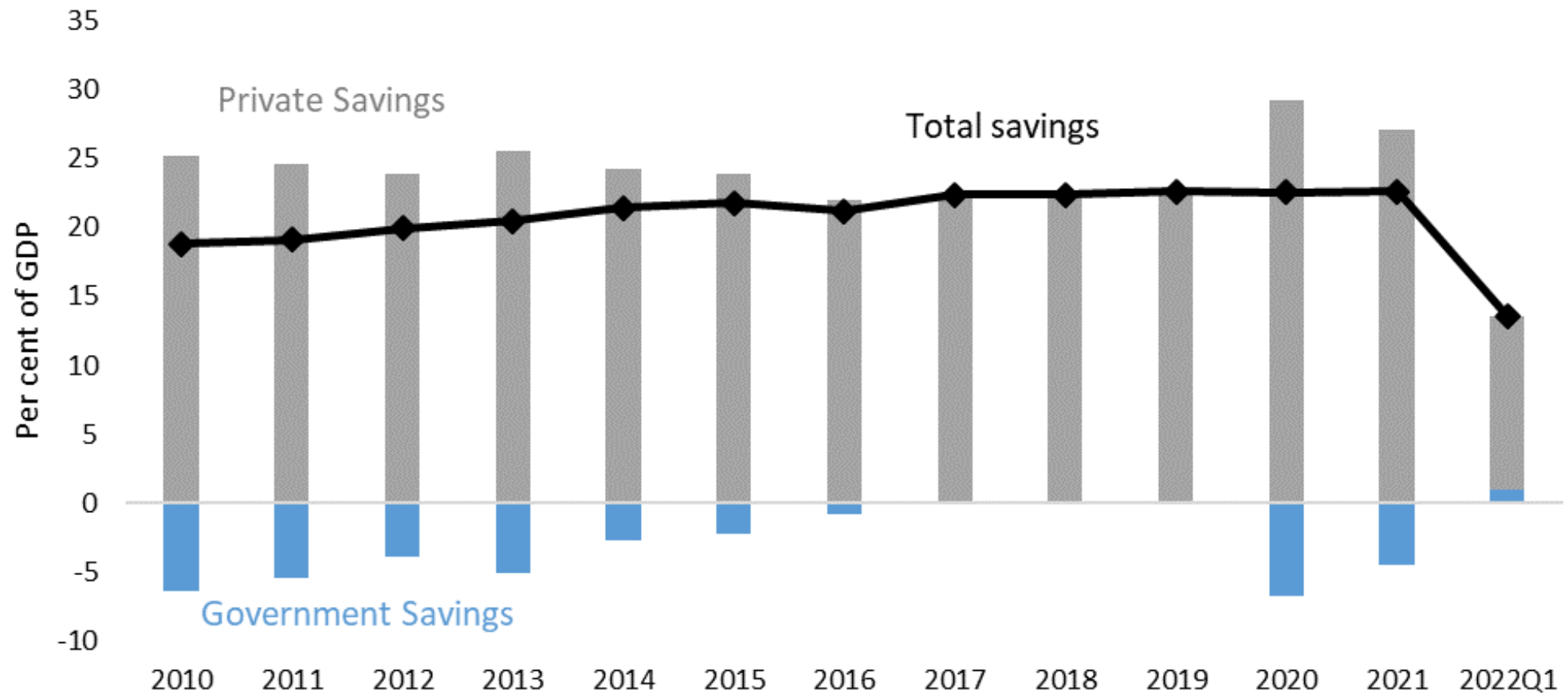
Forecasts assume a 45% reduction in supply of Russian gas to Europe relative to 2021: In a ‘no-gas’ scenario, growth 1.3ppt lower in 2023



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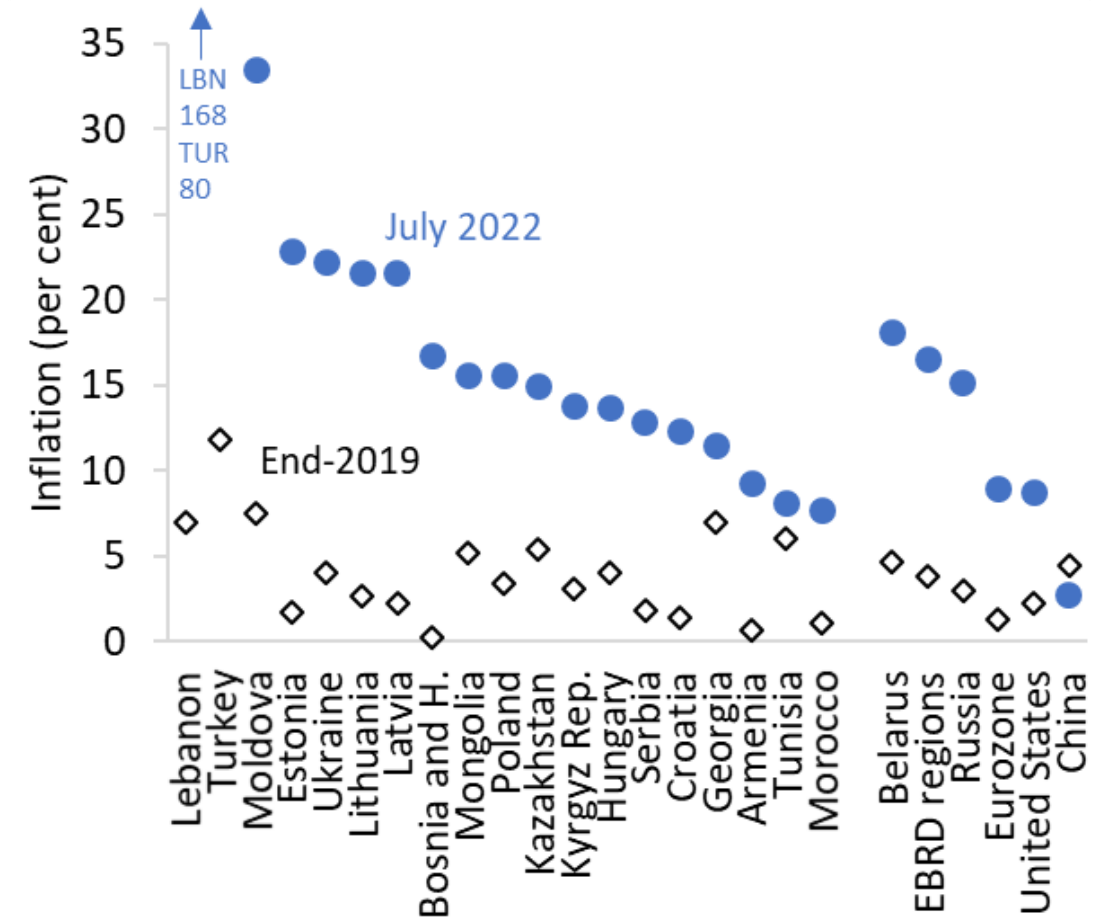
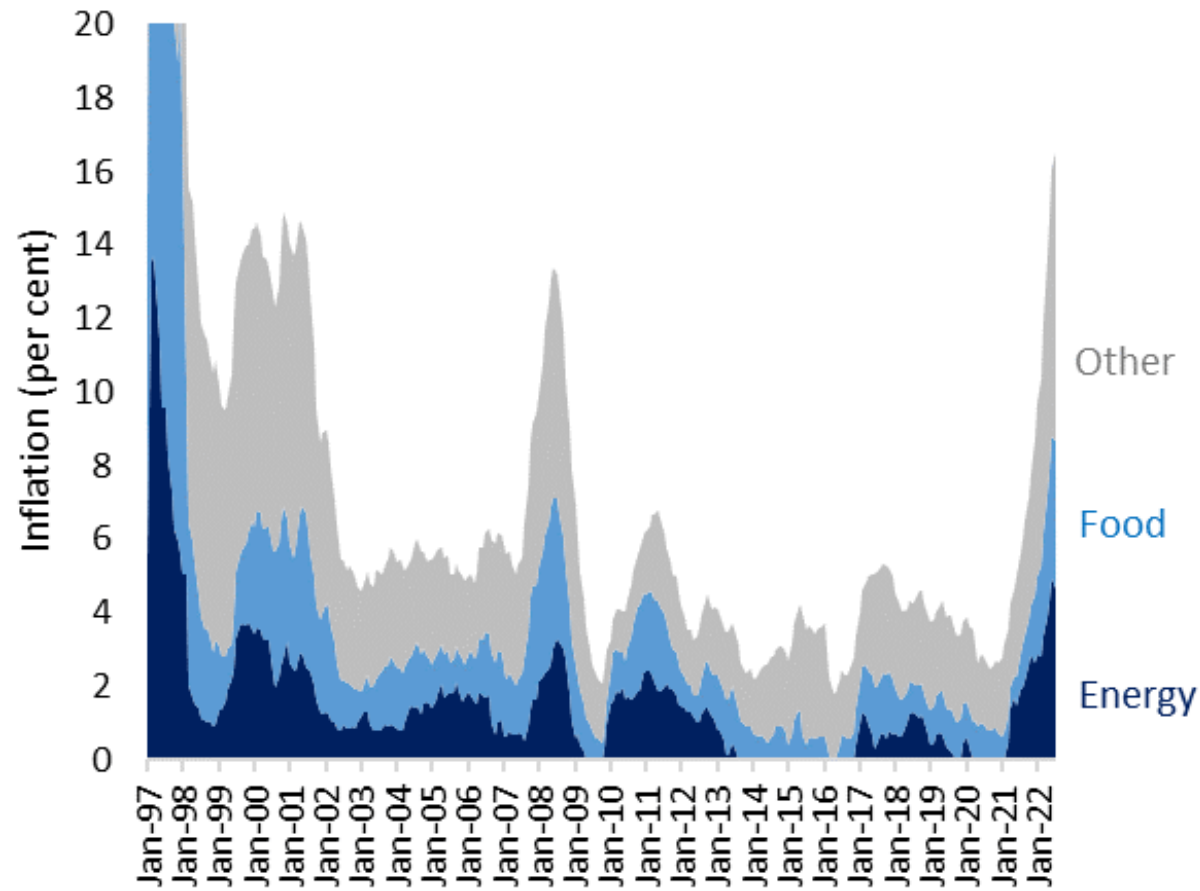
H1 2022 stronger than expected as Covid-19 savings spent boosting consumption, in particular in central Europe: this boost cannot last



Inflation in EBRD regions increased to 16.5% in Jul-22, the highest since 1998, with around half contributed by food and energy



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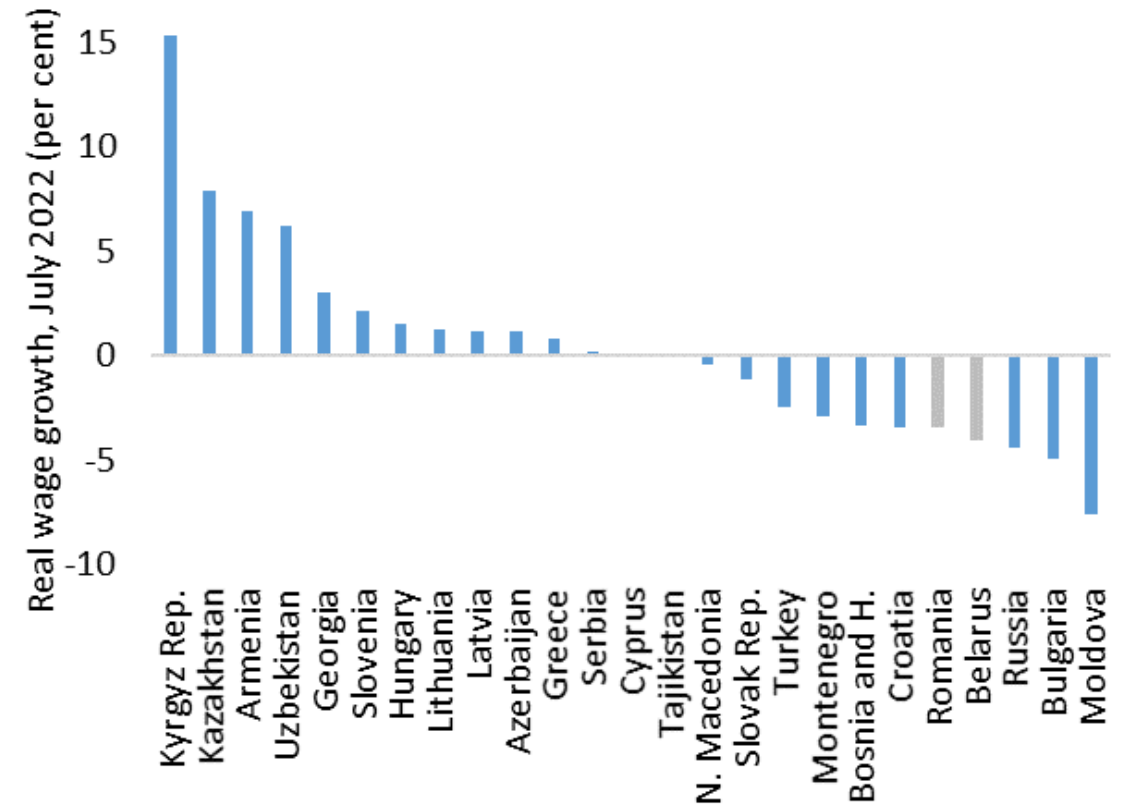
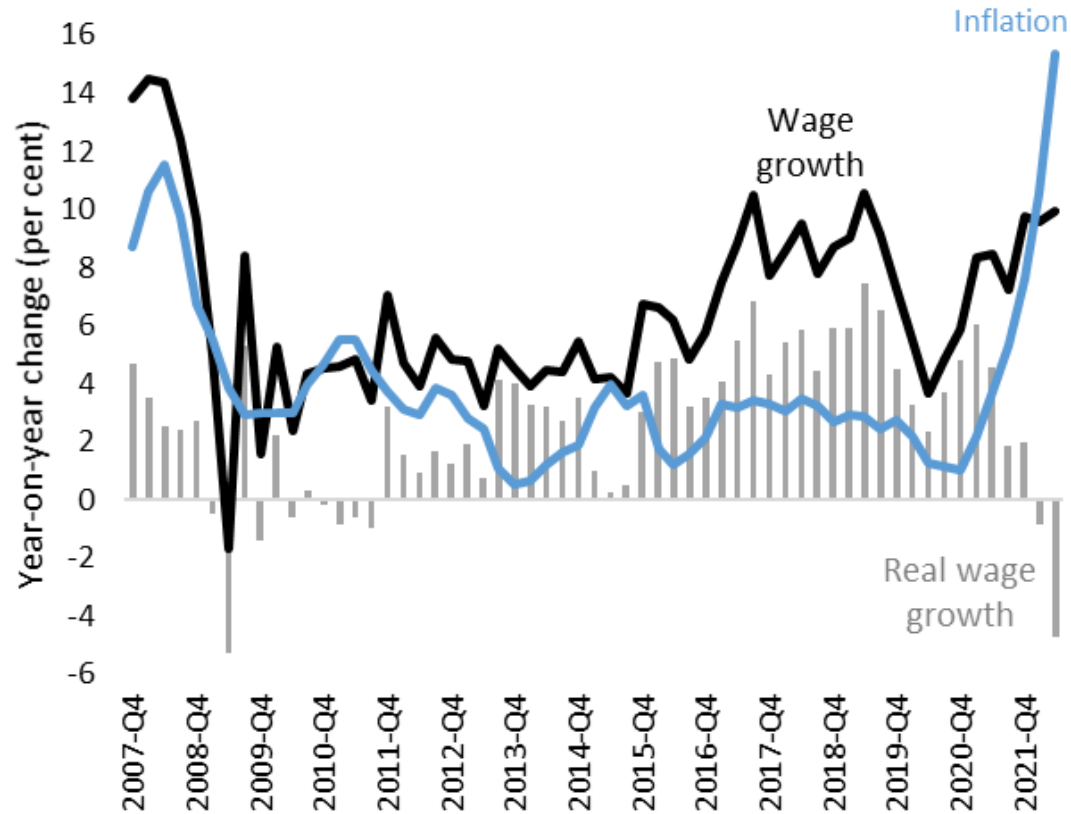


Sources: National authorities via CEIC and authors' calculations. Notes: Year-on-year changes. Headline inflation is a simple average across 33 economies in the EBRD regions. The decomposition is based on unbalanced panel ranging from 5 economies in 1997 to 11 economies from 2001. Decomposition is scaled to overall EBRD inflation.

As inflation spiked, real wages turned negative on average, in particular in SE Europe (while real incomes in Central Asia are up)



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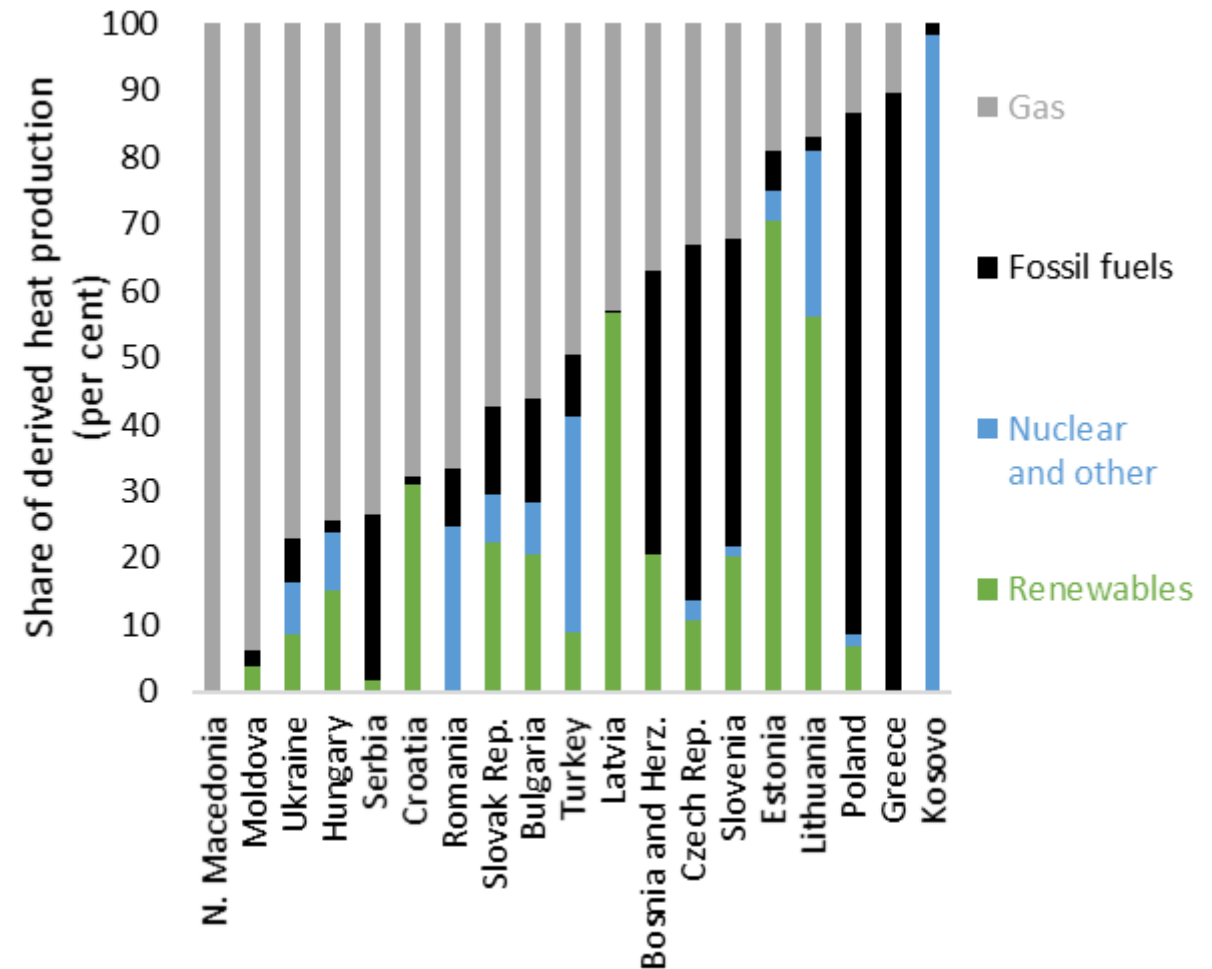
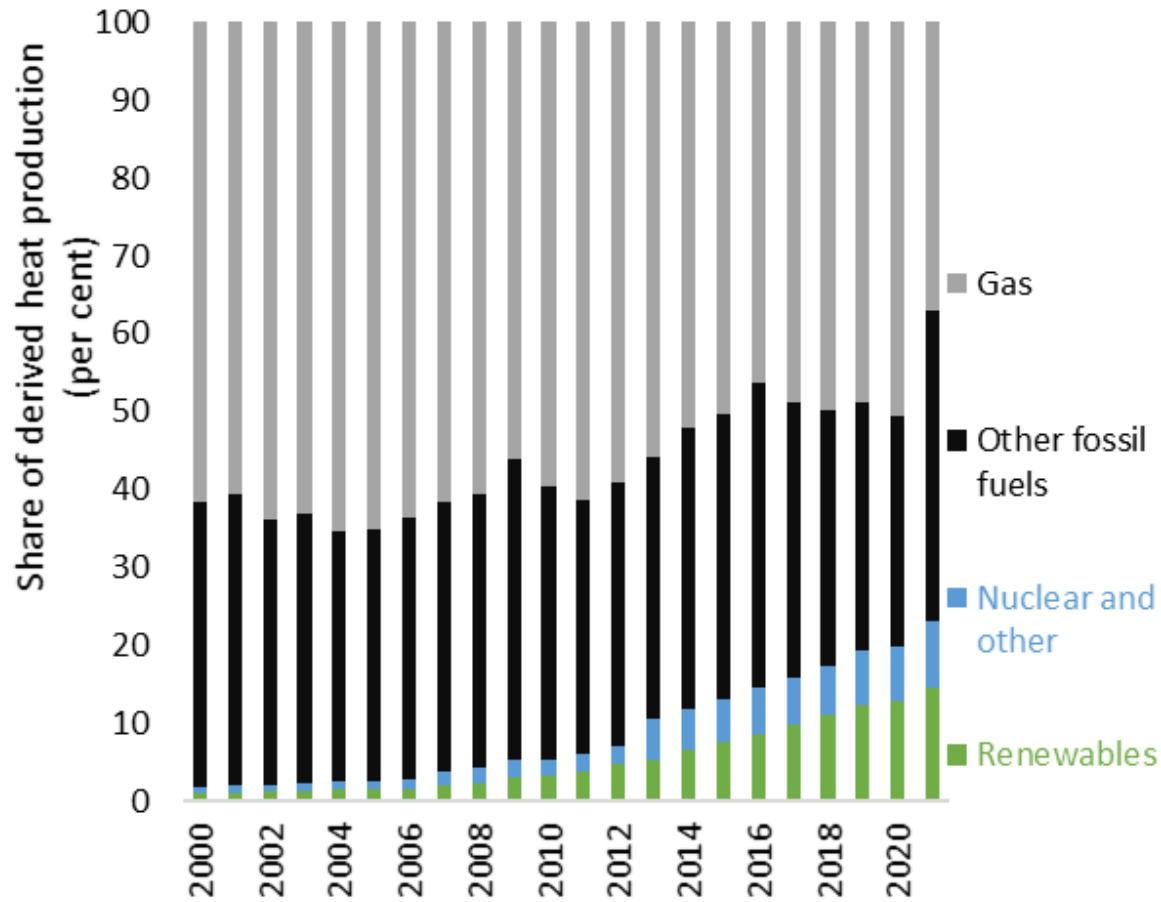
Sources: Bloomberg and authors' calculations.

Notes: Simple average across 15 economies in the EBRD regions.

Gas is important for derived heat production in the EBRD regions, as well as a “marginal” (price-setting) source of electricity



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Sources: Eurostat and authors' calculations. Notes: Gas includes natural and manufactured gas, other fossil fuels include oil shale, oil sands, oil and petroleum and solid fossil fuels, renewables includes biofuels, others includes electricity, peat and peat products and non-renewable waste. EBRD regions based on 20 economies, weighted by total production. 2021.