Covid-19: Early estimates of the damage, uncertain prospects
Deeper contraction in GDP than during the GFC, but similar speed of recovery expected

Pre-crisis GDP level in the EBRD regions is expected to be attained towards the end of 2021

Sources: CEIC, national authorities and EBRD forecasts.
Growth in the EBRD regions slowed in Q1 2020 and contracted sharply in Q2 2020

On top of ongoing deceleration of growth: down from 3.4 per cent in 2018 and 2.6 per cent in 2019

Real GDP growth turned sharply negative in the second quarter of 2020

Sources: CEIC and national authorities. Note: 2020 H1 figure used for both quarters for Tajikistan.
In many economies, declines in industrial production are larger than those seen in 2008-09

Drops in **industrial production** deeper than in 2009 in non-EU economies in the EBRD regions

Sources: CEIC and national authorities. Notes: 3-month moving average.
In many economies, retail sales declined more than during the global financial crisis.

Drops in retail sales comparable to those seen in 2009 in EU economies within the EBRD regions

Sources: CEIC and national authorities. Notes: 3-month moving average.
Forecasts are sensitive to assumptions about social distancing and precision of early estimates of growth.

Initial estimates of GDP contractions during the Global Financial Crisis were subject to major subsequent revisions.

Sources: European Economic Forecasts, Eurostat Flash estimates, Eurostat current estimates.
Mobility, in particular to workplaces, remains down reflecting widespread social distancing.

Trips to retail and recreation facilities, groceries and pharmacies have almost recovered to February levels, but activity in the hospitality sector, in particular, would normally be expected to be higher during the summer.

Sources: Google mobility trends and authors’ calculations. Notes: 7 day moving average. The baseline is the median value, for the corresponding day of the week, during the 5-week period January 3–February 6 2020.
EBRD regions are highly dependent on external sources of income

Pre-crisis, external sources of income averaged 25 per cent of GDP in the EBRD regions

Sources: World Bank, World Travel and Tourism Council, International Trade Center. Notes: Direct and indirect contributions of tourism and travel; commodity exports are the sum of HS-26 (ores) and HS-27 (mineral products) product group exports.
Oil recovered somewhat (US$ 44 per barrel of Brent in August 2020) but remain at around 2004 levels

Notwithstanding recent increases, oil prices are at around their 2004 levels

Sources: Thomson Reuters and authors’ calculations.
Prices of some metal commodities have increased relative to Jan 2020 on strong demand from China.

Prices of copper and iron ore have surpassed their January 2020 levels.

Sources: Thomson Reuters and authors’ calculations. Notes: The US$ Broad Exchange Index is a trade-weighted measure of the value of the US dollar relative to other currencies.
Decline in exports in most economies in the EBRD regions

Exports from the EBRD regions dropped by 14 per cent year-on-year in the first half of 2020

Sources: CEIC and authors’ calculations. Notes: Only exports of goods.
Sharp fall in international tourism

International tourism collapsed in the first half of 2020

Sources: Eurostat, national statistical offices, UNWTO, World Travel and Tourism Council and authors’ calculations.

Notes: Countries grouped by tourism as a share of GDP in 2019. January-May for Cyprus and Lebanon.
Sharp fall in international and domestic tourism

Domestic tourism was also weaker in January-June 2020

<table>
<thead>
<tr>
<th>Country</th>
<th>Tourism in GDP</th>
<th>Change</th>
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<tbody>
<tr>
<td>Greece</td>
<td>&gt;20%</td>
<td>-80%</td>
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<tr>
<td>Montenegro</td>
<td>&gt;20%</td>
<td>-80%</td>
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<tr>
<td>Croatia</td>
<td>10-20%</td>
<td>-80%</td>
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<tr>
<td>Cyprus</td>
<td>&lt;10% GDP</td>
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<td>Bulgaria</td>
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<tr>
<td>Malta</td>
<td>Other</td>
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</tr>
<tr>
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</tr>
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<td>Italy</td>
<td>Other</td>
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</tr>
</tbody>
</table>

Sources: Eurostat, national statistical offices, UNWTO, World Travel and Tourism Council and authors' calculations.
Notes: Countries grouped by tourism as a share of GDP in 2019. January-May for Cyprus.
Going forward, domestic tourism will not be able to compensate for decline in international tourism

Countries in the EBRD regions host more international tourists than what they contribute in international tourism – even if all outbound tourists were to spend their holidays domestically, this would not be able to compensate for the loss of foreign tourists

Domestic tourism in the EBRD regions has been limited to date

Sources: Eurostat, national sources, OECD and authors’ calculations.
In the EBRD regions, as elsewhere, foreign tourists spend multiples of what domestic tourists spend.

Average international tourist spending far exceeds domestic tourist spending.

Sources: CEIC, Eurostat, national sources and authors’ calculations. Note: 2017 for France. Calculated per tourist.
Widespread job losses and business closures

15 per cent of survey respondents in the EBRD regions lost a job and 15 per cent had to close family business

Sources: Ifo-EBRD Survey, LITS 2010 and authors' calculations. Notes: EBRD regions includes Belarus, Hungary, Poland, Serbia, Turkey and Ukraine, advanced economies includes France, Germany, Italy and Sweden.
Widespread job losses and business closures

9-23\% of survey respondents in the EBRD countries lost a job because of the Covid-19 crisis

Sources: Ifo-EBRD Survey and authors’ calculations.
A fifth of households reduced their consumption of staples, 40%+ cut on luxury goods in EBRD regions

Many households had to reduce their spending due to the Covid-19 crisis

Sources: Ifo-EBRD Survey, LITS 2010 and authors’ calculations. Notes: EBRD regions includes Belarus, Hungary, Poland, Serbia, Turkey and Ukraine, advanced economies includes France, Germany, Italy and Sweden.
Many households had to reduce their spending.

10-32 per cent of households in the EBRD regions had to reduce their consumption of staples.

Sources: Ifo-EBRD Survey and authors’ calculations.
Burden of the crisis disproportionately borne by those with lower levels of education and income

As well as the young, those working for smaller firms, in the private sector (as opposed to public sector/SOEs)

Sources: Ifo-EBRD Survey and authors’ calculations.
Crisis affected SMEs in hospitality and recreation most; exporters pessimistic about recovery

Share of firms whose sales declined by >50 per cent in Q1 2020 (per cent)

- Hospitality / recreation: Non-exporters 40%, Exporters 50%
- Light industry, non-food retail, construction: Non-exporters 30%, Exporters 40%
- Private health and education: Non-exporters 20%, Exporters 30%
- Food retail and agribusiness: Non-exporters 20%, Exporters 30%
- Professional services: Non-exporters 10%, Exporters 20%
- Wholesale trade, transport and logistics: Non-exporters 10%, Exporters 20%
- Telecoms: Non-exporters 10%, Exporters 20%
- Machine building: Non-exporters 10%, Exporters 20%
- Pharmacies: Non-exporters 10%, Exporters 20%

Share of firms expecting recovery to pre-pandemic level in 6-12 months (per cent)

- Hospitality / recreation: Non-exporters 50%, Exporters 40%
- Light industry, non-food retail, construction: Non-exporters 40%, Exporters 30%
- Private health and education: Non-exporters 30%, Exporters 20%
- Food retail and agribusiness: Non-exporters 20%, Exporters 10%
- Professional services: Non-exporters 10%, Exporters 5%
- Wholesale trade, transport and logistics: Non-exporters 10%, Exporters 5%
- Telecoms: Non-exporters 10%, Exporters 5%
- Machine building: Non-exporters 10%, Exporters 5%
- Pharmacies: Non-exporters 10%, Exporters 5%

Sources: EBRD SME survey.
Government support, received or expected, varies widely across countries

Share of firms that received/expect to receive government support varies

% of firms that received/expect to receive government support

Do not have sufficient information about government support
- Wage subsidy
- Government-supported loans
- Cash grants

% expecting a 20%+ decline in sales / temporary closure in the next 3 months

Sources: EBRD SME survey.
Around half of SMEs moved at least some of their sales online in response to the pandemic.

Though rates much lower rates in Central Asia and the Southern and Eastern Mediterranean where economies are characterized by large informal sectors and relatively low levels of online retail.

Sources: EBRD SME survey.
Gains in e-commerce likely to be largest where it is already a non-negligible share of sales

Higher share of the population in the EBRD regions orders online than in many other emerging markets (with the notable exception of China), though with much lower rates in Central Asia and Southern and Eastern Med.

Significant shares of adult populations of the EBRD regions used the internet to make a purchase online

Gains in e-commerce likely to be largest where it is already a non-negligible share of sales

Online payments remain less common in the EBRD regions than in many other emerging markets

Many countries in the EBRD regions responded with large fiscal packages averaging 4.2% of GDP.

Job losses and business closures were less common in economies with larger fiscal stimulus packages.

Sources: Ifo-EBRD Survey, EBRD, European Commission and IMF estimates and authors' calculations. Note: Fiscal stimulus estimates include only above-the-line items.
Most countries in the EBRD regions had sufficient fiscal space before the pandemic

Based on government debt; fiscal deficit, cost of borrowing and government revenue relative to GDP

Sources: IMF, national authorities and authors' calculations. Notes: The indicator ranges 0-12 based on the sum of the 4 renormalized indicators.
Borrowing costs remain low, though in Belarus, Lebanon, Tunisia they have risen sharply.

Most economies face lower borrowing costs, compared with the 2014-2019 average.

Sources: Bloomberg, IMF, national authorities and authors’ calculations.
Public debt is expected to increase significantly, 1/3 of it due to extra spending.

The rest is primarily due to sharp contractions in GDP (currency depreciations also contribute).

Debt-to-GDP ratios are projected to increase by 11 percentage points, on average, by end-2020.

Sources: EBRD, European Commission, IMF, national authorities and authors’ calculations. Notes: Fiscal stimulus estimates include above-the-line items only. Other debt dynamics includes the effects of growth, inflation and exchange rate changes.
Limited exchange rate movements relative to developments during the GFC

Limited movements in exchange rates against the US dollar in January-August 2020

Sources: Bloomberg, Thomson Reuters and authors’ calculations. Note: As of end-August 2020. Black market exchange rate for Lebanon.
Flexible exchange rates could help to offset the impact of drops in external sources of income.

Pre-crisis, external sources of income averaged 25 per cent of GDP in the EBRD regions.

Sources: World Bank, World Travel and Tourism Council, International Trade Center. Notes: Direct and indirect contributions of tourism and travel; commodity exports are the sum of HS-26 (ores) and HS-27 (mineral products) product group exports.
In some countries, a large share of government debt is denominated in foreign currency.

There, currency depreciations can raise debt-to-GDP ratios and interest payment bills even where nominal interest rates are relatively low.

**Foreign-currency share of public debt remains high in a number of economies**
Output in the EBRD regions is expected to contract by 3.9 per cent in 2020

Growth forecasts have been revised down since the May 2020 Update reflecting worse-than-projected outcomes in H1 2020 in many economies and longer than previously expected social distancing.

Real GDP growth in the EBRD regions (per cent)

Sources: CEIC, national authorities and EBRD forecasts.