

Georgetown University

From the Selected Works of Robert C. Shelburne

October 23, 2012

The Economies in Transition

Robert C. Shelburne, *United Nations Economic Commission for Europe*



Available at: https://works.bepress.com/robert_shelburne/64/



The Economies in Transition Project LINK Conference New York, NY October 2012

Robert C. Shelburne

UN Economic Commission for Europe

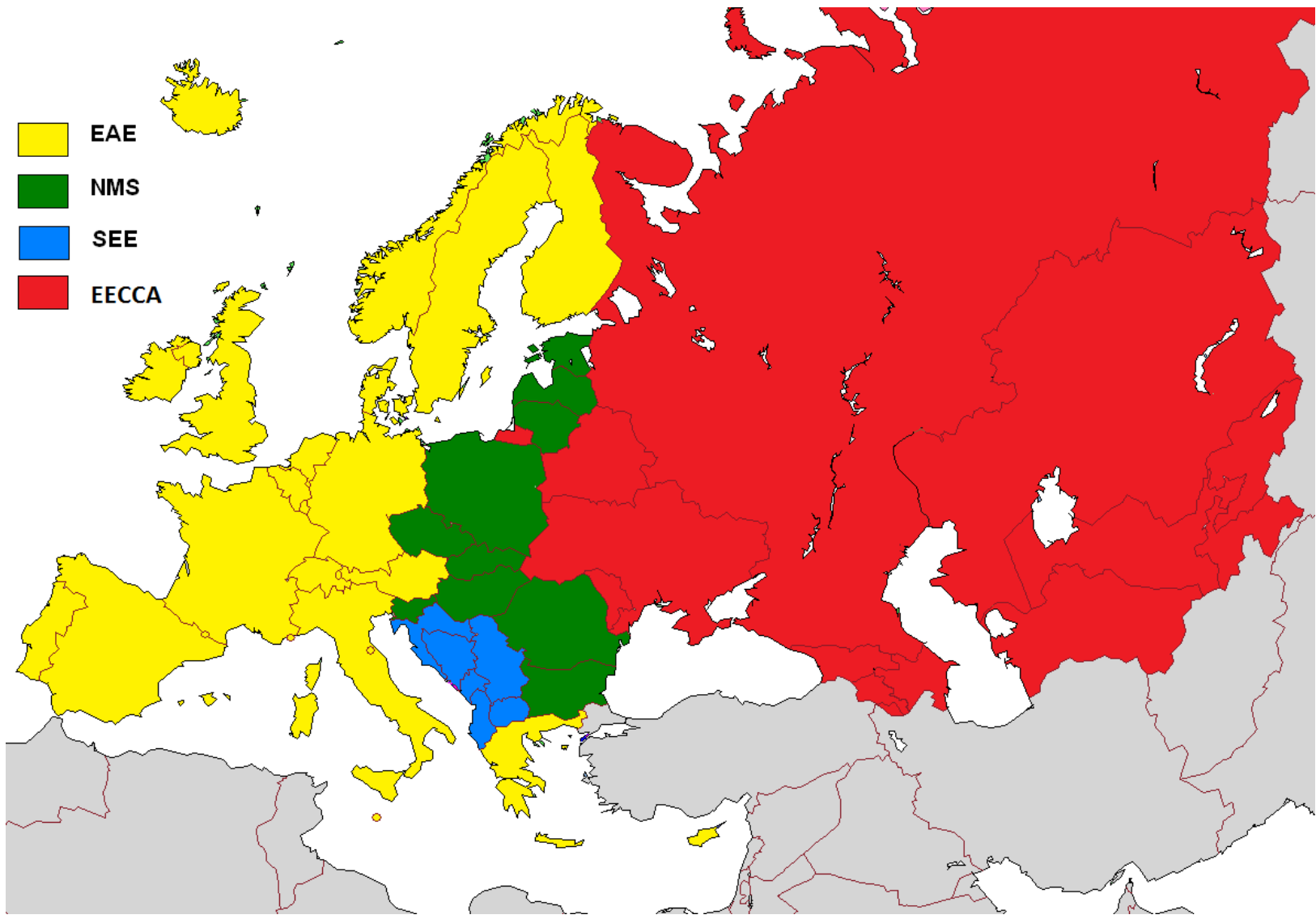


LINK Contributors

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- **Ukraine**-Valerity Heyets, Maria Skrypnychenko-Ukrainian Academy of Sciences
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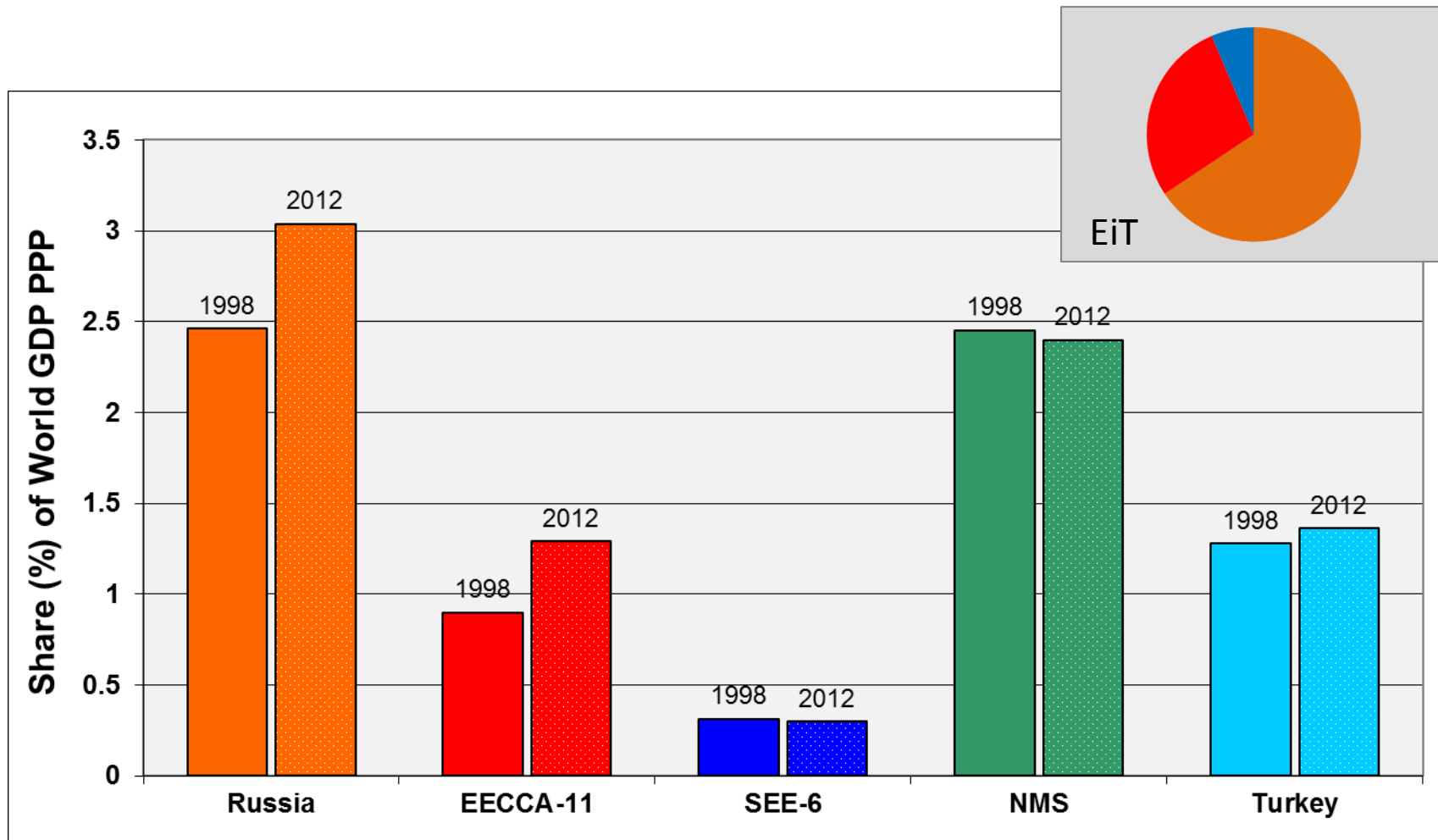


ECE Regions



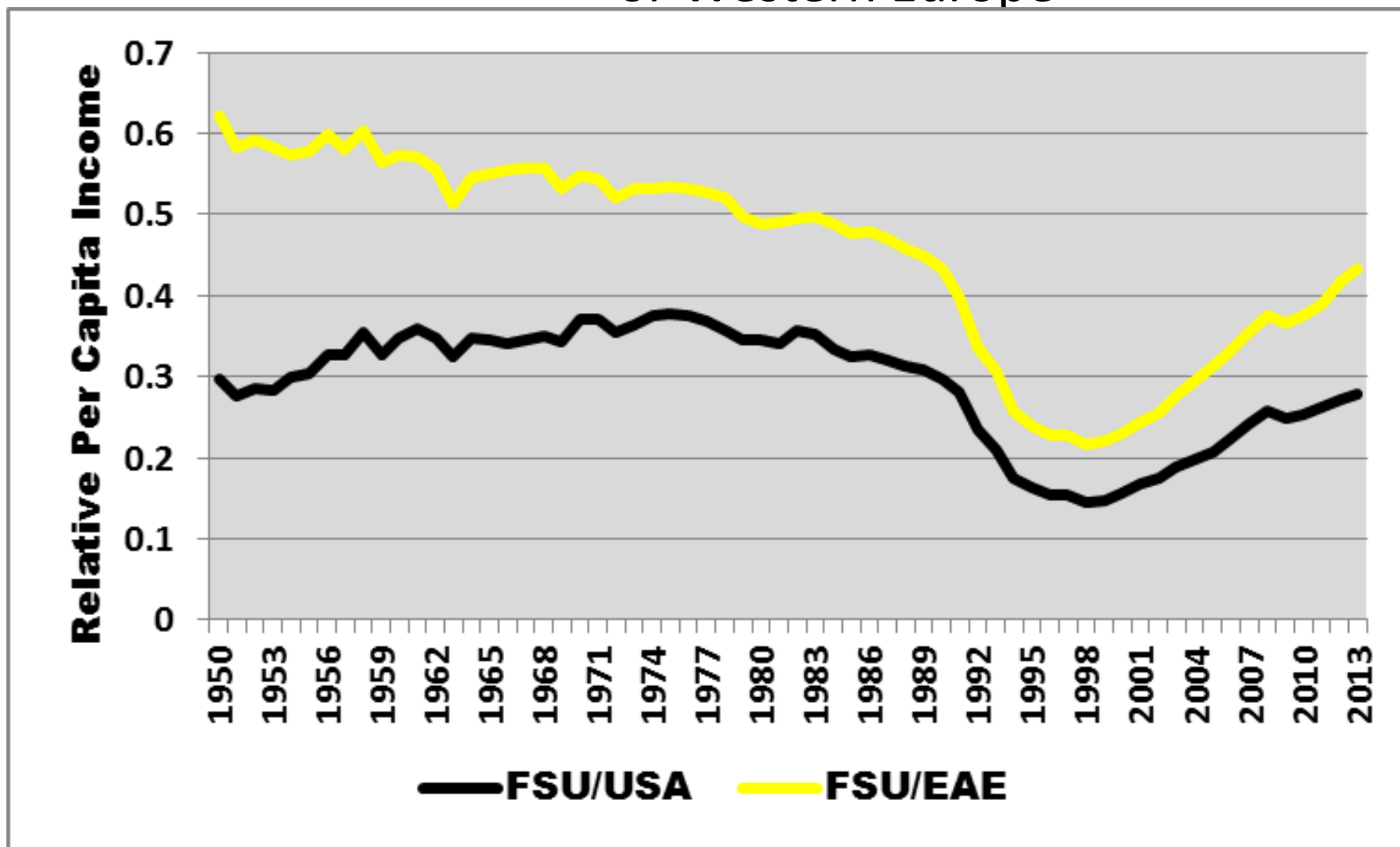


EiT & NMS in the global economy



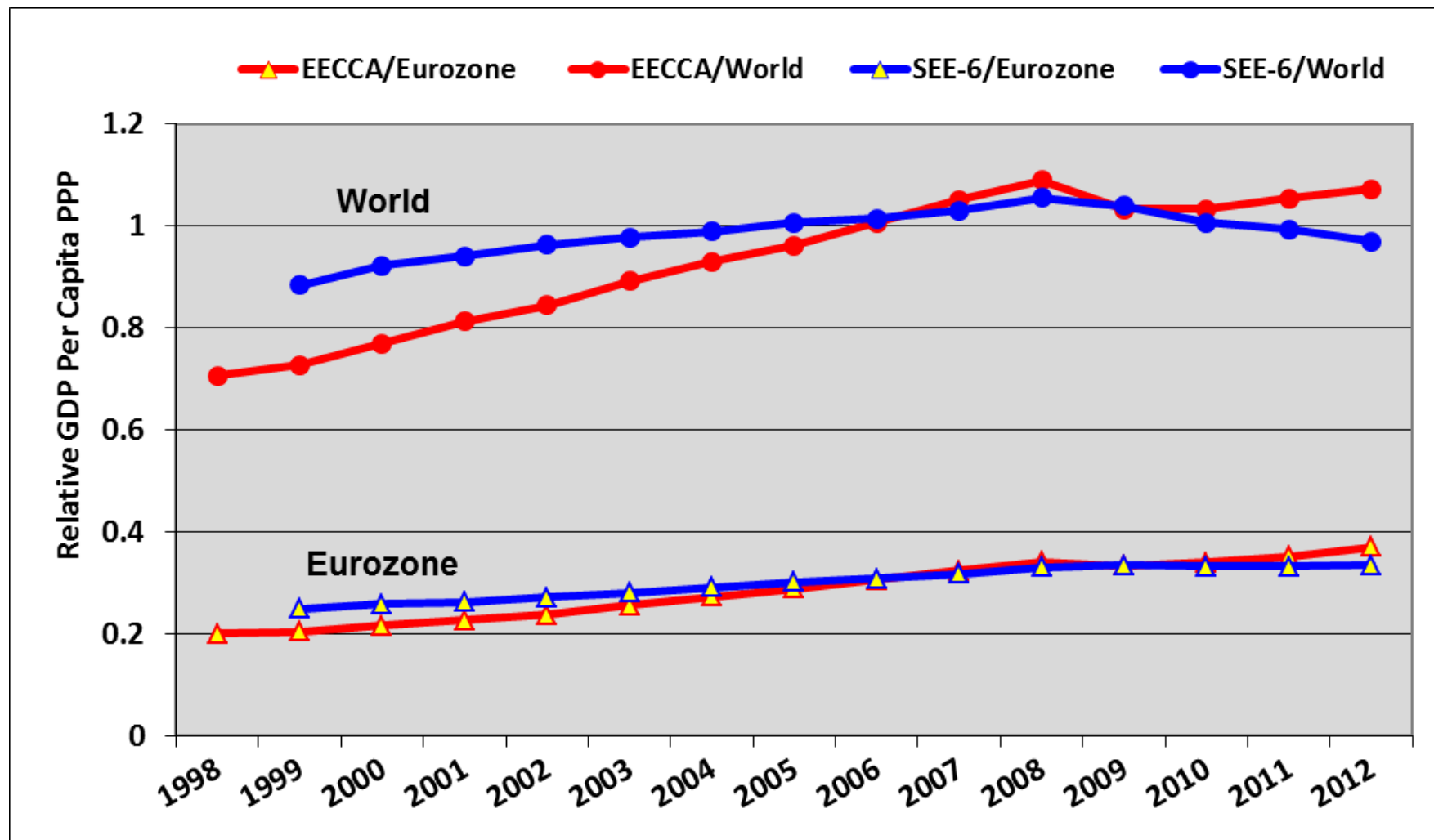


Over the long-term there has been no convergence in the per capita income of FSU (USSR) with the USA or Western Europe



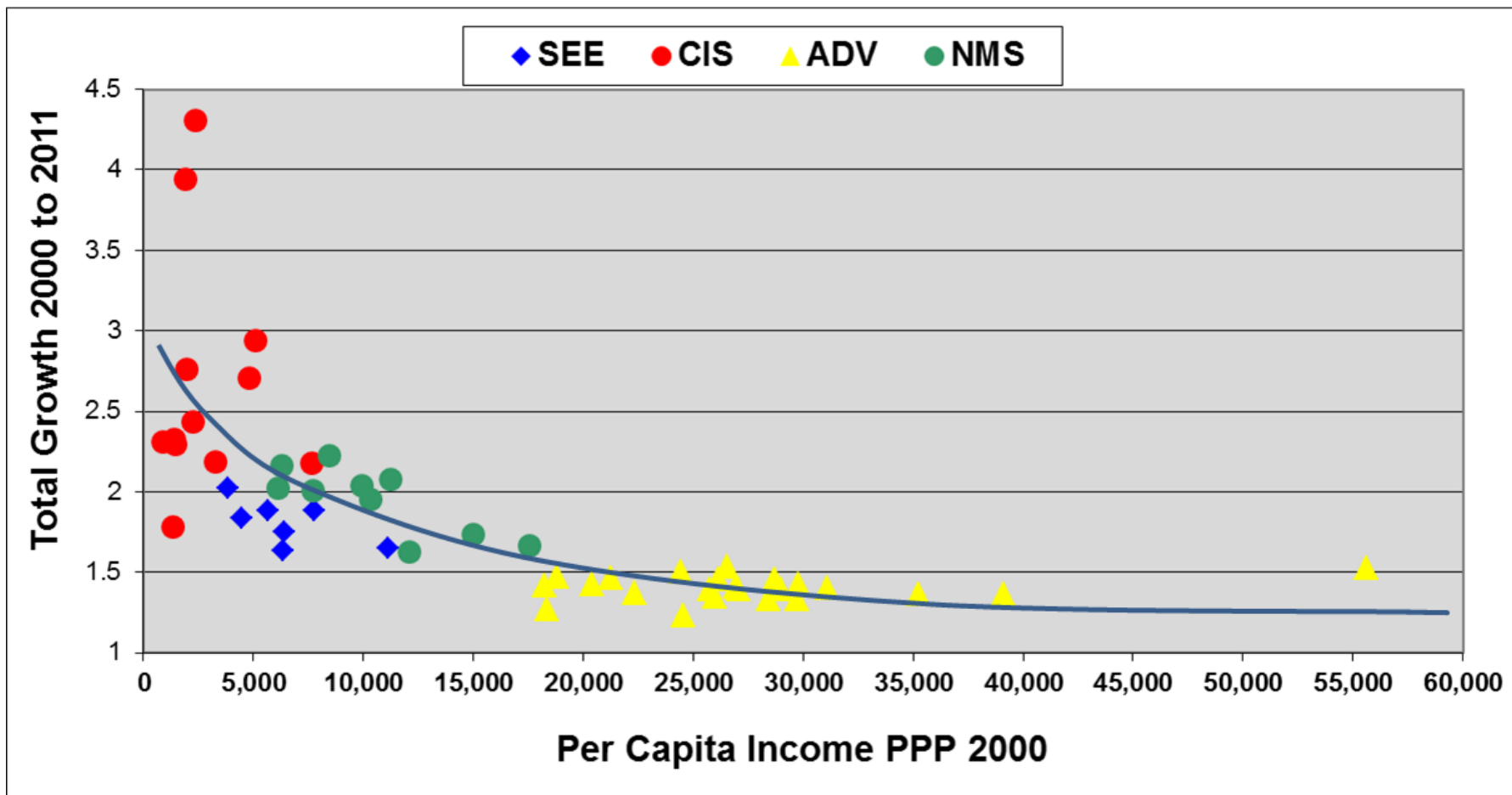


Per capita income of EECCA and SEE relative to the world and eurozone



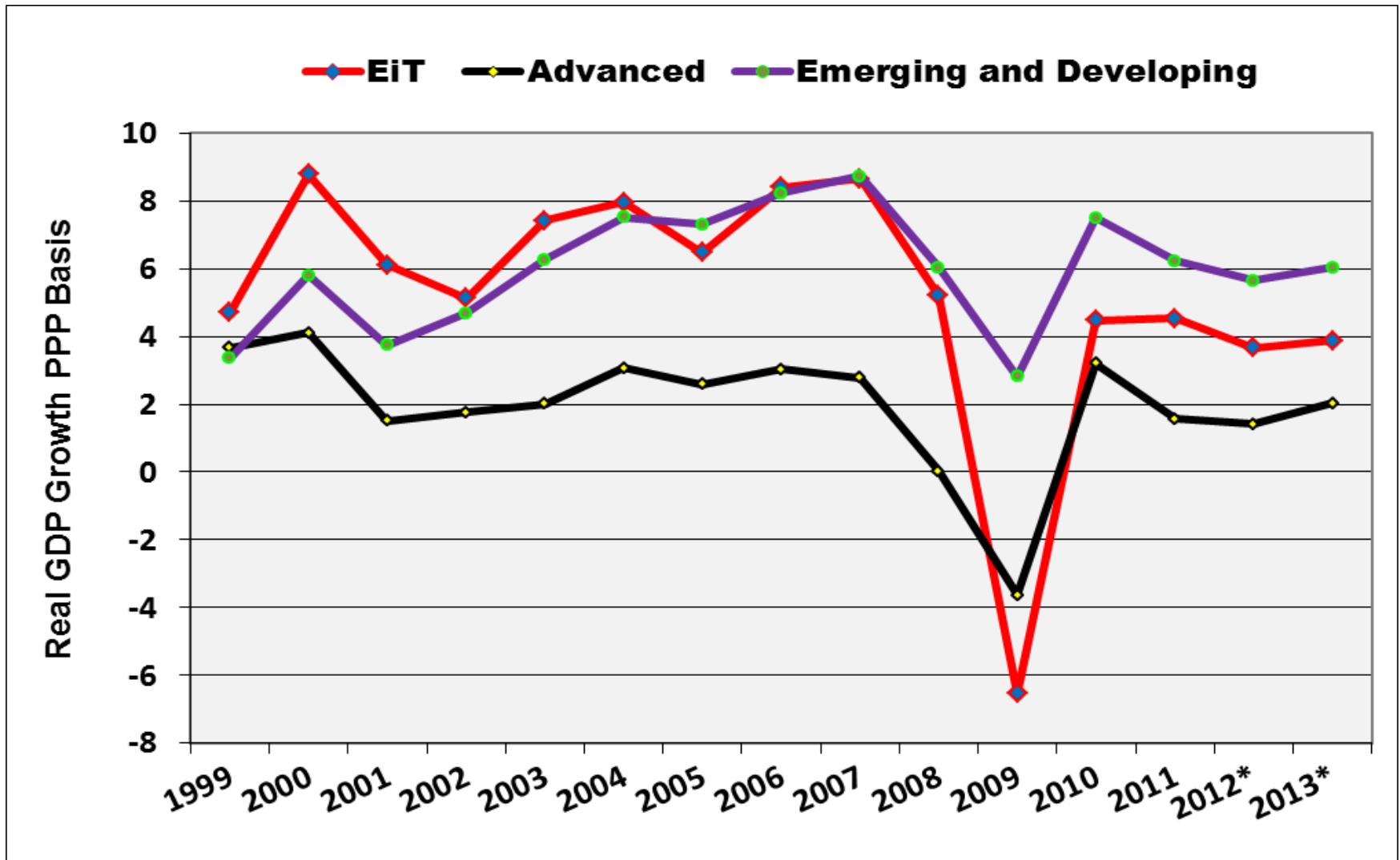


Convergence of per capita incomes over the last decade



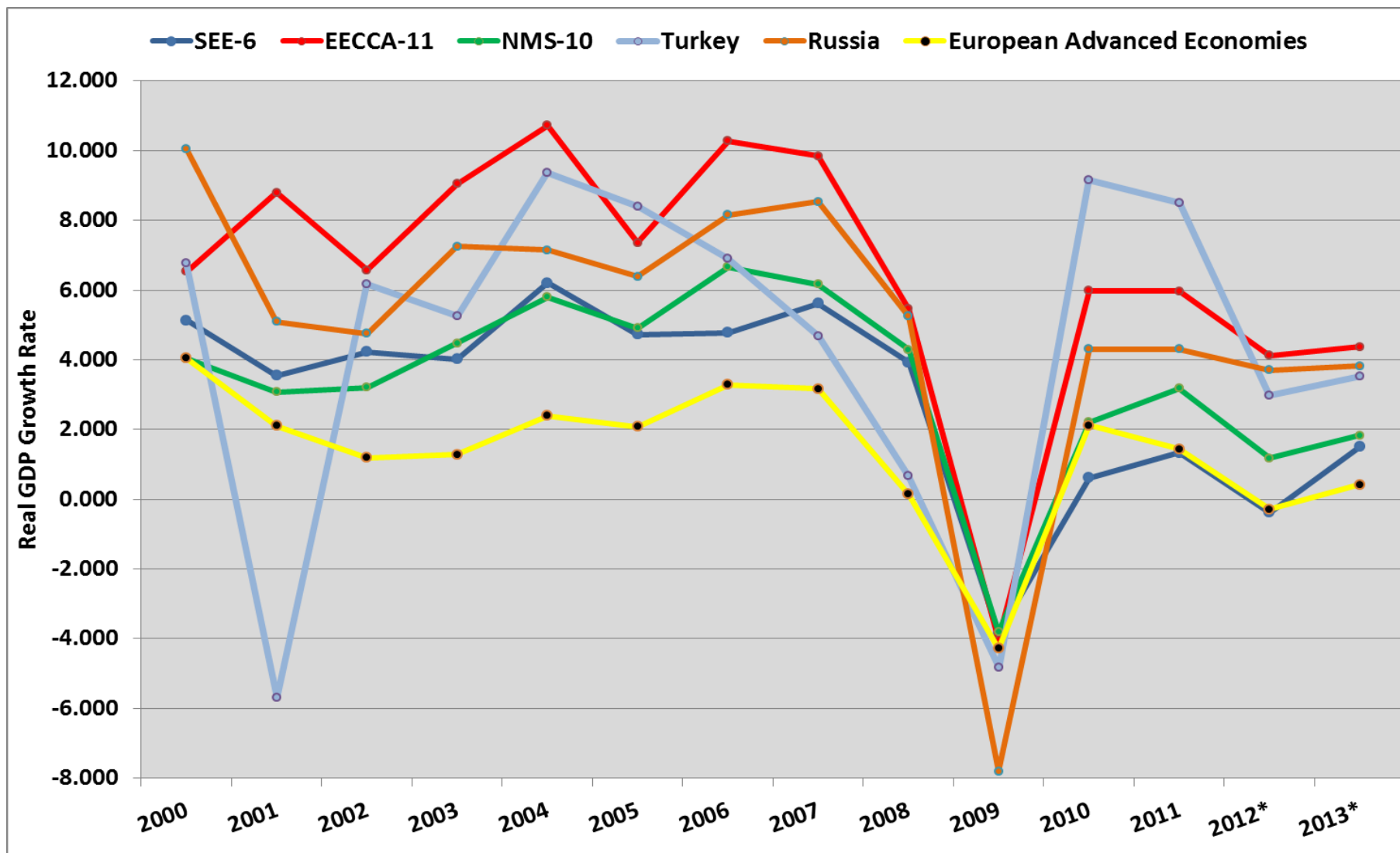


The EiT medium-run growth has slowed more than in either the advanced or emerging economies



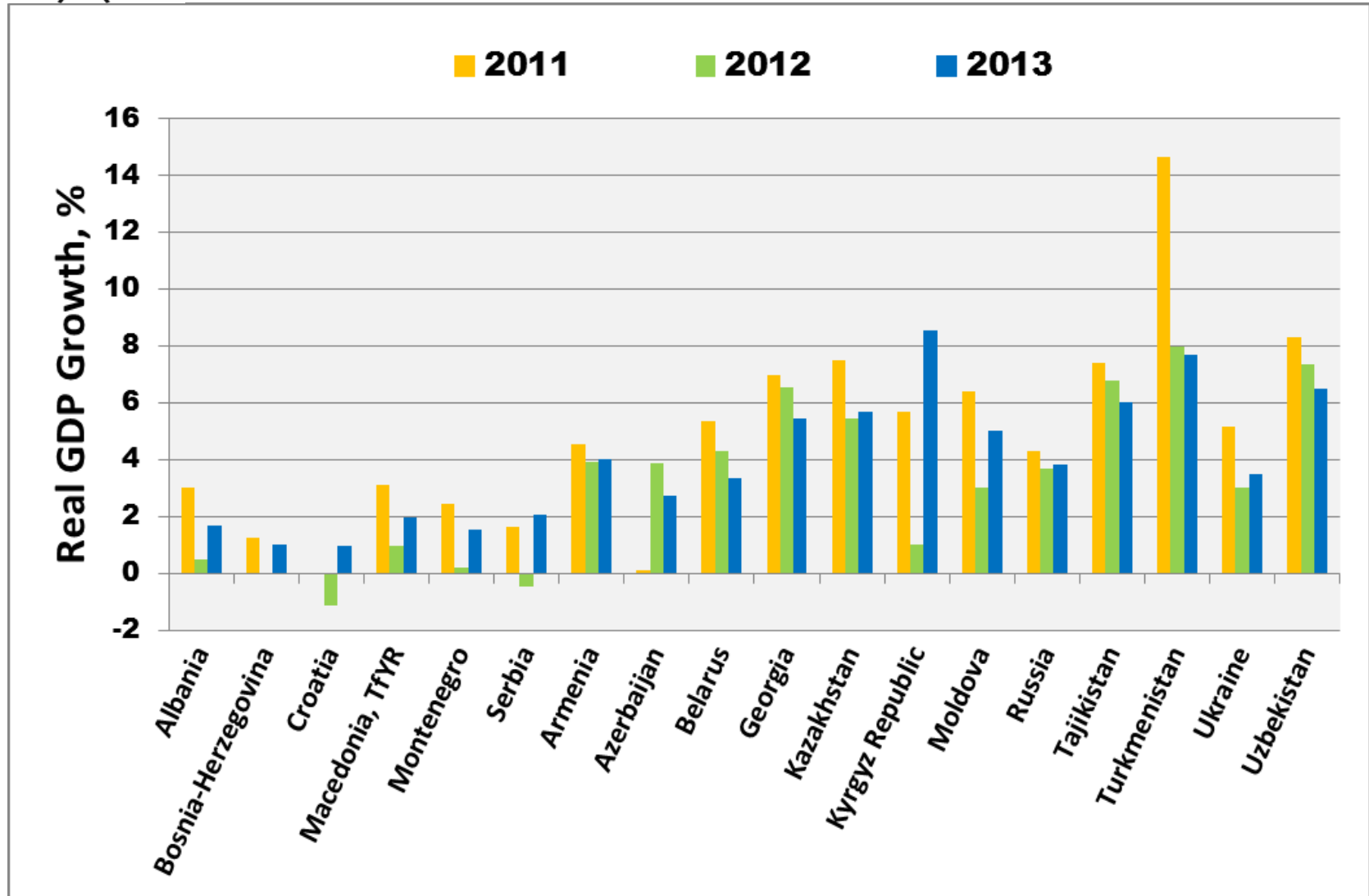


Real GDP growth in the ECE sub-regions





Growth in the EiT, 2011-13



Note: Kyrgyzstan 2012 GDP stagnation due to strike at Kuntor, the world's largest gold mine

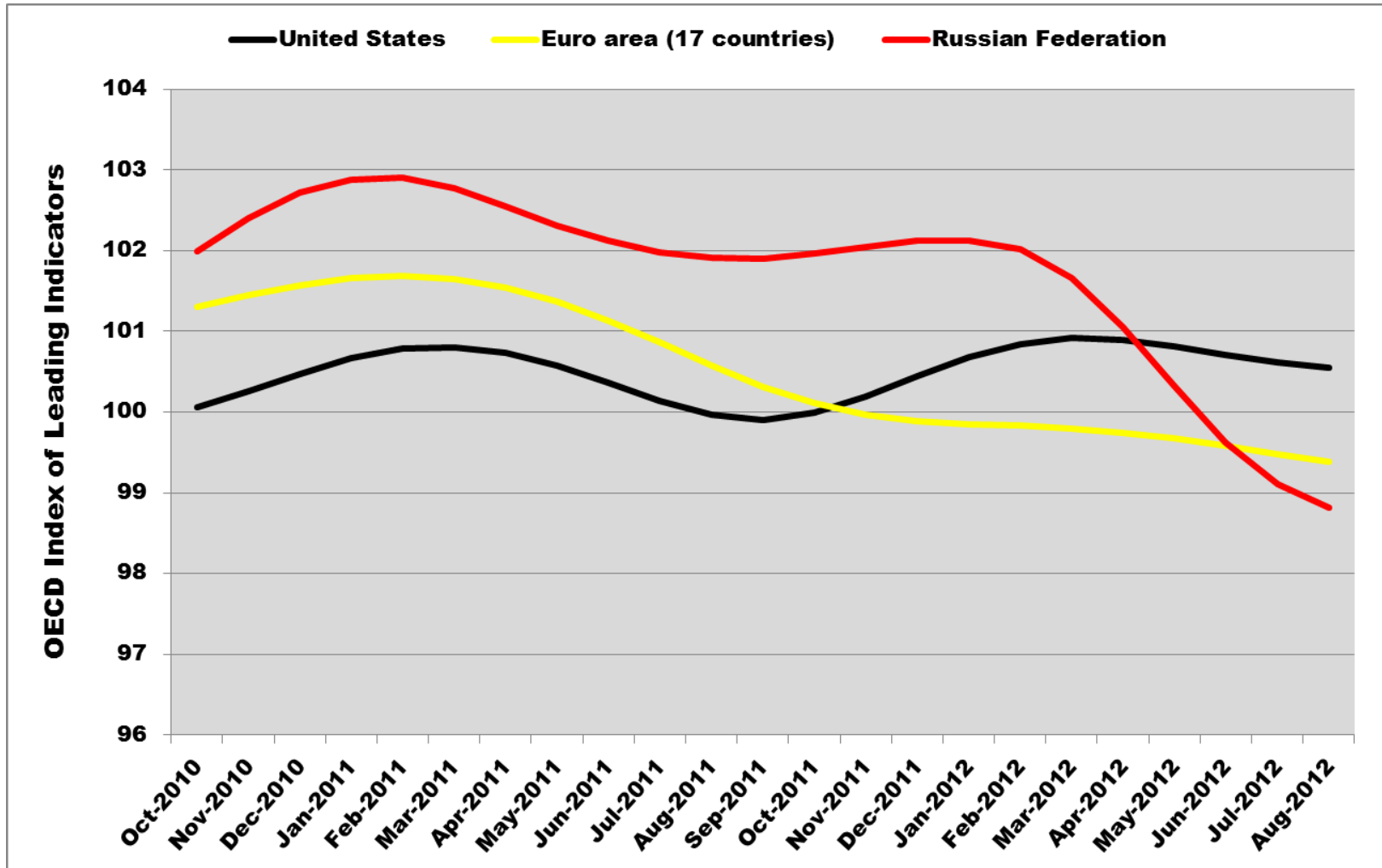


Real growth forecast for Russia

	2012	2013
LINK, Oct	3.7	3.6
IMF, Oct	3.7	3.8
EIU, Oct	3.8	3.9
UNCTAD, Sept	4.7	
Consensus Econ, August	3.7	3.7
UBS, July	3.8	3.7
WESP, July	4.4	4.4
EBRD, July	3.1	3.3
Global Insight, July	3.6	3.5
Rosbank, July	4.0	3.6
OECD, June	4.5	4.1

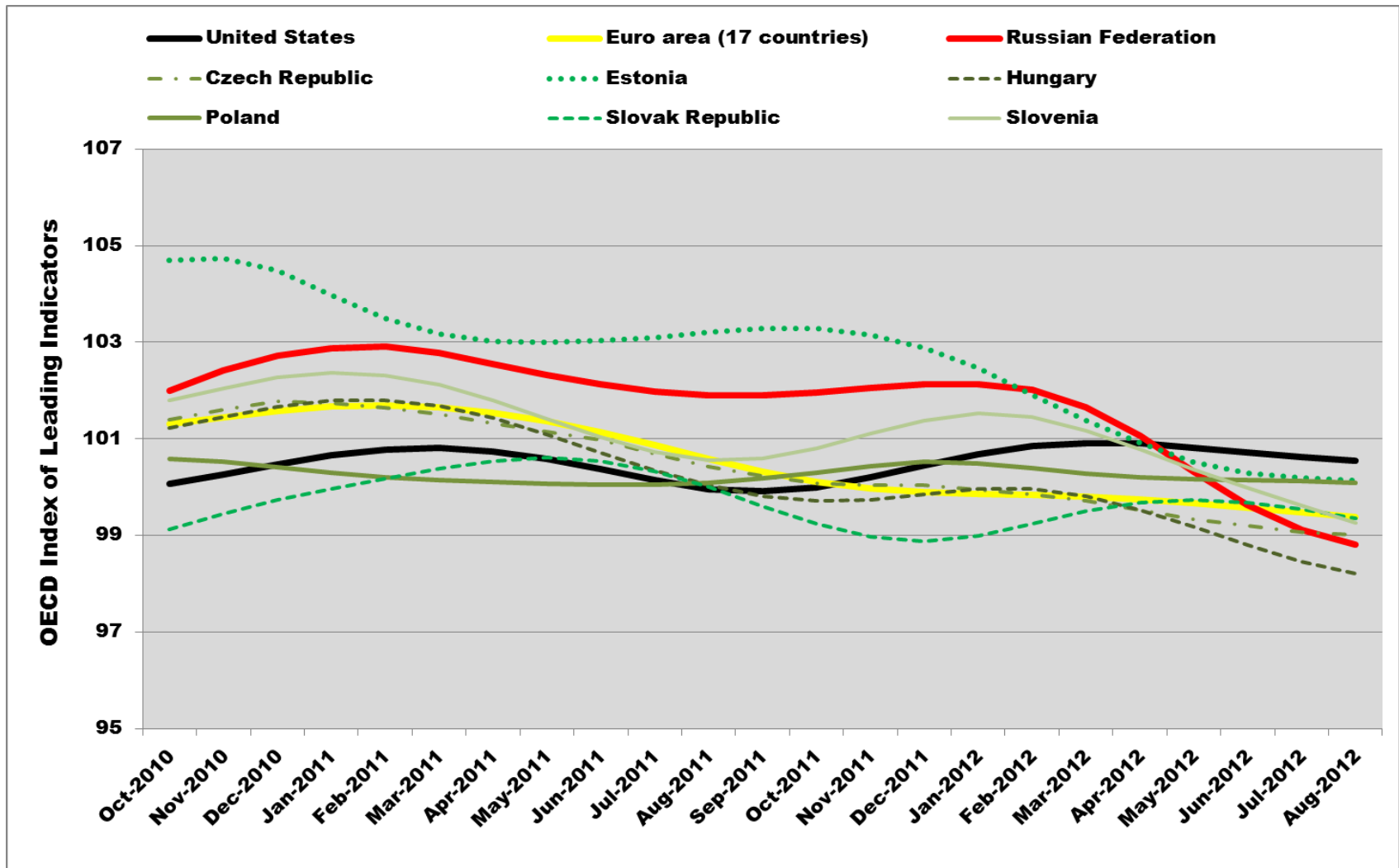


Leading indicators have recently turned down for Eurozone and especially Russia



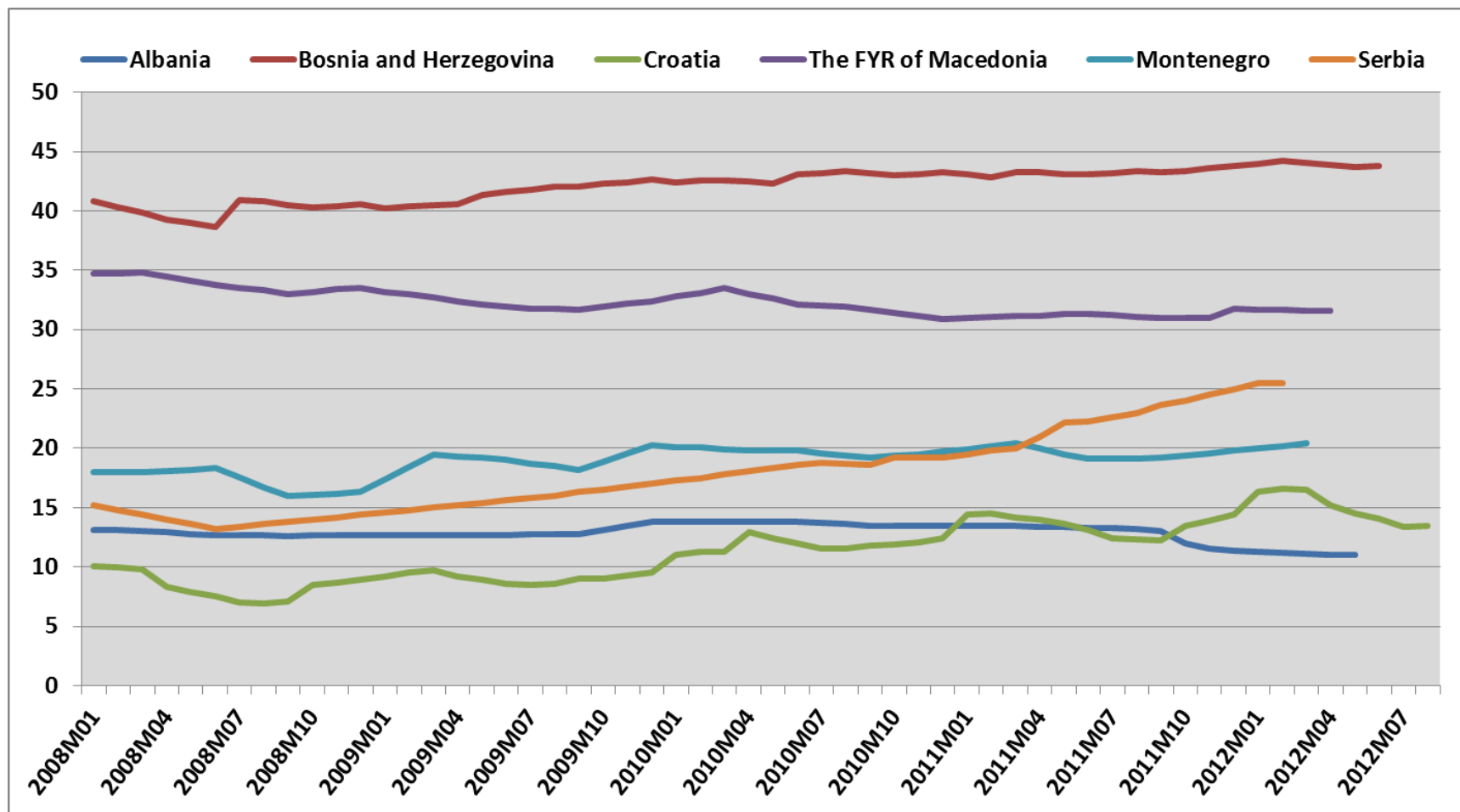


NMS leading indicators down slightly





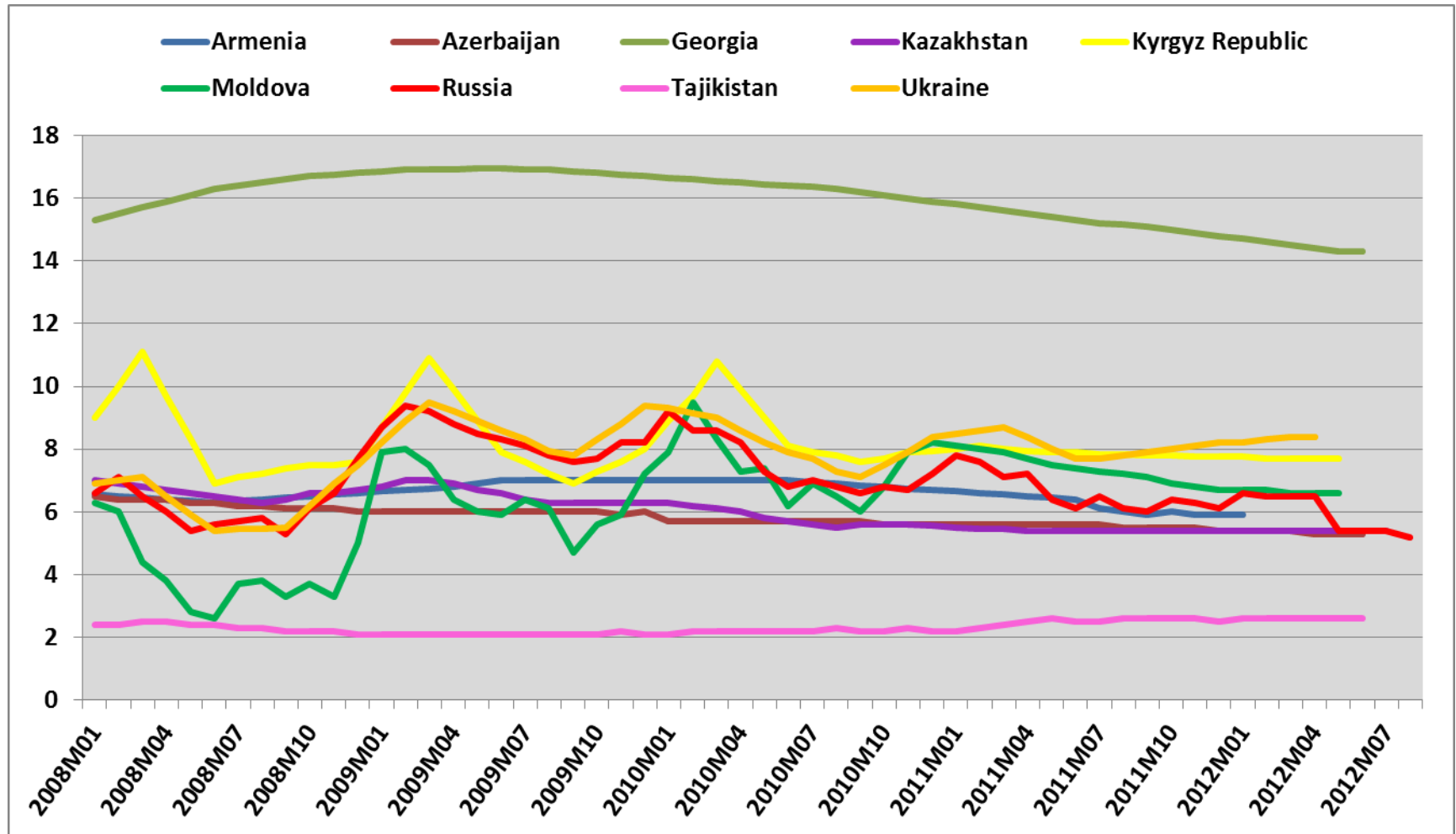
Unemployment in SEE; largely structural



ECE estimates, cross-country comparisons should not be made as no common methodology



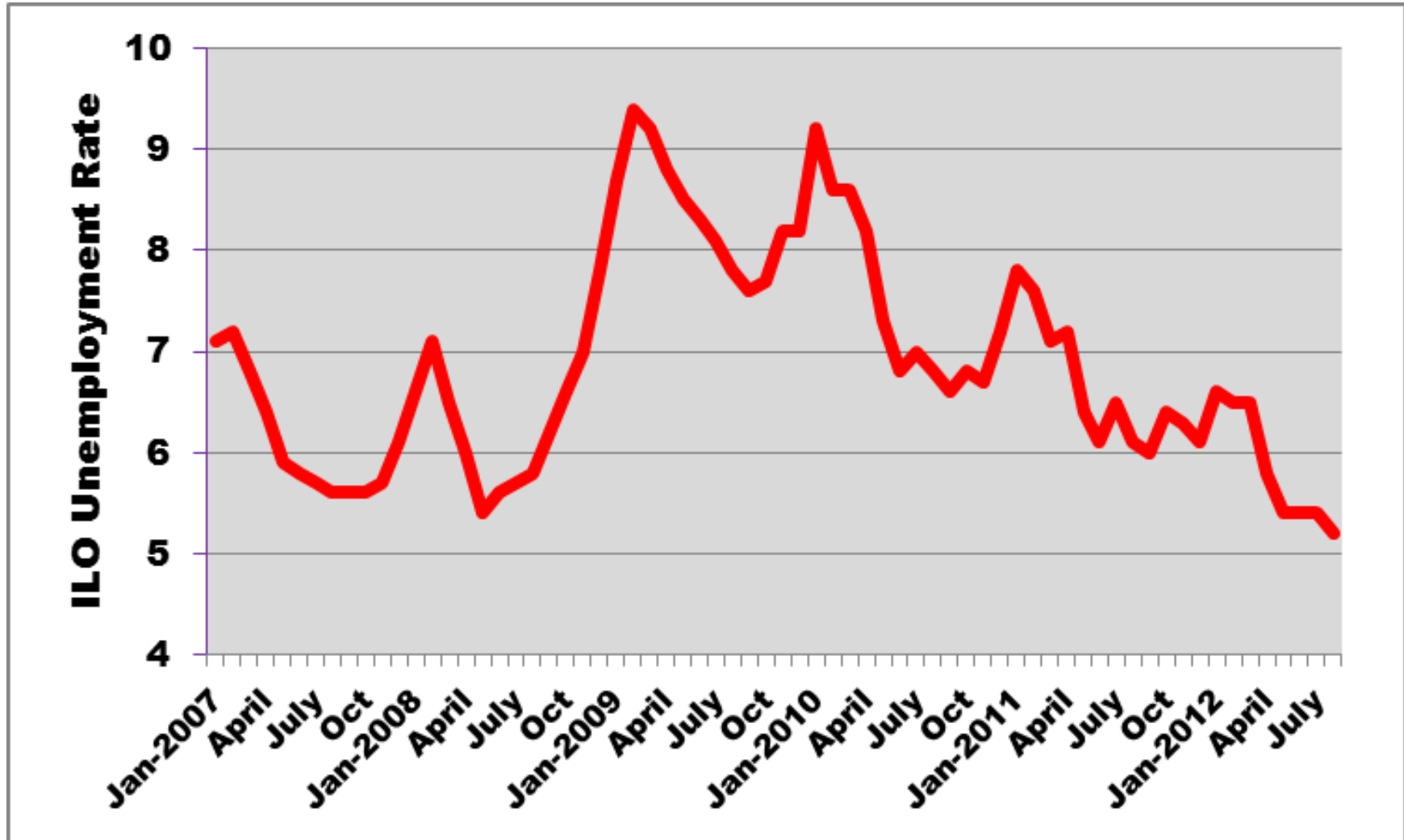
Unemployment in EECCA (CIS)



ECE estimates, cross-country comparisons should not be made as no common methodology



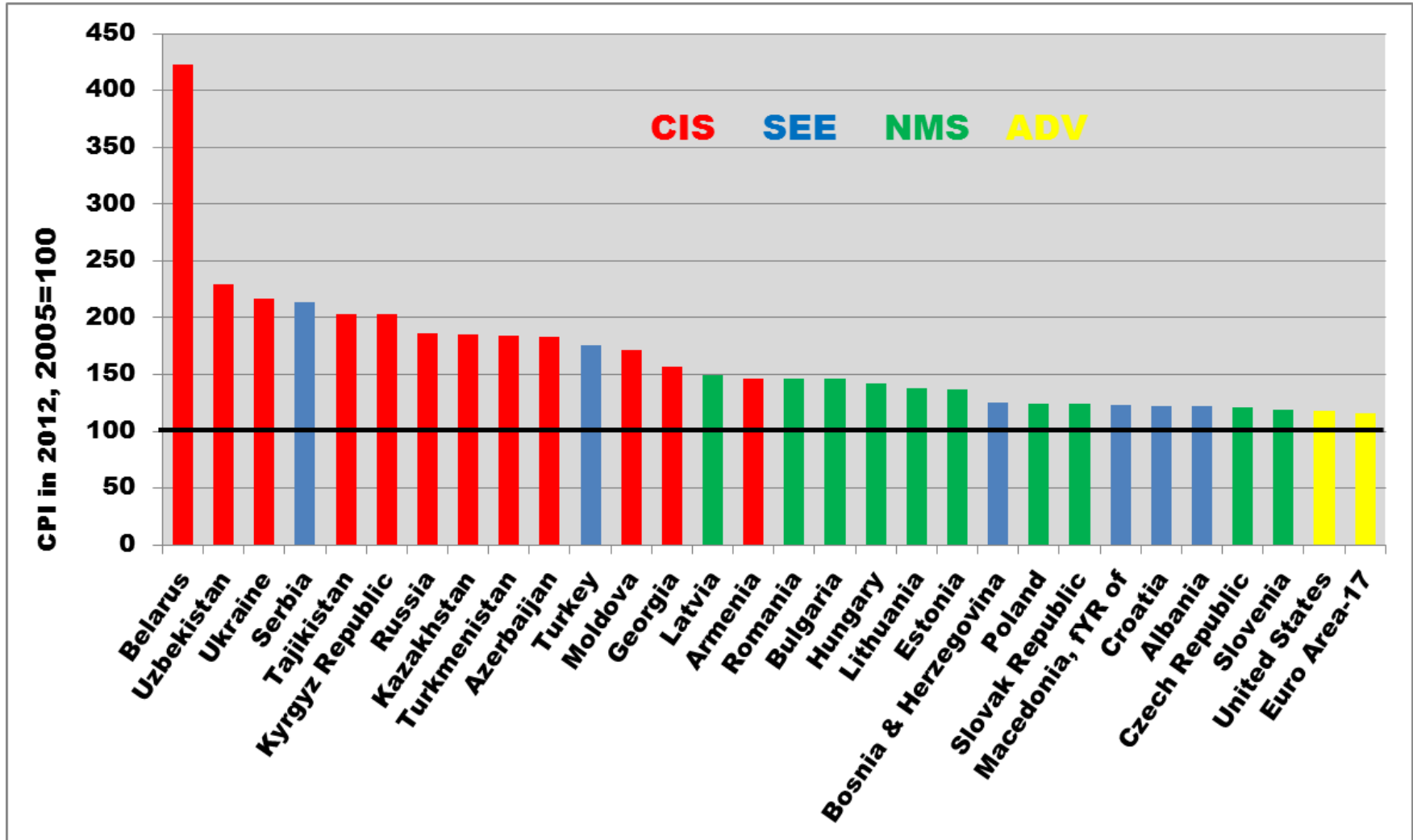
Russian unemployment: small increase during crisis and now full employment



Source: Data from Russian Central Bank

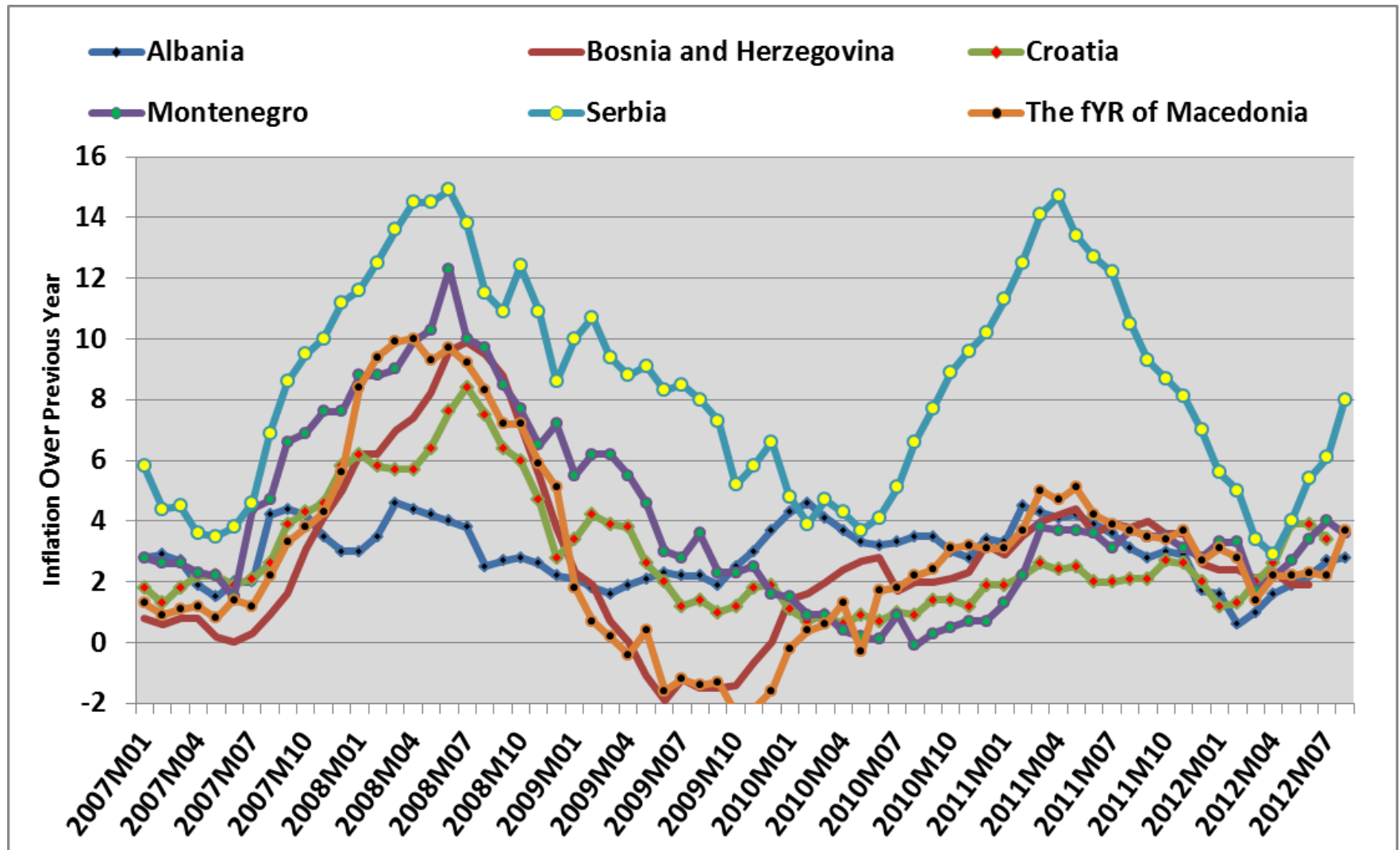


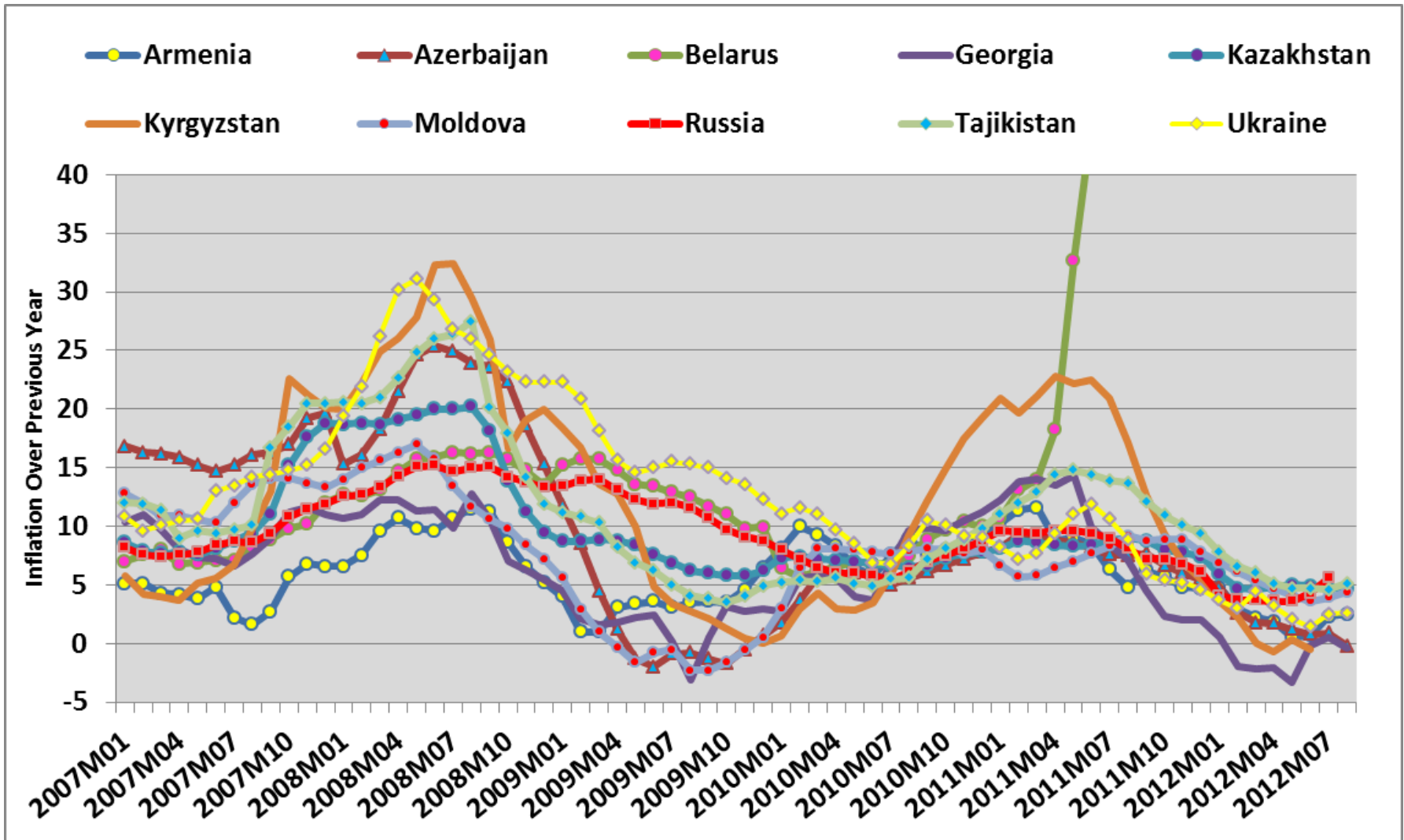
Medium-term inflation trends





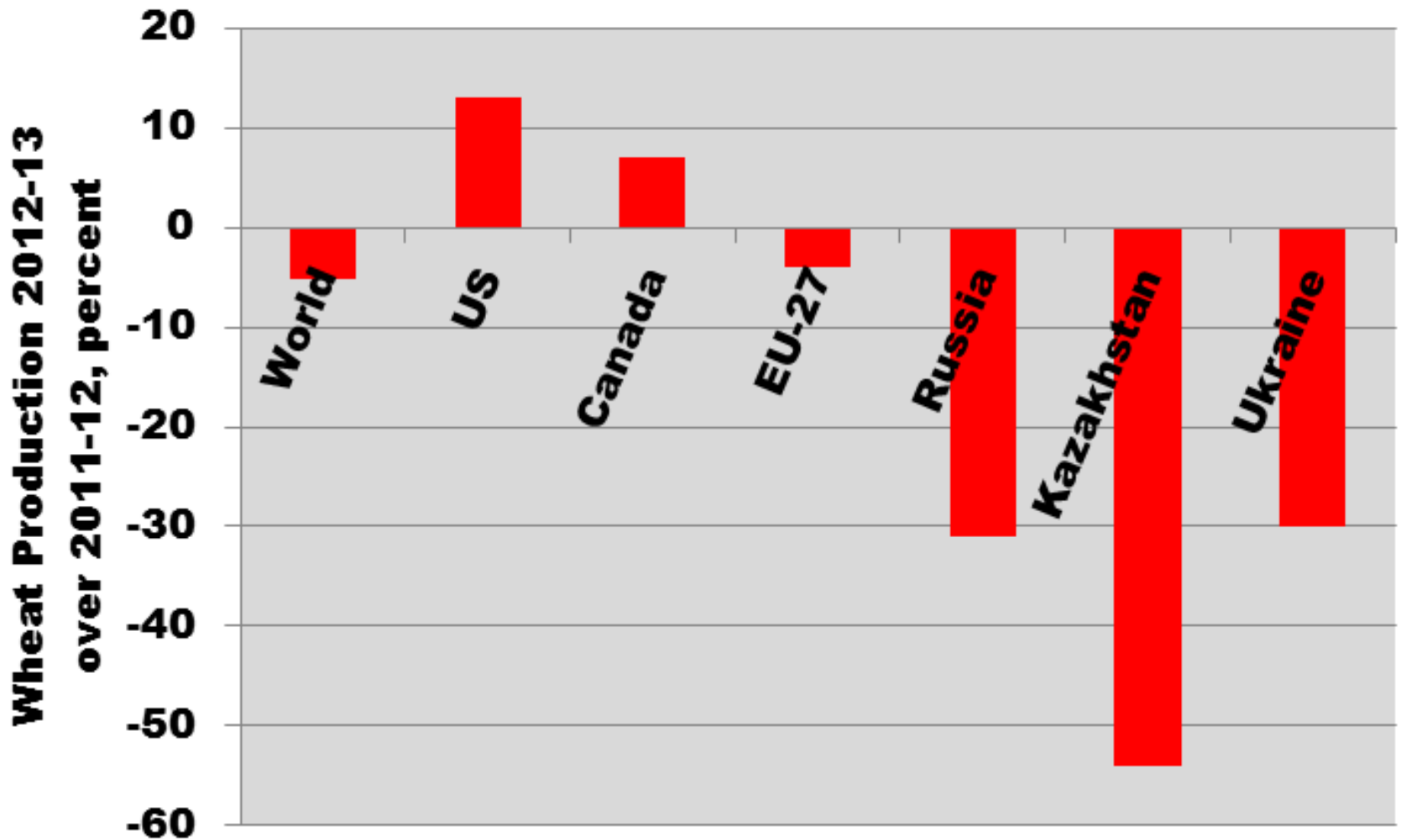
Inflation in SEE





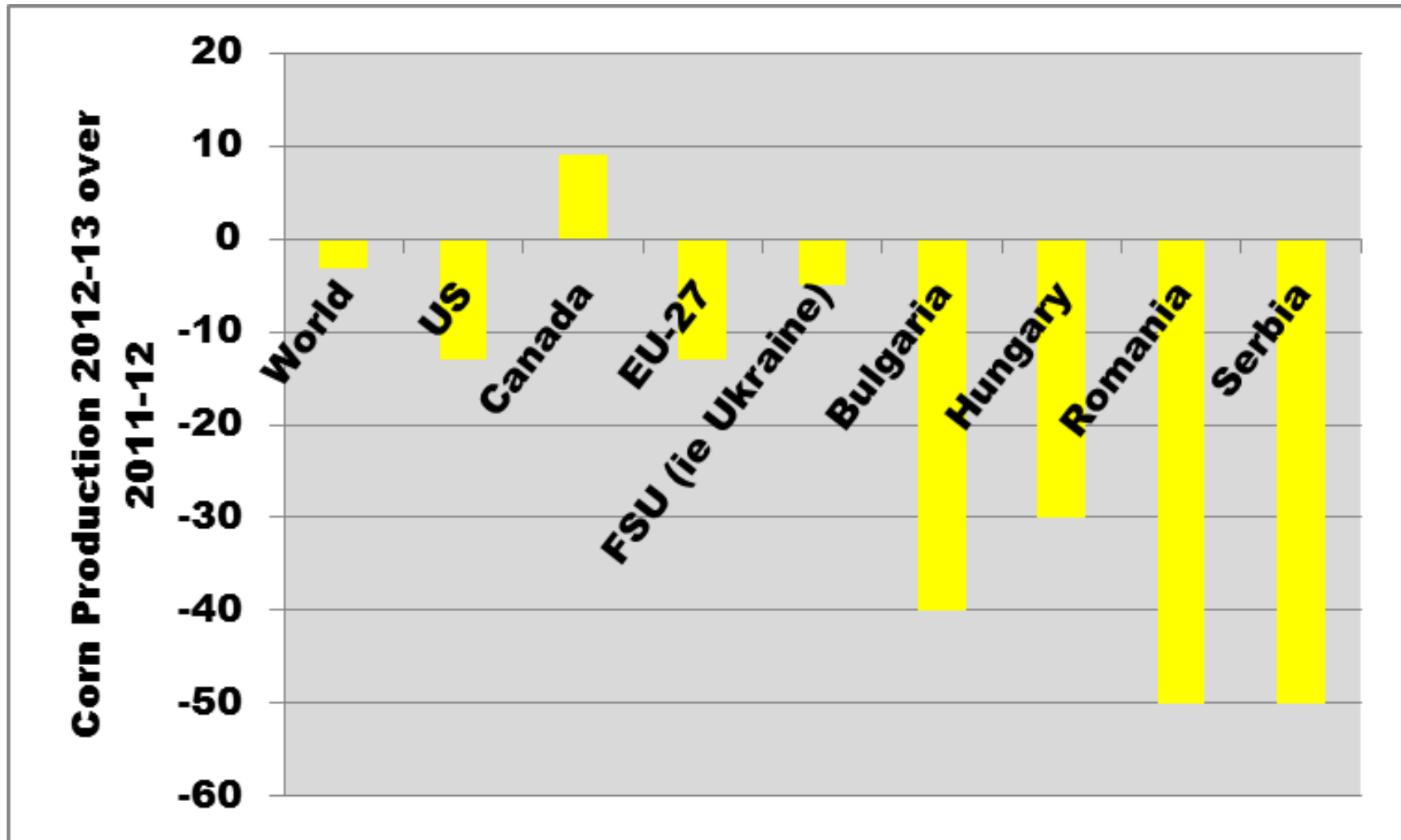


Poor wheat harvest in the CIS for 2012-13 (Rainy spring and summer drought)





Corn production was hit hard by the summer drought





Currency situation in Europe

CIS mostly managed floaters



Eurozone members



EU members that
must ultimately join the euro



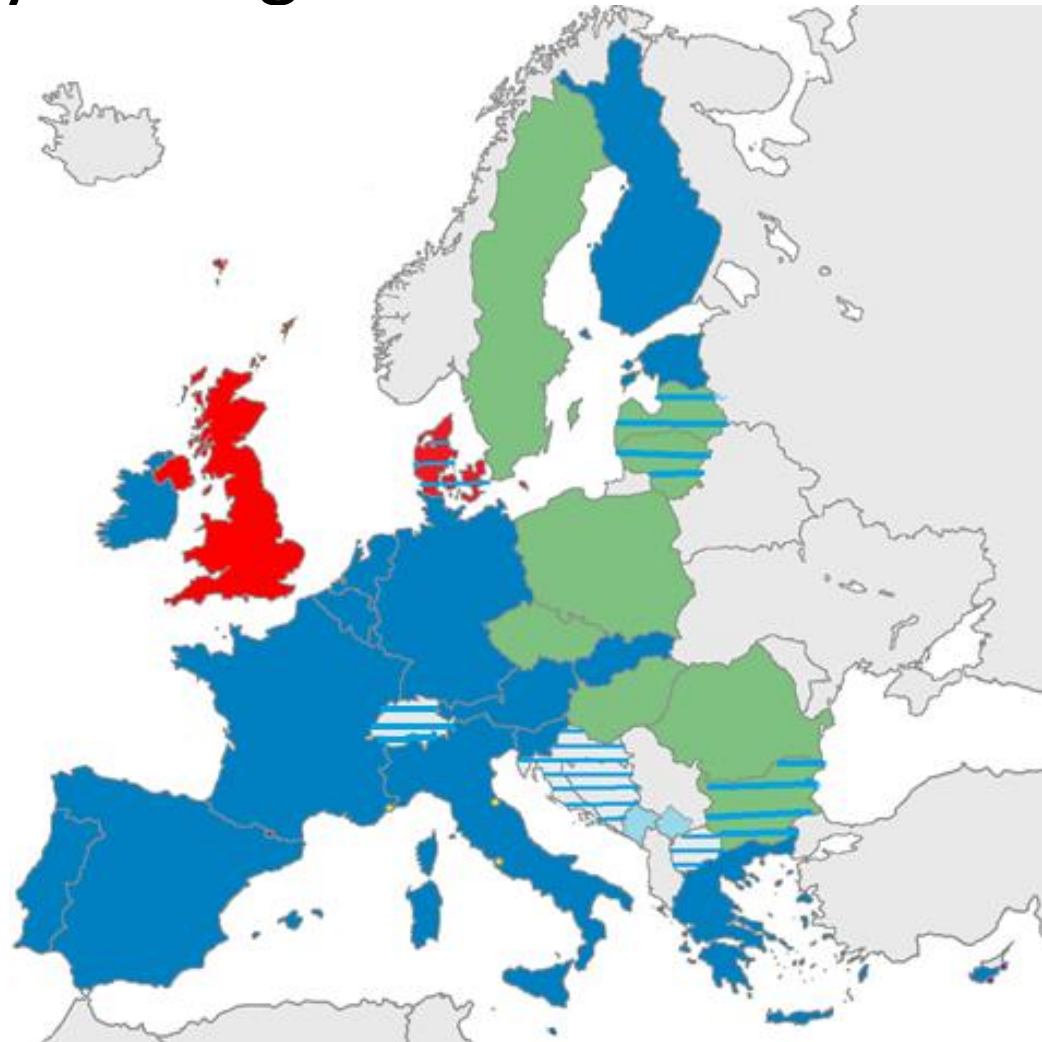
EU members that
do not have to join the euro



Non EU members that
use the euro



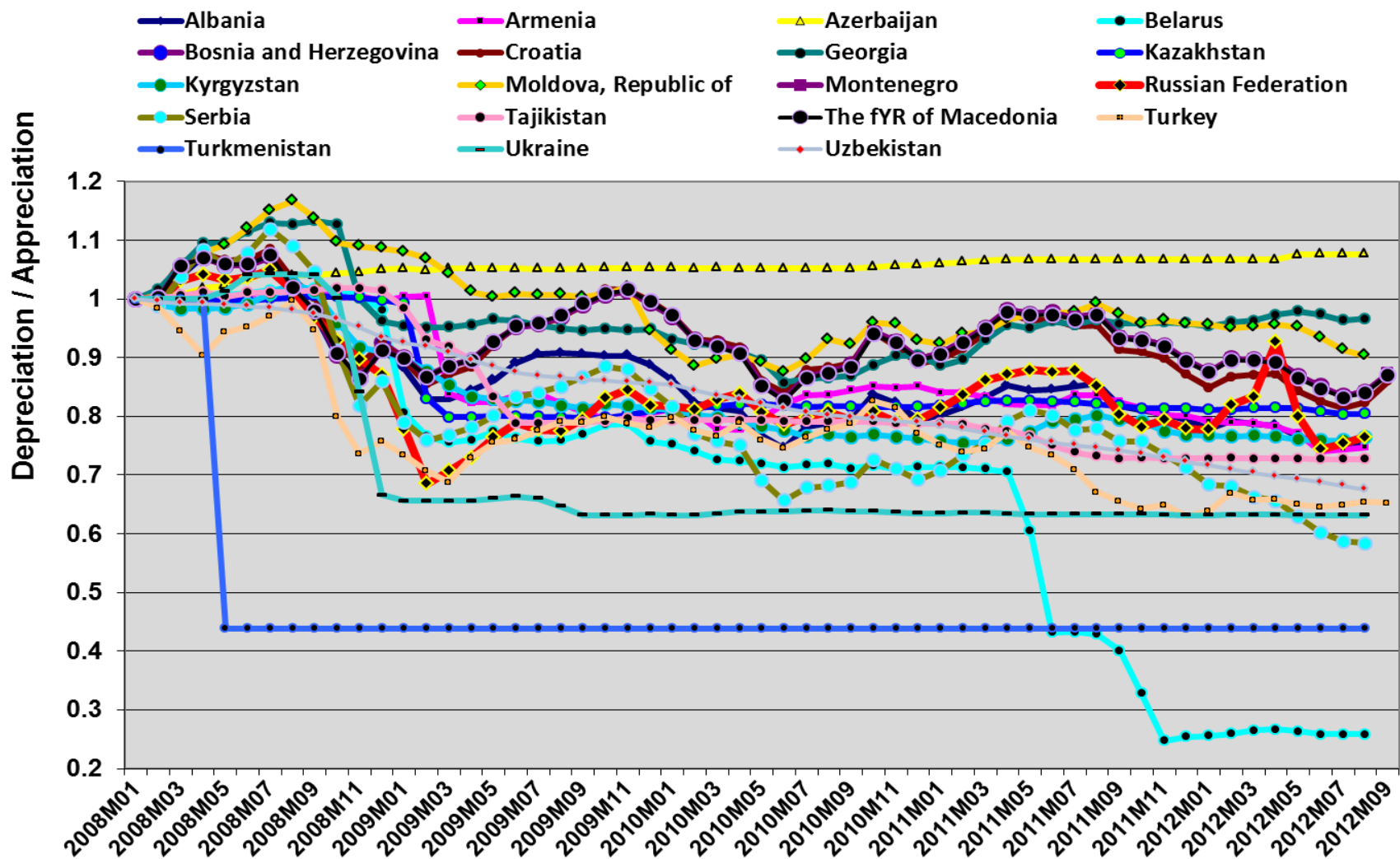
Fixed exchange rate to
euro





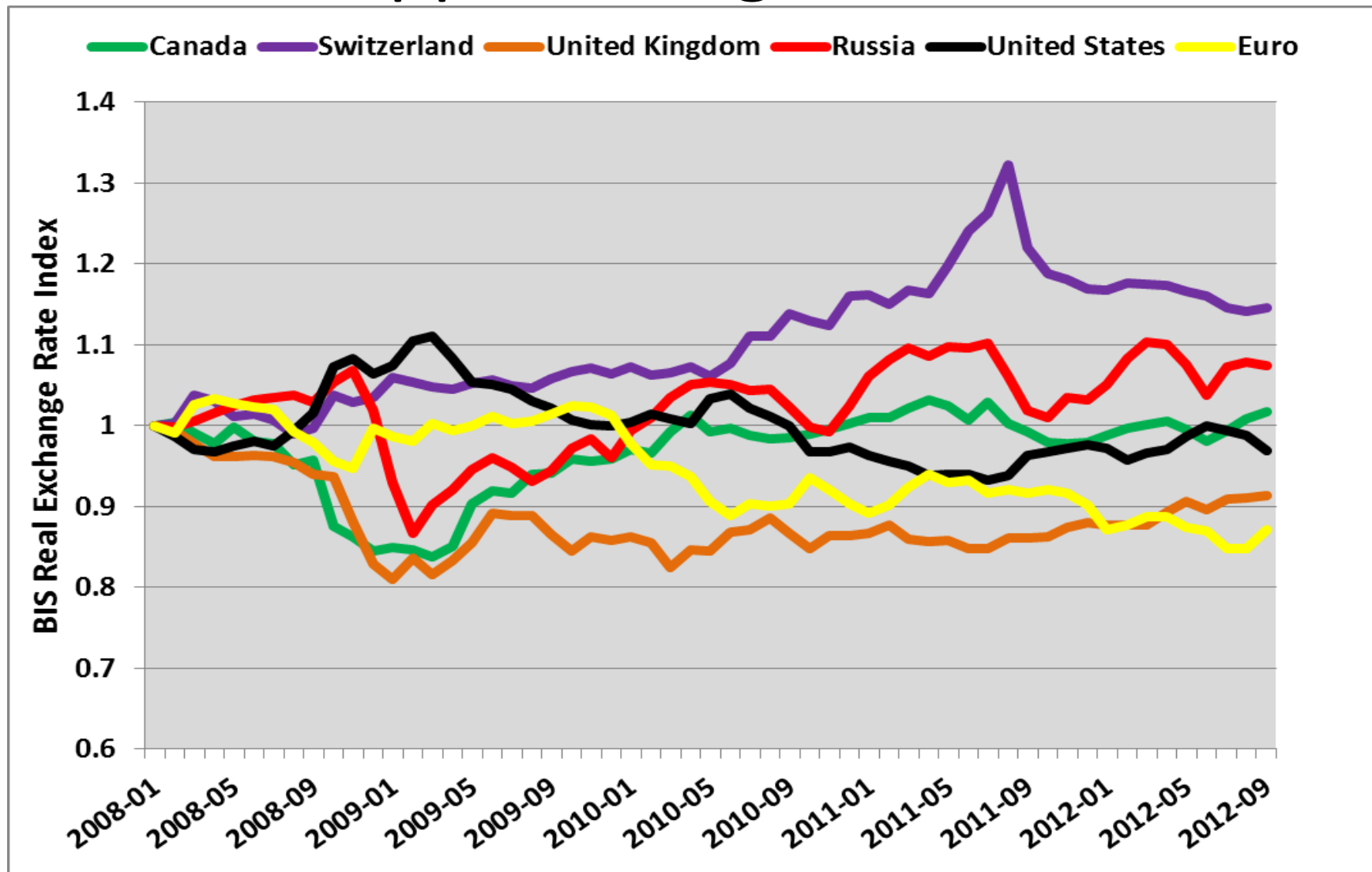
Exchange rates versus the US\$

Declines since 2008 but general stability since 2009



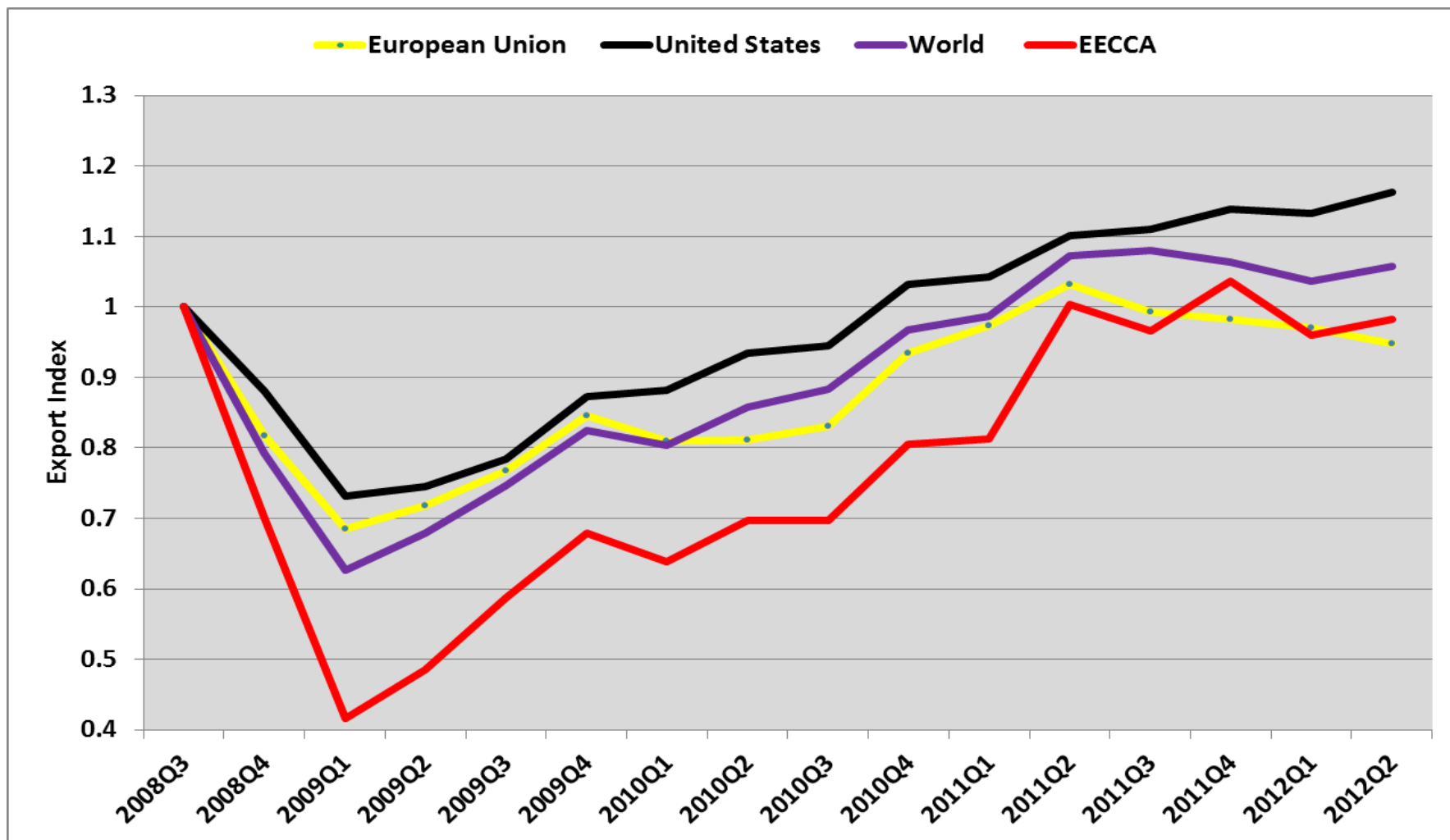


Russian ruble has been appreciating in real terms



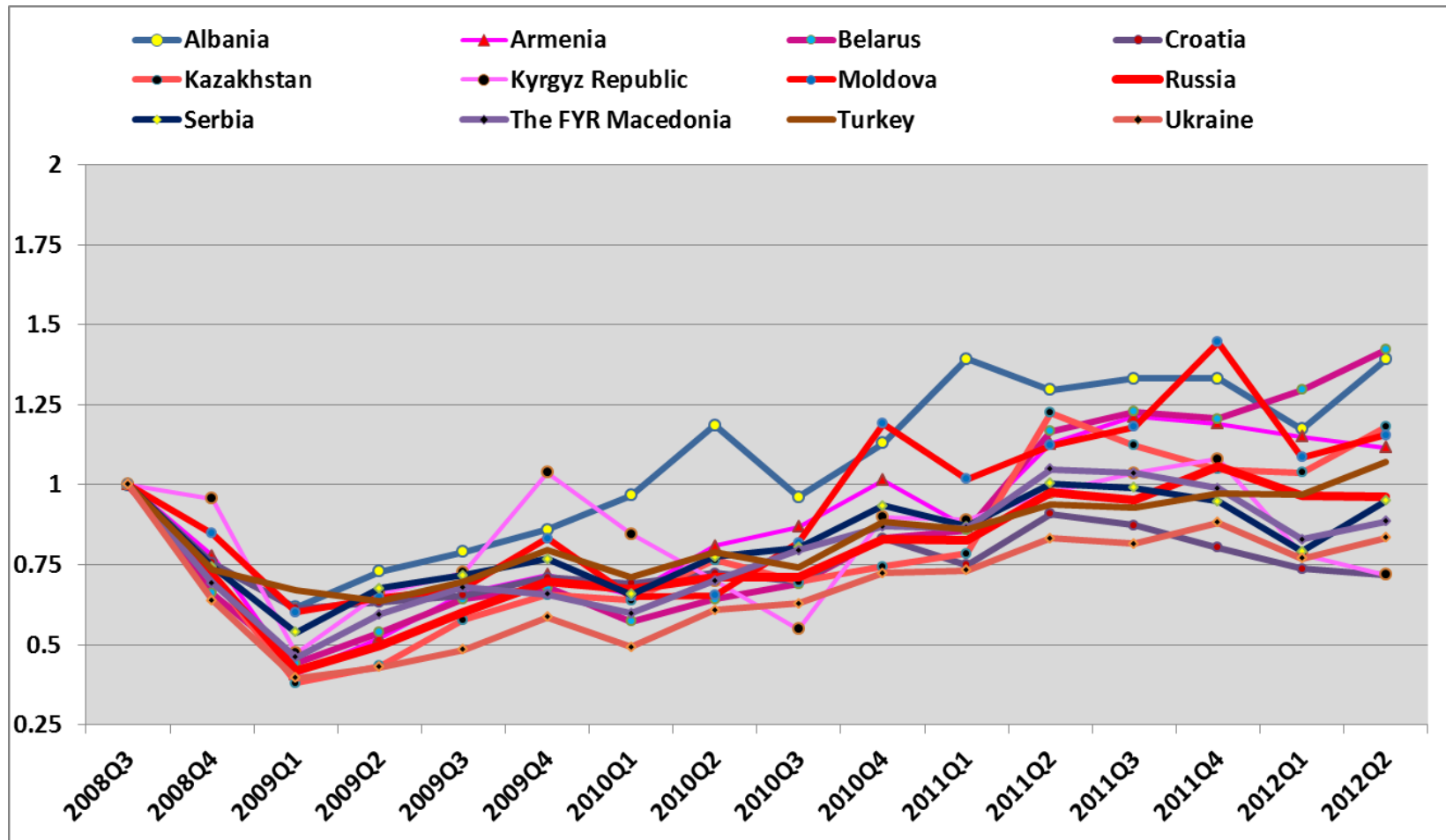


Exports from CIS still below peak in 2008Q3





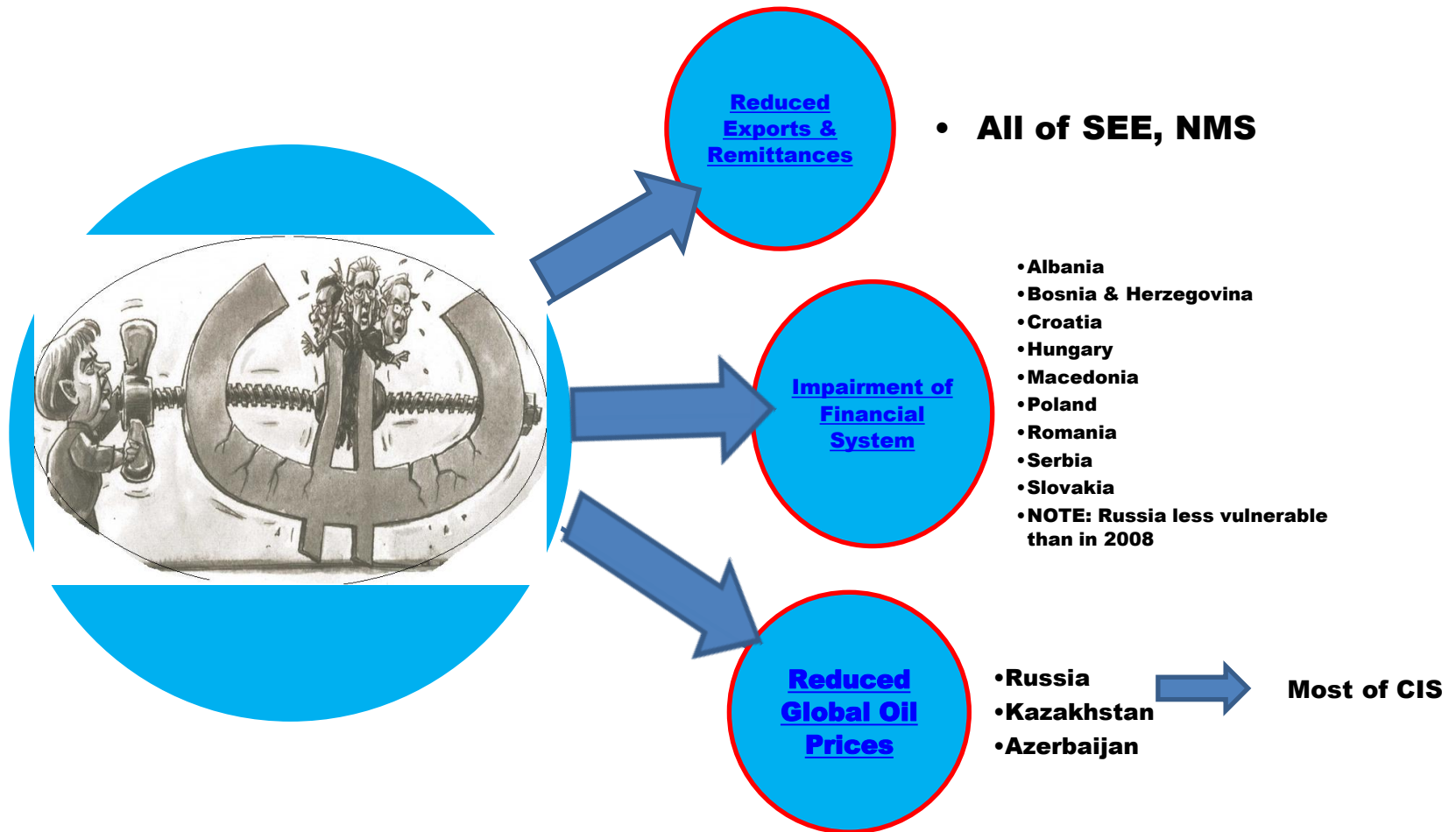
Export indexes, in about half EiT exports still below 2008Q3



Source: Data from WTO

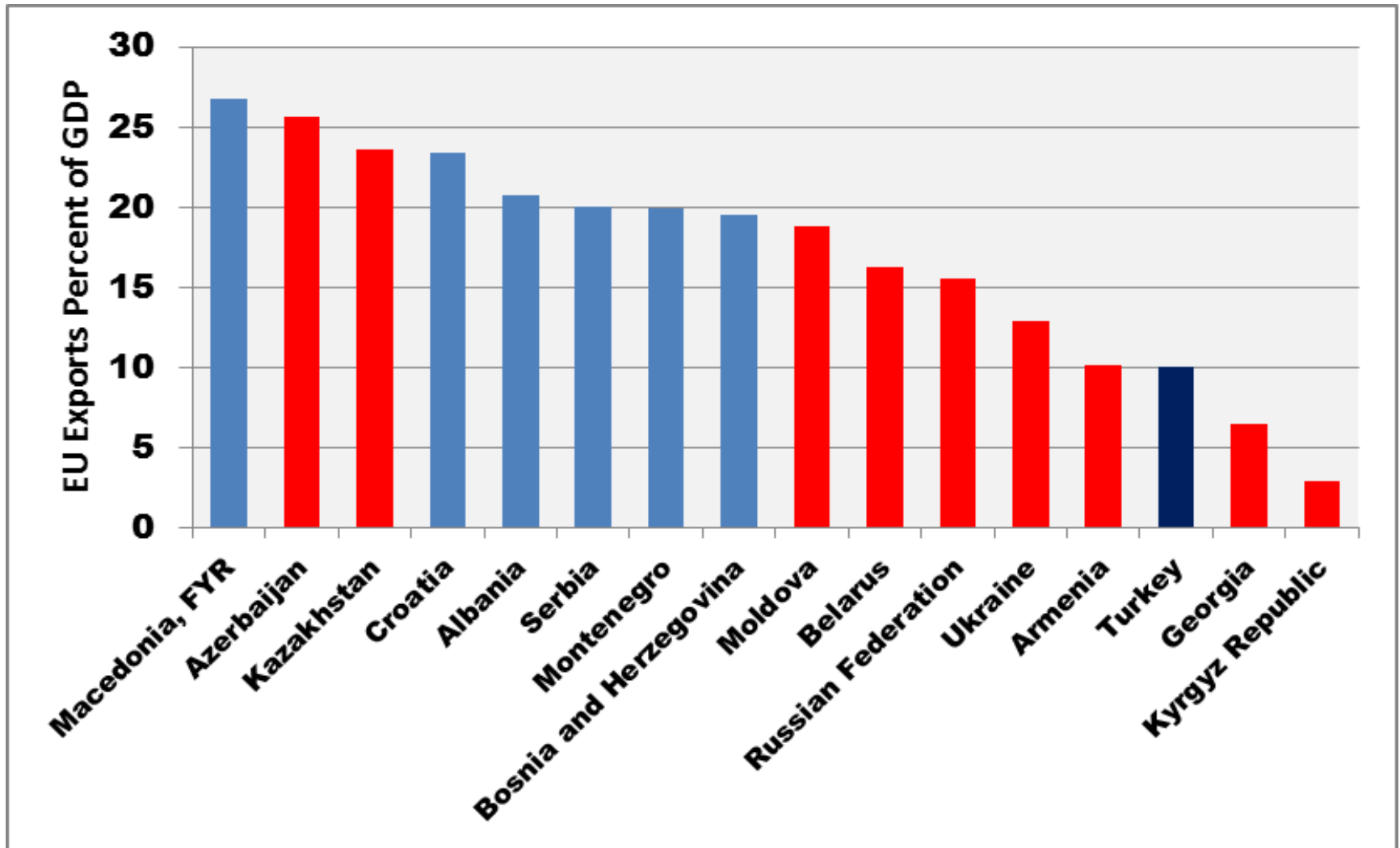


SEE & NMS are the most exposed regions in the world to a deteriorating eurozone through several transmission mechanisms



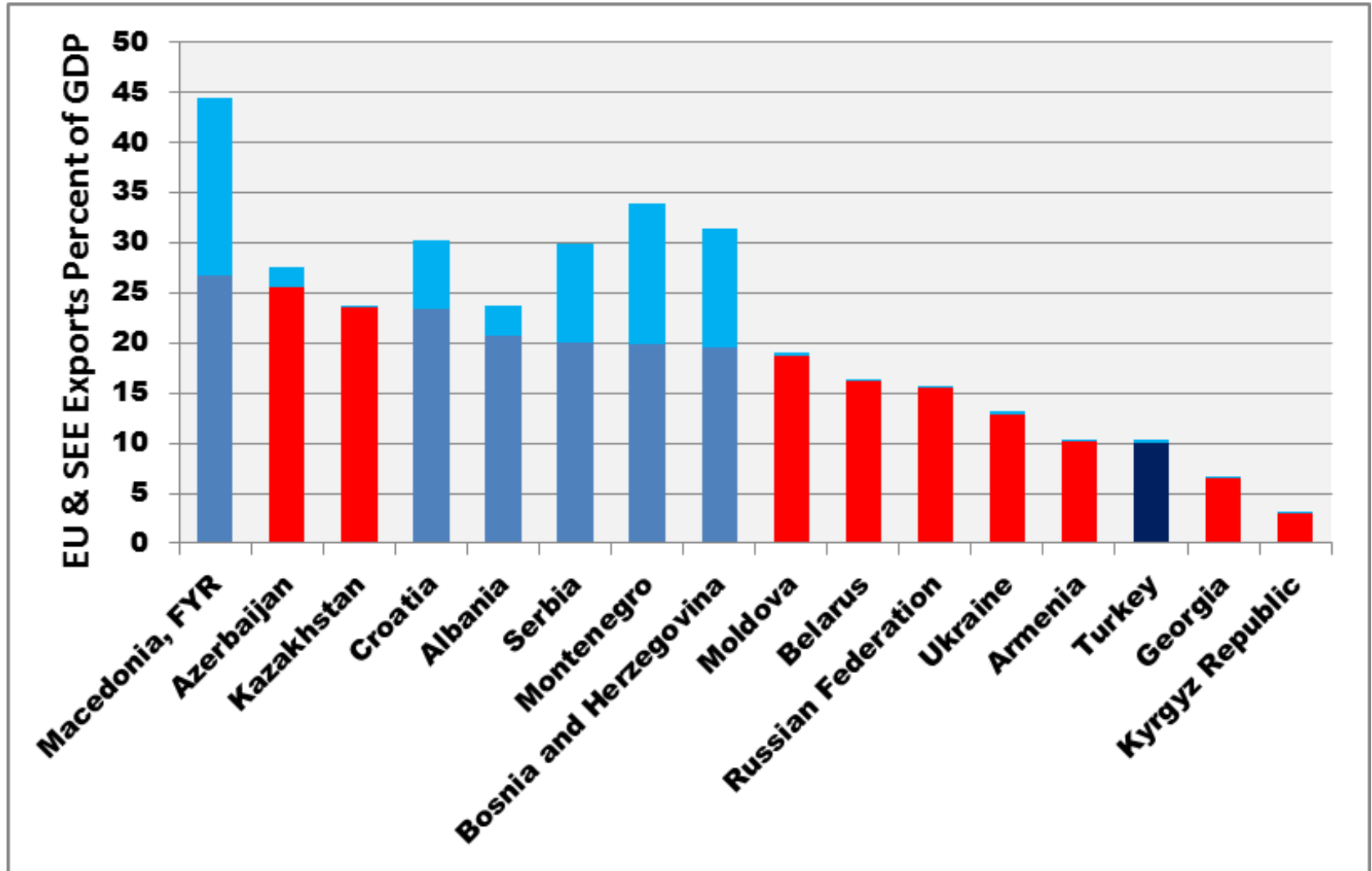


Reduced exports to the EU would be a major transmission mechanism



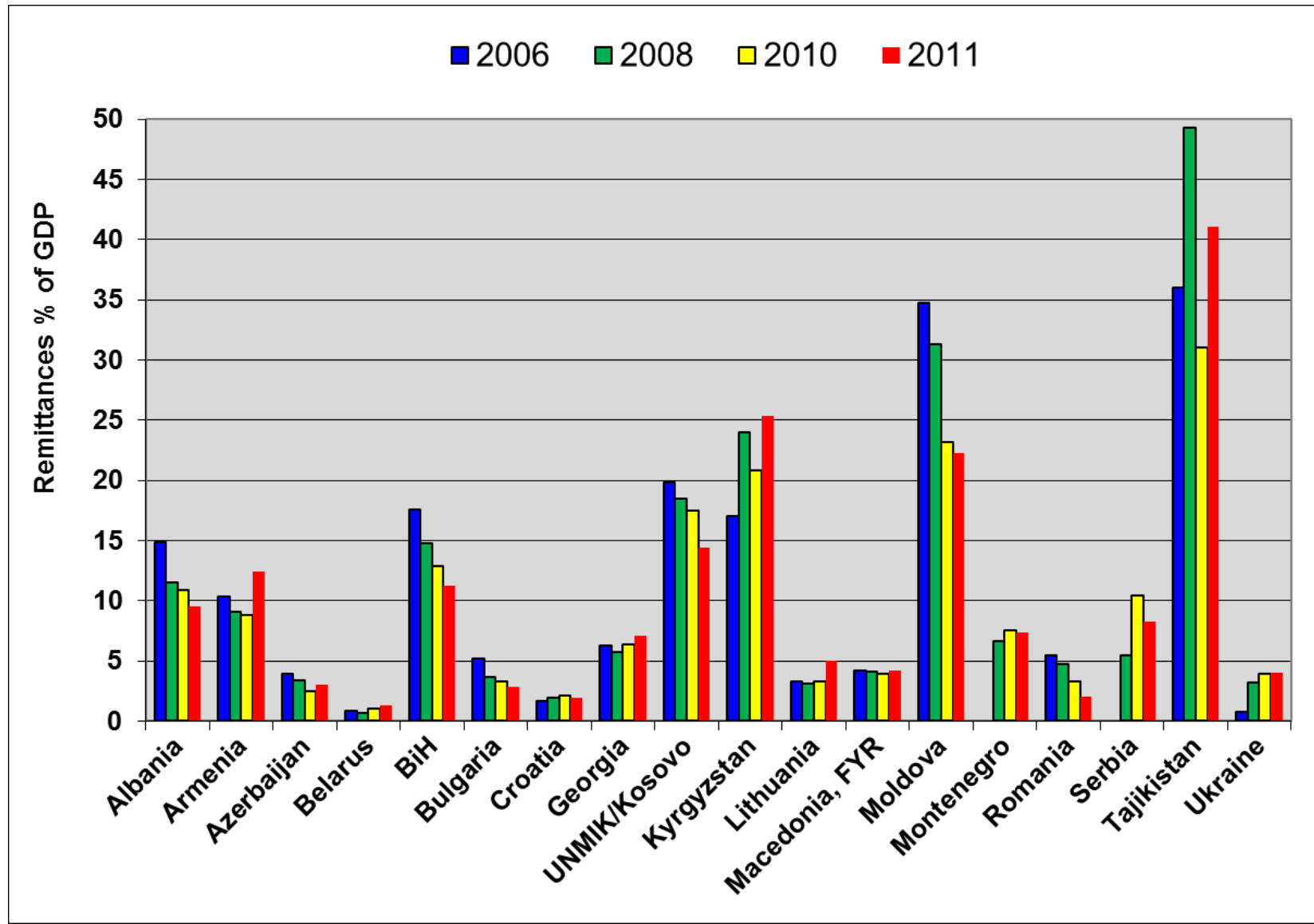


A 3% decline in EU exports would create a 1% decline in SEE growth by this channel alone





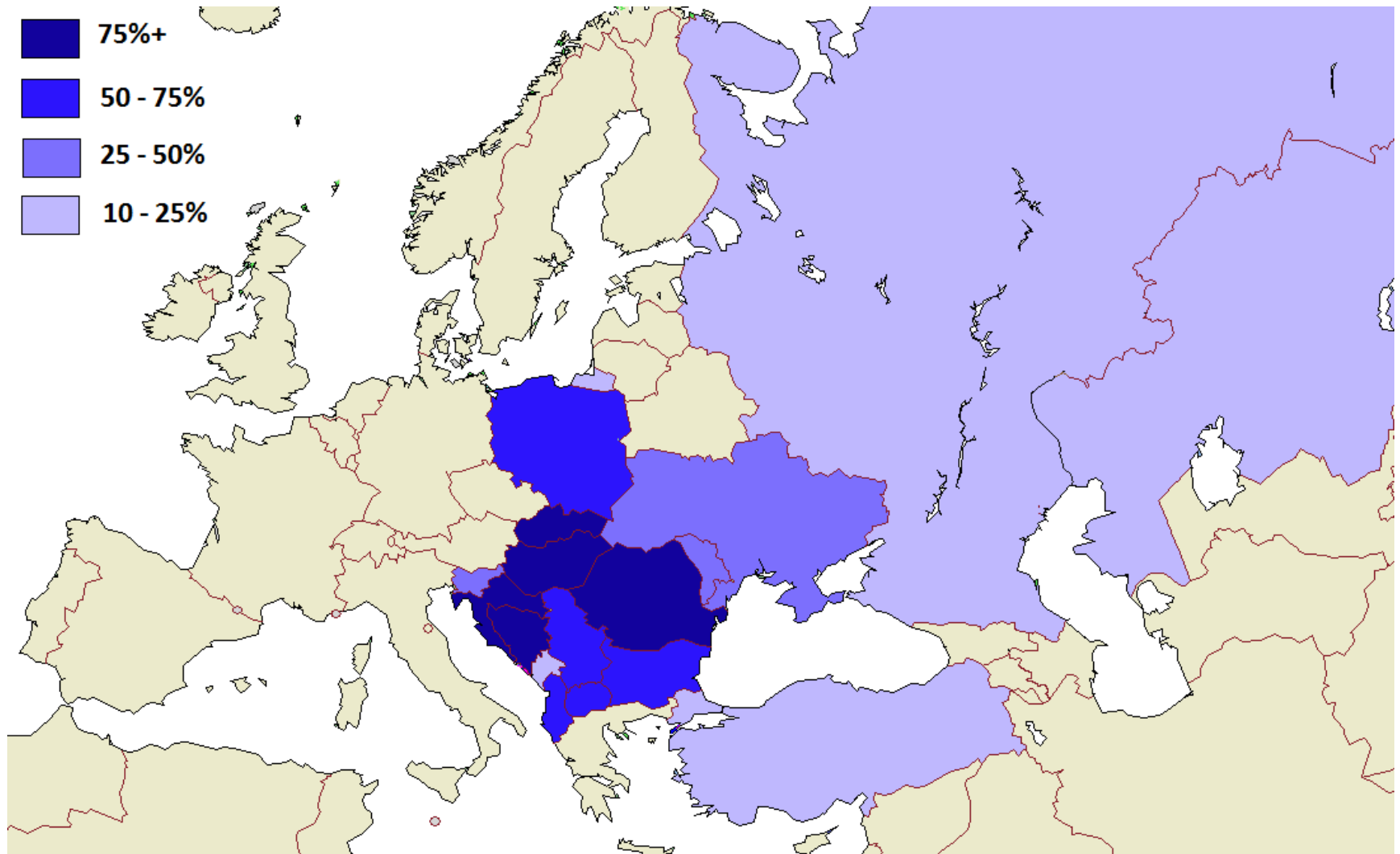
Remittances remain significant for many EiT;
SEE about 5-10%, CIS varies considerably





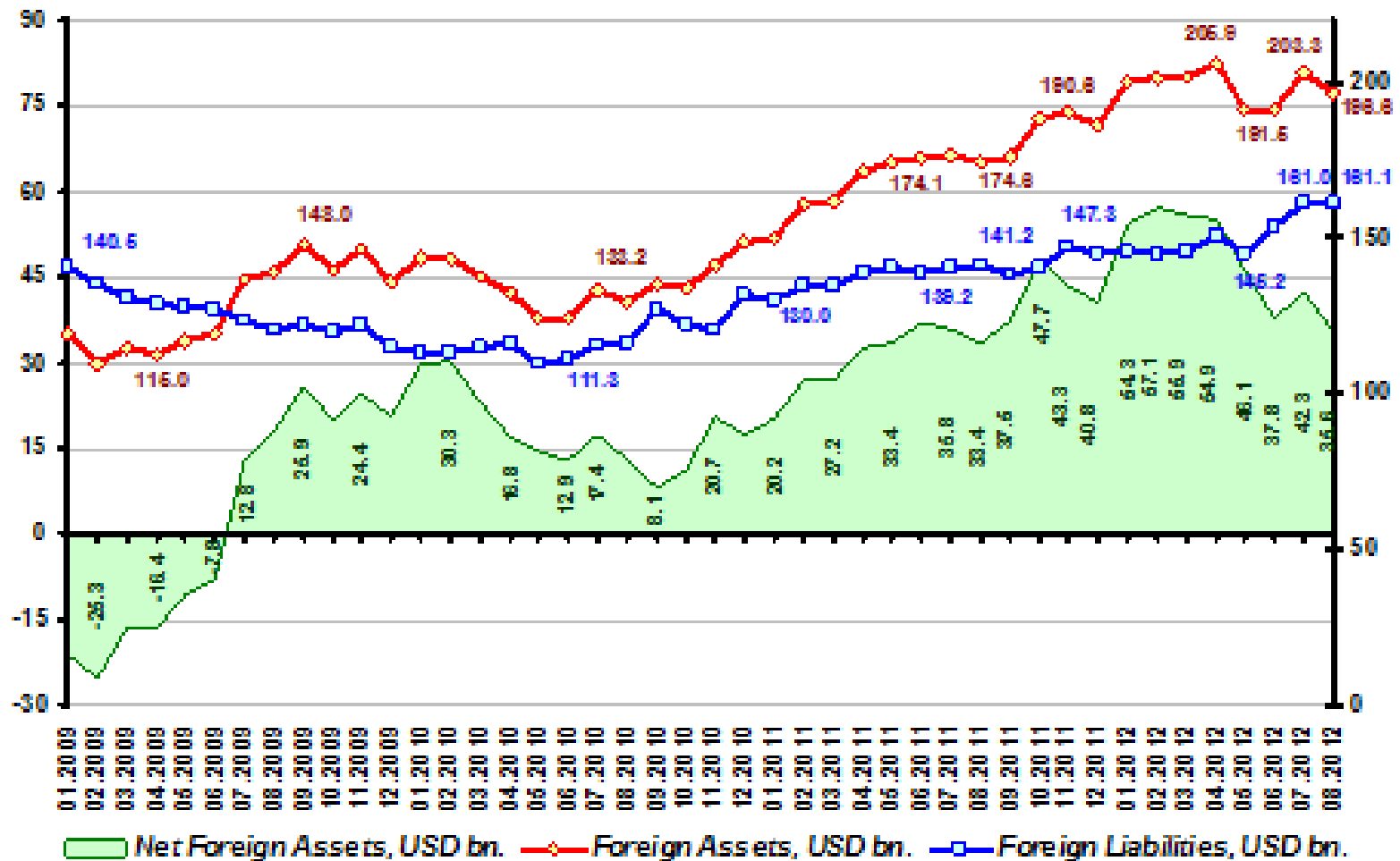
Bank-assets owned by eurozone banks (mainly Italy & Austria)

Note: Baltic banks largely owned by Sweden & Norway





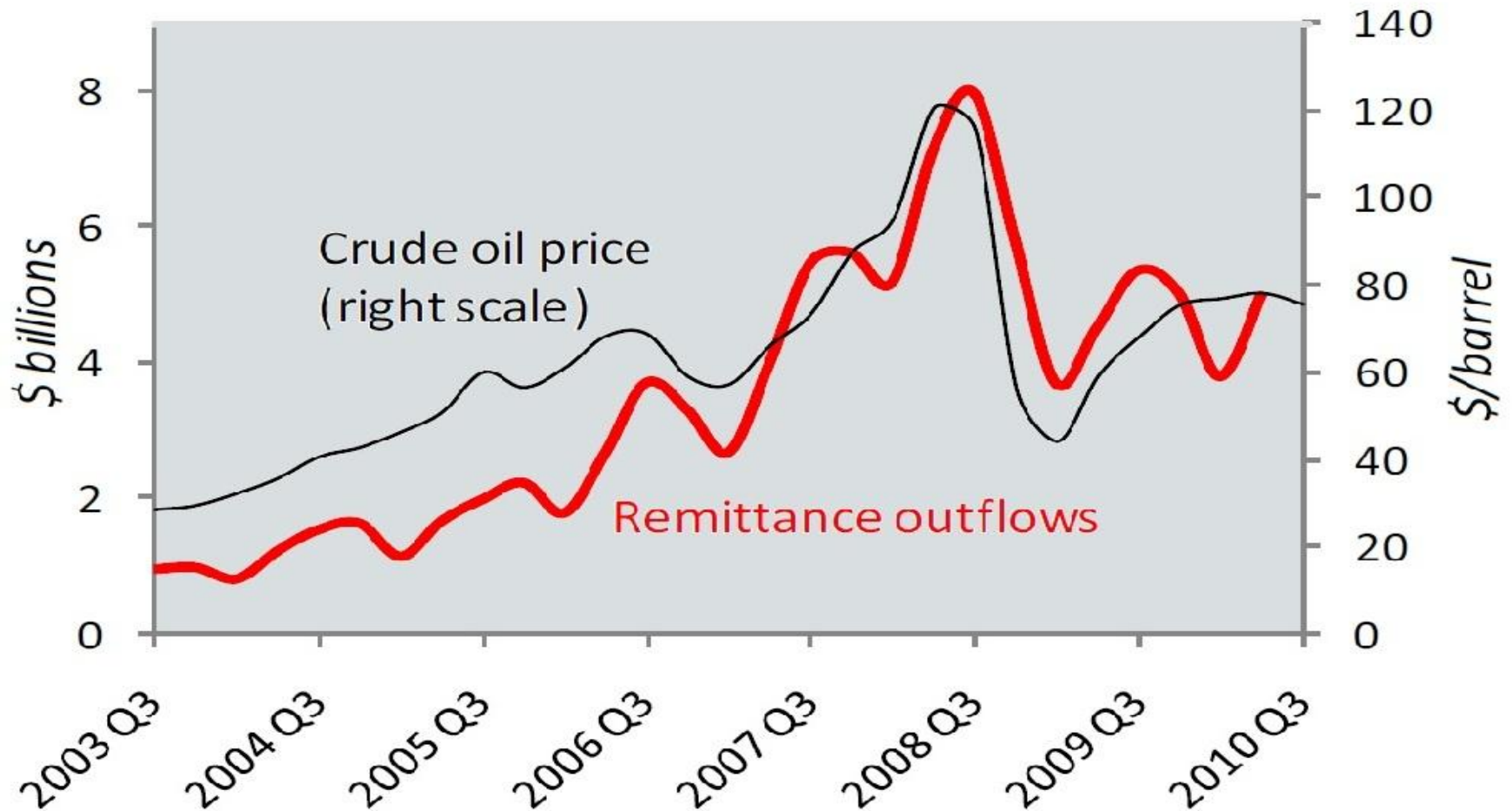
Russia's vulnerability to a eurozone banking crisis has been reduced from 2008 as it's banking sector is now a net creditor



Source: Chart from Russian LINK Report, Abramova, Apokin, Belousov, Mikhaylenko



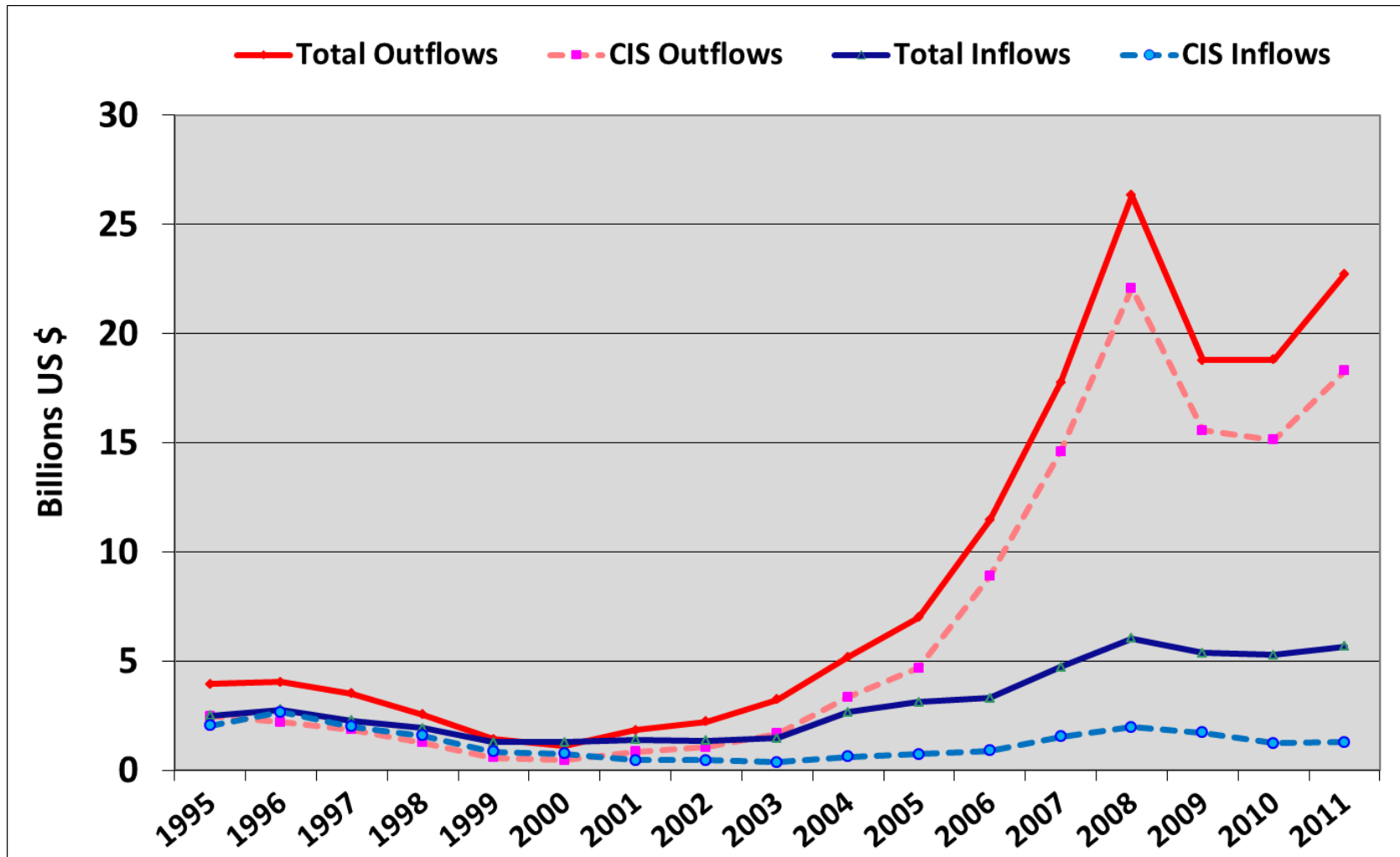
Russian remittance outflows closely correlated with the price of oil



Source: World Bank, Migration and Development Brief 13, November 8, 2010

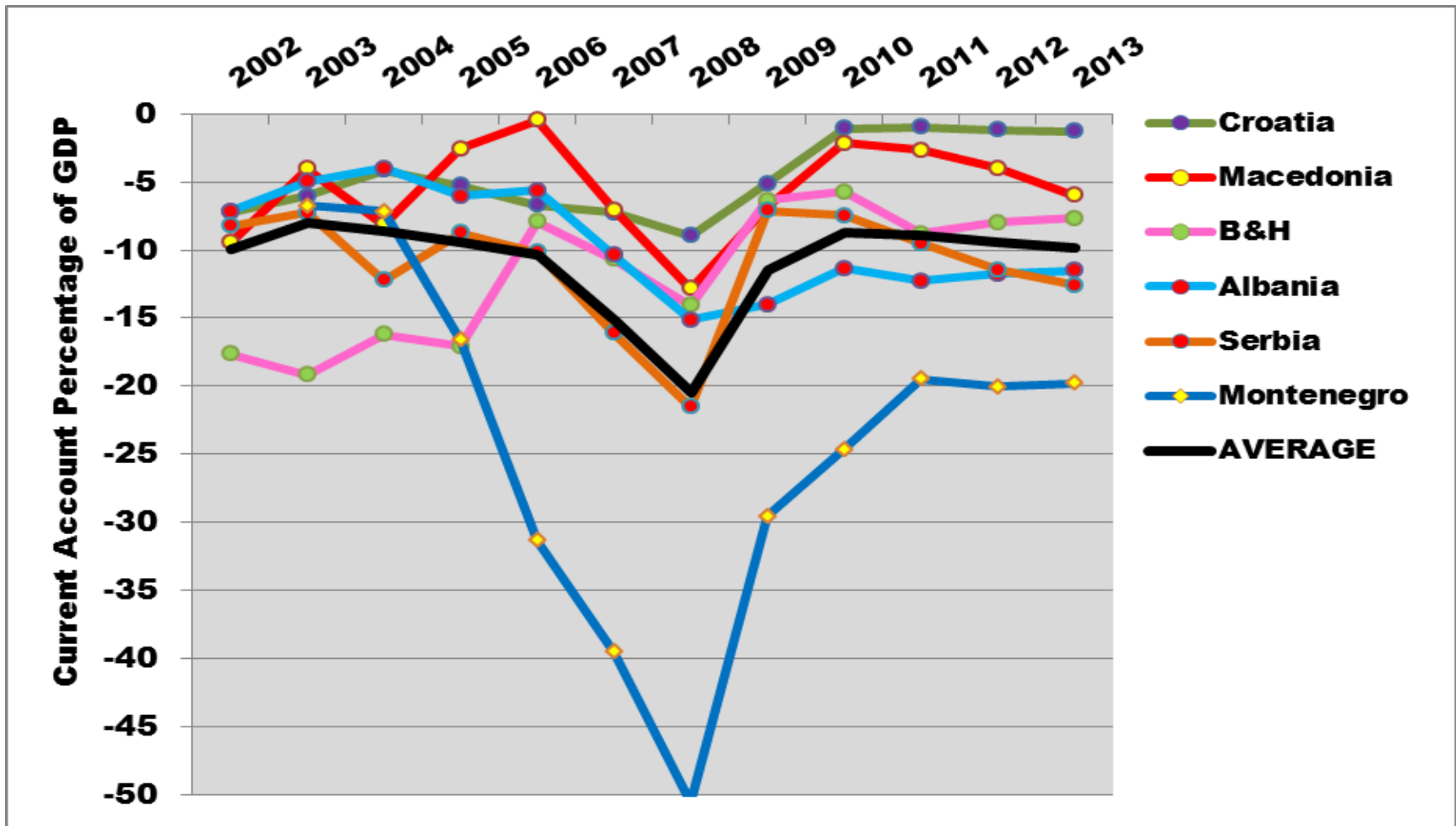


Economic downturn in Russia reduced remittance outflows to CIS-11 significantly





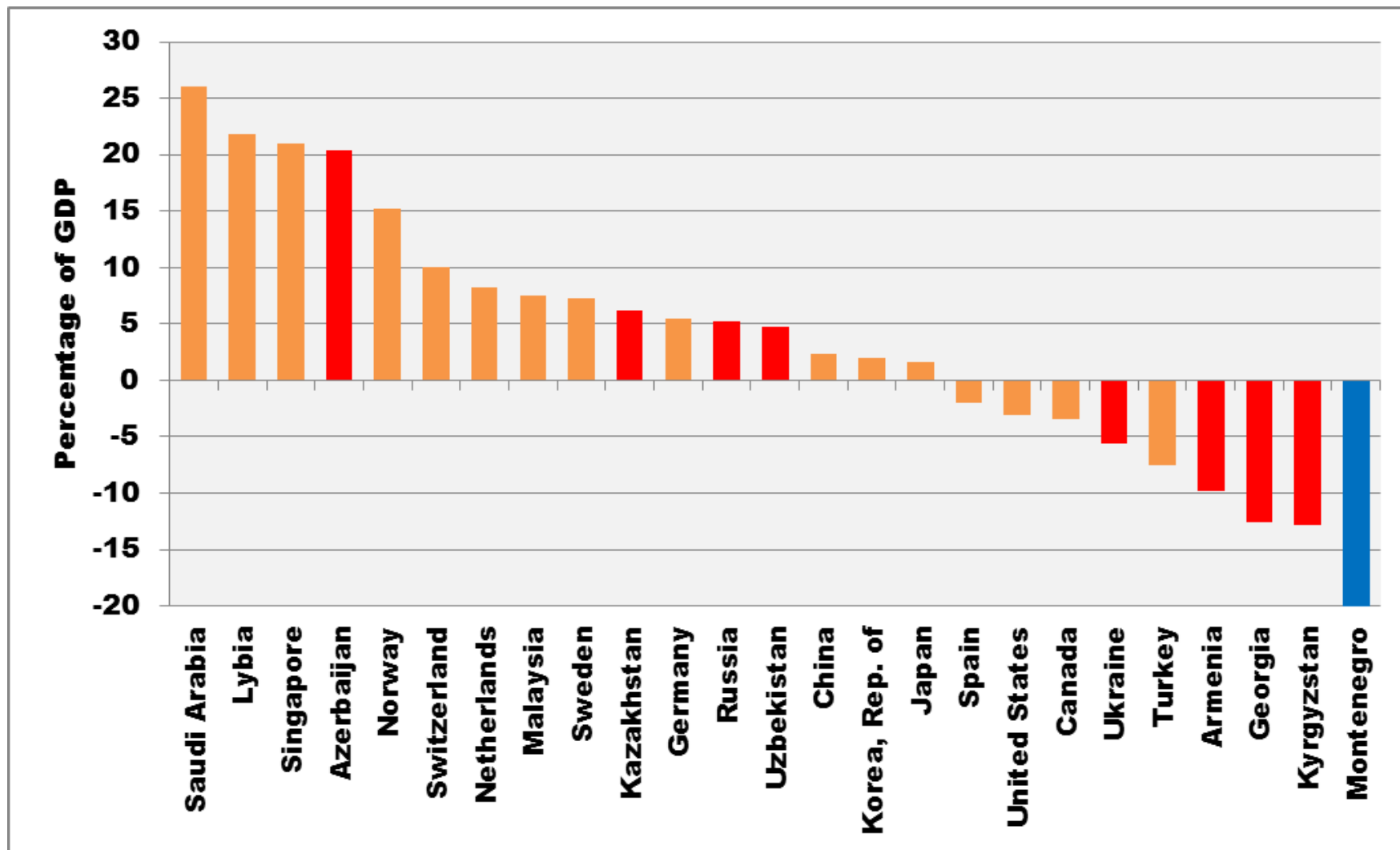
Current accounts remain somewhat problematic in SEE



IMF projections for 2013



2012 Current accounts in global perspective





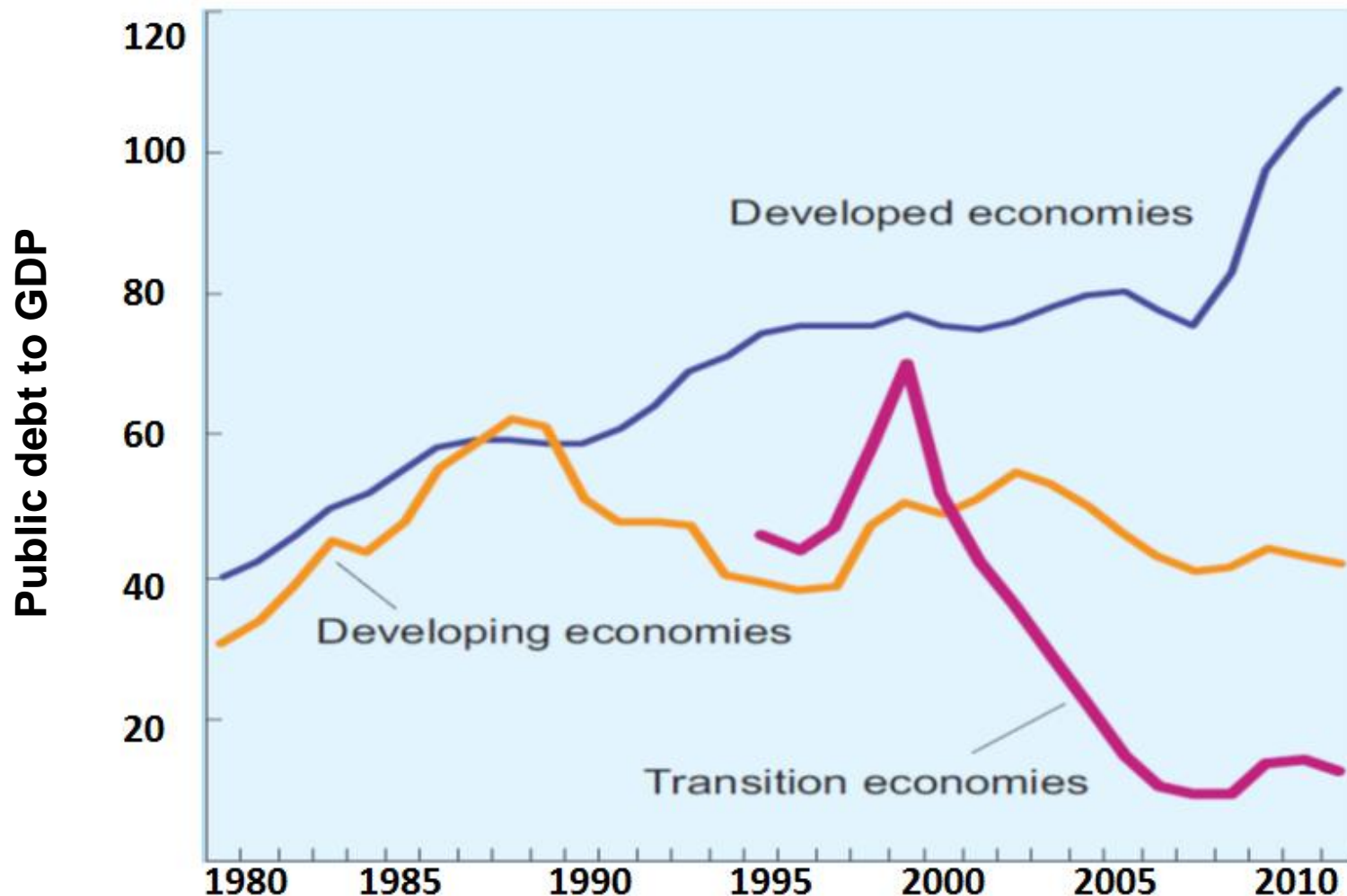
FDI inflows are still depressed in SEE and Russia, but not EECCA-11 (CIS-11), longer-term FDI is significant

Eit receive about 6% of world FDI
Will WTO accession boost FDI to Russia?

	FDI Inward Stock			FDI Inflows				Per Cent Change 2008 to 2011
	2000	2011	Per Cent Increase 2000 to 2011	2008	2009	2010	2011	
SEE-6	5.7	75.7	1,232	12.7	8.3	4.0	6.7	-47
Russia	32.2	457.5	1,321	75.0	36.5	43.3	52.9	-29
EECCA-11	23.0	224.1	876	33.4	27.6	26.5	32.6	-2
EiT	60.8	757.3	1,145	121.0	72.4	73.8	92.2	-24
NMS	103.1	634.4	515	63.0	27.5	25.4	36.0	-43
Turkey	19.2	140.3	630	19.5	8.4	9.0	15.9	-19
ECA	183.2	1,532.0	736	203.5	108.3	108.2	144.0	-29



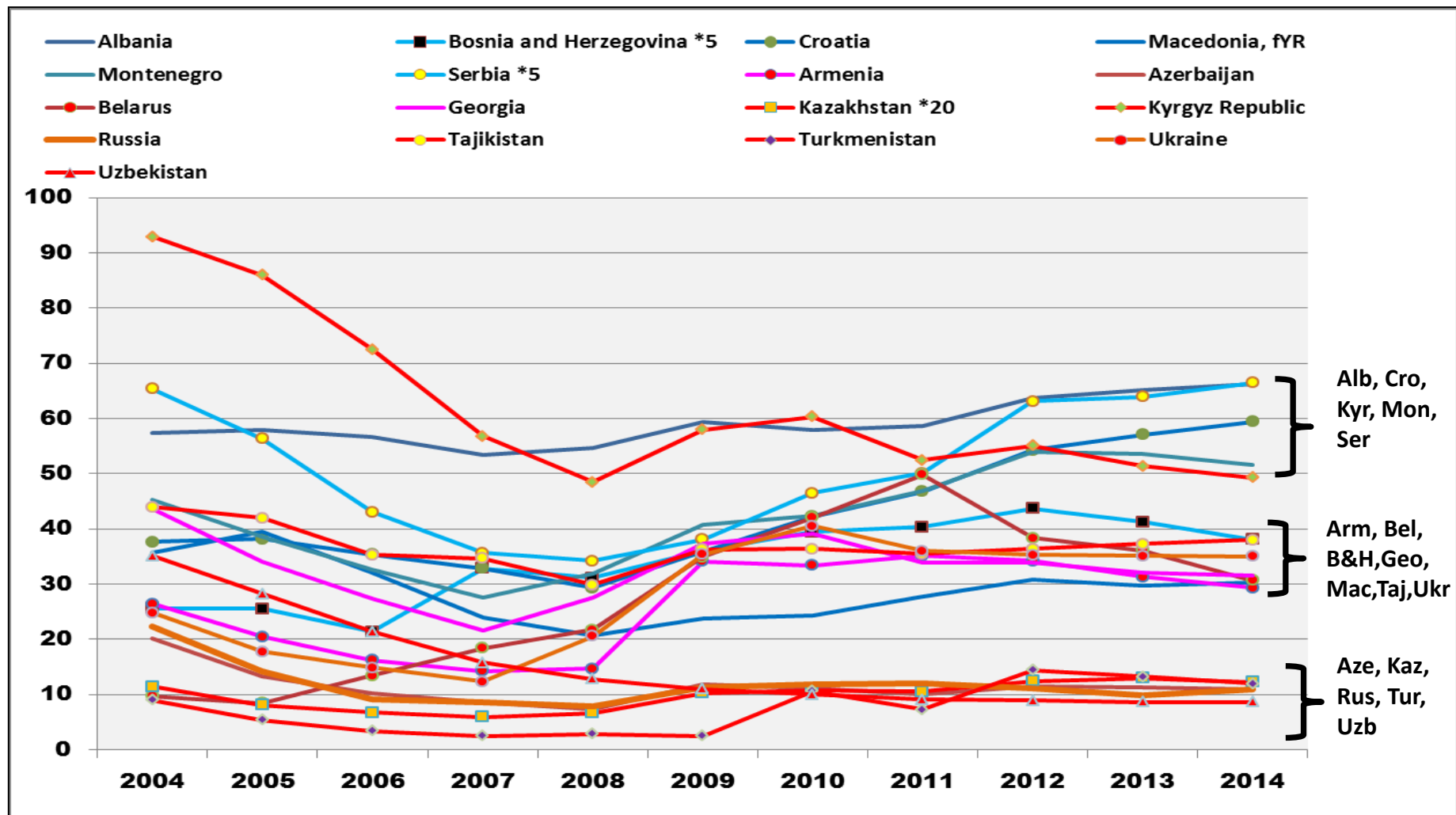
Public debt in the EiT is generally low





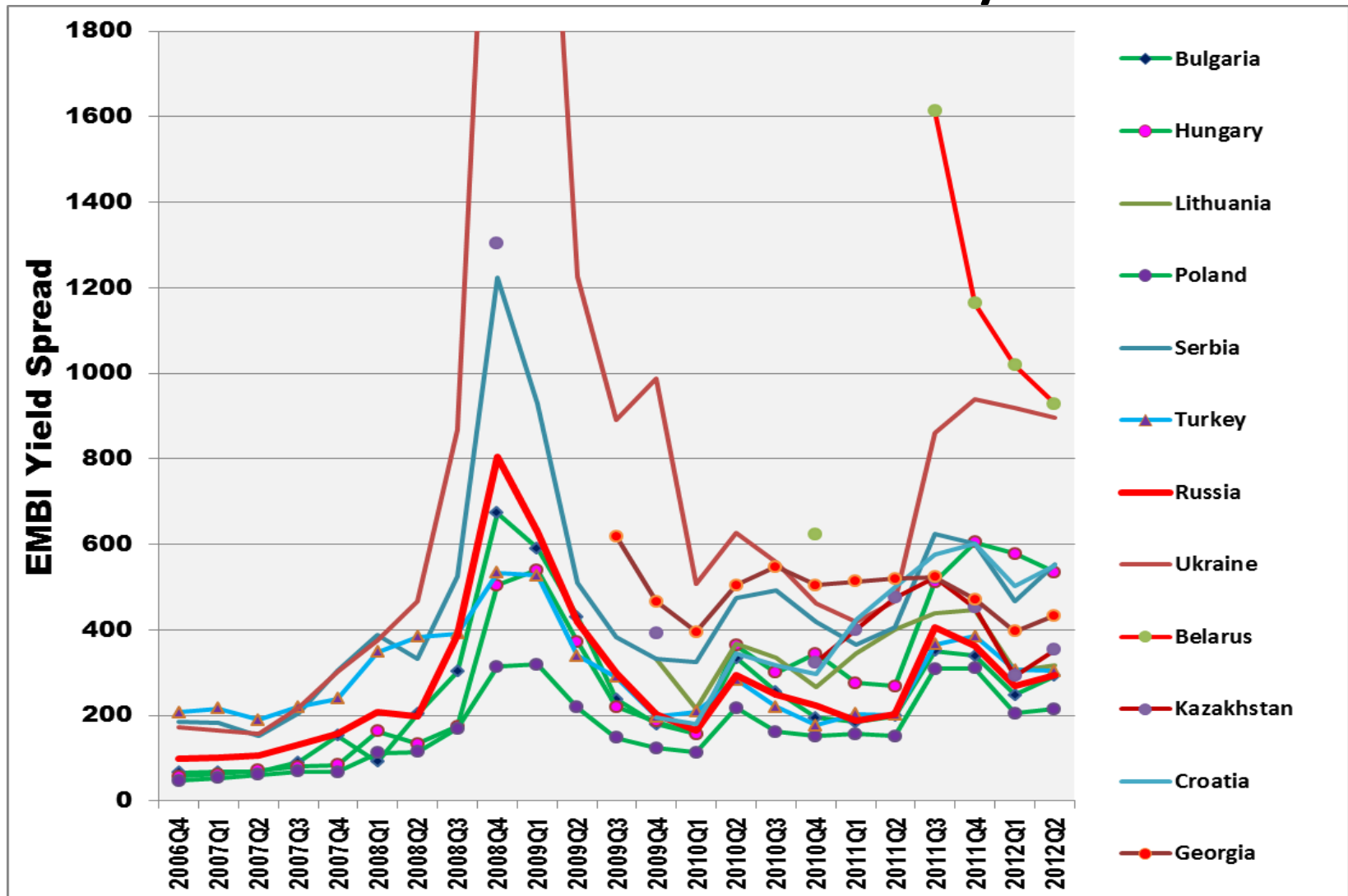
Government gross debt to GDP

Note: for most net debt=gross debt or net is not provided; a * gives the amount net is less than gross as % of GDP



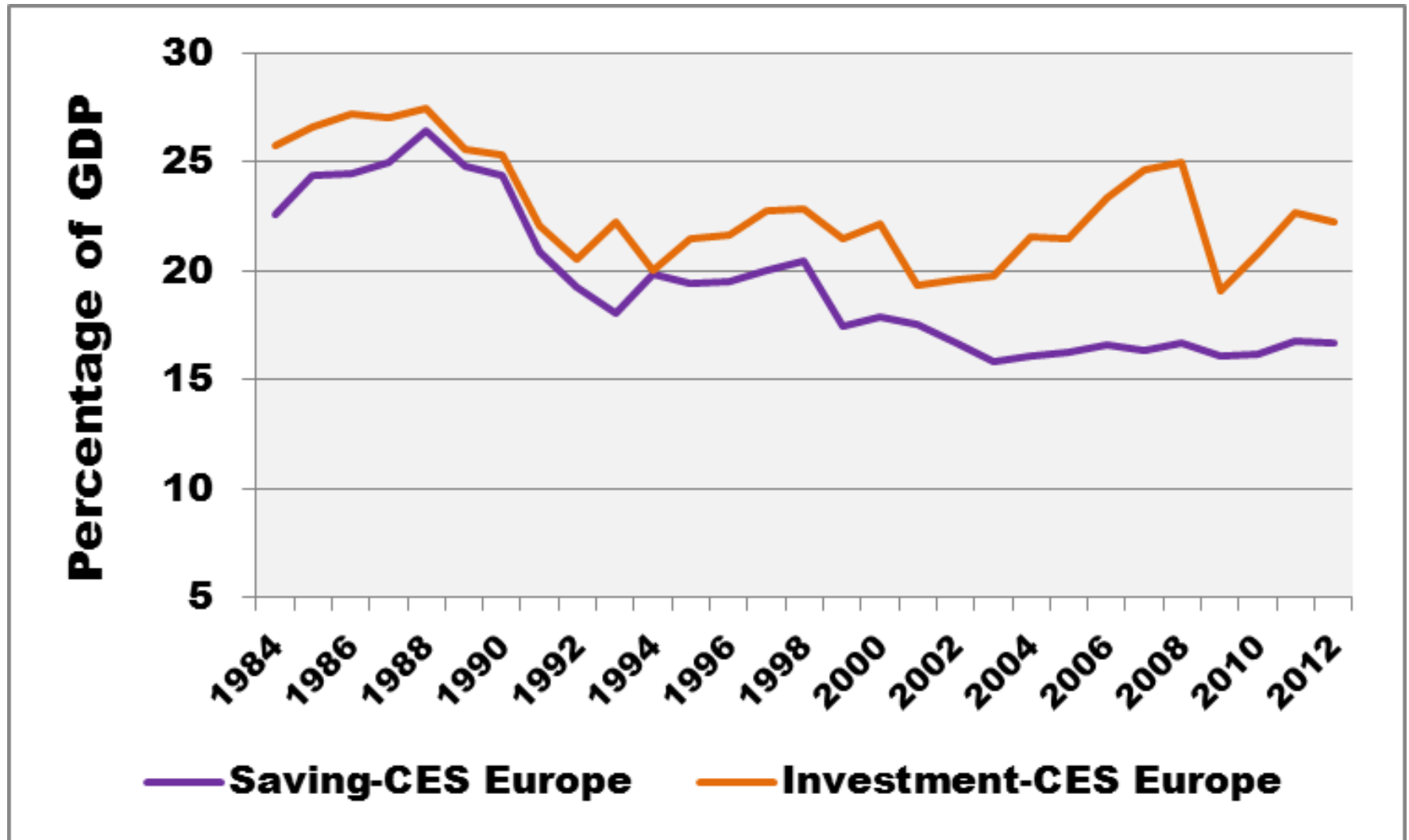


Sovereign yields, some uptick over the last year



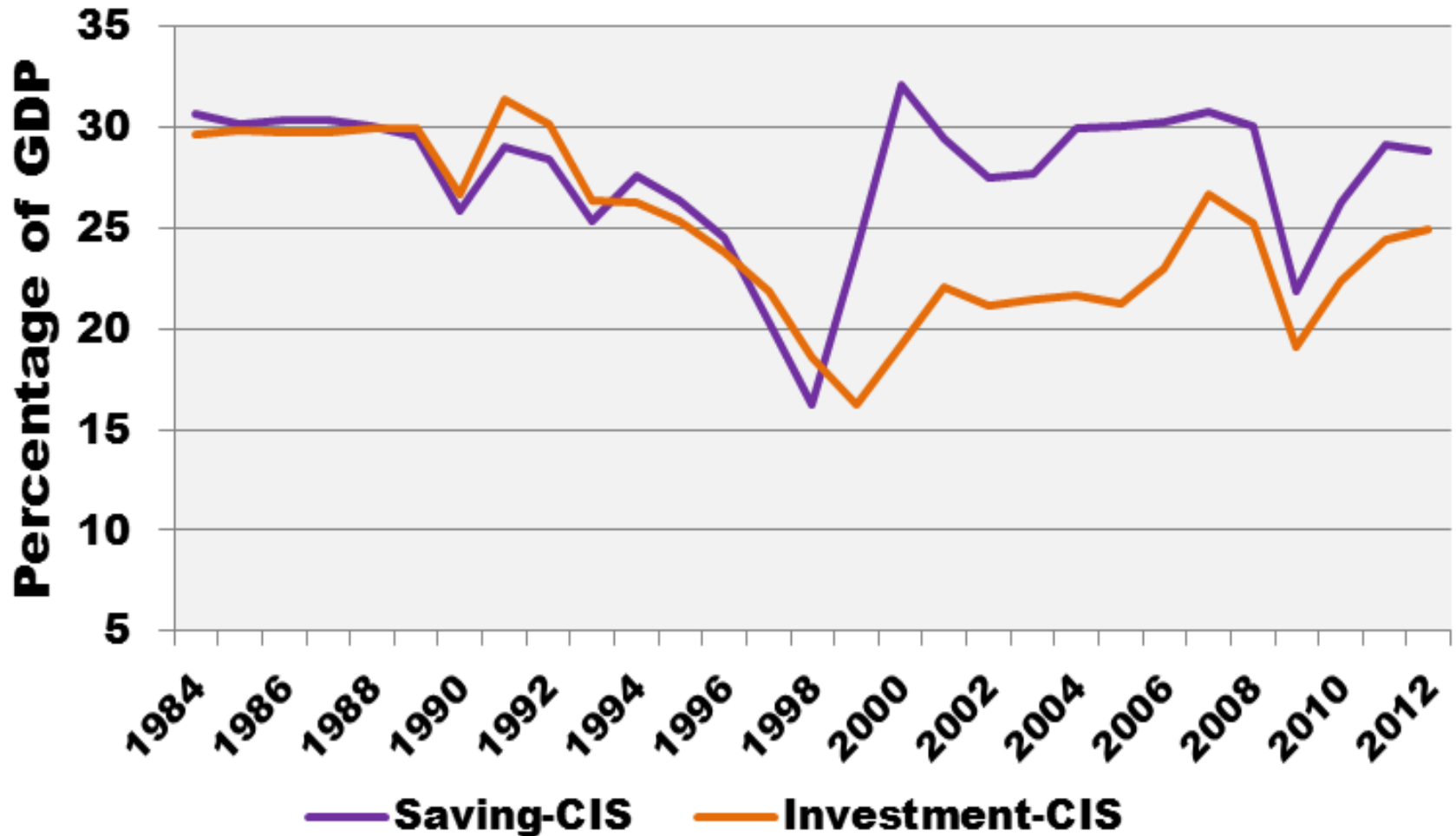


Saving gap in Central & Southeast Europe





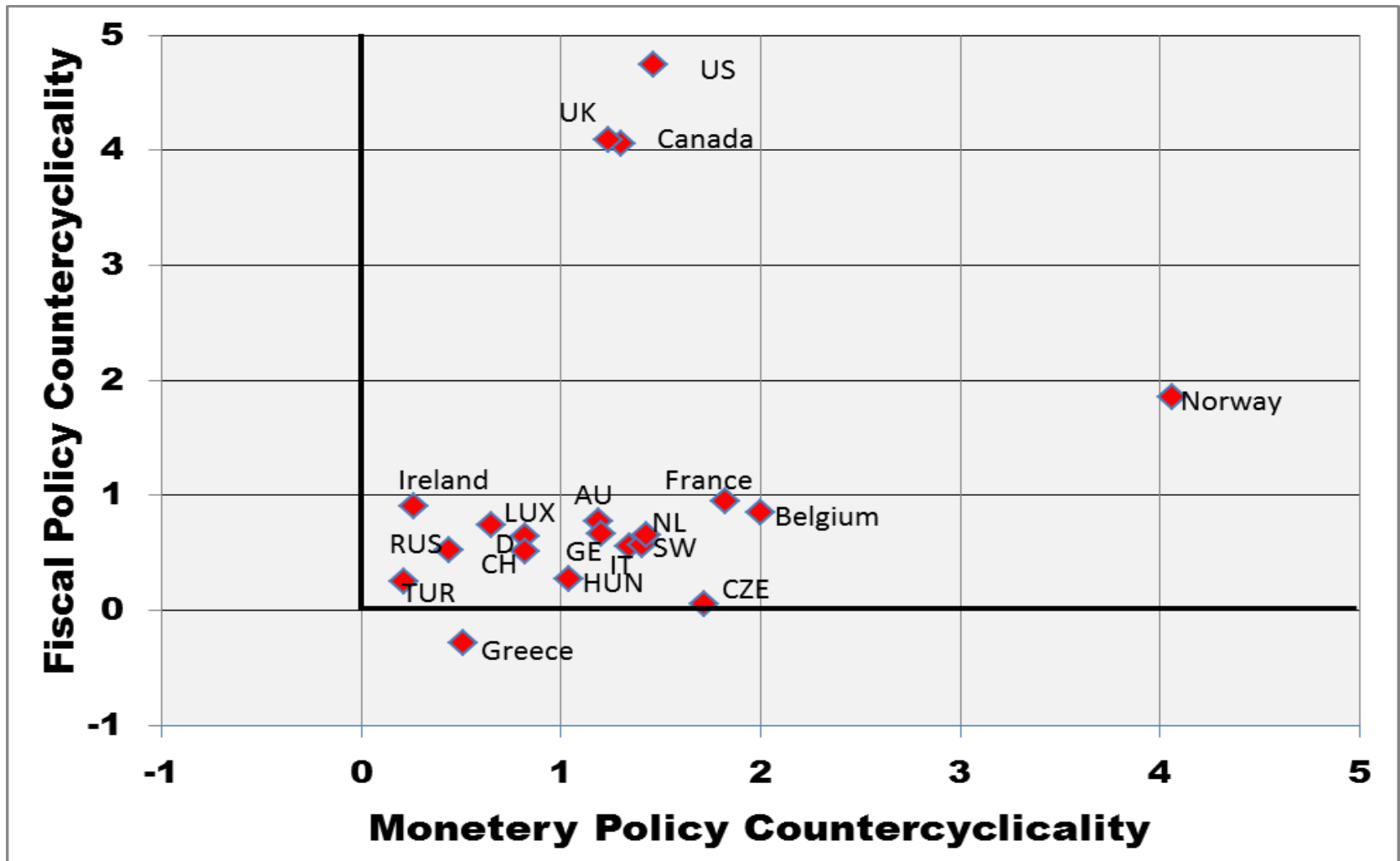
Excessive savings in the CIS





Counter-cyclicality of monetary and fiscal policy in ECE, 2000-2011

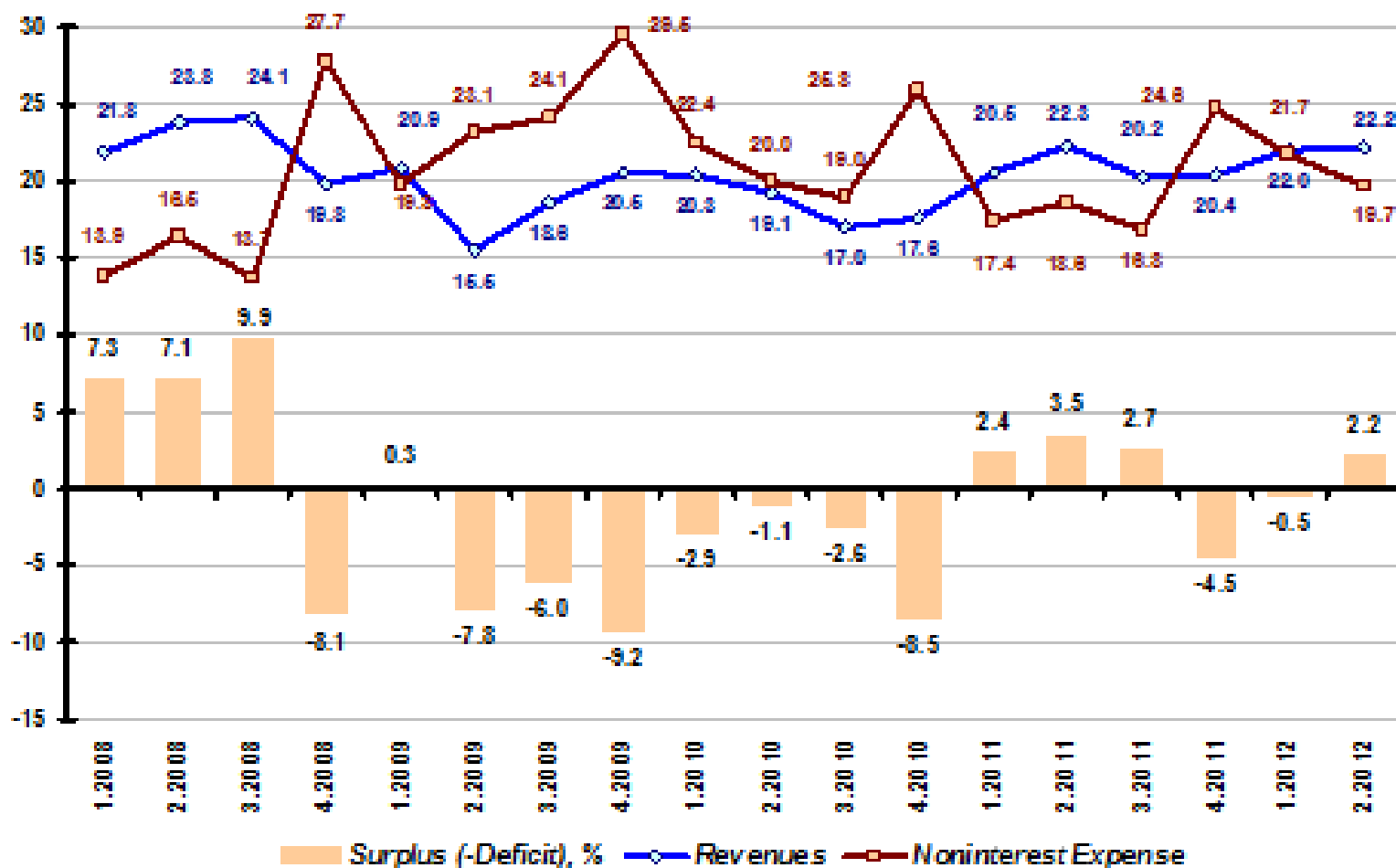
Macro-policy in Russia like most emerging economies is weakly countercyclical



Source: Derived from data in Elod Takats, BIS Quarterly Review, June 2012



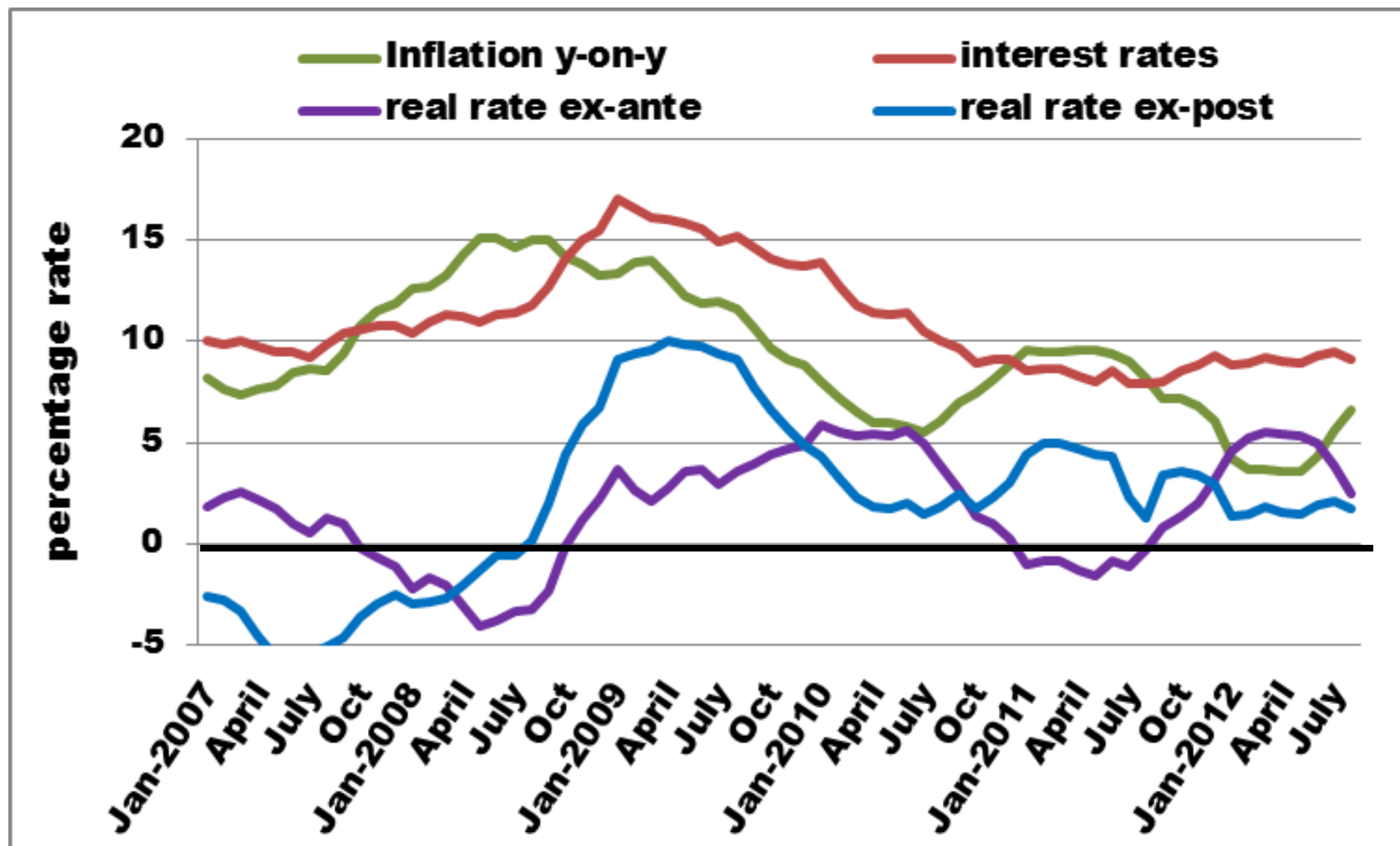
Russia's counter-cyclical government finances



Source: Chart from Russian LINK Report, Abramova, Apokin, Belousov, Mikhaylenko

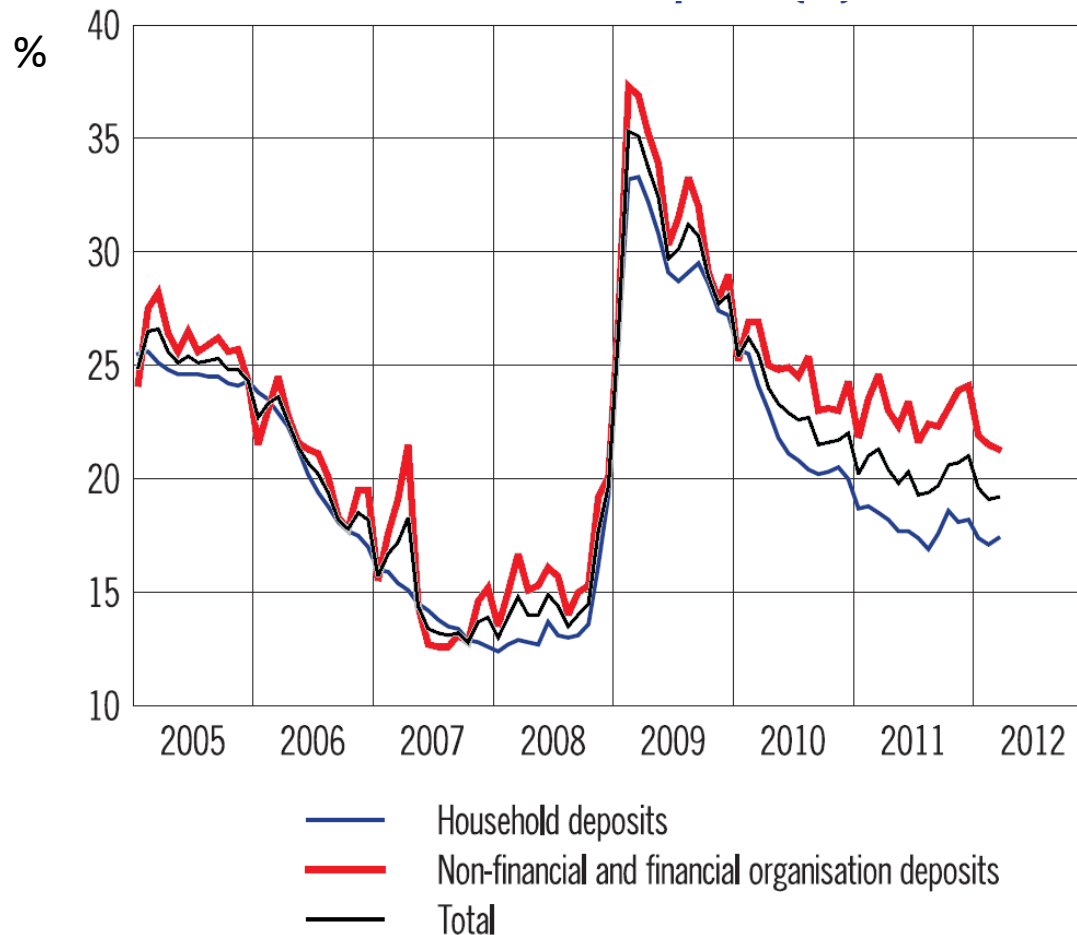


Russia's pro-cyclical monetary policy





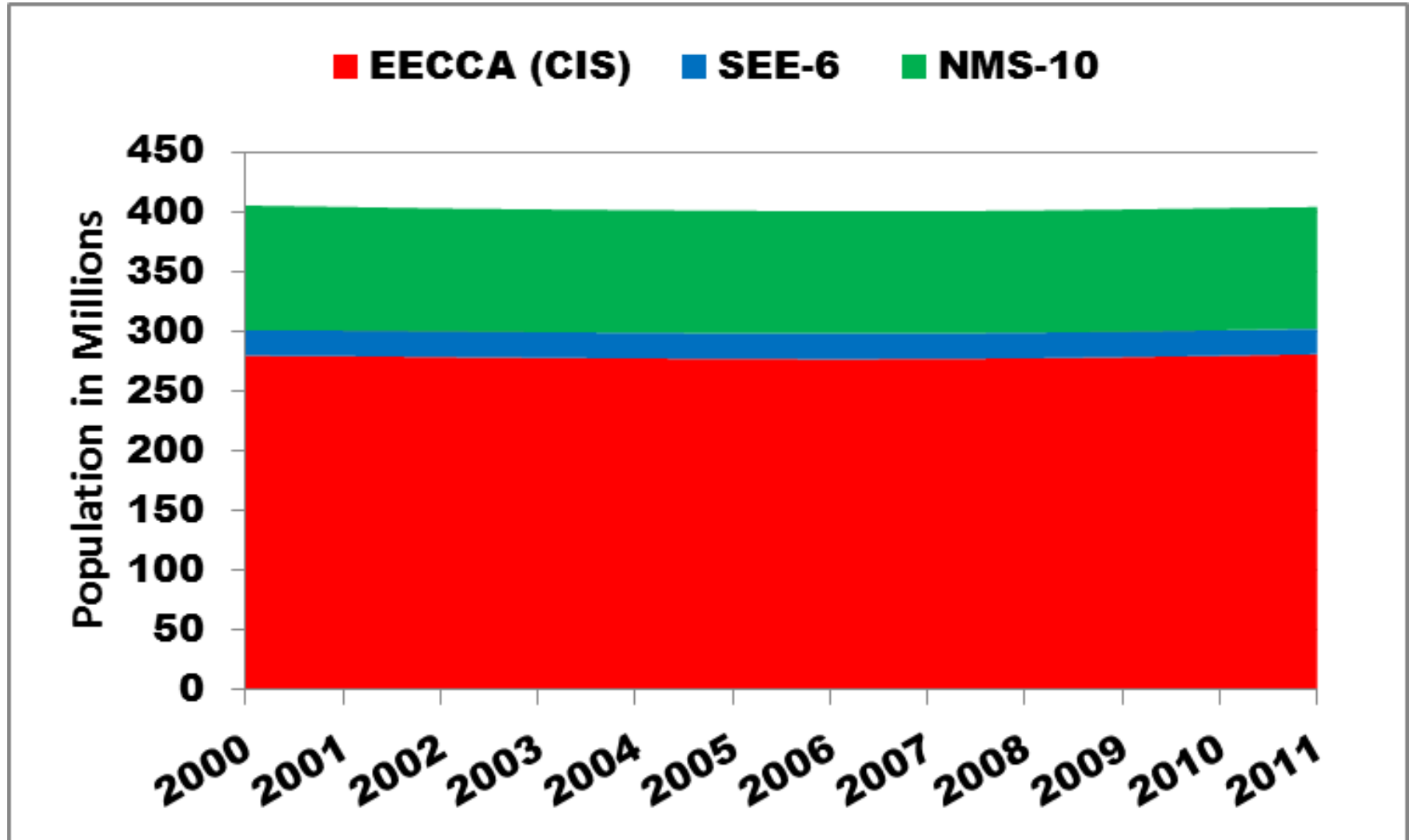
Dollarization of Russian Banking Deposits



Data from Russian Central Bank

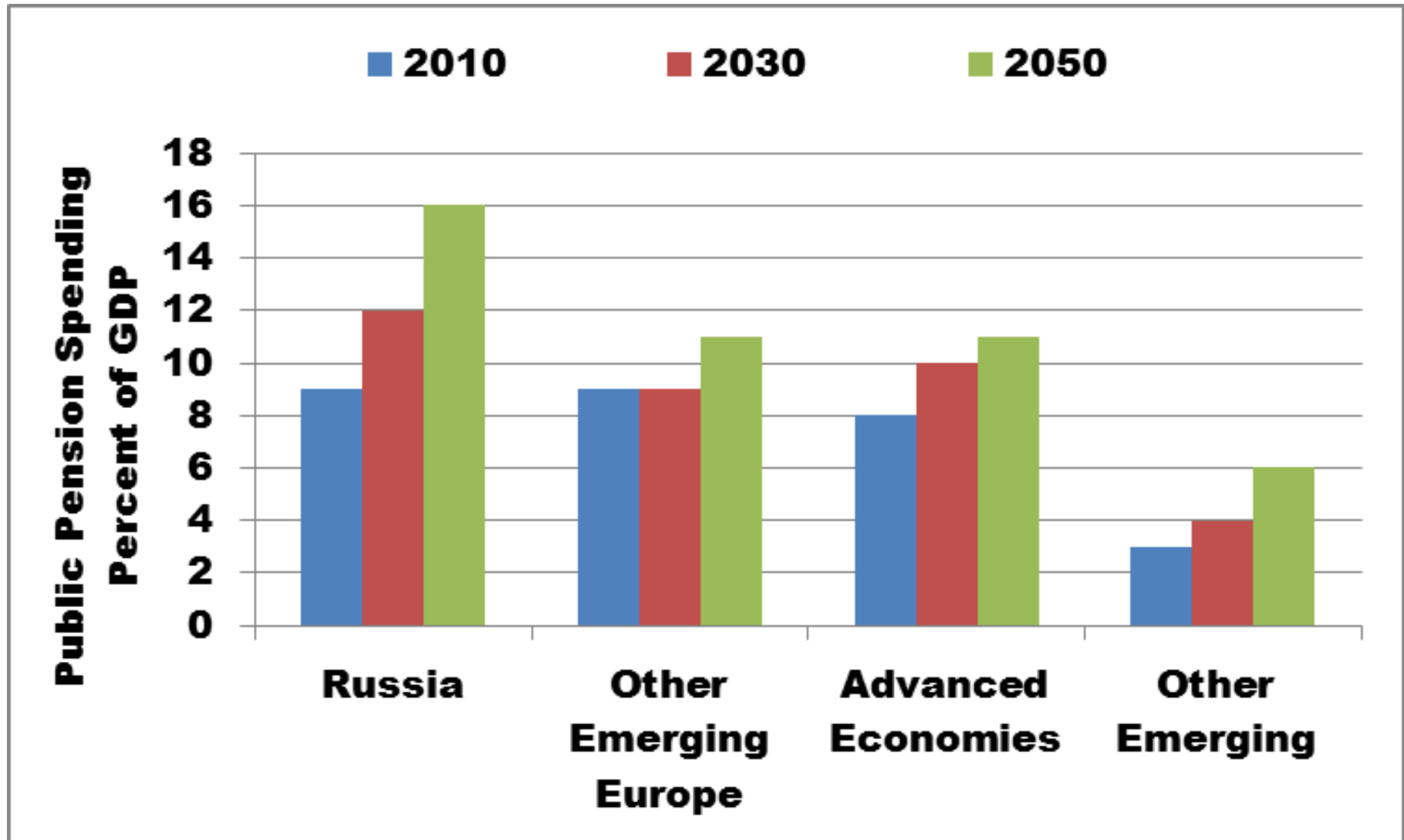


There is no population growth in all three regions; within ECCAA growth in central Asia is negated by losses in Europe





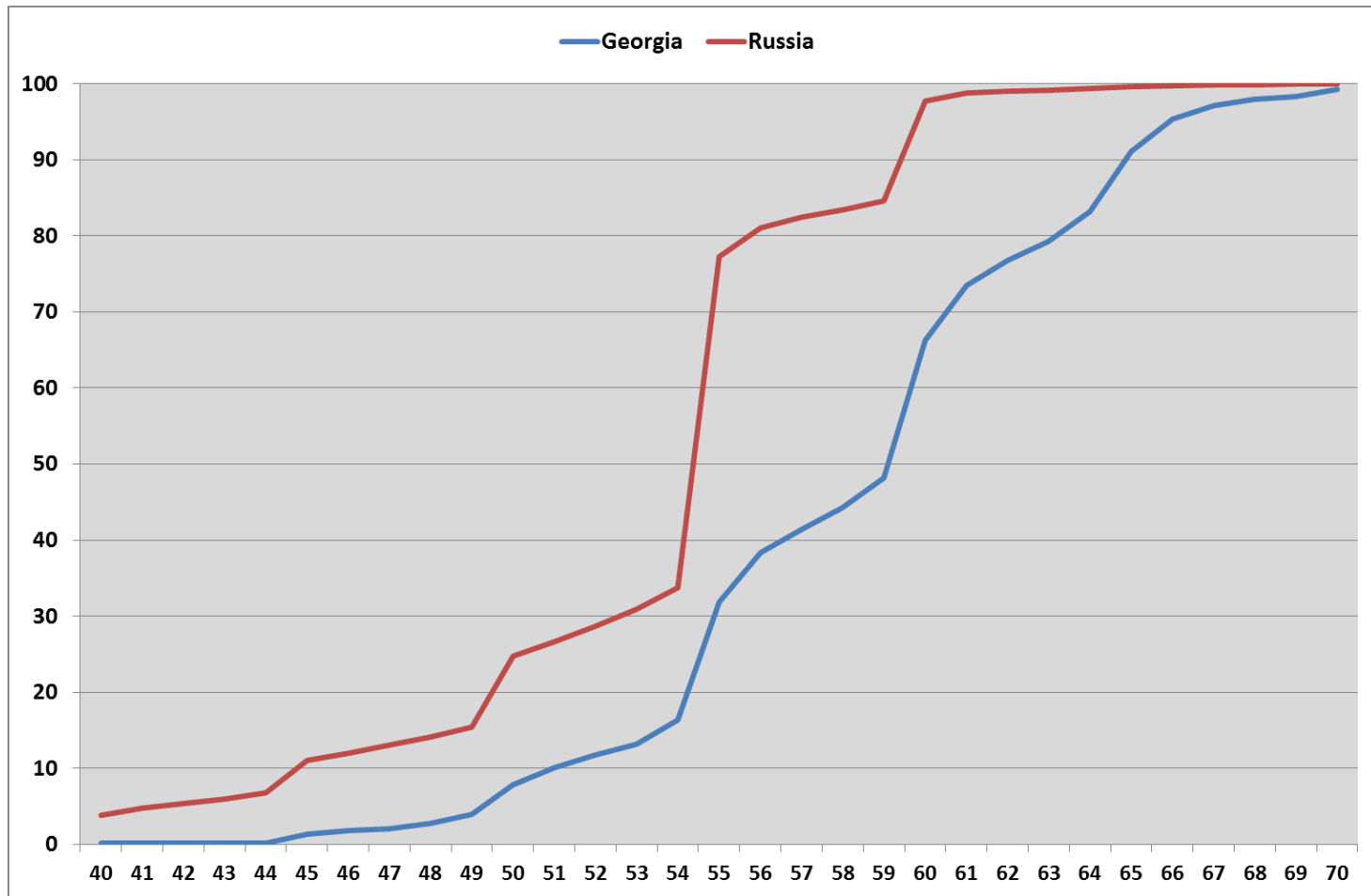
Russia's coming pension crisis



IMF staff projections



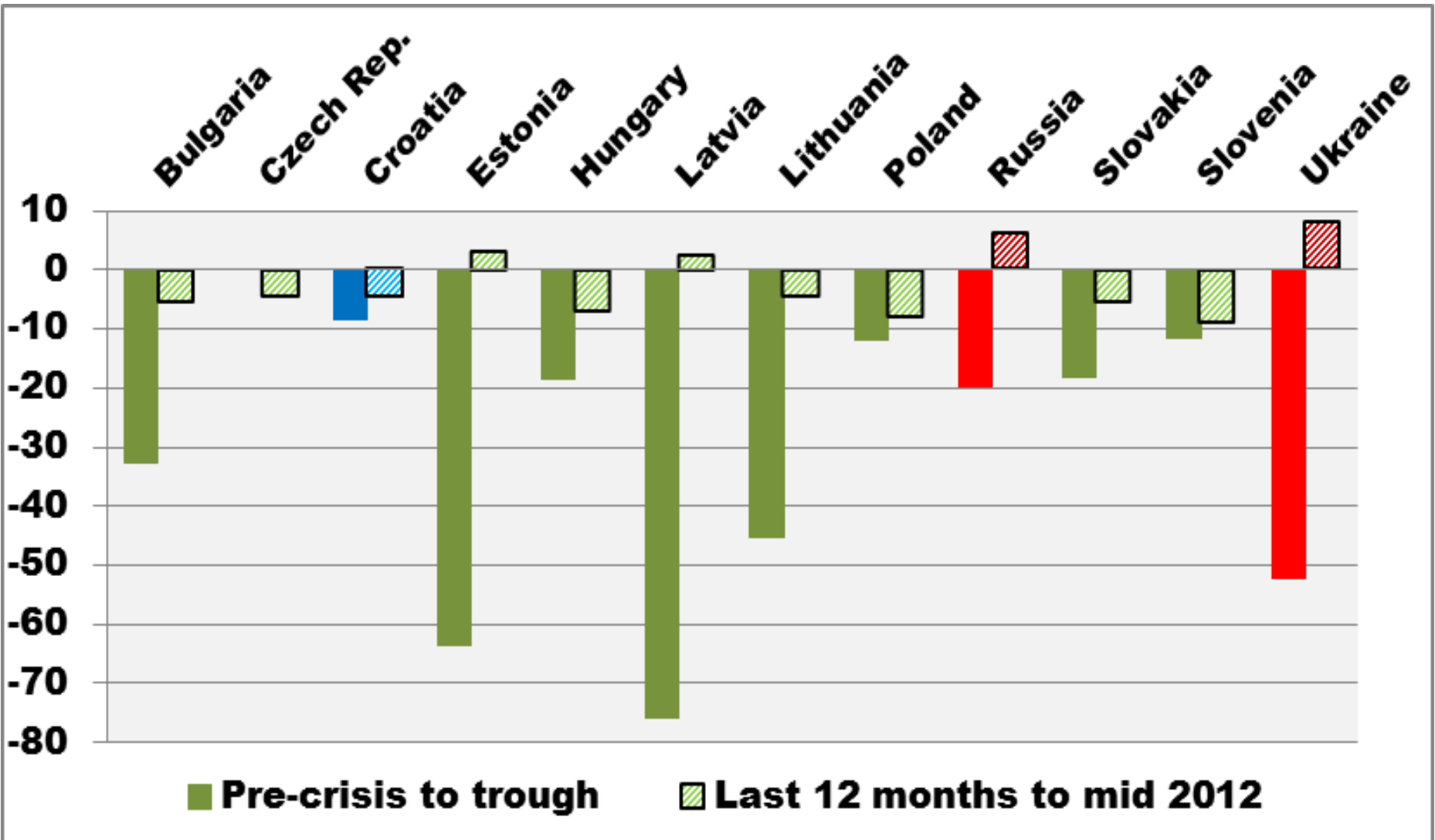
Cumulative percent of workforce retired by a given age



Source: UNECE 2012 MDG Report



Housing Price Trends in EiT & NMS



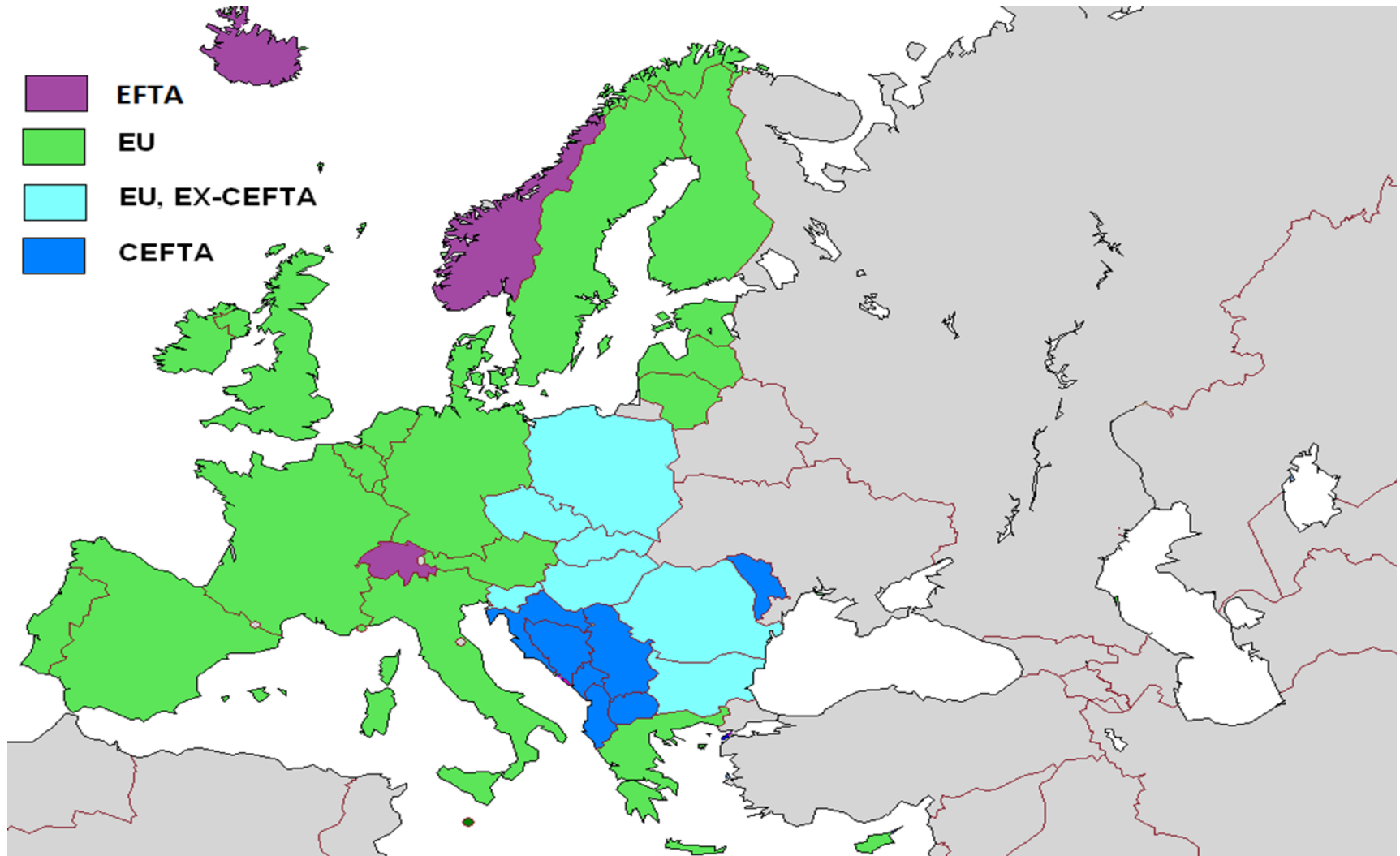


Housing construction in Russia





Trade policy in SEE increasingly structured under the CEFTA





PTAs in the CIS

Note: 9 EiT are not WTO members ✦

