

European Department

The Western Balkans 15 Years of Economic Transition



Vienna
March 10, 2015

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Outline



- Achievements
- Emerging Problems
- Future Challenges



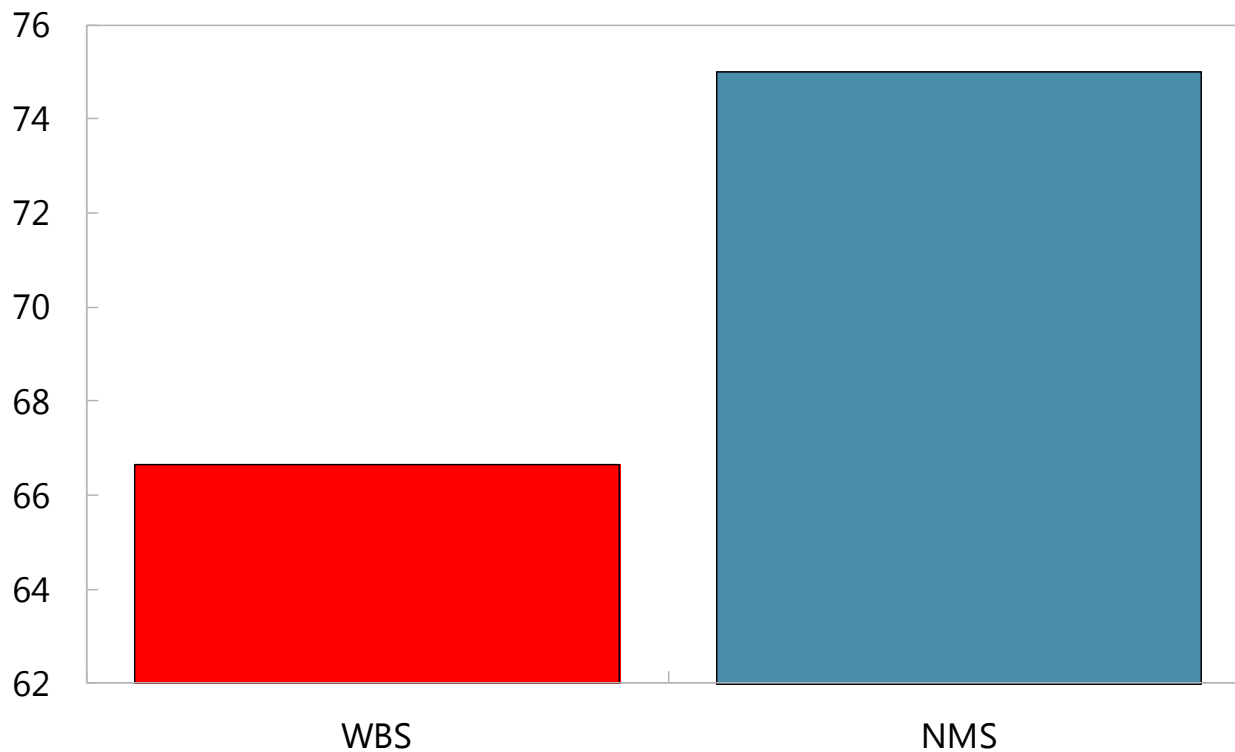
Achievements

A Clear Shift Towards a Market Economy



Private Sector Share of GDP, 2010

(Percent)

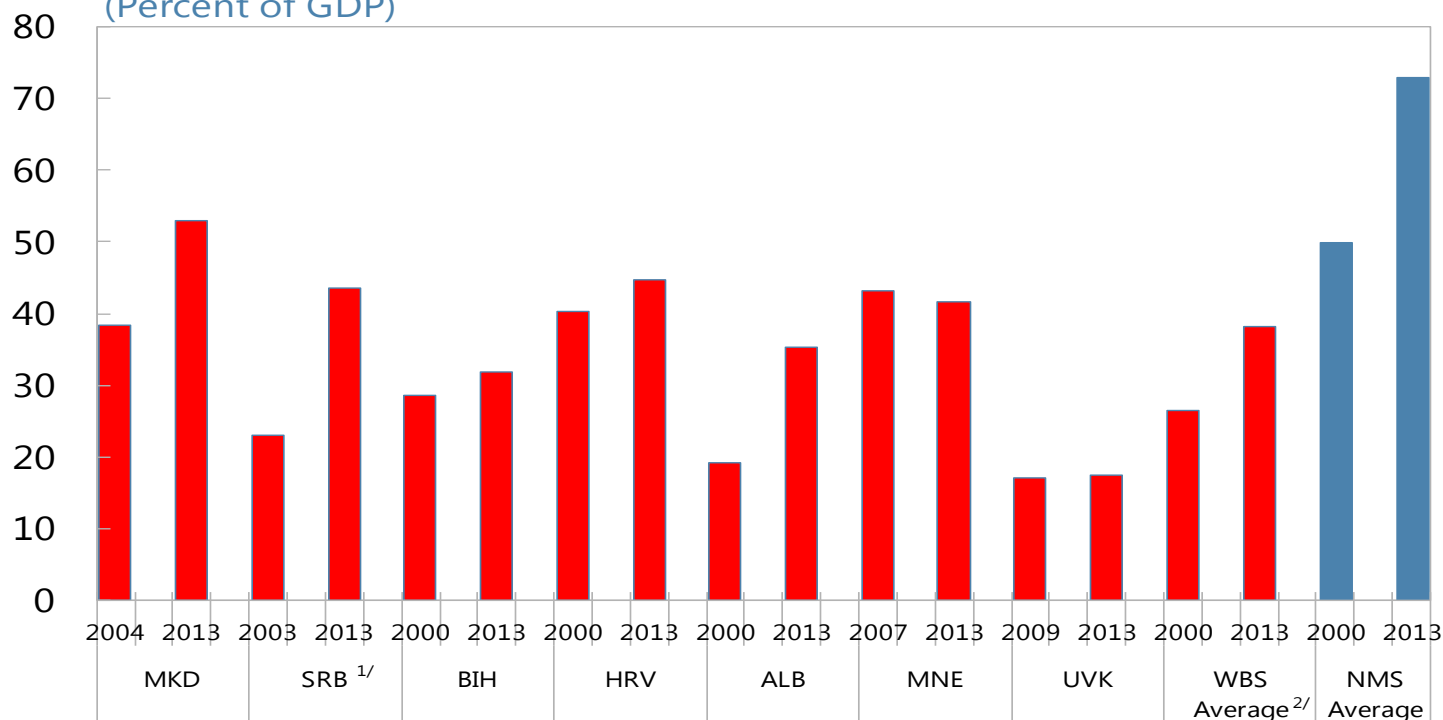


Source: EBRD.

Opening Towards Foreign Markets



Exports of Goods and Services (Percent of GDP)



Sources: World Economic Outlook; and IMF staff calculations.

1/ 2003 data uses Serbia and Montenegro data.

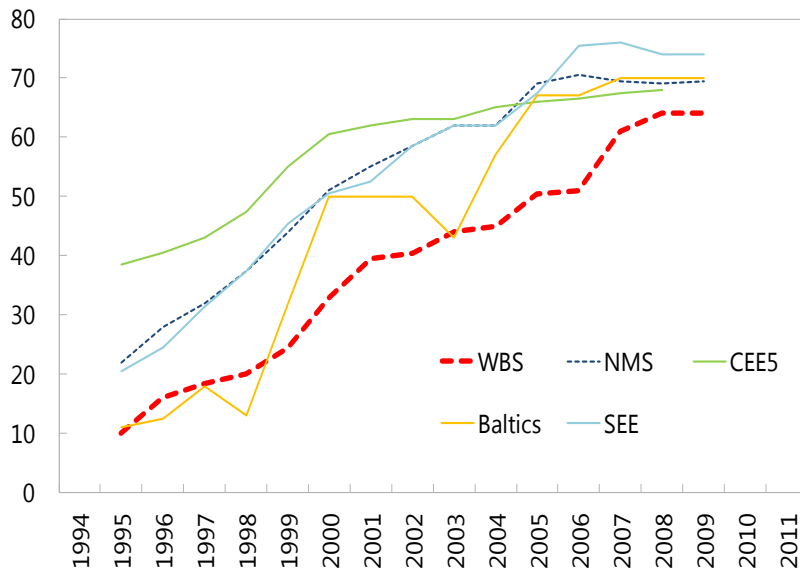
2/ 2000 average uses 2004 data for Macedonia, 2003 data for Serbia and Montenegro.

Big Modernization in Banking



Foreign Bank Ownership

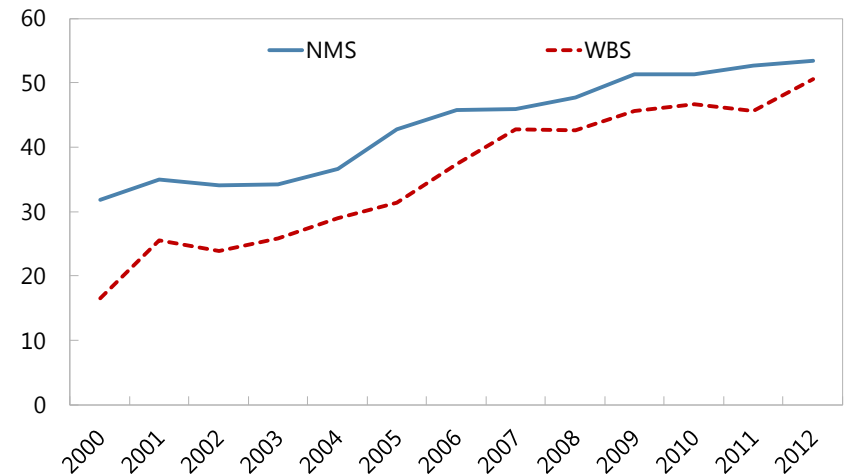
(Group median, in percent share of total banks)



Source: EBRD

Evolution of Deposits

(Percent of GDP) ^{1/}



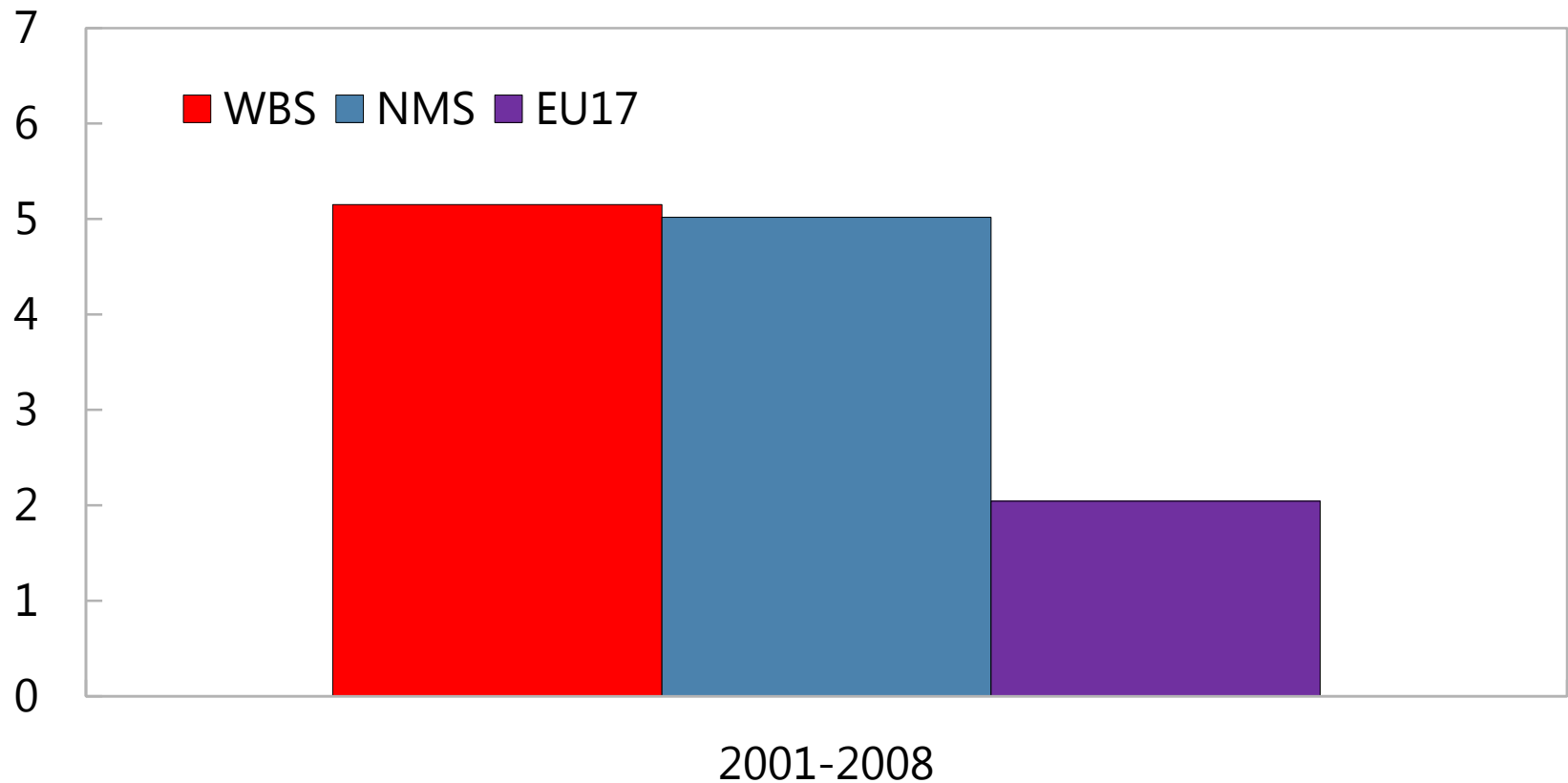
Sources: World Bank FinStat Database; and IMF, International Financial Statistics.
1/ Groupings calculated with medians.

The Payoff: Solid Growth



Average Real GDP Growth

(Weighted average across countries, in percent)



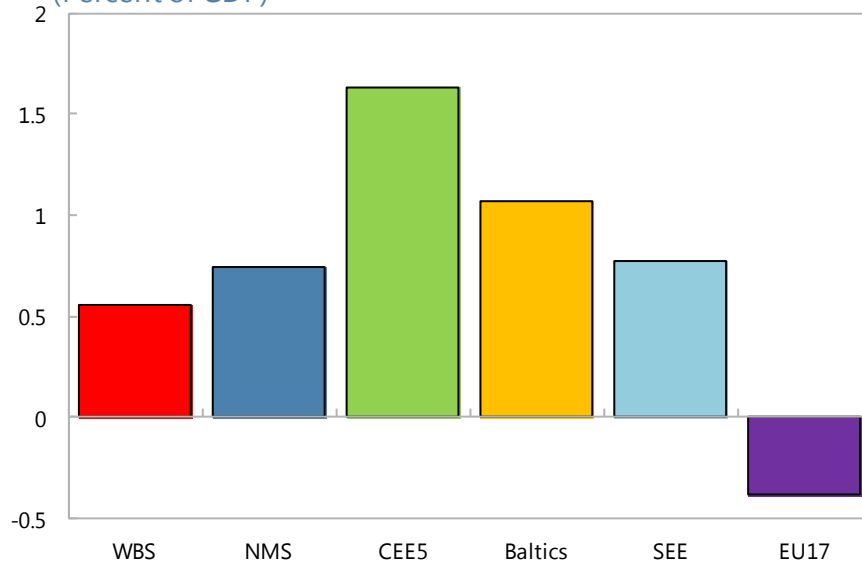
Sources: Penn World Table; WEO; and IMF staff calculation.

The Payoff: Macro Improvement



Primary Balance Average, 2002-08

(Percent of GDP)

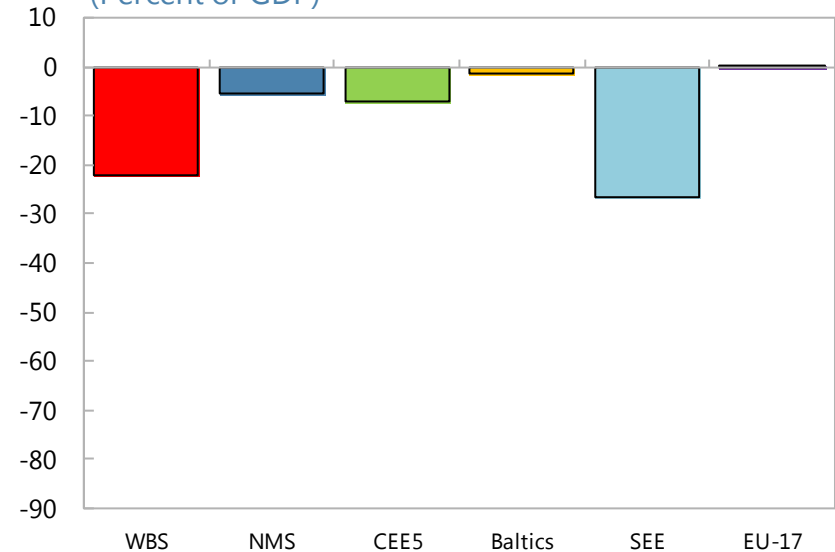


Source: IMF, World Economic Outlook.

Note: Debt data for Kosovo only available after 2009.

Gross Debt Average, 2002-08

(Percent of GDP)



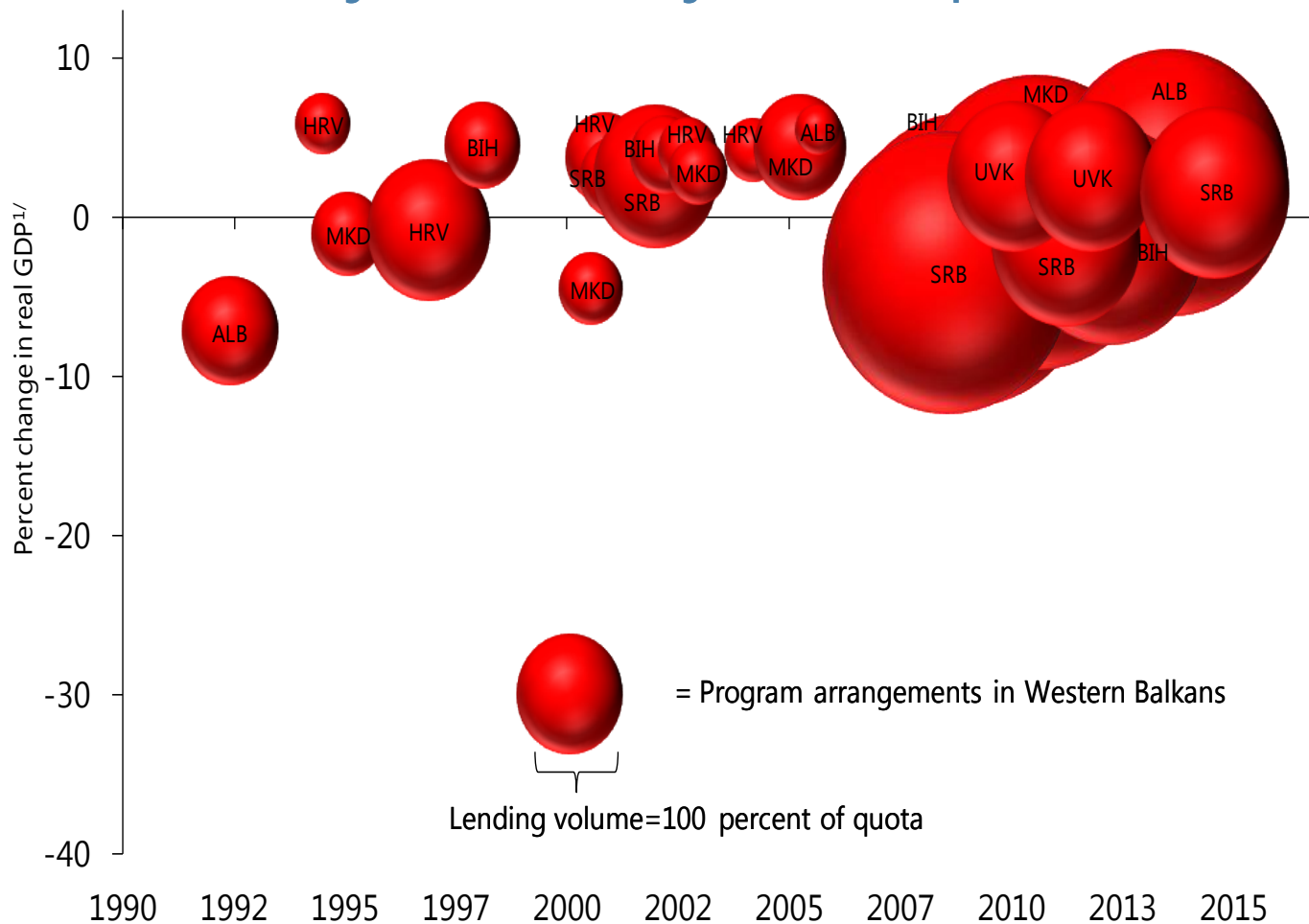
Source: IMF, World Economic Outlook.

Note: Debt data for Kosovo only available after 2009.

IMF Involvement



IMF Programs in WBS - Lending Volume and Output Declines



^{1/} Maximum cumulative decline in three years from program inception (or lowest growth if no decline).



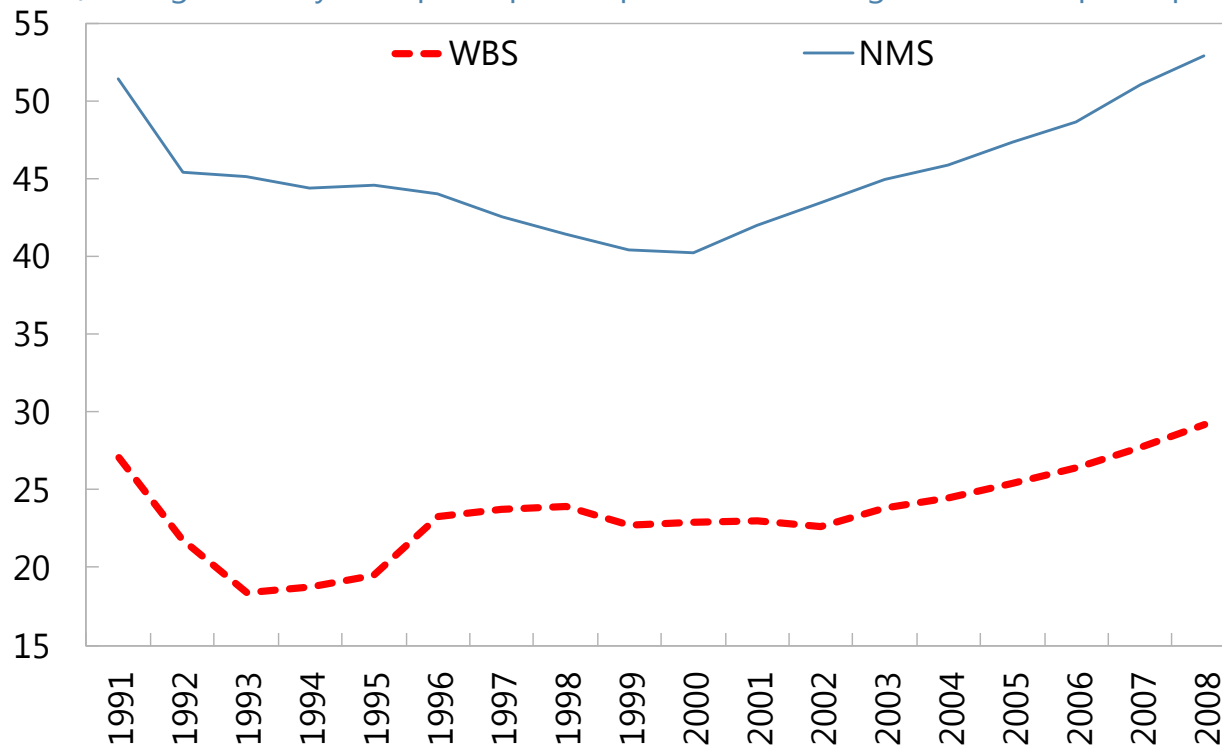
Emerging Problems

Convergence Gap Persisted



Catching up with Advanced Europe

(Average country GDP per capita as percent of average EU17 GDP per capita)

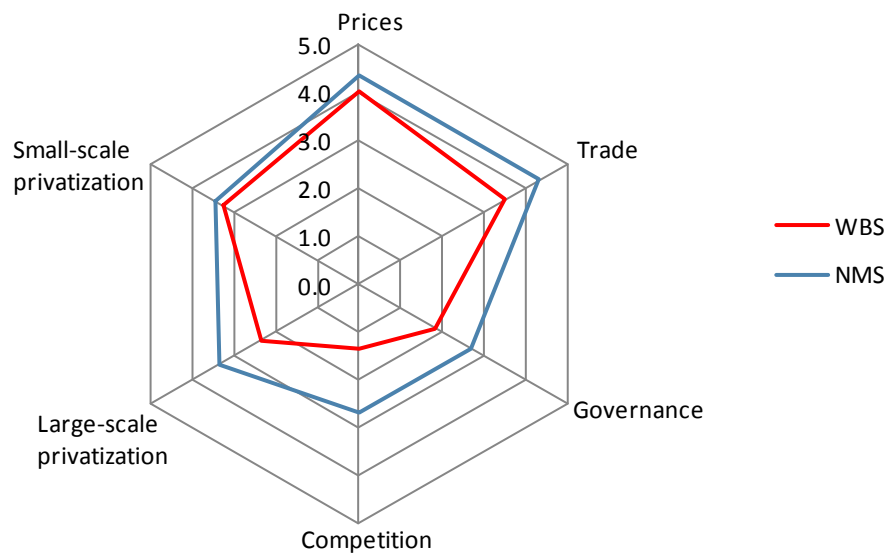


Sources: Penn World Table; and IMF staff calculations.

Reforms Were Incomplete



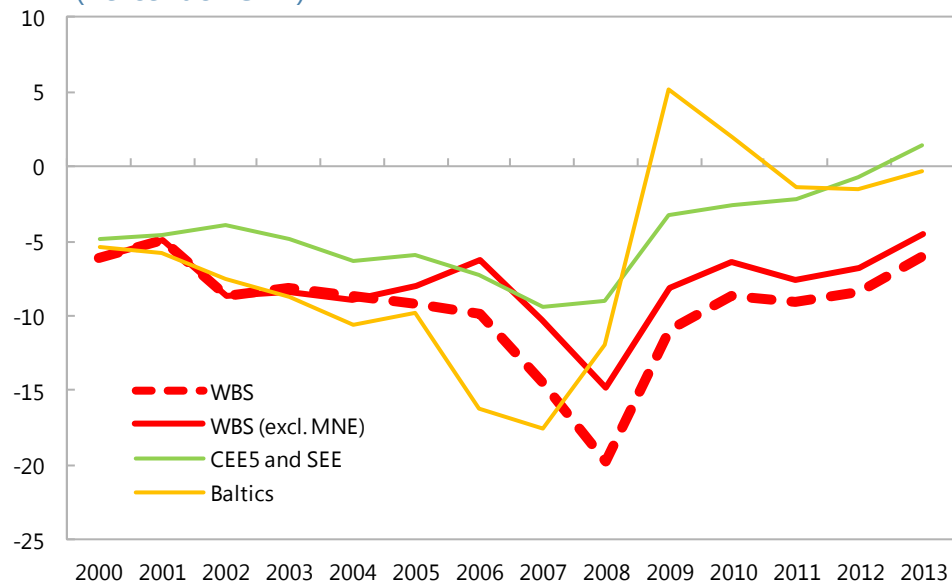
EBRD Indicators Compared
(Median levels in year 2000)



Abundant Liquidity Temporarily Boosted Growth

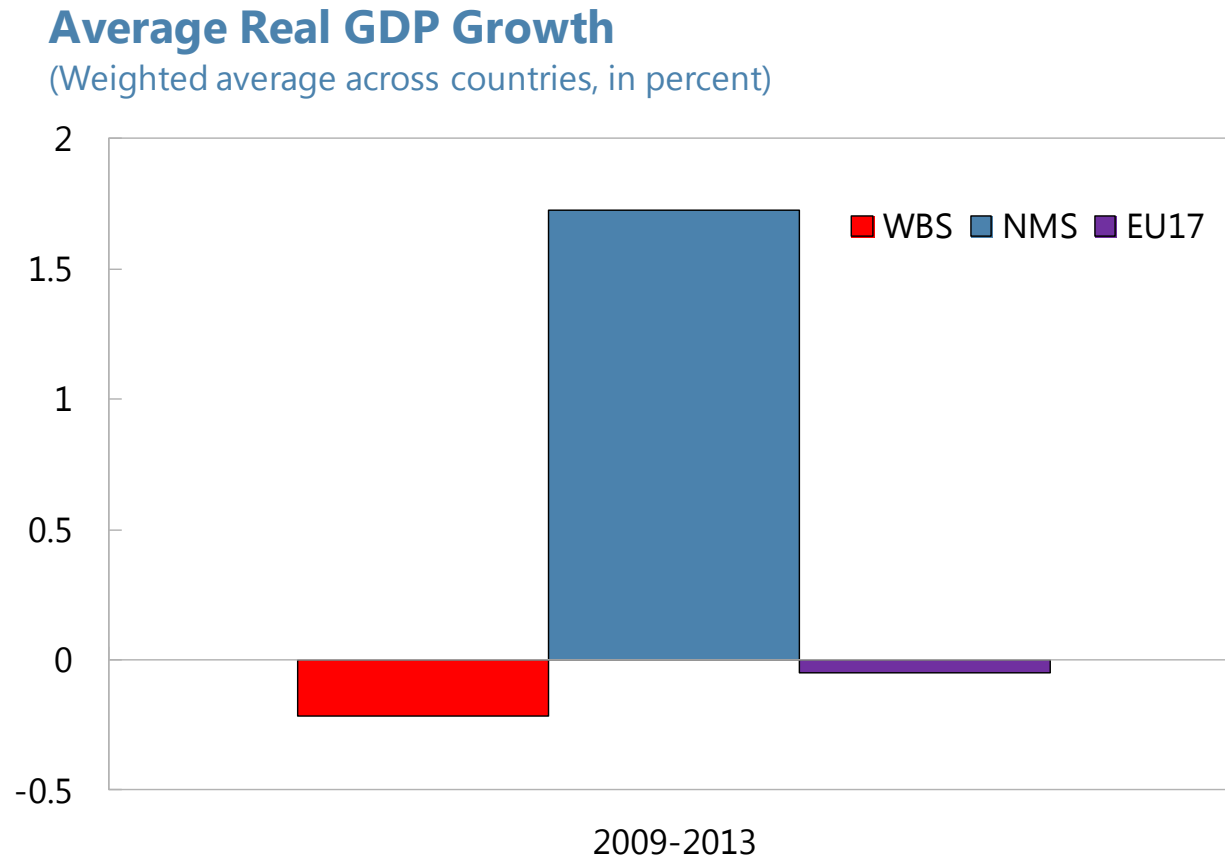


Current Account Balances by Region
(Percent of GDP)



Sources: IMF, World Economic Outlook and IMF staff estimates.

The Crisis Exposed the Incomplete Transformation



Sources: Penn World Table; WEO; and IMF staff calculation.



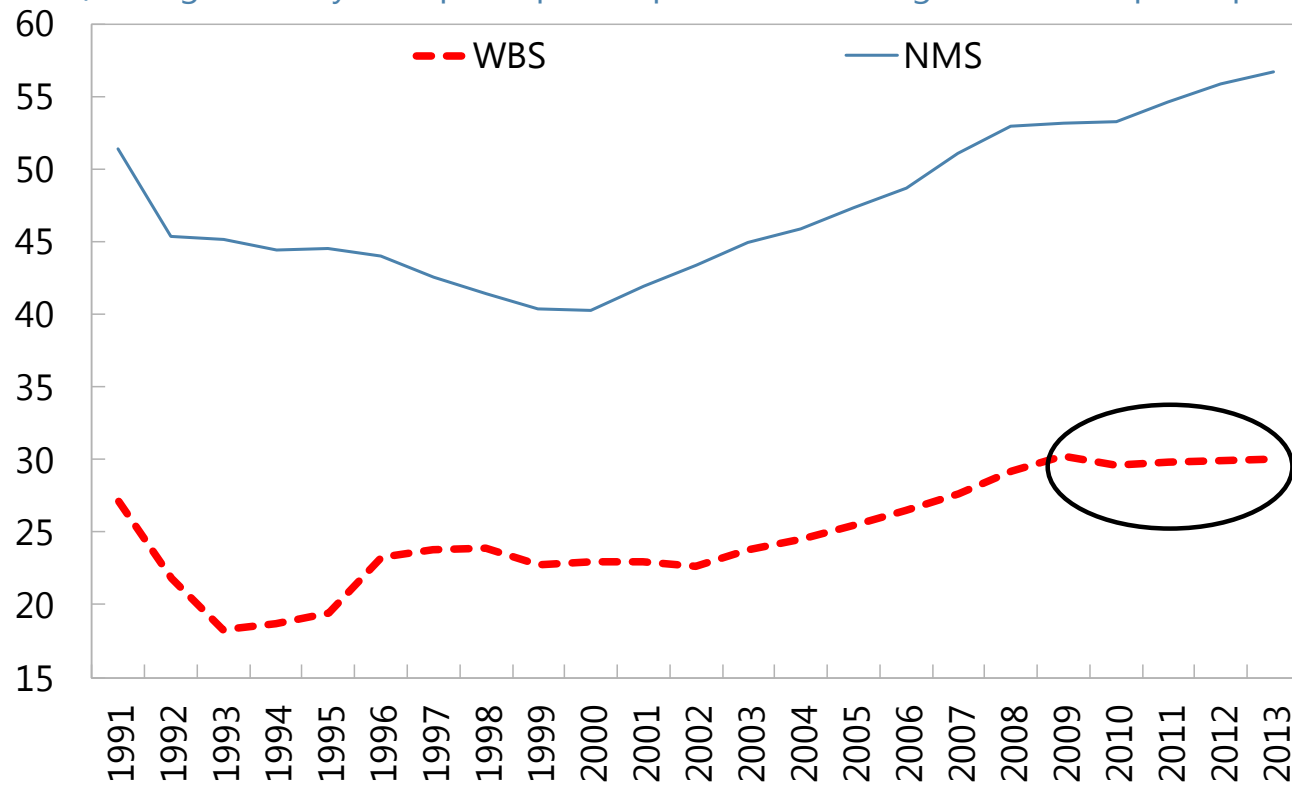
Future Challenges

Needed: Faster Growth to Resume Income Convergence



Catching up with Advanced Europe

(Average country GDP per capita as percent of average EU17 GDP per capita)



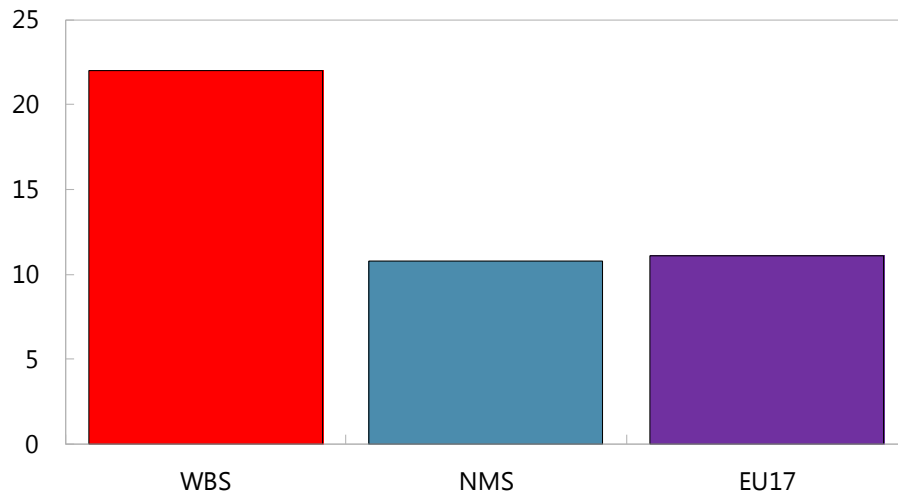
Sources: Penn World Table; and IMF staff calculations.

Needed: More Inclusive Growth to Address Poor Labor Market Outcome



Unemployment Rate, 2013

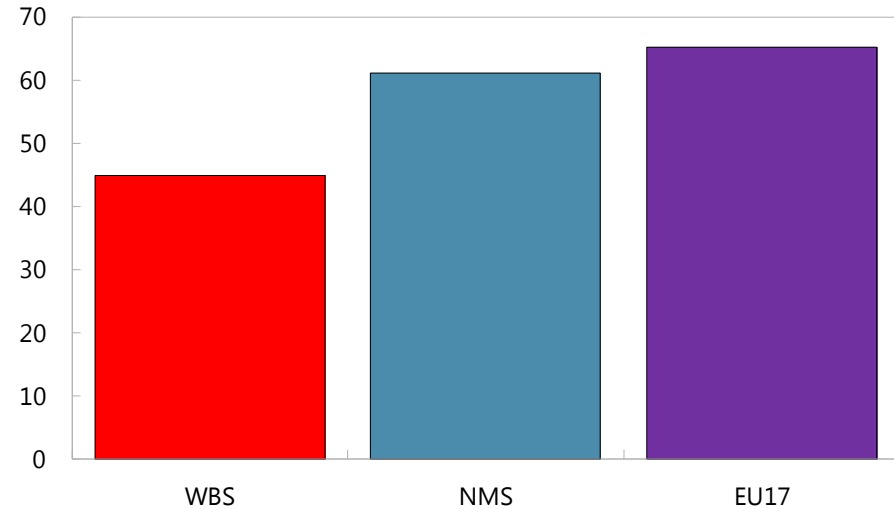
(Percent)



Sources: Country authorities; OECD; Haver; Eurostat; and IMF staff calculations.

Employment Rate, 2013

(Percent)



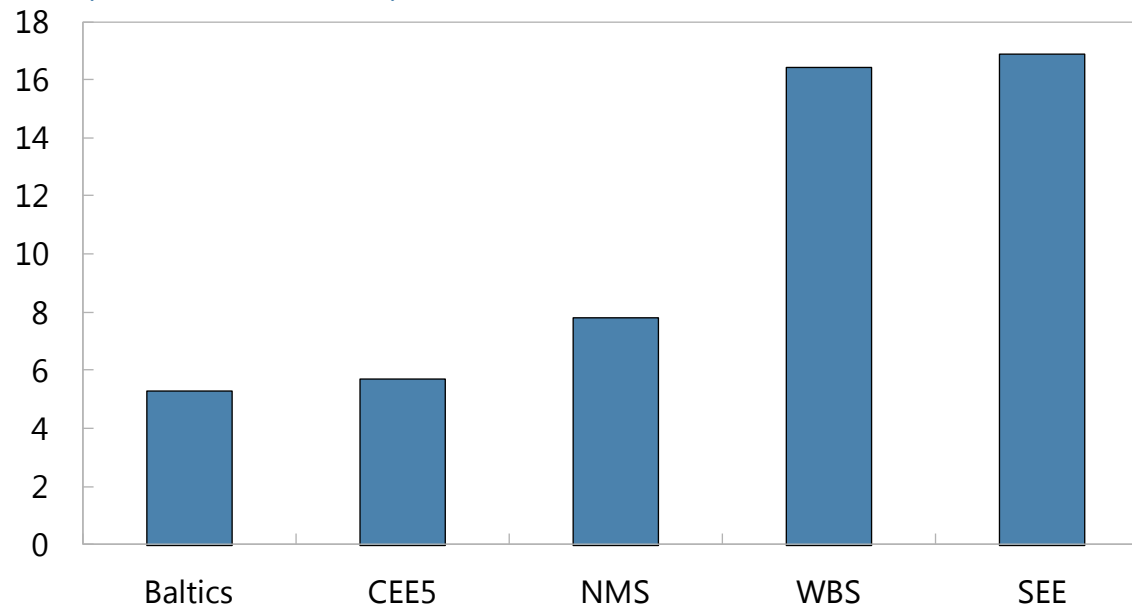
Sources: Country authorities; OECD; Haver; Eurostat; and IMF staff calculations.

How: Tackling the Large Stock of NPLs to get Credit Flowing



Non-Performing Loans

(Percent of total loans)

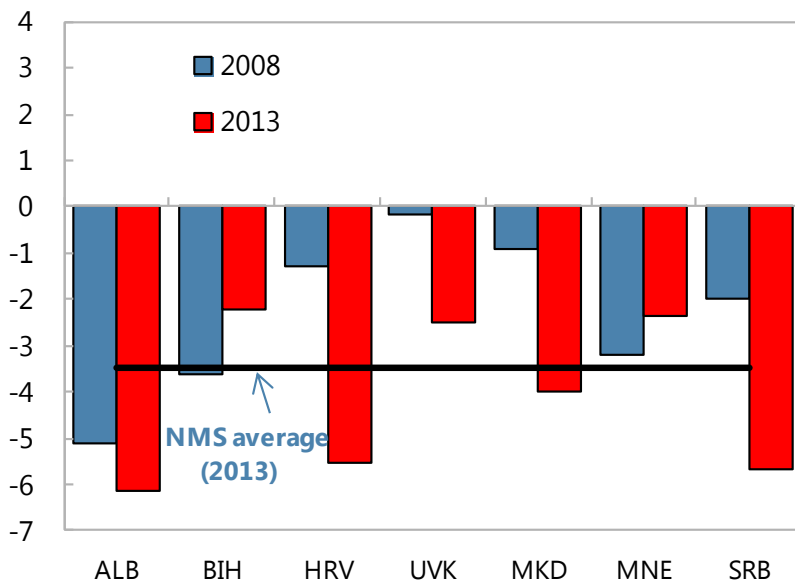


Sources: IMF, Financial Soundness Indicators Database; and country authorities.
Note: Group medians. Definition of NPL may differ by country. Data are the latest available for each country.

How: Repair Fiscal Positions and Secure Sustainability

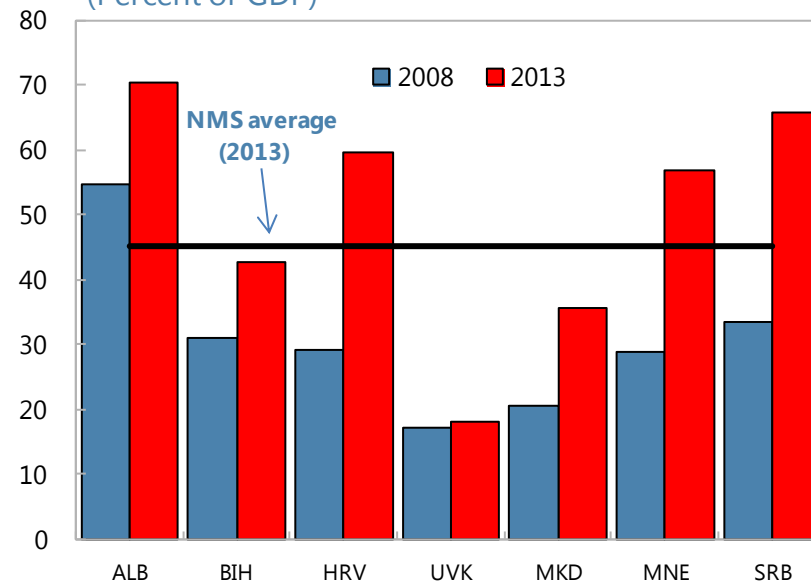


Overall Fiscal Balances in 2008-13
(Percent of GDP)



Source: IMF, World Economic Outlook.

Gross Debt in 2008-13
(Percent of GDP)



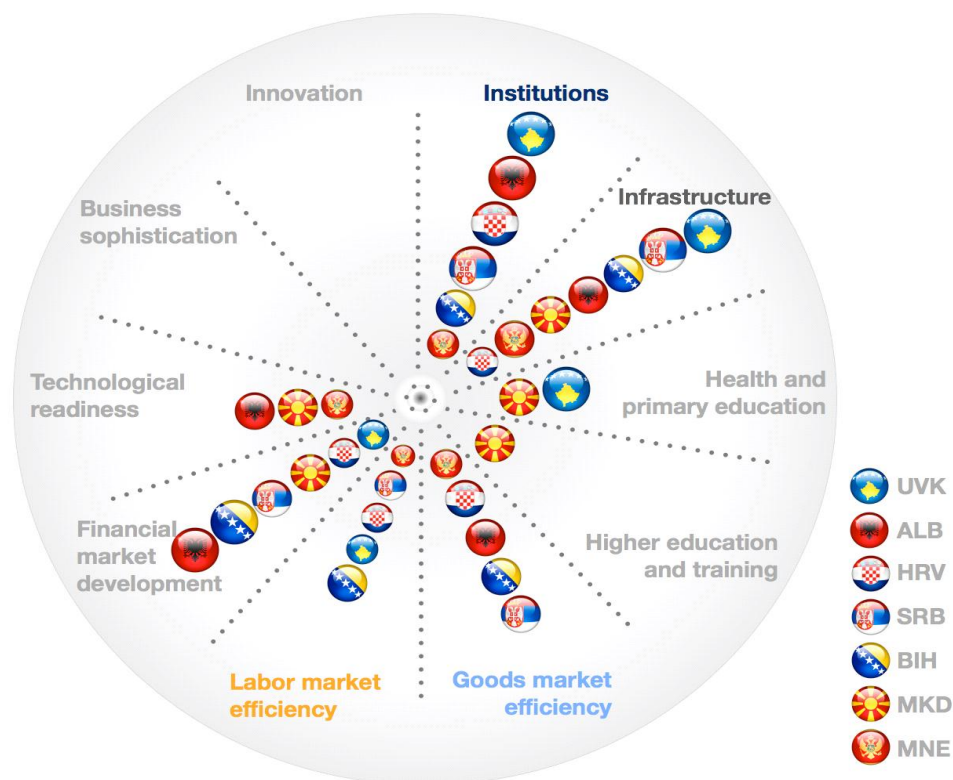
Source: IMF, World Economic Outlook.

Note: 2008 data for UVK is unavailable, 2009 data was used instead.

How: Resuming Structural Reforms



Top 5 Reform Priorities for Each of the WB States^{1/2/}



1/ These are assessed relative to the NMS in each of the 10 main pillars of the Global Competitiveness Index.

2/ Larger bubbles represent reform areas that receive a higher rank ordering.

Note: For Kosovo, a different methodology was used as GCI data is not available for the country.

Momentum is Turning



- Commitments to consolidate
- Ambitious structural reform programs

European Department

