

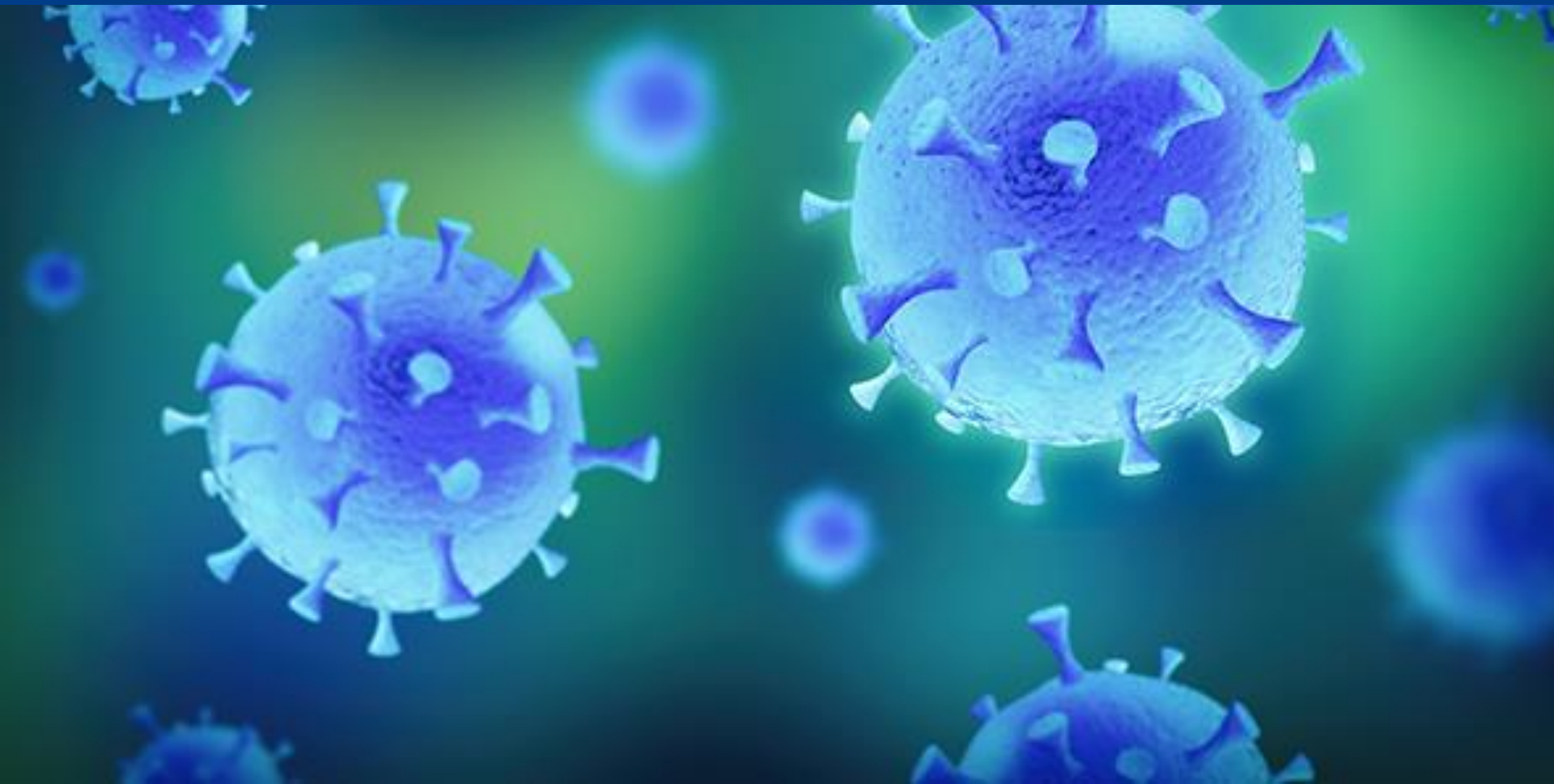
# REGIONAL ECONOMIC PROSPECTS IN THE EBRD REGIONS

April 2020



European Bank  
for Reconstruction and Development

## Covid-19: From shock to recovery



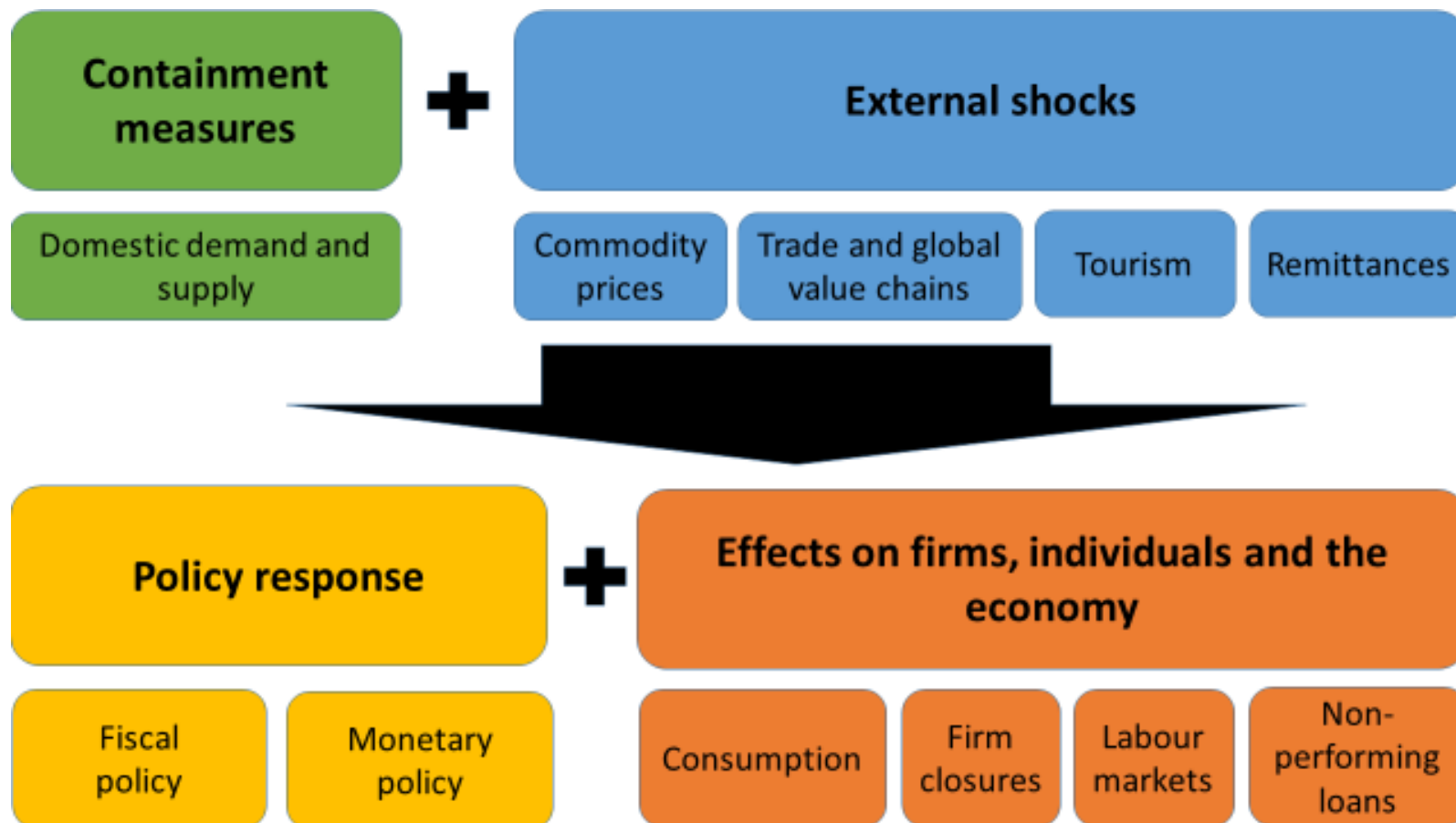
# Economic impact of domestic containment measures is compounded by external shocks



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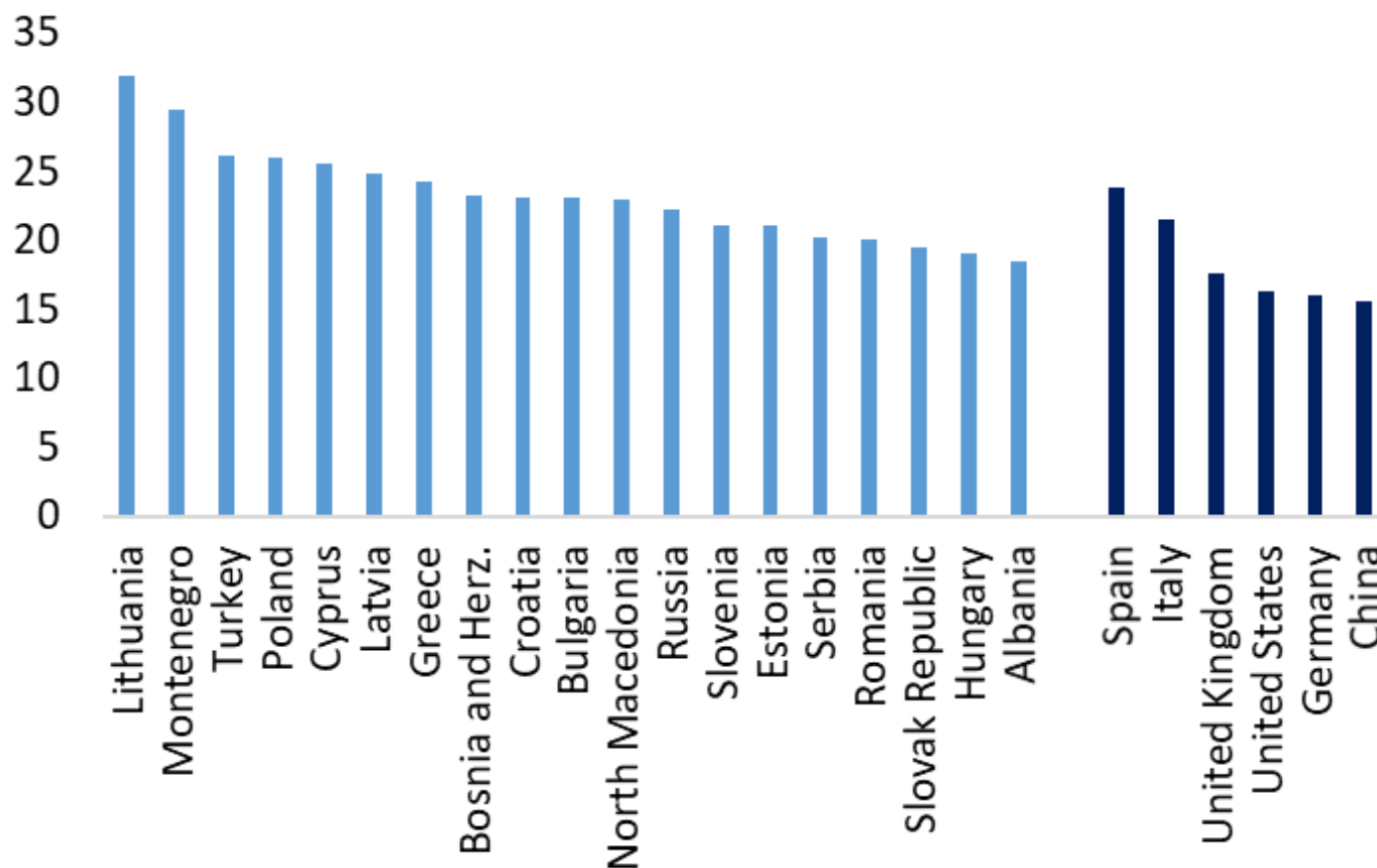
Containment measures aimed at slowing down the spread of the virus affect domestic demand (due to restrictions on consumptions, people spending less) and domestic supply (as fewer people can work)

Channels through which the Covid-19 crisis could affect the EBRD regions



# Effects of domestic containment measures will be greater where services account for a larger share of GDP

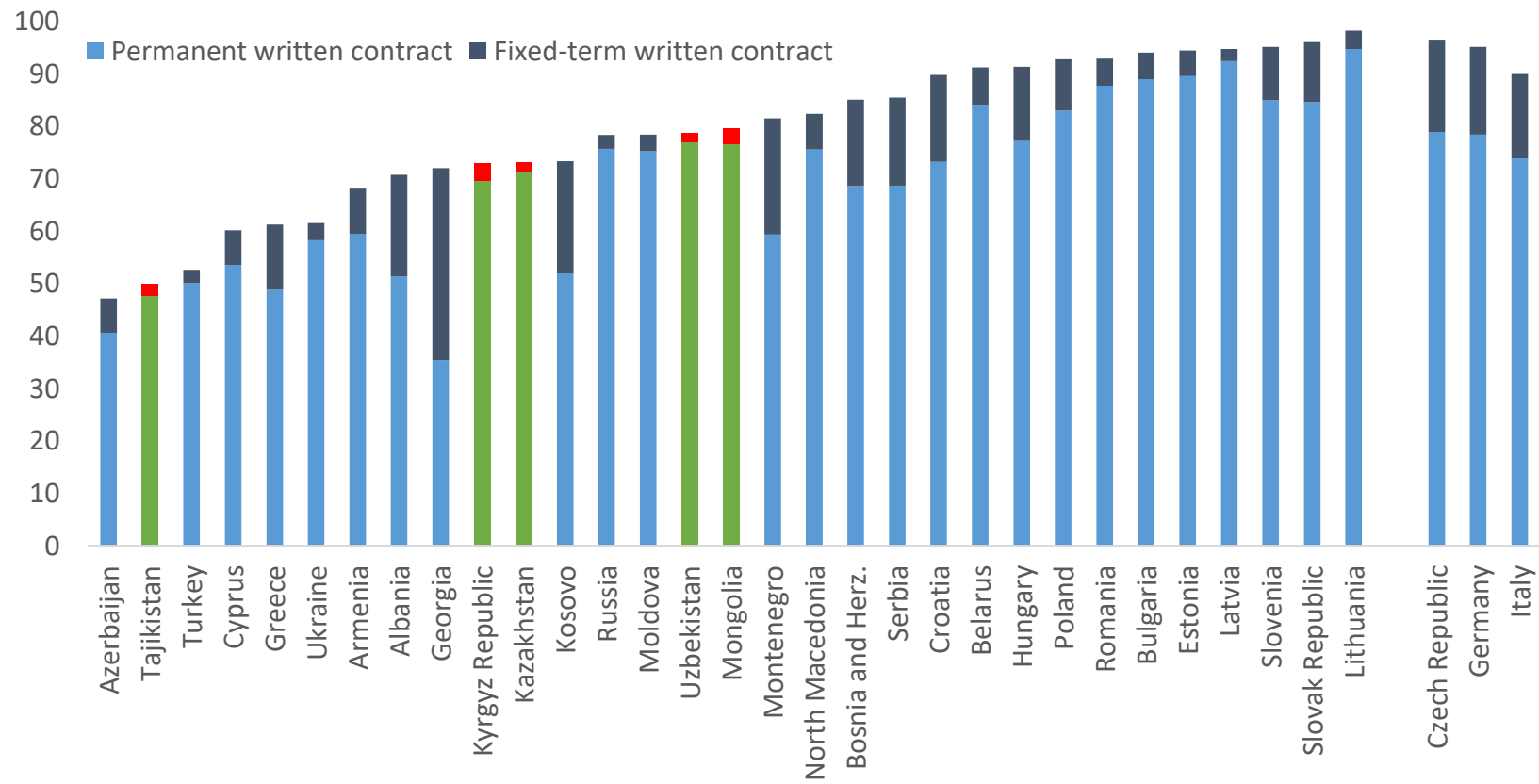
Wholesale and retail trade, transport, accommodation and food service activities as a share of GDP, 2018 (per cent)



# Impact may be greater where informality is higher and permanent contracts less prevalent

Most people do not have permanent contracts in Central Asia, Eastern and South-eastern Europe

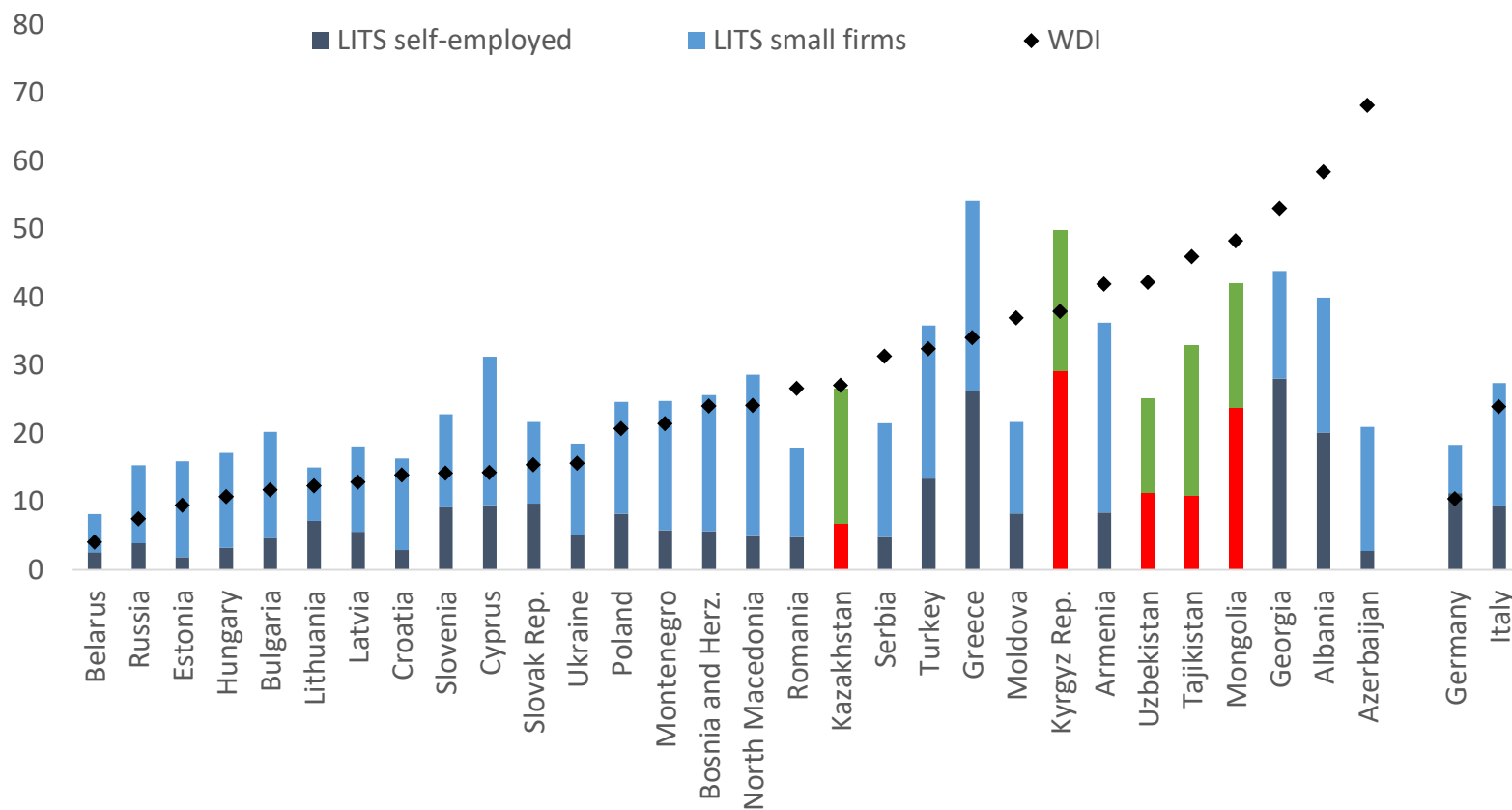
Share of those employed in the last year by contract type, 2016 (per cent)



# Effects may be greater where self-employment is more widespread

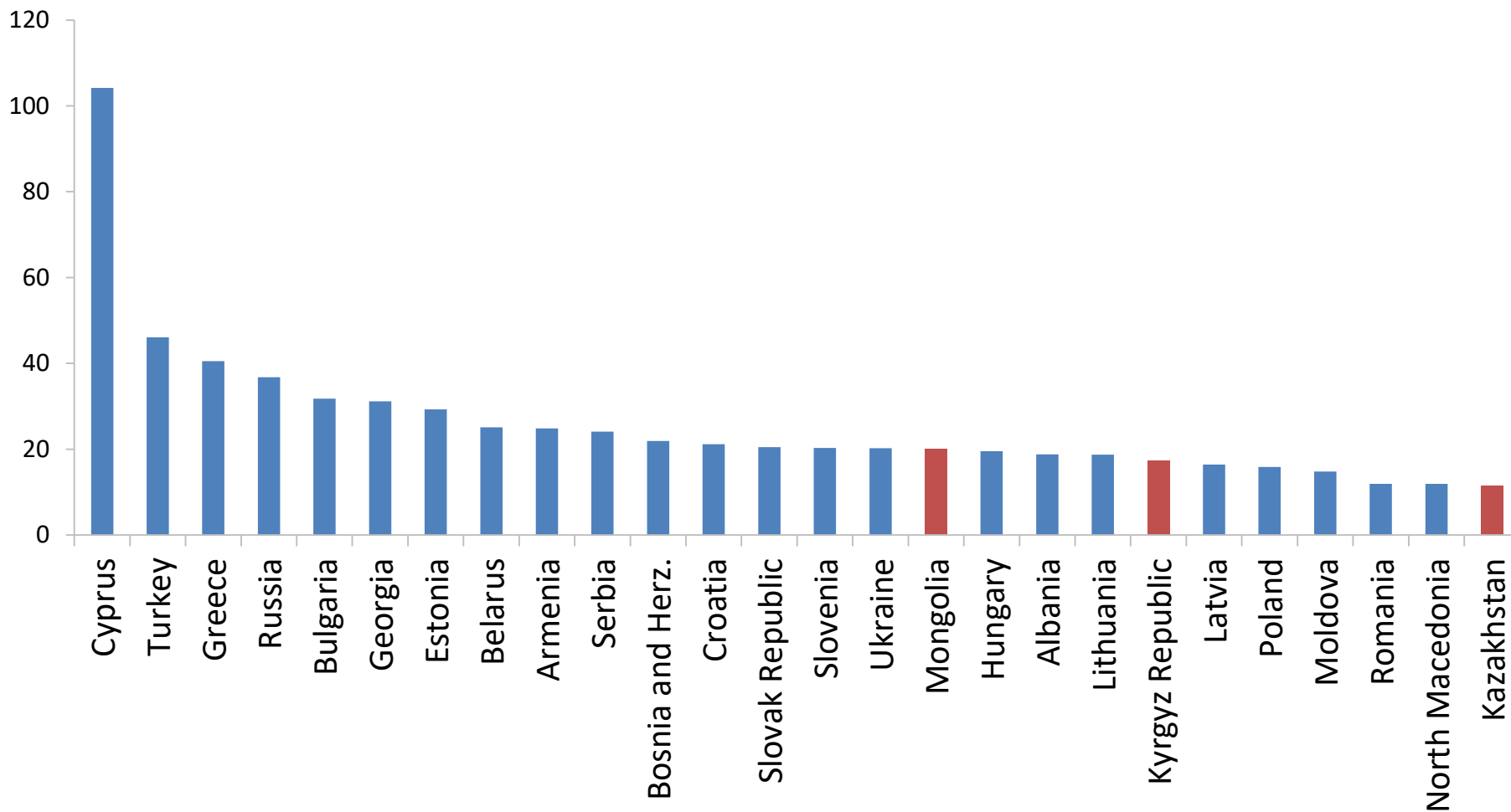
Share of self-employment is particularly high in the Caucasus and Central Asia

Share of self-employment and small firm employment, 2016 (per cent)



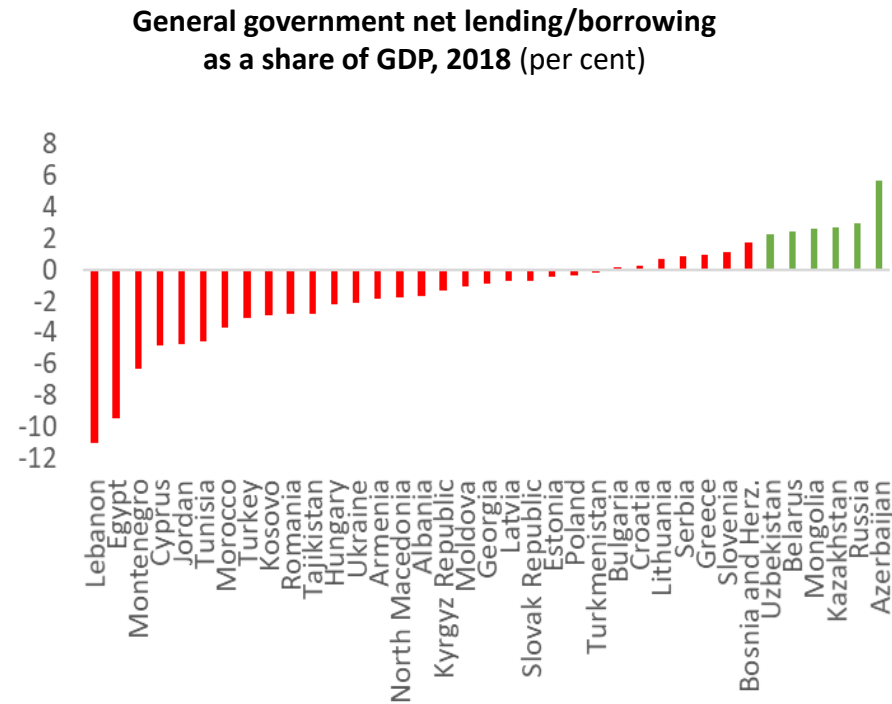
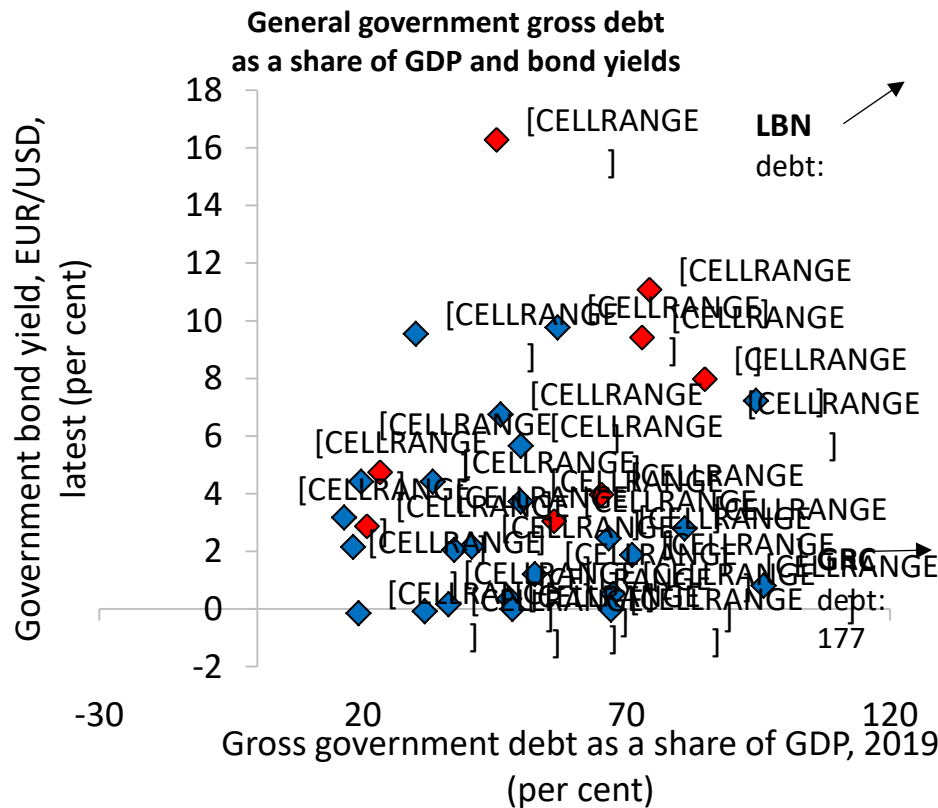
# Firms with already high levels of debt face greater risks

Corporate domestic debt as a share of GDP, 2019 (per cent)



# Fiscal space available to countries to finance crisis response measures varies

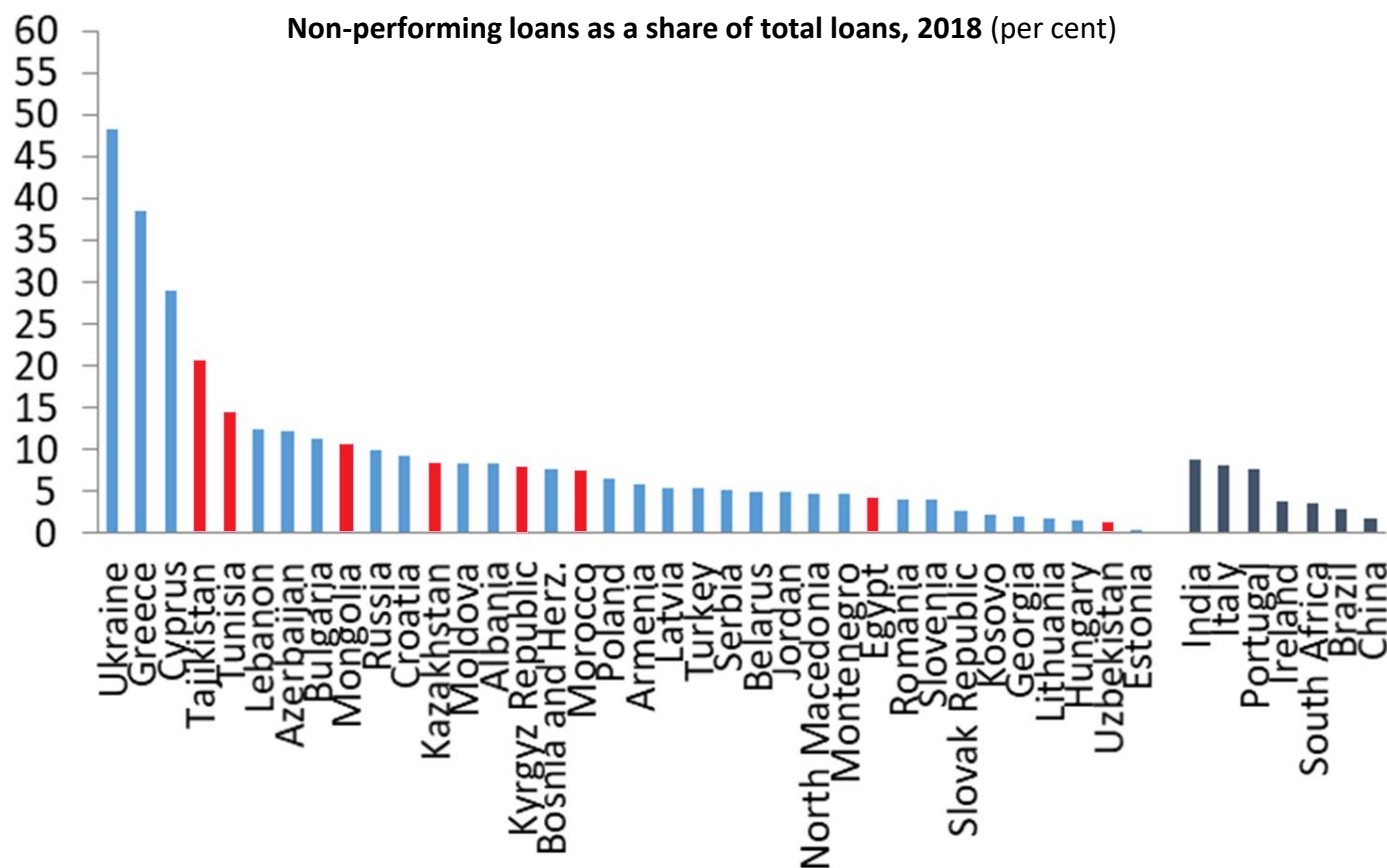
The cost of borrowing in financial markets is already high in some countries such as Russia, Turkey and Ukraine



# Policy response also focused on lower interest rates, liquidity support, guidelines on forbearance

The crisis may compound the already high levels of non-performing loans in a number of countries

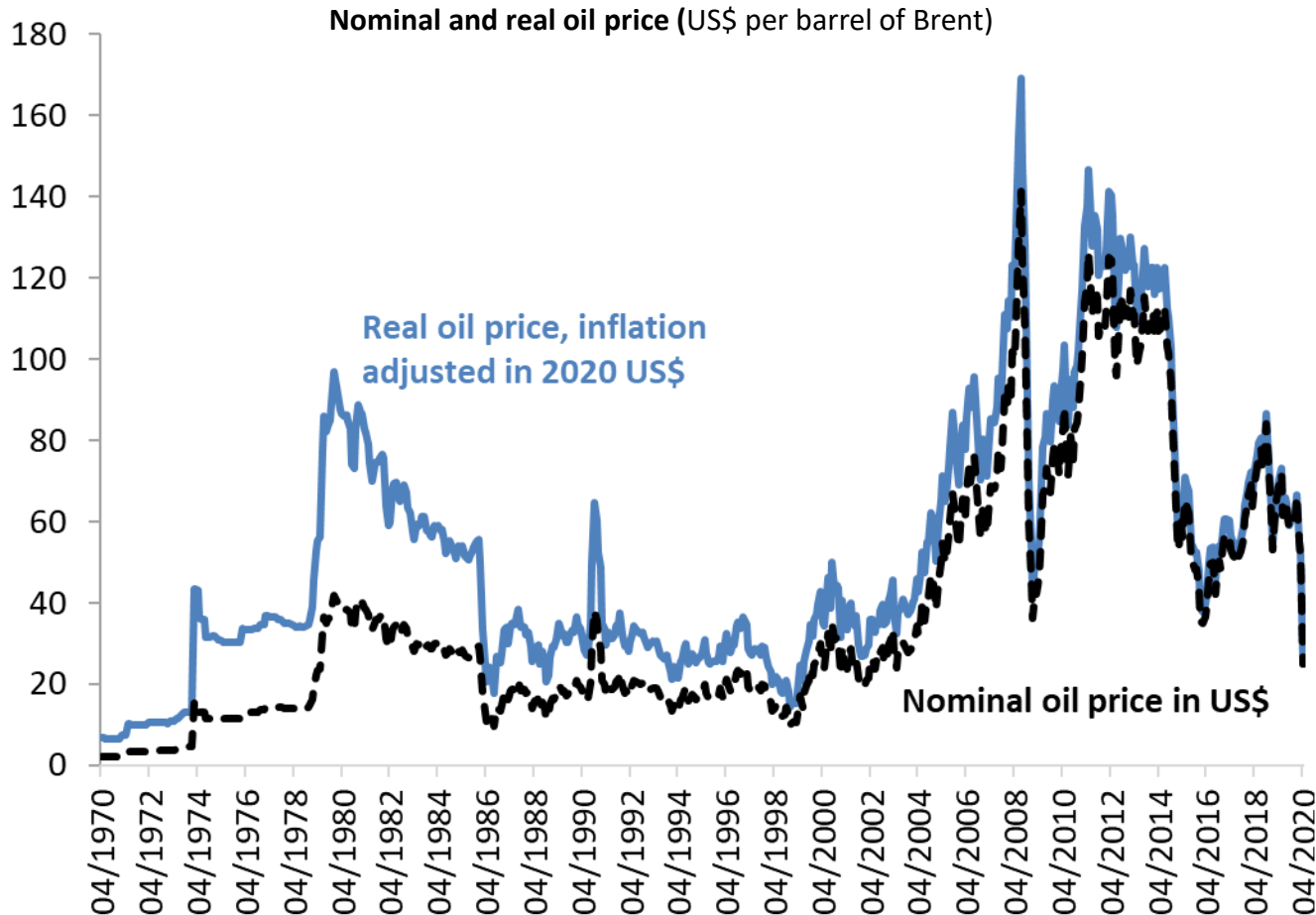
If protracted lockdowns, concerns about maintaining culture of paying bills on time – key market institution





# Oil price drop to levels last seen in 1999 (in inflation-adjusted terms) on weak outlook

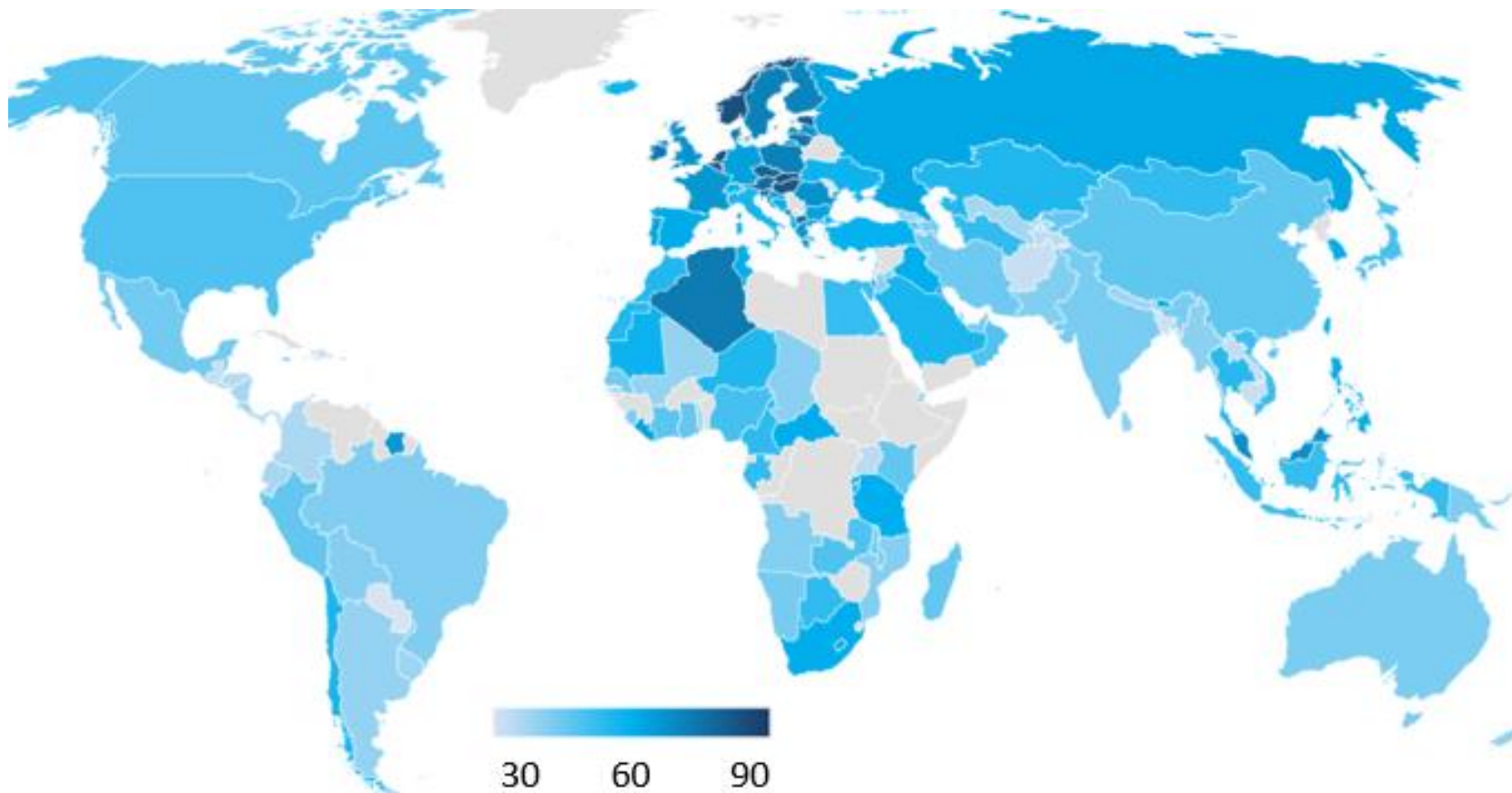
As Russia refused to agree production cuts with OPEC and Saudi Arabia increased production



# Disruptions to trade and global value chains will hurt highly integrated countries in the EBRD regions

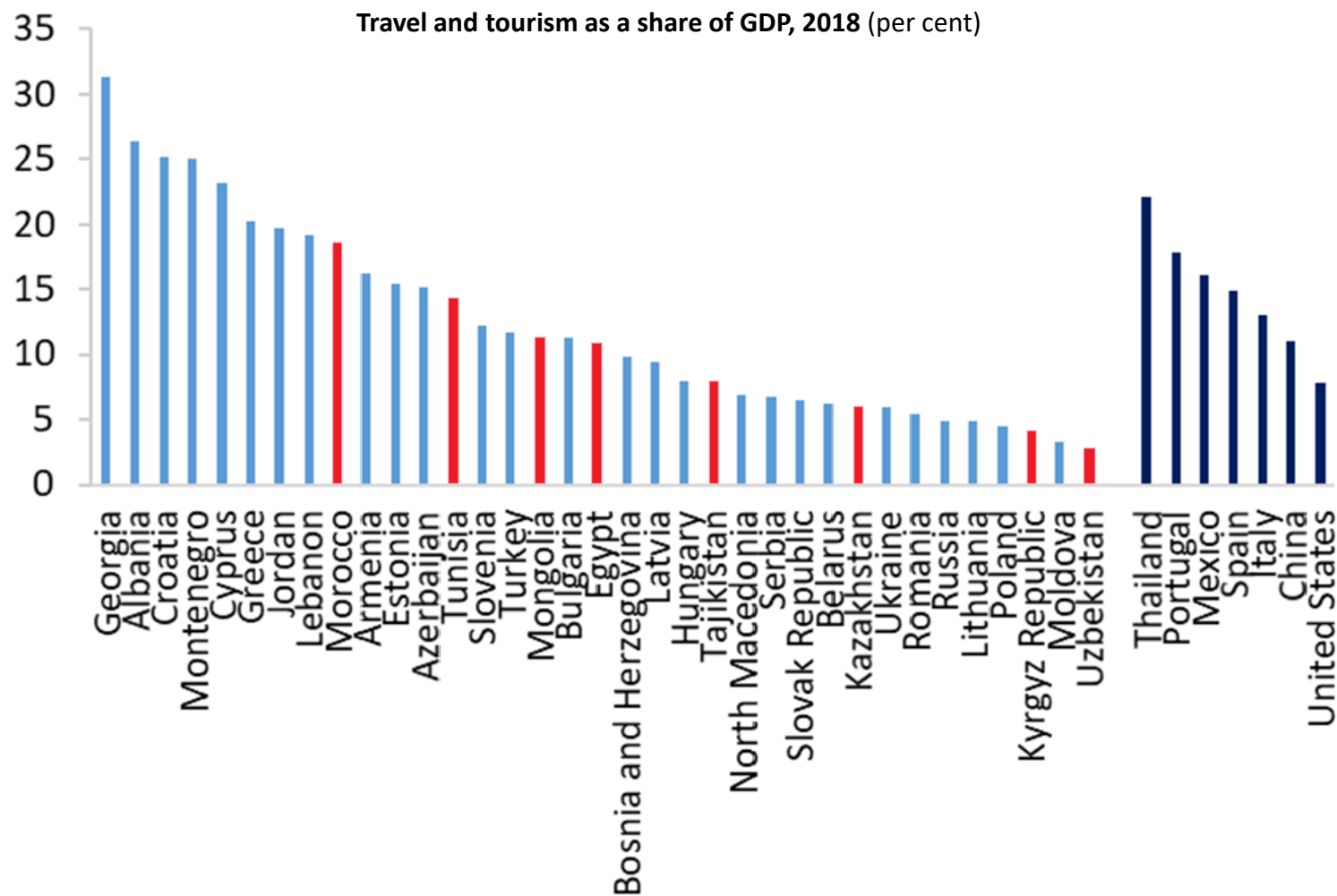
Many car plants around the world, including in Serbia, had to halt production due to missing parts early

Global value chain participation as a share of exports, 2018 (per cent)



# Several economies in the EBRD regions are highly vulnerable to collapse in global tourism

Tourism revenues exceed 20% of GDP in Georgia, Albania, Croatia, Montenegro, Cyprus and Greece



# Some countries in the EBRD regions are highly dependent on remittances

Remittances are concentrated in terms of source countries (Russia, the Gulf Cooperation Council, France, Germany and Italy), making recipient countries vulnerable to large shocks hitting the sending economies

Remittances received as a share of GDP (per cent)

