Taming inflation

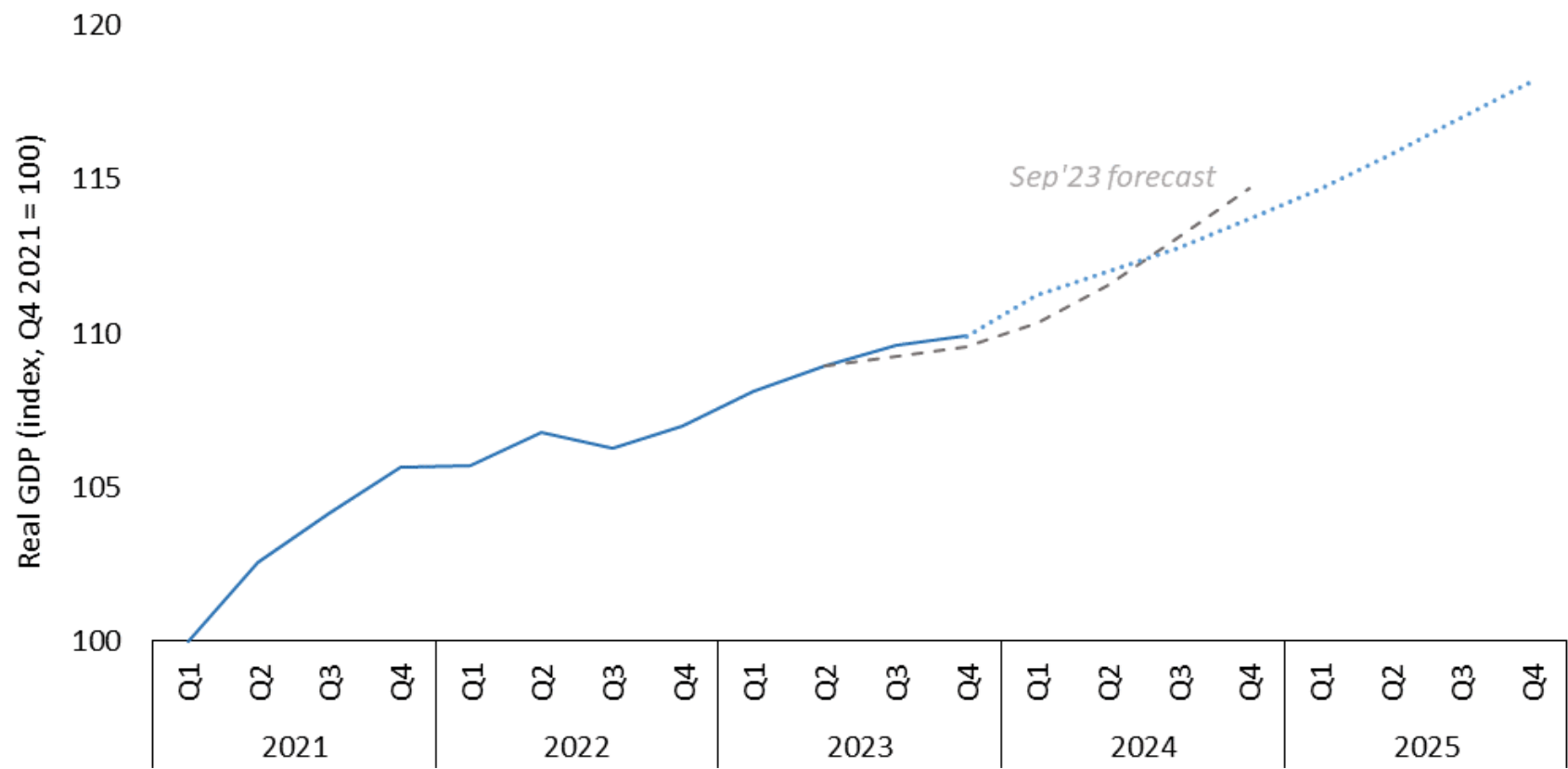*Regional Economic Prospects, May 2024*

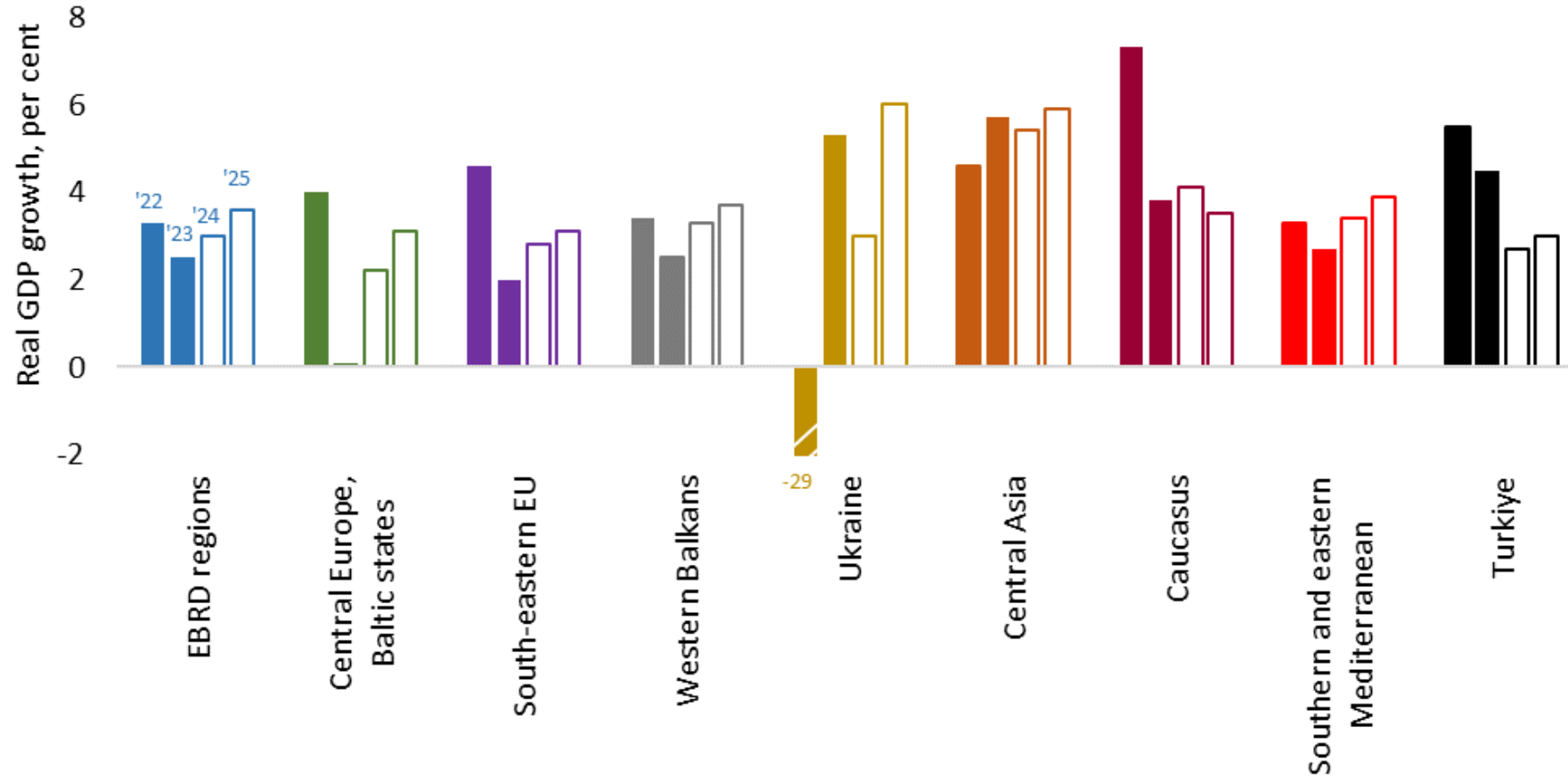European Bank
for Reconstruction and Development

Growth in the EBRD regions expected to pick up from 2.5% in 2023 to 3% in 2024 and 3.6% in 2025 (a downward revision of 0.2 ppt since September 2023 forecast)

2023 outcome was in line with expectations, and below global growth of 2.7%

on high energy prices and subdued growth in advanced Europe

Growth is expected to pick up in 2024 across most of the EBRD regions – but is forecast to moderate in Central Asia and Turkiye from high levels seen in 2023


Real GDP growth, per cent

'22 '23 '24 '25

EBRD regions
Central Europe, Baltic states
South-eastern EU
Western Balkans
Ukraine (-29)
Central Asia
Caucasus
Southern and eastern Mediterranean
Turkiye

Disinflation proceeded more quickly than expected a year ago and has also been faster than in earlier episodes

Source: National authorities via Refinitiv and authors' calculations.
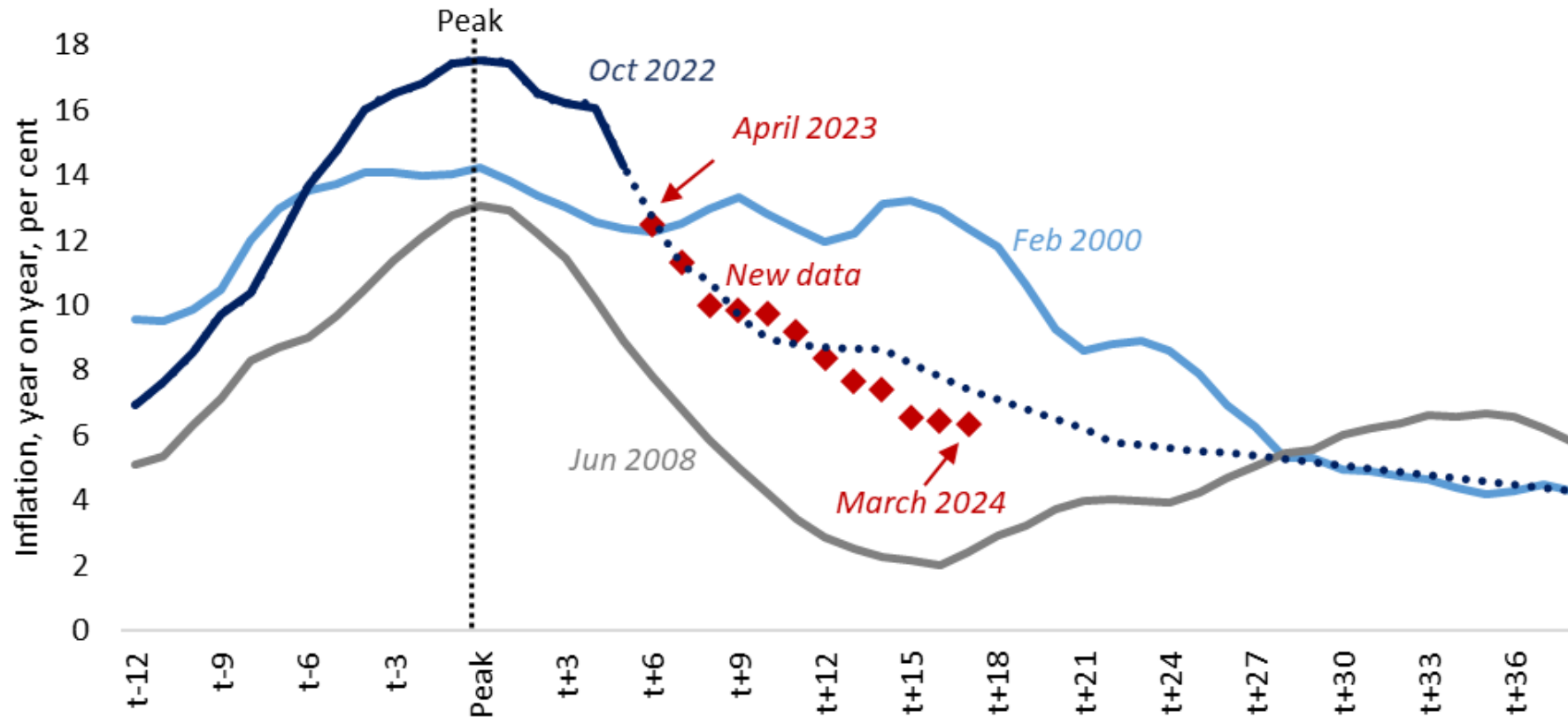
In a typical (median) economy, inflation was at par with the US by Feb'24
Yet in some cases disinflation proved difficult

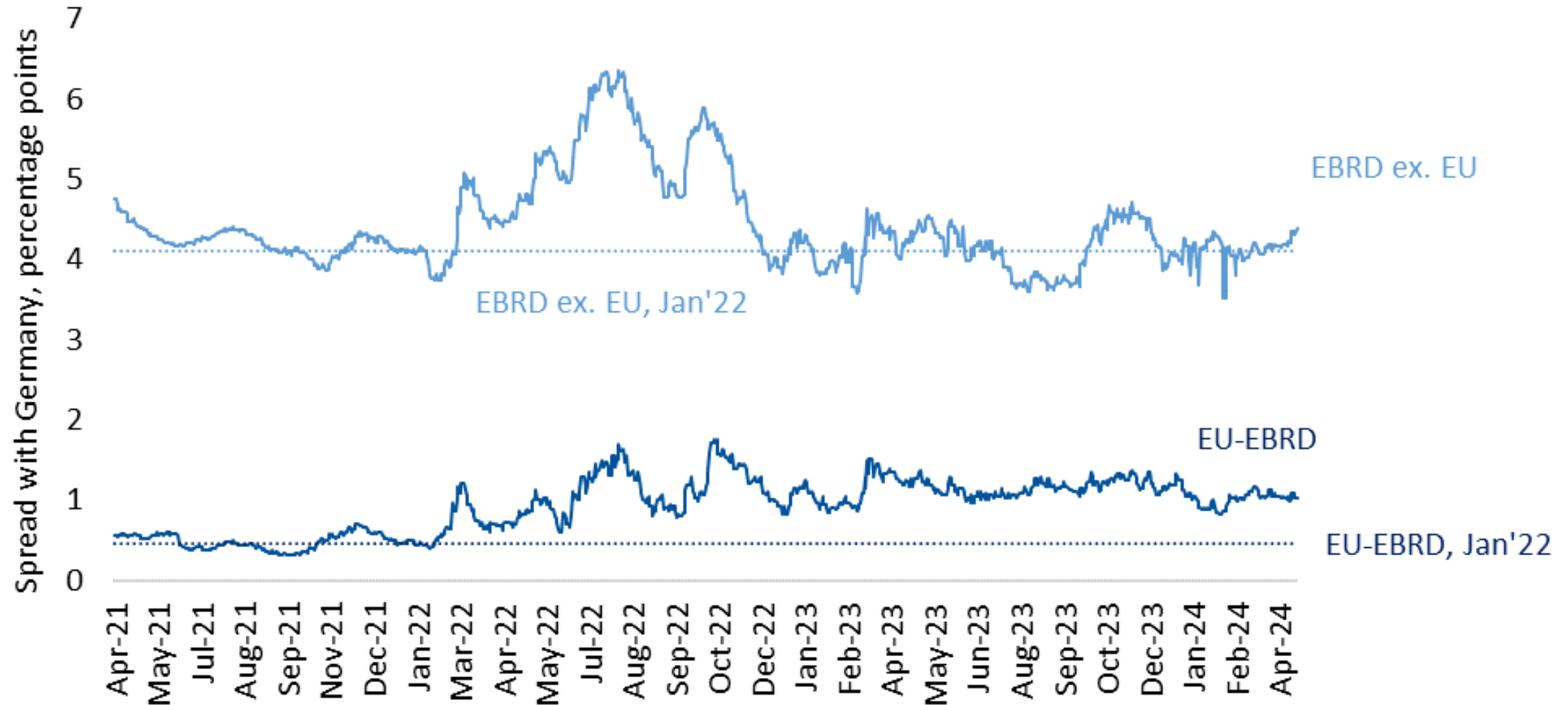Average inflation in the EBRD regions declined from 17.5% in Oct'22 to 6.3% in Mar'24
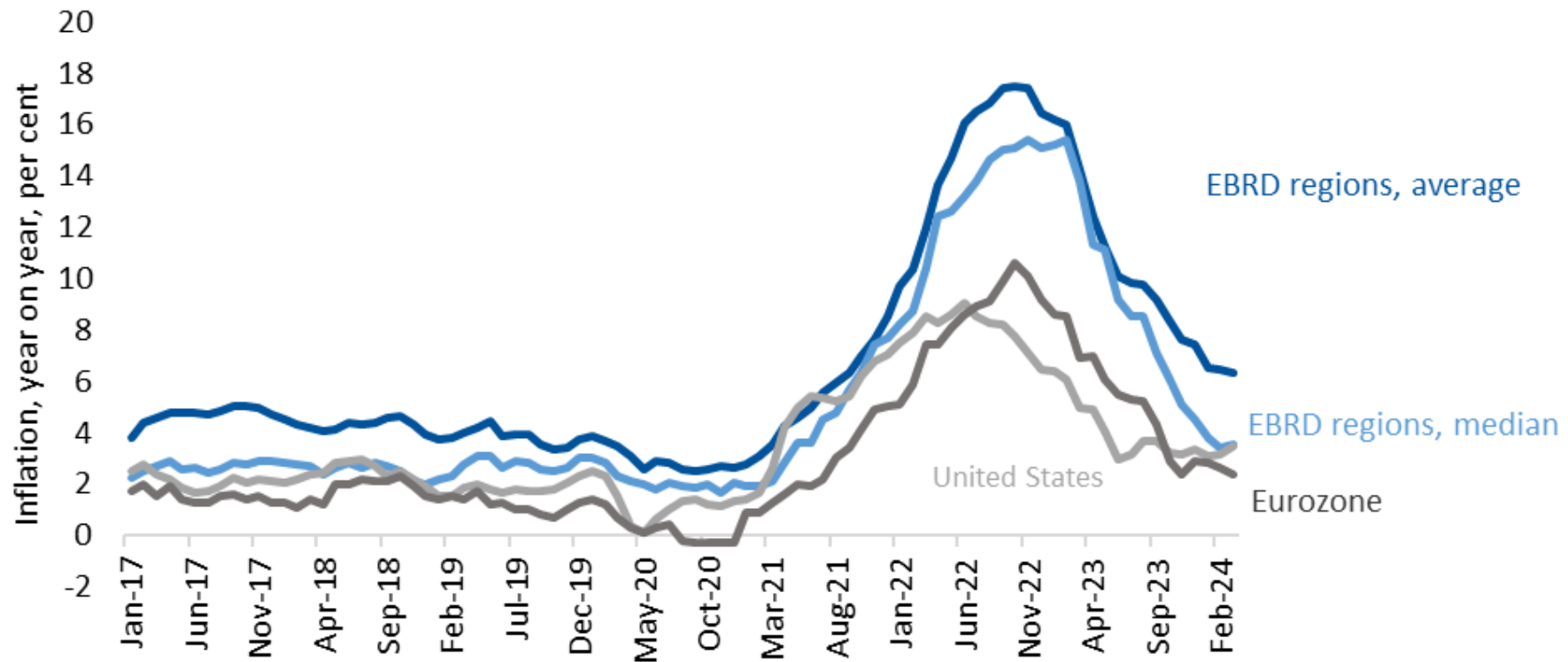
Yields remain esp. high in Lebanon and Tunisia (as well as Ukraine); yields came down in Egypt in March 2024 on news of financial commitments
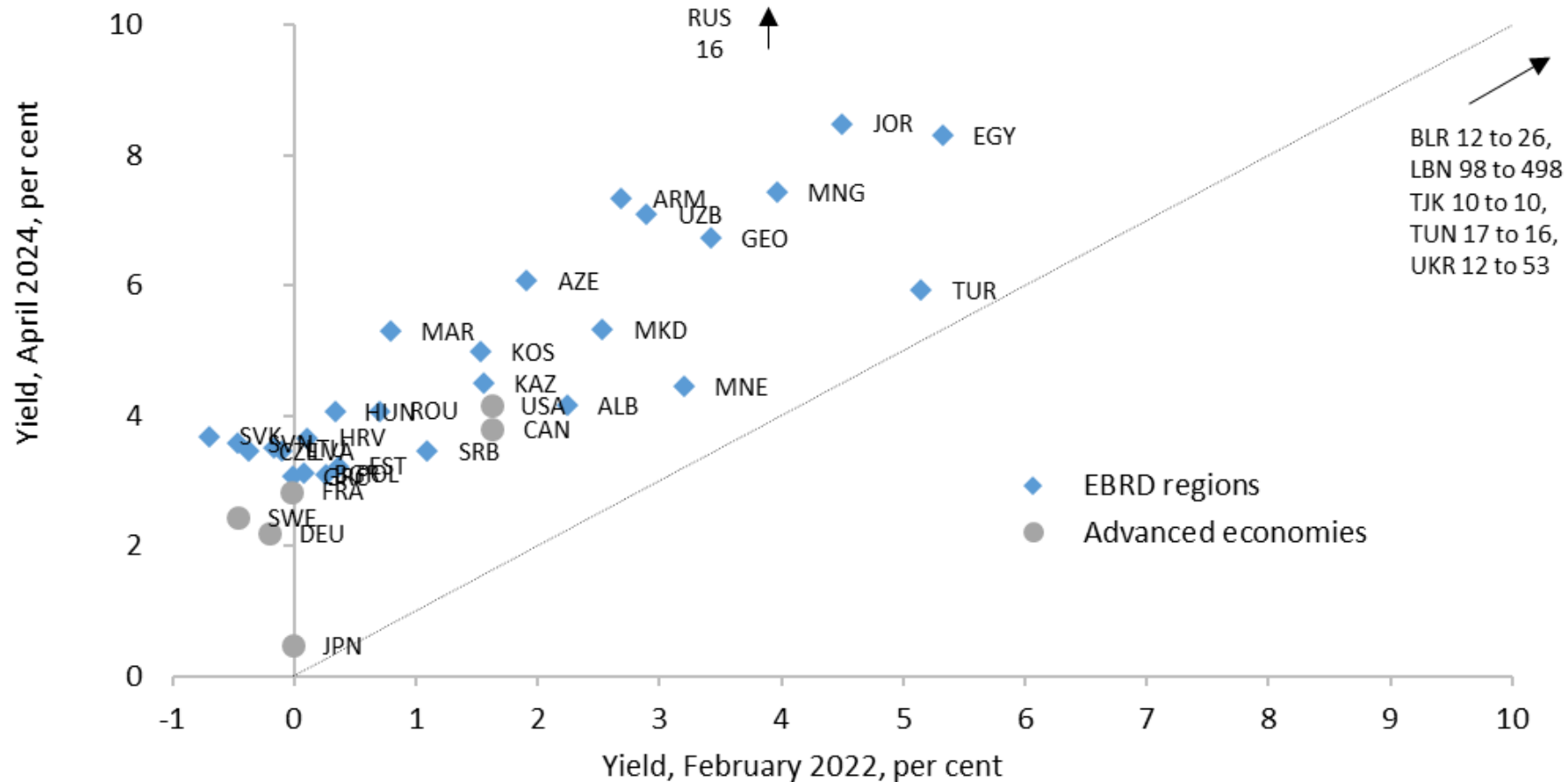
Source: Bloomberg and authors' calculations.
Note: Government bond in EUR or USD of maturity between 4-7 years.

In a typical non-EU EBRD economy, spread vs Germany narrowing since peaking in Aug'22; in typical EU-EBRD economy, spread that opened in Mar'22 has been maintained

1 May 2024 marks 20 years of EU accession

Performance of EU-8 since 2004 stands out relative to comparators as little convergence between emerging markets and advanced economies since the 2000s
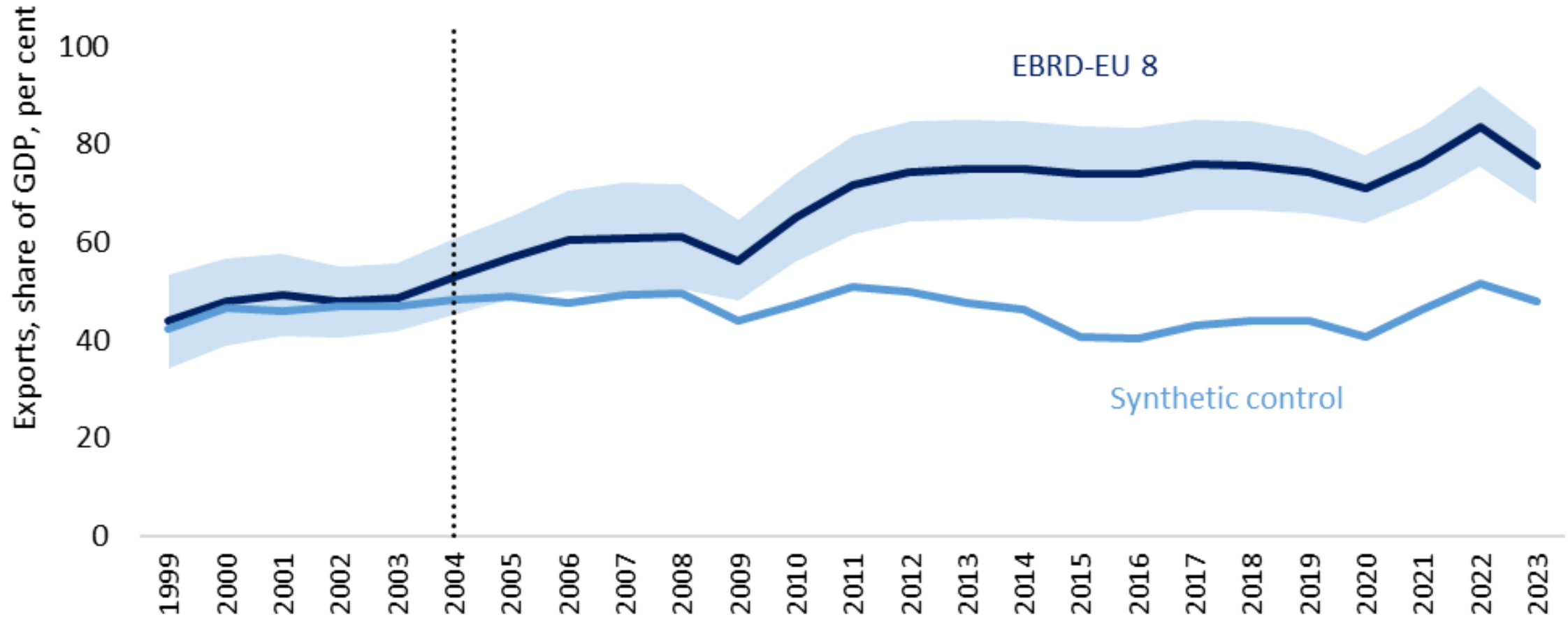
24 ppt increase in EU-8's income pc as % of Germany's vs 10 ppt for comparators: **accession bonus 14% of Germany's GDP pc**
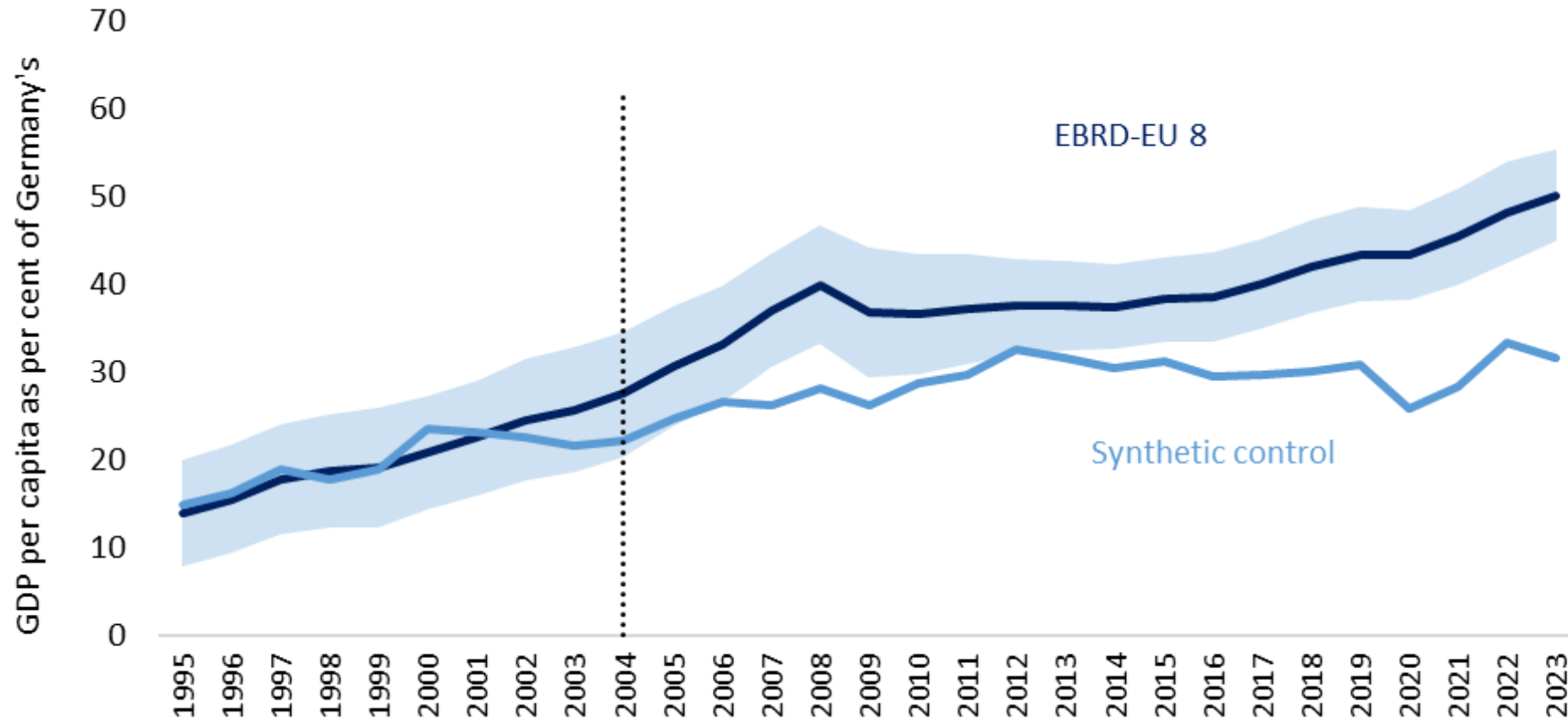
Accession bonus has been underpinned by rapid increase in median export-to-GDP ratio, from 39% in 1995 to 46% in 2003 to 70% in 2023, in contrast with other EMs