
Armenian Economy Will Fix 5.5 Percent Growth In 2009

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The European Bank for Reconstruction and Development (EBRD) reduced its 2009 economic growth forecasts, reflecting the prospects of a deepening recession in the developed world, and faster-than-expected slowing in economic activity in its region in the final months of 2008.

In its latest forecast for economic growth, the Bank still expected the EBRD region to avoid a blanket recession of its own. However, average growth predictions marked some stark variations.

The EBRD now expects average 2009 growth of 0.1 percent in the 30 countries where it has investments, compared with a prediction of 2.5 percent based on country forecasts made in November last year. It estimates that the region expanded by 4.8 percent in 2008, compared with the prediction of 6.3 percent made last November.

Chief Economist Erik Berglof said, "The EBRD region is feeling the full impact of the global slowdown, mainly because of the region's increased integration within the global economy."

He added, "The ability of these countries to withstand such a major external shock over the longer term will depend largely on the speed of the recovery of the global economy, the combined efforts of individual governments and International Financial Institutions, including the EBRD, to safeguard financial systems in the region, and the support of foreign banks to their eastern subsidiaries."

Despite the lower short-term growth prospects, the mid to long-term expectations call for a rebound, possibly as early as next year. Mr. Berglof noted that economic fundamentals throughout the region had strengthened over the last decade, paving the way for the revival of economic momentum once the global economic downturn had abated.

The EBRD expects economic growth of one percent in Russia this year, down from the three percent predicted last November.

South Eastern Europe was expected to show growth of 1.5 percent this year, down sharply from the 7.3 percent estimated for 2008.

Positive growth in these countries reflects still strong domestic demand, and in some cases lower levels of financial integration, but the risk of an even sharper slowdown is high, according to Mr. Berglof.

Growth in the Central Europe and the Baltics is seen at 0.4 percent this year after 3.9 percent last year.

Central Asia was seen growing most robustly this year, showing growth of 2.3 percent, compared with 4.9 percent expansion in 2008.

The Armenian economy will fix 5.5 percent growth instead of forecast 8.3 percent.

Despite predicting close to flat growth for the whole of its region, the EBRD expects economic contractions this year in Ukraine, Hungary and the three Baltic states. The Ukrainian economy is expected to shrink by five percent in 2009, Hungary by two percent, with declines of 3.5 percent, five percent and 2.5 percent seen in Estonia, Latvia and Lithuania, respectively.
