
EBRD Forecasts Precipitous Slowdown In Economic Growth In 2009

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European Bank for Reconstruction and Development forecasts that economic growth in the EBRD-embraced countries would precipitously slow down in 2009.

In its report, the European Bank for Reconstruction and Development urges those countries where it sends its investments to make every effort to support their banking system, since now everything will depend on the situation in region's banking system.

The EBRD predicts growth slowdown to 6.3% (7.5% in 2007) and further three-percent slowdown in 2009.

Erik Bergl f, the bank's chief economist, said that continuing economic growth at the initial stage of the crisis showed how successful the reforms were.

But now the region found itself in more complicated foreign economic situation.

Bergl f thinks that transition economies will go through new trials, such as outflow of capital from developing markets and insufficient readiness for risks and recession in member countries of Organisation for Economic Co-operation and Development.

The expert also thinks that quick slowdown will weaken impacts of inflation factors.

He said that developed and transition countries should coordinate their stabilizing measures.

Bergl f said that considerable reduction of outside financing may make impact the slow down as well.

He said that some countries suffer from payment balance deficit amid accumulating foreign debt.

As a result, these countries may face considerable output reduction, if inflows of capital reduce.

The report points out that deterioration of the situation in financing can lead to decline in credit expansion.

This can have devastating consequences on transition economies.

The report also points out certain factors that can help the region to avoid such a negative scenario or at least resist heavy consequences.

Fore example, state debt reduction that began in 2000 will enable governments to make large interventions more flexible.

The authors of the report say that in recent years, investment environment improved, and flexibility of labor market will make it possible to go out of recession under growth resumption.

The report says market reforms were being steadily implemented in Southeast Europe, some CIS countries and Mongolia in the past year.

Some countries such as Belarus and Turkmenistan singled out for sluggish reformation have taken positive steps for opening markets and lowering the role of the state.

Considerable progress is seen in Balkan countries seeking EU membership.

Taking into account close connection between reforms and economic growth, the EBRD experts believe that the region can stand the short-term market volatility and see prospects of long-term growth.
