

# ***Western Balkans: Key Trends in the Economic Environment***

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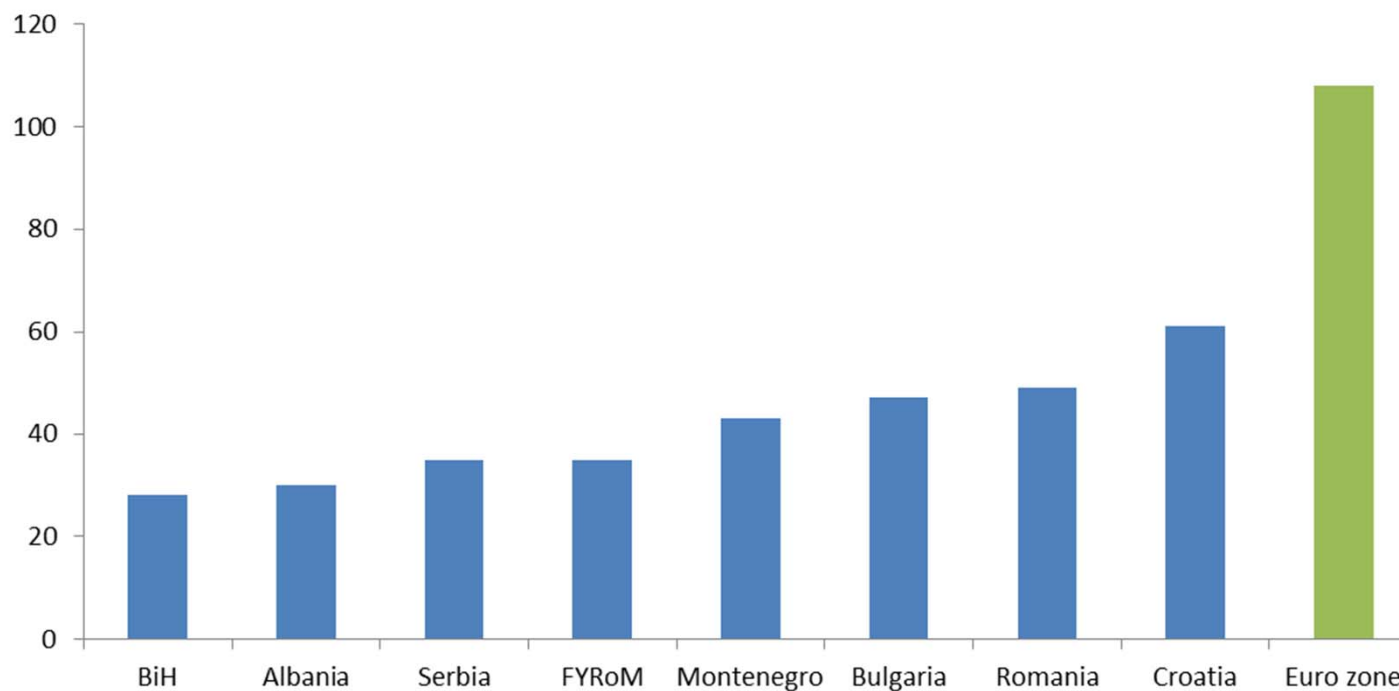
## Western Balkans – stuck in transition?

- Lessons from the EBRD Transition Report 2013:
  - Long-term convergence is at risk
  - Democracy and reforms intertwined
  - Good institutions driven by trade and financial integration, and by EU anchor
  - Tertiary education lags behind
  - Inequality of opportunity is high in SEE



## Catch-up potential remains...

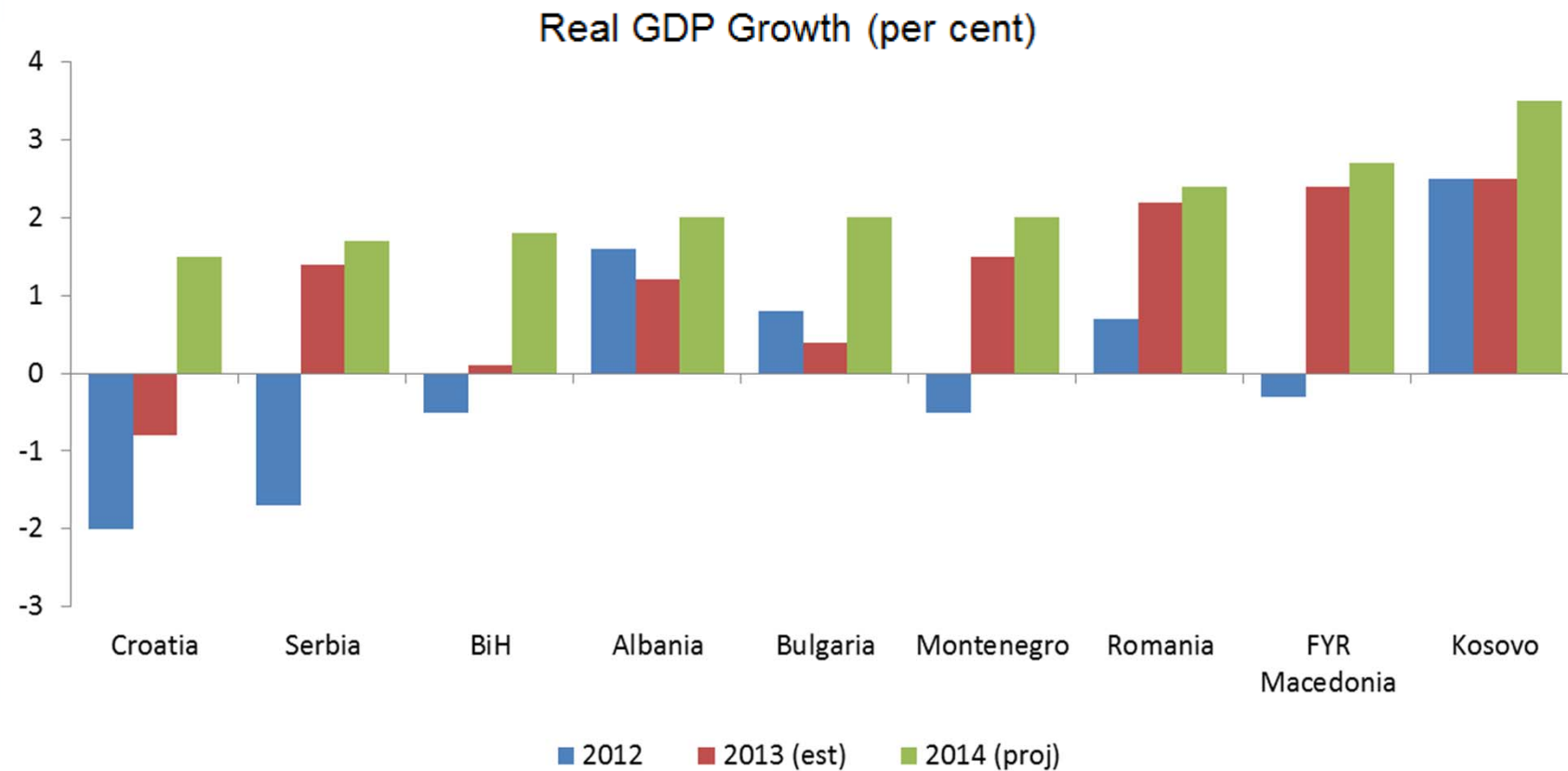
GDP per capita PPP adjusted (per cent of EU average)



Source: Eurostat



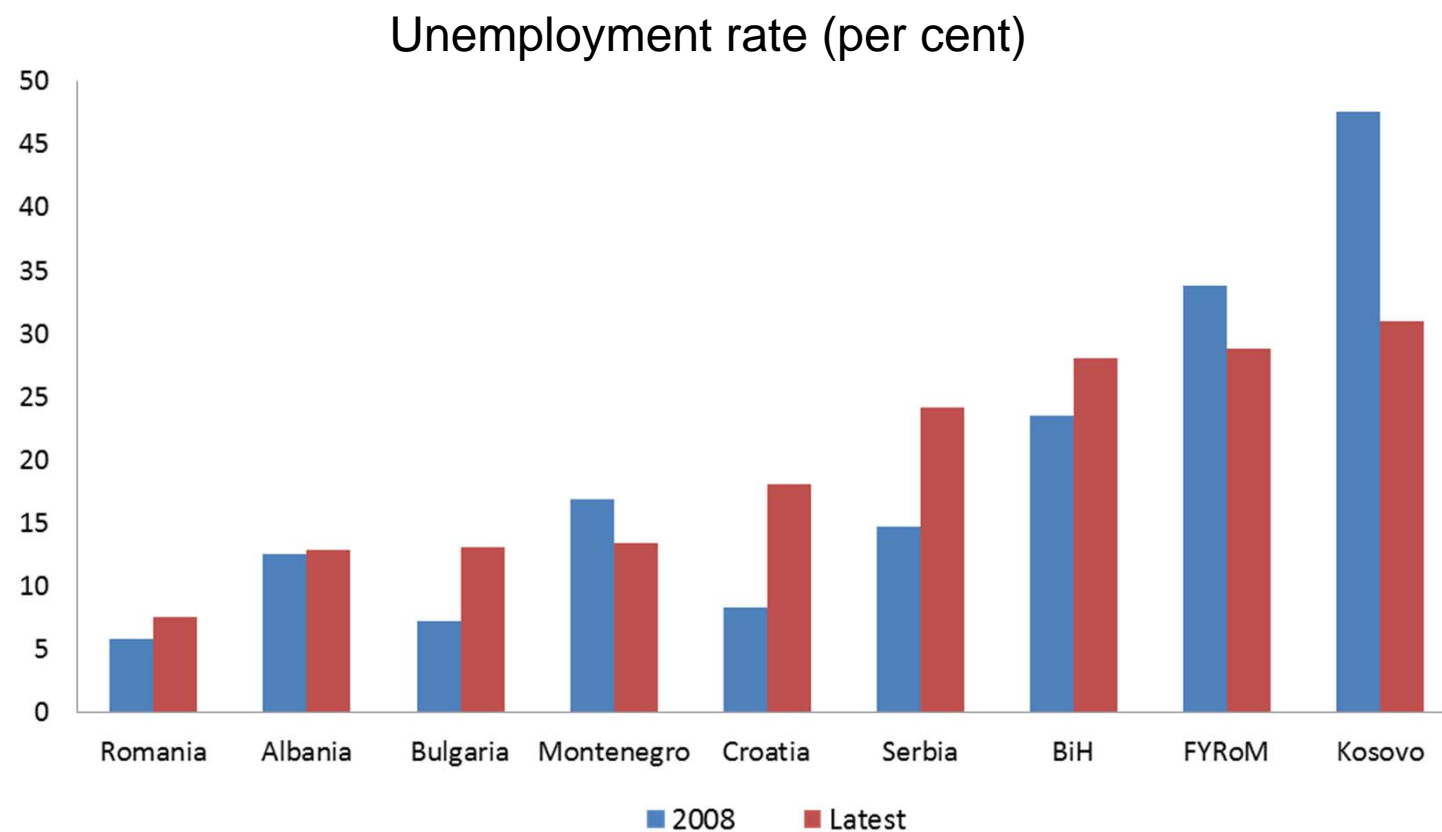
## ...but short-term growth prospects are weak



Source: EBRD, Regional Economic Prospects, November 2013



## Unemployment remains very high, and still rising in some cases

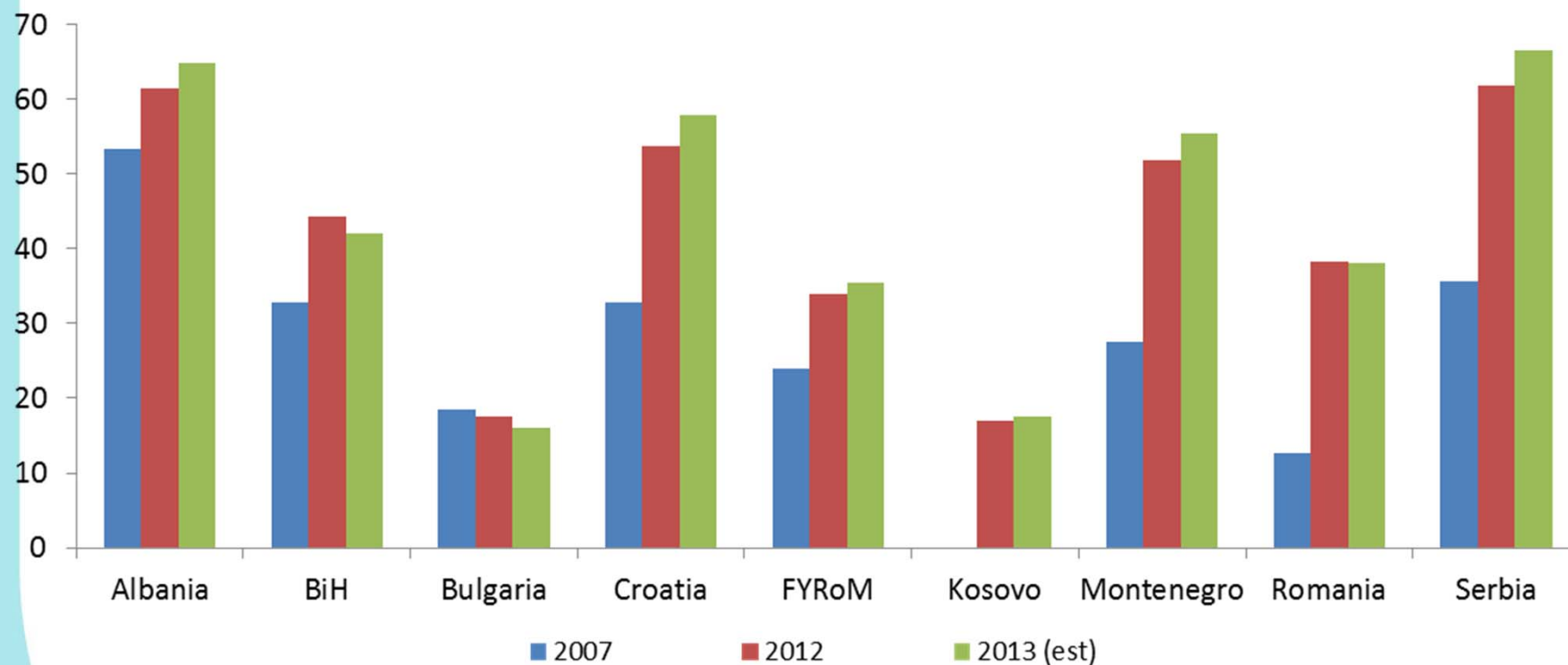


Source: National sources via CEIC database



## General government debt has reached worrying levels...

General government gross debt (per cent of GDP)

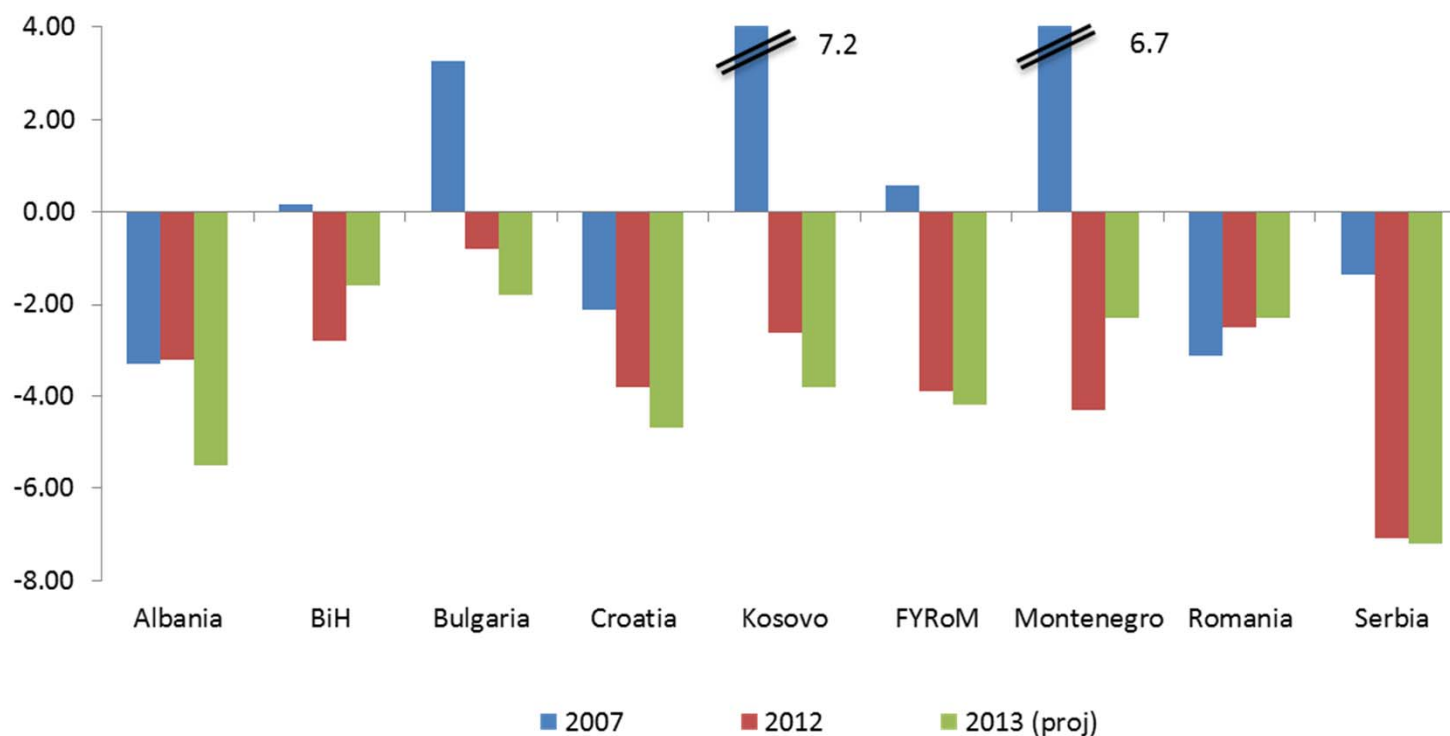


Source: IMF, WEO October 2013



## ...and high government deficits constrain the fiscal space

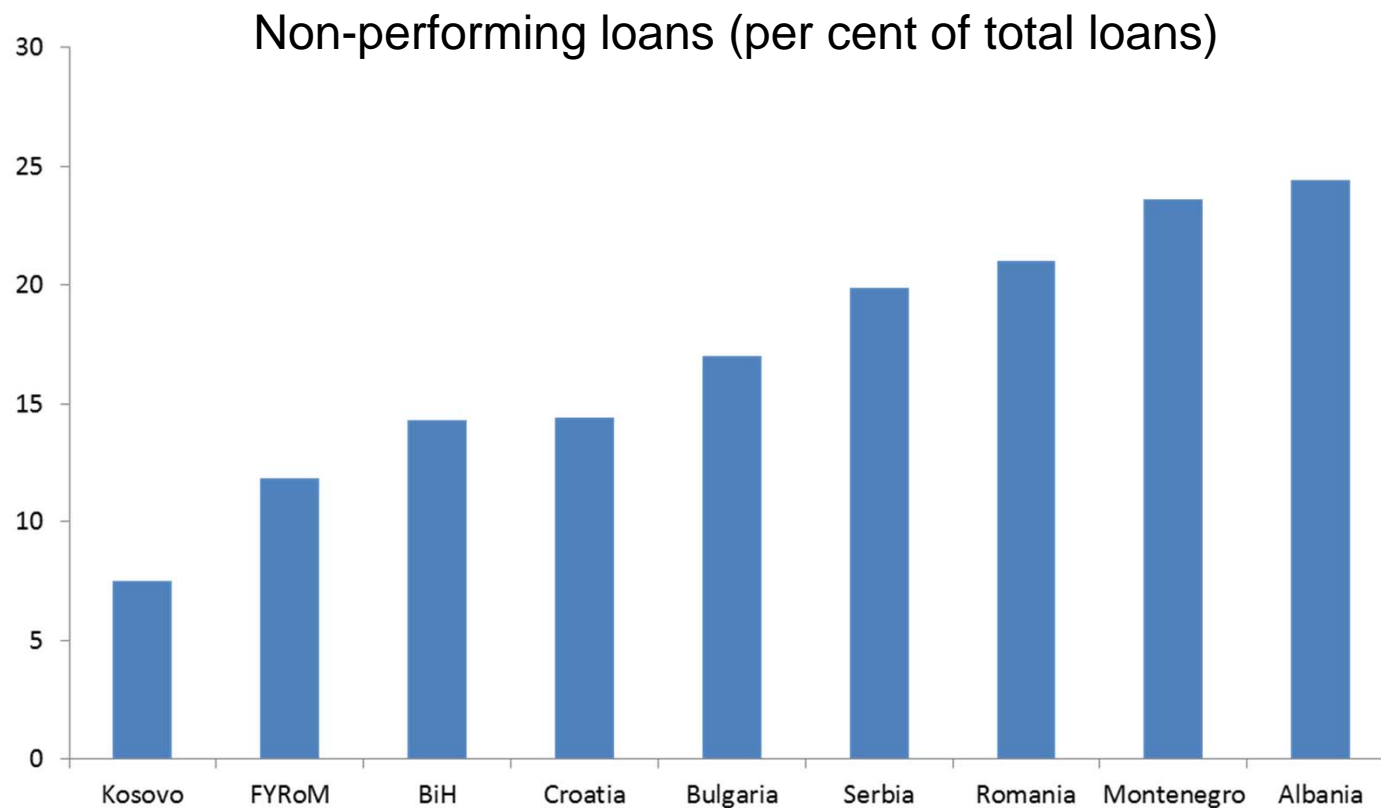
General Government Balance (per cent of GDP)



Source: IMF, WEO October 2013; National sources



## NPLs are high and rising



\*Data refer to June 2013 or latest available

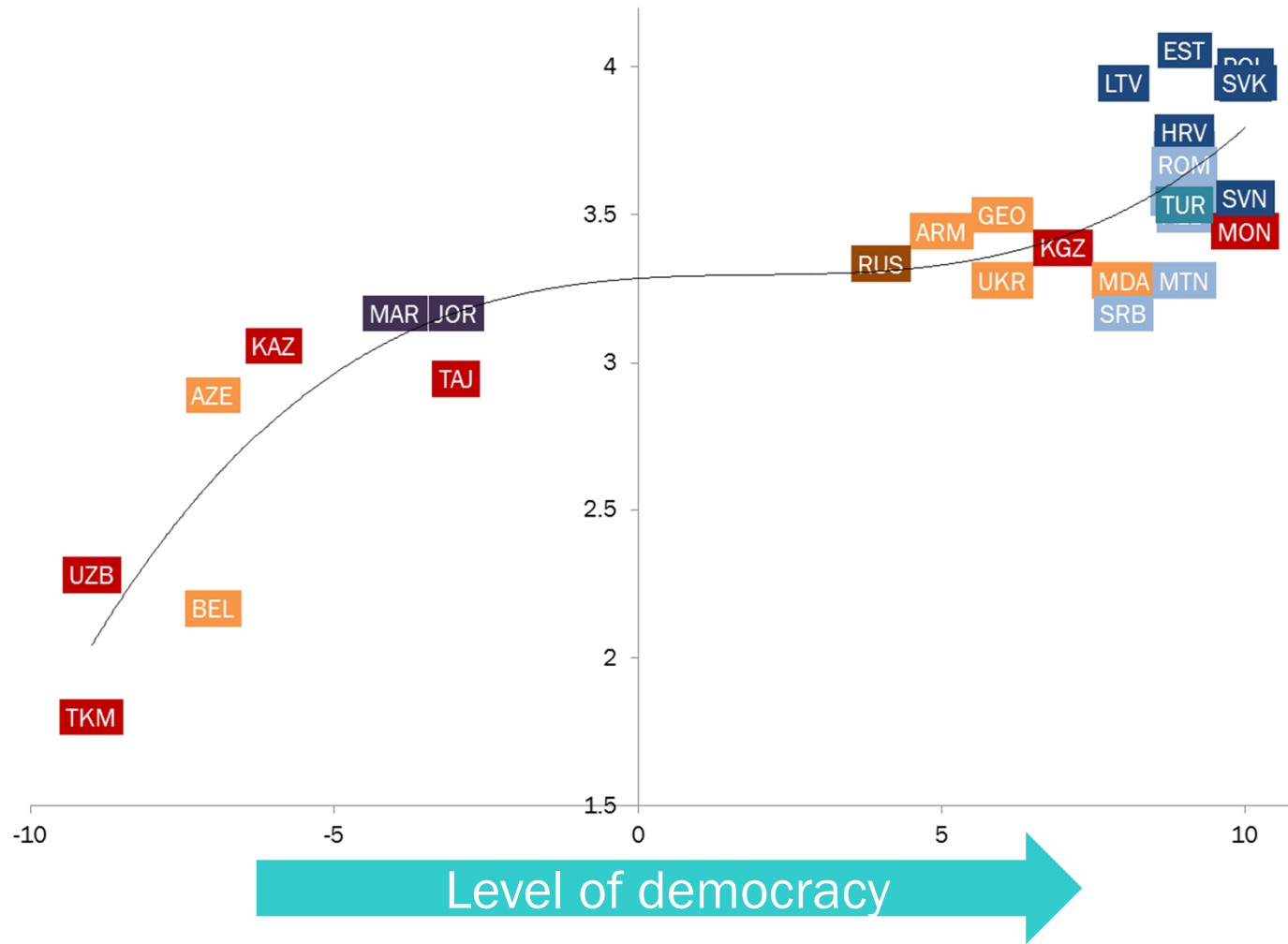
Source: National central banks via CEIC database





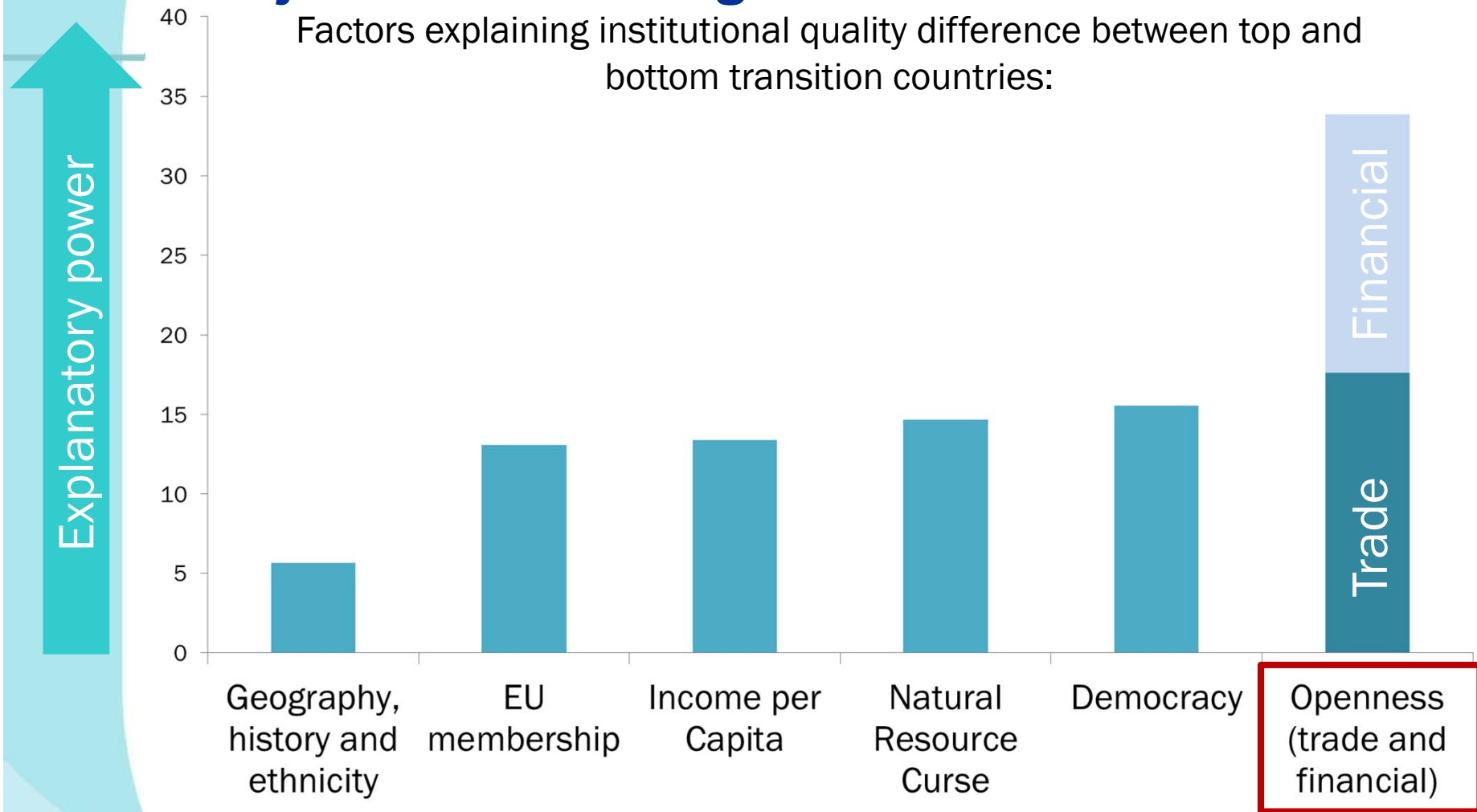
# Democracy is a driver of reform

Economic Transition

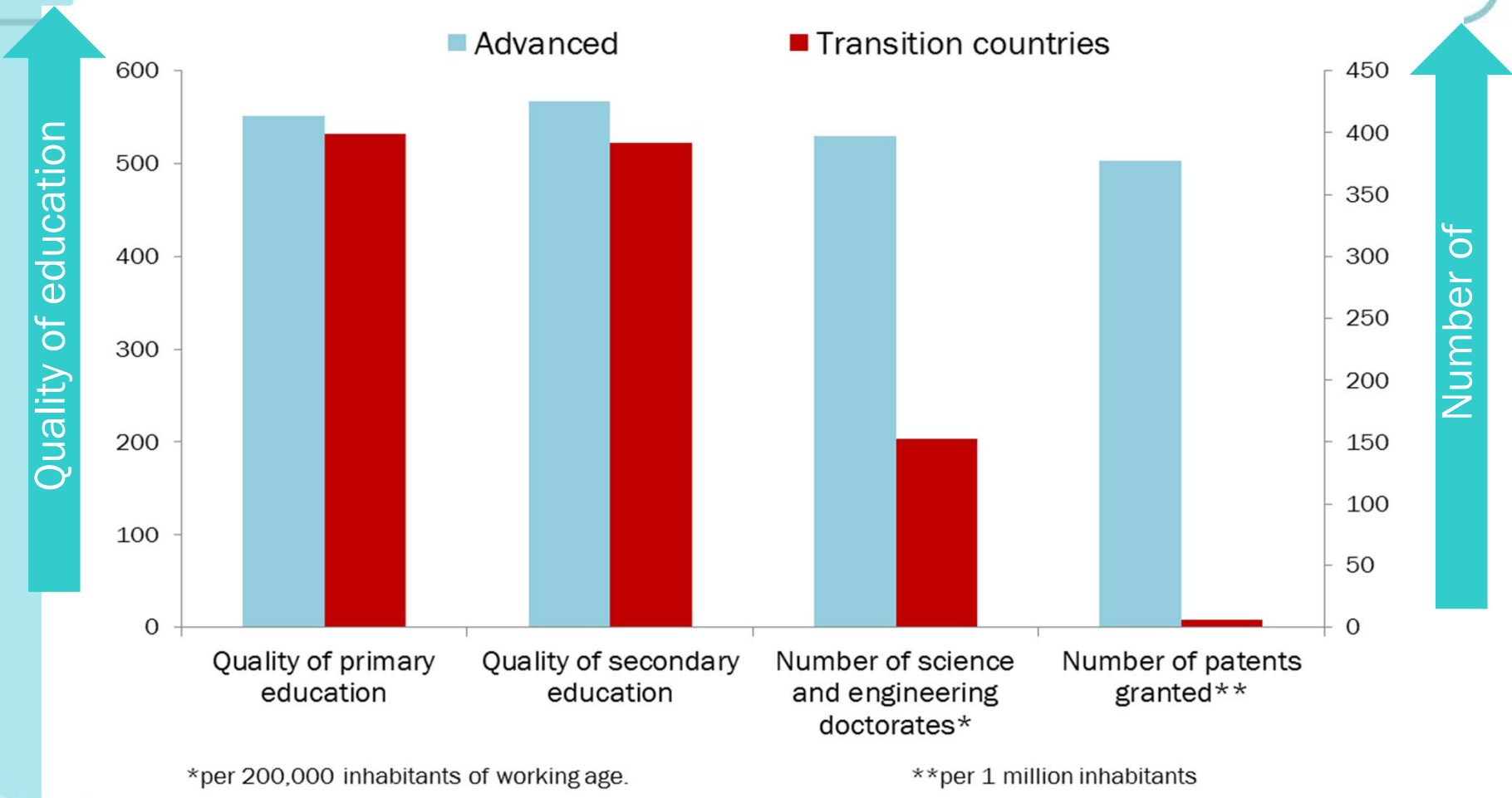


# International integration stands out as a major correlate of good institutions

Factors explaining institutional quality difference between top and bottom transition countries:



# In transition region, increasing human capital requires better tertiary education



# Wide variations in inequality of opportunity with respect to wealth

Inequality of opportunity: assets

