



Marek Dabrowski

CEE and CIS Economies: Uncertain Prospects of Economic Convergence

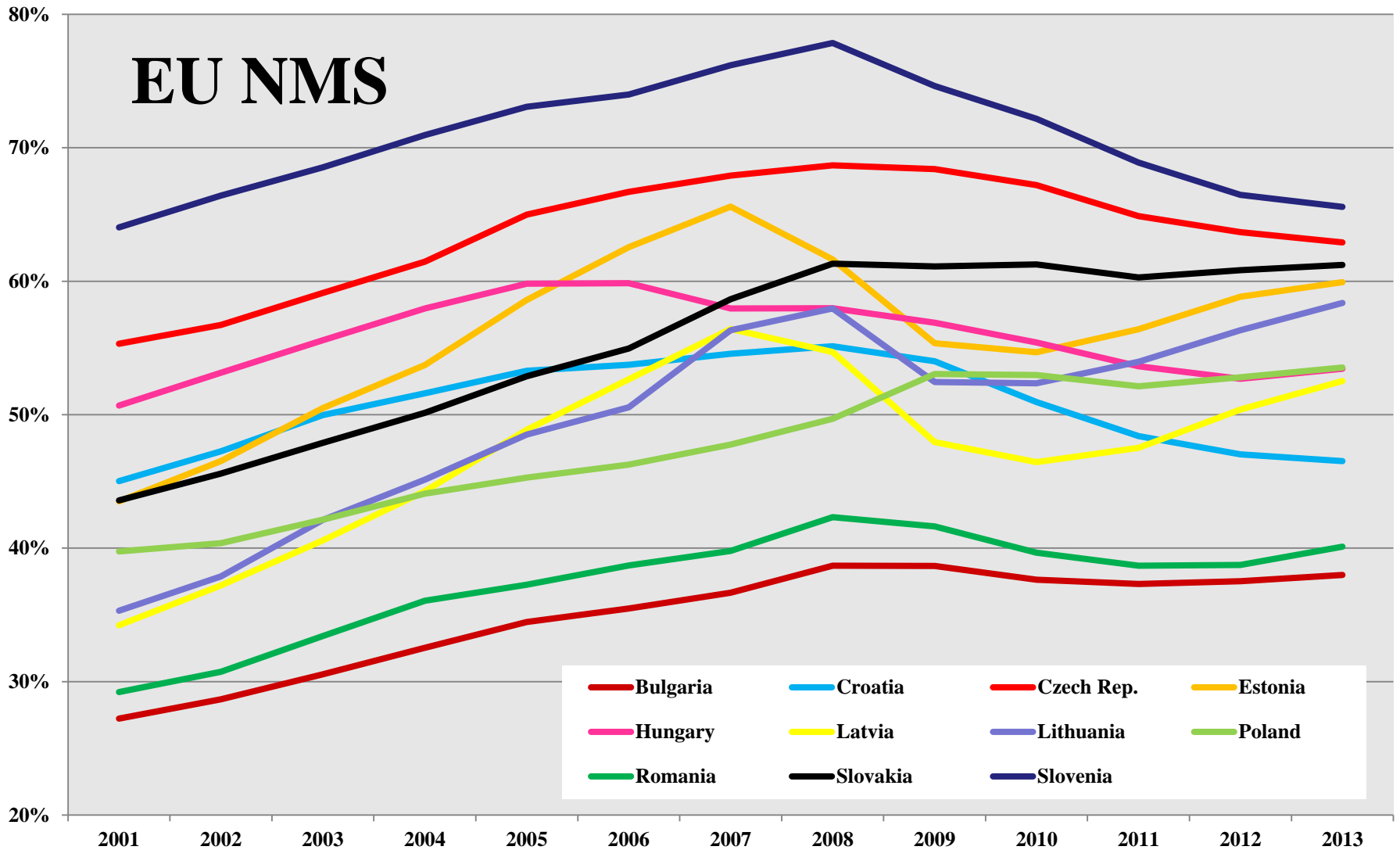
**Presentation at the joint NBP & IMF Conference on 'Building Market Economies in Europe: Lessons and Challenges after 25 Years of Transition',
Warsaw, October 24, 2014**

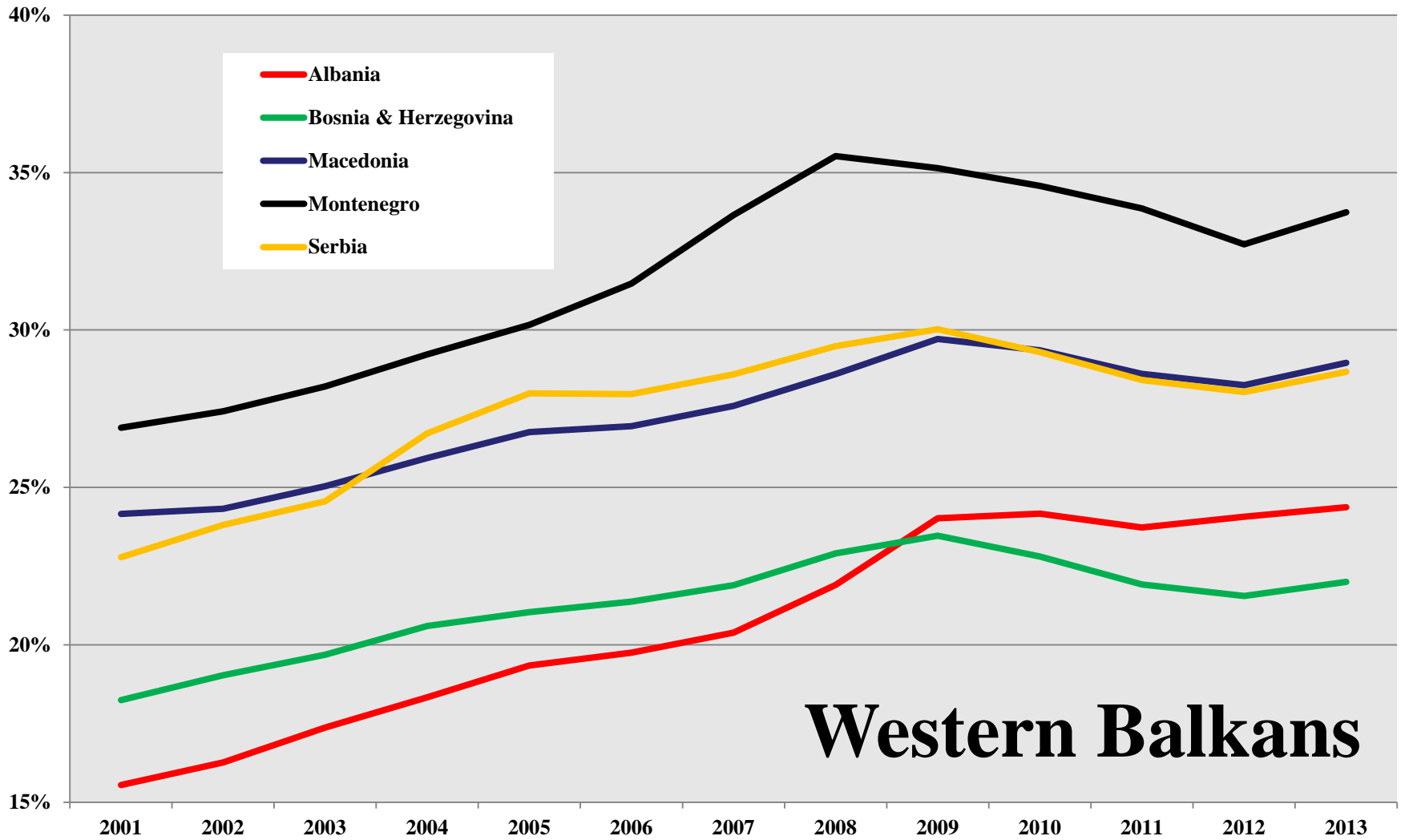
Economic convergence analysis

- Various meanings of convergence and benchmarks
- GDP per capita in current intern. \$, in PPP terms
- As % of Germany's GDP per capita in PPP terms
- WEO database, October 2014
- Former communist economies in CEE and CIS (except Kosovo) presented in three subgroups: 11 NMS, 5 Western Balkan, 12 CIS



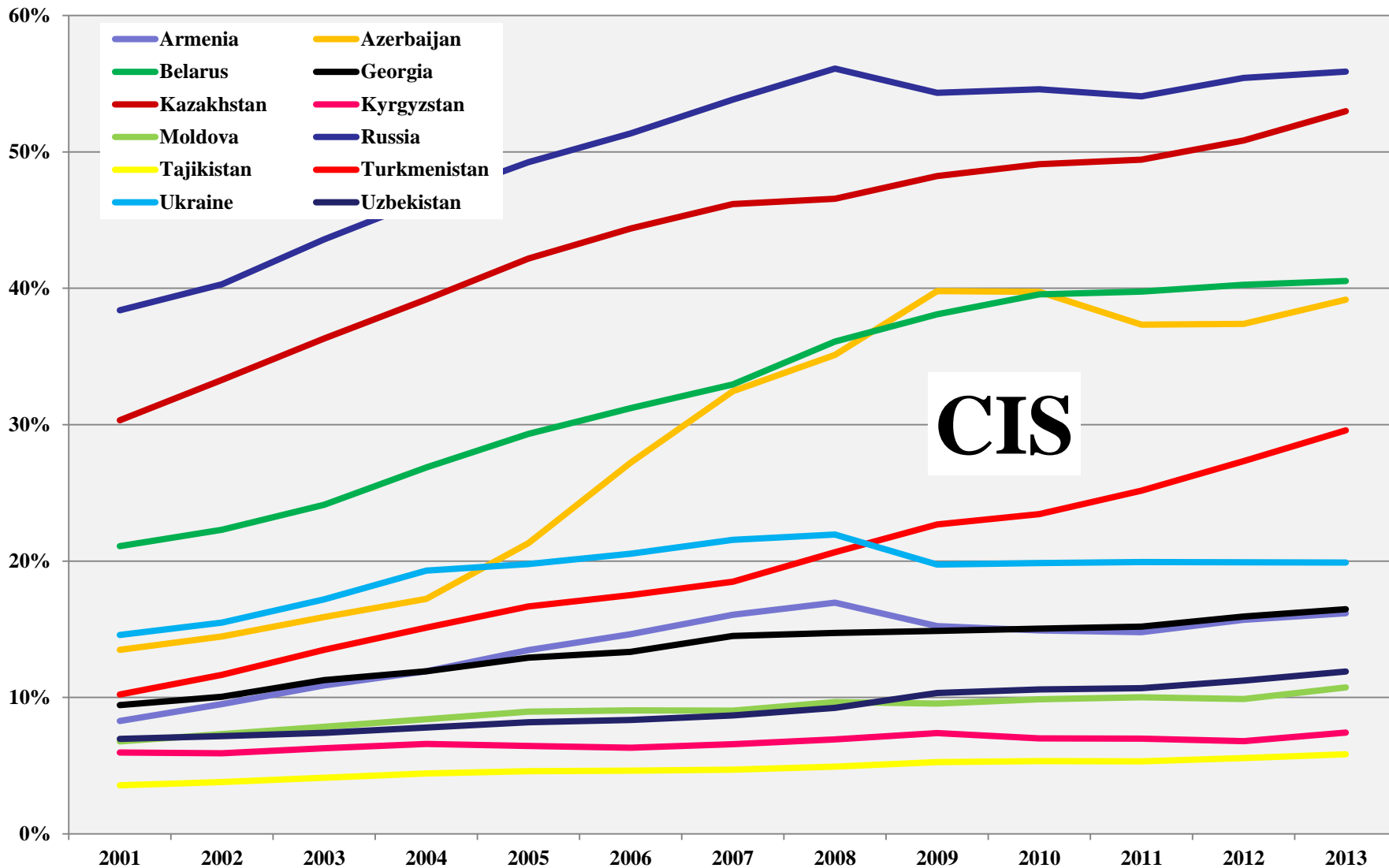
EU NMS





Western Balkans





CIS



НАЦИОНАЛЬНЫЙ ИССЛЕДОВАТЕЛЬСКИЙ
УНИВЕРСИТЕТ

Barriers of convergence: demand factors

- Slower growth of the world economy
- Stagnation in Western Europe
- Stagnation and security risks in the Eastern neighborhood

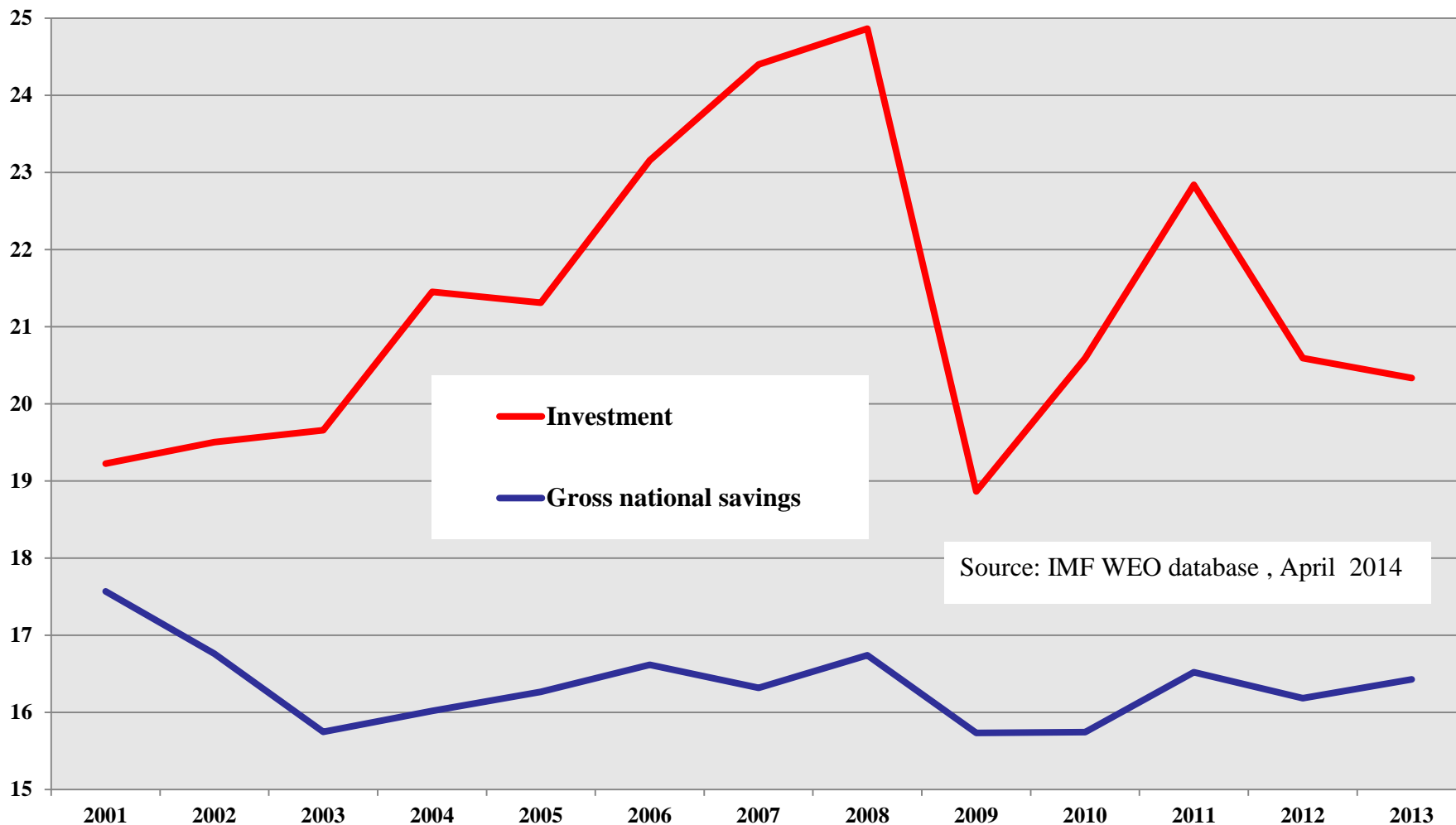


Long-term growth arithmetic based on the neo-classical growth theory

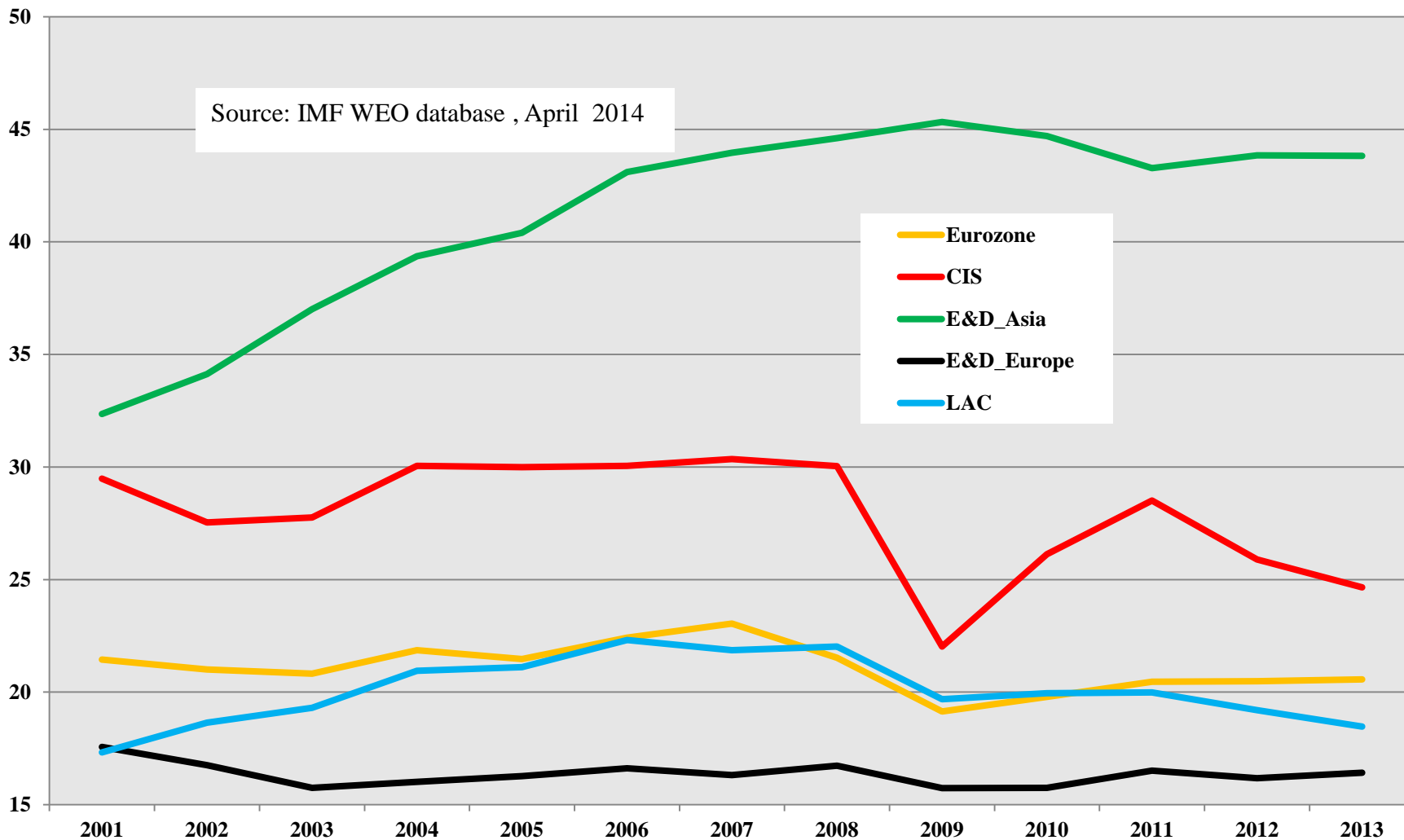
- Declining domestic labor resources (due to demography and net outward migration)
- Constraints on investment financing
 - Increase in national saving rates? What about fiscal consolidation?
 - Return to higher import of saving?
- Total factor productivity (regress in economic reforms)



Emerging and developing Europe: saving-investment imbalance, % of GDP



Gross national saving, % of GDP: interregional comparison, 2001-2013



National reform agenda

- Modernization of excessive welfare state
- Labor market flexibility
- Education reform
- Fiscal consolidation
- Return to privatization
- Business and investment climate
- Governance, rule of law, corruption, organized crime, etc.



European dimension

- Importance of similar reforms in all EU member states, especially in large continental economies
- Deepening of the Single European Market (services, infrastructure)
- Banking Union
- Strengthening fiscal and macroeconomic discipline



Global agenda

- Completing the Doha Development Round
- Financial sector reform
- Macroeconomic policy coordination
- Climate change policy

