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EBRD Says Russian Slowdown to Drag Down Regional Growth

By The Moscow Times

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ISTANBUL — Europe's development bank slashed its 2013 growth forecasts for emerging Europe and North Africa on Friday by almost a full percentage point, saying a sharp slowdown in Russia would drag down the regional economy.

The European Bank for Reconstruction and Development (EBRD) said Russia's problems should galvanize the region to pull down barriers to new businesses and investment.

But the bank, originally set up to help Europe's ex-communist states, said manufacturing heavyweights Poland and Turkey were also undershooting its expectations.

"We have a slowdown compared with what we thought just a quarter ago," EBRD Chief Economist Erik Berglof told a news conference on the sidelines of the Bank's annual meeting.

"It's really a story of three big countries: Russia, Poland and Turkey. Turkey was overheating

... Its credit-fueled boom has ended, and we see a soft landing."

The EBRD cut its 2013 average growth forecast for all the countries in which it now operates, including some in North Africa, to 2.2 percent, down from last year's 2.6 percent and an earlier forecast of 3.1 percent.

"Operating conditions are likely to remain demanding," Suma Chakrabarti, president of the EBRD, told the annual meeting.

The troubles of the eurozone have long weighed on the EBRD's region. Host country Turkey has successfully tapped into export markets beyond Europe, and the struggling Balkan economy of Serbia said Friday it was now looking to the United Arab Emirates as well as Russia for investment.

The EBRD said what had seemed like a temporary weakening in Russia was in fact a trend slowdown, fueled by a fall in global prices for its commodity exports and by lower post-election social spending.

This was a "wake-up call across the region to reenergize structural reforms that have been on hold since the start of the crisis," EBRD Chief Economist Erik Berglof said.

It now expects Russia's economy to grow just 1.8 percent this year, barely half the 3.5 percent it had forecast in January and last year's 3.4 percent. Growth could pick up next year, but there was "no quick turnaround in sight."

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