

# Macroeconomic Stabilization

## The Western Balkans: 15 Years of Economic Transition



Vienna

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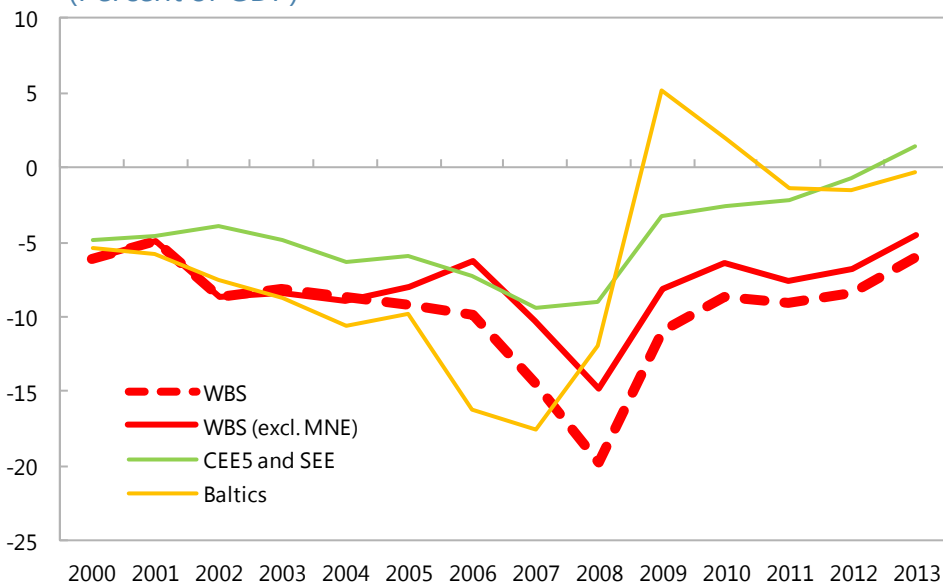
European Department, IMF

# How to reduce external imbalances?



## Current Account Balances by Region

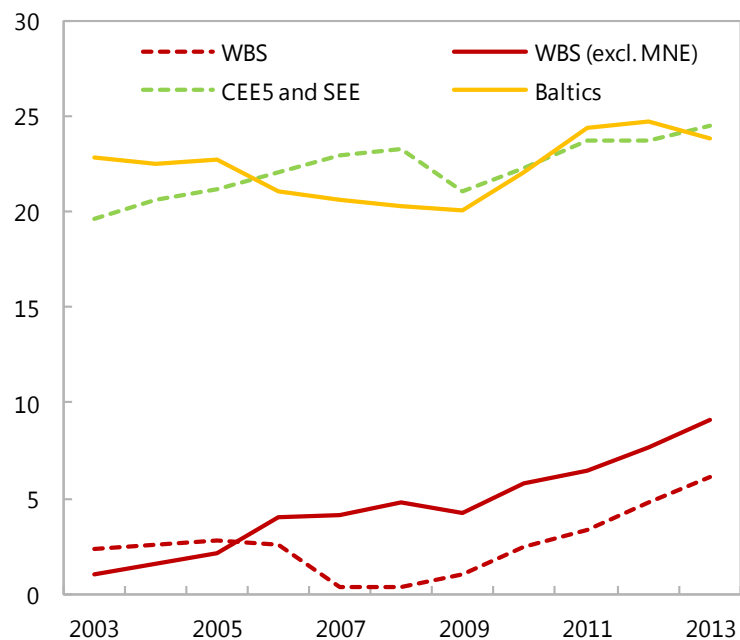
(Percent of GDP)



Sources: IMF, World Economic Outlook and IMF staff estimates.

## Domestic Savings

(Percent of GDP)



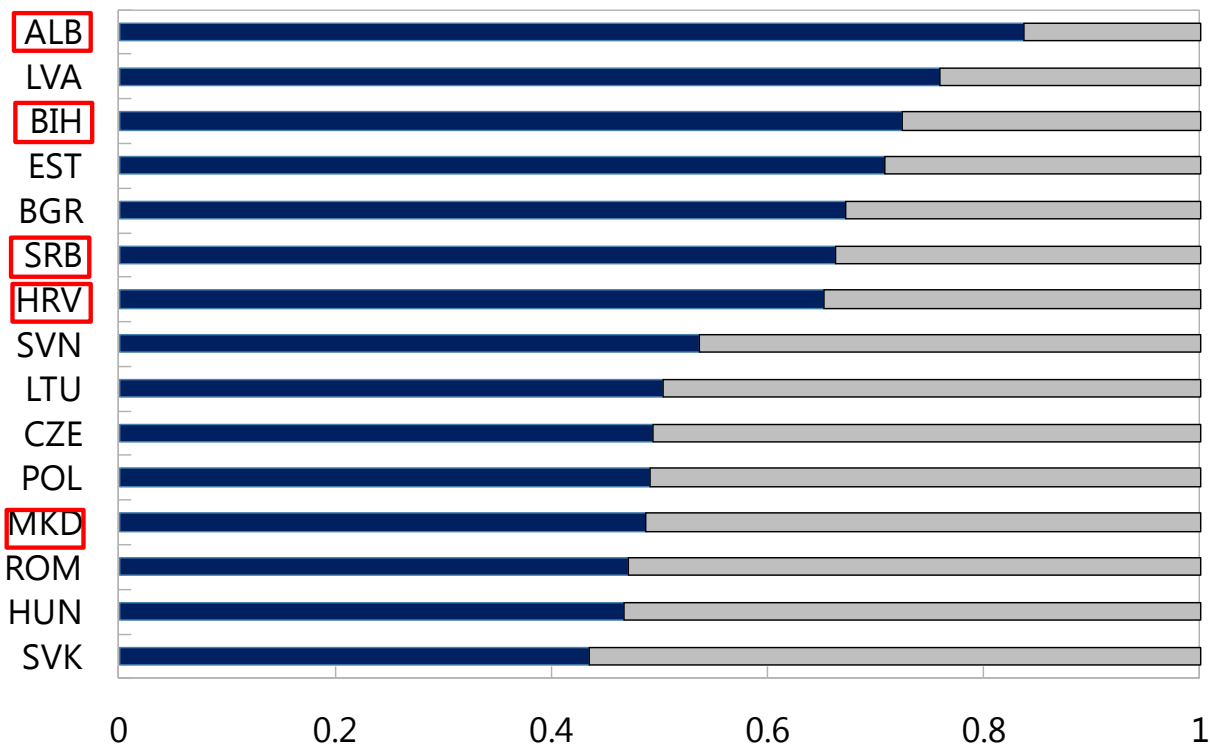
Source: IMF, World Economic Outlook.

# How to ensure that capital boosts productive potential?



## Foreign Direct Investment Flows by Sector

(Shares of FDI directed to tradables and nontradables sectors, 2007)



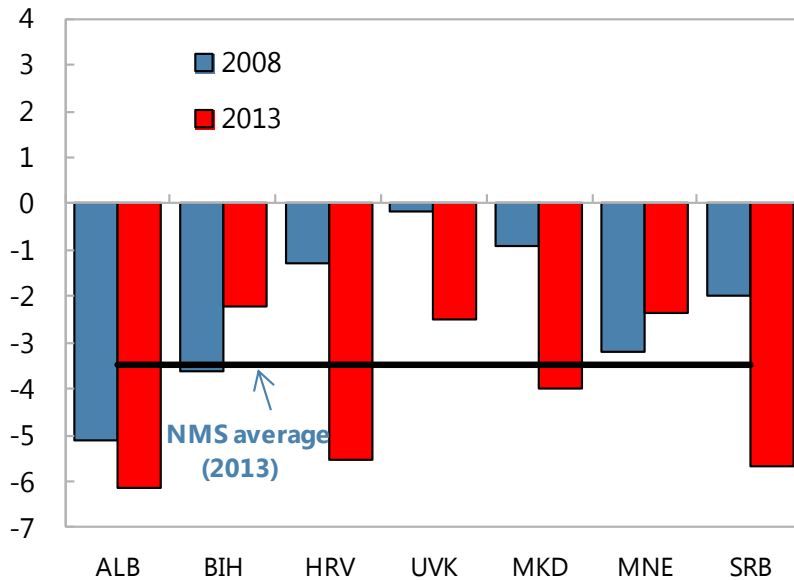
Source: IMF, World Economic Outlook.

■ Nontradeables ■ Tradeables

# Public finances deteriorated in most WBS...

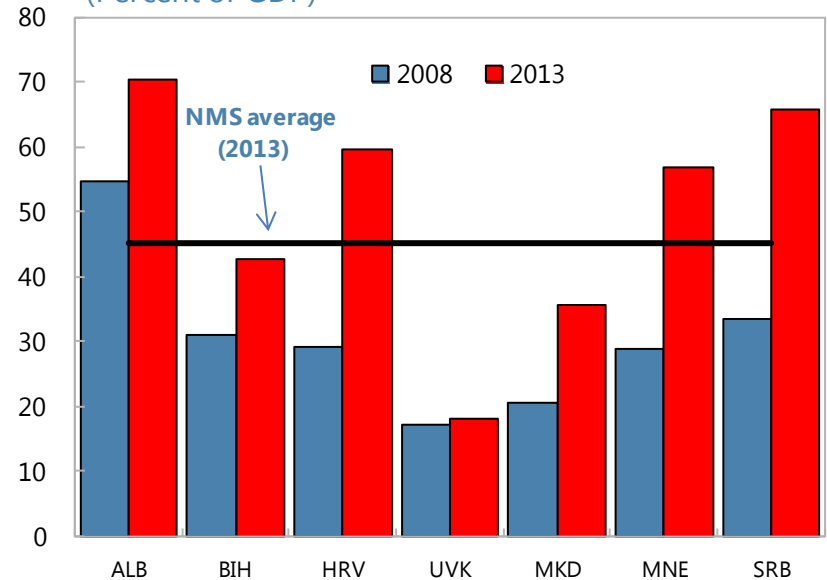


**Overall Fiscal Balances in 2008-13**  
(Percent of GDP)



Source: IMF, World Economic Outlook.

**Gross Debt in 2008-13**  
(Percent of GDP)



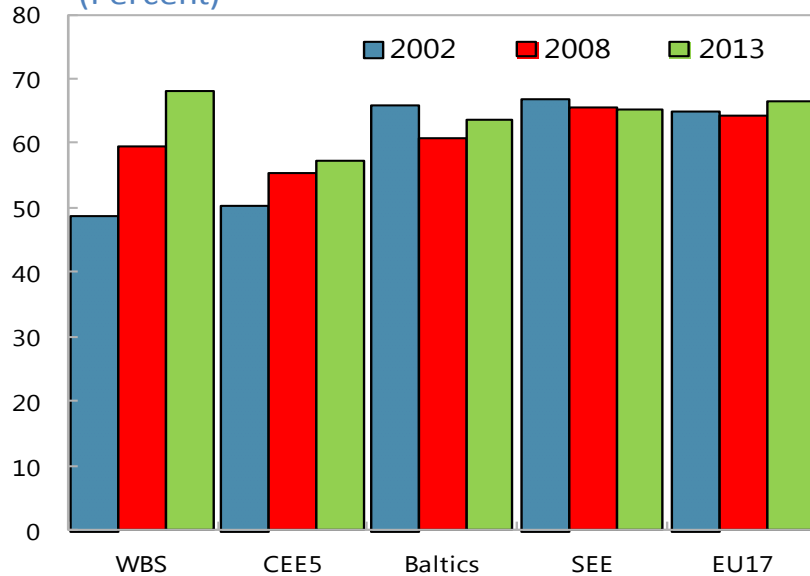
Source: IMF, World Economic Outlook.

Note: 2008 data for UVK is unavailable, 2009 data was used instead.

# ...and fiscal consolidation is needed in many countries

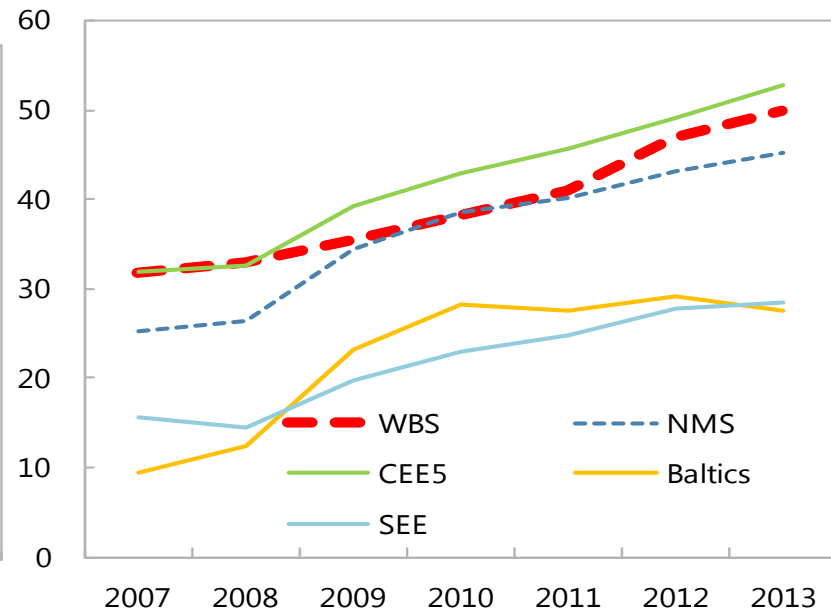


**Precommitted Spending as a Share of Total Expenditures (Percent)**



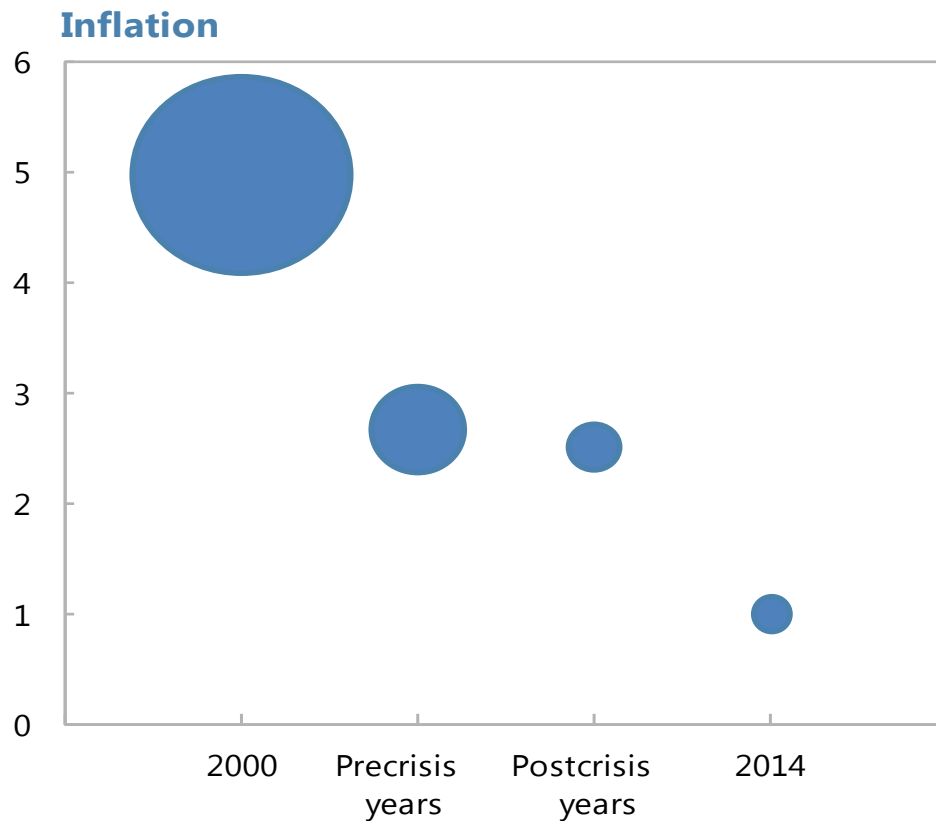
Source: IMF, World Economic Outlook.

**General Government Gross Debt (Percent of GDP)**



Source: IMF, World Economic Outlook.

# WBS were successful in reducing inflation



Source: IMF, World Economic Outlook.

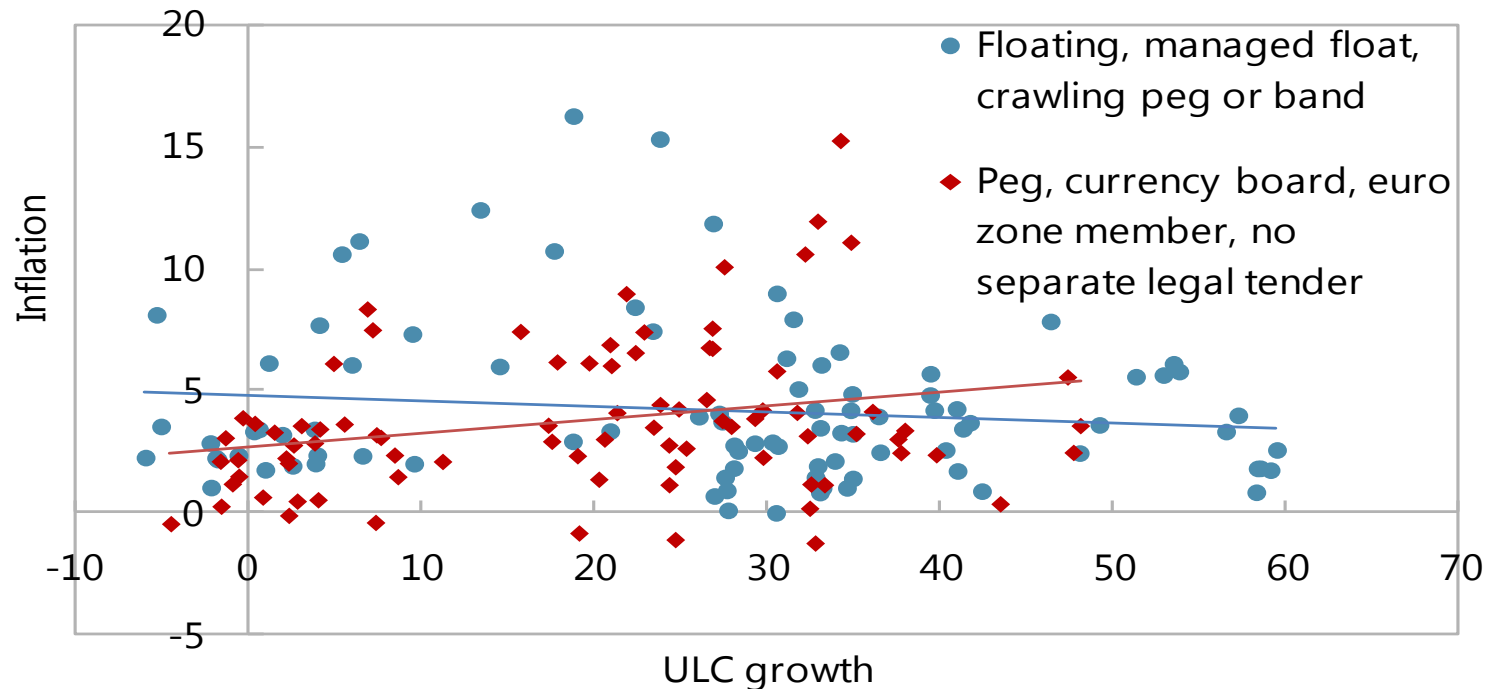
Note: Median, percent. Size of bubble is proportional to range across WBS economies—smaller bubbles indicate lower variance across the sample.

# Exchange rate regimes do not seem to matter for inflation



## ULC Growth and Inflation

(Percent)



Source: IMF, World Economic Outlook; national authorities; and IMF staff calculations.

Note: The sample contains Western Balkans economies and New Member States, 2003-13.

