



Global economic environment: an overview of the risks for emerging economies

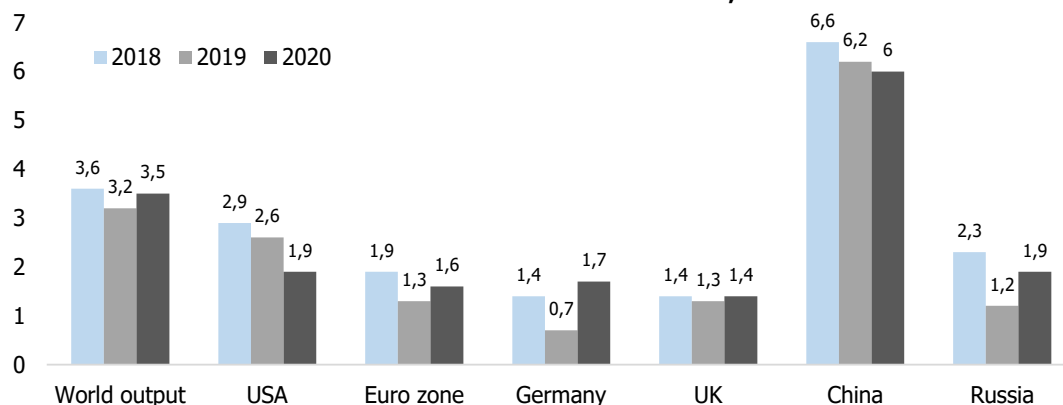
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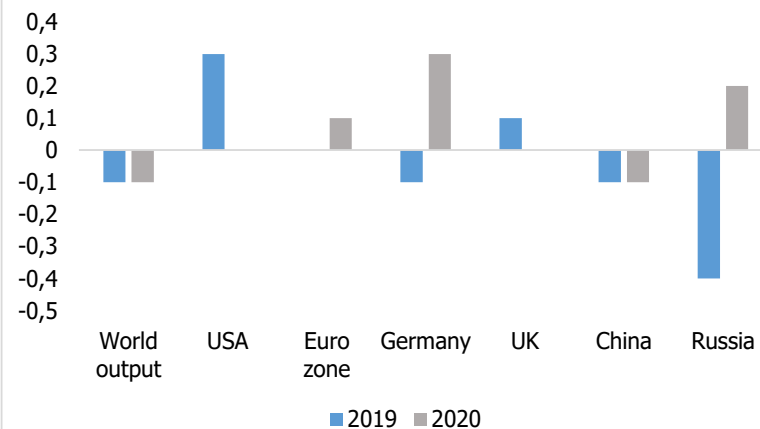
Global growth

Growth rates and forecast 2019-2020, in %



Source: IMF WEO, July 2019.

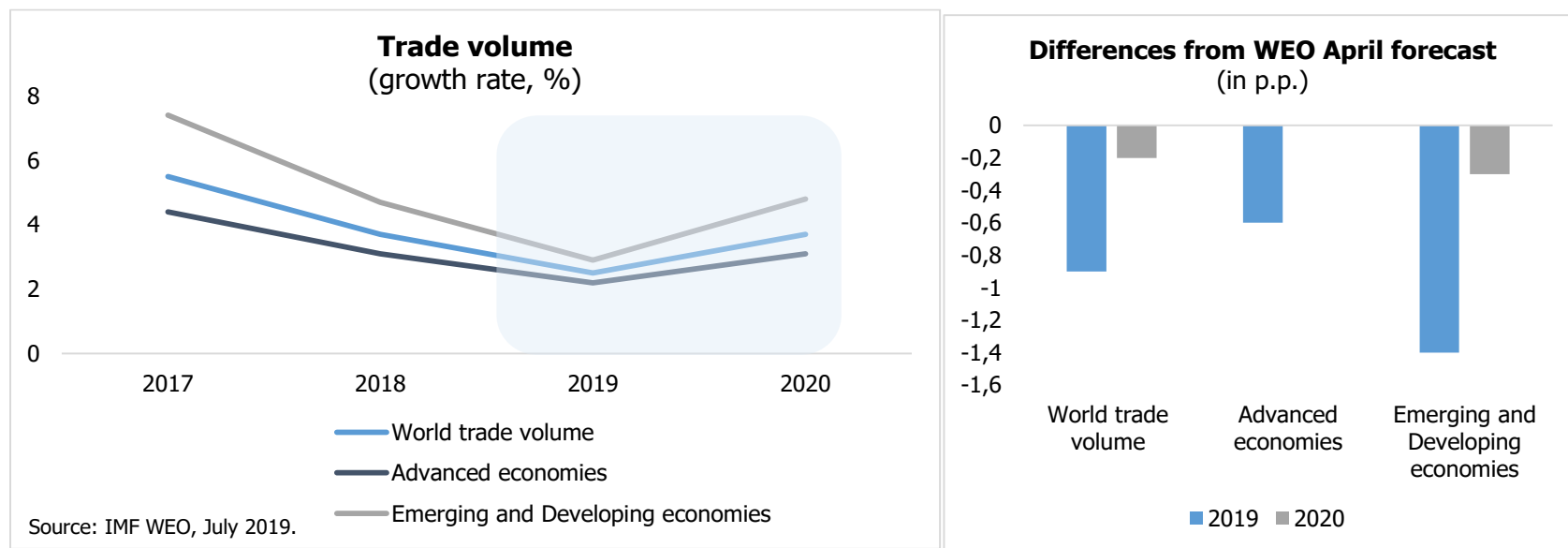
Difference from WEO forecast in April
(in percentage points)



- ◆ Downward revision of the global growth for 2019 and 2020, amid trade tensions, Brexit related uncertainty, geopolitical risks;
- ◆ In some of the advanced economies growth acceleration in 2020.



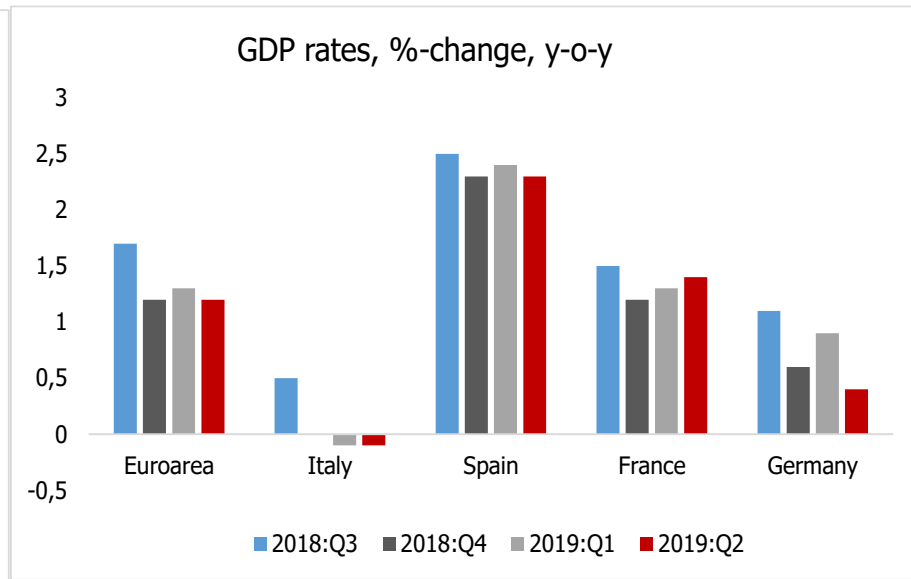
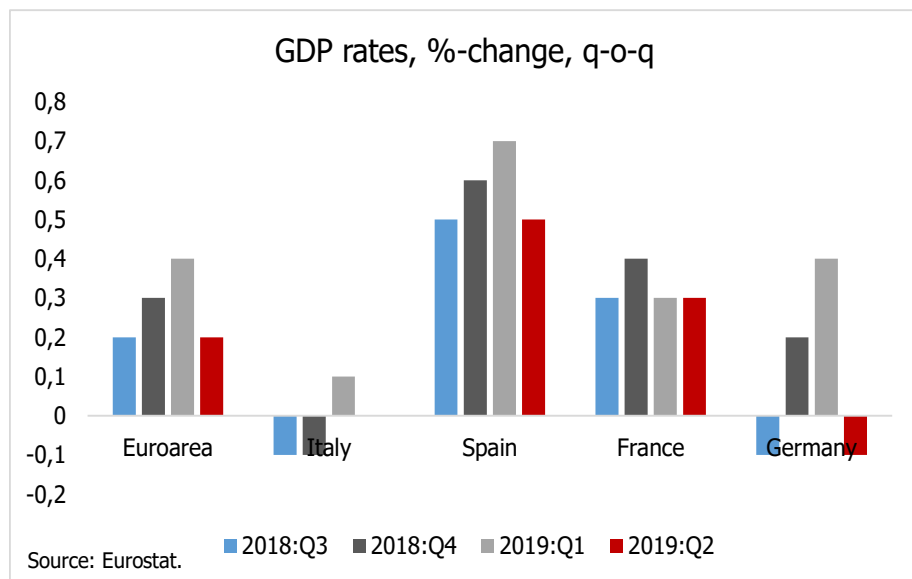
Global trade



- ◆ Downward revisions of global trade for advanced and emerging economies.



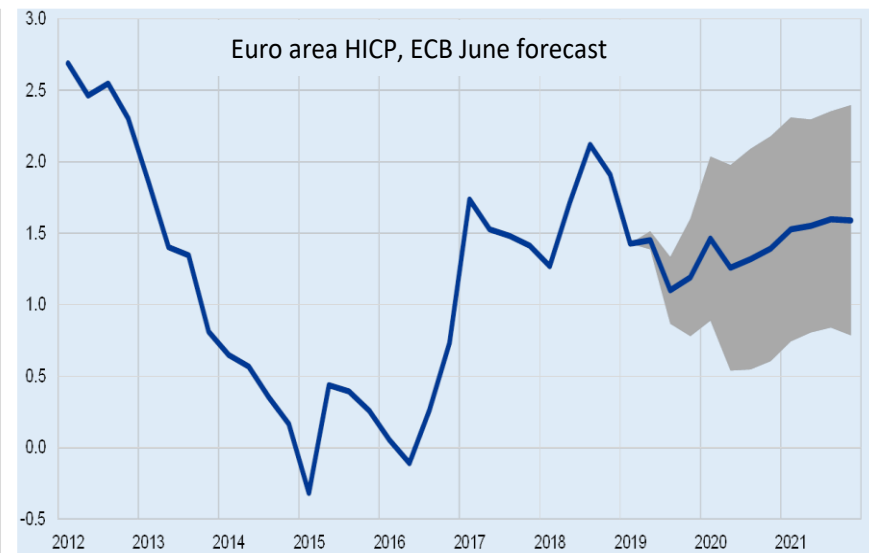
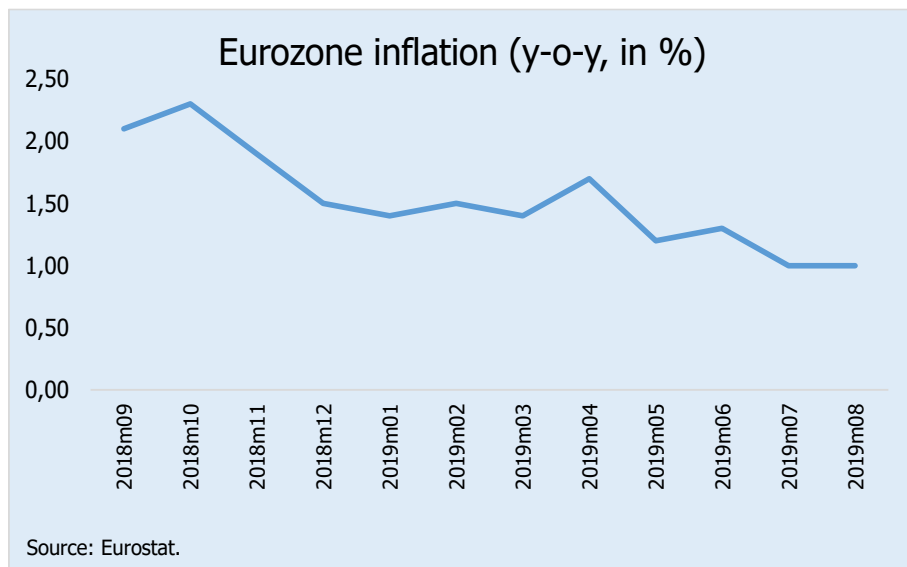
GDP rates in the Eurozone



- ◆ In the second quarter of 2019, GDP slowdown in the Eurozone, with weak performances in Germany and Italy.



Eurozone inflation

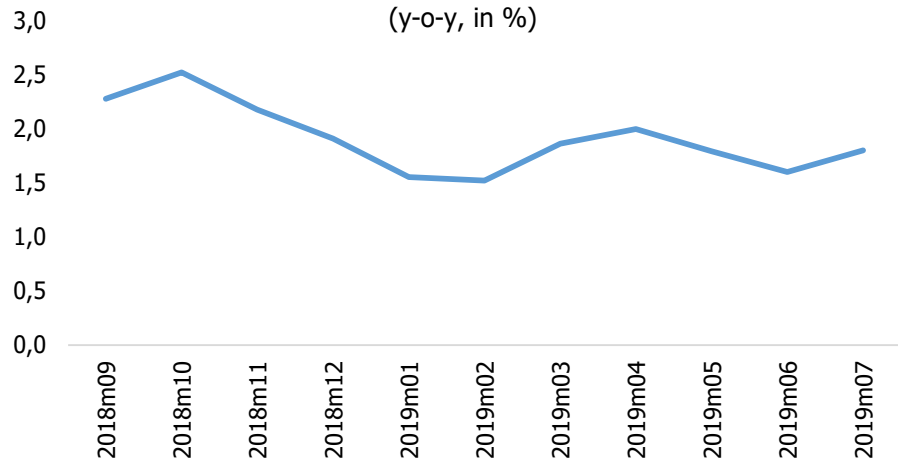


- ◆ In the last months, further slowdown of the inflation in the Eurozone;
- ◆ ECB June forecast that inflation will remain below the target in the next two years;
- ◆ September decision of the ECB Council: deposit facility interest rate decreased by 10 b.p. to -0.50%; key interest rates to remain at the present or lower level until inflation outlook robustly converge to 2% target; net purchases under Asset purchase program to restart and to continue as long as necessary.



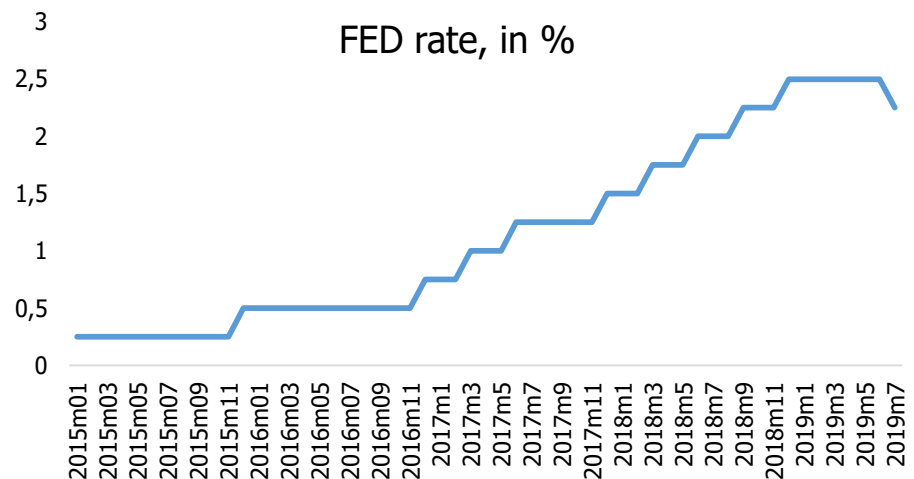
US economy

USA inflation rate
(y-o-y, in %)



Source: St. Louis FED.

FED rate, in %

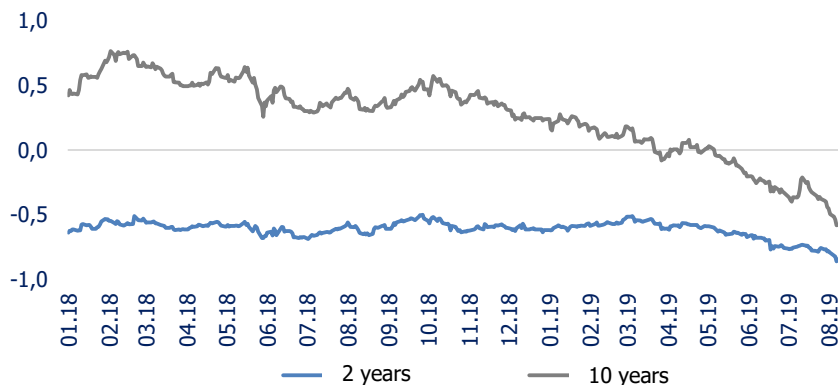


- ◆ GDP slowdown in the second quarter of 2019 to 2% from 3.1% in the previous quarter, accompanied by moderate inflation, that resulted in a first cut of the FED rate in the post crisis period.



Financial markets

Eurozone Government bonds yields (%)



USA Government bonds yields (%)



- ◆ Volatility on the stock markets, declining yields on the Government securities in the advanced economies, but higher demand for Government securities of emerging economies.

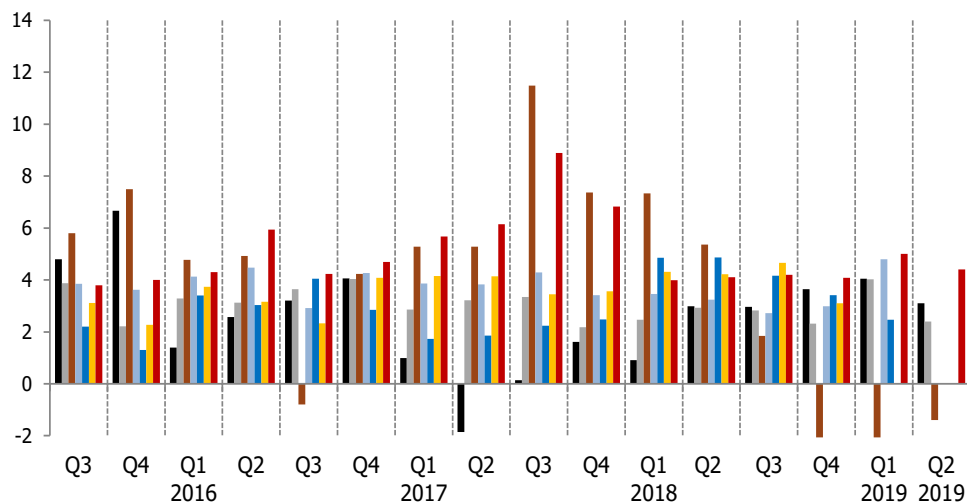


Emerging economies

Real GDP growth in countries from the region

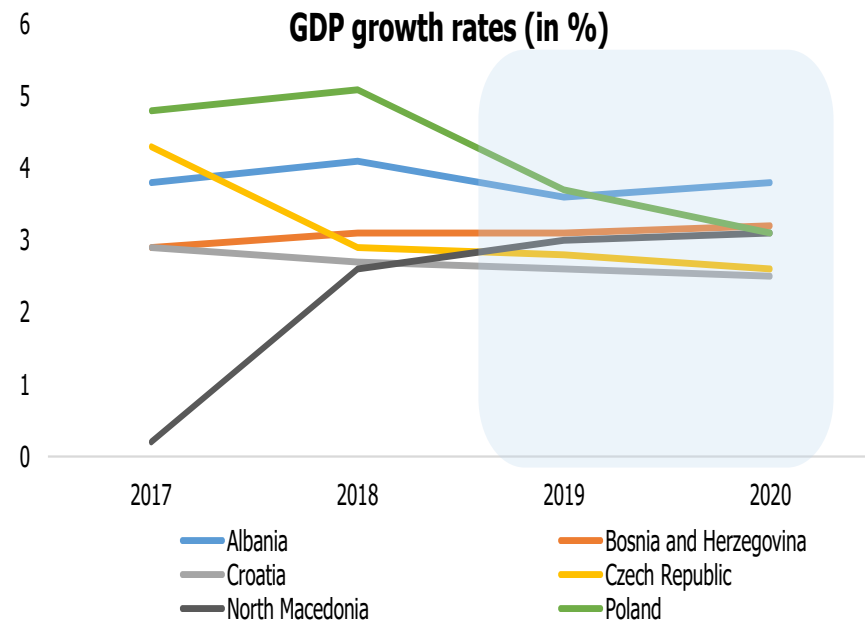
(annual percentage changes, quarterly data)

■ North Macedonia ■ Croatia ■ Turkey ■ Bulgaria ■ Serbia ■ Albania ■ Romania



Source: Eurostat and national statistical offices.

GDP growth rates (in %)



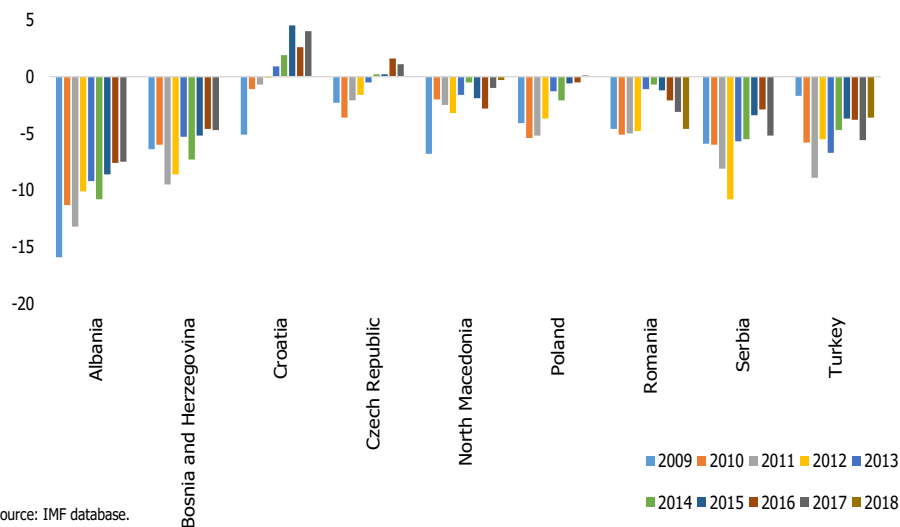
Source: IMF WEO April 2019.

- Continuation of moderate growth of emerging economies, although risks from the global environment are present.

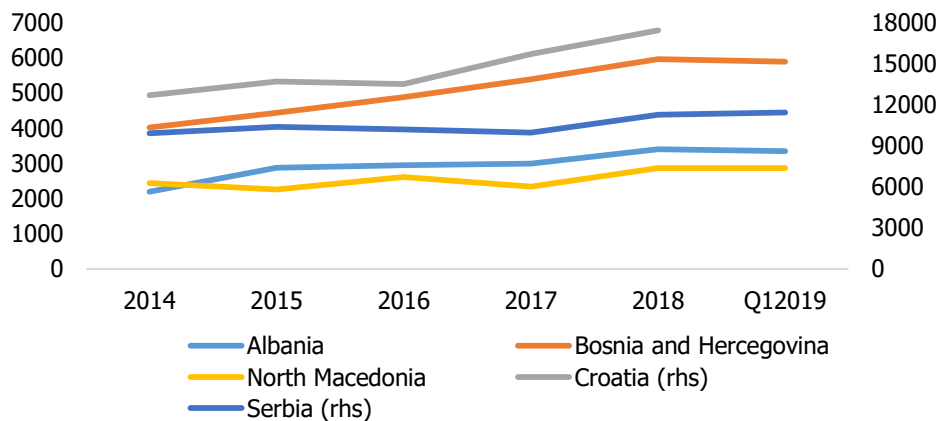


External sector developments

Current account balance, % of GDP



International reserves dynamics
(in mill. EUR)

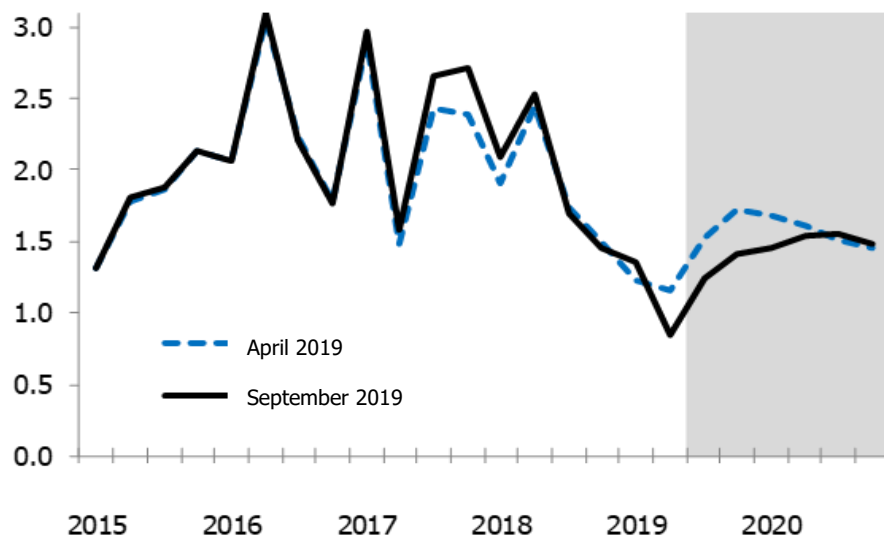


- ◆ In the last years, improvement in the current account balance;
- ◆ Capital inflows based on FDI (although with changeable dynamics) and government borrowings amid low interest rates environment.



Country perspective

Foreign effective demand
(annual changes in %)



Source: Consensus Forecast and NBRNM calculations.

Export to Germany

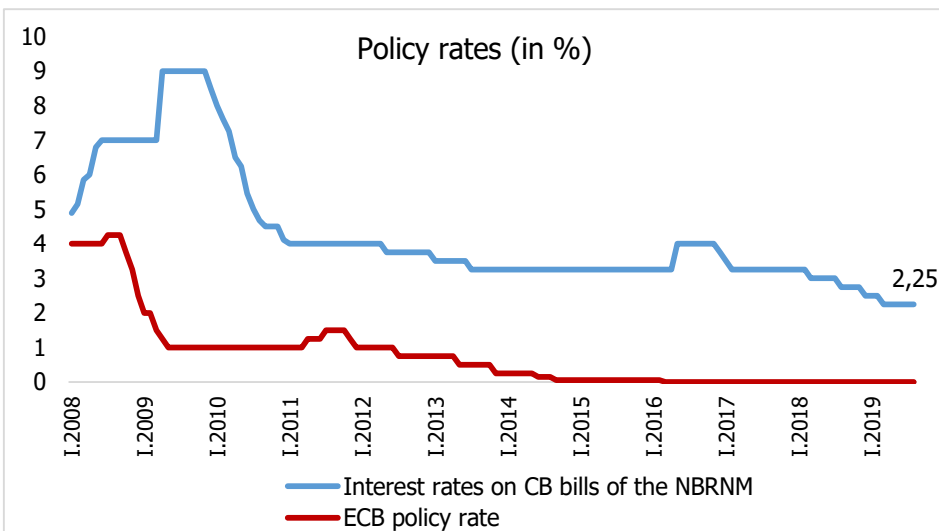


Source: SSO.

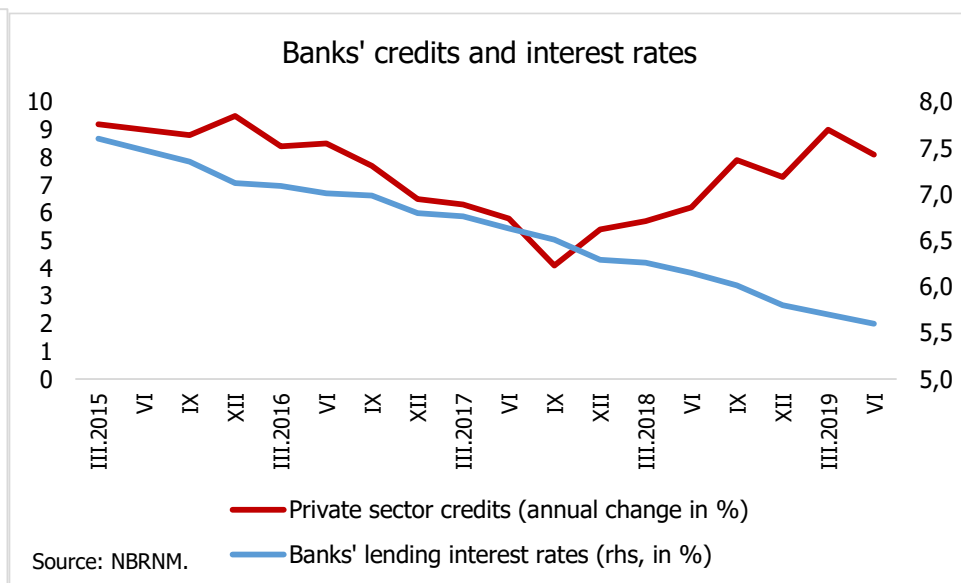
- Downward revision of foreign effective demand for North Macedonia;
- However, export to Germany still sound, with usual fluctuations.



Accommodative monetary policy of NBRNM



Source: ECB and NBRNM.



Source: NBRNM.

- Continuation of accommodative monetary policy of NBRNM in 2019;
- Improvements in the interest rate transmission mechanism;
- Sound credit growth in the last years, with higher lending to households than to corporate sector.



Concluding remarks:

- ◆ Downward risk for global growth and continuation of disinflationary pressures;
- ◆ Further analysis on the “missing inflation” phenomena;
- ◆ Under prolonged monetary expansion, need for regular monitoring and measures against accumulating financial vulnerabilities;
- ◆ Re-assessment of the need of non-standard monetary policy measures;
- ◆ Macroprudential policy to ensure adequate capital and liquidity buffers of the banking system;
- ◆ Prudent fiscal policy towards debt reduction and well-targeted public expenditures for economic recovery support and macroeconomic policy mix that will ensure sustainable recovery.