

# ***Convergence road blocked?***

***Economic Outlook – current economic situation in Europe  
and the Baltic countries with a special emphasis to Poland***

**SPCC Economic Conference  
Warsaw, 19 November, 2009**

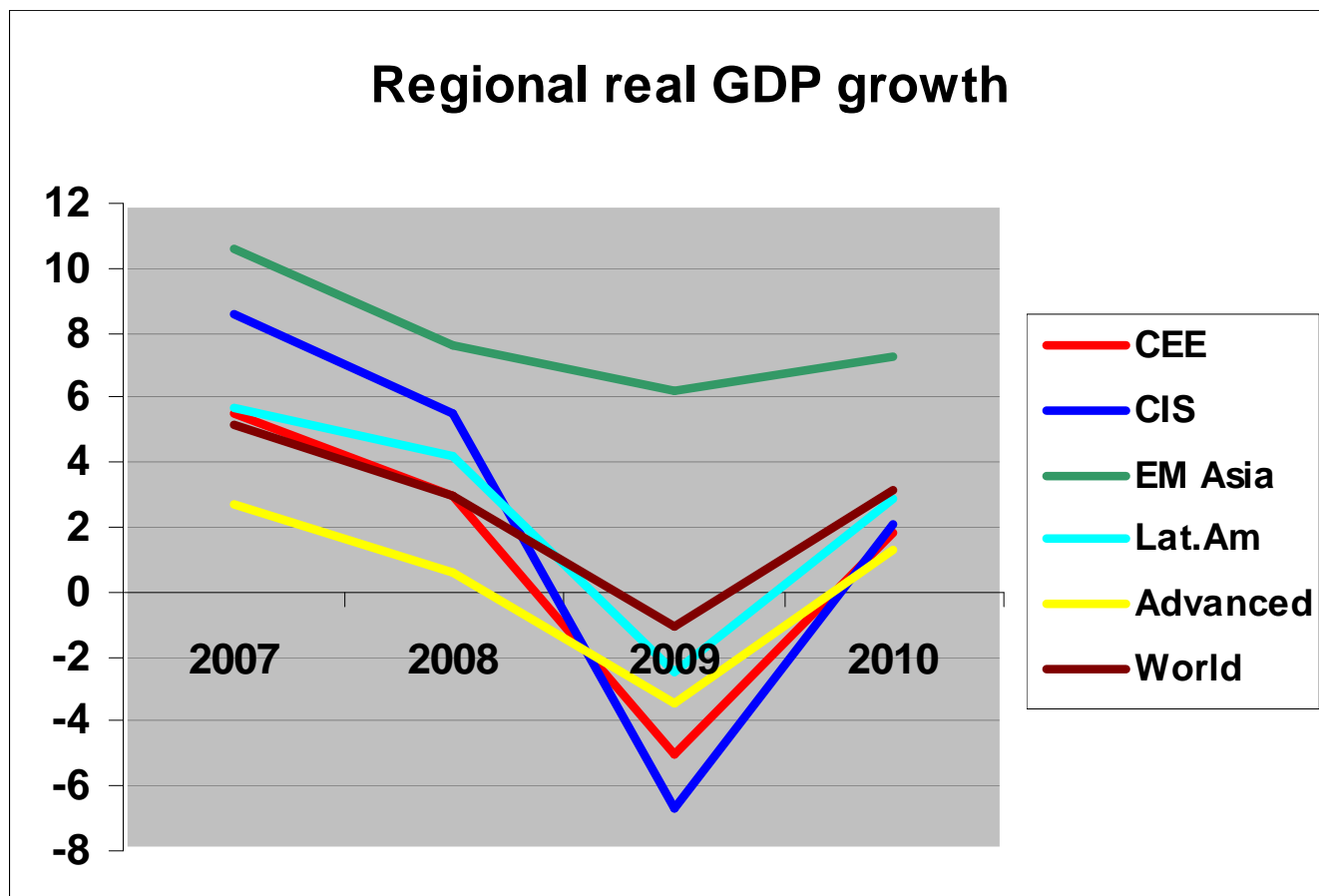
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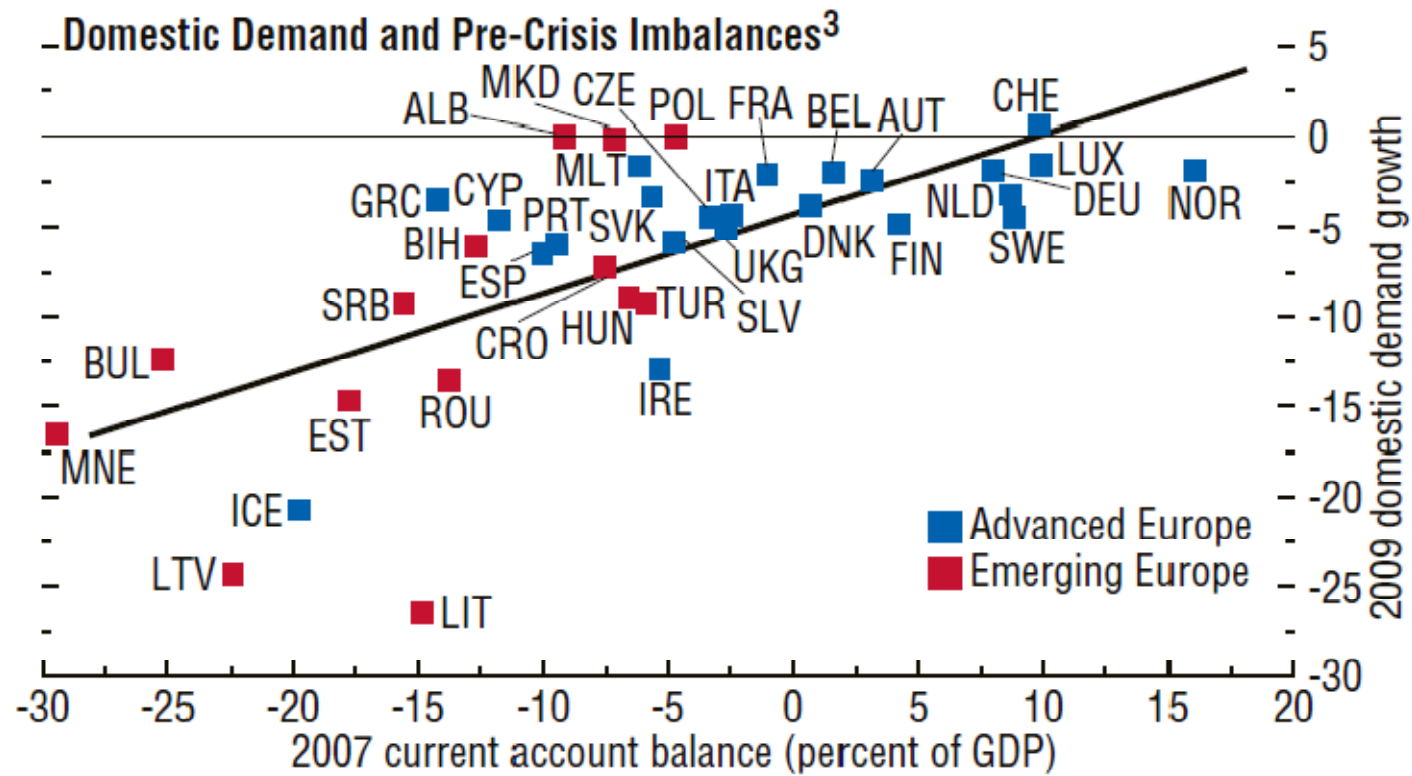
# CEE between a rock and a hard place



Source: IMF



# Vast regional disparities



Source: IMF



# Poland: the last man standing

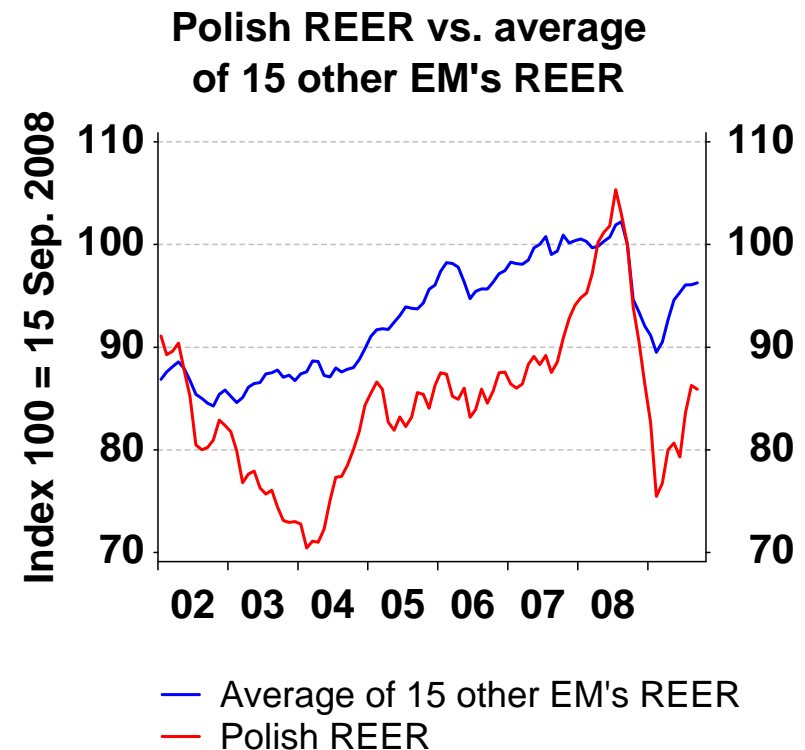
## ■ Less vulnerable

- Not as open economy
- Late to the credit party
- Sound banking system

## ■ Counter cyclical fire power

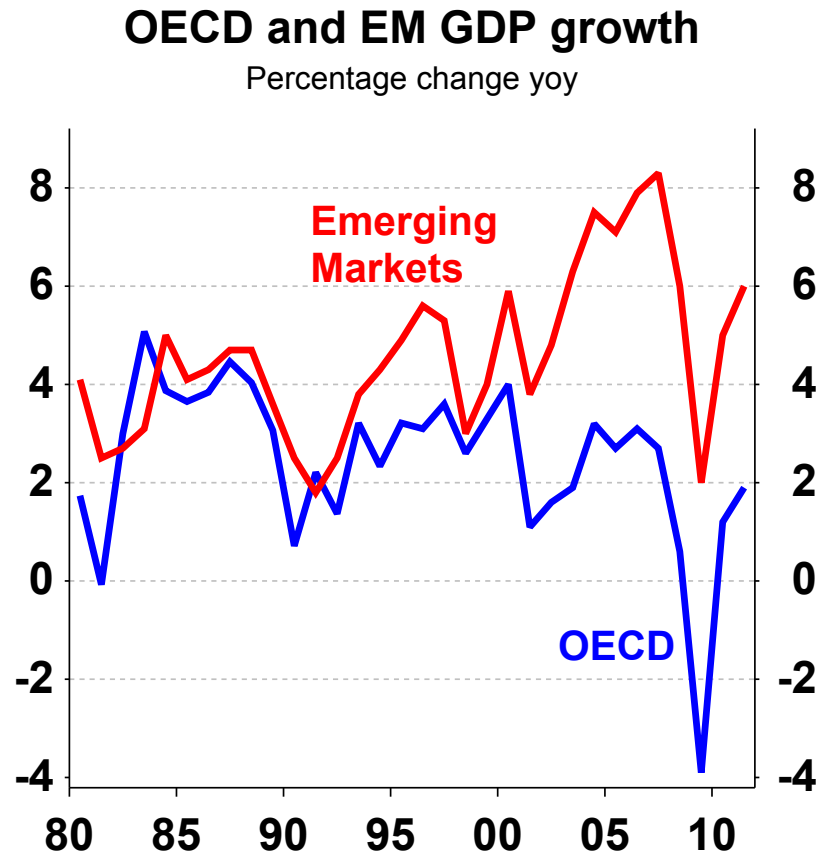
- Fiscal stimuli
- Interest rate cuts
- Competitive exchange rate (proxy trade)

## ■ Political stability



Source: Reuters EcoWin

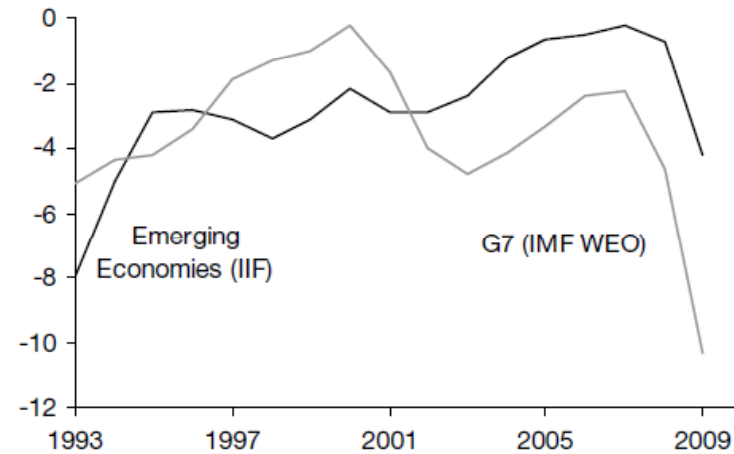
# Key point: EM cashing in



Source: IMF and SEB

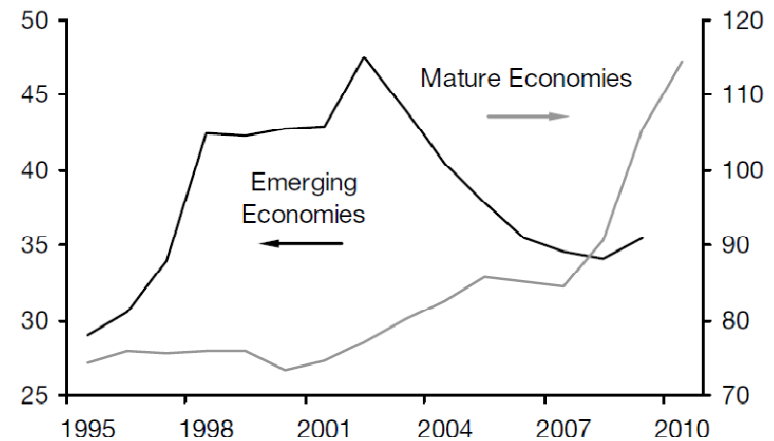
### General Government Balance

percent of GDP

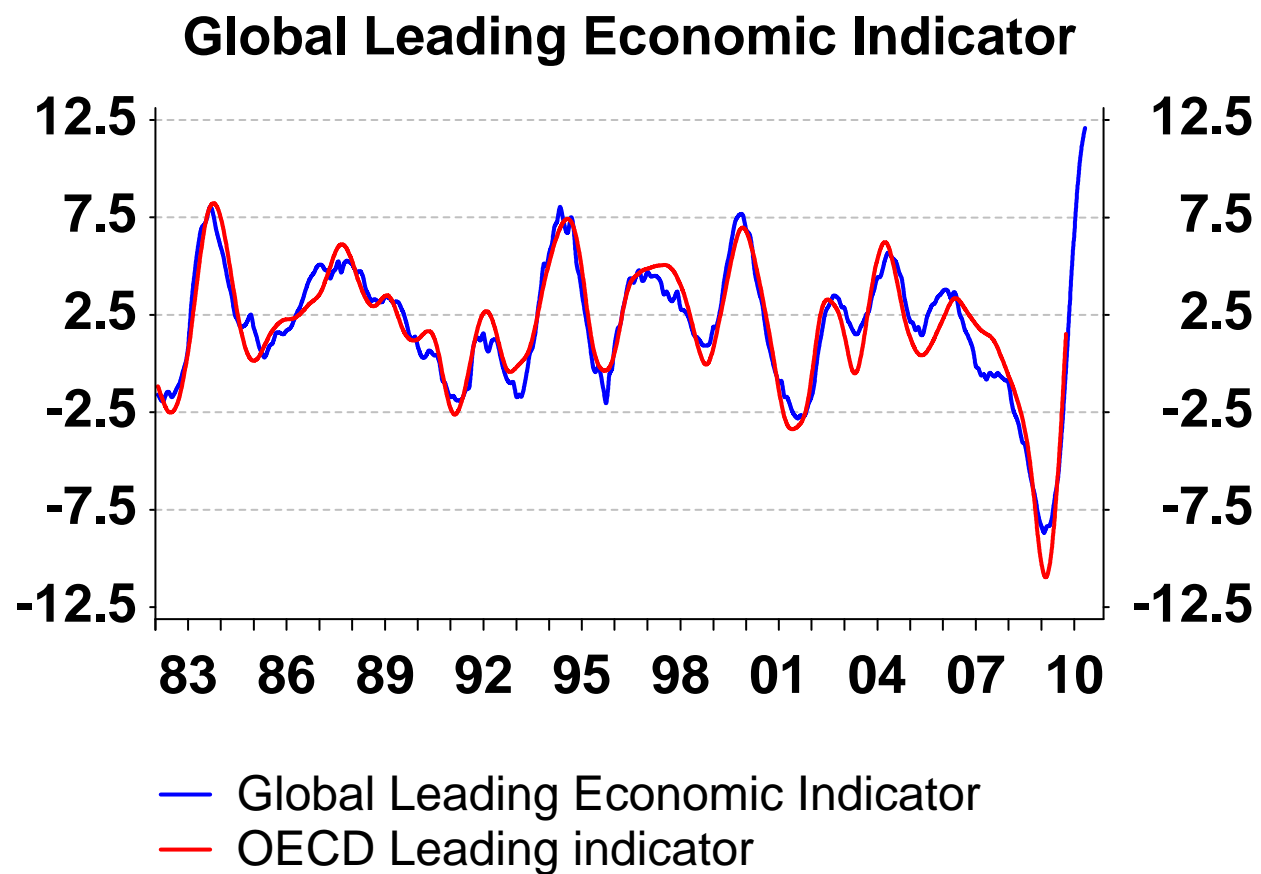


### Gross Public Debt

percent of GDP (both scales)



# Lead on leads points higher...



Source: OECD, SEB



# Key risks ahead

- **Early and/or over-effective exit from stimuli**
- **Lack of final demand to take over**
- **Returned focus to banking sector imbalances**
- **Protectionism**
- **Elections**



# The outlook

- **Three challenges**
  - Credit engine is broken
  - Limping demand for exports
  - Punch bowl to be taken away
- **No return to 2004-07 trends**
  - Less and more local financing. New regulation
  - Less construction/real estate boom
  - Lower C/A deficit tolerance
- **But not an end to convergence**
  - Employment
  - Investment
  - Economic policy mix
  - The short and long term





# Poland: in pole position, with room for improvements

