The Russian economy has shifted towards highly conservative rates of economic growth (1.5% in 2017, and in 2018, as estimated), and this is in the conditions of quite favorable external economic conditions. Such a low dynamic comes with an underlying important reason—a combination of a fairly harsh monetary and budget policy (budget surplus is expected this year). In turn, this policy was associated with the idea of securing unquestionable budget stability and balance of payments in the conditions of uncertainty tied to the dynamic of global energy and construction materials demand, and with the expansion of the economic sanctions against Russia. Indirectly, it resulted in achieving the uniquely low for our country inflation rates (2017: 2.5%, 2018: 3.4%, with the Bank of Russia's goal set at 4.0%, December to December).

A key external factor contributing to uncertainty is global oil prices. They may decrease significantly if crisis events emerge in the global economy, and/or expansion of the supply from Venezuela, Iran, Iraq, or Libya, and also a decrease in the "risk component" in the price in the event of crisis resolution in the Middle East.

Moreover, the Russian economy may be negatively affected by both potential expansion of sectoral sanctions, and the growth of protectionist practices on certain global markets (ferrous and nonferrous metals, for example).

In terms of the internal market conditions, there are two factors of uncertainty:

- a set of issues associated with the pension reform (to what extent will the increase in the retirement age affect companies' behavior and the welfare of the population);
- will a system be put together to stimulate economic growth as outlined in the Russian President's Address on March 1, 2018 (in which an actual objective of the annual economic growth has been set to 4–4.5% in 2020s), or will the economic policy remain mostly conservative and oriented towards budget and financial stabilization.

Ukraine

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In 2018-2020 Ukraine's economic dynamics will remain inertial. Its parameters will be largely determined by the situation on the international commodity markets, the deficit of domestic and external private financing, complicated relations with official creditors, the impact of the presidential and parliamentary elections in 2019, the losses caused by the occupation of part of the national territory, the costs associated with the need to protect the eastern borders, as well as the forced search for new external partners and markets for traditional export items.

The growth rates of real GDP will not exceed the world average and will amount to: in 2018 - 3.1%, in 2019 - 2.9%, and in 2020 - 3.5%. No significant shifts are expected in favor of medium- and high-tech industries. The inflation rate will slow down. The national currency will devalue moderately. The credit activities will remain low and will focus mainly on trading operations, real estate operations and export industries. Labor emigration will continue.

Medium-term risks will be associated with continued external aggression in the East of the country, deeper protectionism practiced by the leading advanced economies, their sharper than expected overall decline as well as limited and dearer resources on the external financial markets.

South-Eastern Europe

The outlook for **South-Eastern Europe** is generally favourable, with the region's aggregate GDP expected to expand by 3.6 per cent in 2018 and 3.7 per cent in 2019, supported mostly by investment and exports. The prospect of EU accession, confirmed by the recent European Commission strategy paper, remains an important macroeconomic policy anchor, and pre-accession assistance provided by the EU has a tangible developmental impact.

In the first half of 2018, the economic upswing in the region continued, with the Serbian economy expanding at a ten-year high rate of 4.5 per cent, bolstered by agriculture and construction sectors. A surge in investment boosted growth in Montenegro. Solid economic performance was also recorded in Albania with growth surpassing 3.5 per cent, as exports and domestic demand remained strong. Interest rates were cut in response to upward pressure on the currency in April-May, which stemmed from rising export revenues and one-off factors. By contrast, the economy of the former Yugoslav Republic of Macedonia has stagnated, due to weak investment.

Labour markets in the region continued to improve in 2018, while inflation remained largely subdued. Stronger growth is needed to address the region's diverse problems, but the longer-term capacity expansion is constrained by the ongoing depopulation caused by outward migration. Shrinking population and increasing dependency ratios are becoming policy challenges, in particular in Serbia. Some of the region's countries are strongly exposed to Greece and Italy, and would suffer spillovers from possible deterioration in those countries.

Developing economies

Africa

The African economies are forecast to grow in aggregate 3.5 per cent in 2018 and 3.8 per cent in 2019. Growth is led by the eastern and northern regions though all regions are posting mildly accelerating real GDP growth rates (figure 3.2). Three-fifths of African countries are expected to grow faster in 2018. The improvement reflects higher commodity prices and improved external and internal demand. However, one-third of economies home to over 500 million people are growing slower in 2018. Per capita income growth for the continent, estimated at 0.9 per cent in 2018 has modestly improved from the trough of 2016 but remains insufficient to significantly improve living standards for great swathes of the population.