



Beneath the Surface

Underground train lines in emerging Europe have a number of things in common. First, they usually have small bakery outlets neatly placed at the top of the escalators, enticing you with the smell of freshly baked pastries. Second, they are extremely deep underground. Getting down to Kossuth Lajos Ter in Budapest or coming up from Namesti Miru in Prague can take quite a while. And third, many of them are currently being expanded.

In these respects, emerging Europe's metro lines also have a lot in common with the area's real economy. This particular tunnel was not only long and dark, it was also very deep. Still, there is something in the air that smells of a return to better times. But, just like any good metro line extension, a return to growth will take longer and be more costly than governments would like to admit (for metro lines, just ask Hungarians for the latest proof of this rule).

Yet, the good news to take away from this analogy is that a lot is happening beneath the surface. Chinese investors, for example, do not yet play a big role, but are becoming ever more active. Credit markets are thawing. And governments are undertaking necessary reforms for, hopefully, a better future. It is now important to stay on track. Maybe then, like after a long metro ride, the tempting pastry of recovery will greet us at the end of the dark tunnel.

Yours sincerely,

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