

Caucasus and Central Asia Regional Economic Outlook

November, 2017



Roadmap

Outlook, Opportunities, and Challenges

Maintaining Macroeconomic Stability

Securing Higher and More Inclusive Growth

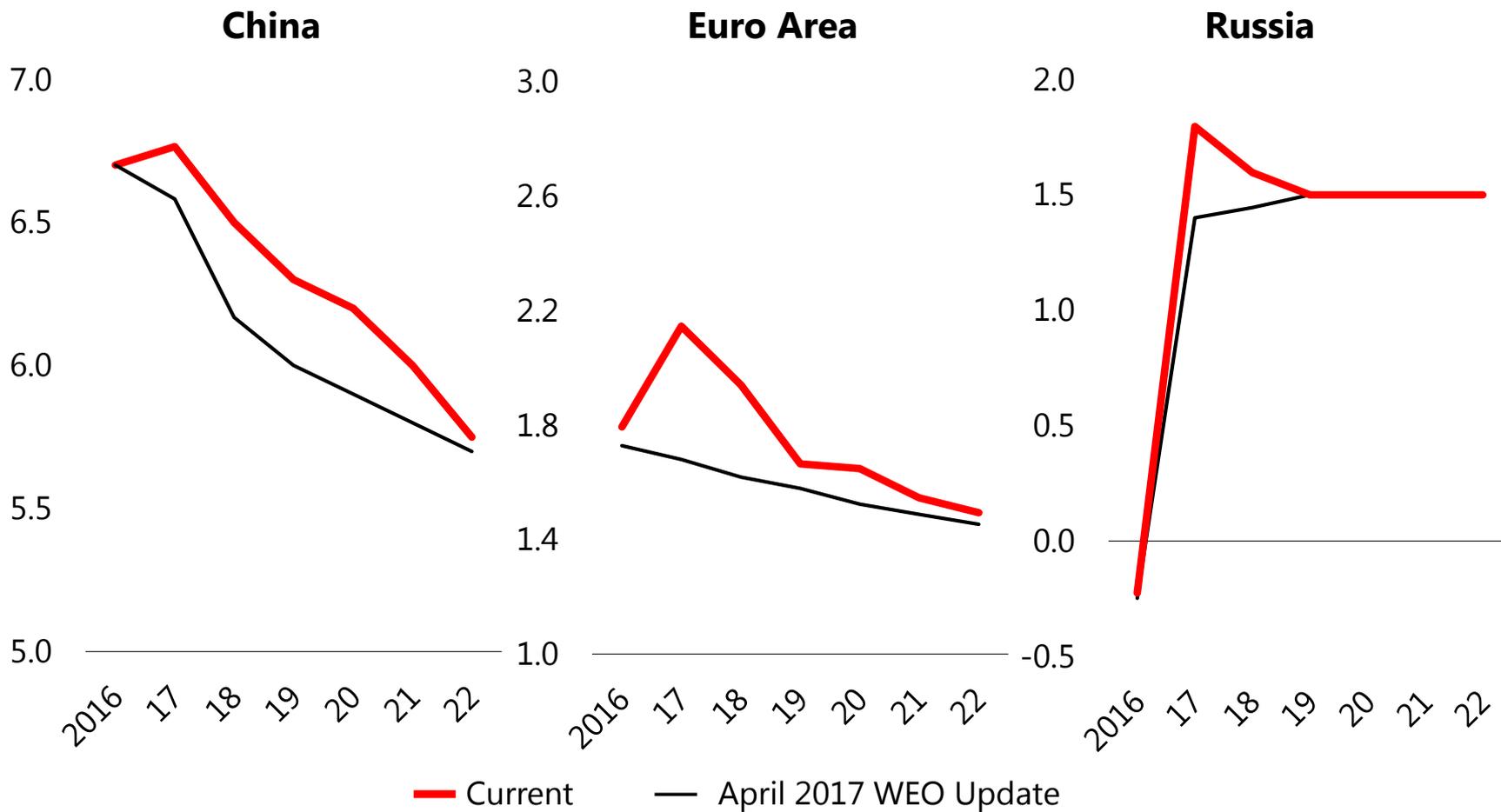
Key Takeaways and IMF's Role

Caucasus and Central Asia



Growth strengthening in CCA's main economic partners

GDP Growth (Percent change)

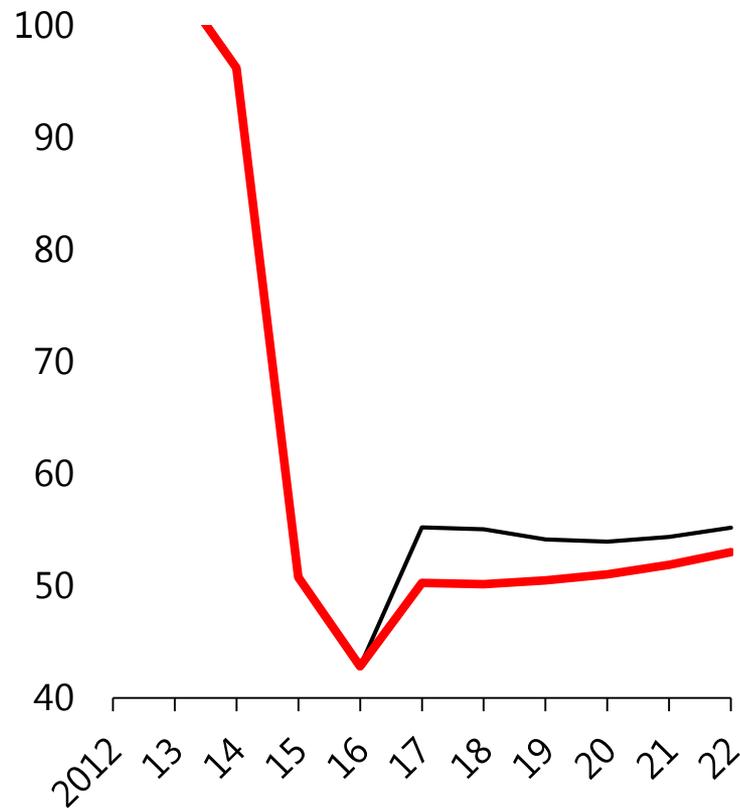


Sources: National authorities and IMF staff calculations.

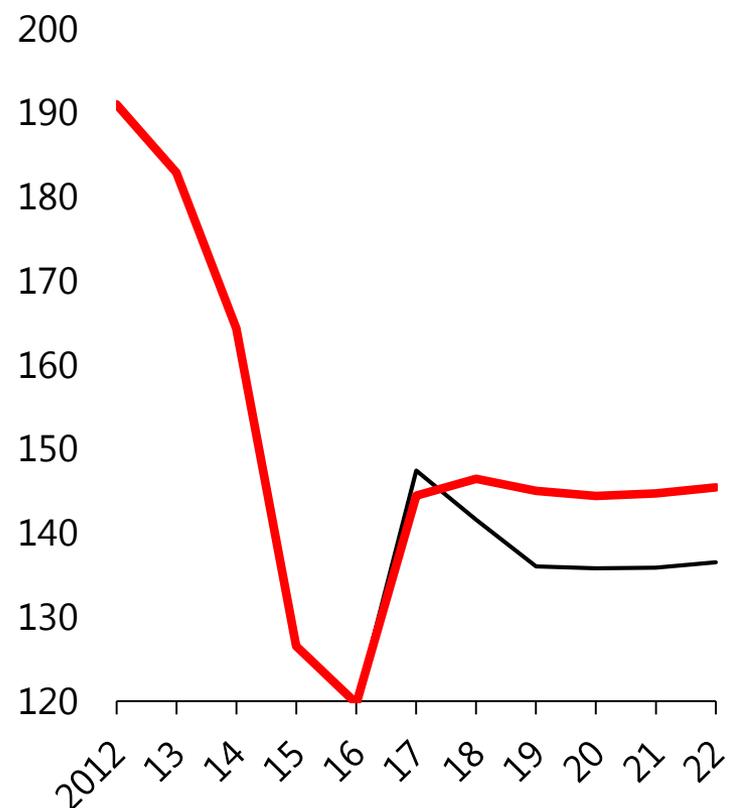


Commodity prices stabilizing, but outlook subdued

Oil Price Assumptions
(APSP¹, U.S. dollars a barrel)



Metal Price Assumptions
(Index, 2005=100)



— Current — April 2017 WEO Update

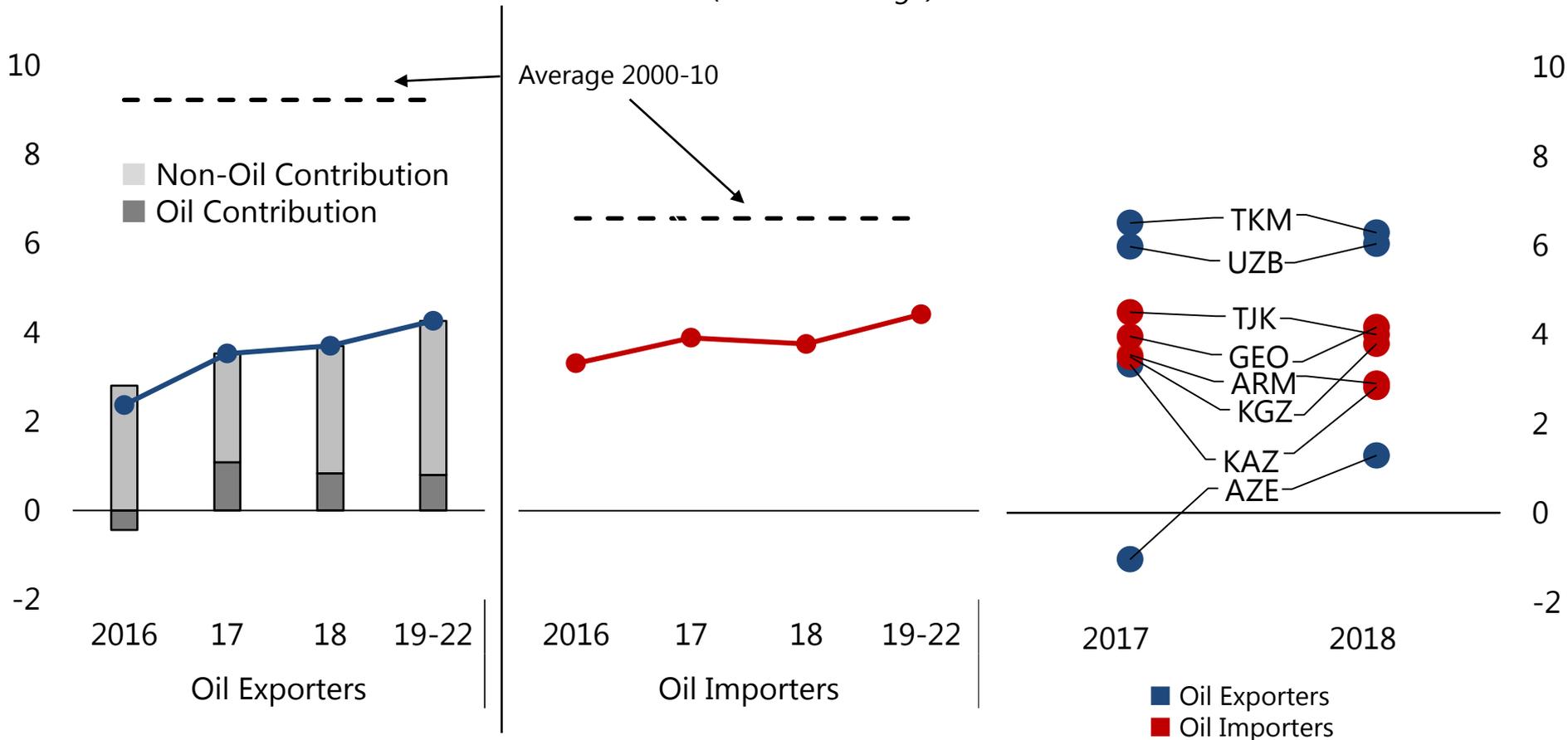
Source: IMF staff calculations.

Note: REO = Regional Economic Outlook: Middle East and Central Asia; WEO = World Economic Outlook. ¹APSP = Average Petroleum Spot Prices; Average of U.K. Brent, Dubai Fateh, and West Texas Intermediate crude oil prices.



CCA growth expected to accelerate, but remain below historical norms

Real GDP Growth (Percent change)

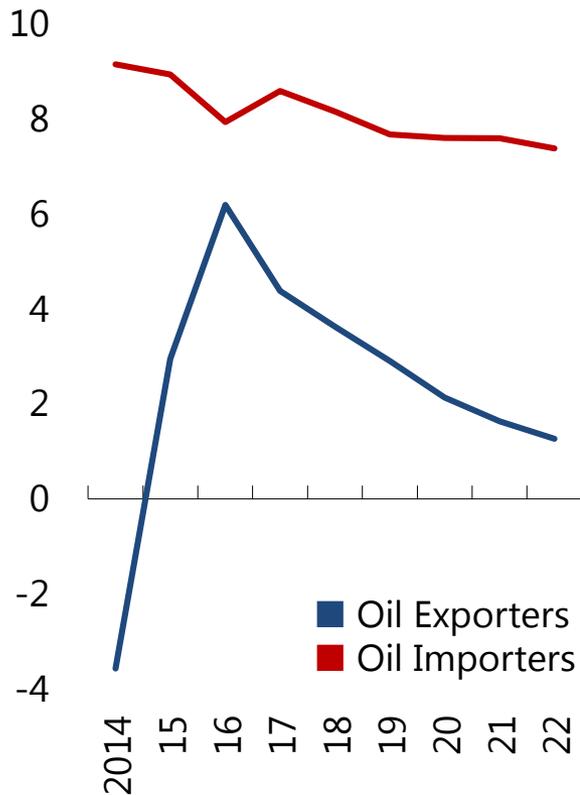


Sources: National authorities and IMF staff calculations.



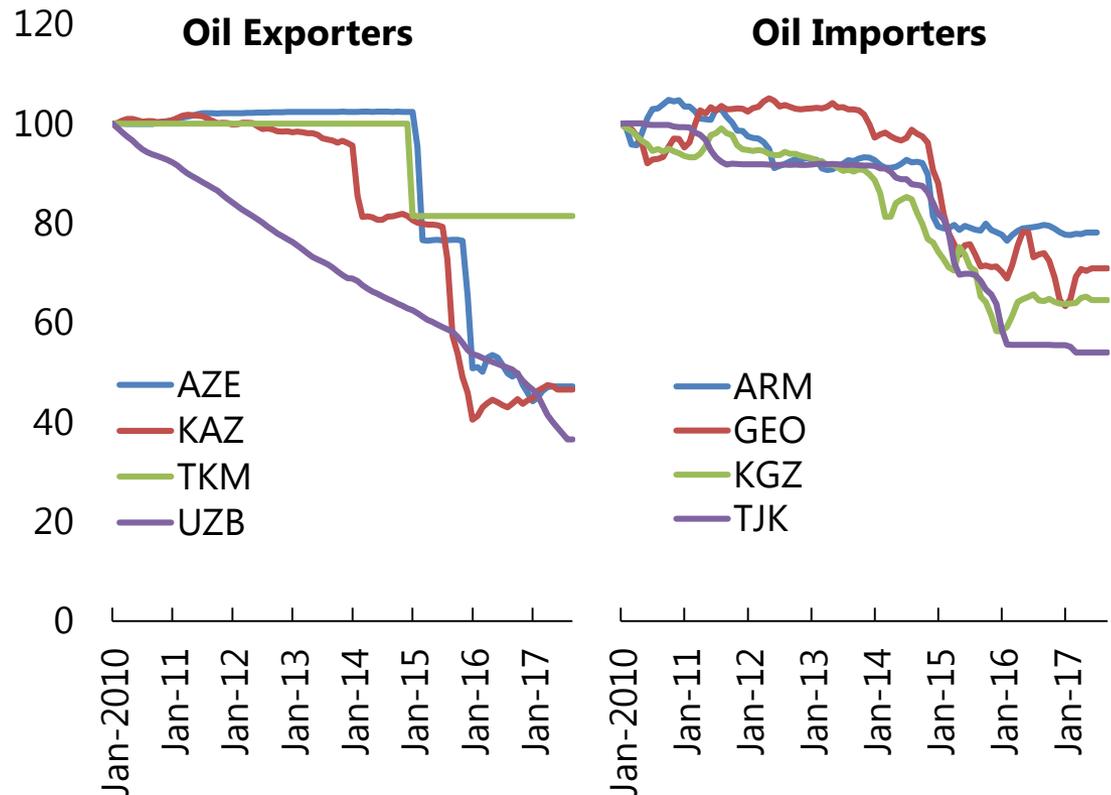
External deficits declining gradually, helped by exchange rate adjustment

Current Account Deficits
(Percent of GDP)



Nominal Exchange Rates

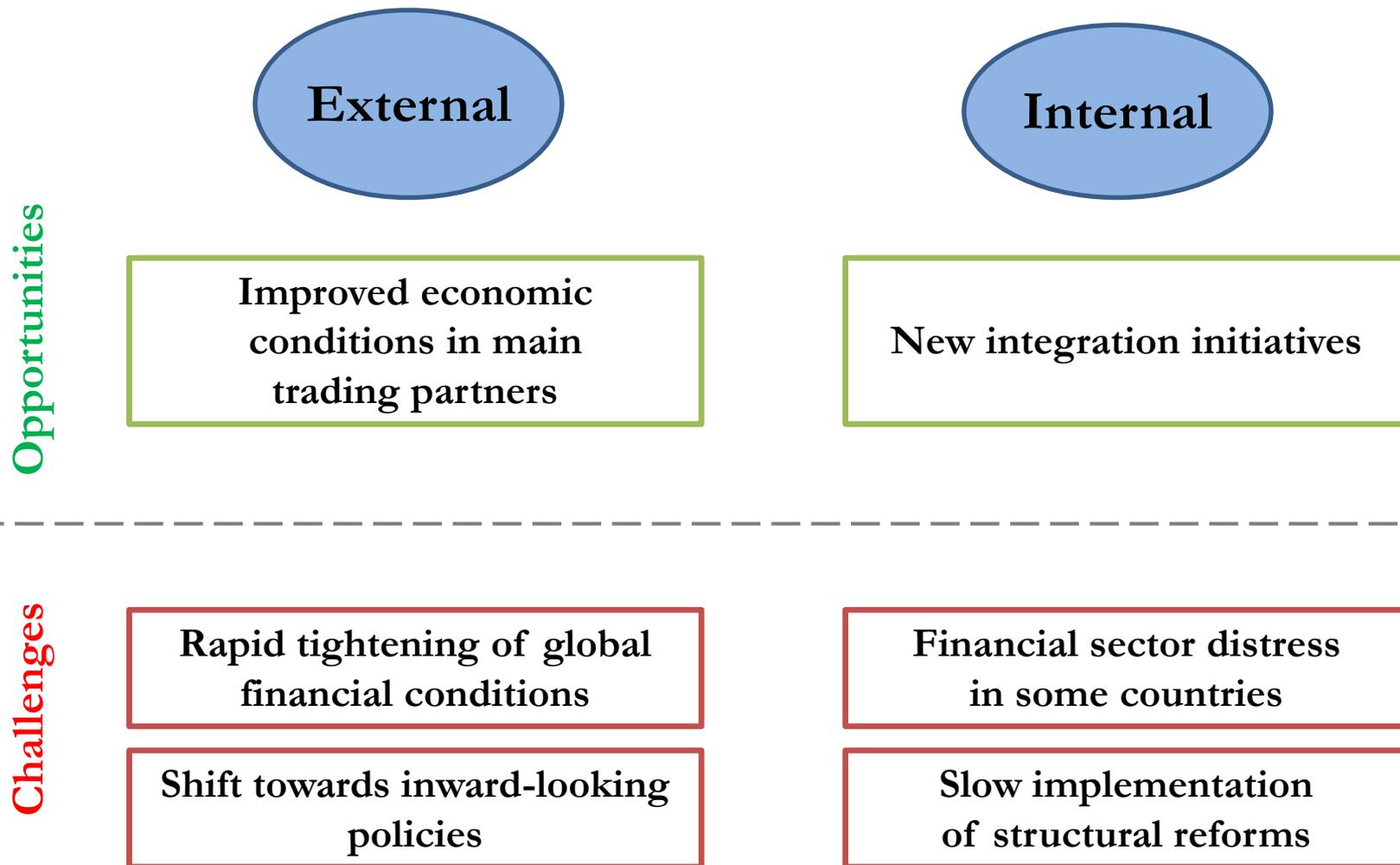
(US Dollars per national currency index, Jan-2010 = 100)



Sources: National authorities and IMF staff calculations.

Sources: Information Notice System database; and IMF staff calculations.
Note: Country abbreviations are International Organization for Standardization (ISO) country codes.

Window of opportunity—with challenges



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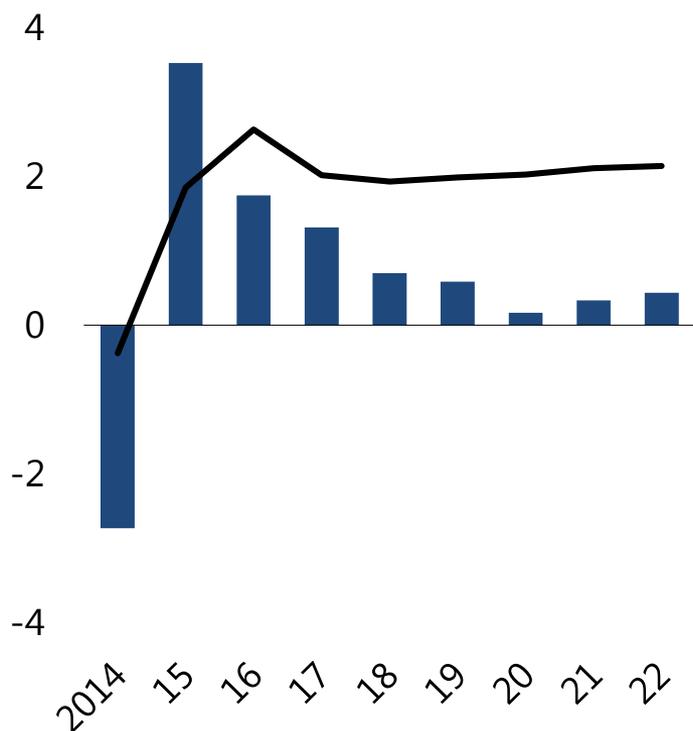
Securing Higher and More Inclusive Growth

Key Takeaways and IMF's Role

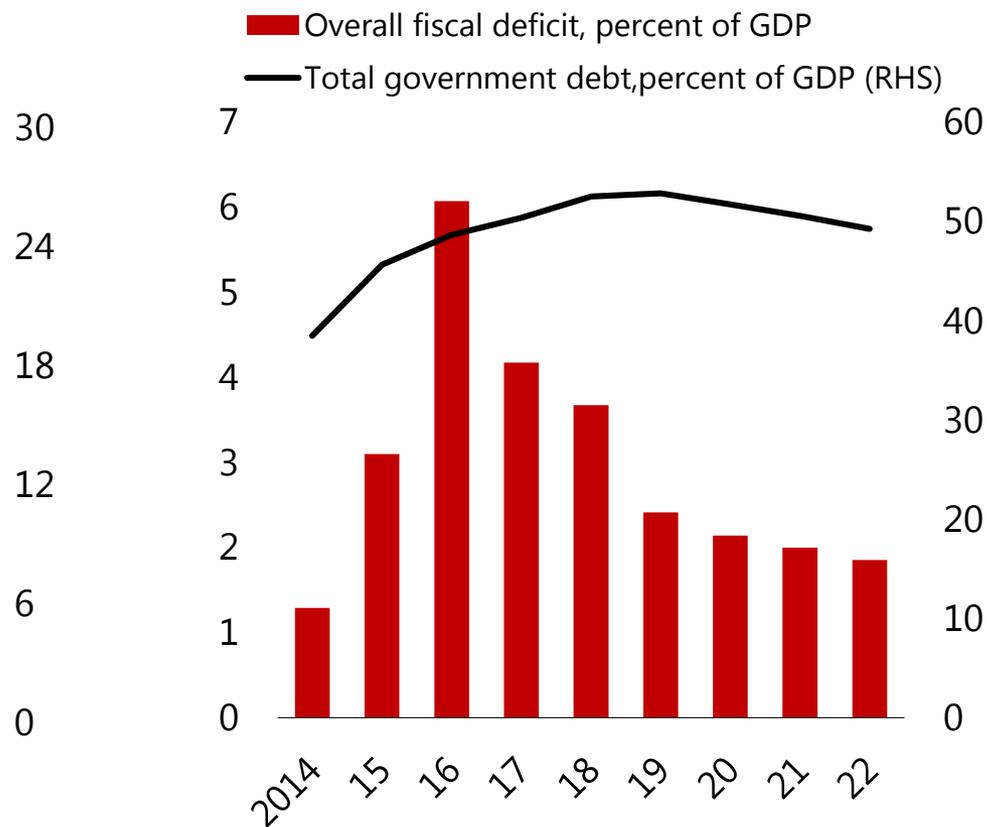
Fiscal consolidation should continue to ensure debt sustainability, but become more growth friendly

Fiscal Deficit and Public Debt for CCA (Percent of GDP)

Oil Exporters



Oil Importers



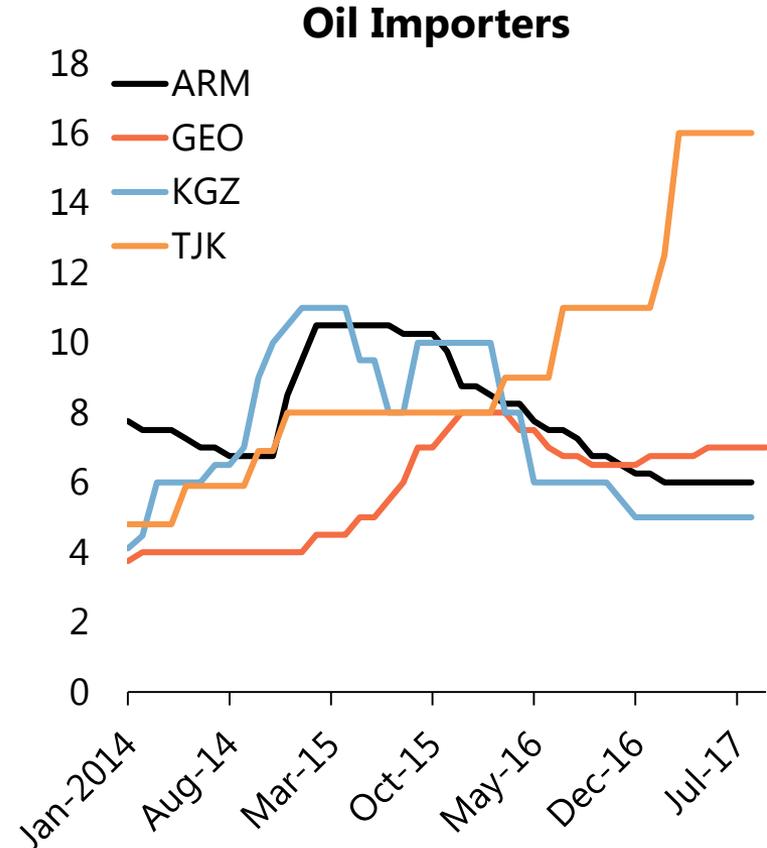
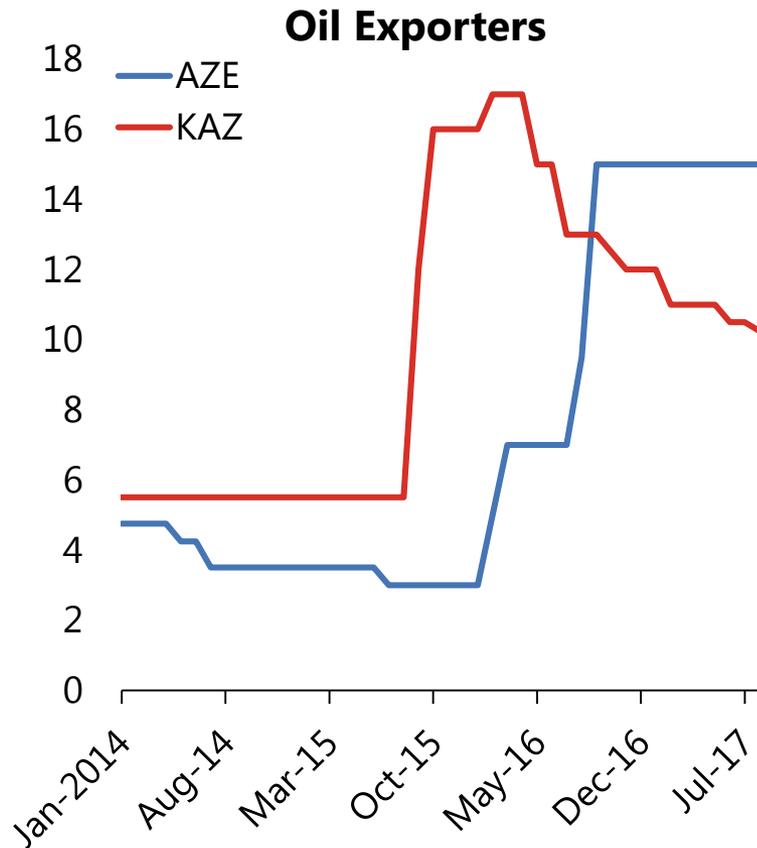
Sources: National authorities and IMF staff calculations.

Note: For Oil Exporters, the deficit for 2017 excludes a one-time fiscal transfer to the financial sector in Kazakhstan.



Despite differences in the monetary stance, frameworks should be further strengthened

Monetary Policy Rate (Percent)



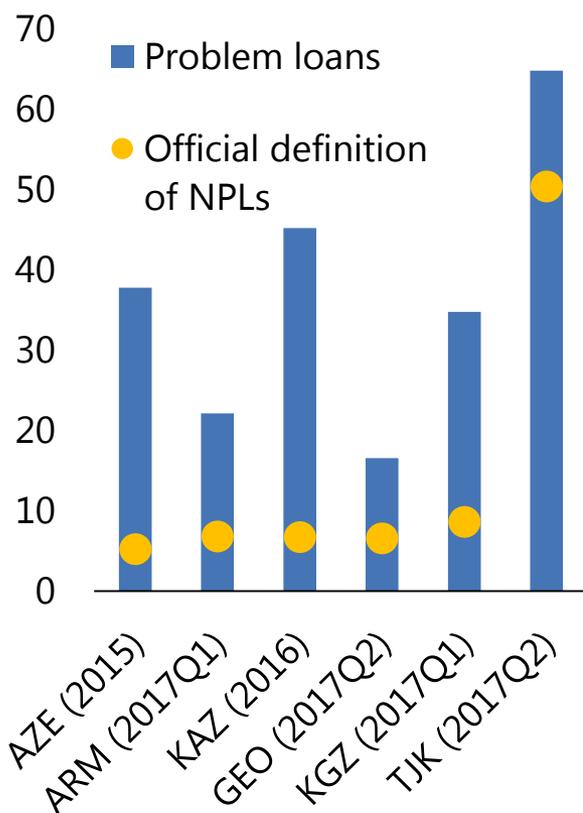
Source: IMF IFS and IMF staff calculations.

Note: Country abbreviations are International Organization for Standardization (ISO) country codes.

Financial sector vulnerabilities exposed

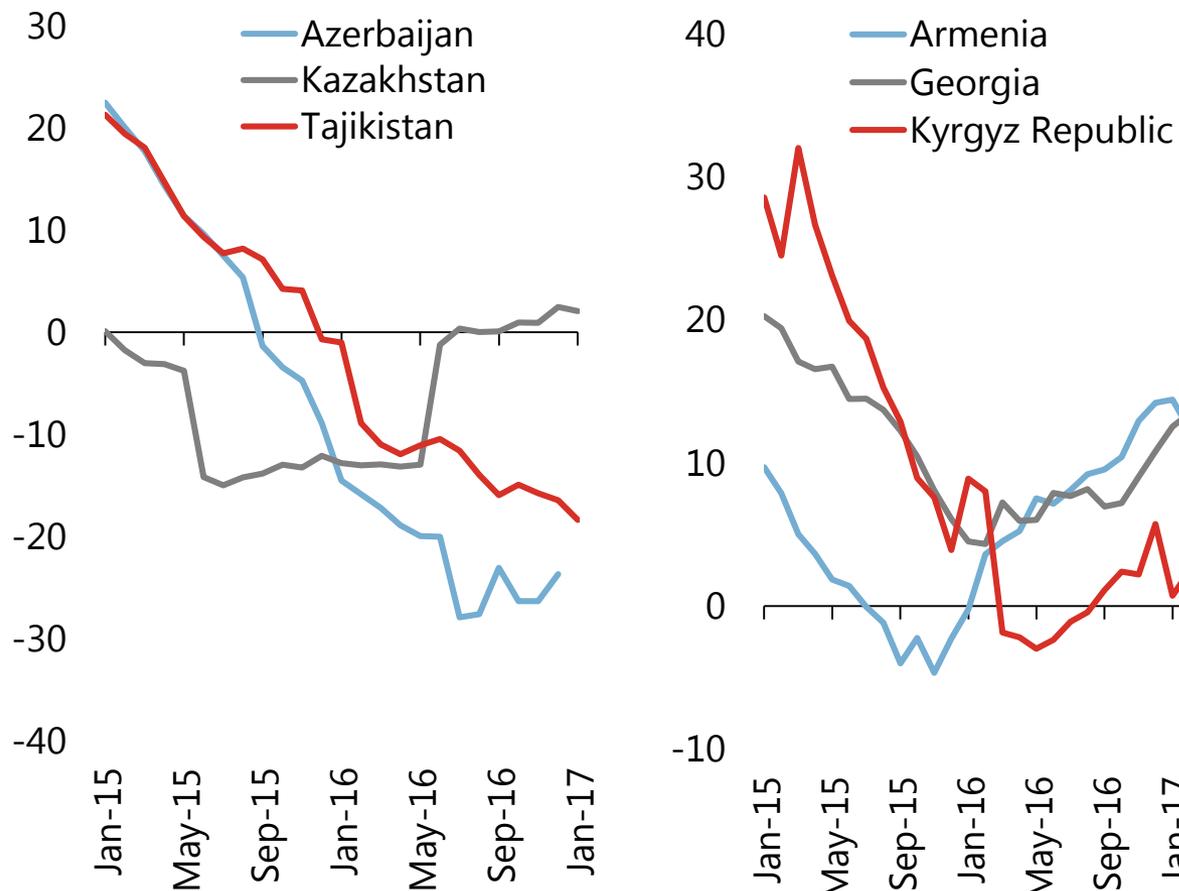
Problem Loans

(In percent of total loans)



Private Credit Growth

(Percent, year over year)



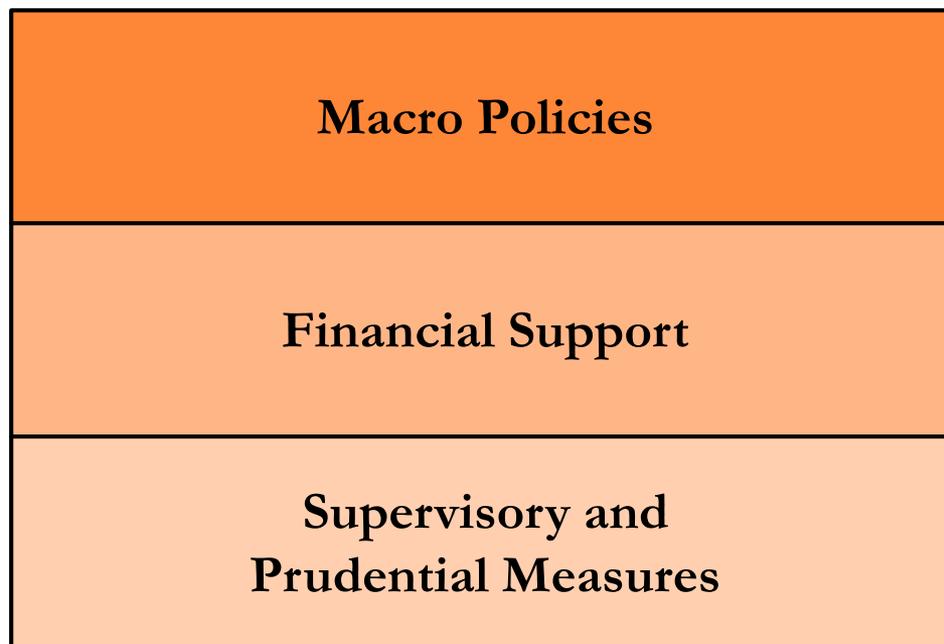
Source: IMF staff calculations.

Note: Country abbreviations are International Organization for Standardization (ISO) country codes.

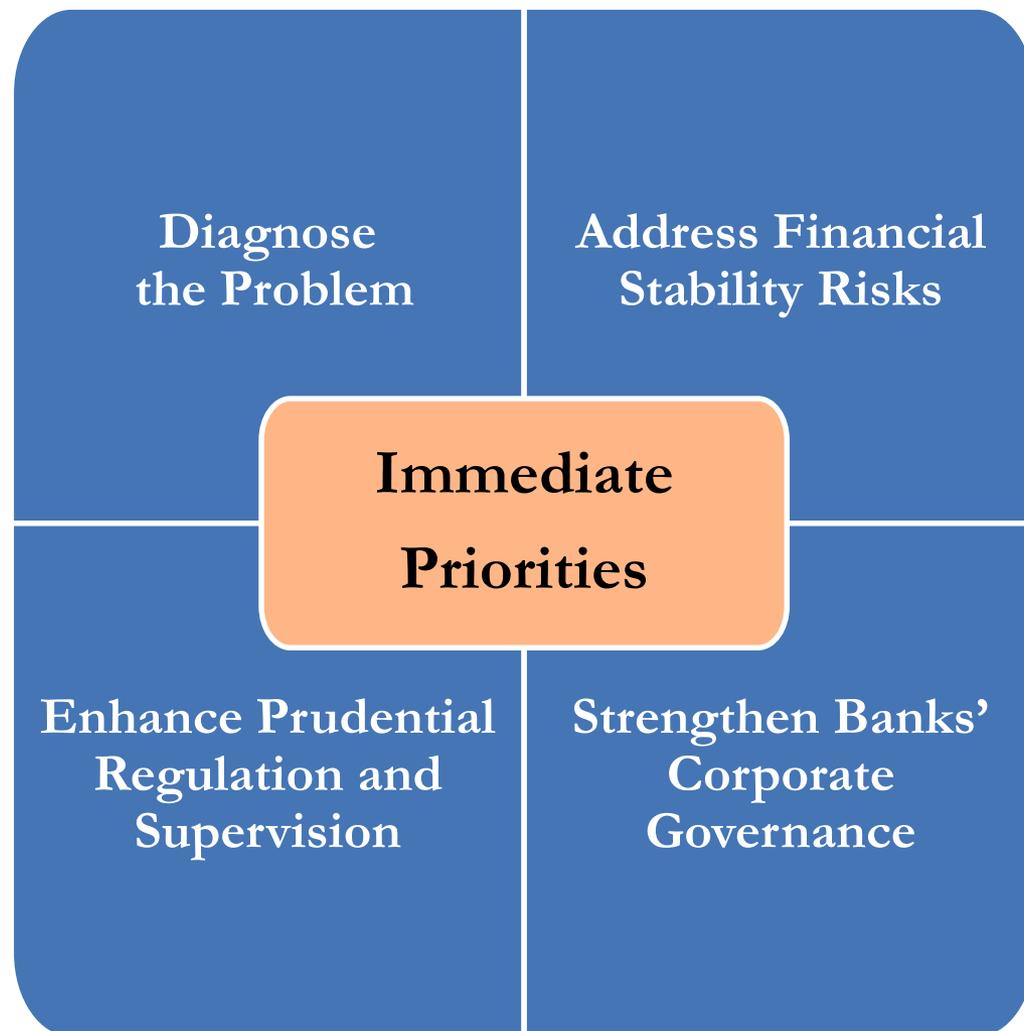


Important steps have been taken to address these vulnerabilities

Policy Responses



But further action is needed...



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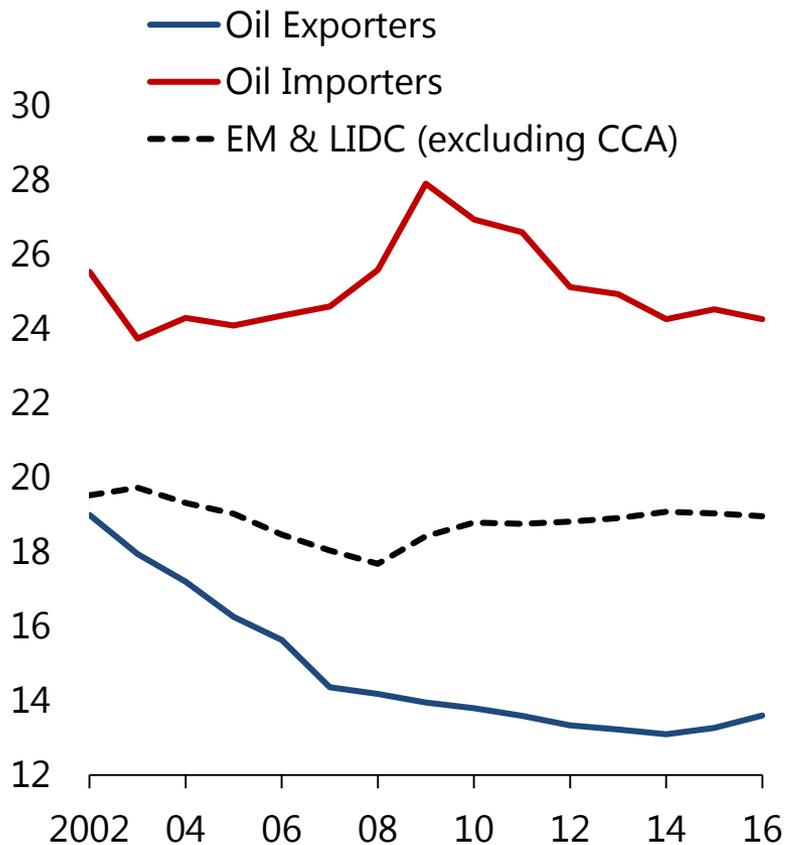
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Securing Higher and More Inclusive Growth

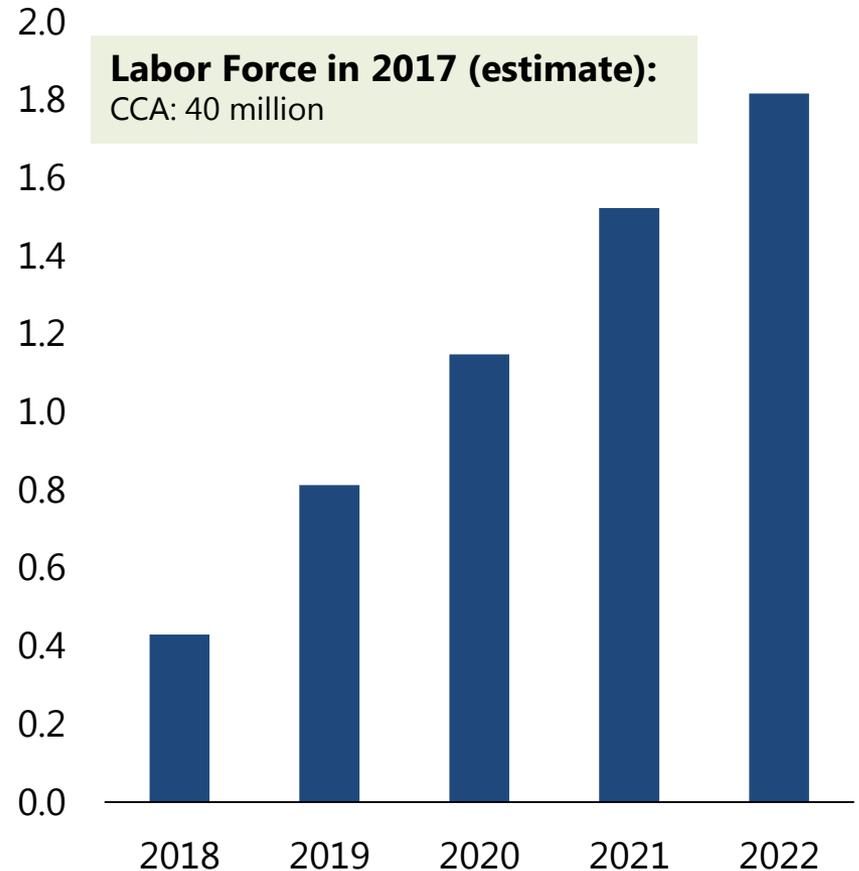
Key Takeaways and IMF's Role

Securing higher and more inclusive growth is critical to the CCA region

Youth Unemployment Rate
(average, percent)



Projected Labor Force Increase
(Million of people, cumulative)



Sources: International Labor Organization estimates.

Note: CCA = Caucasus and Central Asia; EM = Emerging market economy; and, LIDC= Low-income developing countries.



Multiple policy levers are needed to spur higher and more inclusive growth

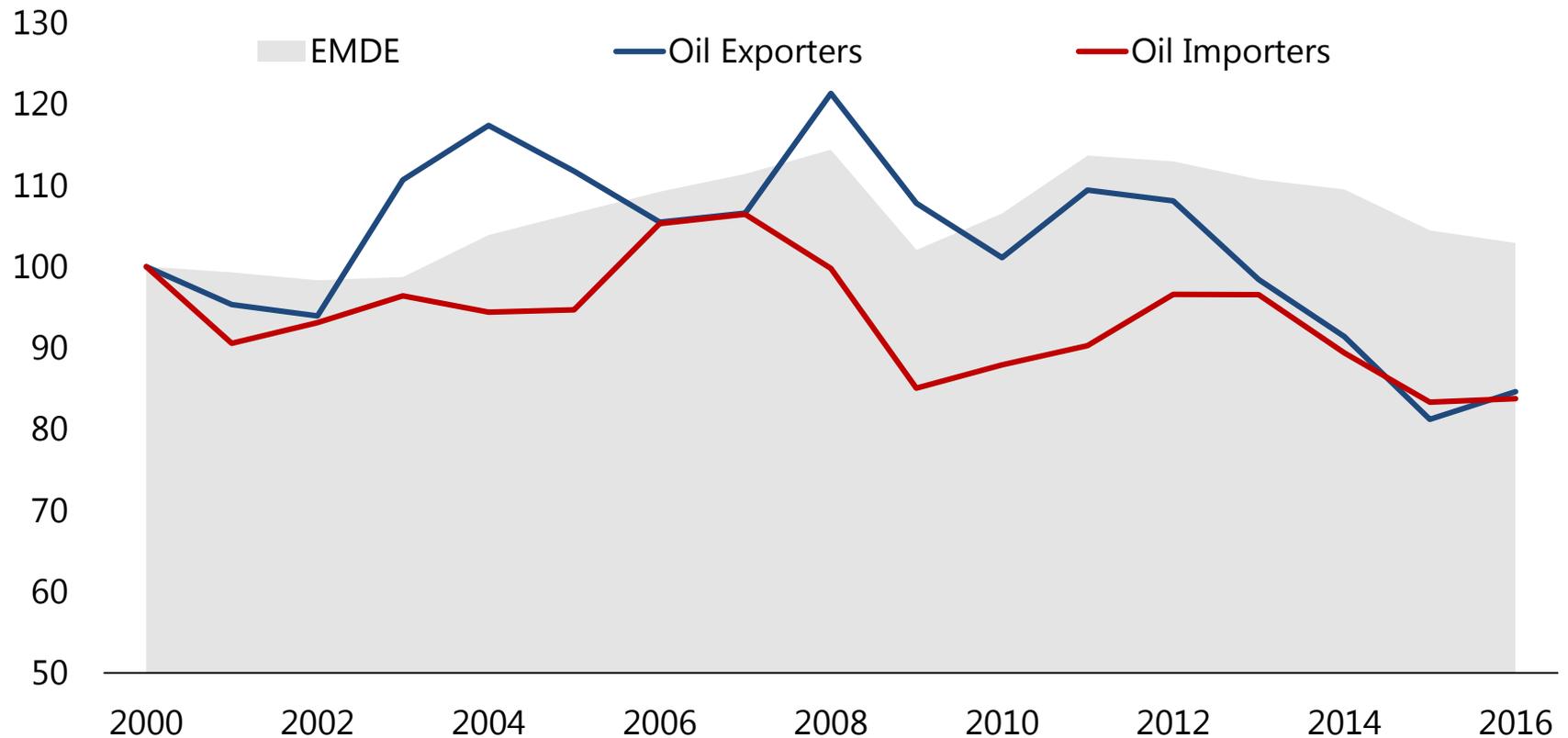
Five Pillars of Inclusive Growth



Structural reforms would support trade, leveraging better external conditions ...

Trade Openness

(Index 2000=100 of the sum of exports and imports as a percent of GDP in nominal terms)



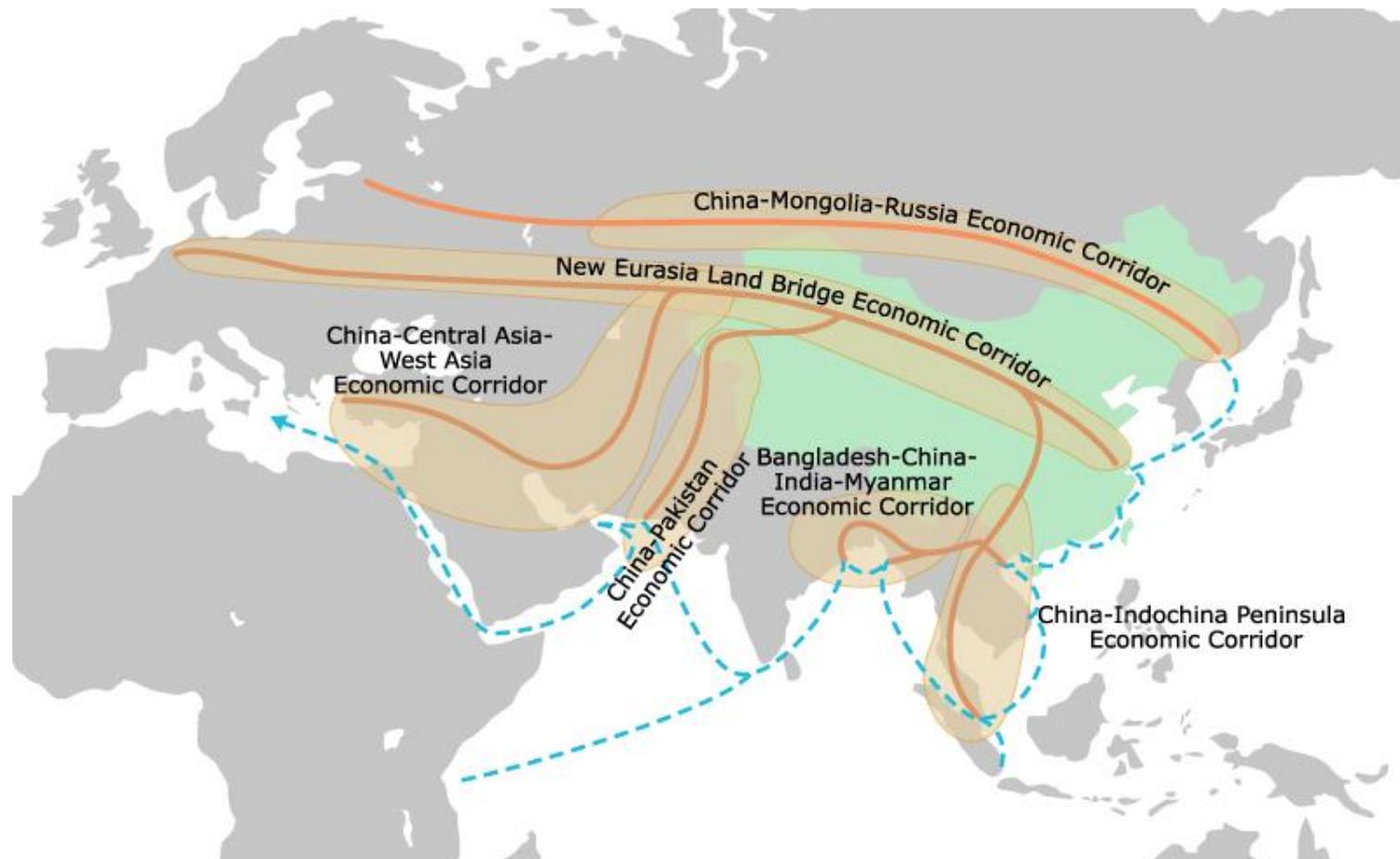
Sources: IMF October 2017 *World Economic Outlook*; and staff calculations.

Note: Afghanistan uses 2002 as its base year due to data issues. CCA = Caucasus and Central Asia; EMDE = Emerging and developing economies; MENAP = Middle East, North Africa, Afghanistan, and Pakistan.



... and fully capitalize on current integration opportunities

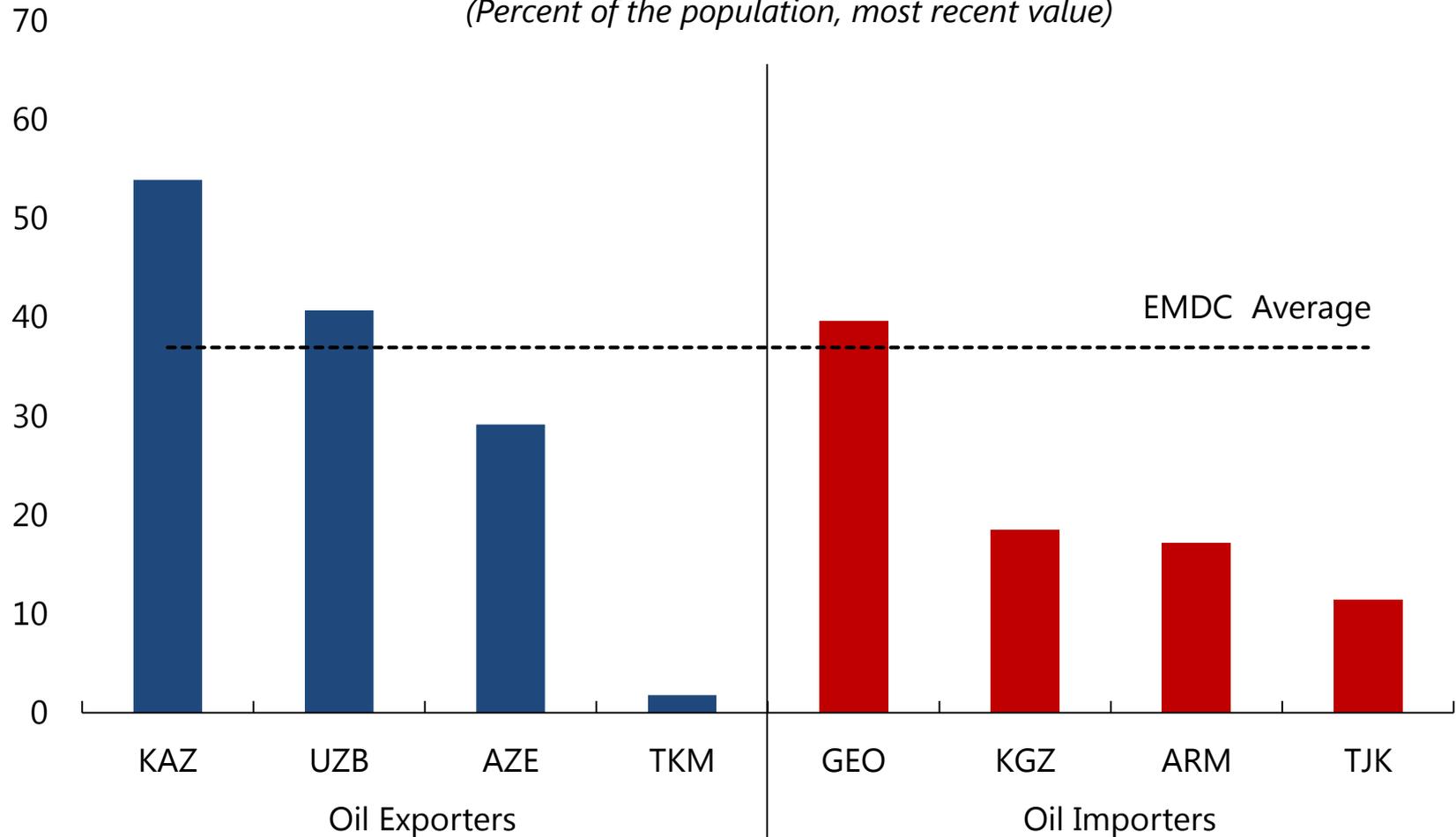
The Belt And Road Initiative: Six Economic Corridors Spanning Asia, Europe, and Africa



Source: Hong Kong Trade Development Council.

Adopting financial technology would boost growth and inclusiveness, but there are risks

Adults (+15 years old) With Bank Account
(Percent of the population, most recent value)



Source: World Bank.

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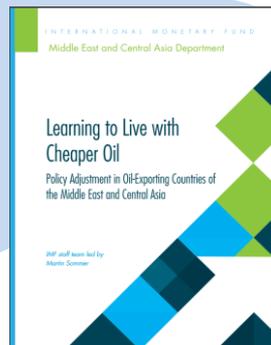
Key Takeaways and IMF's Role

Takeaways

- Recovery continuing, but medium-term growth subdued
- Window of opportunity: better external conditions; Belt and Road Initiative; Uzbekistan; fintech
- To capitalize on opportunity, countries need to take action:
 - ✓ More growth-friendly fiscal consolidation
 - ✓ Stronger monetary policy frameworks
 - ✓ Financial sector repair
 - ✓ Structural reforms
- Bold action would secure higher, more inclusive growth

IMF's role

Policy Analysis



Capacity Development



Bilateral Engagement



- ✓ Monetary Policy Workshop, Joint Vienna Institute
- ✓ Peer-to-Peer Event, IMF Annual Meetings

Regional Cooperation

