Roadmap

Outlook, Opportunities, and Challenges

Maintaining Macroeconomic Stability

Securing Higher and More Inclusive Growth

Key Takeaways and IMF’s Role
Caucasus and Central Asia

Oil and gas exporters:
- Georgia
- Armenia
- Azerbaijan
- Turkmenistan
- Tajikistan

Oil and gas importers:
- Uzbekistan
- Kyrgyz Republic
- Kazakhstan

Legend:
- Gold: Oil and gas exporters
- Orange: Oil and gas importers
Growth strengthening in CCA’s main economic partners

GDP Growth
(Percent change)

China

Euro Area

Russia

Sources: National authorities and IMF staff calculations.
Commodity prices stabilizing, but outlook subdued

Oil Price Assumptions
(APSP\(^1\), U.S. dollars a barrel)

Metal Price Assumptions
(Index, 2005=100)

Source: IMF staff calculations.
Note: REO = Regional Economic Outlook: Middle East and Central Asia; WEO = World Economic Outlook. \(^1\)APSP = 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)

-2 0 2 4 6 8 10
2016 17 18 19-22
Oil Exporters

Average 2000-10

-2 0 2 4 6 8 10
2016 17 18 19-22
Oil Importers

Non-Oil Contribution
Oil Contribution

2017 2018
Oil Exporters
Oil Importers

Sources: National authorities and IMF staff calculations.
External deficits declining gradually, helped by exchange rate adjustment

**Current Account Deficits**
(Percent of GDP)

Sources: National authorities and IMF staff calculations.

**Nominal Exchange Rates**
(US Dollars per national currency index, Jan-2010 = 100)

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

**External Opportunities**
- Improved economic conditions in main trading partners

**Internal Opportunities**
- New integration initiatives

**External Challenges**
- Rapid tightening of global financial conditions
- Shift towards inward-looking policies

**Internal Challenges**
- Financial sector distress in some countries
- Slow implementation of structural reforms
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- 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)*

**Oil Exporters**

- AZE
- KAZ

**Oil Importers**

- ARM
- GEO
- KGZ
- TJK

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)*

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<th>Sep-15</th>
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</tbody>
</table>

**Private Credit Growth**
*(Percent, year over year)*

- Azerbaijan
- Kazakhstan
- Tajikistan
- Armenia
- Georgia
- Kyrgyz Republic

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

- Macro Policies
- Financial Support
- Supervisory and Prudential Measures
But further action is needed...

Immediate Priorities

- Diagnose the Problem
- Address Financial Stability Risks
- Enhance Prudential Regulation and Supervision
- Strengthen Banks’ Corporate Governance
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Key Takeaways and IMF’s Role
Securing higher and more inclusive growth is critical to the CCA region

**Youth Unemployment Rate**
*average, percent*

- Oil Exporters
- Oil Importers
- EM & LIDC (excluding CCA)

**Projected Labor Force Increase**
*Million of people, cumulative*

**Labor Force in 2017 (estimate):**
CCA: 40 million

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

- Fiscal Policy
- Governance and Transparency
- Inclusiveness
- Growth
- Business Environment
- Labor Market Policies
- Financial Inclusion
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)

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Key Takeaways and IMF’s Role
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

Regional Cooperation

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