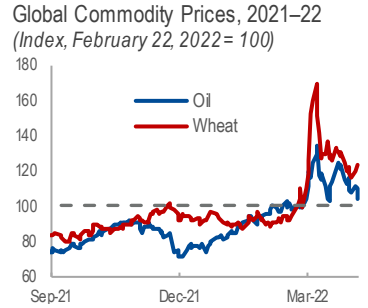


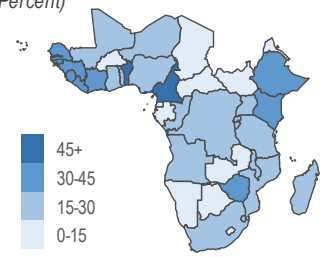
YET ANOTHER SHOCK

The war in Ukraine has triggered a surge in food and fuel prices, stalling the growth momentum in the region



Sources: Bloomberg, L.P. and IMF staff calculations.

Share of Cereal in Food Imports, 2019 (Percent)

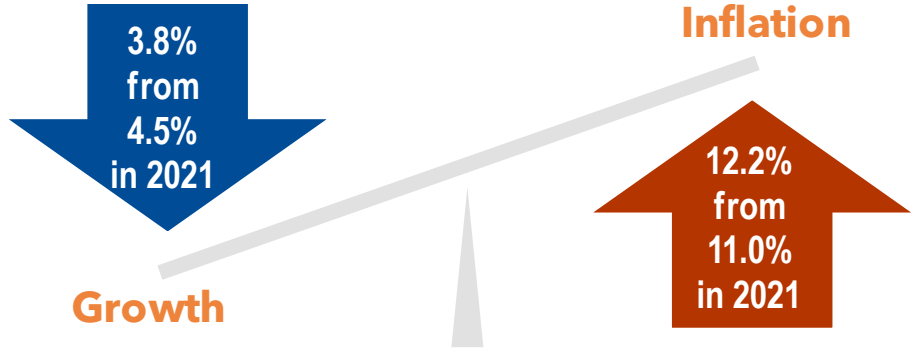


Sources: Atlas of Economic Complexity, and IMF staff calculations.

INCREASINGLY DIFFICULT POLICY TRADE-OFFS

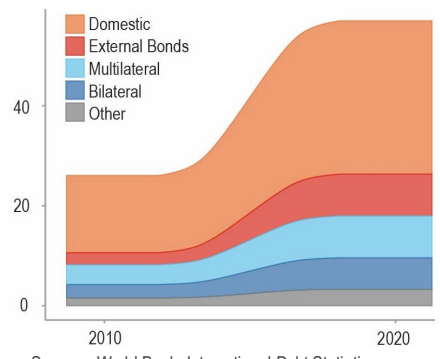


1 Balancing inflation versus growth



2 Addressing the commodity price shock without adding to debt vulnerabilities

Composition of Public Debt, 2010 and 2020 (Percent of GDP)



Sources: World Bank, International Debt Statistics; IMF, World Economic Outlook database; and IMF staff calculations.

Need for **calibrated and targeted subsidies and transfers** to protect the most vulnerable households

- Net commodity importers**: A significant **reprioritization of spending**
- Net commodity exporters**: **Sizable fiscal windfalls** only if governments contain expenditures on energy subsidies



3 Managing exchange rate adjustment

The ongoing tightening in global financial conditions is exerting **downward pressure on exchange rates**, increasing inflationary pressures and raising the cost of external debt.

Foreign exchange intervention must be weighed carefully, given limited reserve buffers.

BEYOND THE CRISIS

- Greater diversification through greater trade integration
- Leveraging the potential of the private sector
- Climate change adaptation and green transition