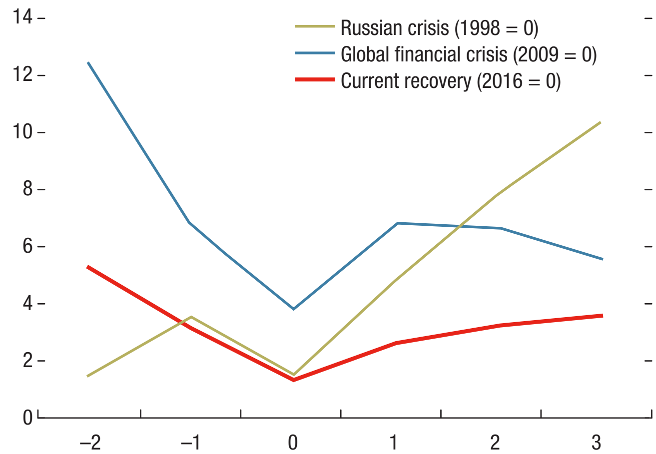
3. Caucasus and Central Asia: Is the Worst Over?

Fiscal accommodation and exchange rate adjustment have helped the Caucasus and Central Asia (CCA) mitigate the immediate impact from large and persistent external shocks, particularly the slump in commodity prices and weaker growth in key trading partners. Growth is starting to recover, but these shocks have left the region with increased fiscal, external, and financial sector vulnerabilities, along with less policy space and weaker medium-term prospects. Policies should continue to support growth in the near term where policy space is available, while aiming to reduce vulnerabilities over time, including through the formulation of credible multiyear fiscal plans, modernization of monetary policy frameworks, and strengthening of financial supervision. Structural transformation to diversify away from commodities and reduce reliance on remittances is needed to improve medium-term growth prospects, boost job creation, and avoid a deterioration in living standards.

Figure 3.1. Not a Historical V-Shaped Recovery
(Real GDP, percent change)



Source: IMF staff calculations.

Weak and Fragile Recovery

The CCA continues to adjust to large and persistent shocks from abroad, particularly the slump in oil and other commodity prices, depressed economic conditions in Russia, and slowing economic activity in China. GDP growth in the region is projected to be 1.3 percent this year. This represents a sharp weakening of economic activity compared with the historical rates observed before the shocks. Fiscal accommodation and exchange rate adjustment, combined with some improvement in the external environment (a partial recovery in the prices of oil and other key commodities, a milder recession in Russia, and a policy stimulus in China) have provided some relief to the region. However, over the medium term, the oil price recovery is expected to be limited, with futures markets suggesting the price will stay below $60 by 2021. In addition, the recovery in Russia is likely to remain modest, and the ongoing prospects for a mild deceleration in China remain. As a result, CCA growth is anticipated to pick up only to 2.6 percent in 2017, a much slower recovery than in previous episodes of economic slowdown (Figure 3.1), reflecting a larger magnitude and greater persistence of the shocks and more limited policy space.

For CCA oil exporters, GDP growth in 2016 is projected to be 1 percent, about 2 percentage points lower than last year and the lowest since 1998—despite fiscal easing in Azerbaijan and Uzbekistan. In Kazakhstan, indicators point to an estimated contraction of ¾ percent this year, partly owing to weaker oil-related activities and contractionary fiscal policy. GDP growth for oil exporters is projected to pick up to 2.4 percent next year, supported by the recent recovery in oil prices and an increase in hydrocarbon production in Kazakhstan, as well as by a pickup in non-hydrocarbon activities, especially in Azerbaijan.

Oil-importers' economies are anticipated to expand by 3.7 percent this year, the same rate as in

Prepared by Saad Quayyum and Juan Treviño (lead author). Research assistance was provided by Hong Yang.

2015. Armenia is benefiting from stronger-than-expected exports to Russia and rapid growth in services, but domestic demand remains weak. In Georgia, increased public spending is boosting domestic demand. In Tajikistan, growth figures have been revised up significantly on a pickup in investment, which is more than offsetting lower consumption owing to weak remittance flows. With economic activity projected to strengthen, especially in Armenia and Georgia, growth in the CCA oil importers' group is set to firm to 4.1 percent in 2017.

Challenging Yet Critical Exchange Rate Adjustment

Currency weakening and, in some cases, increased exchange rate flexibility, have been an important element of the CCA's adjustment to the new environment of persistently low commodity prices and reduced growth in key trading partners (Figure 3.2).[1] This has helped to both reduce exchange rate misalignments and limit the rundown of foreign currency reserves, support competitiveness (Box 3.1), and, in oil exporters, absorb the fiscal impact of lower oil revenues. With the external shocks receding this year, most CCA exchange rates have stabilized (Figure 3.2). Concerns about adverse economic effects of heightened exchange rate volatility and further depreciations (the so-called "fear of floating") have also kept some CCA currencies inflexible, limiting the necessary adjustment in real terms.

Policy agendas for moving to greater exchange rate flexibility remain incomplete in many countries (Horton and others 2016). A key challenge is the modernization of monetary policy frameworks, including the adoption of credible nominal anchors and the strengthening of central bank independence. Sustained communication efforts are also needed to foster policy credibility and support orderly market conditions. These include providing guidance on factors that influence policy decisions and setting out conditions for intervention in foreign exchange markets. Enhanced financial sector supervision could help preserve the soundness of the highly dollarized financial sectors, which have been weakened by recent depreciations and economic slowdown (Box 3.1).

Easing Inflationary Pressures

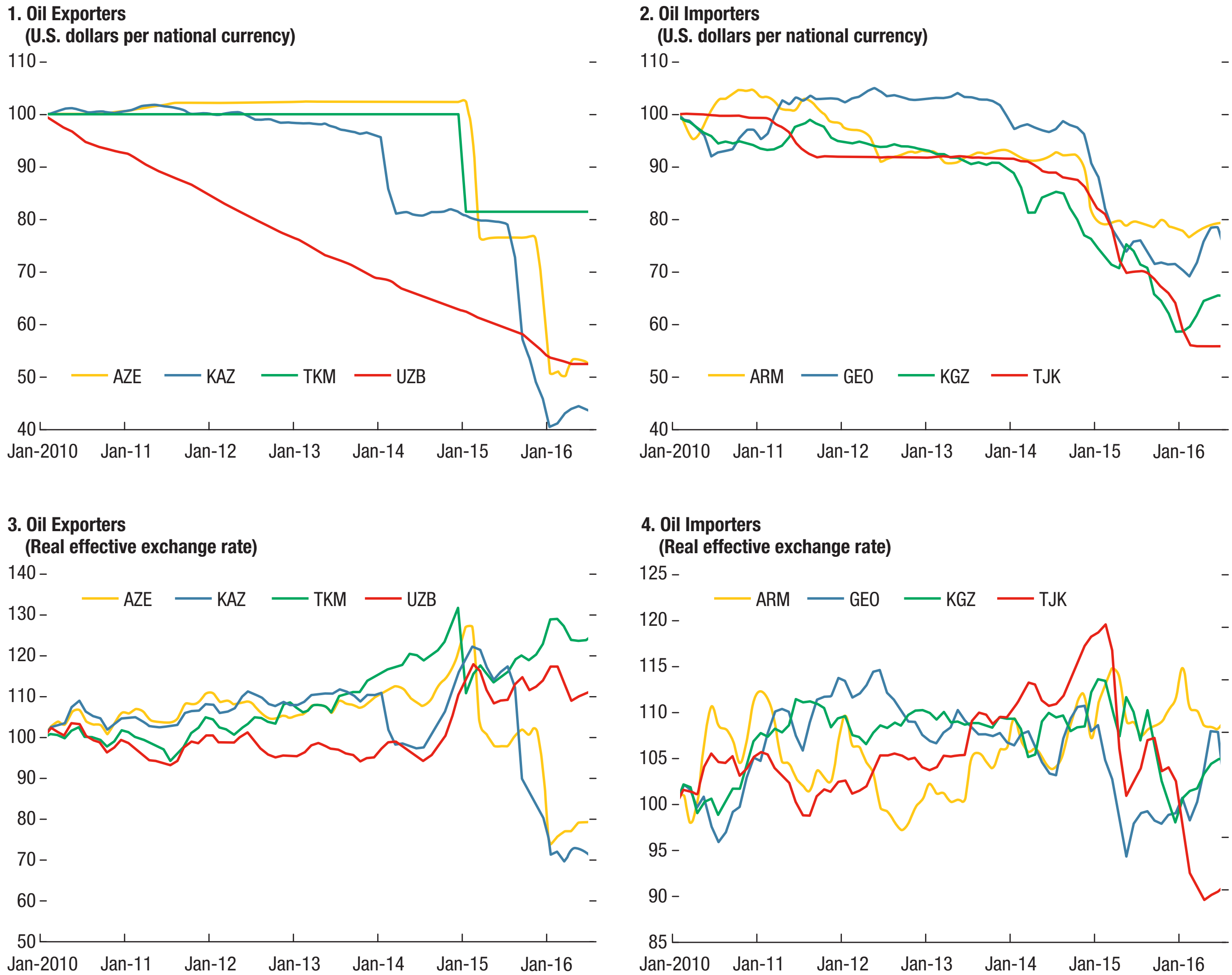
Inflation is expected to moderate gradually as the effects of currency depreciations unwind. In oil exporters, inflation is set to reach double digits this year for the first time since 2008, reflecting significant depreciations in Azerbaijan and Kazakhstan last year (Figure 3.3). As the effect of currency weakening dissipates, inflation is likely to decline amid weak domestic demand and declining food prices. However, inflation will remain at a rather high 8.7 percent in 2017, partially reflecting high inflation expectations owing to weakness in monetary policy frameworks.

In oil importers, inflationary pressures are expected to remain subdued. Stronger currencies in Armenia, Georgia, and the Kyrgyz Republic, slack in economic activity, together with weak oil and food prices, should help to bring inflation down to 2.4 percent this year. Inflation is expected to pick up to 4.9 percent in 2017 as domestic economic activity starts to recover.

With inflationary pressures easing, some central banks, for example in Armenia, Georgia, and Kazakhstan, have started to gradually shift their tight monetary policy stance to support the recovery by lowering interest rates. In Azerbaijan and Tajikistan, where inflationary pressures remain high, tight monetary policy remains warranted.

[1] Kazakhstan devalued its currency in early 2014 and officially adopted a floating exchange rate regime in August 2015. Azerbaijan and Turkmenistan undertook step devaluations of their currencies in early 2015, and Azerbaijan devalued again in December. The pace of depreciation in Uzbekistan picked up temporarily toward the end of 2015. Armenia and Georgia experienced large depreciations in late 2014 and early 2015, respectively. Depreciation in the Kyrgyz Republic accelerated from mid-2014 until late 2015, while the crawling pace of devaluation of Tajikistan's currency was accelerated late in 2014 (Figure 3.2). Armenia, Georgia, Kazakhstan, and the Kyrgyz Republic—*de jure* under floating exchange rate regimes—all have a form of inflation-targeting framework in place, with exchange rate interventions remaining an important instrument throughout the region (Horton and others 2016).

Figure 3.2. Exchange Rate Pressures Moderating
(Index, January 2010 = 100)



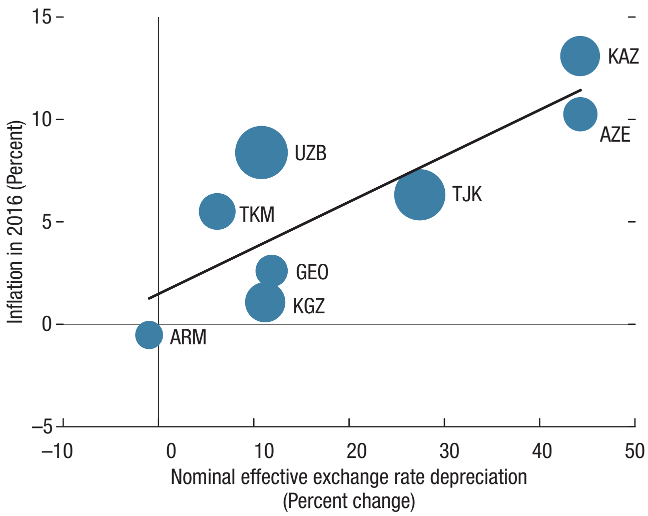
Sources: Information Notice System database; and IMF staff calculations.
Note: Country abbreviations are International Organization for Standardization (ISO) country codes.

Financial Vulnerabilities Still Rising

Financial vulnerabilities continue to build up across the region. Banking sector risks have increased with currency depreciations, as highly dollarized balance sheets have further weakened (Box 3.1). Some banks continue to report losses and, given their exposure to foreign currency fluctuations, remain vulnerable to further depreciations. The prevalence of unhedged borrowers is putting downward pressure on asset quality (Figure 3.4).

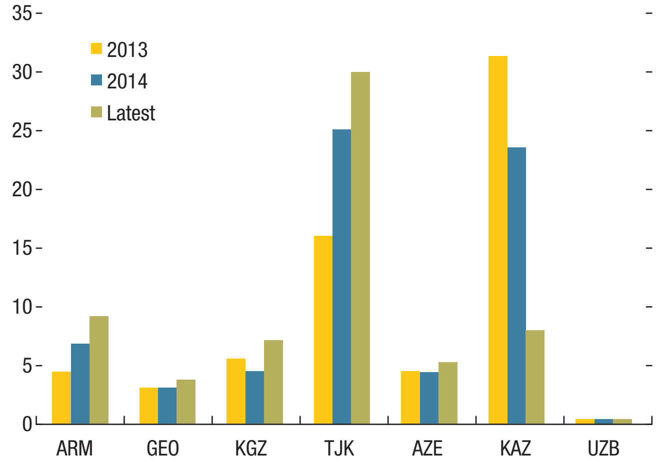
Country authorities are taking actions to contain risks to financial stability and financial intermediation. These actions include capital injections, restructuring and closing of troubled banks, and revamping lending practices, asset quality review processes, and stress-testing procedures. In Azerbaijan, for example, the licenses of eight banks have been revoked, bank restructuring has gathered momentum, and

Figure 3.3. Pickup in Inflation Driven by Currency Depreciation
(Percent change)



Sources: World Economic Outlook database; IMF, Information Notice System database; and IMF staff calculations.
Note: Country-specific episodes are described in footnote 1. Bubble size indicates average inflation between 2000 and 2013. Country abbreviations are International Organization for Standardization (ISO) country codes.

Figure 3.4. Nonperforming Loans Continue to Rise
(Percent of total loans)



Sources: National authorities; and IMF staff calculations.
Note: Nonperforming loans (NPLs) in Azerbaijan include only the overdue portion of the loans. In Kazakhstan, the reduction reflects the de-licensing of a bank with significant NPLs and legislation changes allowing banks to move NPLs to an external special purpose vehicle. Data are not available for Turkmenistan. Country abbreviations are International Organization for Standardization (ISO) country codes.

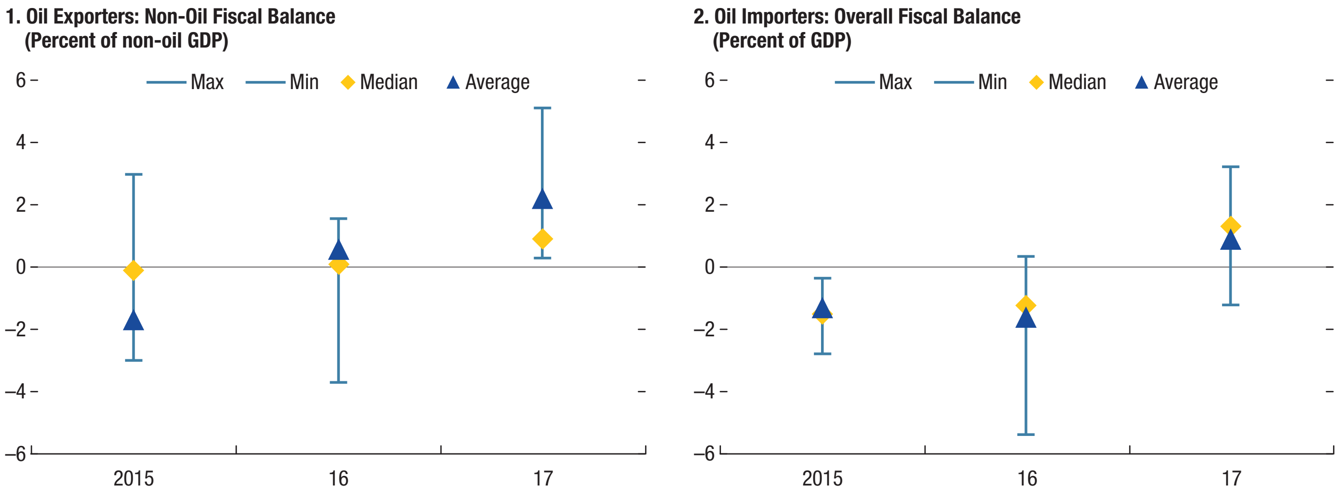
independent stress testing and asset quality review is underway. In Kazakhstan, liquidity conditions have improved, reflecting a number of policy actions that favored an increase in local currency deposits, and country authorities are expected to review their liquidity and resolution frameworks. In the Kyrgyz Republic, near-term vulnerabilities have been mitigated through the implementation of macroprudential measures, higher capital requirements, and a plan to transition to risk-based supervision. These important efforts need to continue, supported by a further strengthening of financial sector surveillance, such as the monitoring of liquidity risks. Stronger macroprudential and crisis management policies would also help reduce financial sector vulnerabilities.

Declining Space for Further Fiscal Easing

Increased public spending, together with weak revenue, has resulted in wider budget deficits in oil exporters and importers alike, with overall balances for the region deteriorating some 6.4 percentage points of GDP on average since 2014. However, most countries are projected to consolidate their fiscal positions in 2017 (Figure 3.5).

- The fiscal stance has differed across oil exporters. Average non-oil fiscal deficits are expected to be at 19 percent of non-oil GDP this year, 0.4 percentage points lower than in 2015. With revenues remaining subdued, Kazakhstan and Turkmenistan have tightened their fiscal policies mainly by reducing capital spending, which has helped to improve their non-oil primary balances by about 1.5 percentage points of GDP each, relative to 2015, with further reductions expected in 2017. In Azerbaijan, public investment is projected to decline significantly in 2017, reversing the expansionary fiscal stance following a countercyclical stimulus package this year. Supported by a projected pickup in revenues in line with oil prices, these

Figure 3.5. Fiscal Balance
(Change from previous year)



Sources: National authorities; and IMF staff calculations.
Note: Uzbekistan is excluded from the oil exporters aggregate.

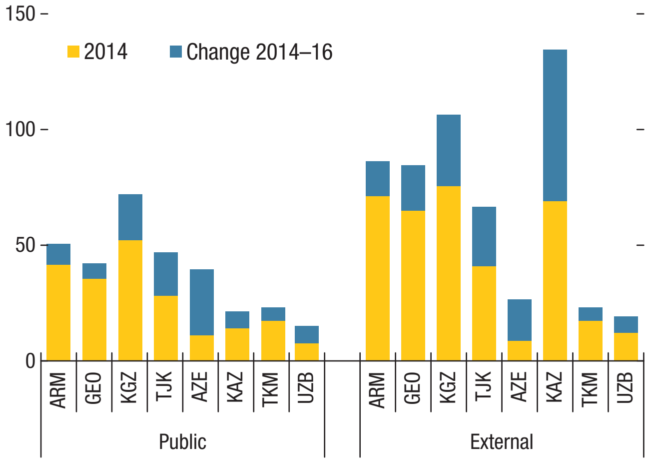
actions are expected to improve non-oil fiscal balances in oil exporters by some 2.2 percentage points of non-oil GDP in 2017.

- In oil importers, budget deficits are projected to widen to 5.3 percent of GDP in 2016 from 3.6 percent last year. This reflects weaker revenues, as well as increased spending in support of economic activity, particularly in Georgia, the Kyrgyz Republic, and Tajikistan. Increases in expenditure were driven by increases in the wage bill in the Kyrgyz Republic, and by strong public investment both there and in Tajikistan. With the recovery projected to strengthen next year, all countries except Georgia are expected to improve their fiscal positions in 2017, modestly narrowing the deficit of the group to 4.4 percent of GDP. Georgia is set to provide additional incentives to boost investment and growth by replacing the corporate income tax with a tax on dividends which is expected to reduce tax revenue and widen the deficit, unless offsetting measures are implemented.

Although fiscal easing has helped support domestic demand in a number of countries, policy space is declining in many of them, as fiscal buffers are run down and debt increases rapidly. Since 2014, oil exporters have used some $20 billion of their savings (equivalent to almost 6 percent of their 2015 GDP) to finance budget deficits, and public debt, although remaining at moderate levels in most cases, has increased by double digits in many oil exporters and importers (Figure 3.6, left panel). In addition to widening deficits, currency depreciations and the decline in nominal GDP in oil exporters from lower oil prices have all contributed to an increase in the debt-to-GDP ratio. With public debt levels and debt service rising, and, given large contingent liabilities, fiscal space for any further stimulus has shrunk in the Kyrgyz Republic and Tajikistan. In Armenia and Georgia, public debt has reached or surpassed 40 percent of GDP and, while short-term obligations are not a concern, a weak growth outlook and rising financing costs suggest that these countries may find it difficult to maintain public debt at or below current levels.

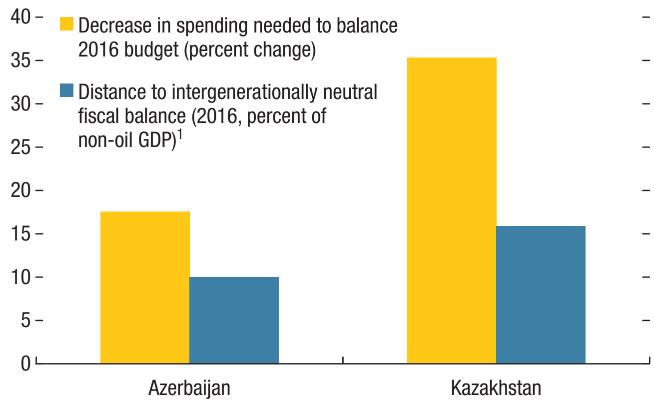
Fiscal policy will need to strike a balance between supporting economic activity in the short term

Figure 3.6. Debt Has Increased Rapidly
(Percent of GDP)



Sources: National authorities; and IMF staff calculations.
Note: The cumulative height of the two bars reflect the debt levels projected for 2016. Public debt includes both domestic and external public debt. External debt includes both private and public debt with the exception of Azerbaijan. External debt in Azerbaijan only includes public external debt. The external debt figure for Georgia excludes inter-company loans. Country abbreviations are International Organization for Standardization (ISO) country codes.

Figure 3.7. Illustrative Fiscal Adjustment Needs in Oil Exporters
(Percent)



Source: IMF staff estimates.
[1]This is the gap between the projected nonhydrocarbon primary balance and the desirable fiscal balance based on a permanent income hypothesis.

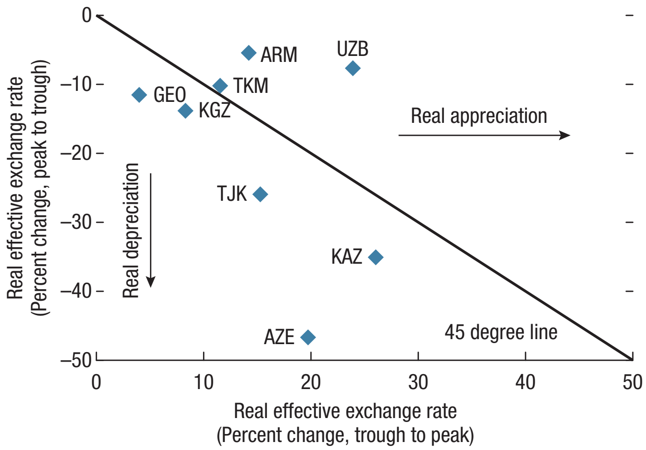
and ensuring long-term sustainability, as countries adjust to the persistent declines in the price of oil and other commodities, and in trading partners' growth prospects. With growth at an 18-year low, oil exporters with strong buffers should support economic activity in the near term through fiscal easing, while putting in place plans to consolidate their fiscal positions over the medium term as soon as conditions allow. These adjustments are needed to ensure fiscal sustainability and intergenerational equity, and rebuild fiscal buffers against any future shocks (Figure 3.7). Oil importers also need to consolidate their fiscal positions in the coming years to both ensure debt sustainability, and create fiscal space for countercyclical policy. Raising non-oil revenues in a growth-friendly way and developing credible medium-term fiscal frameworks that guide the pace of fiscal adjustment are particularly important. As regards the composition of adjustment, countries should aim to prioritize and safeguard capital spending that supports growth and social spending that supports the poor and vulnerable.

Exports Supporting External Positions

At 4.1 percent of GDP, the CCA's current account deficit for 2016 is projected to deteriorate by 1.1 percentage points compared with last year. Export volumes are projected to rise this year in most countries (with the exceptions of Kazakhstan and Uzbekistan), likely supported by improvements in competitiveness from exchange rate depreciation (Figure 3.2 lower panels, Figure 3.8, and Box 3.1) and the recent pickup in commodity prices (Figure 3.9), as well as some strengthening in external demand from Russia—which has also helped remittances to stabilize—and from China, where a policy stimulus is helping boost economic activity.[2] In CCA oil exporters, the combined deficit is projected to be 3.5 percent of GDP this year, reflecting a deficit of 18.5 percent of GDP in Turkmenistan, which more than offsets a move into surplus in Azerbaijan and a lower deficit in Kazakhstan relative to last year. Having received a boost from currency depreciation, the value of non-oil exports is projected to increase and offset some of the losses from oil exports.

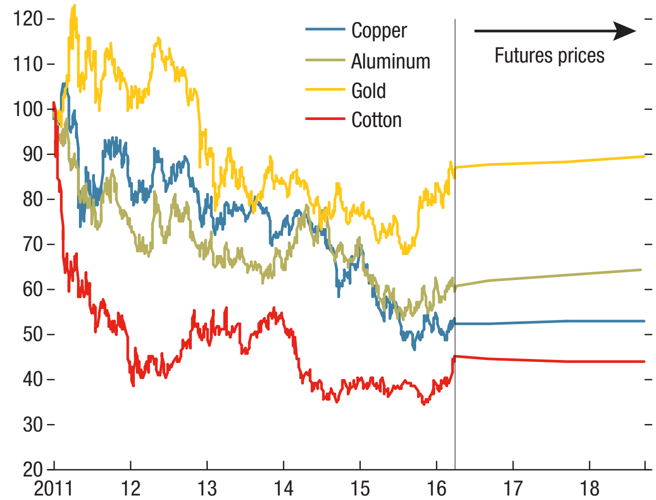
[2]Horton and others (2016) discuss the extent to which currency adjustment has helped correct earlier real exchange rate misalignments in the CCA region.

Figure 3.8. Earlier Appreciations Unwinding
(Percent change)



Sources: IMF, Information Notice System database; and IMF staff calculations.
Note: Pre-shock real appreciation is depicted on the horizontal axis; post-shock real depreciation on the vertical axis (peak-trough dates are country-specific). Country abbreviations are International Organization for Standardization (ISO) country codes.

Figure 3.9. Recent Pickup in Key Commodity Prices
(Index, June 2011 = 100)



Source: Bloomberg, L.P.; Haver Analytics.

In CCA oil importers, current account deficits are projected to be 8.5 percent of GDP in 2016, 0.6 percentage point wider than last year, mainly reflecting developments in the Kyrgyz Republic and Georgia. The deficit is set to reach 15 percent in the Kyrgyz Republic, due to large investment projects, and edge up to 12.1 percent in Georgia.

External debt has continued to rise in a number of countries (Figure 3.6, right panel). This reflects currency depreciations and increased borrowing by governments and oil companies in some oil-exporting countries. External imbalances throughout the region are anticipated to gradually unwind as exports pick up further—in line with a recovery in commodity prices—and economic conditions improve in key trading partners, particularly Russia.

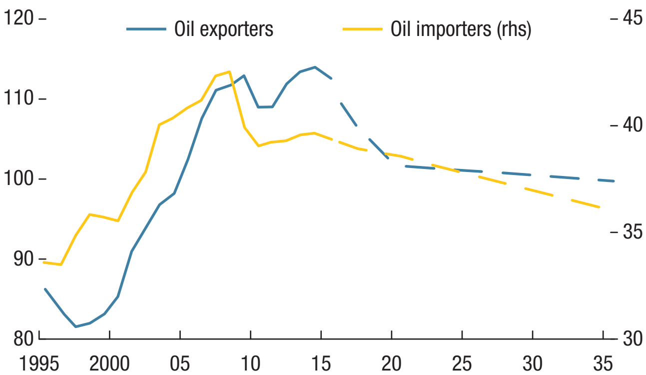
Downside Risks Are Multifarious

Although fiscal easing and currency adjustment have helped mitigate the immediate impact of the recent shocks on the CCA economies, adjustment to the persistent component of these shocks—the fact that, over the medium term, oil prices and growth in Russia are expected to be much lower than their recent historical levels—is not yet complete. Moreover, increased vulnerabilities suggest that the region is now more exposed to future adverse shocks. In this context, a further drop in oil prices, and/or slower-than-anticipated growth in key trading partners—China, Russia, and Europe (for example, from Brexit; see Box 1.3)—could delay the recovery. With weaker-than-anticipated economic conditions under baseline assumptions, governments could find it difficult to implement multiyear fiscal consolidation plans, which, in turn, could undermine fiscal sustainability and confidence. In the absence of further actions, amplification of financial vulnerabilities could slow credit growth and weaken economic activity further.

Structural Transformation Needed

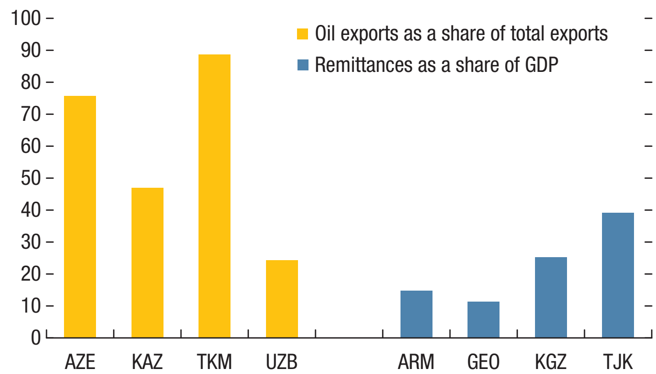
The region has grown strongly since independence to close the gap in living standards with emerging markets (Figure 3.10). However, growth in GDP per capita has steadily lost momentum since the global financial crisis of 2008–09, especially in

Figure 3.10. Risk of Living Standards Falling Behind Peers?
(GDP per capita, percent of emerging market average)



Source: IMF staff calculations.
Note: GDP per capita is assumed to grow at the same rate as 2021 for the years 2022–35. rhs = right-hand side.

Figure 3.11. High Reliance on Commodities and Remittances
(Percent, 2015)



Sources: National authorities; World Bank.
Note: Country abbreviations are International Organization for Standardization (ISO) country codes.

oil importers. This loss of momentum is, in part, due to weak growth in productivity relative to emerging market and developing countries, and deceleration in investment growth in oil importers (Mitra and others 2016). The recent slump in commodity prices and remittances has exacerbated this trend. While regional GDP growth is expected to average 4 percent in 2018–21 based on a modest pickup in commodity prices and economic activity in key trading partners, it is about half of the 8.3 percent average of 2000–14. With weaker medium-term growth prospects, the gains made in living standards vis-à-vis emerging markets during the two decades since independence are expected to be partly reversed.

A structural transformation from the growth models based on commodity exports and remittance inflows is needed, to diversify sources of growth and boost job creation (Figure 3.11). Many countries have already announced privatization and diversification plans. However, decisive actions are now needed for their implementation. As macroeconomic conditions start to improve, it is important that the urgency of reforms does not wane. Transparency in the privatization process is essential, with clear timetables and implementation strategies communicated to all stakeholders. To be successful, diversification plans need to be market-driven, accompanied by structural reforms to further improve the business climate, strengthen corporate governance, and foster competition. Efforts could focus on improving governance, accountability, property rights, and financial markets—some of the areas where many of the countries lag behind emerging markets.

While growth in the past decades has increased average living standards, it has yet to trickle down to benefit all, as about 16 percent of the population in the region still lives below the poverty line, with poverty rates exceeding 30 percent in Armenia, the Kyrgyz Republic, and Tajikistan.[2] At this juncture, labor market pressures continue to intensify with the return of some migrant workers to their home countries. These challenges underscore the importance not only of raising growth, but doing so in a way that provides benefit to all segments of the population.

Further investment in education and strengthening labor market policies (Box 2.2), in particular, could help to improve the productivity of the labor force and make growth more inclusive. The rebalancing in China provides a unique opportunity for the region to fill the rising demand for consumption goods in that country,

[2]Calculation is based on 2013 World Development Indicators data for population living below the national poverty line and excludes Turkmenistan and Uzbekistan, for which data are missing.

and attract some of its manufacturing activities (Chapter 4). Accelerating the pace of structural reforms will not only help the countries in the region overcome the current macroeconomic challenges, but will also help them capitalize on such opportunities, unlock the region's significant potential, boost long-term growth, and lift people out of poverty.

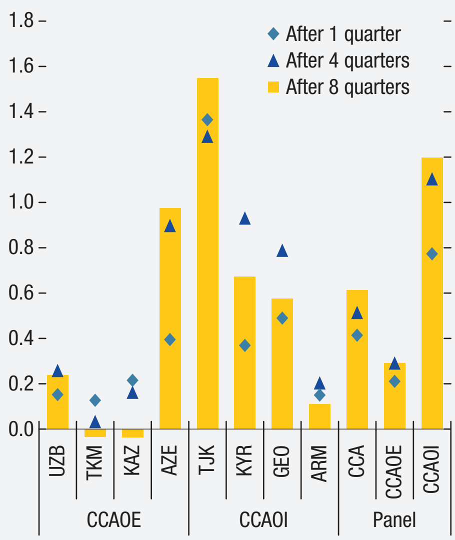
Box 3.1. Exploring the Effects of Currency Adjustment in CCA Countries

Currency adjustment and, in some cases, increased exchange rate flexibility, have been an important part of the Caucasus and Central Asia (CCA) countries' policy response to the recent external shocks. This box quantifies how changes in exchange rates affect key economic and financial sector variables in the region.

Inflation. Pass-through for the region is estimated at 52 percent and 61 percent after four and eight quarters, respectively.[1] This is higher than the 20 to 30 percent average for emerging Asia and Latin America after 1 to 2 years, but close to the 50 percent estimated for emerging Europe. There is substantial heterogeneity across CCA countries (Figure 3.1.1), with oil importers exhibiting higher pass-through than oil exporters. This may reflect the timing of the policy change since oil exporters maintained pegs to the U.S. dollar during most of the sample period (1997–2015), and a higher share of administered prices in their consumption basket, especially in Turkmenistan and Uzbekistan. There is also evidence of asymmetry, as depreciations are generally associated with a higher pass-through than appreciations (80 percent versus 46 percent).

Foreign currency-denominated loans and deposits. A vector autoregression analysis finds that a devaluation/depreciation shock tends to increase the currency mismatch in CCA banking systems (Figure 3.1.2). Deposits in dollars tend to rise by 0.1 percentage point in response to a 1 percentage point increase in the nominal effective exchange rate (NEER) on impact, while dollar-denominated loans increase by some 0.07 percentage point (a somewhat puzzling result which requires further analysis). The countries with the highest elasticities are Armenia for the case of loans, and Kazakhstan for deposits.

Figure 3.1.1. Exchange Rate Pass-Through to Inflation
(Percent)



Source: IMF staff estimations.
Note: Impulse response to 1 percentage point temporary shock to the nominal effective exchange rate. Country abbreviations are International Organization for Standardization (ISO) country codes. CCA = Caucasus and Central Asia; OE = oil exporters; OI = oil importers.

Non-oil exports. Depreciation in the real effective exchange rate (REER) is associated with improvements in non-oil exports in the CCA region (Figure 3.1.3). Overall, a 10 percent REER depreciation is associated with an improvement in non-oil exports of 1.6 percent of GDP. The relationship between changes in the REER and improvements in non-oil exports is stronger in oil importers than in oil exporters. This reflects, in part, greater export diversification in the former, as well as greater exchange rate pass-through to domestic prices. In oil importers, most of the impact appears to be in the first year of the depreciation; whereas, oil exporters have a modest but significant impact in the following year.

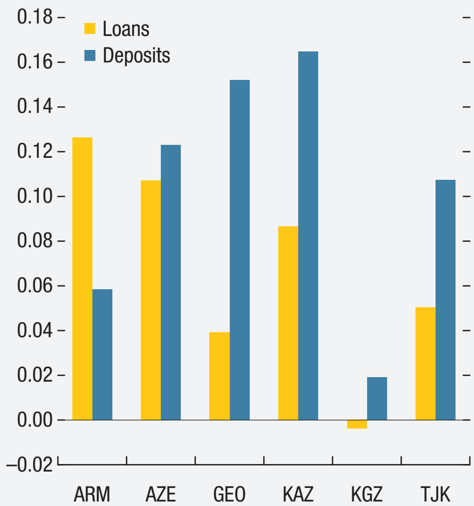
The analysis suggests that currency adjustment is indeed an important channel through which external imbalances can be lowered in the CCA. Adopting greater flexibility has allowed the exchange rate to play its shock-absorbing role by adjusting relative prices and supporting export

Prepared by Matteo Ghilardi, Tarak Jardak, Keyra Primus, Saad Quayyum, Juan Treviño, and Hong Yang.
[1]The effects of changes in the exchange rate on inflation are estimated using the local projections method developed by Jordà (2005), which allows estimation of the impact over time of a shock by using impulse-response functions obtained by ordinary least squares regressions.

Box 3.1. ***(continued)***

Figure 3.1.2. Response to a Depreciation Shock[1]

(Percentage points, one period ahead)



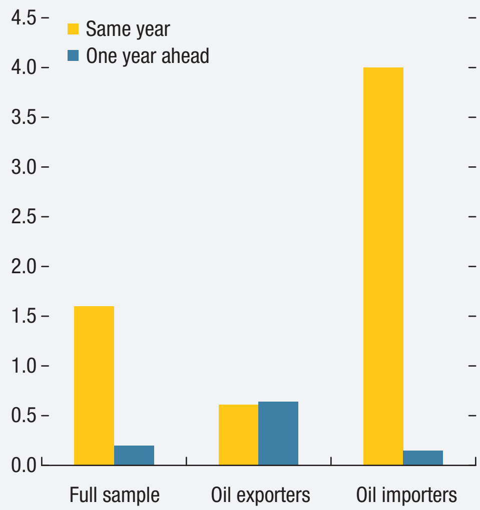
Source: IMF staff estimations.

[1]1 percentage point shock to the log difference of nominal effective exchange rate.

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

Figure 3.1.3. Change in Non-Oil Exports[1]

(Percent of GDP)



Source: IMF staff estimations.

[1]Response to a 10 percent real effective exchange rate depreciation.

Note: The results are robust to the use of non-oil exports in percent of non-oil GDP.

competitiveness. To mitigate the adverse effects of currency adjustment on inflation, countries need to develop stronger monetary policy frameworks as they move toward increased exchange rate flexibility. They also need to strengthen efforts toward building confidence in local currency-denominated assets, and improving financial sector oversight. Structural reforms can help the CCA economies diversify and develop more vibrant private sectors, which can, in turn, help them adjust more quickly to exchange rate changes.

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Mitra, P., A. Hosny, G. Minasyan, M. Fischer, and G. Abajyan. 2016. "Avoiding the New Mediocre: Raising Long-Term Growth in the Middle East and Central Asia." Middle East and Central Asia Department Paper, International Monetary Fund, Washington, DC.

CCA: Selected Economic Indicators

	Average 2011–12	2013	2014	2015	Projections 2016	Projections 2017
Real GDP Growth	**8.7**	**6.6**	**5.3**	**3.2**	**1.3**	**2.6**
(Annual change; percent)						
Armenia	7.9	3.3	3.6	3.0	3.2	3.4
Azerbaijan	11.9	5.8	2.8	1.1	–2.4	1.4
Georgia	6.1	3.4	4.6	2.8	3.4	5.2
Kazakhstan	8.1	6.0	4.3	1.2	–0.8	0.6
Kyrgyz Republic	3.9	10.9	4.0	3.5	2.2	2.3
Tajikistan	7.9	7.4	6.7	6.0	6.0	4.5
Turkmenistan	13.6	10.2	10.3	6.5	5.4	5.4
Uzbekistan	6.9	8.0	8.1	8.0	6.0	6.0
Consumer Price Inflation	**9.4**	**6.1**	**5.9**	**6.2**	**9.9**	**8.3**
(Year average; percent)						
Armenia	4.1	5.8	3.0	3.7	–0.5	2.5
Azerbaijan	6.7	2.4	1.4	4.0	10.2	8.5
Georgia	6.0	–0.5	3.1	4.0	2.6	3.6
Kazakhstan	8.7	5.8	6.7	6.5	13.1	9.3
Kyrgyz Republic	8.7	6.6	7.5	6.5	1.1	7.4
Tajikistan	14.6	5.0	6.1	5.8	6.3	7.3
Turkmenistan	7.1	6.8	6.0	6.4	5.5	5.0
Uzbekistan	15.1	11.7	9.1	8.5	8.4	9.6
General Gov. Overall Fiscal Balance	**2.7**	**2.7**	**1.5**	**–4.6**	**–4.9**	**–3.0**
(Percent of GDP)						
Armenia[1]	–3.3	–1.6	–1.9	–4.8	–4.5	–3.0
Azerbaijan[1]	4.7	1.0	3.2	–6.8	–9.9	–3.9
Georgia	–3.3	–2.6	–2.9	–3.8	–4.7	–6.0
Kazakhstan	2.9	4.7	1.7	–6.9	–5.7	–4.2
Kyrgyz Republic	–3.2	–5.1	–2.8	–3.2	–8.8	–5.5
Tajikistan	–2.8	–0.8	0.0	–2.3	–4.0	–2.7
Turkmenistan[2]	3.4	1.2	0.8	–0.7	–0.8	–0.4
Uzbekistan	3.2	2.9	1.9	0.7	–0.5	–0.3
Current Account Balance	**1.5**	**2.1**	**2.0**	**–3.0**	**–4.1**	**–2.8**
(Percent of GDP)						
Armenia	–9.1	–7.3	–7.6	–2.7	–2.5	–3.0
Azerbaijan	8.1	16.4	13.9	–0.4	0.7	3.1
Georgia	–11.4	–5.8	–10.6	–11.7	–12.1	–12.0
Kazakhstan	–1.0	0.4	2.6	–2.4	–2.2	0.0
Kyrgyz Republic	–0.4	–1.1	–17.8	–10.4	–15.0	–14.9
Tajikistan	–3.8	–2.9	–2.8	–6.0	–5.0	–5.0
Turkmenistan	3.8	–7.2	–7.5	–10.3	–18.5	–18.0
Uzbekistan	4.9	2.9	0.7	0.1	0.1	0.2

Sources: National authorities; and IMF staff estimates and projections.

[1]Central government.

[2]State government.