Roadmap

The Global Context

The Outlook for the Region

Key Themes

IMF Program for Georgia
Stronger growth in key trading partners ...

GDP Growth
(Percent change)

Euro Area

Russia

China

WEO April 2017
WEO October 2016
... along with firming prices of oil and other key commodities ...

APSP\textsuperscript{1} Crude Oil
(U.S. dollars a barrel)

Commodity Prices
(Index, June 2011=100)

Sources: Bloomberg; and IMF staff calculations.
1 Note: Average of U.K. Brent, Dubai Fateh, and West Texas Intermediate crude oil prices.
... imply a more favorable external environment for the region

**Total Exports**

- Oil Exporters
- Oil Importers (RHS)

**Remittances**

*(Jan 2011 = 100)*

- National Currency
- US Dollars
But the global outlook is subject to downside risks

- Inward shift of policies, including protectionism
- Tighter and volatile global financial conditions
- Possible further appreciation of the US dollar
Implications for the region?

- **Global growth momentum is an opportunity**
  - Prospects for key trading partners have firmed
  - Reforms needed to diversify the economy, boost productivity, enhance competitiveness, generate employment

- **Downside risks call for rebuilding resilience**
  - Continued focus on rebuilding buffers
  - Address fiscal and financial vulnerabilities
Roadmap

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The Outlook for the Region

Key Themes

IMF Program for Georgia
Growth expected to pick-up this year and next, but medium-term prospects remain subdued...

Real GDP Growth
(Percent change)
Roadmap

The Context

The Outlook for the Region

Key Themes

IMF Program for Georgia
Critical mass of structural reforms needed, with many common priority areas

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Public debt has increased rapidly ...

Public Debt
(Percent of 2016 GDP)
Exchange rates have broadly stabilized

1. Oil Exporters
(U.S. dollars per national currency)

2. Oil Importers
(U.S. dollars per national currency)
Financial vulnerabilities have also risen

Note: 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 a Special Purpose Vehicle. Turkmenistan's data are not available.
Summary of Key Messages

- **Growth is expected to accelerate over next two years**, while remaining subdued.
- **Reforms are critical** to secure resilience and generate higher and more inclusive growth.
- **Fiscal consolidation needs to proceed** carefully, with the pace calibrated to country-specific circumstances.
- **Monetary policy frameworks should be further strengthened** to reap the benefits of exchange rate flexibility.
- **Financial sector vulnerabilities need to be addressed urgently.**
Roadmap

The Context

The Outlook for the Region

Key Themes

IMF Program for Georgia
IMF-Supported Program in Georgia

- **Government has formulated a coherent plan to:**
  - Ensure macro and financial stability
  - Strong focus on structural reforms

- **It has demonstrated its commitment to:**
  - Fiscal discipline
  - Financial supervision
  - Limit contingent liabilities
IMF-Supported Program in Georgia

Fiscal policy...

- Consolidation to keep debt-to-GDP at current levels
- Growth-friendly measures
  - Create fiscal space for needed public investment
  - Reduction in business taxes
  - Strengthening tax administration
- Promoting inclusiveness
  - Pension and education reform, vocational training
  - Targeted health care
IMF-Supported Program in Georgia

- **Monetary policy**
  - Keep inflation-target framework and lari flexibility

- **Financial policy:**
  - Strengthening further supervision and regulation
  - Improve financial safety nets (deposit insurance, bank resolution framework, and LOLR)
  - Expanding oversight of non-banking sector
IMF-Supported Program in Georgia

- Structural Reform Agenda
  - Education reform
  - Scaling-up public Investment
  - Capital market development
  - Making public administration more efficient
  - Improve business environment
  - Trade integration
Thank you!