Outline

Global and Regional Environment

Outlook and Policy Actions

Policy Priorities
Global growth remains lackluster

<table>
<thead>
<tr>
<th></th>
<th>World</th>
<th>U.S.</th>
<th>Euro Area</th>
<th>Emerging markets</th>
<th>China</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>3.2</td>
<td>2.6</td>
<td>2.0</td>
<td>4.0</td>
<td>6.9</td>
<td>-3.7</td>
</tr>
<tr>
<td>2016</td>
<td>3.1</td>
<td>1.6</td>
<td>1.7</td>
<td>4.2</td>
<td>6.6</td>
<td>-0.8</td>
</tr>
<tr>
<td>2017</td>
<td>3.4</td>
<td>2.2</td>
<td>1.5</td>
<td>4.6</td>
<td>6.2</td>
<td>1.1</td>
</tr>
</tbody>
</table>
Risks are to the downside—more pronounced from inward-looking policies and secular stagnation, less so from emerging markets.

**World GDP Growth**

*Percent change*

Source: World Economic Outlook.

**Global Risks**

- Emerging market risks
- Macroeconomic risks
- Credit risks
- Monetary and financial conditions
- Market and liquidity risks
- Risk appetite

Away from center signifies higher risks, easier monetary and financial conditions, or higher risk appetite.

Source: IMF GFSR report.
Commodity prices are expected to remain weak

**Brent Crude Oil Price**
*(U.S. dollars per barrel)*

- **WEO Baseline Average Oil Price:**
  - 2016: $43
  - 2017: $51
  - 2020: $56

Sources: Bloomberg; and IMF staff calculations.

**Commodity Prices**
*(Index, June 2011=100)*

- Copper
- Aluminium
- Gold
- Cotton

The chart shows the historical prices and projections for Brent Crude Oil and various commodities over the years 2011 to 2019, with confidence intervals indicated.

Confidence intervals:
- 95% confidence interval
- 86% confidence interval
- 68% confidence interval
- Brent Futures
Despite some improvement, the outlook for CCA’s key export markets remains weak.
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Regional growth sharply weakening, with a modest recovery projected for 2017.
Exports and remittances are key channels through which external conditions affect regional growth.

**Total Exports**
*(Billions of USD)*

- CCA Oil Exporters
- CCA Oil Importers (RHS)

**Remittances**
*(Jan 2011 = 100)*

- Rubles
- National Currency
- US Dollars
Budgetary support has helped economic activity

**Oil Exporters: Government Expenditure**
(Percent of Non-oil GDP)

**Oil Importers: Government Expenditure**
(Percent of GDP)
Public debt and adjustment needs have risen

Public Debt
(Percent of GDP)

Illustrative Fiscal Adjustment Needs in Oil Exporters
(Percent)

1/ This is the gap between the projected nonhydrocarbon primary balance and the desirable fiscal balance based on a permanent income hypothesis.
Exchange rate policy has also been a useful tool for coping with the shocks.
Currency adjustment has helped unwind previous real appreciations, but temporarily increased inflation
Financial vulnerabilities have risen amid weaker currencies and slowing economic activity

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.

Note: Adjusted for exchange rate effects. Data not available for Turkmenistan and Uzbekistan.
Risks to the outlook are tilted to the downside

- Weaker growth in trading partners (Russia, China, Europe)
- Further weakening of prices for oil and other commodities
- Increase in global risk aversion and financing costs
- Increase in global protectionism and/or slower domestic reforms
Global and Regional Environment

Outlook and Policy Actions

Policy Priorities
Macroeconomic and Financial Policy Priorities

**Fiscal**
- Continue to support growth in the near term if budget space and buffers allow
- Develop credible medium-term consolidation plans to ensure sustainability

**Monetary**
- Focus on inflationary pressures taking into account growth and financial stability
- Strengthen monetary and exchange rate frameworks

**Financial Sector**
- Improve supervision, macro-prudential policies, and crisis management frameworks
Without reforms, medium-term growth prospects and gains in living standards will be slow.

**Real GDP Growth**

*(Percent)*

- Russian crisis (1998 = 0)
- Global financial crisis (2009 = 0)
- Current recovery (2016 = 0)

**GDP per Capita**

*(In Percent of Emerging Market Average)*

Note: GDP per capita in 2022-2035 is expected to growth at the same rate as 2021.
Need to change growth models: diversify away from commodities & remittances, make growth inclusive.
Accelerating structural reforms remains key to unlocking growth potential

Structural Reform Indicators
(In Global Percent Rank)

Key Takeaways

• Commodity prices and growth in key trading partners are set to remain low in the coming years.

• A weak and fragile recovery is projected, amid subdued external environment, rising vulnerabilities, and lower policy space.

• Countries with buffers can support growth in the short run, but multi-year fiscal consolidation plans are needed to ensure debt sustainability.

• Stronger monetary policy frameworks and improved financial supervision can support more flexible exchange rates and reduce risks to inflation and financial sector stability.

• Structural reforms are needed to boost medium-term growth prospects, improve living standards, and create jobs.
Thank you!

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