Roadmap

The Global Context

The Outlook for the Region

Key Themes

What the IMF is doing to help
Stronger growth in key trading partners …

GDP Growth
(Percent change)

- **Euro Area**
  - WEO April 2017
  - WEO October 2016

- **Russia**
  - 2016: -1.0
  - 2017: 0.5
  - 2018: 1.5

- **China**
  - 2016: 6.8
  - 2017: 6.4
  - 2018: 6.0
... along with firming prices of oil and other key commodities ...

**APSP\(^1\) Crude Oil**  
(U.S. dollars a barrel)

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**
(Billions of USD)

**Remittances**
(Jan 2011 = 100)
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 represents an opportunity
  ✔ Prospects for key trading partners have firmed
  ✔ Reforms needed to diversify the economy, boost productivity, enhance competitiveness, generate employment

➢ But elevated levels of risks need further mitigation
  ✔ Continued focus on rebuilding buffers
  ✔ Address fiscal and financial vulnerabilities
Roadmap

The Context

The Outlook for the Region

Key Themes

What the IMF can do to help
Growth expected to pick-up this year and next, but medium-term prospects remain subdued ...
Roadmap

The Context

The Outlook for the Region

Key Themes

What the IMF is doing to help
Critical mass of structural reforms needed, with many common priority areas

<table>
<thead>
<tr>
<th>Reform Types</th>
<th>LIDC</th>
<th>EM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology &amp; Innovation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Environment</td>
<td>UZB, TJK</td>
<td>ARM, TKM</td>
</tr>
<tr>
<td>Labor Market</td>
<td>KGZ, TJK</td>
<td>GEO</td>
</tr>
<tr>
<td>Fiscal Structural Reforms</td>
<td>KGZ</td>
<td>ARM, KAZ</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>KGZ</td>
<td>ARM, AZE, GEO, KAZ</td>
</tr>
<tr>
<td>Banking System</td>
<td>KGZ, TJK</td>
<td>AZE, KAZ</td>
</tr>
<tr>
<td>Capital Market Development</td>
<td></td>
<td>TKM</td>
</tr>
<tr>
<td>Legal System &amp; Property Rights</td>
<td>UZB</td>
<td>TKM</td>
</tr>
<tr>
<td>Trade Liberalization</td>
<td>UZB</td>
<td>AZE</td>
</tr>
<tr>
<td>Agriculture</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
While still low relative to international standards, public debt has increased rapidly ...

Public Debt
(Percent of GDP)

Oil Exporters

Oil Importers

Interquartile range
Median
... in part reflecting the effect of exchange rate adjustment

Public Debt
(Percent of 2016 GDP)

- Stock of Debt in 2014
- Exchange Rate Effect 2014-16
- New Debt in 2014-16

<table>
<thead>
<tr>
<th>Country</th>
<th>AZE</th>
<th>KAZ</th>
<th>TKM</th>
<th>UZB</th>
<th>ARM</th>
<th>GEO</th>
<th>KGZ</th>
<th>TJK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Exporters</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil Importers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Growth-friendly fiscal consolidation needs to proceed promptly

**Fiscal Deficit**

*(Percent of GDP for overall deficit, percent of non-oil GDP for non-oil deficit)*

- **Oil Exporters (Non-oil Fiscal Deficit)**
- **Oil Importers (Overall Fiscal Deficit)**
Oil exporters need to enhance non-oil revenues, while expenditure efficiency a priority for all.

**Public Revenue**
(Percent of GDP for oil importers, percent of non-oil GDP for oil exporters)

- Non-Oil Revenues
- Revenues

**Public Expenditure Components**
(Percent of GDP for oil importers, percent of non-oil GDP for oil exporters)

- Capital
- Wages
- Other Current
- Interest

Note: 2017 figures include one-off operations in Kazakhstan (financial sector support package) and Azerbaijan (oil fund transfer for debt repayment).
Currency stabilization and diminishing inflationary pressures allowed for easing monetary policy in some countries.
But credit to the private sector remains depressed ...

Credit to Private Sector
(YoY percent change)

Oil Exporters
Oil Importers
... amid increasingly acute financial vulnerabilities

- **Asset quality of banks has deteriorated**
  - NPLs are very high in some countries
  - Restructured loans continue to rise

- **Bank capital very low**
  - Banks have merged or required closing
  - Some new capital injections

- **Public costs of support can be significant**
  - One-time support package to the banking system of about 4 percent of GDP in Kazakhstan
Roadmap

The Context

The Outlook for the Region

Key Themes

What the IMF is doing to help
Partnering on the reform journey

- Reform is a long and complex process
  - Needs sustained commitment
  - Building public support is key
  - The vulnerable need to be protected

- IMF is providing support
  - Tailored program design and policy advice
  - Technical assistance
  - Facilitating dialogue with peers
  - Analytical work
  - Catalyzing support from partners
Summary of Key Messages

- After bottoming out in 2016, 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 fully harness the benefits of exchange rate flexibility.

- Vulnerabilities in the financial sector need to be addressed urgently.
To download REO publications, please visit: