Roadmap

Outlook, Opportunities, and Challenges

Maintaining Macroeconomic Stability

Securing Higher and More Inclusive Growth

Key Takeaways and IMF’s Role
Growth strengthening in CCA’s main economic partners

GDP Growth
(Percent change)

Sources: National authorities and IMF staff calculations.
Commodity prices stabilizing, but outlook subdued

**Oil Price Assumptions**
(APSP¹, U.S. dollars a barrel)

**Metal Price Assumptions**
(Index, 2005=100)

Source: IMF staff calculations.
Note: REO = Regional Economic Outlook: Middle East and Central Asia; WEO = World Economic Outlook. ¹APSP = Average Petroleum Spot Prices; Average of U.K. Brent, Dubai Fateh, and West Texas Intermediate crude oil prices.
CCA growth expected to accelerate, but remain below historical norms

Real GDP Growth
(Percent change)

Sources: National authorities and IMF staff calculations.
External deficits declining gradually, helped by exchange rate adjustment

**Current Account Deficits**
(Percent of GDP)

**Nominal Exchange Rates**
(US Dollars per national currency index, Jan-2010 = 100)

Sources: National authorities and IMF staff calculations.

Note: Country abbreviations are International Organization for Standardization (ISO) country codes.
Window of opportunity—with challenges

External

- Improved economic conditions in main trading partners

Internal

- New integration initiatives

Opportunities

- Rapid tightening of global financial conditions
- Shift towards inward-looking policies

Challenges

- Financial sector distress in some countries
- Slow implementation of structural reforms
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Key Takeaways and IMF’s Role
Fiscal consolidation should continue to ensure debt sustainability, but become more growth friendly.

Sources: National authorities and IMF staff calculations.

Note: For Oil Exporters, the deficit for 2017 excludes a one-time fiscal transfer to the financial sector in Kazakhstan.
Despite differences in the monetary stance, frameworks should be further strengthened.

Source: IMF IFS and IMF staff calculations.
Note: Country abbreviations are International Organization for Standardization (ISO) country codes.
Financial sector vulnerabilities exposed

**Problem Loans**
*(In percent of total loans)*

- Problem loans
- Official definition of NPLs

**Private Credit Growth**
*(Percent, year over year)*

Source: IMF staff calculations.
Note: Country abbreviations are International Organization for Standardization (ISO) country codes.
Important steps have been taken to address these vulnerabilities, but further action is needed.

**Policy Responses**

- **Macro Policies**
- **Financial Support**
- **Supervisory and Prudential Measures**

**Immediate Priorities**

- **Diagnose the Problem**
- **Address Financial Stability Risks**
- **Enhance Prudential Regulation and Supervision**
- **Strengthen Banks’ Corporate Governance**
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Key Takeaways and IMF’s Role
Securing higher and more inclusive growth is critical to the CCA region

**Youth Unemployment Rate**  
*(average, percent)*

- **Oil Exporters**
- **Oil Importers**
- **EM & LIDC (excluding CCA)**

**Projected Labor Force Increase**  
*(Million of people, cumulative)*

**Labor Force in 2017 (estimate):**  
CCA: 40 million

Sources: International Labor Organization estimates.  
Note: CCA = Caucasus and Central Asia; EM = Emerging market economy; and, LIDC= Low-income developing countries.
Multiple policy levers are needed to spur higher and more inclusive growth

Five Pillars of Inclusive Growth

- Fiscal Policy
- Governance and Transparency
- Financial Inclusion
- Business Environment
- Labor Market Policies
Structural reforms would support trade, leveraging better external conditions ...

**Trade Openness**

(Index 2000=100 of the sum of exports and imports as a percent of GDP in nominal terms)

Sources: IMF October 2017 World Economic Outlook; and staff calculations.

Note: Afghanistan uses 2002 as its base year due to data issues. CCA = Caucasus and Central Asia; EMDE = Emerging and developing economies; MENAP = Middle East, North Africa, Afghanistan, and Pakistan.
... and fully capitalize on current integration opportunities

The Belt And Road Initiative: Six Economic Corridors Spanning Asia, Europe, and Africa

Source: Hong Kong Trade Development Council.
Adopting financial technology would boost growth and inclusiveness, but there are risks

**Adults (+15 years old) With Bank Account**
*(Percent of the population, most recent value)*

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Key Takeaways and IMF’s Role
➢ Recovery continuing, but medium-term growth subdued
➢ Window of opportunity: better external conditions; Belt and Road Initiative; Uzbekistan; fintech
➢ To capitalize on opportunity, countries need to take action:
  ✓ More growth-friendly fiscal consolidation
  ✓ Stronger monetary policy frameworks
  ✓ Financial sector repair
  ✓ Structural reforms
➢ Bold action would secure higher, more inclusive growth
IMF’s role

Policy Analysis

Capacity Development

✓ Monetary Policy Workshop, Joint Vienna Institute
✓ Peer-to-Peer Event, IMF Annual Meetings

Regional Cooperation

Bilateral Engagement