A Changing Environment
Global growth prospects are weakening

Real GDP Growth of Trading Partners
(Arrows represent direction of revision since April 2018 WEO)
The recent surge in commodity prices is expected to fade

Crude Oil APSP
(US dollars per barrel)

Metals
(Index, 2005 = 100)

Simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh.

Includes Copper, Aluminum, Iron Ore, Tin, Nickel, Zinc, Lead, and Uranium Price Indices

Sources: IMF Global Assumptions.
Regional Outlook
Modest growth underway, with some variation across countries

Real GDP Growth
(Weighted average, percent)

Oil Exporters

Oil Importers

-4 0 2 4 6 8 10 12

2010-13 14 15 16 17 18 19 20-23

AZE KAZ TKM UZB

ARM GEO KGZ TJK

0 1 2 3 4 5 6 7 8

2010-13 14 15 16 17 18 19 20-23
Improved external and fiscal balances, thanks to higher oil prices and fiscal consolidation

**Current Account Balance**
(Weighted average, percent of GDP)

**Overall Fiscal Balance**¹
(Weighted average, percent of GDP)

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<td>Oil Exporters</td>
<td>-10</td>
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Note: ¹For Kazakhstan, the overall fiscal balance excludes the one-time fiscal transfer to the financial sector in 2017.
Weak banking sectors hold back credit growth
The region faces multiple and intertwined risks

- Commodity prices
- Tighter financial conditions
- Reform fatigue
- Trade tensions & sanctions
Direct impact from trade tensions potentially small, but indirect effects could be large

Exports of Goods 2017
(Percent of GDP)

Source: IMF DOTS, Haver Analytics and IMF staff calculations.
Fiscal risks rising in some countries

Gross General Government Debt
(Percent of GDP)

- Debt in local currency
- Debt in foreign currency or linked to the exchange rate

Syndicated Loans and Bonds Maturing in 2019-23
(Percent of GDP, US$ billion)

Source: National authorities, Dealogic and IMF staff calculations
Addressing near-term challenges
External developments will limit monetary policy choices

Federal Funds Rate (Percent)

Market Expectations for 2020: 2.72
Sep-18, 2.25

Exchange rate and inflation changes (Annualized percent change)

Consumer Price Index 2015-17 (Annualized percent change)

Depreciation

100% pass through
Fiscal adjustment should be more equitable and growth-friendly

**Composition of expenditure items**
(Averages 2017, percent of non-oil GDP)

**Composition of taxation items**
(Averages 2017, percent of non-oil GDP)

Sources: National authorities, and IMF staff calculations.
Note: *Other expenses include defense, consumption of fixed capital, subsidies, grants and other expenses.
Need to focus on high-quality investment in human and physical capital

Sources: Sources: EBRD Transition Report 2017-18, IMF FAD Expenditure Assessment Tool (EAT), TIMSS and PISA evaluations, and IMF staff calculations.

Note: TIMSS and PISA scales are different but both are centered around 500 with a standard deviation of 100.
Higher and More Inclusive Growth
Catching up will take nearly twenty years at forecast growth rates

Time to Achieve Emerging Europe or Low-Income Threshold per capita GDP (Years)

Sources: National authorities, United Nations and IMF staff calculations.
Need to create a more dynamic private sector

Business Entry Density Rate
(Number of newly registered firms with limited liability per 1,000 working-age people, average)

Credit to Government and Public Non-Financial Sector and Total Credit in 2017
(Percent of total banking credit, in percent of GDP)

Structural reforms key to boosting private investment

**Contribution to Real GDP Growth**
(Simple averages, percentage points)

- Blue: Private investment
- Gray: Other
- Diamond: Real GDP growth (percent)

**Financial Development**
(Financial Development Index, 2015)

**Rule of Law**
(From –2.5 (weak) to 2.5 (strong) governance performance, 2016)

Source: Svirydzenka (2016). National authorities; World Bank Worldwide Governance Indicators, and, IMF Financial Development Index Database.

Note: Index ranges from 0 to 1.
The IMF’s role in supporting reform

Policy Advice

Fund Financing

Since 2012:

- Six programs
- Nearly $1 billion dollars lent

Technical Assistance
(Person-Days of Field Delivery)
Takeaways

- Growth has recovered, but needs to be higher
- Policy should focus on managing risks in the near term…
- … and reforms to raise growth in the long term