## Global Growth: Moderate and Uneven

<table>
<thead>
<tr>
<th>Year</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>2014</td>
<td>3.4</td>
<td>2.4</td>
<td>0.9</td>
<td>4.6</td>
<td>7.3</td>
<td>0.6</td>
</tr>
<tr>
<td>2015</td>
<td>3.1</td>
<td>2.6</td>
<td>1.5</td>
<td>4.0</td>
<td>6.8</td>
<td>-3.8</td>
</tr>
<tr>
<td>2016</td>
<td>3.6</td>
<td>2.8</td>
<td>1.6</td>
<td>4.5</td>
<td>6.3</td>
<td>-0.6</td>
</tr>
</tbody>
</table>
Global Shock 1: Lower Prices of Oil…

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

WEO Baseline Average Oil Price

2015: $51.6
2016: $50.4

Sources: Bloomberg; and IMF staff calculations.

1 As of August 20, 2015.
2 Average of WTI, Brent, and the Dubai Fateh prices.
Global Commodity Prices
(Index Values, 2005=100)

Source: IMF Primary Commodity Prices database.
1/ Simple average of Brent, Dubai Fateh, and West Texas Intermediate prices.
Global Shock 2: Slowdown in Russia

Real growth in Russia
(Percent)

Average growth 1996-2013

Current projections

Sources: National authorities; and IMF staff estimates.
Global Shock 3: Exchange Rate Movements

Russian Ruble, U.S. Dollar, and Oil Prices
(Indices, Jan. 1, 2014 = 100)

Sources: National authorities; Bloomberg; and IMF staff calculations.
1/ Simple average of Brent, Dubai Fateh, and West Texas Intermediate prices.
Also: Conditions In China Have Been Changing…

China: Quarterly Real GDP Growth
(*Seasonally Adjusted YoY Percent Change*)

<table>
<thead>
<tr>
<th>Year</th>
<th>2012Q1</th>
<th>2012Q3</th>
<th>2013Q1</th>
<th>2013Q3</th>
<th>2014Q1</th>
<th>2014Q3</th>
<th>2015Q1</th>
<th>2015Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>8.5</td>
<td>8.0</td>
<td>7.5</td>
<td>7.0</td>
<td>6.5</td>
<td>8.5</td>
<td>8.0</td>
<td>7.5</td>
</tr>
</tbody>
</table>

Shanghai Stock Exchange Index
(*Index Values*)

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index</td>
<td>1500</td>
<td>2500</td>
<td>3500</td>
<td>5500</td>
</tr>
</tbody>
</table>

Sources: National authorities; IMF staff estimates.
Which Is Particularly Important for CCA Given Its Growing Linkages With That Country

<table>
<thead>
<tr>
<th></th>
<th>Exports to China (Percent of Exports)</th>
<th>Imports from China (Percent of Imports)</th>
<th>Net FDI stock from China (Percent of GDP)</th>
<th>FDI inflows from China (Percent of FDI Inflows)</th>
<th>Debt from China (Percent of PPG Debt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARM</td>
<td>Orange</td>
<td>Yellow</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
</tr>
<tr>
<td>GEO</td>
<td>Green</td>
<td>Yellow</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
</tr>
<tr>
<td>KGZ</td>
<td>Orange</td>
<td>Red</td>
<td>Yellow</td>
<td>Green</td>
<td>Green</td>
</tr>
<tr>
<td>TJK</td>
<td>Yellow</td>
<td>Red</td>
<td>Yellow</td>
<td>Green</td>
<td>Green</td>
</tr>
<tr>
<td>AZE</td>
<td>Green</td>
<td>Yellow</td>
<td>Green</td>
<td>Green</td>
<td>Red</td>
</tr>
<tr>
<td>KAZ</td>
<td>Orange</td>
<td>Green</td>
<td>Orange</td>
<td>Green</td>
<td>Yellow</td>
</tr>
<tr>
<td>TKM</td>
<td>Red</td>
<td>Orange</td>
<td>Green</td>
<td>Red</td>
<td>Green</td>
</tr>
<tr>
<td>UZB</td>
<td>Orange</td>
<td>Yellow</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
</tr>
</tbody>
</table>

Linkages with China:

- Between 0-0.5%
- Between 0.5% and 5%
- Between 5% and 10%
- Between 10% and 40%
- Above 40%
Caucasus And Central Asia
Amid a tough external environment, economic growth slowed in 2015.

**CCA Growth Rates (In Percent Change)**

- **Oil Importers**
- **Oil Exporters**
- **Russia**
- **Oil Price (USD, RHS)**

**CCA Growth Rates by Country (In Percent Change)**

- TKM
- UZB
- AZE
- TJK
- ARM
- GEO
- KAZ
- KGZ

Sources: National authorities; Bloomberg; and IMF staff estimates.
Gradual Recovery Over the Medium Term; Growth Prospects Well Below Past Averages

CCA Growth Rates
(In Percent Change)

Sources: National authorities; IMF staff estimates.
Risks Tilted To The Downside

- Further weakening of prices for oil and other commodities
- Weaker growth in trading partners (Russia, China, Europe)
- Risks related to the normalization of U.S. monetary policy
Exports Are Expected To Recover Only Gradually

CCA Oil Importers: Exports
(Index Values, 2005=100)

CCA Oil Exporters: Exports
(Index Values, 2005=100)

Long-Term Trend

Sources: National authorities; and IMF staff estimates.
External Positions Are Set To Remain Weak

**Current Account Decomposition**

(Percent of GDP)

<table>
<thead>
<tr>
<th>Year</th>
<th>Oil importers</th>
<th>Oil exporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>▶️ 10%</td>
<td>▶️ 5%</td>
</tr>
<tr>
<td>2014</td>
<td>▶️ 0%</td>
<td>▶️ 0%</td>
</tr>
<tr>
<td>2015</td>
<td>▶️ 0%</td>
<td>▶️ 0%</td>
</tr>
<tr>
<td>2016</td>
<td>▶️ 0%</td>
<td>▶️ 0%</td>
</tr>
</tbody>
</table>

**Remittances**

(Seasonally Adjusted Levels, Jan 2010 = 100)

- Rubles
- National Currency
- US Dollars

Sources: National authorities; and IMF staff estimates.

1/ Excludes employee compensation.
Currencies Are Adjusting To New Realities…

Oil Exporters
(U.S. dollars per National Currency, Jan. 1, 2010=100)

Oil Importers
(U.S. dollars per National Currency, Jan. 1, 2010=100)

Sources: National authorities; and IMF staff calculations.
Inflation
(In Percent Change)

Oil Importers

Oil Exporters

Sources: National authorities; and IMF staff calculations.
Dollarization Has Risen...

Source: National authorities; IFS; and IMF staff calculations.
... And Financial Sector Vulnerabilities Are Up.

Source: National authorities; IMF staff calculations.
Fiscal Positions Have Weakened: Lower Revenues And Countercyclical Measures

Selected Fiscal Indicators
(In Percent of GDP)

Oil Exporters

2014 2015 2016 2017 2018

-20 -15 -10 -5 0 5 10 15 20

Public Debt

Oil Importers

2014 2015 2016 2017 2018

-40 -30 -20 -10 0 10 20 30 40 50

Fiscal Balance (RHS)

Sources: National authorities; and IMF staff calculations.
Policy Priority 1: Fiscal Policy Needs To Ensure Medium-Term Sustainability

- Where conditions allow, temporary fiscal easing over the near term will provide support to growth.
- As cyclical conditions improve, countries need to tighten their fiscal stance to ensure medium-term fiscal sustainability.
- Improving the quality of public expenditure, and preserving capital and social expenditure, will help to safeguard growth and make it more inclusive.
Oil Exporters: Fiscal Policy Needs To Adjust

Fiscal Breakeven Oil Prices
(In U.S. Dollars per Barrel)

Medium-Term Gap Between Projected Fiscal Balance and Optimal Policies Consistent with PIH 1/
(In Percentage Points of Non-Oil GDP)

Sources: IMF staff calculations
1/ Difference between actual Non-Oil Primary Balance (NOPB) and NOPB recommended by the Permanent Income Hypothesis. The high growth scenario assumes an annual increase in non-oil growth by one percentage point.
Policy Priority 2: Monetary Prudence And Greater Exchange Rate Flexibility

- Monetary policy should be primarily calibrated to inflationary pressures, with due consideration to its impact on financial intermediation and output.
- Greater exchange rate flexibility will help absorb shocks, maintain competitiveness and prevent a rundown of external buffers.
- Stronger macro-prudential regulations, supervision and crisis management framework necessary to ensure financial sector remains healthy.
Policy Priority 3: Structural Reforms To Boost Long-Term Growth

Structural Reform Indicators
(In Global Percent Rank)

Emerging Market Averages

Key Takeaways

- A foray of external shocks is weighing on growth, budgets and currencies.
- These shocks are likely to be long lasting, requiring policy adjustment.
- While temporary fiscal easing can support growth, fiscal consolidation will be needed over the medium term to rebuild buffers and ensure debt sustainability.
- Exchange rate flexibility will preserve external buffers, but it needs to be accompanied by strengthened financial supervision to safeguard financial stability.
- Structural reforms are needed to boost weakening medium-term growth prospects.
Thank you!

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