

Outlook for the Global Economy and CAREC Countries

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Outline

The Global Economic Outlook

CAREC: Outlook, Risks, and Vulnerabilities



An uneven global recovery continues

Real GDP Growth Projections

(percent change from a year earlier)



	World	U.S.	Euro Area	Emerging markets	China	Russia
2013	3.3	2.2	-0.4	4.7	7.7	1.3
2014	3.3	2.2	0.8	4.5	7.4	0.2
2015	3.8	3.1	1.4	5.0	7.1	0.5

Global recovery remains fragile

Geopolitical risks (Russia-Ukraine, Middle East)

Further risks to growth in emerging market economies

Risks related to normalization of monetary policy in advanced economies

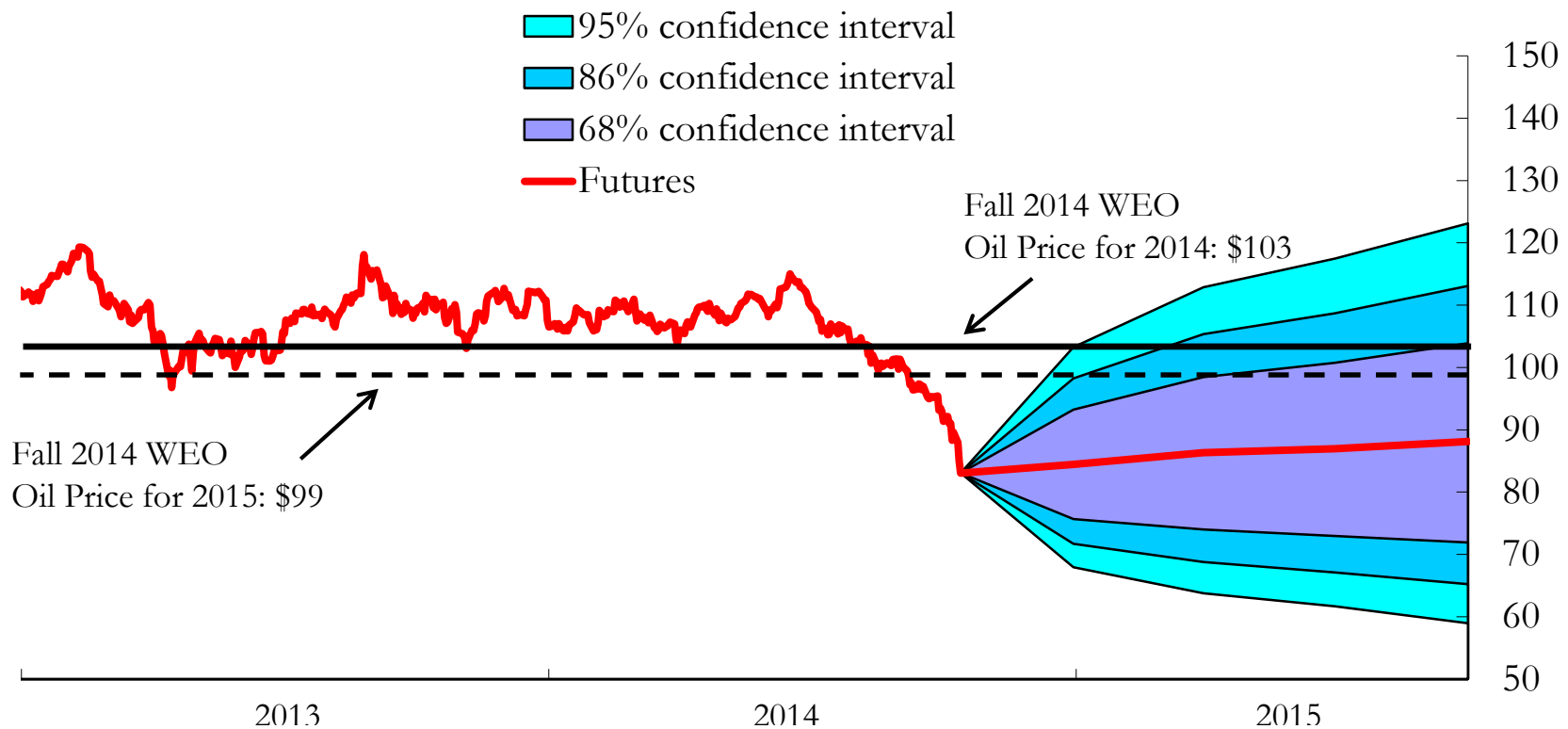
Protracted period of slow growth in advanced economies



Oil prices have declined considerably since projections were made; risks are high in both directions

Brent Crude Oil Price¹

(U.S. dollars per barrel)



Sources: Bloomberg; and IMF staff calculations.

¹Derived from prices of futures and options on October 15, 2014.



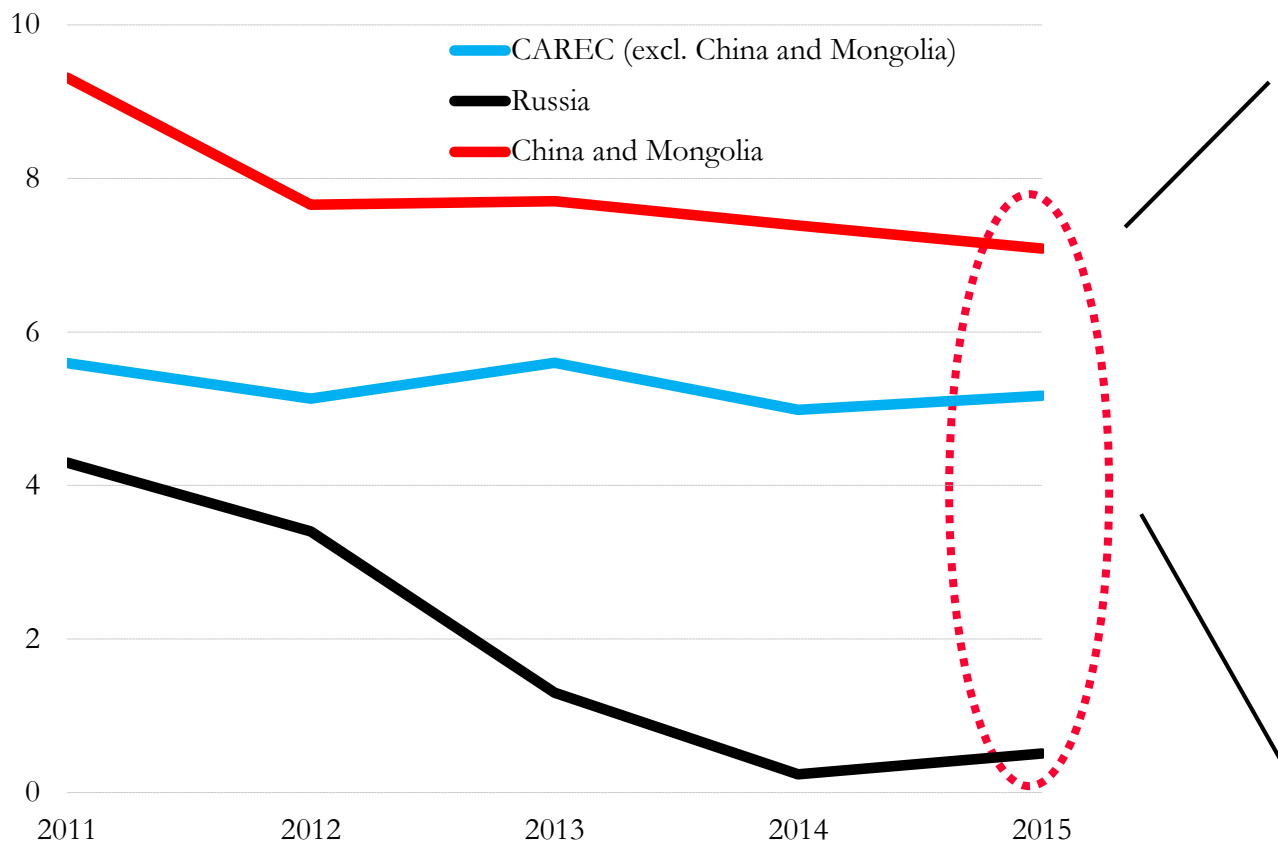
CAREC

The outlook for growth is broadly positive, although medium-term prospects are weakening while vulnerabilities remain

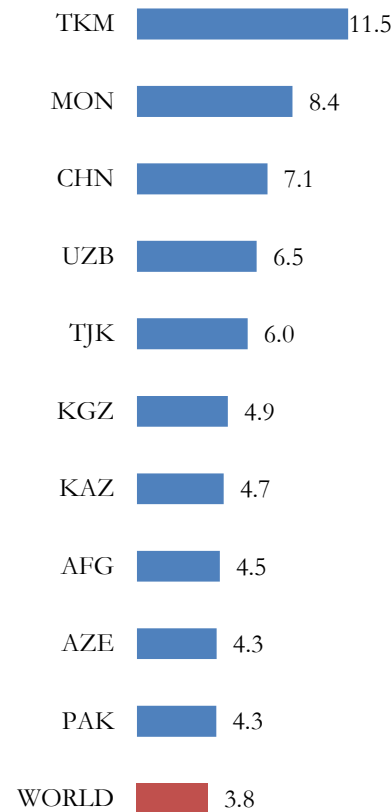


Growth is slowing due to weaker external and domestic demand, including spillovers from Russia

Real GDP, 2015
(Annual growth, percent)



Real GDP Growth projection 2015



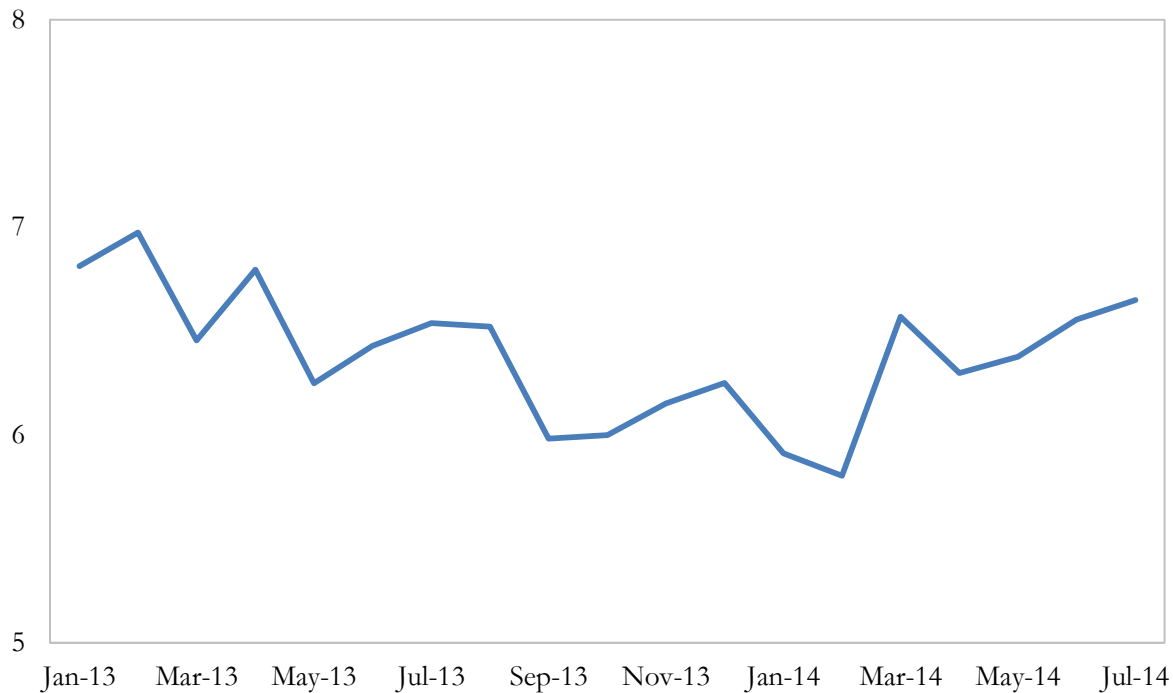
Sources: National authorities; IMF, *World Economic Outlook*; and IMF staff calculations and projections.



Inflationary pressures have picked up recently

CAREC Headline CPI Inflation

(12-month change; percent)



Sources: WEO, and IMF staff calculations.

For most CAREC countries, downside risks to growth are driven by close linkages with Russia

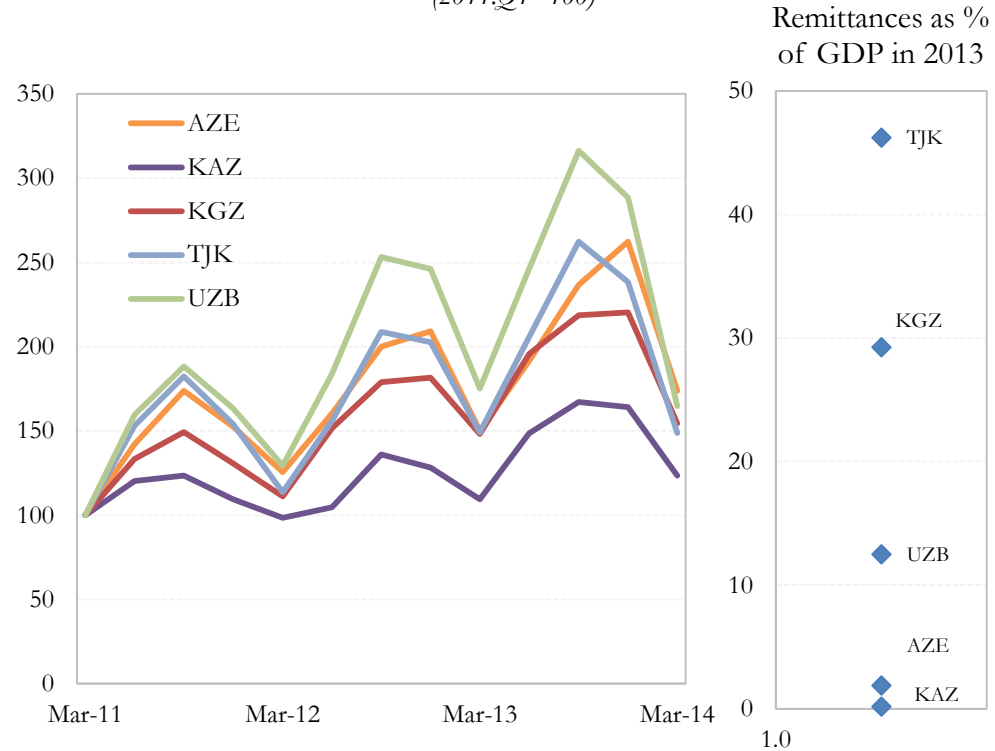
Linkages with Russia

	Exports	Imports	Remittances	FDI
KGZ	Yellow	Red	Red	Yellow
TJK	Green	Red	Red	Yellow
AZE	Green	Green	Green	Green
KAZ	Yellow	Yellow	Green	Green
TKM	Red	Yellow	Green	Green
UZB	Green	Yellow	Green	Green

■ <3% of GDP
 ■ 3-10% of GDP
 ■ >10% of GDP

Remittances from Russia to selected CAREC Countries ^{1/}

(2011:Q1=100)



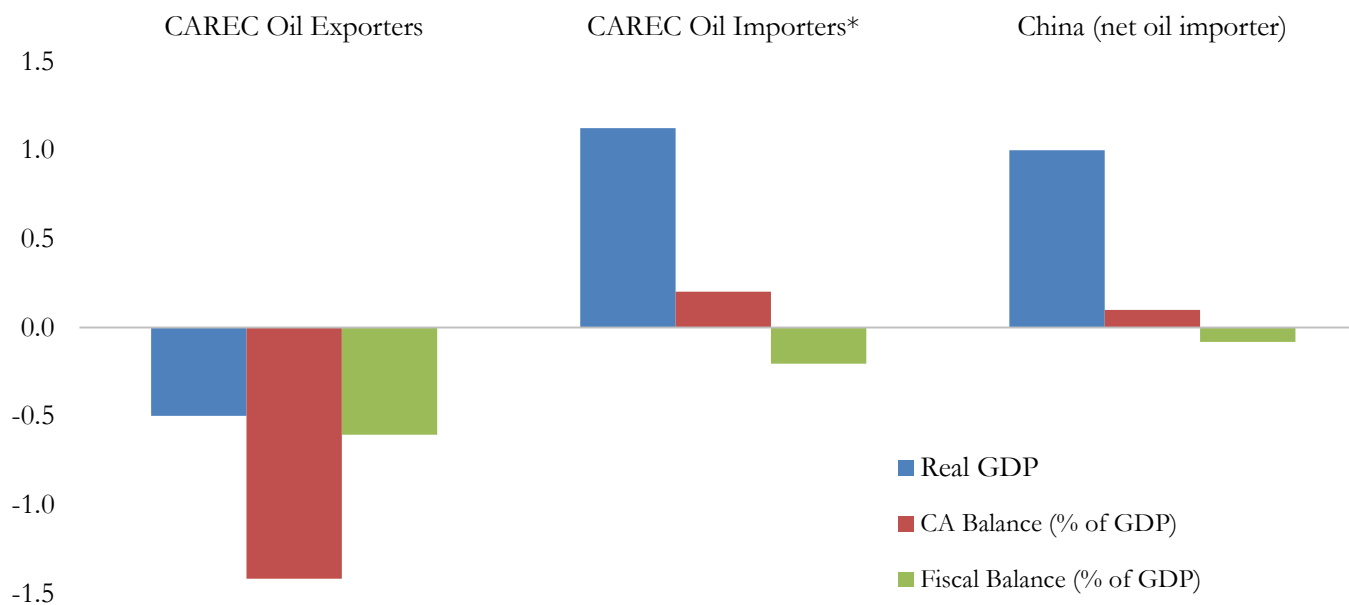
Source: Central Bank of Russia.

^{1/} Boxes show the latest data available (2013:Q3).



Continued lower oil prices would have mixed effects on CAREC's oil exporters and importers

Effects of a 20 Percent Decline in Oil Prices from the Fall 2014 WEO Baseline, 2015

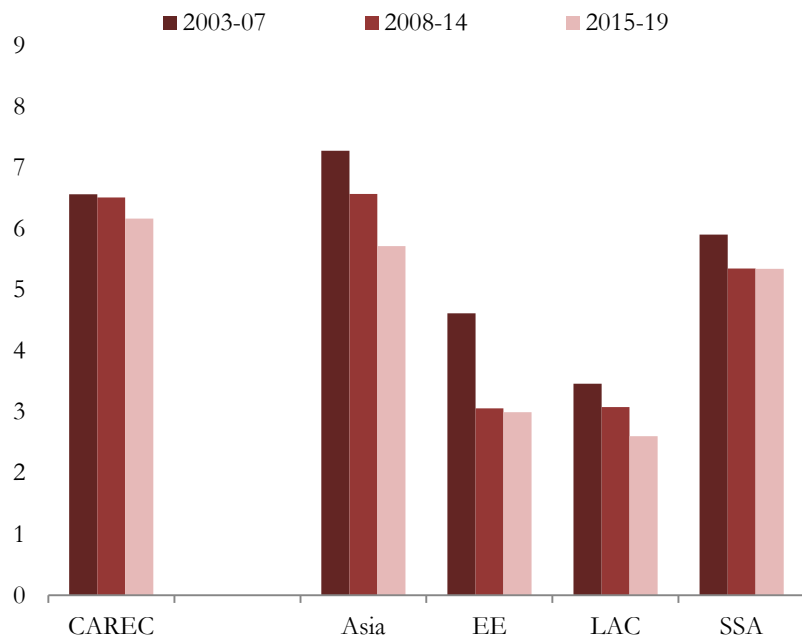


* CAREC oil importers exclude Mongolia

Vulnerabilities: slower medium-term growth prospects

Potential GDP Growth

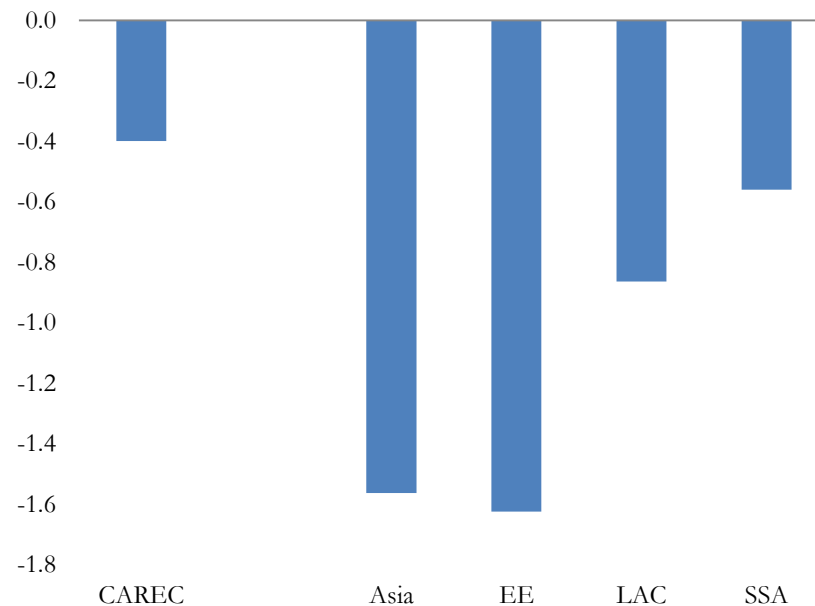
(Percent)



CAREC includes KAZ, KGZ, PAK, CHN and MON

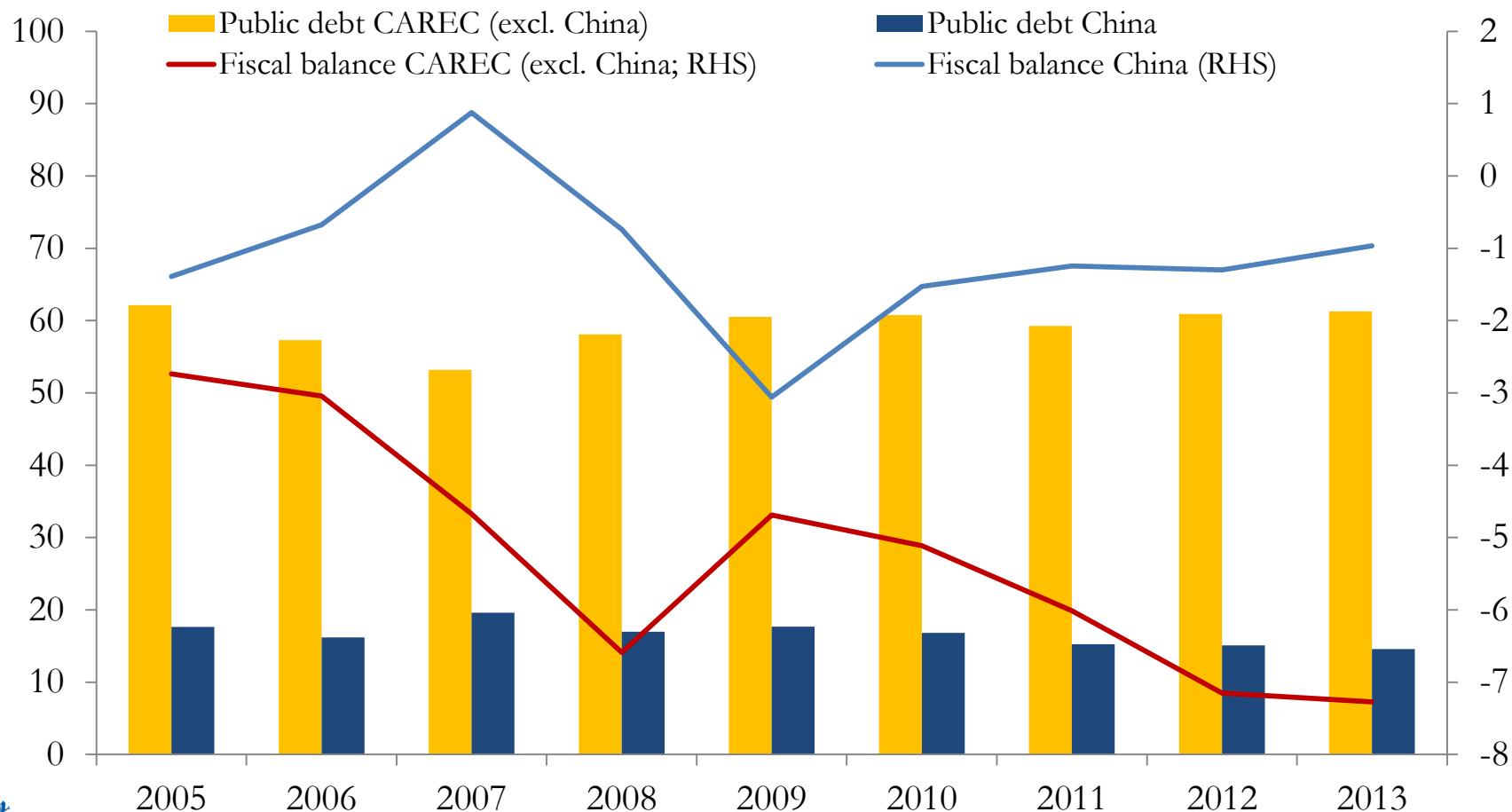
Potential GDP Growth Changes, 2015-19 versus 2003-07

(Percent)



Vulnerabilities: weaker fiscal positions

Fiscal Balances and Debt
(Percent of GDP)



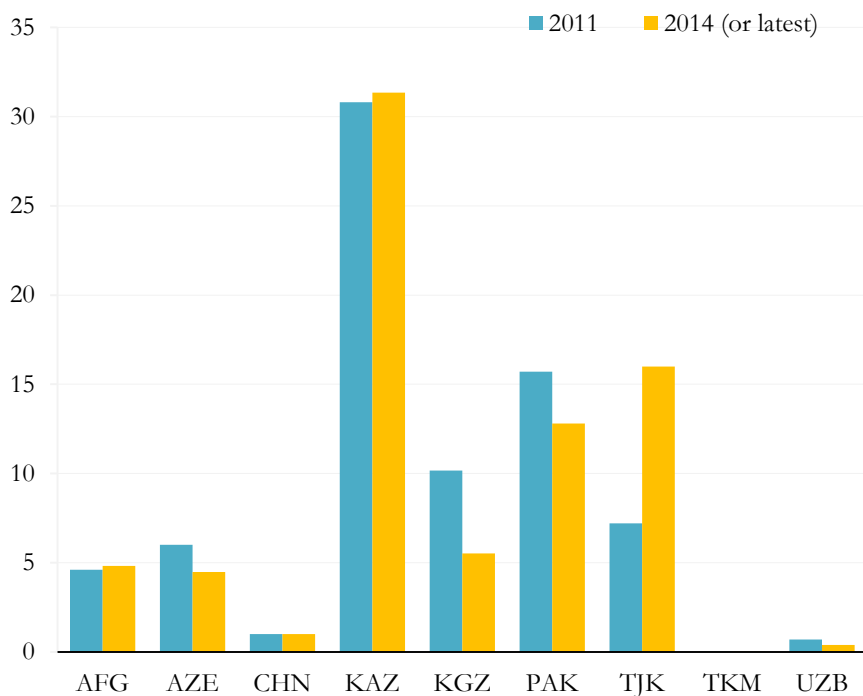
Sources: National authorities; and IMF staff estimates.



Vulnerabilities: elevated selected financial sector risks

Nonperforming Loans ^{1/}

(On a 90-day basis; percent of total loans)



Sources: National authorities; and IMF staff estimates.

^{1/} 90-day basis. (in Tajikistan: overdue by 30 days or more).

Dollarization

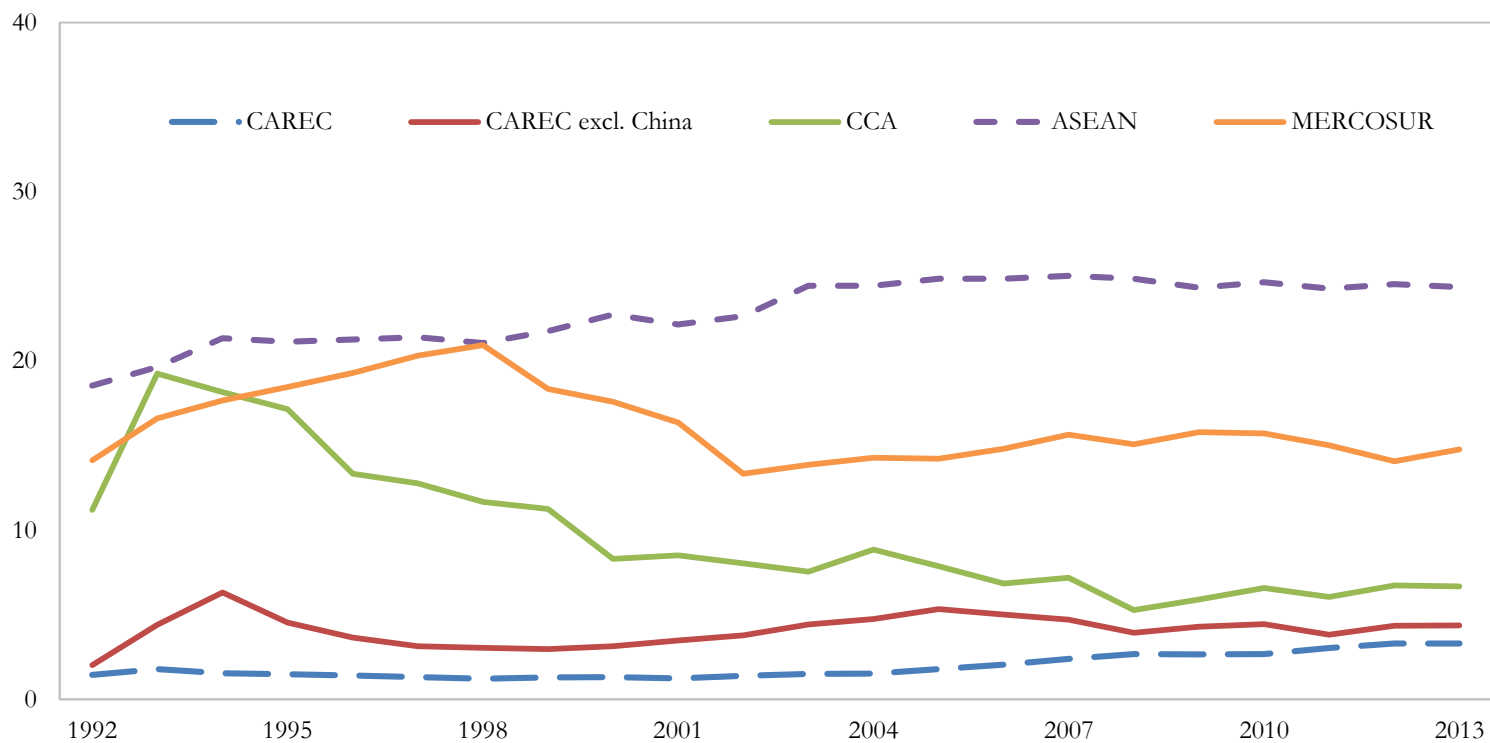
(Deposits in FX to total deposits)



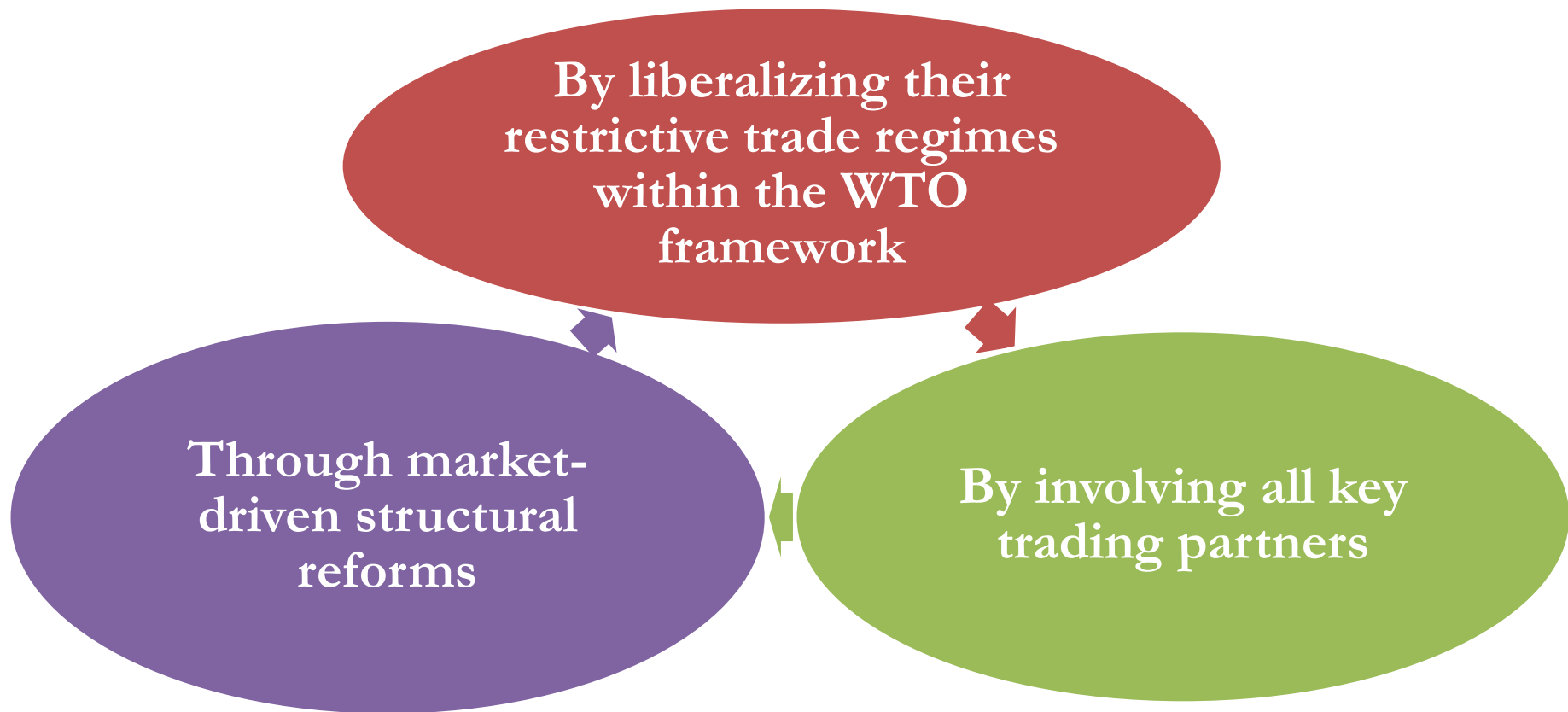
CAREC's low intra-regional trade

Intra-regional Trade

(as percent of total trade)



Successful economic integration within CAREC needs to be multilateral and market-driven



Key conclusions

- **Near-term**

- Growth is slowing because of negative spillovers from Russia and weaker domestic demand, and risks are tilted to the downside.
- If buffers and financing allow, countries can slow the pace of fiscal consolidation, while maintaining credible medium-term plans. If inflation persists, monetary policy needs to be tightened. Macro-prudential policies need to be strengthened to reduce vulnerabilities.

- **Medium-term**

- Potential growth is slowing.
- Bolstering economic integration, strengthening policy frameworks and reforms are key to mitigating shocks and ensuring sustainable, more inclusive growth.

