

Outlook for the Global Economy and CAREC Countries

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October 24, 2013



Outline

The Global Economic Outlook








CAREC: Outlook, Risks, and Policy Priorities



Global growth forecast has been revised down, mainly on account of emerging economies

WEO Real GDP Growth Projections

(percent change from a year earlier)

							
	World	U.S.	Euro Area	Japan	Russia	China	CCA
2013 (Oct. 2013)	2.9	1.6	-0.4	2.0	1.5	7.6	5.8
2013 (Apr. 2013)	3.3	1.9	-0.3	1.6	3.4	8.0	5.8
2014 (Oct. 2013)	3.6	2.6	1.0	1.2	3.0	7.3	6.1
2014 (Apr. 2013)	4.0	3.0	1.1	1.4	3.8	8.2	6.1

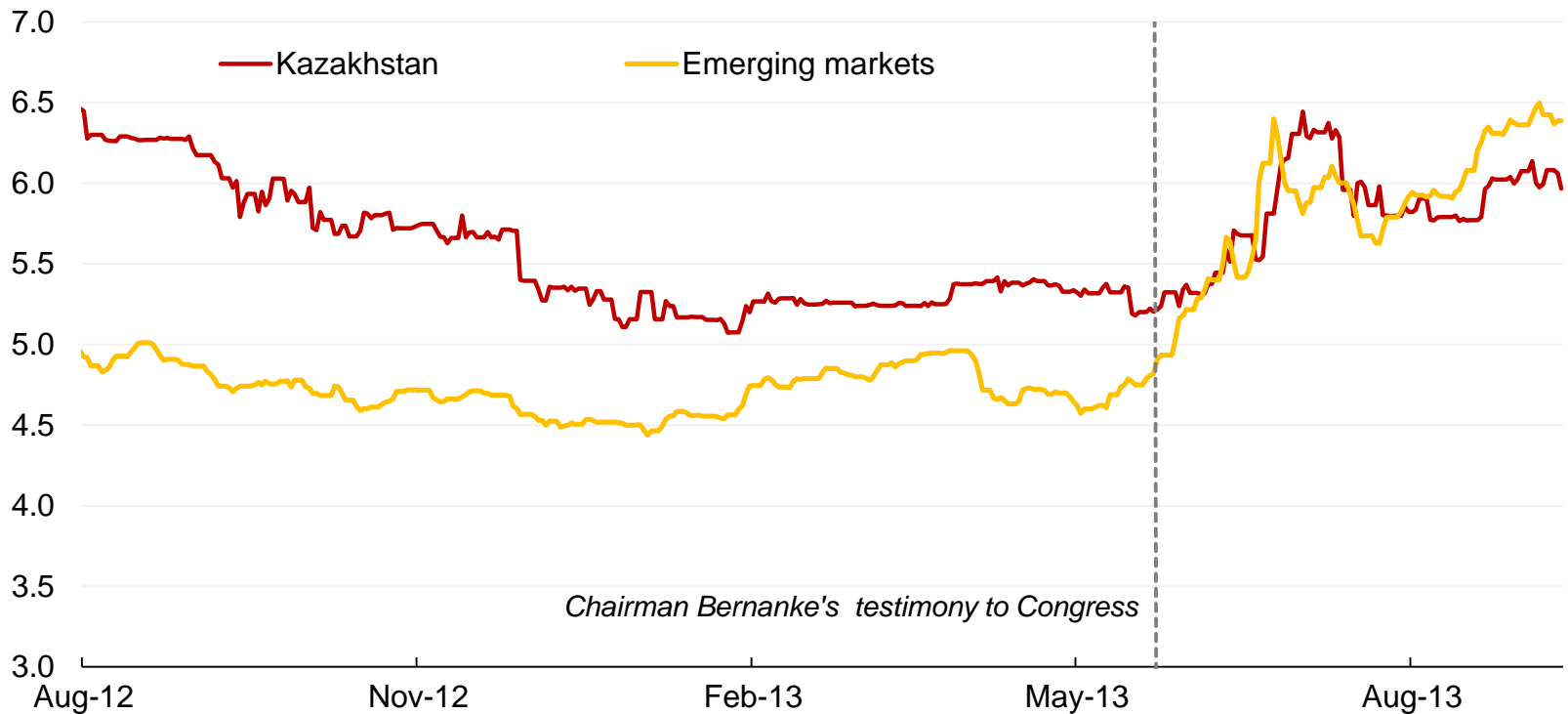
Source: IMF, *World Economic Outlook*.



Financial conditions have tightened

Bond Yields

(Percent, Aug 2, 2012 – Sep 10, 2013)

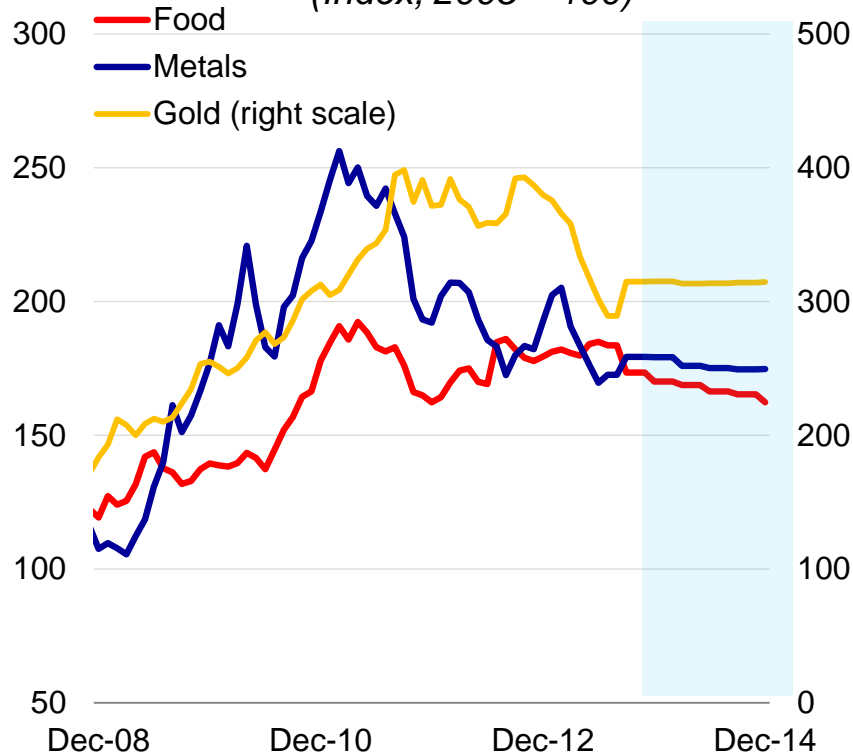


Sources: IMF, World Economic Outlook; and Bloomberg LP.



Metals and food prices are falling but oil prices have recently risen

Global commodity price developments ^{1/}
(Index; 2005 = 100)

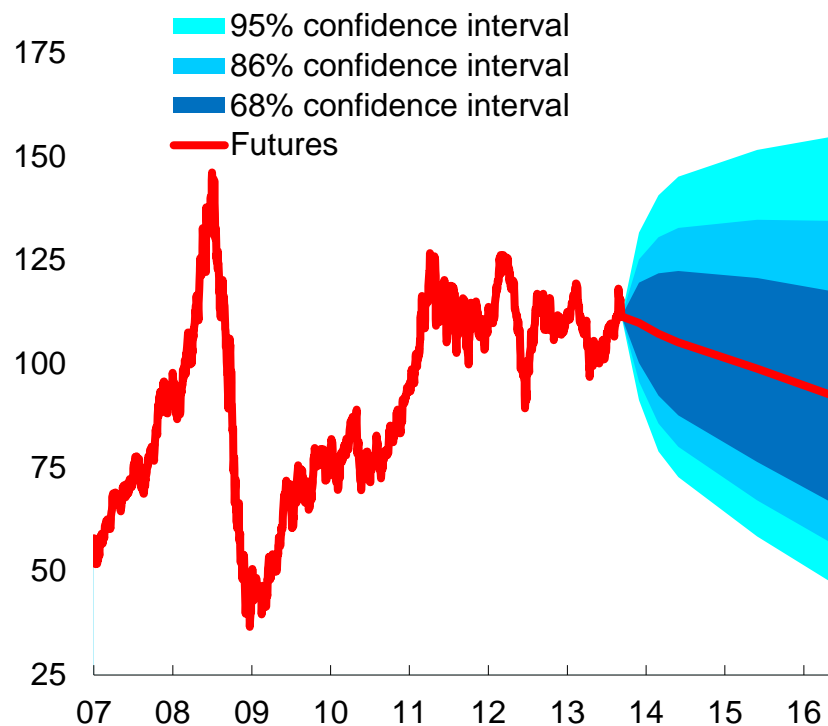


Sources: IMF, Primary Commodity Price System; and IMF staff calculations.

^{1/} Food index derived from average price of corn, wheat, rice, and soybeans.

^{2/} Derived from prices of futures options on Sep. 12, 2013.

Brent crude oil price prospects ^{2/}
(U.S. dollars per barrel)



Risks to global growth remain on the downside

**Global financial conditions tighten by more than expected
A failure to lift the debt ceiling in the United States**

**Financial fragmentation in the euro area weighs on investment
Insufficient fiscal consolidation and structural reforms in Japan**

**Lower potential growth in emerging markets
Lower commodity prices**



Policy priorities

Euro area

- Repair financial system
- Adopt a banking union

United States

- Reduce fiscal deficit over the medium term
- Calibrate the timing of exit from unconventional monetary policy

Emerging markets

- Improve resilience to shocks
- Accelerate structural reforms
- Let exchange rate adjust to capital flows



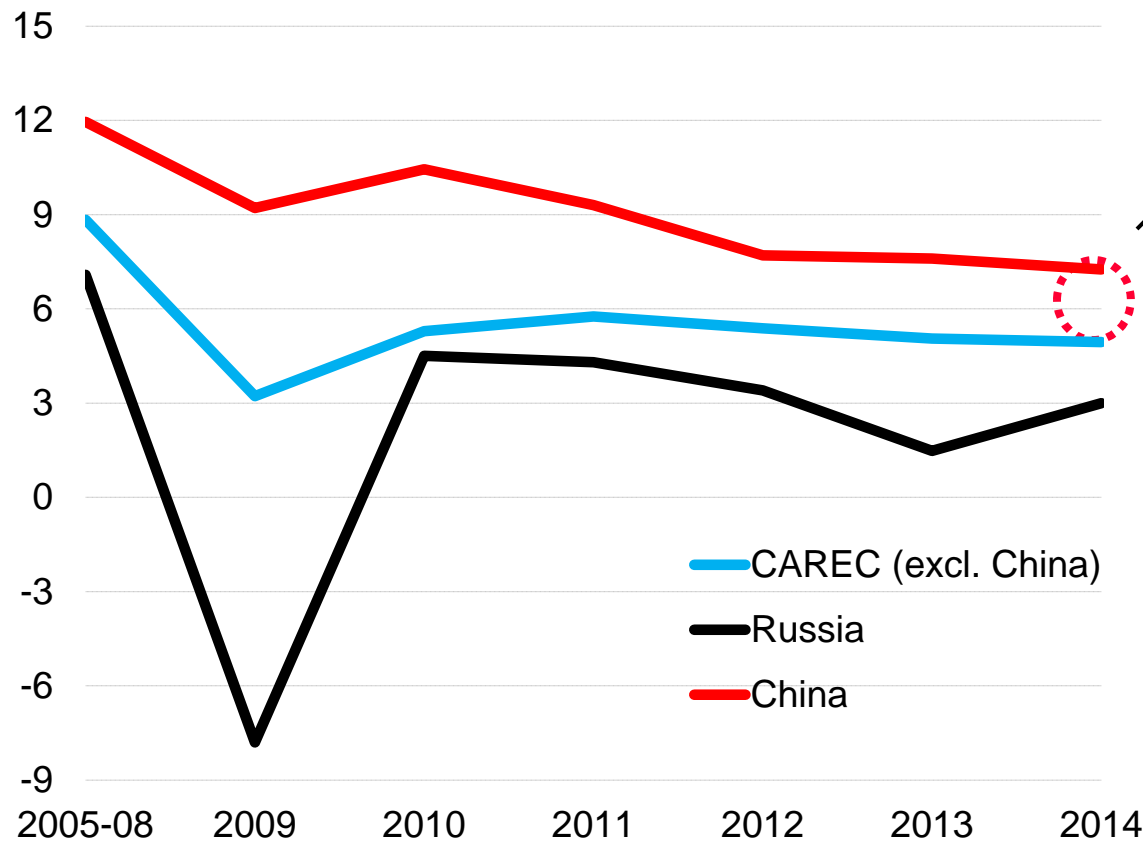
CAREC

Outlook for growth is positive,
but policy challenges remain

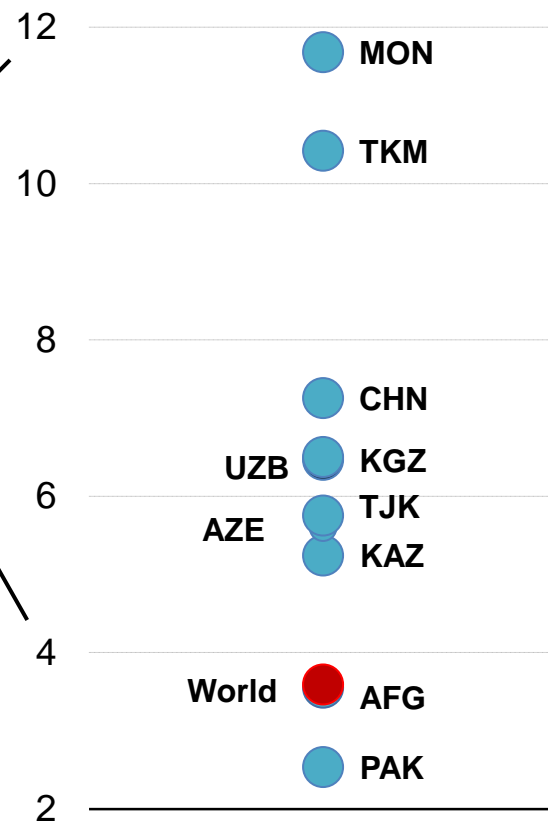


The economic outlook remains favorable despite sluggish external demand

Real GDP, 2014
(Annual growth, percent)



Real GDP Growth projection 2014



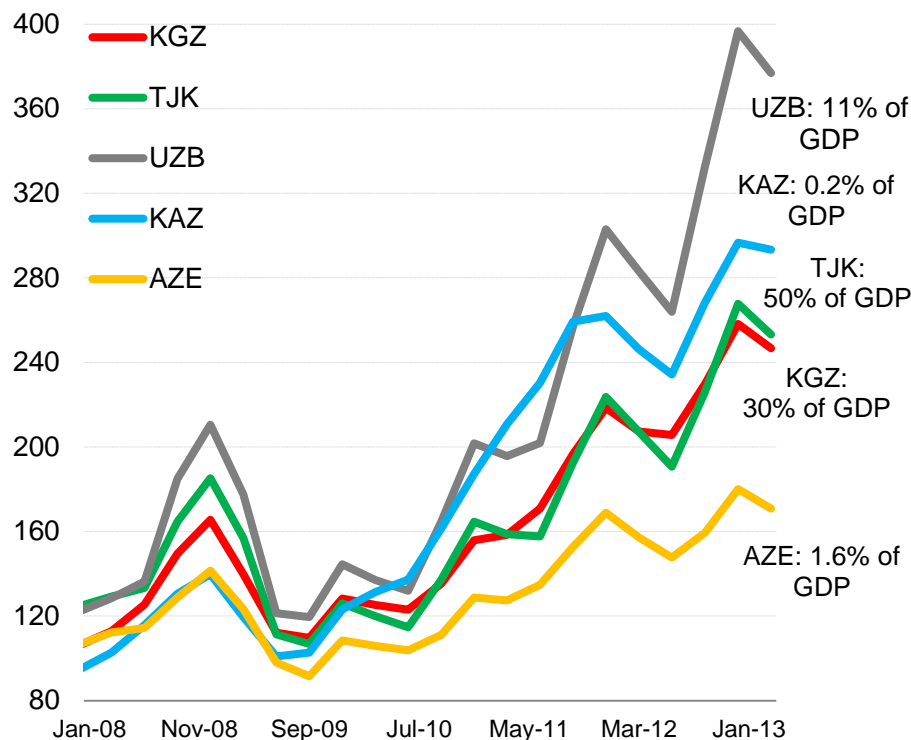
Sources: National authorities; IMF, *World Economic Outlook*; and IMF staff calculations and projections.



Remittances and supportive commodity prices have benefited many CAREC countries

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

(Three month moving average, 2008:Q1=100)

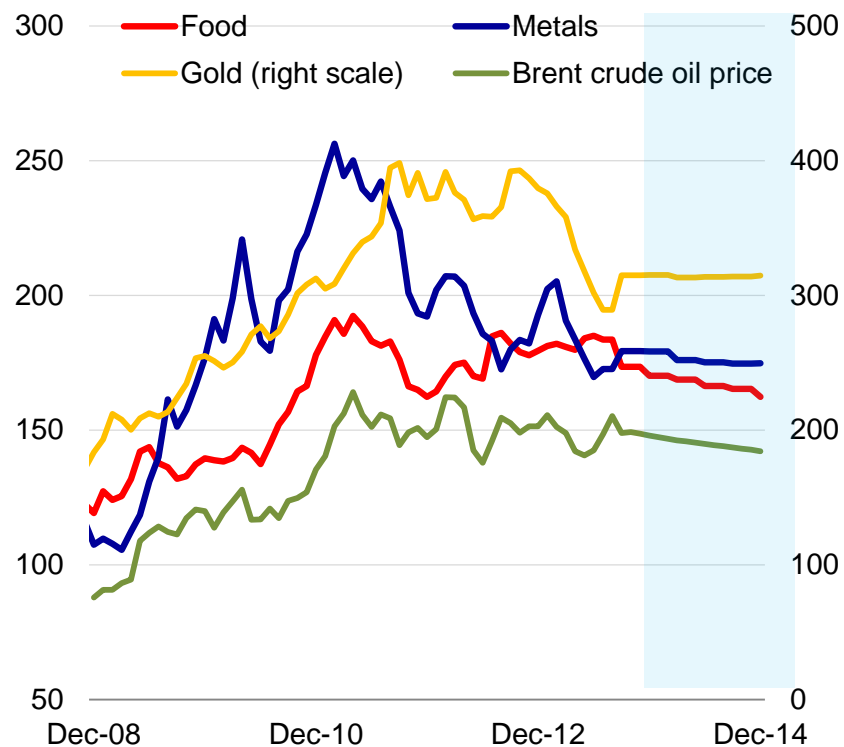


Source: Central Bank of Russia.

^{1/} Boxes show the latest data available (2013:Q1).

Global commodity price developments ^{1/}

(Index; 2005 = 100)



Sources: IMF, Primary Commodity Price System; and IMF staff calculations.

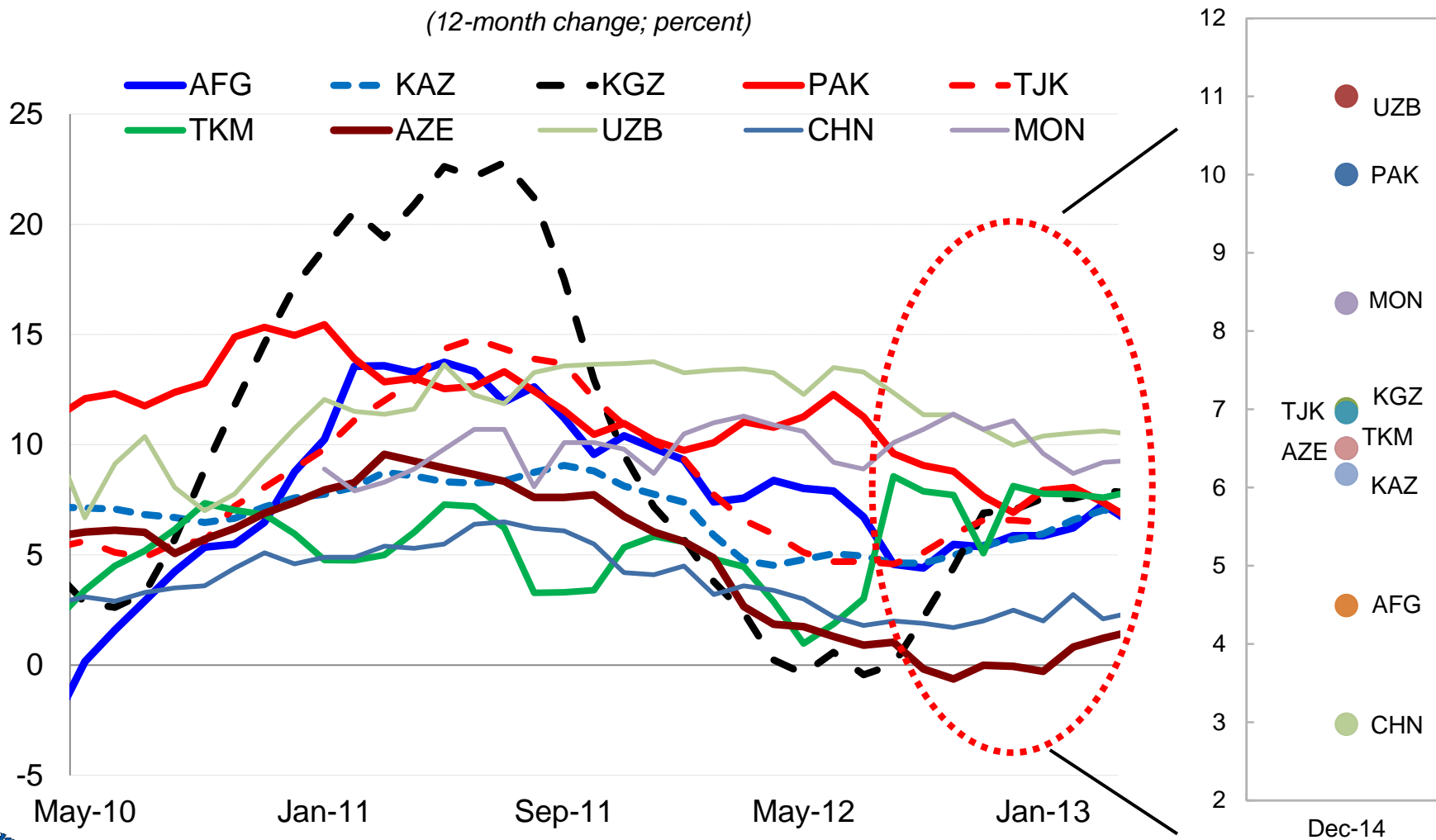
^{1/} Food index derived from average price of corn, wheat, rice, and soybeans. Brent crude oil price prospects derived from prices of futures options on Oct 2013.



Inflationary pressures have been generally receding

Headline CPI Inflation

(12-month change; percent)

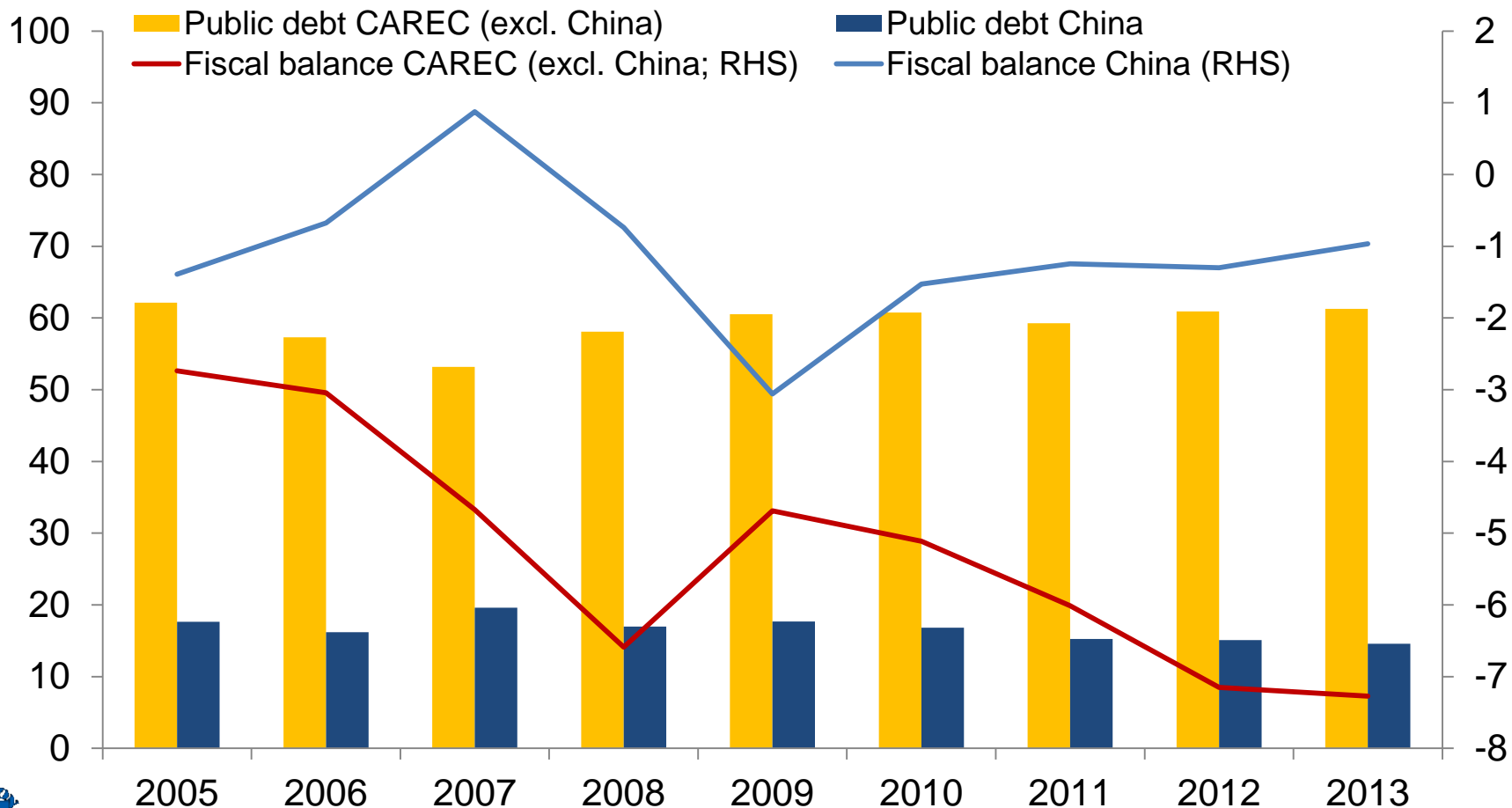


Sources: National authorities; and IMF staff calculations and projections.



Policy challenge: strengthen the fiscal position

Fiscal Balances and Debt
(Percent of GDP)

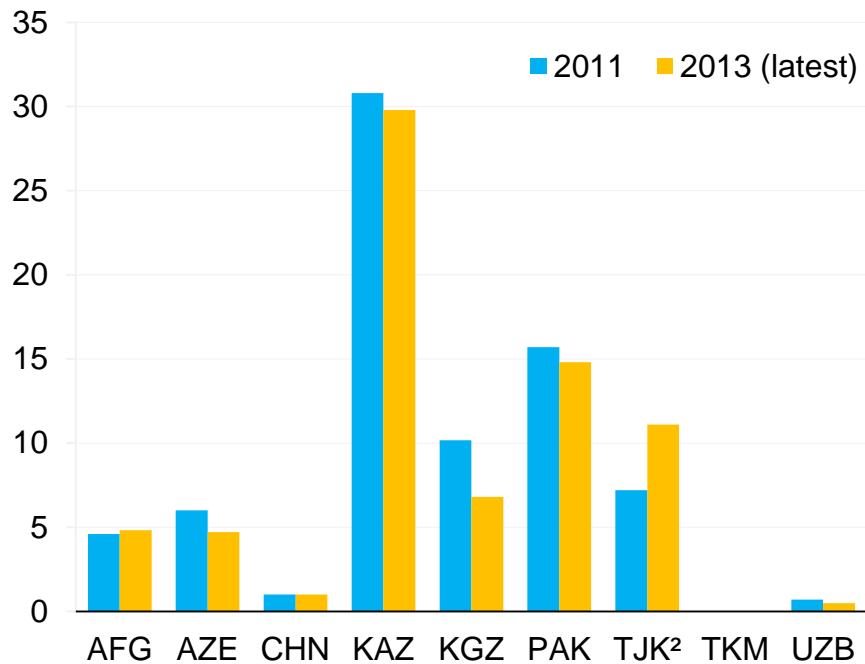


Sources: National authorities; and IMF staff estimates.

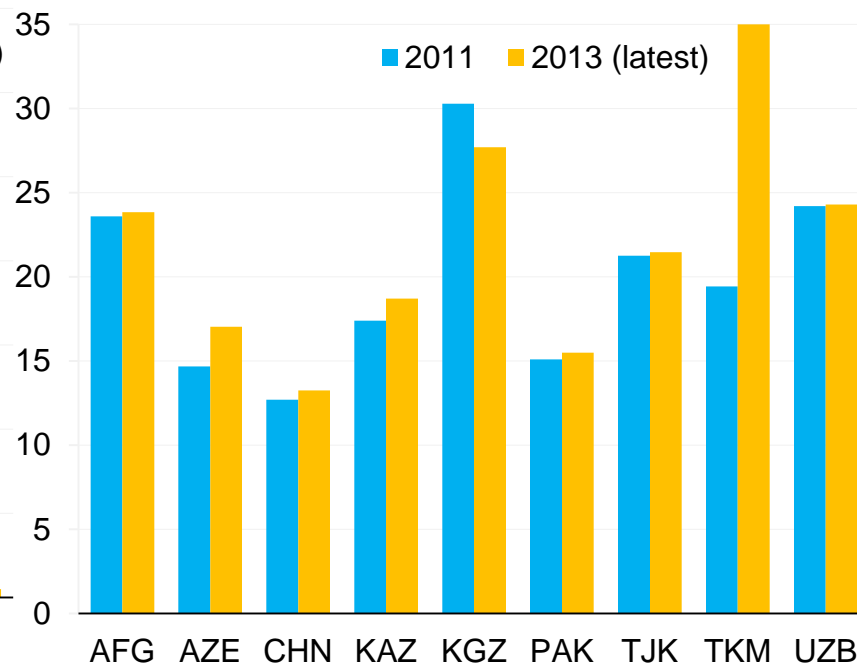


Policy challenge: continue to bolster financial sector soundness

Nonperforming Loans ^{1/}
(On a 90-day basis; percent of total loans)



Capital Adequacy Ratio
(Percent of risk-weighted assets)



Sources: National authorities; and IMF staff estimates.

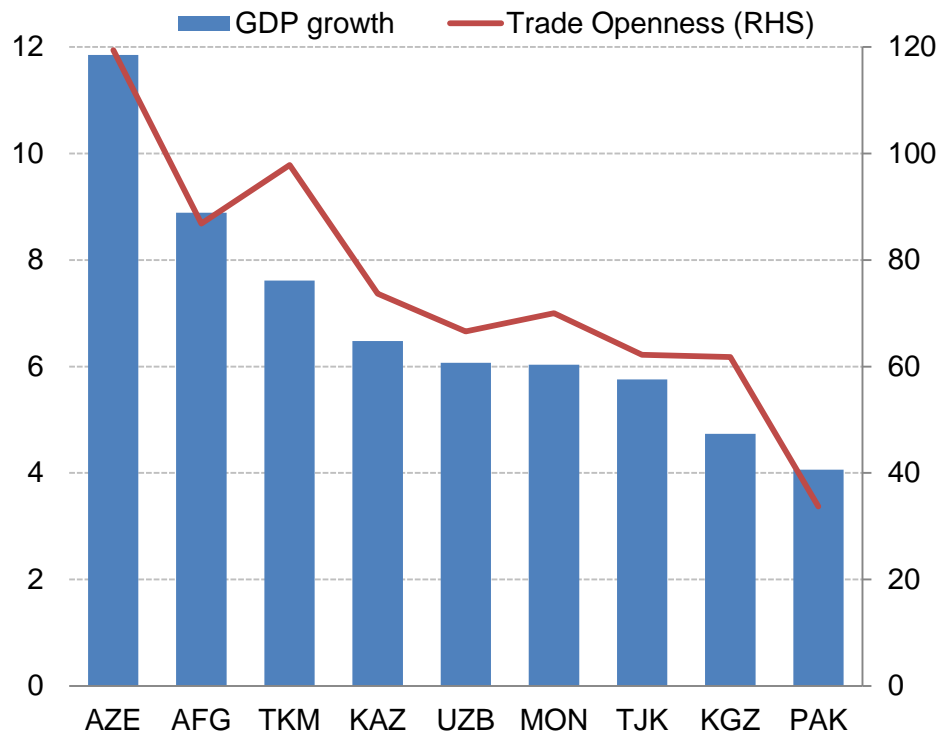
^{1/} 90-day basis.

Overdue by 30 days or more.

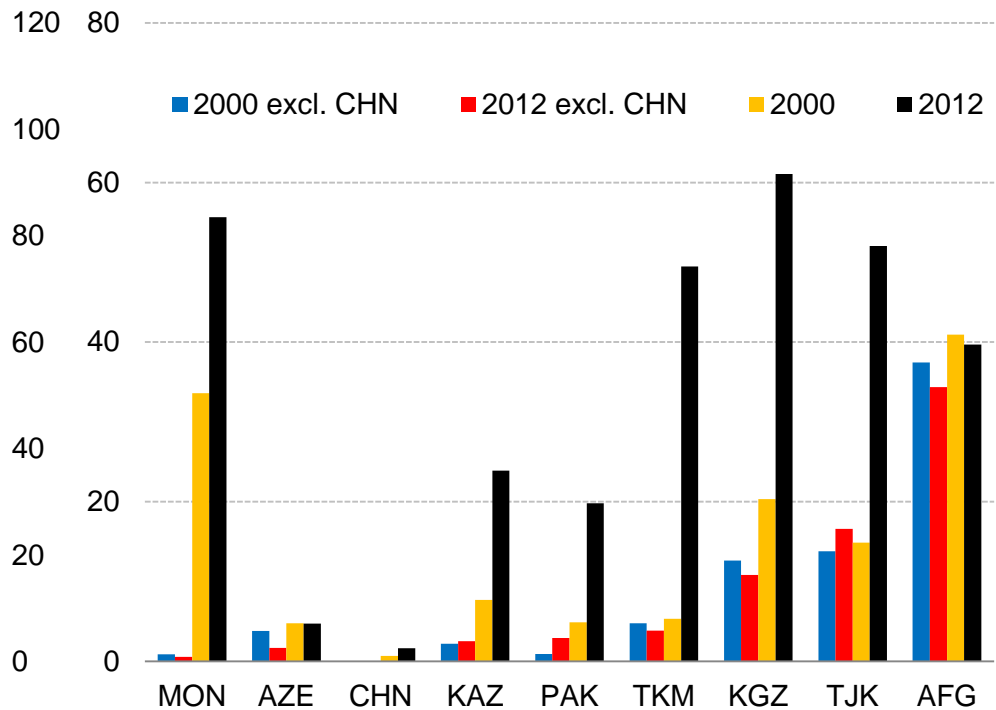


Policy challenge: promote trade openness and regional integration

Economic Growth and Trade Openness^{1/}
(Average 1996-2012, Percent; excl. China)



Trade with CAREC
(percent of total trade^{1/})



Source: IMF Staff Calculation

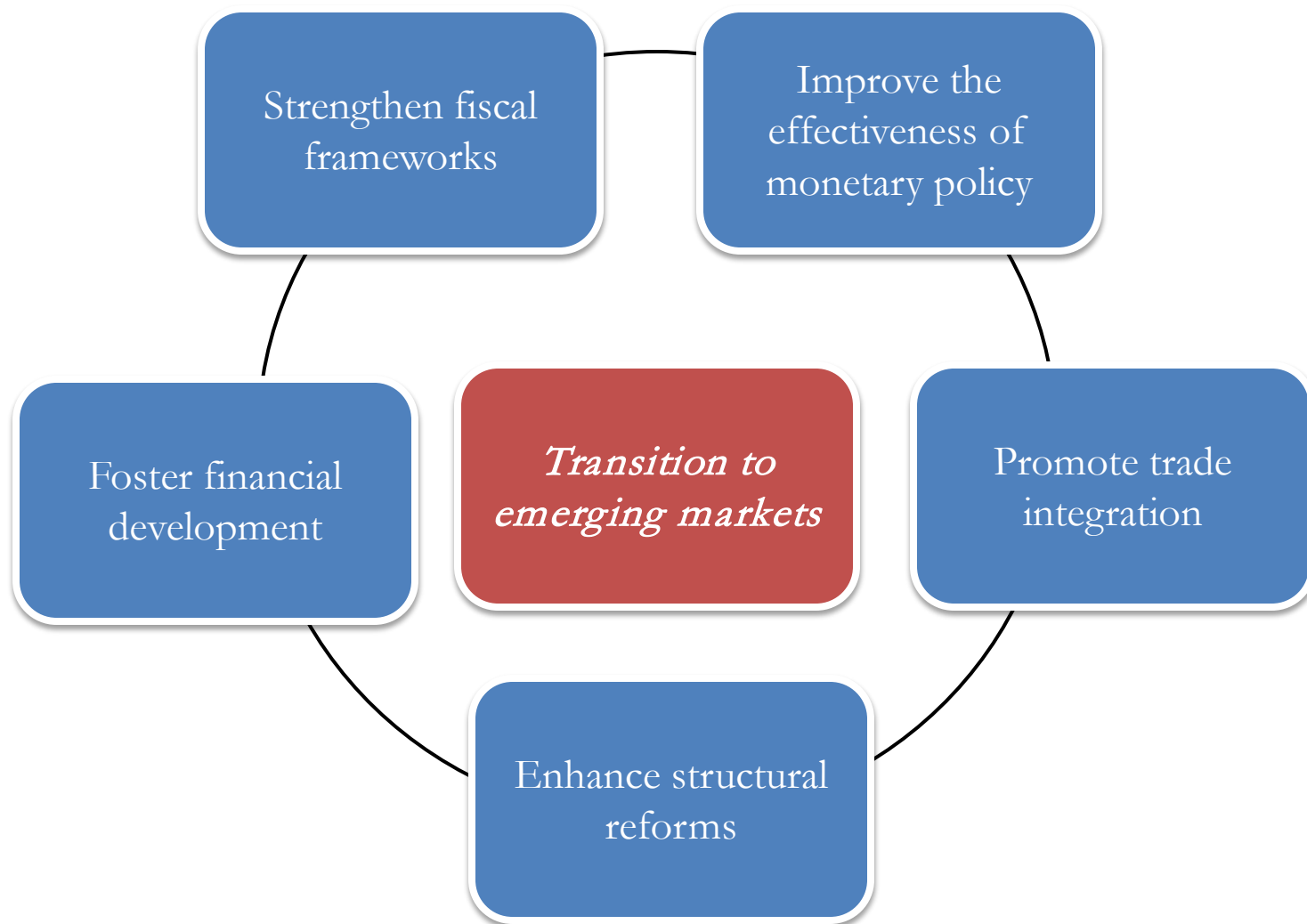
^{1/} Trade openness defined as (exports + imports)/GDP.

Source: IMF Direction of Trade Statistics. No data available for Uzbekistan.

^{1/} Country (i) trade with CAREC / Country (i) trade with world



Policy challenge (excl. China): accelerate reforms to become dynamic emerging markets



Key conclusions

- The global economic recovery has weakened
- Lingering uncertainty and downside risks prevail
- For CAREC, the macroeconomic outlook is positive, but policy challenges require:
 - rebuilding of fiscal and financial buffers,
 - bolstering economic integration, and
 - accelerating ambitious reforms to become dynamic emerging markets.

