

Outlook for the Global Economy and CAREC Countries

Juha Kähkönen
International Monetary Fund
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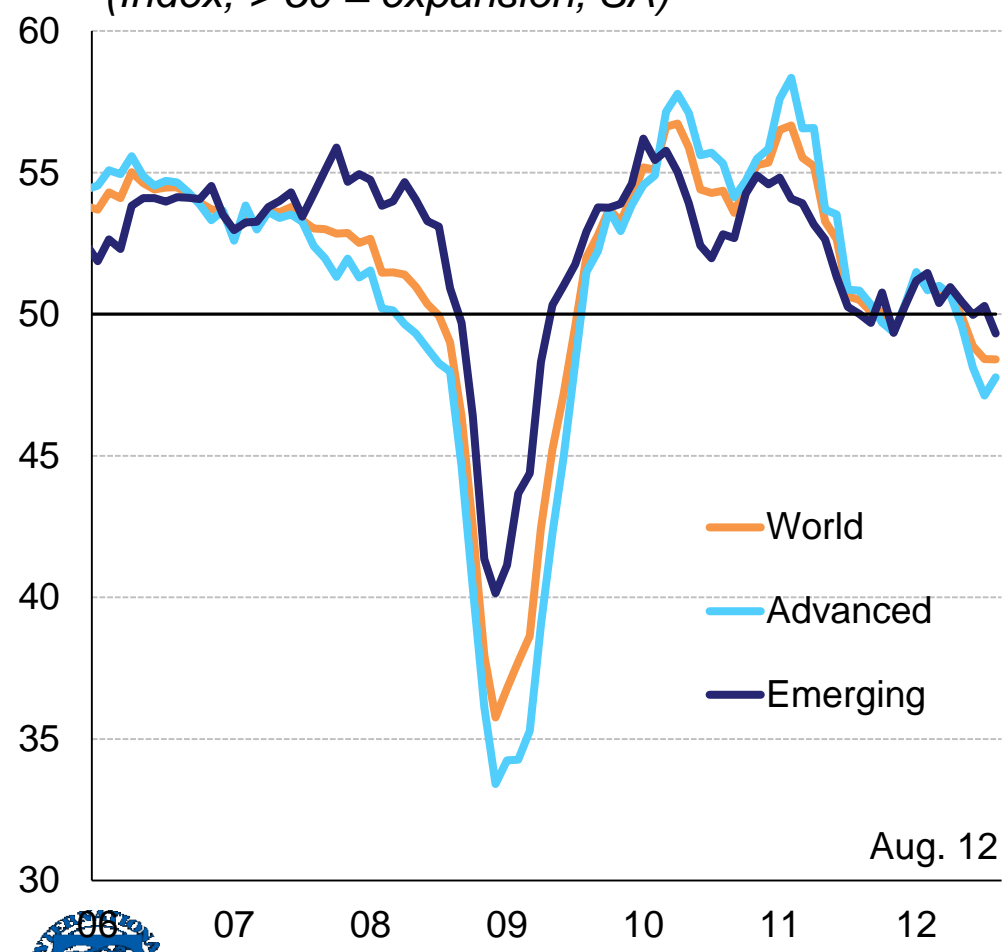
The world economy

Global recovery remains at risk

The global recovery has weakened

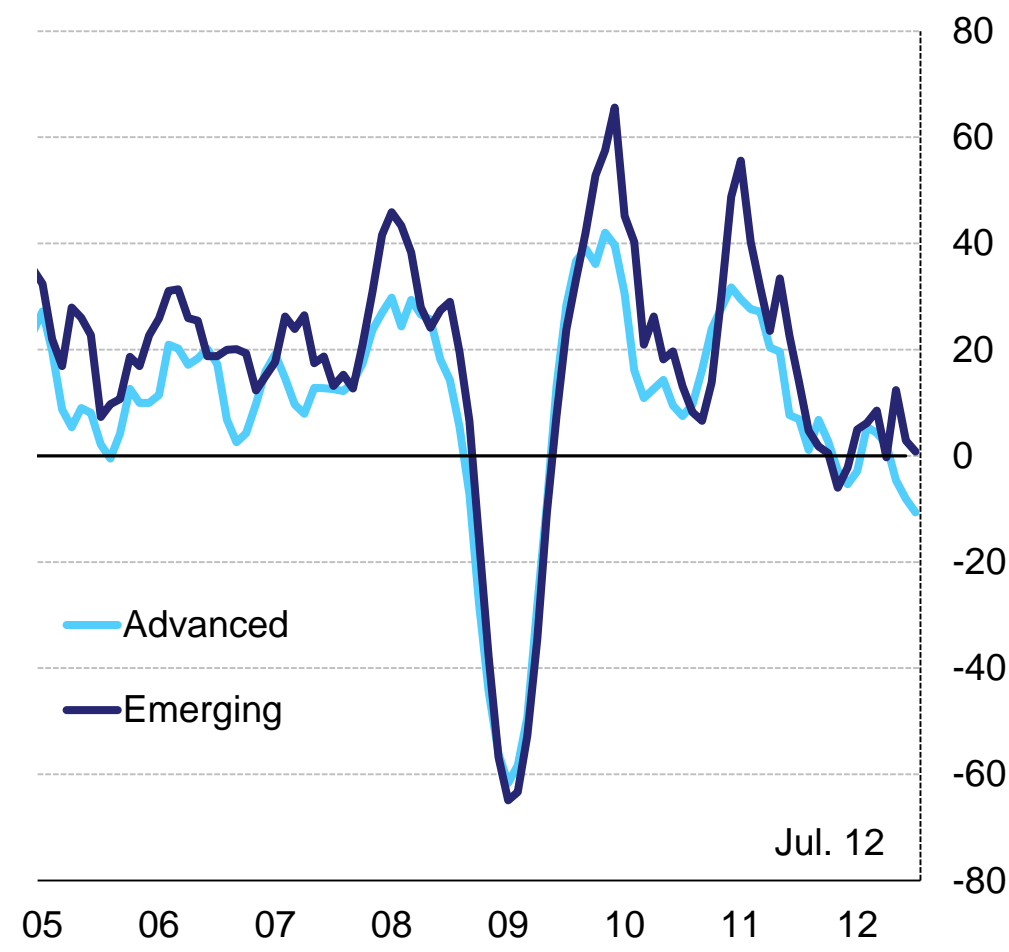
Global Manufacturing PMI

(Index; > 50 = expansion; SA)



Merchandise Exports

(Percent; 3mma annualized)

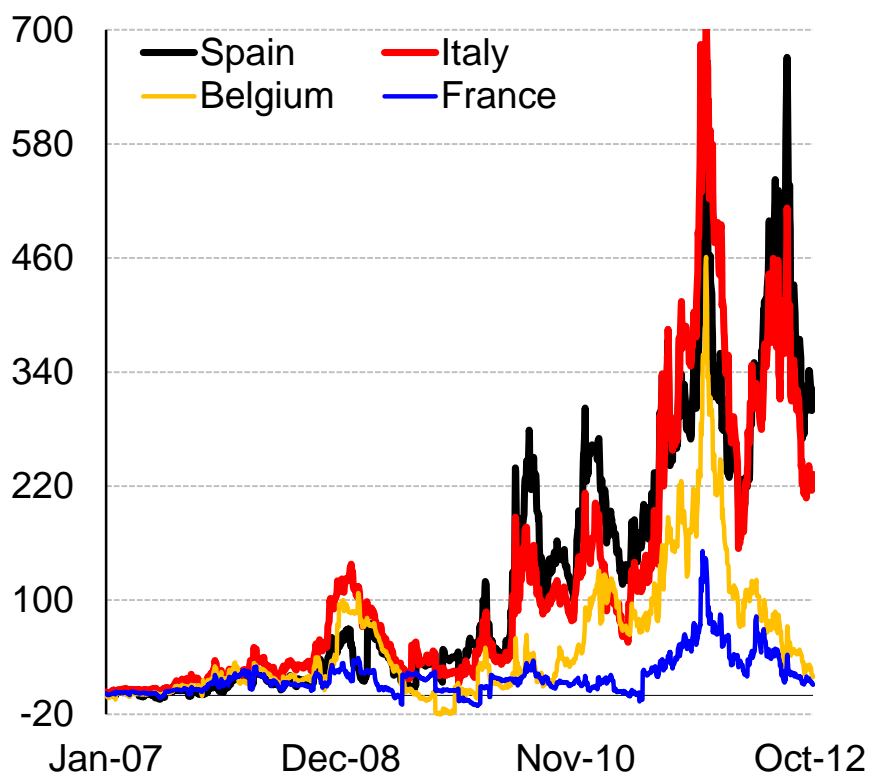


Source: IMF, Global Data Source.

European financial conditions remain fragile

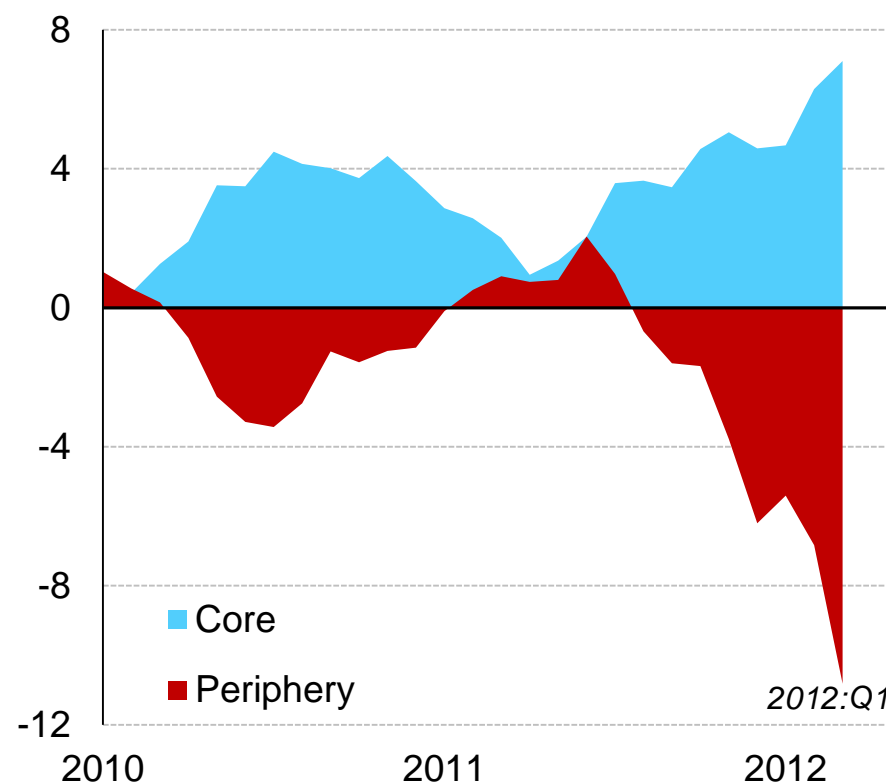
Government Bond Spreads

(two-year yield spreads over German bunds; basis points)



Portfolio and Other Investment Capital Flows, Excluding Central Banks

(Cumulative from December 2009, in percent of GDP)

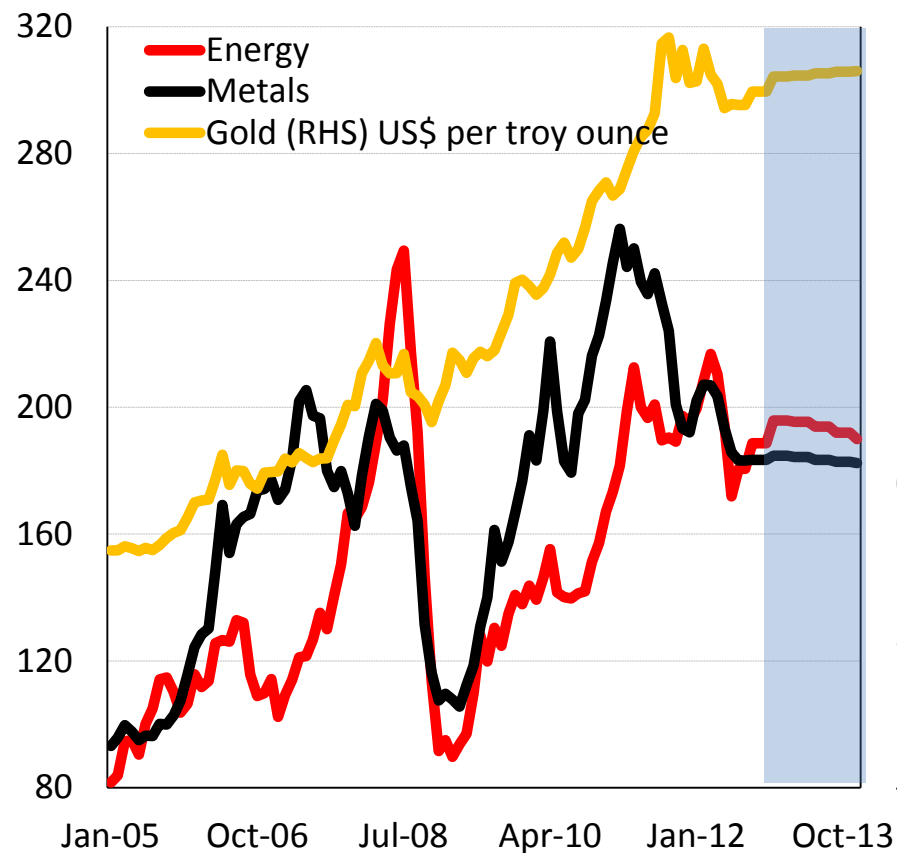


Sources: IMF, *World Economic Outlook*; and Bloomberg.
1/ One-year yield spreads over German bunds.

Commodity prices are still elevated

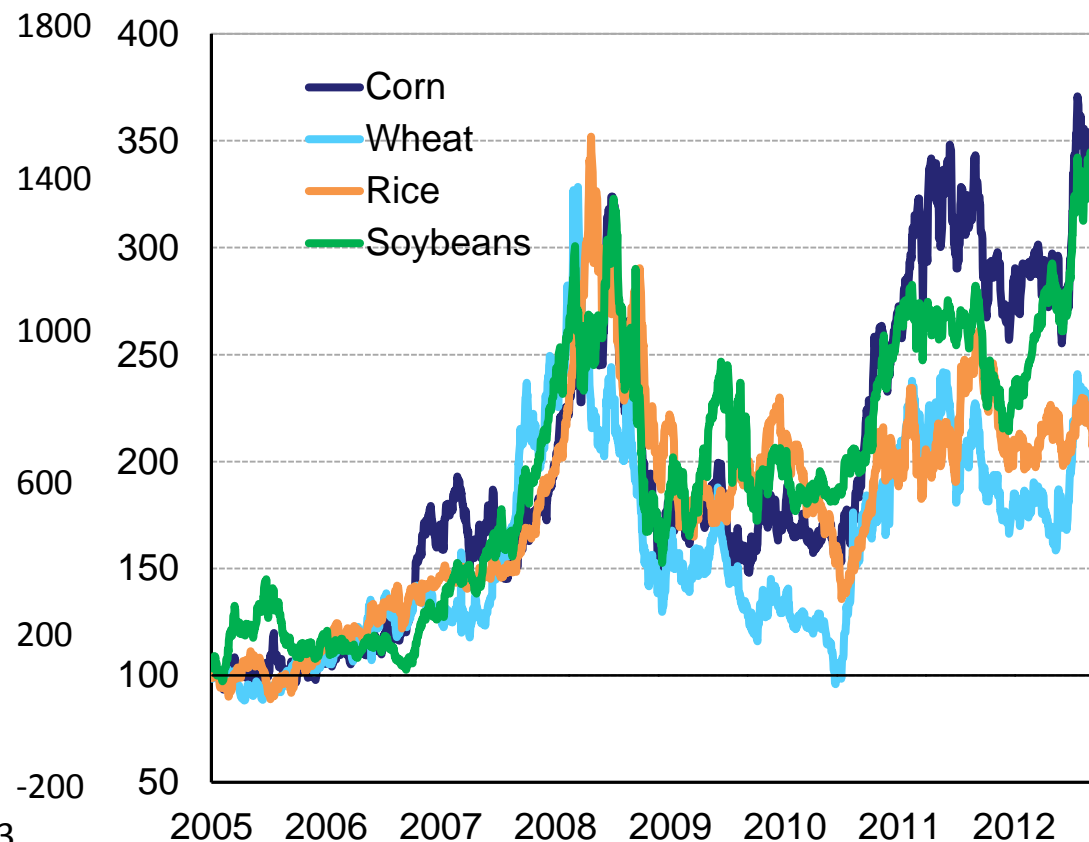
Commodity Prices

(index; 2005=100)



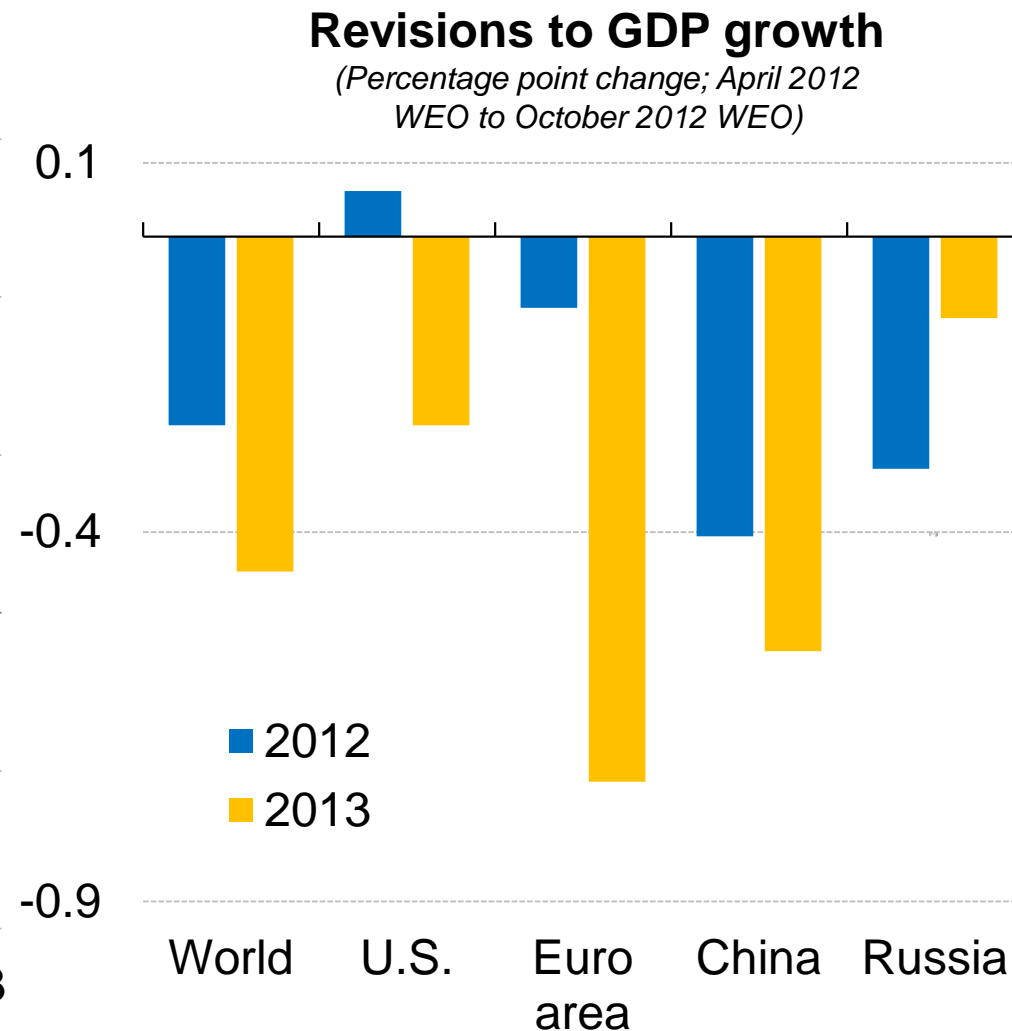
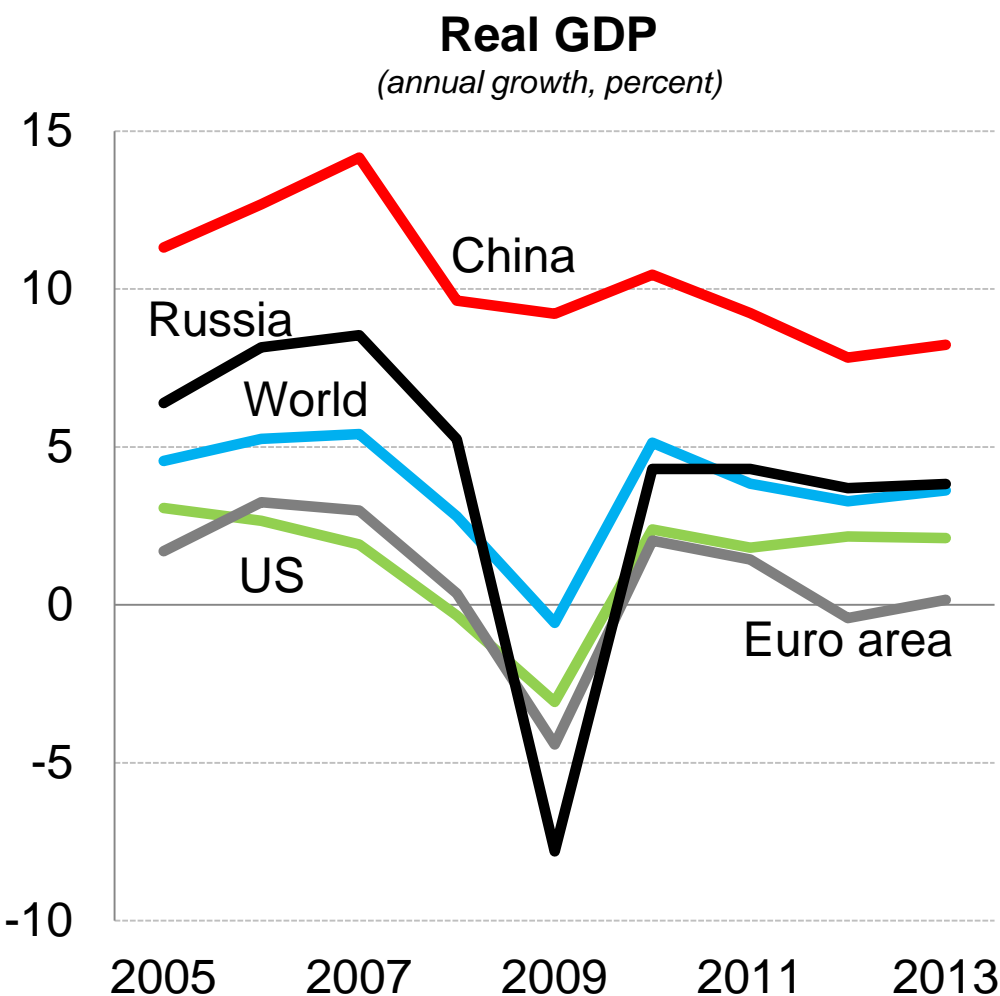
Spot Prices of Major Crops

(1/3/2005 = 100)



Source: IMF, Global Data Source.

Against this backdrop, the global outlook has deteriorated

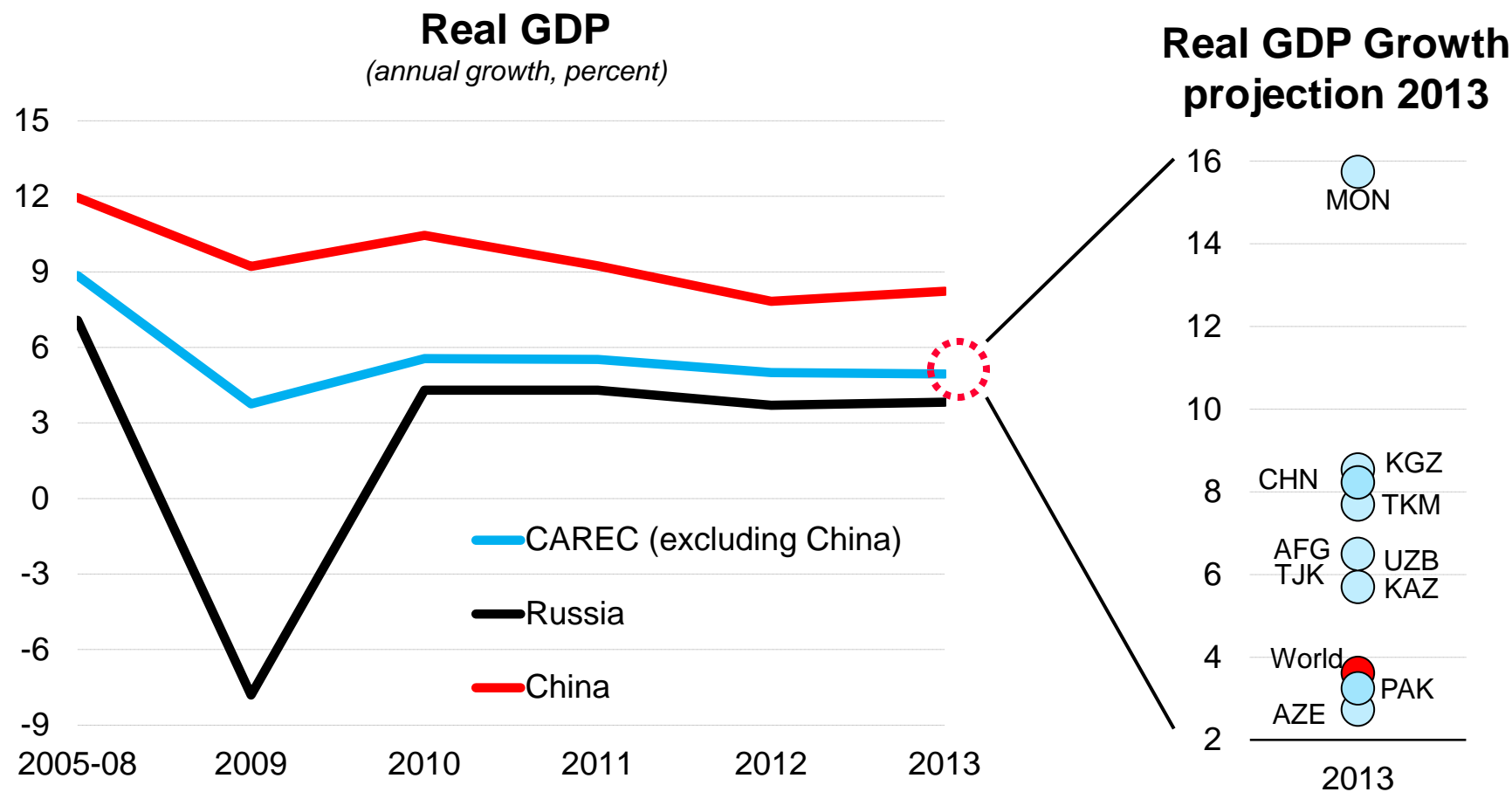


Source: International Monetary Fund, *World Economic Outlook*.

CAREC

**Outlook for growth is positive,
but policy challenges remain**

Growth outlook is broadly positive...

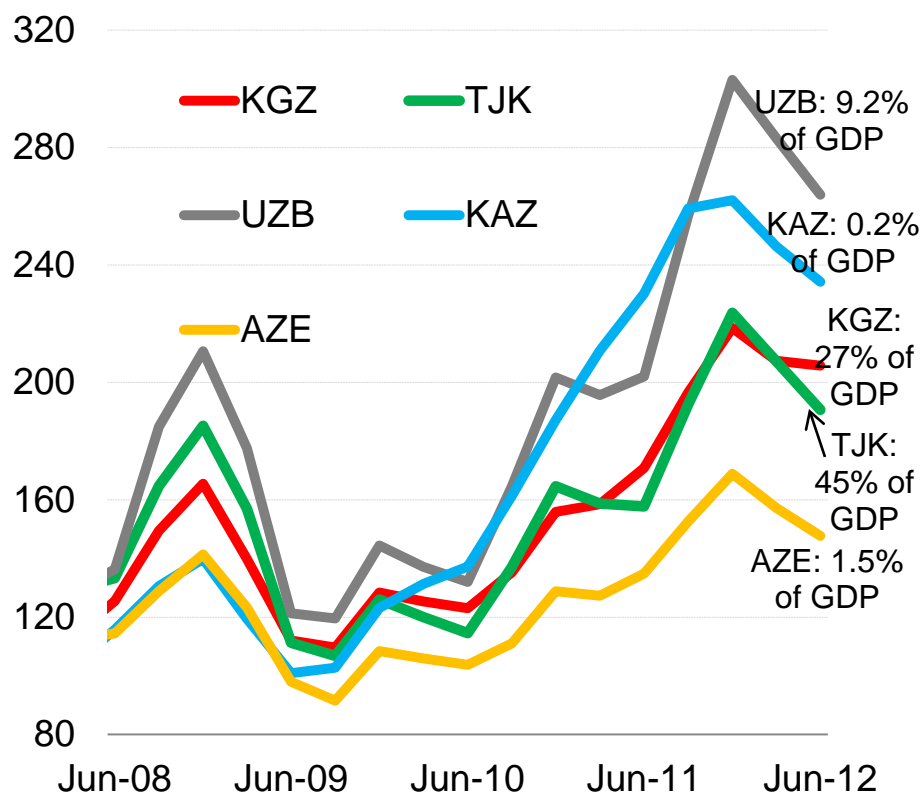


Sources: National authorities; IMF, *World Economic Outlook*; and IMF staff calculations and projections.

Remittances and supportive commodity prices have benefited many CAREC countries

Remittances from Russia to selected CAREC Countries¹

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

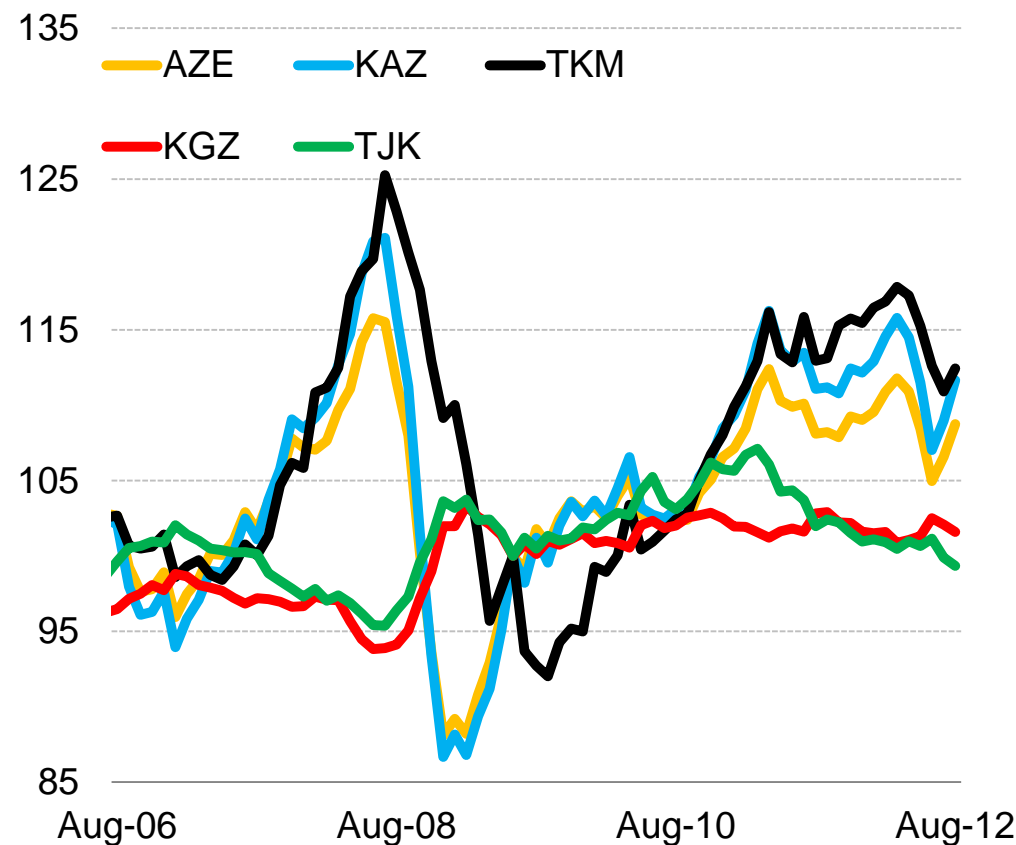


Source: Central Bank of Russia.

¹Boxes show the latest data available (2012:Q2).

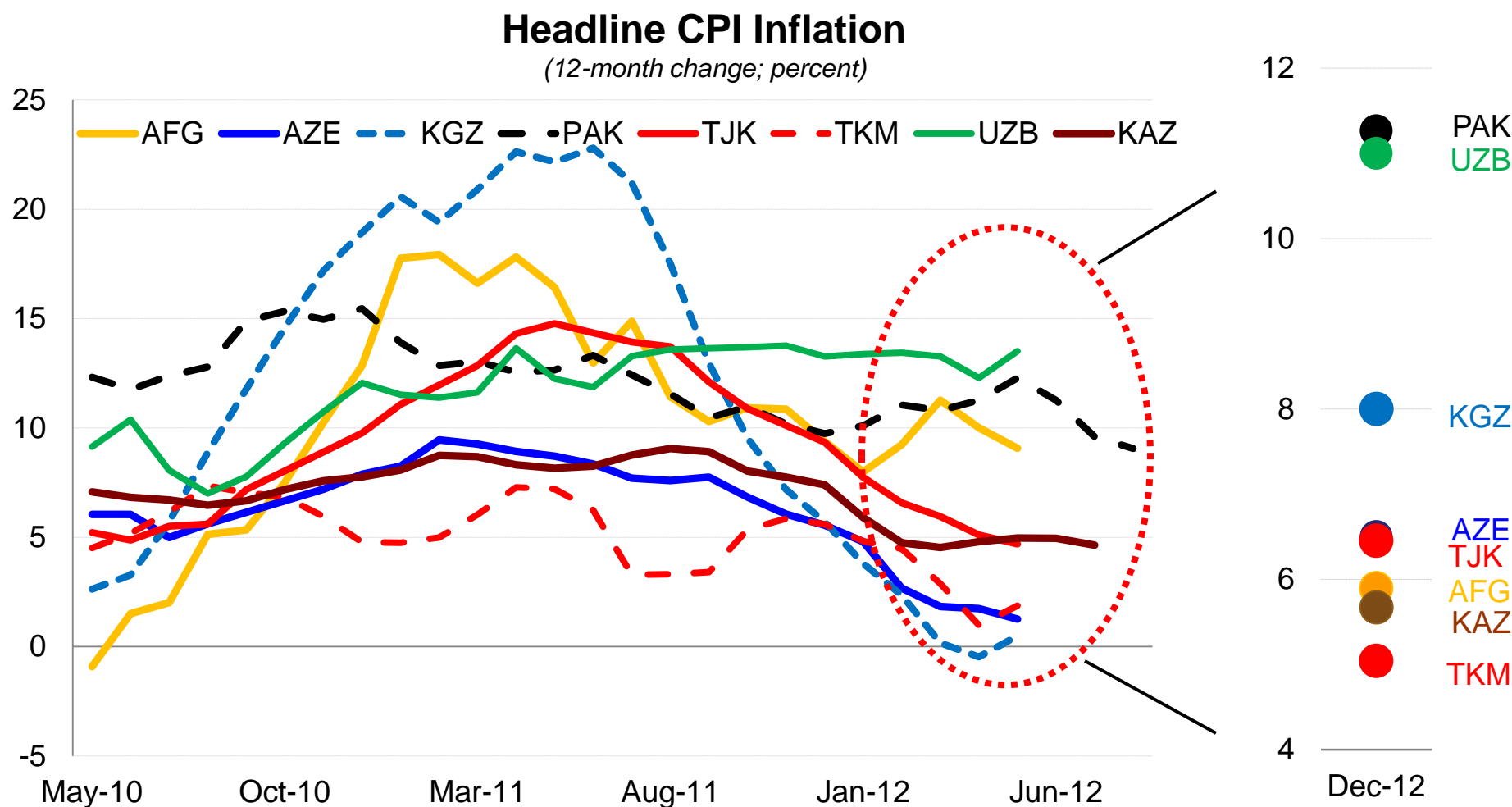
Commodity Terms of Trade

(Index; June 2009=100)



Sources: National authorities; and IMF staff estimates.

Inflationary pressures have been generally receding

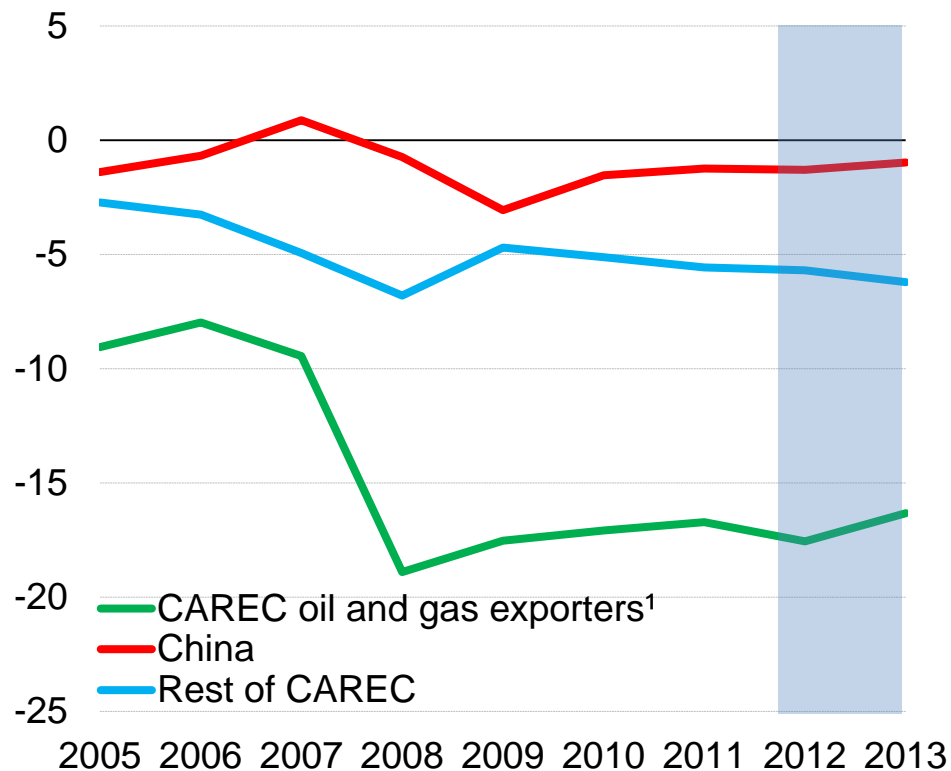


Sources: National authorities; and IMF staff calculations and projections.

Challenge 1: Fiscal consolidation is needed in many CAREC countries

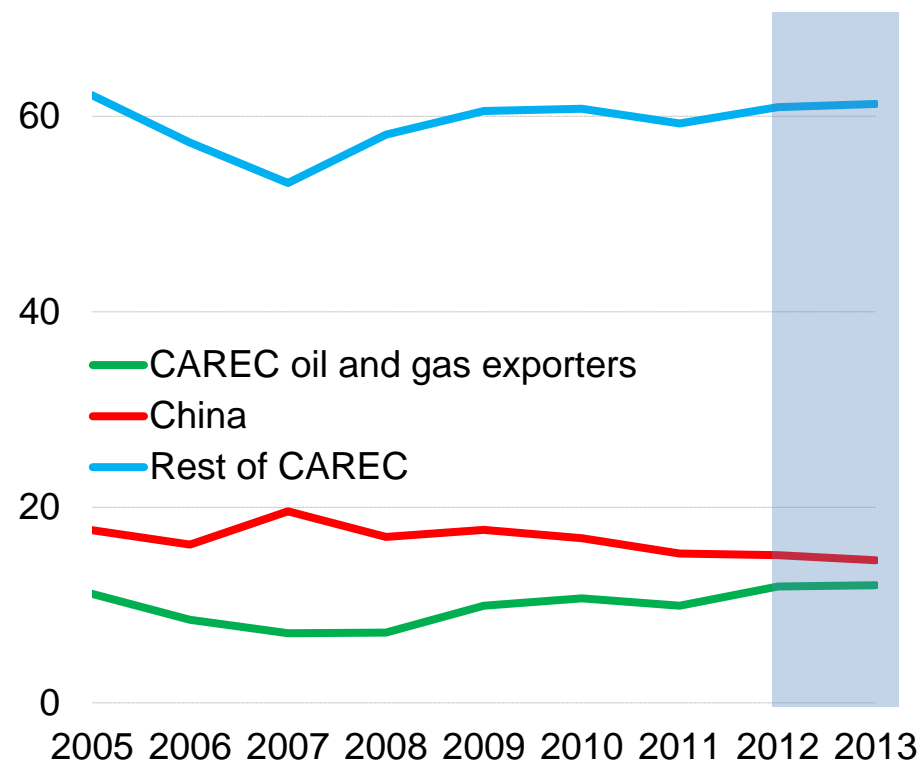
Fiscal Balances

(percent of GDP)



Public Debt*

(percent of GDP)



Sources: National Authorities; and IMF staff calculations.

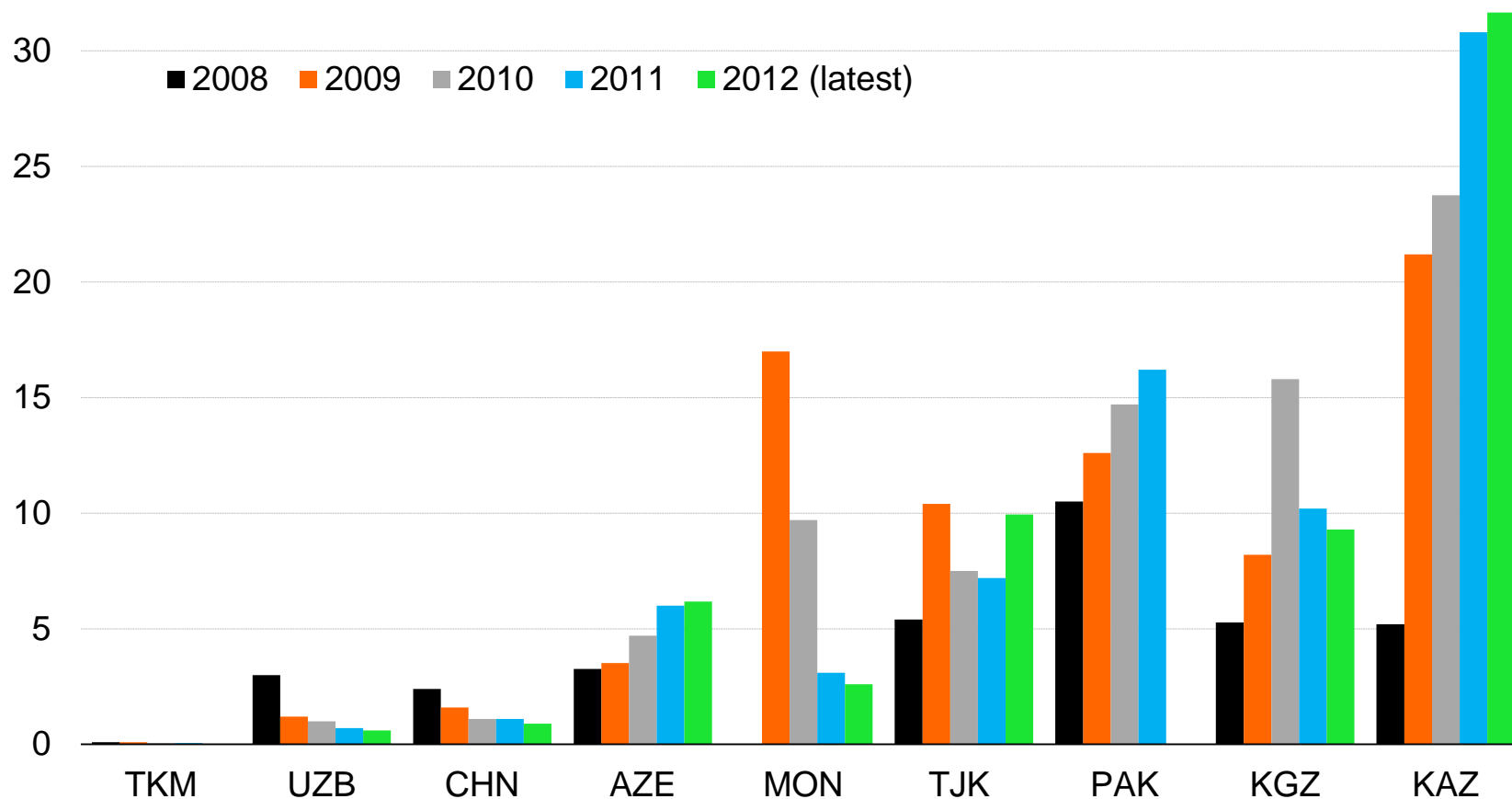
¹ Non-oil and gas fiscal balance over non-oil and gas GDP is used.

*Rest of CAREC excludes Afghanistan and Mongolia due to lack of data.

Challenge 2: Further efforts are needed to strengthen bank balance sheets

Nonperforming Loans

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

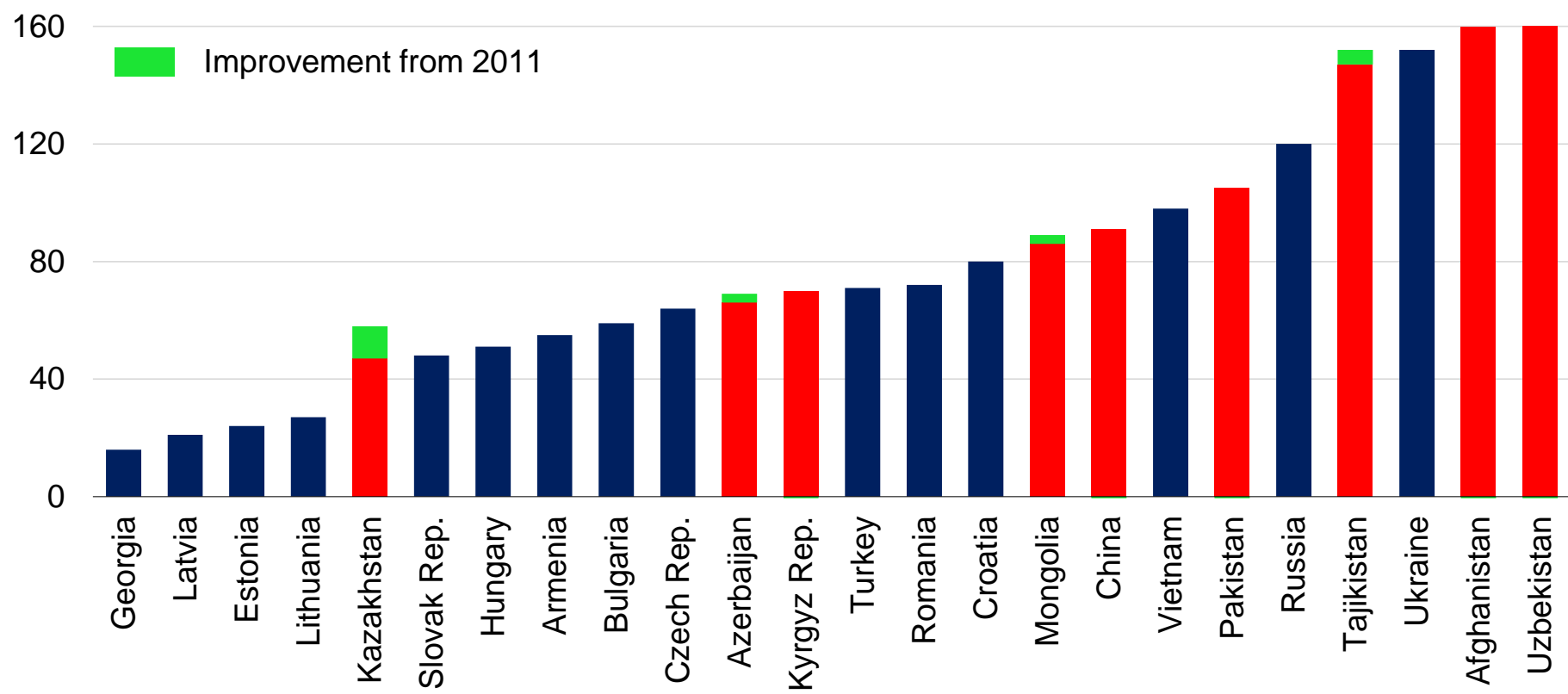


Sources: National authorities; GFSR.



Challenge 3: Improve the business environment and level the business playing field

The Ease of Doing Business Rankings 1/



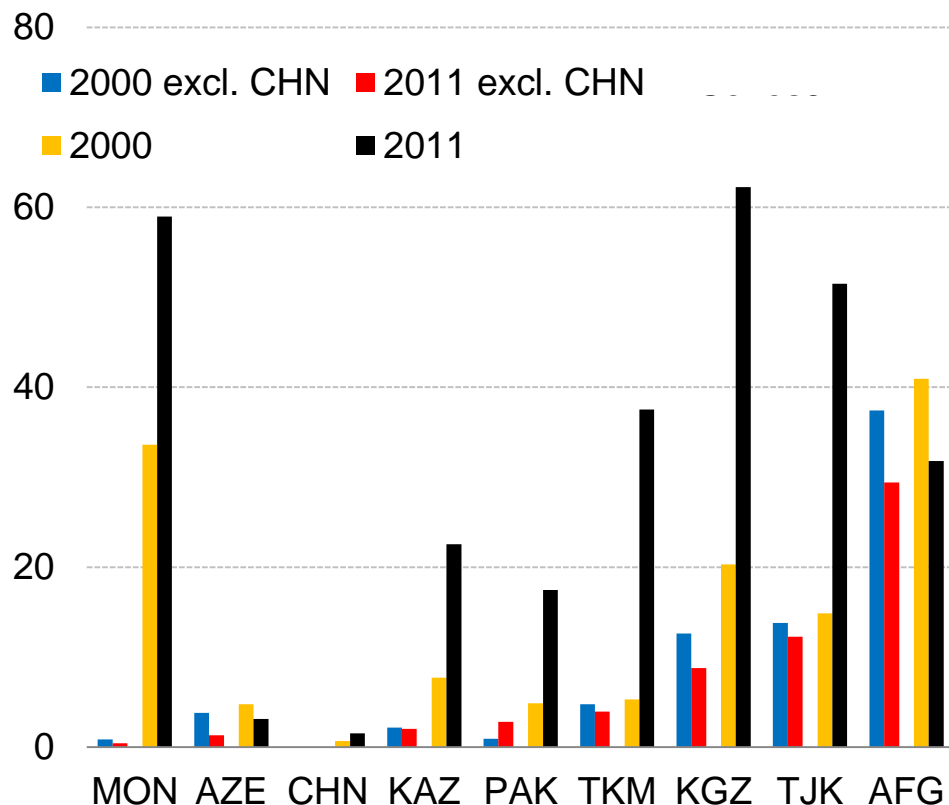
Source: Ease of Doing Business 2012. No data published for Turkmenistan.
1/ Higher bars imply lower ranking.



Challenge 4: Remove hurdles to trade

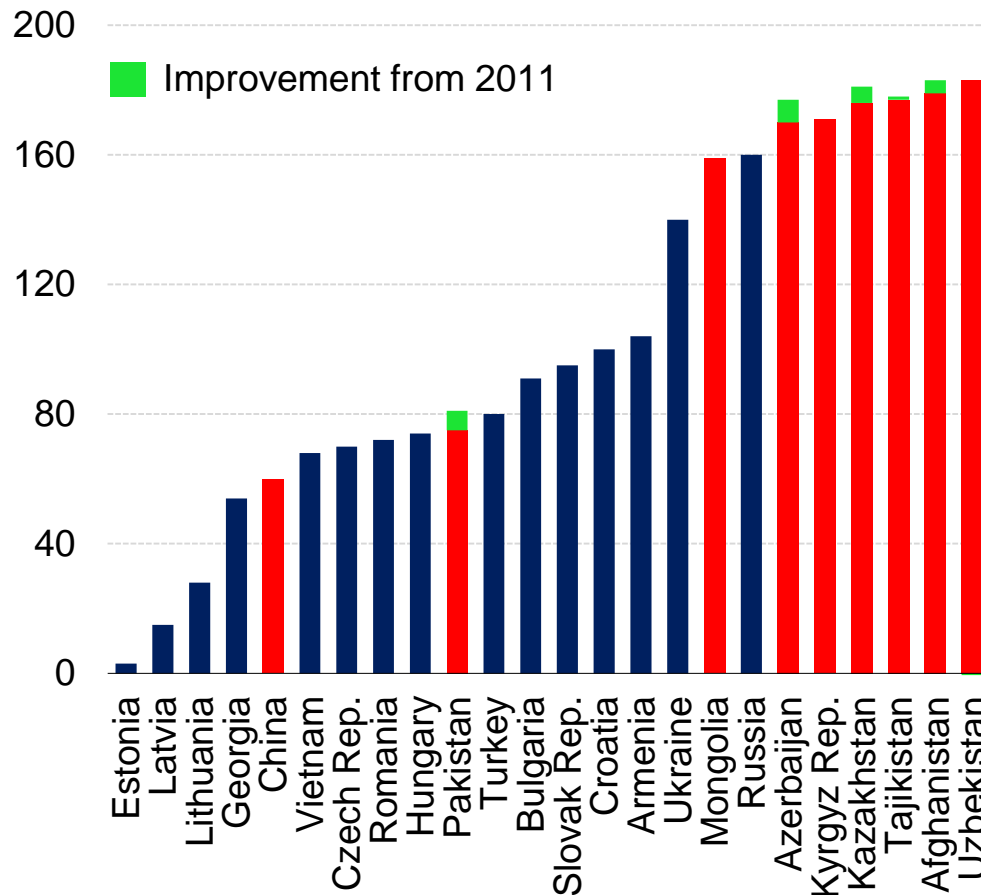
Trade with CAREC

(percent of total trade 1/)



Source: IMF Direction of Trade Statistics. No data available for Uzbekistan.
1/ Country (i) trade with CAREC / Country (i) trade with world

The Ease of Trading Across Borders Ranking 1/



Source: Ease of Doing Business 2012. No data published for Turkmenistan.
1/Higher bars imply lower ranking.

Key conclusions:

➤ **The global recovery has weakened**

Lingering uncertainty and downside risks require:

- Policy progress in Europe
- Avoidance of U.S. fiscal cliff

➤ **CAREC**

The macroeconomic outlook is positive, but policy challenges require:

- rebuilding of fiscal and financial buffers
- bolstering economic integration.