

Economic Outlook for CAREC Countries

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Outline

Global economic outlook

CAREC economic outlook

What should CAREC countries do?



Global economic outlook

Global growth in 2016-17 expected to remain moderate and uneven...



| | World | U.S. | Euro Area | Emerging markets | China | Russia |
|--------|-------|------|-----------|------------------|-------|--------|
| 2000-7 | 4.5 | 2.7 | 2.2 | 6.6 | 10.5 | 7.2 |
| 2015 | 3.2 | 2.6 | 2.0 | 4.0 | 6.9 | -3.7 |
| 2016 | 3.1 | 1.6 | 1.7 | 4.2 | 6.6 | -0.8 |
| 2017 | 3.4 | 2.2 | 1.5 | 4.6 | 6.2 | 1.1 |

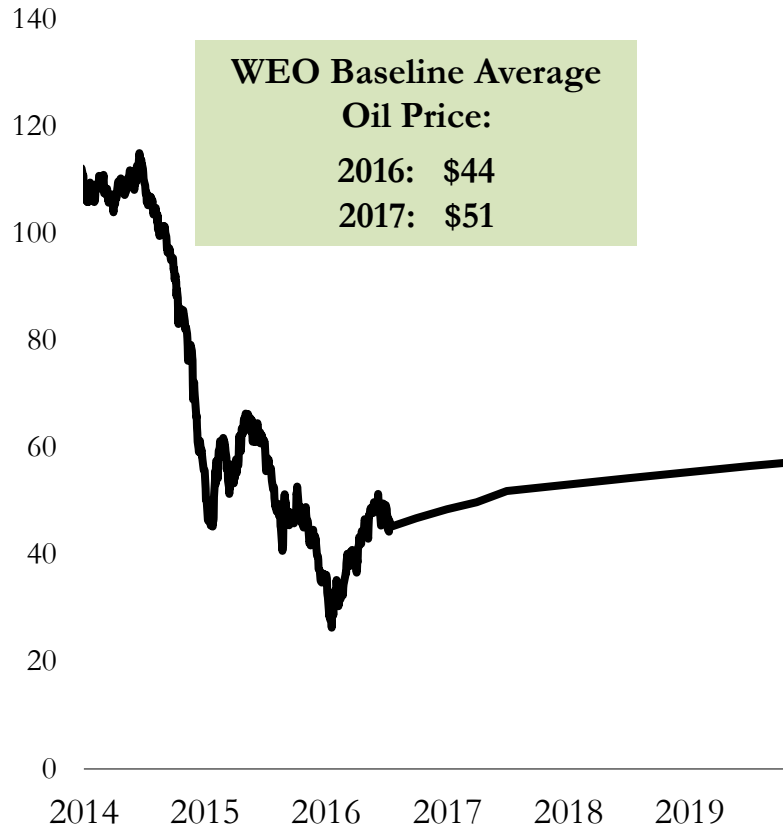
Source: World Economic Outlook, October 2016



... and commodity prices are expected to remain low.

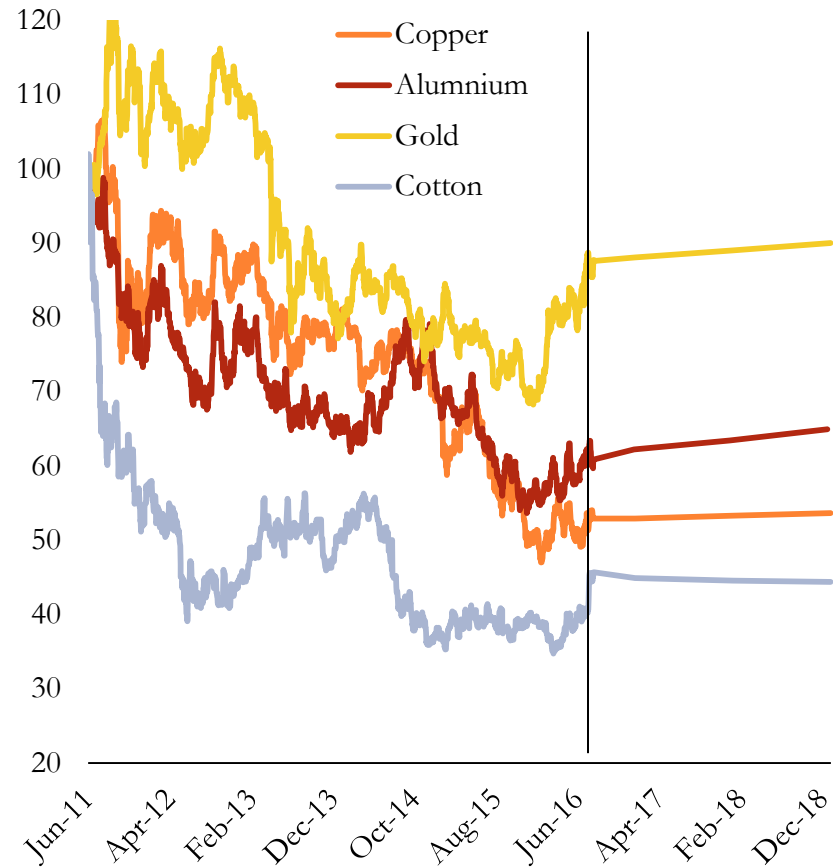
Brent Crude Oil Price

(U.S. dollars per barrel)



Commodity Prices

(Index, June 2011=100)



Sources: Bloomberg; and IMF staff calculations

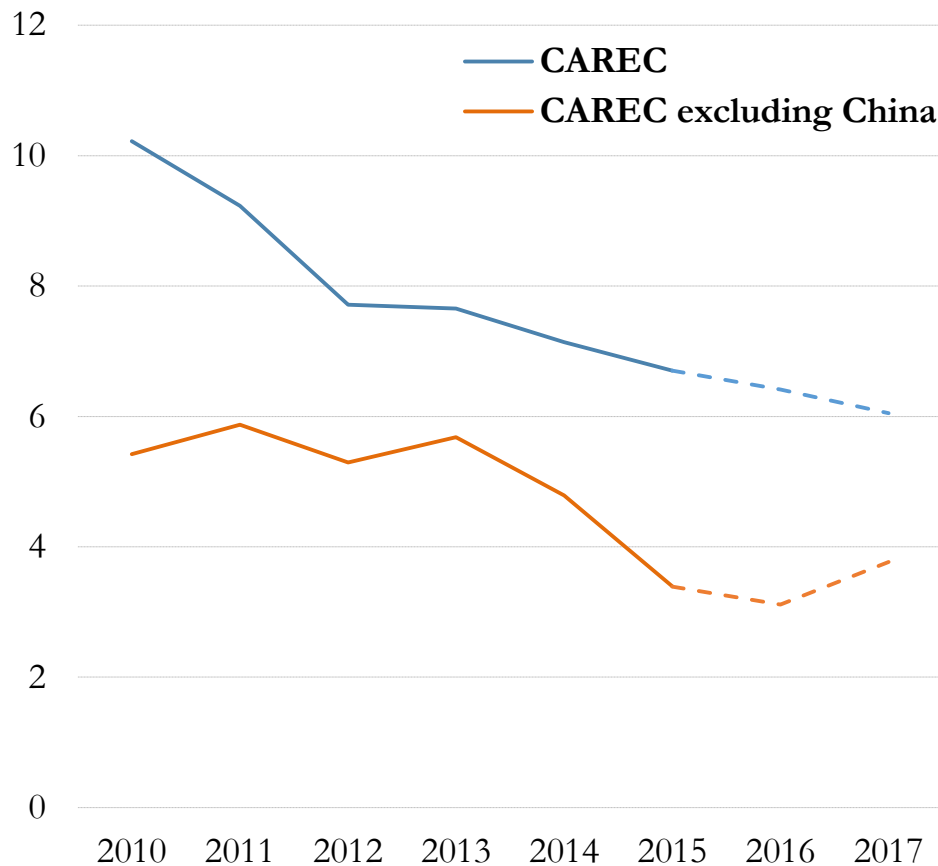


CAREC economic outlook

CAREC's growth is stabilizing

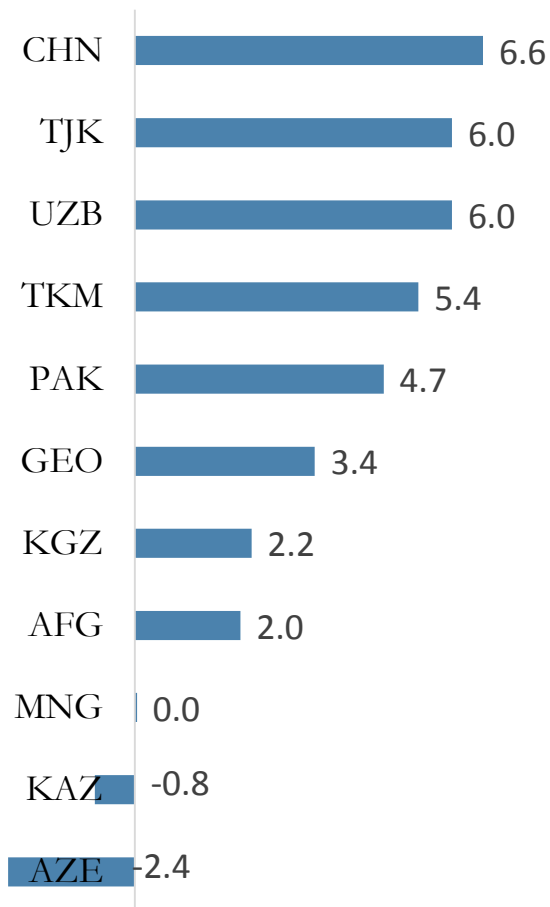
Real GDP

(Annual growth, percent)



Projection 2016

(Real GDP growth)



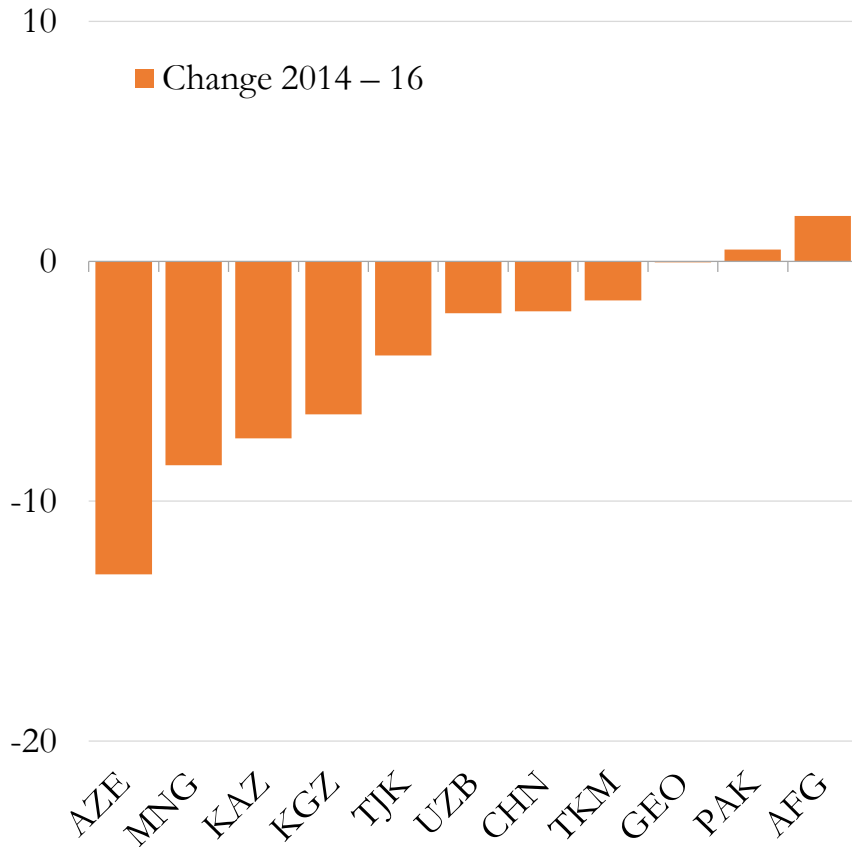
Source: World Economic Outlook, October 2016



Higher fiscal deficits and nominal depreciations helped avoid deeper recessions ...

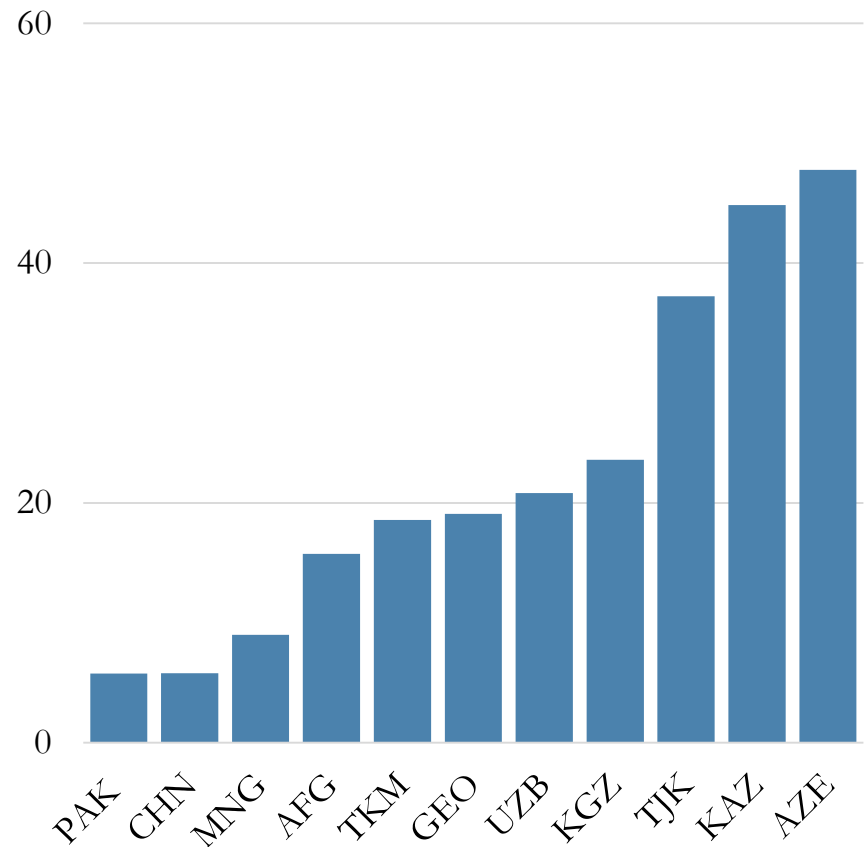
Fiscal Deficit

(Net lending/borrowing, percent of GDP)



Depreciation vs. USD since June-2014

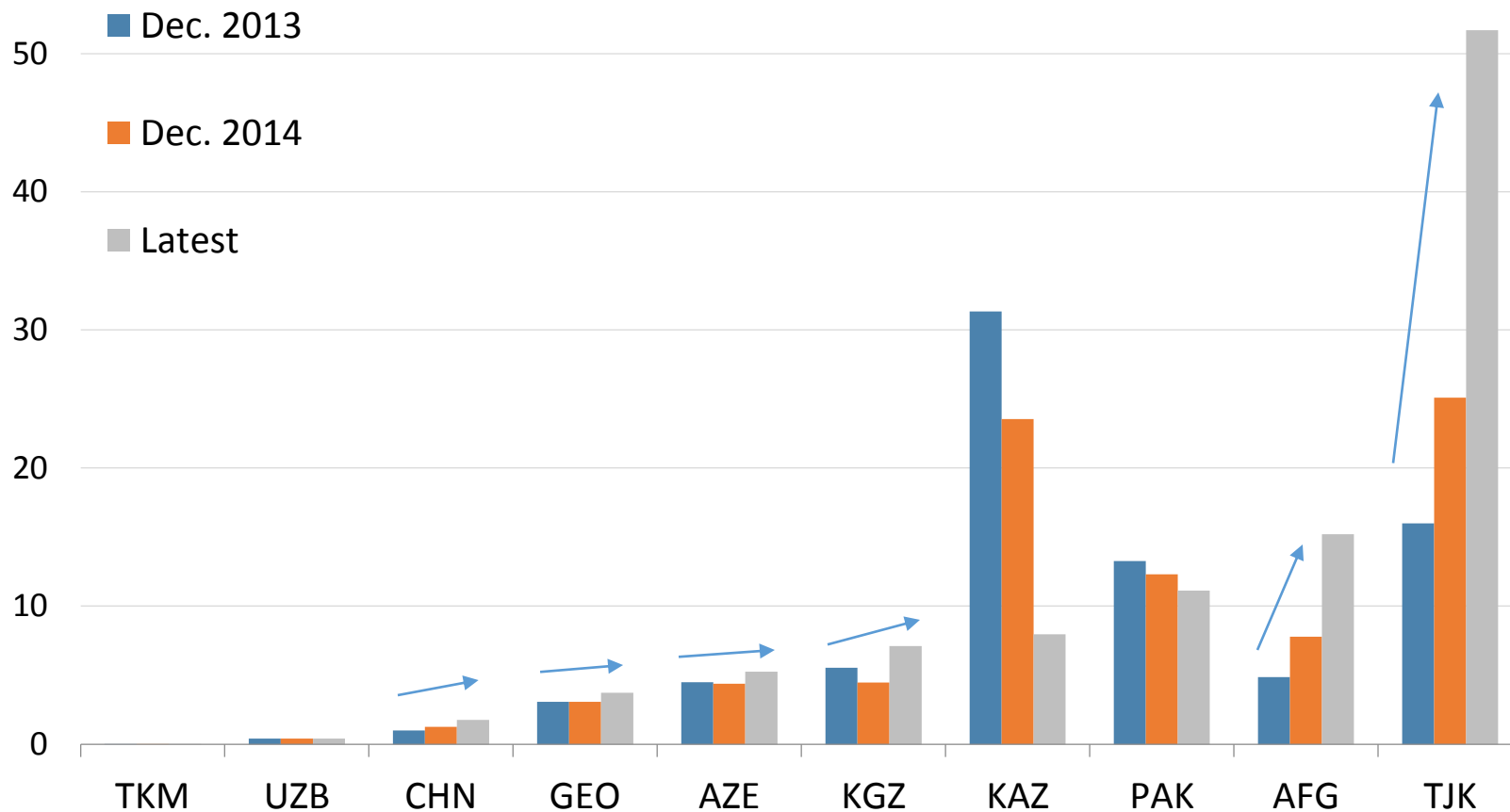
(Annual growth, percent, USD per unit national currency)



Source: World Economic Outlook, October 2016; Haver Analytics

... but vulnerabilities in the banking sectors have also increased ...

Non-Performing Loans (In Percent of Total Loans)



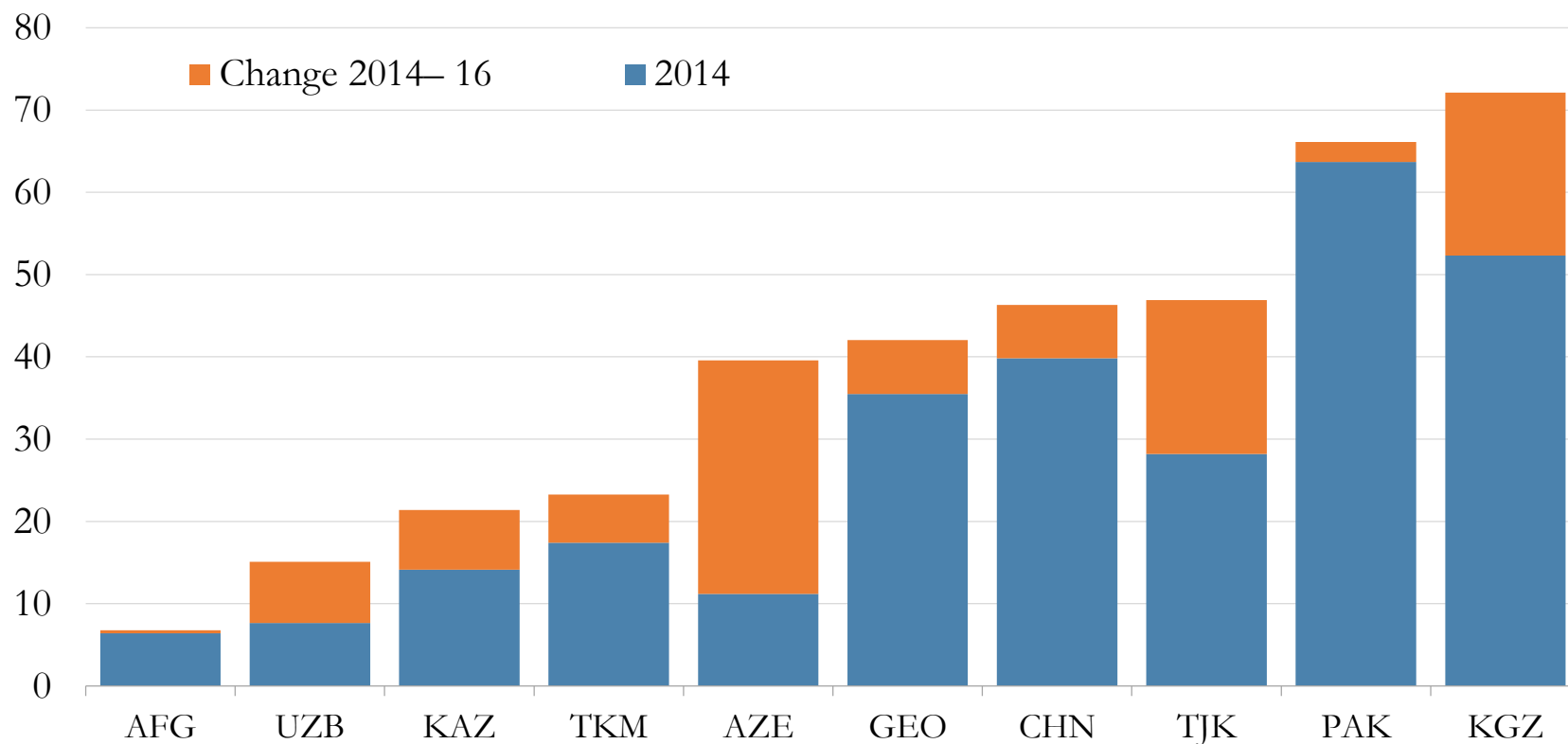
Data for Mongolia are not available
Source: National authorities



... and public debt has risen markedly in many countries

Public Debt

(Percent of GDP)



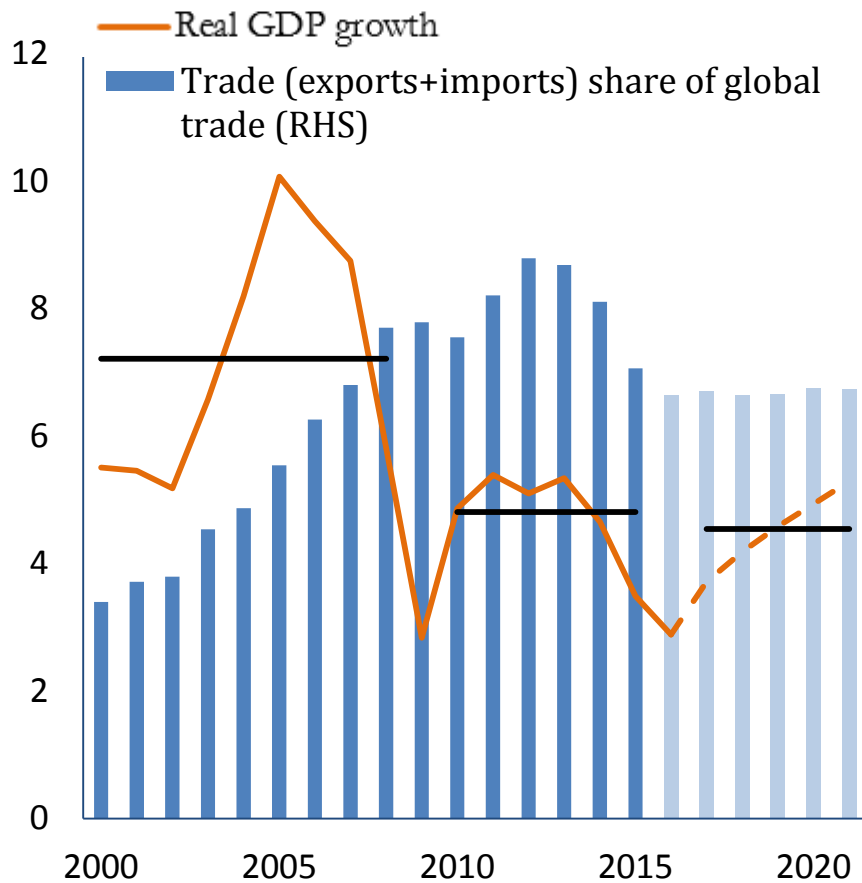
Data for Mongolia are not available.

Source: World Economic Outlook, October 2016

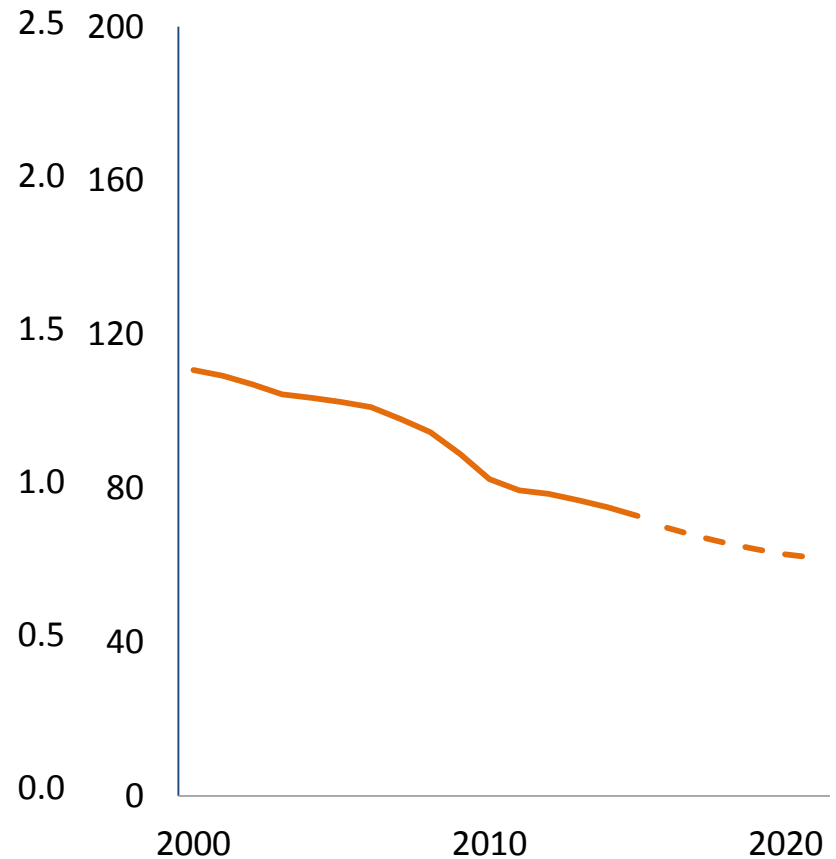


CAREC's medium-term growth outlook is weak, both historically and relative to Asian peer countries

CAREC excluding China: Trade and Growth
(Percent)



CAREC excluding China: GDP per Capita
(Percent of Emerging Asia Average)

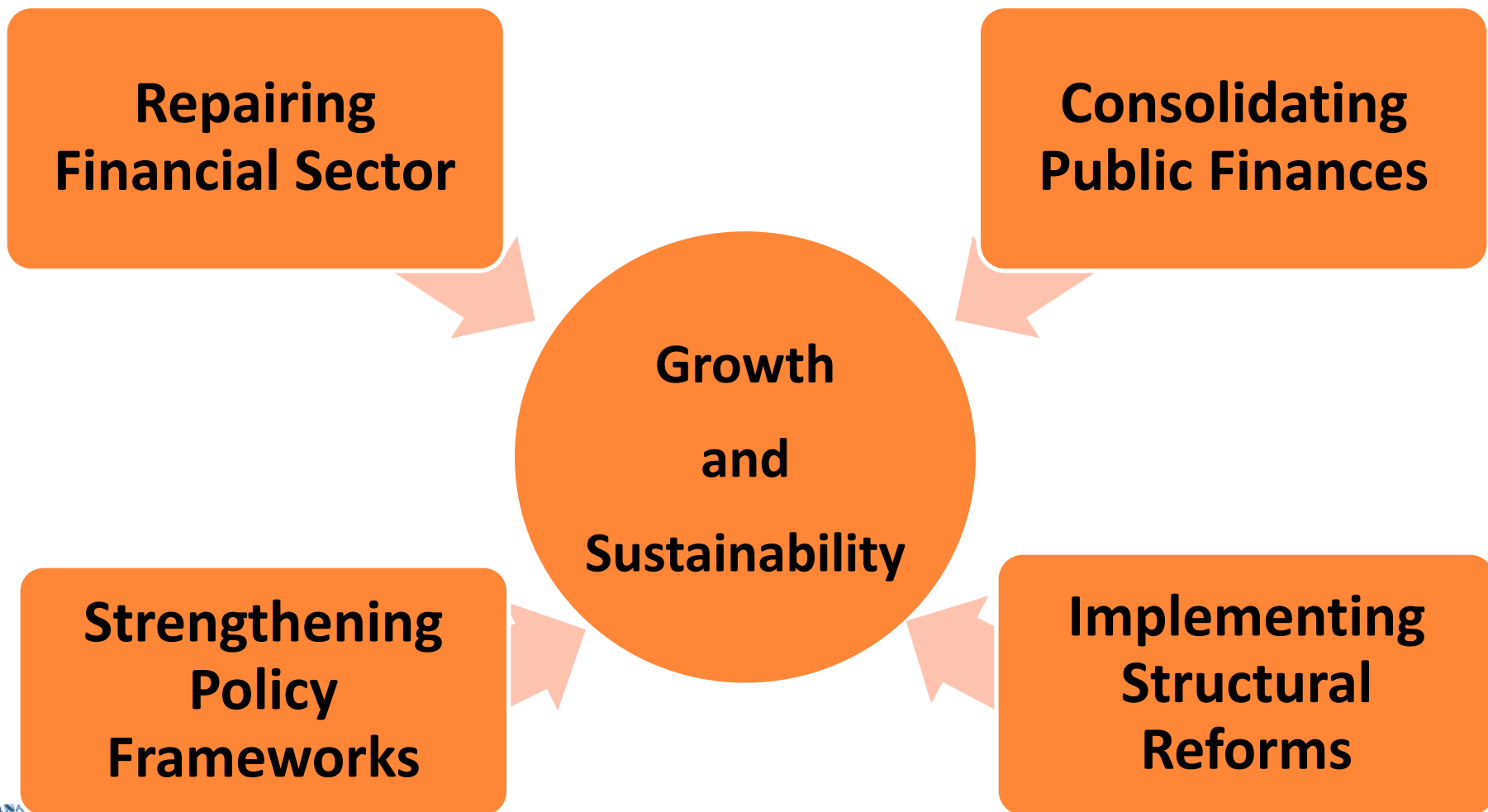


Source: World Economic Outlook, October 2016; IMF Staff calculations



What should CAREC countries do?

Policies need to move on several fronts ...



... and structural reforms in particular remain key

World Economic Forum:

Rankings for CAREC Priority Areas

| | Overall Rank | | Transport ^{1/} | | Trade Facilitation ^{2/} | | Trade Policy ^{3/} | |
|------------|---------------|-------------------|-------------------------|-------------------|----------------------------------|-------------------|----------------------------|-------------------|
| | level in 2016 | change since 2011 | level in 2016 | change since 2011 | level in 2016 | change since 2011 | level in 2016 | change since 2011 |
| CHN | 28 | -2 | 27 | 11 | 55 | 1 | 78 | -15 |
| AZE | 37 | 18 | 40 | 17 | 85 | 20 | 71 | 57 |
| KAZ | 53 | 19 | 67 | 12 | 59 | 43 | 67 | 45 |
| GEO | 59 | 29 | 58 | -12 | 12 | 15 | 14 | 23 |
| TJK | 77 | 28 | 56 | 9 | 64 | 35 | 96 | 26 |
| MNG | 102 | -6 | 89 | 14 | 98 | 24 | 93 | -1 |
| KGZ | 111 | 15 | 106 | -18 | 93 | 41 | 107 | 23 |
| PAK | 122 | -4 | 65 | 4 | 113 | -15 | 112 | 3 |

No rankings available for AFG, TKM, and UZB

1/ Refers to quality of roads and railroads; 2/ Refers to burden of customs procedures;

3/ Refers to prevalence of non-tariff trade barriers



Source: World Economic Forum Global Competitiveness Report

Key takeaways ...

1. The worst from the external shocks that hit CAREC countries seems behind us
2. But without fresh policy efforts, CAREC countries may face historically low growth prospects
3. And CAREC seems well positioned to initiate and support region-wide reform efforts