



CAREC Economic Outlook

Growth and Stability Amidst Uncertainty

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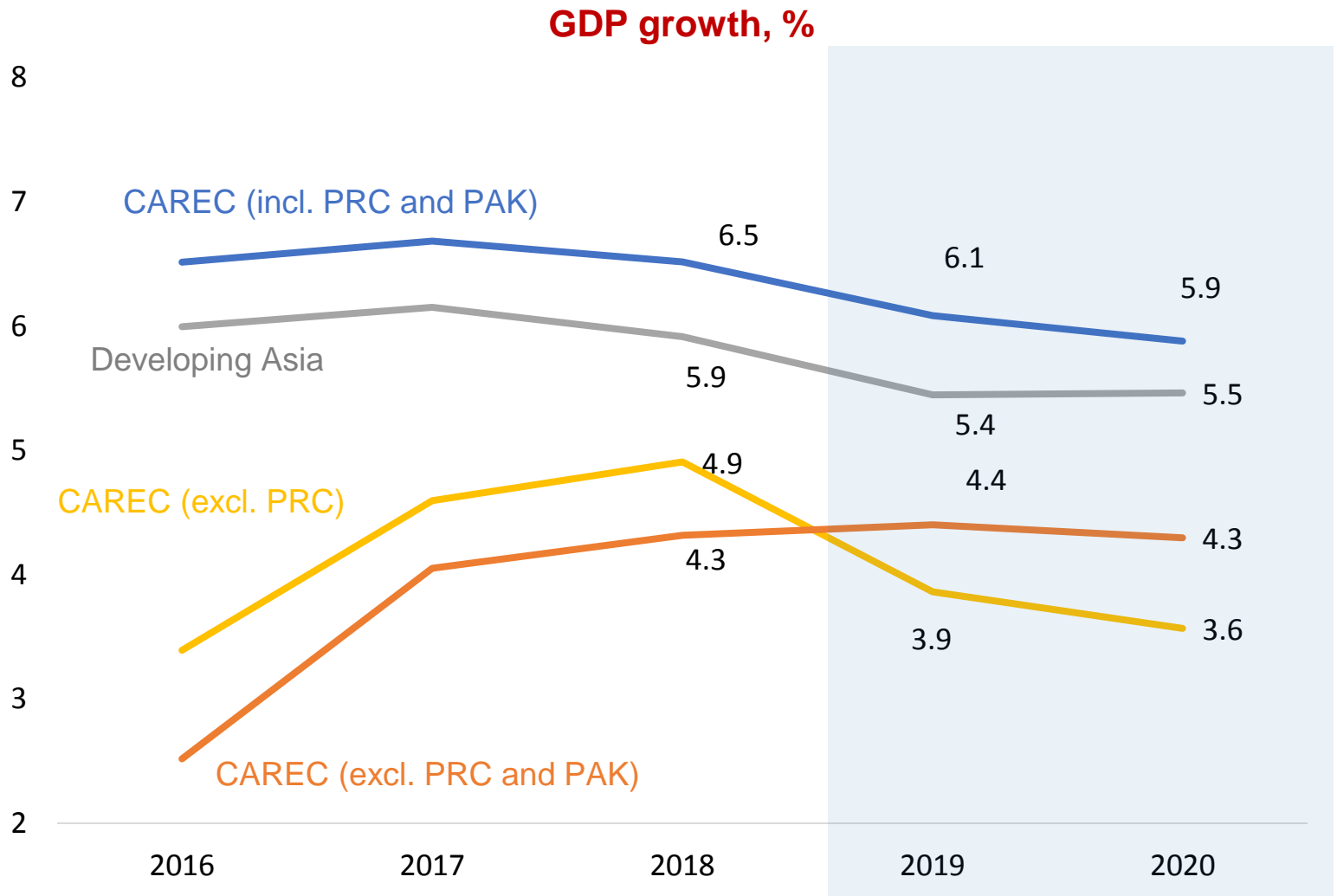
Asian Development Bank



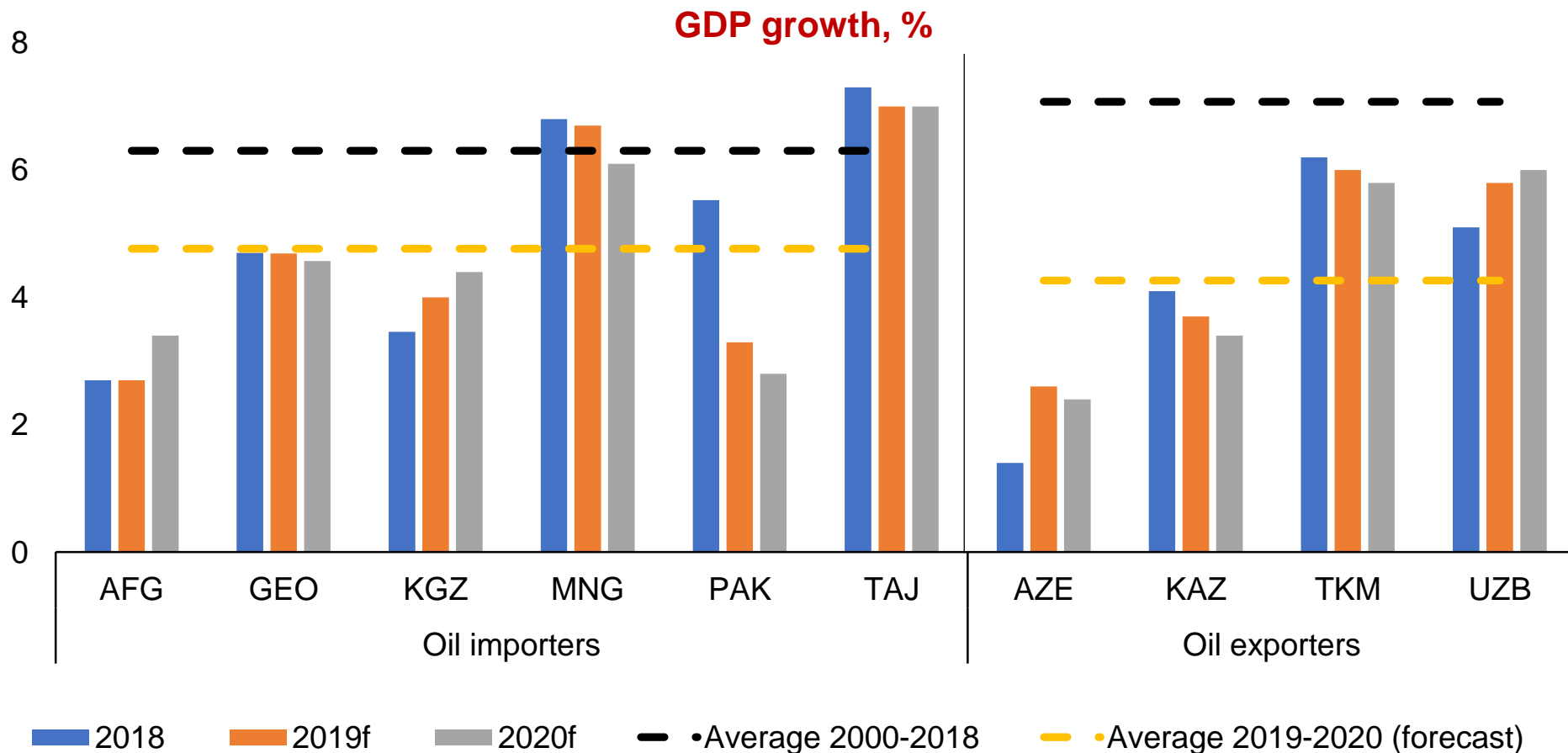
Key Messages

- CAREC region's growth to remain broadly stable, but lower than historical averages
- Inflation continues to be relatively high, driven by food prices
- Trade decelerating, copying global patterns
- Higher external imbalances and some weakening of currencies
- Downside risks: trade tensions and deeper malaise in advanced countries; large swings in oil prices, incomplete structural reforms

Stabilizing Growth



Growth lower than historic averages

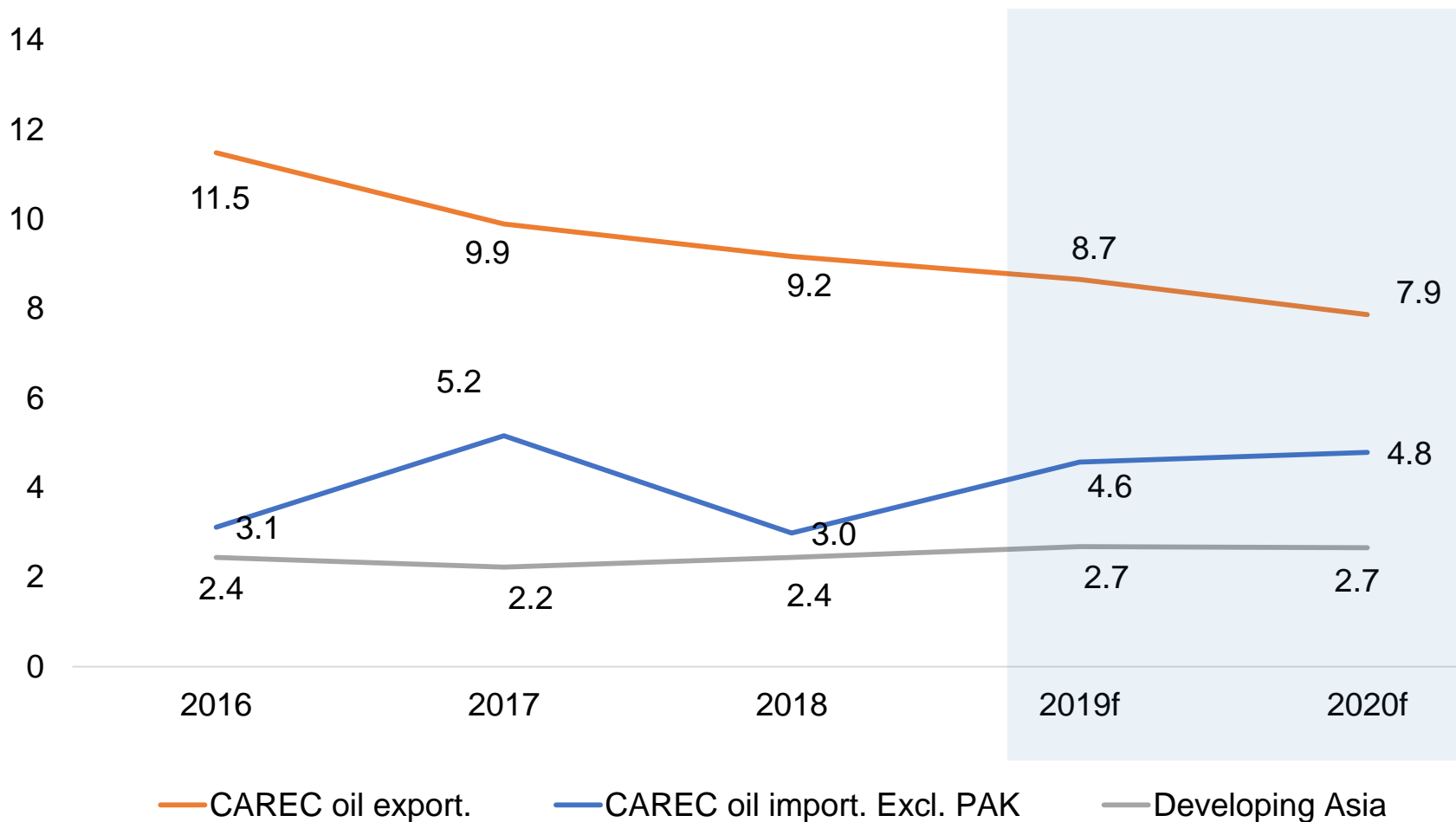


Source: Asian Development Outlook 2019 Update database.

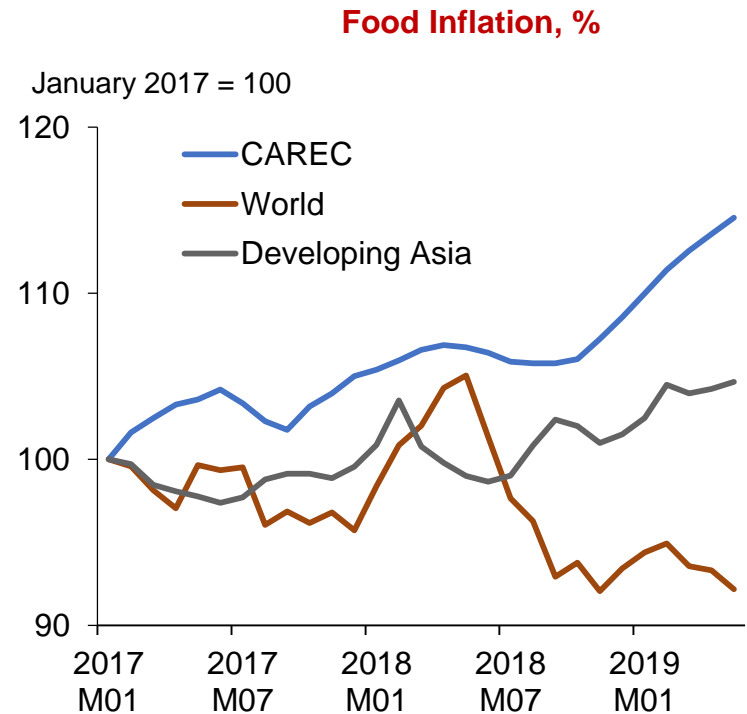
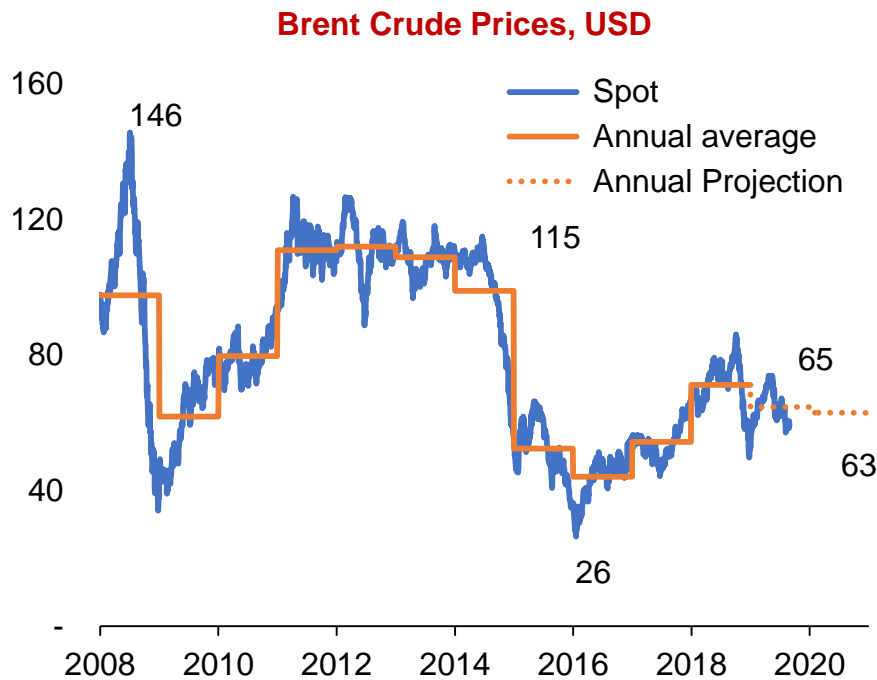
Note: For consistency, CAREC oil importers' 2000-2018 average growth rate and for 2019-2020 average forecast growth rate calculation doesn't include Pakistan.
 Source: Asian Development Outlook Update 2019 Database

Inflation remains relatively high

Inflation, %



...With stable oil prices but rising food prices



Trade weakening throughout the region

Merchandise Trade (Exports and Imports)

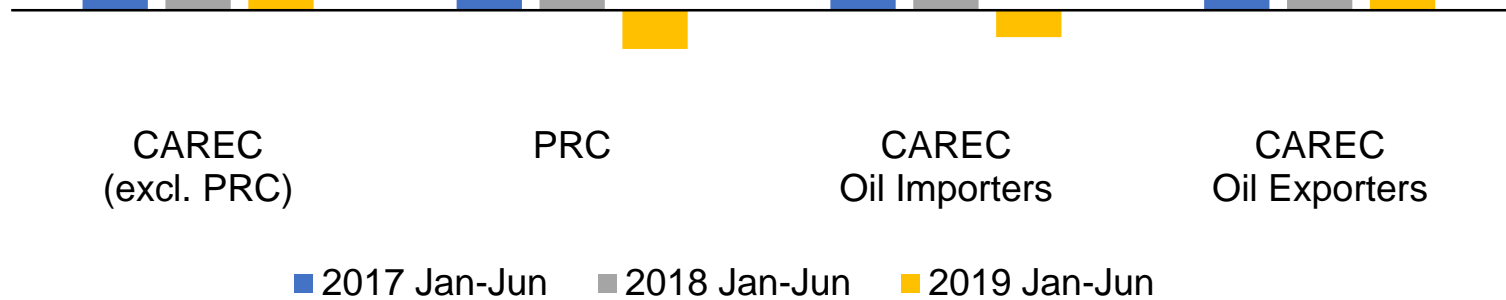
% change, year on year

25

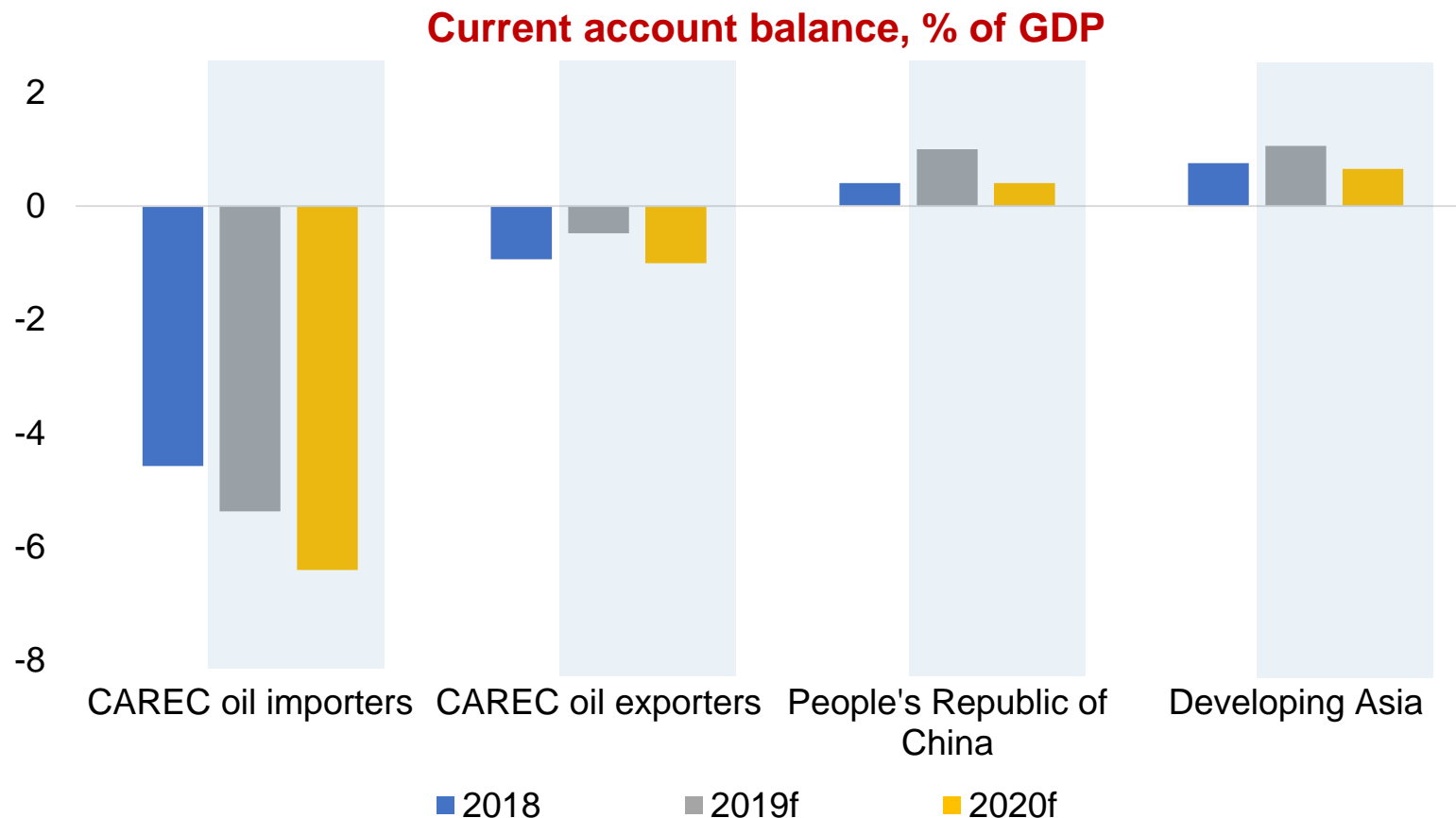
15

5

-5



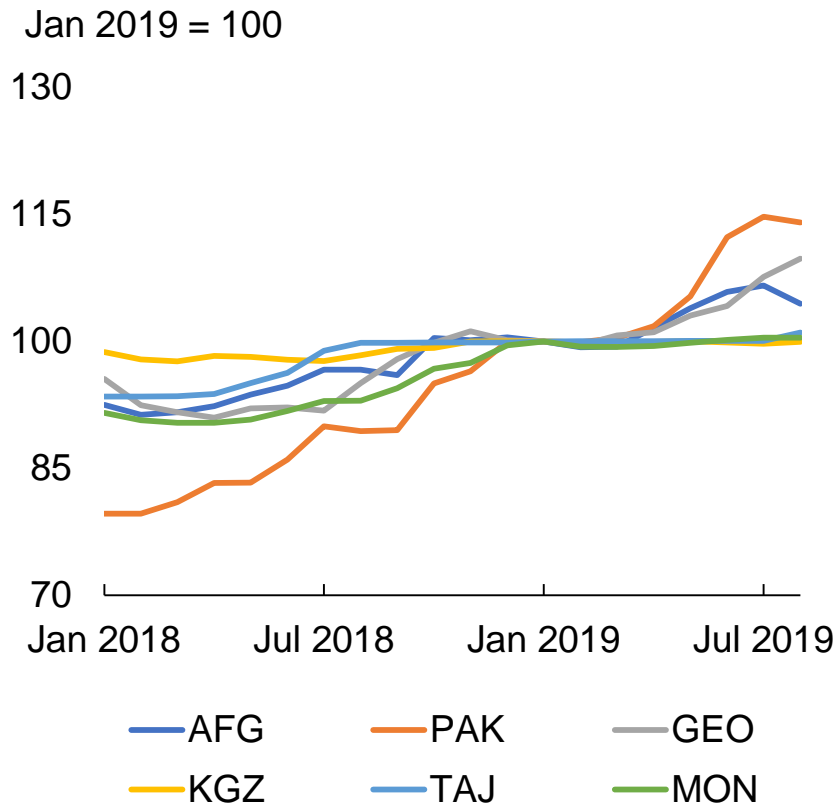
With trade subdued, current account balances weakened



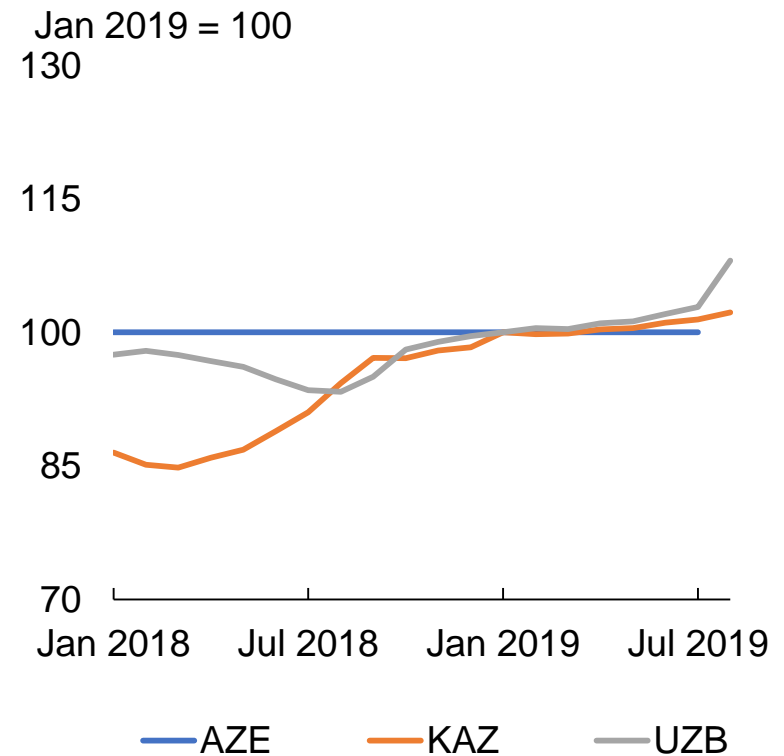
Some currencies of the region weakened in mid-2019

Exchange rate against the US dollar

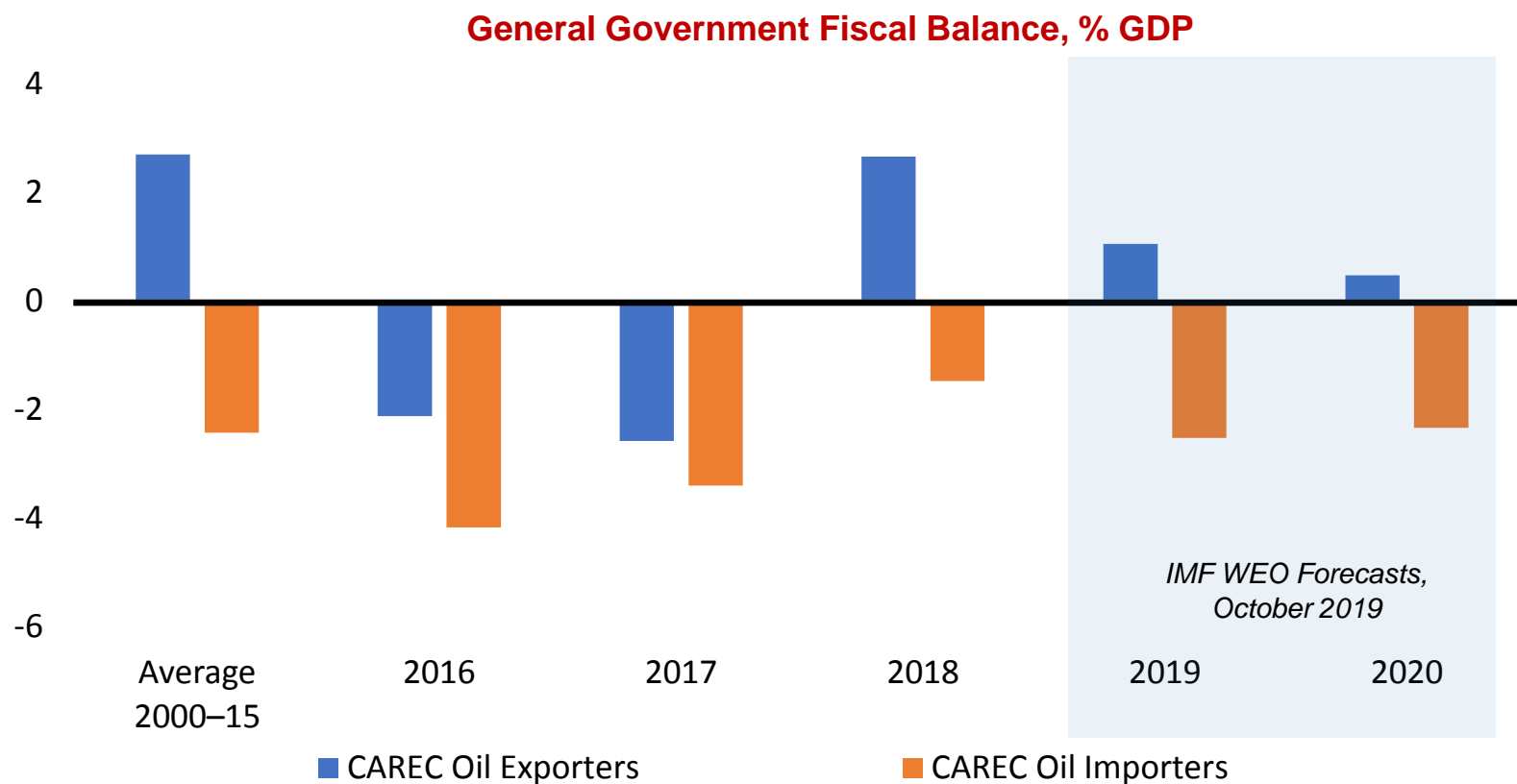
CAREC oil importers



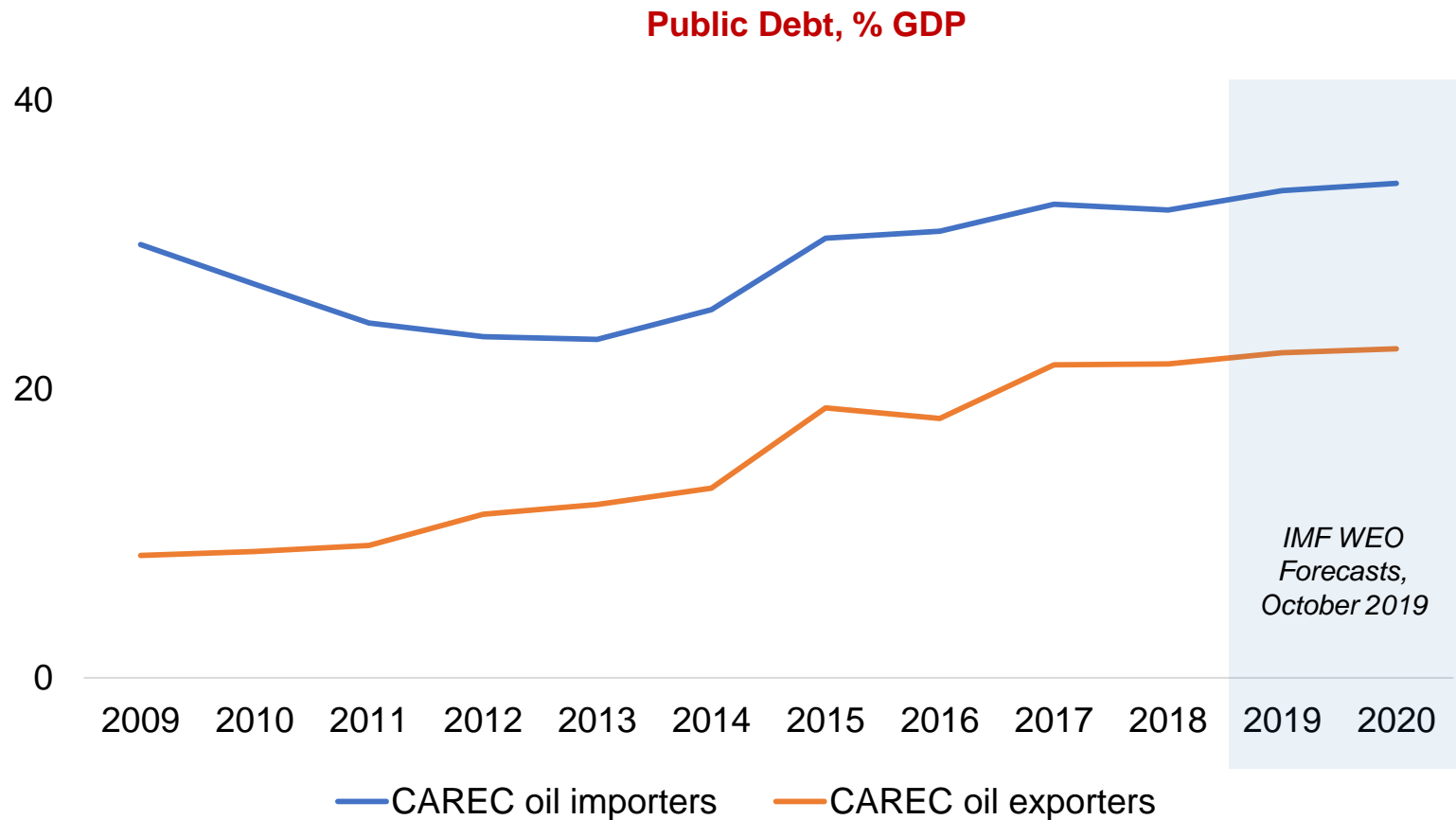
CAREC oil exporters



Fiscal buffers are deteriorating



Public debt escalated after the 2014 oil price shock



Notes: CAREC importers do not include Pakistan and Mongolia.

Aggregates are weighted averages computed using the World Bank's GNI, Atlas method (current US\$) as weight.

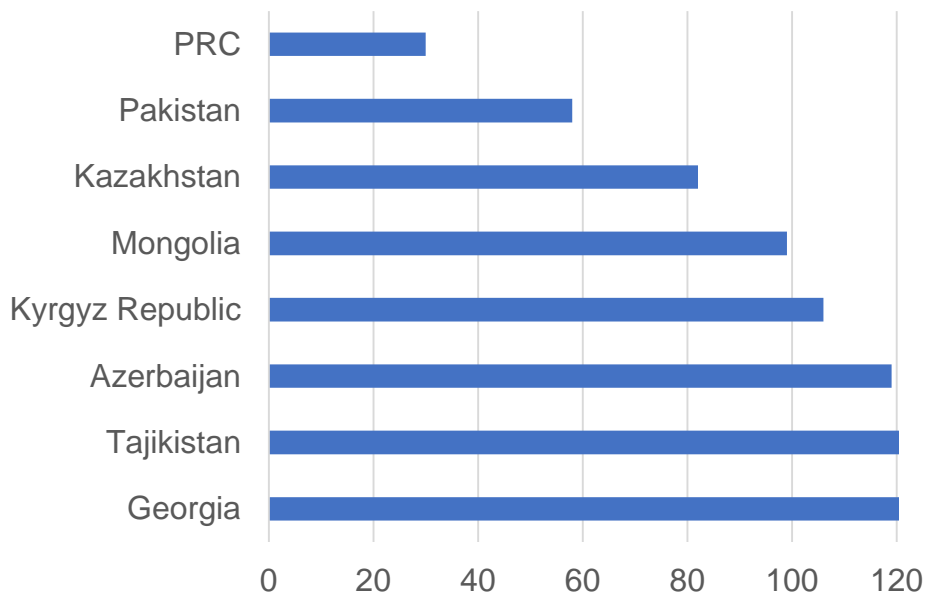
Source: Computed from the IMF-Global Debt Database (accessed 16 October 2019) and IMF World Economic Outlook October 2019 database

Downside risks to the outlook

- Deeper malaise in advanced economies and region's major economies
- Further escalation of the US-PRC trade tensions
- Elevated oil price volatility
- Incomplete structural reforms hinder investment and productivity gains.

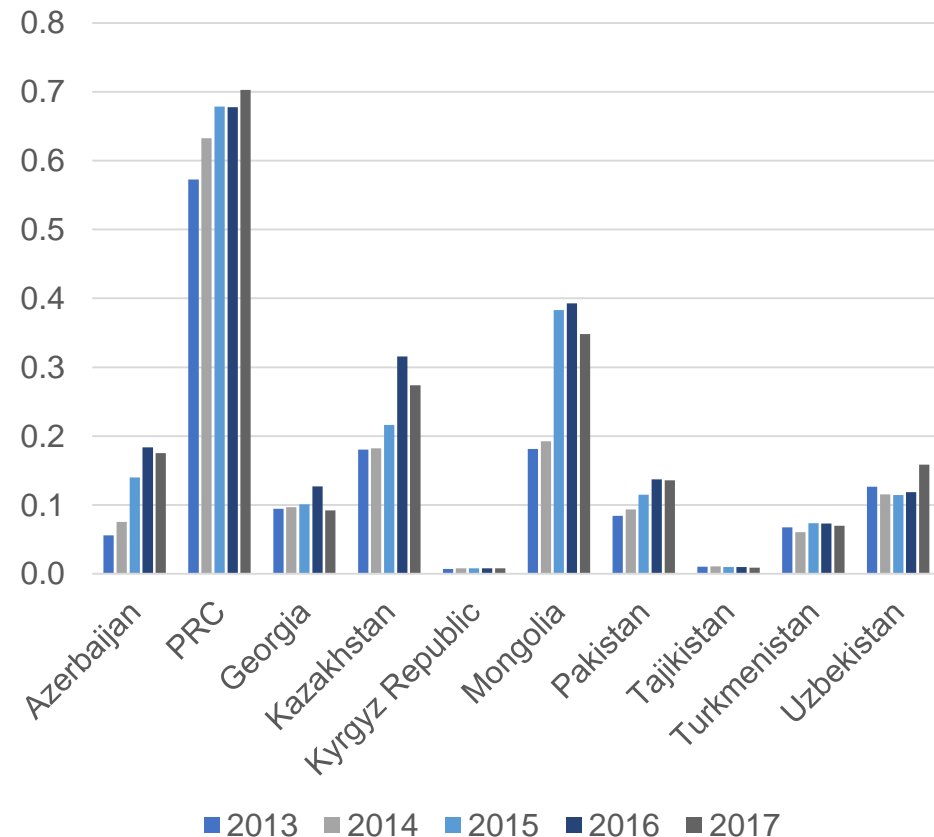
Financial Market Development Indicators of Selected CAREC members

Market Capitalization Rank 2018



Source: Global Competitiveness Report 2018; out of 140 economies

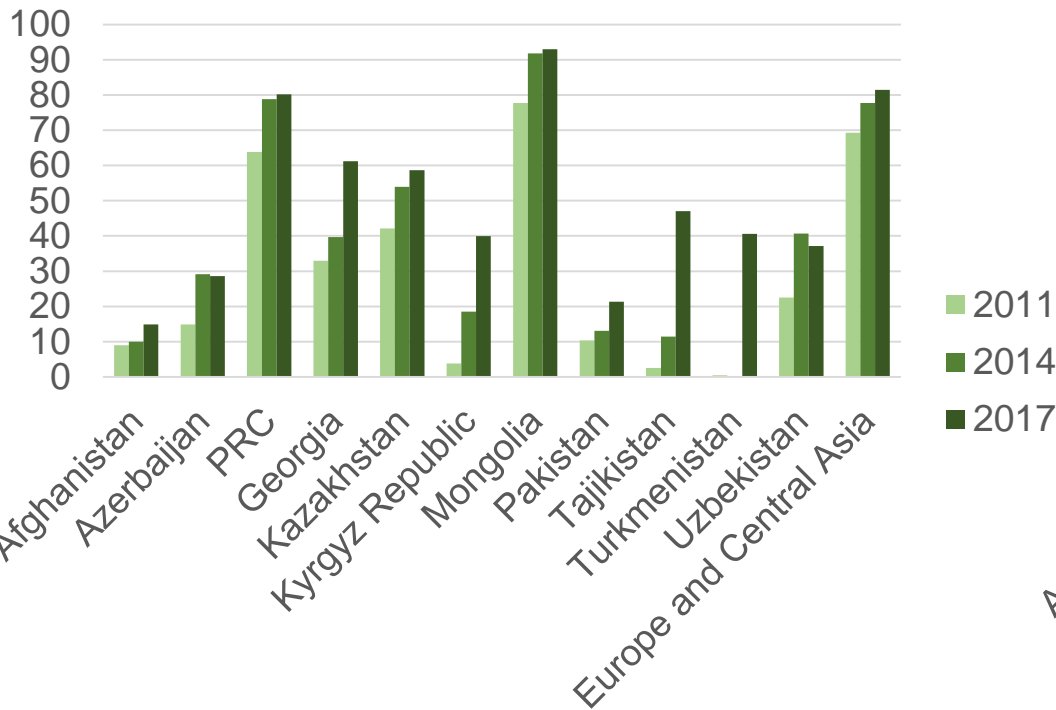
Financial Market Depth Index



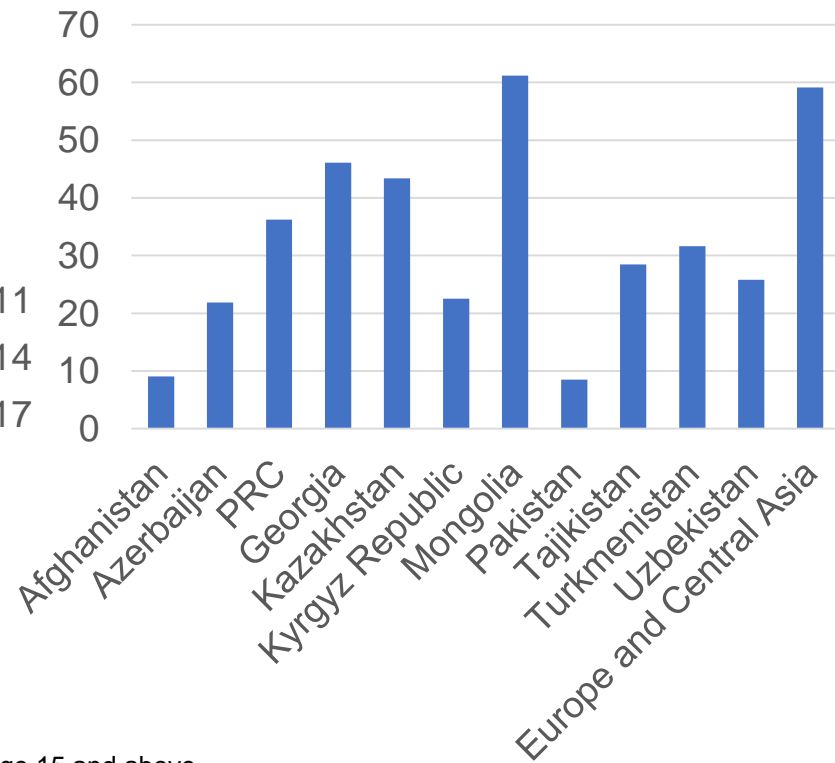
Source: IMF Financial Development Index Database

Financial Inclusion

Bank Account Holders in % of population above 15 years old



Share of residents above 15 years old that received digital payments in 2016 in %



Source: World Bank Global Financial Inclusion Database; data for age 15 and above

Economic and Financial Stability Cluster

❑ Economic and Stability Cluster in 2020:

- high-level policy forum on financial inclusion
- events to share IMF, World Bank, and ADB relevant research findings.

❑ Capital Markets Regulators Forum:

- Forum discussed common challenges and mutual approaches to capital market reforms in CAREC
- Next steps were identified:
 - ✓ conduct initial research / comparative analysis
 - ✓ identify required regulatory changes
 - ✓ support pilot cooperation initiatives
 - ✓ take steps to institutionalize the Forum

❑ Economic and Stability Cluster in 2019:

- High-level Forum on “*Balancing Infrastructure Investment with Debt Sustainability in CAREC Countries*” organized by ADB, IMF and World Bank (May 2019, Nur-Sultan, Kazakhstan). The forum discussed fiscal constraints, debt sustainability, and the need for more private sector involvement in infrastructure financing.



Fintech incubators



Regulatory sandbox



Corporate Venture Capital



Multiple asset classes trading



SME trading board listing



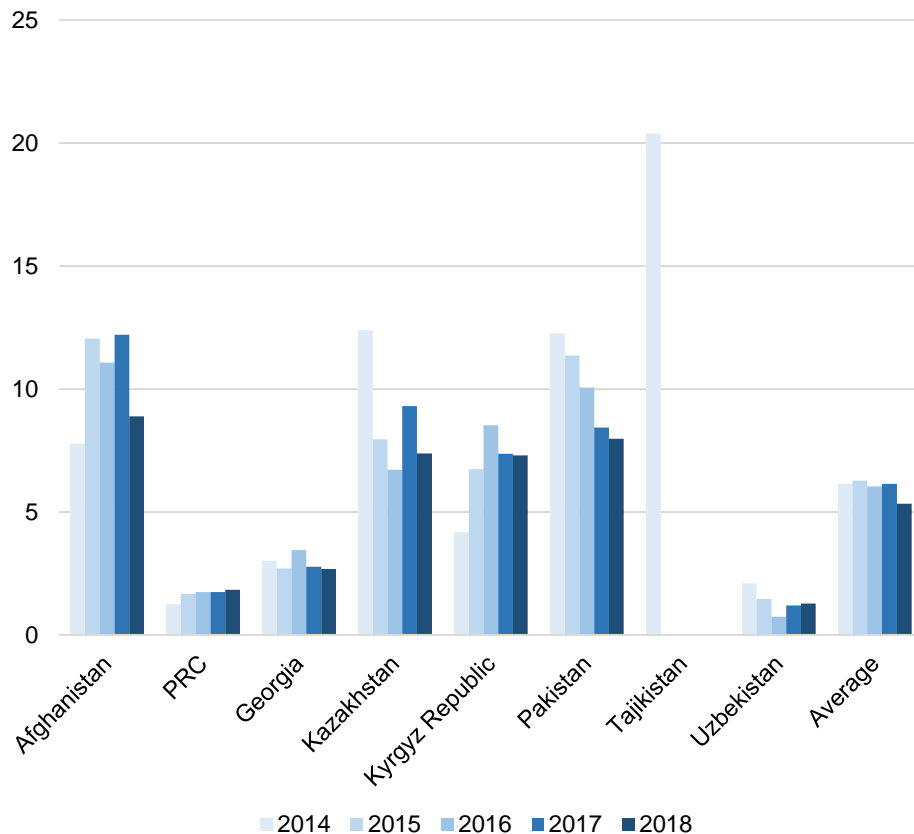
THANK YOU

#CARECMC

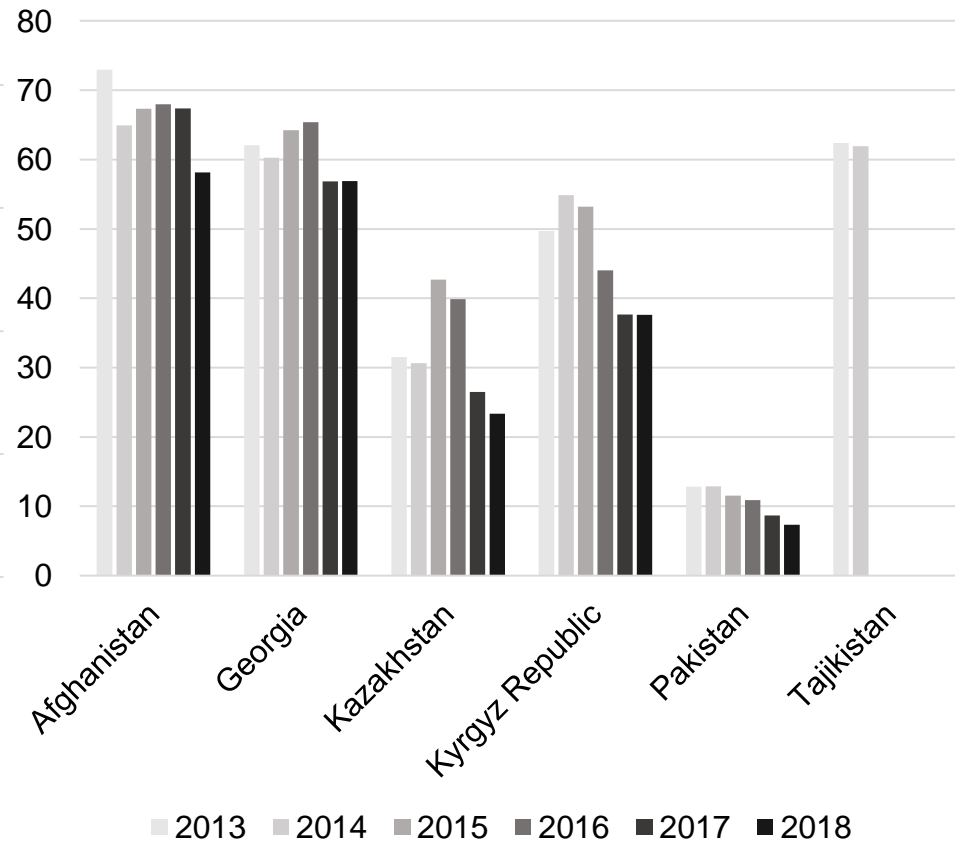
Extra slides

Financial Market Development Indicators of Selected CAREC members

NPL share of total gross loans



Share of Foreign Currency Denominated Loans to Total Loans in %

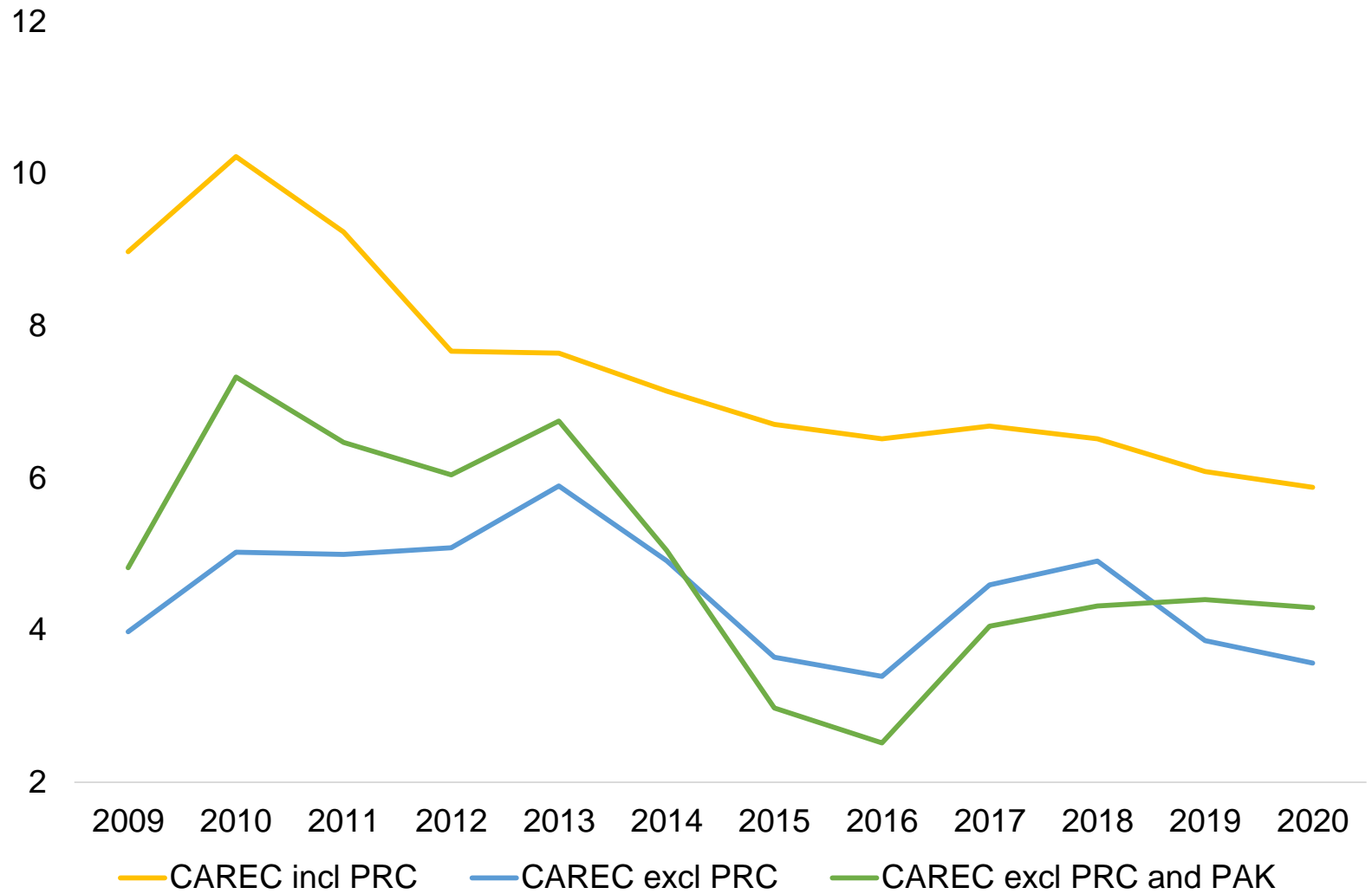


...impacted by slowing global activity

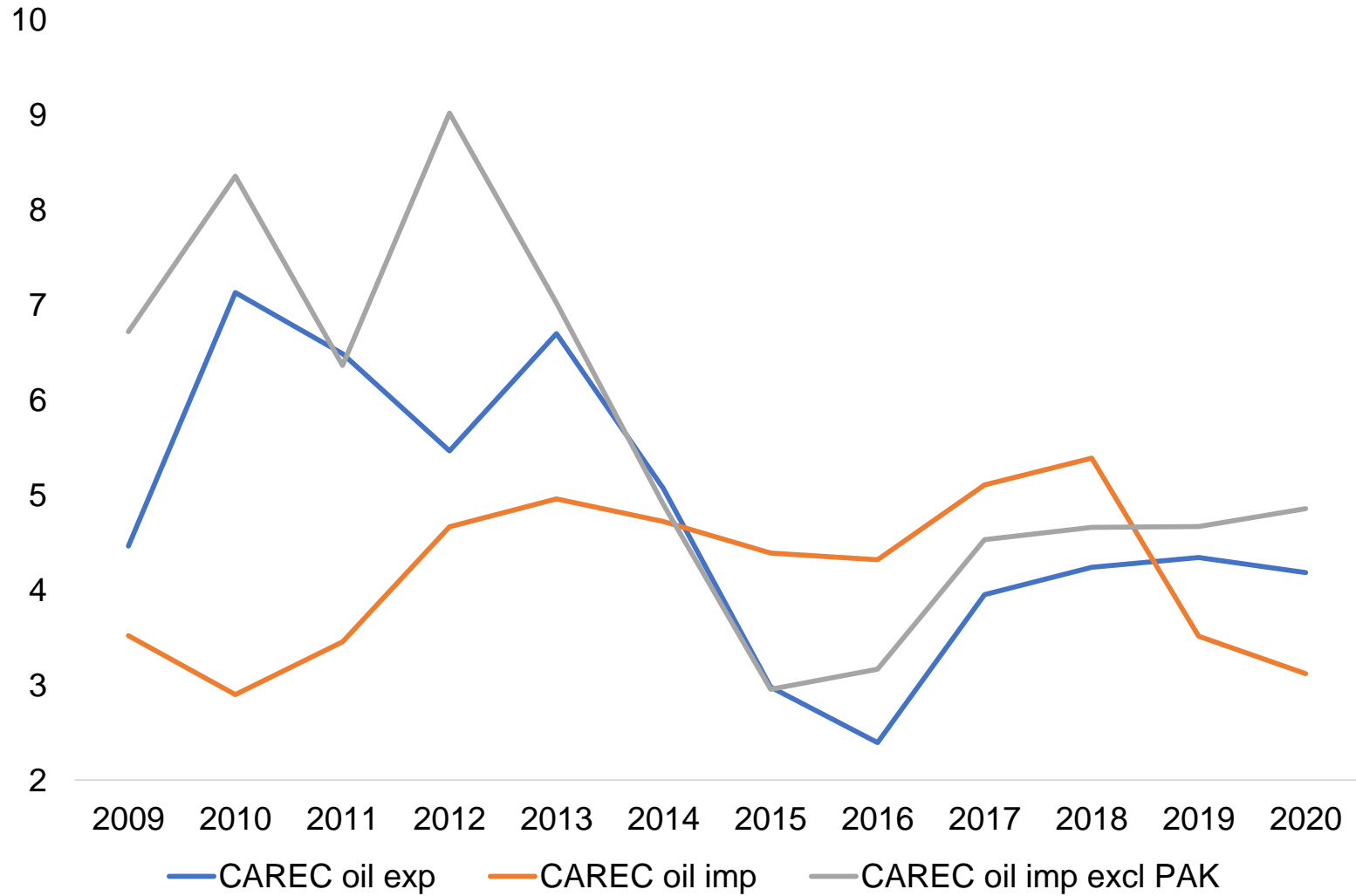
GDP growth, %	2017	2018	2019f	2020f
China, People's Rep. of	6.8	6.6	6.2	6.0
Major advanced economies	2.4	2.2	1.7	1.4
United States	2.4	2.9	2.3	1.9
Euro area	2.5	1.8	1.5	1.0
Japan	1.9	0.8	1.2	0.5
Russian Federation	1.6	2.3	1.1	1.9

Sources: Asian Development Outlook Update Database, US Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov>; Eurostat, <http://epp.eurostat.ec.europa.eu>; Economic and Social Research Institute of Japan, <http://www.esri.cao.go.jp>; Consensus Forecasts; Bloomberg; CEIC Data Company; Haver Analytics.

GDP growth, %



GDP growth, %



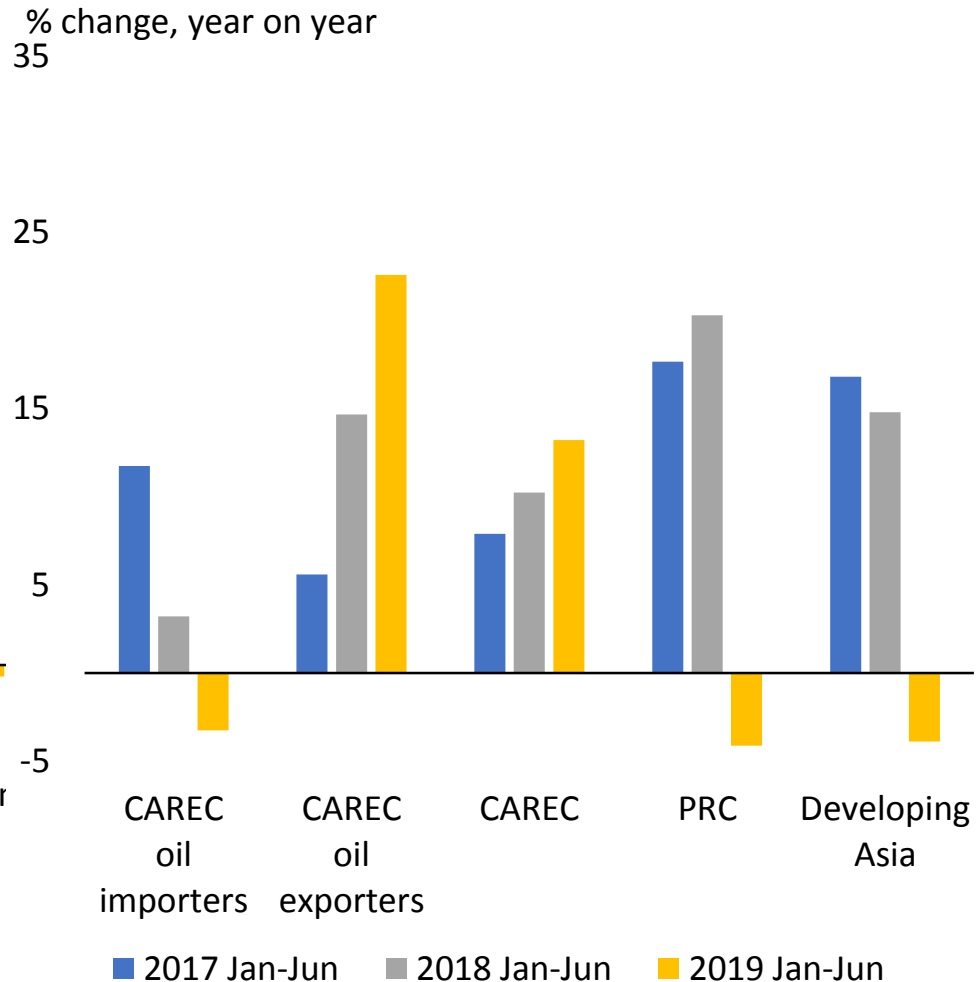
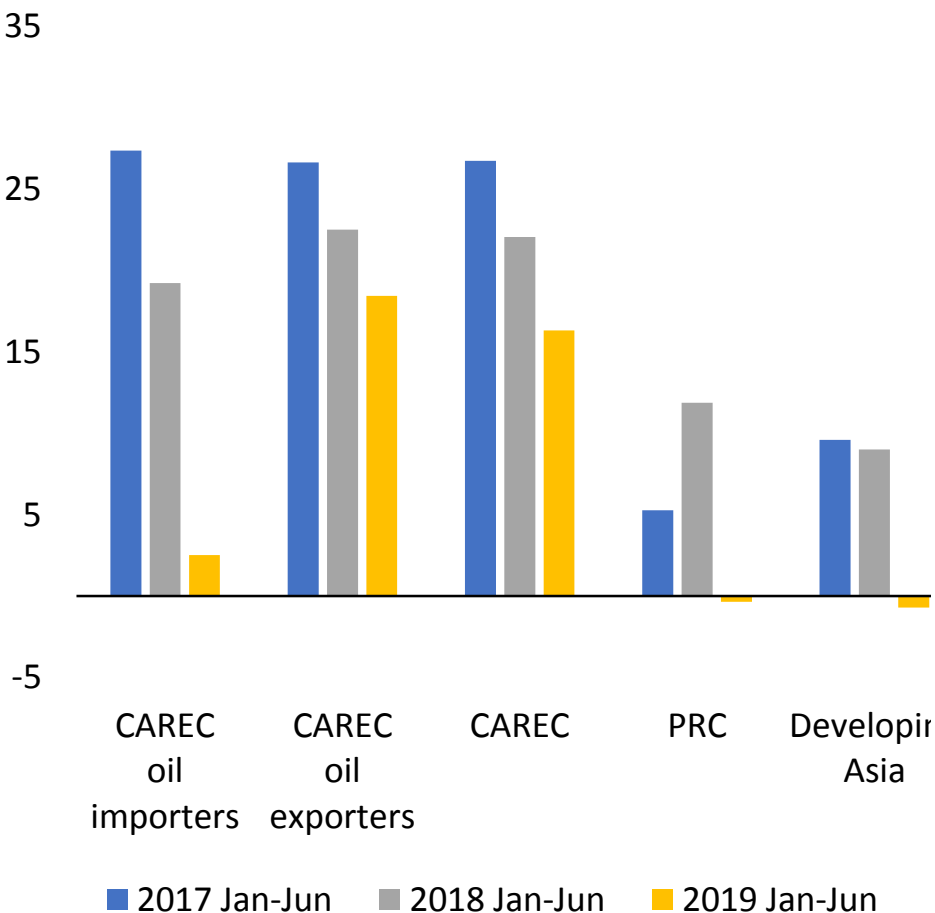
Trade weakening throughout the region

Merchandise Exports

Merchandise Imports

% change, year on year

% change, year on year



GDP growth rate, %	ADO Projections				
	2016	2017	2018	2019	2020
Afghanistan	2.2	2.7	2.7	2.7	3.4
Azerbaijan	-3.1	0.1	1.4	2.6	2.4
Georgia	2.8	4.8	4.7	4.7	4.6
Kazakhstan	1.1	4.1	4.1	3.7	3.4
Kyrgyz Republic	4.3	4.7	3.5	4.0	4.4
Mongolia	1.4	5.4	6.8	6.7	6.1
Pakistan	4.6	5.2	5.5	3.3	2.8
Tajikistan	6.9	7.1	7.3	7.0	7.0
Turkmenistan	6.2	6.5	6.2	6.0	5.8
Uzbekistan	6.1	4.5	5.1	5.8	6.0
People's Republic of China	6.7	6.8	6.6	6.2	6.0
CAREC incl PRC	6.5	6.7	6.5	6.1	5.9
CAREC excl PRC	3.4	4.6	4.9	3.9	3.6
CAREC excl PRC and PAK	2.5	4.1	4.3	4.4	4.3

Inflation, %

	ADO Projections				
	2016	2017	2018	2019	2020
Afghanistan	4.4	5.0	0.6	2.0	3.5
Azerbaijan	12.4	12.9	2.3	3.7	3.8
Georgia	2.1	6.0	2.6	4.3	3.5
Kazakhstan	14.6	7.4	6.0	5.8	5.2
Kyrgyz Republic	0.4	3.2	1.5	2.0	3.5
Mongolia	1.1	4.3	6.8	8.5	7.5
Pakistan	2.9	4.2	3.9	7.3	12.0
Tajikistan	6.1	6.7	5.4	8.0	7.5
Turkmenistan	3.6	8.0	13.6	13.4	13.0
Uzbekistan	8.8	13.9	17.5	15.0	13.0
People's Republic of China	2.0	1.6	2.1	2.6	2.2
CAREC incl PRC	2.3	1.9	2.3	2.8	2.6
CAREC excl PRC	7.0	6.8	6.0	7.6	9.6
CAREC oil export.	11.5	9.9	9.2	8.7	7.9
CAREC oil import.	2.9	4.4	3.7	6.9	10.8
CAREC oil import. excl PAK	3.1	5.2	3.0	4.6	4.8

Current account balance, % GDP

		ADO Projections				
		2016	2017	2018	2019	2020
Oil Exporters	Azerbaijan	-3.6	4.1	12.9	13.9	11.6
	Kazakhstan	-6.5	-3.3	0.0	-1.0	-1.4
	Turkmenistan	-19.9	-11.5	-8.2	-2.3	-3.2
	Uzbekistan	0.4	2.5	-7.1	-7.0	-6.5
Oil Importers	Afghanistan	7.6	3.4	6.9	1.2	0.7
	Georgia	-13.1	-8.8	-7.7	-7.3	-7.1
	Kyrgyz Republic	-11.6	-6.5	-10.0	-12.0	-12.0
	Mongolia	-6.3	-10.1	-16.9	-10.7	-16.1
	Pakistan	-1.7	-4.1	-6.3	-4.8	-2.8
	Tajikistan	-4.2	2.2	-5.0	-4.5	-4.3
CAREC oil imp		-2.1	-4.0	-6.0	-4.9	-3.4
CAREC oil imp excl PAK		-3.6	-3.0	-4.6	-5.4	-6.4
CAREC oil exp		-5.9	-1.8	-0.9	-0.5	-1.0
People's Republic of China		1.8	1.6	0.4	1.0	0.4

General Government Fiscal Balance

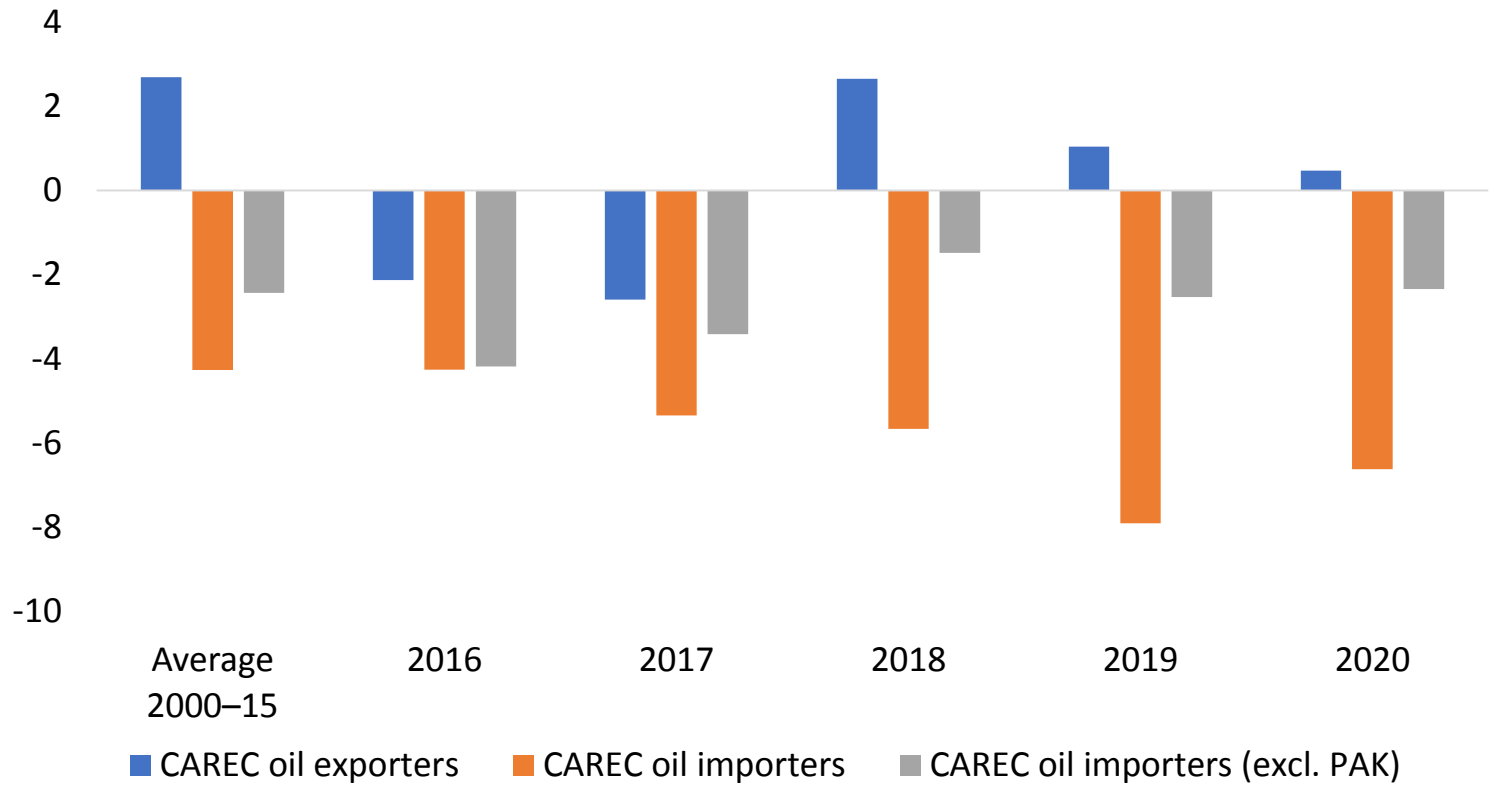
(Percent of GDP)

	Average 2000–15	Projections				
		2016	2017	2018	2019	2020
Azerbaijan	6.3	-1.1	-1.4	5.6	5.3	3.2
Kazakhstan	2.5	-4.5	-4.4	2.6	0.3	0.0
Turkmenistan	3.1	-2.4	-2.8	-0.2	-0.1	-0.3
Uzbekistan	0.7	1.6	1.8	2.2	0.6	0.4
Georgia	-2.0	-3.0	-2.9	-2.5	-2.6	-2.7
Kyrgyz Republic	-3.9	-6.4	-4.6	-1.3	-2.7	-3.0
Tajikistan	-2.5	-9.0	-6.0	-2.8	-4.0	-3.0
Afghanistan	-1.2	0.1	-0.6	1.5	-0.8	-0.1
Pakistan	-4.7	-4.4	-5.8	-6.4	-8.8	-7.4
CAREC oil exporters	2.7	-2.1	-2.6	2.6	1.0	0.5
CAREC oil importers	-4.3	-4.3	-5.3	-5.7	-7.9	-6.6
CAREC oil importers excl. PAK	-2.4	-4.2	-3.4	-1.5	-2.5	-2.3

Oil Exporters: General Government Non-Oil Fiscal Balance,
(Percent of non-oil GDP)

	Average				Projections	
	2000–15	2016	2017	2018	2019	2020
CAREC oil exporters	-12.1	-12.8	-15.4	-11.5	-12.6	-11.6
Azerbaijan	-26.1	-27.2	-31.7	-33.2	-32.3	-31.4
Kazakhstan	-9.1	-10.4	-13.0	-6.9	-9.2	-8.5
Turkmenistan	-9.2	-6.4	-7.9	-6.2	-5.2	-4.6
Uzbekistan

General Government Fiscal Balance, % GDP



Note: CAREC importers doesn't include Pakistan and Mongolia.
 Source: Notes: Aggregates are weighted averages computed using the World Bank's GNI, Atlas method (current US\$) as weight.
 Source: Computed from the IMF-Global Debt Database (accessed 16 October 2019) and IMF World Economic Outlook October 2019 database