

Central Asia: Mapping Future Prospects

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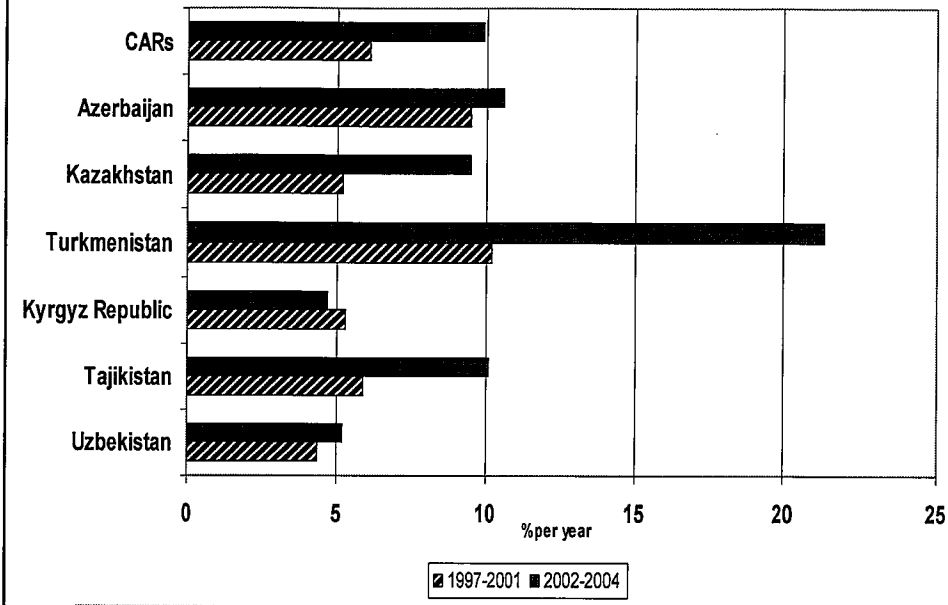


Highlights - Central Asia 2015

- Strong GDP growth > 5% during 2005-2015
- Region (75 million) will be in ranks of today's middle-income countries
- Poverty will halve to 21% of total population
- Oil and gas will dominate but economic diversification will continue
- Divergence in performance within region
- Risks may mean reduced prosperity
- Economic reform, regional cooperation and industrial competitiveness crucial



Rapid growth since 1997



Drivers of growth

Oil Exporters

- High oil & gas prices
- Inward investment
- Infrastructure Investments
- Reasonable macro-management
- Emerging services and manufacturing

Non-oil Exporters

- High cotton, gold & other commodity prices
- Remittances from migrant workers
- Foreign aid inflows
- Textiles exports
- Some reforms

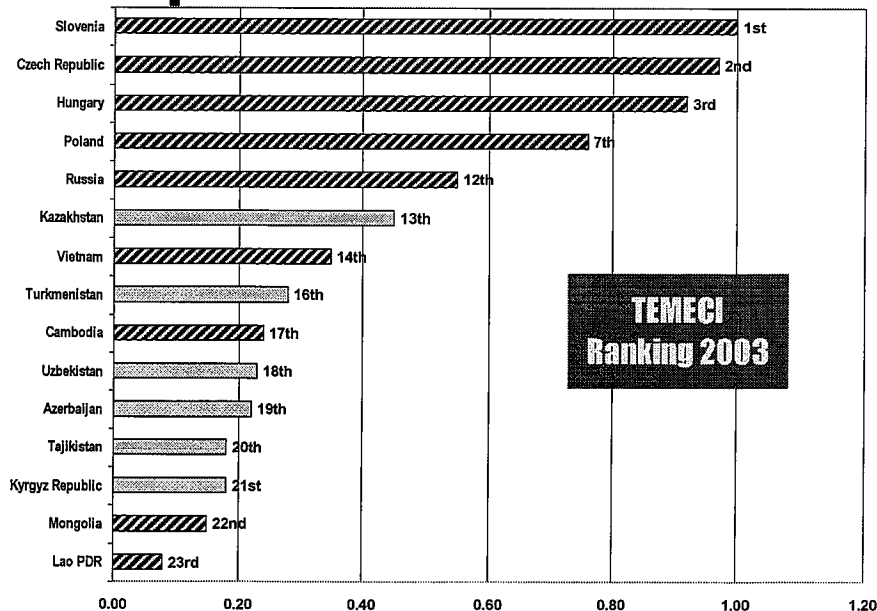


Rise of manufactured exports

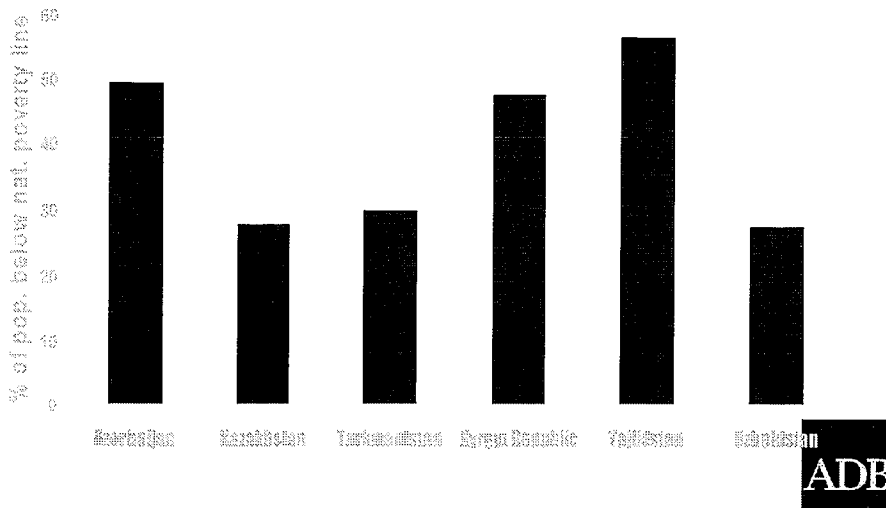
- Oil and gas drive industrial growth but manufacturing is also growing.
- CARs manufactured exports \$3.7 bn (2003) growing at 9.9% p.a. (1998-2003).
- These grew in both oil and non-oil exporters but former had higher growth
- Textiles dominate exports in TAJ, TKM, KGZ. Iron and steel dominate KAZ.

ADB

Competitiveness is mixed



Poverty is less but remains



Good prospects for 2005-2007

- ADB projects that CARs revival set to continue in next 3 years but with higher inflation:
 - ✓ Growth forecast for Central Asia is 9.2% in 2005 and 9.4% in 2006
 - ✓ Inflation forecast for Central Asia is 7.4% in 2005 and 6.6% in 2006
 - CARs short-term growth will be driven by high commodity prices, FDI, infrastructure investment, remittances etc
- ADB

Outline – “Best Case Scenario”

Global Background

- Good world growth of 3.2%
- Favorable oil prices of \$40-45 per barrel
- Strong growth in PRC and India
- Relative political stability in CARs

CARs Policy Thrust

- Accelerating economic reforms
- Strong regional cooperation in transport, trade & energy
- Coherent industrial competitiveness strategy



ADB

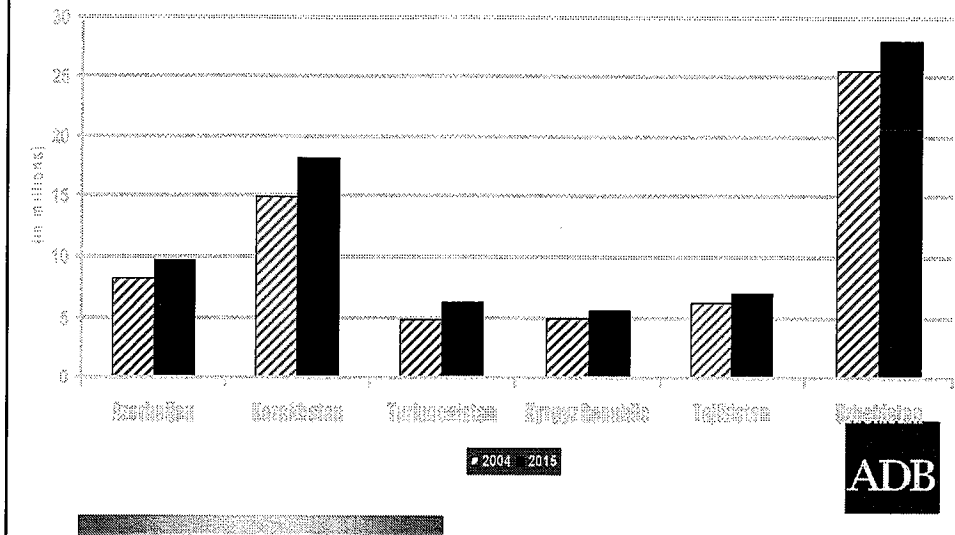
Key Policies – Examples

- Open trade regime and WTO membership
- Visible progress in privatization
- Financial sector liberalization
- Integrated road, rail & air network
- Streamlined and modern customs systems
- Efficient regional energy market
- Attracting export-oriented FDI & linking SMEs into global value chains

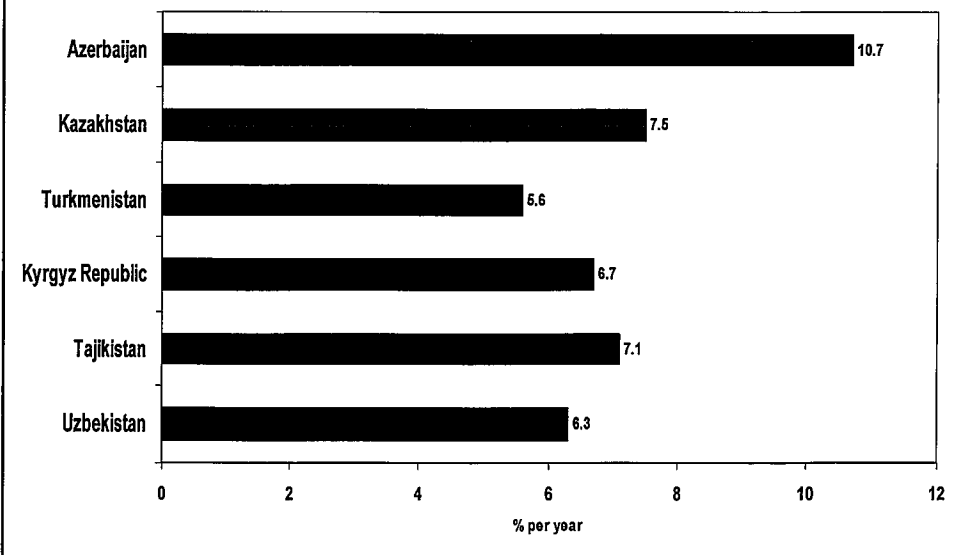


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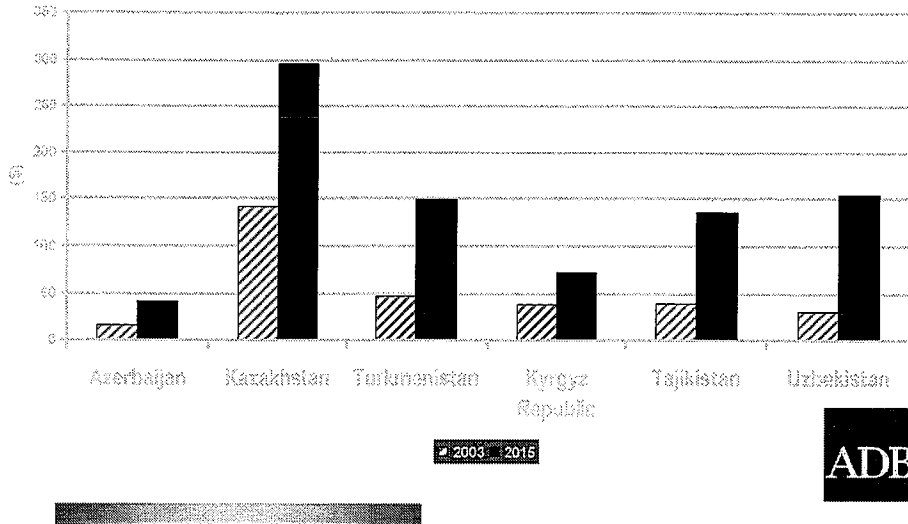
75 million CARs population (2015)



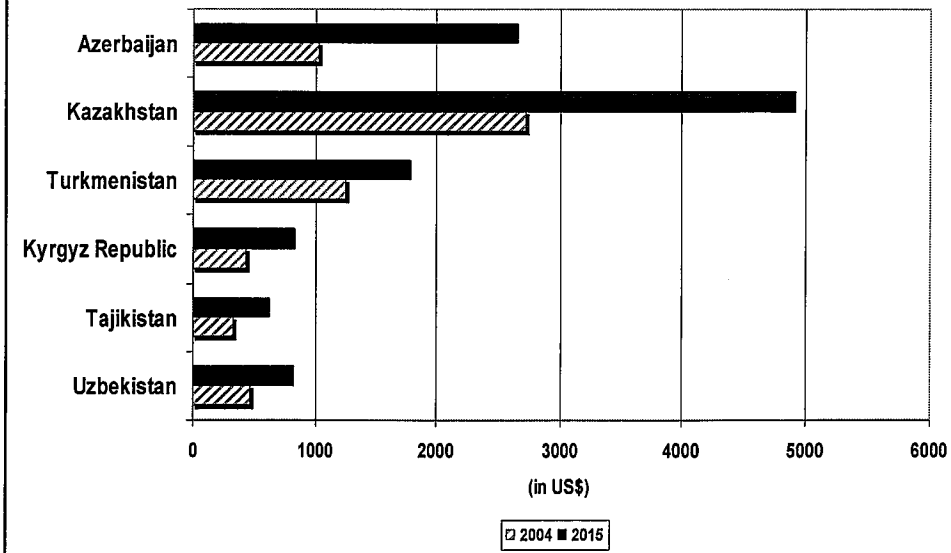
Strong GDP growth > 5% during 2005-2015



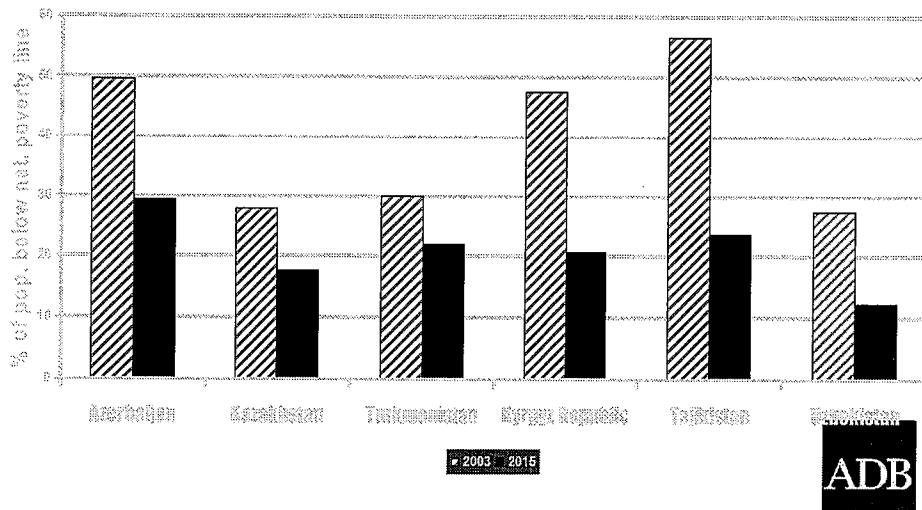
CARs Manufactured exports/ head rises to \$166 (2015)



CARs GDP per head will double by 2015



CARs Poverty will halve to 21% by 2015



CARs - Alternative Scenarios for 2015

- Assume less intense policy reform, limited regional cooperation and absence of industrial competitiveness strategy
- Reduced prosperity in the CARs is indicated compared to "Best Case Scenario"
 - GDP growth will be 1-2.5% lower
 - Per capita income will be \$100-\$300 lower
 - Poverty will be 5-9% higher
 - More divergence between oil and non-oil exporters

