



The Economies of the Caucasus and Central Asia: Near-term Outlook and Medium-term Challenges

Masood Ahmed
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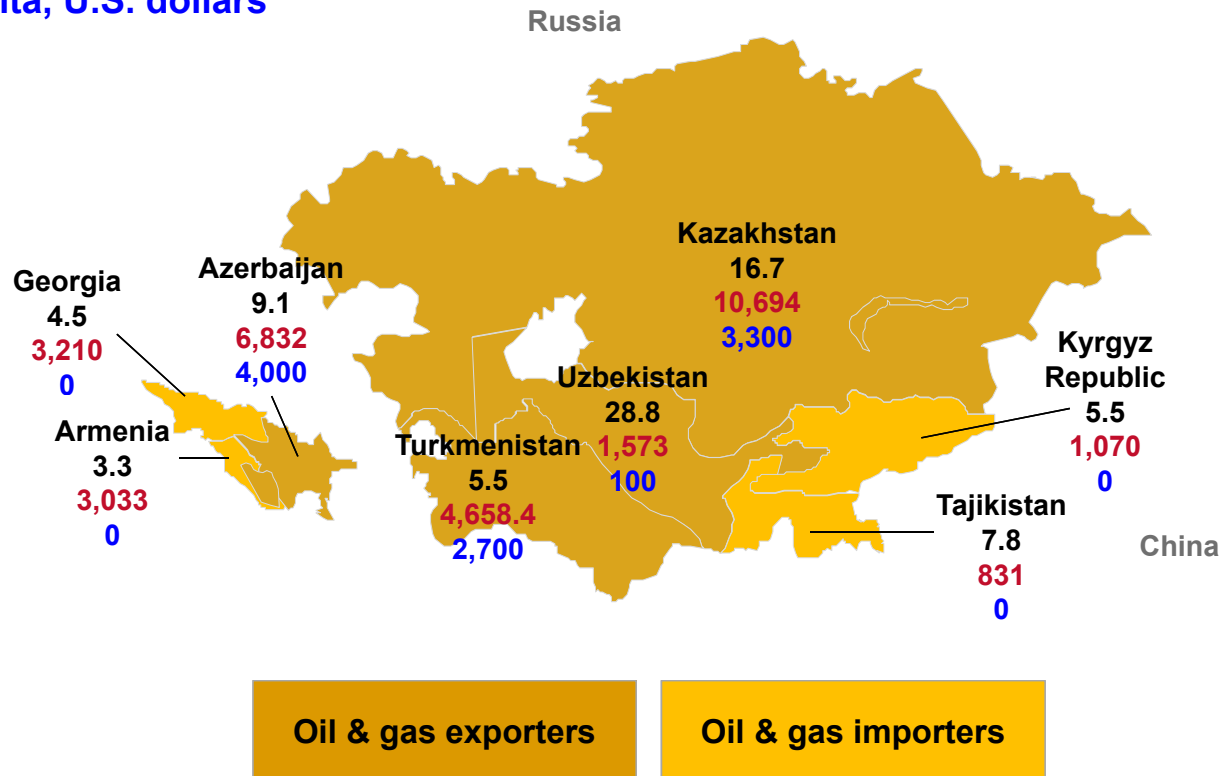


Main regional differences relate to hydrocarbon wealth

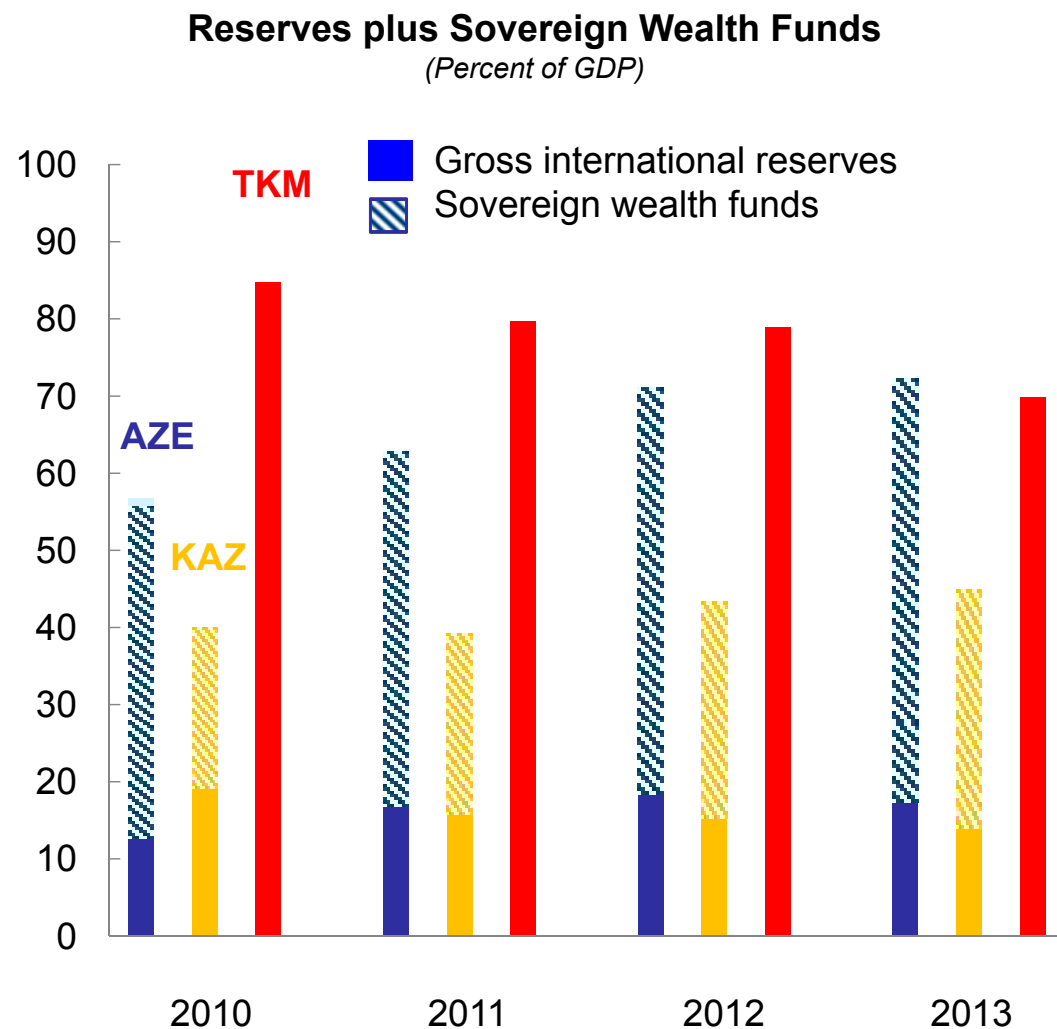
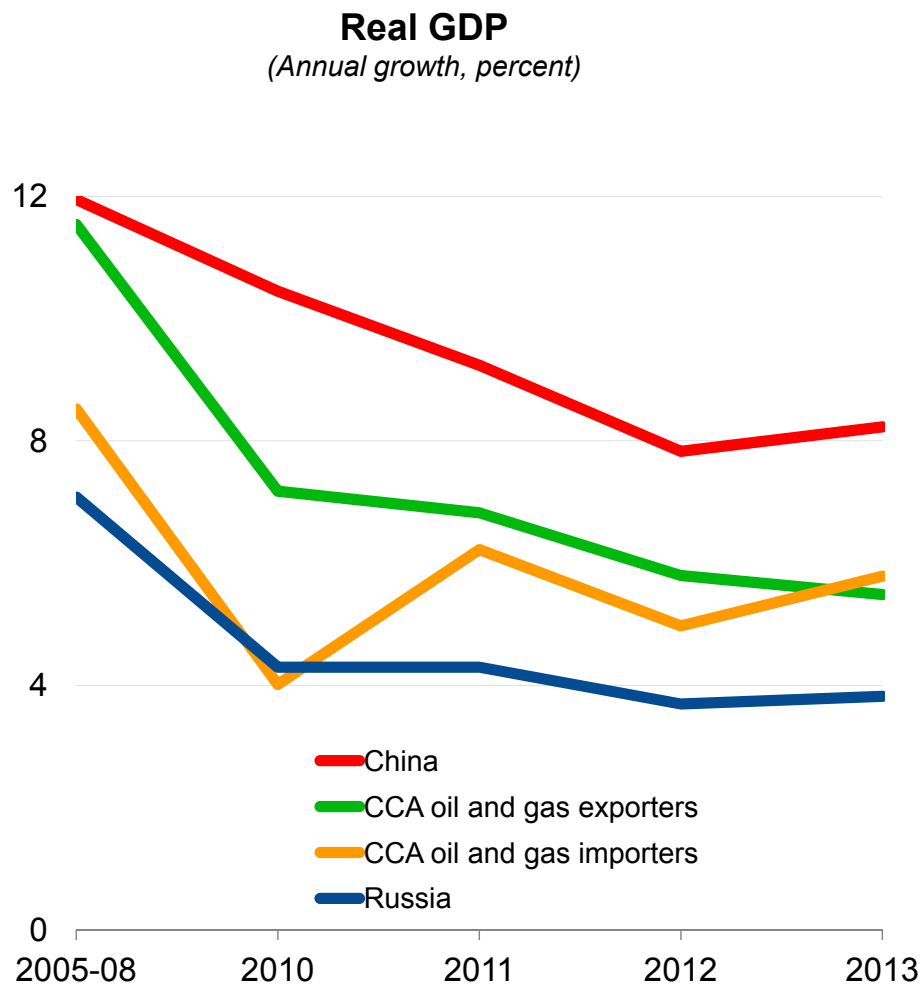
Population, millions (2011)

Annual income per capita, U.S. dollars

Oil exports per capita, U.S. dollars



Economic activity resilient; healthy reserves for CCA oil exporters

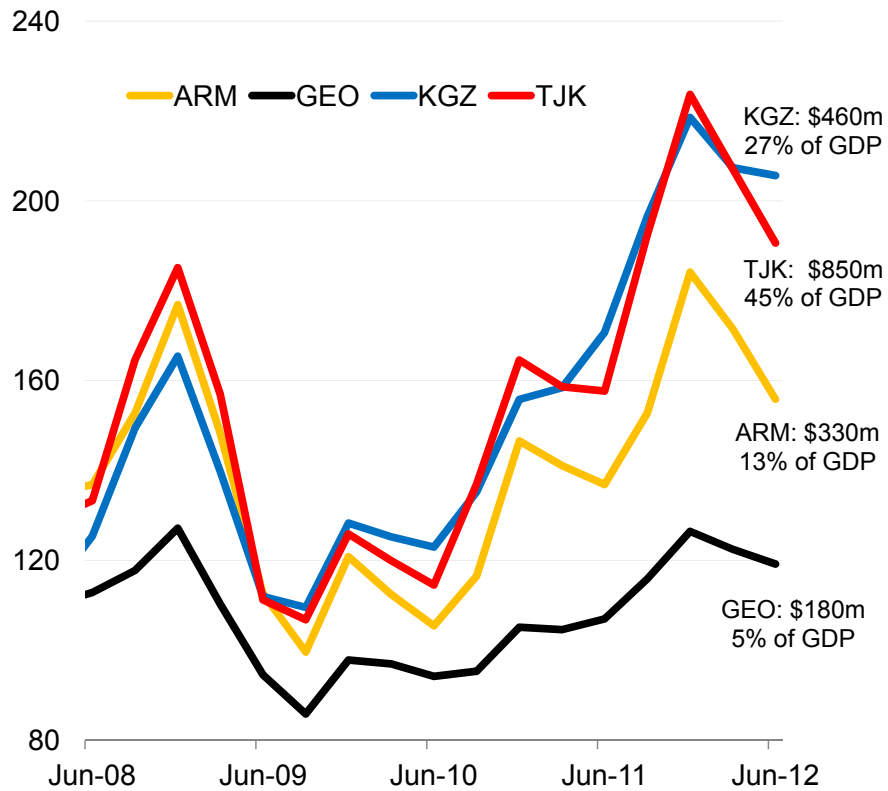


Sources: National authorities; IMF, World Economic Outlook; and IMF staff estimates.

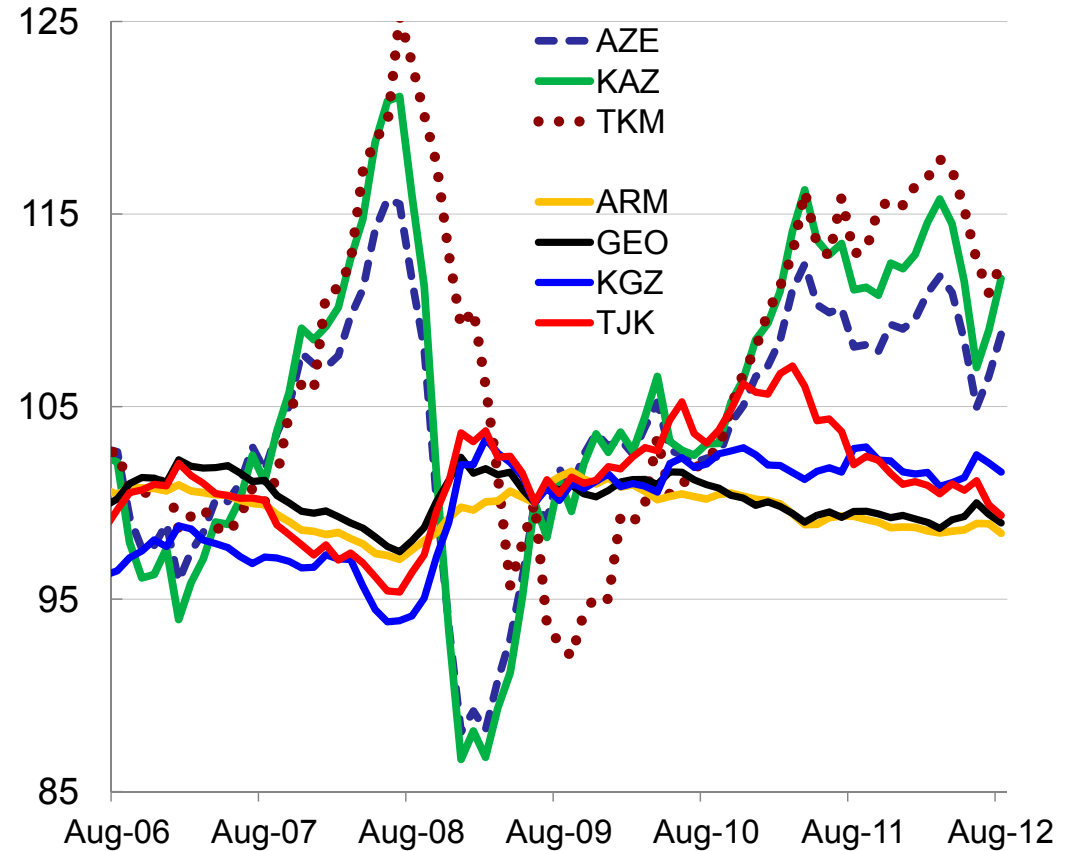


Remittances and supportive commodity prices have benefited CCA oil importers

Remittances from Russia to CCA Countries¹
(Three month moving average, 2008:Q2=100)



Commodity Terms of Trade
(Index; June 2009=100)



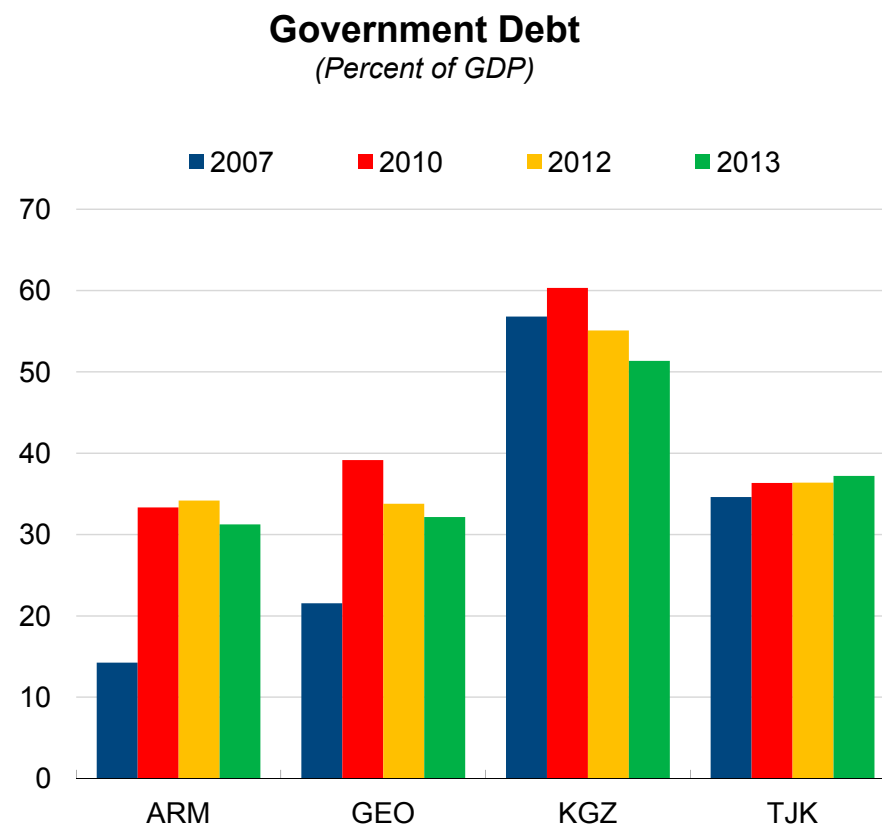
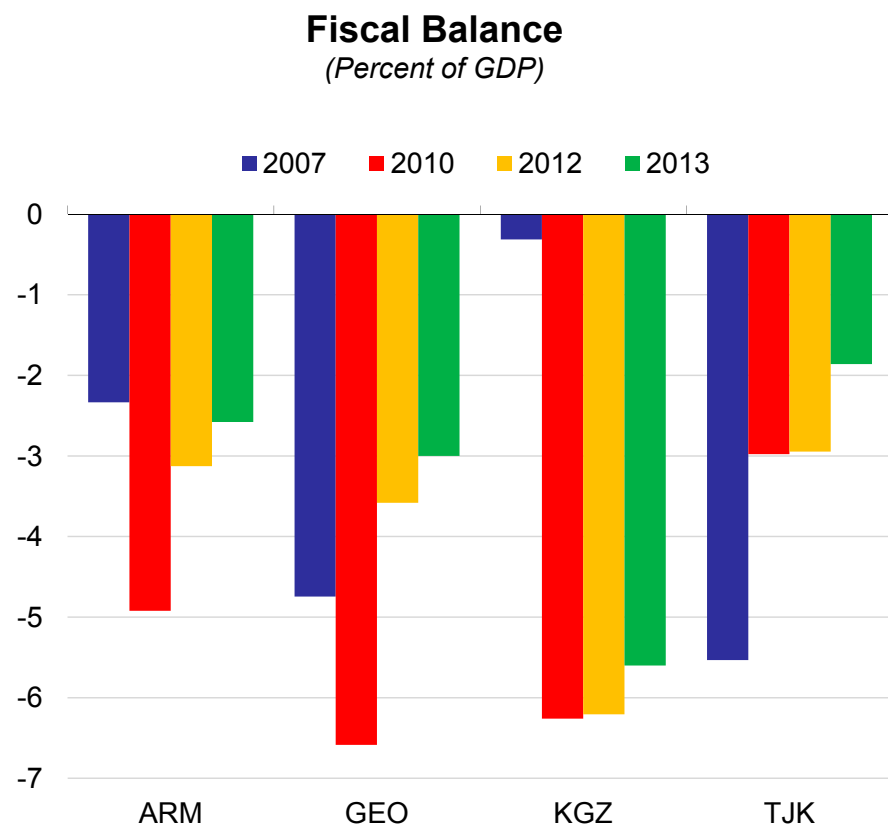
Source: Central Bank of Russia.

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

Sources: National authorities; and IMF staff estimates.



Challenge: Fiscal consolidation needed in CCA oil importers



Sources: National authorities; and IMF staff estimates.

- **Slow progress in rebuilding fiscal buffers**
- **Public debt has deteriorated since the global crisis**



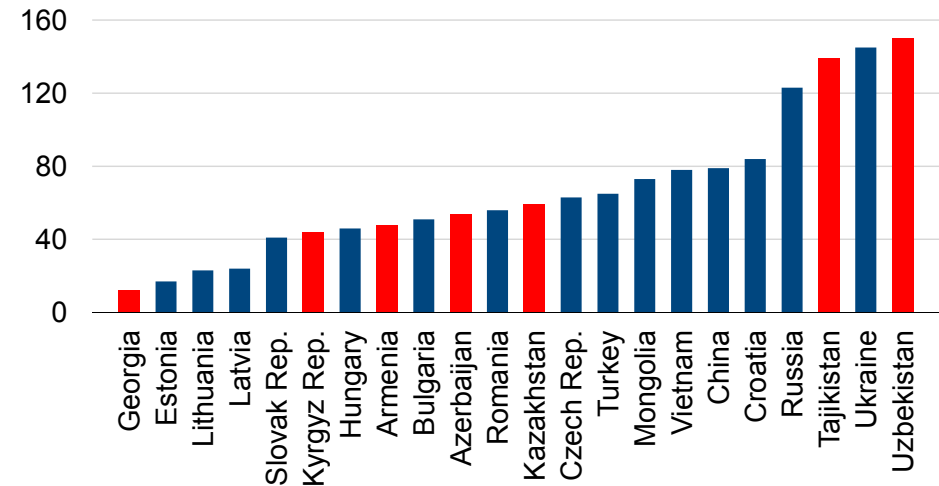
Challenge: Level business playing field, remove barriers to trade

Some CCA countries have made progress in improving the business environment ... but the private sector still face obstacles

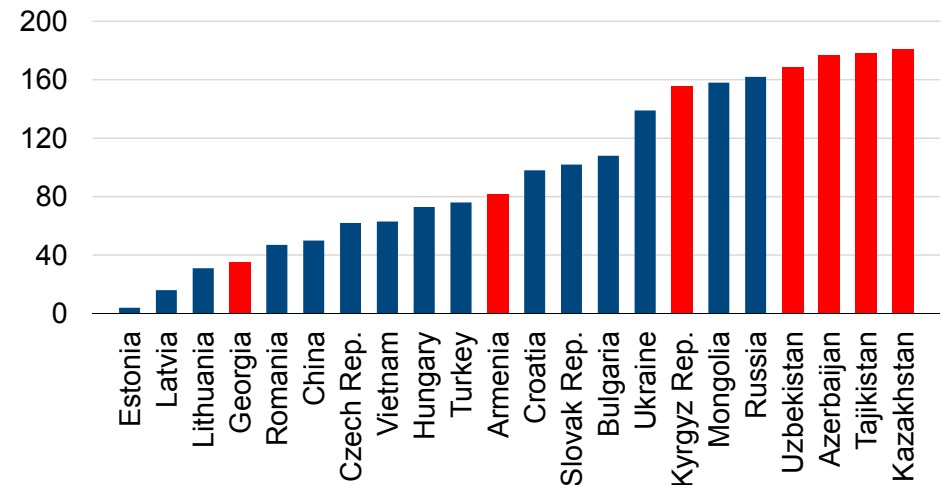
Lack of competition and excessive role of the state are key obstacles to greater private-sector activity

Restrictions on international trade in goods and services have made intra-regional trade prohibitively costly

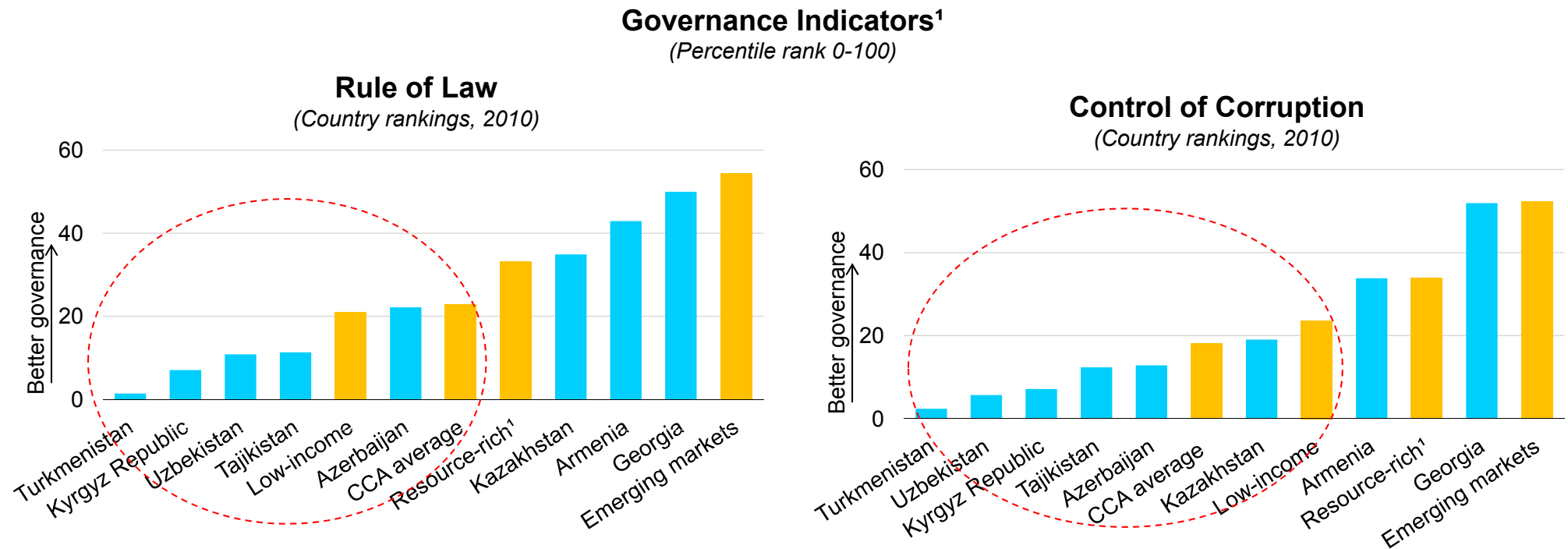
Ease of Doing Business Rankings



Trading Across Borders Rank



Challenge: Improve governance in the CCA



Source: World Bank, Worldwide Governance Indicators.

¹The Resource-rich group comprises the 41 resource-rich countries that are included in the Revenue Watch Institute's 2010 index.

- **Rule of law and control of corruption remain weak in the CCA**
- **CCA institutional quality lags that of other regions**
- **Improving governance is key to achieving a level playing field for CCA businesses**



Key Messages

CCA oil importers

- Rebuild fiscal space to accommodate future adverse shocks
- More flexible exchange rates will help shore up external buffers
- Closely monitor commodity terms of trade for food and fuel price rises

CCA oil exporters

- Improve accountability for the management and use of resource wealth
- Strengthen social spending on the most vulnerable
- Improve financial sector supervision and repair vulnerable banking sectors

More inclusive growth

- Bolster governance and transparency
- Diversify economy away from commodity dependence
- Improve trade infrastructure and financing for private sector

