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

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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

- Russia
- Uzbekistan
- Kazakhstan
- Azerbaijan
- Georgia
- Turkmenistan
- Kyrgyz Republic
- Tajikistan
- Armenia
- China

Oil & gas exporters
Oil & gas importers
Economic activity resilient; healthy reserves for CCA oil exporters

**Real GDP**  
(Annual growth, percent)

**Reserves plus Sovereign Wealth Funds**  
(Percent of GDP)

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 Countries**¹
(Three month moving average, 2008:Q2=100)

- **ARM**: $330m 13% of GDP
- **GEO**: $180m 5% of GDP
- **KGZ**: $460m 27% of GDP
- **TJK**: $850m 45% of GDP

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

- **AZE**
- **KAZ**
- **TKM**
- **TKM**

Source: Central Bank of Russia.

¹Boxes show the latest data available (2012:Q2).
Challenge: Fiscal consolidation needed in CCA oil importers

**Fiscal Balance**
(Percent of GDP)

**Government Debt**
(Percent of GDP)

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

- 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

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.
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