



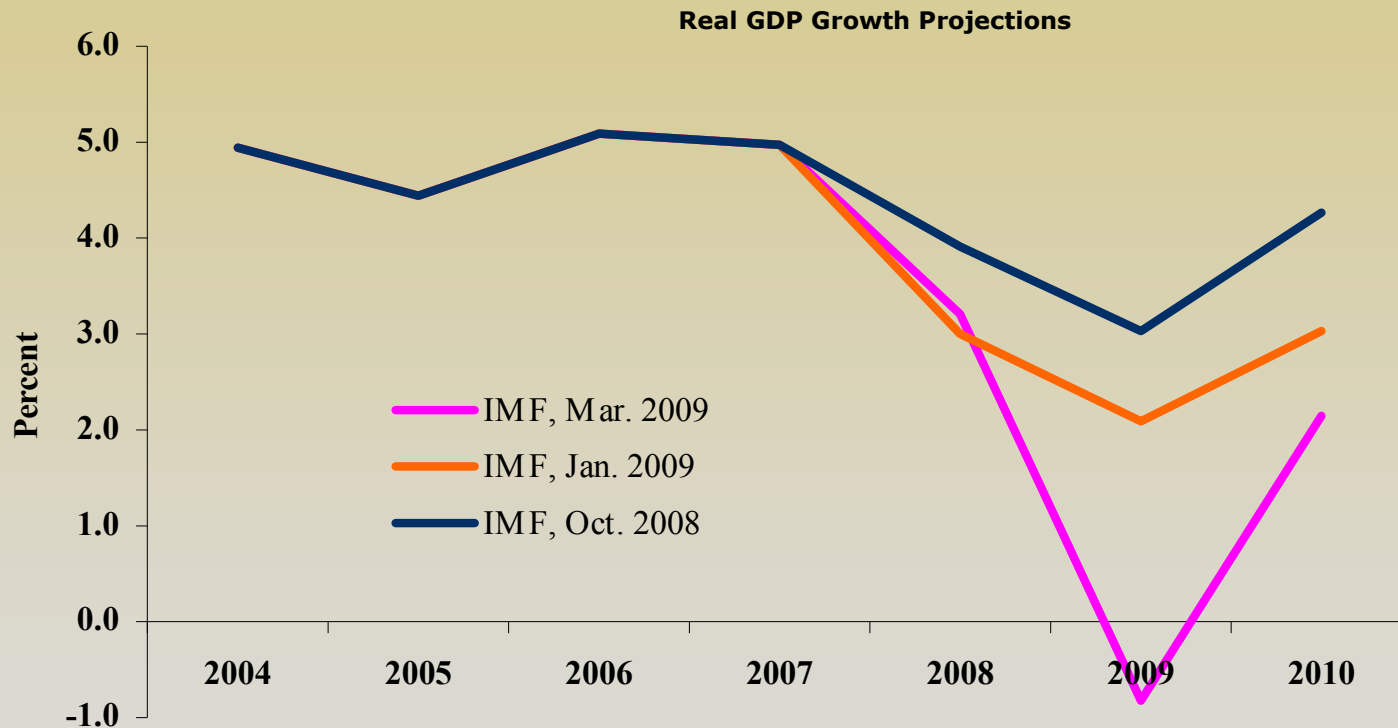
# **The Global Outlook and Georgia**

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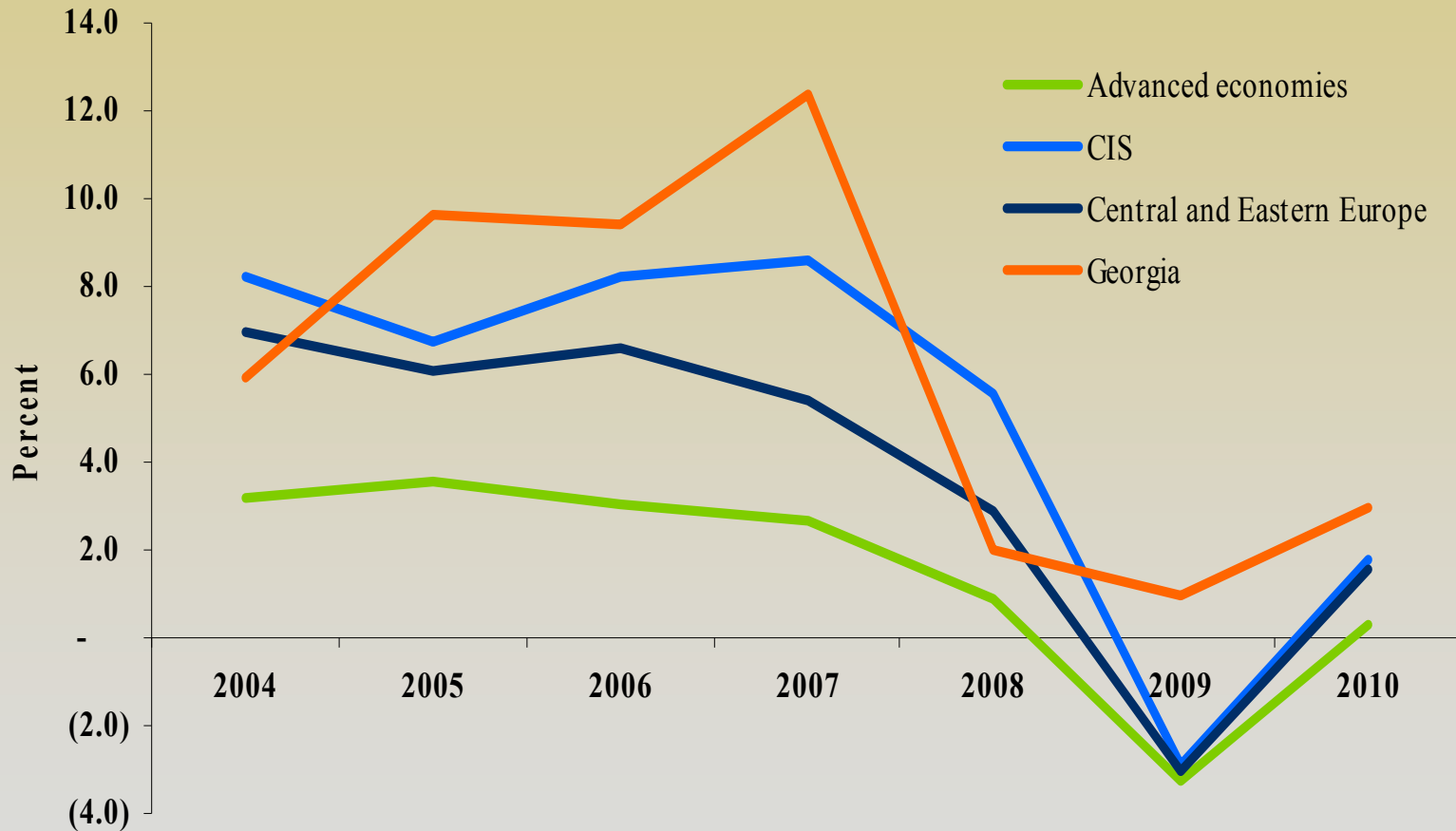
# The world is headed for the first global economic contraction in 60 years





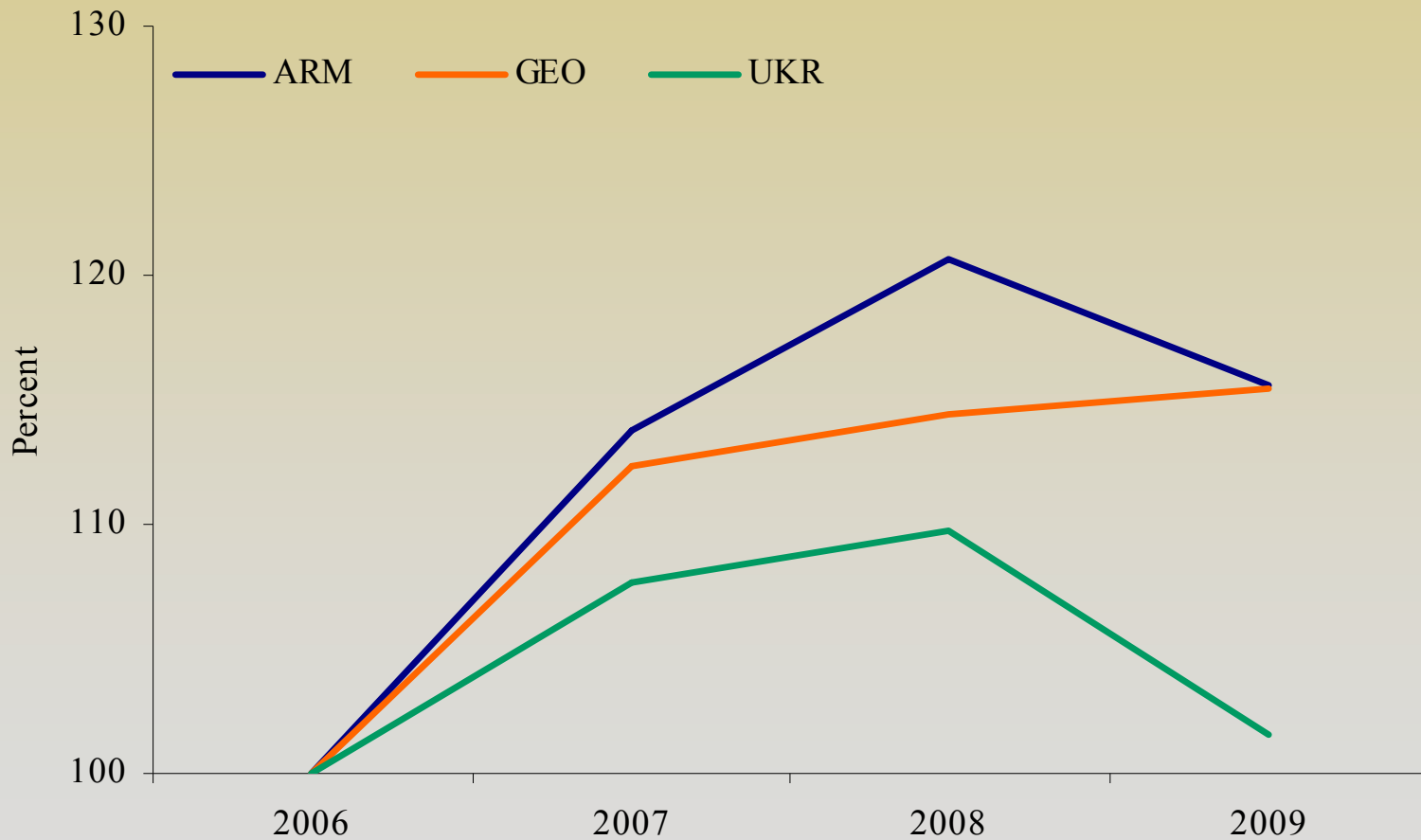
# The neighborhood is going to be hit particularly hard

Real GDP Growth Projections



Source: IMF, World Economic Outlook

# Real GDP 2006=100



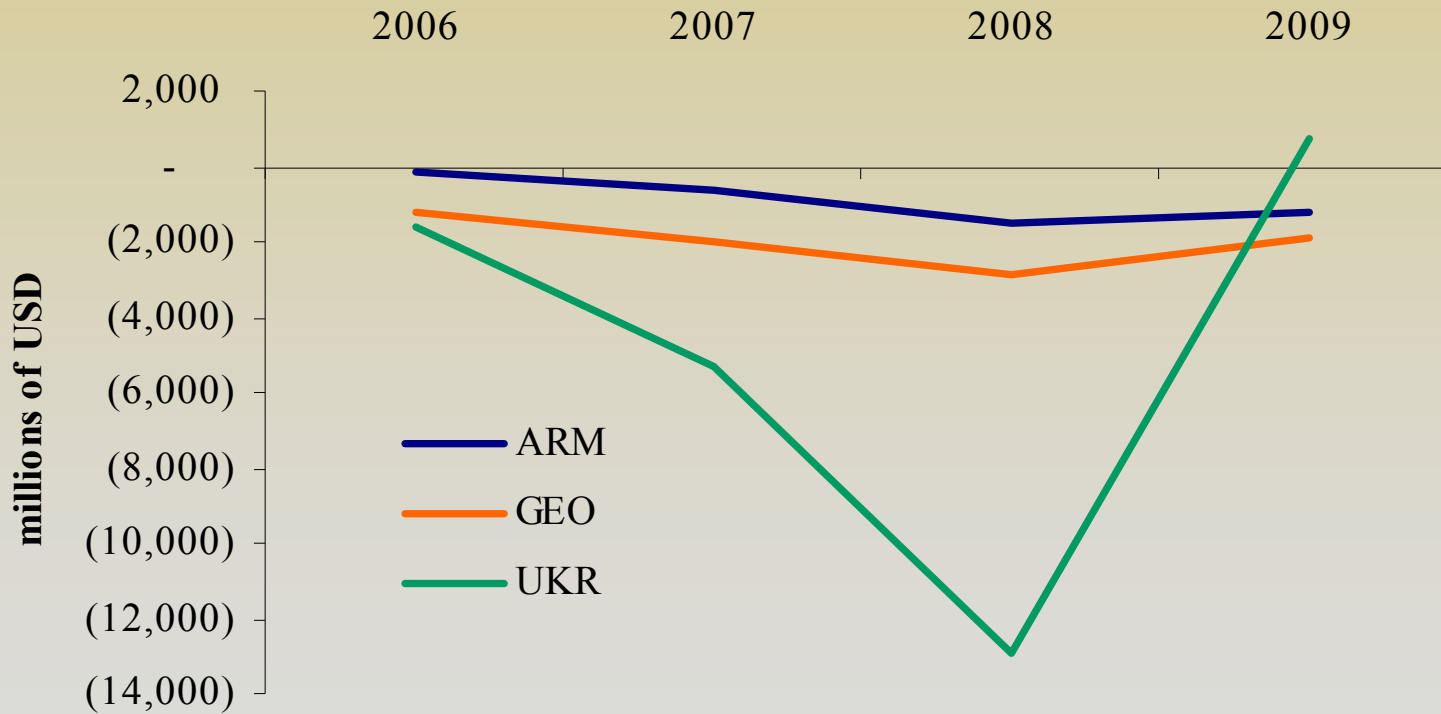


# Private External Financing



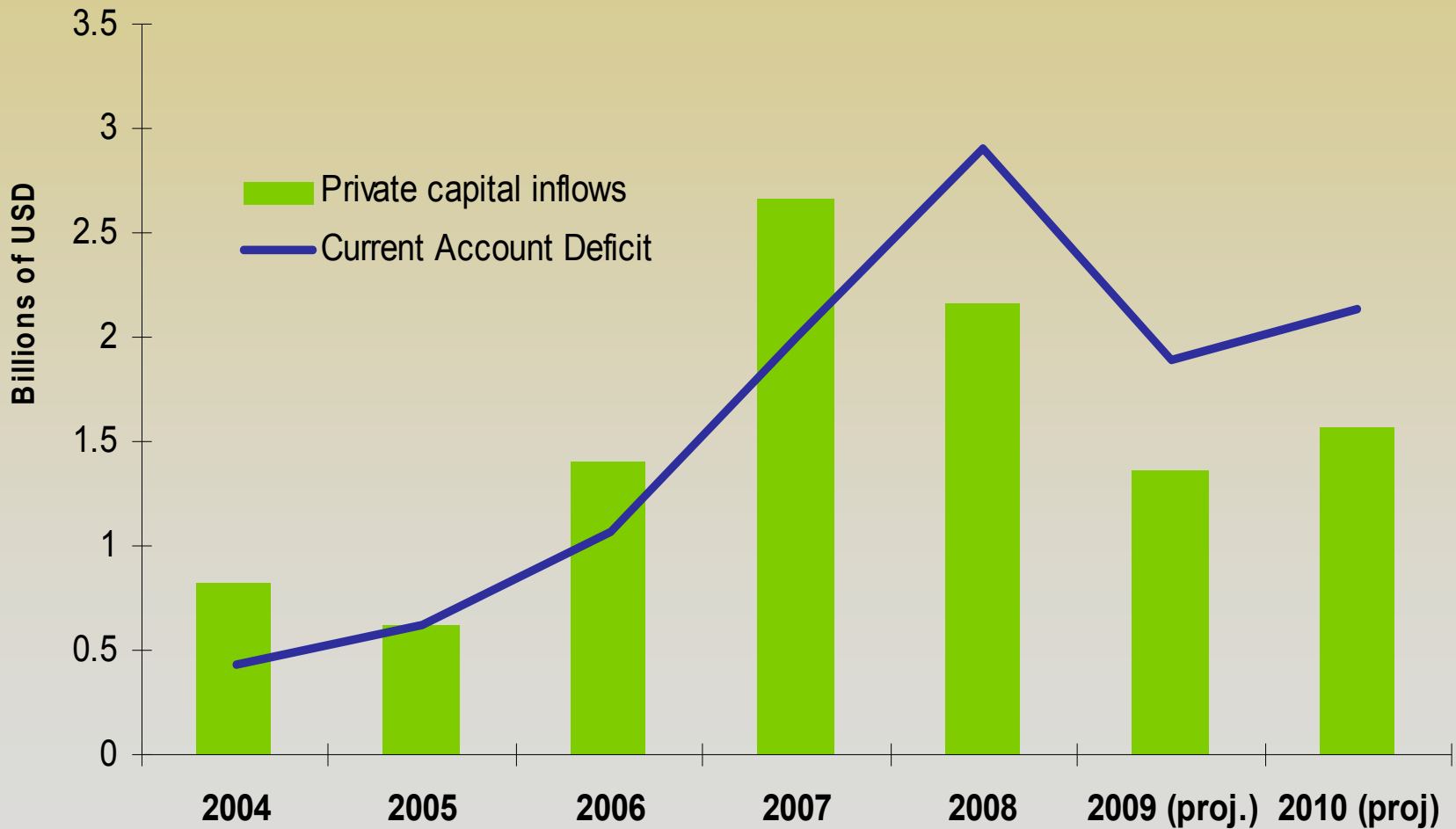


# Current Account Deficit





# Georgia: The External Financing Shock



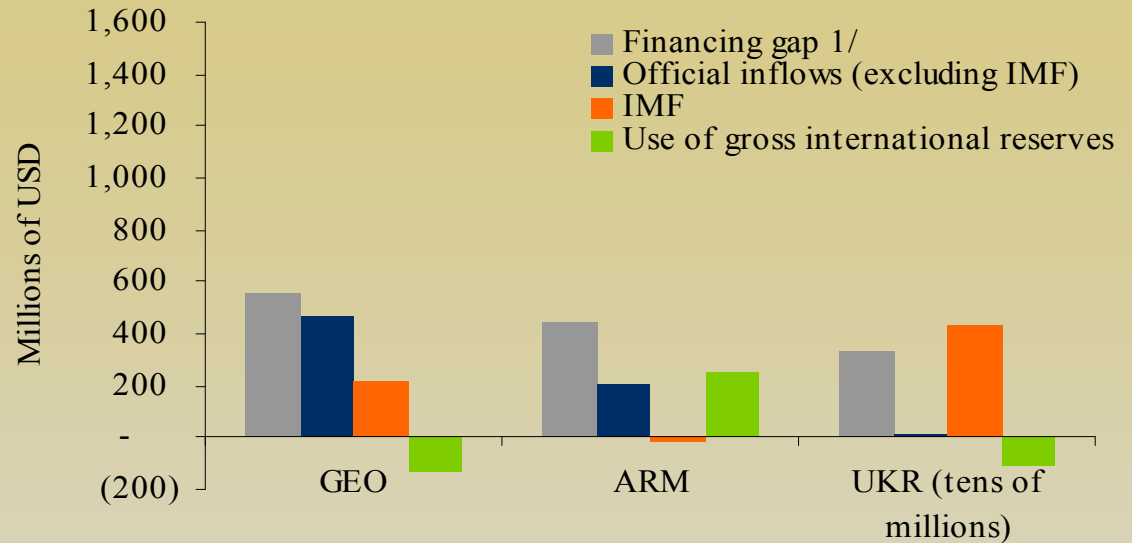
Sources: Statistics Department of Georgia; and IMF Staff Estimates



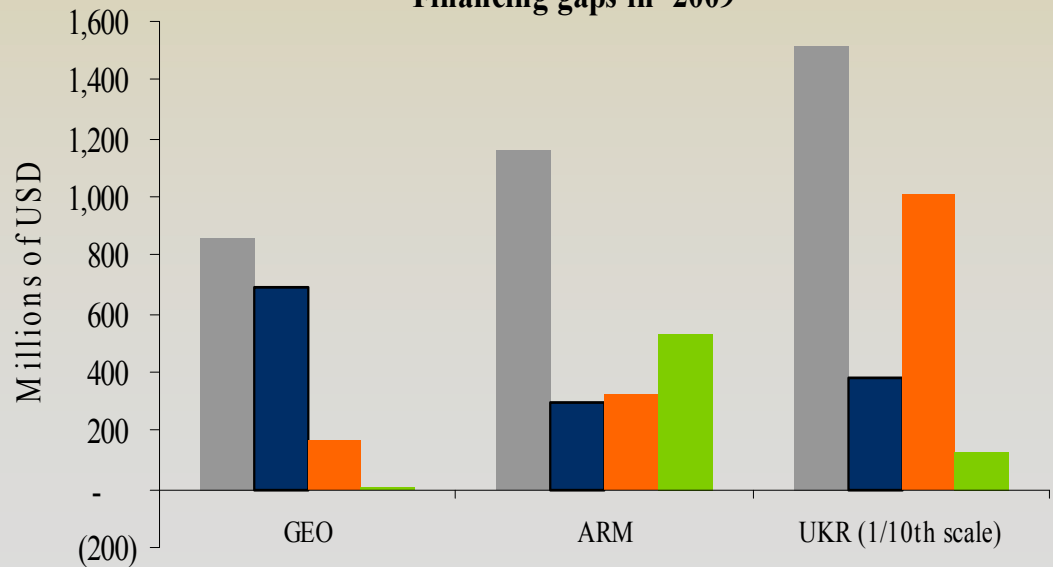
# External Financing Gaps 2008-09

1/ Financing gap defined as current account deficit (excluding official transfers) less net private capital inflows

### Financing gaps in 2008



### Financing gaps in 2009







# Georgia's exposure to the international crisis

- **Channels of transmission of the international crisis:**
  - Contraction of export markets
  - Lower remittances
  - Freeze of credit markets (debt rollover problem)
  - Repatriation of hot money
  - Falling commodity prices
- **Resilience factors:**
  - low public and external debt
  - large donor financial package
  - diversified export markets and FDI sources
  - track record of pro-growth structural reforms and sound macro-economic policies



# IMF Approved a \$710 Stand-By Arrangement (Credit Line) in September 2008

- **Duration:** 18 months
- **Objectives:**
  - Stabilize the economy, restore confidence and meet external payment obligations with least disruption
- **Policies:**
  - align public spending to available external resources
  - allow the exchange rate to adjust flexibly to market pressures and thus protect international reserves
  - maintain close vigilance over banks to pre-empt possible problems
- **\$240 million released upfront**
  - to replenish the international reserves of the central bank, which had declined by \$343 million in August alone (to \$1,122 million)



# Progress under the program

- **\$190 million released in March upon completion of 2<sup>nd</sup> Review:**
  - all December 2008 targets (e.g., budget deficit and international reserves of NBG) were met
  - Policies remain on the right course to achieve the program objectives and weather the crisis.
  - But uncertainty and risks remain very elevated due to international environment

Thank You