



## MIDDLE EAST AND CENTRAL ASIA DEPARTMENT

# Caucasus and Central Asia Regional Economic Outlook

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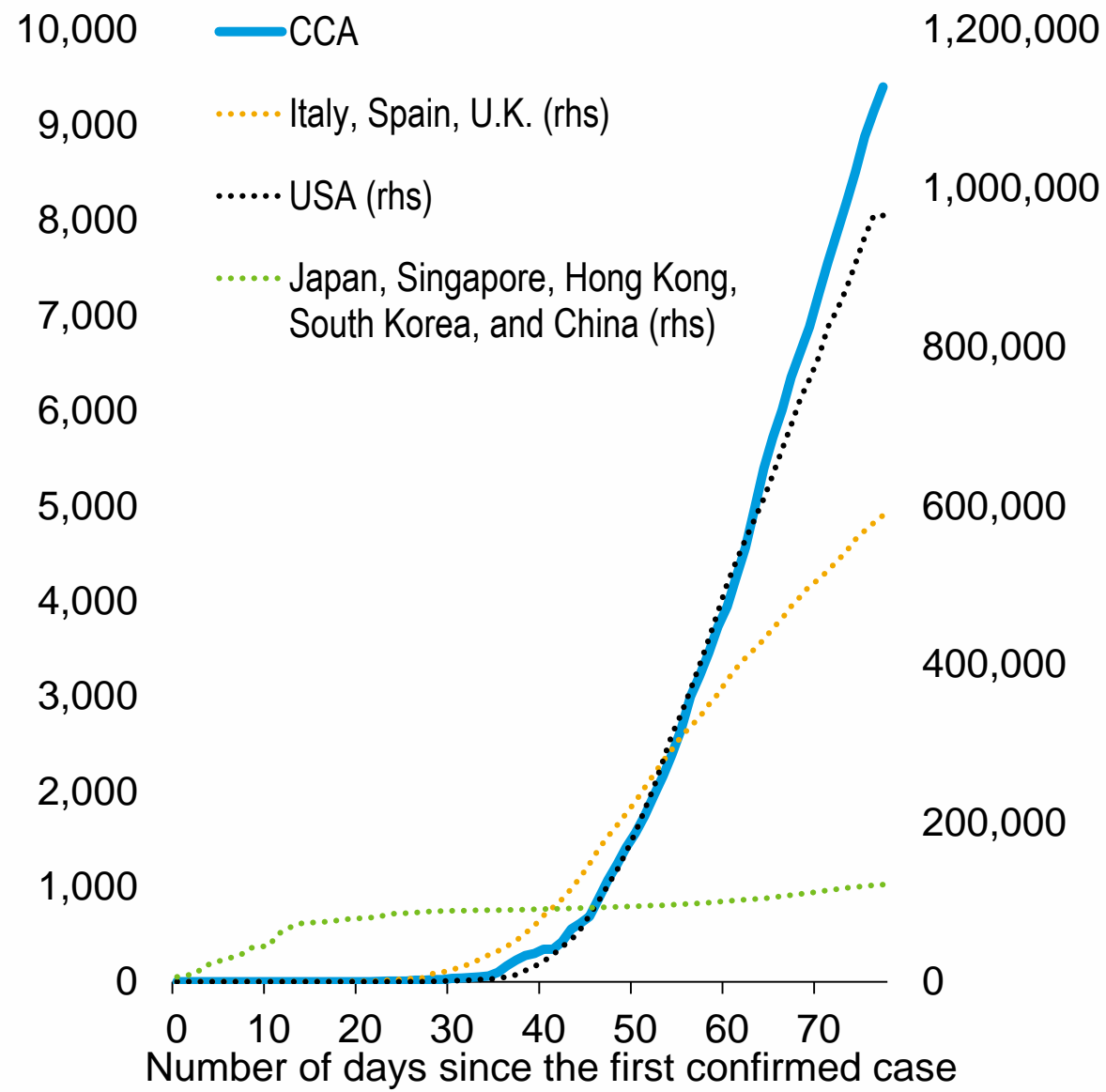
# The Shock

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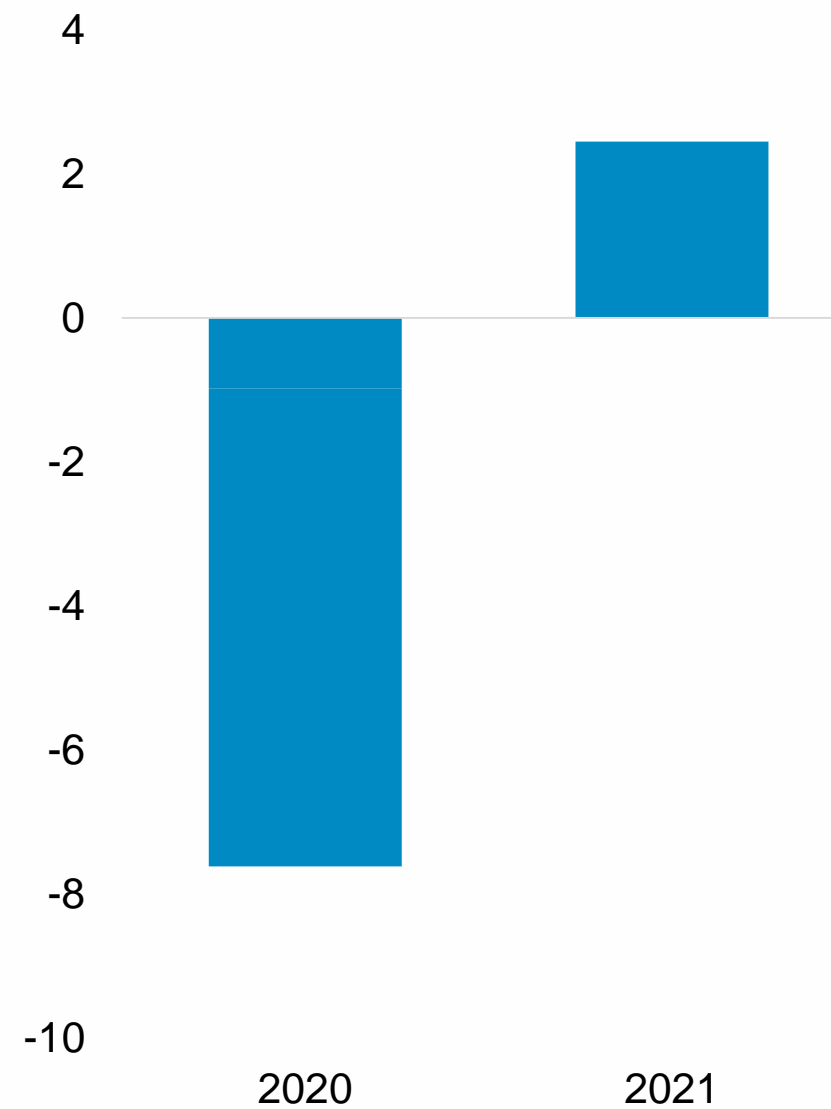
**The COVID-19 pandemic and the plunge in oil prices are causing significant economic and social impacts in the region through simultaneous shocks**

# The COVID-19 pandemic has severely disrupted trade, hurting job-rich sectors and business confidence...

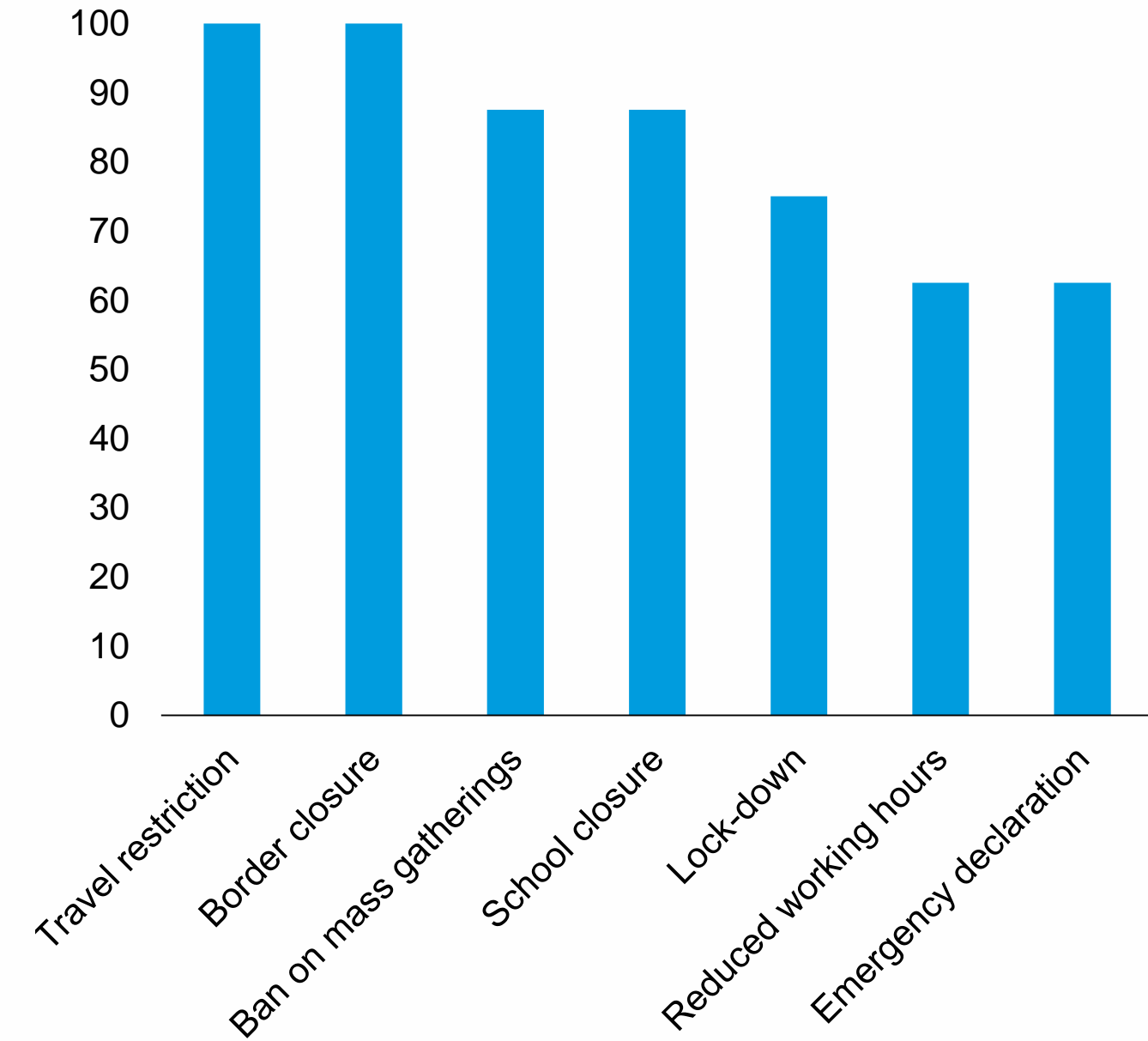
**Confirmed COVID-19 Cases in CCA Region**  
(Total confirmed cases of COVID-19 since first case)



**Disruptions: Growth Revisions in Top CCA Trading Partners**  
(Percent of GDP, weighted by export share)



**Containment Measures in CCA Countries**  
(Percent of CCA countries with each policy)

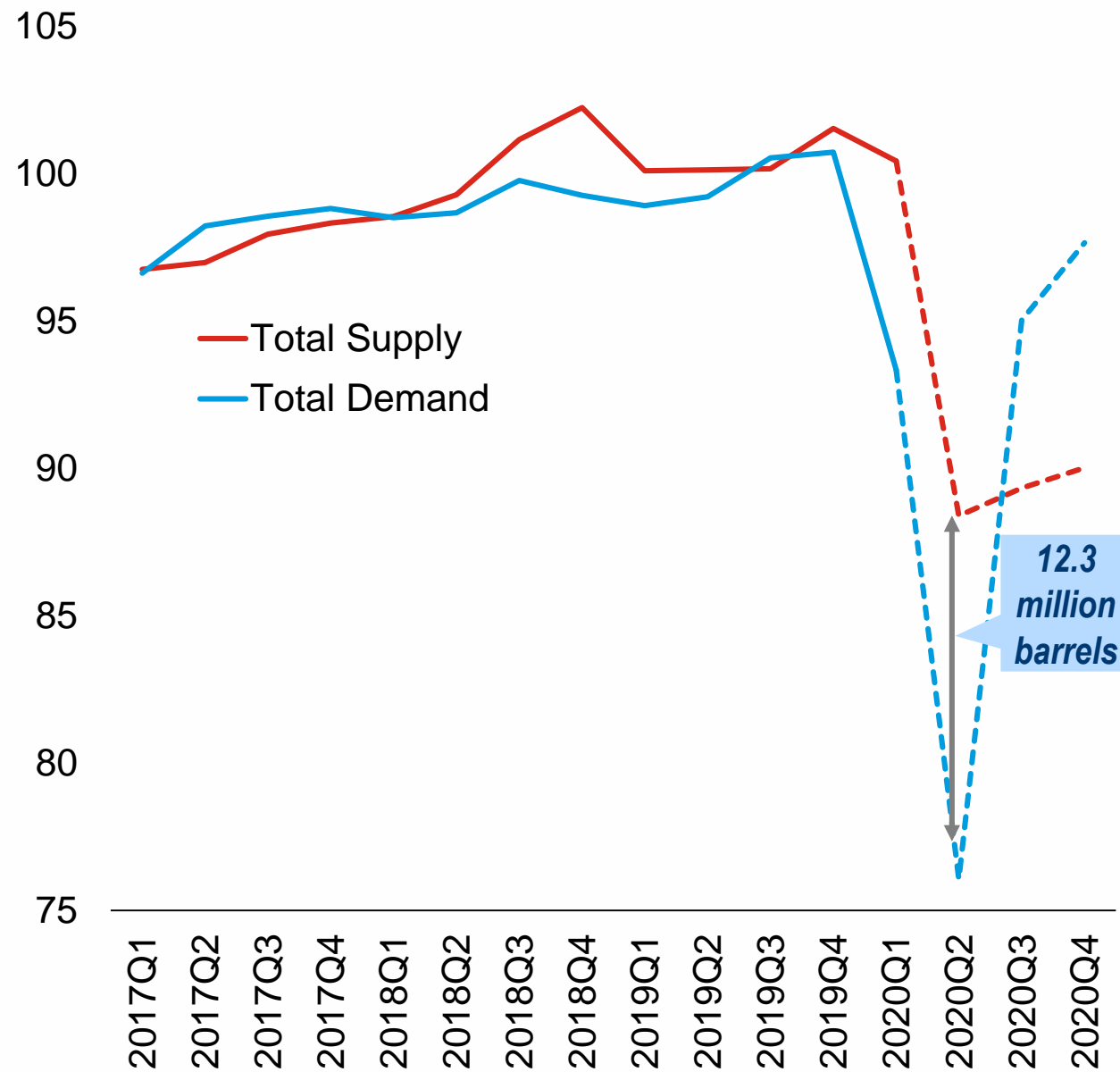


Sources: Bloomberg L.P.

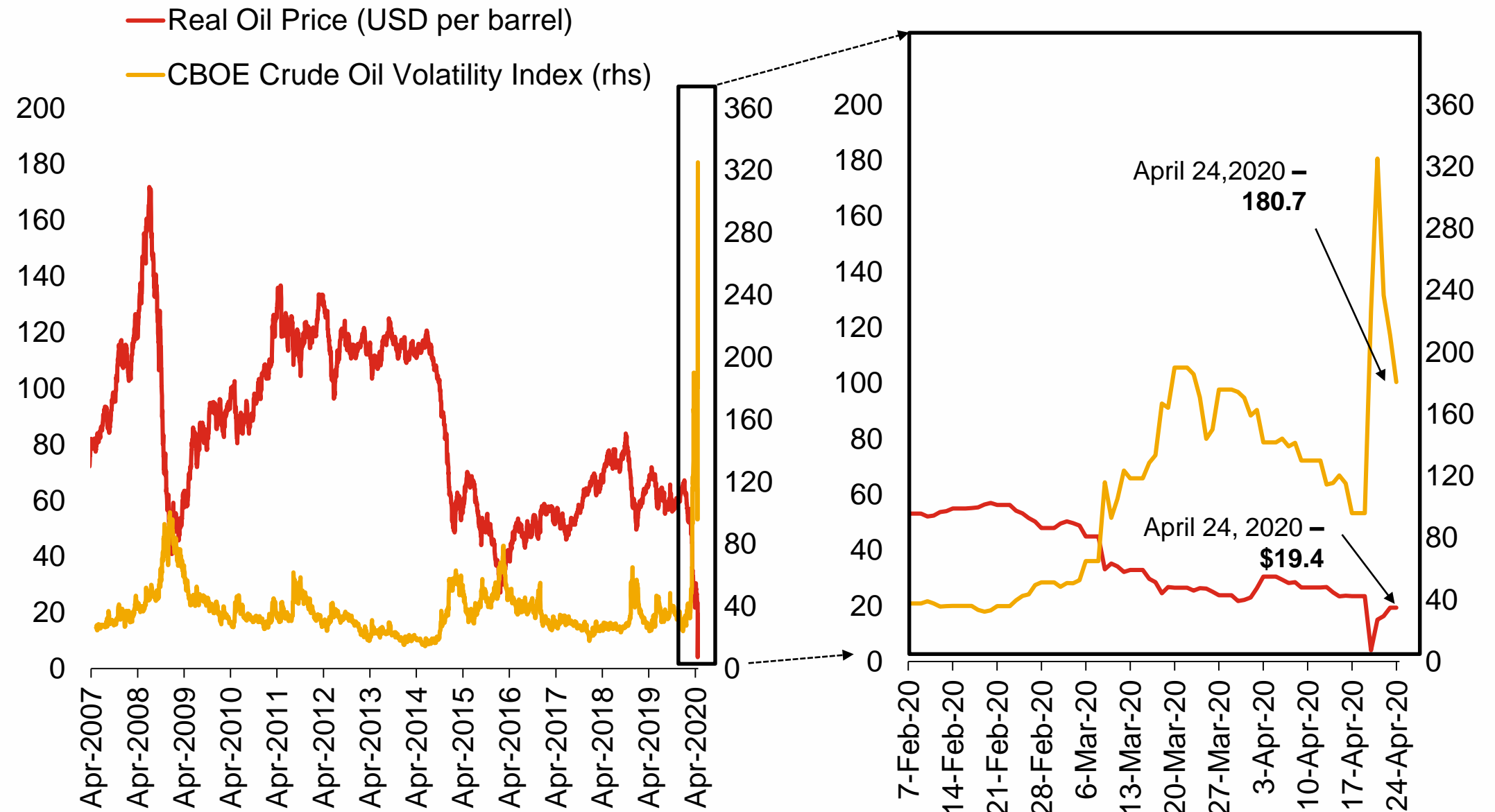
Note: COVID-19 = Coronavirus disease. COVID-19 is an infectious disease caused by a novel coronavirus. On March 11 2020, WHO declared COVID-19 a global pandemic, with over 100,000 confirmed cases in over 100 countries across the world. The first confirmed cases in the Middle East were identified in the United Arab Emirates on January 29th 2020.

# ...the oil shock and Russia slowdown have compounded challenges

**Global Oil Supply & Demand**  
(Million barrels per day)



**CBOE Crude Oil Volatility and Real Oil Prices**  
(Index and USD per barrel)



Source: Bloomberg Finance L.P.

Note: CBOE = Chicago Board Options Exchange; and rhs = right-hand scale. The CBOE Crude Oil Volatility Index measures the market's expectation of 30-day volatility of crude oil

**Sharp decline in demand with glut in oil supply**

**Lowest oil price in two decades**



# CCA authorities' responses to COVID-19 emerged rapidly: Protect people and preserve economic engines

## Framework for Response to the Crisis

CCA responses aimed to tackle two key challenges...

Main objectives

Support the healthcare system

Support jobs and citizens

... through four immediate steps

Key policy tools

I

### Containment Measures

- Travel restrictions
- Border closure
- Social distancing
- School closures

II

### Support Public Health System

- *At outset: health system gaps and low preparedness...*
  - Ensure adequate resources
  - Spend as needed

III

### Support the Economy

- Targeted fiscal measures (broad support where space allows)
- Allow exchange rate flexibility
- Raise policy rate if adjustment disruptive

IV

### Maintain Access to Finance

- Sustain liquidity in financial system
- Preserve SME access to finance
- Safeguard financial stability

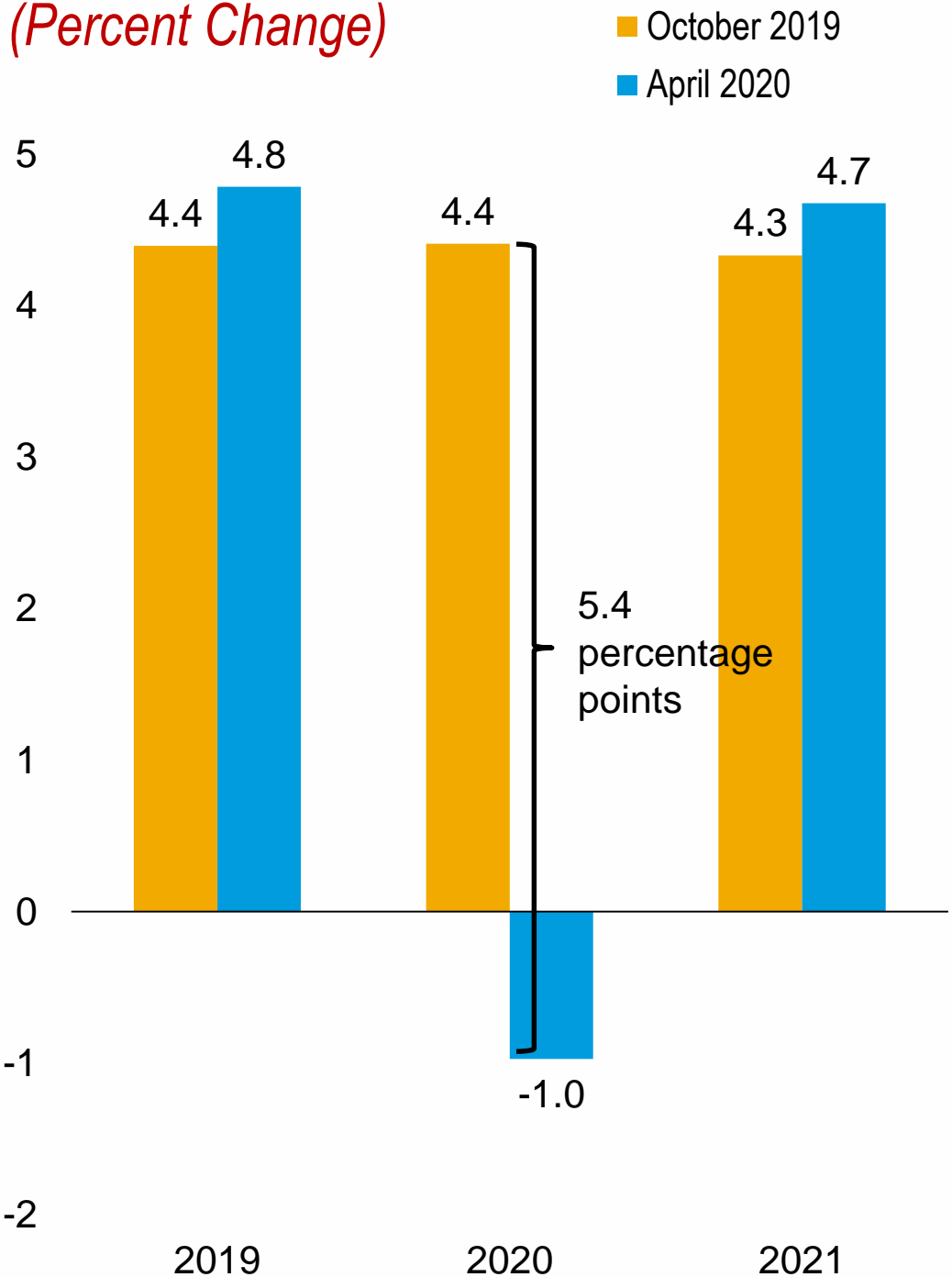
## **Outlook and Risks in 2020**

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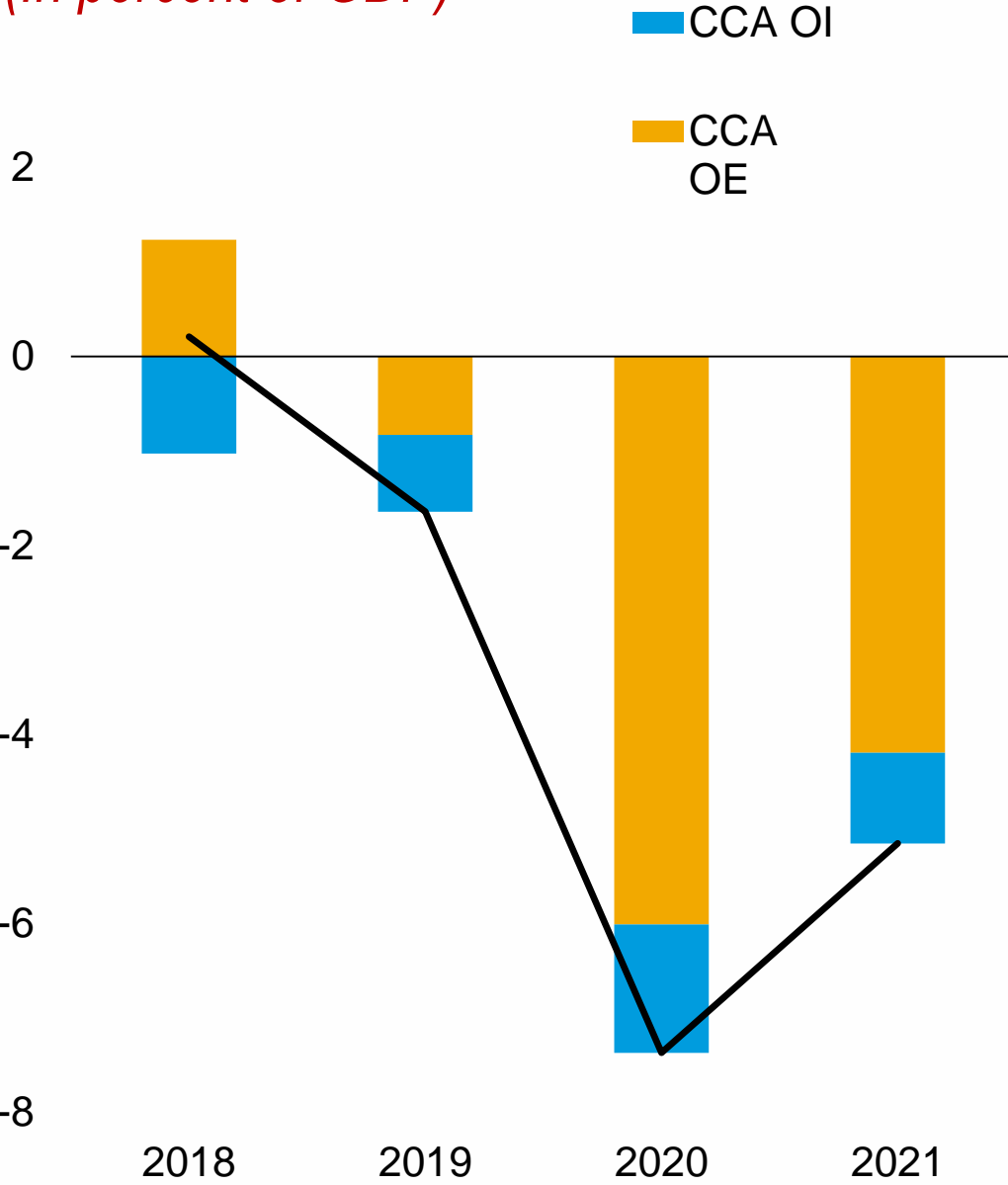
**Economic performance in CCA countries will be severely impacted by this dual shock and resilience will be eroded**

# Growth is expected to falter in 2020, with large uncertainties around baseline

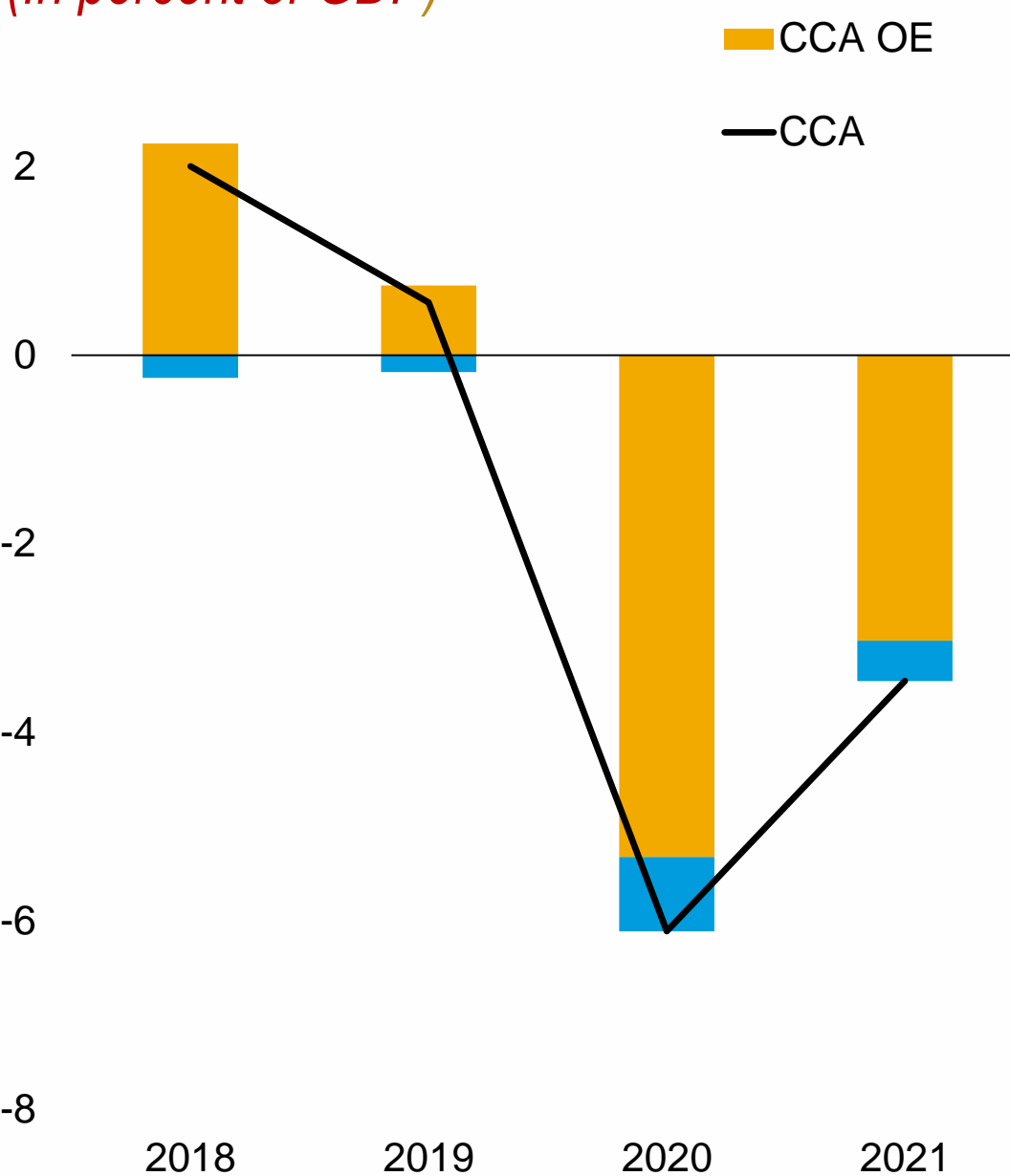
**CCA: Real GDP Projections**  
(Percent Change)



**Current Account Balance**  
(In percent of GDP)



**Fiscal Balance**  
(In percent of GDP)

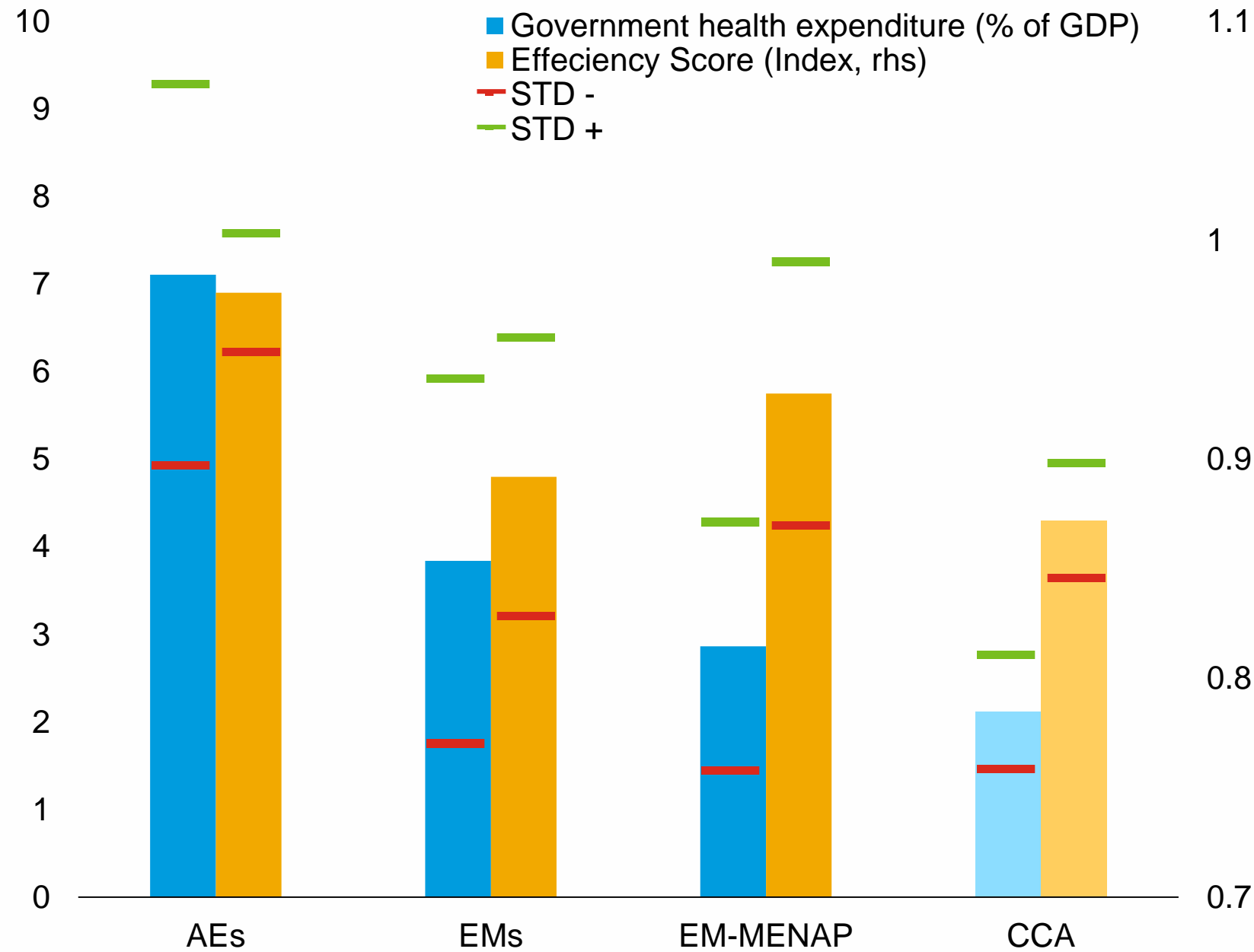


**Double blow: external and fiscal positions have come under particular stress in CCA oil exporters**

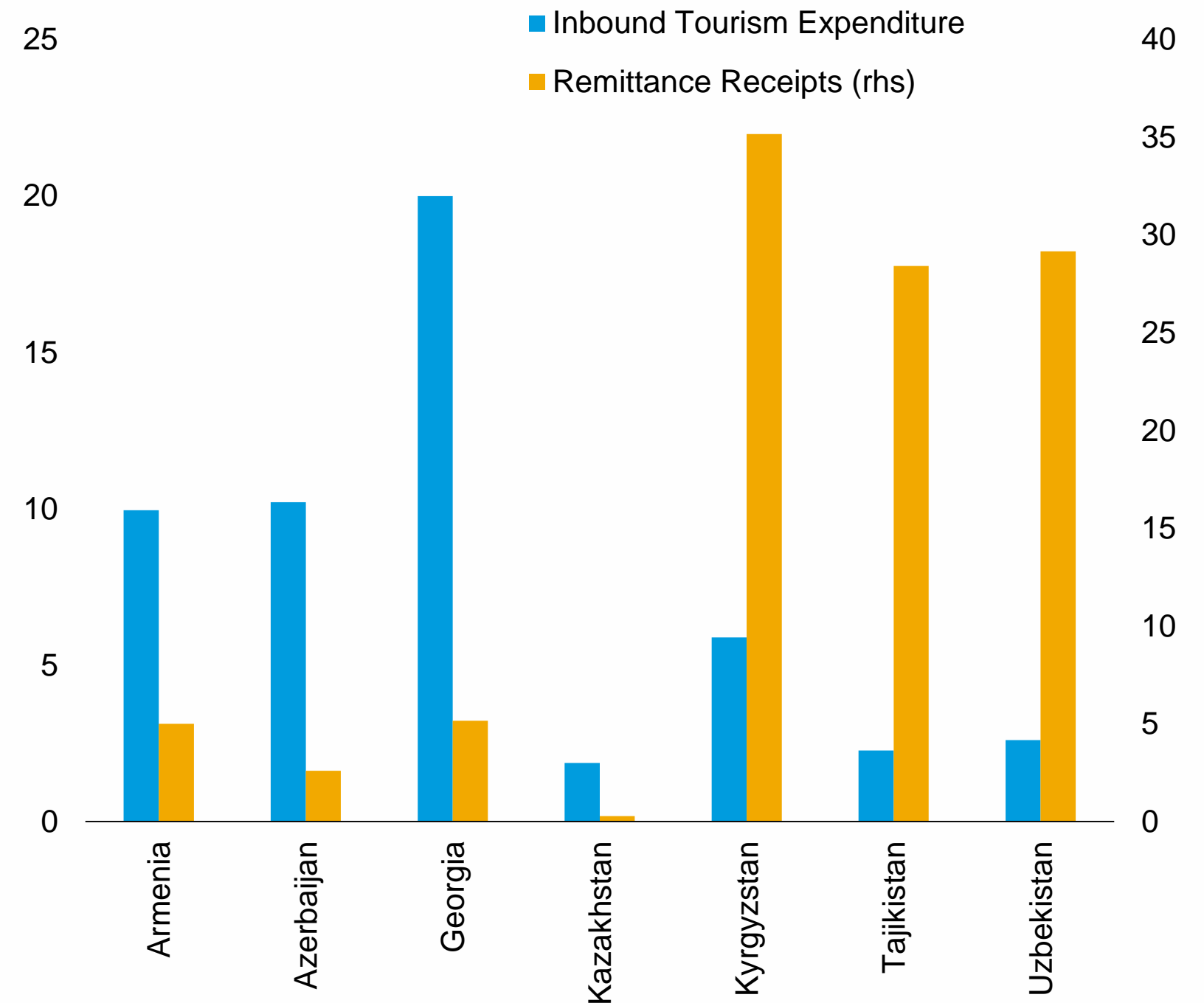
Sources: National authorities; and IMF staff calculations.

- Health spending relatively low, with limited efficiency in some CCA countries
- Several CCA countries are vulnerable to a drop in tourism and/or remittances

### Public Health Indicators



### Inbound Cash Flows (Percent of GDP)

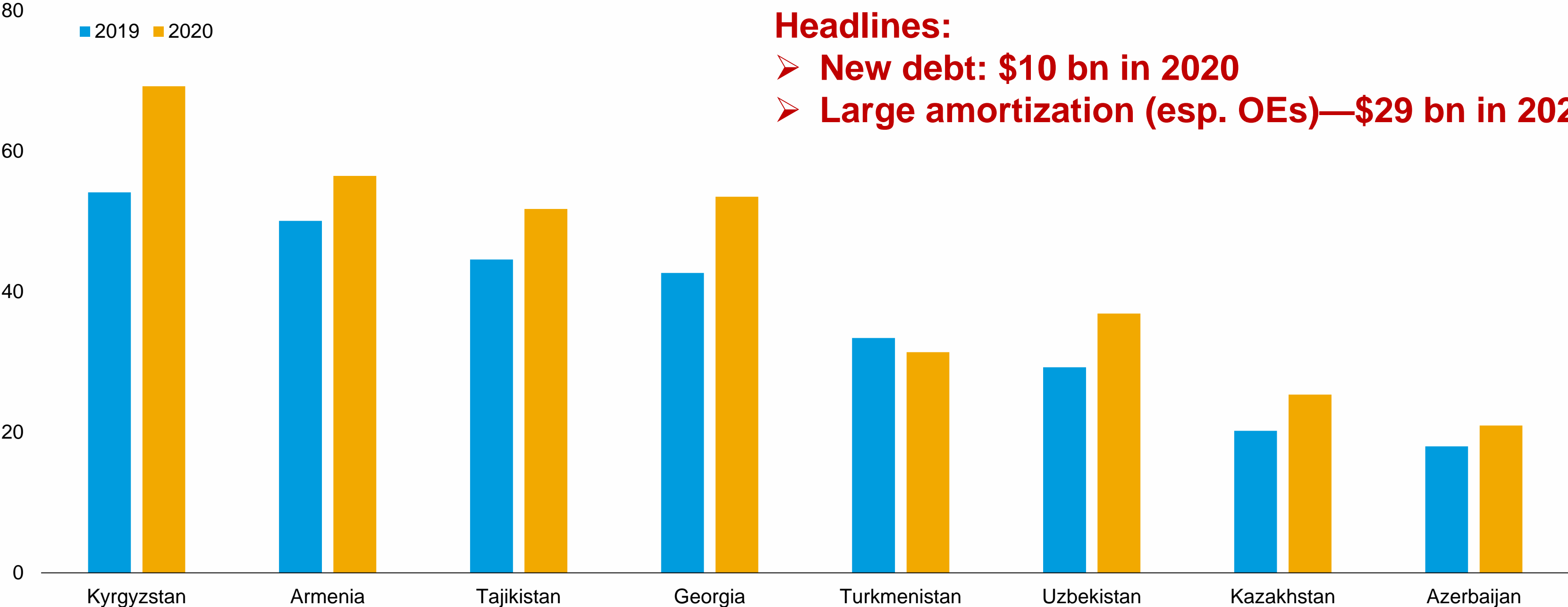


Sources: World Development Indicators and UNDP; Herrera and Ouedraogo (2018) , and IMF staff calculations.



# Mounting public debt erodes fiscal space and maturing debt presents financing risks in current market conditions

## Public Debt (Percent of GDP)



### Headlines:

- New debt: \$10 bn in 2020
- Large amortization (esp. OEs)—\$29 bn in 2020

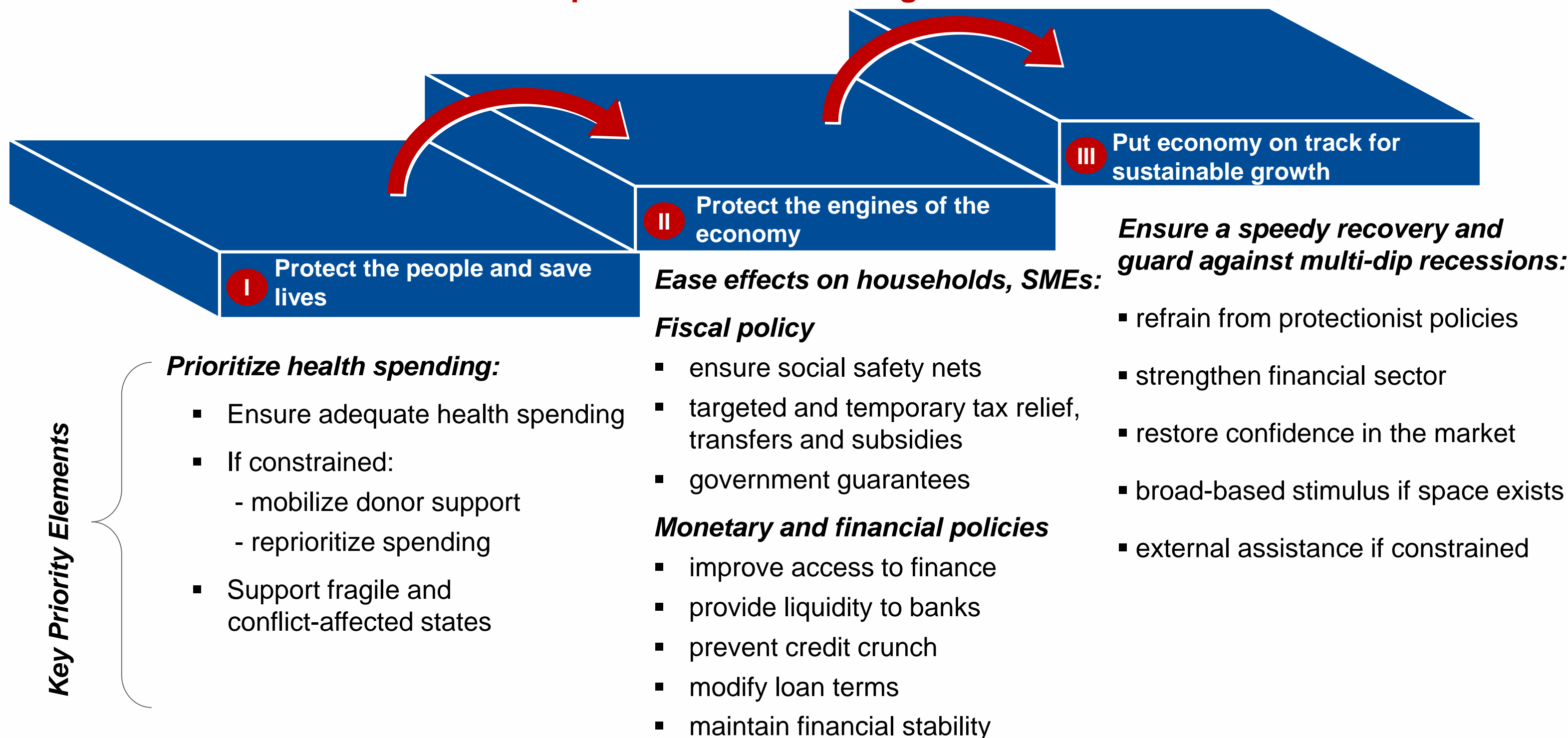
# **Policy Priorities and Fund Support**

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**Scaling up policy advice and financial assistance to help surmount this crisis and limit its human and economic costs**

# Governments need to mobilize all efforts to stabilize economic and financial systems and reactivate the economy ...

## Priorities in Response to the Unfolding Crisis



## ...and address emerging and post-shock policy challenges

- **Ratcheting up health spending** — *where systems/infrastructure is weak*
- **Reaching out to vulnerable** households and businesses — *where informality is high*
- **Ensuring debt sustainability** — *following a sharp increase in deficits and debt*
- **Steering monetary and financial sector policies** — *in the face of large capital outflows*
- **Advancing reform efforts** — *to avoid rollback of hard-won reforms and expand in key areas*
- **Strengthening regional and multilateral cooperation** — *as domestic responses have spillovers across borders:*
  - Avoiding trade restrictions on food and medicine
  - Providing access to health services to migrant workers
  - Supporting fragile and conflict-affected countries
  - Sustaining regional integration efforts – *movement of labor, capital, goods and infrastructure*

# IMF: integrated response to support CCA through COVID-19/oil shocks

## IMF RESPONSE FRAMEWORK

### *IMF financing to contain the crisis*

- Respond to requests
- 5 new financing requests
- Kyrgyz Republic approved



- Assessments and policy advice to authorities
- Bilateral and regional teleconferences with authorities
- Dissemination of global policy initiatives and IMF staff COVID-related policy guidance

- Act as lender of last resort
- Discussions on use of CCRT



- Close coordination with World Bank, ADB, AIIB, EBRD, EADB, Eurasian Fund
- IFI coordination meeting for CCA
- Mobilization for financial resources and debt relief



**Thank you**  
**Questions and Answers**