



**OIL PRICE SLUMP: IMPACT ON  
INFRASTRUCTURE INVESTMENTS  
IN CAREC COUNTRIES**

# OUTLINE

- **Causes of the price slump**
  - **Macroeconomic and financial impacts**
  - **Policy implications and impact on infrastructure investments**
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# CAUSES OF THE PRICE SLUMP

- Greater-than-anticipated supply and less-than-anticipated demand
  - OPEC's decision to maintain its current production level of 30mb/d, signifying a change in the cartel's policy objectives
  - Receding geopolitical concerns about supply disruptions in the Middle East
  - US\$ appreciation
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# MACROECONOMIC AND FINANCIAL IMPACT

- Growth and inflation – Increased (reduced) economic activity, and reduced inflationary, external and fiscal pressures (weakened fiscal and external positions) in oil importing (exporting) countries
- Shift in balance of payments
  - Reduced oil import bills and lower energy subsidy bills, growth in domestic demand due to higher disposable incomes and lower production costs
  - Losses in export and fiscal revenues, with knock-on effects on government spending and non-oil economic growth

# OTHER ECONOMIC IMPACT

- Reduced profitability for alternative energy sources, such as shale and non-fossil fuel sources
- Delayed investments into alternative forms of energy, such as e-cars

# **POLICY IMPLICATIONS AND IMPACT ON INFRA INVESTMENTS (OIL-IMPORTING ECONOMIES\*)**

- An opportunity to implement reforms on fuel and non-fuel subsidies, energy taxes
- Savings from oil imports could help rebuild fiscal space or reallocate extra funds towards critical infrastructure investments or better targeted social programs
- Gains from lower oil price are offset by slower-than-expected domestic demand growth, and a weaker-than-expected growth in key trading partners such as Russia, EU and China

\* Includes Afghanistan, Pakistan, China, Mongolia, Kyrgyz and Tajikistan

# **POLICY IMPLICATIONS AND IMPACT ON INFRA INVESTMENTS (OIL- RELIANT ECONOMIES\*)**

- Greater fiscal risks/weakened fiscal position due to shrinking budget surplus and rising break-even oil prices
- Instill reforms to diversify economy by tapping into non-oil revenue sources, improving tax collection, reducing government spending
- Halt in infra investments

\* Includes Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan

**THANK YOU**

