



MIDDLE EAST AND CENTRAL ASIA DEPARTMENT

Regional Economic Outlook

Navigating the Evolving Geoeconomic Landscape

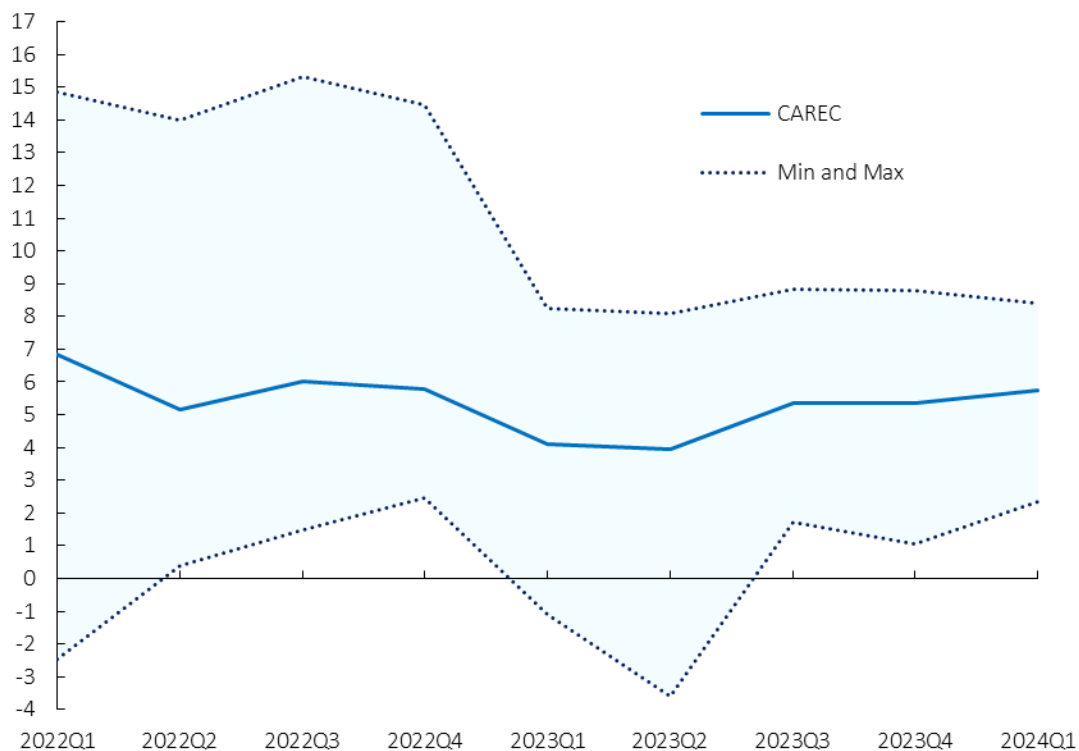
NOVEMBER 2024

Recent Developments

Growth across CAREC countries remains robust while inflation has decelerated

Across CAREC economies, growth has remained robust

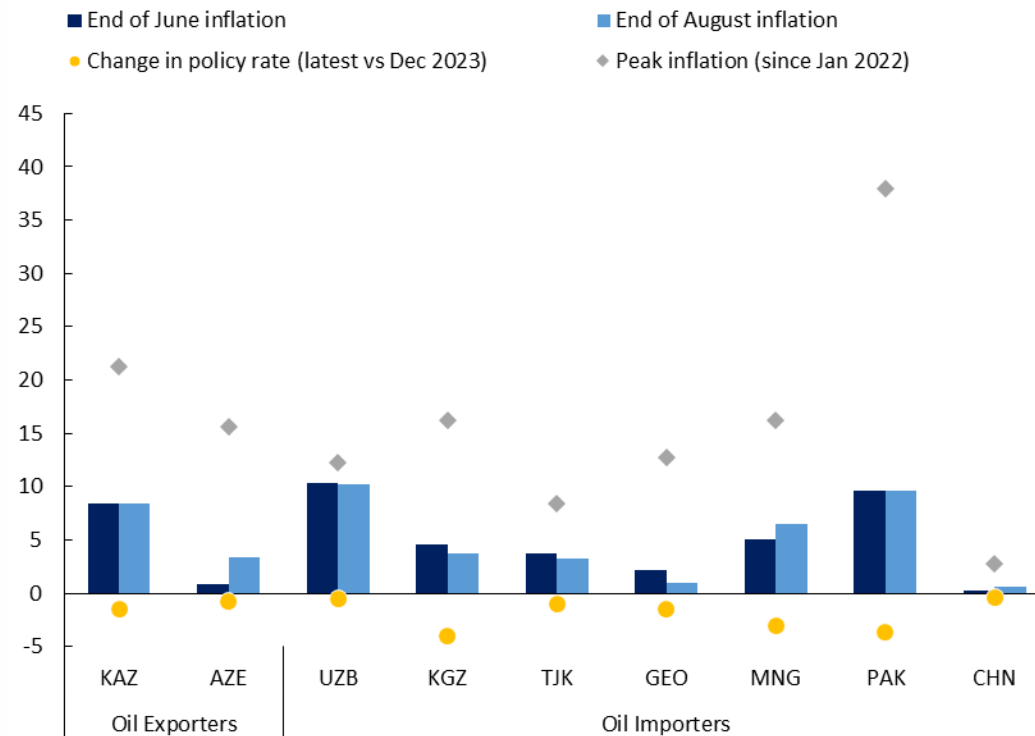
CAREC: Real GDP Growth
(Year-over-year percent change, simple average)



Sources: Haver Analytics; and IMF staff calculations.

Inflation has come down and a loosening cycle has also begun in a few countries

CAREC: Headline CPI and Change in Policy Rate
(Year-over-year percent change)

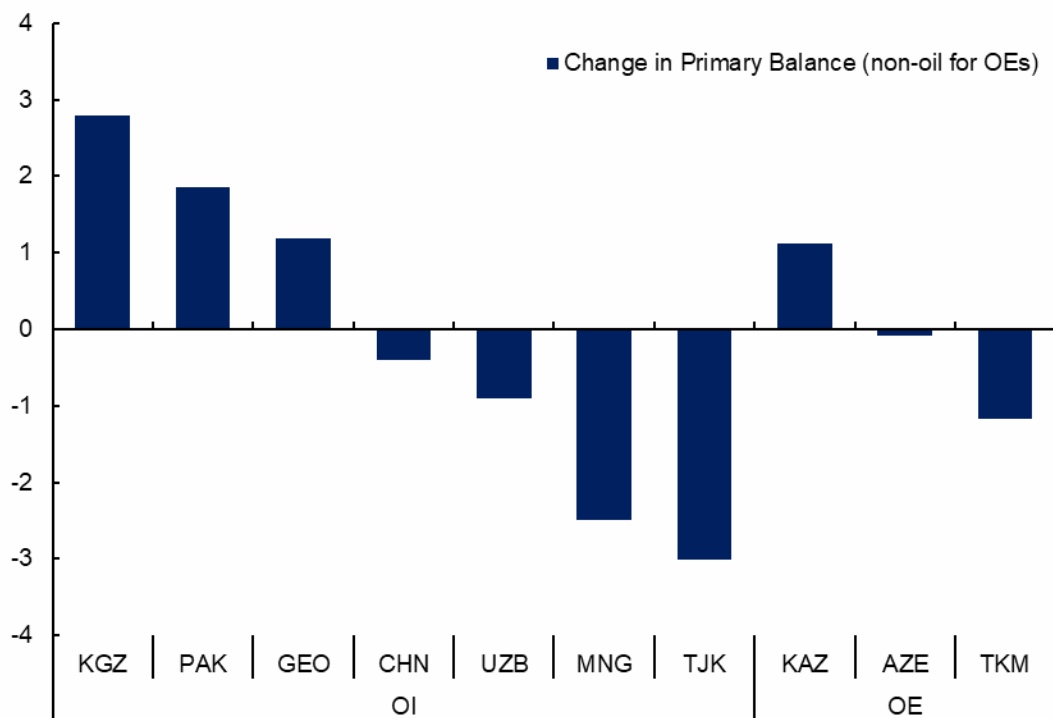


Sources: Haver Analytics; and IMF staff calculations.

Some fiscal consolidation but weaker external positions

Fiscal consolidation took place in a few countries ...

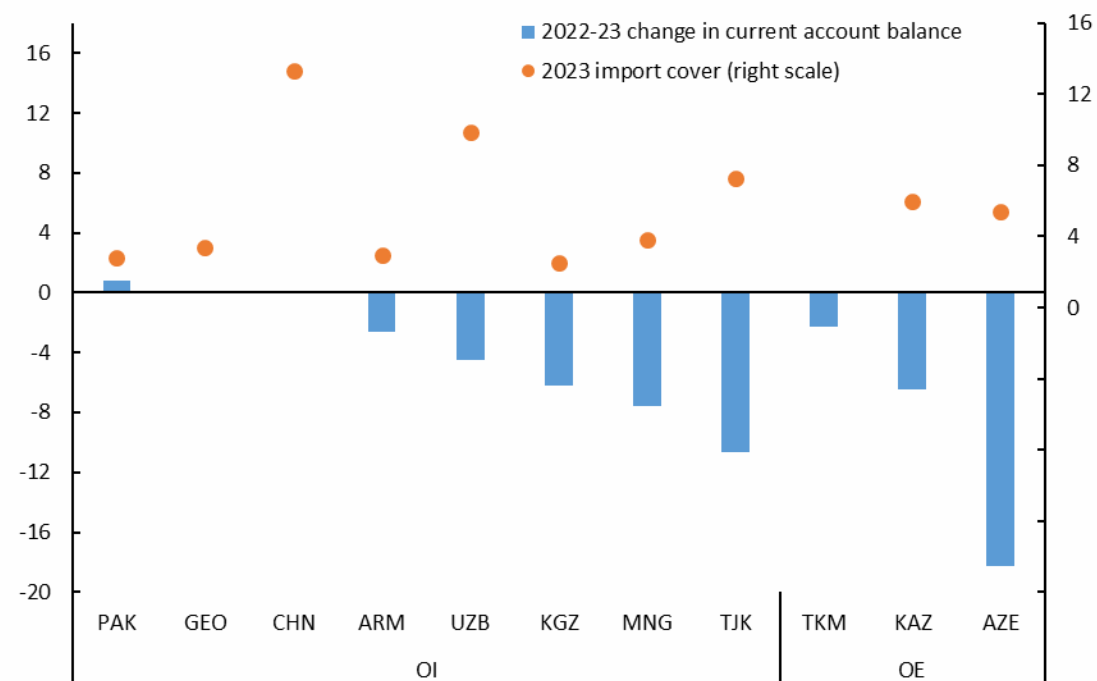
Change in Primary Balances (excluding grants), 2022-23
(Percent of GDP; percent of non-oil GDP for oil exporters, average)



Sources: IMF, *World Economic Outlook database*; and IMF staff calculations.
Note: Country abbreviations are International Organization for Standardization country codes. OI = oil importers; OE = oil exporters.

... while current account balances deteriorated, but reserve positions remained mostly adequate

Change in Current Account Balance and Import Cover, 2023
(Current account balance in percent of GDP, import cover in months of imports covered by reserves)



Sources: IMF, *World Economic Outlook database*; and IMF staff calculations.
Note: Country abbreviations are International Organization for Standardization country codes. OI = oil importers; OE = oil exporters.

Outlook

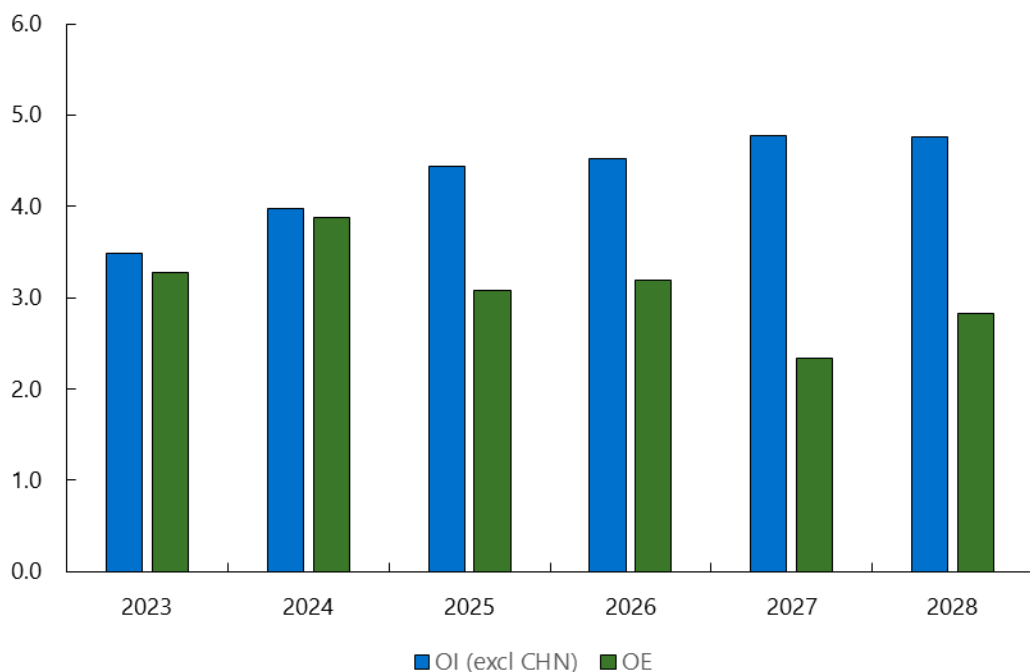
Growth is projected to remain robust in the short-term but declining for some countries in the medium-term. Inflation to continue declining

Growth is expected to remain robust and broad-based but subject to uncertainty and reform implementation

Inflation is projected to continue declining

CAREC: Aggregate GDP Growth

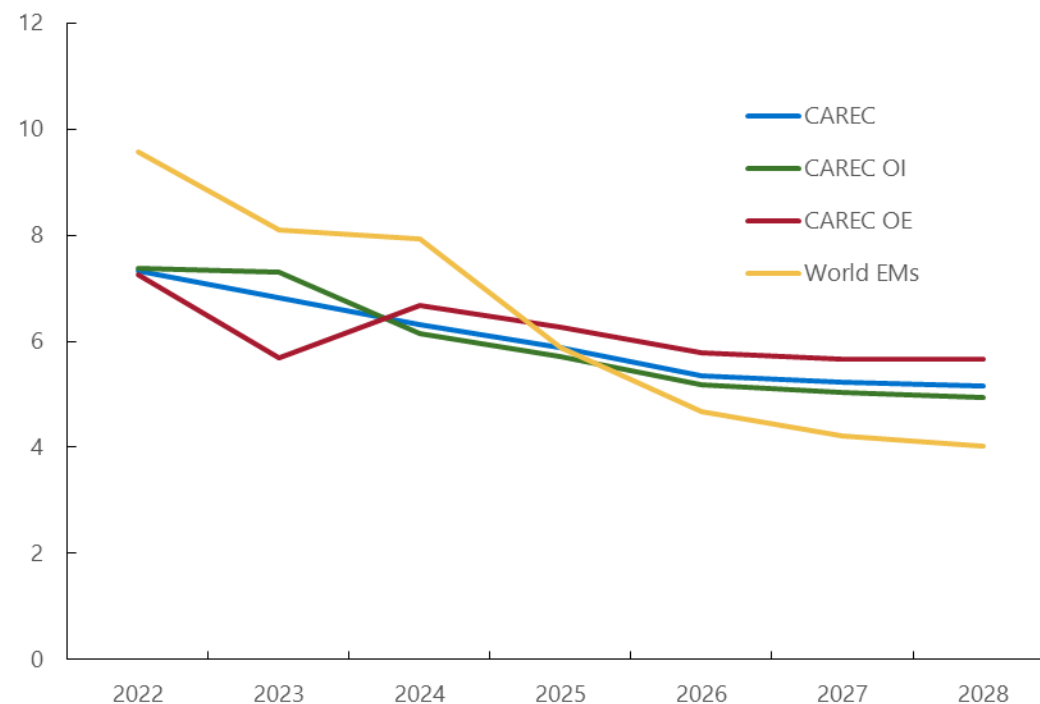
(PPP 2021 international dollars, Percent change, year-over-year)



Sources: IMF, *World Economic Outlook* database; and IMF staff calculations.

CAREC: Headline Inflation

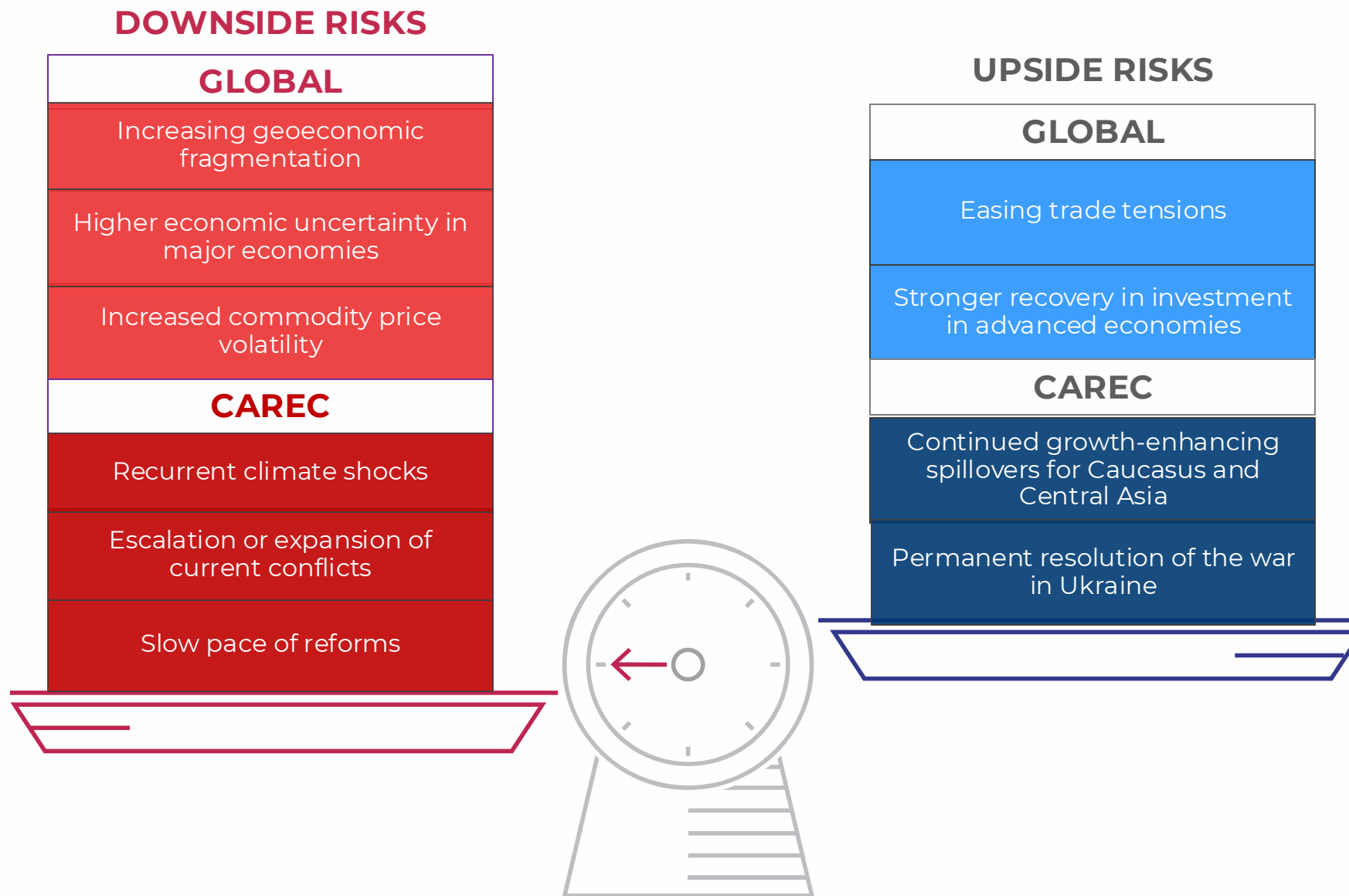
(Percent change, year-over-year, simple average)



Sources: IMF, *World Economic Outlook* database; and IMF staff calculations.

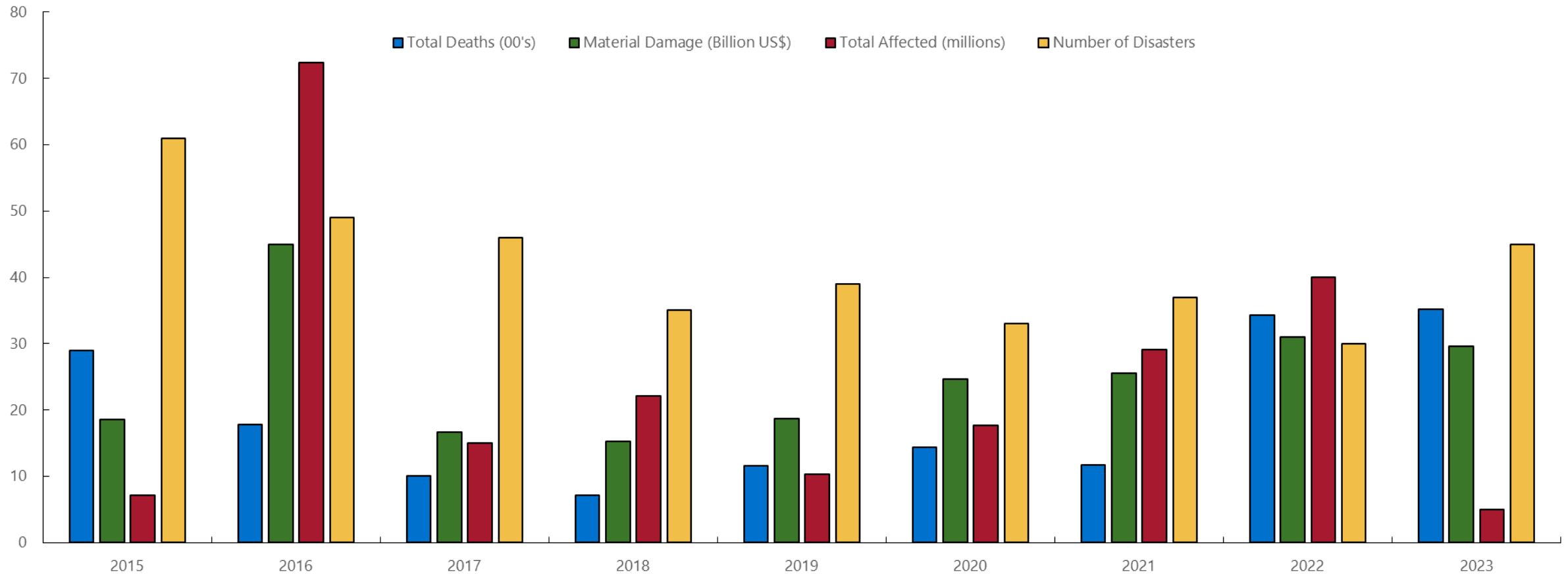
Risks

Uncertainty surrounding the outlook is high and risks are tilted to the downside



CAREC economies are highly exposed to climate-related disasters

Impact of Extreme Climate Events in the CAREC region, 2015-2023



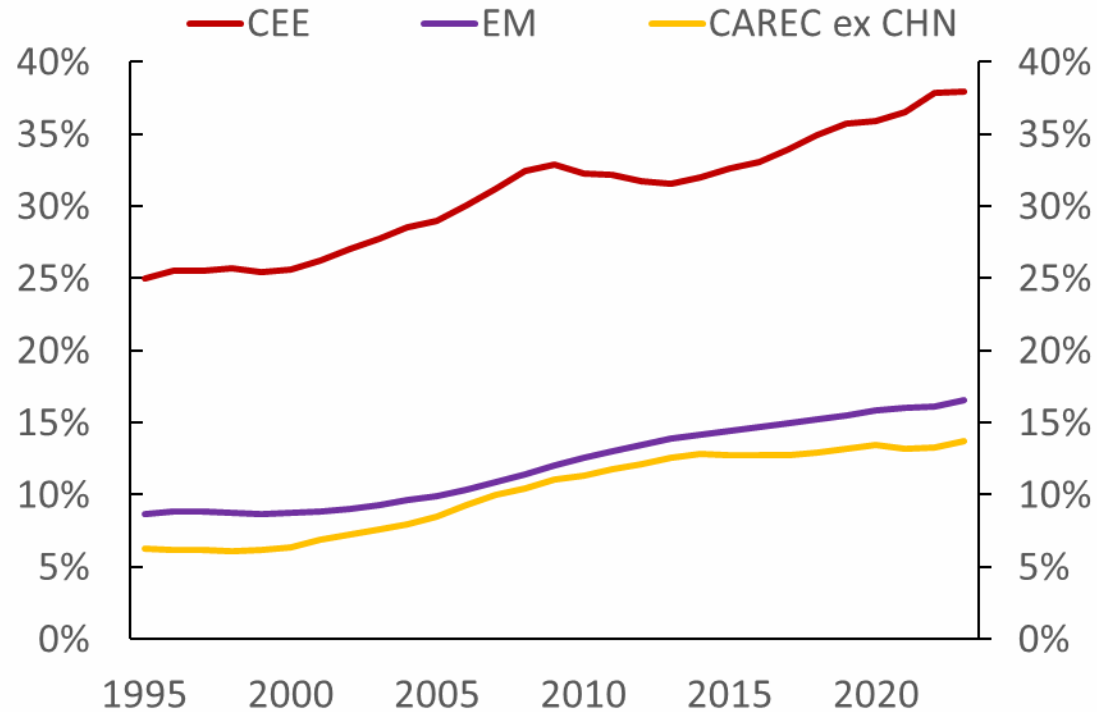
Sources: EMDAT database; and IMF staff calculations.

Policy Priorities

Acceleration of reforms needed to foster convergence

Convergence with advanced economies has slowed...

Real GDP per Capita Relative to High Income Countries

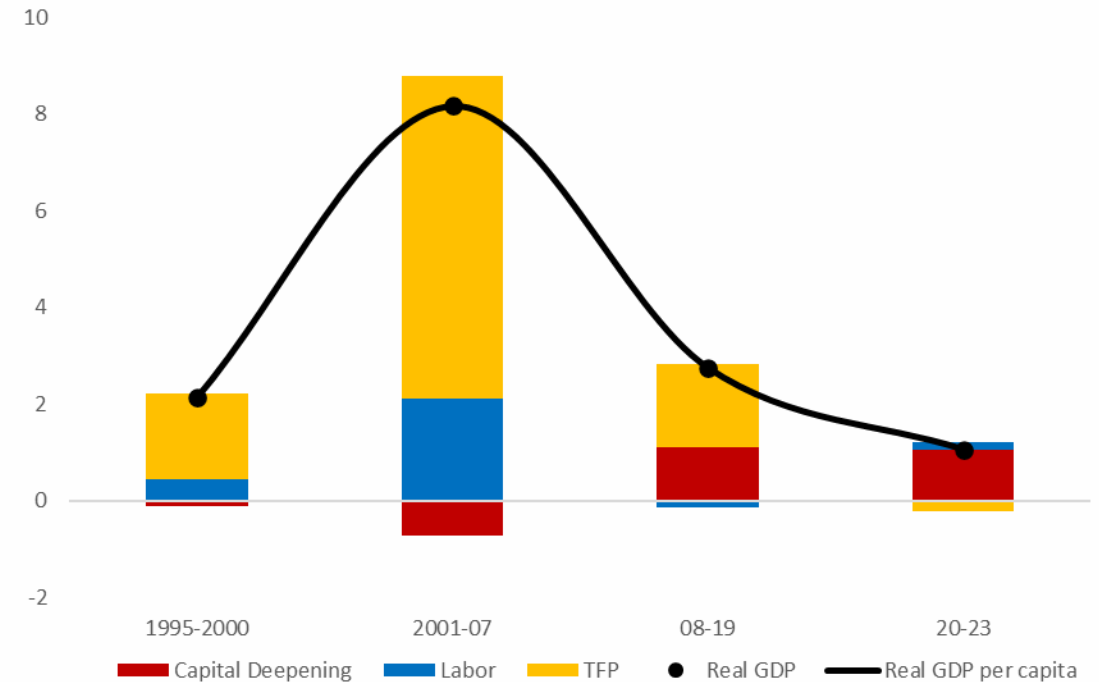


Sources: IMF, *World Economic Outlook* database; and IMF staff calculations.

While CAREC growth has been driven historically by TFP growth, this has slowed substantially in recent years

CAREC ex CHN: Contributions to Real GDP per Capita Growth

(Average year-over-year percent change; contributions in percentage points)



Sources: International Labour Organization; Penn World Table version 10.01; United Nations, *World Population Prospects*; and IMF staff calculations.

Note: Countries within group weighted using purchasing power in international dollar weights. Contributions of capital deepening and employment per capita reflect the shares of the respective factor inputs in output and their growth rates. Labor productivity is real GDP per employed worker.

Policy flexibility is essential amid shifting headwinds

Structural Policies

- Boost job creation and promote competition
- Strengthen governance
- Continue climate adaptation and mitigation efforts
- Support private sector investment
- Improve regional cross border payments infrastructure

Navigating the evolving geoeconomic landscape

Monetary Policy

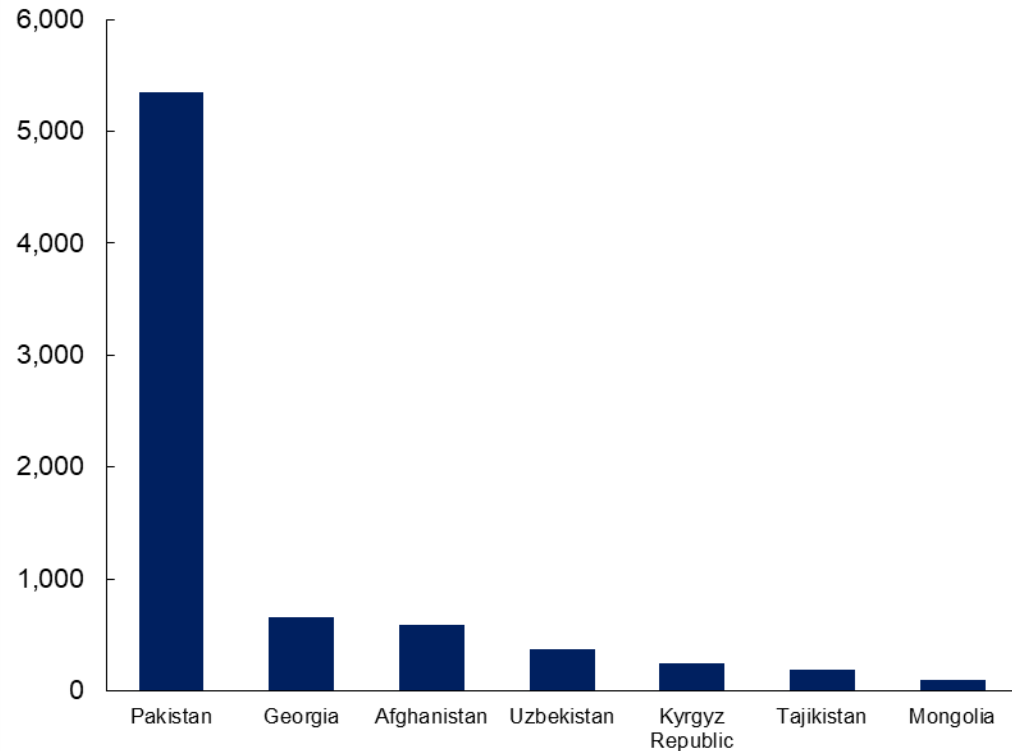
- Remain focused on price stability
- Ensure central bank independence
- Accompany with prudent fiscal policy

Fiscal Policy

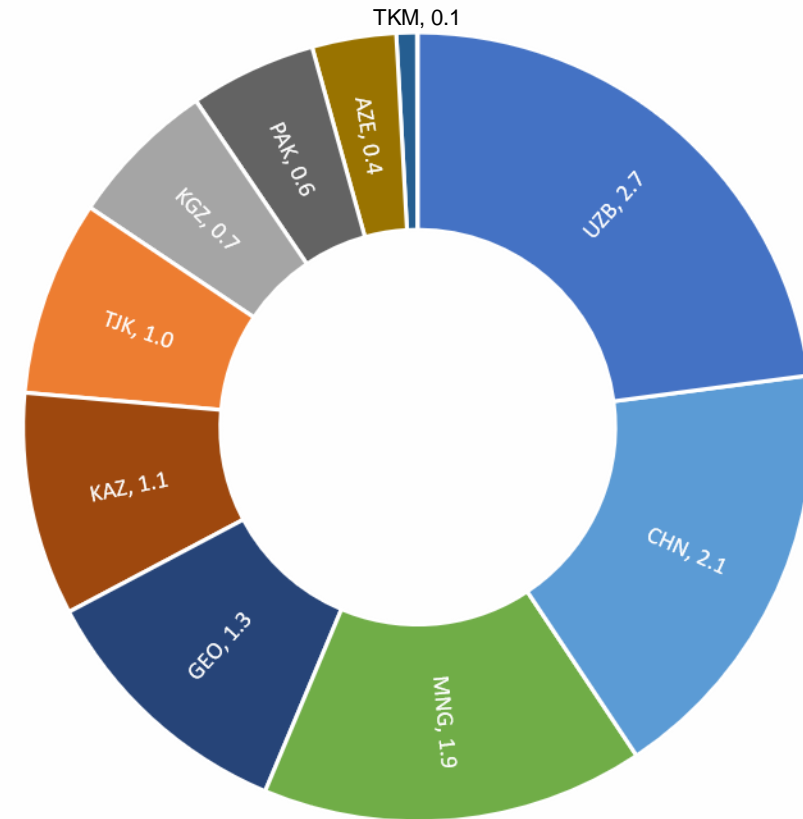
- Conserve fiscal buffers and debt sustainability
- Fiscal consolidation needed to support disinflation
- Strengthen fiscal institutions, improve PFM and PIM

The IMF remains strongly engaged in supporting the region

CAREC: IMF Financing since the Pandemic
(March 2020–September 2024, millions of US dollars)

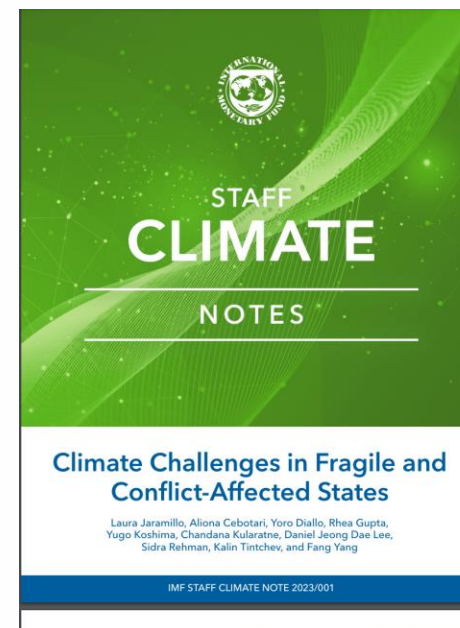
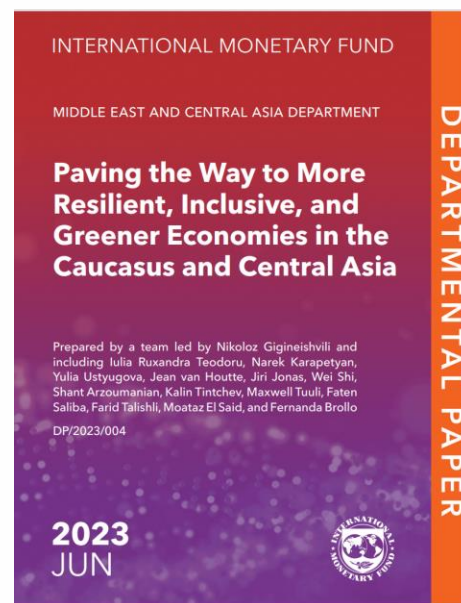
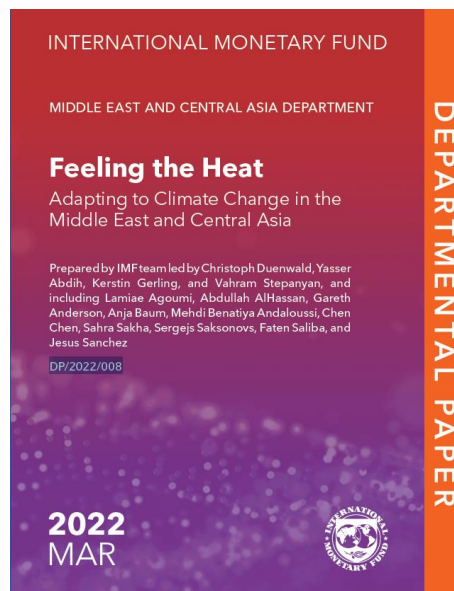
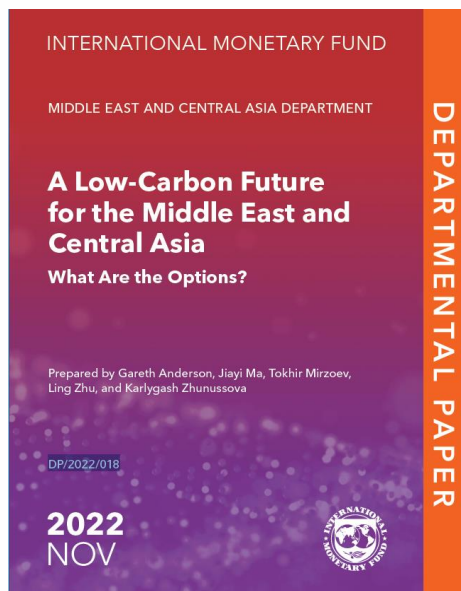


Capacity Development Spending for CAREC (millions USD)
FY2024: 121 projects, 11 countries, 21 workstreams, \$11.9 million



Source: IMF staff calculations.

IMF-Middle East and Central Asia Department recent climate-related analytical work on the region



Thank you