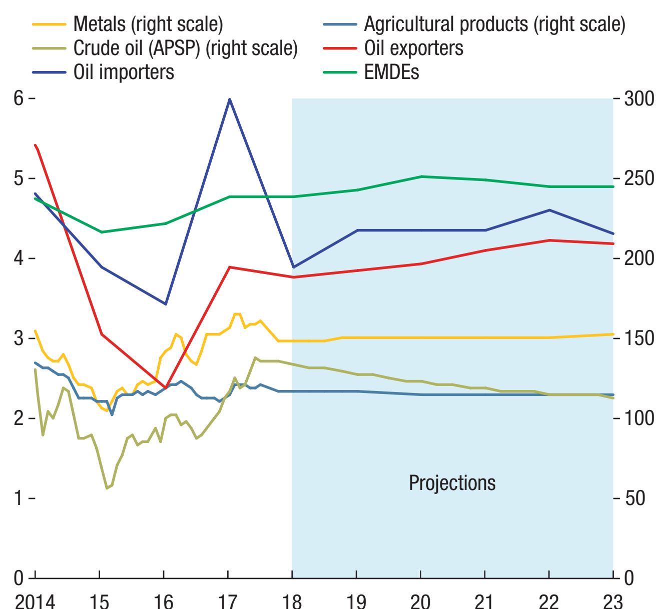
3. Caucasus and Central Asia: Unlocking the Region's Growth Potential

After a recovery in 2017, GDP growth in the Caucasus and Central Asia (CCA) region is expected to stabilize in 2018 and in the medium term. However, at forecast growth rates, it will take nearly two decades to raise CCA living standards to the current levels of emerging Europe.[1] To ensure that citizens benefit from the catching-up process, countries in the region need to move to a private-sector-led growth model by reducing the large state footprint in the economy, while creating an enabling business climate for the private sector and promoting competition. Meanwhile, buffers that were heavily depleted during the 2014 external shock need to be rebuilt to address the risks stemming from continued weaknesses in the financial sector and high public debt. Stronger buffers will also help if risks to global growth, including from escalating trade tensions, materialize.

Figure 3.1. Medium-Term Growth Prospects
(Real GDP growth, percent, index 2005 = 100)



Sources: IMF Research Department; national authorities, and IMF staff calculations.
Note: Crude oil is an index of the APSP (average petroleum spot price) average of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil prices. EMDE = emerging and developing economies.

Growth Recovery Stabilizing and Inflation Remains Subdued

The CCA region grew by 4.1 percent in 2017, supported by higher commodity prices, robust external demand, and fiscal stimulus in some countries. Growth is expected to remain steady at 4 percent in 2018 and 2019, and to stabilize at about 4.2 percent over the medium term, much lower than the average 9 percent experienced in the first decade of the century.

For oil exporters, growth is projected to remain broadly stable at 3.8 percent in 2018 and 3.9 percent in 2019 (Figure 3.1). In Azerbaijan, a surge in public investment is projected to boost the nonhydrocarbon sector and lead to a significant increase in growth in 2018. Stronger nonhydrocarbon sector growth in 2018–19 is also expected in Kazakhstan, driven by structural reforms aimed at enhancing competitiveness and productivity, as well as improvements in the business climate, opportunities opened by the Belt and Road Initiative, and reforms in Uzbekistan. In contrast, hydrocarbon growth is expected to slow as the gains from the new Kashagan field moderate.

For oil-importing countries, growth is expected to slow from 6 percent in 2017 to 5 percent in 2018 and 4.8 percent in 2019. Economic activity in the region will continue to be underpinned by robust external demand and remittances, as Russia continues to recover from the 2015–16 recession. Domestic consumption will remain robust in Georgia and Armenia, though the overall pace of

Prepared by Philip Barrett and Fang Yang. Research assistance provided by Jorge de Leon Miranda.

[1]Emerging Europe consists of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Kosovo, Macedonia, Montenegro, Poland, Romania, Serbia, and Turkey.

growth will likely moderate in Armenia, where an exceptionally strong performance in 2017 was driven by a rebound in domestic demand. Growth in the Kyrgyz Republic will also be slower in 2018 due to weaker gold production but is expected to recover in 2019. Growth will remain strong in Tajikistan, supported by the construction of large public investment projects and domestic demand.

Over the medium term, the region's growth momentum is expected to fade, due to softer growth in key economic partners, an expected moderation of oil prices, and an anticipated scaling back of public investment in some countries. Eventually, growth will stabilize, but at lower levels, held back by weak private investment and productivity.

Bilateral exchange rates against the US dollar have been broadly stable for most countries in the region, but the depreciation of the Russian ruble has led to an appreciation of effective exchange rates. This has helped contain inflationary pressures across the region, despite the increase in oil prices. The recent appreciation against the Turkish lira will generate further appreciation of real exchange rates in those countries with significant Turkish imports (Georgia, the Kyrgyz Republic; see Box 3.1). Inflation is expected to remain generally subdued in 2018, and the adoption of inflation-targeting regimes in some countries is helping anchor inflation expectations. In most countries, this has allowed central banks to maintain an appropriately accommodative monetary stance, with Azerbaijan, Georgia, Kazakhstan, and Tajikistan reducing policy rates in 2018.

In Uzbekistan, price reforms and the lagged effects of exchange rate depreciation have triggered higher inflation in 2018, but this is expected to subside in 2019. Inflationary pressures have also edged up in Turkmenistan as reforms of utility and energy prices continue.

Fiscal Consolidation Underway

While oil-exporting countries continued to undertake expansionary fiscal policy in 2017 to offset the impact of the 2014–16 external shocks, fiscal consolidation is now under way in most oil exporters. Therefore, the non-oil fiscal balance is anticipated to narrow from –17.4 percent of GDP in 2017 to –12.1 percent in 2018, and further to –11.9 percent in 2019 (Figure 3.2). Expenditure reforms are envisaged in Kazakhstan, where the $9 billion Nurly Zhol Plan to develop and modernize infrastructure that started in 2015 has concluded; in Turkmenistan, where capital spending will be reduced; and in Uzbekistan, where a cut in onlending operations will be partially offset by increased social expenditures. In Azerbaijan, however, the planned increase in capital expenditure, linked mostly to oil sector investments, will cause the non-oil primary balance to deteriorate. These measures, coupled with further increases in oil revenue, will shift the overall fiscal balance in oil-exporting countries into a surplus from 2018 onward.

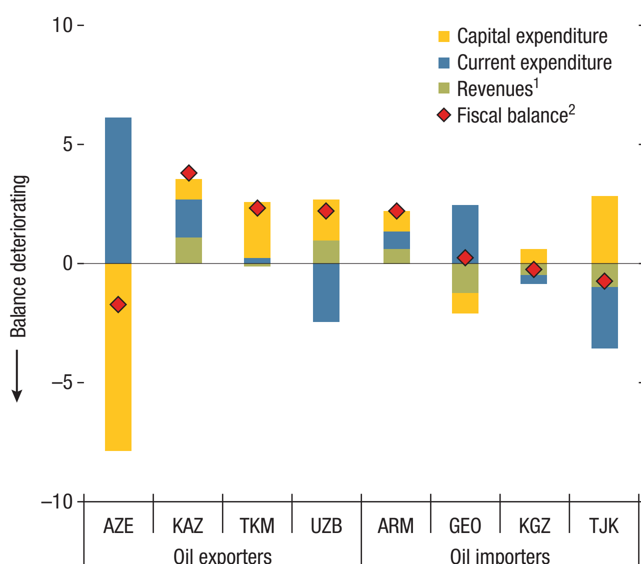
In contrast, fiscal restraint in oil importers helped to improve fiscal balances in 2017, from –5.4 percent of GDP in 2016 to –4.4 percent in 2017. Further improvements are expected in 2018 (to –3.9 percent) and over the medium term. This is mainly because fiscal policy in Armenia and Georgia remains slightly contractionary, though a more neutral stance is expected in Georgia over the medium term. However, the deficit in the Kyrgyz Republic is expected to widen due to discretionary spending.

Higher Oil Prices Driving External Positions

External positions strengthened in 2017, with current account deficits improving in almost all CCA countries. Improvements in oil exporters reflected higher oil prices, while oil importers benefited from robust external demand and higher remittances.

Figure 3.2. Change in the Non-Oil and Overall Fiscal Balance Ratio: 2017–18

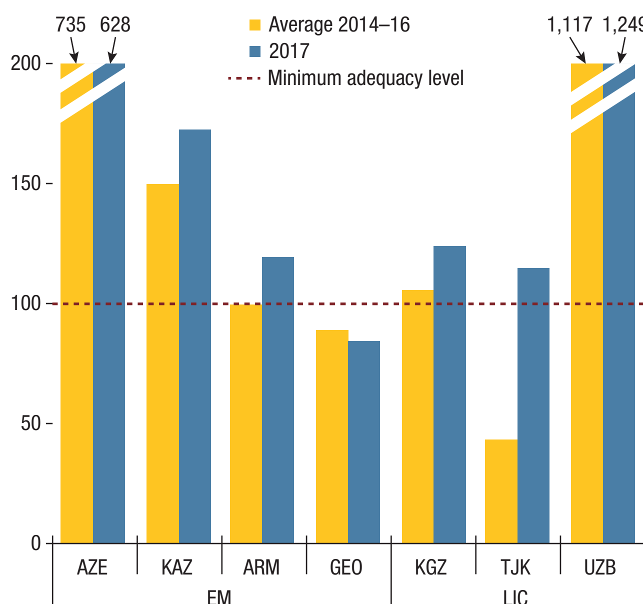
(Percentage points)



Sources: National authorities; and IMF staff calculations.
Note: Country abbreviations are International Organization for Standardization (ISO) country codes.
[1]For Azerbaijan, Kazakhstan, and Turkmenistan, revenues correspond to only non-oil revenues, for all other countries, total revenues are used.
[2]For Azerbaijan, Kazakhstan, and Turkmenistan, the balance refers to the non-oil fiscal balance as percent of non-oil GDP. For all other countries, the balance is the overall fiscal balance in percent of GDP. Georgia's current expenditure includes policy lending. For Kazakhstan, the non-oil fiscal balance and current expenditure exclude the one-time fiscal transfer to the financial sector in 2017.

Figure 3.3. Total Reserve Assets

(Percent of the reserve adequacy metric[1])



Sources: National authorities; and IMF staff calculations.
Note: Country abbreviations are International Organization for Standardization (ISO) country codes.
[1]For low-income countries (LIC), the reserves adequacy metric was calculated using the methodology for credit-constrained economies. For emerging market economies (EM), the methodology for assessing reserves adequacy in deepening financial markets was used. For emerging market economies, the recommended range of reserves lies between 100 and 150 percent of the reserve adequacy metric.

Positive terms of trade shocks and the gradual recovery of foreign direct investment have also helped CCA countries rebuild international reserves. Nonetheless, some countries could benefit from further strengthening their buffers against external shocks (Figure 3.3).

In 2018, higher oil prices will further improve the external positions of CCA oil exporters, with stronger growth of oil exports outstripping import growth (Figure 3.4). The exception is Uzbekistan, where the current account balance is expected to decline in 2018 and over the medium term, as trade liberalization generates strong import growth.

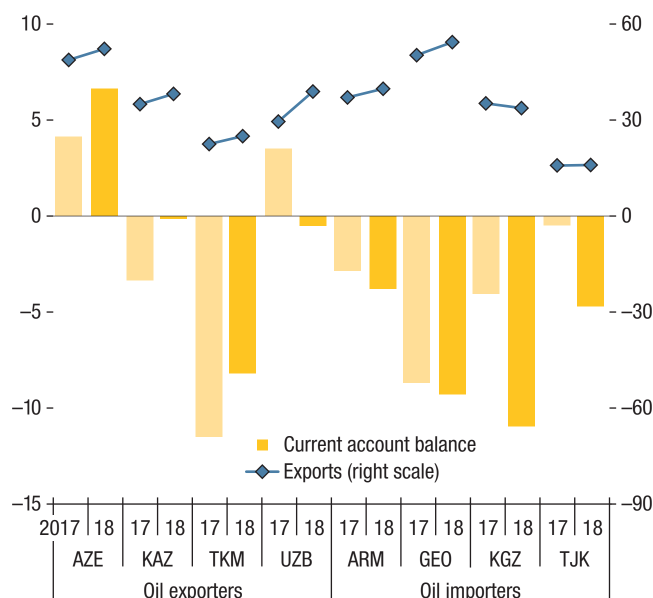
In contrast, the current account deficit of oil importers is projected to widen from 4.9 percent of GDP in 2017 to 8 percent in 2018, as strong import growth driven by higher oil prices is expected to exceed the growth of remittances. Lower gold exports in the Kyrgyz Republic and the imports associated with the large construction projects in Tajikistan are also contributing to the widening of current account deficits in these countries.

Over the medium term, as commodity prices and global demand moderate, the current account balances will likely stabilize, although at more negative levels than their average before the 2014 external shock.

External Risks Rising

The baseline projection for the region is subject to rising global risks. In the short run, the emerging pressures in Turkey may impact the region (Box 1), particularly through direct trade

Figure 3.4. Current Account Balance and Exports for CCA
(Percent of GDP)



Sources: National authorities; and IMF staff calculations.
Note: CCA = Caucasus and Central Asia. Country abbreviations are International Organization for Standardization (ISO) country codes.

channels and because of countries' strengthened currencies vis-à-vis the lira. For example, Turkey is Azerbaijan's second and Georgia's third largest export destination. The likelihood of sustained and escalating trade actions could depress the growth prospects of key trading partners (including China and Russia) and reduce demand for CCA exports and remittances, thus disrupting the economic recovery.

Lower commodity prices associated with a weaker global outlook would also worsen the external and fiscal positions of countries in the region.

And while financial linkages with advanced economies are relatively limited, an unexpected tightening of global financial conditions could also lead to capital flow reversals and sharp movements of exchange rates. Countries with relatively large external debt and high dollarization in the banking sector (Azerbaijan, Georgia, and Tajikistan) are particularly vulnerable.

Growth Too Low to Raise Living Standards Over the Medium Term

Given the outlook and rising risks, the medium-term growth prospects for the CCA remain much lower than historical experience, and too low to raise living standards to levels of comparable economies over the medium term. At these projected growth rates, and given demographic trends, it will take on average 18 years for countries in the region to either graduate from their low-income status or reach the current per capita income levels of European emerging markets (Table 3.1).

This average masks, however, a wide variety in convergence time across countries, ranging from less than a decade to more than a generation. Further, the current convergence gap is similar to the gap that prevailed prior to the global financial crisis (20 years in 2007), suggesting a lack of meaningful progress with reforms over the past decade.

Achieving a moderate improvement in growth could shorten these times dramatically. For instance, half a percentage point of additional growth per year would reduce the convergence time by two years. A sustained larger increase in growth rates to those of 2010–14 would reduce the average convergence time to 12 years (and to a decade for oil exporters).

Reducing the State Footprint to Provide Room for the Private Sector

A large state sector is an important factor limiting medium-term growth prospects. State-owned enterprises (SOEs) make up a sizable share of economic activity in the CCA, frequently with dominant positions in key industries. For example, in Kazakhstan, SOEs are heavily involved in extractives, telecommunications, finance, and transportation. Weak SOE governance contributes to inefficient production, and subsidized prices cause distortions in inputs to consumption and

Table 3.1. Years to Reach Comparator Current per Capita GDP at Forecast Growth Rate
(Percent, unless otherwise stated)

	GDP per Capita in 2017 (USD)	Comparator	Average per Capita GDP Growth 2020–23	Years to Converge
Oil Exporters				
Azerbaijan	4,141	EMEU	2.2	**45**
Kazakhstan	8,762	EMEU	3.1	**7**
Turkmenistan	6,643	EMEU	5.0	**10**
Uzbekistan	1,520	LIC	5.3	**9**
Oil Importers				
Armenia	3,857	EMEU	4.7	**23**
Georgia	4,086	EMEU	5.8	**18**
Kyrgyz Republic	1,208	LIC	2.9	**23**
Tajikistan	801	LIC	2.9	**38**
Aggregates				
CCA	5,702	EMEU	3.7	**18**
CCA Oil Exporters	6,071	EMEU	3.6	**17**
CCA Oil Importers	2,696	EMEU	4.3	**34**
Emerging and developing Europe	10,965			
Low-income threshold	2,370			

Sources: National authorities, United Nations; and IMF staff calculations.
Note: CCA = Caucasus and Central Asia; EMEU = emerging and developing Europe; and LIC = low-income countries.

production. In Georgia, SOEs are sufficiently large (and fragile) as to constitute a principal fiscal risk, although the authorities have proactively taken steps to disclose this risk.

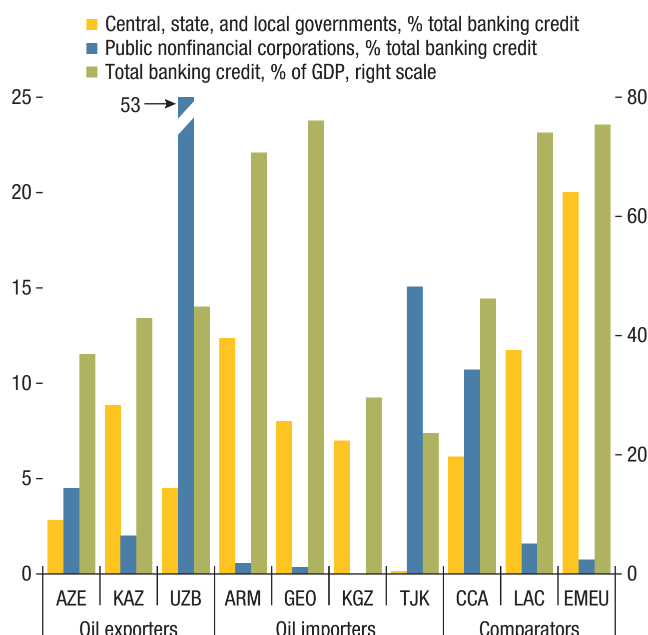
Heavy state involvement in market activities can distort incentives and lead to a misallocation of economic resources. In the Kyrgyz Republic, energy prices do not reflect the true cost of providing services to consumers, creating a bias in favor of energy-intensive activities. In Azerbaijan, industrial policy continues to play an important role in the government's diversification strategy. Caution will be needed to avoid "picking winners," which risks suppressing competition by biasing outcomes in favor of government-preferred firms. In addition, direct state intervention often comes at a fiscal cost, either implicit or explicit, in contrast to market-based alternatives.

By competing for resources and talent, economies with large state sectors can struggle to produce a dynamic private sector. For example, although total credit from the region's banking sector is well below that of other peers, public companies receive a larger share of that credit, especially in Azerbaijan, Tajikistan, and Uzbekistan (Figure 3.5). This has the potential to sustain loss-making public enterprises, and further aggravate the challenges of private sector access to credit, which is a key input of production.

Reducing the role of the state can free up resources for the private sector, allowing it to flourish. In Kazakhstan, for example, successful completion of plans to conduct initial public offerings for major SOEs would send a strong signal that the role of the state is being meaningfully reduced, and provide an opportunity for the private sector to increase its role in the economy. In parallel, the governance of SOEs should be improved to reduce fiscal risks. In this context, efforts in the Kyrgyz Republic to streamline the organization of SOEs—reducing their number by about a half—are welcome.

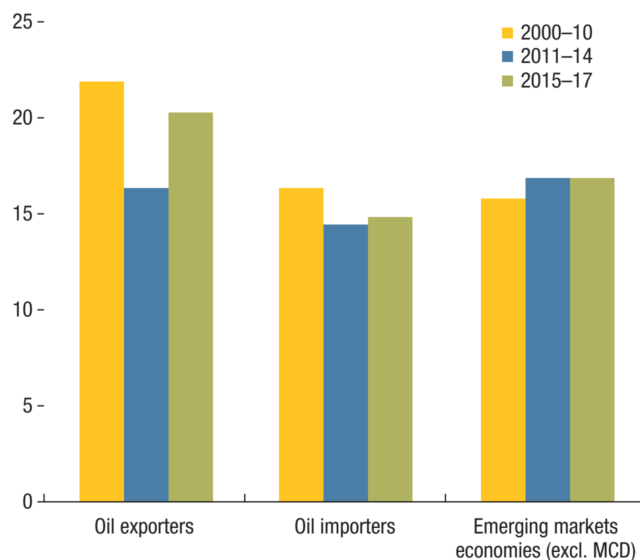
Boosting competition throughout the economy will also be critical to improving the allocation of resources and rewarding efficiency. This would ensure that state control is not replaced with private monopolies. To this end, Armenia's amended law on economic competition and protection is a welcome step forward. In Georgia, care should be taken to prevent high concentration in some sectors (including banking and health services) from translating into noncompetitive practices.

Figure 3.5. Banking Credit to Public Nonfinancial Sector and Total Credit in 2017
(Percent of total banking credit, percent of GDP)



Source: IMF, International Financial Statistics.
Note: Country abbreviations are International Organization for Standardization (ISO) country codes.

Figure 3.6. Private Gross Fixed Capital Formation
(Percent of GDP, simple averages)



Sources: National authorities; and IMF staff calculations.

Creating an Enabling Business Environment for Private Investment

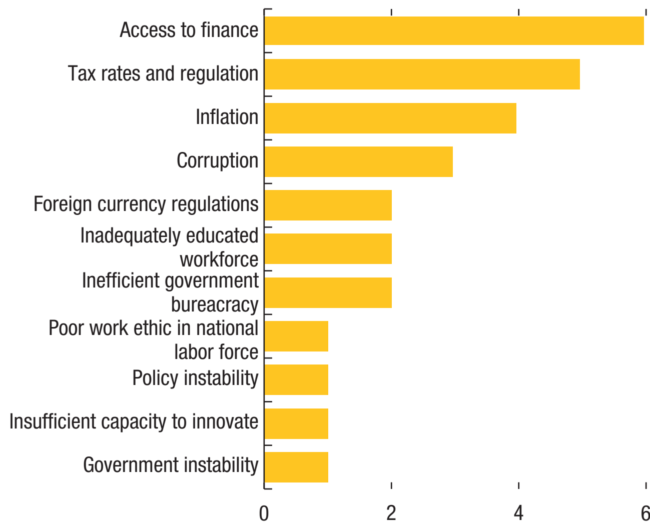
Private investment was robust in the first decade of the century before it declined following the global financial crisis. Today, the private investment-to-GDP ratio has not yet recovered to the level of 2000–10 (Figure 3.6), even for oil exporters, where it rebounded in 2015–17 largely reflecting foreign oil companies' investments in the oil sector, particularly in Kazakhstan.

Firms face a number of challenges that will influence investment decisions. As discussed, difficulty accessing finance is consistent with a state sector that competes with the private sector for resources. The prominence of responses from businesspersons citing taxes, corruption, regulation, and bureaucracy as a barrier to business (Figure 3.7) is also symptomatic of an oversized state footprint in the economy. Measures to alleviate these challenges would encourage more private investment and help boost growth (see Chapter 5). In this context, the Armenian government's commitment to reducing corruption and improving competition is welcome.

New firms particularly struggle in the region. Business entry rates in the CCA are much lower than in other regions, including sub-Saharan Africa (Figure 3.8). A notable exception is Georgia, where the success of structural reforms—including those implemented in the early 2000s and in recent years—has resulted in continuously higher rates of new business entries, as well as private investment higher than the regional average.

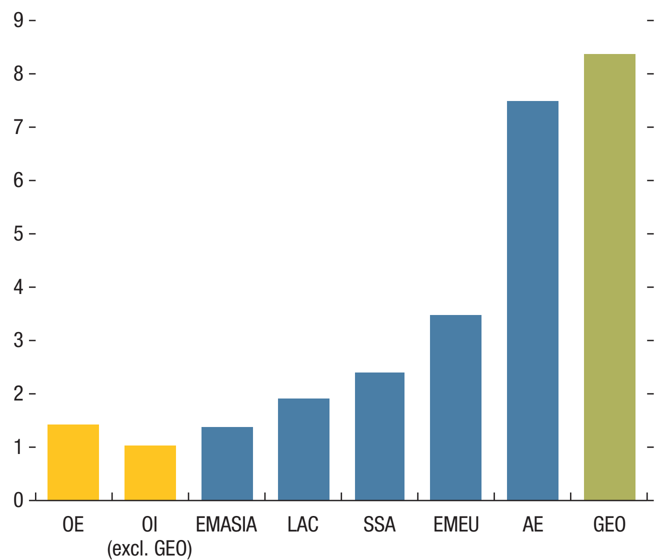
Private sector growth can also be stimulated via reforms that pursue greater regional and global economic integration. Opening the region to more trade and investment would increase access to goods and services at lower prices, spur competition, promote diversification, and ultimately increase productivity and growth

Figure 3.7. Challenges to Doing Business in CCA
(Number of countries identifying the constraint among the top five)



Source: World Economic Forum, *Global Competitiveness Report 2017–18.*
Note: Turkmenistan and Uzbekistan are excluded due to data availability. CCA = Caucasus and Central Asia.

Figure 3.8. Business Entry Density Rate
(Number of newly registered firms with limited liability per 1,000 working-age people)



Source: World Bank, *Doing Business Report.*
Note: Data correspond to most recent value within the period 2014–16. All CCA countries are 2016 values. AE = advanced economies; EMASIA = emerging Asia; EMEU = emerging Europe; GEO = Georgia; LAC = Latin America and the Caribbean; OE = oil exporters; OI = oil importers; and SSA = sub-Saharan Africa.

(Box 3.1).[2] Recent price and product market reforms in Uzbekistan, for example, have the potential to catalyze change and prosperity in the wider region. The progress of the Belt and Road Initiative also presents an opportunity for the region to integrate further into global trade networks, if challenges are adequately addressed (see the May 2018 *Middle East and Central Asia Regional Economic Outlook Update*).

Enhancing the Financial Sector Contribution to Growth

Financial systems continue to play a limited role in supporting growth. The external shocks starting in 2014 exposed the underlying vulnerabilities in the banking sector of several CCA countries. Despite recent efforts to address unviable banks, weak bank balance sheets continue to constrain credit provision and undermine banks' ability to support economic growth (Figure 3.9).

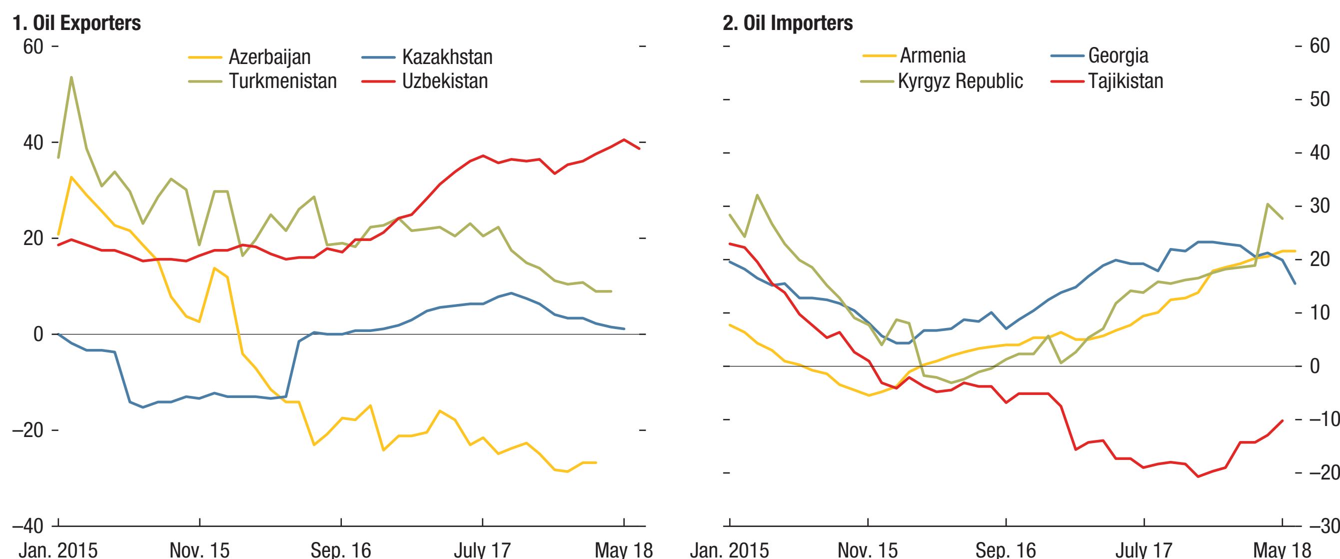
Accordingly, while credit growth has been robust in Georgia and Armenia, where banking sectors are in good health, it remains weak in countries where banking sectors are yet to fully recover from financial stress, such as Azerbaijan, Kazakhstan, and Tajikistan. Resolving the stock of bad assets and nonviable banks remains a priority for these countries to ease the credit constraint on the private sector.

Financial sector stresses in the region have deep-rooted structural causes, including lack of competition, weak governance, segmentation of the credit market, and weak regulation and supervision. Dollarization of the banking sector generally remains elevated in the CCA, which can exacerbate balance sheet losses in the case of sharp exchange rates movements. Thus, fundamental reforms to address these structural issues are critical for financial stability and resilience.[3] While the strategy and timeline

[2]For a detailed discussion of policies to support regional and global integration, see Kunzel and others (2018).

[3]For a comprehensive discussion of strategies to improve financial resilience, see Vera-Martín and others (2018).

Figure 3.9. Banking Credit to the Private Sector
(Credit growth, percent, year over year)



Sources: National authorities; and IMF staff calculations.
Note: These values are adjusted for exchange rate effects.

depend on country circumstances, for most CCA countries strengthening risk-based regulations and supervision, removing legal and structural barriers to competition, and improving bank governance structure remain priorities for financial stability. Countries should also continue to pursue efforts to reduce dollarization.

Countries are making progress. For instance, a new bank resolution framework was established in Azerbaijan. In Kazakhstan, initiatives have been adopted to strengthen the central bank's supervisory power. Tajikistan initiated the asset quality review of systemic banks and approved legislation on the regulation of payment services. In the Kyrgyz Republic, the central bank has implemented prudential norms that meet international standards, and is taking steps toward risk-based supervision. And Georgia and Armenia are enhancing bank regulation and supervision, improving the banking resolution framework, and strengthening bank governance.

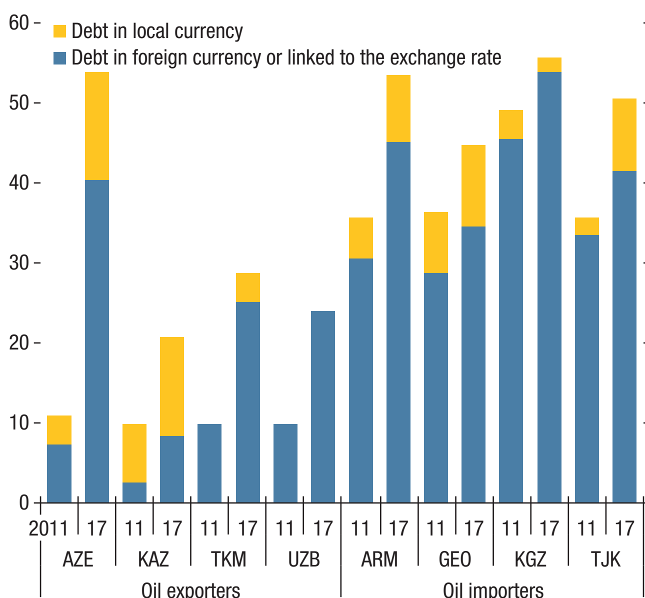
Measures to strengthen the banking system should be complemented by efforts to further develop capital markets, including developing securities market infrastructure and strengthening regulation and supervision. This would help provide an alternative channel for firms to access long-term capital for investment and facilitate broader access to finance. In this context, Kazakhstan's initiative to deepen the local securities market is welcome.

In addition, efforts to promote financial inclusion should be sustained as part of the broader objective to promote inclusive growth, including by promoting Fintech, particularly mobile payment systems (see the October 2017 *Regional Economic Outlook: Middle East and Central Asia*).

Enhancing Resilience through Growth-Friendly Fiscal Consolidation

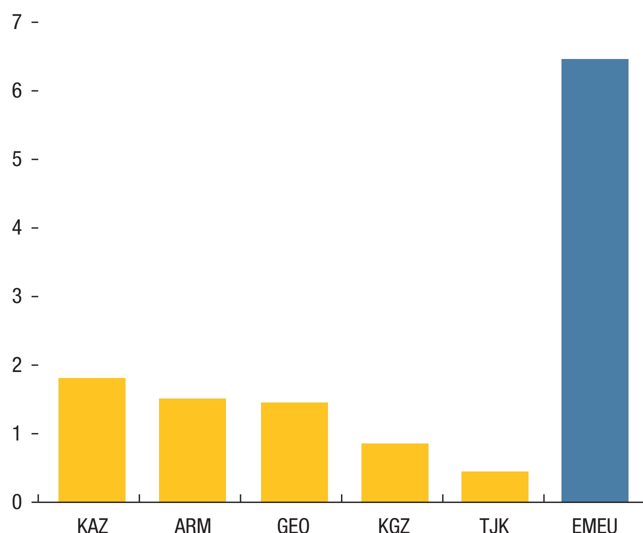
The significant increase in public debt experienced by some CCA countries raises vulnerabilities and could impede efforts to promote higher and inclusive growth. Public debt in Azerbaijan, Armenia, the Kyrgyz Republic, and Tajikistan has increased to above 50 percent of GDP

Figure 3.10. Gross General Government Debt and Debt in Foreign Currency or Linked to the Exchange Rate
(Percent of GDP)



Sources: National authorities; and IMF staff calculations.
Note: Country abbreviations are International Organization for Standardization (ISO) country codes.

Figure 3.11. Average Transfer Amount
(US dollars per day per capita, in purchasing-power-parity terms)



Source: World Bank, Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE).
Note: Country abbreviations are International Organization for Standardization (ISO) country codes. EMEU = emerging Europe. The values correspond to the most recent value available for each country in the period 2010–14.

(Figure 3.10). The large share of government debt in foreign currency or linked to the exchange rate raises countries' vulnerabilities to large exchange rate movements. The materialization of contingent liabilities associated with the financial sector and SOEs could also aggravate the debt burden.

Countries' medium-term fiscal plans suggest they are aiming to stabilize debt at current levels. However, the increase in debt vulnerabilities, coupled with the need to build fiscal space to close infrastructure gaps in some countries, points to the need for more ambitious fiscal targets while keeping fiscal consolidation growth-friendly and inclusive.

Medium-term adjustment should come from a balanced mix of revenue mobilization and expenditure rationalization, such as reducing transfers to SOEs, while improving spending efficiency and promoting growth.[4] In this context, the fiscal reform in Kazakhstan to provide funding to health and education service providers on a per capita basis, expand public-private partnerships and outsourcing, and review public wages is on the right track, provided that reforms are well designed and executed. In Azerbaijan, the management of SOEs has been tightened and efforts are being made to raise tariff rates and make subsidies more transparent. At the same time, social spending should increase. Levels of cash transfers—a key means of supporting low-income households—are low by international standards (Figure 3.11). Progress on both of these fronts, as well as better targeting of benefits, would help mitigate the impact of adjustment on the most vulnerable groups, ensuring that fiscal policy is not just growth-friendly but also inclusive (see Chapter 4).

In addition, strengthening medium-term fiscal frameworks would support consolidation efforts. In this context, initiatives to amend the budget code and implement the fiscal rule in the Kyrgyz Republic are commendable. The

[4]For discussion of strategies to improve fiscal buffers, see Gemayel and others (2018).

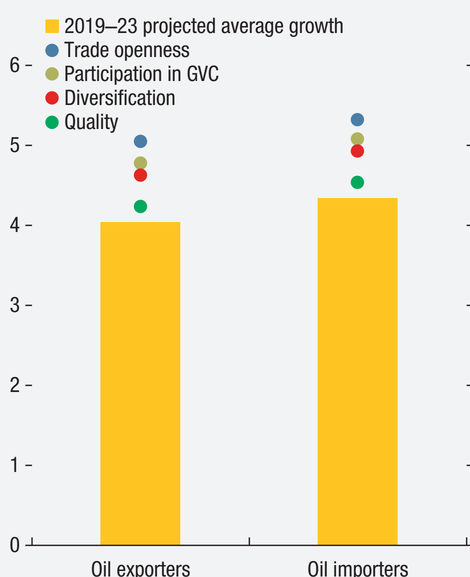
new fiscal rule in Armenia will help reduce the bias toward procyclical fiscal policy and avoid large and abrupt fiscal adjustments. Finally, increasing fiscal transparency and accountability would help underpin the credibility of the public sector and improve market confidence. Measures in Kazakhstan and Turkmenistan to align fiscal reporting to international standards, and the commitment to bring all fiscal operations on-budget in Uzbekistan, will help to strengthen the effectiveness of fiscal management.

Box 3.1. Opening Up in the Caucasus and Central Asia

Forecast growth rates suggest that it will take close to two decades to raise living standards in the Caucasus and Central Asia (CCA) region to the current levels of emerging Europe. Securing higher and more inclusive growth will require that the region find new growth drivers to boost its economic potential and move away from the current state-led growth model.

A recent IMF staff paper (Kunzel and others 2018) suggests that greater economic integration could help. Opening the region to more trade and investment would expand access to goods and services at lower prices, spur competition, promote diversification, and ultimately improve productivity and growth. Estimates suggest that growth rates in the CCA could be 1 percentage point higher on average if the region were to increase trade openness (October 2017 *Regional Economic Outlook: Middle East and Central Asia*). Opportunities for greater integration include reducing tariff and nontariff barriers, enhancing the productive capacity to integrate into global value chains, strengthening participation in multilateral trade initiatives led by the World Trade Organization, and capitalizing on regional integration initiatives, such as the Belt and Road Initiative.

Figure 3.1.1. Estimated Contributions of Trade Measures to Growth
(Percent)



Source: IMF staff calculations.
Note: The growth increase is conditional on an increase in the given trade measure equal to the best historical period-over-period improvement observed in region in the last 20 years: 7.7 percentage points (pp) for trade openness; 4 pp for global value chains; 2.4 pp for diversification; 1.5 pp for quality. GVC = global value chain.

To support these integration efforts, reforms are needed in the following areas:

- ***Fiscal.*** Stronger fiscal frameworks are needed to manage the fiscal risks associated with regional integration initiatives, such as the Belt and Road Initiative (Kunzel and others, 2018). More ambitious fiscal adjustment would also enhance macroeconomic resilience and send a clear signal of fiscal responsibility to investors, encouraging more foreign direct investment. It would also help mitigate any negative fiscal impact of trade liberalization—for instance, through lower tariff revenues that currently yield about 1.7 percent of GDP (Figure 3.1.1).[1]
- ***Monetary.*** The move toward greater exchange rate flexibility and inflation targeting in the region will encourage higher investment by promoting price stability and improving economic resilience.
- ***Financial sector.*** Healthier banking systems and deeper capital markets would promote more efficient financial intermediation, and help absorb larger capital inflows, again facilitating more investment and economic diversification.
- ***Structural.*** Reforms to strengthen infrastructure, the business environment, governance, and labor skills would make countries more competitive and attractive to outside investors (see Chapter 5).

Prepared by Peter Kunzel.
[1]Note that the overall fiscal impact will depend on offsetting gains from higher-income tax revenues, given stronger economic growth.

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CCA: Selected Economic Indicators

	Average 2000–14	2015	2016	2017	Projections 2018	2019
Real GDP Growth	**8.1**	**3.1**	**2.5**	**4.1**	**4.0**	**4.0**
(Annual change; percent)						
Armenia	7.3	3.3	0.3	7.5	6.0	4.8
Azerbaijan	10.9	0.6	−3.1	0.1	1.3	3.6
Georgia	5.9	2.9	2.8	5.0	5.5	4.8
Kazakhstan	7.7	1.2	1.1	4.0	3.7	3.1
Kyrgyz Republic	4.5	3.9	4.3	4.6	2.8	4.5
Tajikistan	7.8	6.0	6.9	7.1	5.0	5.0
Turkmenistan	11.1	6.5	6.2	6.5	6.2	5.6
Uzbekistan	7.0	7.9	7.8	5.3	5.0	5.0
Consumer Price Inflation	**9.0**	**6.4**	**10.4**	**9.0**	**8.4**	**7.2**
(Year average; percent)						
Armenia	4.1	3.7	−1.4	0.9	3.0	4.4
Azerbaijan	6.0	4.1	12.6	13.0	3.5	3.3
Georgia	6.1	4.0	2.1	6.0	2.8	2.7
Kazakhstan	8.4	6.7	14.6	7.4	6.4	5.6
Kyrgyz Republic	8.6	6.5	0.4	3.2	2.9	4.6
Tajikistan	13.4	5.8	5.9	7.3	5.8	5.5
Turkmenistan	5.6	7.4	3.6	8.0	9.4	8.2
Uzbekistan	14.5	8.5	8.0	12.5	19.2	14.9
General Gov. Overall Fiscal Balance	**2.3**	**−4.4**	**−3.5**	**−4.8**	**0.6**	**0.7**
(Percent of GDP)						
Armenia[1]	−3.1	−4.8	−5.6	−4.8	−2.7	−2.2
Azerbaijan[1]	7.1	−4.8	−1.2	−1.7	4.8	6.5
Georgia	−1.9	−2.7	−3.0	−2.9	−2.8	−2.6
Kazakhstan	3.1	−6.3	−5.4	−6.5	1.4	1.4
Kyrgyz Republic	−3.9	−2.3	−5.9	−4.4	−4.7	−5.2
Tajikistan	−2.5	−1.9	−9.8	−6.8	−7.7	−6.8
Turkmenistan[2]	3.8	−0.7	−2.4	−2.8	−0.9	0.0
Uzbekistan	−1.1	−1.6	−0.5	−3.7	−1.6	−2.8
Current Account Balance	**1.0**	**−3.7**	**−6.4**	**−2.5**	**−1.3**	**−0.8**
(Percent of GDP)						
Armenia	−8.9	−2.6	−2.3	−2.8	−3.8	−3.8
Azerbaijan	9.0	−0.4	−3.6	4.1	6.6	8.1
Georgia	−11.0	−12.0	−12.8	−8.9	−10.5	−10.2
Kazakhstan	−0.6	−2.8	−6.5	−3.4	−0.2	0.2
Kyrgyz Republic	−2.3	−16.0	−11.6	−4.0	−12.3	−11.8
Tajikistan	−4.3	−6.0	−5.2	−0.5	−4.7	−4.3
Turkmenistan	−7.4	−15.6	−19.9	−11.5	−8.2	−6.4
Uzbekistan	5.2	0.7	0.6	3.5	−0.5	−1.5

Sources: National authorities; and IMF staff estimates and projections.
[1]Central government.
[2]State government.
[2]2011–15 data exclude Syria due to the uncertain political situation.