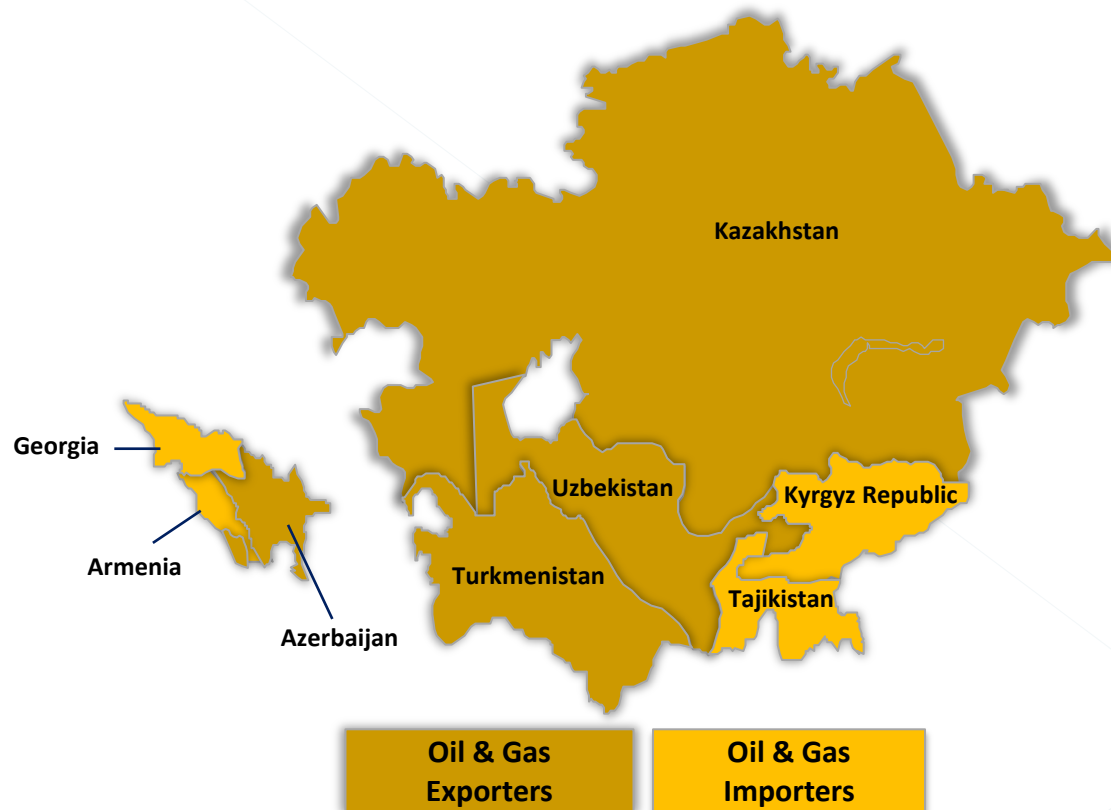


Regional Economic Outlook: Caucasus and Central Asia Fall 2010



Overview

Economic outlook

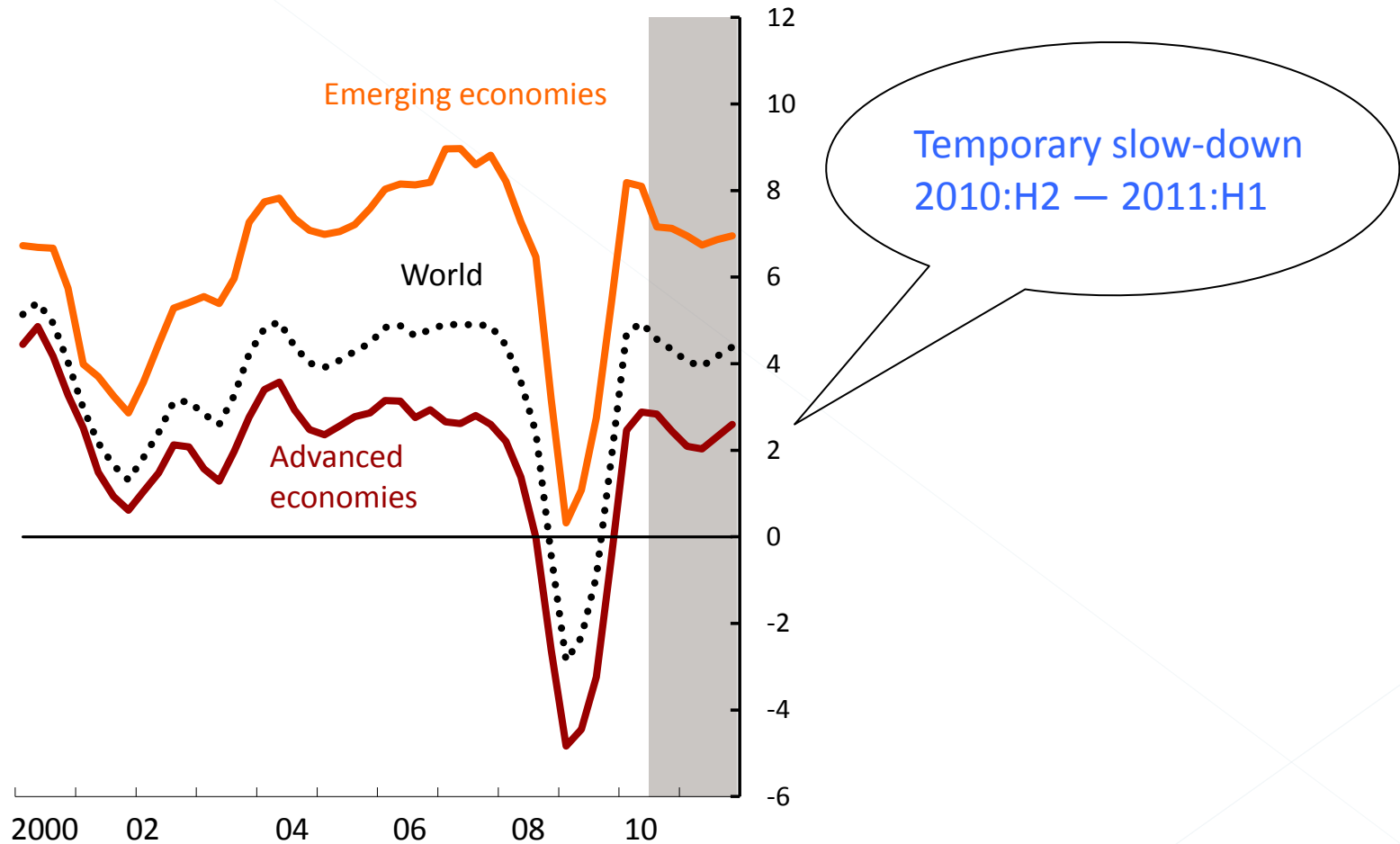
- Fragile two-speed recovery
- Emerging Europe and Caucasus and Central Asia (CCA) coming out of a deep contraction

Global policy challenges

Policy challenges for Georgia

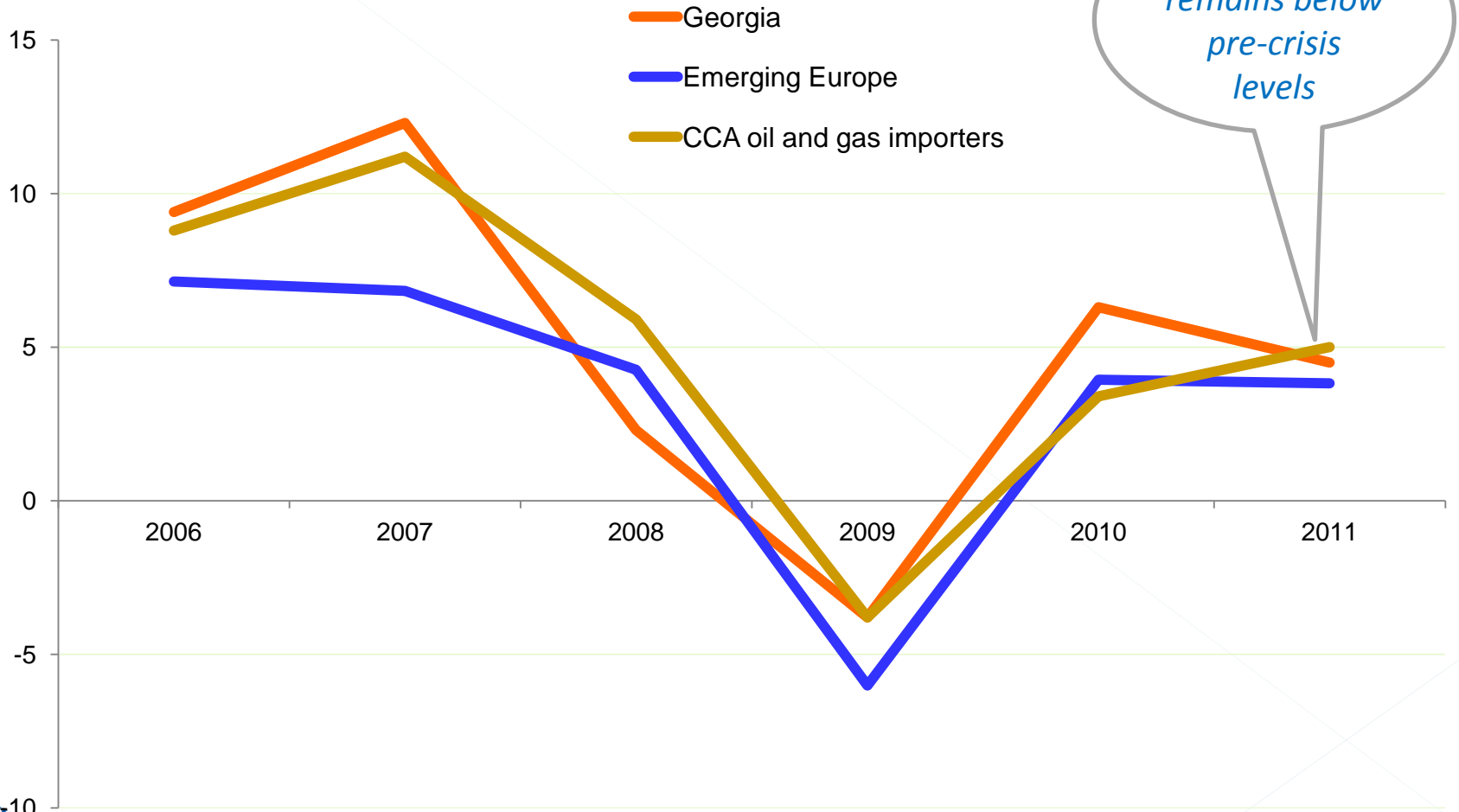
Global outlook: Two-speed recovery in motion

Real GDP Growth
(percent change from a year earlier)



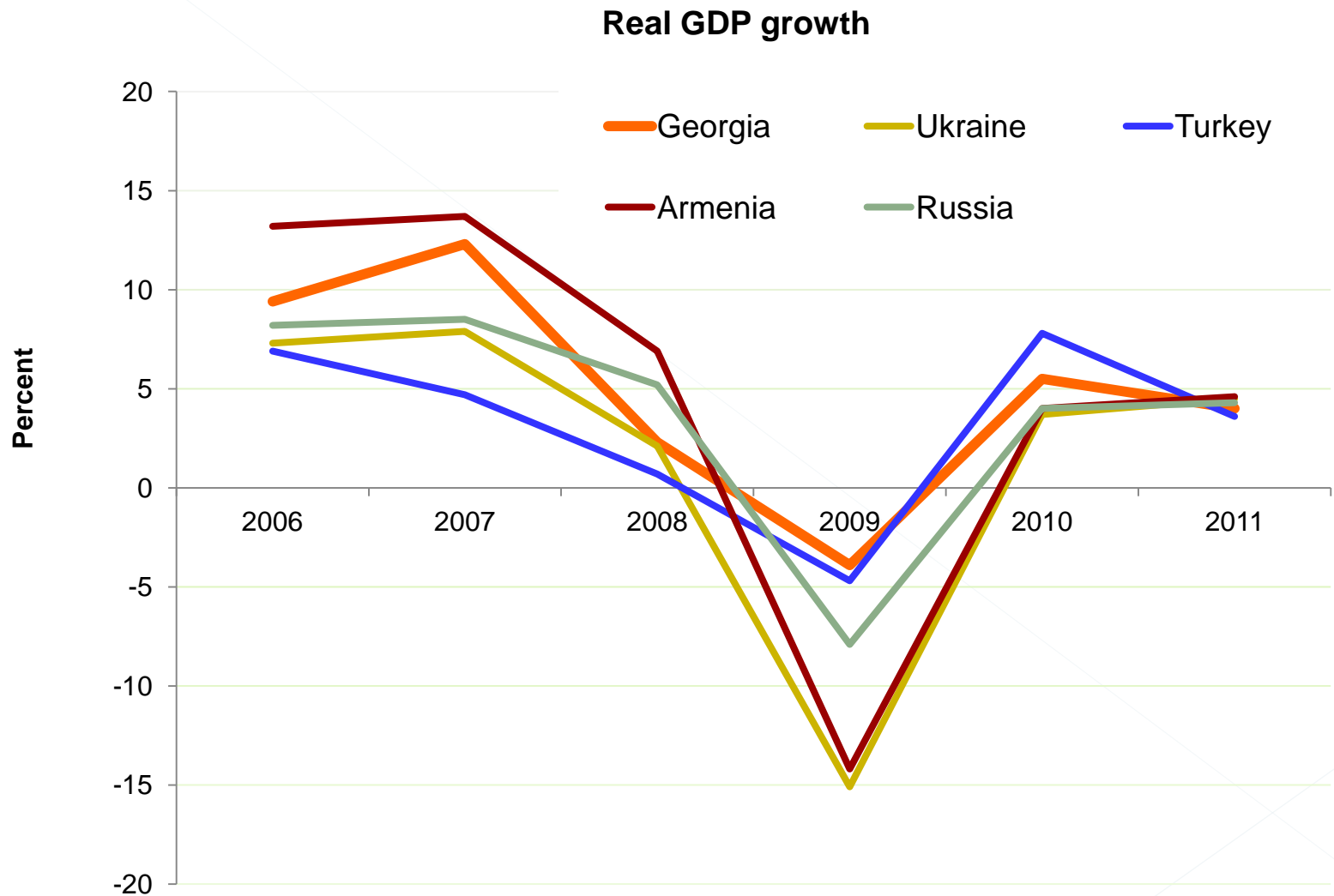
Georgia, Emerging Europe and CCA are recovering

Real GDP growth
(annual percent change)



... but growth remains below pre-crisis levels

The recession was shallower in Georgia than in most of its neighbors



Overview

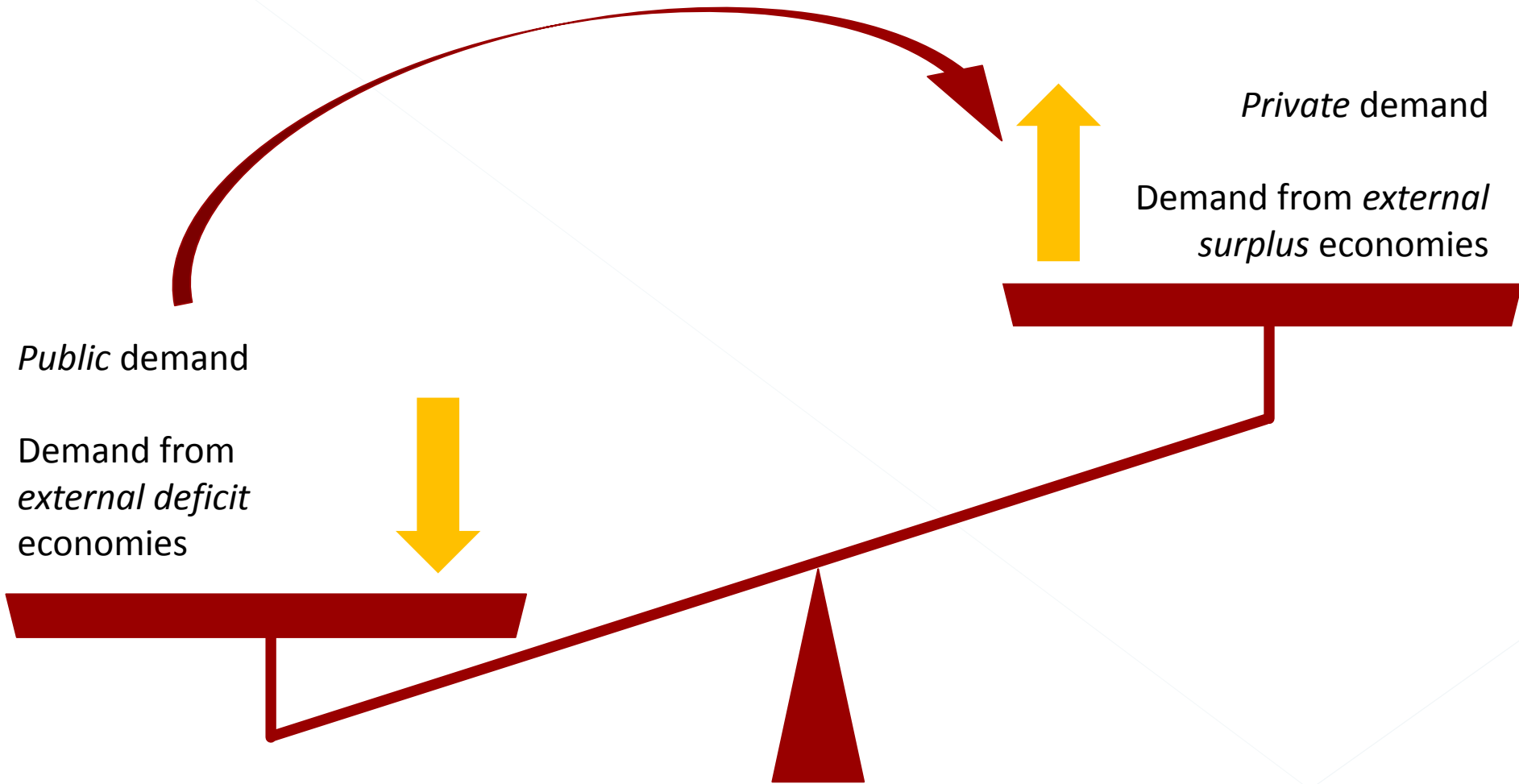
Economic outlook

Global policy challenges

- Rebalancing of demand: from public to private, and from deficit to surplus countries.
- Financial sector vulnerabilities and sovereign debt crises

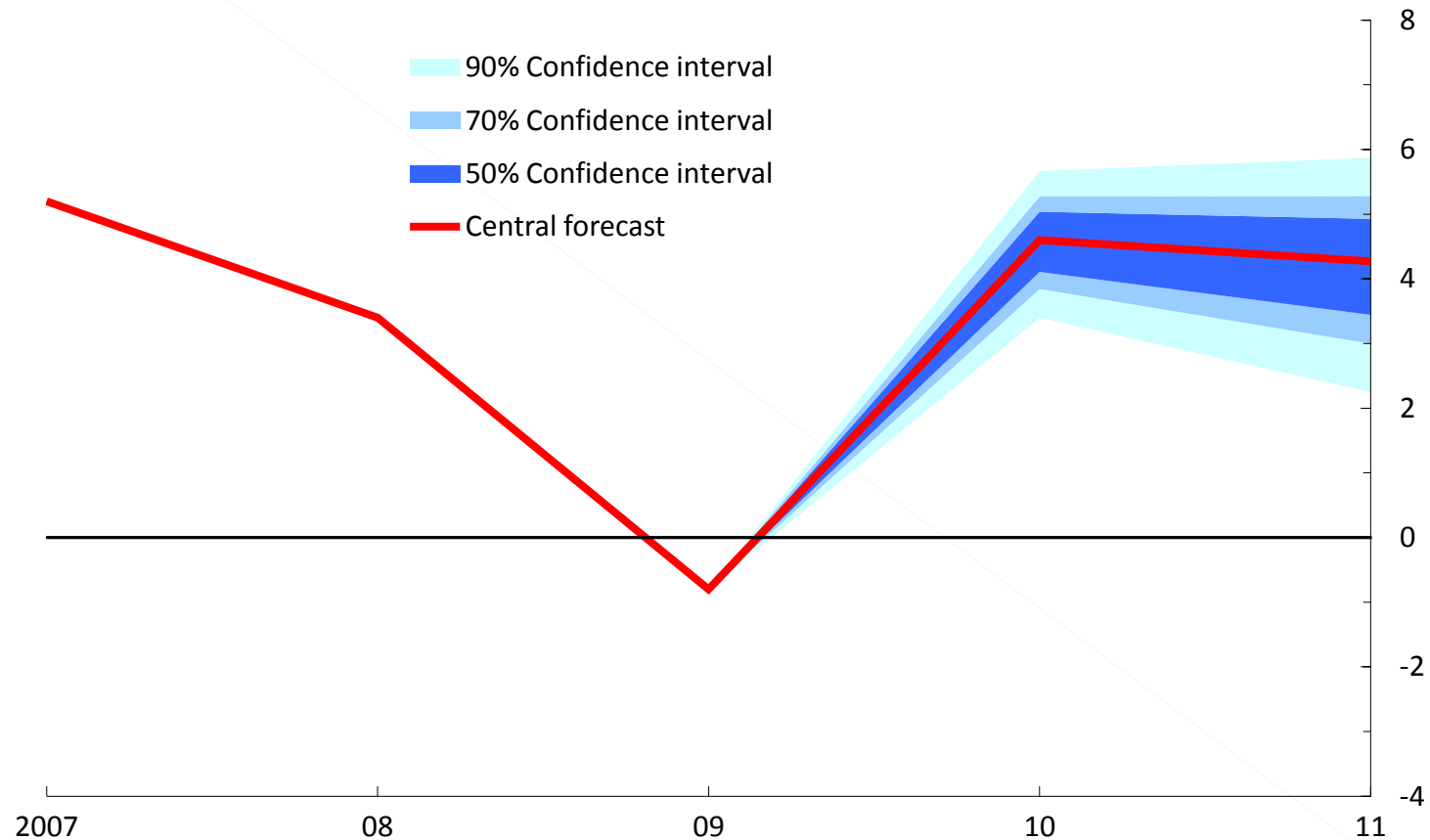
Policy challenges for Georgia

Rebalancing is needed along two dimensions



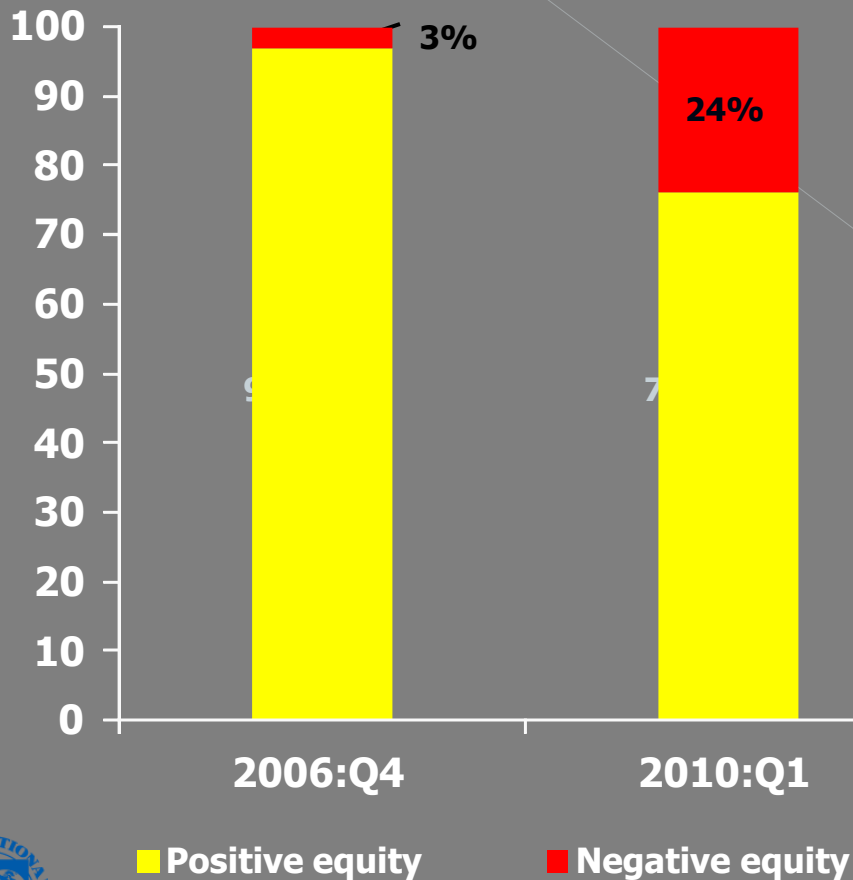
Downside risks remain, but global double-dip unlikely

Prospects for World GDP Growth
(percent change)

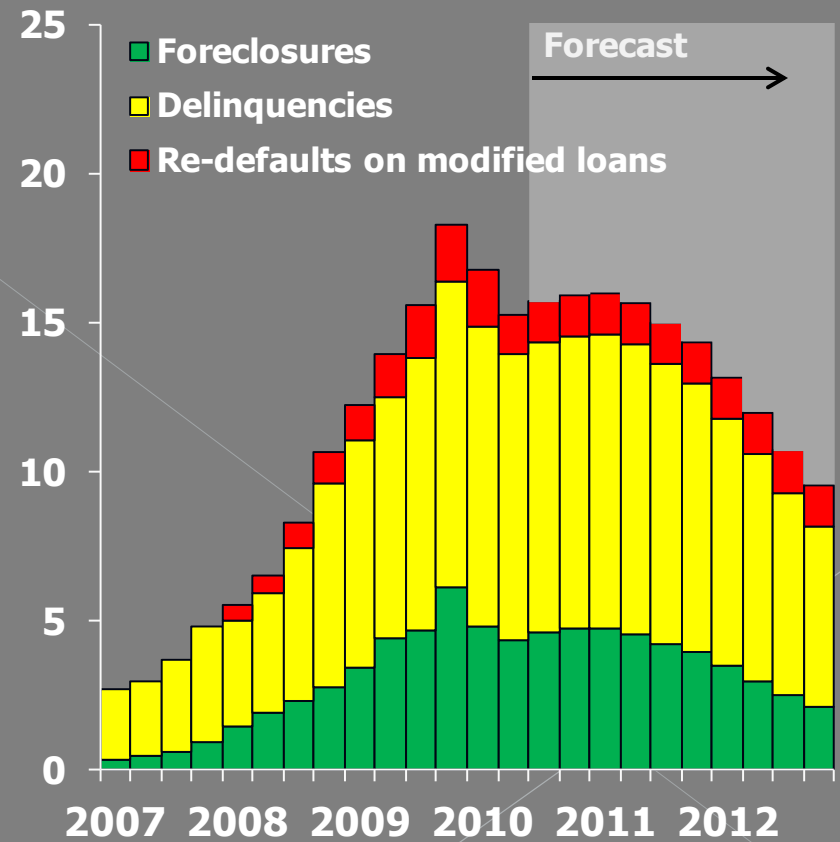


A double-dip in U.S. real estate?

Growing Share of Negative Home Equity
(In percent)

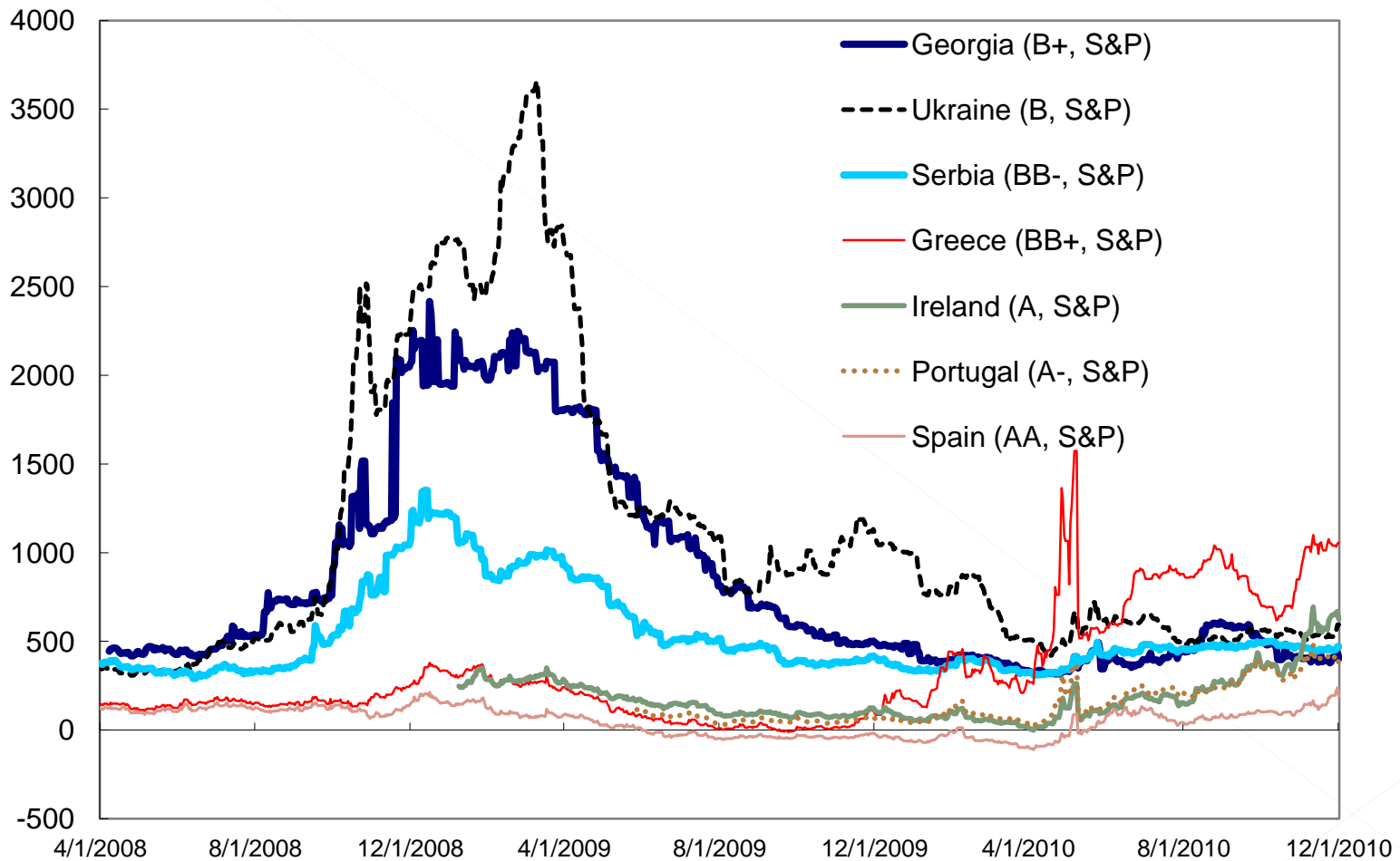


High Shadow Inventory of Foreclosed Homes
(In percent)



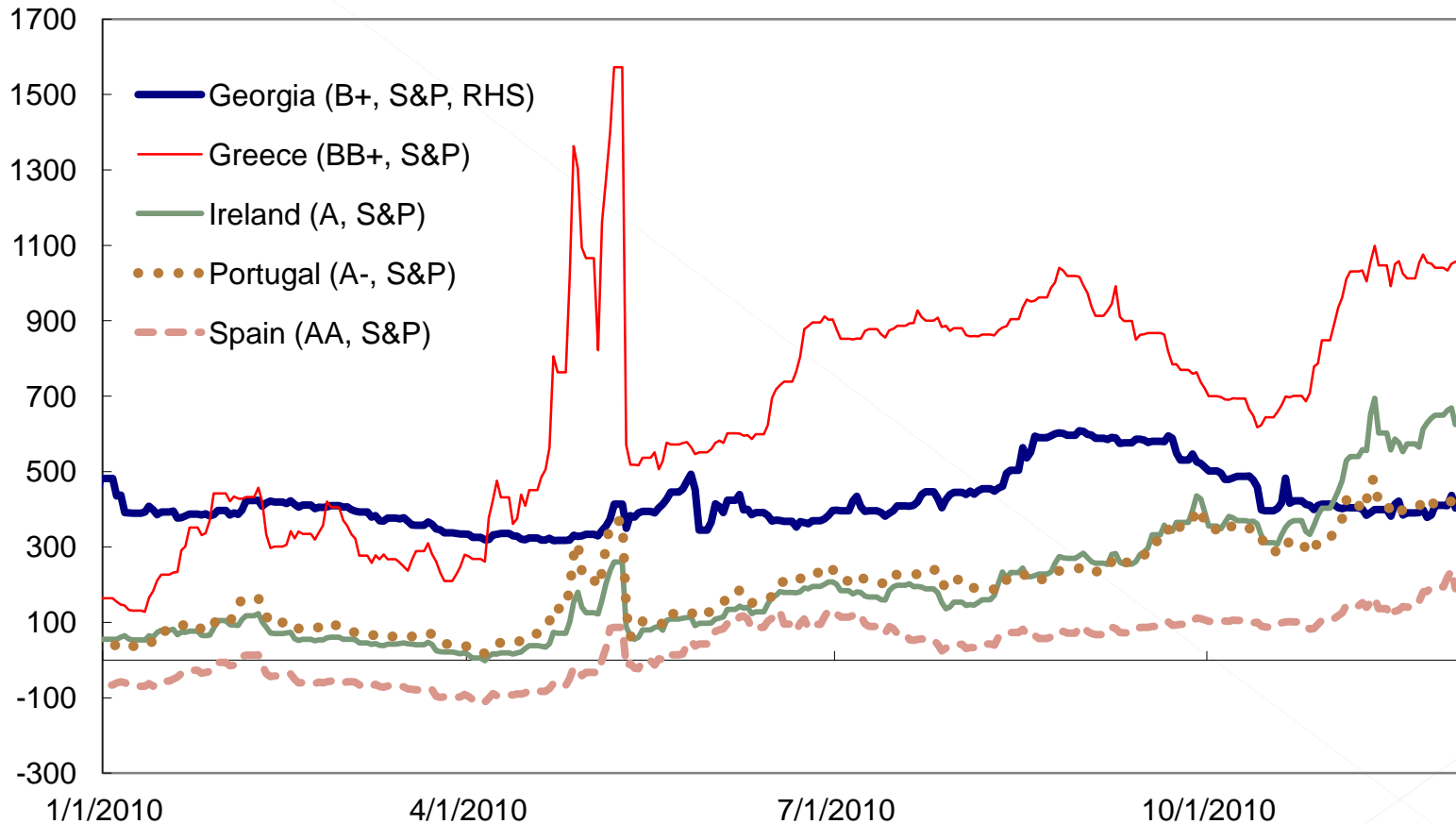
Sovereign strains persist in Europe

Sovereign Eurobond Spreads
(In basis points, over comparable U.S. treasuries)



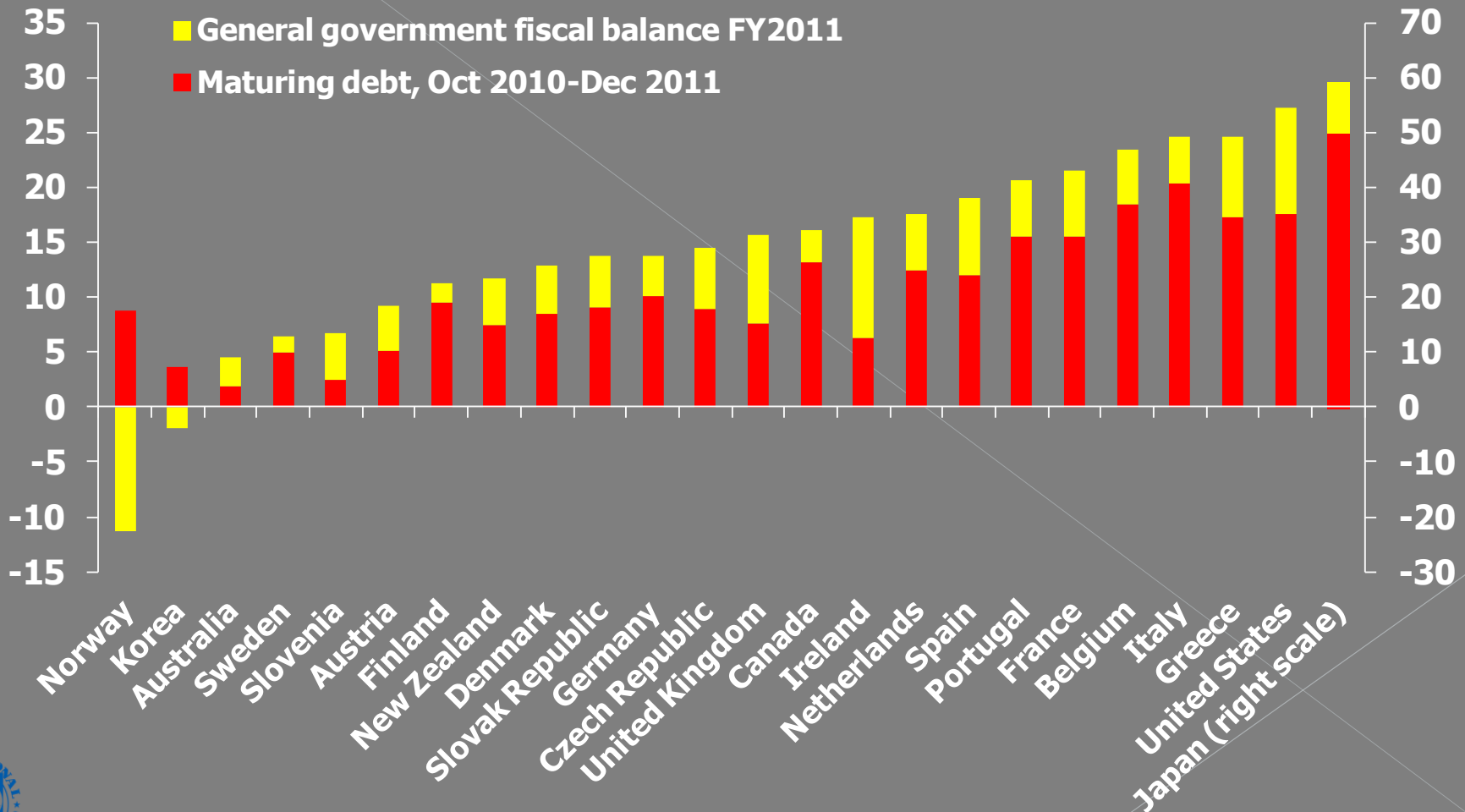
Georgian Eurobonds performing relatively well

Sovereign Eurobond Spreads
(In basis points, over comparable U.S. treasuries)



Sovereign gross financing needs through 2011 are large

percent of projected 2011 GDP



Overview

**Economic
outlook**

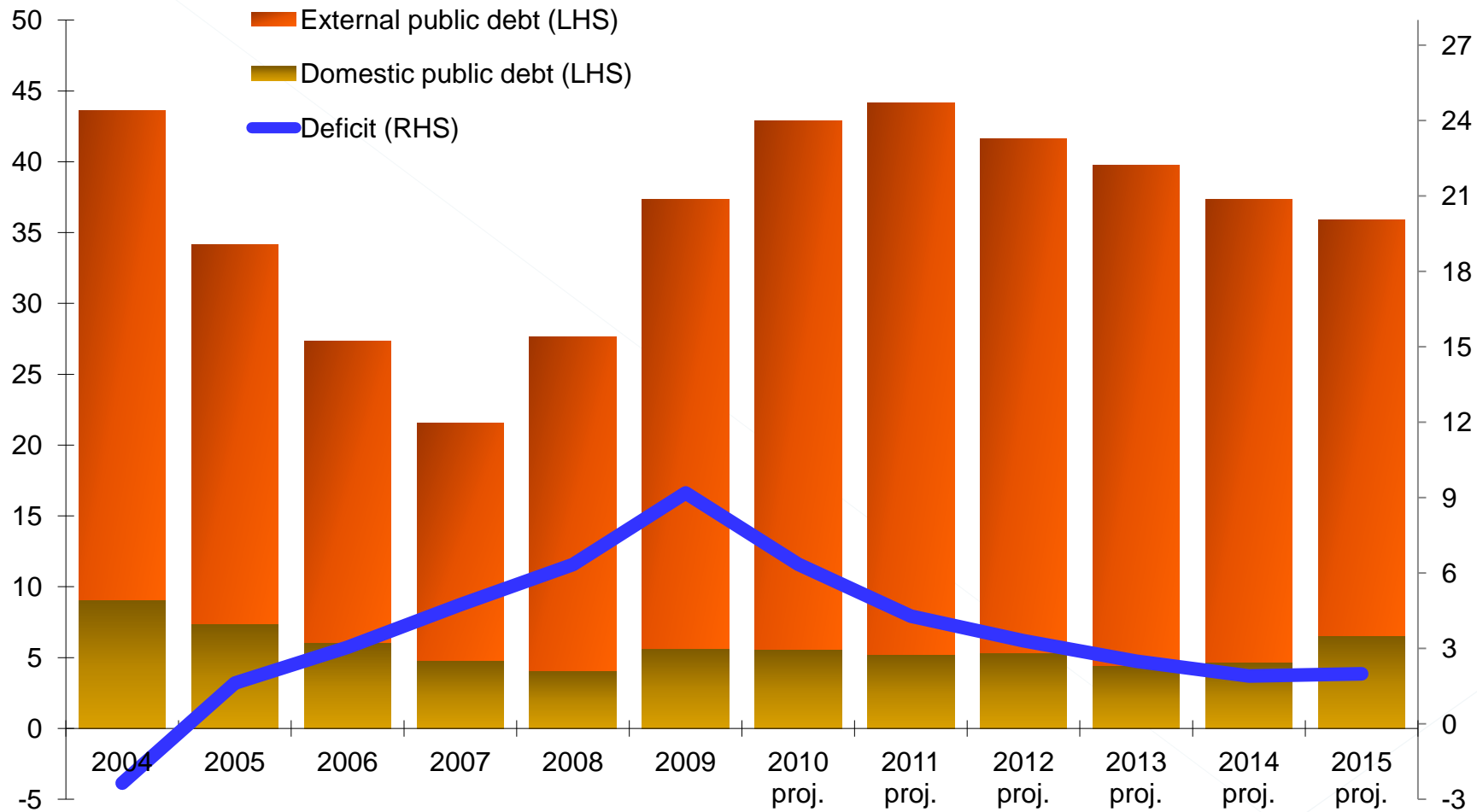
**Global
policy
challenges**

**Policy
challenges
for Georgia**

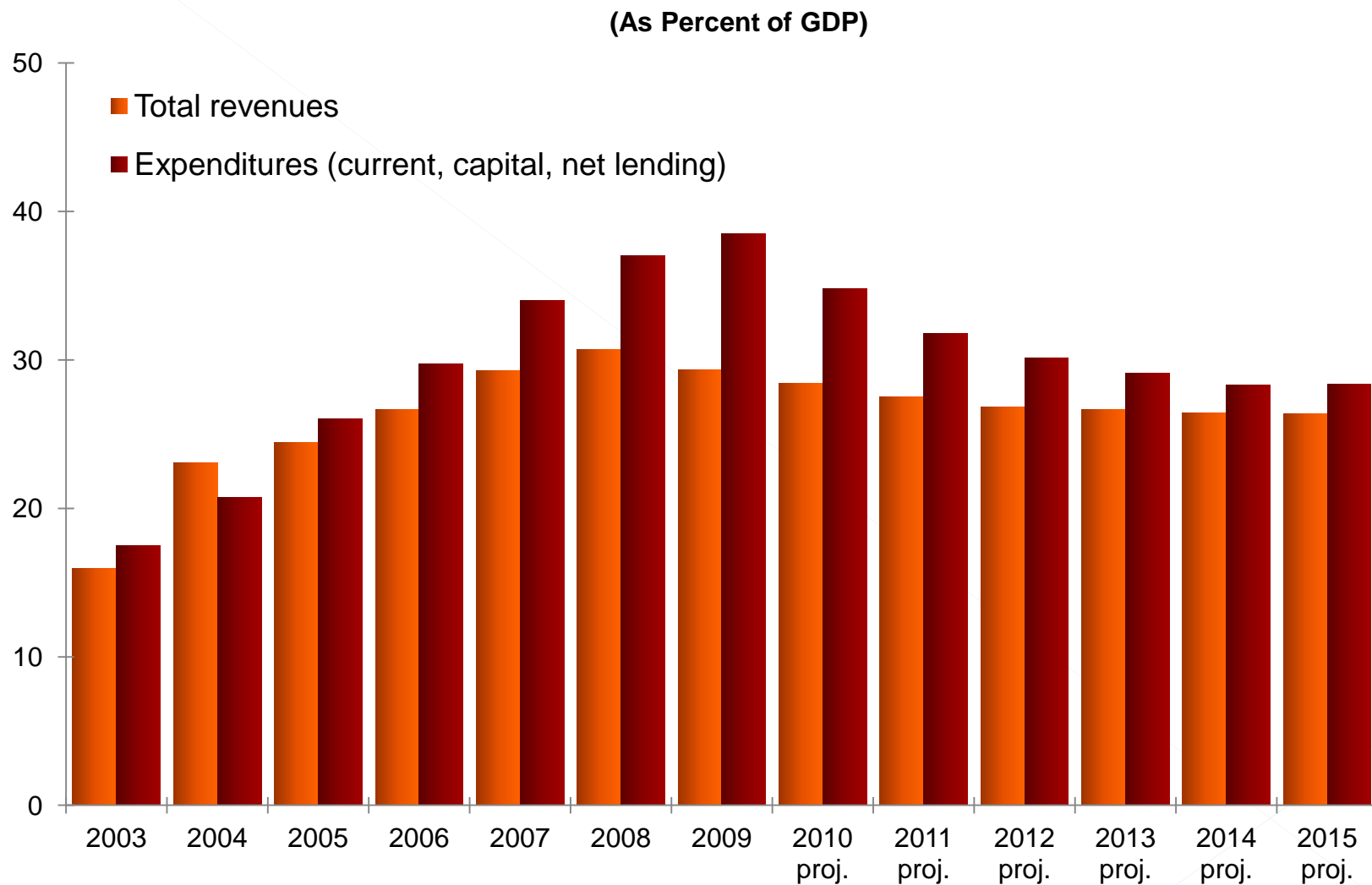
- Phasing out the fiscal stimulus; restoring fiscal sustainability
- Maintaining external equilibrium
- Building buffers against possible future shock

Georgia: restoring a sound fiscal position

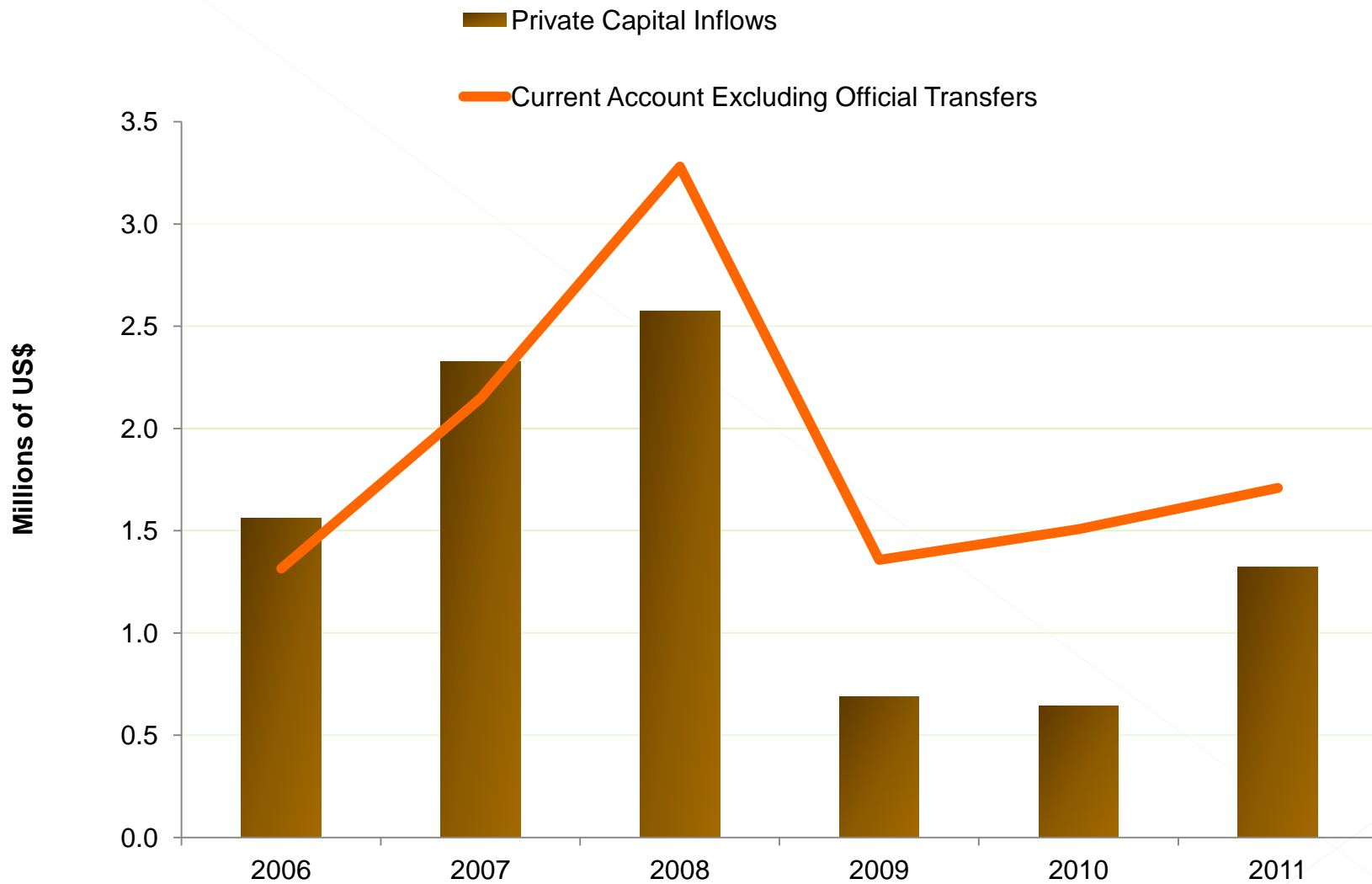
(as percent of GDP)



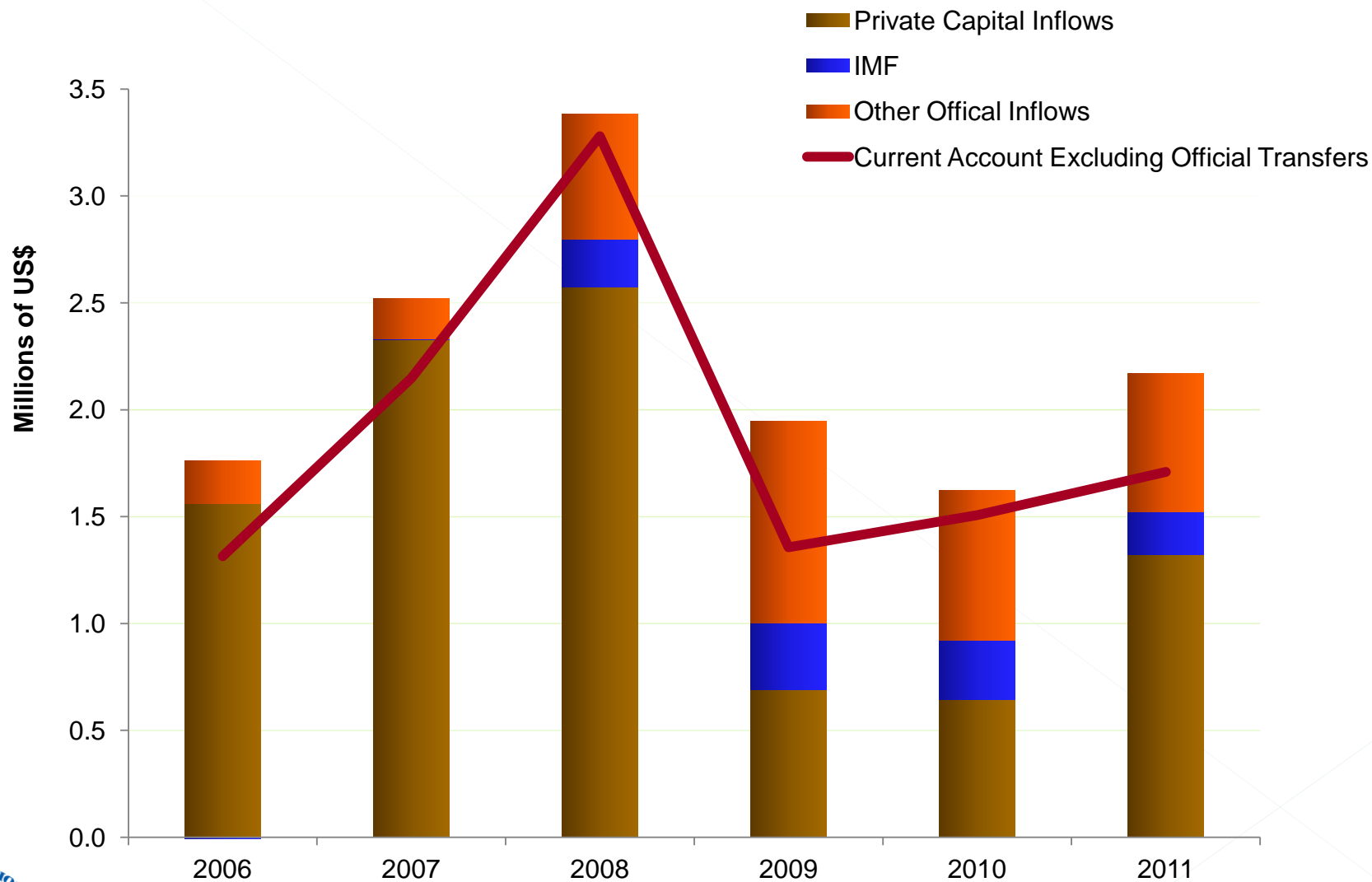
Georgia: expenditure-based adjustment



Georgia: the external financing shock of 2008-09



Georgia: exiting from official financial support



Policies are on the right track but risks remain elevated

International economic and financial environment is still fragile:

- ⦿ Growth in advanced countries likely to remain weak
- ⦿ The global financial system has not yet stabilized

Create buffers against the risk of adverse external shocks:

- ⦿ Sound public finances
- ⦿ Comfortable level of international reserves
- ⦿ Flexible exchange rate



Please visit the IMF's website

Full report:

<http://www.imf.org/external/pubs/ft/reo/2010/mcd/eng/mreo1024.htm>

This presentation can be viewed at:

<http://www.imf.org/external/country/GEO/rr/index.htm>

What do you think?

Make your point on the related blogs:

<http://blog-imfdirect.imf.org>