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IMF: Russian Recession, Oil Prices Hit Economies in Caucasus and Central Asia

By The Moscow Times

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Construction cranes are seen behind a blossoming poppy field at outskirts of Almaty, Kazakhstan, May 14, 2015.

ALMATY — Russia's recession and lower oil prices have slowed economies in the Caucasus and Central Asia, the IMF said Tuesday, presenting its weakest outlook for the region since the global financial crisis.

Economic growth in the eight ex-Soviet states, in a region stretching from the Black and Caspian seas to Siberia, Iran and China, will slow to an average of 3.2 percent this year from 5.3 percent in 2014, the International Monetary Fund said in a new regional outlook.

It forecast gross domestic product growth would pick up to 4.2 percent in 2016.

IMF economists divide the region between hydrocarbon exporters Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan, and oil- and gas-importing Armenia, Georgia, Kyrgyzstan and

Tajikistan.

"The twin shocks of the economic slowdown in Russia, a key trading partner, and lower oil prices are taking a toll on the region," Juha Kahkonen, deputy director of the IMF's Middle East and Central Asia Department, said presenting the report in Kazakhstan.

Russia's economy has been weakened by sanctions imposed by the West over Moscow's annexation of Crimea and its support for pro-Russian separatists in east Ukraine.

"Exchange rate developments, such as the appreciation of the U.S. dollar and the depreciation of the ruble, are compounding the problem," Kahkonen said.

"Overall, the outlook for the region has not been this weak since the global financial crisis in 2008-09."

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Kazakhstan, Central Asia's largest economy and the second-largest post-Soviet oil producer after Russia, is forecast to grow 2.0 percent this year, slowing from 4.3 percent in 2014.

Russia and Kazakhstan are members of the Eurasian Economic Union, which was launched in January and includes Belarus, Armenia and Kyrgyzstan. A slowdown in oil output and delayed development of new oilfields has further hampered Kazakhstan's economy.

In Azerbaijan, the largest economy in the Caucasus, GDP growth will slow to 0.6 percent this year from 2.8 percent in 2014.

The IMF sees growth slowing in the four oil-importing CCA nations to 1.5 percent this year from 4.6 percent in 2014, and shrinking by 1 percent in landlocked Armenia.

These countries are heavily dependent on remittances sent home by their citizens working abroad, mainly in Russia, which have fallen sharply, erasing any gains from lower oil prices.

These countries are also squeezed by lower prices for exports such as gold, copper and aluminum. Their combined current account deficit is expected to reach 11 percent this year, the IMF said.

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