Government Debt and Financing Legacy Risks from the Pandemic

The coronavirus (COVID-19) crisis led to a surge in government debt and financing needs as many countries in the Middle East and Central Asia reacted swiftly to mitigate the pandemic's impact. Although several of these countries successfully accessed international financial markets, domestic banks covered a significant share of emerging markets' financing needs, further expanding their already significant exposure to the public sector. By contrast, most low-income countries (LICs) had a small response to the crisis because of financing and policy space constraints. Looking ahead, public gross financing needs in most emerging markets in the Middle East and Central Asia are expected to remain elevated in 2021–22, with downside risks in the event of tighter global financial conditions and/or if fiscal consolidation is delayed due to weaker-than-expected recovery. However, further reliance on domestic financing will reduce banks' ability to support the private sector's emergence from the crisis, thus prolonging the recovery. Credible medium-term fiscal and debt management strategies, together with policy actions to develop domestic capital markets and mitigate banks' overexposure to the sovereign would reduce financing risks, address the elevated debt burdens, and entrench financial stability.

Context: Pre-COVID-19 Landscape

Several countries in the Middle East and Central Asia entered the pandemic with elevated government debt and financing vulnerabilities, as the global financial crisis and the 2014–15 oil shock had reversed gains in debt reduction. By the end of 2019, one-third of countries had government debt ratios above 70 percent of GDP, and five faced public gross financing needs above 15 percent of GDP.[1] Lebanon was in default, three LICs were in debt distress (Somalia, Sudan, Yemen),[2] and four were assessed at high risk of debt distress (Afghanistan, Djibouti, Mauritania, Tajikistan).

The debt holding structure in the Middle East and Central Asia's emerging markets reflects an undiversified and underdeveloped investor base, with a concentration of government debt holdings in the banking sector. These countries have relied on domestic creditors to cover a significant share of their budgetary financing needs. Among them, domestic banks have been the dominant investors (accounting for 81 percent of domestic debt, excluding central bank holdings), and, in a few cases, central banks have also played an important role (Figure 2.3, panel 1). Structural excess liquidity in some countries, incipient secondary markets and underdeveloped institutional investors in others, and limited alternative investments have created incentives for banks to hold government bonds to maturity, hindering domestic debt market liquidity and development.

The overexposure of domestic banks to the sovereign in several of the Middle East and Central Asia's emerging markets rose significantly after the global financial crisis and especially the 2014–15 oil shock. This exposure reflects not only lending to the general government but also to the large and important state-owned enterprises, and, in Lebanon, also to the central bank. Before

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[1]Public gross financing needs are defined as the sum of the overall fiscal deficit and government debt amortization. For the purpose of this chapter, emerging markets in the Middle East and Central Asia include emerging market and middle-income economies and oil exporters. LICs include Afghanistan, Djibouti, Kyrgyz Republic, Mauritania, Somalia, Sudan, Tajikistan, Uzbekistan, West Bank and Gaza, and Yemen. Libya and Syria are excluded because of lack of data, and data for Somalia, Sudan, and Turkmenistan are partial.

[2]Yemen's risk rating of external debt distress was assessed as high at the time of the last Debt Sustainability Analysis prepared in 2016. Since then, however, Yemen has accumulated external arrears.

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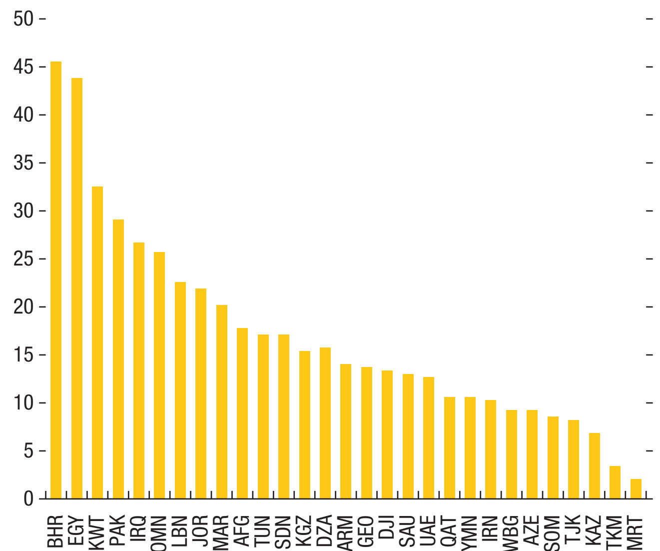
the COVID-19 crisis, domestic banks' exposure to the sovereign was above 20 percent of total banks' assets in Iraq, Jordan, and Qatar, reaching above 45 percent in Algeria, Egypt, and Pakistan, and up to 60 percent in Lebanon. By contrast, banks in other emerging markets had a public sector exposure of about 12 percent (Figure 2.3, panel 2). Such an overexposure is detrimental for domestic debt market development, as well as for the government and the private sector to secure financing at the lowest possible cost among a diversified pool of creditors.

Private external financing to governments in the Middle East and Central Asia has been more limited, given that only a few countries have been able to tap markets in a sustained manner. Official creditors have historically played an important role. In LICs, official creditors hold about 80 percent of government debt, with a growing share owed to non–Paris Club creditors (about 45 percent of external government debt).

A Year After the Start of the Pandemic: Vulnerabilities Are Rising

The pandemic's effect on revenue and the response to mitigate its impact led to a generalized widening of deficits in 2020, despite expenditure reprioritization efforts. Compared with pre-pandemic forecasts, primary deficits widened, on average, by 7 percent of GDP. Although some countries were able to contain debt issuance by using government deposits (Algeria, Azerbaijan, Oman, Qatar, Saudi Arabia, Tunisia, UAE) and/or sovereign wealth funds (Algeria, Azerbaijan, Bahrain, Kazakhstan, Kuwait, Oman, UAE), the combination of higher deficits and the economic contraction led to an average increase of 9 percentage points in the debt-to-GDP ratio. By the end of 2020, thirteen countries had government debt exceeding 70 percent of GDP (compared with nine by the end of 2019). Fourteen countries, compared with five in pre-pandemic times, had public gross financing needs exceeding 15 percent of GDP (Figure 2.1).

Figure 2.1. Public Gross Financing Needs, 2020[1]
(Percent of GDP)



Sources: Country authorities; IMF World Economic Outlook; and IMF staff calculations.
Note: Country abbreviations are International Organization for Standardization country codes.
[1]Primary balance excludes donor grants for low income countries.

Higher domestic bank financing strengthened the sovereign-bank nexus in most of the Middle East and Central Asia's emerging markets. Similar to past trends, domestic banks played a key role in funding governments in 2020, covering more than 50 percent of public gross financing needs in Bahrain, Egypt, Jordan, Pakistan, and Tunisia. Adding central bank financing, the overall banking sector's share also reached more than 50 percent in Armenia, Iraq, and Lebanon. Although domestic financing was critical during the first phase of the crisis when international capital markets were disrupted, it intensified the sovereign-bank nexus in most cases (Figure 2.3, panels 2 and 3).

Countries increased domestic borrowing amid local currency yield curves shifting downwards, reflecting monetary policy easing over 2020. Some countries relied heavily on shorter-term domestic financing, reflecting borrowing cost considerations and nascent domestic markets for long-term instruments (for example, Egypt and Pakistan), but others issued long-term domestic bonds and

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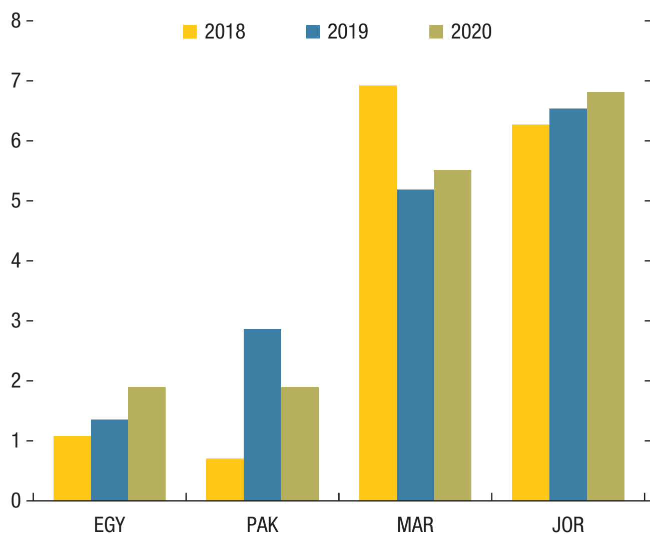
Figure 2.2. Average Maturity at Issuance of Local Currency Bonds
(Years, weighted by issuance)



Sources: Country authorities; Bloomberg Finance L.P.; and IMF staff calculations.

secured savings for years ahead (for example, Jordan and Morocco) (Figure 2.2).

One-third of the countries in the Middle East and Central Asia tapped into international markets, benefiting from favorable conditions, but some faced substantial volatility. Ten countries tapped markets since early 2020 (Armenia, Bahrain, Egypt, Jordan, Morocco, Oman, Qatar, Saudi Arabia, UAE, Uzbekistan), representing 26 percent of emerging market issuances (compared with their combined weight of 6 percent in emerging markets' GDP), but external financing relative to needs was limited in most cases (accounting, on average, for 20 percent of public gross financing needs). Favorable conditions not only helped these countries access markets but also increase the maturity on their placements. Notably, the average maturity of non-investment-grade issuances in the Middle East and Central Asia was like that of other non-investment-grade emerging markets, closing a gap that had persisted in previous years. Borrowing costs also gradually came down after the initial period of turmoil, reflecting the easing of global financial conditions. Nevertheless, average coupon rates for both investment-grade and non-investment-grade issuers in the Middle East and Central Asia for 2020 were slightly higher than in similar emerging markets elsewhere (Figure 2.4).

Nonresident participation in local currency government debt markets remained negligible in most countries in the Middle East and Central Asia. However, those exposed to short-term nonresident flows to local currency debt markets experienced substantial volatility during the year. For example, Egypt and Pakistan saw heavy outflows as foreign investors exited their positions in domestic government securities during March–May (amounting to more than $15 billion and $2.5 billion, respectively). In Egypt, prudent macroeconomic policies and high real yields supported the reversal of earlier outflows by year's end, despite a 400-basis-point reduction in policy rates. In Pakistan, foreign investors have not yet returned in significant volumes.

Most LICs in the Middle East and Central Asia had a small response to the crisis given financing constraints, relying on official and central bank financing. In 2020, the median increase in the primary deficit for this group was 2 percent of GDP, despite the significant challenges these countries faced from the pandemic, reflecting financing constraints and a lack of policy space. More worrying, countries most in need of spending (with a low Sustainable Development Goals index) cut their nominal expenditures markedly compared with pre-pandemic projections (Figure 2.5, panel 1).

To a large extent, international efforts helped ease some of the immediate financing constraints. The IMF provided $1.7 billion in overall financing to LICs in the Middle East and Central Asia, and other official donors contributed $3.9 billion. Additionally, these countries benefited from debt service relief under the Group of Twenty Debt Service Suspension Initiative (DSSI), the IMF's Catastrophe Containment and Relief Trust, and, in Somalia, debt relief under the Heavily Indebted Poor Countries initiative. Notwithstanding these efforts, a few countries and territories (Sudan, West Bank and Gaza, Yemen) received lower

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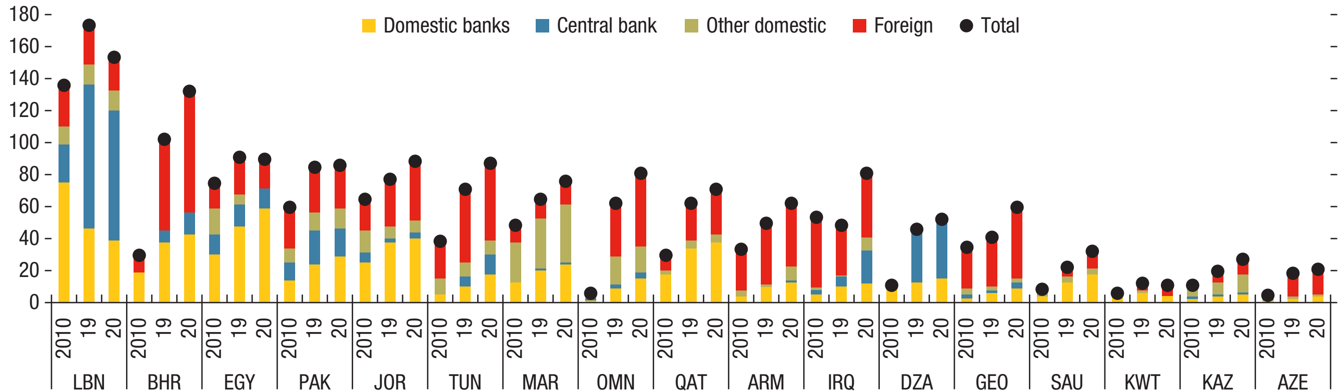
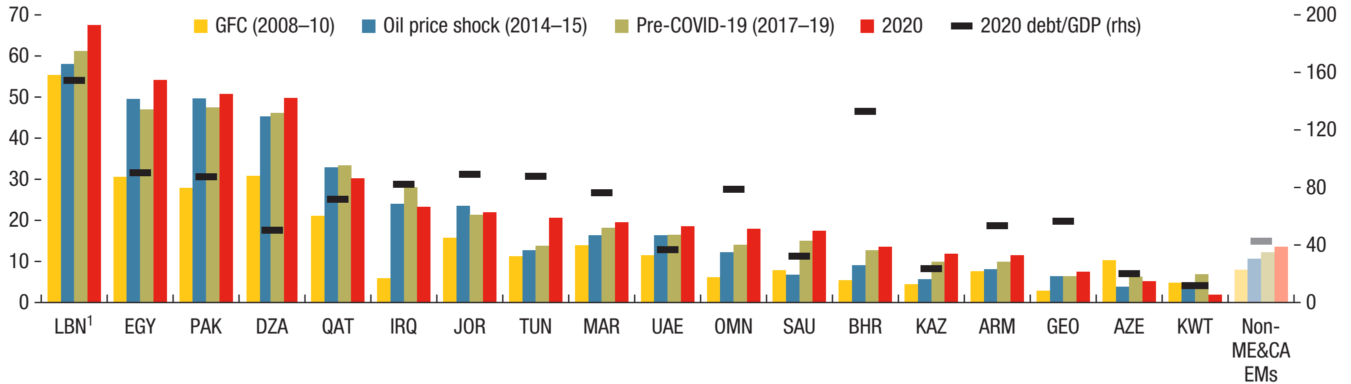
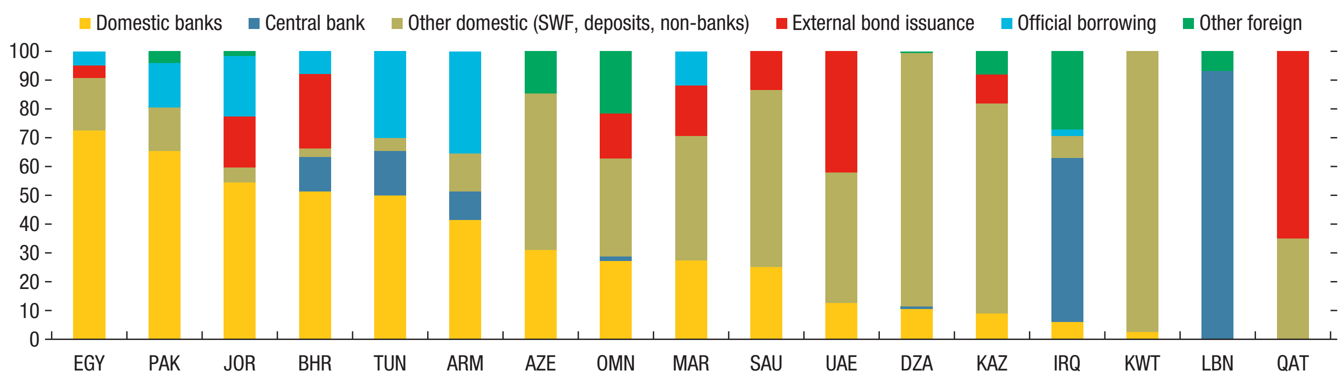
Figure 2.3. Debt, Financing, and the Sovereign-Bank Nexus in ME&CA's Emerging Markets







Sources: IMF International Financial Statistics; IMF World Economic Outlook; and IMF staff calculations.
Note: GFC = global financial crisis; ME&CA = Middle East and Central Asia; SWF = sovereign wealth fund. Country abbreviations are International Organization for Standardization country codes.
[1]For Lebanon, it refers to banks' claims on the public sector, including the Central Bank, as a share of total banking system assets.

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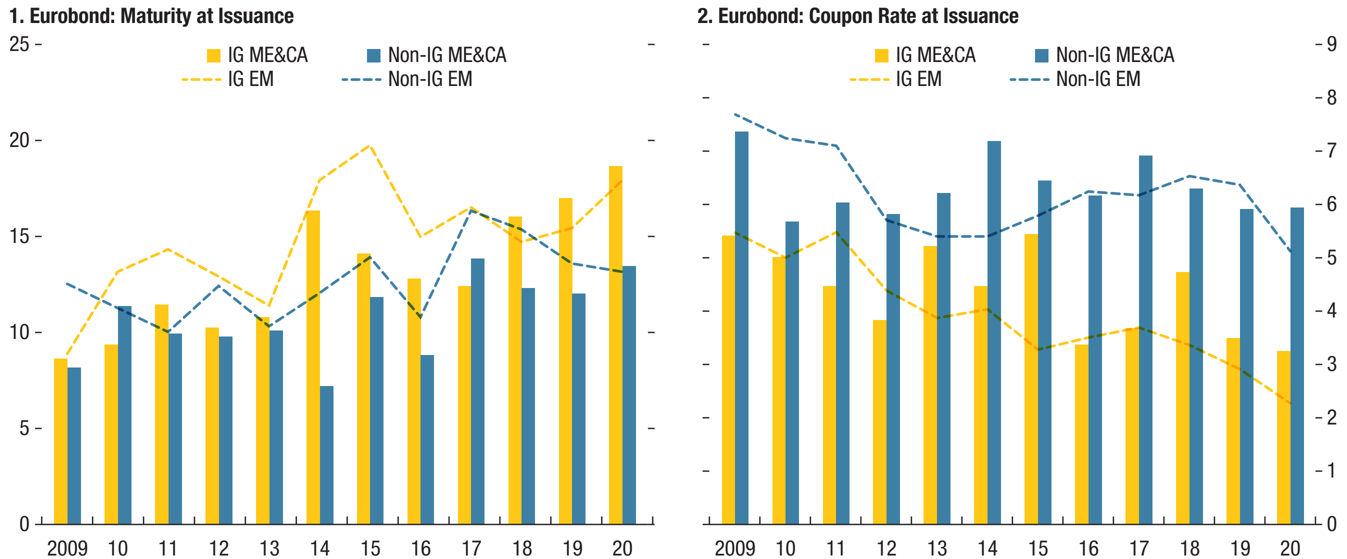
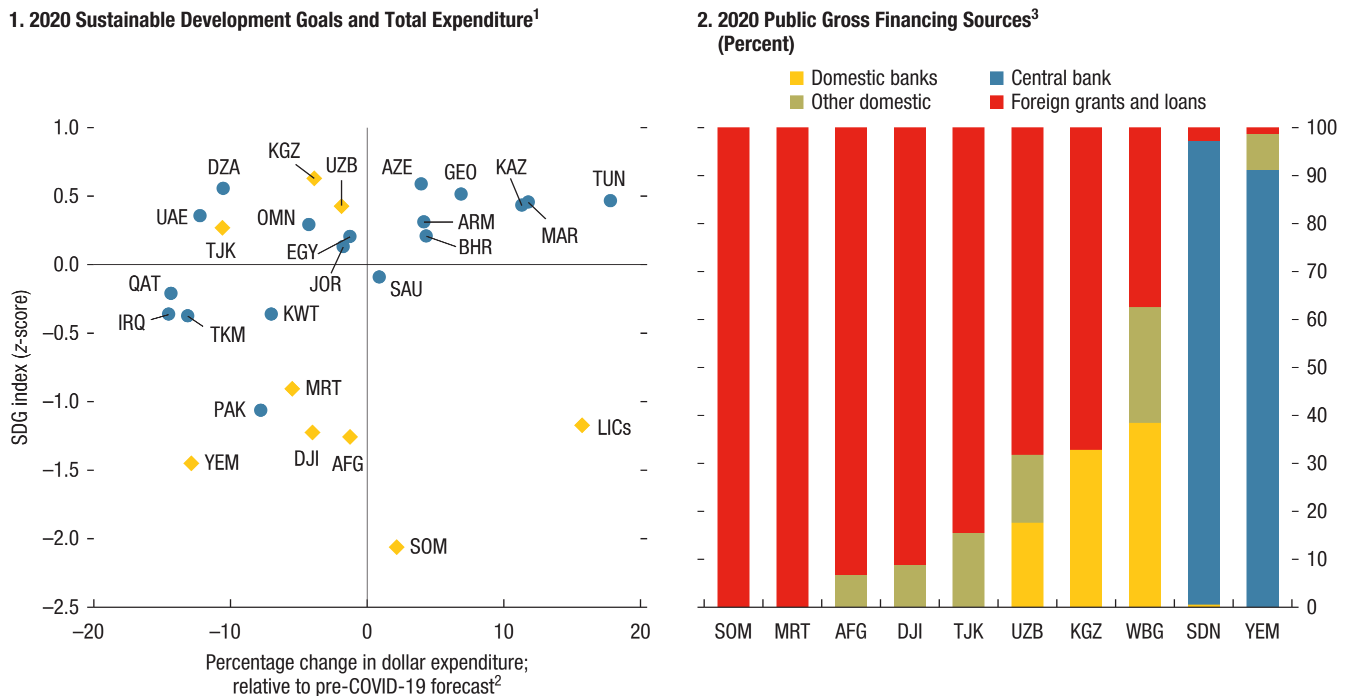
Figure 2.4. International Market Access in ME&CA
(Weighted average)



Sources: Bloomberg Finance L.P.; and IMF staff calculations.
Note: EM = emerging market; IG = investment grade; ME&CA = Middle East and Central Asia.

Figure 2.5. Limited Financing Constrained ME&CA-LICs Response to the Crisis



Sources: Sustainable Development Goals index database; IMF World Economic Outlook; and IMF staff calculations.
Note: LIC = low-income country. Country abbreviations are International Organization for Standardization country codes.
[1]Iran, Lebanon, and Sudan are excluded.
[2]Pre-COVID-19 forecasts refer to January 2020 *World Economic Outlook* projections.
[3]External financing was secured from official sources except in Uzbekistan, which received both official and market financing.

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Table 2.1. 2021–22 Public Gross Financing Needs and Sources ($, billions)

	Overall Public Gross Financing Needs	Gross Domestic Sources	Gross External Sources
ME&CA-EMs	1,070	862	208
of which: GCC	248	130	118
ME&CA-LICs	29	11	19
Memorandum Items:			
ME&CA	1,100	873	227
MENA	919	735	185
CCA	27	15	11

Source: IMF staff estimates.
Note: CCA = Caucasus and Central Asia; EM = emerging market; GCC = Gulf Cooperation Council; LIC = low-income country; ME&CA = Middle East and Central Asia; MENA = Middle East and North Africa.

grants in 2020 compared with pre-pandemic expectations or, in some cases (Kyrgyz Republic, Sudan, Yemen), less than in 2019. Also, given limited external financing, a few LICs had to resort to central bank financing (Sudan, Yemen) (Figure 2.5, panel 2).

Financing Risks Ahead

Public gross financing needs are projected to increase during 2021–22, compared to pre-pandemic expectations. In the Middle East and Central Asia's emerging markets, financing needs would increase to $1,070 billion during 2021–22, from $784 billion in 2018–19 (Table 2.1). These countries expect to cover these financing needs through $862 billion from domestic creditors and $208 billion from external sources. By contrast, LICs' financing needs would slightly increase to $29 billion during 2021–22 from $27 billion in 2018–19. These countries will continue to rely on official financing but are projected to increasingly draw on domestic sources as the availability of external support remains limited.

Average public gross financing needs during 2021–22 are expected to remain higher than 15 percent of GDP in most of the Middle East and Central Asia's emerging markets. The median external debt amortization is low (about 4 percent of GDP), but rollover and refinancing risks of domestic debt are high, given the elevated domestic amortization in some countries, rising higher than 15 percent of GDP in Bahrain, Egypt, and Pakistan (Figure 2.7, panel 1). In LICs, public gross financing needs are projected at an average of about 9 percent of GDP during 2021–22.

Since prospects for heavily tapping international markets are limited, domestic banks will need to continue covering a large share of the Middle East and Central Asia emerging markets' high public financing needs in the years ahead. This could lead to further crowding out of private sector credit in several countries—as was evident after the 2014–15 oil shock—at a time of heightened private financing needs, with implications for the recovery ahead (Figure 2.6). In turn, a prolonged recovery and possible scarring of small and medium enterprises and the corporate sector more broadly in the aftermath of the pandemic could increase nonperforming loans, further reducing banks' ability to provide needed financing to the economy. In a few countries, this could give rise to another round of monetary financing, intensifying fiscal dominance concerns. Lebanon's experience highlights how exacerbated sovereign-bank interlinkages can derail macro, financial, and fiscal stability.

To what extent could financing risks be exacerbated in the case of shocks? A key question, particularly in emerging markets, is whether domestic banks will still be able to absorb the expected additional financing needs during 2021–22 and how large the demand for additional financing could be in the case of shocks if further reliance on the domestic banking sector is the only available option. A combined scenario including two shocks is considered:

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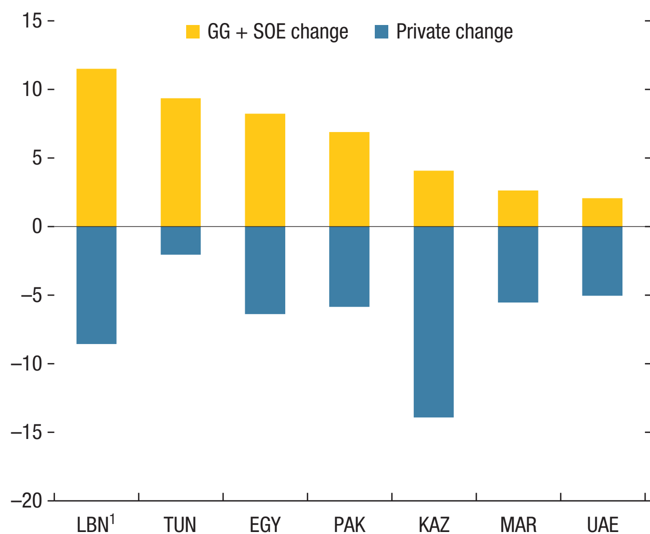
Figure 2.6. Bank Credit Exposure to the Public versus Private Sector

(2013–20 percentage points change, percent of banking system assets)



Sources: Country authorities; IMF International Financial Statistics; IMF World Economic Outlook; and IMF staff calculations.
Note: GG = general government; SOE = state-owned enterprise. Country abbreviations are International Organization for Standardization country codes.
[1]For Lebanon, the yellow bar refers to bank claims on GG, SOE and Central Bank.

- Faster-than-expected tightening of global financial conditions. Such a scenario would lead to revisions in pricing and quantity of market access. Yields (domestic and external) are shocked by 200 basis points, broadly similar to the impact on the Middle East and Central Asia's emerging markets during the 2013 "taper tantrum" and other high volatility episodes. The scenario also applies a rollover shock, whereby only one-half of maturing external bonds are rolled over during 2021–22, in line with stress testing in the recently revamped IMF Debt Sustainability Framework for Market Access Countries.
- Delayed fiscal adjustment. Countries expect to start gradual consolidation in 2021, but the fragile recovery and a prolonged rollout of vaccines may lead to lower-than-expected revenues and the extension of policy support in 2021. This scenario assumes that planned fiscal adjustment is delayed by one year, with the adjustment in 2021 shifting to 2022.

Under this scenario, average public gross financing needs during 2021–22 would increase by about 3 percent of GDP, about half of the pandemic's impact on public gross financing needs in the Middle East and Central Asia's emerging markets in 2020 (Figure 2.7, panel 3). Assuming that the additional budgetary needs stemming from the simulated combined shocks are funded by domestic banks in addition to the net bank financing already covering the expected 2021–22 needs, four governments in the region (Egypt, Oman, Pakistan, Tunisia) would absorb an additional 10 to 23 percent of banks' assets as government debt during 2021–22 (Figure 2.7, panel 4). Such a development would further intensify the banking sector's exposure to the sovereign, potentially reducing banks' capacity to lend to the private sector severely, and likely weakening prospects for a sustainable and strong recovery.

Policy Implications

Given rising vulnerabilities, countries need to implement policies and reforms to help reduce elevated public gross financing needs and, over time, mitigate the concentration of bank exposure to the sovereign, underpinned by a strong medium-term debt management strategy and the development of a clear and transparent communication plan with market participants. Coordination among debt management, monetary, fiscal, and financial sector regulatory authorities—both with respect to policies and specific measures—is also essential to form a common view on the overall absorption capacity of domestic financial markets and analyze the impact of measures that might affect the ability of the sovereign to borrow.

The challenges are larger for countries with limited or no fiscal space. These countries will need to start implementing growth-friendly consolidation plans, anchored on a credible medium-term fiscal framework. Those with market access should proactively mitigate rollover and refinancing risks as market conditions allow, including by engaging

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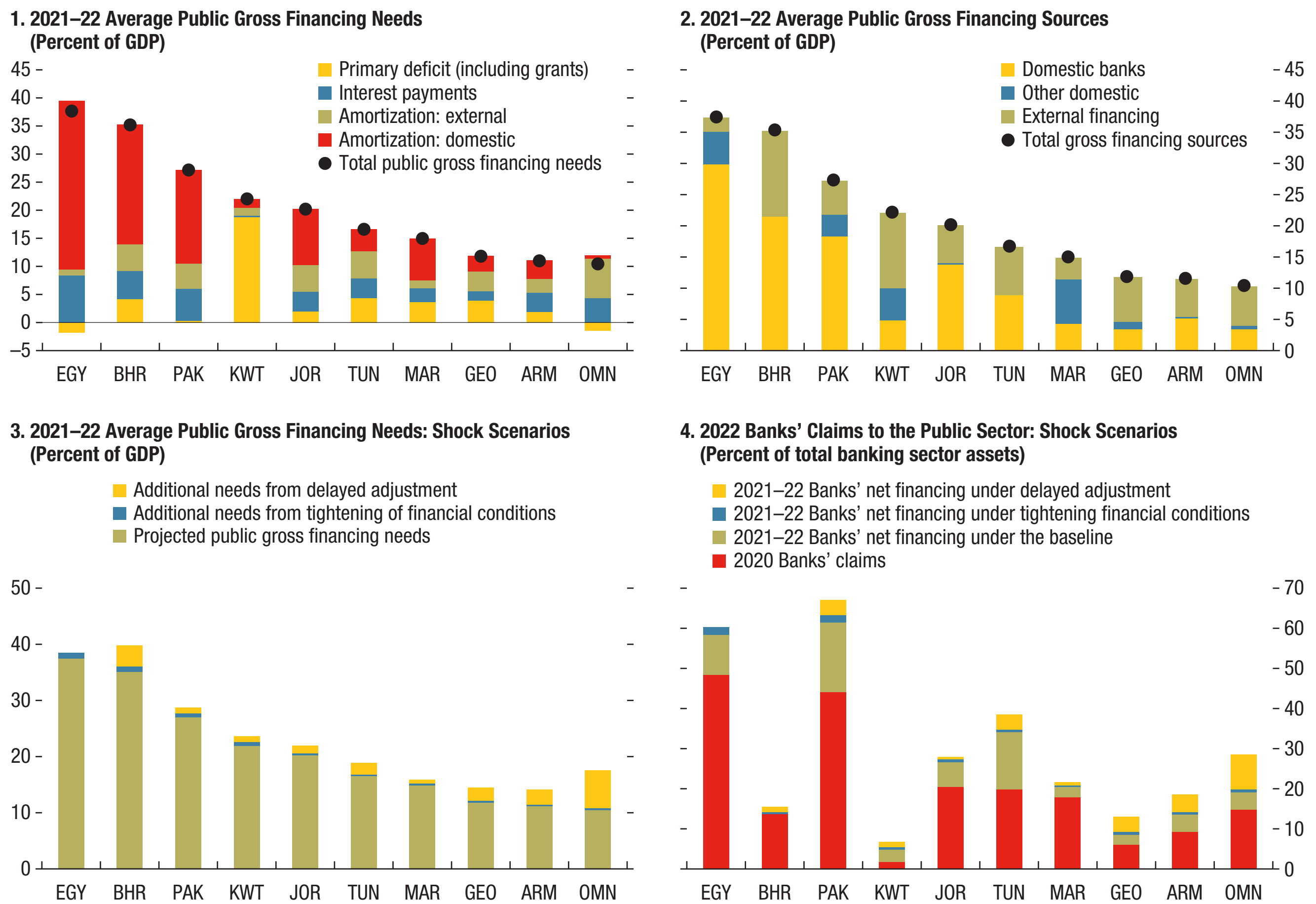
Figure 2.7. Public Financing and Crowding-Out Risks Ahead in ME&CA-EMs[1]



Sources: IMF staff projections; IMF International Financial Statistics; and IMF World Economic Outlook.
Note: EM = emerging market; ME&CA = Middle East and Central Asia. Country abbreviations are International Organization for Standardization country codes.
[1]The stress-testing exercise includes all market access countries with average public gross financing needs above 10 percent of GDP during 2021–22. Algeria and Iraq are excluded given their reliance on central bank financing. Egypt and Pakistan data are reported on fiscal year basis (that is, 2021 corresponds to July 2020–June 2021).

in liability management operations, as needed, to attain better terms on existing debt and improve the medium-term debt profile.

To reduce risks stemming from a concentrated government debt holding structure, countries should move along several levers. Domestic capital markets should be developed, supported by (1) addressing the structural excess bank liquidity in some countries that inhibits the development of money markets and promotes a buy-and-hold investment strategy; (2) increasing domestic savings, particularly in long-term instruments; and (3) establishing deep and liquid secondary markets, including through developing larger benchmark government securities at all points of the yield curve.

The investor base should be gradually expanded to reduce overreliance on domestic banks and open up space for private sector financing by targeting large and heterogeneous investors with different risk preferences, investment maturity horizons, and trading motives to ensure a stable demand for government securities. Debt managers should focus on (1) expanding nonbank financing sources, including from institutional investors and retail participation; (2) offering an array of instruments tailored to different investor preferences (including

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floating rate, inflation-linked, Islamic bonds (sukuk), and green securities); and (3) attracting nonresident participation, particularly in longer-term instruments, supported by liquid secondary markets and inclusion of local currency government bonds in flagship global indices.

In the financial sector, policymakers should continue supporting credit while mitigating, over time, banks' overexposure to the sovereign. In the near term, weaker banks' balance sheets and the need to rebuild capital buffers may bias banks' asset portfolio toward government bonds, given regulatory zero risk-weighting. To prevent further crowding out private sector credit, banks should be encouraged to recognize upfront losses but could be given some time to rebuild their capital positions. Enhanced transparency and disclosure practices could foster market discipline, helping reduce excessive sovereign holdings. Over the medium term, prioritizing stronger bank and sovereign balance sheets, improving governance, and developing alternative opportunities for banks to diversify their lending—including from further progress on financial inclusion—would be important. In addition, bank regulators could consider introducing time-variant "through-the-cycle" risk weights and capital requirements that increase with sovereign concentration on banks' balance sheets to contain the sovereign-bank nexus while minimizing procyclical effects.

Countries with limited market access and large development needs, particularly LICs and fragile and conflict-affected states, face more daunting challenges. Many of these countries will need additional assistance to ensure progress toward the Sustainable Development Goals, including through concessional resources (particularly grants) and debt relief under the DSSI. Those facing significant difficulties servicing debt could benefit from timely and orderly restructuring of their commercial and bilateral debt, supported by the Common Framework for Debt Treatments on a case-by-case basis.

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MENA, Afghanistan, and Pakistan: Selected Economic Indicators, 2000–22
(Percent of GDP, unless otherwise indicated)

	Average 2000–17	2018	2019	2020	Projections 2021	2022
MENA[1]						
Real GDP (annual growth)	4.5	1.2	0.8	−3.4	4.0	3.7
of which non-oil growth	5.5	1.9	2.5	−2.5	3.0	3.3
Current account balance	7.4	3.8	1.2	−3.2	0.7	0.4
Overall fiscal balance	1.7	−2.6	−3.8	−10.1	−5.8	−4.7
Inflation (year average; percent)	7.1	9.7	6.9	10.5	12.8	8.6
MENA oil exporters						
Real GDP (annual growth)	4.6	0.3	−0.3	−4.5	4.8	3.4
of which non-oil growth	5.8	1.2	2.2	−3.2	3.3	2.8
Current account balance	10.1	6.3	3.1	−2.7	2.3	2.0
Overall fiscal balance	3.6	−1.6	−3.1	−10.8	−5.3	−4.3
Inflation (year average; percent)	6.6	8.0	5.7	8.6	11.0	8.2
MENA oil exporters excl. conflict countries and Iran						
Real GDP (annual growth)	4.9	1.7	1.1	−5.6	2.6	3.7
of which non-oil growth	6.4	2.2	2.7	−4.4	3.6	3.0
Current account balance	11.9	6.6	3.9	−3.4	2.9	2.4
Overall fiscal balance	5.4	−1.0	−2.0	−10.5	−4.8	−3.1
Inflation (year average; percent)	3.2	2.3	−0.9	1.3	3.7	3.0
***Of which:* Gulf Cooperation Council (GCC)**						
Real GDP (annual growth)	4.4	1.9	0.7	−4.8	2.7	3.8
of which non-oil growth	6.2	1.7	2.4	−3.9	3.5	3.4
Current account balance	13.6	8.6	5.8	−1.3	4.2	3.8
Overall fiscal balance	6.8	−1.6	−1.6	−9.2	−3.0	−1.4
Inflation (year average; percent)	2.6	2.2	−1.5	1.2	2.7	1.9
MENA oil importers[1]						
Real GDP (annual growth)	4.1	3.5	3.3	−0.8	2.3	4.5
Current account balance	−4.0	−7.5	−6.7	−4.9	−5.6	−5.2
Overall fiscal balance	−6.6	−7.4	−7.0	−7.4	−7.6	−6.1
Inflation (year average; percent)	8.3	14.4	9.9	15.4	17.2	9.6
MENAP[1]						
Real GDP (annual growth)	4.5	1.7	0.9	−3.0	3.7	3.8
of which non-oil growth	5.4	2.3	2.4	−2.2	2.8	3.4
Current account balance	6.8	3.0	0.8	−3.0	0.6	0.3
Overall fiscal balance	1.3	−3.0	−4.2	−9.9	−5.8	−4.7
Inflation (year average; percent)	7.1	8.9	6.8	10.5	12.2	8.5
MENAP oil importers[1]						
Real GDP (annual growth)	4.2	4.1	2.9	−0.7	2.1	4.3
Current account balance	−2.8	−6.6	−5.8	−3.5	−4.2	−4.0
Overall fiscal balance	−5.9	−6.9	−7.5	−7.5	−7.3	−5.9
Inflation (year average; percent)	8.1	10.4	8.7	13.6	14.0	9.0
Arab World[1]						
Real GDP (annual growth)	4.6	2.5	2.0	−4.2	4.3	4.0
of which non-oil growth	5.7	2.7	2.8	−3.1	3.2	3.6
Current account balance	8.1	3.5	1.4	−3.9	0.6	0.3
Overall fiscal balance	2.6	−2.7	−3.5	−10.6	−5.5	−3.9
Inflation (year average; percent)	...	...	...	...	...	...

Sources: National authorities; and IMF staff estimates and projections.

[1]2011–22 data exclude Syrian Arab Republic.

Note: Data refer to the fiscal year for the following countries: Afghanistan (March 21/March 20) until 2011, and December 21/December 20 thereafter, Iran (March 21/March 20), and Egypt and Pakistan (July/June).

MENA includes Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates, West Bank and Gaza, and Yemen.

MENA oil exporters: Algeria, Bahrain, Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, the United Arab Emirates, and Yemen.

MENA oil exporters, excl. conflict countries and Iran: Algeria, Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

GCC countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates.|

MENA oil importers: Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, Somalia, Sudan, Syria, Tunisia, and West Bank and Gaza.

MENAP: MENA, Afghanistan, and Pakistan.

MENAP oil importers: MENA oil importers, Afghanistan, and Pakistan.

Arab World: Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates, West Bank and Gaza, and Yemen.

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CCA Region: Selected Economic Indicators, 2000–22
(Percent of GDP, unless otherwise indicated)

	Average 2000–17	2018	2019	2020	Projections 2021	Projections 2022
CCA						
Real GDP (annual growth)	7.2	4.4	4.8	−1.9	3.7	4.1
Current account balance	0.1	0.3	−2.3	−3.6	−2.1	−2.3
Overall fiscal balance	1.4	1.9	0.5	−5.6	−3.2	−1.8
Inflation (year average; percent)	9.0	7.9	6.6	7.4	6.9	6.2
CCA oil and gas exporters						
Real GDP (annual growth)	7.3	4.2	4.7	−1.4	3.7	4.0
of which non-oil growth[1]	7.6	4.0	5.6	−1.4	3.5	4.0
Current account balance	1.3	4.1	−1.7	−3.1	−1.4	−1.8
Overall fiscal balance	2.1	2.5	0.8	−5.3	−2.9	−1.6
Inflation (year average; percent)	9.5	8.8	7.0	7.8	7.1	6.5
CCA oil and gas importers						
Real GDP (annual growth)	6.0	5.1	6.0	−4.6	3.8	4.7
Current account balance	−8.6	−7.5	−6.2	−7.6	−7.9	−6.4
Overall fiscal balance	−3.1	−1.9	−1.4	−7.3	−5.9	−3.4
Inflation (year average; percent)	6.5	2.6	3.8	5.2	5.7	4.2

Sources: National authorities; and IMF staff estimates and projections.
[1]Azerbaijan, Kazakhstan and Turkmenistan. Uzbekistan data for non-oil GDP is not available.
Note: CCA oil and gas exporters: Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan. CCA oil and gas importers: Armenia, Georgia, the Kyrgyz Republic, and Tajikistan.

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