

Fiscal and Structural Challenges in Commodity-Dependent Developing Economies

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PRESENTATION AT UN HIGH-LEVEL DIALOGUE

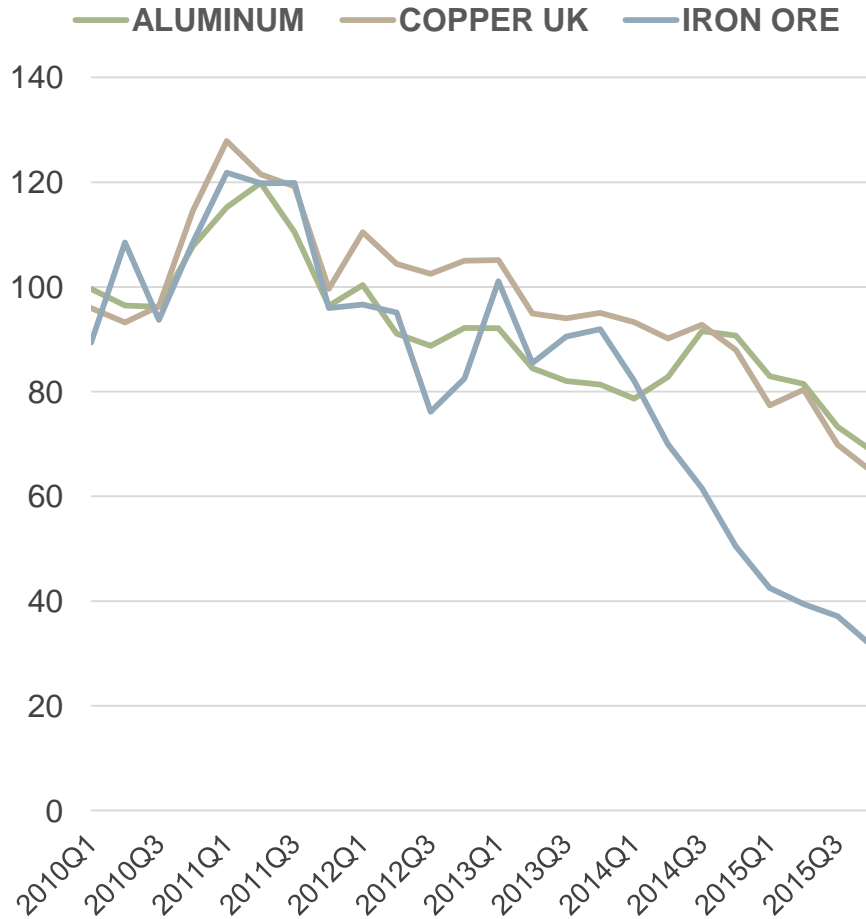
NEW YORK, MAY 16, 2016

I THANK GIOVANNI MELINA AND KE WANG FOR PUTTING TOGETHER THIS PRESENTATION.
VIEWS EXPRESSED ARE THOSE OF THE PRESENTER AND SHOULD NOT BE ATTRIBUTED TO THE IMF.



Selected Nonrenewable Commodity Prices

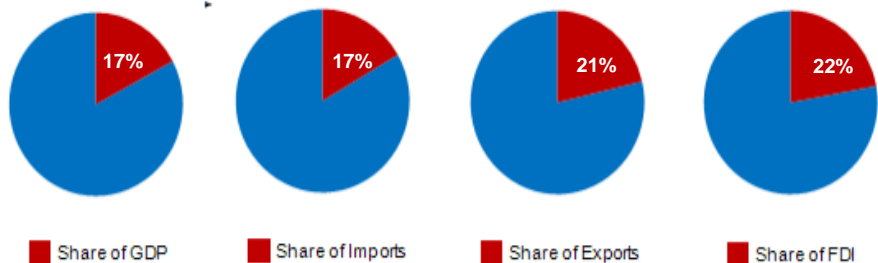
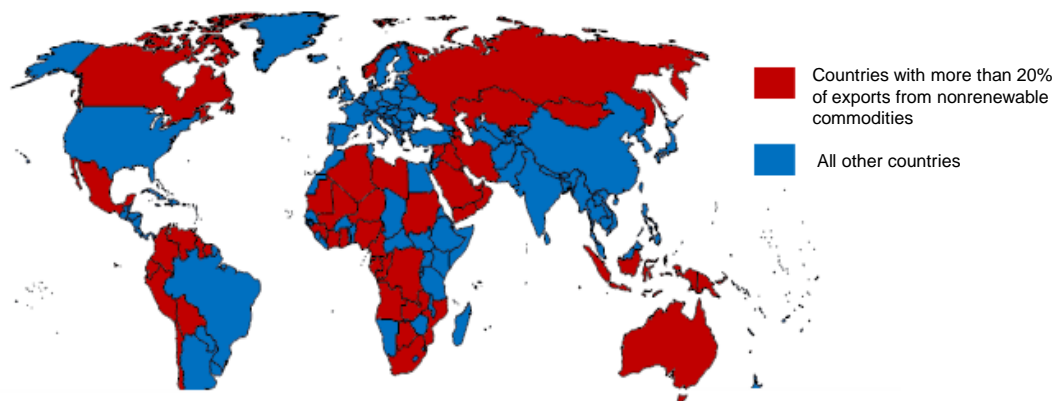
Selected Metal Commodities Index



NYMEX WTI Crude Oil Prices (USD/Barrel)



Nonrenewable Commodity Exporters



Note: List and charts from IMF Fiscal Monitor (Oct 2015). Colored are low-income and lower-middle-income economies

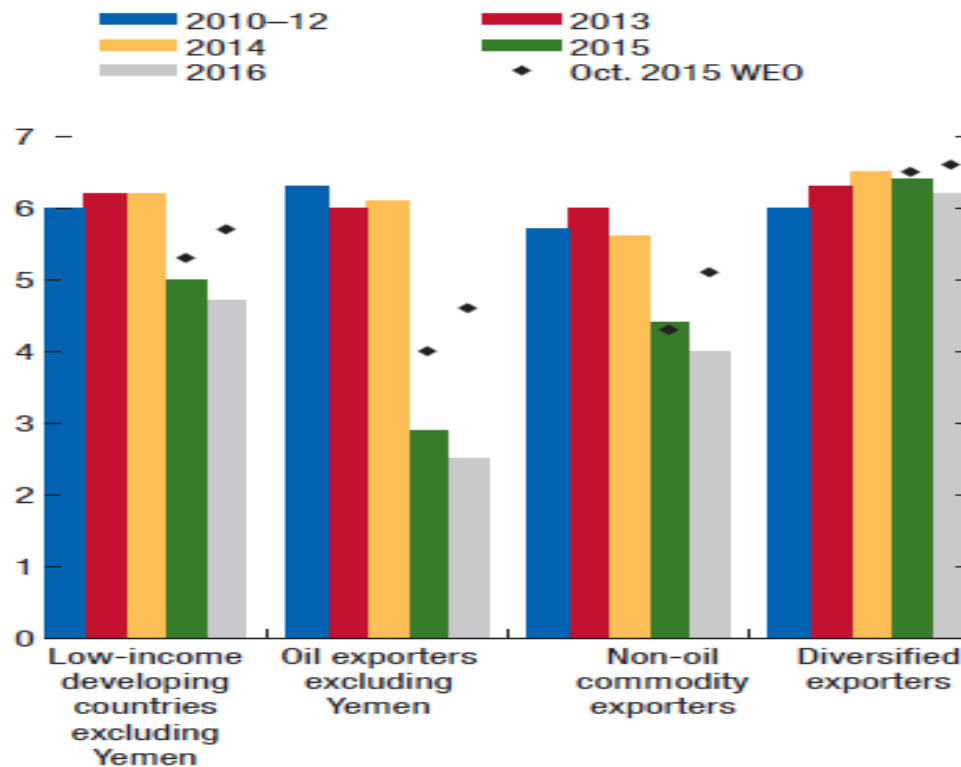
List of Nonrenewable Commodity Exporters

Algeria	Gabon	Norway
Angola	Ghana	Oman
Australia	Guinea	Papua New Guinea
Azerbaijan	Guyana	Peru
Bahrain	Indonesia	Qatar
Bolivia	Iran	Russia
Botswana	Iraq	Saudi Arabia
Brunei	Kazakhstan	South Africa
Cameroon	Kuwait	Sudan
Canada	Libya	Suriname
Chile	Mali	Syria
Colombia	Mauritania	Timor Leste
Congo	Mexico	Trinidad and Tobago
Cote d'Ivoire	Mongolia	United Arab Emirates
DR Congo	Mozambique	Venezuela
Ecuador	Niger	Yemen
Equatorial Guinea	Nigeria	Zambia



Low-Income Developing Countries: Growth

Figure 1.2.1. Low-Income Developing Countries: Real GDP Growth
(Percent; averages weighted by GDP at purchasing power parity)



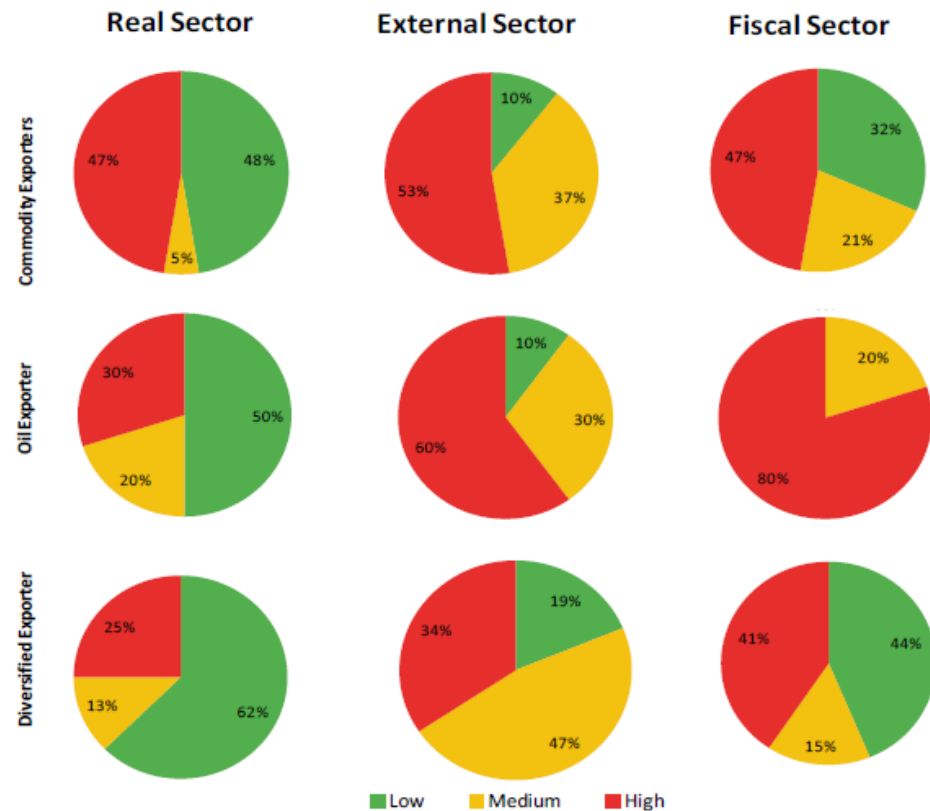
Source: IMF staff calculations.

Note: The figure excludes Yemen (where activity collapsed by 28 percent in 2015 and is projected to increase by 1 percent in 2016) as an outlier.



LIDCs: Vulnerability to Growth Declines

Figure 10. Growth Decline Vulnerability Index by Country Groups, 2016
(Share of LIDCs, in percent, unweighted)



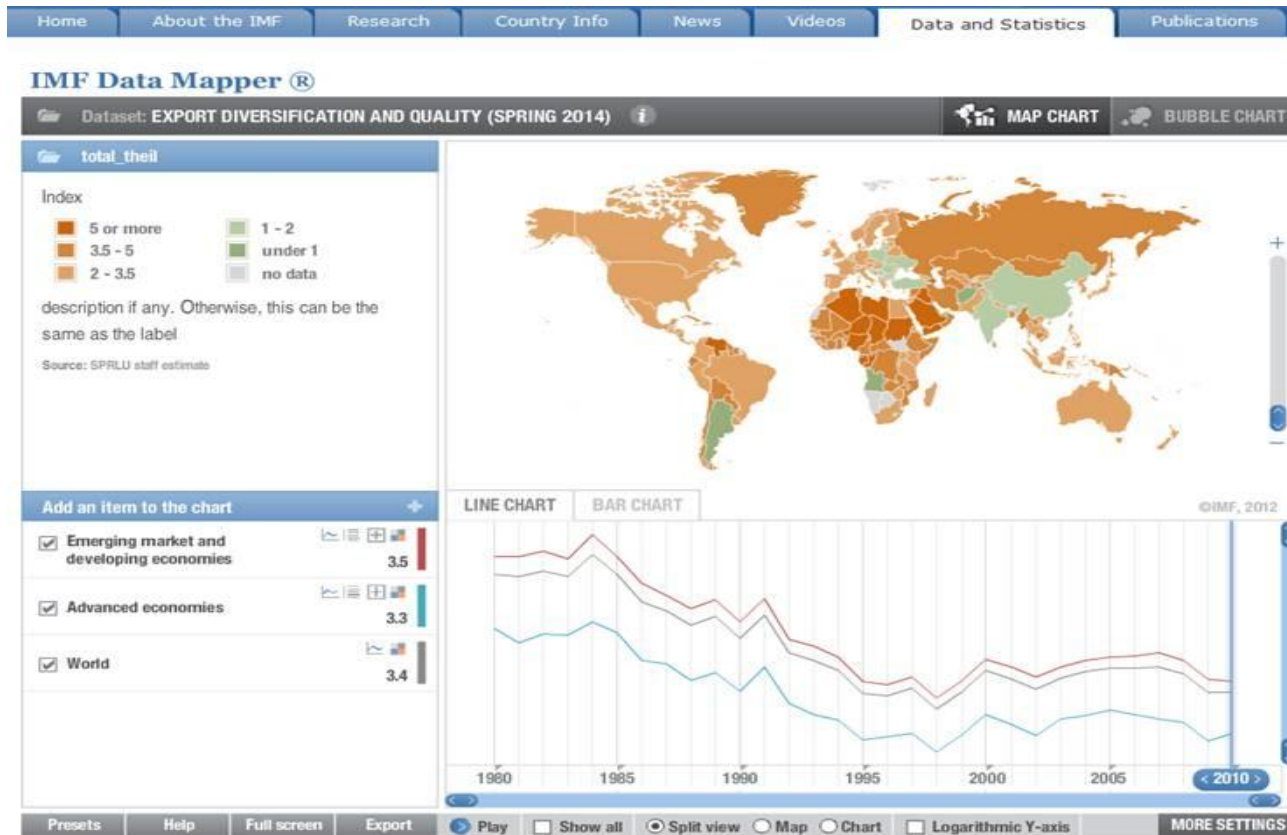
Sources: WEO; IFS; DSA; and IMF staff reports, World Bank; and EM-DAT.



IMF Diversification Toolkit

This toolkit contains two main databases:

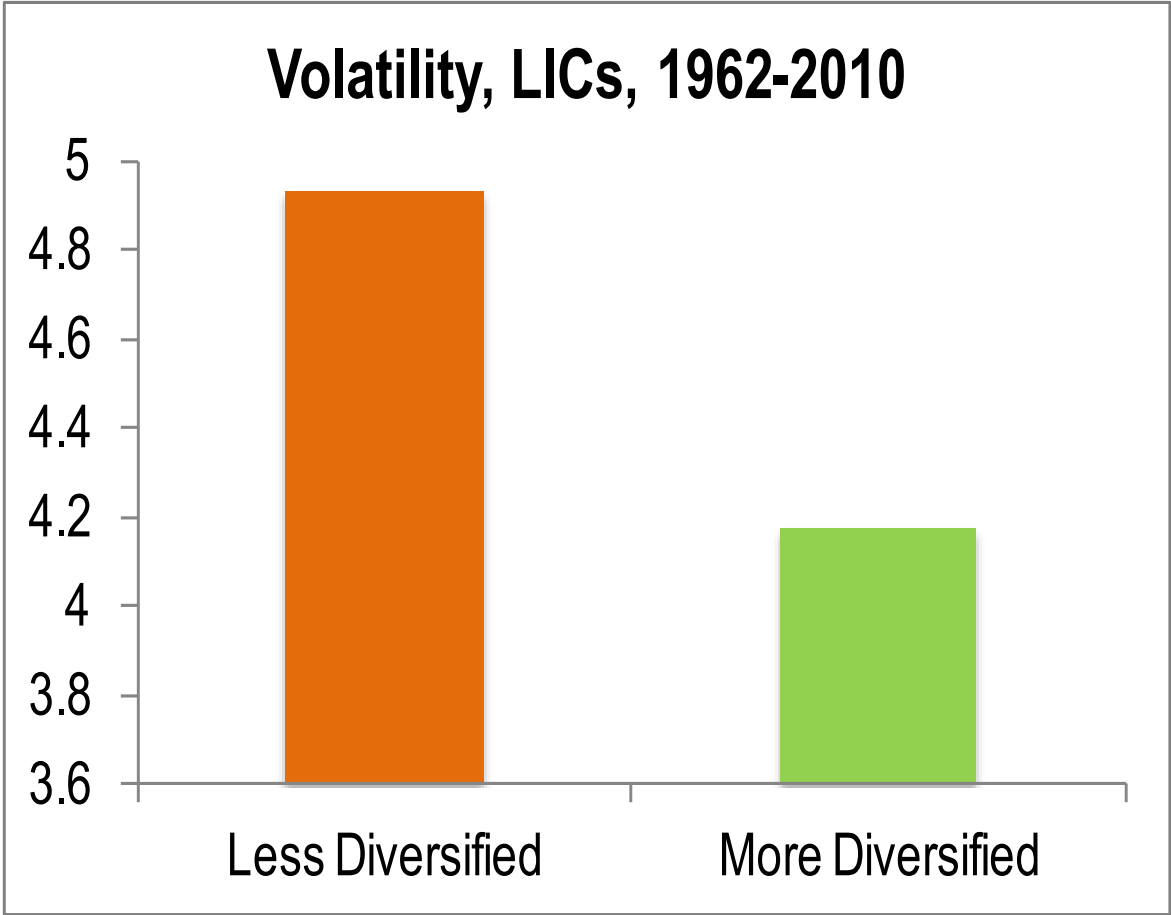
- Export Diversification Database
- Export Quality Database



<http://dev-cwsswn02d.imf.org/datamapper/imfv4/index.php?db=SPRLU>



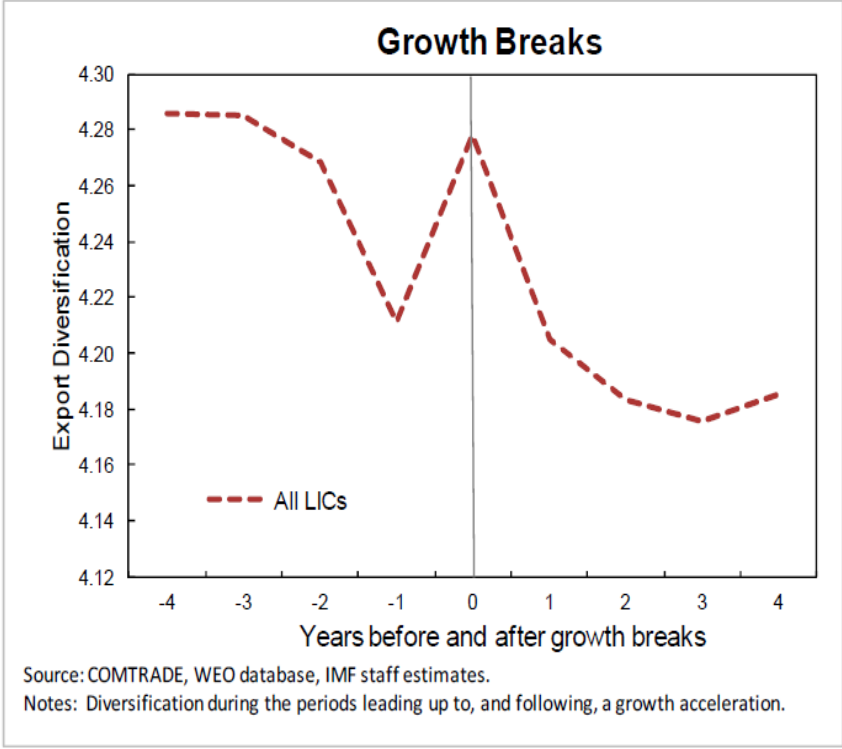
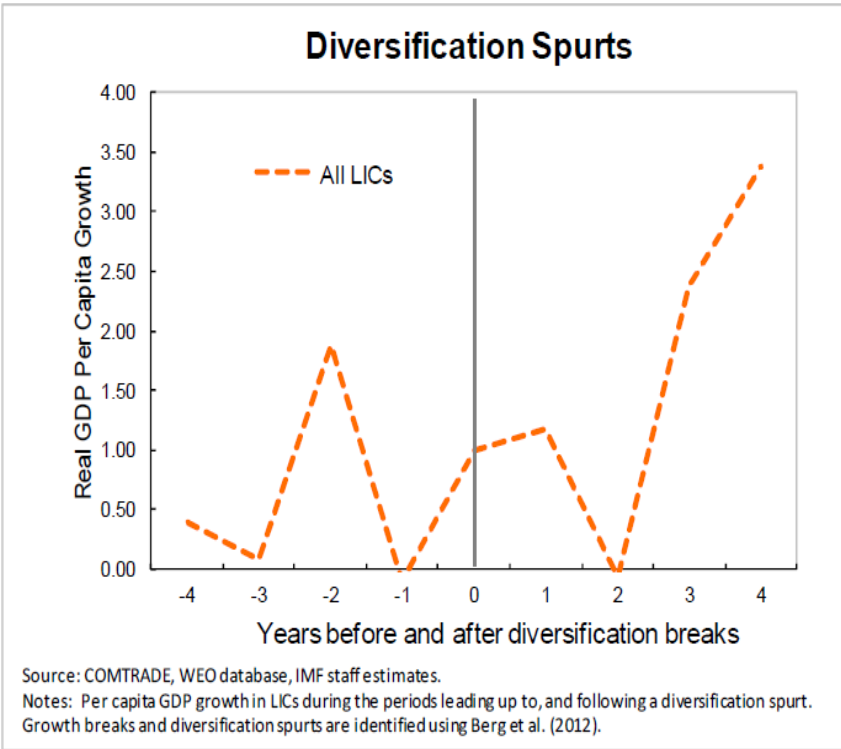
Export Diversification and Volatility



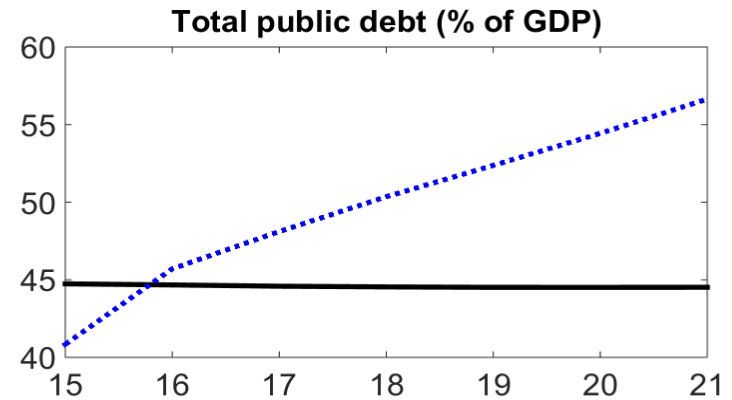
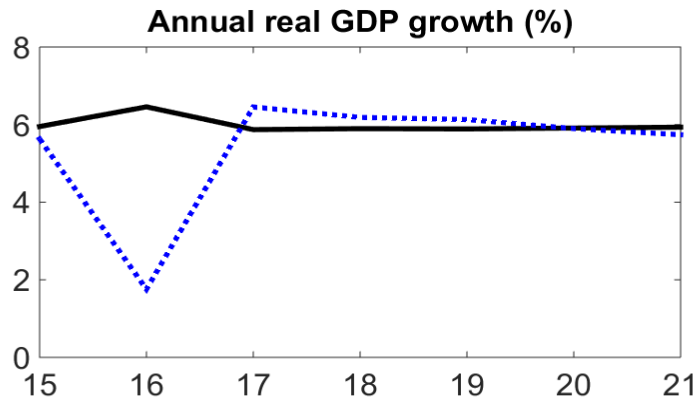
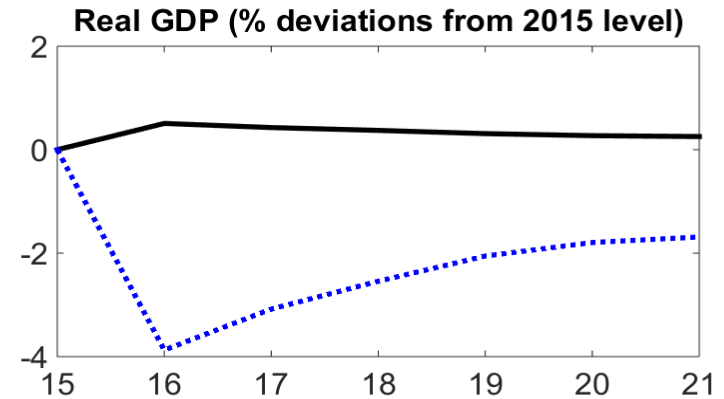
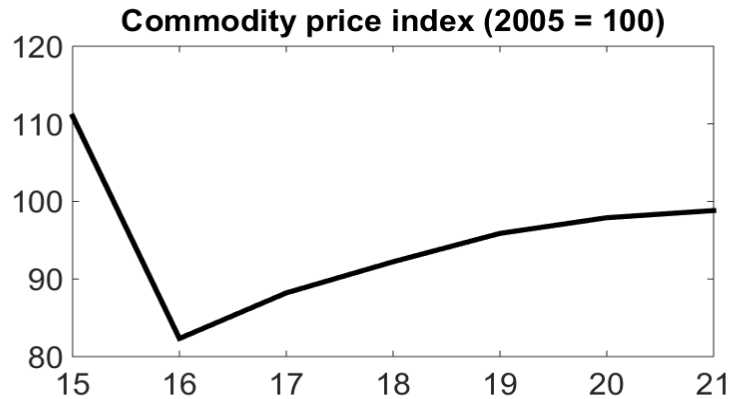
Note: "Less Diversified" here means the countries with diversification level below 30 percentile of all LICs; "More Diversified" here means the countries with diversification level above 70 percentile of all LICs.



Diversification Spurts and Growth Accelerations



DIGNAR simulations: Effects of the fall in commodity prices on GDP and Public Debt



— Diversified ····· Commodity exporters

Diversified: Bangladesh, Kenya, Senegal, Tanzania, Uganda, Vietnam.

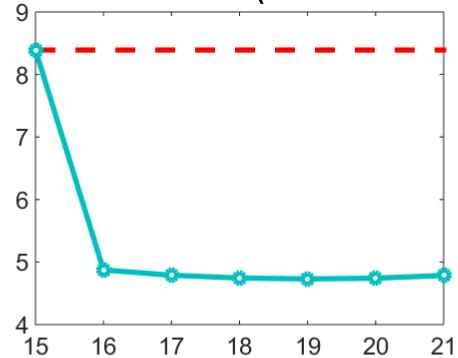
Commodity exporters (at least 50% of exports are fuels and primary commodities): Bolivia, Cote d'Ivoire, Ghana, Mongolia, Mozambique, Nigeria, Papua New Guinea, Zambia.



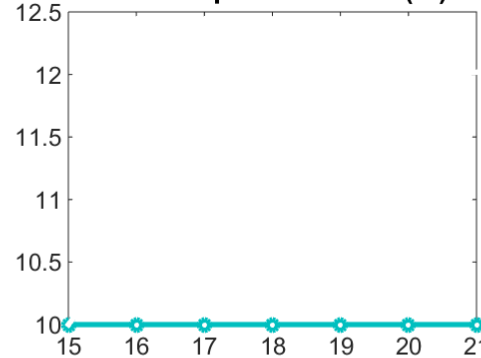
Fiscal adjustment policies:

Scenario 1: *cut in public investment*

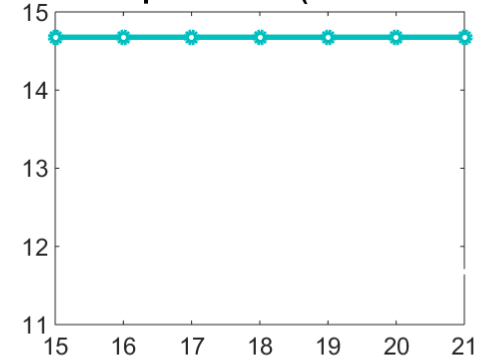
Public investment (% of 2015 GDP)



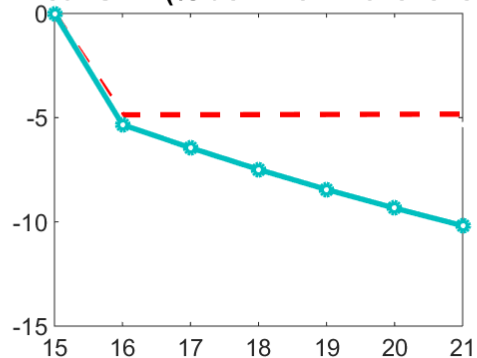
Consumption tax rate (%)



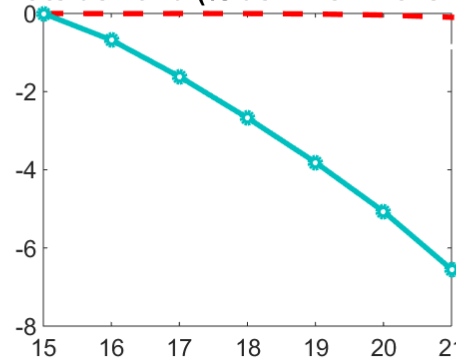
Current expenditures (% of 2015 GDP)



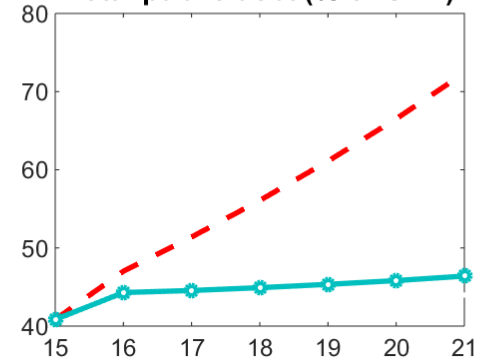
Real GDP (% dev. from 2015 level)



Private demand (% dev. from 2015 level)



Total public debt (% of GDP)



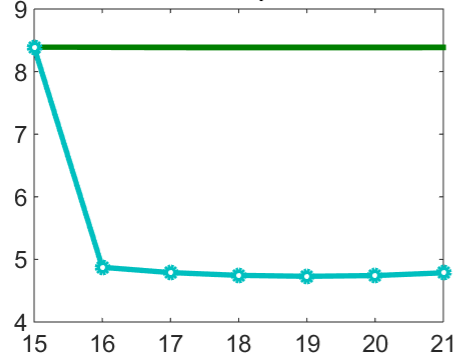
- - -No policy change
 —●— Public investment cut



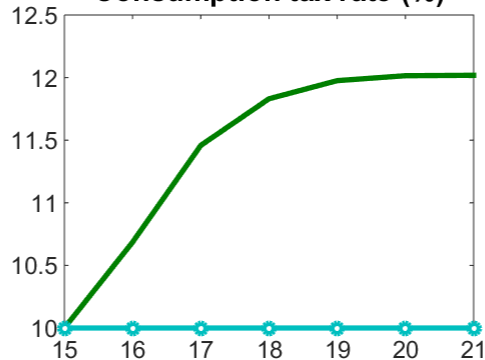
Fiscal adjustment policies:

Scenario 2: *cut in current expenditures & increase in VAT*

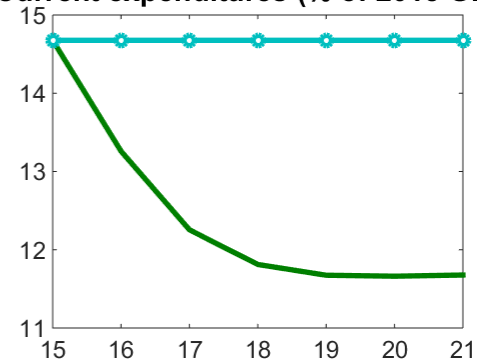
Public investment (% of 2015 GDP)



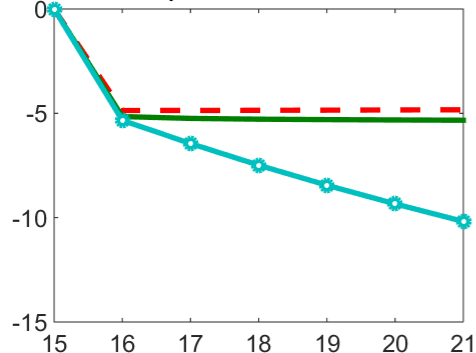
Consumption tax rate (%)



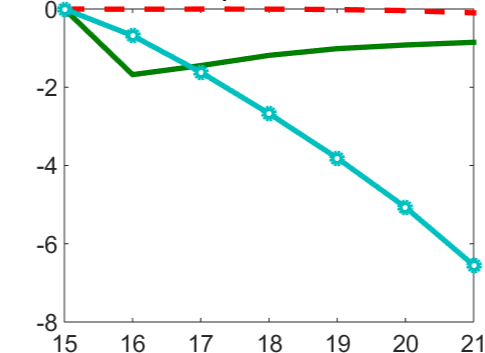
Current expenditures (% of 2015 GDP)



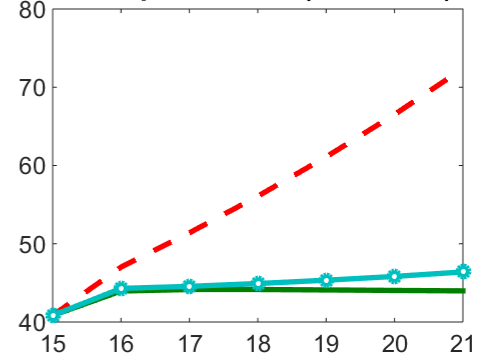
Real GDP (% dev. from 2015 level)



Private demand (% dev. from 2015 level)



Total public debt (% of GDP)



- - - No policy change
 — VAT rise and current expenditures cut
 —○— Public investment cut



References

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Website

The Diversification Toolkit: Export Diversification and Quality Databases.
<https://www.imf.org/external/np/res/dfidimf/diversification.htm>

