

- In 2025, all countries except Kazakhstan are projected to experience slower economic growth as temporary ad hoc factors diminish.
- The balance of risks has deteriorated due to a rise in external threats stemming from unprecedented changes in global trade rules.



Gradual return to balanced growth rates

- Since the beginning of 2025, Russia’s economy has been showing signs of cooling. Armenia and Belarus are experiencing slower growth rates. Kazakhstan, the Kyrgyz Republic and Tajikistan have sustained robust economic activity.
- Our baseline forecast for 2025–2027 remains broadly unchanged from the previous round. In the medium term, most countries are expected to undergo a “soft landing” as the impact of temporary market factors wanes.
- Inflationary pressures are likely to persist in some countries, and balance of payments stability may weaken somewhat. However, we do not anticipate that critical imbalances will emerge to endanger macroeconomic or financial stability.

Risks and Uncertainties

- The realisation of risks associated with tariff wars could significantly slow the global economy, leading to a sharp decline in prices for key export goods and commodities, alongside rising import costs – factors that would affect countries across the region.
- As Russia’s economy adjusts to the new geopolitical landscape, the outflow of financial and labour resources to Russia and the redirection of trade flows may have adverse effects on the region’s smaller economies.

GDP growth, %

	2024	2025	2026	2027
Russia	4.1	1.9	1.4	1.9
Kazakhstan	4.8	5.2	4.5	4.3
Armenia	5.9	4.7	4.6	4.6
Belarus	4.0	1.6	1.2	0.9
Kyrgyz Republic	9.0	5.9	5.6	5.4
Tajikistan	8.4	7.5	7.1	6.7

Inflation (Dec/Dec), %

	2024	2025	2026	2027
Russia	9.5	7.9	4.6	4.0
Kazakhstan	8.7	10.6	8.1	6.0
Armenia	1.5	3.0	3.0	3.0
Belarus	5.2	6.0	7.2	5.0
Kyrgyz Republic	6.3	6.1	6.1	5.4
Tajikistan	3.6	7.7	3.7	5.7

COOLING DOMESTIC DEMAND? — SOFT LANDING — HEIGHTENED UNCERTAINTY

Macroeconomic Outlook for 2025–2027

- **In 2025, real GDP growth is projected at 1.9%** as the economy begins to cool in response to weakening domestic demand.
- **Inflation** is expected to decline to 7.9% by the end of 2025, with domestic inflationary pressures gradually subsiding. The Bank of Russia’s 4% inflation target is not expected to be achieved until 2027.
- **Monetary Policy:** The key interest rate is forecast to fall to 17% by the end of 2025, followed by a normalisation to 8% by the end of 2027.
- **The average exchange rate** in 2025 is projected at 97 rubles per dollar. In our view, this will support overall macroeconomic stability.

Risks and Uncertainties

- **A decline in global demand and falling prices for oil** and other commodities could lead to lower export revenues and reduced budget income.
- **Sanctions-related uncertainty** has intensified. Expectations of partial easing of sanctions are forming, potentially affecting economic agents’ behavior in the short run.
- **A limited easing of sanctions** could accelerate the return of foreign companies, thereby increasing supply and reducing economic overheating. However, this would also intensify inflationary pressures due to increased labour demand, which may be partially offset by the repatriation of Russian capital and workforce.

Forecast

	GDP, %	CPI (Dec/Dec), %	Key rate (year-average), %
2025	1.9	7.9	19.2
2026	1.4	4.6	13.5
2027	1.9	4.0	9.5

GROWTH AROUND 5% FOR A THIRD CONSECUTIVE YEAR — INFRASTRUCTURE PROJECTS — ELEVATED PRICE PRESSURES

Macroeconomic Outlook for 2025–2027

- **GDP growth is expected to exceed 5%** in 2025, supported by increased oil production, major infrastructure projects and rising state investment.
- The **KZT/USD exchange rate** is projected at above **500**.
- By the end of 2025, **inflation** is forecast to rise to **10.6%**, driven by strong domestic pro-inflationary factors.
- The National Bank intends to maintain **tight monetary conditions**, with easing expected no earlier than 2026.

Risks and Uncertainties

- Budget revenues may decline if **oil prices fall** amid a slowdown in global demand.
- There is a **risk of underperformance in oil production targets** (a projected 9.7% increase to 96.2 million tonnes in 2025, up from 87.7 million tonnes in 2024), due to compliance with OPEC+ quotas and potential disruptions in supplies via the Caspian Pipeline Consortium.
- **Significant volatility in the KZT/USD exchange rate** may arise from a deteriorating external environment, foreign exchange sales from the National Fund and limited domestic market.
- **Inflation could rise** further in the event of inefficient fiscal consolidation, increased government spending and adverse external shocks.

Forecast

	GDP, %	CPI (Dec/Dec), %	Consolidated budget, % of GDP
2025	5.2	10.6	16.5
2026	4.5	8.1	14.0
2027	4.3	6.0	10.1

RETURN TO TRADITIONAL GROWTH DRIVERS — INFLATION WITHIN TARGET — FISCAL SPENDING UNDER PRESSURE

Macroeconomic Outlook for 2025–2027

- **Economic growth is expected to gradually decelerate** towards its potential level of 4.7%, as the impact of temporary growth factors subsides and the positive contribution from housing construction diminishes.
- **Inflation is projected to stabilise** within 3.0%.
- **The current account deficit is expected to widen** due to a slowdown in remittance inflows (to 2.3% of GDP) and a deterioration in the trade balance (to -9.4% of GDP).
- **The fiscal deficit is forecast to increase** as a result of higher current and capital expenditures, reaching -5.7% of GDP in 2025.

Risks and Uncertainties

- Economic activity may experience a temporary slowdown in 2025 as the **contribution of cyclical factors diminishes**.
- **Budgetary pressures persist**, stemming from lower-than-expected tax revenues and underexecution of planned expenditures.
- **There are ongoing risks of increased social and other spending**, linked to the slow labour market integration of resettlers from Nagorno-Karabakh.

Forecast

	GDP, %	CPI (Dec/Dec), %	State budget, % of GDP
2025	4.7	3.0	-5.7
2026	4.6	3.0	-4.2
2027	4.6	3.0	-3.2

OVERHEATED DOMESTIC DEMAND — INFLATIONARY PRESSURES — PRESERVING EXTERNAL ECONOMIC RESILIENCE

Macroeconomic Outlook for 2025–2027

- A slowdown in Russia’s economic activity is expected to be a key factor dampening **economic growth** in Belarus, with GDP projected to increase by only 1–1.5%.
- **Inflation** is forecast to rise to 6–7% YoY, driven by strong domestic demand, rising wages and elevated inflation in Russia.
- **Fiscal policy** is likely to remain broadly neutral, with a gradual increase in the fiscal surplus.
- The **external balance** is expected to remain stable, with the current account deficit gradually narrowing.

Risks and Uncertainties

- **There is a risk of macroeconomic imbalances** due to continued efforts to stimulate growth amid weakening external demand and deteriorating terms of trade.
- **Domestic reserves remain limited** to absorb shocks.
- Uncertainty surrounding the Russian economy persists, including potential **spillover effects** from tariff wars and changes in sanctions policy.
- **Belarusian producers may gradually lose competitiveness** in the Russian market, as Russian firms continue to adapt successfully to the sanctions environment.

Forecast

	GDP, %	CPI (Dec/Dec), %	Consolidated budget, % of GDP
2025	1.6	6.0	+0.6
2026	1.2	7.2	+0.8
2027	0.9	5.0	+1.1

GROWTH ABOVE POTENTIAL — ACCELERATING INFLATION — PERSISTENT BUDGETARY RISKS

Macroeconomic Outlook for 2025–2027

- **Economic growth** is projected to stabilise **at 5–6%**, supported by strong construction and industrial output, despite a slowdown in trade expansion.
- **Inflation is expected to accelerate**, averaging 6% YoY, with further upward pressure from increased electricity tariffs.
- The **budget** is expected to remain **in surplus**; however, large-scale plans to finance state-owned enterprises will necessitate additional donor funding.

Risks and Uncertainties

- There are significant risks to budget financing due to increased support for low-efficiency energy enterprises, **large infrastructure projects** (the Kambar-Ata HPP and the China–Kyrgyz Republic–Uzbekistan railway), and recapitalisation of the State Mortgage Company.
- **Budget revenues may decline** due to reduced imports and falling gold production, which together account for nearly 50% of fiscal income.
- **Balance-of-payments** risks are difficult to assess due to **unreliable statistics**, with net errors and omissions in 2024 exceeding 30% of GDP.
- **Remittance inflows may decrease** as conditions for migrant workers in Russia deteriorate.

Forecast

	GDP, %	CPI (year-average)	Republican budget, % of GDP
2025	5.9	6.7	+1.5
2026	5.6	6.1	+2.0
2027	5.4	5.9	+2.1

SHIFTING GROWTH DRIVERS — FISCAL CONSERVATISM AMID ROGUN HPP CONSTRUCTION — MAINTAINING EXTERNAL BALANCE RESILIENCE

Macroeconomic Outlook for 2025–2027

- **Economic growth is projected to moderate** to 7.5% in 2025, reflecting slowing domestic demand growth amid declining migrant remittance inflows (as a share of GDP).
- **The state budget deficit is forecast at 1.5–0.7% of GDP** over 2025–2027. Given limited fiscal space, the authorities are expected to maintain a conservative fiscal stance.
- **The current account surplus is anticipated to shrink** to 2.5% of GDP in 2025, turning into a deficit of 1.9% of GDP by 2027. Nevertheless, the balance of payments is expected to remain stable, supported by a reduction in capital outflows (including cash foreign currency purchases).

Risks and Uncertainties

- A deterioration in the external environment could reduce remittance inflows and export revenues, weakening the balance of payments and exerting pressure on the national currency.
- Elevated inflation risks stemming from **energy and food price increases** exceeding those projected in the baseline scenario.
- Fiscal sustainability risks amid **potential delays in international donor financing** (shortfalls in grant receipts) or substantial **cost overruns at the Rogun HPP**.

Forecast

	GDP, %	CPI (Dec/Dec), %	State budget, % of GDP
2025	7.5	7.7	-1.5
2026	7.1	3.7	-0.9
2027	6.7	5.7	-0.7