



EFSD
EURASIAN FUND FOR
STABILIZATION AND DEVELOPMENT

REGIONAL ECONOMIC OUTLOOK

| WINTER 2025

This quarterly publication of the Eurasian Fund for Stabilization and Development provides an analysis of key macroeconomic indicators, as well as forecasts of macroeconomic parameters in the short and medium term.

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CHIEF ECONOMIST'S FOREWORD

The economies of most EFSD member states continue to demonstrate strong resilience to shifting external conditions, recording solid growth rates in Q3 2025. The expansion of domestic demand — supported by stimulative fiscal policy, rapid credit growth and, in some countries, rising remittances — remains a key driver of economic growth across the region. At the same time, signs of overheating persist in Kazakhstan and the Kyrgyz Republic, contributing to mounting inflationary pressures despite sustained monetary tightening.

Russia's economy continued its gradual cooling in Q3 2025 amid persistently tight monetary conditions and decelerating inflation. For most other regional economies, the spillover effects of this slowdown remain limited, with the exception of Belarus, where weakening external demand continued to constrain economic growth.

Our medium-term forecasts for all countries have been revised slightly compared with the previous round. The balance of risks facing our economies has also remained virtually unchanged. Downside risks dominate, driven mainly by the possibility of weaker external demand — including from Russia — and potential declines in prices for key export goods.

Armenia

Belarus

Kyrgyz
Republic

Tajikistan

Risks to the
Baseline
Scenario

Elevated inflation risks persist in several economies, in particular those where fiscal stimulus may intensify. At the same time, there are upside risks in some countries, primarily linked to the commissioning of new production facilities.

Overall, we observe that economic policy across all our countries focuses on preserving the macroeconomic balance. Public debt and fiscal positions remain acceptable, while balance-of-payments stability is maintained. Under current conditions, we do not foresee serious threats to macroeconomic or financial stability in our member states over the medium term.



Sergei Ulatov
Chief Economist
Eurasian Fund for Stabilization and Development

EXECUTIVE SUMMARY

RUSSIA

Current situation: Economic growth continues to lose momentum, with GDP expanding by only +0.6% YoY in Q3 2025. The slowdown has affected most sectors, including industry, transport and trade. The labour market is showing signs of cooling despite record low unemployment of 2.1%. Annual inflation has eased to 8%, although quarterly data point to persistent price pressures. The Bank of Russia has continued to reduce the key rate cautiously, to 16.5%. The federal budget is in deficit due to falling oil and gas revenues, partly offset by higher non-oil and gas revenues. The rouble remains relatively strong.

Forecasts: GDP is expected to grow by 0.7% in 2025 and 1.1% in 2026, followed by a return to around 1.7%. Inflation is projected to decline to 6.9% by the end of 2025, though the slowdown will be moderate given the VAT increase and other inflationary factors. The key rate may be cut to 16% by end-2025, and to 12% by end-2026. Against this background, the rouble exchange rate is expected to depreciate gradually to an average of RUB 91 per US dollar in 2026.

Risks: The main risks relate to the fiscal sector: a possible fall in both oil and gas and non-oil and gas revenues could

lead to significant deviations in budget indicators. There is also a risk of a sharper-than-expected deceleration in 2026 due to tight monetary policy and a rising tax burden. The rouble may weaken if the external economic environment deteriorates and support from the National Wealth Fund diminishes.

KAZAKHSTAN

Current situation: The economy is posting record high growth (6.3% YoY over the first nine months of 2025), driven by domestic demand and public investment. However, inflation accelerated to 12.9% in September, prompting the National Bank to raise the base rate to 18%. The fiscal position has improved and the budget deficit has narrowed. The balance of payments deficit has widened and the tenge weakened in Q3.

Forecasts: GDP growth is expected to reach 6.1% in 2025, followed by a slowdown to 4.2–4.5% in 2026–2028 as fiscal consolidation progresses. Inflation is projected to decline slowly to 10.0% by end-2026, remaining elevated throughout the forecast horizon. Monetary policy will remain tight until at least mid-2026. The tenge is expected to average around 554 per US dollar in 2026 with further weakening thereafter.

Risks: The dominant risks are inflationary. An expansion of quasi-fiscal measures and public investment could boost domestic demand and inflationary pressures, partly offsetting the impact of fiscal consolidation. Lower global oil prices would weigh on budget revenues and the balance of payments. Uncertainty persists over the timing of the removal of administrative price controls, while the resilience of consumer demand may necessitate a longer period of elevated interest rates.

ARMENIA

Current situation: Economic growth has begun to moderate but remains strong (6.2% YoY in Q3), supported by consumer and investment demand. Inflation has decreased to 3.7% YoY, creating room for monetary easing. The fiscal deficit remained moderate over the first nine months (1% of GDP) due to revenue outperformance. The negative trade balance is mitigated by remittance inflows and growth in tourism, supporting dram appreciation and an increase in international reserves.

Forecasts: GDP is projected to grow by 6.1% in 2025, followed by stabilisation at 4–5%. Fiscal policy will aim to reduce the deficit from –5.0% in 2025 to –2.8% in 2028. Inflation is expected to stand

at 3.7% in 2025 and remain close to the Central Bank’s 3% target over the forecast period. The current account deficit will remain at around 5% of GDP in 2025, then narrow to –4.5%.

Risks: Continued rapid credit growth may prolong overheating. Volatility in global food and energy prices creates inflation risks. On the fiscal side, there are risks of underexecution of capital expenditures in the short term and rising social spending in the longer term. A positive risk is the possible launch of the Amulsar gold mine, which could add 1–2 p.p. to GDP growth.

BELARUS

Current situation: Economic growth slowed to 1.6% YoY in September. Construction and services are driving growth, while industry is contracting due to weak external demand. Inflation is decelerating (7.1% YoY in September) under the influence of a stronger Belarusian rouble and lower inflation in Russia. The National Bank is using differentiated instruments to manage liquidity and credit. The widening foreign trade deficit (–6.8% of GDP) is being offset by a surplus in services and the use of accumulated foreign exchange assets. Net foreign currency supply in the market and rising rouble savings are supporting the exchange rate.

Forecasts: GDP growth is expected to stabilise around 1% in 2026–2028. Inflation is projected at 7.1% in 2025 and 6.6% in 2026, gradually moving towards 5%. Fiscal policy will aim to maintain a moderate primary fiscal surplus of about 1% of GDP. The external balance will improve, with the current account deficit narrowing to 0.5–1% of GDP by 2028.

Risks: The key risk is a further deterioration in the external environment, including a deeper slowdown in Russia and the impact of sanctions. There is also a risk that the authorities may adopt excessively stimulative policies to support growth, undermining price and exchange rate stability. A persistent and important source of uncertainty is the effectiveness of policies aimed at stimulating investment activity, in particular in terms of the impact of implemented projects on economic potential.

KYRGYZ REPUBLIC

Current situation: The economy is expanding rapidly (10.0% YoY over the first nine months of 2025), supported by a construction boom and trade performance. Inflation (9.3% YoY in October) is above target due to rising food and fuel and lubricant prices, strong domestic demand and higher electricity tariffs. The budget is in record surplus (6.9% of GDP) owing to one-off profits from the National Bank. The current account deficit has expanded but is being offset by significant remittances and capital inflows. International reserves have risen to 6.1 months of imports due to gold purchases and higher gold prices.

Forecasts: GDP growth in 2025 is expected at 9.0%, followed by a slowdown to about 6% in 2026–2028. Inflation will remain elevated due to inflationary factors (tariffs, food and fuel and lubricant prices). The budget surplus will continue, but after adjusting for below-the-line expenditure (on the recapitalisation of state-owned enterprises), the deficit will be sizeable, averaging 3.6% of GDP in 2026–2028. The current account deficit is expected to narrow gradually.




Risks: Growth may be supported by a continued conducive economic climate, as well as faster output growth at the Kumtor mine. The main downside risk would be an energy shortage due to low water levels in the Toktogul reservoir. Inflationary pressures may intensify as fuel prices rise. Fiscal risks stem from large-scale financing for state-owned companies and infrastructure projects. The economy remains vulnerable to a decline in remittances from Russia amid tighter conditions for hiring migrant workers.




TAJIKISTAN

Current situation: The economy is growing rapidly (8.2% YoY over the first nine months) driven by infrastructure investment, construction and strong remittance inflows. Inflation is low (2.8% YoY in September), enabling the National Bank to lower the refinancing rate. The state budget is in surplus (2% of GDP) due to rising revenues. The balance of payments shows a record current account surplus (18.6% of GDP in H1 2025) due to a sharp increase in remittances that offsets the large trade deficit. International reserves are increasing.

Forecasts: GDP is projected to grow by 7.1% in 2026, slowing gradually to 6% by 2028 as remittance inflows normalise. Inflation is expected to rise to 5% in 2026–2028. The fiscal deficit is set to widen to 2.5% of GDP in the medium term due to higher capital expenditures, including on the Rogun HPP. The current account surplus will turn into a small deficit by 2027–2028.

Risks: The key risks relate to the fiscal sphere and include potential underfunding or rising costs of the Rogun HPP project, as well as missed revenue targets. Given the high volatility of remittances, they present both upside and downside risks to economic growth. The potential extension of sanctions to the banking sector could create additional operational challenges for foreign trade and cross-border payments.

	Estimate	Forecast			Deviation from previous forecasts			
	2025	2026	2027	2028	2025	2026	2027	2028
 Russian Federation								
GDP growth, %	0.7	1.1	1.6	1.7	-0.4	-0.2	0.1	0
Inflation (Q4), %	6.9	5.1	4.1	4	-0.7	0.9	0.1	0.1
Annual average exchange rate (USD)	83.6	91.1	94.9	95.7	-1.6	-3.4	0.2	-0.4
Key rate, %	18.9	13.5	8.3	7.5	-0.1	1.7	-0.2	0
 Republic of Kazakhstan								
GDP growth, %	6.1	4.6	4.3	4.2	0.4	0.1	0	0
Inflation (Q4), %	12.5	10.0	8.4	7.0	0.8	1	1.2	0.9
Annual average exchange rate (USD)	524.9	553.5	573.1	593.7	1.6	-1	4	8.6
TONIA, %	16.1	16.9	12.9	10.4	0	2.1	0.9	0.6
 Republic of Armenia								
GDP growth, %	6.1	5.1	4.8	4.8	-0.1	0.1	0	0
Inflation (year-end), %	3.7	3.3	3.0	3.0	-0.3	0	0	0
Annual average exchange rate (USD)	388.2	396.1	411.2	426.9	-5.2	-12.4	-9.3	-6.3
Refinancing rate, %	6.8	6.5	6.3	6.0	0	-0.3	-0.3	0
Fiscal balance, %	-5.0	-4.5	-3.5	-2.8	0	0	0	0

	Estimate	Forecast				Deviation from previous forecasts			
	2025	2026	2027	2028	2025	2026	2027	2028	
 Republic of Belarus									
GDP growth, %	1.5	1.1	1.0	1.2	-0.1	-0.2	0	0	
Inflation (year-end), %	7.1	6.6	6.2	6.0	-0.9	-0.2	0.1	1.0	
Annual average exchange rate (USD)	3.1	3.2	3.6	3.7	0	-0.1	0	0	
Refinancing rate, %	9.8	9.8	9.8	9.8	0	0	0	0	
Fiscal balance, %	-0.3	0.1	0.2	0.3	0.2	-0.5	-0.6	-0.8	
 Kyrgyz Republic									
GDP growth, %	9.0	6.4	6.0	5.5	0	0	0	0	
Inflation (year-end), %	8.9	6.4	6.3	5.8	0.8	0.1	0	0.2	
Annual average exchange rate (USD)	87.6	96.0	97.6	98.5	0	0	0	0	
Policy rate, %	11.0	12.0	12.0	12.0	0	2.0	3.0	3.0	
Fiscal balance, %	2.6	1.6	1.5	0.8	0.5	0	0.5	1.0	
 Republic of Tajikistan									
GDP growth, %	7.8	7.1	6.7	6.0	0	0	0	0	
Inflation (year-end), %	4.3	4.8	5.5	5.0	-1.0	0.7	-0.1	0.4	
Annual average exchange rate (USD)	10.1	10.6	11.1	11.7	-0.1	0	0	0	
Refinancing rate, %	7.5	8.5	8.5	8.5	-0.8	0	0	0	
Fiscal balance, %	-0.3	-2.5	-2.5	-2.5	1.6	-1.2	-1.9	-1.6	

Chief
Economist's
Foreword

Executive
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**External
Sector**

Russia

Kazakhstan

EXTERNAL SECTOR



Armenia

Belarus

Kyrgyz Republic

Tajikistan

Risks to the
Baseline
Scenario



EXTERNAL SECTOR

The rise in the Global Composite PMI reflects the gradual revival of global economic activity in the autumn. After peaking in the spring, uncertainty indices — the VIX Index and the Economic Policy Uncertainty Index — have been declining. However, it would be premature to assert that trade tensions have been resolved and that the global economy has entered a phase of sustained growth.

REGIONAL PROJECTIONS

U.S.

We have revised our U.S. economic growth forecast upward by +0.4 p.p. to 2.0% in 2025 and expect growth to remain close to this level in 2026–2028. Preliminary consumer spending and investment data point to stable economic growth in Q3 2025, with indicators recovering after the initial shock of tariff increases. Support will come from the fiscal stimulus of the One Big Beautiful Bill Act, the easing of financial conditions and lower-than-expected import tariffs. Tariff increases and supply chain restructuring have not yet been fully reflected in consumer inflation and will continue to exert pressure in 2026, with inflation remaining elevated until the end of 2026. We forecast a decline in the Fed rate to 3.25–3.50% in 2026 and expect it to remain at this level until the end of the forecast period.

EUROZONE

We have also upgraded our eurozone growth forecast by +0.2 p.p. to 1.4% in 2025, reflecting stronger growth in Q2–Q3. Growth is supported by a recovery in private consumption driven by rising real wages, investment under the Recovery and Resilience Facility and in the military sector. Ireland's strong growth rates have also made some contribution. Going forward, growth will be fuelled by increased spending on infrastructure and defence, as well as Germany's fiscal stimulus programme. The negative impact of increased trade tariffs will persist in 2026, but will diminish over time. Inflation remains close to the ECB's target, with growth in service prices slowing and lower energy prices and a stronger euro holding back overall inflation. In 2026, inflation is anticipated to decline slightly to 1.8%, aided by the continuing fall in energy prices, while in the medium term it is expected to return to around 2%. €STR is projected to remain at 2%.

CHINA

We maintain our growth forecast for China at 5% in 2025, taking into account the steady performance in Q3, which created a solid basis for achieving the annual target. Expansion is largely driven by an export boom, while retail activity and investment remain subdued. From 2026, growth is expected to slow due to structural problems, weak domestic demand, overproduction and ongoing trade tensions. Inflation, projected at a low 0.7% in 2025, will gradually rise as a result of further stimulation of domestic demand. The nominal exchange rate is expected to gradually appreciate to CNY 6.9 per US dollar.

Armenia	Belarus	Kyrgyz Republic	Tajikistan	Risks to the Baseline Scenario
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TABLE 1. KEY MACROECONOMIC INDICATORS OF THE U.S., EUROZONE AND CHINA

	2024 Actual	2025 Estimate	2026 Forecast	2027 Forecast	2028 Forecast
U.S.					
Real GDP growth, %	2.8	2.0	1.8	1.9	2.0
Inflation, eop	2.6	3.0	2.3	2.1	2.1
FRS rate, eop	4.25-4.50	3.75-4.00	3.25-3.50	3.00-3.25	3.00-3.25
Eurozone					
Real GDP growth, %	0.8	1.4	1.0	1.4	1.4
Inflation, eop	2.2	2.1	1.8	2.0	2.0
ECB rate, eop	3.6	2.1	2.0	2.2	2.2
EUR/USD exchange rate	1.08	1.13	1.17	1.17	1.17
China					
Real GDP growth, %	5.0	5.0	4.5	4.2	4.0
Inflation, eop	0.2	-0.1	0.7	1.3	1.7
USD/CNY exchange rate	7.2	7.2	7.1	7.0	6.9

Source: BEA, BLS, Eurostat, NBC, ECB, FRS, authors' calculations.

COMMODITY MARKETS

OIL

In 2025, Brent crude oil prices have been trending downward because of trade tensions and concerns about oversupply in the global market. Demand is growing more slowly, in particular in developed countries and China, partly as a result of the transition to electric vehicles, while new projects and rising production in OPEC+ countries are fuelling supply. In 2026–2028, Brent prices are expected to decline gradually to USD 63–66 per barrel amid moderate demand and market stabilisation.

GOLD

Gold prices rose to record highs in the second half of 2025, reflecting demand for safe-haven assets. In 2026, prices will remain high due to continued, albeit less active, gold purchases by central banks, strong investment interest and the easing of U.S. monetary policy in the context of geopolitical risks and political uncertainty.

METALS AND COPPER

The U.S. tariff war has lowered prices for base metals, but duties on steel, aluminium and copper have driven price increases. Markets

expect a moderate rise, with the metal price index projected to grow by 4 p.p. in 2028 compared with 2026. In 2025, copper rose by 25%, supported by expectations that the trade conflict would ease, supply disruptions and a depreciating US dollar. In 2026, the copper deficit is expected to widen, driving price growth.

FOOD PRODUCTS

The food price index declined in 2025 against the backdrop of abundant stocks and good harvests. However, the index is expected to rise going forwards as new export restrictions reduce international food supplies in the face of potentially worsening weather conditions.

TABLE 2. COMMODITY PRICES

	2024 Actual	2025 Estimate	2026 Forecast	2027 Forecast	2028 Forecast
Gold, USD/XAU	2,388	3,375	3,940	3,763	3,643
Metal price index	106.7	110.0	117.5	120.3	121.5
Food price index	115.8	110.8	114.9	117.1	118.1
Brent crude oil prices	80.6	69.2	63.3	64.2	65.9
Copper, USD/t	9,142	9,805	10,481	10,734	10,841

Source: IMF, Bloomberg, authors' calculations.





RUSSIA

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Sector

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Risks to the
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CURRENT SITUATION

In Q3 2025, Russia's GDP growth rate continued to decline but remained positive. According to Rosstat, GDP grew by 0.6% YoY (Figure 1). The output gap is narrowing as the economy gradually cools.

The slowdown is continuing across most key sectors. The index of goods and services output slowed to 0.5% YoY in Q3 2025, down from 3.4% a year earlier. Industry also showed a loss of momentum: mineral extraction declined further to -1.1% YoY (compared with -0.8% a year earlier), while manufacturing fell to 1.4% YoY from 6.9%. Transportation recorded a 1.8% YoY decrease in freight traffic after a 0.4% rise last year. Trade worsened, with retailing slowing to 2.1% YoY from 6.3% and wholesale trade falling by 2.8% after a 3.6% rise. The exceptions were agriculture, which expanded by 3.6% after a 6.4% contraction the previous year, and construction, which grew by 2.1% YoY compared with 0.1% in 2024, partly due to the low base effect following the closure of concessional lending programmes.

Labour market pressures are gradually easing as economic activity slows. Unemployment averaged 2.1% in June–August 2025, remaining at a historic low. However, signs of labour market cooling are increasing: real household income growth in Q3 2025 slowed to 6.3% YoY compared with 11.1% YoY a year earlier, business surveys show a decline in labour shortages due to a reduction in demand, and job platforms report a sharp increase in newly posted CVs.

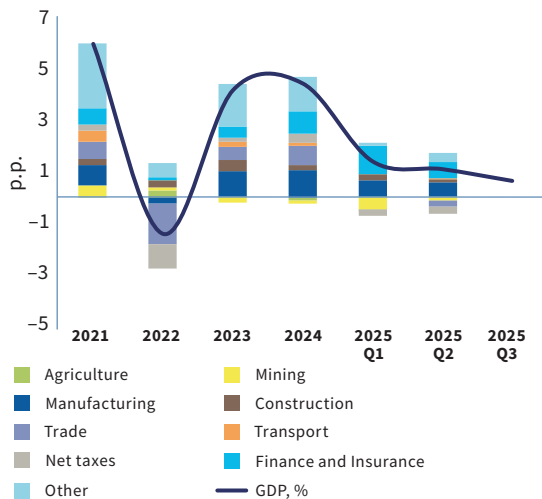
Inflation trends in Q3 2025 were mixed: although the annual rate eased,

quarterly price growth indicates rising price pressures. Annual inflation declined to 8% YoY from 9.4% YoY in Q2 2025, while the seasonally adjusted annual rate (SAAR) accelerated to 6.4% from 4.4% respectively (Figure 2). This acceleration was driven mainly by one-off factors, including an increase in utility tariffs in July 2025 and a rise in motor fuel prices following disruptions at oil refineries. At the same time, core inflation continued to slow in Q3 2025: the annual rate eased to 7.6% YoY from 8.7% YoY the previous year, and the SAAR fell to 4.3% from 4.4% in the previous quarter. This suggests that the underlying trend towards easing price pressures remains in place. All annualised inflation components slowed relative to Q2 2025: food products to 9.5% YoY compared with 11.9% YoY, non-food goods to 3.9% YoY compared with 4.5% YoY, and services to 11.1% YoY from 12% YoY.

In October 2025, the Bank of Russia continued its rate-cutting cycle, lowering the key rate by only 50 basis points to 16.5%. Monetary conditions remain tight. The regulator attributes the cautious pace of easing to persistent inflationary risks, including a slower narrowing of the positive output gap, inflation expectations that remain elevated or are rising due to one-off factors, worsening external conditions shaped by geopolitics and global market trends, a potential decline in the value of Russian exports, as well as a larger structural fiscal deficit and the expansion of concessional lending programmes.

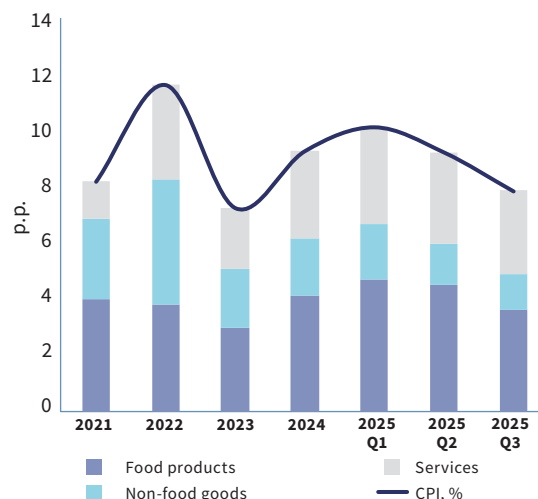
In 2025, the federal budget faced a shortfall in revenue while executing planned expenditure, resulting in a higher deficit for the year. In the first

Figure 1. Decomposition of Annual GDP Growth (Production Approach)



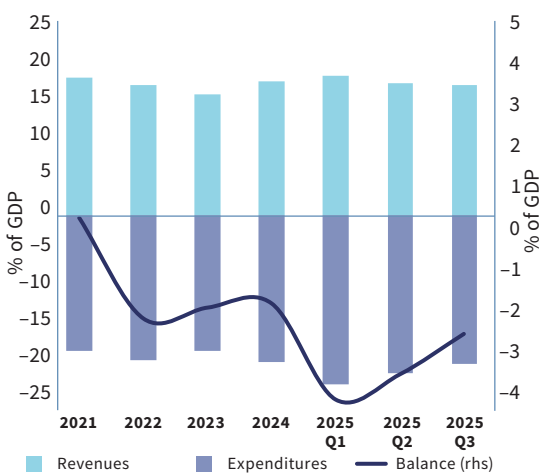
Source: estimates based on Rosstat data.

Figure 2. Decomposition of Inflation (eop, YoY)



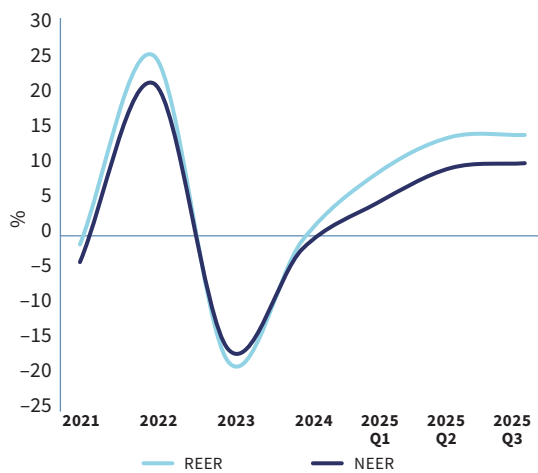
Source: estimates based on Bank of Russia data.

Figure 3. State Budget



Source: Ministry of Finance of the Russian Federation, EFSD estimates.

Figure 4. Exchange Rate



Note: above 0 — appreciation; below 0 — depreciation. Source: Bank of Russia.

nine months of 2025, fiscal revenues totalled RUB 26.9 trillion, up 2.5% YoY compared with the same period in 2024 (Figure 3). Oil and gas revenues fell by 20.6% YoY to RUB 6.6 trillion due to a decline in exports caused by low oil prices and supply restrictions, as well as the appreciation of the rouble. Non-oil and gas revenues increased by 13.2% YoY

to RUB 20.3 trillion. Fiscal spending over the first nine months rose by 19.5% YoY to RUB 30.7 trillion. As a result, the deficit widened to RUB 3.8 trillion, leading to a year-end deficit of RUB 5.7 trillion (2.6% of GDP) under the revised 2025 budget.

The rouble is gradually weakening against the US dollar as interest rates

steadily decline. In Q3 2025, the rouble depreciated by 5.6% to an average of RUB 82.9 per US dollar (Figure 4). The exchange rate continues to receive support from relatively high interest rates, which enhance the attractiveness of rouble-denominated assets and limit demand for imports. In addition, foreign currency sales from the National Wealth Fund continue to affect the exchange rate.

MEDIUM-TERM OUTLOOK

We estimate that Russia's GDP growth rate will reach 0.7% by the end of 2025. The forecast has been downgraded by 0.4 p.p. due to a faster-than-expected economic slowdown in Q3 2025. The main factor behind the weaker year-end result will be a sharp cooling of investment demand, which grew by less than anticipated. Changes in current inventories and a larger-than-expected decline in oil and gas exports will also weigh on GDP growth. Consumption, although slowing, will remain the only driver of growth, supporting positive GDP.

In 2026, the economy will continue to expand slowly, with GDP growth of 1.1%. Investment will remain constrained amid tight monetary policy. Consumption will weaken due to a cooling labour market and slower household income growth. We estimate that the positive output gap will close in the second half of 2026, after which the economy will return to a balanced growth rate of 1.6% in 2027 and 1.7% in 2028.

The baseline scenario assumes that the planned 2026–2028 budget, which

envisages the elimination of the structural deficit, will be implemented. This will be achieved through higher non-oil and gas revenues following an increase in the VAT rate and the expansion of the relevant tax base.

Estimated inflation at the end of 2025 has been revised downward to 6.9% YoY (compared with 7.6% YoY in the previous forecast), as actual inflation in Q3 was lower than expected. The main reason was a greater-than-expected seasonal decline in fruit and vegetable prices against the backdrop of favourable weather conditions. We anticipate that, under the influence of tight monetary policy, inflationary pressures will continue to ease in the medium term, but the decline will be more moderate than previously projected, as the economy will face several inflationary shocks. These include an increase in VAT from 20% to 22% from January 2026, the introduction of new recycling fees for imported cars from December 2025, and ongoing tensions in the motor fuel market. Taking these factors into account, the inflation forecasts for 2026 and 2027 are 5.1% YoY and 4.1% YoY, respectively, with inflation expected to return to the 4% target in 2028.

We expect the Bank of Russia's key rate to fall to 16% by the end of 2025. The rapid cooling of the economy, easing labour market pressures and the steady decline in inflation, despite one-off factors, are creating conditions for a gradual easing of monetary policy without compromising price stability, in order to prevent an excessive slowdown in business activity. Further easing will continue in 2026, though at a more cautious pace than previously projected, with the annual rate

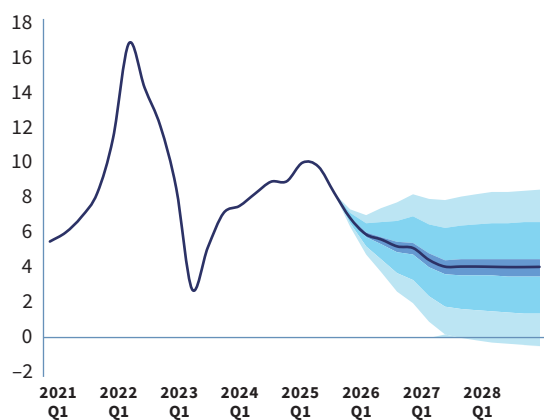
TABLE 1. FORECASTS OF KEY MACROECONOMIC INDICATORS

	2024 Actual	2025 Estimate	2026 Forecast	2027 Forecast	2028 Forecast
Real GDP growth, %	4.3	0.7	1.1	1.6	1.7
Inflation (Dec-on-Dec), %	9.5	6.9	5.1	4.1	4.0
Inflation (year-average), %	8.4	8.8	5.5	4.1	4.0
USD/RUB exchange rate (year-average)	93	84	91	95	96
Bank of Russia key rate (year-average), %	17.3	18.9	13.5	8.3	7.5

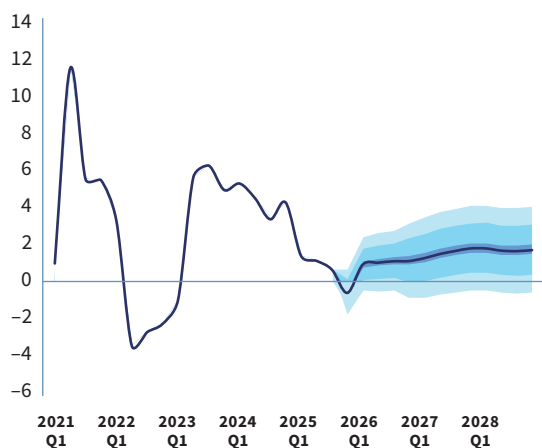
Source: authors' calculations.

averaging 13.5% according to updated estimates.

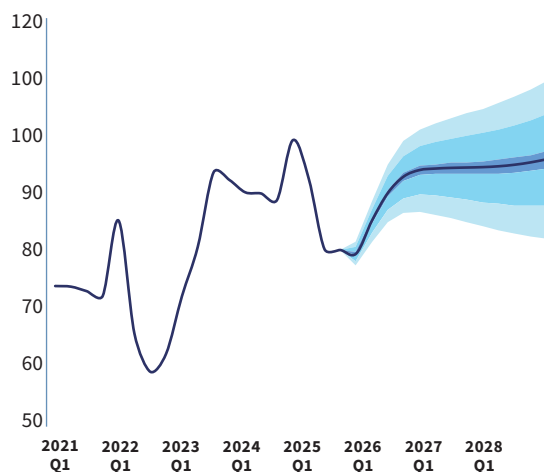
The average exchange rate in 2025 will be RUB 84 per US dollar. As the key rate declines and demand for foreign assets recovers, we expect the national currency to gradually weaken to RUB 91 per US dollar in 2026 and to RUB 95–96 in 2027–2028.

Figure 6. Inflation, % YoY

Source: authors' calculations.

Figure 5. Real GDP Growth, % YoY

Source: authors' calculations.

Figure 7. USD/RUB Exchange Rate

Source: authors' calculations.

Note: chart ranges correspond to confidence intervals of 10%, 50% and 75%.

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Risks to the
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CURRENT SITUATION

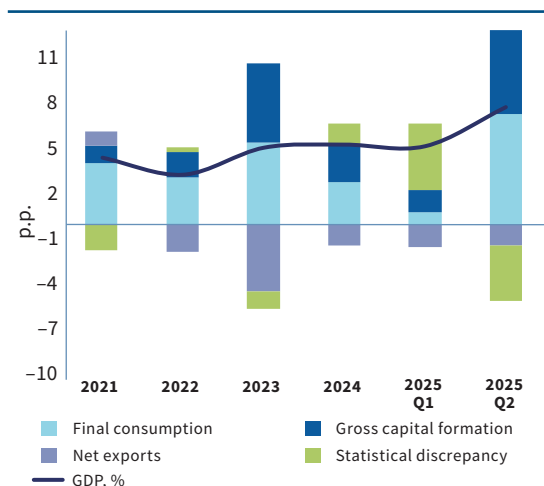
Kazakhstan maintained record high economic growth in Q3 2025. In the first nine months of 2025, its GDP grew by 6.3% YoY, slowing slightly from 6.5% YoY in the first half of the year but accelerating sharply compared with 4.1% YoY in January–September 2024. We estimate that the SAAR rose to 6.3% in Q3, compared with 5.5% and 5.9% in Q1 and Q2, respectively.

High growth rates are driven by domestic demand and investment activity, including in the public sector (Figure 1). Retail growth accelerated to 7.1% YoY over the first nine months, slightly below the 7.3% YoY recorded in January–September 2024. Capital investment growth remained strong, though it slowed to 13.5% YoY over the first nine months (from 19.3% YoY in the first half of the year). Nevertheless, the country continues to record double-digit growth rates supported by budget contributions, the share of which increased to 23% over

the first nine months of 2025, from 19% a year earlier. Foreign trade improved somewhat: in Q3, the decline in goods exports eased to 2.1% YoY from 2.4% YoY in Q2 (resulting in a 5.1% YoY decrease in the cumulative total for the first nine months). However, the contribution of net exports is likely to remain negative as import growth outpaces exports, with imports up by 7.2% in Q3 (4.5% YoY over the first nine months).

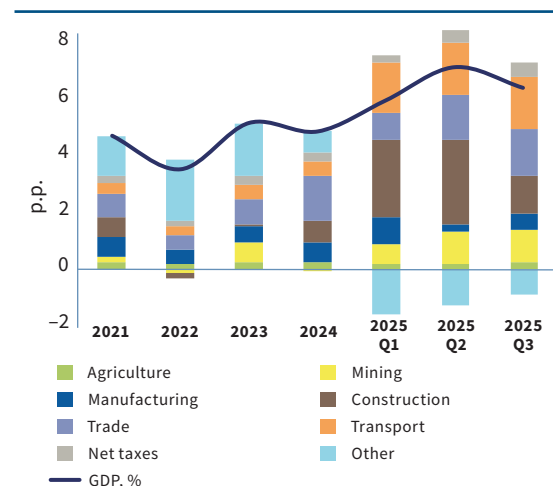
We estimate that the main contributors to GDP growth in Q3 2025 were transport and warehousing, trade, construction and mining (Figure 2). The acceleration in transport, wholesale trade and mining reflects capacity expansion at the Tengiz field, which boosted the production of crude oil (+13.9% YoY in January–September), natural gas (+16.7% YoY) and other minerals. In addition, the construction sector generated multiplier effects, although its contribution declined in Q3 after peaking in the first half of the year.

Figure 1. Decomposition of Annual GDP growth (Expenditure Approach)



Source: estimates based on BNS ASPR RK data.

Figure 2. Decomposition of Annual GDP Growth (Production Approach)



Source: estimates based on BNS ASPR RK data.

Price pressures intensified in Q3 2025.

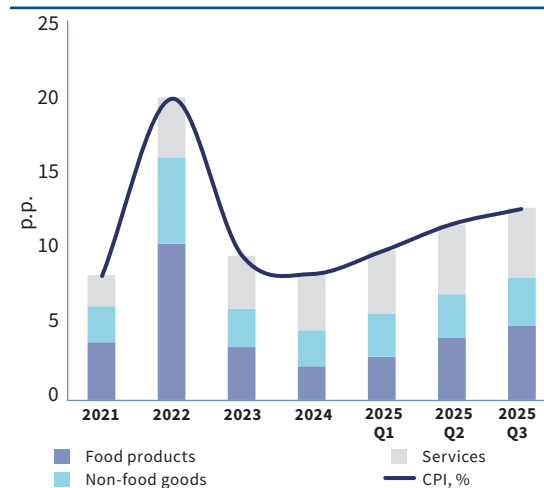
Annual inflation accelerated to 12.9% in September from 11.8% in June, while monthly seasonally adjusted inflation increased to 1.3% from 1.0%¹ (Figure 3). Compared with Q2, annual inflation in Q3 saw higher contributions from food products (up to 4.8 from 3.8 p.p.) and non-food goods (up to 3.0 from 2.8 p.p.), while the contribution of paid services edged down (to 4.5 from 4.7 p.p.). We attribute the acceleration in inflation to strong domestic demand, inflation expectations elevated by tariff reforms in housing and utilities, fuel and lubricants, the carry-over from the summer depreciation of the tenge, and the economy's adjustment to budget and tax reforms. To curb inflationary pressures, the government temporarily suspended price liberalisation in housing and utilities and introduced a moratorium on price increases for certain types of fuel and lubricants². As a result, annual inflation slowed to 12.6% in October as the contribution of paid services dropped to 3.8 p.p. from 4.5 p.p. in September.

The National Bank of Kazakhstan raised its base rate in October from 16.5% to 18% as inflation accelerated. Broad money growth was virtually unchanged in Q3 2025 at 18.2% YoY, compared with 18.3% YoY in Q2 (Figure 4). The increase

¹ Publication of the National Bank of Kazakhstan: Inflation Trends and Estimates of Seasonally Adjusted Inflation. Available at: <https://nationalbank.kz/en/news/inflyacionnye-tendencii/rubrics/2315>.

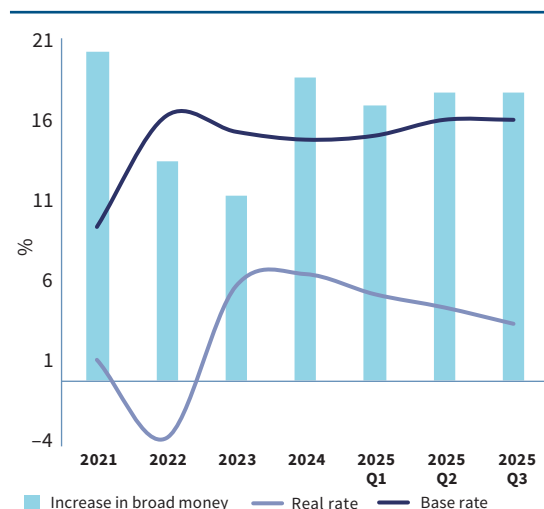
² Official Information Resource of the Prime Minister of the Republic of Kazakhstan. Available at: <https://primeminister.kz/en/news/at-the-instruction-of-the-head-of-state-government-is-taking-measures-to-ensure-macroeconomic-stability-and-mitigate-the-negative-effects-of-economic-reforms-30620>.

Figure 3. Decomposition of Inflation (eop, YoY)



Source: BNS ASPR RK.

Figure 4. Change in Monetary Indicators (eop, YoY)



Source: NBRK.

in minimum reserve requirements in September reduced the negative balance on the National Bank's transactions as part of the funds shifted from deposit auctions to correspondent accounts to meet reserve requirements. Subsequently, in October–November, the liquidity surplus recovered rapidly, partly as a result of higher fiscal spending. Accordingly, the banking sector returned

to a path of stronger sterilisation via the regulator's deposit instruments.

The banking sector's lending to the economy accelerated. By the end of Q3 2025, credit growth (extended definition) had reached 23.9% YoY (22.7% YoY at end-Q2). Household loans increased by 23.5% YoY by end-September (23.0% YoY at end-June), while corporate lending grew by 25.5% YoY (22.2% YoY previously).

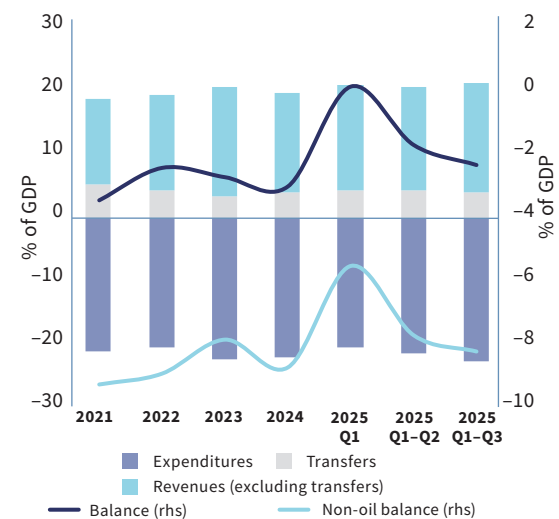
The fiscal situation improved compared with the previous year. Over the first nine months of 2025, fiscal revenue growth accelerated to 13.3% YoY from 10.9% YoY in the same period of 2024 — or from 8.4% to 15.8% when excluding transfers from the National Fund. Revenues increased to 21.6% of GDP, compared with 20.8% a year earlier. In January–September 2025, the fiscal revenue performance strengthened: tax revenues grew by 20.0% YoY (2.1% the year before), or from 15.4% to 16.4% relative to GDP (Figure 5). Key contributors to higher tax revenues included a 24.9% YoY increase in corporate income tax, supported by robust economic activity, and a 20.3% YoY rise in VAT collections linked to stronger domestic consumption and faster inflation. Fiscal spending grew by 11.8% YoY in January–September (8.8% YoY the year before), or by 23.6% relative to GDP (22.0% previously). As a result, the fiscal deficit declined to 2.0% of GDP (2.1% a year earlier), while the non-oil deficit remained unchanged at 7.4% of GDP.

The balance of payments deficit widened in Q3 as primary income payments increased (Figure 6). Preliminary estimates indicate that the current account deficit expanded slightly to USD 3.1 billion (4.4% of GDP) in Q3 2025,

from USD 2.9 billion (4.7% of GDP) in Q2, driven by an increase in foreign investor income payments (by USD 1 billion per quarter), partially offset by a USD 0.7 billion rise in the trade surplus.

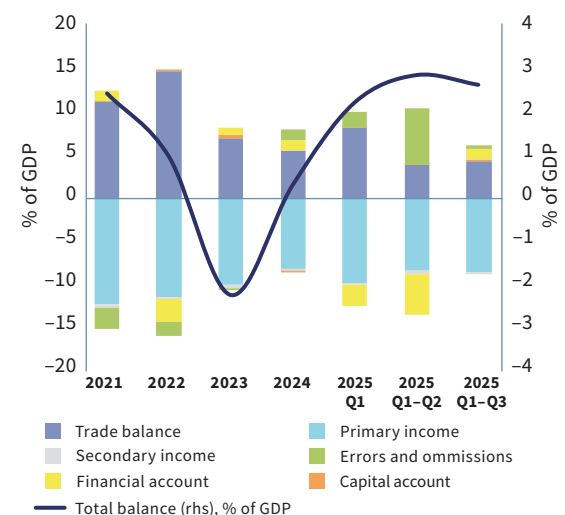
The financial account recorded a net capital inflow of nearly USD 1 billion (1.3% of GDP), mainly reflecting USD 3.4 billion in inflows through portfolio and

Figure 5. State Budget



Source: Ministry of Finance of the Republic of Kazakhstan.

Figure 6. Balance of Payments



Source: NBRK.

debt instruments and a USD 2.4 billion net outflow of direct investment. The balance of payments deficit was financed by a decline in the National Bank's international reserves, which fell by USD 1.9 billion (2.6% of GDP). This reflects a weakening external sector amid limited recovery in export revenues and moderate investment activity.

The tenge's real exchange rate depreciated in Q3 2025. The real effective exchange rate (REER) fell by 2.6% or, excluding oil trade, by 1.8%. The weakening of the REER reflects a sharper decline in the nominal effective exchange rate (NEER) and higher inflation relative to trading partners. Pressure on the tenge stemmed mainly from increased domestic demand for foreign currency and a seasonal rise in imports after a period of sustained rate appreciation.

MEDIUM-TERM OUTLOOK

We estimate real GDP growth to reach 6.1% in 2025 (a 0.4 p.p. upward revision), reflecting a stronger-than-expected economic performance in Q3. Growth is

anticipated to remain robust through year-end, supported by continued expansion of output in key sectors and positive multiplier effects from mining. Additional support will come from strong investment activity and consumer demand, underpinned by stimulative fiscal policy and lending.

In 2026, the economy will continue to adapt to fiscal reforms and the resumed liberalisation of tariffs in housing and utilities and in fuel and lubricants. Over 2026–2028, we expect economic growth to return to its potential range of 4.2%–4.5%, supported by tight monetary policy and fiscal consolidation. This will help to gradually narrow the positive output gap and ease price pressures.

In the baseline scenario, the projections are aligned with the Law on the Republican Budget. The fiscal deficit for 2025 is set at 2.8% of GDP and is expected to decline gradually to 2.5% of GDP in the medium term (2026–2028).

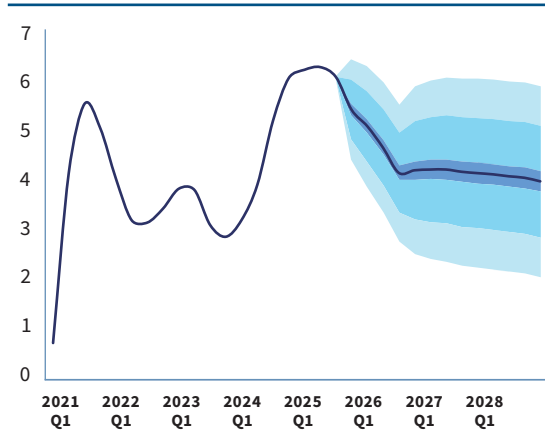
Higher actual inflation in Q3 and stronger underlying pressures have led us to revise our 2025 inflation forecast upward to 12.5%. We also expect a slower disinflation path in the medium term, as the positive output

TABLE 1. FORECASTS OF KEY MACROECONOMIC INDICATORS

	2024 Actual	2025 Estimate	2026 Forecast	2027 Forecast	2028 Forecast
Real GDP growth, %	5.0	6.1	4.6	4.3	4.2
Inflation (Dec-on-Dec), %	8.6	12.5	10.0	8.4	7.0
Inflation (year-average), %	8.7	11.4	10.8	9.1	7.4
USD/KZT exchange rate (year-average)	469.0	524.9	553.5	573.1	593.7
TONIA rate (year-average), %	13.8	16.1	16.9	12.9	10.4

Source: National agencies and authors' calculations.

Figure 7. Real GDP Growth, % YoY

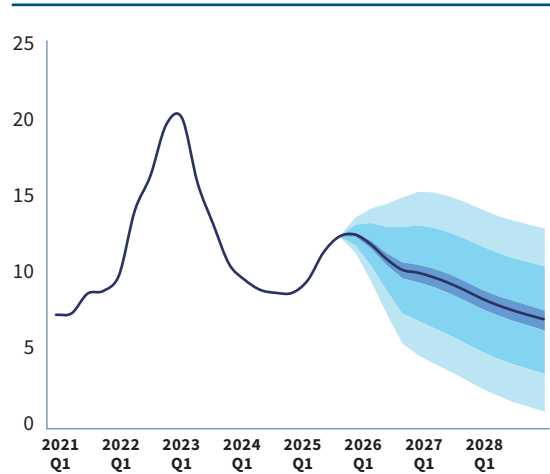


Source: authors' calculations.

gap is likely to narrow more gradually given stronger domestic demand and persistently elevated inflation expectations, as well as the expiry of temporary suspensions on utility tariff and fuel price increases at end-Q1 2026 and the continued implementation of reforms. Inflation is forecast at 10.0% in 2026, 8.4% in 2027 and 7.0% in 2028. In this environment, monetary easing is not expected before at least the second half of 2026. Until then, the base rate will remain at 18%. The restrictive monetary stance will gradually feed through to the economy, easing inflationary pressures in the medium term. As price trends normalise and inflation pressures gradually subside, we project base rate to fall to 15% by end-2026.

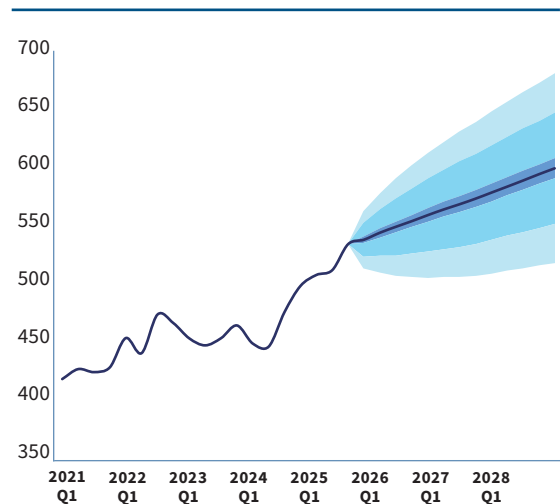
The medium-term forecasts for the USD/KZT average exchange rate remain broadly unchanged from previous estimates, at KZT 525 per USD in 2025 and KZT 554–594 in 2026–2028. In 2026, the exchange rate will face pressure arising from lower transfers from the National Fund and weakening commodity prices, principally as Brent crude oil prices are projected to decline from USD 69.2 to USD 63.3 per barrel.

Figure 8. Inflation, % YoY



Source: authors' calculations.

Figure 9. USD/KZT Exchange Rate



Source: authors' calculations.

Note: chart ranges correspond to confidence intervals of 10%, 50% and 75%.





ARMENIA

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CURRENT SITUATION

Economic activity in Armenia began to moderate in Q3. According to our estimates, seasonally adjusted growth slowed from 2.0% QoQ in Q2 to 1.4% QoQ in Q3. However, annual indicators remain quite robust: GDP expanded by 6.2% YoY in Q3 vs 6.4% in Q2. Over the first nine months of 2025, the economy grew by 6% YoY. Consumer demand remained the main driver, supported by credit expansion and remittances. Investment demand, underpinned by strong activity in housing construction, provided an additional impulse. The external sector, by contrast, had a negative impact owing to reduced re-exports of precious metals and stones.

Across sectors, the main contributors to GDP growth over the first nine months of 2025 were the financial sector (1.4 p.p.), information and communications (1.0 p.p.), construction (1.3 p.p.), trade (0.5 p.p.) and net taxes (1.2 p.p.). Manufacturing remained in decline (-0.6 p.p.), although the scale of contraction gradually narrowed (Figure 1).

Inflationary pressures eased in Q3. Since March 2025 the Central Bank has held the policy rate at 6.75%. Annual inflation slowed to 3.7% YoY in September from 3.9% YoY in June, and seasonally adjusted data point to a reduction in inflationary pressures. In October, seasonally adjusted inflation was close to zero, keeping the annual rate unchanged at 3.7%. The slowdown was driven by weaker price growth for food and services, while the impact of non-food prices fully offset these declines (Figure 2). In Q3, the Central Bank maintained a cautious stance, keeping the rate at 6.75%. Nonetheless, easing price

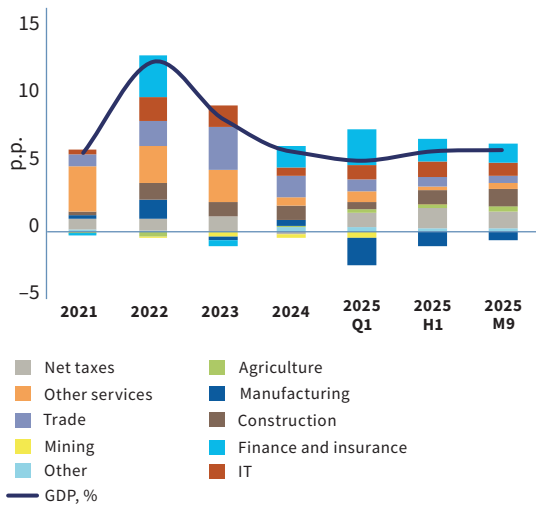
pressures create room for the regulator to resume rate cuts, especially amid slowing economic activity.

The regulator's influence on market interest rates was limited. Weighted-average interest rates on dram-denominated term deposits followed the Central Bank's rates, declining by 0.2 p.p. in September 2025 relative to December 2024. Lending rates, however, rose by 0.4 p.p., reflecting strong demand for credit. By end-September, the loan portfolio of commercial banks had expanded by 26.6% YoY (compared with 24.2% in 2024).

Due to expenditure execution remaining below plan, the state budget continued to record a substantially smaller deficit than originally envisaged. In January–September, the fiscal deficit amounted to 1.0% of GDP, matching last year's (Figure 3). Tax revenues exceeded plan, with collections rising from 26.4% of GDP in January–September 2024 to 27.5% over the same period in 2025. The main contribution to fiscal revenue growth came from VAT and income tax, which rose by 1.0 p.p. and 0.3 p.p. YoY, respectively. This performance reflected improved tax administration and one-off effects such as settlement of construction-related tax liabilities that were deferred a year earlier. Fiscal spending also rose to 28.5% of GDP from 27.4% in 2024. Current expenditures declined from 23.3% to 22.9% of GDP, while capital expenditures increased from 4.1% to 5.7% of GDP. In the first nine months, current and capital expenditure shortfalls amounted to 10.3% and 27.2%, respectively.

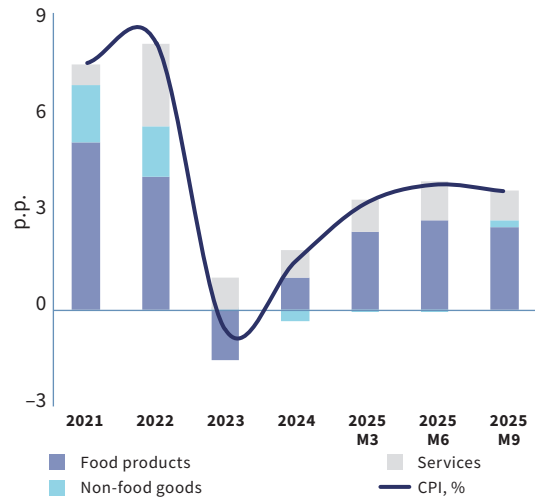
Foreign trade contracted by 39.3% over the first nine months of 2025,

Figure 1. Decomposition of GDP growth (Production Approach)



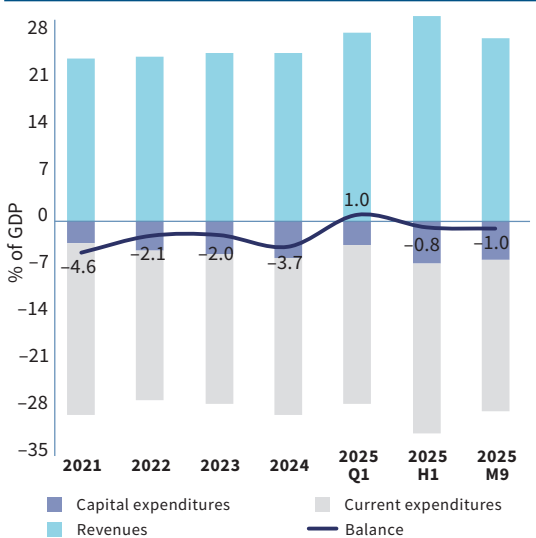
Source: Armstat.

Figure 2. Inflation (YoY, eop)



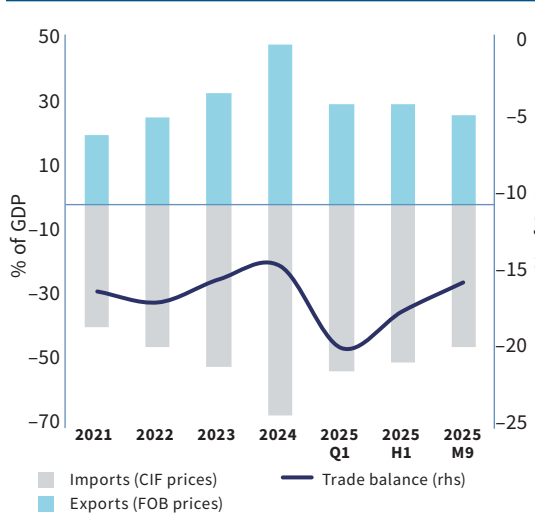
Source: Armstat.

Figure 3. State Budget



Source: Ministry of Finance of the Republic of Armenia.

Figure 4. Trade Balance



Source: Armstat.

mainly due to the discontinuation of precious metals re-exports. Exports fell by 46.8% and imports by 33.4%. As a result, the trade deficit reached 16% of GDP (Figure 4). The external sector was supported by a recovery in tourism, with arrivals up 0.8% YoY, primarily due to higher visitor numbers from Europe, the U.S., Iran and China.

A strong foreign-currency inflow contributed to dram appreciation against the US dollar. The nominal and real effective exchange rate indices for the first nine months of 2025 remained close to their 2022–2023 averages.

In September, the REER fell by 1.0% YoY, largely due to dram depreciation against

the Russian rouble (9.0%) and the euro (4.4%), while the NEER strengthened by 1.2% against the US dollar. The foreign-currency inflow and the strong rouble supported the appreciation of the dram against the US dollar. Gross international reserves reached USD 4.3 billion¹, an increase of USD 595 million compared with December 2024. Reserve accumulation was mainly driven by Central Bank interventions, which secured the purchase of USD 1.3 billion in foreign currency.

MEDIUM-TERM OUTLOOK

According to our estimates, real GDP growth will reach 6.1% in 2025 (a downward revision of 0.1 p.p.). Domestic demand — supported by active lending — will remain the main driver of economic activity. The fiscal deficit is projected to remain at 5.0% of GDP. The widening of the deficit relative to 2024 mainly reflects higher capital and current expenditures in Q4, as the Government is expected to fulfil its budgeted commitments. The inflation forecast has been revised down by 0.3 p.p., to 3.7%, following a slowdown in price growth in Q3 2025. For the remainder of the year, we expect inflation to remain moderate. Against the backdrop of easing inflation, the Central Bank of Armenia is likely to keep the refinancing rate unchanged. The current account deficit forecast also remains unchanged at USD 1.4 billion (5.0% of GDP). The expected weakening of the country's export performance in 2025 compared with the previous year is largely attributable to the suspension of precious metal re-exports.

Over the medium term, the key parameters of the updated macroeconomic outlook remain largely unchanged. Economic growth is expected to converge towards potential, at 4–5%². Consumer and investment demand — supported by lending and domestic investment, in particular in housing construction — will continue to underpin growth until the completion of the interest-rate compensation programme for mortgage lending. Monetary policy will remain oriented towards keeping inflation close to the 3% (± 1 p.p.) target.

Fiscal policy will be geared towards narrowing the deficit: after rising to 30.3% of GDP in 2025, fiscal spending is expected to stabilise at 28–29% of GDP. Given the relatively high deficit projected for 2025, a tougher fiscal stance will be required in the medium term. In particular, under the fiscal rule, when the debt-to-GDP ratio reaches the 50–60% range, growth in current expenditures is capped at the average GDP growth rate over the previous seven years. In this context, the government of Armenia is developing a debt reduction programme that envisages lower current expenditures in 2026–2028 compared with 2025.

The current account deficit is expected to remain at around 4.6% of GDP in 2026–2028, while international reserves are projected to remain stable at 2.8 months of imports of goods and services. The outlook incorporates both downside and upside risks (for more details, see [Risks and Uncertainties](#)).

¹ As of the end of October 2025, gross international reserves have increased to USD 4.5 billion.

² Central Bank of Armenia's estimate published in the Inflation Report, 16 September 2025 (with potential levels estimated at 4.5–5.0%): https://old.cba.am/AM/ppperiodicals/MPR_2025Q3_ARM.pdf.

Armenia	Belarus	Kyrgyz Republic	Tajikistan	Risks to the Baseline Scenario
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TABLE 1. FORECASTS OF KEY MACROECONOMIC INDICATORS

	2024 Actual	2025 Estimate	2026 Forecast	2027 Forecast	2028 Forecast
National accounts and prices (%)					
Nominal GDP					
AMD billions	10,193	11,160	12,052	12,967	14,116
USD billions	26.0	28.7	30.4	31.5	33.1
Real GDP growth	5.9	6.1	5.1	4.8	4.8
CPI (December, YoY)	1.5	3.7	3.3	3.0	3.0
Money and credit (eop)					
Broad money, % change	13.7	11.7	10.6	9.6	9.2
Public finance (% of GDP)					
Revenues and grants	25.3	25.3	25.3	25.5	25.5
Tax revenues	23.5	24.1	24.4	24.7	24.9
Fiscal spending	29.0	30.3	29.7	29.0	28.3
Current expenditures	23.7	24.3	23.9	23.1	22.5
Capital expenditures	5.3	6.0	5.8	5.8	5.8
Budget balance («-» deficit / «+» surplus)	-3.7	-5.0	-4.5	-3.5	-2.8
External sector (% of GDP)					
Current account	-4.6	-5.0	-4.7	-4.5	-4.5
Foreign direct investment	0.5	0.5	0.5	0.8	1.2
Gross reserves, months of imports of goods and services	2.2	2.8	2.8	2.8	2.8

Source: National agencies and authors' estimates.



BELARUS

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External
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CURRENT SITUATION

The expansion of the Belarusian economy has slowed markedly. In September, real GDP increased by 1.6% YoY (vs 2.1% YoY in H1 2025), which is in line with our expectations. Seasonally adjusted data for Q3 2025 show a 0.2% QoQ rise after virtually zero growth in Q2 2025. Weak external demand and cooling domestic consumption are leading to a gradual narrowing of the positive output gap; however, it still remains in the area of pro-inflationary influence. Real retail turnover remained relatively strong at 8.2% over the first nine months of 2025, compared with 9.0% in H1. Investment activity has retained its double-digit pace since the end of last year: in the first nine months of 2025, it reached 15.3% YoY. The key sources of investment growth are lending resources and budget funds.

Amid industrial stagnation and strong investment activity, construction and services have become the key drivers of economic growth. Higher investment levels supported construction output (+10.7% YoY), raising its contribution to GDP growth to 0.6 p.p. over the first nine months. Meanwhile, weak external demand led to a continued decline in industrial output, which fell by 0.8% YoY in the first nine months of 2025. As a result, the contribution of industry to annual GDP growth in Q3 remained negative at -0.8 p.p. (Figure 1). Industrial performance was backed by persistently high inventories of finished goods, amounting to 80.1% of the average monthly output compared with 83.7% in Q2. Weak external demand also had a negative impact on wholesale trade, which decreased by 6.4%. Growth in the value added of transport (+2.5%),

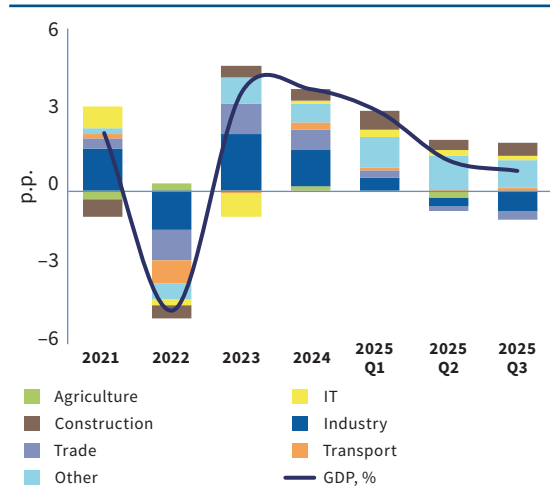
the IT sector (+3.9%) and other services continued.

Inflation in Belarus is slowing, driven by more moderate price growth in Russia and an appreciating exchange rate. In September 2025, consumer prices rose by 7.1% YoY compared with 7.3% YoY in June 2025 (Figure 2). The SAAR also slowed to 6% in Q3 after 11.5% in Q2 2025. This trend reflects the combined impact of a more subdued inflation environment in Russia and the appreciation of the Belarusian rouble's effective exchange rate. A key factor underpinning the stabilisation of price growth was the reduced inflationary impact of looser price controls, alongside a deceleration in fruit and vegetable price increases (7.6% YoY in September after 17.6% in June).

The National Bank continued to apply a differentiated approach to managing segments of the money market. Since July 2025, it has raised its EVSR¹ prudential requirements for new loans and long-term household deposits from 18.2% and 15.3% to 19.1% and 15.6%, respectively. At the same time, the EVSR for new loans to legal entities with maturities over three years was reduced from 12.3% to 12.1%. Incomplete sterilisation of excess liquidity kept the interbank market rate close to the overnight deposit rate and contributed to a further decline in corporate deposit rates (to 5.8% after 6.8% in June and 9.8% in December 2024). Higher interest rates on household loans slowed their growth to 26.8% YoY after 34.8% in June

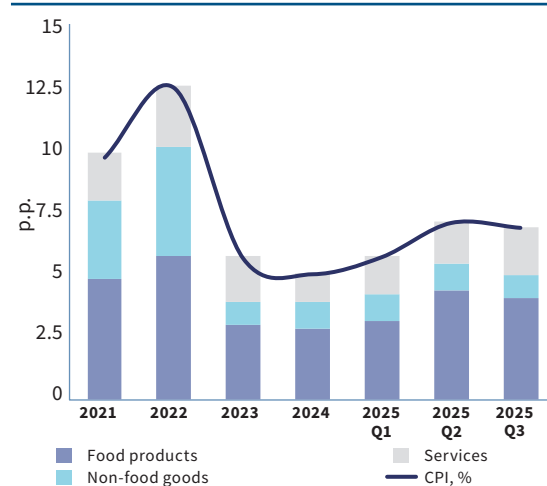
¹ Estimated values of standard risk. Banks setting interest rates above the defined threshold are considered to have a risky business model, leading to the imposition of stricter prudential requirements.

Figure 1. Decomposition of GDP Growth (Production Approach)



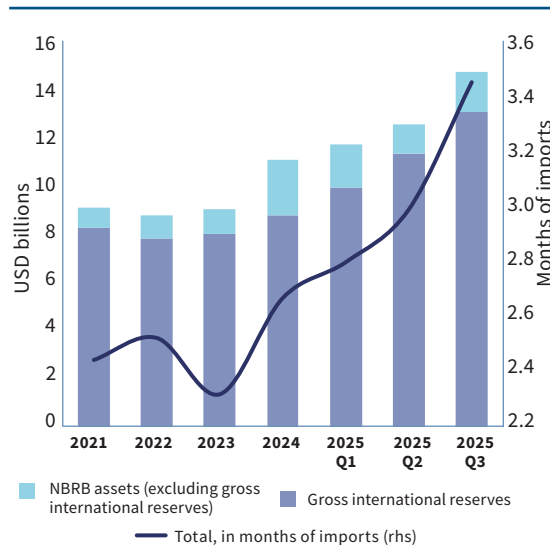
Source: Belstat.

Figure 2. Decomposition of Inflation



Source: Belstat.

Figure 3. NBRB's Foreign Currency Assets



Source: Belstat.

2025. The overall increase in claims of banks and the Development Bank on the economy also decelerated; as of 1 October 2025, it amounted to 12.6% YoY (compared with 13.4% on 1 July and 17.2% at the end of 2024).

The contraction in external demand alongside rising domestic demand widened the foreign trade deficit.

According to Belstat, the deficit in foreign trade in goods reached USD 4.6 billion, or 6.8% of GDP, in the first nine months of 2025 (vs USD 3.0 billion, or 5.4% of GDP in the same period of 2024). The widening deficit reflects a decline in exports (-3.2%) on the back of weak external demand, as well as a rise in imports (+1.6%) driven by strong investment activity and still high, though slowing, domestic consumption. The external balance was supported by a surplus in trade in services (about 4.5% of GDP) and by economic agents (both companies and households) drawing on previously accumulated foreign assets (deposits and cash holdings).

The domestic foreign exchange market in Q3 was characterised by a net supply of foreign currency and an appreciating Belarusian rouble. In Q3 2025, net supply from market participants² amounted to USD 0.7 billion (the same as in Q3 of the previous year), of which households accounted for USD 0.6 billion. In our view,

² Total demand minus total supply of foreign currency.

the net supply from households is linked to higher returns on rouble savings. The average interest rate on new long-term household deposits in July–September 2025 stood at 14.5%, and the volume of household term rouble deposits in banks rose by 8.5% in Q3, or 38.1% YoY. In September compared with June, the average NEER strengthened by 2.3% and the REER by 2.1%.

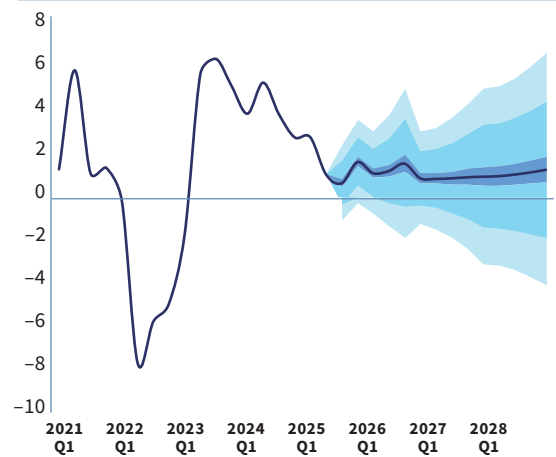
Rising global gold prices and foreign currency purchases on the domestic market contributed to an increase in the National Bank's international reserves. Overall, the National Bank's official reserves and other foreign currency assets increased by USD 0.6 billion in Q3 2025, reaching USD 15.0 billion as of 1 October 2025 (equivalent to 3.5 months of imports). This growth was driven by domestic foreign currency purchases and by asset revaluations linked to rising global gold prices — the value of monetary gold in gross international reserves increased by USD 0.9 billion during the quarter (Figure 3).

MEDIUM-TERM OUTLOOK

The forecasts³ for Belarus's economic growth in 2025 and 2026 have been revised slightly downward (by 0.1 p.p.). This adjustment reflects a sharper-than-expected slowdown in the Russian economy. The inflation forecasts have also been lowered (from 8.0% and 6.9% in 2025 and 2026 to 7.1% and 6.6%, respectively),

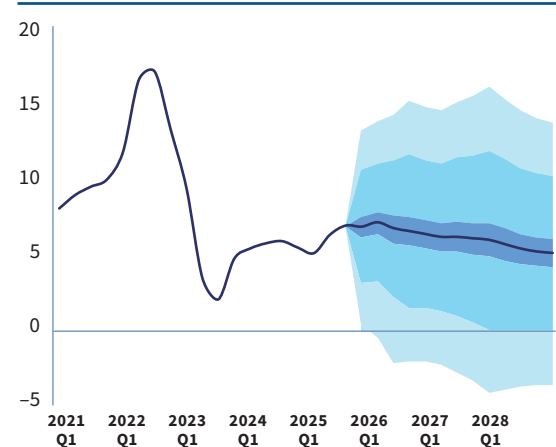
³ EFSD Regional Economic Outlook, Autumn 2025. Available at: <https://efsd.org/en/research/regional-economic-outlook/autumn-2025-regional-economic-outlook/>.

Figure 4. Real GDP Growth, % YoY



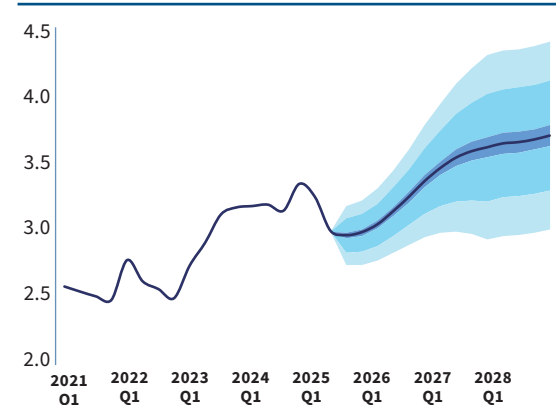
Source: authors' calculations.

Figure 5. Inflation, % YoY



Source: authors' calculations.

Figure 6. USD/BYN Exchange Rate



Source: authors' calculations.

Note: chart ranges correspond to confidence intervals of 10%, 50% and 75%.

influenced by weaker domestic consumption and more moderate inflation trends in Russia.

Domestic economic conditions are not expected to change significantly.

Wage growth is anticipated to gradually decelerate. Monetary and fiscal policies will aim at maintaining macroeconomic stability by striking a balance between containing inflationary pressures and supporting economic growth. With the inflation target for 2026 set at 7%, the medium-term objective of reducing inflation to 5% is expected to remain in place.

Over the medium-term horizon, the key parameters of the updated macroeconomic outlook remain largely unchanged. In 2026–2027, economic growth is still projected at around 1%. The

deceleration in growth will occur against the backdrop of slower economic activity in Russia. The anticipated growth rates reflect a gradual narrowing of the positive output gap, as well as the persistent structural constraints of Belarus’s current economic model. Slowing domestic demand will help curb inflationary pressures and sustain an external balance with a moderate current account deficit (up to 0.5–1% of GDP by 2028).

Fiscal policy will be characterised by a moderate primary surplus.

With relatively stable fiscal revenues, one factor supporting a fiscal balance will be more moderate wage increases in the public sector following significant rises in previous years, alongside moderate capital expenditure growth. The primary balance is expected to remain in surplus at about 1% of GDP in 2026–2028.

TABLE 1. FORECASTS OF KEY MACROECONOMIC INDICATORS

	2024 Actual	2025 Estimate	2026 Forecast	2027 Forecast	2028 Forecast
National accounts and prices, %					
Nominal GDP, BYN billions	246.6	284.0	324.6	359.5	393.3
Real GDP growth	4.0	1.5	1.1	1.0	1.2
CPI (December, YoY)	5.2	7.1	6.6	6.2	5.0
Nominal average monthly wage, BYN	2,272	2,682	2,998	3,349	3,729
Real wage growth	13.1	10.9	4.7	5.0	4.3
Money and credit (eop)					
Broad money, % change	14.0	12.9	12.1	11.9	10.5
Lending to the economy, % change	16.1	13.4	11.3	10.4	10.7
Refinancing rate, %	9.5	9.75	9.75	9.75	9.75
Public finance, % of GDP					
Budget revenues	29.2	28.6	28.1	28.0	28.0
Tax revenues	25.4	25.4	25.0	24.9	25.0
Budget expenditures	28.6	28.8	28.0	27.8	27.7
Budget balance («-» deficit / «+» surplus)	0.6	-0.3	0.1	0.2	0.3
Primary budget balance	1.7	1.0	1.1	1.1	1.0
External sector, % of GDP					
Current account	-2.6	-3.1	-1.4	-0.8	-0.7
Foreign direct investment	2.1	1.8	1.6	1.7	1.7
NBRB foreign assets*					
USD billions	11.0	13.3	12.8	12.9	13.5
Months of imports of goods and services	2.6	2.8	2.9	3.0	3.0

Note: *Official reserve assets + other NBRB foreign currency-denominated assets.

Source: 2024 budget execution data is provided based on EFSD estimates.



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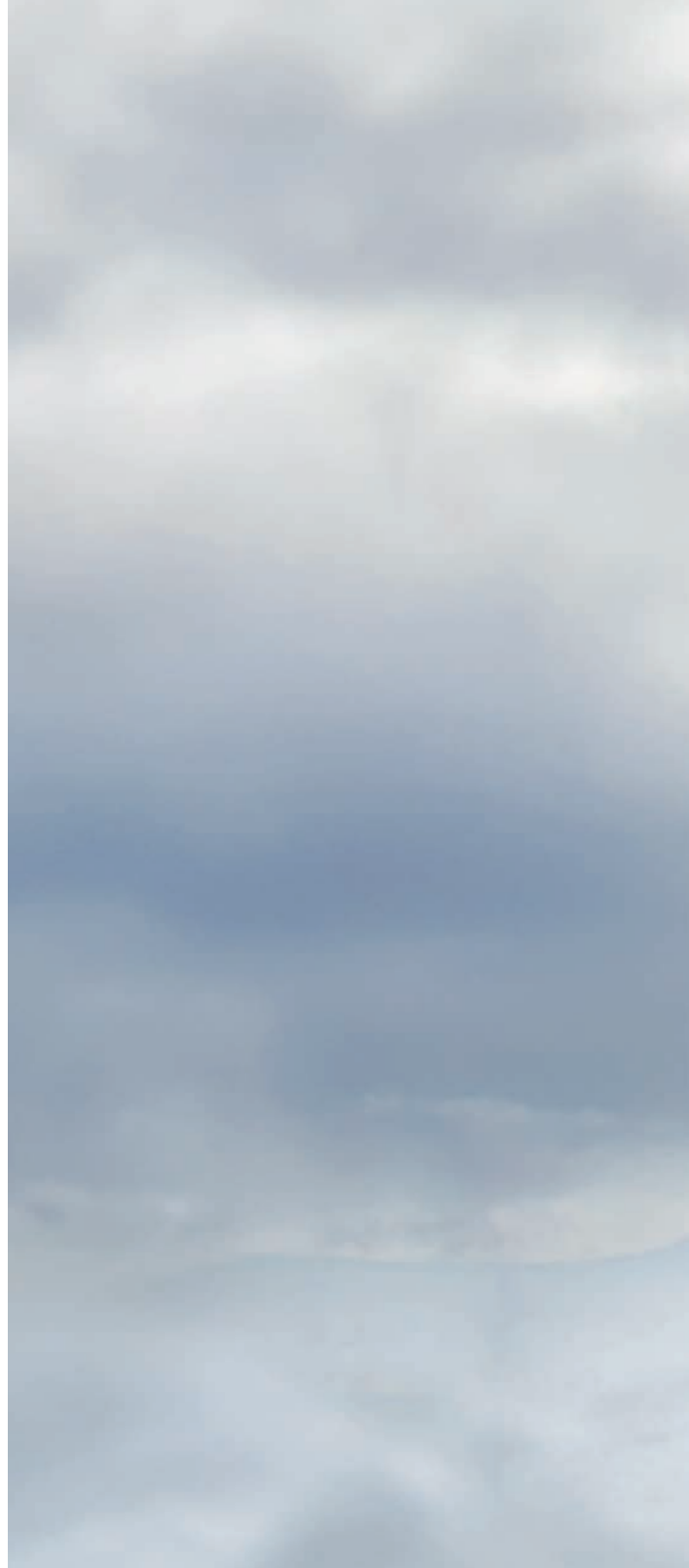
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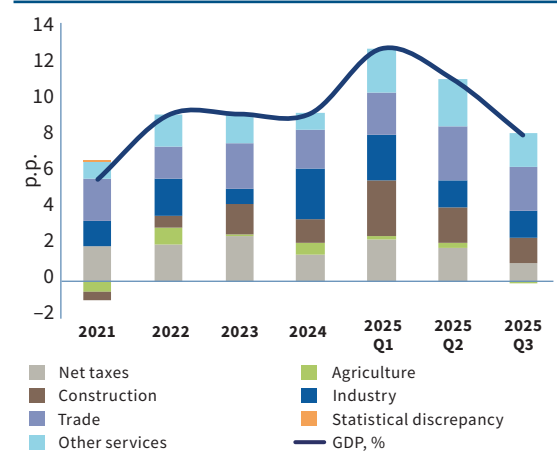
CURRENT SITUATION

In January–September 2025 economic growth remained robust, with construction, industry and trade as its main drivers. According to preliminary data, the Kyrgyz economy expanded by 10.0% YoY over the first nine months of 2025 (compared with 10.1% YoY a year earlier)¹, driven by a significant increase in construction (+29.6% YoY), mainly in housing, as well as trade (+15.6% YoY) (Figure 1). Manufacturing activity accelerated (+10.3% YoY vs +4.2% YoY a year earlier), primarily due to the food industry (+44.0% YoY). In other services, financial intermediation and insurance continued to strengthen (+13.2%) as a result of the rapid expansion of lending. In terms of GDP by use, EFSD estimates indicate that high consumption levels and a reduction in imports underpinned overall growth.

Inflation exceeded the upper bound of the National Bank's target range. Since mid-2024, the CPI has gradually accelerated, reaching 8.4% YoY in September 2025 (up from 8.0% YoY in June 2025) (Figure 2), largely due to food prices, in particular vegetables. Non-food prices remained relatively stable (+5–5.5% YoY on average), while service price growth accelerated to 7.5% YoY, driven by a 23.8% increase in electricity tariffs in May, as well as rising fuel and lubricant prices. In October,

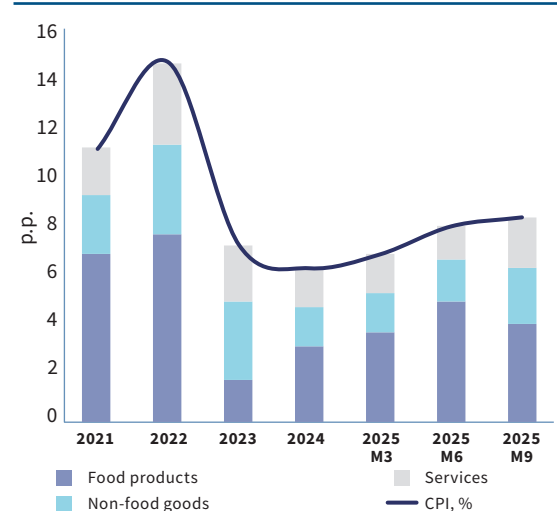
¹ 10.1% YoY represents the second preliminary estimate for January–September 2024, compared with 8.4% YoY in the first estimate. Therefore, compared with the first preliminary estimates, growth accelerated by 1.6 p.p. in January–September 2025. In Q3 2025, seasonally adjusted growth rose from 1.1% to 1.8% QoQ.

Figure 1. Contributions to Real GDP Growth (Production Approach)



Source: NSC KR, EFSD estimates.

Figure 2. Decomposition of Inflation



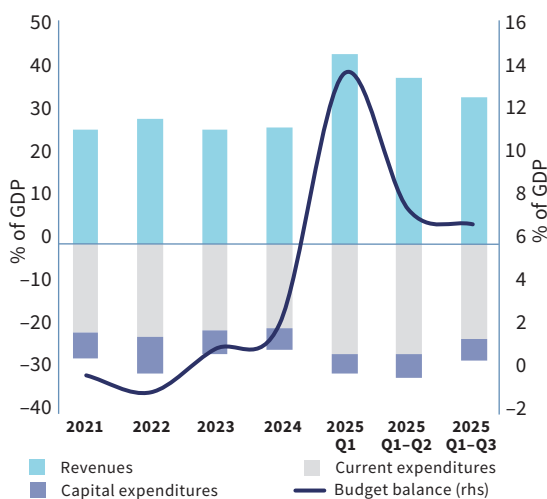
Source: NSC KR, EFSD estimates.

inflation reached 9.3% YoY, with fuel and lubricant prices increasing by 11% MoM (17% YoY). The National Bank raised the policy rate from 9.00% to 9.25% in July, and again to 10.00% in October, yet short-term money market rates continued to decline (3.2% in October 2025 vs 3.7% at the start of the year), signalling the limited effectiveness of the interest rate channel and persistent excess liquidity in the banking sector.

The budget demonstrated a record surplus, largely due to rising non-tax revenues. The transfer of the National Bank's 2024 profit of KGS 45.7 billion (3.7% of GDP) to the national budget increased non-tax revenues in January–September 2025 to 10.8% of GDP (up from 7.1% a year earlier). Tax revenues rose by 1.4 p.p. to 23.1% of GDP, while transfers fell by 0.1 p.p. to 0.7% of GDP, resulting in total revenues of 34.6% of GDP. Against a smaller increase in expenditures (+2.3 p.p.), the surplus reached 6.9% of GDP, substantially higher than last year (4.2% of GDP) (Figure 3). A considerable portion of the surplus was allocated to finance “below-the-line” spending (Box 1).

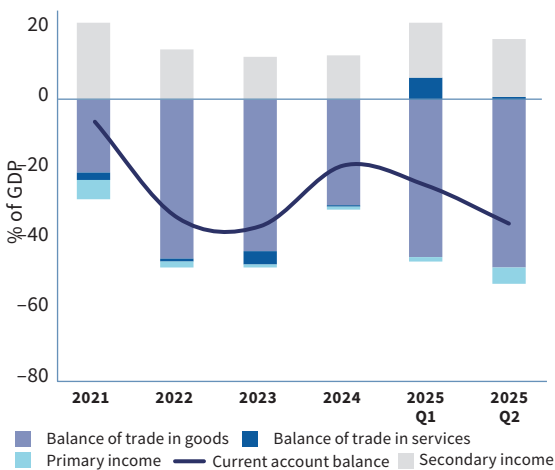
The external economic situation remained stable. The current account deficit widened to 41% of GDP in Q2 2025 (32% of GDP a quarter earlier) (Figure 4), mainly due to higher imports of services (20% of GDP, +9 p.p.). The deficit of goods remained largely unchanged (–0.5 p.p. to –58% of GDP), as did net transfers (+0.3 p.p. to 20% of GDP), while net errors and omissions decreased to 21% of GDP (–16 p.p.). The NEER of the Kyrgyz som weakened, largely due to the strengthening of the Russian rouble against the som (with the USD/KGS exchange rate remaining stable), while the REER appreciated because of high domestic inflation. Gross international reserves reached USD 6.5 billion (5.5 months of imports) by the end of H1 and USD 7.6 billion (6.1 months of imports) by the end of Q3, primarily due to gold purchases and rising global gold prices.

Figure 3. Republican Budget



Source: Ministry of Finance of the Kyrgyz Republic, EFSD estimates.

Figure 4. Balance of Payments: Current Account



Source: NBKR, EFSD estimates.

MEDIUM-TERM OUTLOOK

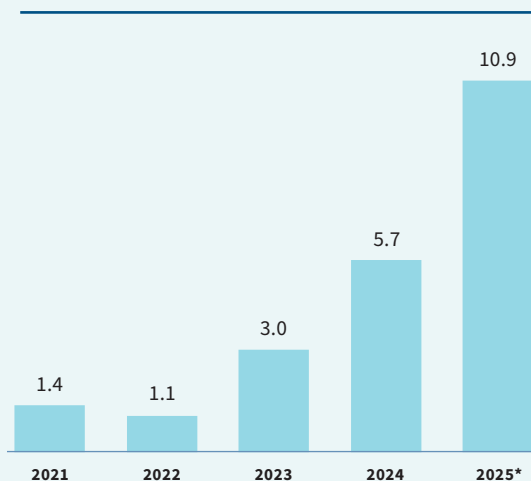
The economic growth forecast remains unchanged. GDP trends in Q3 2025 were in line with expectations, and therefore the growth estimate for 2025 has been maintained at 9.0%. Over the forecast horizon, construction activity is expected

BOX 1

RECAPITALISATION OF STATE-OWNED ENTERPRISES IN 2025

To achieve ambitious economic growth targets, the Government of the Kyrgyz Republic increasingly relies on fiscal stimulus. In 2025, fiscal spending on the recapitalisation of state-owned enterprises may reach 11% of GDP, nearly eight times higher than four years ago (Figure A). Previously, the main beneficiaries of budget support were loss-making energy companies (National Electric Grid of Kyrgyzstan, Electric Power Plants), but in 2025 the list has expanded significantly. More than 50% of budget support is allocated to the banking sector (Eldik Bank, Aiyl Bank, Capital Bank, State Development Bank of the Kyrgyz Republic), construction (State Mortgage Company) and the transport sector (Kyrgyz Temir Zholu) (Figure B). The draft budget for 2026–2028 foresees further expansion of the beneficiary list, primarily in the financial sector.

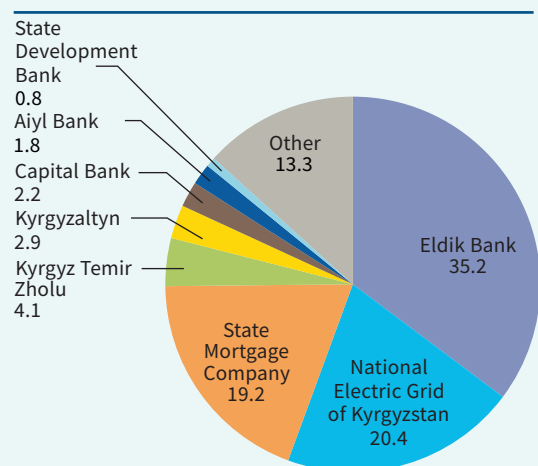
Figure A. Expenditures on Recapitalisation of State-owned Enterprises, % of GDP



Note: * — EFSD estimates.

Source: Ministry of Finance of the Kyrgyz Republic, EFSD estimates.

Figure B. Main Recipients of Capital Transfers in 2025, %



Source: Ministry of Finance of the Kyrgyz Republic, EFSD estimates.

to remain consistently strong, supported both by accelerated investment in industries and by the expansion of housing construction under the updated My House programme. Meanwhile, the contribution of trade is expected to gradually diminish as both transit and domestic demand cool. Average growth in 2026–2028 is projected at around 6%.

The inflation forecasts for 2026–2028 have been revised upwards by an average of 0.2 p.p. Inflationary pressures are expected to persist, driven by annual increases in electricity tariffs and high prices for food and for fuels and lubricants. Price growth is likely to moderate with reduced volatility in foreign markets and tighter monetary conditions.

The budget will continue to be drafted with a surplus to cover “below-the-line” obligations, primarily the recapitalisation of state-owned enterprises in energy, banking and construction. The budget surplus in 2026–2028 is projected to average 1.3% of GDP, supported by high non-tax revenues and a gradual

decline in tax collection — due to lower payments linked to the external economic environment such as VAT on imports, customs duties and revenues from gold mining companies. However, adjusted for “below-the-line” expenditures, the fiscal deficit is expected to average 3.6% of GDP in 2026–2028, down from an anticipated peak of 9.6% of GDP in 2025. The main sources of financing the deficit will be domestic and external debt, along with the use of government deposits.

The reduction of the current account deficit is expected to continue. The primary factor behind the reduction will be a decline in mechanical engineering imports amid stable exports and remittance inflows. Consequently, by the end of the medium-term period, the current account deficit is projected to narrow to 12% of GDP, down from 14% in the previous forecast. The projection for gross international reserves remains broadly unchanged, averaging 5.9 months of imports, owing to favourable price conditions and the National Bank’s active purchases of monetary gold.

TABLE 1. FORECASTS OF KEY MACROECONOMIC INDICATORS

	2024 Actual	2025 Estimate	2026 Forecast	2027 Forecast	2028 Forecast
National accounts and prices (%)					
Nominal GDP (KGS billions)	1,523.2	1,860.9	2,181.3	2,491.3	2,826.8
Real GDP growth	9.0	9.0	6.4	6.0	5.5
CPI (December, YoY)	6.3	8.9	6.4	6.3	5.8
CPI (year-average)	5.0	8.1	7.1	6.4	6.2
Money and credit (eop)					
Broad money, YoY	31.9	34.9	20.1	14.2	13.5
Lending to the economy, YoY	33.9	30.6	22.4	16.8	16.6
Public finance (% of GDP)*					
Revenues and grants	27.4	29.7	27.5	24.6	22.6
Tax revenues	20.7	20.7	19.7	18.1	16.8
Budget expenditures	25.2	27.1	25.9	23.2	21.8
Budget balance («-» deficit / «+» surplus)	2.3	2.6	1.6	1.5	0.8
External sector (% of GDP)					
Current account	-23.5	-15.1	-13.1	-12.9	-12.1
Exports of goods and services	48.4	40.3	41.3	38.9	37.7
Imports of goods and services	86.4	71.3	70.3	66.5	63.6
Remittances	15.9	16.2	15.8	14.5	13.6
Foreign direct investment («-» inflows)	-1.4	-2.2	-2.8	-2.8	-2.8
Gross reserves, months of imports of goods and services	4.0	6.2	5.9	6.0	5.7

Note: *National budget data are provided for revenues, expenditures and the budget balance.

Source: National agencies and EFSD estimates.



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CURRENT SITUATION

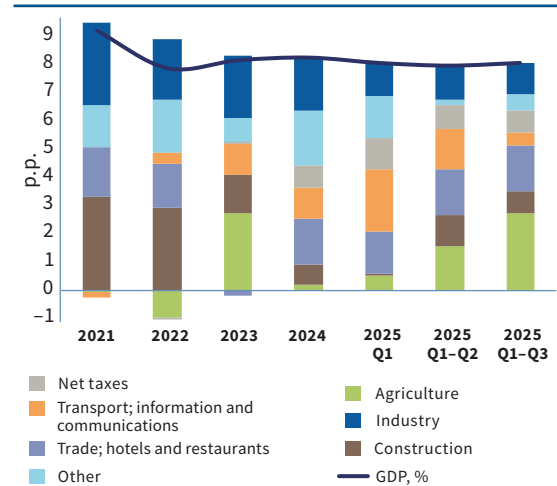
Tajikistan's economy continued to expand at a strong pace, supported by both domestic and external demand.

Real GDP increased by 8.2% YoY in January–September 2025 (Figure 1), compared with 8.4% in the same period a year earlier. The expansion of domestic demand was underpinned by rising remittances, higher real wages and ongoing infrastructure construction. Growth in capital investment accelerated to 20.4% YoY in January–September 2025, up from 14.6% in H1, driven largely by housing construction, leisure and entertainment, and the electricity sector. The country's main exports included antimony, gold, metal ores, aluminium and electricity.

High growth rates were recorded across all key sectors: industry, agriculture and services. The contribution of agriculture, industry and trade to GDP expansion remained broadly unchanged from last year, at 5.5 p.p. Amid rising investment, construction's contribution to GDP increased by 0.4 p.p. to 0.8 p.p. Industry contributed 1.0 p.p, driven by record growth in extractive industries: 60% YoY compared with 35.9% a year earlier, including metal ore mining at 60% YoY (37.9% YoY in January–September 2024). Meanwhile, manufacturing output rose by 8.1% YoY, down from 10.0% in January–September 2024. Electricity production grew by 11.5% YoY, compared with 0.4% YoY in the same period last year, supported by rising exports and growth in agriculture and industry.

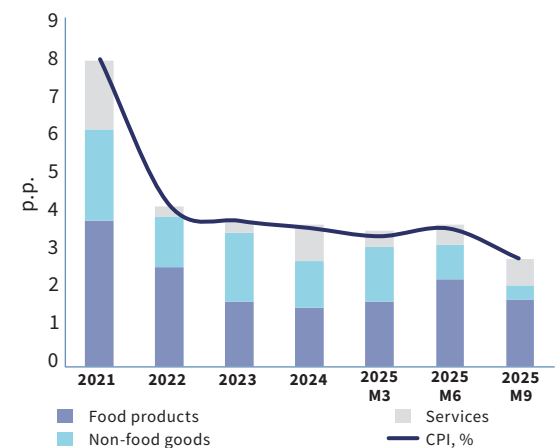
Consumer inflation moderated in September compared with June. Twelve-month inflation stood at 2.8%

Figure 1. Decomposition of GDP Growth (Production Approach) (cumulative)



Source: Tajstat.

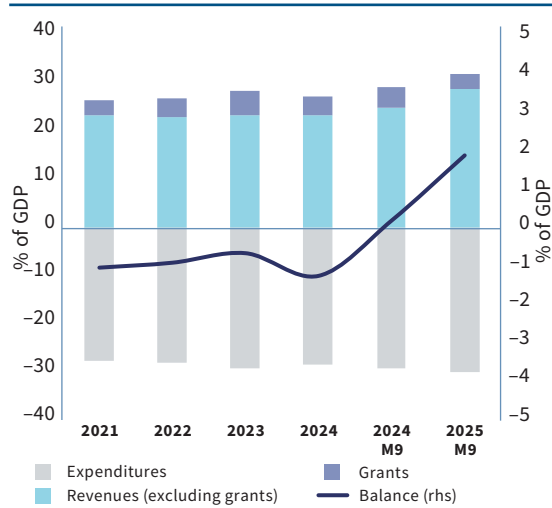
Figure 2. Decomposition of Inflation



Source: Tajstat.

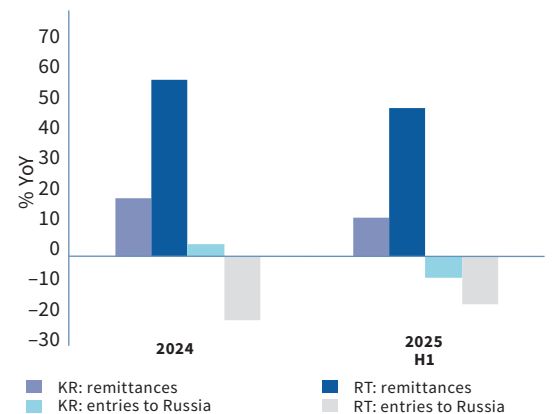
in September 2025, down from 3.6% in June, with the National Bank's 2025 target at 5±2% (Figure 2). The contribution of food inflation fell by 0.5 p.p. to 1.7 p.p., reflecting the smaller contribution from vegetable prices (down from 1.1 p.p. to 0.6 p.p.). In annualized terms, vegetable prices rose by 8.1%, compared with 24.2% YoY in June. Price growth for meat and meat products slowed slightly but remained

Figure 3. State Budget



Source: Tajstat, Ministry of Finance of Tajikistan.

Figure 4. Changes in Remittances to the Kyrgyz Republic and Tajikistan

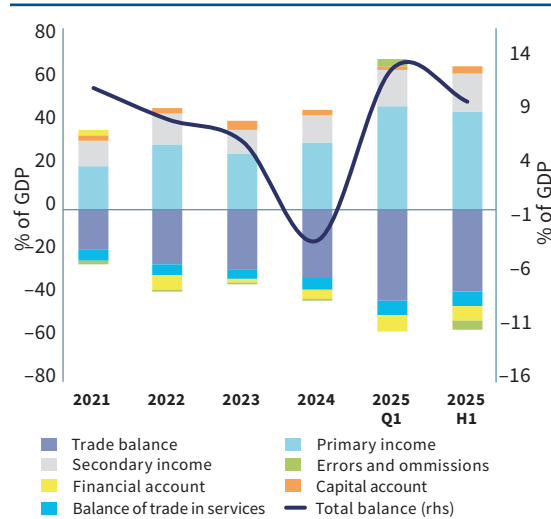


Note: for the Kyrgyz Republic, the rouble equivalent is provided for remittances from Russia, while for Tajikistan it is provided for all remittances (as Russia is the main destination for labour migration).

Source: Tajstat, NBT.

double-digit at 13.9% YoY (accounting for 1 p.p. of CPI growth). The contribution of non-food goods decreased from 0.9 to 0.5 p.p., primarily due to lower fuel price effects. That of services edged up by 0.1 p.p. to 0.7 p.p., reflecting faster price increases in housing, utilities and consumer services. A stronger NEER of

Figure 5. Balance of Payments



Source: Tajstat, NBT.

the somoni and the continued decline in global grain prices in 2025 helped keep inflation low.

Against the backdrop of low inflation, the National Bank continued to cut the refinancing rate. In November 2025, the rate was lowered by 0.25 p.p. to 7.5%, a total reduction of 1.5 p.p. since the start of the year. The average weighted interbank lending rate in the national currency fell from 10% at the beginning of the year to 8.6% in September.

Robust economic performance drove rapid growth in fiscal revenues, supporting a continued budget surplus in January–September 2025. The state budget surplus reached 2% of GDP, up from 0.2% a year earlier (Figure 4). Collections from all types of taxes rose significantly, increasing total tax revenues by 2.6 p.p. to 23.3% of GDP. Non-tax revenues rose by 1 p.p. to 5.8% of GDP, fully offsetting a decline in grant revenues. Expenditures increased by 0.8 p.p. to 30.5% of GDP due to higher capital

spending, while current expenditures remained at the previous year's level.

Higher remittances contributed to an expansion of the current account surplus relative to H1 2024. The surplus reached 18.6% of GDP in H1 2025, compared with 4.7% of GDP a year earlier, driven by a substantial increase in inflows under the labour income account (up 12.4 p.p. to 48.6% of GDP) and the secondary income account for other sectors (up 3.9 p.p. to 17.1% of GDP). Remittance inflows rose despite a reduction in the number of Tajik migrant workers entering Russia (the main destination for labour migration), exceeding significantly the growth in remittances from Russia to the Kyrgyz Republic (Figure 4). The trade deficit widened slightly to 44.7% of GDP, up from 43.8% in H1 2024, reflecting a 23% YoY increase in imports of goods (in particular vehicles, machinery and equipment, contributing 11 p.p.) (Figure 3). Exports of goods increased by 37% YoY, led by higher shipments of antimony, gold, metal ores, aluminium and electricity.

The financial account recorded a net outflow (surplus) of 7.0% of GDP in H1 2025, up 0.5 p.p., reflecting partial redemption of Eurobonds. Net commitments fell to 1% of GDP from 2.4% a year earlier, influenced, among other factors, by the March 2025 repayment of the Government of Tajikistan's Eurobond debt. The acquisition of financial assets declined from 8.9% to 8% of GDP, mainly owing to increased foreign currency cash holdings and deposits by non-financial organisations and individuals, as well as financial institutions' purchases of debt instruments.

The REER of the somoni strengthened over the first eight months of 2025. From January to August, it rose by 1.8% YoY, supported primarily by a positive balance of payments and a weakening of the US dollar against major global currencies.

A significant inflow of remittances, rising global gold prices and active gold purchases contributed to an increase in the National Bank of Tajikistan's reserves. Official reserves, including monetary gold, rose by USD 331 million between January and June 2025, reaching USD 4.7 billion (equivalent to 7.4 months of imports).

MEDIUM-TERM OUTLOOK

In the medium term, Tajikistan's GDP growth is expected to slow due to the gradual normalisation of remittances and a deceleration in the growth rates of key trading partners (Russia, China and Kazakhstan). GDP growth is projected at 7.8% in 2025, gradually declining to 6% by 2028. Monetary and fiscal policies are expected to focus on maintaining a macroeconomic balance amid limited fiscal space¹ due to the construction of the Rogun HPP and the need to service external public debt. A more stimulative fiscal policy than in 2025 is expected to support GDP growth.

Consumer inflation is expected to rise slightly in 2026, hovering at around 5% in the medium term. Upward pressure

¹ Fiscal space is the budgetary room available to the government to allocate resources for specific purposes without jeopardising the fiscal position or the stability of the economy.

on inflation in Q4 2025 will come from higher fuel and lubricants prices, linked to reduced imports from Russia.² The EFSD estimates that average consumer inflation in 2025 will reach 3.5% YoY, down 0.4 p.p. from the previous forecast based on current trends. In 2026, average annual consumer inflation is projected to rise to 5.0%, reflecting the low base effect from 2025 and the gradual weakening of the somoni exchange rate. Further increases in electricity tariffs will raise the impact of service price growth on the CPI.

The fiscal deficit is expected to average 2.5% of GDP over the medium term. In 2026–2028, tax revenues are projected to increase due to the elimination of certain tax benefits³ and ongoing government efforts to improve tax administration through digitalisation and greater formalisation of business. EFSD estimates indicate that tax revenues will reach 20.2% of GDP in 2028, up from 19.6% of GDP in 2025. Total fiscal revenues are expected to rise from 28.7% of GDP in 2025 to 30.4% in 2026, supported by higher non-tax revenues and grant receipts. However, a decline in grants will reduce total fiscal revenues to 27% of GDP in 2027–2028. Capital expenditures are projected to increase in 2026–2028, largely reflecting construction of the Rogun HPP. Wages are also expected to rise, reaching 8.8% of GDP in 2026, up 1 p.p. from 2025. As a result, total fiscal spending is projected to increase to 32.7% of GDP in 2026 and close to 30% of GDP in 2027–2028.

The current account surplus is expected to turn into a deficit, reflecting lower forecast inflows from the labour income and secondary income accounts.

A gradual decline in the labour income and secondary income inflows (as a % of GDP) will result in the current account moving from surplus to a deficit of 0.2% of GDP in 2027 and 0.8% of GDP in 2028. Nevertheless, despite a projected decline in gross international reserves to 7 months of imports by 2028, they will remain sufficient to maintain external economic stability.

² According to media reports, fuel price growth accelerated in Tajikistan in October because of off-schedule repairs at Russia's oil refineries. Available at: <https://rossaprimavera.ru/news/27d0a064>.

³ According to World Bank estimates, tax and customs benefits will be cut by 1 p.p. of GDP starting in 2026.

TABLE 1. FORECASTS OF KEY MACROECONOMIC INDICATORS

	2024 Actual	2025 Estimate	2026 Forecast	2027 Forecast	2028 Forecast
National accounts and prices					
Nominal GDP, TJS billions	153.4	171.2	192.5	215.6	239.8
Real GDP growth, %	8.4	7.8	7.1	6.7	6.0
CPI (December, YoY), %	3.6	4.3	4.8	5.5	5.0
Money and credit (eop)					
Broad money, % change	28.8	17.8	12.5	12.0	11.3
Public finance (% of GDP)					
Revenues and grants	27.7	28.8	30.4	28.3	28.2
tax revenues	19.0	19.6	20.2	20.0	20.0
Budget expenditures	28.9	29.1	32.9	30.8	30.7
Current expenditures	24.1	24.1	25.4	24.6	24.1
Capital expenditures	4.8	5.0	7.4	6.2	6.6
Budget balance («-» deficit / «+» surplus)	-1.2	-0.3	-2.5	-2.5	-2.5
External sector (% of GDP)					
Current account	6.2	3.4	1.2	-0.2	-0.8
Remittances	44.7	38.7	35.8	33.9	32.3
Foreign direct investment	1.3	1.3	1.3	1.3	1.3
Gross reserves, months of imports of goods and services of the current year	7.6	7.5	7.8	7.3	7.0

Source: National agencies and authors' estimates.



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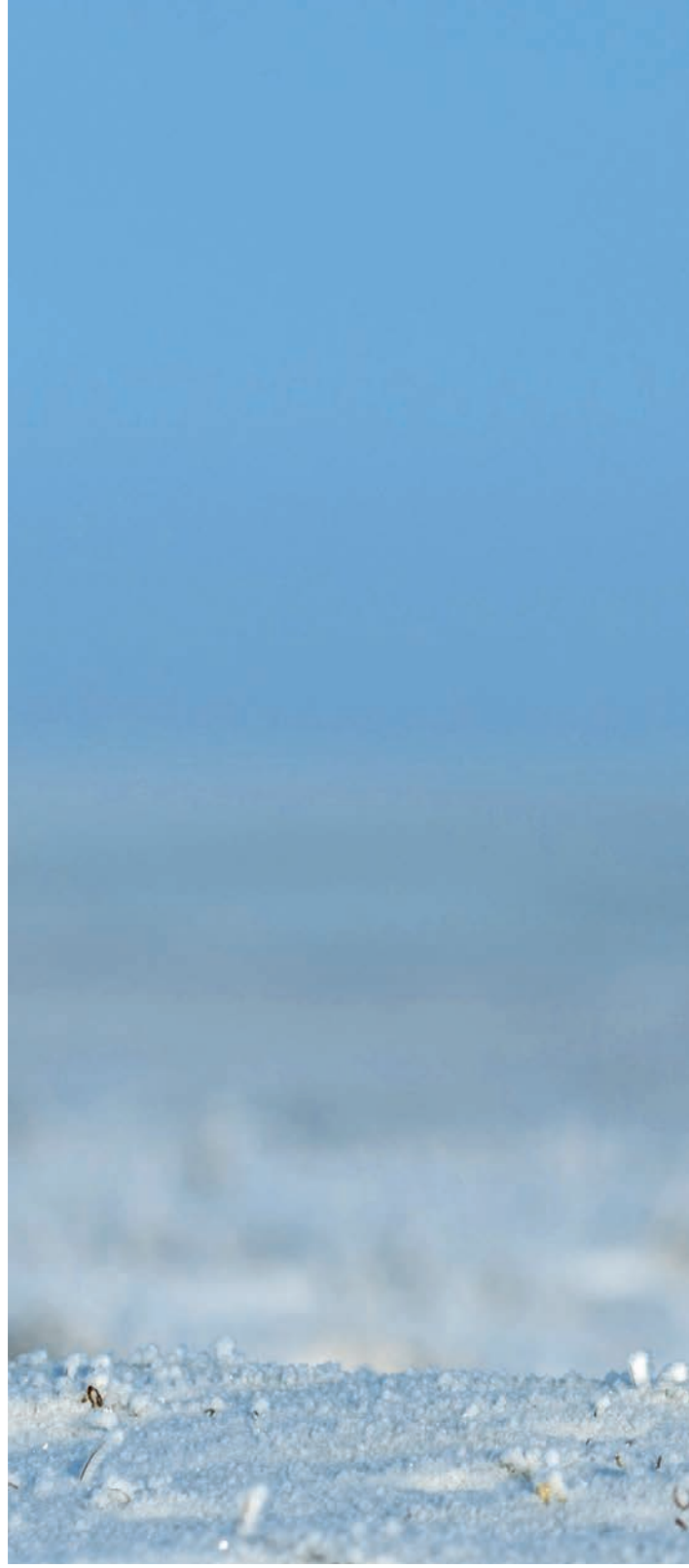
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RISKS TO THE BASELINE SCENARIO

WORLD ECONOMY

Key short-term risks to the global economy stem from trade conflicts and protectionist measures, including higher import duties in the U.S., which have reached 13.1%, the highest level since 1933. Although the peak of uncertainty has passed and economic agents have partially adapted, the accumulated negative effects of these measures may fully materialise in 2026, leading to a slowdown in global economic growth and a sharp decline in trade in goods. This would reduce demand in China, India and other major economies and drive commodity prices lower.

Fiscal impulses linked to stimulative fiscal policies in large economies (the U.S., Germany, China and others) aimed at supporting demand may prove less effective than expected, resulting in lower-than-anticipated GDP growth.

Experts and analysts are increasingly highlighting overvaluation risk in the shares of AI companies. Stock price growth fuelled by AI-related hype significantly exceeds profit growth, creating the risk of a sharp adjustment and heightened financial market volatility in 2026. If this materialises, global economic growth prospects could become considerably less certain.

RUSSIA

The baseline scenario assumes that declared budget parameters will be met,

but risks in the fiscal sector are rising due to both external and domestic factors. **Oil and gas revenues may fall if global oil prices decline**, either because of reduced demand or excess supply from OPEC countries, or due to a wider Urals–Brent discount resulting from increased sanctions pressure. A shortfall in non-oil and gas revenues may occur if business activity slows more sharply. Any of these developments would lead to a significant deviation in budget indicators and prompt an adjustment in macroeconomic parameters.

While the current slowdown in the Russian economy is, in our assessment, largely attributable to the need to cool overheated demand, there remain moderate risks of a sharper deceleration in economic activity in 2026. This could result from the full impact of long-term tight monetary conditions on credit growth against the backdrop of a fading fiscal impulse. At the same time, consumer activity may slow more markedly due to increases in VAT and recycling fees, higher debt burdens and the introduction of new restrictions for individual entrepreneurs as well as small and medium-sized enterprises.

A sharp decline in exports and lower commodity prices arising from global trade wars and sanctions, combined with reduced sales from the National Wealth Fund, could lead to a more pronounced weakening of the rouble than envisaged in the baseline forecasts.

KAZAKHSTAN

Key risks for Kazakhstan relate to a possible expansion of the quasi-fiscal impulse under the nation's proactive investment policy. As in 2025, the fiscal impulse may be strengthened through extra-budgetary channels extending to new industries and support instruments. If this factor materialises, it could reinforce domestic demand, boost economic growth and exert additional upward pressure on inflation, creating a considerable inflationary risk to our forecast.

The continued expansion of global oil supply also poses a significant risk to Kazakhstan's economy. A persistent surplus in global supply increases the likelihood of oil prices falling below the baseline scenario parameters. If materialised, this risk could reduce export earnings, lower transfers to the state budget and the National Fund, heighten fiscal risks and increase the foreign exchange market's sensitivity to external shocks.

The potential extension of certain administrative price controls, including the moratorium on increases in utility tariffs and measures to stabilise prices for socially important goods, creates significant uncertainty.

Consumer demand and lending may prove more resistant to monetary tightening, which would keep inflationary pressures elevated. This would slow the disinflation process in 2026–2028 and necessitate a longer period of high interest rates. Such a scenario could adversely affect investment and consumption trends.

ARMENIA

Armenia's economy is gradually returning to a more balanced growth trajectory, but the pace of expansion remains largely shaped by external factors, including developments in Russia. Should the external environment deteriorate sharply — a scenario not assumed in the baseline — the Armenian economy could shift to a slower growth path than projected in the baseline scenario.

Against the backdrop of active lending, the economy's reliance on domestic demand is increasing. If these trends persist, the Armenian economy may remain in an overheated state for longer than envisaged in the baseline scenario.

Volatility in food and energy prices is driving inflationary risks. Higher prices for food imports and a faster depreciation of the national currency could push inflation above the Central Bank of Armenia's target range.

On the fiscal side, persistent short-term risks relate to the underperformance of the state budget in terms of the execution of planned capital and current expenditures. Long-term risks are associated with potential increases in social spending, including support for displaced persons from Nagorno-Karabakh.

A positive deviation from the baseline scenario could result from the commissioning of the Amulsar gold mine. According to estimates by the Central Bank of Armenia, this could provide an additional 1–2 p.p. contribution to GDP growth.

BELARUS

A key risk for Belarus remains the potential materialisation of external shocks resulting from the cumulative negative effects of sanctions and slower economic activity in Russia. If sanctions were eased, positive effects could also emerge as the access of Belarusian companies to foreign markets improves.

There is an ongoing risk that the authorities may adopt more stimulative policies in response to slowing economic activity amid weak external demand. Excessive support for domestic demand, including through fiscal and monetary measures, could adversely affect inflation and the exchange rate, and increase the Belarusian economy's vulnerability to both external and internal shocks. An important source of forecast uncertainty is the effectiveness of policies aimed at stimulating investment activity, in particular in terms of the impact of implemented projects on economic potential. Uncertainty also arises from the ability of Belarusian enterprises to enter new markets and to strengthen their competitiveness in the Russian market. If investment proves highly effective, growth rates over the medium term could exceed expectations, reflecting a rise in the economy's potential.

KYRGYZ REPUBLIC

The risk of economic performance exceeding the baseline forecasts remains. This could result from both market-driven factors and increased gold production following the commencement of underground mining at the Kumtor mine

in August 2025. The EFSD estimates that output growth at Kumtor could add up to 1.5 p.p. to GDP in 2026.

Among the downside risks, a key concern is the potential rise in inflationary pressures stemming from higher fuel and lubricant prices driven by shortages in the markets of major fuel suppliers.

The risk associated with electricity consumption outpacing generation capacity is becoming increasingly pronounced, compounded by the current low water level in the Toktogul reservoir. A forced reduction in electricity use during the winter could cause a slowdown in GDP in Q4 2025 and Q1 2026.

The budgetary financing of large-scale recapitalisation programmes for state-owned companies in energy, banking and construction, along with infrastructure mega-projects such as the Kamar-Ata HPP-1 and the China–Kyrgyzstan–Uzbekistan Railway, remains a persistent risk. Any significant overspending relative to budgeted allocations could create financing gaps.

In the external sector, risks are dominated by trends in remittances. Stricter rules for employing migrant workers and slower wage growth in Russia could place further pressure on the domestic labour market and balance of payments.

TAJIKISTAN

The main upside risk for Tajikistan's economy is the possibility that elevated remittance inflows will persist for longer, driving economic growth above the baseline forecasts.

While projected medium-term growth in fiscal spending generally aligns with the government's efforts to expand revenues, shortfalls in revenue collection could increase the fiscal deficit, leading to the need for additional financing sources, including debt instruments. This could worsen debt and fiscal sustainability.

Key risks related to the completion of the Rogun HPP (with required funding estimated at USD 6.3 billion¹) include potential delays in securing external financing and the need to cover costs from domestic revenues, which may lead to underfunding of current fiscal expenditures, including social spending. Rising construction costs may necessitate the identification of additional financing sources. At the same time, financing sources for the construction have not yet been fully confirmed, even at the current estimated cost.

Risks linked to a possible expansion of sanctions on Tajikistan's financial sector also persist. This scenario became more likely after the end of October 2025, when three Tajik banks — together controlling 21.6% of the country's total banking assets — were placed under EU restrictions.

Continued reductions in fuel and lubricant imports from Russia, in particular in the context of off-schedule refinery repairs, could lead to prolonged fuel shortages and higher inflation.

¹ Project Appraisal Document on a Proposed Grant in the Amount of SDR 258.1 Million (USD 350 Million Equivalent) to the Republic of Tajikistan for a Sustainable Financing for Rogun Hydropower Project. Available at: <https://documents1.worldbank.org/curated/en/099112024121021960/pdf/BOSIB-401c31c2-2fe4-4029-881c-d65e28bfc04d.pdf>.

ABBREVIATIONS

AMD	Armenian dram
Armstat	Statistical Committee of the Republic of Armenia
Belstat	National Statistical Committee of the Republic of Belarus
BNS ASPR RK	Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan
BYN	Belarusian rouble
CB RA	Central Bank of the Republic of Armenia
CPI	Consumer Price Index
ECB	European Central Bank
EFSD	Eurasian Fund for Stabilization and Development
eop	end of period
EU	European Union
EUR	euro
EVSR	estimated value of standard risk
FAO	Food and Agriculture Organisation of the United Nations
FRS	U.S. Federal Reserve System
GDP	gross domestic product
HPP	hydroelectric power plant
ILO	International Labour Organisation
IMF	International Monetary Fund
KGS	Kyrgyz som
KZT	Kazakhstani tenge
MoM	month-on-month
NFRK	National Fund of the Republic of Kazakhstan

NBKR	National Bank of the Kyrgyz Republic
NBRB	National Bank of the Republic of Belarus
NBRK	National Bank of the Republic of Kazakhstan
NBT	National Bank of the Republic of Tajikistan
NEER	nominal effective exchange rate
NPL	non-performing loan
NSC	KR National Statistical Committee of the Kyrgyz Republic
OPEC+	Organisation of Petroleum Exporting Countries plus other oil-producing countries
p.p.	percentage point
QoQ	quarter-on-quarter
REER	real effective exchange rate
RUB	Russian rouble
SAAR	seasonally adjusted annual rate
Tajstat	Agency on Statistics under the President of the Republic of Tajikistan
TJS	Tajikistani somoni
U.S.	United States of America
USD	US dollar
USD/t	US dollars per tonne
USD/XAU	US dollars per ounce
VAT	value added tax
YoY	year-on-year
% YoY	annual growth rate



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