

Key Trends

- The positive performance in 2025 is largely the result of a favourable environment and may indicate increased robustness. The economies of Armenia, Kazakhstan, the Kyrgyz Republic, and Tajikistan experienced accelerated growth in 2025 due to strong domestic demand and expansionary policies; the slowdown in Russia only had an adverse effect on Belarus, which entered a period of stagnation in the second half of the year.
- Most economies remain overheated. In these circumstances, the effectiveness of monetary policy in containing inflationary pressures is decreasing while maintaining high levels of economic growth in many countries requires greater fiscal stimulus.

Macroeconomic Outlook

- **The EFSD has revised upwards its 2026 GDP growth projection for most countries** (except for: Belarus — a downward revision, Tajikistan — unchanged) due to better performance in 2025.
- **Inflation estimates for 2026 have been revised upwards for all countries except Belarus;** more balanced policies are expected to enable most countries to reduce inflation to target levels over the medium term.
- **The external sector remains stable;** with the RUB being stronger than in the previous forecast round, the local currencies in partner countries are expected to appreciate.
- **The 2026 risk scenario** assumes a significant increase in commodity prices and disruptions to logistics due to the conflict in the Middle East. Our countries would benefit from prevailing positive effects of the market environment, including increased energy exports and exports of other goods (Russia, Kazakhstan), as well as faster economic growth in Russia (Armenia, Belarus, Kyrgyz Republic, and Tajikistan).

GDP growth, %

	2025	2026	2027	2028
Russia	1.0	1.2	1.5	1.7
Kazakhstan	6.5	5.2	4.3	4.2
Armenia	7.2	5.7	5.0	5.0
Belarus	1.3	0.4	1.0	1.6
Kyrgyz Republic	11.1	8.3	6.7	6.3
Tajikistan	8.4	7.1	6.7	6.0

Inflation (Dec/Dec), %

	2025	2026	2027	2028
Russia*	6.6	5.4	4.1	4.0
Kazakhstan*	12.3	10.1	8.9	7.8
Armenia	3.3	4.0	3.0	3.0
Belarus*	6.8	6.1	5.9	5.0
Kyrgyz Republic	9.4	6.6	6.3	5.8
Tajikistan	3.5	4.9	4.5	4.5

* Q4/Q4

SURPRISING EXCHANGE RATE — ECONOMIC SLOWDOWN IS ENDING — FORMATION OF POSITIVE RISKS

Macroeconomic Outlook 2026–2028

- **GDP growth is expected to be 1.2% in 2026.** The cooling would continue with the positive output gap closing by early 2027. The economy is projected to get back to its potential growth rates of 1.5% in 2027 and 1.7% in 2028.
- **The average annual inflation rate in 2026 is forecast to be 5.6%.** Higher VAT rates, indexation of housing and utilities tariffs, and increased excises and car scrappage fees are expected to exert a one-off moderate upward pressure in Q1. Inflation would be decreasing from Q2 onwards, approaching the target of 4% by the end of 2027
- **The Bank of Russia is projected to reduce the key rate further at a moderate pace** — the average rate is forecast at 14.4% per annum in 2026.
- **The RUB exchange rate is expected to depreciate gradually in 2026** as a result of import growth and monetary policy easing, with the year average exchange rate of RUB 87 per USD.

Risk scenario

Extended Middle East conflict in 2026

- **Effects are asymmetric, with positive ones prevailing.** GDP growth is expected to be in the range of 1.2–2.2% due to expanded production of hydrocarbons, fertilisers, and food with multiplier effects on transport, insurance, and wholesale trade.
- **Inflation is likely to accelerate to 5.4–6.0%** due to higher prices of imported goods amid longer closure of the positive output gap.
- **The RUB exchange rate would remain unchanged relative to the baseline scenario** with potential nominal appreciation against the USD of about 1–2%.
- **Additional oil and gas revenues would be channelled to the National Wealth Fund** and would not lead to a significant change in the balance of supply and demand in the domestic foreign exchange market.

Forecast parameters

	GDP growth, %	CPI (Dec/Dec), %	Key rate (year-average), %
2026	1.2	5.4	14.4
2027	1.5	4.1	9.4
2028	1.7	4.0	7.5

DOUBLE-DIGIT INFLATION — TENGIZ DRIVING GROWTH — INVESTMENT MOMENTUM UP

Macroeconomic Outlook 2026–2028

- **GDP growth is projected to slow to 5.2% in 2026** following 6.5% in 2025, remaining high on the back of the investment momentum and strong quasi-fiscal stimulus.
- **Growth is projected to slow to 4.2–4.3% in the medium term** as the positive output gap shrinks on the back of ongoing fiscal consolidation and tight monetary policy.
- **Inflation is projected to decline gradually** owing to price controls, however still above the target due to overheated domestic demand and quasi-fiscal stimulus.
- **The nominal KZT exchange rate is likely to depreciate to KZT 531–581 per USD in 2026–2028**, driven by lower transfers from the National Fund, higher imports, and inflation differentials with trading partners.

Risk scenario

Extended Middle East conflict in 2026

- If realised, the risk scenario is expected to have a moderately positive effect on Kazakhstan's economy: GDP growth would be 5.2–5.6%, limited by production capacity despite increased global demand for oil.
- Growth would become more balanced due to the equal contributions of external and domestic demand; improved foreign trade balance would lead to KZT/USD exchange rate appreciation of 1–2% relative to the baseline scenario.
- A strong exchange rate would be a key factor in containing inflationary risks, off-setting rising prices for imported goods; price controls for fuel and lubricants are likely to persist.
- Inflation in 2026 is expected to remain significantly above the target — at 9.3–10.1%; the growth of oil and gas revenues would not affect fiscal policies, the deficit staying at the approved level.

Forecast parameters

	GDP, %	CPI (Dec/Dec), %	TONIA rate (average), %
2026	5.2	10.1	17.0
2027	4.3	8.9	14.2
2028	4.2	7.8	11.5

RESUMED BALANCED GROWTH — PRESSURE ON INFLATION — EXPANSIONARY FISCAL POLICY

Macroeconomic Outlook 2026–2028

- **Economic growth is expected to slow to 5.7% in 2026** amid a contraction in consumer and investment demand as incentive mortgage lending programmes are phased out. Growth will gradually slow to 5.0% in 2026–2028, approaching the potential level.
- **Inflation: 4.0% in 2026** (near the upper end of the CB RA target range), then stabilising at ~3% in 2027–2028.
- **Deficit: 4.2% of GDP in 2026;** declining to 2.8% by 2028 under planned fiscal consolidation.
- **The current account deficits would remain at 4–5% of GDP.**

Risk scenario

Extended Middle East conflict in 2026

- Assuming there are no significant disruptions to logistics, the main risk transmission channel remains the price one: inflation is expected to increase by around 0.7 p. p. relative to the baseline scenario.
- Risks of destabilisation of export flows to the UAE, Iran, Iraq, China remain.
- Positive effect: economic activity in Armenia is likely to be 0.1–0.2 p. p. higher relative to the baseline scenario, primarily due to the acceleration of the Russian economy.

Forecast parameters

	GDP, %	CPI (Dec/Dec), %	State budget, % of GDP
2026	5.7	4.0	-4.2
2027	5.0	3.0	-3.5
2028	5.0	3.0	-2.8

WEAK EXTERNAL DEMAND — SHARP ECONOMIC SLOWDOWN — RECORD-BREAKING RESERVES

Macroeconomic Outlook 2026–2028

- The cooling of domestic demand and low economic activity in Russia are the key factors behind the slowdown in economic growth in Belarus.
- In 2026, real GDP growth is expected to be around 0.4%, and in the **medium term it is projected to recover to 1–2%**.
- Weaker domestic demand, stabilised labour market, and eased price pressure in Russia would contribute to bringing **inflation** in Belarus closer to 5% in the medium term.
- **Fiscal policy** is expected to move gradually towards achieving a balanced consolidated budget.

Risk scenario

Extended Middle East conflict in 2026

- Higher crude oil prices will lead to increased inflationary pressures (+1 p. p.) — both directly, through higher domestic fuel prices, and indirectly, through higher producer costs.
- Russia’s economic acceleration is expected to support external demand — additional GDP growth is estimated at 0.2–0.5 p. p.
- Despite the rise in the price of imported crude oil, the negative effect for foreign trade would be offset by higher prices for exported petroleum products.
- One source of uncertainty is the impact of geopolitical tensions relating to escalation in Iran and the Persian Gulf — the supply routes for Belarusian goods.

Forecast parameters

	GDP, %	CPI (Dec/Dec), %	Consolidated budget, % of GDP
2026	0.4	6.1	–0.5
2027	1.0	5.9	–0.3
2028	1.6	5.0	–0.1

OVERHEATED ECONOMY — HIGH INFLATION — UNEXPECTED EXCHANGE RATE STABILITY

Macroeconomic Outlook 2026–2028

- **The economic growth is expected to slow to 8.3% in 2026 and 6.3% in 2028, despite** continued rapid growth in construction and trade.
- **Inflation would remain elevated in 2026–2028** due to pressures from consumer demand, fiscal stimulus, electricity tariff hikes, and higher import prices.
- **The budget deficit is projected to be around 2% of GDP** throughout the entire medium-term period. The deficit would be primarily driven by significant capital transfers, particularly those associated with major socio-economic development projects.

Risk scenario

Extended Middle East conflict in 2026

- Faster economic growth, subject to positive externalities in Russia’s economy (RUB exchange rate appreciation and accelerated wage growth).
- Accelerated inflation with disruptions of logistics chains of food supplies (fruit, meat, fats and oils) and rising prices for energy imports.
- A negative risk is associated with raising capital on external markets: the Kyrgyz Republic’s authorities planned to issue Eurobonds worth USD 1 billion, but declining investor interest in emerging markets (risk aversion) and high USD interest rates could prompt the postponement of these plans.

Forecast parameters

	GDP, %	CPI (Dec/Dec), %	Republican budget, % of GDP
2026	8.3	6.6	-2.1
2027	6.7	6.3	-2.2
2028	6.3	5.8	-1.8

INFLATION ACCELERATING — BUDGET UNDER CONTROL — REMITTANCES BREAKING RECORDS

Macroeconomic Outlook 2026–2028

- As remittance inflows return to normal levels, GDP growth is expected **to slow in the medium term**.
- In 2026, the budget deficit is projected to widen due to higher capital expenditures and wage increases, although the debt sustainability would not be compromised.
- In the medium term, **the average rate of consumer inflation is expected to stabilise at around the 5% target level**.
- Lower remittance inflows would put pressure on the TJS to depreciate and lead to a current account deficit in 2028.

Risk scenario

Extended Middle East conflict in 2026

- Tajikistan's economy is not expected to respond negatively to the conflict in the Middle East: increased aluminium production would offset the contraction in the Middle East and support industrial growth, despite the pressure on demand for exports of cotton (to Iran) and metals (to China and the EU).
- Accelerating activity in Russia and RUB appreciation are projected to boost remittances and domestic demand; GDP growth is likely to exceed the baseline scenario by 0.3 p.p.; despite higher fuel, lubricant, food, and transport prices, the current account is expected to improve slightly.
- No significant changes in the dynamics of the local currency exchange rate are expected relative to the baseline scenario.
- Inflation is likely to rise to 7.5% (4.9% under the baseline scenario) due to rising fuel, lubricant, and food prices; rising food inflation would pose a risk to food security and require the authorities' attention.

Forecast parameters

	GDP growth, %	CPI (Dec/Dec), %	State budget, % of GDP
2026	7.1	4.9	-1.4
2027	6.7	4.5	-2.1
2028	6.0	4.5	-1.5