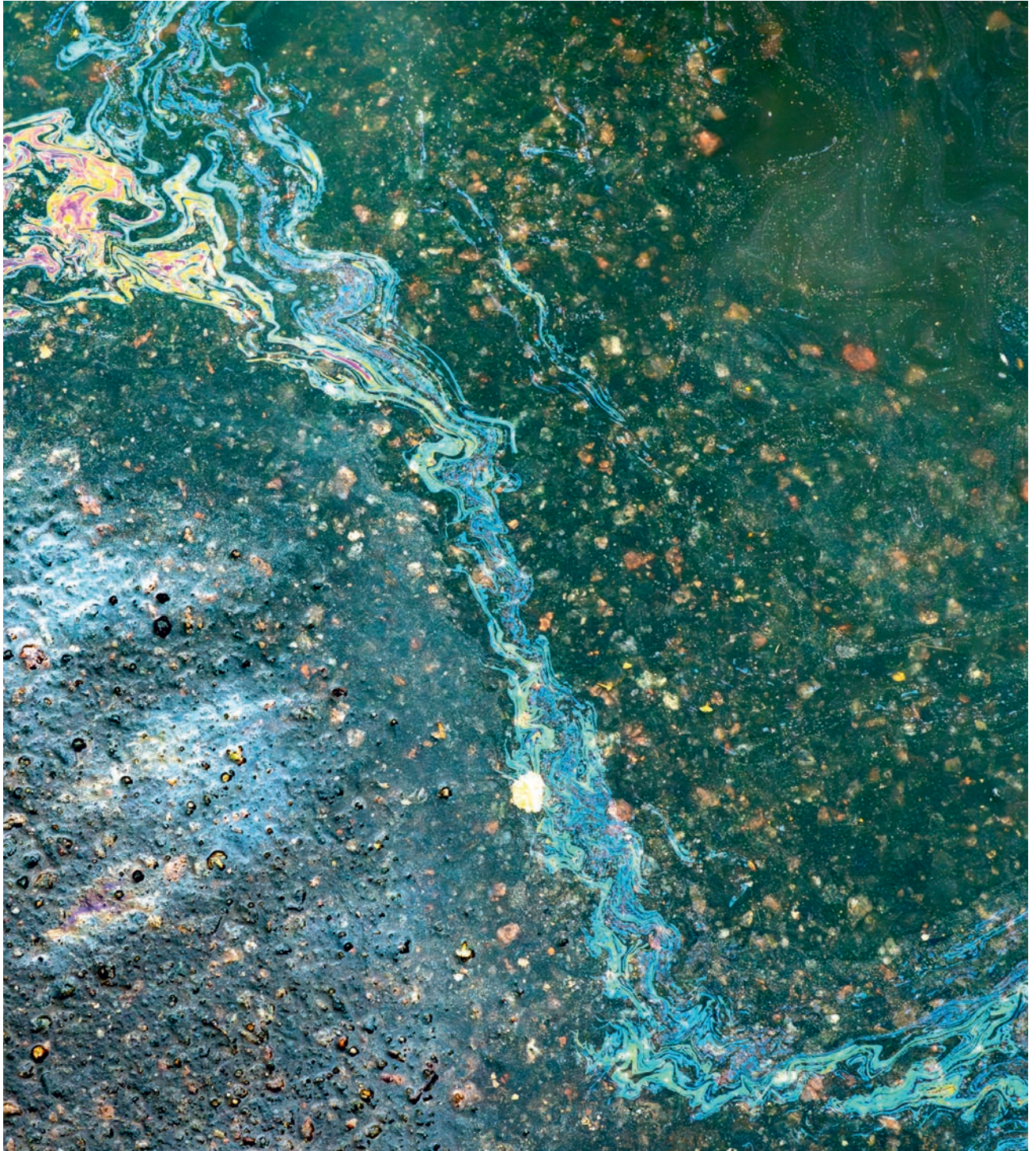


SPRING 2026 / N°1(9)



REGIONAL
ECONOMIC

OUTLOOK

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.

This document is published in Russian and English on the Eurasian Fund for Stabilization and Development website.

The electronic version of this document is available at:

efsd.org/research/regional-economic-outlook/

For citation: EFSD Regional Economic Outlook 2026 No. 1(9). Astana: Eurasian Fund for Stabilization and Development.

Keywords: economic growth, macroeconomic forecasts, GDP, inflation, exchange rate, balance of payments, monetary policy, fiscal policy, interest rate, unemployment, investments, consumer demand.

JEL: E17, E20, E27, E30, E40, E50, F15, H60, O10.

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CHIEF ECONOMIST'S FOREWORD

Economic growth in Armenia, Kazakhstan, the Kyrgyz Republic, and Tajikistan accelerated in 2025, supported by strong domestic demand and expansionary policies. The slowdown in Russia's economy had a moderate effect on our countries, with the exception of Belarus, where economic activity nearly stagnated in the second half of the year. Increased uncertainty and a slowdown in global demand due to trade wars had little impact on the economies of EFSD member states.

This impressive economic performance was fuelled by a favourable economic environment, but may also suggest that our economies are becoming more resilient. However, the desired normalisation of economic dynamics has not materialised: the economies of Kazakhstan and the Kyrgyz Republic remain significantly overheated. In Armenia, the acceleration of economic growth in 2025 is explained by favourable external factors. In these circumstances, the effectiveness of monetary policy in curbing inflationary pressures appears to be restricted while maintaining high levels of economic growth in many countries requires greater fiscal stimulus.

The remaining imbalances require improvement in consistency of economic policies. Therefore, under our baseline scenario for 2026–2028, we anticipate a gradual slowdown in economic growth, accompanied by the closure of positive output gaps in overheated economies, amidst moderate fiscal tightening and sustained relatively tight monetary policy stance. We expect that the cooling of Russia's economy would close in 2026, after which economic growth would go back to its potential level. More balanced economic policies would bring inflation down to target levels in most countries over the forecast period. All countries are also expected to keep their external vulnerabilities in check in the context of stable balances of payments and sufficient international reserves.

Armenia

Belarus

Kyrgyz
Republic

Tajikistan

Risk
Scenario

The escalation around Iran has increased the risk to the global economy due to soaring energy prices and disruptions to global trade logistics. We estimated the potential impact of the current crisis on the EFSD economies in the framework of our risk scenario. Our analysis shows that, in the event of a prolonged crisis, our countries are likely to benefit from positive effects of increased energy exports and exports of other goods (Russia, Kazakhstan), as well as faster economic growth in Russia (Armenia, Belarus, the Kyrgyz Republic, and Tajikistan). Adverse effects for all countries would be transmitted primarily through additional inflationary pressures. In general, the crisis in the Middle East is unlikely to pose a major threat for macroeconomic and financial stability of our countries. However, positive externalities from the favourable market conditions could hinder the achieving of more balanced macroeconomic policies.



Sergei Ulatov
Chief Economist
Eurasian Fund for Stabilization and Development

EXECUTIVE SUMMARY

The current environment is characterised by mixed developments: while economic growth remained high or accelerated in some countries (Kazakhstan, Armenia, the Kyrgyz Republic, and Tajikistan) in 2025, the economies of Russia and Belarus entered a cooling phase. This was accompanied by almost universal persistent inflationary pressures resulting from a combination of domestic factors (economic overheating, tariff indexation) and external factors (imported inflation, exchange rate volatility).

Outlook for 2026–2028 is based on the assumption of a gradual slowdown in most countries, as the positive output gap closes, external conditions normalise, and monetary and fiscal policies tighten. In Russia and Belarus, which are already in a cooling phase, future trends will converge towards their potential levels.

The analysis includes a **risk scenario** based on the assumption that the Iran conflict escalates. For energy-exporting countries and their main trading partners, the positive effects relating to higher export revenues prevail, and these effects can be carried over to the rest of the region through the channels of external demand and remittances. However, all countries are facing an increased risk of inflation due to rising import costs, particularly for food, fuel, and lubricants.

RUSSIA

Current Environment (2025). In 2025, Russia's economy entered a cooling phase. Although the economy is still overheated, GDP growth slowed to 1.0%. Inflation fell to 5.6%, its lowest since 2020, allowing the Bank of Russia to cut its key rate from 21% to 16%. RUB appreciation was driven by growing foreign exchange sales under the fiscal rule and high interest rates.

Outlook (2026–2028). In 2026, Russia's economy is projected to grow moderately at 1.2%. The cooling will continue and we expect the positive output gap to close by early 2027. The economy is expected to converge to potential growth rates in 2027–2028. Inflation is projected at 5.6% in 2026, followed by a deceleration to reach 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.

Risk Scenario (2026). Risks are asymmetric, with positive impulses prevailing. GDP growth could reach 1.2–2.2%, driven by expanded production of hydrocarbons and fertilisers, which will have a multiplier effect on related industries. Inflation is expected to rise to 5.4–6.0% due to higher import costs coupled with a sustained positive output

gap. The RUB exchange rate is expected to remain stable, potentially appreciating by 1–2% relative to the baseline scenario.

KAZAKHSTAN

Current Environment (2025).

Kazakhstan's GDP growth accelerated to 6.5%, its highest since 2011. The drivers included increased oil production at the Tengiz field and major infrastructure projects. Inflationary pressures intensified to 12.3%, driven by KZT depreciation, utility tariff hikes, and expansionary fiscal policies, prompting the need to tighten monetary policy.

Outlook (2026–2028). Despite the slowdown, the economy is expected to maintain strong growth and a positive output gap, with GDP growth reaching 5.2% in 2026. In the medium term, growth will gradually converge to the potential level of 4.0–4.5%, driven by weakening investment momentum and fiscal consolidation. Although inflation is expected to slow, it will remain above the target, reaching 10.1% at the end of 2026. Monetary policy is projected to remain relatively tight in the coming years, with gradual easing as inflationary pressures diminish and the positive output gap shrinks.

Risk Scenario (2026). Risks are assessed as being moderately positive. GDP growth is likely to be 5.2–5.6%, constrained by production capacity, despite stronger global oil demand. An improved foreign trade balance is projected to lead to KZT appreciation by 1–2% relative to the baseline scenario. This will be one of the key factors in curbing inflation: rising prices for certain imported goods will

be offset by a stronger exchange rate. However, inflation will still be 9.3–10.1%, well above the target level. Despite rising oil and gas revenues, fiscal policy is not expected to change, with the budget deficit remaining at the approved level.

ARMENIA

Current Environment (2025). Economic growth in 2025 stood at 7.2%, largely thanks to favourable market conditions in Q4. The budget deficit remained at 3.7% of GDP.

Outlook (2026–2028). Growth is expected to slow to 5.7% in 2026 as programmes promoting mortgage loans are wound down, although domestic demand will continue to be a key source of growth. The growth rate is projected to stabilise at a level close to potential (around 5.0%) in 2027–2028. The budget deficit is expected to rise to 4.2% of GDP in 2026, before falling to 2.8% of GDP by 2028. The current account deficit will remain at around 4.6% of GDP in 2026–2028.

Risk Scenario (2026). The impact will be transmitted through two channels: a slowdown in the global economy (an adverse effect) and an acceleration in the Russian economy (an offsetting effect). The stability of export flows to the UAE, Iran, Iraq, and China will be at risk. However, the acceleration of the Russian economy is expected to offset these losses to some extent and contribute to an improvement in the current account. In the absence of major disruptions to logistics, we anticipate an additional increase of 0.7 p.p. in inflationary

pressures, which is the main channel of shock transmission. Economic activity is expected to increase by 0.1–0.2 p.p. relative to the baseline scenario.

BELARUS

Current Environment (2025). The economy slowed, with GDP growth at 1.3% compared with 4.4% a year earlier. The main contributors to that included weak external demand and lower consumer activity. Inflation accelerated to 6.8%, mainly due to price growth in Russia and overheating of Belarus' economy.

Outlook (2026–2028). Economic growth is expected to decline further. GDP growth will be just 0.4% in 2026, with an equilibrium level of 1–2% in subsequent years. Inflation is projected to gradually approach the medium-term target of 5% as pressure from domestic demand eases, labour market tensions lower, and price growth slows in Russia.

Risk Scenario (2026). Higher oil prices are expected to have a favourable effect on foreign trade: higher prices for exported petroleum products will offset higher prices for imported oil. Acceleration of Russia's economy is projected to support external demand, helping to reduce the current account deficit. Inflationary pressures will intensify (up 1 p.p.) due to higher fuel prices and producer costs. Additional GDP growth is estimated at 0.2–0.5 p.p. (under the baseline scenario, growth is forecast at 0.4%).

KYRGYZ REPUBLIC

Current Environment (2025). The economy maintained its double-digit growth rate (+11.1%), driven by robust consumer and investment activity. Inflation accelerated to 9.4% in December (year-average: 8.2%) fuelled by economic overheating, accelerating import price growth, and tariff hikes. The current account deficit increased due to low gold exports and declining transfers. The budget remained in surplus.

Outlook (2026–2028). Growth is expected to slow to 8.3% in 2026, with continued strong activity in construction and trade. As domestic demand cools, the rates are expected to fall to 6.7% in 2027 and 6.3% in 2028. Inflation is projected at 7.7% in 2026, still above the target range, before slowing to 6.3% in subsequent years thanks to the anticipated monetary policy tightening and cooling economy. Taking into account the costs of additional capitalisation of state-owned enterprises, the actual budget deficit is projected to be about 2.0% of GDP.




Risk Scenario (2026). The impact will be transmitted through the imports and foreign exchange channels. The growth in import prices for food and energy is likely to push inflation up by 1.6 p.p. (to 9.3%). RUB appreciation and growth of Russia's economy are expected to boost the volume of transfers and exporters' revenues, providing an additional impetus to GDP growth of around 0.5 p.p. (up to 8.8%).

TAJIKISTAN

Current Environment (2025). The economy maintained a high growth rate (8.4%) thanks to remittance inflows and high gold and metal prices. Low global prices for fuel, lubricants, and wheat contributed to maintaining low inflation (3.5% in December). A record-high current account surplus improved the fiscal position.

Outlook (2026–2028). Economic growth is expected to slow gradually to 7.1% in 2026, 6.7% in 2027, and 6.0% in 2028, as remittances return to normal levels. Inflation is projected to rise to 5.4% in 2026, stabilising around 5% thereafter. The budget deficit is expected to be at 1.4–2.1% of GDP given the Rogun HPP construction.

Risk Scenario (2026). No adverse impacts are expected to be transmitted through the domestic supply and demand channels. Aluminium production is likely to ramp up, which will support industry. Downward pressures on exports are likely to come from Iran (cotton) and China (metals). Acceleration of Russia's economy and RUB appreciation are expected to support remittances, helping to offset potential downside shocks. GDP growth is projected to be 0.3 p.p. higher than under the baseline scenario. However, the main risk is inflation accelerating to 7.4% (2.0 p.p. above the forecast), due to rising fuel, lubricant, and food prices, putting food security at greater risk. The exchange rate of the local currency is projected to remain stable.

	Actual	Estimate	Forecasts		Deviation from previous forecasts		
	2025	2026	2027	2028	2026	2027	2028
 Russian Federation							
GDP growth, %	1	1.2	1.5	1.7	0.1	-0.1	0
Inflation (Q4), %	6.6	5.4	4.1	4	0.3	0	0
Annual average exchange rate (USD)	83.6	86.8	94.6	94.9	-4.3	-0.3	-0.8
Key rate (p.a.), %	19.0	14.4	9.4	7.5	0.9	1.1	0
 Republic of Kazakhstan							
GDP growth, %	6.5	5.2	4.3	4.2	0.6	0	0
Inflation (Q4), %	12.3	10.1	8.9	7.8	0.1	0.5	0.8
Annual average exchange rate (USD)	522	531	564	581	-23	-10	-13
TONIA, %	15.8	17.0	14.2	11.5	0.1	1.3	1.1
 Republic of Armenia							
GDP growth, %	7.2	5.7	5.0	5.0	0.6	0.2	0.2
Year-end inflation, %	3.3	4.0	3.0	3.0	0.7	0	0
Annual average exchange rate (USD)	387	384	395	402	-12	-16	-25
Refinancing rate, %	6.5	6.8	6.8	6.5	0.3	0.5	0.5
Fiscal balance, %	-3.7	-4.2	-3.5	-2.8	0.3	0	0




Armenia

Belarus

Kyrgyz
Republic

Tajikistan

Risk
Scenario

	Actual	Estimate	Forecasts		Deviation from previous forecasts		
	2025	2026	2027	2028	2026	2027	2028
 Republic of Belarus							
GDP growth, %	1.3	0.4	1.0	1.6	-0.7	0	0.4
Year-end inflation, %	6.8	6.1	5.9	5.0	-0.5	-0.3	-1.0
Annual average exchange rate (USD)	3.0	3.2	3.4	3.5	0	-0.2	-0.2
Refinancing rate, %	9.8	9.8	9.8	9.0	0	0	-0.8
Fiscal balance, %	0.2	-0.5	-0.3	-0.1	-0.6	-0.5	-0.4
 Kyrgyz Republic							
GDP growth, %	11.1	8.3	6.7	6.3	1.9	0.7	0.8
Year-end inflation, %	9.4	6.6	6.3	5.8	0.2	0	0
Annual average exchange rate (USD)	87.4	88.2	89.7	91.3	-7.8	-7.9	-7.2
Policy rate, %	11.0	15.0	15.0	15.0	3.0	3.0	3.0
Fiscal balance, %	2.5	2.0	1.8	1.9	0.4	0.3	1.1
 Republic of Tajikistan							
GDP growth, %	8.4	7.1	6.7	6.0	0	0	0
Year-end inflation, %	3.5	4.9	4.5	4.5	0.1	-1.0	-0.5
Annual average exchange rate (USD)	10.0	10.2	10.8	11.3	-0.4	-0.4	-0.4
Refinancing rate, %	7.5	8.0	8.0	8.0	-0.5	-0.5	-0.5
Fiscal balance, %	-0.2	-1.4	-2.1	-1.5	1.1	0.4	1.0

Chief
Economist's
Foreword

Executive
Summary

**External
Sector**

Russia

Kazakhstan

EXTERNAL SECTOR



Armenia

Belarus

Kyrgyz
Republic

Tajikistan

Risk
Scenario



EXTERNAL SECTOR

The global economy is gradually adjusting to the high level of uncertainty associated with dramatic changes in the terms of trade in 2025. The Global Composite PMI showed modest improvement in early 2026. The GEP Global Supply Chain Volatility Index recorded a strong increase in purchases in January, indicating the most pronounced recovery in global demand for raw materials and components in four years, driven by rebounding manufacturing activity in Asia and North America. However, the decline in trade risks was offset by new uncertainties arising from the escalation of conflict in the Middle East.

Tables 1 and 2 summarise the parameters of the baseline scenario. This scenario is based on the assumption that the Middle East conflict is short-lived and has a negligible impact on the year-average values of the variables. However, should the conflict persist and intensify, it could lead to a dramatic shift in a wide range of external conditions (for more details, see [Risk Scenario](#)).

REGIONAL PROJECTIONS

U.S.

We have revised our U.S. economic growth forecast for 2026 upward by +0.6 p.p. to 2.4%. The revision is underpinned by the economy outperforming expectations in 2025, as well as a shift in some economic activity to Q1 2026 following the government shutdown in Q4 2025. Growth will be supported by soft fiscal policy, including the stimulus of the One

Big Beautiful Bill Act of 2025, the effect of the Fed rate cuts in 2025–2026, and growing investment in AI technologies. In 2027–2028, we expect GDP growth to stabilise at around 2.0%. The adverse effects of trade wars will result in elevated price levels in 2026, with average annual consumer inflation at 2.6%, followed by a gradual decline in 2027–2028. Given an unemployment rate of around 4% and sustained inflation, the capacity of the FRS to cut the Fed rate in 2026 will be extremely limited — we expect one 0.25 p.p. cut.

EUROZONE

The Eurozone is expected to maintain a steady but moderate growth rate of 1.2–1.4% in 2026–2028. It will be underpinned by government expenditure (particularly in Germany, Ireland, and Spain), however, the pace will remain subdued due to structural challenges and lower IT investment compared with the U.S. and Asia. The energy crisis and euro appreciation are expected to put further pressure on industry and exports. Inflation is projected to slow to 1.9% in 2026, driven by subdued domestic demand. The sustained growth of wages and salaries will generate inflationary pressures, as reflected in the faster growth of prices for services. The euro area key interest rate (€STR) is projected to remain at 2%.

CHINA

In 2025, China's economy showed resilience in the face of foreign trade challenges. Growth is projected to slow to 4.7% in 2026, due to a lower contribution from net exports, which reached a record high in 2025. In the medium term, a further slowdown to 4.1% is expected amid fiscal

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

	2025 Actual	2026 Estimate	2027 Forecasts	2028 Forecasts
U.S.				
Real GDP growth, %	2.2	2.4	1.9	1.8
Inflation, eop	2.8	2.5	2.2	2.1
FRS rate, eop	4.25–4.5	3.5–3.75	3.0–3.25	3.0–3.25
Eurozone				
Real GDP growth, %	1.5	1.2	1.4	1.3
Inflation, eop	2.1	1.9	2.0	2.0
EONIA rate, eop	2.1	2.0	2.0	2.2
EUR/USD exchange rate	1.13	1.19	1.20	1.20
China				
Real GDP growth, %	5.0	4.7	4.4	4.1
Inflation, eop	0.4	0.8	1.5	1.7
CNY/USD exchange rate	7.2	7.0	6.9	6.8

Source: BEA, BLS, Eurostat, NBC, ECB, FRS, EFSD estimates.

consolidation and a downturn in the contribution of construction. Inflation is projected to remain low — at 0.8% in 2026 — due to weak demand, low food and energy prices, and deflation in producer prices. The CNY exchange rate is expected to remain on a path of nominal appreciation against the USD.

COMMODITY MARKETS

OIL

In the baseline forecast for 2026, the average annual price of Urals oil is

projected to stabilise at around \$50 per barrel, with a sustained substantial discount to Brent. The forecast is based on data with a cut-off date of March 6; a higher price scenario is modelled in the Risk Scenario.

GOLD

Gold prices are projected to remain high for the entire three-year period amid high geopolitical tensions. We expect strong demand from central banks and investors to persist, supported by stable industrial consumption. As was the case in 2025, these factors will have a greater impact on the market than decisions taken by

monetary authorities. The average price in 2026 is expected at around USD 5,000 an ounce, with a slight decline to USD 4,700 an ounce by 2028.

METALS AND COPPER

The metal price index is projected to display a moderate upward trajectory, rising from 121.6 points in 2026 to 125.7 in 2028. The growth will be driven by demand for copper (from electric vehicle manufacturing, renewable energy, and grid), aluminium (aviation, AI centres), and nickel (lithium-ion

batteries and energy storage), with supply shortages due to constraints in Peru, Chile, and Indonesia as well as geopolitical risks to supply chains.

FOOD PRODUCTS

The outlook for the food price index shows a slight upward trend, from 119.9 points in 2026 to 123.2 in 2028. The growth will be driven by demand for cereals and meat in China and India, as well as cost inflation driven by higher fertiliser and logistics prices.

TABLE 2. KEY COMMODITY PRICE OUTLOOK

	2025 Actual	2026 Estimate	2027 Forecasts	2028 Forecasts
Gold, USD/XAU	3,442	4,967	4,839	4,667
Metal price index	112.2	121.6	124.6	125.7
Food price index	109.2	119.9	122.2	123.2
Urals crude oil prices	55.6	50	50.2	53.3
Copper, USD/t	9,947	12,700	12,700	12,800

Source: IMF, Bloomberg, EFSD estimates.



Chief
Economist's
Foreword

Executive
Summary

External
Sector

Russia

Kazakhstan



RUSSIA



Armenia

Belarus

Kyrgyz Republic

Tajikistan

Risk Scenario



Russia's economy has entered a cooling phase, with GDP growth dropping from 4.9% in 2024 to 1% in 2025. Despite the slowdown, the economy remained overheated. Inflation declined to 5.6% YoY at the end of 2025, its lowest since 2020, allowing the Bank of Russia to gradually reduce the key rate from 21% to 16% per annum. The average annual RUB exchange rate appreciated to RUB 83.2 per USD amid growing foreign exchange sales in the domestic market, including sales under the fiscal rule, backed by high interest rates.

In 2026, Russia's economy is projected to grow moderately at 1.2%. The cooling will continue and we expect the positive output gap to close 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 is forecast to be 5.6% in 2026. Higher VAT rates, indexation of housing and utilities tariffs, and increased excises and car scrappage fees are expected to exert one-off upward pressure in Q1, followed by inflation decreasing from Q2 onwards and 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 will depreciate gradually during 2026, with the average annual rate at RUB 87 per USD.

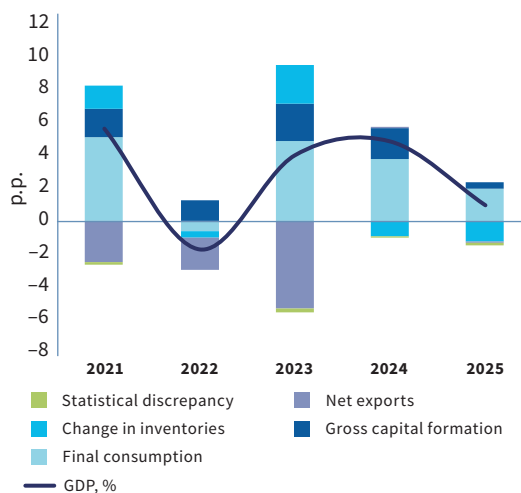
REAL SECTOR AND LABOUR MARKET

Russia's GDP growth rate declined to 1% in 2025. We estimate that in Q4, the economy grew by 1% YoY or 5.6% QoQ (SAAR) (0.6% YoY in Q3). The increased economic activity towards the end of the year is partly attributable to pre-emptive consumer demand growth in anticipation of the VAT and car scrappage fee increases. The positive output gap has narrowed, but the economy remains overheated.

The 2025 GDP growth composition based on the expenditure approach indicates a notable slowdown in key components, particularly investment activity (Figure 1). In 2025, consumption continued to be the primary driver of growth, with final consumption expenditure rising by 2.9% compared with 5.5% in 2024. Fixed capital investment grew by 1.7% compared with 8.6% in 2024, with its share in GDP reaching a record 23.2%. The most significant negative contribution to GDP data came from an adjustment to inventories of tangible current assets: -1.2 p.p. (-28%). Companies sold off excess inventory built up in 2023 due to concerns over potential supply disruptions. The negative contribution of net exports had an additional dampening effect on GDP.

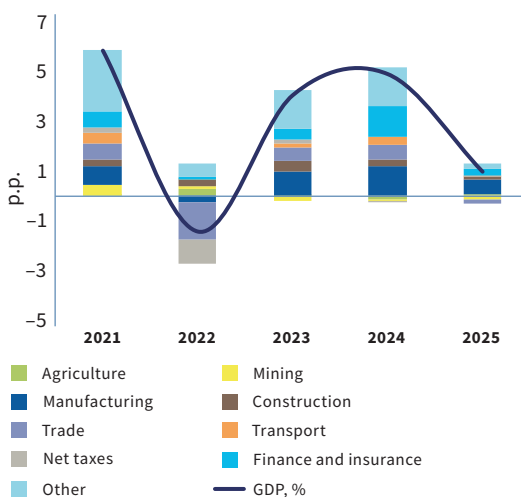
A significant slowdown was also evident in key sectors of the economy (Figure 2). The main contributor to economic growth in 2025 was industrial production – the industrial production index grew by 1.3% following 5.1% in 2024. The main driver was manufacturing, which added 3.6% compared with 9.1% a year earlier. Sectors

Figure 1. Decomposition of GDP Growth (Expenditure Approach)



Source: estimates based on Rosstat data.

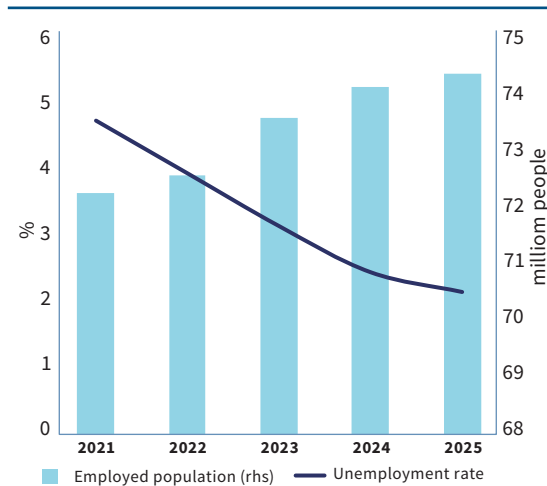
Figure 2. Decomposition of GDP Growth (Production Approach)



Source: estimates based on Rosstat data.

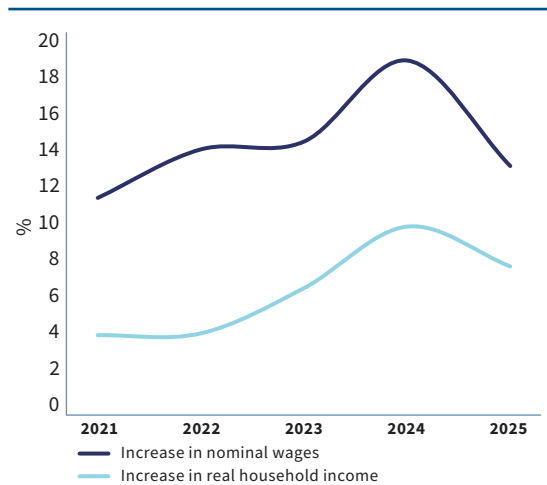
with a high share of defence orders remained in the lead: metal products (+18%), other vehicles (+32%), computers and electronic products (+11.7%), and pharmaceuticals (+15.4%). Most civilian industries retained their previous year's positions. The most notable exception was the production of motor vehicles, which dropped by 23.1%. The extractive industry declined by 1.6%

Figure 3. Labour Market Indicators



Source: Rosstat.

Figure 4. Household Income



Source: estimates based on Rosstat data.

following a decrease of 0.5% in 2024. Retail sales grew by 2.6% compared with 7.7% in 2024, while wholesale trade decreased by 2.8% following an increase of 6.9% a year earlier. The construction sector maintained its positive momentum: +2.5% following +3.8% in 2024.

Labour market pressures intensified further in 2025, despite a substantial

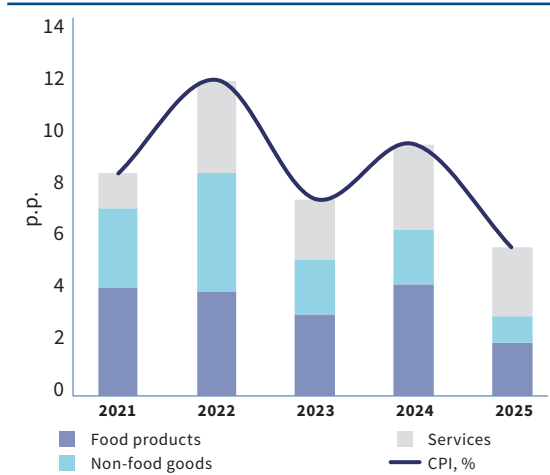
slowdown in economic activity. The unemployment rate decreased from 2.5% in 2024 to an average of 2.2% in 2025 (Figure 3). Early indications of stabilisation emerged in Q4 2025, with a halt in the decline in unemployment for the first time — the rate increased to 2.2% from 2.1% in Q3, breaking the downward trend of recent years. Real income of households grew by 7.7% in 2025 compared with 9.9% in 2024 (Figure 4).

INFLATION AND MONETARY TRENDS

By the end of 2025, inflation had slowed to 5.6%, marking the lowest rate since 2020 (Figure 5). The accelerated decline in inflation in Q4, following 8.0% YoY in Q3, is mainly attributable to movements in volatile components, primarily the downward trend in prices for fruit and vegetables. Core CPI was 5.4% at the end of 2025. In terms of product categories, non-food products experienced the lowest price increase of 3.0%, while food prices rose by 5.2%, and the services sector recorded the highest increase at 9.3%. In December, the anticipated VAT and car scrappage fee increases were not pre-emptively passed on to prices.

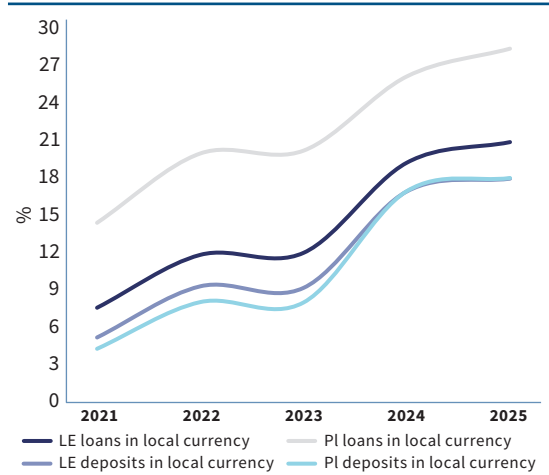
In 2025, the Bank of Russia gradually reduced the key rate from 21% to 16% per annum. Despite this, monetary conditions remained tight, with the real rate standing at 10.4% at the end of the year, compared with 11.5% at the end of 2024. According to the regulator's assessment, a sustained slowdown in inflation will require a prolonged period of tight monetary policy (Figure 6).

Figure 5. Decomposition of Inflation (YoY, eop)



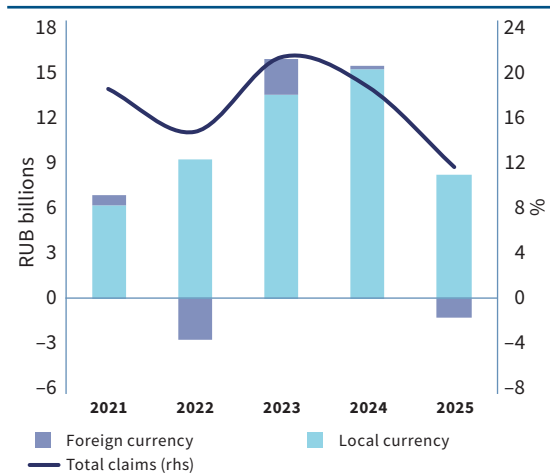
Source: estimates based on Bank of Russia data.

Figure 6. Interest Rates on New Loans and Deposits



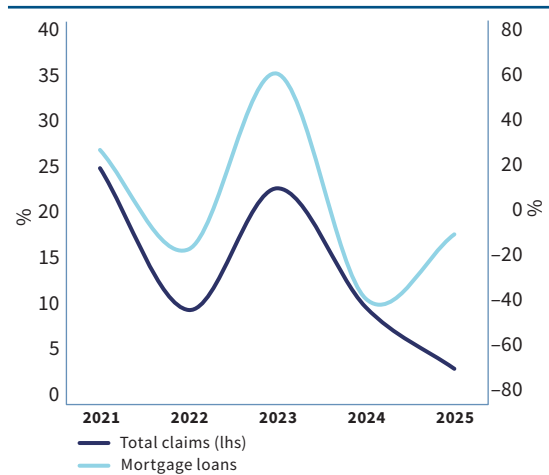
Source: Bank of Russia.

Figure 7. Increase in Corporate Loans (extended definition, eop)



Source: Bank of Russia.

Figure 8. Increase in Banks' Claims on Private Individuals (eop)



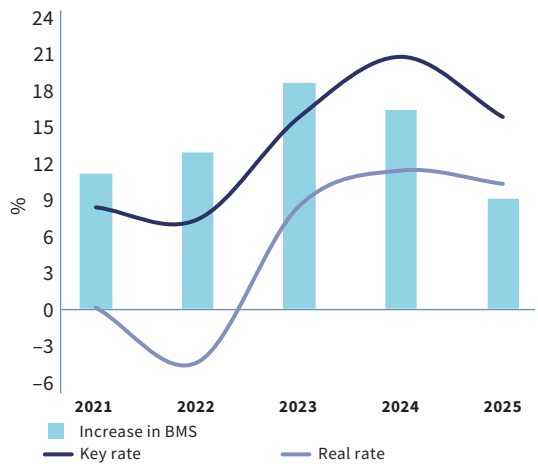
Source: Bank of Russia.

The pace of credit growth to the economy eased in 2025, affected by high interest rates. The portfolio of loans to legal entities grew by 11.6%, down from 18.7% a year earlier (Figure 7). The retail loan portfolio contracted in the first half of the year, but showed signs of recovery in the second half, ending the year with a 3.0% increase, down from 9.8% a year earlier. The acceleration in lending that commenced in September

was partly driven by pre-emptive consumer demand growth in anticipation of the VAT increase. Mortgage loans fell by 9.0% compared with a 37% decline in 2024 (Figure 8). Programmes with state support accounted for 82% of disbursements (RUB 3.6 trillion out of RUB 4.5 trillion).

The annual growth rate of broad money supply (M2X) slowed to 9.2% at the

Figure 9. Change in Monetary Indicators (YoY, eop)



Source: estimates based on Bank of Russia data.

end of 2025, down from 16.6% a year earlier (Figure 9). The expansion of the banking system's claims on entities and households was a key factor driving money supply. Household term deposits grew by 16%, slowing from 44% in 2024 following the rate cuts. The growth rate of cash in circulation (M0) exhibited a consistent upward trajectory from July 2025 onwards, reaching 5.6% by the close of the year, up from 0.8% in the previous year.

FISCAL SECTOR AND PUBLIC DEBT

In 2025, the federal budget saw a widening deficit driven by a sharp drop in oil and gas revenues. The deficit rose to RUB 5.6 trillion (2.6% of GDP), up from RUB 3.5 trillion (1.7% of GDP) a year earlier. Total budget revenues grew by only 1.5% to RUB 37.3 trillion (17.5% of GDP). Oil and gas revenues declined by 23.8% to RUB 8.5 trillion, driven by low global oil prices, sanctions pressure, and RUB exchange rate appreciation. Non-oil and gas revenues

partially balanced total budget revenues, adding 12.6% to reach RUB 28.8 trillion. Budget expenditures grew by 6.8% to RUB 42.9 trillion (20.1% of GDP) (Figure 10).

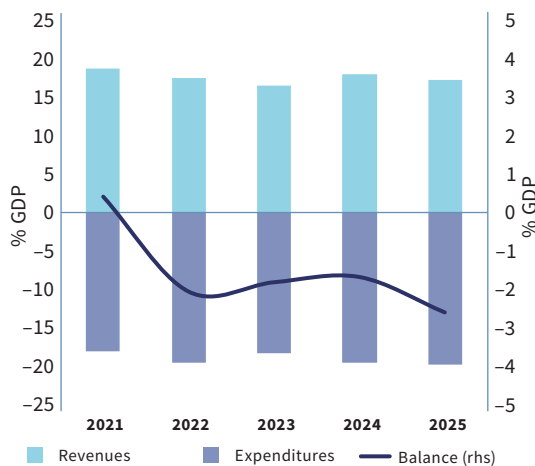
The liquid part of the National Wealth Fund is consistently declining and stood at RUB 4.1 trillion (1.9% of GDP) as of 1 January 2026. Purchases under the fiscal rule amounted to only RUB 0.08 trillion in 2025, while investment expenditures were RUB 1.0 trillion and non-regular transactions — RUB 1.2 trillion. The Urals price averaged around USD 42 per barrel in November 2025–January 2026, with an effective cut-off price of USD 59 per barrel (USD 60 per barrel in 2025). Should this large gap persist, we expect the Fund to continue spending at an accelerated pace, and therefore the fiscal rule would need to be adjusted to a lower cut-off price.

The need to finance the increased budget deficit resulted in an expansion of Russia's public debt in 2025. Aggregate debt rose from 14.1% of GDP as at the end of 2024 to 16.6% of GDP as at the end of 2025. The debt expansion was driven by a robust build-up of federal bond issues, with domestic debt rising from 11.7% of GDP as at the end of 2024 to 14.4% of GDP as at the end of 2025. Meanwhile, external debt continued to decline, reaching 2.2% of GDP at the end of 2025, down from 2.4% of GDP at the end of 2024.

EXTERNAL SECTOR

The current account surplus declined from USD 62.6 billion in 2024 to USD 41.4 billion in 2025 (Figure 12). The primary reason for this shift was

Figure 10. State Budget

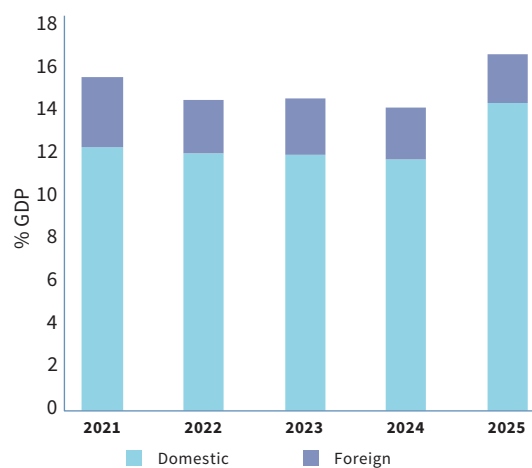


Source: Ministry of Finance of the Russian Federation.

a contraction of the trade surplus: oil and gas exports experienced a decline in the face of lower global oil prices and sanctions pressure, while imports remained relatively stable, bringing the trade in goods surplus to USD 116.7 billion, down from USD 132.1 billion in 2024. Additional pressure on the current account was exerted by the services balance deficit, which widened from USD 38.4 billion in 2024 to USD 48.6 billion amid rising spending by Russian households on foreign travel.

The financial account surplus dropped from USD 56.6 billion in 2024 to USD 45.8 billion in 2025. This was due to a slowdown in the accumulation of foreign assets by residents, coupled with an increase in external liabilities. Accumulated foreign assets fell to USD 55.8 billion from USD 65.8 billion a year earlier, partly due to lower receivables from non-residents under international settlements. External liabilities rose to USD 10.0 billion from USD 9.2 billion a year earlier, due to a shift in foreign direct investment from outflow to inflow of capital. Reserve assets fell

Figure 11. Public Debt



Source: estimates based on data of the Ministry of Finance of the Russian Federation and EFSD estimates.

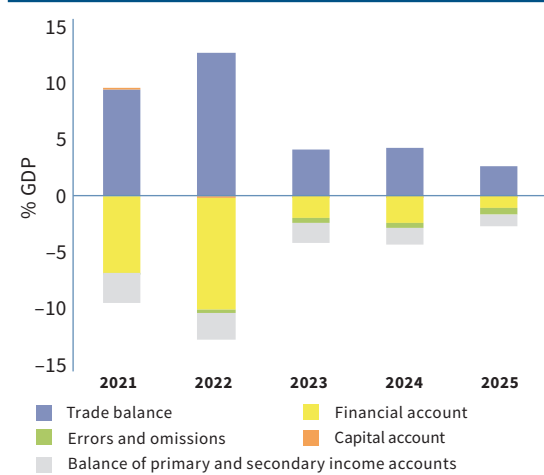
by USD 18.5 billion compared with USD 3.8 billion a year earlier.

Despite the deterioration of the balance of payments as a whole, the real effective RUB exchange rate appreciated by 17.1% in 2025, with the year-average nominal exchange rate at RUB 83.2 per USD (Figure 13). On the supply side, the exchange rate was supported by sales of foreign exchange in the domestic market, in particular under the fiscal rule. On the demand side, high interest rates in the domestic market supported the attractiveness of RUB assets and contained import lending, which curbed pressure on the exchange rate.

MEDIUM-TERM OUTLOOK

The forecast for 2026–2028 assumes the continuation of key macroeconomic conditions, including the persistence of sanctions pressure. Budget expenditures

Figure 12. Balance of Payments

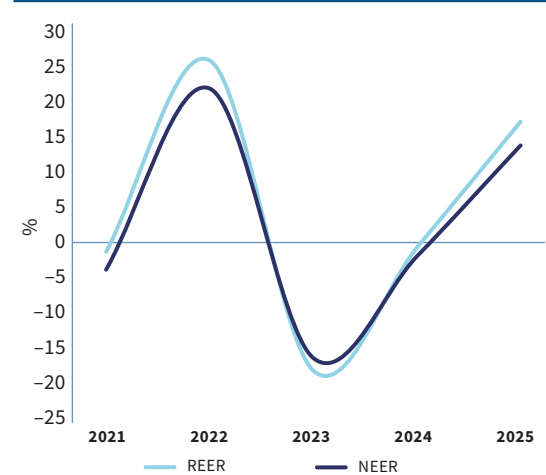


Source: Bank of Russia.

are expected to remain in line with approved budget targets, implying sustained active fiscal stimulus in 2026. The deficit is projected to narrow to 3.8 trillion rubles, with a structural balance of zero, supported by additional revenues from the value-added tax (VAT) increase. The Bank of Russia is forecast to continue to pursue its tight monetary policies focused on stabilising inflation.

In 2026, the Russian economy is projected to grow moderately at 1.2%. The cooling of economic activity is projected to continue, while the positive output gap is expected to close by early 2027. Consumption is projected to grow at a subdued pace. The rebuilding of inventories of tangible current assets, following their contraction in the previous two years, is expected to provide further support to the economy. This will enhance the contribution of gross capital formation to GDP growth. We estimate that the contribution of net exports will remain negative. Imports are projected to rise moderately, driven by a gradual easing

Figure 13. Exchange Rate



Source: Bank of Russia, Ministry of Finance of the Russian Federation.

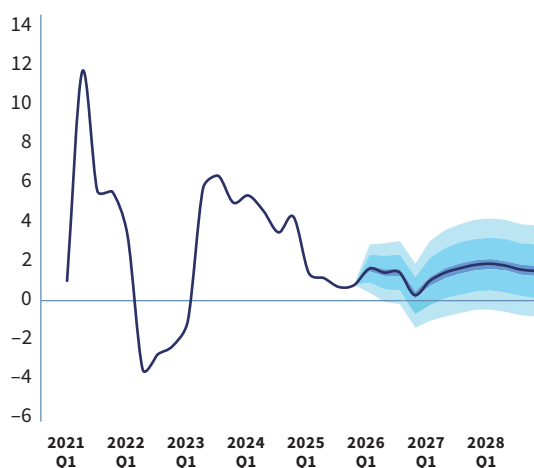
of monetary conditions, while exports will remain subdued due to the impact of sanctions restrictions and relatively low global oil prices. The economy is projected to reach its potential growth rates of 1.5% in 2027 and 1.7% in 2028 (Figure 14).

We estimate that inflation will decline to 5.4% at the end of 2026. The anticipated effect of the VAT increase from 20% to 22% has been different from original predictions: there was no pre-emptive price increase in December 2025, while in January 2026 prices rose more strongly than expected. The seasonally adjusted annualised rate of consumer price growth rose from 3.1% in December to 14.6% in January. In January 2026, additional pressure on prices was brought about by the excise duty and car scrappage fee increases, as well as indexation of housing and utilities tariffs. This prompted an upward revision to the inflation forecast for Q1 and the year as a whole. Starting in Q2 2026, inflation is expected to resume its downward trend and reach the 4% target by the end of 2027 (Figure 15).

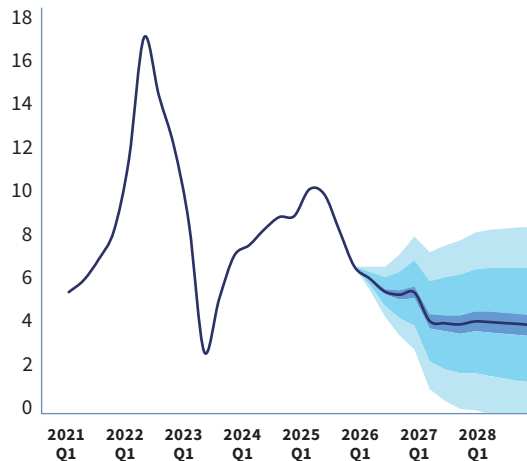
TABLE 1. FORECASTS OF KEY MACROECONOMIC INDICATORS

	2025 Actual	2026 Estimate	2027 Forecasts	2028 Forecasts
Real GDP growth, %	1.0	1.2	1.5	1.7
Inflation (Dec-on-Dec), %	5.6	5.4	4.1	4.0
Inflation (year-average), %	8.7	5.6	4.1	4.0
USD/RUB exchange rate (year-average)	83	87	95	95
Bank of Russia key rate (year-average), %	19.2	14.4	9.4	7.5

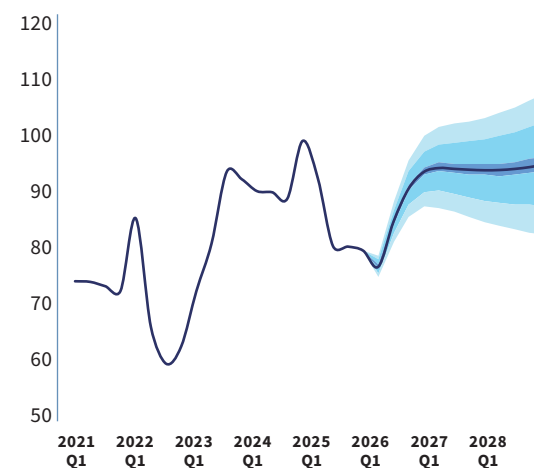
Source: national agencies and EFSD estimates.

Figure 14. Real GDP Growth, % YoY

Source: EFSD calculations.

Figure 15. Inflation, % YoY

Source: EFSD calculations.

Figure 16. USD/RUB Exchange Rate

Source: EFSD calculations.

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

The Bank of Russia is anticipated to continue key rate cuts, albeit at a more moderate pace to ensure sustained tight monetary conditions. The regulator revised the rate downward to 15.5% per annum at its most recent meeting in February 2026. We forecast the year-average key rate of 14.4% per annum in 2026. The rate is expected to return to the neutral level of 7.5% in early 2028, with inflation reaching the target level.

The projected average annual exchange rate in 2026 is RUB 87 per USD. During the year, the exchange rate is expected to gradually depreciate from RUB 77 per USD in January–February

2026 to RUB 94 per USD by the end of the year. The primary factors contributing to this depreciation will be the anticipated increase in imports and easing of monetary policy ([Figure 16](#)).



Chief
Economist's
Foreword

Executive
Summary

External
Sector

Russia

Kazakhstan

KAZAKHSTAN



Armenia

Belarus

Kyrgyz Republic

Tajikistan

Risk Scenario



Kazakhstan's economic growth accelerated to 6.5% in 2025, reaching a record high since 2011. The accelerating economic activity was driven by increased oil production at the Tengiz field and stronger investment. Growth was further supported by major infrastructure projects. Starting from the second half of the year, consumer demand showed a downward trend against the backdrop of tighter monetary conditions, cooling retail lending, and declining real household incomes.

Inflationary pressures intensified significantly in 2025 with the economy still overheating. In 2025, inflation rose to 12.3%, driven by the KZT exchange rate depreciation and domestic factors, such as tariff hikes as part of the housing and utilities sector reform, rising fuel and lubricant prices, expansionary fiscal and quasi-fiscal spending, and anticipated changes in tax legislation. In response to stronger inflation risks, the National Bank of the Republic of Kazakhstan tightened its monetary policies further.

We expect that economic growth rates will gradually approach the potential level of around 4–4.5% in the medium term (2026–2028). The slowdown will be due to the weakening investment momentum and anticipated fiscal consolidation. Inflation is expected to slow down but remain above the target. Monetary policy is projected to remain relatively tight in the coming years, with a gradual easing as inflationary pressures diminish and the positive output gap shrinks.

REAL SECTOR AND LABOUR MARKET

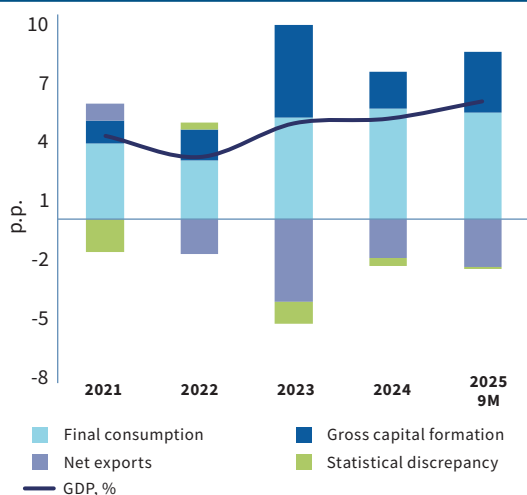
In 2025, Kazakhstan's economic growth accelerated markedly. Real GDP growth was 6.5%, up from 5.0% in 2024, its highest point since 2011. According to EFSD estimates, the seasonally adjusted annualised rate of GDP growth was 6.8% in Q4 and 6.8% YoY.

The acceleration of economic growth was primarily driven by stronger investment activity (Figure 1). The first nine months of 2025's data show that the main contributor to GDP growth was final consumption (5.5 p.p.), compared with 5.7 p.p. for the full year 2024, reflecting the sustained momentum in consumer demand. The contribution of gross savings to GDP growth increased to 3.2 p.p. in the first nine months of 2025, up from 1.9 p.p. for the full year 2024, driven by higher investment in construction and infrastructure. Fixed capital investment grew by 13% YoY in 2025

in comparable prices. Own funds remained the primary source of financing (61.5% of the total), while budgetary funds accounted for 21.9%. Net exports continued to have a negative impact on economic growth (-2.5 p.p.) against the background of import growth. Nominal exports contracted by 3.2% YoY, while imports rose by 7.4% YoY, indicating stronger domestic demand and increased investment imports of equipment and intermediate goods.

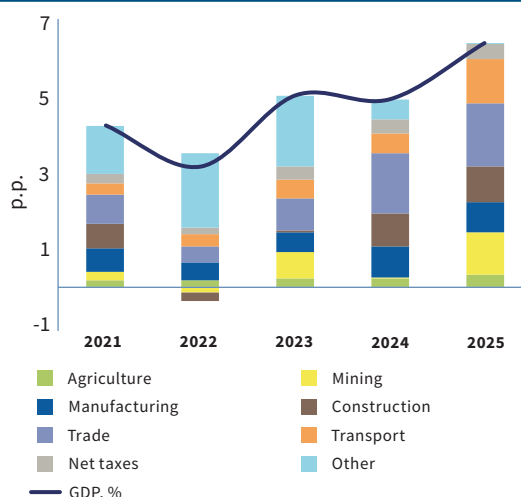
Regarding the composition of economic growth, trade, mining, and transport gained weight (Figure 2). The largest contributions to GDP growth were made by trade (1.7 p.p.), transport (1.2 p.p.), mining (1.1 p.p.), and construction (1.0 p.p.). Trade showed steady growth, driven by robust domestic demand growth. In January–December 2025, the trade volume index declined slightly to 108.9% (against 109.1% a year earlier). The extractive sector growth was primarily driven by increased oil production at the Tengiz field, as well as an expansion of other

Figure 1. Decomposition of GDP Growth (Expenditure Approach)



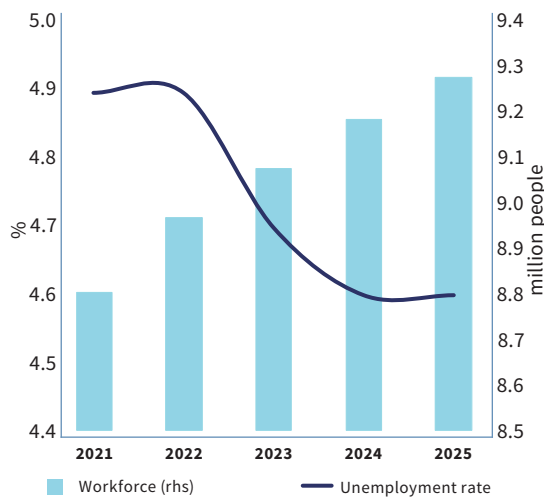
Source: estimates based on BNS ASPR RK data.

Figure 2. Decomposition of GDP Growth (Production Approach)



Source: estimates based on BNS ASPR RK data.

Figure 3. Labour Market Indicators

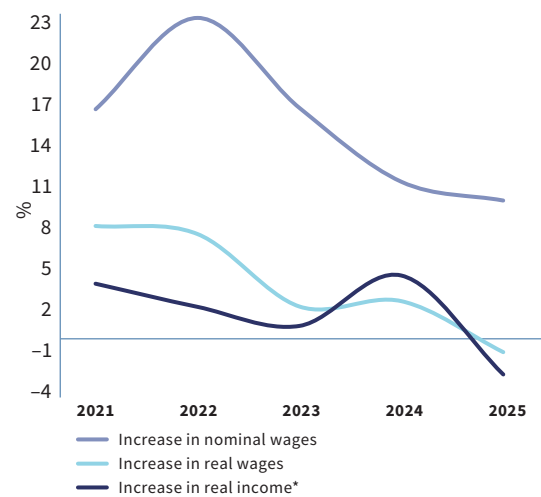


Source: BNS ASPR RK.

mineral extraction. The extractive sector contributed notably to enhanced growth in the transport and warehousing sector, with an increase in freight traffic of 13.6%, particularly in pipeline transport (16.5%). Strong investment activity underpinned the growth of the construction sector through the construction and repair of infrastructure facilities (+17.5%), as well as the construction of non-residential (+16.0%) and residential (+10.4%) buildings. Transport infrastructure projects, including road and metro construction, played a significant role, with their share reaching 24.6% of construction works.

The labour market remained stable throughout the year, with moderate growth in the number of people in employment and historically low unemployment rates (Figure 3). The number of people in employment grew by 1.2% YoY in 2025. The unemployment rate, based on the ILO methodology, remained around 4.6% throughout the year.

Figure 4. Household Income



* Estimate for 2025.

Source: BNS ASPR RK.

However, the household income trend showed adverse developments (Figure 4). Despite record-high economic growth, real wages and real money incomes fell by 1.1% and 2.7%, respectively, over the year. The main negative contribution came from labour income (-2.3 p.p.), including income from employment (-1.2 p.p.), self-employment (-1.1 p.p.), and other income (-0.9 p.p.). At the same time, there was a slight increase in the contribution of social transfers (+0.4 p.p.). This trend reflects the impact of high inflation and indicates limited transmission of economic growth to household incomes.

INFLATION AND MONETARY SECTOR

Inflationary pressures intensified significantly in 2025 with the economy still overheating. Annual inflation accelerated to 12.3% in December, compared with 8.6% at the end of 2024. There was a significant increase in the contribution to price growth of food and

non-food products — 5.4 p.p. and 3.4 p.p., respectively (Figure 5). According to NBRK estimates, the seasonally adjusted average monthly price growth peaked in August–September at 1.2–1.3% before cooling to 0.8% in December¹. Inflation expectations among households for the year ahead remained high throughout the year, peaking at 14.7% by the end of Q4 in anticipation of the new Tax Code coming into force².

We believe that inflation growth was driven by the transmission effect of the KZT exchange rate depreciation during the year and domestic factors, such as tariff hikes as part of the housing and utilities sector reform, rising fuel and lubricant prices, continued expansionary fiscal policies, and anticipated changes in tax legislation. The external situation remained relatively favourable, helped by a slowdown in inflation in Russia, which kept imported price pressures in check.

In response to stronger inflation risks, the National Bank of the Republic of Kazakhstan raised the base rate further. The base rate was increased on two occasions during the year, from 15.25% to 18.00%, yet it decreased in real terms. In addition, the regulator employed several tools to contain inflationary pressures, such as raising minimum reserve requirements and tightening macroprudential restrictions on retail lending³.

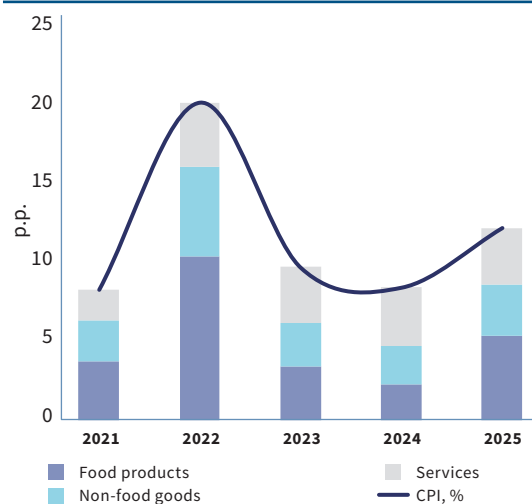
Broad money supply growth slowed to 15.5%, down from 19.2% in 2024

¹ NBRK estimates of seasonally adjusted inflation

² Results of a household survey commissioned by the NBRK.

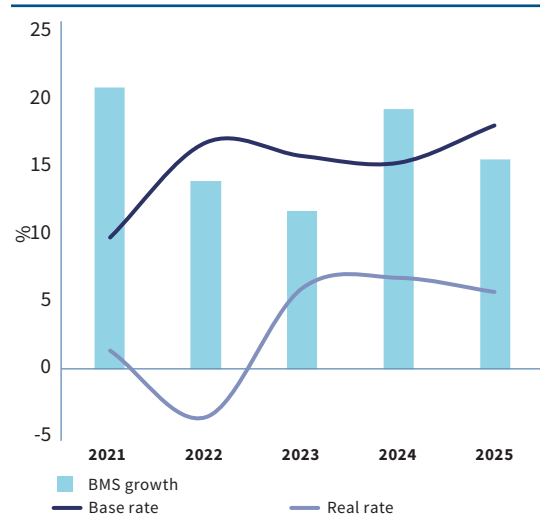
³ NBRK press release on the base rate dated 29 August 2025.

Figure 5. Decomposition of Inflation (YoY, eop)



Source: BNS ASPR RK.

Figure 6. Change in Monetary Indicators (YoY, eop)

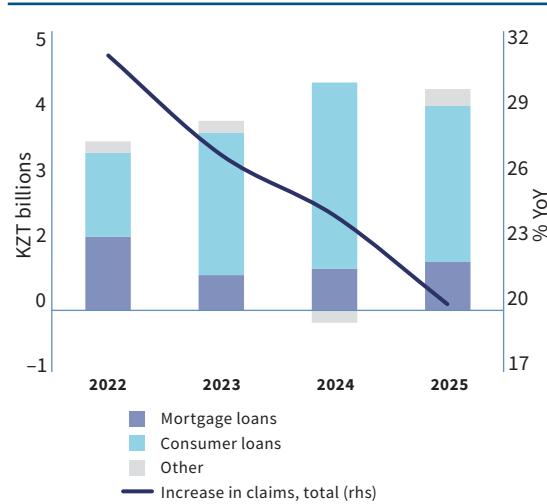


Source: NBRK.

(Figure 6). The growth rate of the money supply declined towards the end of the year following monetary policy tightening and liquidity sterilisation operations conducted by the NBRK.

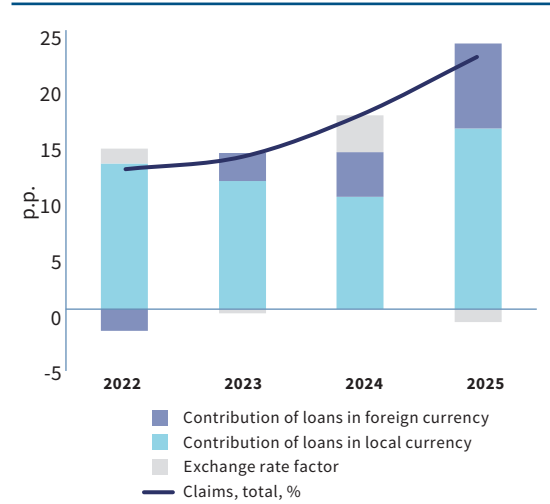
Lending to the economy continued to grow at double-digit rates, but the rates differed by segment. Lending

Figure 7. Banks' Claims on Private Individuals (eop)



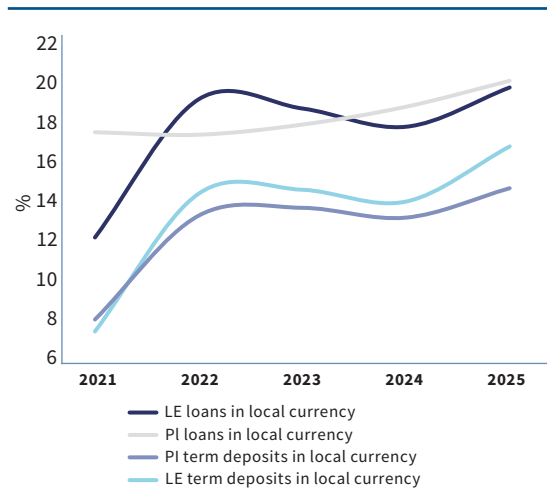
Source: NBRK.

Figure 8. Increase in Corporate Loans (extended definition, YoY, eop)



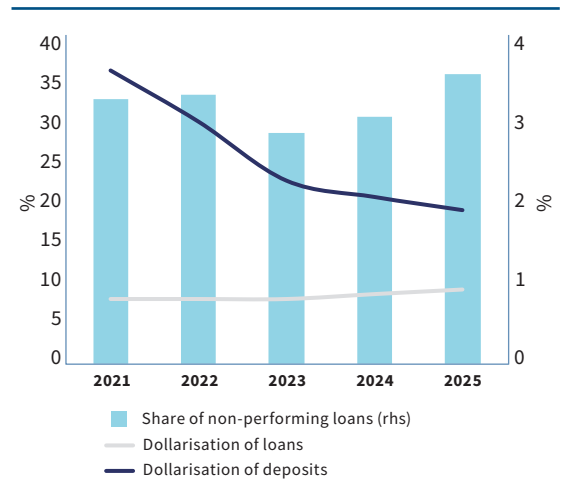
Source: NBRK.

Figure 9. Interest Rates on New Deposits and Loans (eop)



Source: NBRK.

Figure 10. Banking Sector Indicators



Source: NBRK.

to businesses accelerated to 23.4% YoY (extended definition) (Figure 8). The expansion of Baiterek Holding's quasi-fiscal programmes, including financing through the Development Bank of Kazakhstan and the Damu Fund, played a significant role in this process. In contrast, lending to households grew by 19.8% YoY, down from 23.9% YoY

a year earlier (Figure 7), due to tightened macroprudential restrictions on retail lending. In the context of tightening monetary policy, average rates on new loans in local currency continued to rise, reaching 19.8% for legal entities (up from 17.8% in 2024) and 20.1% for private individuals (up from 18.8%). That was accompanied by an increase in average

rates on deposits in KZT, up to 16.8% for legal entities and 14.7% for private individuals (Figure 9).

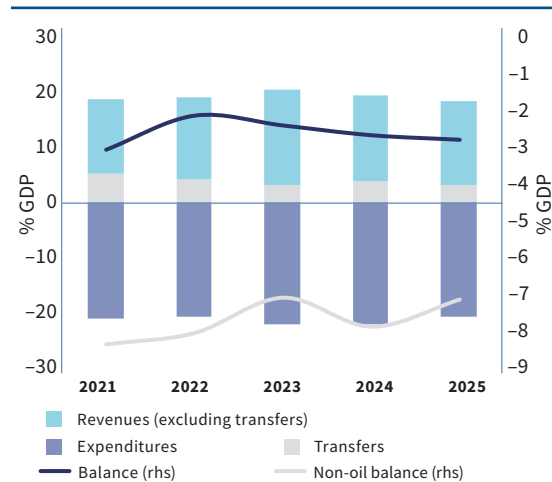
The banking sector remained resilient (Figure 10). The share of non-performing loans (NPLs) increased marginally to 3.6%, while deposit dollarisation continued to decline, reaching 19.2%. The banking sector's net profit exhibited growth in 2025, reaching a record KZT 2.7 trillion against KZT 2.6 trillion a year earlier.

FISCAL SECTOR AND PUBLIC DEBT

In 2025, fiscal policy was marked by moderate consolidation, with an ongoing stimulus package to encourage economic growth. The state budget deficit was 2.7% of GDP (Figure 11). State budget revenues increased by 10.1%, primarily driven by growth in tax revenues (+17.7%). Budget expenditures also grew at a comparable pace (+10.3%), which is indicative of the ongoing implementation of proactive fiscal policies. Budget revenues (net of transfers) were 15.4% of GDP (15.8% of GDP in 2024), while expenditures were 21.0% of GDP (22.2% of GDP a year earlier). Transfers from the National Fund to the budget fell to 3.3% of GDP from 4.1% of GDP a year earlier. Following a decline in both transfers and nominal GDP growth, the non-oil fiscal deficit narrowed to 7.1% of GDP from 7.9% of GDP a year earlier. Excluding public debt service payments, the deficit declined from 6.3% to 5.5% of GDP.

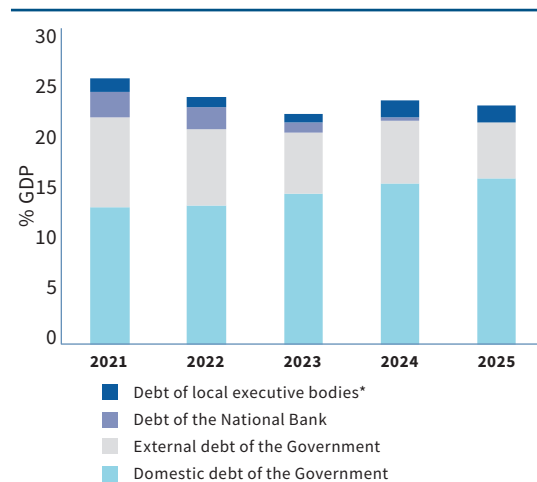
Public debt decreased to 22.8% of GDP in 2025 (Figure 12). The budget deficit

Figure 11. State Budget



Source: Ministry of Finance of the Republic of Kazakhstan.

Figure 12. Public Debt



* Excluding mutual claims (debts owed by local executive bodies to the Government of the Republic of Kazakhstan)

Source: Ministry of Finance of the Republic of Kazakhstan.

was covered mainly by issuing bonds, as a result of which domestic debt grew by KZT 4.4 trillion and external debt increased by USD 1.4 billion. However, due to the higher nominal growth of the economy, the level of public debt relative to GDP decreased by 0.5 p.p. over 2025.

EXTERNAL SECTOR

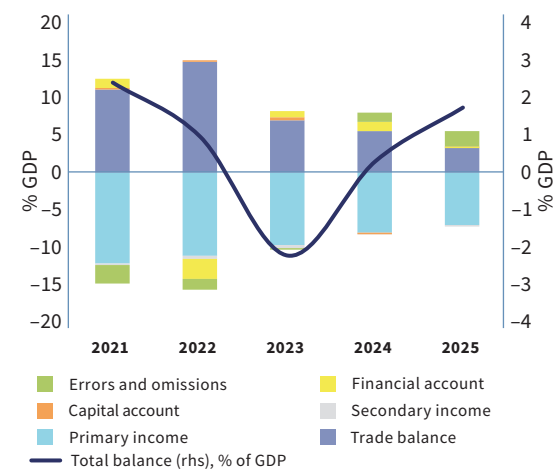
The balance of payments deficit widened to 1.8% of GDP in 2025, compared with 0.3% of GDP in 2024 (Figure 13). According to the NBRK's preliminary estimate, the current account deficit widened to 3.9% of GDP, compared with 2.7% of GDP a year earlier (Figure 13). The primary factor contributing to this change was a decrease in the trade surplus from 5.5% to 3.3% of GDP amid lower export earnings and import growth outpacing export growth. In addition, other current account components showed some improvement, with the primary income deficit narrowing to 7.1% of GDP from 8.1% of GDP in 2024 and the secondary income deficit also decreasing slightly.

The financial account balance narrowed to 0.2% of GDP, compared with 1.3% of GDP a year earlier⁴. The decline was driven by a decrease in foreign direct investment inflows to around USD 0.7 billion (from USD 3.9 billion in 2024) and an outflow of about USD 0.7 billion under other investment. That was accompanied by portfolio investment net inflows of around USD 0.5 billion, following outflows in previous years.

The KZT to USD exchange rate moved in response to several factors. The exchange rate came under pressure from lower oil prices, rising imports, seasonal demand for foreign exchange, and high inflation. The exchange rate was supported by sales of foreign exchange from the National Fund, sales of quasi-public sector entities, and sales from the National Bank's reserves

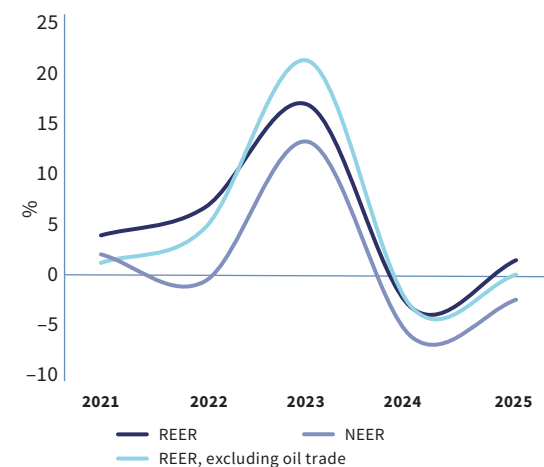
⁴ In this document, the indicator takes the following format: "+" indicates a capital inflow, while "-" denotes a capital outflow.

Figure 13. Balance of Payments



Source: NBRK.

Figure 14. KZT Exchange Rate

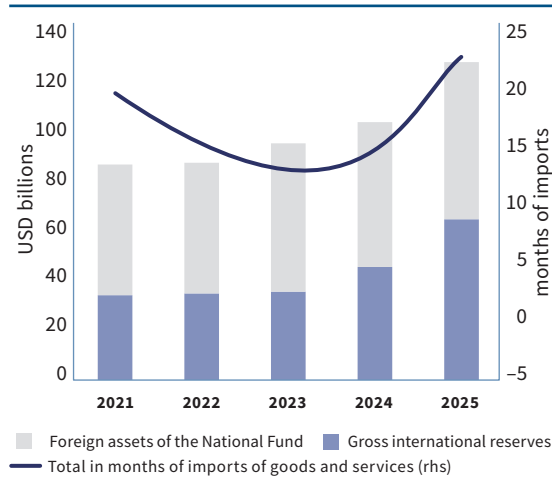


Source: NBRK.

as part of the strategy to sterilise the issuance used for the purchase of gold in the domestic market. Among external factors, the global depreciation of the USD is of particular note. In 2025, the KZT real effective exchange rate (net of oil trade) appreciated slightly by 0.1%, following depreciation of 3.2% in 2024.

Kazakhstan's consolidated international reserves reached USD 129.3 billion,

Figure 15. Gross International Reserves and Foreign Assets of the National Fund (eop)



Source: NBRK.

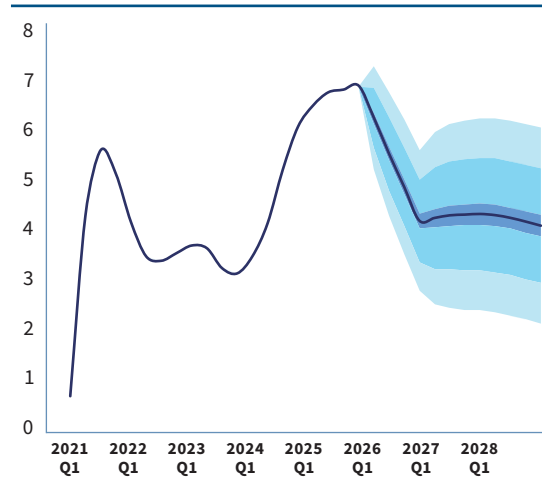
up USD 24.6 billion over the past year.

The positive trend was supported by several factors, including a 20% increase in physical gold reserves in 2025, along with the growth of global gold prices and the investment income generated by the National Fund. Monetary gold in reserves increased by USD 23.4 billion, while assets in freely convertible currencies decreased by USD 3.8 billion. Foreign currency assets of the National Fund grew by USD 5.1 billion, reaching USD 63.9 billion. In 2025, the National Fund achieved a record-breaking return on investment of USD 8.7 billion, though partially offset by drawdowns amounting to USD 10.2 billion.

MEDIUM-TERM OUTLOOK

We estimate that Kazakhstan's real GDP growth will reach 5.2% in 2026, following 6.5% growth in 2025. Despite the slowdown, growth rates are expected to remain relatively high and the positive output gap is predicted to persist (Figure 16).

Figure 16. Real GDP Growth, % YoY



Source: EFSD calculations.

The investment impetus associated with enhanced quasi-fiscal stimulus will play an increasingly significant role in sustaining high economic growth. The forecast anticipates a substantial increase in investment spending by the quasi-government sector, encompassing an expansion of Samruk-Kazyna's investment programme and financing through Baiterek Holding. Oil production is expected to remain at last year's level, as the Tengiz field reaches its peak production capacity. In addition, the potential for further growth is constrained by the risks associated with the CPC export infrastructure, as well as the negative operational factors which materialized earlier in the year.

Consumer demand will remain strong, but it is expected to slow down somewhat due to sustained tight monetary conditions coupled with measures to cool retail lending. Moderate growth in real household incomes will also act as a restraining factor.

In 2027–2028, the economy will gradually narrow the positive output gap and

TABLE 1. FORECASTS OF KEY MACROECONOMIC INDICATORS

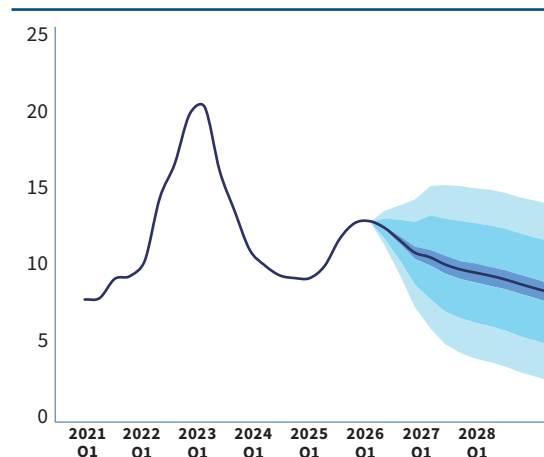
	2025 Actual	2026 Estimate	2027 Forecasts	2028 Forecasts
Real GDP growth, %	6.5	5.2	4.3	4.2
Inflation (Dec-on-Dec), %	12.3	10.1	8.9	7.8
Inflation (year-average), %	11.4	10.9	9.2	8.2
USD/KZT exchange rate (year-average)	522	531	564	581
TONIA rate (year-average), %	15.8	17.0	14.2	11.5

Source: national agencies and EFSD estimates.

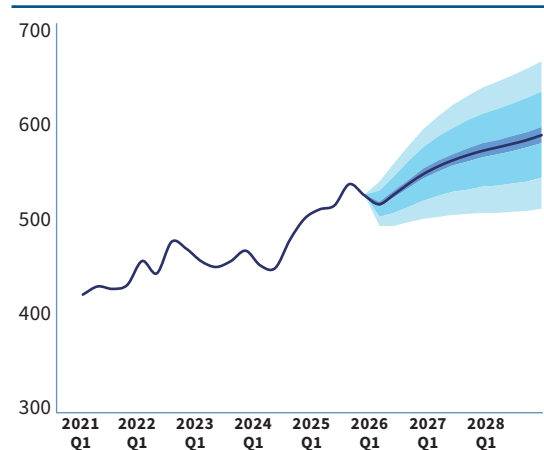
emerge from the phase of overheating through ongoing fiscal consolidation and sustained relatively tight monetary conditions. Against this background, economic growth will gradually approach the potential level of about 4–4.5%.

We estimate that inflationary pressures, which intensified in 2025, will begin to ease gradually (Figure 17). Another factor that will contribute to curbing inflation is administrative regulation of the growth of housing and utilities tariffs and fuel and lubricant prices, as well as an expansion of the list of socially important food products. As a result, inflation (December on December) is likely to fall from 12.3% in 2025 to 10.1% in 2026, 8.9% in 2027, and 7.8% in 2028. The year-average inflation is expected to remain higher — at 10.9% in 2026, gradually declining to 8.2% by 2028.

The KZT exchange rate will be supported by the sale of foreign exchange from the National Fund, foreign exchange transactions of the quasi-public sector, as well as a sustained high level of interest rates, making KZT instruments increasingly attractive. However, the exchange rate may face mounting pressure due to a gradual

Figure 17. Inflation, % YoY

Source: EFSD calculations.

Figure 18. USD/KZT Exchange Rate

Source: EFSD calculations.

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

Armenia

Belarus

Kyrgyz
Republic

Tajikistan

Risk
Scenario

decline in transfers from the National Fund, persistent inflation differentials with trading partners, and rising import demand associated with the implementation of major investment projects by the

quasi-public sector. In this context, we estimate the average annual exchange rate to be around KZT 530.8 per USD in 2026, followed by depreciation to KZT 563.5 in 2027 and KZT 581 in 2028 (Figure 18).

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External
Sector

Russia

Kazakhstan

ARMENIA



Armenia

Belarus

Kyrgyz Republic

Tajikistan

Risk Scenario



In 2025, economic growth was 7.2%. The economy accelerated sharply in Q4, driven by market factors; in their absence, GDP growth would have been around 6.0%, according to our estimates.

In 2026, economic growth is forecast to slow to 5.7%, with the economy shifting to a more sustainable and moderate growth trajectory. The primary factor contributing to this slowdown will be weaker consumer and investment demand as programmes promoting mortgage lending are phased out. However, domestic demand is expected to remain the primary driver of economic activity.

The external economic environment appears to be more volatile, which is likely to affect inflation. The projected hikes in international food and energy prices are likely to push the inflation rate in Armenia up to 4% December-on-December (compared with 3.3% a year earlier), which is at the upper end of the Central Bank's target range (3.0% ± 1.0%).

The budget deficit is expected to increase from 3.7% of GDP in 2025 to 4.2% on the back of faster growth in budget expenditures, mainly to finance higher current expenditure commitments in the social welfare, health, and education sectors.

Under the baseline scenario, the economic growth rate is projected to be close to its potential level (about 5.0%) in 2027–2028. Monetary policy is expected to focus on keeping inflation near the target in the medium term. Fiscal policy is projected to be more restrained, with the fiscal deficit down to 2.8% of GDP in 2028. The current account deficit will remain at around 4.6% of GDP in 2026–2028.

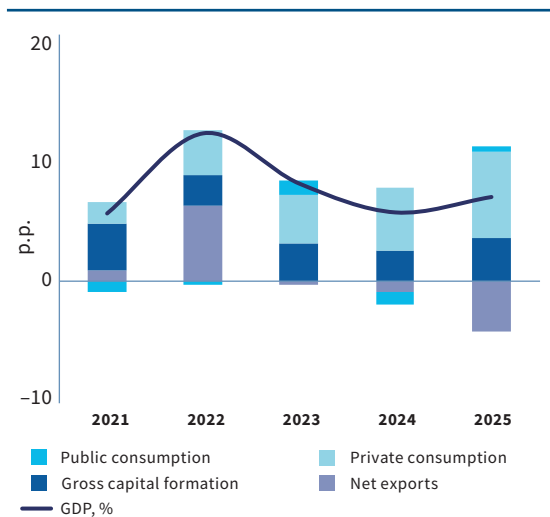
REAL SECTOR AND LABOUR MARKET

Armenia’s economy grew by 7.2% YoY in 2025, compared with 5.9% a year earlier, with the strongest surge in Q4 2025, when gold and precious metals re-exports resumed. As a result, the country’s GDP grew by 9.8% YoY in Q4 2025 after 6.2%

YoY in Q3. Seasonally adjusted estimates also indicate an acceleration in growth, from 1.9% QoQ in Q3 2025 to 2.4% QoQ in Q4 — markedly above the average quarterly growth over the past 3 years (1.6%).

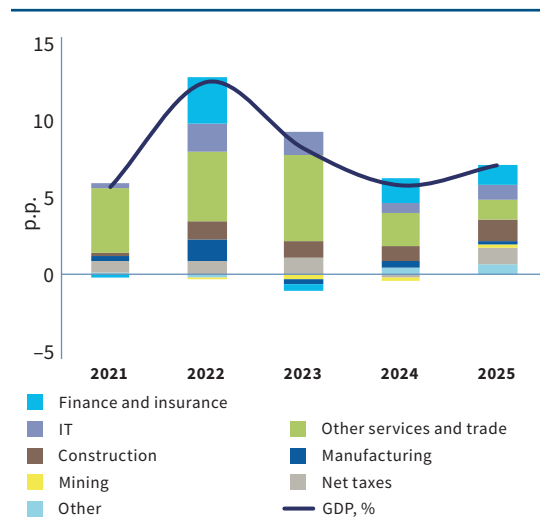
In general, domestic demand remained the main driver of growth in 2025, contributing 7.8 p.p. (Figure 1). Consumer activity was supported by high growth rates

Figure 1. Decomposition of GDP Growth (Expenditure Approach)



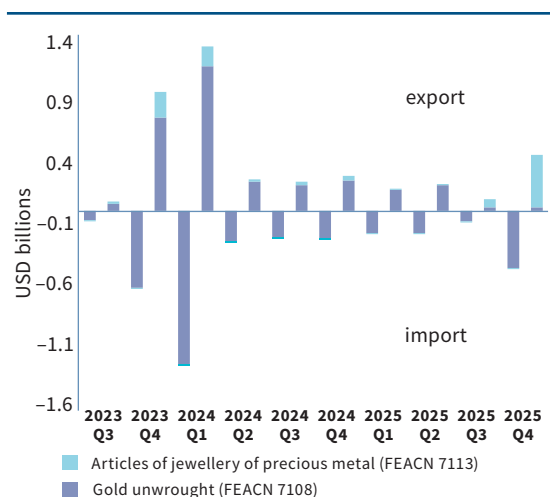
Source: Armstat.

Figure 2. Decomposition of GDP Growth (Production Approach)



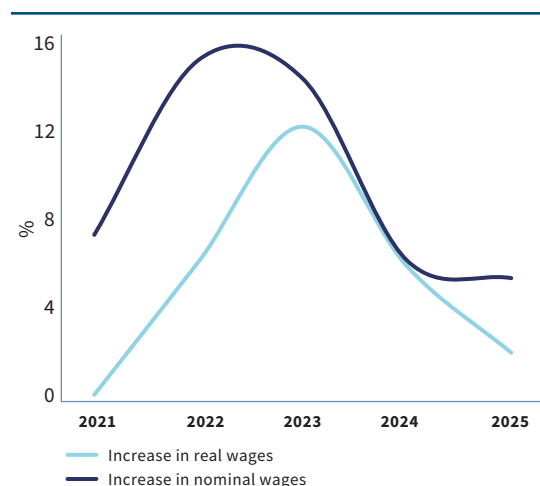
Source: Armstat.

Figure 3. Exports and Imports of Precious Metals

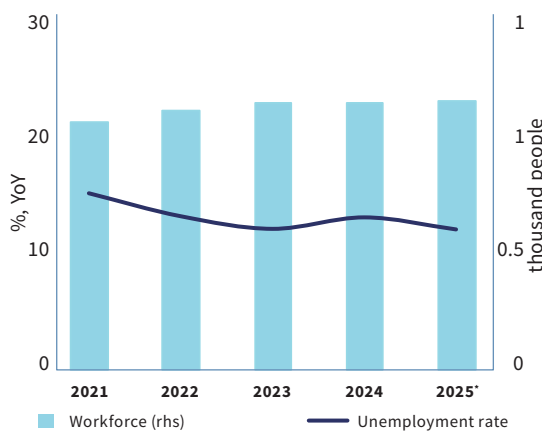


Source: Armstat.

Figure 4. Wages



Source: CB RA, Armstat.

Figure 5. Employment and Unemployment

*EFSD estimates.
Source: Armstat.

in consumer lending (29.6% YoY) and a surge in remittances (24.5%). Growth was further supported by investment demand (+3.7 p.p.), driven by robust housing construction and public investment. Despite the recovery of gold re-exports in Q4, the cumulative contribution of net exports remained negative at -4.3 p.p. for the year.

In terms of sectors, the major contributions to economic growth were made by construction (1.5 p.p.), finance (1.3 p.p.), and information and communications (1.0 p.p.) (Figure 2). Manufacturing trends during the year were subdued and the growth of 2.0% YoY was driven by stepped-up operations with gold and precious metals in Q4. This was also an important factor contributing to the stronger economic momentum — in the absence of re-exports, GDP growth would have been around 6.0% (Figure 3)¹, in line with our projections for 2025.

¹ Based on the assumption that the growth of the Manufacture of Basic Metals subsector (code 24) in manufacturing in Q4 2025 was driven by gold re-exports, GDP growth was re-estimated using the production approach, excluding this factor.

Stronger economic growth in 2025 translated into moderate growth in labour demand and lower unemployment. With a 0.2% increase in employment in 2025, the unemployment rate fell to 12.4% compared with 13.4% in 2024 (Figure 5). That was accompanied by further deceleration of annual growth in real wages, down to 2.2% from 6.1% a year earlier (Figure 4).

INFLATION AND MONETARY TRENDS

Inflation remained moderate and close to the target range in 2025. In December 2025, inflation was 3.3% (compared with 1.5% in December 2024), while annualised core inflation increased to 4.3% (compared with 0.9% in December 2024). The data observed throughout the year indicate a brief period in which inflation exceeded the target range — it rose to 4.3% YoY in May, primarily due to price hikes for certain food items (fruit and vegetables). However, price rises were back to 3.9% YoY as soon as June, followed by a slowdown. In general, the main driver of price growth in 2025 was food products (2.1 p.p.). Services accounted for 1.0 p.p., while the contribution of non-food products was negligible at 0.2 p.p. (Figure 6). The first months of 2026 suggest that inflationary pressures are rising, with inflation reaching 3.8% in January 2026 and 4.3% YoY in February.

In 2025, the Central Bank continued its cycle of rate cuts, but the effect of this easing on banking sector interest rates remained limited. During the year, the regulator cut the rate on two occasions: in February and in December, by a total of 50 bps

BOX 1

REGULATOR'S OPINION: OVERVIEW
OF UNIQUE FEATURES OF ARMENIA'S
BANKING SECTOR²

The CB RA has conducted a study to estimate structural demand for loans and deposits in Armenia's banking sector in 2012–2024, which provides a more accurate picture of competition between banks. The findings indicate that the banking sector in Armenia is segmented by currency and maturity, and price sensitivity to interest rates differs significantly between the loan and the deposit markets. In the loan market, demand is more sensitive to interest rates, with elasticity of demand ranging from 7 to 15*. In contrast, the elasticity of demand in the deposit market is at the level of 0.5–3.5*. The lower sensitivity to interest rates observed in the deposit segment is indicative of the significant role played by non-price factors, such as trust in the bank, its reputation, convenience of service, etc. During periods of shocks and consolidation, including in 2015–2016, customers' sensitivity to interest rates generally declined. Therefore, it can be inferred that market rates on loans and deposits are determined by more than just changes in the Central Bank's key rate.

* Price elasticity is a measure of change in demand when the interest rate changes by 1%. The study applies a structural demand model based on quarterly data on banks, currencies, and maturities of banking products to estimate these parameters.

² Central Bank of Armenia. Elasticities at the Crossroads: Measuring Competition in Armenia's Banking Sector. WP-2025-07. Available at: <https://www.cba.am/en/Publication/9307/>.

to 6.5% per annum³. In the banking sector, adjustments in interest rates on loans and term deposits were moderate. In particular, while weighted average interest rates on term deposits in the local currency decreased by 0.2 p.p. in 2025, those on loans, by contrast, increased by 0.5 p.p. (Figure 7).

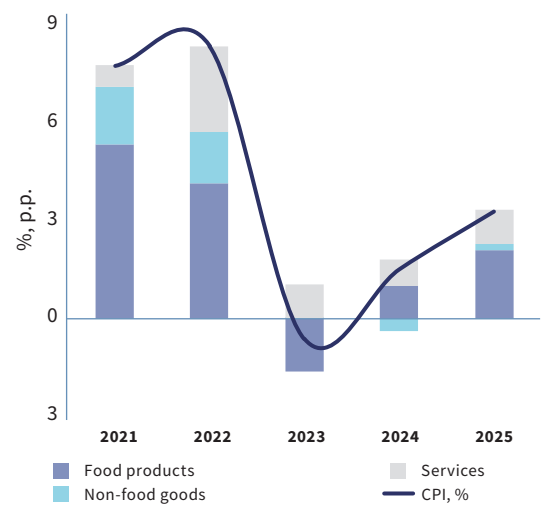
Despite a slight slowdown in lending in the second half of the year, loan growth rates remained strong for the year.

³ At the meeting of the CB RA Board held on 16 December 2025, a resolution was passed to cut the refinancing rate by a further 0.25 p.p., setting it at 6.5%. Available at: https://old.cba.am/EN/News/Pages/news_16122025.aspx#sthash.MVQWIW5e.dpbs

In 2025, the growth was 23% compared with 24.2% in 2024 (Figure 8). The slowdown was seen primarily in mortgage loans given the high 2024 base⁴. Lending to construction, consumer lending, and lending to the services sector remained strong (around 30% YoY). At the same time, in the context of active lending, the banking system maintained robust financial soundness indicators: the share of non-performing loans remained at a minimal level, just 1.3% (Figure 9).

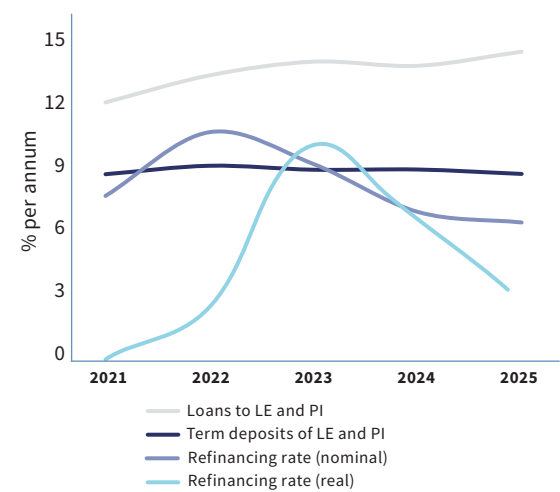
⁴ A spike in lending due to the completion of the government programme, which envisaged compensation of interest payments under mortgage loans in Yerevan.

Figure 6. Inflation (YoY, eop)



Source: Armstat.

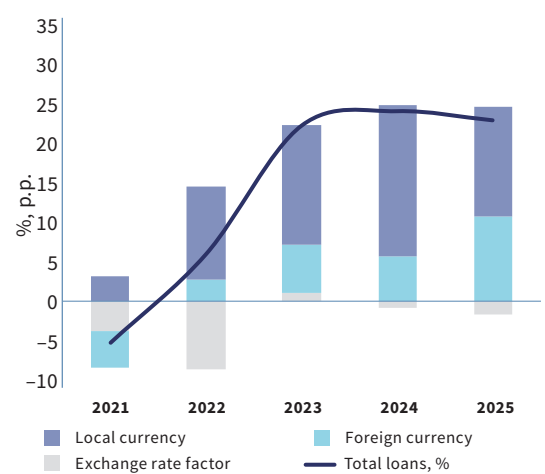
Figure 7. Interest Rates (eop)



Note: The Figure shows interest rates on new loans and deposits.

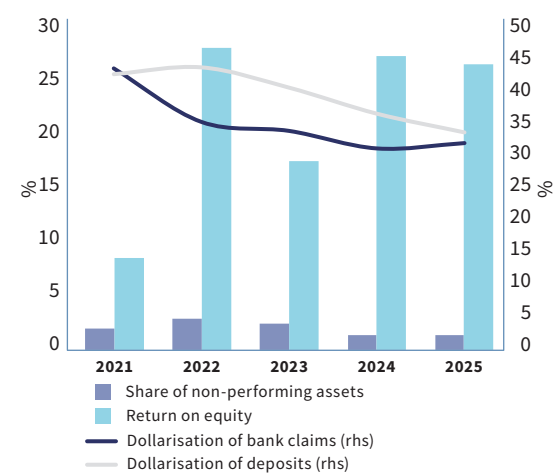
Source: CB RA, Armstat.

Figure 8. Increase in Commercial Bank Loans



Source: CB RA.

Figure 9. Banking Sector Indicators



Source: CB RA.

FISCAL SECTOR AND PUBLIC DEBT

We estimate that fiscal policy was neutral in 2025. That year, the state budget recorded a primary deficit of 0.6% of GDP, which was in line with the previous

year's level. The overall deficit of 3.7% of GDP (against the planned 5.5% of GDP) was due to expenditures being lower than approved budget plans, while revenues exceeded the plan (Figure 10).

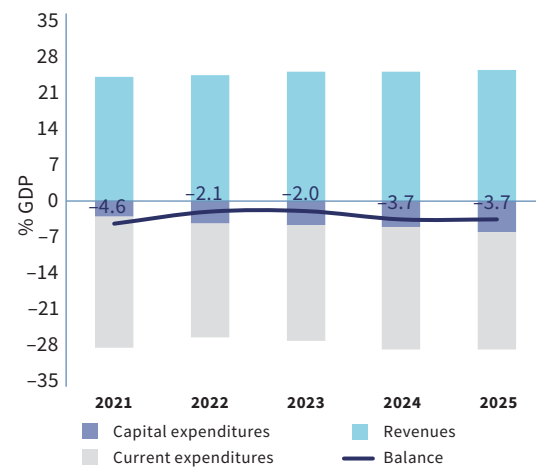
Budget revenues increased due to the tax collection being more efficient than

anticipated, which offset a decline in non-tax revenues and grants. Tax revenues increased to 25.4% of GDP (up 0.6 p.p.), mainly due to a notable growth in VAT (up 0.7 p.p.) and profit tax (up 0.3 p.p.) collection. The increase in these taxes was due to improved efficiency of tax administration and the realisation of deferred tax liabilities under construction projects that arose a year earlier. At the same time, a decrease in revenues was recorded for certain items, notably environmental charges (-0.4 p.p.), due to a decline in royalties, and customs duties (-0.1 p.p.). Against the background of a 0.5 p.p. decrease in non-tax revenues and grants, total budget revenues increased by 0.2 p.p. to 25.5% of GDP.

Despite not meeting the 2025 spending plan, the actual level of expenditures increased by 0.2 p.p. to 29.2% of GDP, solely due to higher capital expenditures. Despite falling short of the plan by 5.7%, investment expenditures grew, reaching 6.1% of GDP (up 0.8 p.p.), with most of this funding going to infrastructure projects and defence. However, current expenditures, for which the plan was missed by 3.5%, decreased to 23.1% of GDP (-0.6 p.p.). A decline was seen in almost all items, but most notably in transfers, social benefits, and pensions (-0.6 p.p. in total), partly due to the lower than expected number of pension benefit recipients.

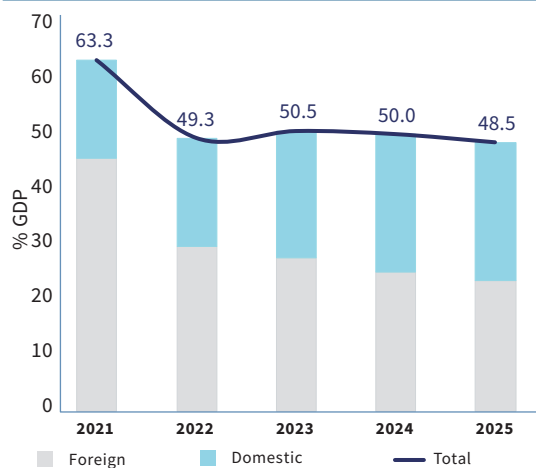
The public debt level decreased from 50.0% of GDP in 2024 to 48.5% of GDP in 2025. GDP growth and local currency exchange rate appreciation were the factors contributing to debt pressure easing (Figure 11).

Figure 10. State Budget



Source: Ministry of Finance of the Republic of Armenia.

Figure 11. Public Debt



Source: EFSF estimates.

EXTERNAL SECTOR⁵

The current account deficit widened to 5.0% of GDP in 2025 from 4.6% of GDP a year earlier. The balance of trade in goods deteriorated against the background of a decrease in the volume of re-exports of precious metals and stones compared

⁵ EFSF estimates.

with 2024 (Figure 3): exports of goods in value terms decreased by 36.1%, while imports of goods fell by 23.6%. In parallel, the external sector experienced a recovery in tourist flows and growth in remittances: the number of tourists increased by 2.5% YoY, while the inflow of remittances grew by about 24.5%, boosted by the RUB appreciation against the USD (Figure 12).

Inflows under the financial account were about 7.2% of GDP (compared with 2.5% a year earlier). The primary source was portfolio investment (3.0% of GDP), along with other investments (3.2% of GDP) — the inflow under this item was attributed to a reduction of foreign assets and an increase in liabilities to non-residents.

During 2025, the CB RA purchased foreign exchange in the amount of USD 1.8 billion to offset excessive appreciation of the local currency. In 2025, gross international reserves increased substantially, by 38.0% to USD 5.1 billion compared with 2024⁶ (4.0 months of imports)⁷.

The Armenian dram depreciated slightly. The real effective exchange rate depreciated by 2.7% YoY in December, mainly due to depreciation against the Russian rouble (26.2%) and the euro (7.6%) (Figure 13).

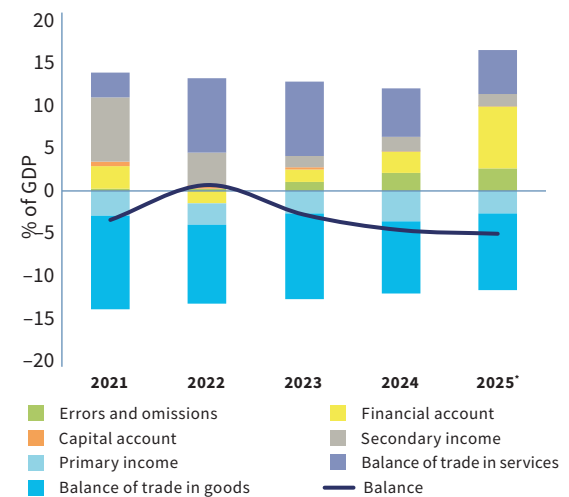
MEDIUM-TERM OUTLOOK

In 2026, Armenia's economy is expected to shift to a more sustainable and moderate growth trajectory. We

⁶ In January 2026, gross international reserves grew to USD 5.2 billion

⁷ EFSD estimates

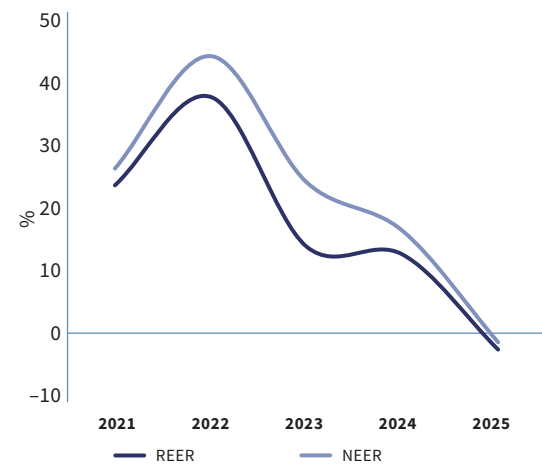
Figure 12. Balance of Payments



*EFSD estimates.

Source: CB RA.

Figure 13. Real and Nominal Effective Exchange Rate (YoY)



Note: (+) means REER appreciation.

Source: CB RA.

estimate that real GDP will grow by 5.7%. However, the downward trend in economic activity is expected to be less pronounced than previously projected, with the growth estimate for 2026 being revised upwards by 0.9 p.p. compared with the previous forecast. This is due to the shift of positive fiscal impetus from

2025 to 2026, as well as the expected increase in mining sector output following the opening of the Amulsar gold mine. An additional source of growth may be derived from increased tourist traffic due to COP17 and the 8th European Political Community Summit. Consumer loans and strong activity in the construction sector, despite a slight cooling, will continue to support growth.

In the medium term, the economy is expected to move to a more balanced growth trajectory (around 5%)⁸. Although consumer and investment demand are projected to slow down gradually, it will continue to be a fundamental factor in determining economic trends. Support from lending and domestic investment, particularly in housing construction, will continue (until the end of the mortgage interest compensation programme).

The baseline scenario has both downside and upside risks associated with domestic and external factors (see [Risk Scenario](#) for more details).

In 2026, the positive output gap and the external inflationary environment are expected to remain the key drivers of pressure on prices. Given the acceleration of inflation in February (above the CB RA target), the expected escalation of price pressures, and the planned more expansionary fiscal policy, monetary policy tightening is likely to be warranted. In the medium term, inflation is expected to be within the target range of 3% ($\pm 1.0\%$).

Fiscal policy will be more expansionary in 2026 due to faster growth in current expenditures; however, gradual consolidation is expected in 2027–2028, which will reduce the overall deficit and move the primary balance into surplus. Following the expected increase in government expenditures to 29.7% of GDP in 2026 (with pension increases planned from April 2026, but not included in the approved government budget), they are projected to stabilise at 28–29% of GDP in 2027–2028. Government revenues will gradually increase as a result of tax reforms, including the optimisation of tax expenditures and improved efficiency of tax administration. Growth in tax revenue will also be supported by higher excise taxes and stamp duties, driven by annual rate increases on tobacco and alcohol, as well as phased-in property tax increases through 2026⁹. Taxes are projected to reach 24.4% of GDP by the end of 2028 (compared with 24.1% of GDP in 2025). The fiscal deficit, projected at 4.2% in 2026, is expected to narrow to 3.5% and 2.8% of GDP in the subsequent two years, while the primary balance in those years is projected to be in surplus at 0.2–0.7% of GDP. The process of consolidation, in terms of expenditures and their composition, will be determined by the need to maintain debt stability: according to the fiscal rule, when public debt reaches the range of 50–60% of GDP, the growth of current expenditures should be limited to the average GDP growth over the previous 7 years. Therefore, the Government of Armenia is developing a programme to reduce the debt burden, which involves current expenditure cuts in 2027–2028, compared with 2026.

⁸ CB RA estimate published in its Inflation Report dated 16 September 2025: (potential level of 4.5–5.0%) https://old.cba.am/AM/ppperiodicals/MPR_2025Q3_ARM.pdf.

⁹ Tax Code of the Republic of Armenia, Articles 88 and 233: <https://www.arlis.am/hy/acts/205595>

Under the baseline scenario, the current account deficit is expected to remain at a moderately sustainable level of 4–5% of GDP. The deficit is projected to narrow from 5% in 2025 to 4.5% of GDP in 2026, mainly driven by exports outpacing

imports following the opening of the Amulsar gold mine. In 2027–2028, the current account deficit will average 4.4% of GDP. Meanwhile, international reserves will remain stable at 3.8 months of imports between 2026 and 2028.

TABLE 1. FORECASTS OF KEY MACROECONOMIC INDICATORS

	2024 Actual	2025 Actual	2026 Estimate	2027 Forecasts	2028 Forecasts
National accounts and prices (%)					
Nominal GDP					
AMD billions	10,193	11,317	12,564	13,646	14,820
USD billions	25.9	29.2	32.7	34.5	36.8
Real GDP growth	5.9	7.2	5.7	5.0	5.0
CPI (December, YoY)	1.5	3.3	4.0	3.0	3.0
Money and credit (eop)					
Broad money, % change	13.7	17.8	16.2	11.5	9.3
Public finance (% of GDP)					
Revenues and grants	25.3	25.5	25.5	25.5	25.6
Tax revenues	23.5	24.1	24.2	24.3	24.4
Fiscal spending	29.0	29.2	29.7	29.0	28.3
Current expenditures	23.7	23.1	24.1	23.7	22.9
Capital expenditures	5.3	6.1	5.6	5.3	5.4
Budget balance («-» deficit / «+» surplus)	-3.7	-3.7	-4.2	-3.5	-2.8
External sector (% of GDP)*					
Current account	-4.6	-5.0	-4.5	-4.4	-4.4
Foreign direct investment	0.5	1.6	1.7	1.8	1.8
Gross reserves, months of imports of goods and services	2.2	4.0	3.8	3.8	3.8

* Estimate for 2025.

Source: national agencies and EFSD estimates.



Chief
Economist's
Foreword

Executive
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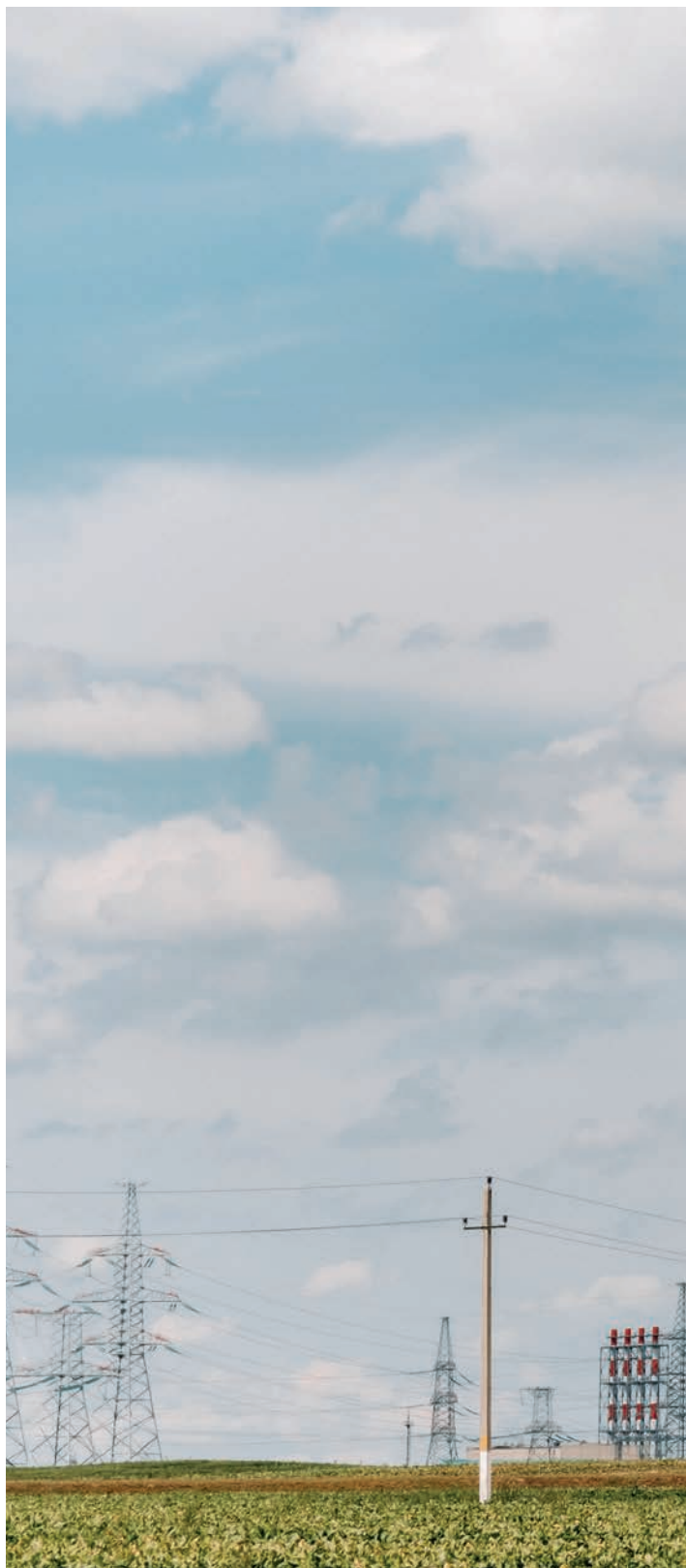
External
Sector

Russia

Kazakhstan



BELARUS



Armenia

Belarus

Kyrgyz
Republic

Tajikistan

Risk
Scenario



Belarus' economy experienced a slowdown in 2025. Real GDP growth was 1.3% in 2025 (compared with 4.4% in 2024). The key factors behind the lower growth were weak external demand and slower consumer activity. The economy was supported by investment growth in 2025, although its momentum slowed significantly towards the end of the year.

Inflation was 6.8% YoY in 2025 (compared with 5.2% in 2024). The background of elevated inflation in Russia, coupled with a sharp rise in prices for fruit and vegetables and loosened price controls, led to inflation accelerating in the first half of the year. As the economy slowed in the second half of the year, pro-inflationary factors eased, contributing to lower price growth.

Contracting external demand, on the one hand, and weakening domestic demand, on the other hand, helped to keep the foreign trade deficit at the same level as in the previous year. There was no heightened volatility in the foreign exchange market, and the National Bank's purchase of foreign exchange in the domestic market contributed to the replenishment of reserves.

In the medium term, the combination of relatively weak external demand and cooling domestic demand is expected to result in further deceleration of economic growth. The negative effects of the weak economic activity in late 2025 will feed through to the real GDP growth rate in 2026, which is expected to be around 0.4%. In the years ahead, economic growth is projected to remain close to its equilibrium level of 1–2%. Inflation will gradually approach the medium-term target of 5% as the pressure from domestic demand eases, labour market tensions lower, and price growth slows in Russia.

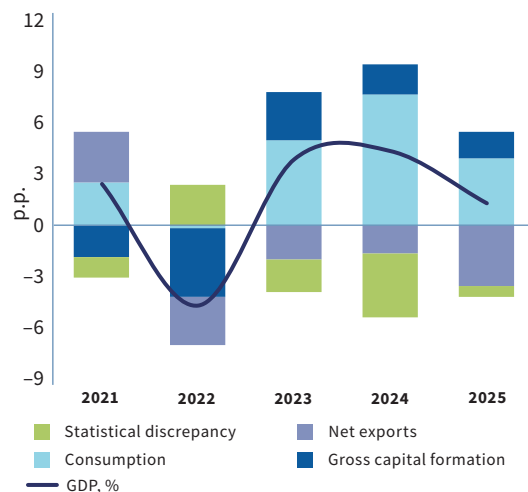
REAL SECTOR AND LABOUR MARKET

There was a significant slowdown in economic activity in Belarus in 2025. Real GDP growth was 1.3% YoY in 2025 against 4.4% YoY in 2024. That was accompanied by cooling of the economy, which became most pronounced from Q2 2025 onwards. We estimate the seasonally adjusted real GDP growth in the last three quarters of 2025 at close to zero — by comparison, the average quarterly growth in 2024 was around 0.8%. As a result, the positive output gap narrowed gradually.

Economic activity in Belarus was affected by lower external demand and a slowdown in the growth of domestic consumption. At the same time, although cooling, domestic consumption remained a key driver of economic growth (Figure 1), contributing positively to real GDP growth in 2025 (+4 p.p. compared with 7.6 p.p. in 2024). Real trade growth increased by 6.6% in 2025, though seasonally adjusted estimates indicate near-zero growth since Q2.

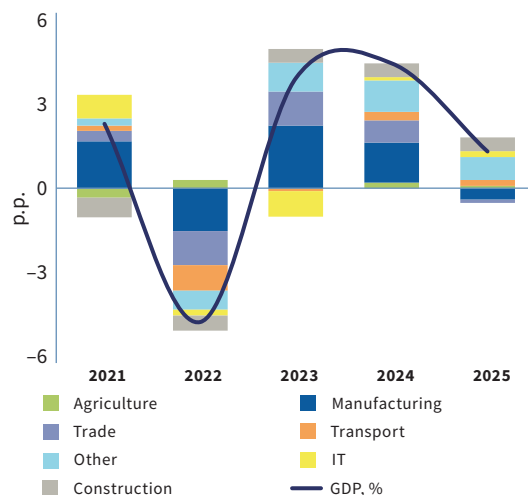
Investment supported economic growth in 2025. Capital investment growth was 11.3% YoY in 2025 (compared with 10.4% a year earlier). In our view, sustained high growth was enabled by expansionary investment policies focused on extensive tax incentives from 2024 onwards. In 2025, investment grew mostly thanks to bank loans (up 45.6% YoY), including concessional loans (+67.8%), as well as local budget funds (up 25.3%). However, the cumulative effect of the measures taken earlier was gradually diminishing: seasonally adjusted investment posted an 8.5% decline in Q4 2025.

Figure 1. Decomposition of GDP Growth (Expenditure Approach)



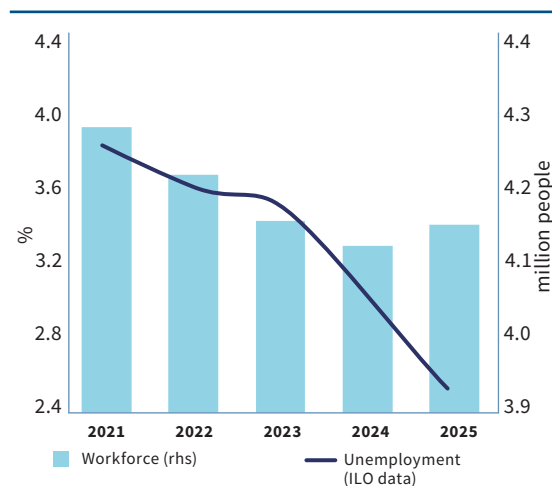
Source: Belstat.

Figure 2. Decomposition of GDP Growth (Production Approach)



Source: Belstat.

Amidst a decline in industry, it was construction and the services sector that became key drivers of economic growth. In the context of weak external demand, industrial output contracted by 1.8% YoY in 2025. Industrial stagnation was accompanied by a further increase in inventories, which reached 80.3% of average monthly output in December

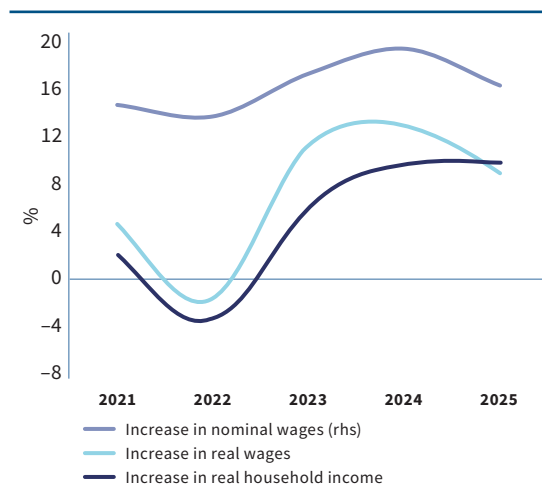
Figure 3. Employment and Unemployment

Source: Belstat.

2025 (compared with 63.5% a year earlier). Meanwhile, the situation in different industry sub-sectors is mixed, as evidenced by an increase in the share of loss-making entities (up from 13% to 16.8% of the total number) alongside a general rise in net profits (up 35.5%) and return on sales (up from 8% to 9%) across the industrial sector as a whole. The wholesale trade sector was adversely affected by a decline in export shipments, with the sector contracting by 4.9% YoY in 2025, following growth of 3.1% YoY the previous year. Supported by rising investment, construction, by contrast, contributed positively to economic activity. Growth in the IT and services sectors also continued in 2025 (Figure 2).

Although the slowdown in economic activity and the attraction of international migration contributed to gradual easing of the situation in the labour market, it remained tense. The unemployment rate¹ continued to decline, reaching a record low 2.5% in 2025

¹ Based on the ILO criteria

Figure 4. Wages

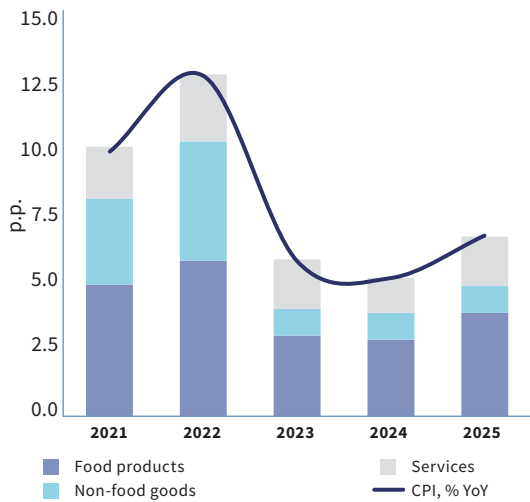
Source: Belstat.

(3.0% a year earlier). The number of persons in employment increased by 0.7% YoY in 2025, its first rise after a 1% annual decline over the previous 5 years (Figure 3). These developments could be the result of measures designed to encourage the employment of foreign nationals, which partially offset the negative effects of demographic factors. Stronger control over recording persons not employed in the economy was introduced in 2025, which also contributed to the outcome. The growth in the number of persons in employment occurred against a backdrop of economic slowdown and increased inflation, which, combined, weakened real wage growth (Figure 4).

INFLATION AND MONETARY TRENDS

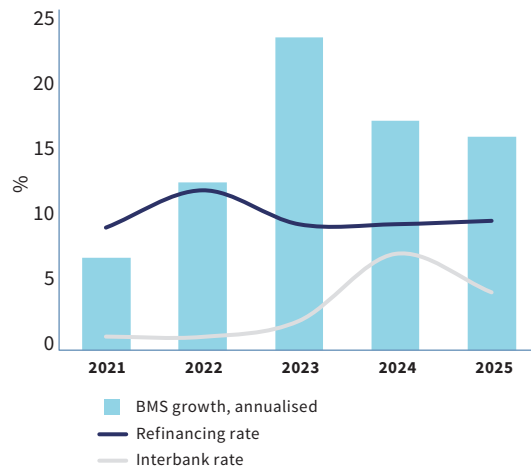
Although inflation in Belarus remained elevated in 2025, the pressure from pro-inflationary factors gradually eased. Consumer price growth was 6.8% YoY in 2025 (compared with 5.2% in 2024), with the target being “no more than 5%”

Figure 5. Decomposition of Inflation



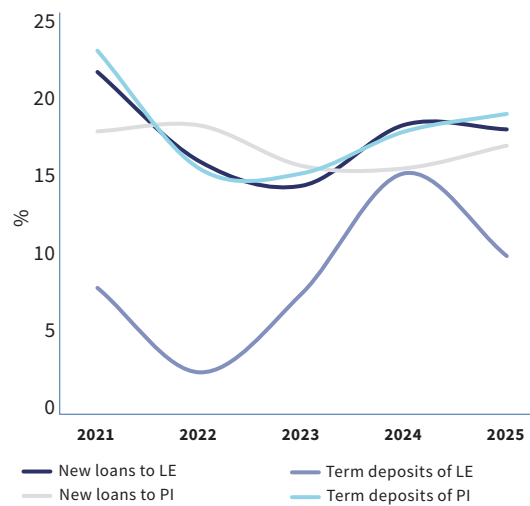
Source: Belstat.

Figure 6. Monetary Indicators (eop)



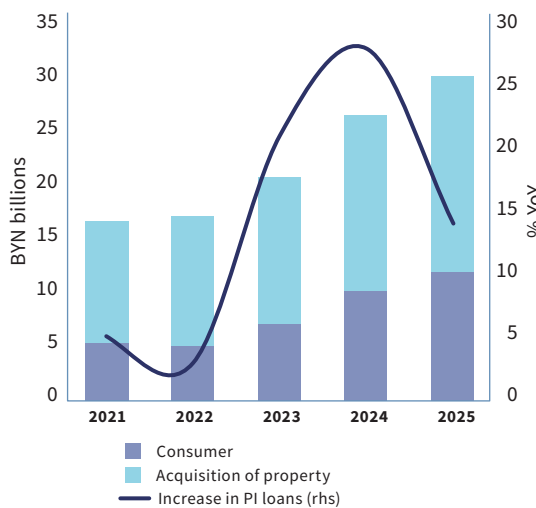
Source: NBRB.

Figure 7. Interest Rates on New Loans and Deposits



Source: NBRB.

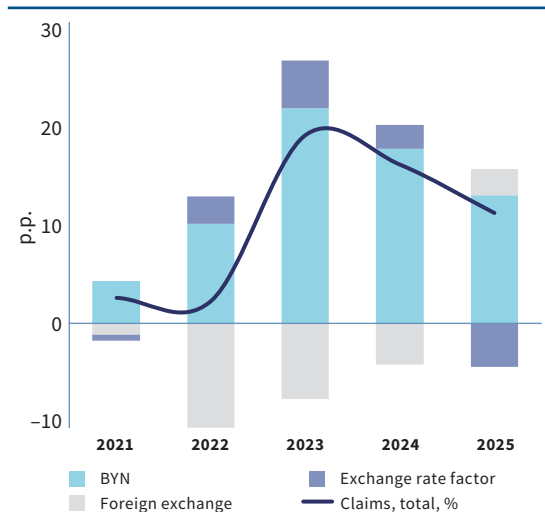
Figure 8. Loans to Households (eop)



Source: NBRB.

(Figure 5), while core inflation accelerated to 7.3% (compared with 5.5% in 2024). Pro-inflationary factors were more pronounced in the first half of the year and were driven by high inflation in Russia, rapid growth in prices for fruit and vegetables due to a poor harvest a year earlier, and the current domestic overheating of the

economy. The reduction of the list of commodities under price control also had a short-term pro-inflationary effect. In the second half of 2025, the impact of the above factors gradually diminished, while exchange rate appreciation against the USD helped limit imported inflation. In particular, the seasonally adjusted annualised inflation

Figure 9. Decomposition of Annual Increase in Banks' Claims on the Economy

Source: NBRB.

rate in Q4 2025 is estimated at 4.2%, compared with 11.5% in Q2 and 10.3% in Q3.

Monetary policy was aimed at maintaining a balance between the goals of limiting inflation and promoting investment. The National Bank remained committed to implementing differentiated interest rate and macroprudential policies across various segments of the credit and deposit markets. This is evident in higher interest rates in the retail banking sector, alongside restrained growth and/or cuts in corporate rates (Figures 6 and 7). In 2025, the NBRB raised the prudential EVSR ratios² for new loans and long-term retail deposits (from 18.2% and 15.3% to 19.1% and 15.6%, respectively). At the same time, a new category of investment loans was introduced for the corporate sector, for which the EVSR was reduced from 12.9% in March 2025 to 12% by the end of the year. A slowdown in credit growth (16.6% YoY

² Estimated value of standard risk. Banks setting interest rates above the prescribed threshold is considered a risky business model, leading to the imposition of stricter prudential requirements.

compared with 26.8% in September 2025 and 45.9% in 2024, Figure 8) was caused by rising interest rates on loans to households. Meanwhile, the overall growth of claims of banks and the Development Bank on the economy also slowed to 10.8% YoY in 2025 (following 12.6% YoY in September 2025 and 17.2% in 2024, Figure 9).

EXTERNAL SECTOR

Against the backdrop of sluggish external and weakening domestic demand, the trade deficit persisted.

The current account deficit was 1.9% of GDP in 2025 (2.1% of GDP a year earlier), which is fully attributable to a deficit in trade flows (Figure 10). It is important to note that while exports and imports of goods and services in value terms grew slightly (up by 4.2% and 4.6%, respectively), exports and imports fell in relative terms, to 54.9% and 56.9% of GDP, respectively (compared with 63.1% and 65.1% of GDP a year earlier). This situation is driven by the dollar equivalent of GDP growing rapidly (by 17.1%) due to the BYN appreciating against the USD.

The financial account remained in surplus. Inflows under the financial account increased markedly to 3.2% of GDP following an inflow of 0.4% of GDP a year earlier. It was primarily shaped by the reinvestment of income by foreign direct investors (1.4% of GDP) and inflows under other investments (2.5% of GDP), which were driven by a reduction in foreign assets (drawn from foreign currency cash and deposits accumulated in previous years).

The improved balance of payments contributed to the NBRB's foreign

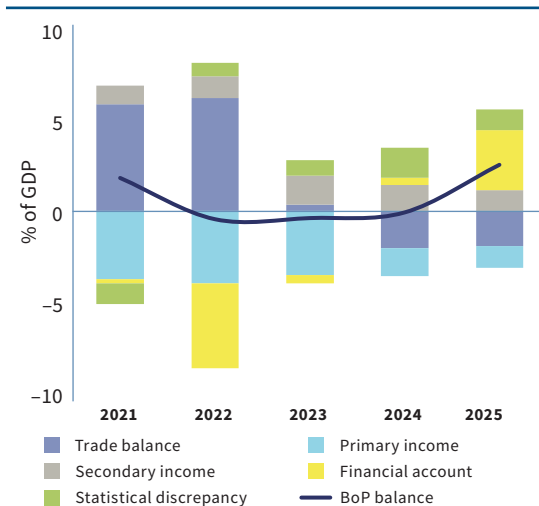
exchange purchases and BYN stability. In 2025, the situation in the domestic foreign exchange market was characterised by a net supply of foreign exchange, including around USD 1.6 billion from households. This situation facilitated purchases of foreign exchange in the domestic market to replenish reserves, thereby curbing the exchange rate appreciation. In 2025, the BYN appreciated by 15.7% against the USD (December-on-December), largely following the patterns of the RUB exchange rate. However, the average nominal effective exchange rate depreciated by 1.9% over the year.

The increase in world gold prices and the purchase of foreign exchange in the domestic market contributed to a rise in the National Bank’s reserves. In 2025, the increase in global gold prices alone contributed to a rise in gross international reserves by USD 2.9 billion. In parallel, the NBRB bought foreign exchange on the domestic market. Cumulatively, the official reserves and other foreign currency-denominated assets of the NBRB increased by USD 4.8 billion in that period and stood at USD 16.1 billion (3.7 months of imports) on 1 January 2026 (Figure 11).

MEDIUM-TERM OUTLOOK

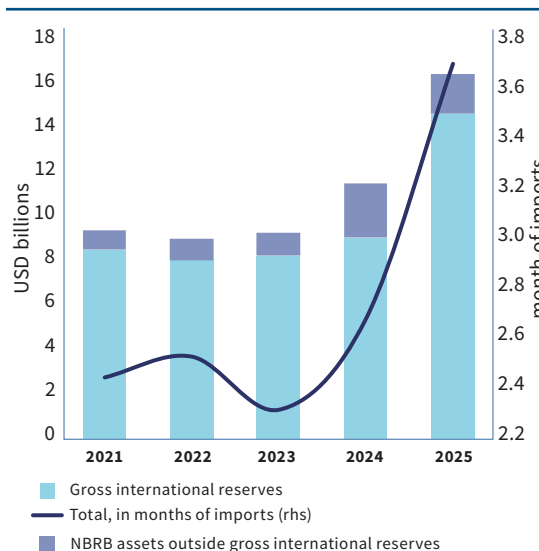
The 2026 economic growth and inflation estimates for the Republic of Belarus have been revised downwards compared with the previous forecast. Real GDP growth in 2026 is expected at about 0.4%, down from the previous estimate of 1.1%. This is largely due to the carry-over effect of the faster-than-expected economic slowdown in Q4 2025,

Figure 10. Balance of Payments



Source: NBRB, Belstat.

Figure 11. NBRB’s Foreign Currency Assets

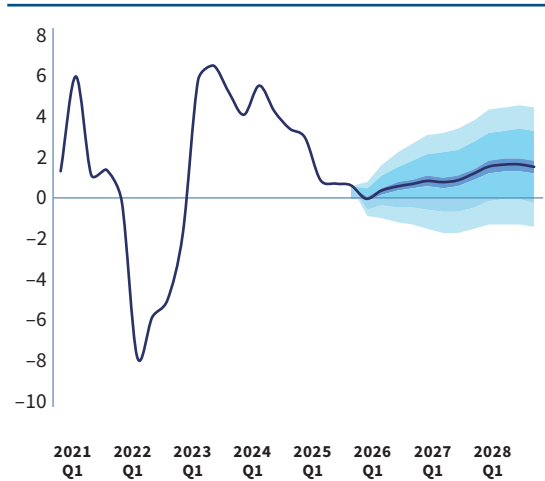


Source: NBRB, EFSD estimates.

particularly with regard to a contraction in investment activity. The expected inflation estimate for 2026 was also revised downwards based on more pronounced economic cooling and a stronger BYN.

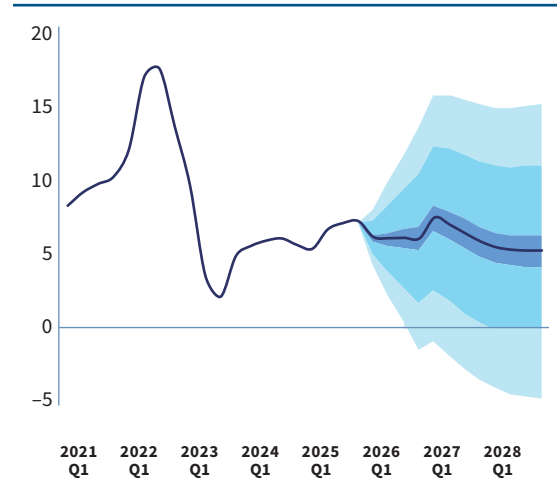
We expect that both domestic and external economic conditions will remain broadly unchanged. Limited labour supply will

Figure 12. Real GDP Growth, % YoY



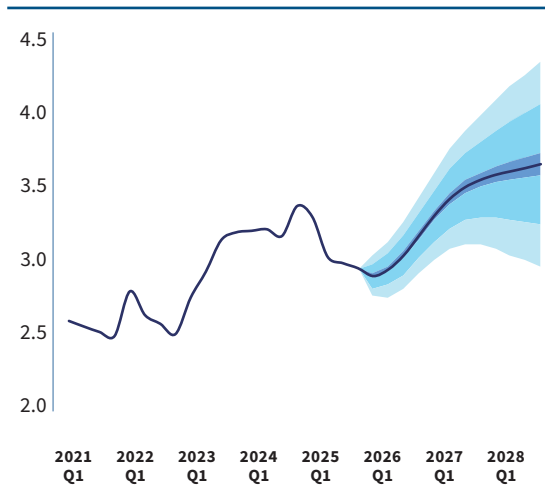
Source: EFSD calculations.

Figure 13. Inflation, % YoY



Source: EFSD calculations.

Figure 14. USD/BYN Exchange Rate



Source: EFSD calculations.

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

economic growth in Belarus. Real GDP growth is projected at 0.4% in 2026 (Figure 12), and then the economy is expected to grow by 1–2% in 2027 and 2028. The positive output gap is expected to close in the first half of 2027. The slowdown in economic activity will be accompanied by relatively high but more moderate wage growth in the face of structural labour market constraints, reaching around 6% in 2026 and settling at a more balanced rate of 2–4% in 2027–2028.

continue to put pressure on wage growth. Monetary and fiscal policies will aim to maintain the macroeconomic equilibrium by balancing the need to curb inflationary pressures with the need to support economic growth.

REAL SECTOR

Weak external demand and cooling domestic demand will be the key factors behind the slowdown in

INFLATION AND MONETARY POLICY

A gradual easing of the pro-inflationary effect of domestic demand, alongside stabilisation of external inflationary factors, will result in slower price growth. Under these conditions and given the effects of the rather strong BYN, inflation is expected to reach around 6% in 2026,

with a target value of no more than 7%. In subsequent years, as key macroeconomic indicators approach their equilibrium, inflation is expected to be within the range of 5–6%, with further progress towards the medium-term target of 5% in 2028 (Figure 13). In our view, these price trends create conditions that enable gradual price control easing without the need for significant monetary policy tightening.

FISCAL SECTOR

It is projected that fiscal policy will aim to partially offset weak demand in 2026. The consolidated budget balance is expected to be in deficit of 0.5% of GDP. Given relatively stable budget revenue, we believe that one of the areas of fiscal support will be wage growth in the budgetary sector. However, the overall wage momentum will slow amid limited pay growth in the private sector as the

economy cools. The primary balance will be in surplus at around 0.5% of GDP in 2026–2028.

EXTERNAL SECTOR

The projected slowdown in domestic demand growth will contribute to maintaining the external balance.

The current account deficit is projected at 1% of GDP in 2026, followed by a gradual decline to 0.2% of GDP by 2028. A slowdown in domestic demand growth and some improvement in the terms of trade due to the nominal exchange rate pattern will contribute to curbing the current account deficit (Figure 14). Public debt repayments and service payments will put pressure on the NBRB's reserves. However, the NBRB's total foreign assets are expected to be within the range of 3–3.5 months of imports of goods and services.

TABLE 1. FORECASTS OF KEY MACROECONOMIC INDICATORS

	2024 Actual	2025 Actual	2026 Estimate	2027 Forecasts	2028 Forecasts
National accounts and prices, %					
Nominal GDP, BYN billions	255.1	290.5	327.7	360.8	389.9
Real GDP growth	4.4	1.3	0.4	1.0	1.6
CPI (December, YoY)	5.2	6.8	6.1	5.9	5.0
Nominal average monthly wage, BYN	2,272	2,693	3,028	3,351	3,658
Increase in real wages	13.1	11.3	6.1	3.7	2.3
Money and credit (eop)					
Broad money, % change	17.3	16.1	10.6	11.2	9.1
Credit to the economy, % change	16.1	11.3	7.1	7.6	8.6
Refinancing rate, % per annum	9.5	9.75	9.75	9.75	9.0
Public finance, % of GDP					
Budget revenues	29.2	28.4	27.8	27.8	27.9
tax revenues	25.4	25.2	24.8	24.8	24.9
Budget expenditures	28.6	28.2	28.4	28.1	28.0
Budget balance («-» deficit / «+» surplus)	0.6	0.2	-0.5	-0.3	-0.1
Primary budget balance	1.7	1.5	0.7	0.9	0.9
External sector, % of GDP					
Current account	-2.5	-1.9	-1.0	-0.3	-0.2
Foreign direct investment («-» inflow / «+» outflow)	2.1	1.7	1.6	1.6	1.6
NBRB foreign assets*					
USD billions	11.3	13.5	14.1	14.7	15.6
months of imports of goods and services	2.6	3.0	3.2	3.4	3.5

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

** Budget execution data are based on EFSD estimates.

Source: national agencies and EFSD calculations.



Chief
Economist's
Foreword

Executive
Summary

External
Sector

Russia

Kazakhstan

KYRGYZ REPUBLIC



Armenia

Belarus

**Kyrgyz
Republic**

Tajikistan

Risk
Scenario



In 2025, the economy of the Kyrgyz Republic continued to grow at a double-digit rate (+11.1% YoY), thanks to strong consumer and investment activity. Under the EFSD baseline scenario, growth is expected to decline to 8.3% in 2026, although construction, trade, and industry will continue to grow at a fast pace. In the two subsequent years, as domestic demand cools, economic growth is expected to slow to 6.7% and 6.3%, respectively.

In 2025, in the context of the economy overheating, electricity tariff hikes and accelerating import price growth, inflationary processes escalated, pushing average annual inflation to 8.2% YoY (9.4% YoY in December). Pro-inflationary factors are expected to persist within the forecast period, resulting in an average inflation rate of 7.7% in 2026, above the NBKR target range (5–7%). Inflation is projected to slow to an average of 6.3% in subsequent years thanks to the expected monetary policy tightening and cooling of the economy.

The national budget, which posted a surplus in 2023–2025, is planned to be in surplus over the medium term as well (1.9% of GDP on average). However, according to EFSD estimates, the budget will post a deficit of about 2.0% of GDP in 2026–2028, taking into account the costs of additional capitalisation of state-owned enterprises, as reflected by the country's fiscal authorities under sources of financing.

The current account deficit increased in 2025 due to low gold exports and declining transfers. The deficit is expected to gradually narrow to 21% of GDP in subsequent years as imports stabilise. International reserves are projected to remain at an average of 6.2 months of imports of goods and services.

REAL SECTOR AND LABOUR MARKET

Double-digit GDP growth continued in 2025, driven by expansion in construction, trade, and industry.

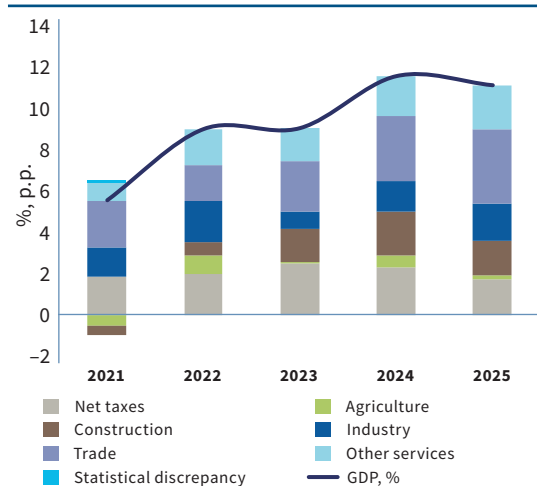
The growth rate was 11.1% YoY (11.5% YoY in 2024 according to revised data) (Figure 1). The main contributions came from trade (+3.6 p.p.), driven primarily by strong domestic demand¹; industry (+1.9 p.p.), driven by increased production of construction materials and food products, as well as increased mining of metal ores; and construction (+1.6 p.p.), largely driven by housing construction under the 'My Home' Programme.

Based on the expenditure approach, consumption and investment accounted for the largest share of GDP. According to EFSD estimates, consumption was the main driver of growth, as evidenced by increases in real income and credit. The growth of capital investment was facilitated by the growth of investments at the expense of the national budget, as well as the provision of foreign loans. The negative contribution of net exports is primarily attributable to the downward trend in gold sales (Figure 2).

Income and employment growth was driven by the non-tradable sectors of the economy. Employment growth accelerated from 4.9% to 5.8% YoY in 2025

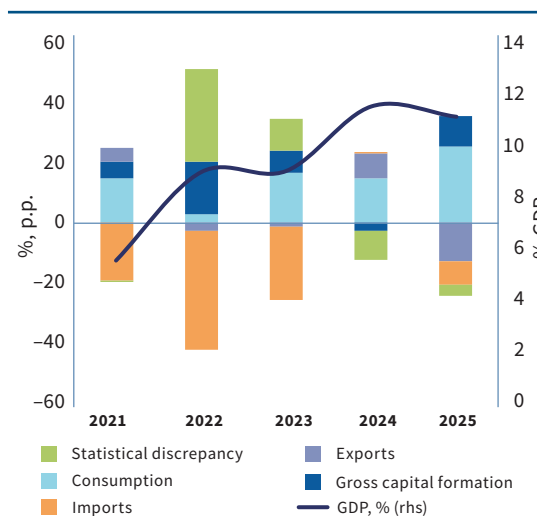
¹ In 2025, real retail turnover increased by 20.3% YoY (compared with 14.7% a year earlier), while wholesale turnover increased by 10.4% (compared with 34.0% a year earlier). Retail trade contributed the most to the growth of total real turnover (KGS 134 billion compared with KGS 93 billion for wholesale trade).

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



Source: NSC KR, EFSD estimates.

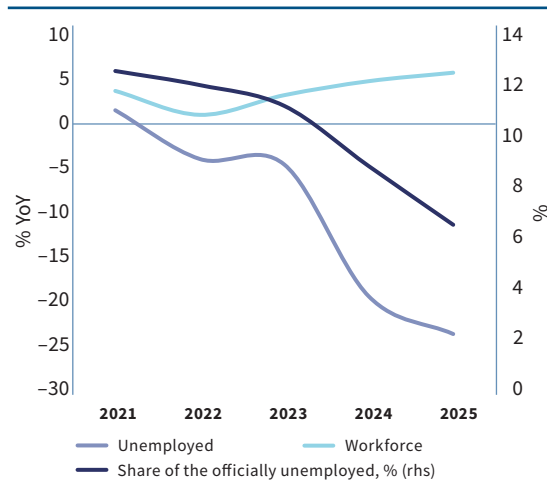
Figure 2. Contribution to Real GDP Growth (Expenditure Approach)



Source: NSC KR, EFSD estimates.

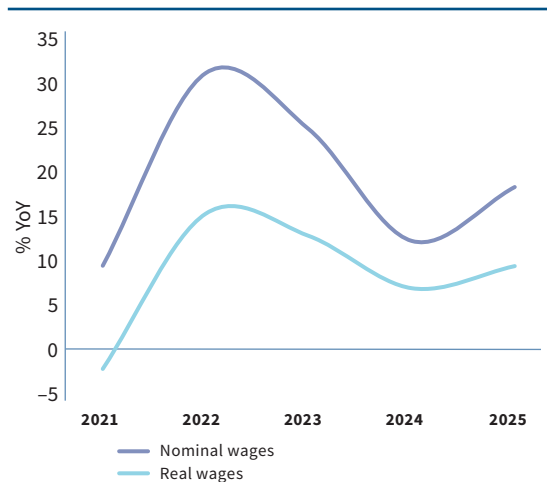
(Figure 3), with the largest increase in construction (+30.3% YoY), while employment in hospitality (+25.3% YoY) and utilities (+23.4% YoY) also grew rapidly. Real wage growth accelerated from 6.9% to 9.4% YoY (Figure 4), with the fastest growth again in the construction sector (+26.8% YoY). The growth of salaries of administrative staff (24.8% YoY) and civil servants (21.1% YoY) was high.

Figure 3. Labour Market Indicators



Source: NSC KR, EFSD estimates.

Figure 4. Trends in Wages



Source: NSC KR, EFSD estimates.

INFLATION AND MONETARY TRENDS

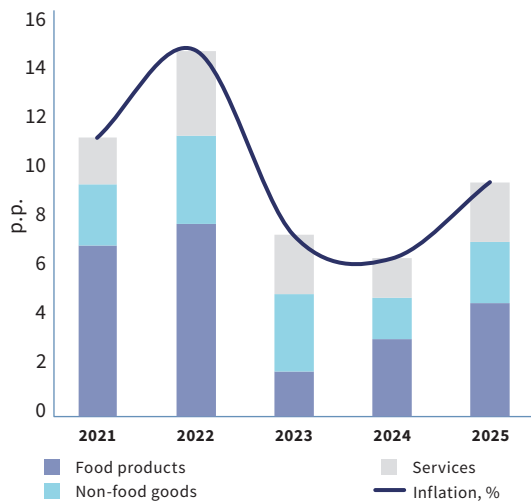
Inflation remained consistently above the NBKR target range in 2025. The year-average inflation was 8.2% YoY in 2025 (9.4% YoY in December) and continues to be high in 2026 (9.4% in January, 9.7% YoY in February) with the NBKR target range of 5–7%. The range of goods affected by pro-inflationary pressures

is expanding: while 35% of the key items in the consumer basket grew faster than 7% YoY in December 2024, the share reached 51% in December 2025. Food is the largest contributor to inflation (Figure 5), with fruit rising fastest (+39.4% YoY in December). Prices of non-food products and services rose by 7.8% and 11.1% YoY in December, respectively. Inflation is influenced by both monetary (stronger demand fuelled by the growth of credit, incomes, and remittances) and non-monetary factors associated with electricity tariff hikes and higher import prices for fuel and food.

Despite the NBKR policy rate being raised by 2 p.p. in 2025 and by 1 p.p. in early 2026 (cumulatively rising from 9% to 12% per annum), market interest rates remain close to the lower boundary of the interest rate range (6% per annum), resulting in a negative real rate and de facto expansionary monetary policy, which contributes to further overheating of the economy.

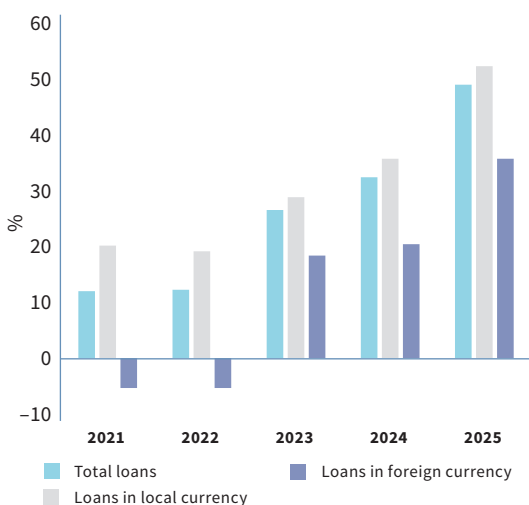
Monetary aggregates continue to grow rapidly, partly due to an expansion of quasi-fiscal operations. The base money and money supply growth (Figure 6) accelerated in 2025, reaching 29.7% and 43.3% YoY, respectively, compared with 17.5% and 31.9% YoY a year earlier. Rapid growth of the consumer loan portfolio in local currency (by 71.8% YoY) contributed to the acceleration of total loan portfolio growth from 32.2% to 48.8% YoY (Figure 7), as well as to the persistence of a high level of credit gap (4.4%). The growth in new consumer loans was accompanied by a slight decrease in interest rates — down 1.5 p.p. to 21.3% per annum. Average rates on new loans decreased slightly by 0.3 p.p. to 19.6% per annum (Figure 8). Deposit

Figure 5. Decomposition of Inflation



Source: NSC KR, EFSD estimates.

Figure 7. Credit Growth in Commercial Banks

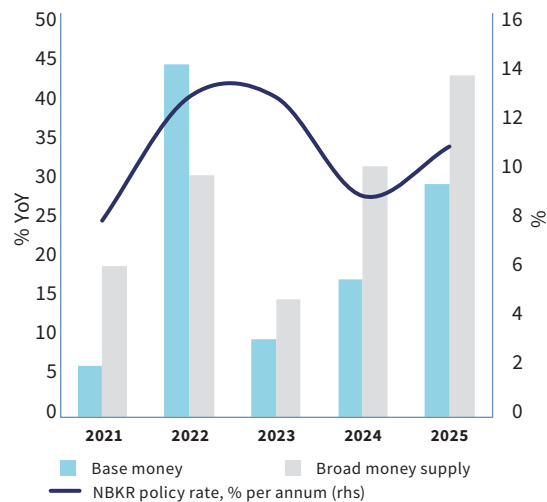


Source: NBKR, EFSD estimates.

portfolio growth accelerated (up from 37.3% to 46.2% YoY) (Figure 9), mainly due to rapid growth in term deposits of legal entities (up from 78.5% to 170.5% YoY), in particular driven by quasi-fiscal operations². Average

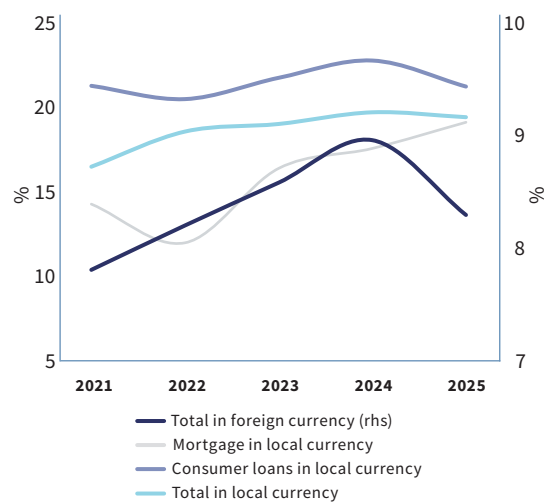
² Additional capitalisation of joint-stock companies with a stake held by the state (for example, deposits of the State Mortgage Company grew by KGS 11 billion), placement of funds from the public debt mitigation account in long-term deposits, etc.

Figure 6. Monetary Indicators



Source: NBKR.

Figure 8. Average Interest Rates on New Loans

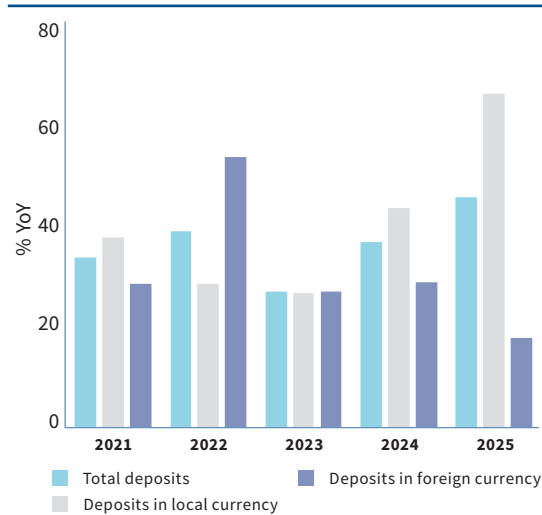


Source: NBKR, EFSD estimates.

interest rates on new local currency deposits declined (Figure 10), but this was mainly due to a drop in the share of long-term deposits (1 year or more) from 25% to 14%.

The level of deposit dollarisation remained persistently below 40% in 2025 (typical of the period 2020–2024), with new foreign exchange deposits accounting for just 12%

Figure 9. Deposit Growth in Commercial Banks



Source: NBKR, EFSD estimates.

by December. The dollarisation of loans continued its long-term downward trend, falling from 20.1% to 18.3%.

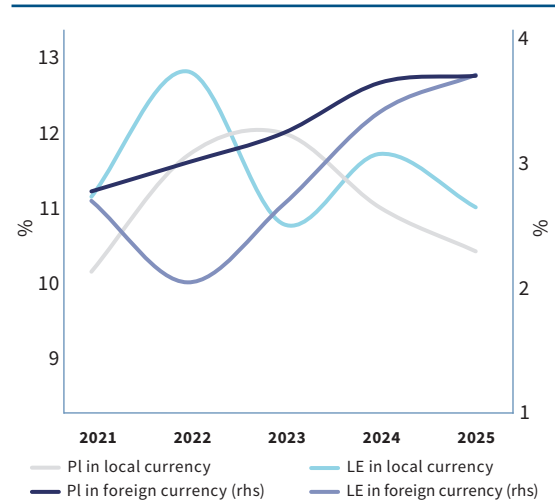
Banks' profitability indicators remain at a high level, but credit risks are growing.

Return on assets and capital (Figure 11) of commercial banks decreased by 0.8 and 9.1 p.p. respectively in 2025. This trend is related to both the low growth of banks' net profits, caused by higher provisioning for expected credit losses due to increased credit risk, and the growth in banks' assets and capital, primarily in the public sector³. The share of classified loans (Figure 12) remains at 10–11% (10.5% in December 2025 compared with 10.8% in December 2024). At the same time, the significant year-on-year increase in sub-prime loans⁴

³ The additional capitalisation of state-owned banks was accompanied by these banks purchasing government short-term bonds with low coupon yields (typically 3%), making it impossible to ensure a high rate of return on newly invested funds.

⁴ A sub-prime loan has certain attributes such as delinquency of up to 90 days, the borrower having

Figure 10. Average Interest Rates on New Deposits



Source: NBKR, EFSD estimates.

of 74.1% also indicates higher riskiness of the portfolio.

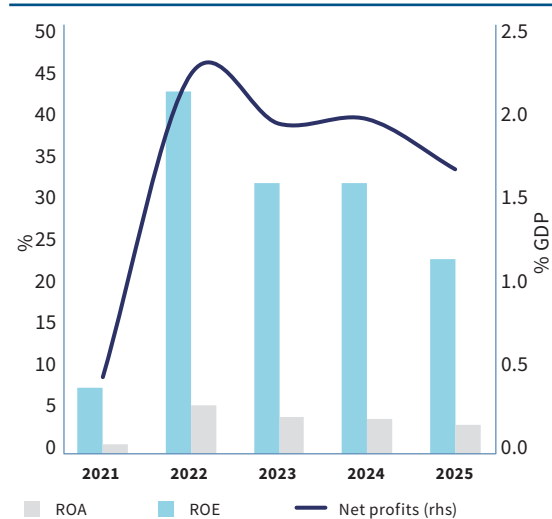
FISCAL SECTOR AND PUBLIC DEBT

The budget recorded a surplus in 2025 amid continued revenue growth.

National budget revenues grew by 5.5 p.p. to 31.9% of GDP in 2025. At the same time, the growth drivers changed significantly compared with 2024: more than half of the growth (3.3 p.p.) came from non-tax revenues, primarily due to the transfer of 100% of the NBKR's 2025 profits, dividends from state-owned enterprises, and income from asset nationalisation. Tax revenues accounted for slightly more than a third of the growth (2.1 p.p.) due to a notable increase in revenues from foreign trade

delinquent other loans for more than 30 days, loans of the borrower's relatives being delinquent for more than 60 days, etc. Sub-prime loans are the least 'problematic' of 'problem' loans. For more details see NBKR Regulations No. 18/3 dated 21 July 2004.

Figure 11. Banking Sector Profitability



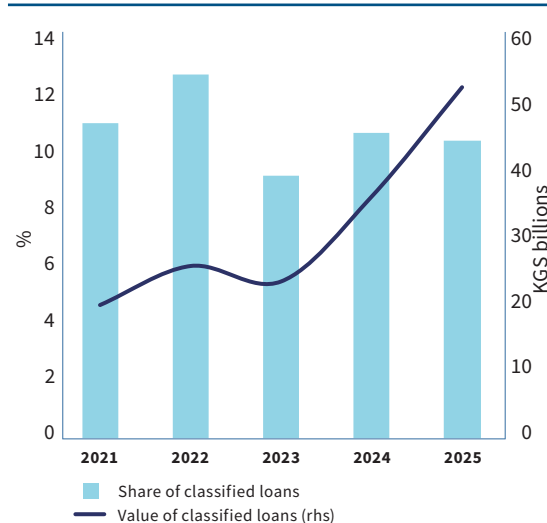
Source: NBKR, EFSD estimates.

and profit tax, which in total increased by 2.5 p.p. of GDP. The VAT contribution was negative (-1.1 p.p.) due to the drop in VAT on imports, partly explained by the introduction of tax benefits (zero VAT) for certain food products and animal feed in early 2025 with the aim of stabilising prices, as well as a lower nominal value of imports from non-EAEU countries.

National budget expenditures amounted to 29.4% of GDP, an increase of 5.1 p.p., still falling short of the approved statutory target by 1.3% of GDP. The growth was driven by an increase in investment in non-financial assets (+3.1 p.p.), purchases of goods and services (+0.7 p.p.), as well as increased transfers to the Stabilisation Fund (+3.5 p.p.).

The programme of large-scale support for state-owned enterprises (in the form of additional capitalisation and lending) continued, with expenditures totalling 11.6% of GDP. However, the proceeds from domestic and external borrowing, together

Figure 12. Classified Loans

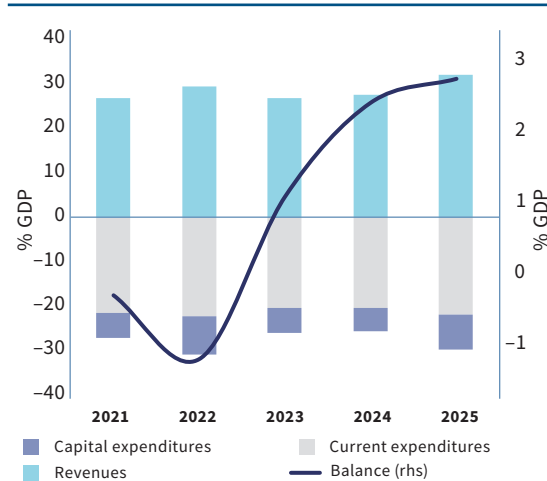


Source: NBKR.

with the repayment of budget loans and the surplus generated, were sufficient to finance these expenditures and replenish budget deposits (including the public debt mitigation account) by an amount equivalent to 3.4% of GDP.

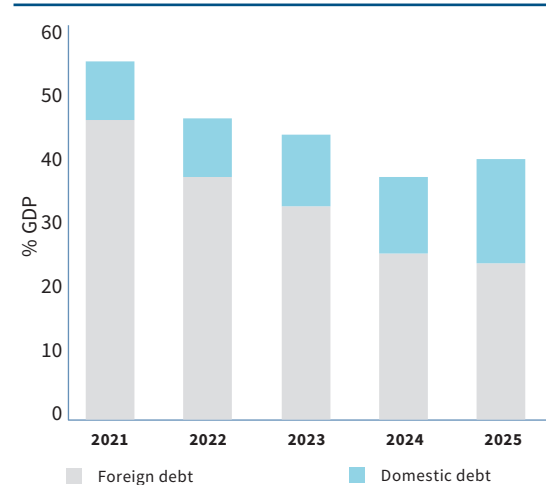
Public debt declined due to rapid GDP growth. Despite the USD 700 million issue of Eurobonds in May 2025 and an 18.5% YoY increase in nominal foreign debt, its share declined by 0.7 p.p. to 24.2% of GDP due to a 21.9% YoY increase in nominal GDP. At the same time, domestic debt grew by 4.9 p.p., reaching 16.2% of GDP, driven by both the growing need to finance government expenditures and ‘accounting’ operations, when the funds used for additional capitalisation of enterprises (Eldik Bank and Capital Bank) are repaid to the treasury through placement of government short-term bonds for the equivalent amount. As a result, total debt reached 40.4% of GDP (+4.2 p.p. compared with the previous year).

Figure 13. National Budget



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

Figure 14. Public Debt



Source: Ministry of Finance of the Kyrgyz Republic.

EXTERNAL SECTOR

The current account deficit widened due to lower gold exports. The EFSD estimates that the current account deficit widened to 26.8% of GDP (+3.3 p.p.) in 2025, mainly due to a more than twofold drop in gold exports (from 30 tonnes to 12 tonnes, according to EFSD estimates). At the same time, total exports fell by 15.3 p.p. to 33.1% of GDP. The 12.1 p.p. drop in imports to 74.3% of GDP was mainly due to a scrappage fee hike in Russia on 1 April 2024, which caused total imports to almost halve year on year in Q1 2025.

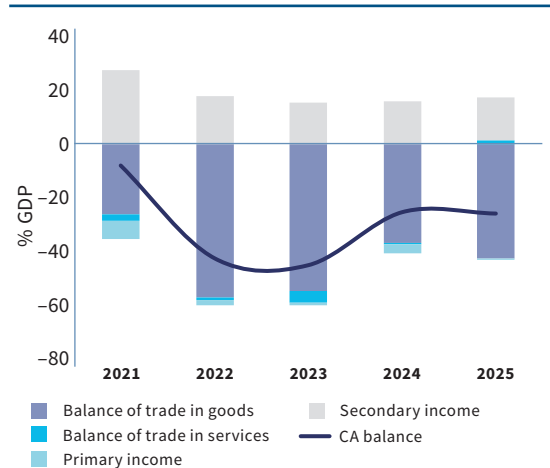
Although the gross value of cross-border transfers increased, their share declined. The share of transfers decreased to 15.1% of GDP (-0.7 p.p. YoY) due to rapid GDP growth. However, their growth in nominal terms was 14.7% YoY due to the growth of wages in Russia (by 14.0% YoY) and RUB exchange rate appreciation against the USD (by 9.8% YoY on average), which was partially offset by a decrease in the number of migrant workers bound for Russia (-19.8% YoY). At the same time, remittances from the Kyrgyz Republic

declined (-17.3% YoY), contributing to the growth of net remittances by 20.1% YoY.

International reserves continue to grow thanks to gold and the balance of payments surplus. By the end of 2025, gold in gross international reserves had increased twofold year on year, due to growth in both gold prices on the world market (+67.4% YoY) and physical volumes (+20.4% YoY). A surplus in the balance of payments was formed as a result of inflows under the financial account (including the issuance of Eurobonds), as well as persistently high levels of errors and omissions. This also contributed to the growth of reserves. According to EFSD estimates, gross international reserves reached USD 8.6 billion (+69.1% YoY) and covered 6.3 months of average monthly imports.

The KGS exchange rate is stable. The nominal exchange rate of the local currency fluctuates around KGS 87.5 per USD. The KGS nominal effective exchange rate depreciated by 9.8% YoY due to RUB appreciation. The real exchange rate depreciation was

Figure 15. Balance of Payments: Current Account



Source: NBKR, EFSD estimates.

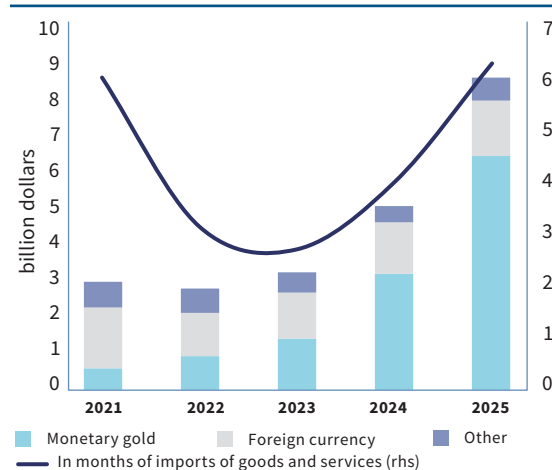
less severe (5.6% YoY) due to the Kyrgyz Republic's high inflation rate compared with that of its partner countries.

MEDIUM-TERM OUTLOOK

The economic growth outlook for the entire forecast period has been revised upwards by 1.1 p.p. on average. The fiscal stimulus is expected to expand in 2026, driven by increased social spending (wage increases for budgetary sector workers, pensions, and payments to families raising children under 3) and capital investment that will boost consumption and construction. With real income and credit growth remaining high, trade and private consumption are also expected to be strong. Growth will be 8.3% in 2026, slowing to 6.7% in 2027 and 6.3% in 2028.

Inflation will substantially exceed the target range in 2026, slowing in subsequent years (6.3% on average). Year-average inflation is projected by

Figure 16. Gross International Reserves



Source: NBKR, EFSD estimates.

the EFSD at 7.7% YoY in 2026 (+0.6 p.p. compared with the previous forecast), reflecting still extremely loose monetary conditions, the expected indexation of electricity tariffs in May 2026, and rising prices for imported fuel, lubricants, and food. Going forward, the anticipated monetary policy tightening, slowing domestic demand, and easing of import price pressures are expected to help keep average inflation within the target range.

The budget will post a surplus intended to meet 'below-the-line' obligations, primarily additional capitalisation of state-owned enterprises in the banking (Aiyl Bank) and construction (State Mortgage Company) sectors. The budget surplus is expected to average 1.9% of GDP in 2026–2028⁵, mainly due to high non-tax revenues (averaging 7.5% of GDP), which comprise NBKR profits and dividends from state-owned companies. However, according to EFSD estimates, the

⁵ In line with the current approach of the Ministry of Finance of the Kyrgyz Republic, to recognising budget revenues and expenditures.

budget will post a deficit of about 2.0% of GDP, taking into account the costs of additional capitalisation of state-owned enterprises, as reflected by the country's fiscal authorities under sources of financing.⁶

The current account deficit is expected to narrow. During the forecast period, the volume of imports is expected to return to normal levels (up to 60% of GDP) due to a reduction in transit demand from EAEU countries. At the same time, the current account deficit will decline modestly (to 21% of GDP) due to low volumes of gold exports and transfers.

Lower remittances (down to 11% of GDP) will be the result of RUB depreciation, slower wage growth in Russia, and fewer inbound migrant workers. Gold exports are not expected to increase for two reasons: high prices, which enabled the NBKR to sell less non-monetary gold and still meet its profit target; and an uncertain outlook for production growth at Kumtor. Given the relative stability of the balance of payments and the favourable price situation in the gold market, gross international reserves are expected to be at 6.2 months of imports.

⁶ Based on the 2014 GFS principles, part of additional capitalisation expenditures (meeting certain criteria) are classified as capital transfers, reflected in budget expenditures.

TABLE 1. FORECASTS OF KEY MACROECONOMIC INDICATORS

	2024 Actual	2025 Actual	2026 Estimate	2027 Forecasts	2028 Forecasts
National accounts and prices (%)					
Nominal GDP (KGS billions)	1,582.8	1,928.8	2,334.8	2,716.8	3,144.5
Real GDP growth	11.5	11.1	8.3	6.7	6.3
CPI (December, YoY)	6.3	9.4	6.6	6.3	5.8
CPI (year-average)	5.0	8.2	7.7	6.4	6.2
Money and credit (eop)					
Broad money supply, YoY	31.9	43.3	21.0	16.4	15.7
Credit to the economy, YoY	33.9	57.9	18.6	15.7	12.6
Public finance (% of GDP)*					
Revenues and grants	26.4	31.9	30.0	27.3	26.0
tax revenues	19.9	22.0	20.6	19.8	19.0
Budget expenditures	24.2	29.4	28.0	25.5	24.1
Budget balance («-» deficit / «+» surplus)	2.3	2.5	2.0	1.8	1.9
Budget balance as estimated by the EFSD («-» deficit / «+» surplus)	-0.6	-1.6	-2.1	-2.2	-1.8
External sector (% of GDP)					
Current account	-23.5	-26.8	-22.8	-22.3	-20.7
Exports of goods and services	48.4	33.1	31.3	29.6	28.3
Imports of goods and services	86.4	74.5	66.4	62.8	59.0
Remittances	15.9	15.1	12.6	11.3	10.5
Foreign direct investment («-» inflows)	-1.4	-3.9	-4.9	-5.4	-7.4
Gross reserves, months of imports of goods and services	4.0	6.3	6.9	5.7	6.2

* National budget indicators are given for revenues, expenditures, and the budget balance.

Source: National agencies and EFSD estimates.



TAJIKISTAN

Chief
Economist's
Foreword

Executive
Summary

External
Sector

Russia

Kazakhstan



Armenia

Belarus

Kyrgyz Republic

Tajikistan

Risk Scenario



In 2025, the economy of the Republic of Tajikistan continued to grow at a high rate (8.4%), largely due to favourable external factors: sustained substantial inflows of remittances and relatively high prices for gold, several other metals, and antimony. Low fuel, lubricant, and wheat prices on global markets helped to keep consumer inflation low (3.5% in December 2025). Remittance inflows and high prices for exported commodities contributed to a record-high current account surplus and an improved fiscal position.

In the medium term, Tajikistan's economic growth is expected to slow gradually: to 7.1% in 2026, 6.7% in 2027 and 6.0% in 2028, as remittances return to normal levels. The year-average consumer inflation is expected to reach 4.2% in 2026, with consumer price growth stabilising at around 4.5% thereafter. In the context of continued active construction of the Rogun HPP and repayment of Eurobond liabilities, fiscal policy is projected to be aimed at creating fiscal space and maintaining a sustainable fiscal stance. In 2026–2028, the state budget deficit is expected at 1.4–2.1% of GDP. In the medium term, the balance of payments will come under pressure due to remittances gradually returning to normal levels, as well as the repayment of Eurobonds in 2026–2027.

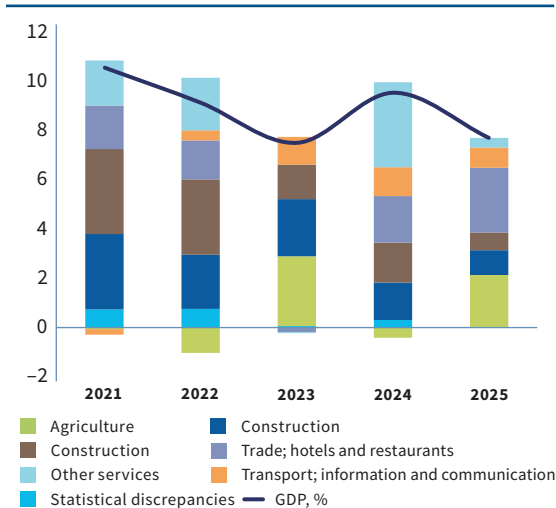
REAL SECTOR AND LABOUR MARKET

The economic growth rate remained high in 2025. The main driver of the 8.4% economic growth in 2025 was strong domestic demand, supported by sustained growth of remittance inflows. Stronger domestic demand¹ is evident in the rise in retail turnover, which grew by 14.4% in real terms (compared with 13.5% in 2024). Capital investment growth was 23%, up from 8.4% in 2024, driven by expanded housing construction and increased budget spending on the Rogun HPP construction.

In terms of sectors, trade, agriculture, and industry were the key drivers of economic growth. Growth in remittances, loans to households, and wages and salaries fuelled growth in wholesale and retail trade. In 2025, the agricultural sector contributed 2.1 p.p. to GDP growth, up from -0.4 p.p. in 2024 (Figure 1), driven by higher cotton harvests (+50% YoY) and accelerated growth in livestock production, as well as high yields of melons and gourds, fruit, and potatoes. Growth in the extractive industry — the main destination for foreign direct investment — dropped from 43% in 2024 to 36.2% due to a slowdown in metal ore mining from 50% in 2024 to 36% YoY. The growth rate in construction fell from 12.7% in 2024 to 8.9%. Electricity generation grew by 7%, largely driven by expanding exports in volume terms (+42.4% YoY in January–September 2025).

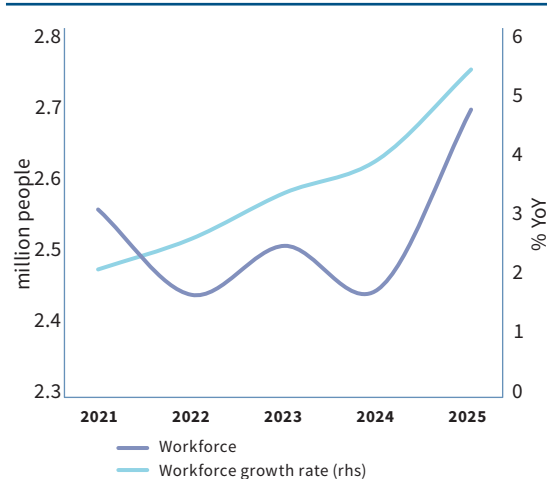
Against the backdrop of continued high economic growth and tightened

Figure 1. Decomposition of GDP Growth (Production Approach) (in basic prices, p.p.)



Source: Tajstat, EFSD estimates.

Figure 2. Labour Market Indicators

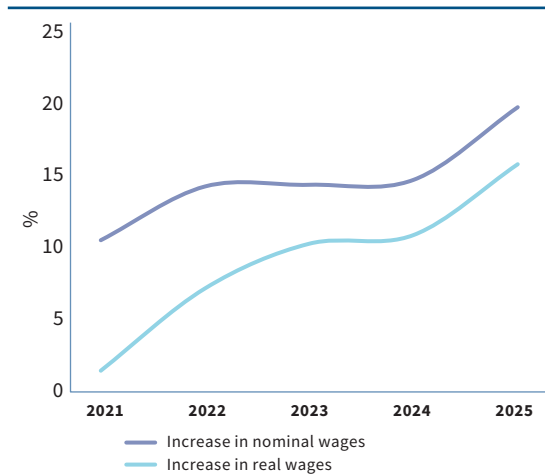


Source: Tajstat.

migration policy in Russia, the growth of the workforce accelerated. In 2025, the workforce grew by 4.8% YoY, compared with 1.8% in 2024 (Figure 2). Meanwhile, supply-side pressures in the labour market intensified, with the number of unemployed people registered with the Labour and Employment Agency per each vacancy reported to the Agency increasing from 4.9 in December 2024 to 6.5 in December 2025.

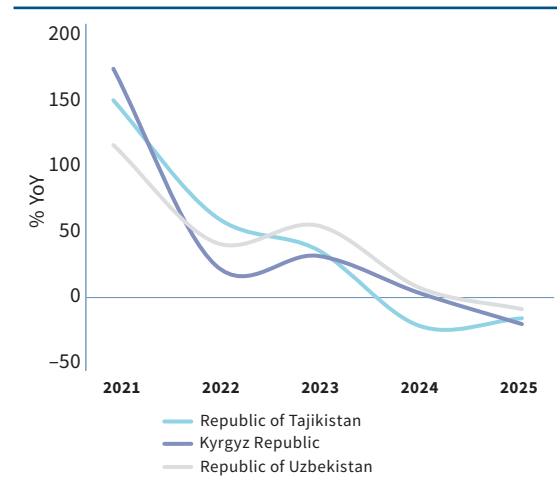
¹ Tajstat publishes estimates of GDP measured by components of demand with a one-year lag.

Figure 3. Household Income (eop, YoY)



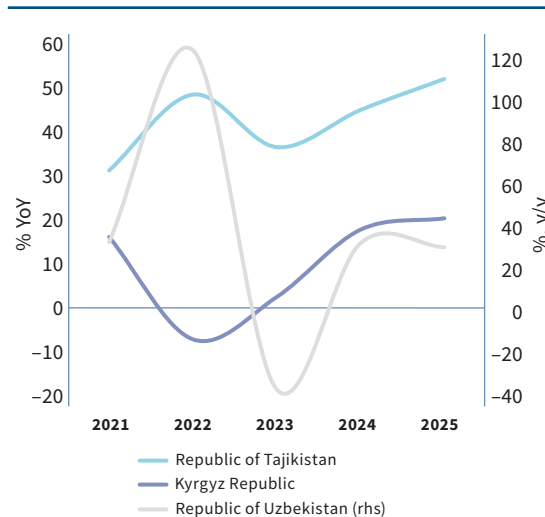
Source: Tajstat.

Figure 4. Trend in Entries to the Russian Federation (% YoY)



Source: Rosstat, NBT, NBKR, NBU.

Figure 5. Trend in Remittances (% YoY)



* Tajikistan and Uzbekistan remittance data for January–September 2025.

Source: Rosstat, NBT, NBKR, NBU.

public administration and education sectors exceeded 20% YoY. In the real sector, the most significant growth in real wages was recorded in agriculture (+18.7%, YoY) and in information and communication (+17.7%, YoY). The growth of migrant remittances was 48.3% YoY in January–September 2025, with total remittances reaching 53% of GDP. Despite a decline in the number of migrants entering the Russian Federation from Tajikistan, the growth in remittance inflows was significant (Figures 4–5). The above trends in remittances were supported by the RUB/USD exchange rate appreciation and higher nominal wages in Russia.

Household income growth continued, supported by real wage growth and migrant remittances. In 2025, annual growth in average monthly wages in real terms was 15.8%, up from 10.9% a year earlier (Figure 3). Budgetary sector wages and salaries were raised on 1 September. In December, real wage growth in the

INFLATION AND MONETARY TRENDS

Thanks to low non-food inflation, consumer inflation remained near the lower boundary of the NBT target range. In December 2025, consumer price growth

was 3.5% in annual terms (Figure 6), with the NBT target at 5%±2% for 2025. Food inflation rose from 2.4% YoY in December 2024 to 4.1% YoY in December 2025, mainly driven by meat and vegetables. The growth of prices for services accelerated from 3.6% to 6.4% YoY. Non-food inflation fell from 3.9% to 1.4%. Market factors, such as world prices and the exchange rate, played an important role in consumer inflation data in Tajikistan in 2025. In 2025, lower world prices for wheat and energy commodities, coupled with appreciation of the TJS real effective exchange rate, curbed consumer inflation. The EFSD estimates that core inflation² declined by 1.5 p.p. YoY compared with 2.7% YoY in December 2024 (Figure 7).

Despite strong domestic demand and robust economic activity, the monetary authorities were able to ease their monetary policy stance due to disinflationary external factors. Moderate inflation enabled the NBT to gradually reduce the refinancing rate to 7.5%³ per annum by the end of 2025, down from 9% at the end of 2024. However, the change in the refinancing rate only had a limited effect on interest rates in the loan and deposit markets (Figure 8). For example, the average interest rate on new loans was 22.6% per annum at the end of 2025 compared with 22.1% at the end of 2024.

The growth of liquidity in the banking system slowed down as a result of NBT

² Core inflation excludes products and services whose prices are administratively regulated (services, bread and bakery products, meat), as well as products whose prices are particularly volatile (fuel and lubricants, sugar, eggs, fruit, and vegetables).

³ In early February, the NBT cut the refinancing rate to 7% per annum.

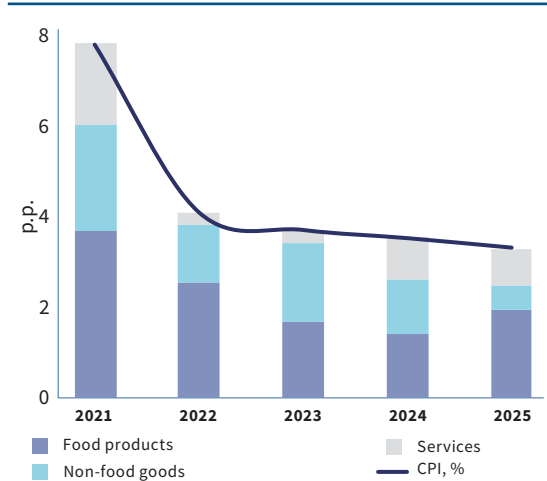
sterilisation operations. Significant inflows associated with remittances and purchases of gold by the NBT led to higher liquidity in the banking system, which was partially sterilised by NBT open market operations. Broad money supply growth slowed to 23% YoY in 2025 compared with 28.8% in December 2024 (Figure 9).

Lending activity remained high against the backdrop of demand for borrowed resources from both households and businesses. The growth of commercial banks' credit to the economy was 22.2% YoY in 2025. The high rate of credit growth is largely due to the high demand for local currency loans from legal entities (+20%, contributing 11.1 p.p. to credit growth) (Figure 10) and the retail segment (+38.9%, contributing 35.7 p.p. to the growth of household loans) (Figure 11).

Banks' financial metrics improved. As of December 2025, the regulatory capital adequacy ratio in the banking system was 23.1%, exceeding the threshold value of at least 10%. The share of non-performing loans⁴ declined from 7.1% in December 2024 to 6.6% as of December 2025. Improving asset quality, combined with high rates of lending and a persistently significant spread between loan and deposit rates, had a favourable effect on the banking sector's profits. Profit growth contributed to a marked improvement in return on assets (ROA) and return on equity (ROE), which stood at 5.6% and 30.5%, respectively, as of December 2025 (3.8% and 20.7% in 2024).

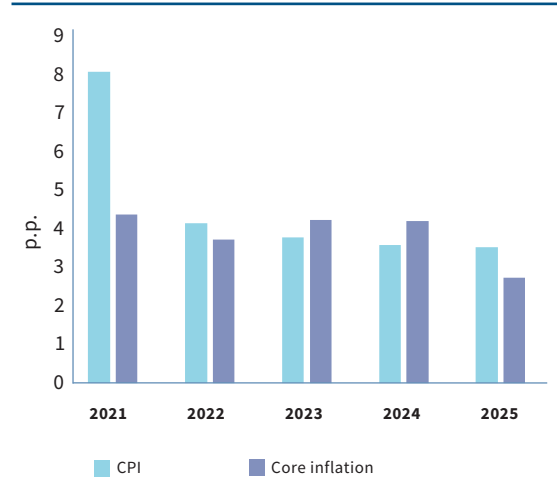
⁴ Non-performing loans include the loan portfolio and interbank loans overdue for more than 30 days.

Figure 6. Decomposition of Inflation (YoY, eop)



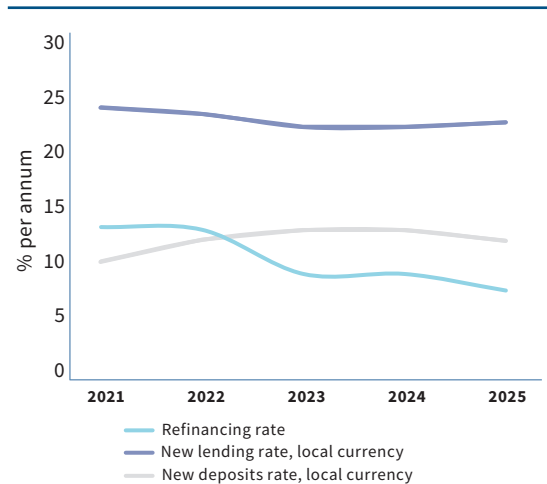
Source: Tajstat.

Figure 7. CPI and Core Inflation (% Dec/Dec)



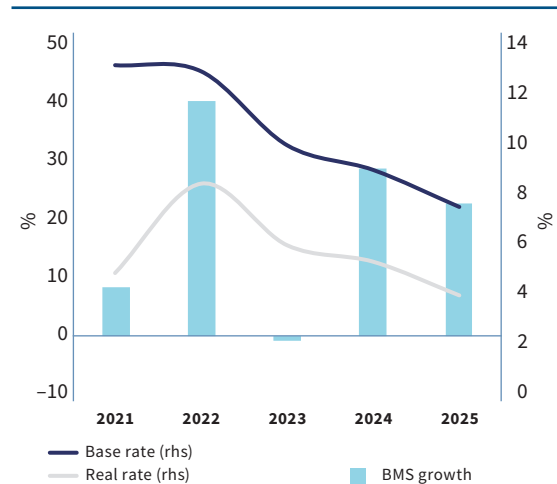
Source: NBT, EFSO estimates.

Figure 8. Interest Rates on New Loans and Deposits (eop)



Source: NBT.

Figure 9. Monetary Indicators (eop, YoY)



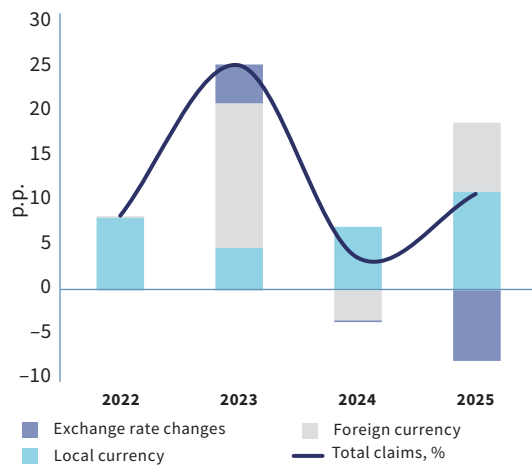
Source: NBT, Tajstat.

FISCAL SECTOR AND PUBLIC DEBT

In 2025, the state budget deficit decreased thanks to a marked increase in revenues. Preliminary data show a fiscal deficit of 0.2% in 2025, compared with 1.2% of GDP a year earlier. The primary fiscal

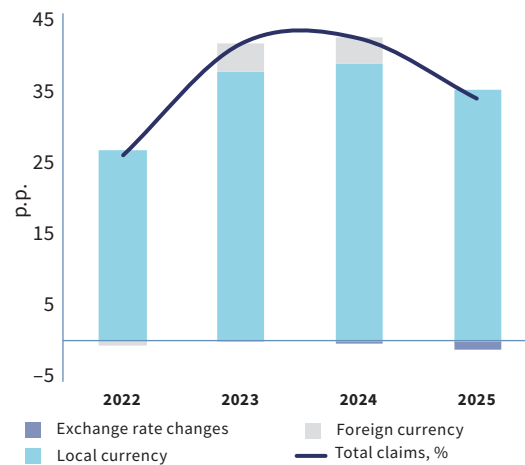
balance moved into surplus at 0.3% of GDP (-0.5% of GDP a year earlier) (Figure 12). This was primarily facilitated by an increase in budget revenues of 2.7 p.p. to 30.5% of GDP. The main driver of revenue growth was a 2.2 p.p. increase in tax revenues, which reached 21.2% of GDP, resulting in the annual plan being outperformed by 15.6%. The most significant growth was recorded for taxes on income (personal income

Figure 10. Decomposition of Growth of Corporate Loans (end of December)



Source: NBT.

Figure 11. Decomposition of Growth of Household Loans (end of December)



Source: NBT.

tax and profit tax) — by 0.9 p.p. of GDP, VAT — by 0.5 p.p., and customs duties — by 0.3 p.p. The main drivers of this growth were favourable economic conditions, such as high global metal and antimony prices and continued growth in migrant remittances, as well as the authorities' efforts to improve tax administration efficiency, promote digital transformation, and reduce tax preferences.

Budget expenditures were in line with the approved parameters (97% of the plan) and amounted to 30.6% of GDP, exceeding the level of 2024 by 1.7 p.p.

Primary budget expenditures⁵ increased by 1.9 p.p. to 30.1% of GDP. Most of the growth (+1.5 p.p.) came from capital expenditures⁶,

⁵ Primary expenditures do not include interest payments.

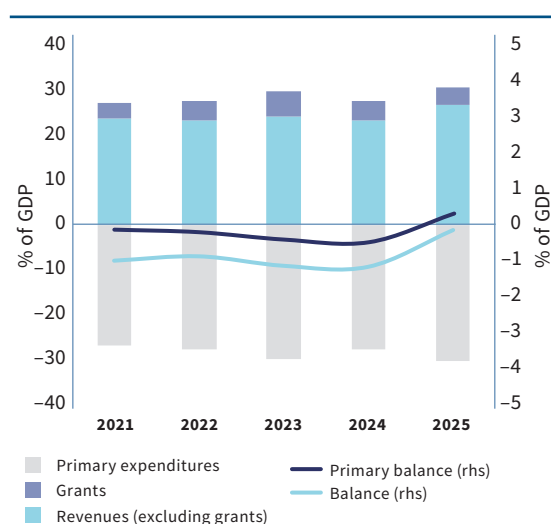
⁶ It should be noted that, in accordance with the current practice of the Ministry of Finance of the Republic of Tajikistan, the item 'capital expenditures' does not include financing under the public investment programme funded from external sources, which is recorded under the item 'expenditures on goods and services' of the

which is explained by the increased financing needs for the construction of the Rogun HPP. Current expenditures grew by 0.3 p.p. to 22.0% of GDP, which was entirely due to increased financing of wages and salaries of budgetary sector workers (up 0.8 p.p. of GDP)⁷. At the same time, expenditures on goods and services decreased by 0.5 p.p., which, in our view, was due to the redistribution of part of the financing allocated for these purposes to cover the needs of capital construction. In the context of delayed disbursements from development partners⁸ for the Rogun HPP construction, domestic financing was raised from TJS 3.2 billion to TJS 8.1 billion

current budget. For this reason, it is not possible to accurately determine the full volume and growth of budget expenditures under non-financial assets (capital expenditures).

⁷ Wages and salaries of budgetary sector workers were raised by 40% in mid-2024 and by 20–30% in September 2025, depending on the category of employees.

⁸ The delay in financing is explained by late implementation of a number of measures by Tajikistan under the World Bank grant.

Figure 12. State Budget

Source: Ministry of Finance of the Republic of Tajikistan, Tajstat.

(+2.8% of GDP) in order to ensure continuity of the dam construction process.

In 2025, both the public debt-to-GDP ratio and the public debt composition improved. Public debt was 20.3% of GDP, compared with 25.8% of GDP in 2024. The main factors behind this trend were TJS appreciation, growth in real GDP, and improvement in the primary budget balance. The composition of public debt improved slightly against the background of the domestic debt market development and growth of external debt repayments: the share of foreign debt decreased from 89.3% to 85.7%, which contributed to lower vulnerability of the debt portfolio to currency shocks.

EXTERNAL SECTOR

The current account surplus grew substantially on the back of continued strong inflows of migrant remittances. The current account surplus for the first

9 months of 2025 was 17.5% of GDP (compared with a surplus of 9.3% of GDP in the same period of 2024) and was driven by a significant increase in inflows under the labour income account (up 8.8 p.p. to 45.2% of GDP) and the secondary income account of other sectors (up 2.5 p.p. to 15.7% of GDP). The trade deficit stood at 41.6% of GDP, compared with 39.2% of GDP in the corresponding period of 2024 on the back of a 28.2% YoY increase in imports of goods and services as a result of strong growth in domestic demand. Merchandise exports rose by 37.6% YoY, driven by higher exports of antimony, gold, metal ore, aluminium, and electricity.

In January–September 2025, the financial account surplus⁹ amounted to 6.0% of GDP, up 2.1 p.p., driven by a decrease in the net assumption of liabilities to non-residents: repayment of Eurobonds and lower direct investment inflows. Overall, Tajikistan's external position improved in 2025: the NBT purchased foreign exchange, replenishing reserves. The NBT also increased its holdings of monetary gold (by around 3 tonnes). As a result, international reserves rose by USD 1.1 billion in January–September 2025, reaching USD 5.5 billion (equivalent to 7.7 months of imports).

In the context of a stronger external position, there was a tendency for the TJS exchange rate to become more flexible.

The nominal TJS/USD exchange rate appreciated in 2025 (Figure 13), reflecting its increased flexibility following a period of being closely pegged to the USD and gradual stepped depreciation. In January–September 2025, the TJS real effective exchange rate appreciated by 1.8% YoY.

⁹ Net outflow.

MEDIUM-TERM OUTLOOK

The medium-term real GDP growth forecasts for Tajikistan remain unchanged, and assume a gradual slowdown in growth rates. The expected slowdown in economic activity in Russia and the RUB depreciation against the USD will lead to a decline in remittances as a share of GDP in 2026 (to 39.1% of GDP), followed by a further decline to 36.1% of GDP in 2028. As a result, domestic demand growth will slow down and GDP growth will be 7.1% in 2026, 6.7% in 2027, and 6.0% in 2028.

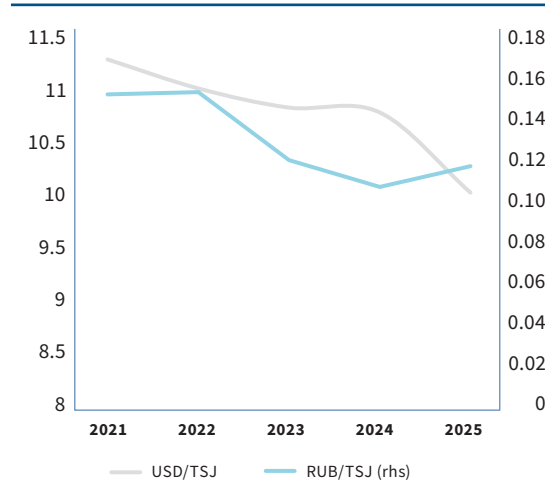
Consumer inflation is expected to rise in 2026 and stabilise at the NBT target¹⁰ in the medium term. Average consumer inflation is expected to rise from 3.4% in 2025 to 4.2% in 2026. Rising global food prices, TJS exchange rate depreciation, and further electricity tariff hikes¹¹ are projected to be the main drivers of consumer inflation. Administrative price controls on socially important goods, including fuel and lubricants, will have a dampening effect. In 2027 and 2028 average consumer inflation is expected to be at 4.5%. Overall, we anticipate that monetary policy will prioritise maintaining price stability and gradually shift towards inflation targeting.

The state budget deficit is expected to be between 1.4% and 2.1% of GDP. In 2026, the budget deficit is projected to widen due to the planned further growth of expenditures by 1.4 p.p. to finance capital expenditures and wages and salaries in the

¹⁰ 5%±2%.

¹¹ Electricity tariffs were raised by 17% on 1 January 2026.

Figure 13. TJS Exchange Rate



Source: NBT.

budgetary sector. Grants and VAT revenues are expected to decline in 2027–2028¹². The government's expenditure consolidation plans will help to maintain a sustainable fiscal stance in the medium term¹³. Overall, we anticipate that fiscal policy will focus on creating fiscal space in order to finance priority expenditure, including the Rogun HPP construction, without compromising fiscal sustainability.

The current account surplus is projected to be replaced by a deficit due to the expected decline in inflows under the labour income and secondary income accounts. A gradual decline in inflows under the labour income and secondary income

¹² The VAT rate is expected to be reduced by 1 p.p. to 13% on 1 January 2027.

¹³ State budget expenditures under the baseline scenario match the planned expenditures shared by the Ministry of Finance of the Republic of Tajikistan with the EFSD. It is understood that expenditures could increase if additional sources of financing are identified. However, assumptions are made that the RT Government's fiscal policy will aim to maintain a sustainable fiscal stance and ensure debt sustainability, with the state budget deficit not exceeding 2.5% of GDP over the forecast period.

accounts (as a % of GDP) will result in the current account surplus switching to a deficit of 1% of GDP in 2028. At the same time, although the level of gross international

reserves is expected to decline from 7.1 months of imports in 2025 to 7.9 months in 2028, it will remain sufficient to ensure external economic stability.

TABLE 1. KEY MACROECONOMIC INDICATORS

	2024 Actual	2025 Actual	2026 Estimate	2027 Forecasts	2028 Forecasts
National accounts and prices					
Nominal GDP, TJS billions	155.8	176.9	198.2	221.2	245.3
Real GDP growth, %	8.4	8.4	7.1	6.7	6.0
CPI (average, YoY), %	3.4	3.4	5.4	5.1	4.8
Money and credit (eop)					
Broad money, % change	28.8	23	12.0	11.6	10.9
Public finance (% of GDP)					
Revenues and grants	27.3	30.5	30.7	28.4	28.1
of which tax revenues	18.7	21.2	20.8	20.5	20.7
Budget expenditures	28.5	30.6	32.1	30.5	29.6
Current expenditures	22.3	22.5	23.0	21.9	21.7
Capital expenditures	6.2	8.1	9.1	8.6	7.9
Budget balance («-» deficit / «+» surplus)	-1.2	-0.2	-1.4	-2.1	-1.5
External sector (% of GDP)					
Current account	6.1	13.5	2.9	0.9	-1.0
Remittances	44.1	50.5	39.1	37.1	36.1
Foreign direct investment	1.3	0.6	1.3	1.3	1.3
Gross reserves, months of imports of goods and services of the current year	7.6	7.9	8.4	7.7	7.1

Source: Tajstat, NBT, EFSD estimates.



RISK SCENARIO

Chief
Economist's
Foreword

Executive
Summary

External
Sector

Russia

Kazakhstan



Armenia

Belarus

Kyrgyz Republic

Tajikistan

Risk Scenario



RISK SCENARIO

In light of the uncertainty surrounding the duration and ramifications of the escalation in the Middle East, we examined their potential impact on the world's major economies, commodity prices, and EFSD member states by modelling a risk scenario. This scenario assumed that the 'Iran conflict' continues without a clear end date, resulting in a high degree of uncertainty surrounding its outcome. In this regard, even if the acute phase of hostilities is de-escalated, the impacts on global commodity and financial markets may persist. Therefore, we modelled a scenario with a time-frame extending to the end of 2026. Longer-term tensions would give rise to structural shifts that are beyond the scope of macroeconomic analysis.

Although the 'Iran conflict' has mostly negative global consequences, there are some offsetting positive effects for the economies of EFSD member states, including faster economic growth in Russia and increased exports of energy and other products.

GLOBAL ECONOMY

These assumptions include continued high Brent oil prices, at USD 100 per barrel, until the end of 2026. The conflict is expected to trigger parallel price increases in base metals (copper, aluminium) and food (wheat, fruit and vegetables, etc.), thereby exacerbating inflationary pressures in all economies through import and logistics channels. Following their peak in early 2026, driven by expectations of rising geopolitical tensions, gold prices are expected to stabilise.

Thanks to diversified stimulus (U.S. and EU fiscal packages), a global recession will be avoided, but global economic growth is expected to decline by around 0.5 p.p. relative to the baseline scenario, with inflation accelerating. The slowdown will affect major economies, with the most adverse effect seen in the Eurozone, while effects will be more moderate in the U.S. and China.

TABLE 1. RISK SCENARIO PARAMETERS, 2026

Economy	GDP growth, %	Inflation, %
U.S.	1.8–2.4	2.6–3.4
Eurozone	0.2–1.2	2.0–2.8
China	4.3–4.7	0.8–1.6

Source: EFSD calculations.

RUSSIA

The effects are projected to be asymmetric, with positive effects prevailing: GDP growth is expected to be within the range of 1.2–2.2%, driven by increased hydrocarbon, fertiliser, and food production, among other industries, with a multiplier effect on related sectors such as transport, insurance, and wholesale trade. A longer process of closing the positive output gap, coupled with higher prices for imported goods, is likely to trigger inflation accelerating to 5.4–6.0%. The RUB exchange rate is expected to remain close to the levels projected in the baseline scenario — nominal appreciation against the USD of between 1% and 2% is possible. Additional oil and gas revenues will be channelled to the National Wealth Fund and will not lead to a significant change in the balance of supply and demand in the domestic foreign exchange market.

KAZAKHSTAN

The materialising of the risk scenario will have a moderately positive effect on Kazakhstan's economy. GDP growth is likely to be 5.2–5.6%, constrained by production capacity, despite stronger global oil demand. However, growth will be more balanced due to more equal contributions from external and domestic demand. An improved foreign trade balance will lead to a stronger KZT exchange rate, appreciating by 1–2% against the USD relative to the baseline scenario. This will be one of the key factors in containing pro-inflationary risks: rising prices for certain imported goods will be offset by a stronger exchange rate. In addition, fuel

and lubricant price controls are likely to remain in place. Inflation is expected to stay significantly above the target, within the range of 9.3–10.1%. Despite rising oil and gas revenues, budget policy is not expected to change, with the budget deficit remaining at the approved level.

ARMENIA

The impact of the 'Iran conflict' on Armenia's economy could be felt through two main asymmetric channels: on the one hand, there is a possibility of an acceleration in economic activity in Russia, which will have a positive effect; on the other hand, there is a potential slowdown in the global economy, which will limit external demand.

The stability of export flows, particularly to the UAE — a significant player in re-export operations — and exports of certain goods to Iran, Iraq, and China, could be at risk. This is expected to put pressure on Armenia's export potential; however, the acceleration of Russia's economy, according to our estimates, will offset the negative shocks and even drive some improvements in the current account position. However, no significant changes in local currency exchange rate trends are expected.

To a large extent, these estimates are based on the assumption that there will be no significant disruptions in logistics chains, and the main effect of the shock will be felt through the price channel. According to our estimates, inflation is likely to accelerate further by around 0.7 p.p., compared with 4% under the baseline scenario. Overall, economic activity in Armenia is projected to be 0.1–0.2 p.p. up relative to the baseline scenario, which assumes growth of 5.7%.

It is important to note that this scenario is based on Russia's economy accelerating and the fairly strong assumption that logistics operations via Armenia remain fully intact.

BELARUS

Higher oil prices are expected to have a favourable effect on foreign trade flows. Despite the rise in the price of imported crude oil, the adverse effect will be offset by higher prices for exported petroleum products. In addition, the acceleration of economic activity in Russia is projected to provide further support to Belarus' external demand. As a result, the current account deficit is expected to be lower than under the baseline scenario. At the same time, high prices for energy commodities will increase inflationary pressures — both directly, through higher fuel prices in the domestic market, and indirectly, through higher costs for producers and distributors, as well as through higher prices for goods in foreign markets. As a result, inflation in the Republic of Belarus is expected to be about 1 p.p. higher than under the baseline scenario. Forecasts for the BYN exchange rate are not expected to change much. Improved foreign trade is likely to have an effect on the exchange rate, potentially offset by increased demand for foreign currency from economic agents amid accelerating inflation. High external demand against the background of accelerating growth of Russia's economy will have a favourable effect on economic activity in Belarus, with additional GDP growth estimated at 0.2–0.5 p.p. relative to the baseline scenario (0.4%). Meanwhile, favourable conditions in the trade of oil products and the receipt of inter-budget transfers from Russia are expected to bolster fiscal sustainability.

The impact of geopolitical tensions on potash supply routes remains a significant uncertainty in the risk scenario. At present, there is no verified information regarding Iran's involvement in the transit of Belarusian potash fertilisers to South-East Asian countries; however, this possibility cannot be discounted.

KYRGYZ REPUBLIC

The most significant channels through which the 'Iran conflict' will impact the Kyrgyz Republic are the import and foreign exchange channels. In terms of the import channel, we expect growth of prices for imported energy commodities (oil products, mainly from Russia) and food (grain and grain products, beverages, fruit, and meat, from a variety of countries). The continued low elasticity of Russian prices for refined products to world oil prices limits the likelihood of significant energy price increases in the Kyrgyz Republic. According to EFSD estimates, the direct contribution of the potential increase in energy prices is limited to 0.1 p.p. However, food prices are more likely to grow faster, given the wide range of countries exporting to the Kyrgyz Republic and the already marked increase for several food items (e.g., fruit, meat, fats), which, according to our estimates, may lead to an additional acceleration of inflation of up to 1.5 p.p. Thus, the overall inflation rate (year-average) is likely to be up to 1.6 p.p. higher (from 7.7% under the baseline scenario to 9.3% under the risk scenario).

In terms of the foreign exchange channel, RUB appreciation and accelerating economic growth in Russia are likely to have a favourable effect on labour

migrants' remittances and revenues of companies exporting to Russia (light and food industries), thereby contributing to growth in consumer demand and budget revenues. However, the growth of the Kyrgyz Republic's economy in recent years has been driven more by domestic than external factors. Therefore, the expected positive effect is estimated to be limited to around 0.5 p.p. Accordingly, economic growth is expected to accelerate to 8.8% compared with 8.3% under the baseline scenario.

An additional downside risk is associated with the prospects of raising capital on foreign markets. The country's authorities have planned to issue Eurobonds worth USD 1 billion. In a risk-averse environment, declining global investor interest in emerging markets, as well as continued high USD interest rates, could prompt the postponement of these plans for the longer term.

TAJIKISTAN

We do not expect a negative response from the economy of the Republic of Tajikistan to the Middle East conflict through either the supply or demand channels. Aluminium output is likely to

ramp up, partially offsetting the decline in its production in the Middle East and supporting growth in the country's mining and manufacturing industries. However, demand for certain export commodities may be under pressure: cotton (the main export destination for which is Iran), as well as some metals exported to China and the EU. Accelerating economic activity in Russia and RUB appreciation are expected to support remittances and domestic demand in Tajikistan. We estimate that remittances could be higher than under the baseline scenario, with GDP growth potentially increasing by up to 0.3 p.p. Despite higher fuel, lubricant, and food prices, as well as transport costs, the current account balance will improve marginally. In general, no significant changes in the local currency exchange rate are expected relative to the baseline scenario.

Inflation is expected to rise due to higher prices for fuel, lubricants, and food. Our estimates suggest that consumer inflation is likely to increase by around 2.0 p.p. to reach 6.2% (compared with 5.4% under the baseline scenario). Rising food inflation (up to 1.8 p.p. relative to the baseline scenario) will prompt the authorities to pay close attention to the issue, as it puts food security at greater risk.

ABBREVIATIONS

AI	artificial intelligence
AMD	Armenian dram
Armstat	Statistical Committee of the Republic of Armenia
BEA	Bureau of Economic Analysis
Belstat	National Statistical Committee of the Republic of Belarus
BLS	Bureau of Labor Statistics
BNS ASPR RK	Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan
BYN	Belarusian ruble
CB RA	Central Bank of the Republic of Armenia
CPI	Consumer Price Index
EAEU	Eurasian Economic Union
ECB	European Central Bank
EFSD	Eurasian Fund for Stabilization and Development
eop	end of period
EU	European Union
EUR	euro
Eurostat	European Statistical Office
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

LE	legal entity
National Fund	National Fund of the Republic of Kazakhstan
NBC	National Bureau of Statistics of China
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
NBU	National Bank of Uzbekistan
NEER	nominal effective exchange rate
NPL	non-performing loan
NSC KR	National Statistical Committee of the Kyrgyz Republic
PI	private individual
PMI	Purchasing Managers' Index
p.p.	percentage point
QoQ	quarter-on-quarter
REER	real effective exchange rate
RUB	Russian ruble
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	U.S. dollar
USD/t	USD per tonne
USD/XAU	U.S. dollars per ounce
VAT	value added tax
YoY	year-on-year
% YoY	annual growth rate



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