Eurasian
Development Bank

MACROECONOMIC OUTLOOK 2024–2026

December 2023

Eurasian Development Bank

KEY FINDINGS

MACROECONOMIC OUTLOOK

DECEMBER 2023

2023

Economic growth estimates for the Bank's member states

Armenia	Belarus	Kazakhstan	Kyrgyzstan	Russia	Tajikistan
8.3%	3.9%	4.8%	4.6%	3.1%	8.2%

GDP growth in 2023

Inflation slowdown to single digits due to monetary policy measures and easing external pressure

7.8%
Aggregate inflation in the region at the end of 2023

Tightening of monetary policy in Russia and start of the base rate reduction cycle in Kazakhstan

15%
Key rate in Russia at the end of 2023

15.75%
Base rate in Kazakhstan at the end of 2023

2024

Slowdown in economic growth after accelerated recovery

1.5%
Russia's GDP growth in 2024

2.0%
Belarus's GDP growth in 2024

Strong growth in Kazakhstan and stabilisation in other EDB member countries

5.0%
Kazakhstan's GDP growth in 2024

5.8%
Aggregate GDP growth of Armenia, Kyrgyzstan, and Tajikistan in 2024

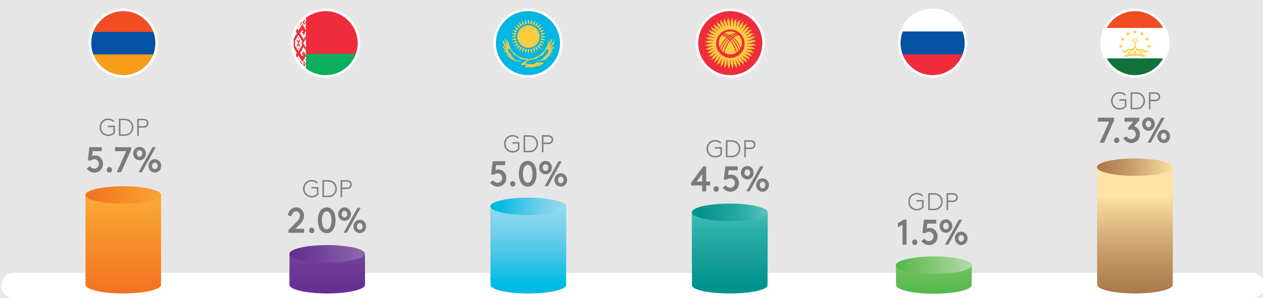
Inflation in most countries of the region gradually approaching targets, barring additional shocks

5.8%
Aggregate inflation in the region at the end of 2024

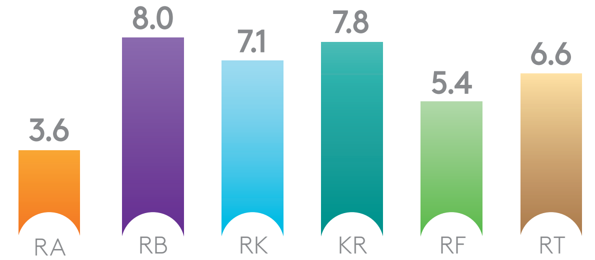
Start of key rate cut in Russia and further easing of monetary conditions in Kazakhstan

10.5%
Key rate in Russia at the end of 2024

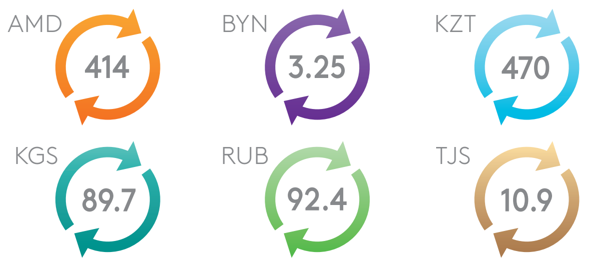
10%
Base rate in Kazakhstan at the end of 2024



Inflation (at the end of the year, %)



Exchange rate to U.S. dollar (the year's average)



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The document contains a detailed description of the current domestic and external macroeconomic conditions, and a consistent set of forecasts. The analysis covers existing mutual links among six economies (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan) and their key trading partners. Macroeconomic projections are developed by the EDB using the integrated modelling system underpinned by a multi-country dynamic stochastic general equilibrium model. Additional information on that system is presented in a joint EDB and EEC report (EDB, 2016).

Keywords: economic growth, forecast, GDP, inflation, exchange rate, demand, monetary policy, budget, interest rate, investments, export, import.

JEL: E17, F15, F31, H62, O11.

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SUMMARY

Global economic growth will slow. The major central banks will soon complete their monetary tightening cycle that has extended longer than anticipated. Inflation, albeit subdued in developed countries, will remain elevated for a while, driven by supply constraints, setting the stage for prolonged tight monetary conditions. As a result, U.S. GDP growth is forecast to be low at 1.0% in 2024, potentially dipping into a shallow recession in early 2024. U.S. economic growth will remain below 2% per year in the medium term, while the Eurozone economy will grow by 0.9% in 2024 and by around 1.5% per year in 2025–2026. China's economic activity will weaken in the medium term due to soft global demand and domestic structural problems, and its GDP growth will decrease from 5.6% in 2023 to about 4% per year in 2024–2026.

Thanks to domestic sources of growth, the GDP of the EDB operating region will increase by 3.4% in 2023. The economic outlook for the region in 2023 has improved in line with growth estimates for all countries. The economies of Russia and Belarus have adapted to the new conditions and restored GDP to its pre-crisis levels in 3Q2023. We expect GDP to grow by 3.9% in Belarus in 2023 and by 3.1% in Russia. We have raised the economic growth forecasts to 4.8% for Kazakhstan, 8.3% for Armenia, 4.6% for Kyrgyzstan, and 8.2% for Tajikistan.

In 2024, the region's economic growth will reach 2%, driven by the Russian and Belarusian economies returning to their equilibrium after rapid recovery in 2023. With domestic demand shrinking, Russia's economy will grow by 1.5% in 2024, affecting GDP in most countries of the region due to decreased exports from these countries and lower remittances to them. We expect economic growth to slow to 5.7% in Armenia, 2% in Belarus, and 7.3% in Tajikistan. Investment policy will stimulate Kazakhstan's GDP growth, bringing it to 5.0%. An increase in the output of base metals in Kyrgyzstan will raise GDP by 4.5%.

Inflation in the Bank's operating region will be about 5.8% in 2024, down from 7.8% in 2023. It was 13.1% in 2022, but a tight monetary policy adopted by central banks slowed it down considerably. However, some countries in the region have experienced price pressure in the second half of 2023 due to the overheating labour market and large-scale economic stimuli. These pressures will ease in 2024, encouraged by the central banks' policies to cool domestic demand, but inflation will still remain above target. High interest rates will cause consumer price growth in Russia to slow to 5.4% in 2024 from 7.9% in 2023. Inflation in Armenia will approach its target range of 3.6%. Price growth will continue to slow down in Kazakhstan to 7.1% in 2024 and in Kyrgyzstan to 7.8%. The inflation overhang in Belarus caused by price regulation has paved the way for price growth to accelerate to 8%. Tajikistan's inflation will accelerate to 6.6% amid a spike in domestic demand.

EDB MEMBER STATES

↓ **Table 1. EDB Forecasts. Main Macroeconomic Indicators of the EDB Member States (*Baseline Scenario*)**

Increase year-on-year, % (unless otherwise indicated)

Indicator	2021	2022	2023F	2024F	2025F	2026F
Republic of Armenia						
GDP in constant prices	5.8	12.6	8.3	5.7	5.3	5.0
Inflation (*at the end of the period*)	7.7	8.6	0.3	3.6	3.6	3.6
IBL rate (*the year's average*), %	6.4	9.0	10.0	8.6	8.0	8.0
Armenian dram to U.S. dollar exchange rate (*the year's average*)	504	436	392	414	420	426
Republic of Belarus						
GDP in constant prices	2.5	–4.7	3.9	2.0	0.8	1.0
Inflation (*at the end of the period*)	10.0	12.8	5.2	8.0	7.4	6.4
Refinancing rate (*the year's average*), %	8.6	11.6	10.1	9.5	9.8	9.5
Belarusian rouble to U.S. dollar exchange rate (*the year's average*)	2.54	2.62	3.01	3.25	3.37	3.54
Republic of Kazakhstan						
GDP in constant prices	4.3	3.2	4.8	5.0	5.1	5.1
Inflation (*at the end of the period*)	8.4	20.3	9.8	7.1	5.6	5.1
TONIA rate (*the year's average*), %	8.9	13.9	16.4	12.4	7.5	6.7
Kazakhstan's tenge to U.S. dollar exchange rate (*the year's average*)	426.0	460.5	456.9	470.4	486.3	507.0
Kyrgyz Republic						
GDP in constant prices	5.5	6.3	4.6	4.5	3.5	3.4
Inflation (*at the end of the period*)	11.2	14.7	8.9	7.8	6.6	6.1
7-day repo Repo (*the year's average*), %	5.6	12.1	11.2	10.4	9.6	9.4
Kyrgyzstan's som to U.S. dollar exchange rate (*the year's average*)	84.6	84.1	87.9	89.7	92.1	95.6
Russian Federation						
GDP in constant prices	5.6	–2.1	3.1	1.5	1.6	2.1
Inflation (*at the end of the period*)	8.4	11.9	7.9	5.4	4.0	3.9
Key rate (*the year's average*), %	5.8	10.6	9.9	12.7	7.8	6.0
Russian rouble to U.S. dollar exchange rate (*the year's average*)	73.6	67.5	85.9	92.4	93.4	95.1
Republic of Tajikistan						
GDP in constant prices	9.2	8.0	8.2	7.3	6.3	7.1
Inflation (*at the end of the period*)	8.0	4.2	6.0	6.6	5.8	6.1
Refinancing rate (*the year's average*), %	12.2	13.3	10.5	10.8	9.7	9.3
Tajikistan's somoni to U.S. dollar exchange rate (*the year's average*)	11.3	11.0	10.8	10.9	11.1	11.4

Note: F = Forecast.
Sources: National agencies of the EDB member countries, calculations by EDB analysts.

FROM THE CHIEF ECONOMIST

GLOBAL ECONOMIC TRENDS

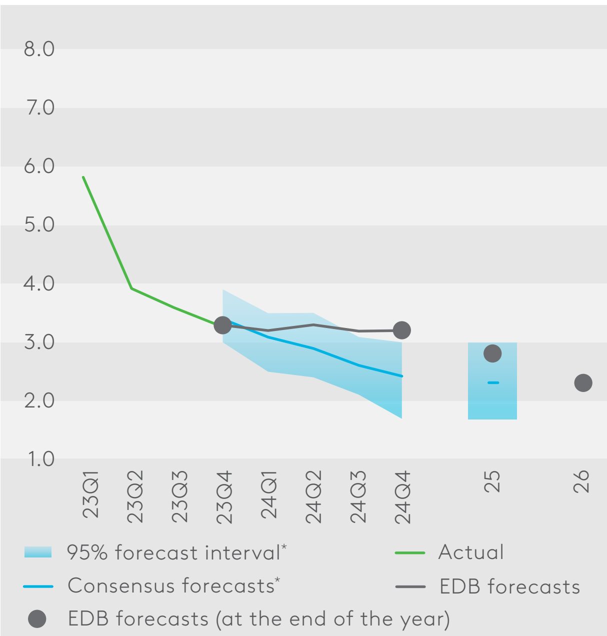
The global economy has performed in 2023 in line with the trends we outlined earlier: inflation, albeit elevated, slowed down, monetary policy tightened, and business activity weakened.

Inflation fell significantly in advanced economies in 2023. Their central banks were committed to reaching inflation targets, so they cut consumer price growth rates. U.S. quarterly inflation slowed to almost half the pace of early 2023 in the second half of the year. Eurozone inflation is slowing steadily, too: price pressures are no longer abundant when it comes to both supply and demand sides. Some factors are still pro-inflationary, especially the tight labour market with a labour shortage in some economic sectors, as well as rising energy prices.

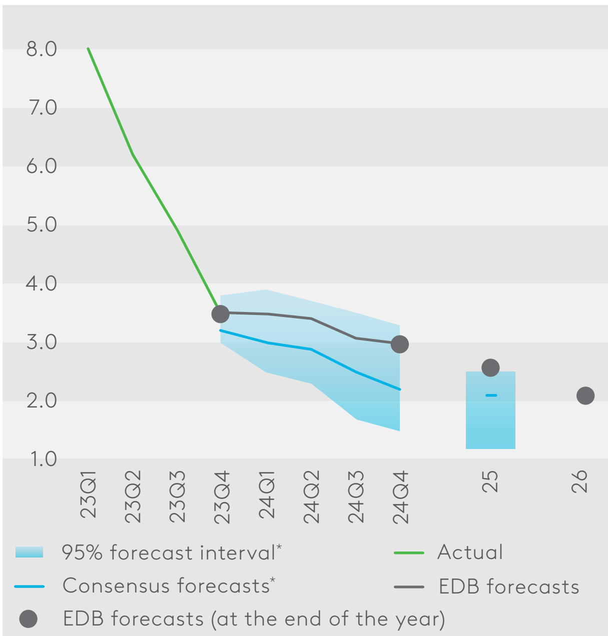
We project inflation in the U.S. and Eurozone to remain above the 2% target throughout the forecast horizon. Price growth will only stabilise around the target in late 2026. We are unlikely to see a further slowdown in price growth after rapid disinflation in 2023 from historic highs: the growing pressure of high interest rates makes it more difficult to service both fiscal and private sector debt. The growing global economic fragmentation is causing additional structural factors contributing to pro-inflationary pressure in advanced economies.

Figures 1 and 2 show our forecasts for U.S. and Eurozone inflation compared with consensus estimates. We expect inflation of 3.3% in 2023 in the U.S. and 3.5% in the Eurozone. In 2024, price growth in the Eurozone will decline at a slightly faster pace than in the U.S., reaching 3.0% at the end of the year vs. 3.1% for the U.S. We are more conservative than consensus, which projects inflation to end below 3% for the U.S. and Eurozone, but still higher than the target levels.

↓ Figure 1. Inflation in the U.S., % YoY



↓ Figure 2. Inflation in the Eurozone, % YoY

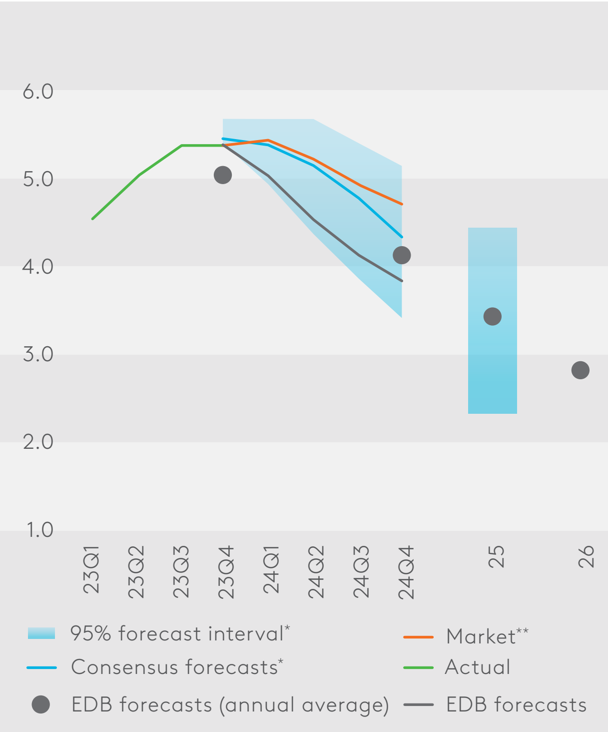


* Based on Bloomberg data (agency estimates and our own calculations).

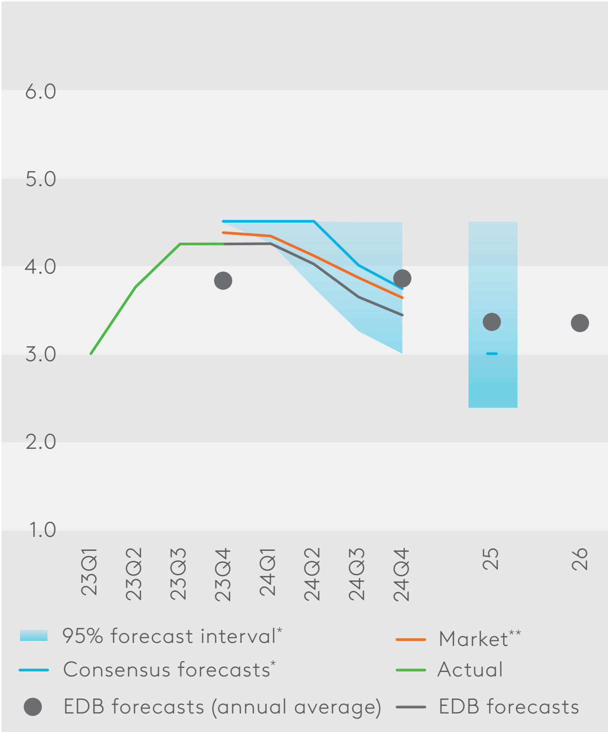
The U.S. and Eurozone interest rate tightening cycles are very likely to be over. At its meetings in September and November, the Fed decided to keep the key rate as it is, amid weakening inflation. After ten consecutive hikes, the ECB also took a pause at its last meeting in October 2023. The threat of recession in the Eurozone and stagnation in the U.S. is becoming more real, so the regions' regulators are increasingly likely to change the course of their monetary policies. The increase in key interest rates by the central banks of advanced economies has affected **the growth of borrowing costs for both households and businesses.** Consumer loan and mortgage rates in the Eurozone keep setting new multi-year highs, while the cost of lending to businesses is higher than it was after the Global Financial Crisis in 2008. Mortgage rates in the U.S. are also at their highest in 20 years, and they are still moving up. Such high loan interest rates are changing the economic behaviour of the households, pushing them to save more, which will become a factor cooling down the global economy.

The Fed and ECB may start cutting key rates as early as the first half of 2024, but they will not reach the level of the previous decade. Analysts mostly expect lower rates in 2024 (Figures 3 and 4), although their estimates differ widely. Our U.S. outlook for next year is less conservative than the consensus, as we assume monetary policy easing to smooth the business cycle and to reduce risks to debt sustainability. Going forward, the rate cut will be smoother, to prevent renewed acceleration in price growth. When it comes to the Eurozone forecasts, we expect the rate to decrease in 2Q2024, supported by economic activity.

↓ Figure 3. Fed Key Rate, % per annum



↓ Figure 4. ECB Rate, % per annum

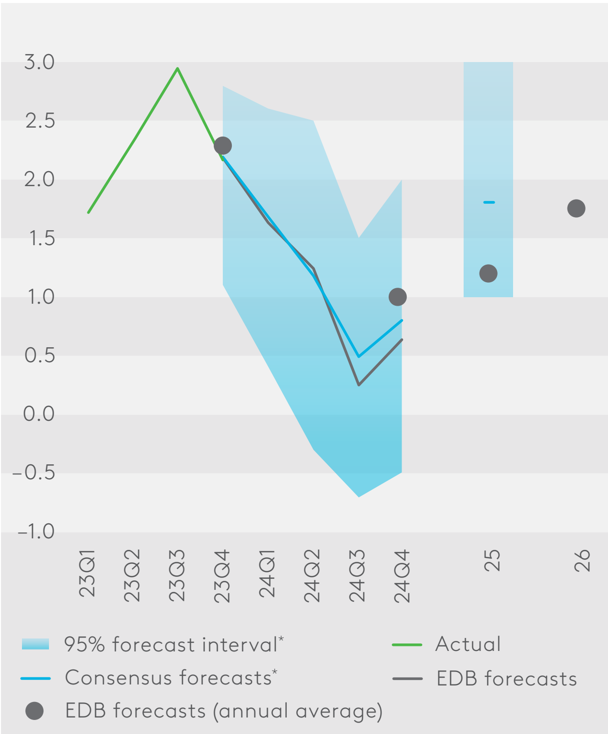


* Based on Bloomberg data (agency estimates and our own calculations).
** Bloomberg estimates based on derivatives market quotations.

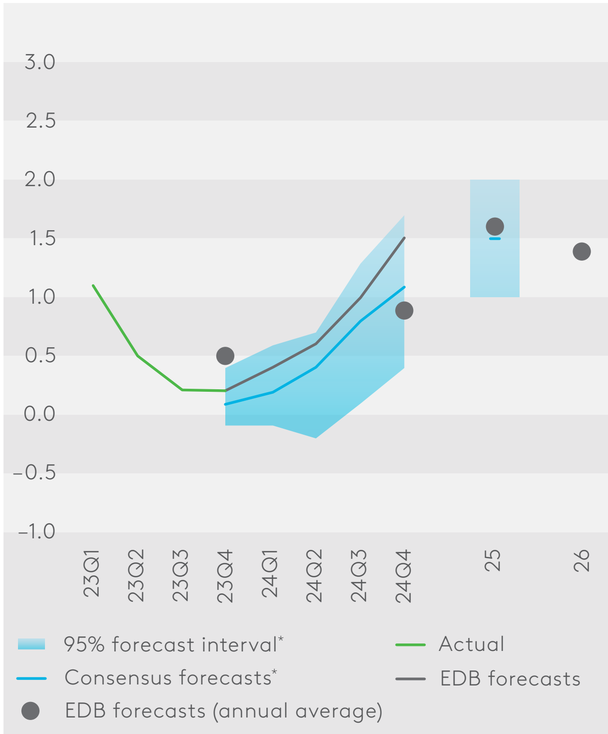
The downward trend in economic activity in the world is far from over, and it might be gathering pace. GDP growth in the world's largest economies has been mixed this year. A slowdown in economic growth was in line with the Eurozone's expectations, with close to zero quarterly growth, as well as some signs of the beginning of a recession in 3Q2023. High interest rates have significantly cooled business activity, keeping PMI below neutral since June and at its lowest since 2021 in August–October. By contrast, the U.S. economy has been growing since early 2023. Economic activity is fuelled by strong and consumption-driven domestic demand. Household spending grew due to higher real income on the back of rising wages, a sustained increase in consumer lending until August 2023, and individuals turning to savings accumulated during the pandemic. A slowdown is in order, though, coming into effect as early as 4Q2023 because of tighter monetary conditions. In 3Q, the U.S. already saw a decrease in the volume of loans to households, a falling number of job vacancies, and a decline in real disposable income. Shrinking consumption will translate into a considerable growth slowdown, but it looks like the U.S. will avoid a recession.

Tight financial conditions will discourage the U.S. and Eurozone economies from growing rapidly. In the baseline scenario, we expect annual GDP growth of 1.0% in the U.S. and 0.9% in the Eurozone in 2024 (Figures 5 and 6). We, along with the consensus, forecast a slowdown in U.S. GDP growth in early 2024. The economic growth forecasts are, however, subject to high uncertainty, a bellwether of a possible recession. In our outlook for the Eurozone, we are close to consensus estimates, but we share concerns about the outlook for the economy over the coming year.

↓ Figure 5. U.S. GDP, % YoY



↓ Figure 6. Eurozone GDP, % YoY



* Based on Bloomberg data (agency estimates and our own calculations).

A slowdown in economic growth in China will also weaken the global economy next year. In 2023, China's GDP growth rate was strong (Table 2), but we expect a gradual slowdown in early 2024. Our 2024 GDP forecast for China is 4.3%, due to structural challenges in the Chinese economy, such as bankruptcy risks in the construction sector, reduced FDI inflows, and limited domestic demand growth. We expect the Chinese economy to remain in the recovery cycle in 2025–2026, but growth will continue to slow to around 4.0%. Nevertheless, China still stands to post strong economic activity indicators — higher than in most other countries.

In the baseline scenario, we assume that food prices will continue to decline in 2024. With the recovery of supply chains, a slowing global economy, and tight monetary conditions in the U.S., prices will go down slightly, continuing to do so at 2–3% per annum over the medium-term horizon. **After decreasing by 3.5% in 2024, prices for metals will turn relatively stable.** Subdued global economic growth will fail to create conditions for demand for commodities to rise. At the same time, we do not anticipate increased supply amid the global economic fragmentation, which will disrupt sales. **The price of Brent crude oil will decline by 2–5% per year,** largely driven by cooling of the global economy. Given the termination of the voluntary agreement to cut oil output, we expect Brent crude oil prices to decline from $83 per barrel in early 2024 to $74 in 2026. The discount for Russian Urals oil to Brent prices is expected to average around $12 by the end of 2023, declining further to $4 by the end of 2026.

↓ **Table 2. Projected Values of Key Foreign Economic Indicators (*Baseline Scenario*)**

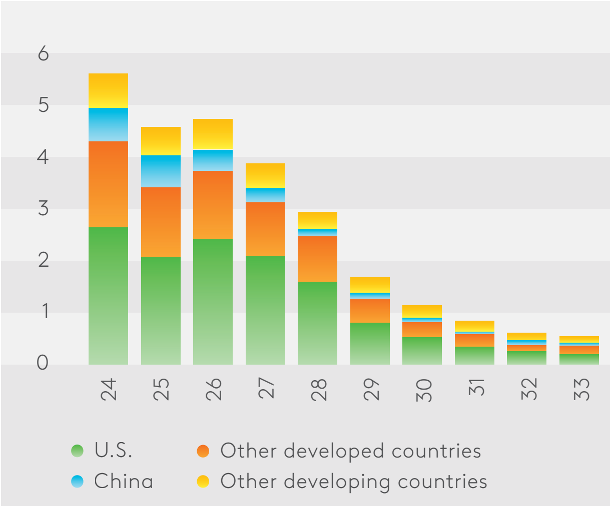
Indicator	2022	2023F	2024F	2025F	2026F
Oil price *($/bbl annual average)*					
Brent	100	83	81	77	74
Urals	76	61	72	72	70
GDP growth *(%)*					
U.S.	2.1	2.3	1.0	1.2	1.8
Eurozone	3.3	0.5	0.9	1.6	1.4
China	3.0	5.1	4.3	4.1	3.9
Inflation *(% the year's average)*					
U.S.	8.0	4.2	3.2	2.9	2.4
Eurozone	8.4	5.6	3.3	2.7	2.3
Key interest rates *(% the year's average)*					
Fed	1.7	5.0	4.4	3.4	2.8
ECB	0.7	3.8	3.9	3.4	3.4

Sources: 2022 — data from IMF, World Bank, Fed; 2023–2026 — forecasts by EDB analysts.

To summarise our baseline scenario, we highlight that, due to the consistent policy of inflation targeting by central banks, inflation is already falling, although it is bound to remain elevated for a long time to come, resulting in **a slowdown in global economic growth over the next few years.** Banks, companies, and governments in advanced economies have become unaccustomed to operating amid high interest rates and tight budget constraints, so **economic growth will be highly fragile,** and any new shocks could noticeably prolong its slowdown or push inflation back up, reversing the trend. To build in the high degree of uncertainty surrounding these factors, which set different development trajectories for the global economy, we have reviewed **the most significant risks and their possible consequences for the economies of the EDB's operating region**.

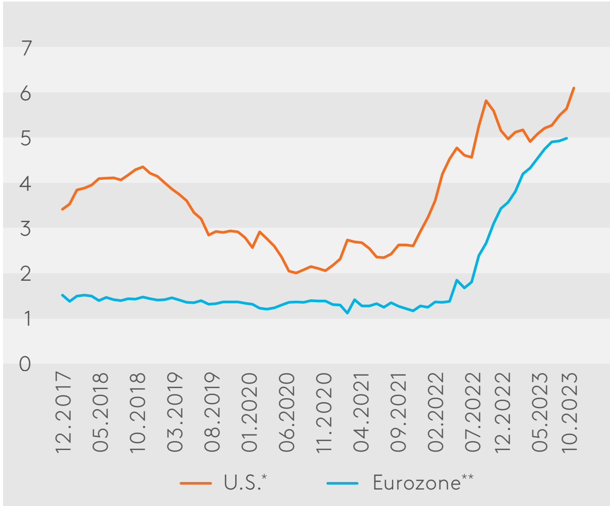
A spike in interest rates has increased the burden of debt servicing and refinancing for almost all categories of borrowers globally, especially for the corporate sector. Borrowers might soon face significant bond redemptions on short notice, and they will have no option of a new favourable placement to turn to for refinancing. The IMF estimates that global corporate debt redemption will peak at around $6 trillion in 2024 (IMF, 2023) (Figure 7). Moreover, the debt previously borrowed at lower rates will be refinanced at higher rates that are already in place (Figure 8).

↓ **Figure 7. Corporate Debt Redemption, US$ trillion**



Source: IMF, 2023.

↓ **Figure 8. Cost of Borrowed Resources for the Corporate Sector, % per annum**



Sources: FRED, 2023; ECB, 2023.

* — Spot price of 10-year corporate securities (FRED, 2023)

** — Cost of new corporate loans (ECB, 2023)

If this scenario materializes, we might observe high interest rates over a longer horizon than in the baseline scenario, potentially causing **debt sustainability issues** amid low economic growth. Many businesses with low revenue growth will go bankrupt, while shrinking consumer and investment activity will pave the way for prolonged recessions in advanced economies. The economic downturn, together with a slowdown in inflation, will result in lower tax revenues. When it comes to raising new debt, refinancing accumulated liabilities, and providing fiscal support to the economy, most governments will have limited options. Falling global demand will reduce prices for resources, primarily oil and base metals, and affect the economies of commodity-exporting countries.

Risk of increased geopolitical tensions. Tensions in the Middle East could reduce oil supplies and increase the cost of oil in the global market, boosting energy prices amid gas supply disruptions. This will lead to a slowdown in global economic growth, and most notably affect the Eurozone as a major importer of crude oil, creating the risk of a prolonged recession in the region in 2024. Rising energy prices will offset the successes central banks have had in combating inflation caused by higher producer costs, and inflation will go up again. Continuing pro-inflationary pressures will keep high interest rates for significantly longer, which will further depress economic growth. In the worst-case scenario, the global economic fragmentation will significantly grow, reducing investment in emerging markets. Risk premiums and transaction costs will rise, exacerbating issues caused directly by rising energy prices, resulting in stagflation, first in advanced economies and then in the rest of the global economy amid lower global demand. Even though negative scenarios pose high risks for the global economy, our alternatives incorporate the chance of a more optimistic course of events compared with the baseline scenario.

Rapid global economic recovery. A speedy resolution of the conflict in the Middle East and reduced tensions between China and the U.S. could fuel development. Stable global energy supplies and projected changes in world prices will reduce business uncertainty and pressure on countries' budgets from energy costs. A widening of foreign economic relations with China will increase exports to the U.S. and the Eurozone, accelerating recovery in these countries. This will also make for an environment conducive to growing cross-border investment, reducing the costs of relocating industries and labour costs, which will in turn cool inflationary pressures. All factors facilitating lower inflation will encourage countries to soften their monetary policies more decisively, creating conditions to expand business activities. Under this scenario, the period of low economic growth would be shorter, enabling the Eurozone countries and the U.S. to reach a trajectory of equilibrium economic growth rates in 2026.

REPUBLIC OF ARMENIA

Source: leonardo.ai
Prompt: As the sun rises over the clouded sky, a crossroad appears at the base of the majestic Ararat mountain

REPUBLIC OF ARMENIA

The baseline scenario projects Armenian GDP growth at 5.7% in 2024 and 5.3% in 2025. Inflation could accelerate to 3.6% in 2024 amid continued elevated domestic demand, a moderate weakening of the national currency, and the ongoing cycle of refinancing rate reductions. We expect fiscal policy to stimulate the Armenian economy in 2024.

Current situation

Armenia's economic growth rate has weakened since last year's spike in activity, but remains high. Growth was 9.2% YoY in January–October 2023. The services sector was the key driver behind these economic trends amid expanding output in the IT, air transport, and food service industries[1]. The financial and manufacturing sectors[2] saw a decline in January–October after last year's surges. Construction, however, is keeping up pace (up 16.4% YoY in January–October), bolstered by high mortgage lending[3]. The economy will continue to enjoy support from significant revenues. For example, cross-border remittances of individuals increased by 17.8% YoY to $4.8 billion in January–October this year, remaining at historical highs for the country first recorded last year (revenue totalled $5.1 billion in 2022 vs. the yearly average of $1.9 billion in 2018–2021). The first ten months of 2023 also saw continued high levels of tourism: visits from other countries increased by 48.8% YoY after +90% in 2022. Domestic demand has strengthened as more individuals take out loans (up 22.5% YoY in October), while consumer prices are falling.

Armenia's economy will keep growing strongly till the end of 2023, at a rate faster than previously expected, i.e., 8.3% YoY for the year. We have raised our projections because of the strong economic performance in January–September, the recovering Russian economy, increased consumer demand as the Karabakh population relocates to Armenia, and a potential increase in budget expenditures in 4Q.

January–October saw the foreign trade deficit increase to $3.8 billion after a $2.6 billion deficit in the same period last year. Exports rose by 38.5% YoY. Precious stones and metals, machinery and equipment, and transport made a major contribution to growth in goods exports. Imports increased (+42.9% YoY) for all product groups in January–October. Import growth began to outpace exports due to the continued high domestic consumption and investment, as well as the increasing purchasing power of the Armenian dram[4] against the currencies of major trading partners.

Inflationary pressures have remained muted throughout the year, driven by both food and non-food prices, in particular, a reduction in the cost of imported food and vehicle fuel. Last year's surge in food costs driven by higher international prices and prices of services amid strong demand[5] also held back inflation. As the Armenian dram strengthened, and external prices no longer exerted as much pressure, this limited price increases over January–October 2023. Tight monetary conditions also contributed to the fall in inflation. Inflation will somewhat accelerate from its current weak level (–0,5% YoY in November) by the

[1] Services have grown by 12.1% YoY in January–October (information and communication +44.1% YoY, transport +23.8% YoY, accommodation and food service +20.1% YoY in January–October).
[2] Down 8.3% and 0.2% YoY, respectively, in the first ten months of the year, compared with growth of 49% and 18.1% YoY, respectively, in the same period of 2022.
[3] This was driven by construction funded by companies (+31.2% YoY in January–October). More than half of the sector's work is in residential construction, amid strong growth in mortgage lending (+28.2% in October).
[4] For more information, see Eurasian Development Bank's Macroeconomic Review, August 2023, *Box 1*
[5] For more information, see Eurasian Development Bank's Macroeconomic Review. October 2023, *Box 1*

end of the year but will remain well below the target range of the Central Bank of Armenia (4±1.5%). We estimate it to reach 0.3% YoY.

The Central Bank of Armenia held a meeting on 12 December, where it decided to reduce the refinancing rate for the fifth time in a row, this time by 0.25 p.p. to 9.25%, a decision brought about by slowing inflation and easing external price pressures. All in all, the Bank has decreased the refinancing rate by 1.5 p.p. in the second half of the year. Monetary policy did not see much more easing due to pro-inflationary risks which emerged in late September and early October amid devaluation expectations and increasing domestic consumer demand.

The state budget posted a surplus of 0.8% of GDP in January–September 2023 (vs. 0.6% of GDP in 2022), thanks to a 13.8% YoY increase in revenues in January–September in the context of growing business activity and a more restrained 12.7% YoY rise in expenditures. At the same time, the 2023 budget anticipated higher expenditures over the nine months (a deficit of 2.5% of GDP for 2023 was planned), which paves the way for quicker funds allocation in 4Q and stronger economic stimulus at the end of the year.

Forecasts

↓ Table 3. Key Macroeconomic Indicators of Armenia (*Baseline Scenario*)

Indicator	2022	2023F	2024F	2025F	2026F
GDP in constant prices *(% growth YoY)*	12.6	8.3	5.7	5.3	5.0
Consumer price index *(% growth YoY at the end of the year)*	8.6	0.3	3.6	3.6	3.6
IBL rate *(%, the year's average)*	9.0	10.0	8.6	8.0	8.0
Armenian dram to U.S. dollar exchange rate *(the year's average)*	436	392	414	421	426

Source: National agencies, calculations by EDB analysts.

Economic activity and inflation

The baseline scenario projects Armenian GDP to increase by 5.7% in 2024. As demand stabilises after peaking in 2022–2023, economic growth will reach a balanced pace (Figure 9.A). Monetary conditions will have a neutral impact on demand in 2024; we expect the impact of fiscal policy to be stimulative. Construction work at the Amulsar field and investment inflow and revenues from its further development will contribute to GDP and economic growth[6]. Economic growth will be near the long-term rates in 2025 and 2026, at 5.3% and 5.0%, respectively (Table 3).

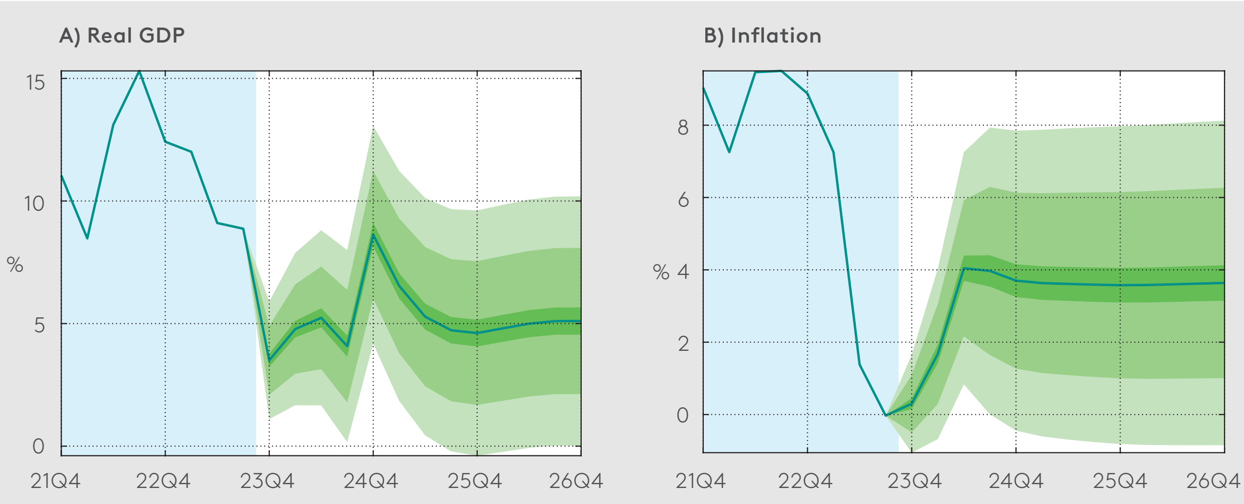
External demand will continue to have both positive and negative effects on the Armenian economy. A slowdown in global business activity in 2024 will have a more negative impact, translating into weak external demand for exported goods and a decline in remittances, including from the U.S. This will be offset by the switch of exports to Russia

[6] The authorities estimate that this could generate up to 1 p.p. of growth per year.

and rising remittances from Russia amid changes to the country breakdowns of exports and remittances in 2022–2023.

Under the baseline scenario, we project inflation at 3.6% YoY at the end of 2024 (Figure 9.B). Several factors will have a pro-inflationary effect in 2024, namely the easing of monetary conditions by the Central Bank of Armenia, stimulative fiscal policy, strengthening domestic demand, additional consumer demand from immigrants from Nagorno-Karabakh, and some depreciation of the exchange rate of the dram from its 2023 level. That said, the disinflationary effect from international goods and commodity prices together with lower inflation expectations will curb prices. Inflation will meet the Central Bank's target range in 2025–2026.

↓ Figure 9. Economic Activity and Inflation Forecasts for Armenia



Note: Here and elsewhere, GDP and inflation data are seasonally adjusted. Here and elsewhere, the chart ranges correspond to the 10%, 50%, and 75% confidence intervals.

Source: Calculations by EDB analysts.

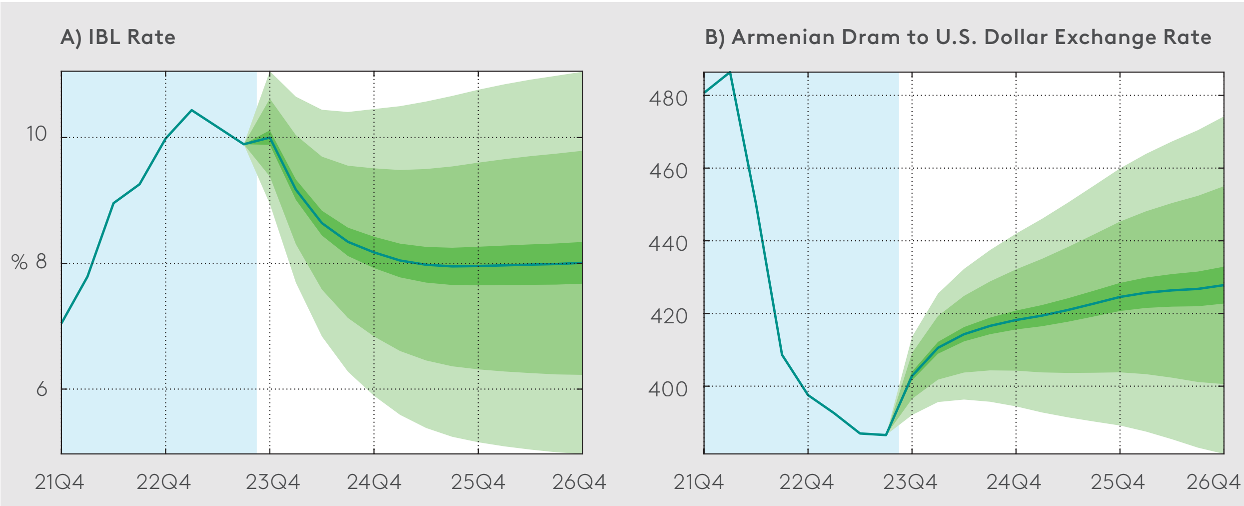
Monetary policy and the Armenian dram exchange rate

Under the baseline scenario, the IBL rate will gradually decline to an average of 8.6% for 2024, following the refinancing rate (Figure 10.A). With price growth decelerating steadily, consumer demand stabilising gradually after peaks in 2023, and inflation falling within the CB RA's target range (4±1.5%), we assume a continued reduction in the refinancing rate in 2024. Nevertheless, we project monetary policy to have a neutral effect on demand over the year. The IBL rate will fall to 8.0% in 2025, which will be on a par with the CB RA's stable inflation target range.

The average annual exchange rate of the Armenian dram against the U.S. dollar is projected at 414 in 2024 (Figure 10.B). 2024 will see gradual depreciation of the dram from the current year, driven by several factors. These include a slowdown in the growth rate of exports of goods and services in 2024 after a strong performance in 2022–2023, higher import growth than export growth amid continued strong domestic consumer and investment demand, depreciation expectations caused by the geopolitical situation, a rate cut in the money market, and slower economic growth. The inflow of remittances and foreign capital will, however, bolster the national currency along with a high tourism level, the overall effect being slight depreciation in 2024.

Stimulative fiscal policy in the medium term. Fiscal policy will stimulate demand in 2024 according to our estimates, given the government's plans to increase the budget deficit to 3.2% of GDP vs. 2.5% in 2023 in the context of expenditures rising by 1.1 p.p., to 28.7% of GDP. The government is looking to increase capital spending by 0.6 p.p. to 6.6% of GDP in 2024 and keep it at that level until 2026. This will help boost productivity and expand the economy's growth potential in the medium term. Under the government's Medium-Term Expenditure Programme for 2024–2026, expenditure rates will stabilise around 28% of GDP, and tax revenues will grow by 0.6 p.p. per annum.

↓ Figure 10. Interest Rate and Armenian Dram Exchange Rate Forecasts



Source: Calculations by EDB analysts.

Risks

Deteriorating geopolitical environment in the region. This expands uncertainty around the forecasts of key macroeconomic indicators. If unfavourable scenarios materialize then this will increase pro-inflationary risks and risks that external demand for services will weaken, as well as raising the country risk premium.

The external sector faces a risk of a deeper and more protracted recession in the world's major economies. If an unfavourable external conditions scenario materializes then this will lead to slower economic growth in Armenia in 2024. With weak external demand, exports and remittance inflows will slow down.

Armenia's economic growth driver for 2022–2023 could pose a risk to the economy. The likelihood of capital and labour outflows is a significant threat to the economy and to the stability of the national currency. A reversal of the net inflow of cross-border remittances would lead in the first place to sharp depreciation of the national currency and a surge in prices (for more information, please see EDB Macroeconomic Outlook for 2023–2025).

REPUBLIC OF BELARUS

Source: leonardo.ai
Prompt: Belovezhskaya Pushcha, bison, sunrise through clouds, road with trees, skyline

REPUBLIC OF BELARUS

Belarusian GDP will increase by 2% in 2024, provided that the country retains its re-established production and supply chains, and that domestic economic policy is supportive. Increasing domestic demand will cause inflation to grow from 5.2% in 2023 to 8% in 2024. Under the baseline scenario, we expect the refinancing rate to remain at a level close to its current 9.5% for the entire forecast horizon.

Current situation

Belarus's GDP growth will amount to 3.9% in 2023. The country has shown that it is capable of adapting successfully to the change in operating conditions last year. The country's GDP grew by 3.8% YoY in the first ten months of 2023, a recovery after a 4.7% decline in 2022, partially driven by building alternative supply chains, switching to new markets, and increasing demand in Russia. Accommodative domestic economic policy has encouraged the expansion of output, in particular, through easing lending conditions and increasing budget expenditures. Domestic factors and continued strong demand in Russia will continue to support the Belarusian economy in 4Q, and GDP growth may reach 3.9% in 2023. We have increased our estimate by 1.7 p.p. due to stronger external demand from Russia, Belarus's key trading partner.

In terms of sectors, industrial production is the key driver of economic growth. Industry contributed 2.3 p.p. to GDP growth over the first ten months of 2023, with the sector's output expanding by 8.0% YoY. Further, manufacturing saw a 9.8% YoY increase in production, largely due to rising demand from Russia. Substantive contributions to GDP (in total adding 1.1 p.p. over January–October 2023) came from expanded wholesaling (up 13.2% YoY) and retail (up 7.6% YoY). Added value from construction saw a decline in 2021–2022, but has since then increased by 12.4% YoY, contributing a 0.5 p.p. increase to GDP growth. Agriculture, transport activities (down 0.1 p.p.), and the information and communications sector (down 1 p.p.) curbed GDP growth in January– October. Agriculture suffered from a 10.8% YoY decline in the grain crop harvest; the transport sector is feeling the external restraints through decreasing freight traffic. The information and communications sector is contracting amid restrictions imposed by the EU and U.S. and due to the relocation of Belarusian people employed in the industry and companies to other countries.

Domestic demand rose significantly in 2023. Real incomes grew by 5.8% YoY over January–September, and consumer lending rose by an average of 2.8% per month, encouraging households to increase their consumption. Investment activity also went up, largely due to Government investment support. Over half of investments were sourced from the state budget and preferential lending.

Inflation has hit numerous historic lows this year. Consumer price growth slowed down to 3.7% YoY in October 2023, from 12.8% YoY in December 2022. The country introduced a system of price regulation last October, largely covering the entire consumer basket, and this was the greatest factor reducing inflation. It curbed trade mark-ups, which has decreased inflation significantly in 2023. Such price regulation holds back the increasing pro-inflationary pressures driven by domestic demand and wages from seeping into consumer prices, leading to a monetary overhang. Accelerating price growth in Russia is also a pro-inflationary factor for the Belarusian economy. Inflation may quicken its pace to 5.2% by the end of 2023, given that the November 2022 price decline will not be incorporated in the November 2023 annual inflation calculation.

Foreign trade in goods and services is no longer in surplus due to rising domestic demand, a downturn in the IT sector, and freight traffic. Foreign trade in goods and services saw a surplus of $0.54 billion in January–September this year vs. a surplus of $4.14 billion last year. Transactions with goods are the main cause: the balance of traded goods posted a deficit of $1.58 billion after a surplus of $0.96 billion a year earlier. The fact that imports are rising more quickly than exports is one of the reasons why; imports of goods grew by 17.7% YoY vs. 7.7% YoY for exports. This was due to both unfavourable pricing conditions in trade and the high growth of imports of investment (by 58.9% YoY) and consumer goods (by 44.5% YoY) amid growing domestic demand. The surplus of foreign trade in services over January–September 2023 decreased by $1.07 billion vs. the same period of 2022, resulting from a 6.7% YoY decline in exports (mainly due to information and transport services) and a 17.2% YoY rise in imports, probably because of higher logistics restoration costs.

Bank lending conditions softened in January–October 2023. The National Bank of the Republic of Belarus cut the refinancing rate from 12% at the beginning of the year to 9.5% in late June, since when it has been unchanged. The National Bank makes no attempt to absorb the excess liquidity, so the interbank market rate remained at about 1%–2%, making the average nominal rates on rouble deposits and loans fall to new historical lows this year. Softer borrowing terms naturally accelerated lending growth. We expect the National Bank to keep the refinancing rate unchanged until the end of 2023 amid accelerating loan portfolio growth and rising pro-inflationary risks.

Reserve assets were at $8.14 billion in early November, having increased by $0.22 billion since the beginning of the year.

Forecasts

↓ Table 4. Belarus's Key Macroeconomic Indicators (*Baseline Scenario*)

Indicator	2022	2023F	2024F	2025F	2026F
GDP in constant prices *(% growth YoY)*	–4.7	3.9	2.0	0.8	1.0
Consumer price index *(% growth YoY at the end of the year)*	12.8	5.2	8.0	7.4	6.4
Refinancing rate *(% p.a., the year's average)*	11.6	10.1	9.5	9.8	9.5
Belarusian rouble to U.S. dollar exchange rate *(the year's average)*	2.62	3.01	3.25	3.37	3.54

Source: National agencies, calculations by EDB analysts.

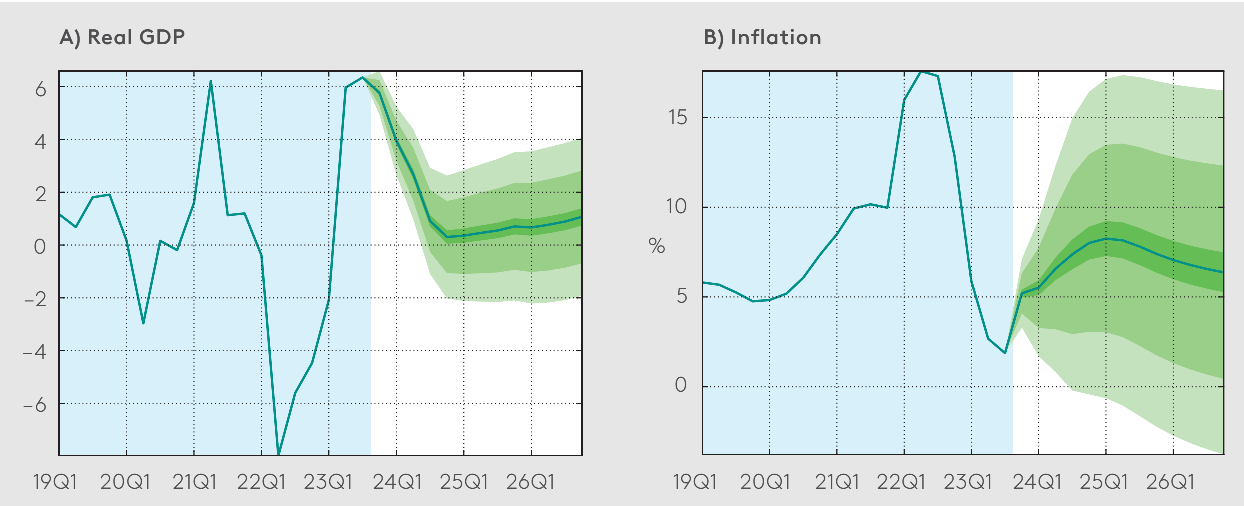
Economic activity and inflation

The baseline scenario assumes GDP to grow by 2% in 2024. Economic growth will slow down, given the completion of the recovery period alongside continued supply restrictions (reduced employment, challenges with supply chains, and limited access to technology). The retention of an accommodative fiscal and monetary policy will provide continued support to domestic demand and, consequently, imports, whose growth will outperform that of exports. That said, exports may weaken in 2024 on the back of Russia's projected GDP growth decline, weakening price advantages in the Russian market due to the strengthening of the Belarusian rouble against the Russian rouble, and the ten-year high of industrial capacity utilisation reached in September 2023. The supply and production chains that the country has built will also propel exports. All our baseline scenario forecasts rely on the assumption that no new major restrictions will be imposed over the forecast horizon.

We project a downward correction to economic growth for 2025–2026 (Figure 11.A). The slowdown in GDP growth in the medium term will help the economy to return to a balanced growth trajectory after overheating in 2023–2024. Growth of Belarus's potential GDP will be capped at 1%–1.5% per year due to unfavourable demographic trends and restricted access to technology. External demand's impact on Belarus's economic growth may weaken as Russia's growth slows down while its import substitution policy expands.

Inflation will accelerate to 8% in 2024. The supply correction under conditions of high aggregate demand will cause costs to increase and affect consumer prices over time due to the continuing price regulation policy. A pro-inflationary effect in the Belarusian market will also come from the forecast weakening of the Belarusian rouble against the Russian rouble and higher inflation in Russia. Inflation will slow in 2025–2026 due to easing price pressures from domestic demand and the Russian market; it might, however, remain elevated as the accumulated monetary overhang is released (Figure 11.B).

↓ Figure 11. Economic Activity Forecasts for Belarus



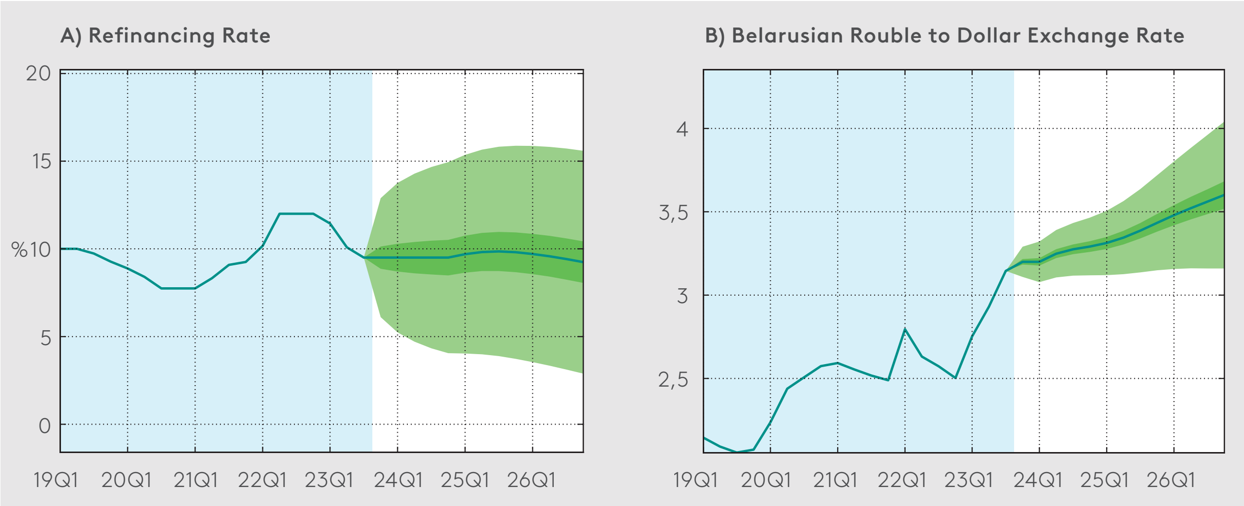
Source: Calculations by EDB analysts.

Monetary policy and the Belarusian rouble exchange rate

Monetary conditions will remain soft in 2024, but the country will rein in the stimulus step-by-step. The National Bank might keep its refinancing rate at 9.5%. We do not see any reason to believe they are going to cut it given the forecast acceleration of inflationary processes. They are not likely to push it up in 2024, either. We project the refinancing rate to be around 9% by the end of the forecast period (Figure 12.A).

The average annual exchange rate of the Belarusian rouble against the dollar is projected at about 3.25 in 2024 (Figure 12.B). The foreign trade deficit might expand in 2024 due to imports being expected to increase more quickly than exports, weakening the Belarusian rouble vs. both the dollar and the Russian rouble. The overvaluation of the Belarusian currency that materialized in 3Q2023 will consequently be neutralized. In the medium term, the downward trend in the value of the national currency will continue due to the relatively low rate of potential GDP growth and elevated inflation.

↓ Figure 12. Refinancing Rate and Belarusian Rouble Exchange Rate Forecasts



Source: Calculations by EDB analysts.

Risks

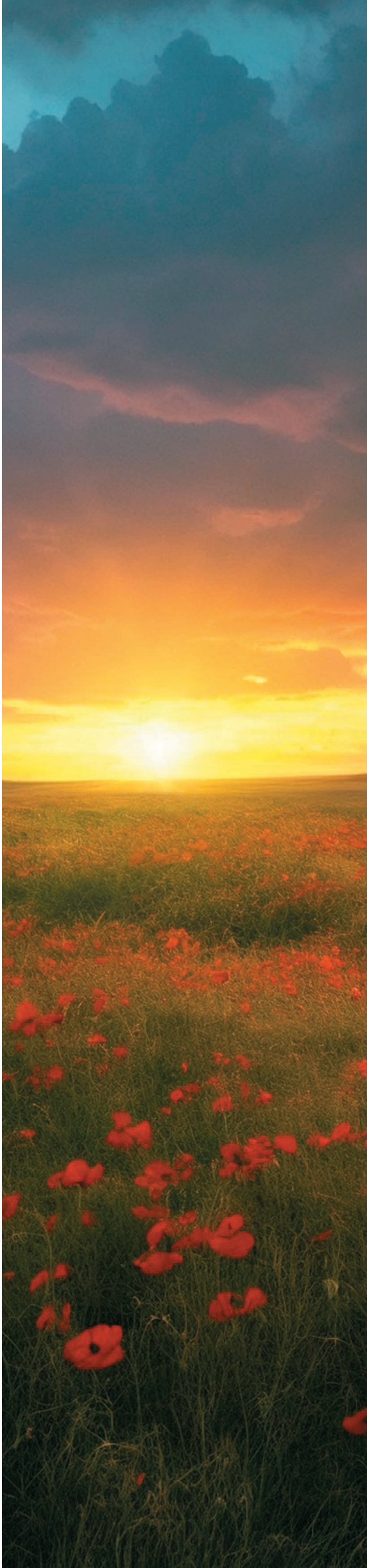
A significant slowdown in Russian economic growth would pose a risk to the Belarusian economy. The slowdown in Russia's GDP in the risk scenario would prevent Belarus from growing due to exports. Opportunities to support domestic demand growth would be significantly limited due to reduced foreign exchange earnings, driven by both lower physical export volumes and deteriorating terms of trade owing to the depreciation of the Russian rouble against world currencies. This would greatly increase the risk of recession and wages cuts in Belarus, especially compared with neighbouring countries. That would hasten the contraction in the number of workers in the economy, lower the potential GDP growth rate, and thereby worsen opportunities for economic development.

The external sector brings the risk of a deeper recession in the world's major economies. This risk materializing would have consequences similar to the development of events in Russia. A deeper recession is likely in the risk scenario, involving greater losses of export revenues due to reduced demand in third-country markets and lower world prices. The consequences it will bring about for the Russian economy will largely affect the depth of the recession in Belarus as it reduces foreign economic ties with third countries.

The country's economy is still at risk: supply chains might be disrupted, and the West might impose new and significant restrictions, causing the Belarusian government to tighten its domestic economic policy, significantly weakening the Belarusian rouble, accelerating inflation, and slowing the economy. On the plus side, the Belarusian economy is capable of adapting to a rapidly changing environment and curbing negative consequences in an unfavourable scenario.

The optimistic scenario for the Belarusian economy involves Russia's GDP growth at a higher level than forecast in the baseline scenario, as well as a full recovery of exports of potash fertilisers and oil products.

REPUBLIC
OF KAZAKHSTAN



Source: leonardo.ai
Prompt: Sunrise after a thunderstorm, rich colors. Kazakh steppe, flowers and green grass

REPUBLIC OF KAZAKHSTAN

In the baseline scenario, we expect Kazakhstan's GDP to grow by 5.0% in 2024 and above 5% in the medium term, encouraged by the government's measures to expand the economy's potential. Inflation will slow to 7.1% by the end of 2024 and approach the target in 2026 on the back of monetary policy.

Current situation

Strong growth performance in 2023. GDP increased by 4.7% YoY in January–September 2023 after 3.0% YoY a year earlier, fuelled, just as we assumed, by strong investment activity. The economy received additional support due to the expansion of domestic consumer demand. The construction and services sectors are the key drivers of strong economic activity on the supply side. The agricultural sector saw a decrease in the growth rate following the large harvest in 2022. Negative agricultural trends in 4Q will continue to constrain GDP growth according to our estimates. We also expect a slowdown in mining sector growth in late 2023 after a strong performance a year earlier. High domestic demand will largely drive the economy further. We forecast GDP to increase by 4.8% in 2023.

Inflation, although slowing, remains above target. The consumer price index has declined steadily since March 2023 and was 10.8% YoY in October 2023. The slowdown is attributable to weaker pressure from the external sector, consumer price-curbing monetary policy, and strengthening of the tenge from July 2022 to July 2023. That said, there are still multiple pro-inflationary factors at play. In particular, prices in the non-food sectors are partly reflecting consumer activity, stimulated by the increase in wages of public sector employees and retail lending growth. Apart from that, there are numerous factors keeping inflation expectations elevated: the increase in utility tariffs, as well as growing prices for fuels and lubricants, breadstuffs, and education and healthcare services. We believe that these will slow down any inflation decrease. We project annual consumer price growth to be 9.8% at the end of 2023.

The current account turned negative in 2023, with the deficit amounting to $7.7 billion over January–September 2023, according to the National Bank of the Republic of Kazakhstan's preliminary estimates, vs. a $7.4 billion surplus a year earlier. This stems from a 2.3-fold decrease in the surplus of goods and services. Exports of goods and services fell by 6.2% YoY on the back of the weaker price environment in world markets for oil and metals and a decline in their physical supplies. Imports of goods and services, on the other hand, rose by 27.4% YoY, encouraged by higher consumer and investment activity. Net capital inflows for financial account transactions amounted to $0.2 billion due to increased foreign direct investment and medium- and long-term commitments.

The National Bank of Kazakhstan started a cycle of base rate cuts in the second half of 2023, a measure that we projected in our previous report. The base rate had remained at 16.75% since end-2022 against a background of strong pro-inflationary factors. The measures taken by the regulator contributed to consolidating the downward trajectory of the annual dynamics of the consumer price index, even in the face of rising tariffs for housing and communal services and rising fuel prices; consequently, NB RK started cutting the base rate in August, and the rate was 16.0% in early October 2023. Early autumn brought a poor wheat harvest, and this could potentially destabilize inflation expectations. We now assume that the inflation slowdown in late 2023 will be weaker than our previous projections, limiting the options for further rate cuts. We expect the base rate to be 15.75% at the end of 2023.

The government has set the state budget for 2023 amid lower oil prices compared with 2022. Kazakhstan posted a state budget deficit of KZT 2.2 trillion for January–September 2023, while a year earlier the negative balance of the state budget totalled KZT 0.6 trillion. The pace of tax revenue receipts slowed this year amid lower global oil prices and a decline in the value of fuel and metal exports. There was also a decrease in transfers from the National Fund. The increase in government expenditure is largely due to growing public sector wages, higher social benefits, and public debt service volumes.

Kazakhstan's sovereign ratings remain robust, with S&P raising its outlook from "negative" to "stable" in September 2023, keeping the rating at "BBB–". In October, Moody's improved its outlook from "stable" to "positive", thus confirming Kazakhstan's rating of "Baa2". Both agencies noted that Kazakhstan's economy was resilient to external risks: according to S&P's report, Kazakhstan's external reserves and the government's measures to encourage economic growth and stabilize inflation helped to improve the outlook, while Moody's highlighted Kazakhstan's progress with diversification.

Forecasts

↓ **Table 5. Main Macroeconomic Indicators of the Republic of Kazakhstan (*Baseline Scenario*)**

Indicator	2022	2023F	2024F	2025F	2026F
GDP in constant prices *(% growth YoY)*	3.2	4.8	5.0	5.1	5.1
Consumer price index *(% growth YoY at the end of the year)*	20.3	9.8	7.1	5.6	5.1
TONIA rate *(% p.a., the year's average)*	13.9	16.4	12.4	7.5	6.7
Kazakhstan tenge to U.S. dollar exchange rate *(the year's average)*	460.5	456.9	470.4	486.3	507

Note: F = Forecast.

Source: National agencies, calculations by EDB analysts.

Economic activity and inflation

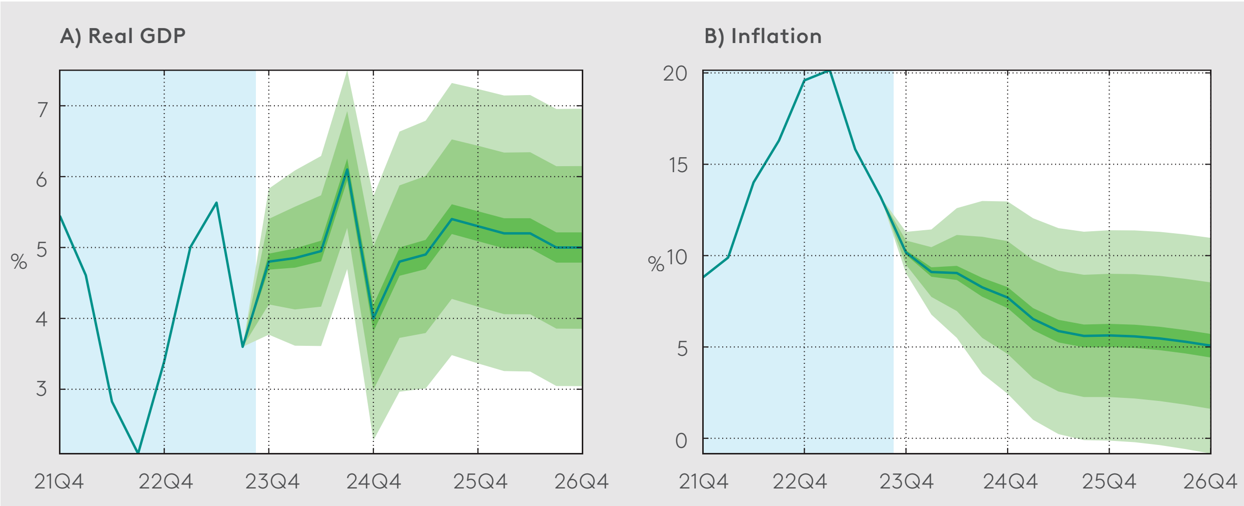
Kazakhstan's GDP will rise by 5.0% in 2024, an estimate that we have increased by 0.4 p.p. since our previous forecast. We base this decision on the higher growth performance in 2023 as well as the potential impact of the new initiatives introduced in September 2023 (Table 5). Investment activity stimulated by government measures to boost the investment appeal of Kazakhstan's economic sectors remains the key driver of growth. The economic diversification policy may well encourage manufacturing to pick up growth speed. The projected easing of monetary conditions will also foster economic growth.

Kazakhstan's GDP growth is projected at about 5% in 2025–2026, hence accelerating in 2025 due to increased oil production (Figure 13.A). Investment, however, is critical to growth in the medium term. Structural reforms will improve the quality of economic growth, driving activity in the manufacturing and services sectors.

EDB analysts estimate that inflation will be 7.1% at the end 2024, i.e., 1.6 p.p. higher than in the previous forecasts, due to new pro-inflationary factors related to the low wheat harvest in September 2023. Nevertheless, we still believe that a slowdown in inflation, albeit constrained, will happen, thanks to the monetary policy and the weakening of inflationary pressure from the external sector.

Inflation will reach the 5.0% target in 2026. If supply shocks in the agricultural sector are dampened, and consumer activity normalizes, conditions will be ripe for inflation to fall. The monetary policy will seek to keep inflation within the target of 5% in the medium term (Figure 13.B).

↓ **Figure 13. Economic Activity and Inflation Forecasts in the Republic of Kazakhstan**



Note: Seasonally adjusted data.

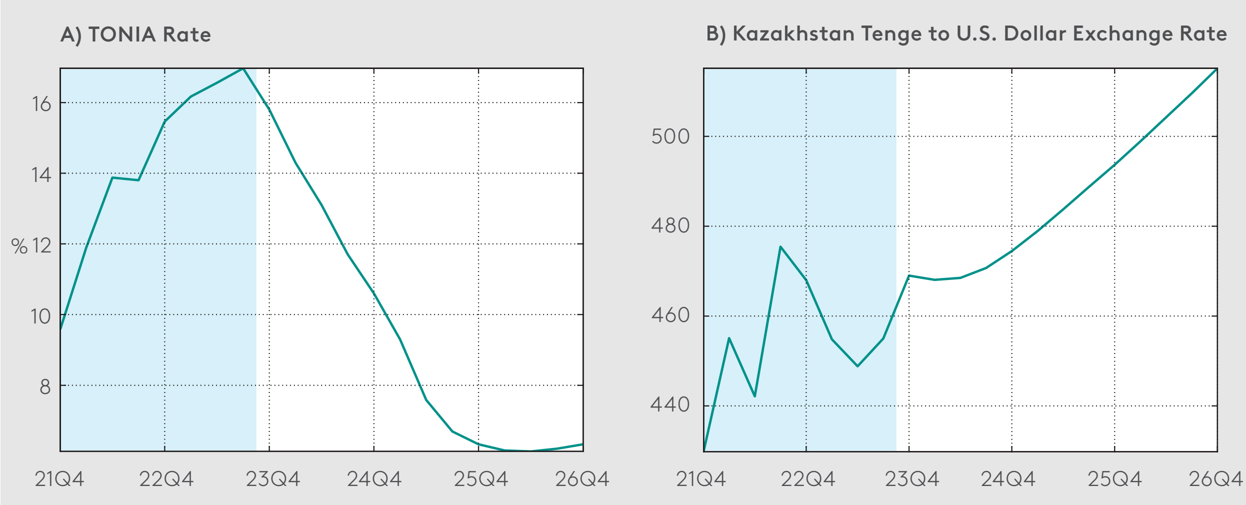
Source: National agencies, calculations by EDB analysts.

Monetary policy and the tenge exchange rate

The base rate should decrease as inflationary pressure eases. According to EDB analysts estimates the base rate might reach 10% at the end of 2024. With the easing of inflationary pressures from domestic consumer demand, we might expect a base rate reduction to 7%–8% by the end of 2025. In the medium term, monetary policy will keep inflation within the target range of 5%. Deposit rates may start falling in the second half of 2024. Loan costs will be driven by the preferential financing programmes introduced by the authorities (Figure 14.A).

Moderate weakening of the tenge in the medium term. The projected decline in oil prices will slow down the growth rate of export revenues in the medium term. At the same time, we expect the growth of import revenues to accelerate, in particular, due to strong investment activity. The tenge exchange rate is projected at 470 in 2024 (Figure 14.B).

↓ Figure 14. Kazakhstan Tenge Exchange Rate and TONIA Rate



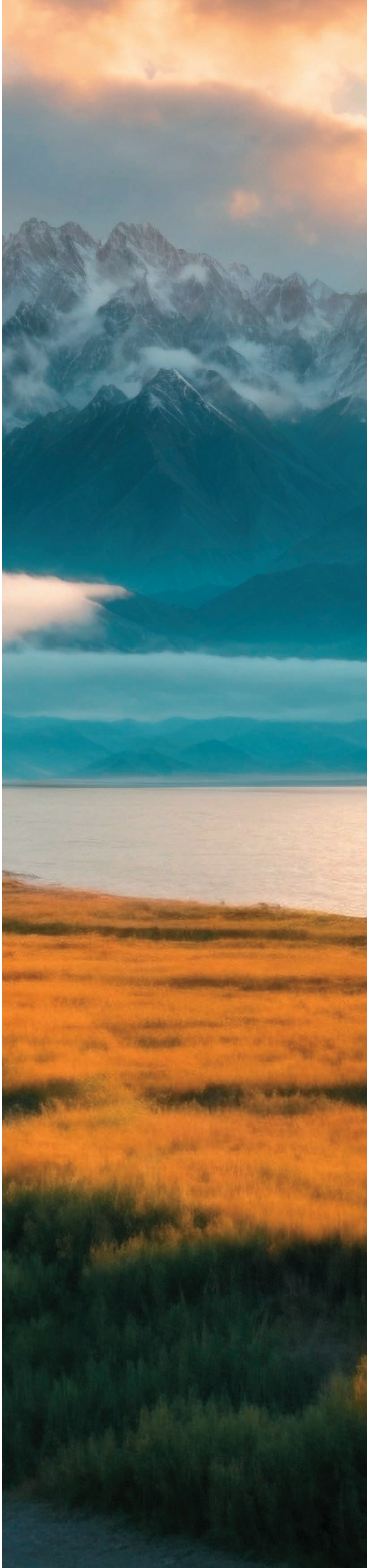
Source: National agencies, calculations by EDB analysts.

Risks

A long and deep recession in Kazakhstan's key trading partners. A drop in GDP in the world's major economies will weaken the price environment in global commodity markets. The OPEC+ oil production limitations could last longer than in the baseline scenario, negatively affecting Kazakhstan's export sales and budget revenues, thereby weakening business activity and decreasing real income. If the Tengiz expansion project gets delayed, this might also restrain economic activity.

Kazakhstan's pro-inflationary risks have risen. Higher service tariffs and a deteriorating food wheat supply pose risks as they might push consumer prices up, and, consequently, the base rate is unlikely to increase much. According to the National Bank of the Republic of Kazakhstan, it might soften its monetary policy only if inflation slows down to single digits by the end of 2023. In the risk scenario, the base rate could remain at 16.0% at the end of 2023, so the National Bank will tighten its monetary conditions in 2024 more than in the baseline scenario.

KYRGYZ REPUBLIC



Source: leonardo.ai
Prompt: Issyk-Kul Lake/Tian-Shan Mountains, sunrise through clouds, road with trees, skyline

KYRGYZ REPUBLIC

In the baseline scenario, we project GDP growth in the Kyrgyz Republic to be 4.5% in 2024 on the back of public investment programme funded by international development institutions. Inflation will slow to 7.8% at the end of 2024, largely driven by fading domestic consumer demand. In 2025–2026, consumer price inflation could be around 6%.

Current situation

The economic growth rate is returning to its equilibrium level. The GDP of the Kyrgyz Republic increased by 4.5% YoY in the first ten months of 2023, after 5.5% YoY in 2021 and 6.3% in 2022, respectively. The depletion of the effects of the migration shock in autumn 2022 has driven the return of economic growth to its equilibrium level. Domestic demand has also driven the economy in 2023. Growth in both real wages and consumer loans has provided significant support. Just as we assumed before, the country has welcomed around five times as many tourists, boosting the trade and transport sectors, hotels, and restaurants. Public investment programmes in the energy, water and education sectors were the main drivers of strengthened investment demand. The mining sector saw more private investment. We believe that the output of base metals will restrain growth of the industrial sector in 4Q2023. On the other hand, fiscal stimuli will provide additional encouragement to domestic consumer demand. Strong investment activity and increased exports will keep contributing to the economy. We believe that GDP growth in 2023 will be 4.6%.

Inflation weakened in 2023. Consumer price index growth continued to slow and fell to 9.2% YoY in October after 11.3% YoY in May 2023, largely affected by global food markets exerting less price pressure. Food basket price growth declined to 5.7% YoY in October 2023 from 8.4% YoY in May 2023. Various one-time factors prevented inflation from declining more rapidly, namely, an increase in utility tariffs and growth in excise duties. Further, long-lasting factors exerted a stronger effect. The cost of components keeps changing, and prices in the services sector are adjusting accordingly. There are new sources of pro-inflationary pressure at hand: consumer demand that boosted non-food inflation to 13.8% YoY in October from 11.0% YoY in April 2023, and cereal import price growth that picked up again in early autumn. We believe these factors will remain in place until the end of 2023. On the other hand, the exclusion of last year's inflation surge in October–December should slow it down to 8.9% YoY at the end of 2023.

Foreign economic activity has picked up. The negative current account balance of the balance of payments in the country grew 1.5-fold in the first half of 2023, according to the National Bank of the Kyrgyz Republic's preliminary estimates. This is driven by the bigger deficit of goods and services, which increased by a factor of 1.3 compared with the first half of 2022. Net remittances fell by 28.5% YoY, too, making an additional impact. Financial account operations in the first half of 2023 saw capital outflows as cash and deposits were placed in foreign assets. However, these outflows were partially offset by inflows from direct foreign investors.

Increase in foreign trade turnover in 2023. This grew by 26.2% YoY over January–September 2023, bolstered by a 49.6% YoY increase in exports and a 21.6% YoY increase in imports in terms of value. Exports rose as the country increased its physical and value shipments of base metals and metal ore. The increase in imports was largely due to the lifting of COVID-19 restrictions in China, just as we assumed in our previous forecasts.

The NB KR has kept the policy rate at 13.0% throughout 2023. Annual inflation declined during the first ten months of 2023, never once reaching its target. The middle of the year brought new factors that risk creating a turnaround in the inflation direction, pushing it up. In particular, these include stronger consumer activity, growth in consumer lending, and a weakening of the som exchange rate against the dollar. Further, growth in the cost of imported cereals might also impact inflation expectations, since the Kyrgyz Republic contains a high share of flour products in its consumer basket. Keeping the policy rate at 13% until the end of 2023 will help anchor inflation expectations and reduce the likelihood of pro-inflationary risks materializing. Rates on deposits placed in national currency stood at 1.32% in September 2023, 0.14 p.p. higher than in December 2022. The cost of loans increased by 2.1 p.p. over the period and stood at 19.94% in September 2023.

We expect a budget deficit at the end of 2023. The state budget surplus in January–August 2023 was 3.3% of GDP (vs. 1.1% of GDP a year earlier). Increase in tax revenues due to higher import volumes, excise duty revenues and property revenues played a key role in pushing up budget revenues by 3.9% of GDP over January–August 2023. Operating expenses increased by 1.7% of GDP. They rose across all key items, with the most significant impact coming from increases in education and general civil service expenditure due to rising wages. According to the draft budget law for 2024–2026 we may expect a budget deficit of 2.3% of GDP in 2023, which implies an increase in budget expenditures in 4Q2023.

Forecasts

↓ Table 6. Main Macroeconomic Indicators of the Kyrgyz Republic (*Baseline Scenario*)

Indicator	2022	2023F	2024F	2025F	2026F
GDP in constant prices *(% growth YoY)*	6.3	4.6	4.5	3.5	3.4
Consumer price index *(% growth YoY at the end of the year)*	14.7	8.9	7.8	6.6	6.1
7-day REPO rate *(% p.a., the year's average)*	12.1	11.2	10.4	9.6	9.4
Kyrgyzstan som to U.S. dollar exchange rate *(the year's average)*	84.1	87.9	89.7	92.1	95.6

Note: F = Forecast.

Source: National agencies, calculations by EDB analysts.

Economic activity and inflation

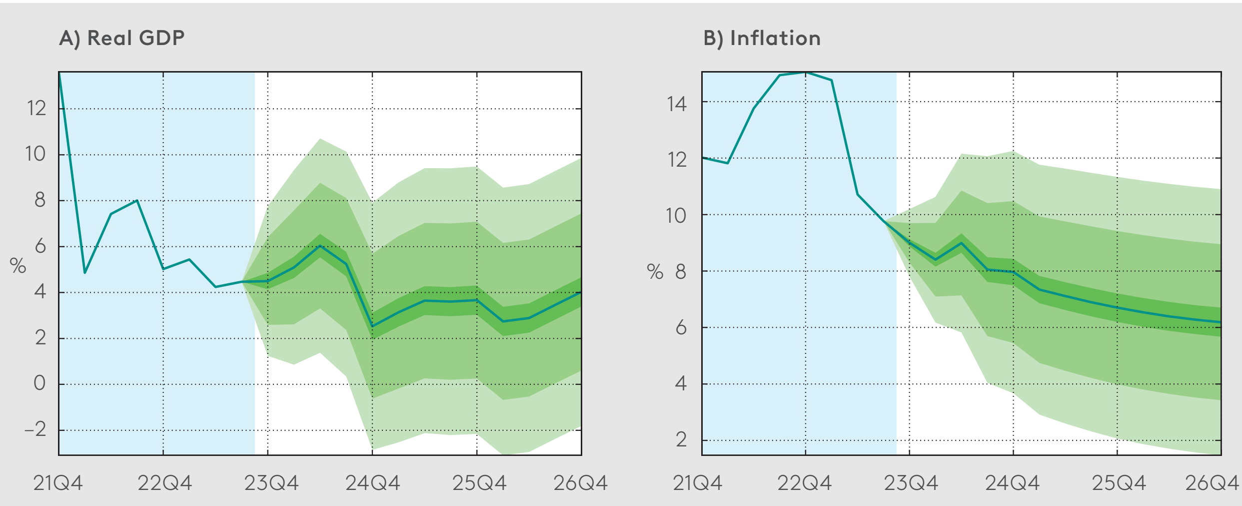
The Kyrgyz Republic's GDP growth is projected at 4.5% in 2024. High domestic consumer demand will largely drive the economy in the first half of 2024. We believe, however, that consumer activity will normalize over the year, given the budget surplus projected for 2024, and assuming that monetary conditions will be aimed at curbing inflation. For this reason, we expect growth in wholesale and retail trade to slow in the second half of 2024. A projected water shortage will also affect growth in the agriculture and energy sectors. The economy will receive support from strong investment activity propelled by the development programmes of international financial institutions and private investors targeting mining and construction sectors. Increased metal ore mining and growth in base metal production will help industry accelerate. This, in turn, will encourage growth in goods exports (Table 6).

The growth rate will be around 3.5% in 2025–2026, restrained by fiscal policy. At the same time, monetary conditions will soften. Industrial output and exports will slow their growth due to a decline in output of base metals. Consumer and investment activity will reach equilibrium (Figure 15.A).

Inflation will slow to 7.8% YoY by the end of 2024. We expect higher inflation at the beginning of 2024 on account of strong consumer activity and growing import prices for cereals and fuels and lubricants. As consumer activity subsides and new grain is harvested, inflation will slow down more markedly, especially held back throughout 2024 by lower prices in global food markets and the completion of adaptation to the changing cost of components in the services sector (Figure 15.B).

Inflation is projected to stay within the target range in 2025–2026. We believe that consumer price growth will slow in the medium term. Global food markets will keep weakening inflation in the Kyrgyz Republic, and oil price pressures will also ease in the medium term. Consumer activity will normalise and no longer put pressure on domestic prices in 2025–2026.

↓ **Figure 15. Economic Activity and Inflation in the Kyrgyz Republic**



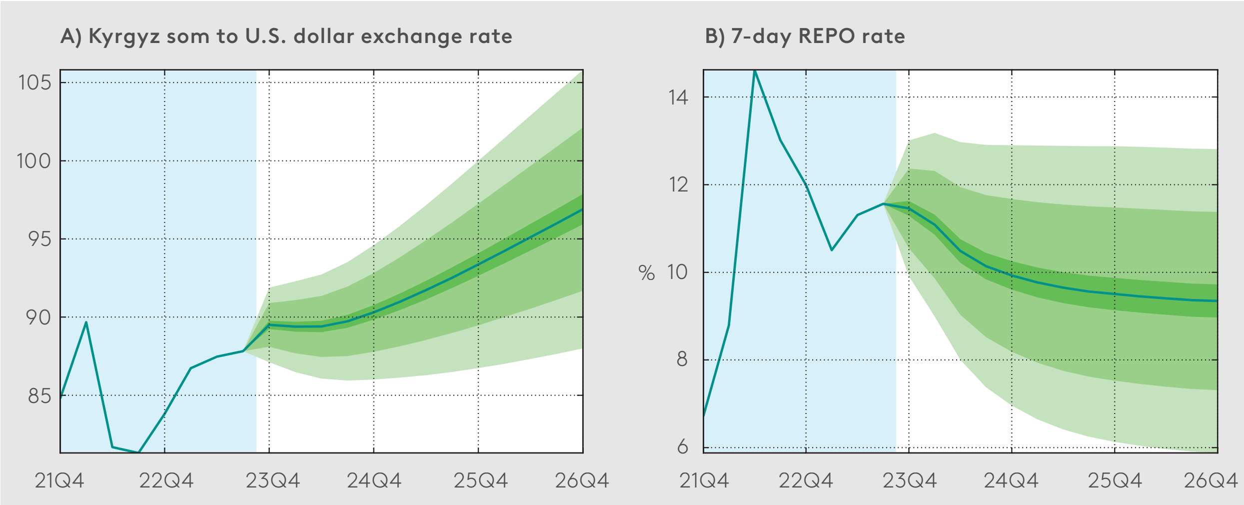
Note: Seasonally adjusted data.

Source: National agencies, calculations by EDB analysts.

The National Bank of the Kyrgyz Republic will gradually reduce its policy rate starting in the second half of 2024. In order to cool strong consumer demand, partly fuelled by fiscal measures, we forecast that the regulator may keep the policy rate at 13.0% during the first half of 2024. If pro-inflationary factors weaken in the second half of 2024, the regulator might begin a round of policy rate cuts. It might reach 11%–12% by end-2024 and fall to 10%–11% at end-2026, according to the EDB's baseline forecast scenario (Figure 16.B).

Weakening of the som in the medium term. In the baseline scenario, EDB analysts forecast an exchange rate of KGS 90 per dollar in 2024, due to higher imports and lower remittances. In the long term, fundamental factors will cause the Kyrgyz som to depreciate by about 2% per year (Figure 16.A).

↓ **Figure 16. Kyrgyzstan Som Exchange Rate and REPO Rate**



Source: National agencies, calculations by EDB analysts.

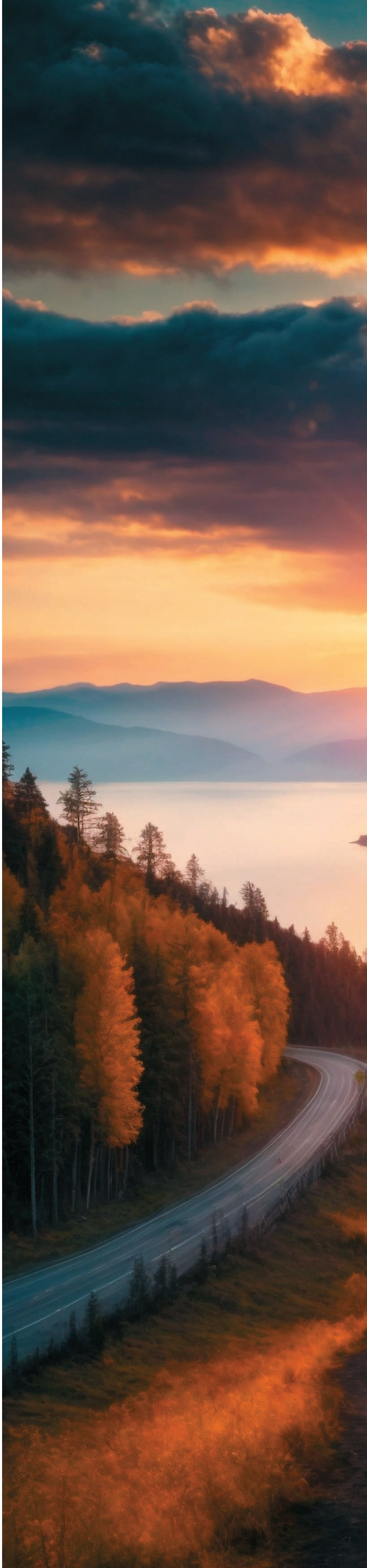
Risks

Risks to economic growth have switched to the downside. A deeper recession in the global economy than expected in the baseline scenario will above all affect the foreign economic activity of the Kyrgyz Republic. In particular, a slowdown in the Chinese economy will decelerate industrial production in the Kyrgyz Republic and reduce exports to the EAEU countries, as China is the key supplier of components. This will weaken domestic consumer demand and hinder economic activity.

Inflation growth risks outweigh any other risks. The country is thinking of raising electricity tariffs gradually, which will have a one-time effect on inflation. At the same time, a prolonged rise in cereal prices will affect inflation expectations more markedly and for longer. Agricultural prices are more likely to increase in 2024 due to concerns about low crop yields as a result of the projected water shortage. Consequently, the above factors, together or separately, may render the return of KR inflation to the target slower than projected in the baseline scenario.

RUSSIAN FEDERATION

Source: leonardo.ai
Prompt: Baikal Lake, sunrise through clouds, road with trees, skyline



RUSSIAN FEDERATION

Russian economic growth will slow down to 1.5% in 2024, due to the end of the recovery process and the tightening of monetary policy. The economy may be supported by high oil prices and soft fiscal policy in 2024. Tight monetary policy will weaken domestic demand trends and slow inflation from 7.9% in 2023 to 5.4% in 2024. In the baseline scenario, we expect the key rate to gradually decline to 10.5% by the end of 2024, with further easing as inflation slows steadily.

Current situation

Russia's GDP growth for 2023 is forecast at 3.1%. We estimate the economy's growth at 5.5% YoY in 3Q2023, exceeding the pre-crisis figure of 4Q2021. Quarterly GDP growth will weaken in 4Q2023 since we expect domestic demand to cool on the back of a significant tightening of monetary policy. Since our last forecasts, we have raised the growth estimate by 2.1 p.p. for 2023, a decision brought about by high adaptability of the Russian economy to the changed operating conditions.

Industrial production supports economic growth in 2023. According to estimates, industry contributed about 0.8 p.p. to GDP growth over the first ten months of 2023, with the sector's output expanding by 3.5% YoY. The main driver of the production rise is manufacturing with its 7.4% YoY rise in output. Intra-industry trends were mixed, driven on the one hand by the high adaptability of sectors to external constraints together with new logistics chains, and on the other hand by expanding defence industry demand. External constraints hit the natural resources sector the hardest, with a 1.1% YoY decline in output over the ten months.

Domestic demand has grown significantly in 2023. Real incomes grew by 4.8% YoY over January–September, and consumer lending rose too, encouraging households to increase their consumption. Fiscal policy and higher lending propelled investment activity. To adjust to the increased demand, producers of goods and services pushed capacity utilisation to 20-year highs and boosted demand for labour, bringing the unemployment rate to a historic low of 2.9%. These factors obviously signal excess demand in the economy, i.e., a positive output gap; the country, however, has limited capacity when it comes to further rapid expansion of domestic production to meet demand.

The market is dominated by pro-inflationary processes: inflation began to accelerate markedly in the second half of the year, reaching 6.7% YoY in October. Seasonally adjusted, annualised consumer price growth was 12.1% in 3Q vs. 5.1% in 2Q2023, largely driven by demand being higher than production expansion capacity. Further, prices for imports rose due to a significant weakening of the Russian rouble in June–September 2023, and this also helped to accelerate inflation. High current inflation together with exchange rate volatility have caused inflation expectations to grow. Inflationary processes are consequently inertial, requiring the Bank of Russia to adopt a tighter monetary policy. We have updated our inflation forecast to 7.9% in 2023.

The increased key rate led to tighter lending conditions starting in the second half of 2023. As pro-inflationary processes strengthened, the Bank of Russia toughened its monetary policy, raising the key rate by 7.5 p.p. in the course of July–November 2023 to 15% per annum. That did not stop demand for loans from remaining high — lending to organisations even rose by 20.8% YoY over January–September 2023. Mortgage lending is close to hitting its historical highs due to expectations of higher rates and worsening conditions under preferential lending programmes. The Central Bank is likely to raise its key rate and toughen macro-prudential measures, so we expect these factors to curb lending in 4Q2023 and 2024.

The current account surplus of the balance of payments shrank almost fourfold. External constraints and the geopolitical situation caused exports of goods and services to decline by 27.3% YoY in January–October. Nevertheless, the growth in domestic demand as the country built new supply chains contributed to the 11.6% YoY growth of imports over the same period. This shrank the foreign trade surplus by $175 billion compared to January–October 2022, a bellwether of the deterioration of the current account balance.

The Russian rouble has weakened markedly against the U.S. dollar in 2023, by 40% (to RUB 97 per dollar in October) since the beginning of the year, driven by the reduction in the current account surplus and the long time it takes for foreign currency revenues to arrive. The Russian rouble still has an opportunity to strengthen gradually, however, given the measures taken requiring exporters to sell their foreign currency earnings, together with the significant tightening of monetary policy. We expect the exchange rate to be around RUB 90 per dollar by the end of the year.

The budget deficit in 2023 will be around 1% of GDP. From January to October, the deficit amounted to RUB 1.2 trillion vs. a surplus of RUB 0.4 trillion in the same period a year earlier, according to data on the federal budget's performance. The change in the balance is due to a 11.7% YoY increase in expenditures for January–October, while the budget income rose by 4.4%. The budget has nevertheless improved: over August–October, the federal budget deficit almost halved due to increased revenues and more restrained expenditures.

Forecasts

↓ **Table 7. Russia's Key Macroeconomic Indicators (*Baseline Scenario*)**

Indicator	2022	2023F	2024F	2025F	2026F
GDP in constant prices *(% growth YoY)*	–2.1	3.1	1.5	1.6	2.1
Consumer price index *(% growth YoY at the end of the year)*	11.9	7.9	5.4	4.0	3.9
Key rate *(%, the year's average)*	10.6	9.9	12.7	7.8	6.0
Russian rouble to U.S. dollar exchange rate *(the year's average)*	67.5	85.9	92.4	93.4	95.1

Source: National agencies, calculations by EDB analysts

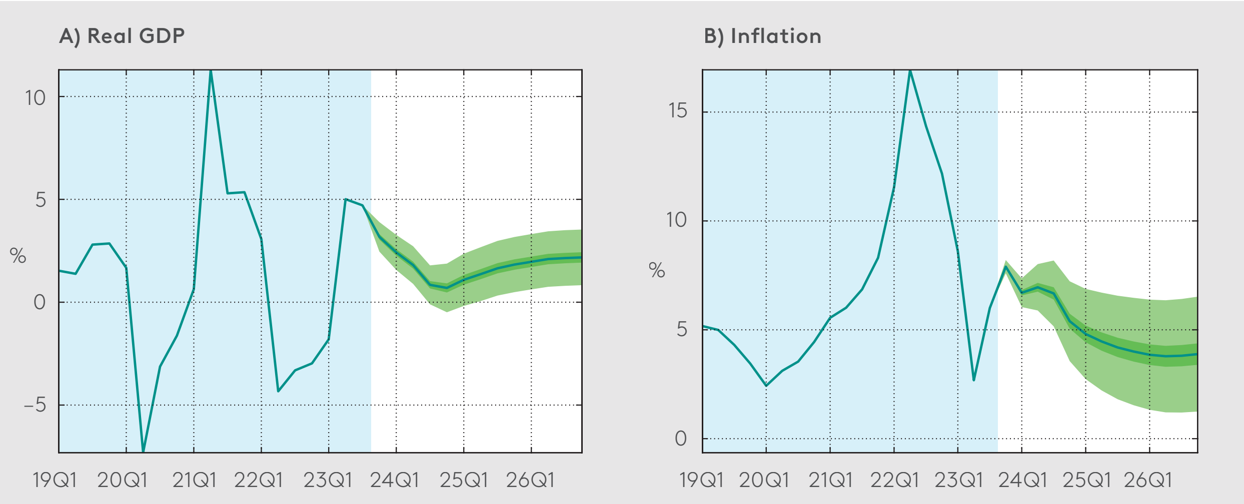
Economic activity and inflation

The baseline scenario assumes Russia's GDP to grow by 1.5% in 2024. The end of the recovery process and the tightening of monetary policy will be the main factors slowing the rate of economic growth (Table 7). Above all, we expect household consumption to subdue due to a slowdown in lending and strengthening of savings behaviour amid high interest rates. Budget stimuli will, nevertheless, partially offset these factors. As the economy adapts to the operating conditions that changed in 2022, exports will continue on the path of recovery, with their value supported by a reduction in the discount of Urals to Brent. Cooling domestic demand might decrease imports in 2024, along with the weakening of the Russian rouble.

Between 2025 and 2026, the economy will maintain a balanced growth trajectory (Figure 17.A). As the country softens its monetary conditions, the economy will develop at a pace that, we believe, is consistent with Russia's potential GDP growth. Structural factors will constrain GDP, in particular, limited potential in the labour market for increasing output.

Inflation will slow to 5.4% in 2024. It will feel the impact from the tightening of monetary policy in 2024. The beginning of 2024 will see a rapid slowdown in inflation, but it will still remain elevated in the first half of the year. The government's continued fiscal stimulus for the economy and increased inflation expectations will hold back a faster reduction in price growth rates in 2024. The exchange rate will have a neutral impact on inflation, as the Russian rouble exchange rate is expected to stabilise. Inflation will continue to slow in 2025–2026, reaching the target of 4% in the second half of 2025 (Figure 17.B).

↓ Figure 17. Economic Activity and Inflation Forecasts for Russia



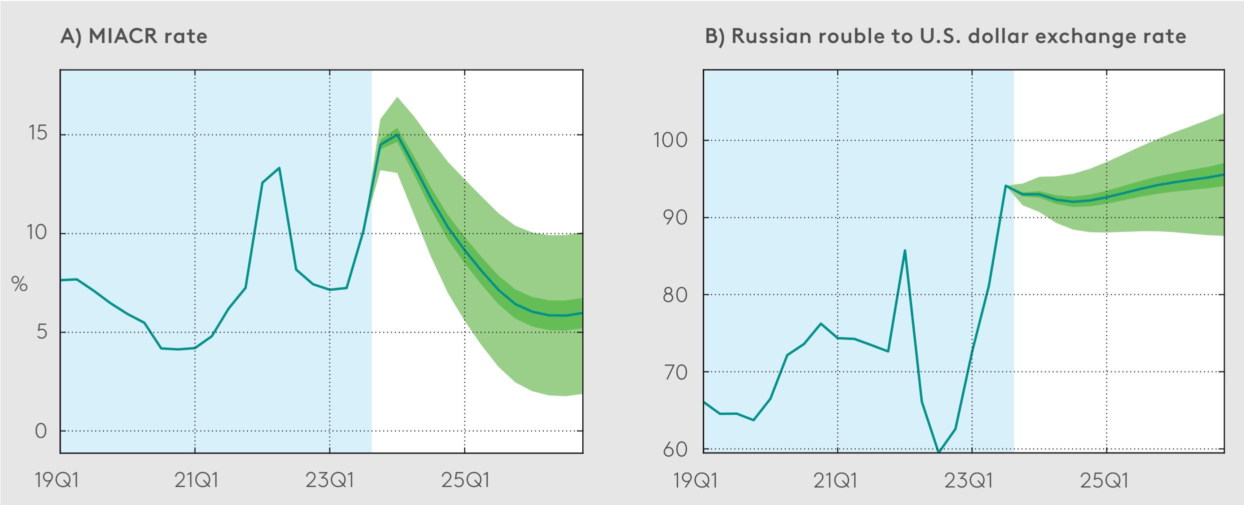
Source: Calculations by EDB analysts.

Monetary policy and the Russian rouble exchange rate

The Central Bank will keep monetary conditions tight in 2024 but will gradually ease them as inflation slows. In the baseline scenario, we do not expect the Bank of Russia to start cutting rates before 2Q2024. Due to inertial inflation expectations, the Bank will adopt a conservative approach to softening monetary policy, so we believe that the key rate will decline to 10.5% by the end of 2024 and approach the neutral level during 2025 (Figure 18.A).

The average annual exchange rate of the Russian rouble against the dollar is projected at about 92 in 2024 (Figure 18.B). Foreign trade will remain the key factor influencing the Russian rouble exchange rate. The projected growth in export revenues, high interest rates on rouble-denominated assets, and cooling domestic demand will help stabilise the exchange rate near RUB 92 per dollar. Barring any external shocks in 2025–2026, we expect the nominal exchange rate to weaken, adjusting to inflation rates in Russia and abroad.

↓ Figure 18. Interest Rate and Russian Rouble Exchange Rate Forecasts



Source: Calculations by EDB analysts.

Risks

A prolonged recession in developed countries is a risk to the economy of the Russian Federation. It may materialise and trigger a decrease in demand for the goods exported by Russia, especially commodities, pushing export revenues down and challenging future funding of the budget deficit in the medium term. This will weaken the Russian rouble considerably, increase the cost of imports, accelerate inflation and inflation expectations, and, finally, shrink real income. The Central Bank will have to tighten its monetary policy to stabilise price growth, causing business activity to subdue deeper.

The likelihood of Western countries introducing new trade restrictions against Russia remains high, and this would disrupt established supply chains and may well reduce production in numerous sectors, potentially undermining economic growth as a whole. This is why the biggest threats are significant complications to import terms for high-tech products, as well as the loss of established markets. Should these risks materialise, adaptation of the Russian economy will likely take a long time. At the same time, the reliance on domestic factors thanks to a successful import substitution policy might markedly offset this risk in the future.

REPUBLIC
OF TAJIKISTAN

Source: midjourney.com
Prompt: Lake Karakul/Pamir Mountains, sunrise through clouds, road with trees, skyline

REPUBLIC OF TAJIKISTAN

Tajikistan's GDP will increase by 8.2% in 2023 and by 7.3% in 2024. Strong domestic demand has been fuelling the economy in 2023, but it will slow due to less favourable foreign economic conditions in 2024. Inflation is projected to accelerate to 6.0% in late 2023 owing to higher consumer activity and increased energy prices. The National Bank of Tajikistan's policy will drive consumer price growth in 2024 and 2025 within the target range (6±2%).

Current situation

Tajikistan's economic growth remains stable and high. Between January and September, GDP grew by 8.3% YoY. Trade and construction, sectors heavily influenced by domestic consumer and investment demand, contributed 2.5 p.p. and 1.1. p.p., respectively, in the first three quarters of 2023 to economic activity. Industry's contribution was comparable, i.e., 1.3 p.p., as the manufacturing sector increased output by 12.0% YoY, largely due to strong growth in the food industry, while the natural resources sector boosted output by 3.6% YoY, constrained by a fall in coal production. Demand for coal is declining amid a recovery in energy trade with Uzbekistan. We expect the country's GDP growth to slow somewhat in October–December 2023, partially damped by fewer remittances to Tajikistan on account of the weakening of the Russian rouble vs. 2022. This situation will compel the economy to grow by 8.2% in 2023, i.e., more strongly than forecast in June 2023.

Domestic demand fuelled imports growth and consequently widened the trade deficit. The foreign trade deficit increased by 50% YoY to $3.2 billion in January–September 2023, from $2.1 billion a year earlier. Exports fell by 40.7% YoY, or $0.7 billion, due to a suspension in sales of gold to foreign markets and a decrease in exports of non-precious metals and mineral products, while imports increased by 10.5% YoY, or $0.4 billion, with their monthly growth rate slowing down nonetheless in the second half of the year. It turned negative in August for the first time since February 2023, and remained so into September. We expect the import growth rate to slow in the last months of 2023 and next year, reducing the trade deficit. This will help the country keep its balance of payments sustainable.

The exchange rate of Tajikistan's national currency has changed little since the end of February 2023, ranging from TJS 10.91 to 10.97 per dollar. The stable exchange rate resulted in real appreciation of the somoni, largely due to the weakening of the Russian rouble against the dollar. As of September, the real effective exchange rate of Tajikistan's currency was the strongest since the beginning of 2016, i.e., in more than seven and a half years. We expect the somoni to remain at the current rate of TJS 10.9 per dollar through the end of 2023.

Inflation reached 4.4% YoY in October. During most previous months in 2023, namely from March to July, consumer market price growth remained below the NBT's target range (6±2%) amid the stable somoni/dollar exchange rate and limited inflationary pressure from international prices for energy and agricultural products. The situation changed in 3Q thanks to strong demand in the economy, higher global energy prices, and accelerating inflation in Russia, the main supplier of imported goods to Tajikistan. We expect these factors to drive up inflation further, reaching 6.0% YoY in late 2023.

The National Bank of Tajikistan has not changed the refinancing rate since March 2023, and it remains at 10%, the lowest since 2016, prompting inflation to return to the NBT's target range in 3Q. The NBT held its final meeting on monetary policy this year on 27 October, and we do not expect any surprise rate decisions for the rest of the year.

The state budget posted a surplus of TJS 1.6 billion in January–August 2023, an increase from TJS 0.9 billion in January–August 2022. Public revenues increased by 27.0% YoY in the face of rapid economic growth, while expenditure rose by 25.0% YoY, with the fastest growth being in agricultural financing (76.1% YoY) and transport and communications (69% YoY). Allocations to the energy sector, the main target of public investments in the country, grew by 18.3% YoY, a figure lower than the growth of public expenditure as a whole.

Forecasts

↓ Table 8. Key Macroeconomic Indicators (*Baseline Scenario*)

Indicator	2022	2023F	2024F	2025F	2026F
GDP in constant prices **(% growth YoY)**	8.0	8.2	7.3	6.3	7.1
Consumer price index *(% growth YoY at the end of the year)*	4.2	6.0	6.6	5.8	6.1
Refinancing rate *(% p.a., the year's average)*	13.3	10.5	10.8	9.7	9.3
Tajikistan somoni to U.S. dollar exchange rate *(the year's average)*	11.0	10.8	10.9	11.1	11.4

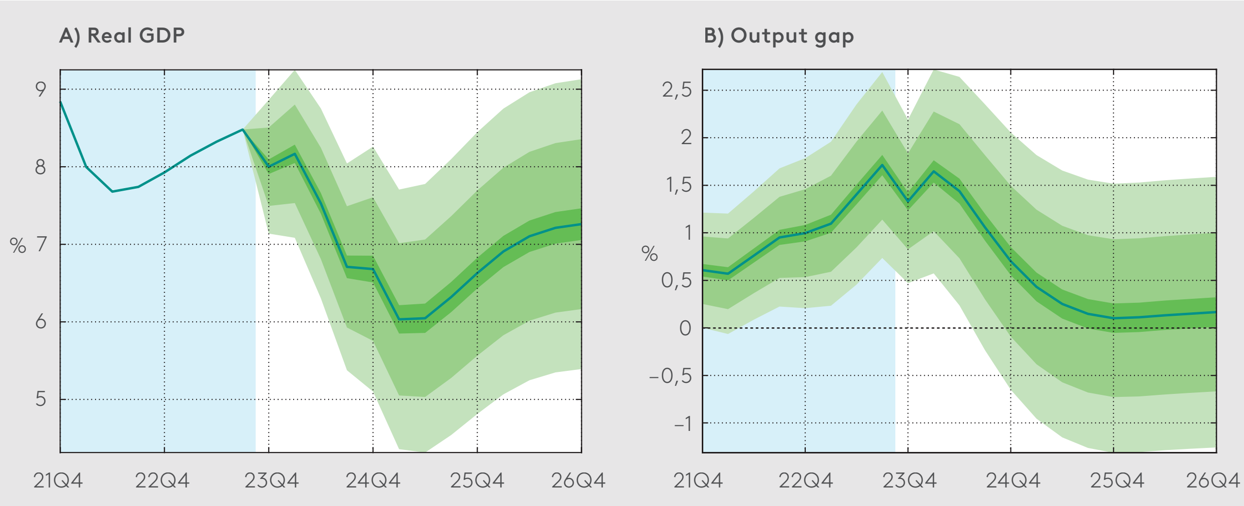
Source: National agencies, calculations by EDB analysts

Economic activity and inflation

We project that Tajikistan will maintain a high GDP growth rate of 7.3% in 2024 (Table 8). The slowdown from 2023 will be due to the deterioration of the external economic situation, namely the decelerating growth rate both in Russia and major economies. Tajikistan's GDP will continue to enjoy support from capacity expansion in industry (especially metallurgy, energy, textiles, and food) and associated investment activity, including through the government's economic development programmes.

In 2025–2026, GDP growth will reach 6–7%, rates close to the potential for Tajikistan (Figure 19.B). They are above the regional average due to the support of structural factors supporting fast economic growth: rapid population growth rates and the catch-up nature of economic development.

↓ Figure 19. Economic Activity Forecasts for Tajikistan

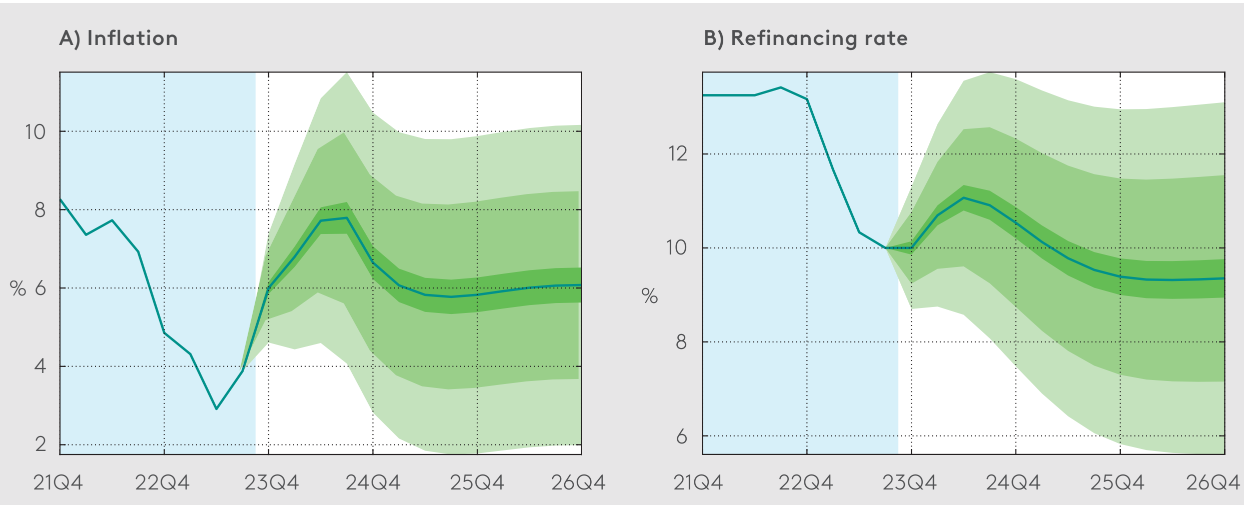


Source: Calculations by EDB analysts.

In 2024, consumer price growth will accelerate to 6.6% YoY. Strong consumer activity in Tajikistan and a spike in inflation in Russia have affected monthly (MoM) inflation rates in Tajikistan. We expect them to remain higher than in 2022 through end-2023 and at least in the first half of 2024. In these conditions, annual inflation may approach the upper NBT target range of 6±2% (Figure 20.A).

In 2025–2026, inflation will be around 6.0%, i.e., in the middle of the NBT's target range, a consequence of the NB's consistent policy employed to control consumer price growth. Once global commodity prices stabilise, the National Bank will have an easier time meeting this challenge.

↓ Figure 20. Inflation and Refinancing Rate Forecasts



Source: Calculations by EDB analysts.

Monetary policy and the national currency exchange rate

In 2024, the somoni/dollar exchange rate is projected to be close to the current values. The economic performance this year gives us reason to believe that the 2023 equilibrium in the currency market has so far not exerted a material restraining effect on GDP growth and inflation. Consequently, the value of the national currency against the dollar may not shift significantly in 2024.

We project Tajikistan's national currency to resume its gradual weakening in 2025 and continue in 2026. Otherwise, the real appreciation of the somoni over time may negatively affect the country's balance of payments and the competitiveness of Tajikistan enterprises. The speed of the Somoni's weakening over the period will be primarily driven by the difference in inflation rates between Tajikistan and its trade partners.

We forecast an increase in inflation to the upper bound of the target range in 2024 (Figure 20.A), and this sets the stage for a temporary tightening of monetary policy. We can expect the refinancing rate to rise to 11% or higher in early 2024.

In the second half of 2024, the NBT will begin to decrease the refinancing rate amid slower price growth, continuing into 2025, and the rate will become entrenched around 9% at the end of the forecast period (Figure 20.B).

Risks

Tajikistan's economy could develop in a less favourable way in 2024–2025 than our baseline forecasts suggest, should the regional and global economies experience a deeper contraction, primarily owing to reduced remittance inflows into the country and lower export revenues for Tajikistan. Under the pessimistic scenario, we assume Tajikistan's economic growth to slow to 5.7% in 2024. A looser monetary policy from the NBT would partially offset the negative effects of weaker external demand and a larger reduction in remittances. Cheaper energy and food may also counterbalance the negative shocks.

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LIST OF ABBREVIATIONS

% YoY	Year-on-Year growth rate
bbl	Barrel
CB RA	Central Bank of the Republic of Armenia
CB RF	Central Bank of the Russian Federation (Bank of Russia)
COVID-19	COronaVIrus Disease 2019
CPI	Consumer Price Index
ECB	European Central Bank
EDB / the Bank	Eurasian Development Bank
EAEU	Eurasian Economic Union
EU	European Union
(the) Fed	U.S. Federal Reserve System
GDP	Gross Domestic Product
IBL	Interbank Loans Market
IMF	International Monetary Fund
KR	Kyrgyz Republic
KZT	Kazakhstan tenge
MIACR	Moscow Interbank Actual Credit Rate
NB	National bank
NB KR	National Bank of the Kyrgyz Republic
NB RK	National Bank of the Republic of Kazakhstan
NBT	National Bank of Tajikistan
NWF	National Welfare Fund
OPEC+	Organisation of Petroleum Exporting Countries Plus
p.a.	Per Annum
p.p.	percentage point
PMI	Purchasing Managers' Index
RA	Republic of Armenia
RB	Republic of Belarus
Repo	A transaction which involves the purchase of securities with the agreement to sell them back for a specific price
RF	Russian Federation
RK	Republic of Kazakhstan
RT	Republic of Tajikistan
RUB	Russian Rouble
TJS	Tajikistan Somoni
TONIA	Tenge OverNight Index Average
U.S.	United States of America
YTD	year-to-date
%	per cent

GLOSSARY

Budget (fiscal) impulse

Characterises the impact of fiscal policy on economic activity. If the budget impulse is positive, then the contribution of fiscal policy to GDP is positive.

Budget (fiscal) reserves

Available state budget funds that can be used to finance expenditures.

Equilibrium exchange rate

The real exchange rate that does not have either an inflationary or a disinflationary effect.

FX penetration of bank deposits (loans)

Share of deposits (loans) denominated in foreign currencies in the total deposit (loan) portfolios of commercial banks.

Neutral rate

The interest rate that corresponds to inflation and inflationary expectations being at stable, target levels, and with GDP and the real exchange rate being at equilibrium levels.

Output gap

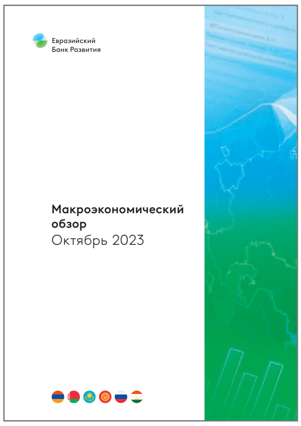
Deviation of real GDP from its potential level. As a rule, a positive output gap points to the existence of excess demand in the economy, and is an indicator of inflationary pressure. The reverse is true for a negative output gap.

Potential (equilibrium) GDP

The real GDP that would be produced by the economy in a certain period of time if production factors were used in the most efficient fashion. Potential GDP can also be defined as real GDP that can be sustainably produced by the economy without creating any economic imbalances.

Purchasing Managers' Index (PMI)

An indicator that characterises a change in business activity and operating conditions of private enterprises in the processing industry and the services sector. It is calculated on the basis of data collected during monthly surveys with the participation of purchasing managers. If the PMI is above 50 points, business activity is expanding; if it is below 50 points, business activity is contracting.



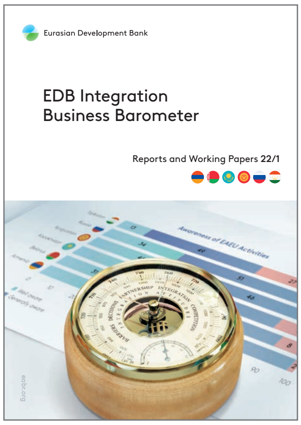
Macroeconomic Review (RU)

The region's economies are growing steadily, with a 2.8% year-on-year increase in their aggregate GDP in January–August, compared to 2% in the first half of 2023.

Macroeconomic Outlook (RU/EN)

EDB Macroeconomic Outlook 2023–2025

Economic growth projections improved for all the Bank's six member states. The region's economies successful adaptation to the new environment will support their growth this year.



Report 22/1 (RU/EN)

EDB Integration Business Barometer

About 73% of companies feel positive about the EAEU and say it makes doing business easier.

Report 22/2 (RU/EN)

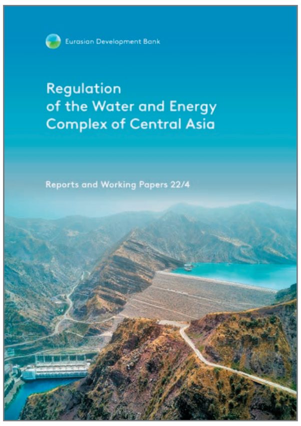
International North–South Transport Corridor: Investments and Soft Infrastructure

EDB research presents a database of INSTC investment projects. The database comprises more than 100 investment projects that are currently ongoing or being planned for implementation before 2030, for a total of over US $38 billion.

Report 22/3 (RU/EN)

The Economy of Central Asia: A Fresh Perspective

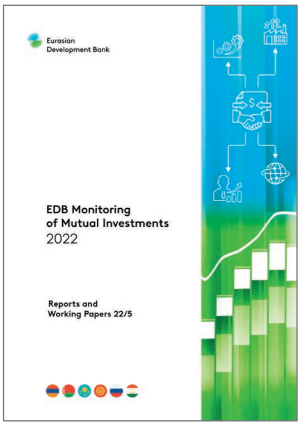
Central Asia is a large, dynamic and promising economic region. Over the past 20 years, Central Asian countries' GDP has grown more than sevenfold, and at an average rate of 6.2%, which is faster than in developing countries and more than twice as fast as the world as a whole.



Report 22/4 (RU/EN)

Regulation of the Water and Energy Complex of Central Asia

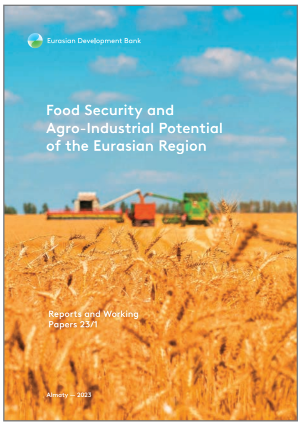
Effective water and energy resources management in the Aral Sea basin is of strategic importance to the Central Asian countries. 81% of the region's population lives within the basin. Water stress continues to strengthen and will increase by 2.8 times by 2040 in some regions.



Report 22/5 (RU/EN)

EDB Monitoring of Mutual Investments — 2022

The mutual FDI stock in Eurasia (CIS countries and Georgia) totalled US $44.6 billion by mid-2022. Foreign direct investments between CIS countries and China, Iran, Arab states exceed US $75 billion. The mutual FDI stock in EAEU countries amounted to US $24.5 billion.



Report 23/1 (RU/EN)

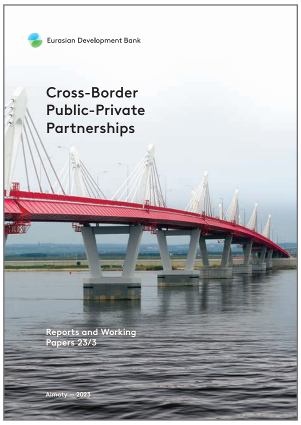
Food Security and Agro-Industrial Potential of the Eurasian Region

Calculations in the EDB's new analytical report demonstrate that the region not only guarantees its own food security, but by 2035, it will also be able to fully provide food for 600 million people.

Report 23/2 (RU/EN)

Global Green Agenda in the Eurasian Region. Eurasian Region on the Global Green Agenda

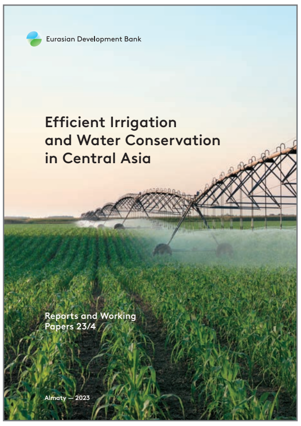
The report provides a comprehensive analysis of the challenges and prospects for low-carbon transition in Eurasia, covering EAEU countries, Tajikistan, and Uzbekistan.



Report 23/3 (RU/EN)

Cross-Border Public-Private Partnerships

To ensure the successful execution of cross-border PPP projects in the region, the EDB has developed guidelines based on international best practices in cross-border infrastructure development.



Report 23/4 (RU/EN)

Efficient Irrigation and Water Conservation in Central Asia

A new EDB study outlines ten practical steps for preserving irrigated land potential and promoting water conservation. The list includes four recommendations for adoption at the regional level and six at the national level.

Eurasian Development Bank

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