



Eurasian
Development Bank

MACROECONOMIC FORECASTS 2025–2027



December 2024



MACROECONOMIC OUTLOOK

DECEMBER 2024

2024

The GDP growth estimate for the Bank's region of operations is revised upwards to 4.2% y-o-y.



GDP growth in 2024

Mixed consumer price developments in the region

7.9%

Aggregate inflation in the region at the end of 2024

An increase in the CB RF key rate and a pause in the NB RK base rate reduction cycle

23%

Key rate in Russia at the end of 2024

> 15%

Base rate in Kazakhstan at the end of 2024

2025

Continued high rates of economic growth



GDP growth in 2025

Accelerating economic growth



GDP growth in 2025

Inflation gradually approaching targets

6.4%

Aggregate inflation in the region at the end of 2025

Start of CB RF key rate cuts and continued NB RK base rate reduction cycle

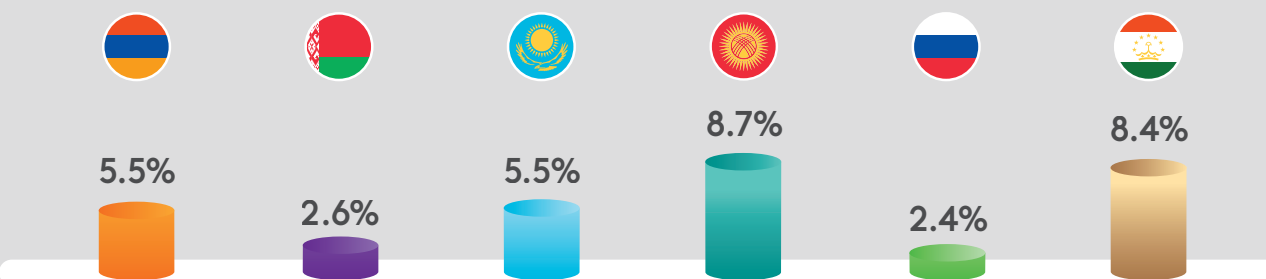
19%

Key rate in Russia at the end of 2025

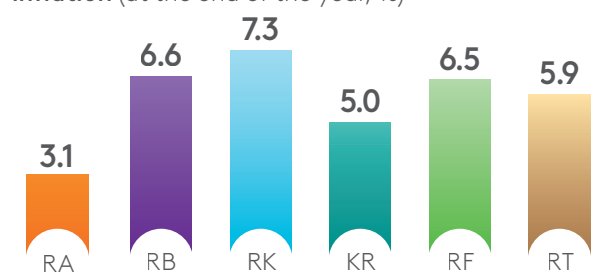
11.25%

Base rate in Kazakhstan at the end of 2025

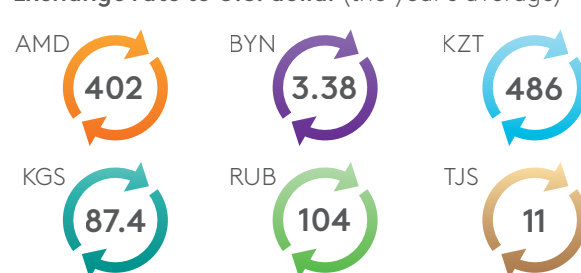
GDP growth in 2025



Inflation (at the end of the year, %)



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



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Authors

Evgeny Vinokurov, Chief Economist, EDB, vinokurov_ey@eabr.org

Alexey Kuznetsov, Head of Research Department kuznetsov_as@eabr.org

Marina Sobolevskaya, Head of the Centre for Country Analysis, Research Department, melikhova_MV@eabr.org

Aigul Berdigulova, Senior Analyst, Centre for Country Analysis, Research Department, berdigulova_ar@eabr.org

Konstantin Fedorov, Senior Analyst, Centre for Country Analysis, Research Department, fedorov_ks@eabr.org

Anton Dolgovechny, Senior Analyst, Centre for Country Analysis, Research Department, dolgovechny_ap@eabr.org

The document includes a detailed description of current domestic and external macroeconomic conditions, as well as harmonised forecasts. The analysis takes into account the existing interrelationships between the economies of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and the main trading partner countries. The macroeconomic forecasts are prepared by the EDB using an integrated system of models based on a multi-country structural dynamic macroeconomic general equilibrium model. More detailed information on this system is presented in a joint EDB and EEC report (EDB, 2016).

Keywords: economic growth, forecasts, GDP, inflation, exchange rate, demand, monetary policy, budget, interest rate, investment.

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

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SUMMARY

The global economy is entering a slowdown phase. Despite the end of the period of high interest rates, structural factors will constrain economic gains. Lower productivity growth rates, weakening foreign trade as a driver of economic growth, increasing fragmentation and unfavourable demographic trends will be the key reasons slowing down global economic activity. We forecast the US economy to slow its growth to 1.6% in 2025, the Eurozone economy to recover to around 1.1%, and China's economy to accelerate to 5% on the back of a stimulative fiscal policy and lower interest rates. Inflation in advanced economies has slowed, but price growth will remain elevated due to rising costs caused by the fragmentation of the global economy and continued pressure from a tight labour market. Leading central banks have begun a cycle of rate cuts, but risks of accelerating inflation remain high. This will make regulators cautious about cutting rates, which will remain above the average levels of the past decade.

The EDB region's GDP growth of 4.2% in 2024 will be the highest since 2012, excluding the period of recovery from the coronavirus pandemic. We have [raised](#) our 2024 economic growth forecast for the region by 0.8 p.p., and it is ahead of the global rate (3.2%). Expanding domestic demand, supported by the countries' stimulative fiscal policy, together with improving export opportunities have fuelled strong growth in the region's economies. We expect GDP growth in 2024 to be: 6.0% in Armenia, 4.3% in Belarus, 4.5% in Kazakhstan, 9.4% in Kyrgyzstan, 4.1% in Russia and 8.4% in Tajikistan.

In 2025, the region's economy will grow by 2.9%. Domestic sources of growth will remain the key drivers of economic gains. Kazakhstan's economic growth rate will steadily increase to 5.5% due to the launch of a new investment cycle. Budget stimulus will support domestic demand growth in Russia, where the economy will expand by 2.4% YoY. Growing demand from Russia and strong consumer activity will create conditions for Belarus' economy to expand by 2.6%. High growth rates will continue in Armenia (5.5%), Kyrgyzstan (8.7%) and Tajikistan (8.4%) due to investment projects and increased exports.

Inflation in the EDB region will be around 6.4% for 2025. The inflation picture across countries remains mixed: in Armenia, and Tajikistan price growth is below the target ranges, in the Kyrgyz Republic in May-October 2024 it was below target, while in Belarus it remains within the target corridor, and in Russia and Kazakhstan it remains above target. We forecast a gradual movement of inflation towards the target levels in 2025. Against the background of continuing high interest rates, inflation will start to slow down to 6.5% in Russia and 7.3% in Kazakhstan. In Armenia, inflation will rise towards the boundaries of the target range at 3.1%. Price growth in Tajikistan will return to the target range and in the Kyrgyz Republic it will stabilise within its boundaries. At the end of 2025, inflation in Kyrgyzstan will reach 5.0%, while in Tajikistan it will reach 5.8%. Price growth in Belarus will moderately accelerate to 6.6%.

EDB MEMBER STATES

↓ Table 1. EDB Forecasts. Main macroeconomic indicators of the Bank's member states (*baseline scenario*)
% growth year on year unless otherwise stated

Indicator	2023	2024 F	2025 F	2026 F	2027 F
Republic of Armenia					
GDP in constant prices	8.3	6.0	5.5	5.3	5.0
Inflation (<i>at the end of the period</i>)	-0.6	1.8	3.1	3.0	2.5
IBL rate (<i>the year's average</i>), %	10.4	8.3	7.0	6.8	6.0
Armenian dram to U.S. dollar exchange rate (<i>the year's average</i>)	393	392	402	405	407
Republic of Belarus					
GDP in constant prices	3.9	4.3	2.6	1.9	1.5
Inflation (<i>at the end of the period</i>)	5.8	5.9	6.6	7.9	7.4
Refinancing rate (<i>the year's average</i>), %	9.5	9.5	9.5	9.5	9.5
Belarusian rouble to U.S. dollar exchange rate (<i>the year's average</i>)	3.00	3.25	3.38	3.57	3.81
Republic of Kazakhstan					
GDP in constant prices	5.1	4.5	5.5	5.5	5.5
Inflation (<i>at the end of the period</i>)	9.8	8.5	7.3	5.6	5.1
TONIA rate (<i>the year's average</i>), %	16.4	14.0	12.3	9.5	8.0
Kazakhstan's tenge to U.S. dollar exchange rate (<i>the year's average</i>)	456.3	466	486	492	503
Kyrgyz Republic					
GDP in constant prices	9.0	9.4	8.7	6.4	5.6
Inflation (<i>at the end of the period</i>)	7.3	5.6	5.0	5.5	6.3
7-day Repo rate (<i>the year's average</i>), %	11.4	7.6	5.2	7.1	9.0
Kyrgyzstan's som to U.S. dollar exchange rate (<i>the year's average</i>)	87.9	87.1	87.4	89.7	93.1
Russian Federation					
GDP in constant prices	3.6	4.1	2.4	1.7	1.5
Inflation (<i>at the end of the period</i>)	7.4	8.5	6.5	5.6	4.5
Key rate (<i>the year's average</i>), %	9.9	17.5	21.1	15.5	11.5
Russian rouble to U.S. dollar exchange rate (<i>the year's average</i>)	85.2	92.5	104	106	109
Republic of Tajikistan					
GDP in constant prices	8.3	8.4	8.4	8.0	7.4
Inflation (<i>at the end of the period</i>)	3.9	3.9	5.9	6.7	6.8
Refinancing rate (<i>the year's average</i>), %	10.5	9.2	9.2	9.9	10.6
Tajikistan's somoni to U.S. dollar exchange rate (<i>the year's average</i>)	10.8	10.8	11.0	11.5	12.1

Note: here and in the rest of the tables F = forecast

Sources: national agencies of EDB member states, EDB analysts' calculations.

FROM THE CHIEF ECONOMIST

WORLD ECONOMY: CURRENT SITUATION, FORECASTS AND IMPACT ON THE EDB REGION OF OPERATIONS

The growth rate of the global economy will slow down, as evidenced by leading indicators. The Global Composite PMI fell to 52 p. in September, its lowest level for eight months, albeit recovering slightly in October to 52.3 p. The Conference Board Leading [Economic](#) Index for the US as well as that for the Eurozone are also steadily declining, having reached their lowest levels in eight and ten years, respectively.

Leading central banks are cutting interest rates amid slowing inflation and risks of a significant weakening of economic activity. The cycle of rate cuts will continue in 2025, but regulators will be cautious about easing monetary policy as **risks of accelerating inflation** persist. In the US and the Eurozone, interest rates in 2025–2027 will remain above the 2010–2019 averages. Nevertheless, central bank policies will have a positive impact on economic growth.

Structural factors linked to the increasing fragmentation of the global economy, demographic processes and changes in people's preferences (both in terms of consumption patterns and labour supply) **also have a negative impact on the growth rate of the global economy.**

Box 1. Structural factors of the global economic slowdown

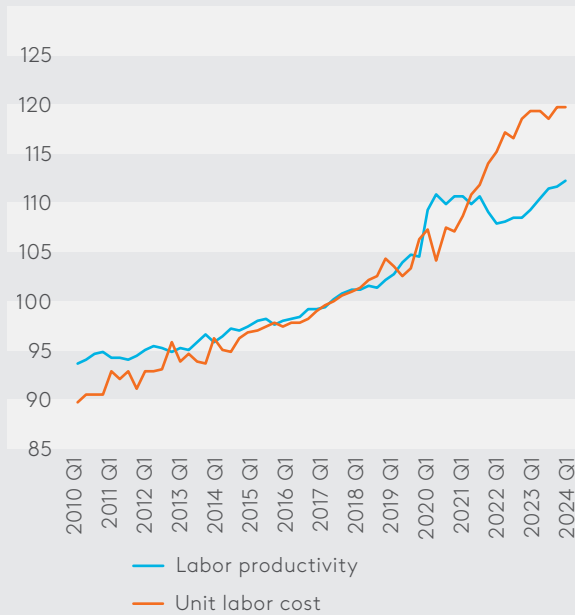
The slowdown in productivity growth against the background of increasing labour remuneration ([Figure 1](#)) **restrains economic growth.** The coronavirus pandemic had a notable negative impact on productivity. During that period, companies raised wages despite production cuts in order to retain staff, even at the expense of investment and innovation spending.

The efficiency of labour resource allocation is decreasing. This is explained, among other factors, by demographic processes: an ageing population and decreasing labour supply ([EDB, 2024c](#)). We also observe a **shift of labour resources to low-productivity sectors of the economy**, such as trade, tourism and hospitality, catering and others. In the US, the service sector has accounted for 90 per cent of employment growth over the past three years, with medical and social services, hospitality and government services accounting for more than 60 per cent. At the same time, industrial production accounted for only 5% of employment growth. In the EU, industrial employment fell by 2.6%, or 0.9 million jobs, over 2019–2023, with total employment growth of more than 1%.

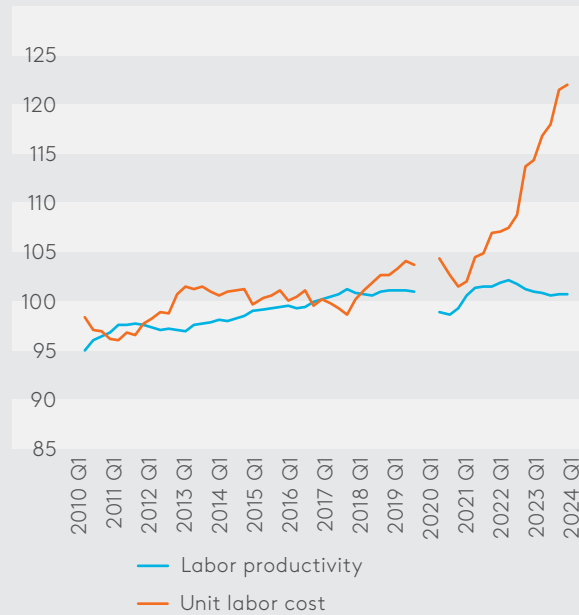
Labour productivity growth rates are also declining in emerging economies (Figure 2). However, their growth remains markedly more pronounced than in developed economies, as demographic trends and changing consumption patterns (in favour of the services sector) have not yet fully developed. This creates a window of opportunity for accelerated industrialisation in a number of countries, including Central Asian countries in the EDB region.

↓ **Figure 1: Productivity and labour costs (2017Q1 = 100)**

1.1 U.S.



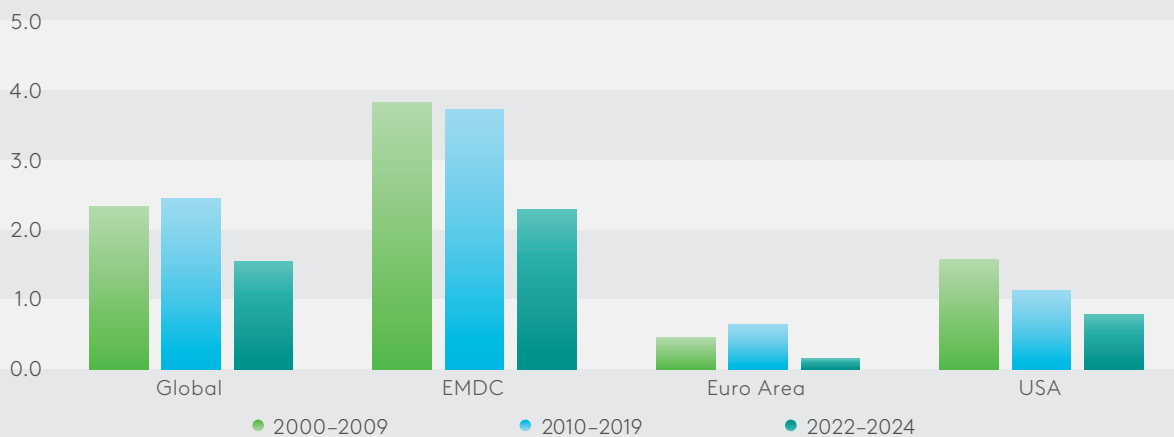
1.2 Eurozone



Source: calculations based on U.S. Bureau of Labor Statistics data.

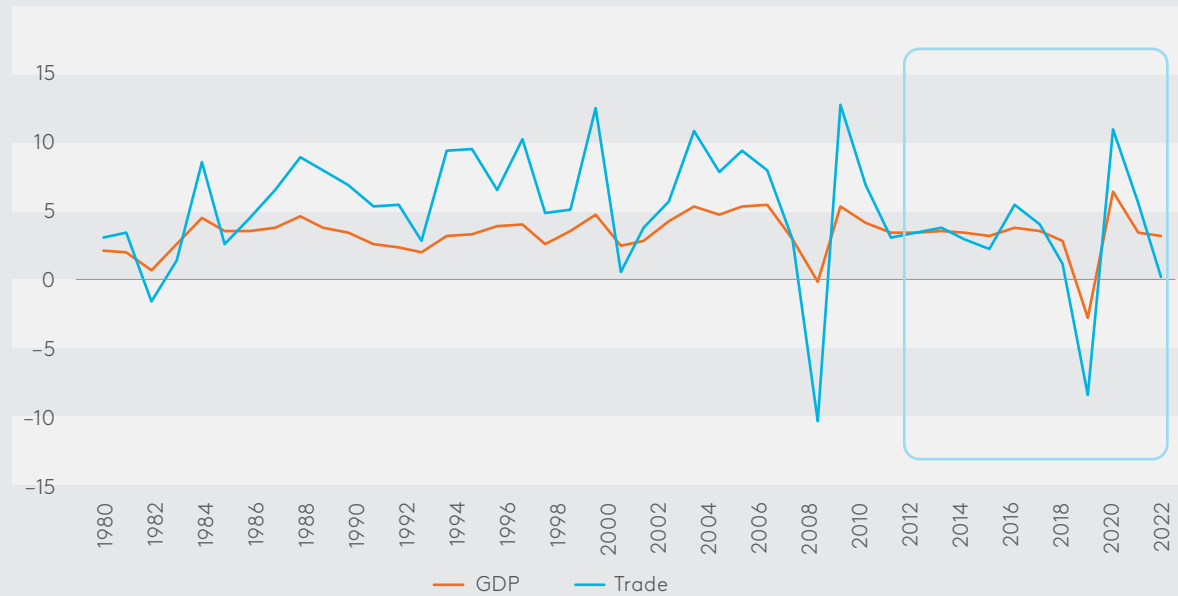
Source: calculations based on ECB data

↓ **Figure 2: Labour productivity growth, average % for the period**



Sources: OECD, EDB analysts' calculations.

↓ Figure 3: Growth of world trade and world GDP, %



Note: the graph shows the real growth rate of the indicators.

Source: IMF.

Despite the influence of common structural factors, the performance of the world's economies will be mixed.

The US economy has maintained high growth rates in 2024 (Table 2). According to our estimates, GDP will grow by 2.8% this year (growth in 2023 was 2.9%). The main driver of economic growth is consumer spending, supported by rising wages against the backdrop of an overheated labour market. However, signs of a slowdown in economic activity are already appearing, and this could affect growth rates as early as next year. Industrial production has been in decline since mid-2024 (minus 0.3% YoY in October). The leading indicators are not encouraging: the PMI for industry has been in the negative zone since March, falling to 46.5 p. in October — the lowest for this year. The GDP performance also suggests that the economy is gradually cooling: after peaking at 3% YoY in Q2, growth slowed to 2.4% YoY in Q3, and we expect the trend to continue until the end of the year.

We forecast a further slowdown of the US economy to 1.6% in 2025 (Table 2). Consumer spending will decline, as evidenced by a drop in the [consumer confidence index](#), primarily due to a worsening assessment of the current state of the economy. Public debt service costs have increased significantly (to 3.2% of GDP in this fiscal year), and it is logical to expect a reduction in the fiscal stimulus to stabilise the budget deficit, which could have a negative impact on economic development.

The Eurozone economy has maintained low growth rates (Table 2). According to our estimates, GDP will grow by 0.7% this year. The services sector remains the growth driver: the PMI remains firmly above the neutral level, reaching 51.6 p. in October 2024.

Industrial production has been steadily contracting throughout 2024. In September, its decline was 2.8% YoY. Industrial PMI remains well below the neutral level of mid-2022, coming in at 45.2 p. in November 2024.

Germany, the most industrialised economy in the Eurozone, has failed to achieve positive GDP growth for the fifth consecutive quarter. Labour costs are outpacing productivity growth, and this is one of the main reasons for the low growth of industry and the Eurozone economy as a whole. The drop in the efficiency of energy-intensive industries against the background of high energy prices has led to a reduction in output and, often, to the closure of some enterprises (examples: chemicals producer BASF in Germany and zinc producer Nurstar in the Netherlands). As these companies have higher productivity levels than the average for the economy, the fall in their output has also markedly reduced the overall performance of the Eurozone (ABN-Ambro, 2024). At the same time, however, the increase in wages and salaries against the backdrop of falling interest rates has contributed to an improvement in consumer sentiment and a return to growth in retail consumption. This is confirmed by the gradual recovery of economic activity. The GDP growth rate reached 0.9% YoY in Q3 after 0.6% YoY in Q2 and 0.5% YoY in Q1.

The recovery of economic activity in the Eurozone will continue (Table 2). We forecast GDP growth of 1.1% in 2025. The gradual reduction of interest rates will create conditions for the expansion of consumer demand. In addition, lower energy prices will be a positive factor for industrial recovery and will give impetus to economic growth in the Eurozone.

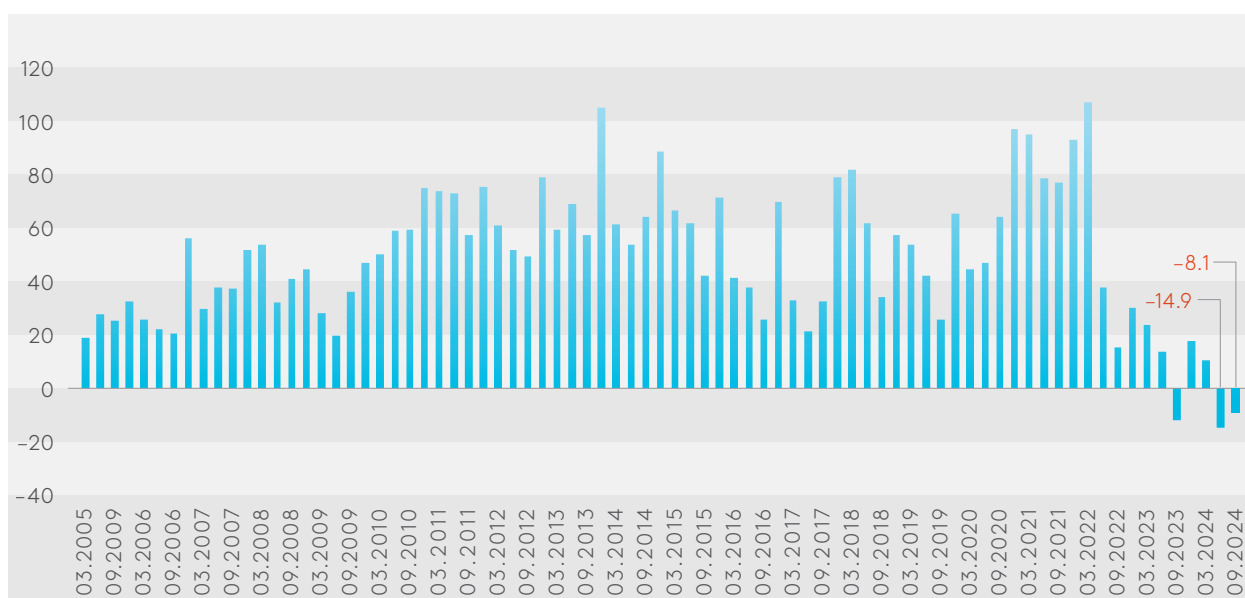
Large emerging economies are showing a strong performance. In particular, India's GDP grew by 6.7% YoY in Q2 2024 after 7.8% YoY growth in Q1. At the same time, leading indicators show a further expansion of business activity in India: the aggregate PMI in November totalled 59.5 p., which is close to the historical highs over the last 14 years. The country's economic growth is benefiting from the ongoing realignment of international trade flows as well as domestic structural reforms. In Brazil, another major emerging economy, GDP growth accelerated to 3.3% YoY in Q2 after 2.5% YoY in Q1 on the back of a key rate cut at the start of the year. The fact that economic activity continues to grow is evidenced by the services and manufacturing PMIs, which have been consistently above neutral since the start of the year. In addition, the leading composite indicator has been growing steadily since March 2023, indicating an expansion of economic activity.

The Chinese economy has slowed down somewhat, but maintains impressive growth rates (Table 2). The country's GDP grew by 4.6% YoY in Q3 2024 — after 4.7% YoY in Q2 and 5.3% YoY in Q1. The composite PMI stood at 51.9 p. in October, up for the first time in six months. Nevertheless, risks of a slowdown in growth this year remain. Weak consumer demand and structural problems in the construction sector are still holding back the economy, preventing it from crossing the 5% threshold. Retail sales growth has lagged behind economic growth for most of 2024. This trend was

interrupted only in October, when retail sales **rose** by 4.8% YoY under the influence of the authorities' stimulus policy. At the same time, the consumer confidence indicator is not only below the neutral level (100 p.), but also continues to decline, **coming** close to its historical minimum level (November 2022, 85.5 p.). Low demand is also affecting the construction sector, with construction output **declining** since 2022. The high debt burden of the construction sector amid declining new home prices remains an unresolved problem for the Chinese economy. We estimate that China's GDP will grow by 4.8% in 2024.

China's economy is still driven by exports. Therefore, **a shift in economic policy towards domestic consumption will require structural reforms**, which could have a dampening effect on growth in the medium term. The severity of the challenges facing China's economy is evidenced by the decline in foreign direct investment (FDI) inflows into the country to an all-time low (see [Figure 4](#)).

↓ **Figure 4: China: gross FDI inflows**



Sources: IMF, State Administration of Foreign Exchange (SAFE).

Against the backdrop of risks of economic slowdown, **the Chinese authorities have taken a number of stimulus measures**. The People's Bank of China cut interest rates in September 2024, and the Ministry of Finance has prepared a plan for additional budget spending, which should amount to about **10 trillion yuan** (\$1.4 trillion), for the next few years. This will have a positive impact on economic activity — in terms of both new investment and consumption. We expect Chinese growth to accelerate, but the main economic impact is likely to come next year. We forecast GDP growth of 5% in 2025.

Inflation has slowed down significantly in developed countries, but it is premature to talk about defeating it. In the US, the growth rate of consumer prices decreased to 2.6% YoY in October 2024, largely due to the decline in energy prices (by 4.9% YoY).

At the same time, growth in prices for services remains high. Core inflation¹ is falling more slowly and erratically, from 3.9% YoY in January to 3.3% YoY in October, remaining well above target. In the Eurozone, inflation fell to 2% YoY in October 2024 after 2.8% YoY at the start of the year. Lower energy prices (down 4.6% YoY) and low growth in non-energy prices (0.5% YoY) were also key drivers. However, food (2.9% YoY) and services (4.0% YoY) remain above 2% YoY. Meanwhile, the sustainable part of inflation, after a significant decline in Q1, remains at around 2.7% YoY. Continued wage increases and strong labour demand in the services sector also complicate the disinflation process. Thus, it is not yet possible to claim that inflation is fully under control.

On the horizon for 2025–2027, inflation in the US and the Eurozone will remain above the targets (Table 2). The stability of core inflation, growth of wages and producers' costs against the background of fragmentation of the global economy will support higher price growth. At the same time, the risks of inflation acceleration in the context of declining interest rates remain high.

US and Eurozone central banks will continue the cycle of interest rate cuts. The expected cooling of the US economy and subdued growth in the Eurozone against the background of relatively low inflation create conditions for further easing of monetary policy. Nevertheless, the risks of inflation reversal remain, which requires a cautious approach on the part of regulators when cutting interest rates. We expect interest rates to remain above the average levels of the past decade (Table 2).

↓ Table 2. Forecasts of the main international trade indicators (baseline scenario)

Indicator	2023	2024F	2025F	2026F	2027F
Oil price (\$/bbl annual average)					
Brent	83	81	75	74	73
Urals	62.8	69	67	65	65
GDP growth (%)					
U.S.	2.9	2.8	1.6	1.1	1.5
Eurozone	0.5	0.7	1.1	1.4	1.3
China	5.2	4.8	5.0	4.1	4.0
Inflation (% , the year's average)					
U.S.	4.1	2.9	2.6	2.5	2.3
Eurozone	5.5	2.4	2.3	2.3	2.1
Key interest rates (% , the year's average)					
Fed	5.0	5.2	4.2	3.4	2.8
ECB	3.9	4.0	2.9	2.5	2.5

Sources: 2023–2024. — data from IMF, World Bank, US Federal Reserve System, ECB, 2024–2026. — EDB analysts' forecasts.

¹ Does not take into account changes in the prices of volatile components of the consumer basket.

The performance of commodity prices in the baseline scenario will be mixed: non-energy commodity prices will grow, while oil prices will decline. Restrained growth of the global economy and lower interest rates in developed countries will contribute to the **growth of metal prices**. At the same time, the increase in prices for **precious metals** will be additionally supported by increased demand for reserve assets in the context of geopolitical instability. Accelerating economic activity in China will increase demand for **non-precious metals**, the basis for low-carbon energy. **Food prices**, after declining in 2023–2024, will move upwards, in particular due to the negative impact of climate change on crops. **Oil**, unlike non-energy feedstocks, will be cheaper than in 2024 on the back of global supply growth and the low-carbon energy transition.

As a result, the average annual **prices for Brent crude oil** will reach \$75 per barrel in 2025, \$74 per barrel in 2026, and \$73 per barrel in 2027. For comparison: in 2024, oil has cost an average of \$81 per barrel ([Table 2](#)).

Projected trends in the global economy and commodity markets do not pose significant obstacles to economic growth in the region. A moderate decline in energy prices will be partly offset by higher prices for export commodities such as metals and food, and is therefore unlikely to significantly worsen the balance of payments in the Bank’s member countries. In addition, the negative effect of lower commodity revenues may be partly offset as the export offerings of the Bank’s member countries become more diversified. Lower interest rates in advanced economies are gradually opening up access to foreign capital for the region’s economies. This has become noticeable compared with the past two to three years, when high rates effectively closed external borrowing in hard currency for emerging economies. Thus, the risks of currency market volatility, inflationary pressures and reduced real economic activity from the outside world remain subdued.

Box 2. Central Asia is a large and dynamic region

In the report “[The Economy of Central Asia: A Fresh Perspective](#)”, we focused on a fast-growing and promising region – Central Asia. The study found that, from 2000 to 2021, the region’s GDP grew at an average of 6.4% YoY in real terms, outpacing emerging market economies (5.2% YoY) and the global economy (3.6% YoY).

Central Asian economies have been growing strongly over the past two years despite external challenges. GDP growth averaged 4.8% YoY in 2022–2023, while emerging markets grew by 4.2% YoY and the global economy by 3.4% YoY. Over the past 24 years, the region’s total GDP has increased 10.8 times and its share of world GDP based on PPP terms has increased 1.9 times (see [Figure 5A](#)).

In 2024, Central Asia’s nominal GDP could exceed \$500bn. According to our estimates, it will increase by more than 10% and reach \$519bn.

The population of Central Asia has reached 80 million, growing by 3.7% since 2021 and 1.4 times in the last 24 years. Demographic trends are fuelling the growth of the economies of the Central Asian states. The age distribution of the population suggests that the labour force will grow in the future.

The volume of accumulated foreign investments from third countries has increased by 4.2% over the last two years and is estimated at \$223bn at the end of 2023. A strong performance was also noted in foreign trade turnover, which has increased by 34.6% since 2021.

↓ **Figure 5A. Achievements and structural changes in the region**

Increase in 2000-2023	2021	2023	2024F
 1.4x Population, millions	77	80	82
 10.8x GDP, \$ billions	347	469	519
 1.9x Share in global GDP (PPP), %	0.7	0.79	0.80
 7.7x Turnover of foreign trade in goods, \$ billion	165.5	228.9	235

Note: F = forecast.

Source: Compiled by EDB analysts based on data from national agencies, ADB, IMF, CEIC.

Central Asia is a diverse region with economies that vary in size and structure. Kazakhstan is the largest economy, accounting for 57 per cent of total GDP. Uzbekistan is the most populous country in the region, with 45 per cent of Central Asia’s population (see [Figure 5B](#)). The three largest economies — Kazakhstan, Uzbekistan and Turkmenistan — account for 95% of Central Asia’s total GDP and are net exporters of hydrocarbons. Kyrgyzstan’s and Tajikistan’s exports are chiefly metals and metal ores. All countries in the region have open economies, with the Kyrgyz Republic being the leader in terms of involvement in foreign trade.

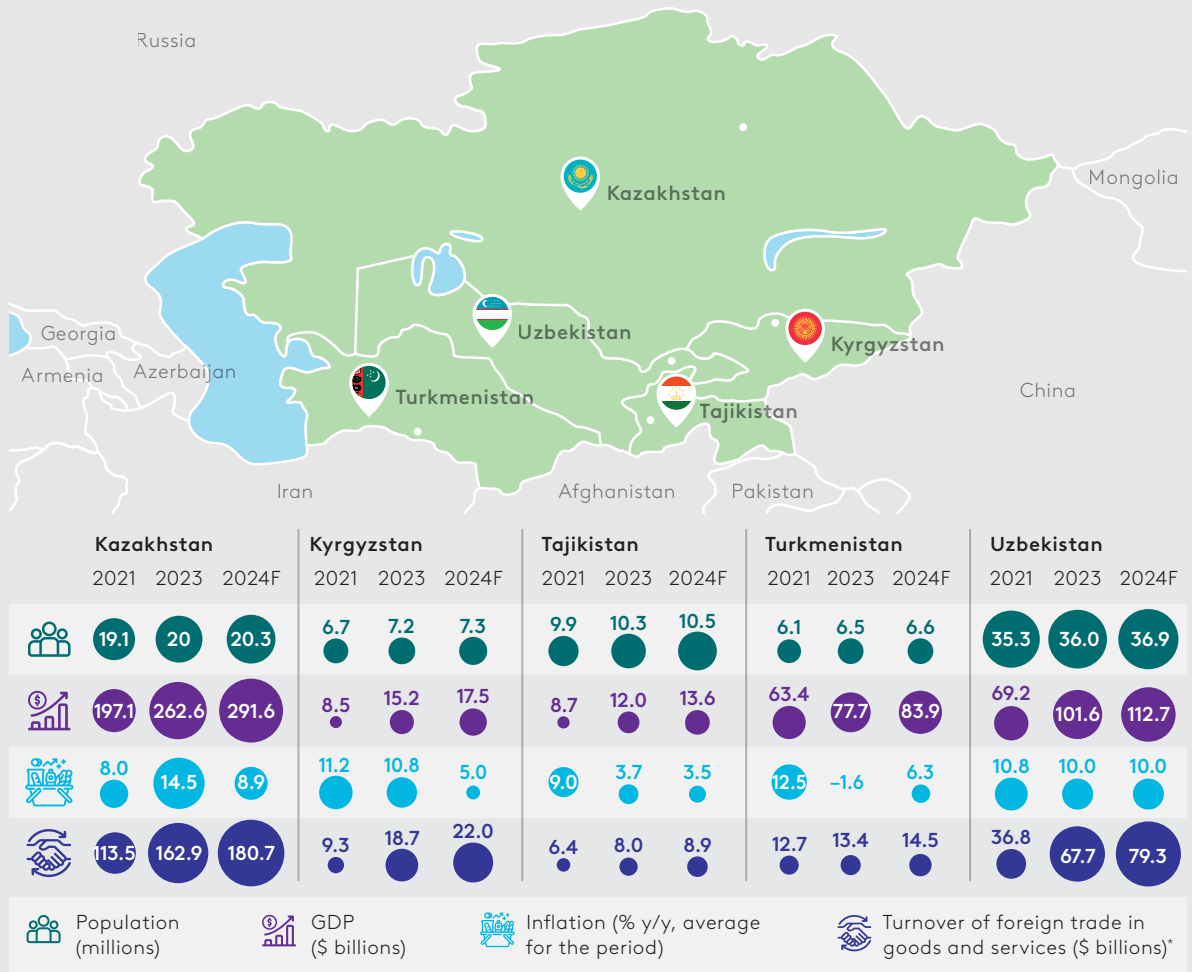
Macroeconomic policy is becoming noticeably more balanced. One of its results is a decline in inflation (in the early 2000s, price growth exceeded 20 per cent). In the last five years, even against the backdrop of challenges from global markets, inflation has averaged around 10% in the region.

The strategic role of Central Asia in the vast Eurasian space is set to grow. The transit position of the region’s countries and their integration into emerging

international transport corridors is an opportunity to access external markets and increase the potential of economies.

Coordinated development of the water and energy sector, including green energy, offers significant opportunities. In order to unlock the region's potential, it is important for countries to overcome other challenges, such as landlockedness, resource dependence, a low level of financial development, and the impact of climate change.

↓ Figure 5B. Main macroeconomic indicators of the Central Asian region



Note: * – for Turkmenistan data on foreign trade turnover of goods are applied.

Source: Compiled by EDB analysts based on data from national agencies, ADB, IMF, CEIC.