

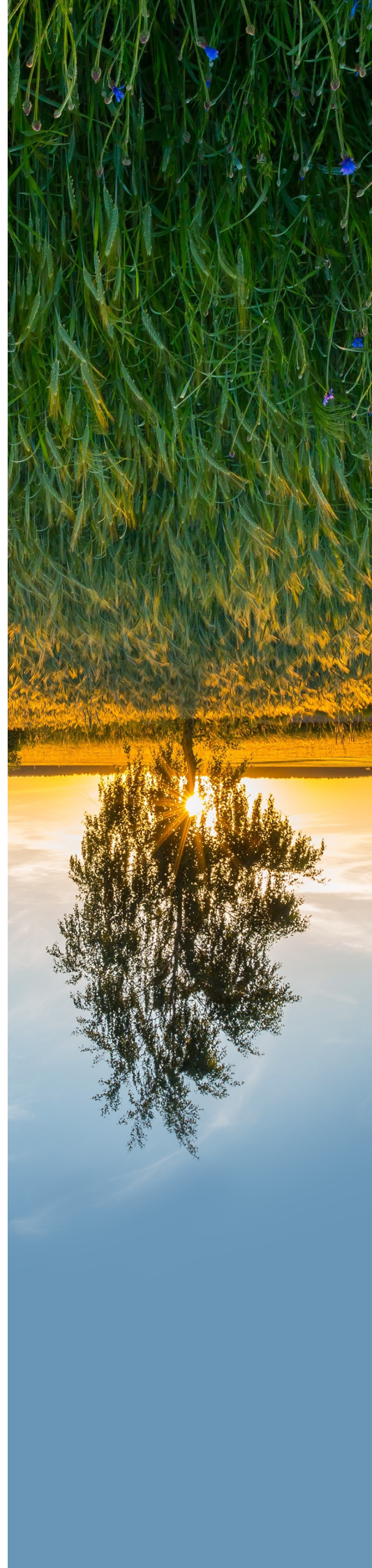


Eurasian
Development Bank

MACROECONOMIC OUTLOOK 2023



November 2022



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2022

The economic downturn in Russia and Belarus is not as deep as expected

-3.0%

Russia's GDP decline in 2022

-4.6%

Belarus's GDP decline in 2022

Growth of the economies of Kazakhstan and the Bank's other member states

2.8%

Kazakhstan's GDP growth in 2022

8.8%

aggregate GDP growth of Armenia, Kyrgyzstan, and Tajikistan in 2022

Higher inflation in the region: impact of the external sector, supply chain disruptions, currency volatility

13.1%

aggregate inflation in the region at the end of 2022

End of Russia's key rate-cutting cycle and Kazakhstan's inflation-control policies

7.5%

key rate in Russia at the end of 2022

≈16%

base rate in Kazakhstan at the end of 2022

2023

Slowdown of the economic recession in Russia and recovery of growth in Belarus

-2.0%

Russia's GDP decline in 2023

0.3%

Belarus's GDP growth in 2023

Strong economic growth (GDP growth in 2023)

4.2%

Kyrgyzstan

3.5%

4.2%

Tajikistan

6.5%

Inflation slowing to single digits as supply chains gradually stabilize

6.2%

aggregate inflation in the region at the end of 2023

Interest rates in line with inflation

7.5–8%

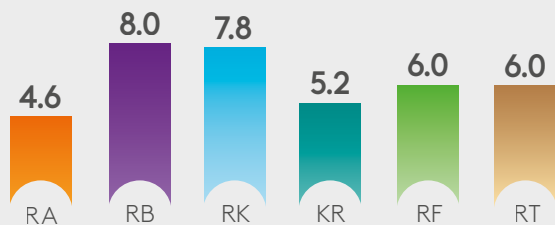
key rate in Russia at the end of 2023

≈14%

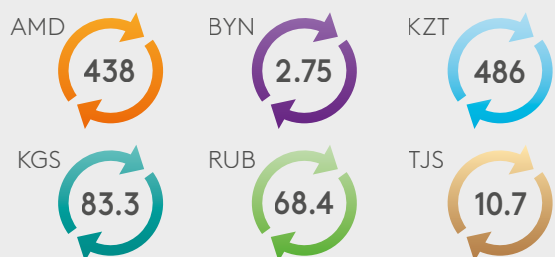
base rate in Kazakhstan at the end of 2023

2023

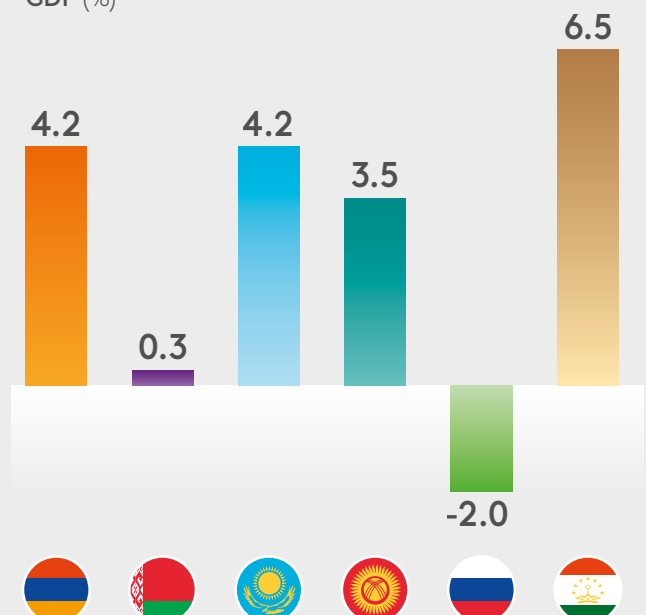
Inflation (at the end of the year, %)



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



GDP (%)



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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 activity is weakening, largely affected by the reduced stimulus impact of financial conditions and inflation reaching multi-year highs. The central banks of developed countries have acted vigorously to fight inflation, mainly by raising interest rates and winding down asset purchase programmes. This may well cause a global recession in 2023. Under the baseline scenario, we project the recession to be mild and the developed economies to begin their recovery in the second half of 2023. We project U.S. GDP to decrease by 0.3% in 2023, followed by a 2.7% increase in 2024; we also project Eurozone GDP to fall more deeply, by 0.6% in 2023, and then to rise by 2.1% in 2024. China's economy is expected to grow annually below 4% in 2023–2024, amid a zero-tolerance COVID-19 policy, weakening global business activity, and structural limitations to extensive growth.

GDP and inflation growth rates are increasingly diverge in the countries of the EDB region in 2022, and this has become quite pronounced. The region may experience a 2.3% economic slowdown by the end of the year, owing primarily to expected GDP declines of 3% in Russia and 4.6% in Belarus as sanctions bite. The economies of Central Asia and Armenia will show growth in 2022, thanks to increased domestic demand and high prices for exported goods. In the baseline scenario, we expect 2022 GDP to expand by 12.5% in Armenia, by 2.8% in Kazakhstan, by 3.1% in Kyrgyzstan, and by 7.5% in Tajikistan.

The GDP trends in the EDB operating region will improve in 2023. As the Russian and Belarusian economies adapt to the changing operating conditions, the scale of the recession in Russia will decline to 2.0%, while Belarus will see recovery growth of 0.3%. Kazakhstan's GDP growth is projected to accelerate to 4.2%, thanks to government measures to support the economy. Next year should also see high growth rates of 4.2% in Armenia, 3.5% in Kyrgyzstan, and 6.5% in Tajikistan.

Inflation in the Bank's operating region could slow from 13.1% in 2022 to 6.2% in 2023. The external sector developments and the process of production and supply chains' restructuring in Russia and Belarus will weaken their pro-inflationary effect. In 2023, consumer prices are projected to rise by 4.6% in Armenia, by 8% in Belarus, by 7.8% in Kazakhstan, by 5.2% in Kyrgyzstan, by 6% in Russia, and by 6% in Tajikistan.

The biggest risk under the baseline scenario is a deeper and more prolonged recession in the world's major economies, with such a scenario involving sustained, extremely high inflation and consequent aggressive measures taken by the central banks of developed countries. The materialising of an unfavourable scenario would lead to a decline in demand for exports from the region. Economic sentiment would worsen, and countries might experience issues with production and supply chains, with the region's GDP falling by 3.3% in 2023. Reduced exports would put pressure on national currencies in the region, which, given the increased uncertainties, would elevate price pressures: inflation in the region is forecast at 8.3% at the end of 2023 in the unfavourable scenario.