



Eurasian  
Development Bank

# MACROECONOMIC OUTLOOK 2025–2027



June 2025



MACROECONOMIC OUTLOOK

JUNE 2025

2025

Economic activity in the region remains high



GDP growth in 2025

Inflation slows down in RF, RT, RU, accelerates in RA, RB, RK, KR

7.7%

Aggregate inflation in the region at the end of 2025

CBR begins to cut the key rate in Q2 2025, NBRK keeps its rate unchanged

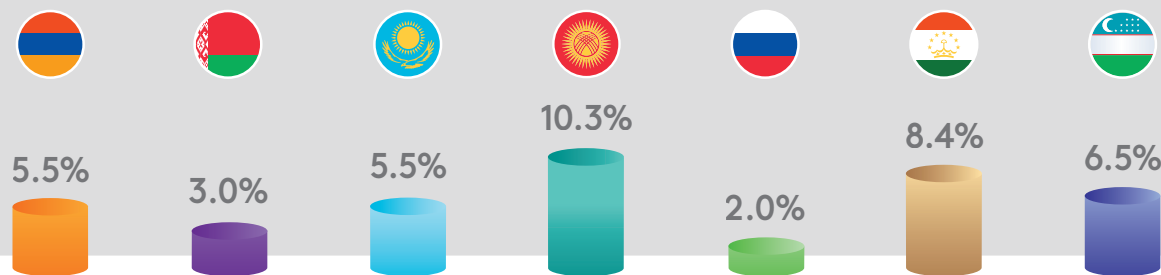
18%

Key rate in Russia at the end of 2025

16.5%

Base rate in Kazakhstan at the end of 2025

GDP growth in 2025



Inflation (at the end of the year, %)

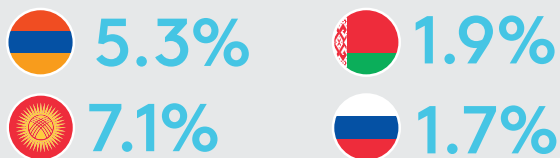


Exchange rate to U.S. dollar (the year's average)



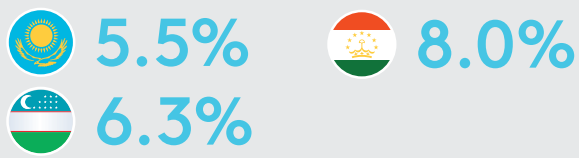
2026

Economic activity slowing down after a period of rapid growth



GDP growth in 2026

Steady growth in Kazakhstan, Tajikistan, and Uzbekistan



Gradual reduction of inflation to target levels in the absence of additional shocks

6.5%

Aggregate inflation in the region at the end of 2026

Interest rate reduction

≈13%

Key interest rate in Russia at the end of 2026

≈14.5%

Base rate in Kazakhstan at the end of 2026

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This document includes a detailed description of current internal and external macroeconomic conditions, as well as a coordinated forecast. The analysis considers the existing interrelationships between the economies of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Uzbekistan, and their major trading partners. The forecast of macroeconomic indicators is prepared by the EDB using an integrated model system based on a multi-country structural dynamic macroeconomic general equilibrium model. More detailed information on this system is presented in the joint report of the EDB and the EEC (EDB, 2016).

**Keywords:** economic growth, forecast, 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 expected to slow down in 2025** due to weakening demand caused by increased uncertainty and protectionism. Deteriorating consumer confidence and business expectations will lead to a slowdown in business activity in the US, where GDP growth will slow from 2.8% in 2024 to 1.4% in 2025. Limited growth in the eurozone will be caused by weakening demand dynamics in external markets due to trade confrontations. GDP growth will slow to 0.6% in 2025, down from 0.9% in 2024. Growth in the Chinese economy will remain close to the 5% target in 2025 due to domestic demand stimulation. Inflation in developed economies will accelerate in the medium term due to higher costs associated with tariff increases. However, given depressed economic activity, we expect the Federal Reserve to cut the Fed Funds rate to 4% by the end of 2025, while the ECB keeps its rate at 2%.

**Aggregate GDP in the EDB region is expected to grow by 2.7% in 2025**, following growth of 4.5% in 2024. This forecast for the first time includes Uzbekistan, as a new member of the Bank. Due to the specific impact of external conditions and the countries' differing stages in the economic cycle, forecasts for individual countries in the region have been revised. For Belarus, the forecast GDP growth rate has been raised to 3% in 2025, thanks to strong results at the beginning of the year and the expected expansion of credit support for investment. Rising gold prices, increased household consumption, and robust investment demand have led to an upward revision of the GDP growth forecast for Kyrgyzstan (to 10.3%), while the forecast for Tajikistan remains unchanged at 8.4%. Kazakhstan's GDP is expected to grow by 5.5% in 2025, by just as much as it was predicted earlier, amid government measures to unlock investment potential. The recovery of remittances and stimulating budgetary policy meant that the GDP growth forecast for Armenia could be left unchanged at 5.5% in 2025. Russia's economic growth has been lowered to 2% amid declining export revenues and record interest rates, which led to the cooling of overheated domestic demand in Q1 2025. GDP growth in Uzbekistan is projected at a robust 6.5%, driven by rising household incomes and an active investment policy that contributes to the country's sustainable development.

**Inflation in the EDB region is expected to slow to 7.7% in 2025**, down from 8.9% in 2024. A prolonged period of high interest rates and ruble appreciation in Russia will lead to a slowdown in price growth to 7.5% in 2025, down from 9.5% in 2024. Higher tariffs for housing and communal services will cause price growth to accelerate in Kazakhstan to 11.9% in 2025 (compared to 8.6% in 2024), and in Kyrgyzstan to 7.3% (compared to 6.3% in 2024). In Belarus, inflationary processes will accelerate due to pressure from domestic demand and higher inflation in Russia. With the gradual weakening of administrative regulation, price growth will reach 7.7% in 2025, up from 5.2% in 2024. Inflation in Armenia and Tajikistan will remain within the target ranges, reaching 3.1% and 3.3%, respectively, by the end of 2025. Monetary policy measures previously adopted in Uzbekistan will slow price growth to 8.1% in 2025, down from 9.8% in 2024.

# EDB MEMBER STATES

↓ Table 1. EDB forecast. Main macroeconomic indicators of the Bank's member states (*baseline scenario*)  
% growth compared to the previous year, unless otherwise stated

Indicator	2023	2024	2025 F	2026 F	2027 F
<b>Republic of Armenia</b>					
GDP in constant prices	8.3	5.9	5.5	5.3	5.0
Inflation ( <i>at the end of the period</i> )	-0.6	1.5	3.1	3.0	2.5
IBL ( <i>annual average</i> ), %	10.4	8.1	7.0	6.5	6.0
Armenian dram to U.S. dollar exchange rate ( <i>annual average</i> )	393	392	392	402	403
<b>Republic of Belarus</b>					
GDP in constant prices	4.1	4.0	3.0	1.9	1.5
Inflation ( <i>at the end of the period</i> )	5.8	5.2	7.7	8.9	7.5
Refinancing rate ( <i>annual average</i> ), %	9.5	9.5	9.5	9.5	9.5
Belarusian ruble to U.S. dollar exchange rate ( <i>annual average</i> )	3.00	3.25	3.28	3.69	4.01
<b>Republic of Kazakhstan</b>					
GDP in constant prices	5.1	4.8	5.5	5.5	5.5
Inflation ( <i>at the end of the period</i> )	9.8	8.6	11.9	10.5	6.5
TONIA rate ( <i>annual average</i> ), %	16.4	13.8	15.8	15.1	11.5
Kazakhstan's tenge to U.S. dollar exchange rate ( <i>annual average</i> )	456	469	513	527	545
<b>Kyrgyz Republic</b>					
GDP in constant prices	9.0	9.0	10.3	7.1	6.0
Inflation ( <i>at the end of the period</i> )	7.3	6.3	7.3	6.8	6.6
7-day Repo rate ( <i>annual average</i> ), %	11.4	7.6	4.5	5.9	6.7
Kyrgyzstan's som to U.S. dollar exchange rate ( <i>annual average</i> )	88.0	87.1	87.5	89.7	91.9
<b>Russian Federation</b>					
GDP in constant prices	4.1	4.3	2.0	1.7	1.5
Inflation ( <i>at the end of the period</i> )	7.4	9.5	7.5	5.8	4.5
Key rate ( <i>annual average</i> ), %	9.9	17.5	20.1	14.7	10.5
Russian ruble to U.S. dollar exchange rate ( <i>annual average</i> )	85.8	92.7	90	105	110
<b>Republic of Tajikistan</b>					
GDP in constant prices	8.3	8.4	8.4	8.0	7.1
Inflation ( <i>at the end of the period</i> )	3.8	3.6	3.3	5.5	6.1
Refinancing rate ( <i>annual average</i> ), %	10.5	9.3	8.5	9.4	11.1
Tajikistan's somoni to U.S. dollar exchange rate ( <i>annual average</i> )	10.8	10.8	11.1	11.5	11.9
<b>Republic of Uzbekistan</b>					
GDP in constant prices	6.3	6.5	6.5	6.3	6.4
Inflation ( <i>at the end of the period</i> )	8.8	9.8	8.1	6.8	5.4
Base rate ( <i>annual average</i> ), %	14.3	13.8	13.9	12.4	11.1
Uzbekistani sum to U.S. dollar exchange rate ( <i>annual average</i> )	11,735	12,652	13,200	14,100	14,500

**Note:** Here and in the rest of the tables F means forecast.

**Source:** 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

*Risks to global economic growth have increased significantly. A new wave of turbulence caused by U.S. tariff policy has led to greater uncertainty, which is being exacerbated by geopolitical tensions. Global value chains are under pressure once again. The growth rate of the global economy is declining. This is pushing down global commodity prices, yet inflation remains a concern. The reasons for this are the growing isolationism and fragmentation of the global economy.*

**Global business activity began to show signs of slowing down at the end of the first quarter of 2025**, amid growing uncertainty following the announcement of tariff hikes by the US. Leading indicators are signaling a slowdown in global economic growth. The global manufacturing PMI fell into contractionary territory (49.8 points) in April 2025 for the first time in 12 months, having declined for two consecutive months. A weakening of business activity has been noted in many major economies, with a number of countries already experiencing output declines. The U.S. announcement in early April of an increase in tariffs unprecedented since the late 1930s has further increased the risk of global trade conflicts. The full consequences will only be apparent once sustainable agreements between countries are reached. However, the negative impact on the global economy is already apparent, regardless of further developments (see [box](#)).

**The U.S. economy has entered a period of slow growth.** GDP growth was 2.1% year on year (YoY) in the first quarter of 2025, down from 2.5% YoY in the previous quarter. At the same time, a 0.3% quarter-on-quarter (QoQ) contraction was recorded against the previous quarter — the first such contraction since Q2 2022. This was primarily due to a 0.7% quarter-on-quarter decline in government spending, resulting from budget optimization and the freezing of some federal grants. Household consumption growth, the key driver of the economy since the second half of 2023, also slowed down, increasing by only 1.2% quarter-on-quarter (QoQ) in Q1 2025, compared to 4% QoQ in Q4 2024. The main reason for this slowdown is increased uncertainty caused by the new U.S. tariff policy, namely the increase in tariffs on imports from most countries. Against this background, business activity indicators are declining. The composite PMI fell to 51.2 in April 2025. While this remains above the neutral level of 50 and indicates an increase in activity, it is the lowest level in 16 months. We expect household spending growth to continue slowing against the backdrop of a significant decline in consumer confidence. In 2025, confidence fell by 7.9 points to 86 points (similar to levels seen during the pandemic). In the baseline scenario, we therefore expect U.S. economic growth to slow to 1.4% in 2025, which is 0.2 percentage points below the previous forecast. This would be the lowest level in 20 years, excluding crisis periods such as 2008 and 2020.

**The euro area economy continued to recover, with growth amounting to 1.2% -year (YoY) in Q1 2025**, the same as in Q4 2024. This was driven by consumption, with retail turnover increasing by 1.5% year-on-year in March, following a 1.9% increase in February 2025. Thanks to rising household incomes amid a strong labor market, consumer spending is growing. In March 2025, the unemployment rate in the euro area was 6.2%. This is an all-time low and noticeably below the natural rate of 6.7% (Ruzickova, 2023). Another growth driver was the export of goods, which increased by 7.8% year-on-year in the first quarter of 2025. The increase in shipments to the U.S. played a significant role in this: companies sought to export as much as possible before new customs tariffs were introduced in order to reduce costs, temporarily revitalizing foreign trade. Consequently, manufacturing activity did not decline as quickly as it might have. While the manufacturing PMI remained below the neutral level of 50, which separates growth from contraction, it did rise by 4 points from December 2024 to reach 49 in April 2025. Given the continued uncertainty, we believe that export growth and the intensification of industrial production are temporary. We expect business activity to decline and private consumption to contract. Consequently, the growth of the eurozone economy will slow to 0.6% by the end of 2025. In the medium term, GDP may be supported by increased government spending on defense and dual-use infrastructure. This is emerging as a new growth driver in Europe.

**China's economy continued to grow at a rate above that targeted by the government.** Growth in Q1 was an impressive 5.4% year-on-year — the same as in Q4 of 2023. Exports of goods increased by 5.8% year-on-year during this period, driven by anticipation of higher U.S. tariffs. The expectation of the intensification of the trade dispute boosted industrial production, with growth reaching 6.5% year-on-year in Q1 of 2025. However, according to our estimates, this dynamic will not be sustainable. There is still a probability of production contraction. In April, the industry business activity index (PMI) fell to 49 points, indicating business activity contraction and reaching the lowest level since the start of 2024. The sharp drop in new industry orders in April 2025 also suggests a potential slowdown in production following strong growth in February and March.

**China's economic authorities intend to maintain their policy of stimulating domestic demand.** The plan is to issue 3 tn yuan in bonds (equivalent to around 2.1% of GDP) to invest in equipment modernization, support high-tech industries, and boost domestic consumption. In May 2025, the discount rate will be lowered again. A comprehensive package of measures to boost consumption will be adopted, including increases of the minimum wage, childcare subsidies, and support for the pension program. A number of institutional reforms are planned to ensure equal market access for enterprises of all ownership types, protect investors' rights, and support enterprise innovation. Given these conditions, we forecast that China's economy will grow by around 5% by the end of 2025.

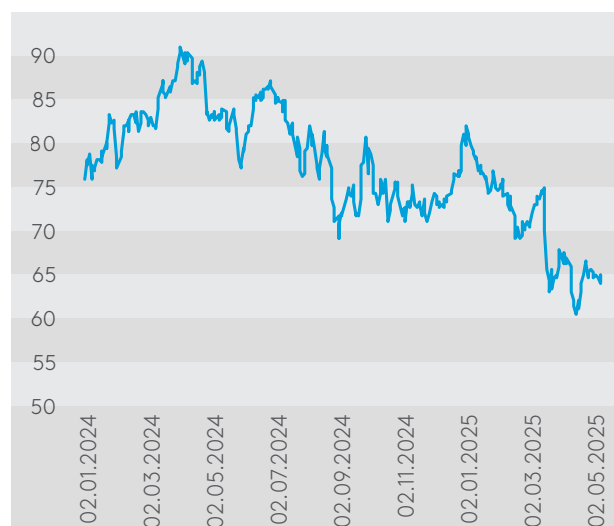
**Amid the slowdown in developed economies, it is the large emerging economies that will drive the global economy forward.** In India, for example, GDP grew by 7.4% year-on-year in Q1 2025, which was the highest growth rate since Q2 2024. This growth was driven by strong agricultural performance, among other things, which contributed to an increase in real incomes of 6% year-on-year. Strong consumer demand also led to record construction growth of 10.8% year-on-year. According to IMF forecasts, India's economy could be the fourth largest in the world by the end of 2025 (IMF, 2025). Southeast Asian countries are also maintaining high growth rates: Vietnam (+6.9% year-on-year) and Indonesia (+4.9% year-on-year). In Latin America, GDP increased in Argentina (+2.1% year-on-year) and Brazil (+2.9% year-on-year). Despite increased turbulence in the global economy, these countries have grown thanks to expanding investment and consumer demand. Continued reliance on domestic sources in developing countries will support global economic growth.

**The growth of isolationism will have a significant negative impact on inflation worldwide.** Despite the slowdown in the first quarter of 2025, inflation in developed countries remained above target. In early April 2025, the U.S. presidential administration's imposed tariffs led to a sharp decline in prices for a number of key commodities. For instance, between 1 and 9 April, the price of oil fell by 12.1%, copper by 11.5%, and aluminum by 8.7% (see Figure 1). This demonstrates that tariff conflicts can lead to price declines, including sharp ones, in commodities. Lower global prices, especially for energy, will help to contain global inflation; however, higher customs duties and disruption to logistics chains will lead to higher domestic prices. The speed at which the inflation targets are reached will largely depend on the sustainability of the agreements reached on tariff levels.

**U.S. inflation has slowed, but remains above the target rate.** In April 2025, the price growth rate was 2.3% year-on-year (vs. 2.9% in December 2024), the lowest rate since early 2021. The main reason for this was lower energy prices (-11.5% year-on-year). Core inflation stood at 2.8% year-on-year in April 2025. Although this is the lowest level since March 2021, the rate remains above the target of 2%. At the same time, the balance of risks remains pro-inflationary, with increased customs tariffs and migration restrictions creating conditions for stronger price growth. **We expect inflation in the U.S. to accelerate to 3% year-on-year by the end of 2025** and to remain above the target throughout the forecast period.

↓ Figure 1: Selected commodity prices, dollars per unit

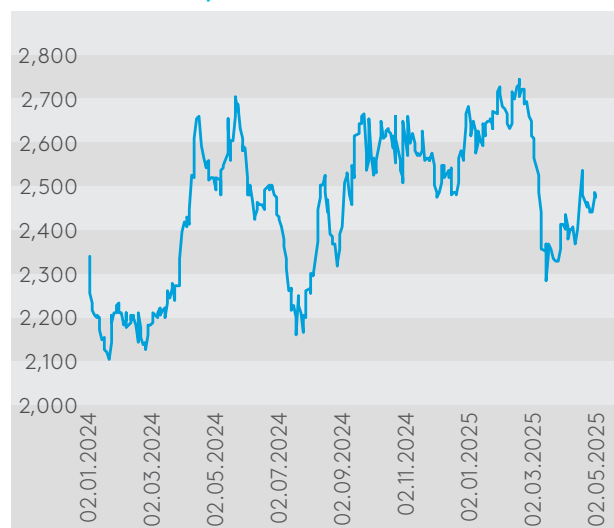
Oil, USD per barrel of Brent



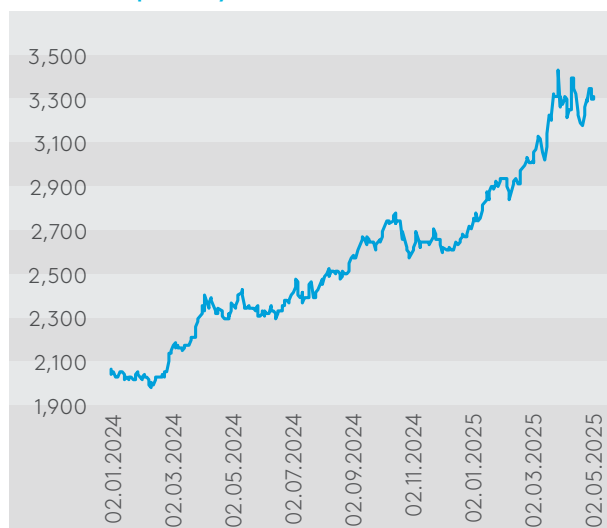
Copper, USD per metric ton



Aluminum, USD per metric ton



Gold, USD per troy ounce



Source: CEIC data

**Despite the decline in the inflation rate, inflation risks in the eurozone remain.** Price growth slowed to 1.9% year-on-year (YoY) in May 2025 versus 2.4% YoY in December 2024, which is below the ECB's target. This was mainly due to the decline in energy prices (-3.6% year-on-year) and, to a lesser extent, the strengthening of the euro. However, sustained inflationary pressures remain, with core inflation above the target at 2.3% YoY in May, driven by higher food prices. Lowering interest rates and increasing government spending to stimulate economic growth could cause inflation to rise above the ECB's 2% target. **We forecast that price growth in the eurozone will be around 2.3% year-on-year by the end of 2025, and a return to 2% is unlikely before 2026–2027.**

↓ **Table 3: Forecasts of the main international trade indicators (baseline scenario)**

Indicator	2023	2024	2025F	2026F	2027F
<b>Oil price (\$/bbl annual average)</b>					
Brent	83	80	67	63	64
Urals	63	68	56	56	58
<b>GDP growth (%)</b>					
U.S.	2.9	2.8	1.4	0.8	1.6
Eurozone	0.4	0.9	0.6	0.5	1.1
China	5.4	5.0	4.9	4.4	4.0
<b>Inflation (% , annual average)</b>					
U.S.	4.1	2.9	3.0	2.5	2.3
Eurozone	5.4	2.4	2.3	2.4	2.2
<b>Key interest rates (% , annual average)</b>					
Fed	5.0	5.1	4.1	3.6	2.2
ECB	3.9	3.7	2.3	2.4	2.3

**Sources:** 2023–2024 — data from IMF, World Bank, U.S. Federal Reserve System, ECB. 2025–2027 — EDB analysts' forecasts.

**The U.S. Federal Reserve will continue to take a conservative approach to reducing the key rate** after keeping it at 4.5% in May. This is the third decision to leave the rate unchanged since the beginning of the year, made against a backdrop of increased inflation risks. In the context of rising rates, active monetary easing appears challenging: price growth could accelerate due to increased import and production costs, despite weakening economic activity. We believe that the Fed will cautiously lower the interest rate towards its neutral level, which we estimate to be **around 4% by the end of 2025**.

**Real interest rates in the eurozone approached zero.** In early 2025, the ECB continued its monetary easing cycle. In June 2025, the monetarily relevant overnight deposit rate was lowered to 2%, close to the current annual inflation rate. This took place against a backdrop of slowing price growth and subdued economic activity. The intensification of pro-inflation risks is expected to halt the process of interest rate cuts this year. Given the projected acceleration in price growth, **we anticipate that the ECB will resume a cycle of increasing interest rates in 2026**.

**We expect the average price of Brent crude oil to be around \$67 per barrel in 2025.** The growing supply, in addition to the slowdown in oil demand growth due to the global economic slowdown, will also have a negative impact. OPEC+ countries are increasing production. Meanwhile, Canada, Guyana, and Brazil are introducing new production capacity. This will lead to growth in the supply of oil, exceeding growth in demand. Oil prices are expected to stabilize at around \$63 per barrel in 2026–27.

However, given ongoing geopolitical tensions, the current discount level for Russian oil will remain in 2025, with an export price of around \$56 per barrel. We expect this discount to decrease in subsequent years, leading to a slight increase in Urals crude oil prices to around \$58 per barrel in 2027.

Demand for ferrous metals, and therefore the average price of these metals and iron ore, will decline by 13% year-on-year in 2025, followed by a further decline of 7% in 2026. However, due to the energy transition and increased production of microelectronics, global demand for non-ferrous metals such as copper and aluminum will continue to grow. Consequently, prices will not fall markedly.

**Projected trends in the global economy and commodity markets pose an increased risk to economic growth in the EDB's region of operation.** The dynamics of world commodity prices will impact the economies of individual countries differently. For instance, falling energy prices will reduce the export earnings of major oil exporters such as Kazakhstan and Russia; conversely, rising prices for non-ferrous and precious metals will benefit their producers (Armenia, Kyrgyzstan, Tajikistan, and Uzbekistan). As the region's largest economies are oil exporters, the combined impact of price changes and a slowdown in global demand growth will be rather negative. We estimate that the decline in global economic growth will negatively impact the region's total GDP growth by about 0.5 percentage points cumulatively over two years. The global increase in uncertainty will reduce investors' appetite for risk, limiting the region's ability to attract foreign capital despite lower global interest rates. However, the region has demonstrated a high degree of adaptability to the volatility of the external environment over the past few years. Focusing on domestic sources and unlocking domestic investment potential, as most governments are doing now, can support growth in the region's aggregate GDP and welfare.

### **Box 1. Tariff conflict: development scenarios, impact on EDB's region of operations**

**The tariff conflict between the U.S. and the rest of the world was a significant event in the first half of 2025, potentially foreshadowing something larger.** Its impact on the global economy may be felt for a considerable period (see [Figure 2](#)).

#### **Tariff increases can significantly affect growth, trade, income, and inflation.**

This is indicated by both economic theory and empirical experience (see, for example, IMF, 2025; Caliendo et al., 2015; and Furceri et al., 2019). When a country raises tariffs, an increase in the cost of imports reduces real incomes. This leads to a decrease in domestic demand and consequently a fall in real GDP. Rising costs lead to accelerating inflation. Reduced demand for imports leads to a real appreciation of the currency of the country raising tariffs, as well as a limited improvement in its trade balance (limited because the impact of tariff

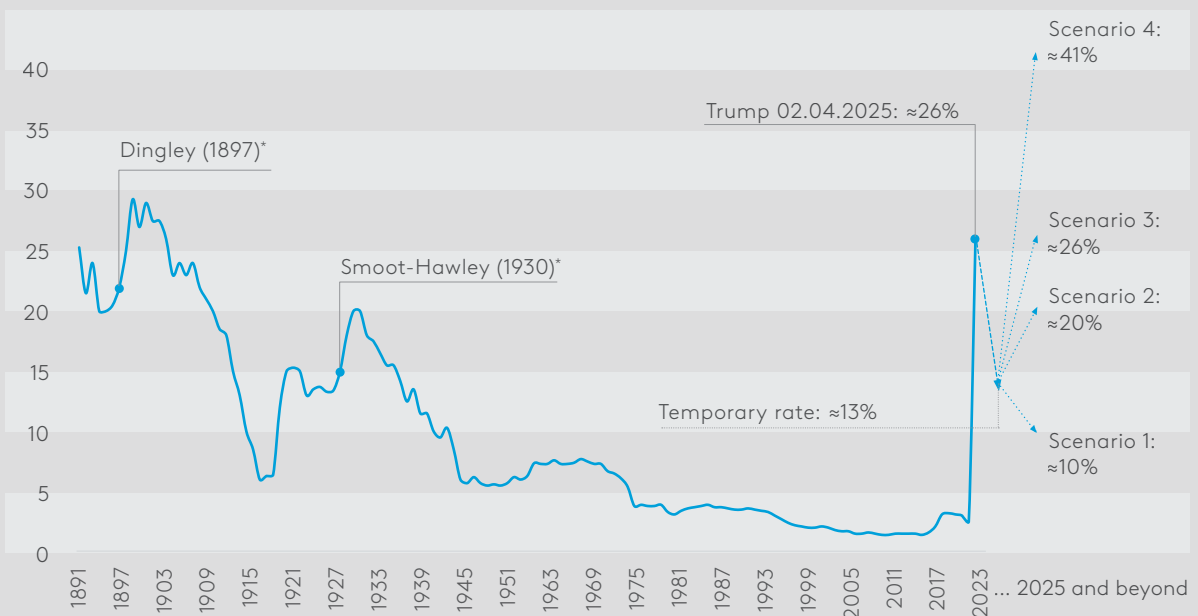
increases on import costs is partially offset by their impact on the exchange rate). Countries subject to tariff increases also face a fall in real incomes due to lower exports, a decline in real GDP, and the overall welfare of society. Higher tariffs negatively affect real exchange rates and trade balances. The impact of tariffs on inflation depends on exchange rate stability and other factors, including the degree of dollarization of foreign trade (when tariffs are raised by the U.S.).

The escalation of tariff conflicts will reduce the overall global 'pie'. While some companies, industries and intermediaries will benefit, overall global welfare will decline. Therefore, on average, everyone's share of the 'pie' will decrease. Those who are currently in favor of raising tariffs may be very disappointed because they have underestimated the knock-on effects and historical experience.

**The tariff conflict continues to escalate.** It began in February–March 2025, when the U.S. introduced increased tariffs against key trading partners (20% against China, 10–25% against Mexico and Canada). On 2 April 2025, the conflict became global in nature when the U.S. imposed high 'reciprocal' tariffs on most countries worldwide<sup>1</sup>. Between April and May, the U.S. eased the pressure on most partners by reducing tariffs to a base level of 10% for 90 days<sup>2</sup>.

**There are several possible scenarios for how the situation could develop** (see Figure 2).

↓ Figure 2. Average tariffs on imports in the United States



<sup>1</sup> Rates range from 10–50%, with a median of 25%.

<sup>2</sup> The period will end in July for most countries (August for China).

\*Congressman Dingley's Act of 1897 was passed under President McKinley to protect American industry after a period of tariff reductions. This law greatly increased duties on many imported goods.

\*Senator Smoot and Congressman Hawley's 1930 law was passed at the beginning of the Great Depression. It imposed high tariffs – about 60% – on about one-third of all imports into the United States. The law was intended to protect U.S. manufacturers, but it provoked retaliation from other countries and worsened the economic crisis.

Scenario 1 – limited tariff increases by the U.S. without retaliatory measures. Average tariff rate by the U.S. at 10%.

Scenario 2 is a relaxed version of the tariffs introduced on April 2, 2025. The average rate on the U.S. side is 20%.

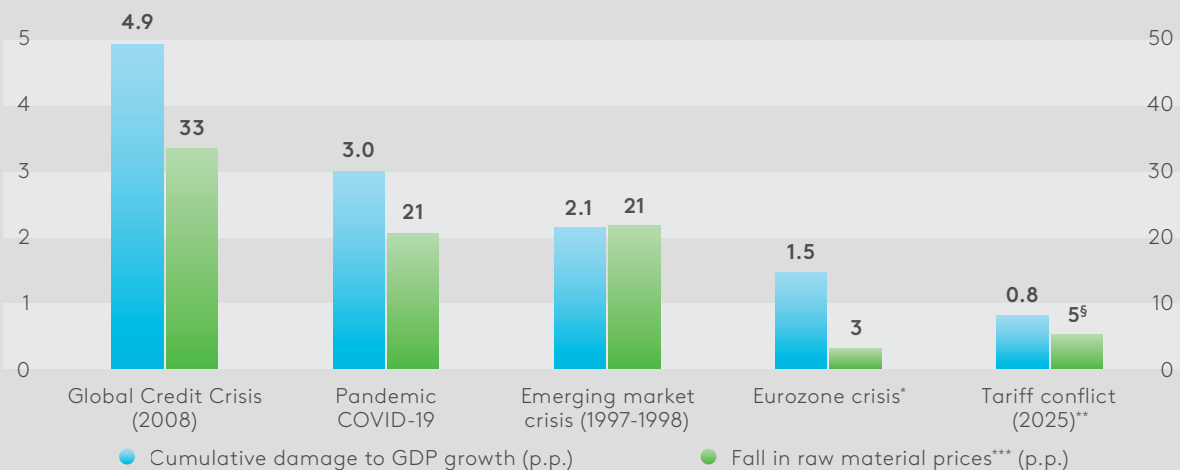
Scenario 3 – tariffs on April 2 + initial retaliatory measures. The average rate from the U.S. side will be 26%.

Scenario 4 is scenario 3 + barrier tariffs. The average tariff rate from the U.S. side is about 41%.

Source: EDB analysts' calculations based on IMF and media data

**The cumulative negative impact of the tariff conflict on global economic growth could reach<sup>3</sup> 0.8 p.p. over two years** if events develop under **scenario 3** (average tariff of 26%). Other forecasts indicate similarly significant effects. For example, [Ai et al. \(2025\)](#) estimate that tariffs would have an impact of within 1 percentage point (p.p.) on the world's leading economies – the U.S., China, and the euro area – under **scenario 2** (average tariff of 20%). In terms of the expected impact on global GDP growth, **the tariff conflict is less significant than the four largest shocks of the last 30 years, although it is still quite substantial** (see [Figure 3](#)).

↓ **Figure 3. Impact of crises on global economic growth: accumulated damage over two years and changes in commodity prices**



\* The beginning of the eurozone debt crisis is taken here as the third quarter of 2011.

\*\* IMF forecast under scenario 3.

\*\*\* [The World Bank index](#) is used here as an indicator of world commodity prices.

§ The estimate is derived from the experience of the previous four crisis episodes, assuming a proportional impact of the crisis on world GDP and commodity prices.

Source: EDB analysts' calculations based on IMF data

<sup>3</sup> IMF, 2025.

**The impact of the tariff conflict on global commodity prices will be moderately negative.** A cumulative reduction of 0.8 percentage points in global GDP growth over two years may be accompanied by a 5% drop in commodity prices.

**For EDB member countries, the tariff conflict will be less of a shock than the major crises of 2000–2024.** Table 2 presents quantitative estimates of the impact of the conflict on the GDP growth of EDB member countries in Scenario 3. Even significant tariff increases by the U.S. and other major economies would only have a limited impact on the region.

↓ Table 2. Impact of tariff conflict on the economies of EDB member countries, scenario 3

	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Russia	Tajikistan	Uzbekistan
Cumulative effect over two years, p.p. GDP	-1.5	-0.4	-0.5	-0.6	-0.5	-0.7	-0.4

Source: EDB analysts' calculations based on the EDB's ISM.

# REPUBLIC OF ARMENIA



Source: leonardo.ai



# REPUBLIC OF ARMENIA

*Armenia's GDP growth is projected at 5.5% in 2025. Inflation in 2025 is projected at 3.1% in the conditions of recovery of world food prices and increase in domestic demand. The forecast for 2025 includes a stimulating effect of the budget policy on the economy.*

## Current situation

**Armenia's GDP grew by 5.2% YoY in Q1 2025.** According to our forecasts, the economic growth rate was corrected after a period of outperformance due to positive momentum from the external sector. The largest contribution to GDP growth came from the services sector — financial activities, information and communication, real estate transactions, and construction (up 27.5%, 16.2%, 7.2%, and 14% YoY, respectively). Household consumer spending and investment were the main drivers on the demand side (up 15.3% and 25.3% YoY, respectively). Net exports had a negative impact: exports of goods and services decreased by 53.4% YoY, imports by 45.2% YoY in Q1 2025.

**Economic activity in Armenia increased by 4.4% YoY in January–April 2025.** Growth was driven by services (+9.9% YoY), trade (+5.2% YoY), and construction (+15.0% YoY). In January–April, the decline in the industrial sector (-16.1% YoY) persisted: the positive effect from the increase in foreign trade in precious metals and their processing at the beginning of last year was exhausted. For the same reason, the negative dynamics of exports and imports (-60.4% YoY and -46.5% YoY, respectively) persisted in January–April. At the same time, the negative impact on economic activity was offset by growth in the services sector. Business activity continued to be positively influenced by the construction sector amid growth in mortgage lending (up 34% YoY in April 2025) and trade. Domestic demand was positively impacted by strong growth in household credit (up 30% YoY in April 2025, after 27% YoY in December 2024). Indicators of economic activity will accelerate growth in the second half of the year as positive dynamics in industry are restored.

**In January–April 2025, the inflow of cross-border remittances to Armenia increased by 6% YoY and amounted to \$1.8 bn, maintaining the historical maximum<sup>4</sup>.** Remittances from the Russian Federation accounted for about half of the growth. At the same time, outflows increased by 11.4% YoY over the same period, mainly to Switzerland. Net inflow of non-commercial remittances, which include remittances to households and remittances of labor migrants, increased by 24% YoY in January–March this year, after declining in 2022 and 2023, which gave an additional impetus to domestic demand.

<sup>4</sup> In 2022, 2023, and 2024, cross-border personal remittance inflows to Armenia amounted to \$5.1 bn; \$5.6 bn; and \$5.8 bn, respectively, compared to an annual average of \$2.0 bn in 2019–2021. At the same time, the outflow intensified in 2023 and 2024.

**Inflation returned to the target range of the Central Bank of Armenia (3±1%) in Q1 2025**, as assumed in our [forecast](#). Armenia came out of deflation at the end of 2024 — price growth was 1.5% YoY in December and accelerated to the target range in February 2025 at 2.6% YoY. Price growth was 4.3% YoY in May after 3.2% YoY in April. The acceleration of price growth at the beginning of the year was influenced by reduction of the refinancing rate of the Central Bank of Armenia, growth of domestic demand, and recovery of international food prices.

**The Central Bank completed the cycle of refinancing rate cuts in the first quarter of 2025.** At the May 6 meeting, the Central Bank of Armenia again kept the refinancing rate at 6.75%, the same as in March. In the first quarter of 2025, inflation is close to the target. The regulator noted that a weak pro-inflationary impact on Armenia's economy from the external sector is expected due to tight labor markets in trading partner countries and higher global inflation. The rate was last reduced in February this year — by 0.25 p.p. — and for the whole cycle it has cumulatively decreased by 4 p.p. from 10.75% (June 2023 figure).

**In January–April of this year, the value of exports and imports decreased** by 60.4% YoY and 46.5% YoY, respectively, because the positive impact of foreign trade in precious metals has been exhausted<sup>5</sup>. We expect that such dynamics will be observed throughout the first half of 2025. Without the influence of trade in precious and non-precious metals, the growth of export volumes amounted to 4.4% YoY, and imports 7.8% YoY in January–April of the current year.

**The state budget balance was formed with a surplus of 0.6% of GDP** in January–April 2025<sup>6</sup> (in the same period of 2024, the indicator was 0.5% of GDP). Revenues increased by 14.9% YoY, while expenditures increased by 14% YoY. For 2025, the government's planned deficit level is 5.5% of GDP — after 3.7% of GDP a year earlier — allowing for an acceleration in the growth of public expenditure over the remainder of 2025.

**Public debt amounted to 51.5% of GDP** as of April 2025<sup>7</sup> (46% of GDP in April 2024). The growth of the indicator was due to the build-up of the government's domestic and external debt (to 24.8% and 26.7% of GDP, respectively, in April 2025). Public debt has been declining over the past few years, falling from 67.4% at end-2020 to 50.7% of GDP at end-2024 in the context of a restrained fiscal policy and reduction of the budget deficit, high GDP growth rates, and strengthening of the exchange rate. However, the government plans to increase the size of the debt in 2025 and stabilize it at 55% of GDP in the medium term. In March 2025, RA placed Eurobonds in the amount of \$750 mn with a maturity of 10 years. The Eurobond placement was aimed

<sup>5</sup> At the end of 2023 and the first half of 2024, the role of industrial production increased significantly, primarily due to the increase in production and foreign trade in precious and base metals, particularly the import and processing of gold and gold products for further export.

<sup>6</sup> Relative to the GDP of the last four quarters.

<sup>7</sup> Relative to the GDP of the last four quarters.

at financing the deficit in 2025, including to refinance Eurobonds with a nominal value of \$313.2 mn, maturing in 2025. The level of international reserves then reached USD 3.9 bn (close to the historical maximum of USD 4.1 bn in 2023), which was an additional factor in preserving the stability of the national currency. **In early 2025, Fitch Ratings affirmed the Republic of Armenia’s long-term foreign currency sovereign rating at BB- with a stable outlook.**

## Forecast

↓ **Table 4. Armenia’s main macroeconomic indicators (baseline scenario)**

Indicator	2023	2024	2025F	2026F	2027F
<b>GDP in constant prices</b> (% growth YoY)	8.3	5.9	5.5	5.3	5.0
<b>Consumer price index</b> (% growth YoY at the end of the year)	-0.6	1.5	3.1	3.0	2.5
<b>Interbank lending rate</b> (% per annum, annual average)	10.4	8.1	7.0	6.5	6.0
<b>Armenian dram to dollar exchange rate</b> (annual average)	393	392	392	402	403

Sources: national agencies, EDB analysts’ calculations.

### Economic activity and inflation

**Armenia’s GDP will increase by 5.5% in 2025.** Economic growth will approach a sustainable pace (Figure 4.A) after the strong performance of the last three years (for details, see [EDB Macroeconomic Review, October 2024, Box 2](#)). The stimulative impact of fiscal policy, strong household credit, and a recovery in remittances will support demand in 2025. In 2026 and 2027, economic growth will be near the long-term rates of 5.3% and 5.0%, respectively (Table 4).

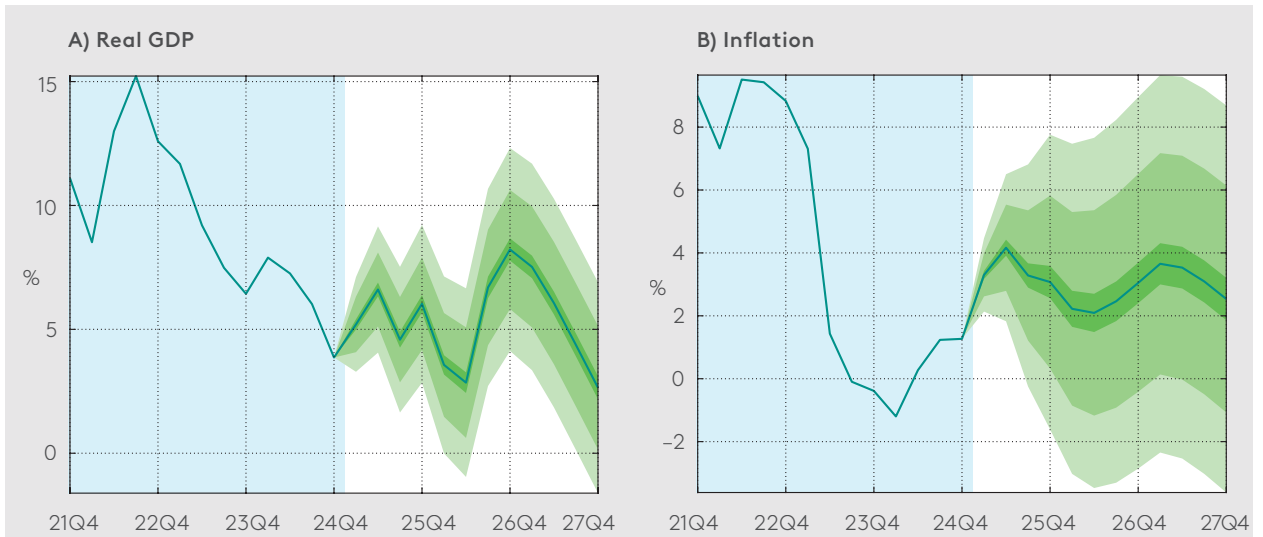
In 2025, the economic growth of the main trading partners is expected to cool down somewhat. In Russia, the United States, and China, economic dynamics will become more moderate, but growth will still be quite high. Relatively stable external demand for exported goods, as well as the recovery of positive dynamics of net remittances after a decline in 2024<sup>8</sup>, will support the Armenian economy over the entire forecast horizon.

**Inflation is projected at 3.1% YoY at the end of 2025 (Figure 4.B).** Inflation will be near the target range (3±1%) during the year. This will be supported by the recovery in global food price growth, the effect of the lower refinancing rate over the past year and a half, stimulative fiscal policy, and a moderate weakening of the exchange rate

<sup>8</sup> Net non-commercial cross-border remittance inflows increased by 24% YoY in January–April 2025, following declines of 35% and 44% in 2023 and 2024, respectively.

of the dram by the end of the year. In 2026–2027, inflation will slightly slow down after a recovery in 2025 and will be near the lower boundary of the Central Bank’s target range, averaging 2.8% per year. Such dynamics will be conditioned by stabilization of the growth of world food prices, return of the economy to long-term growth rates, and a slight weakening of the exchange rate of the dram.

↓ **Figure 4. Forecast of economic activity and inflation in Armenia**



**Note:** Here and henceforth the data on GDP and inflation are given with elimination of seasonality; the ranges of the charts correspond to confidence intervals of 10%, 50%, and 75%.

**Source:** EDB analysts’ calculations.

## Monetary Policy and the Armenian Dram Exchange Rate

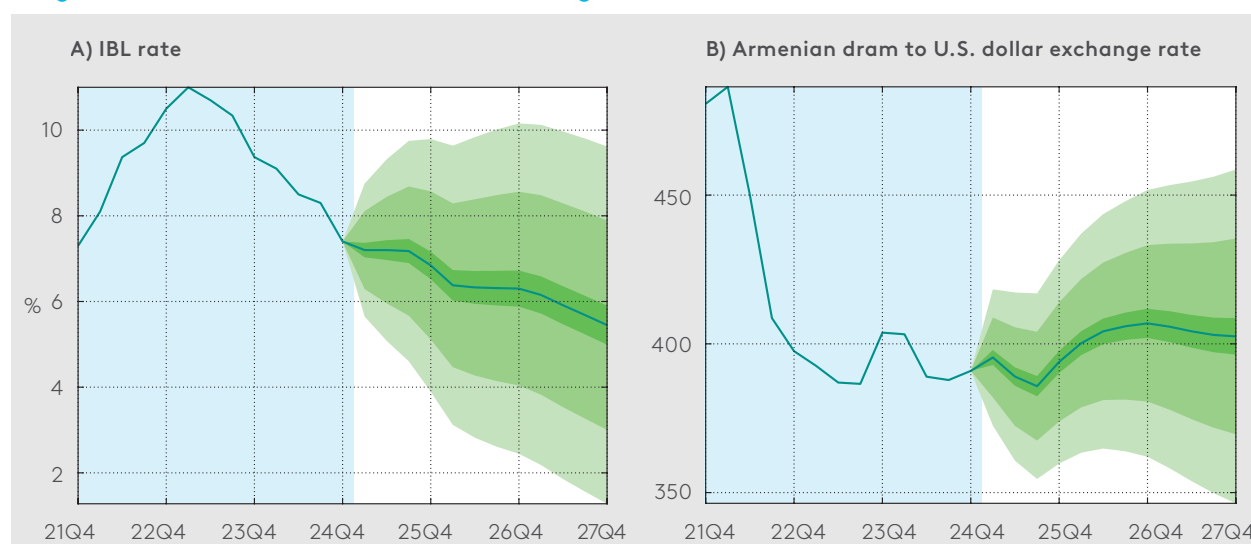
**The refinancing rate will amount to 6.8% on average in 2025 (Figure 5.A).** With inflation within the Central Bank of Armenia’s (CB RA’s) target range and balanced growth of domestic demand, the refinancing rate will remain at the current level (6.75%) until the end of 2025. At the same time, according to our estimates, the monetary policy will have a weakly positive impact on demand in the current year and will be neutral in the medium term. In 2026–2027, the rate will be set near 6.5%, which will correspond to the stable presence of inflation in the target range of the CB RA, and GDP growth rates at a long-term sustainable level, which is estimated at about 5% per year.

**The average annual exchange rate of the dram to the dollar is projected at 392 in 2025 (Figure 5.B).** The dram will be stable throughout most of 2025. A recovery in net remittance inflows after a decline in 2024, and a high level of international reserves, will support the national currency. In 2026–2027, the annual average exchange rate will be around AMD 402 per dollar. Gradual moderate weakening of the Armenian dram compared to the current year will take place against the background of declining rates in the money market and slowdown in economic growth. In addition, the AMD exchange rate will be influenced by the growth of imports under conditions of stable domestic consumer and investment demand.

**Stimulative fiscal policy in 2025.** The impact of fiscal policy on demand in 2025, according to our estimate, will be stimulative, given the [government's plans](#) to achieve a fiscal deficit of 5.5% of GDP after 3.7% in 2024. The widening of the deficit will be associated with a 1.8 p.p. increase in the level of spending to 30.8% of GDP, while revenues will be stable at 25.3% of GDP in 2025. The government plans to increase capital expenditure to 6.3% of GDP in 2025 and stabilize it at 5.9% of GDP in 2026–2027. Successful implementation of these plans will contribute to an increase in overall productivity, which will have a positive impact on the rate of potential economic growth in the medium term.

In 2026–2027, we project a neutral impact of fiscal policy on demand, given a smooth decline in spending to 29% of GDP and an increase in tax revenues to 25% of GDP by 2027.

↓ **Figure 5. Forecast of interest rate and exchange rate of the Armenian dram**



Source: EDB analysts' calculations.

## Risks

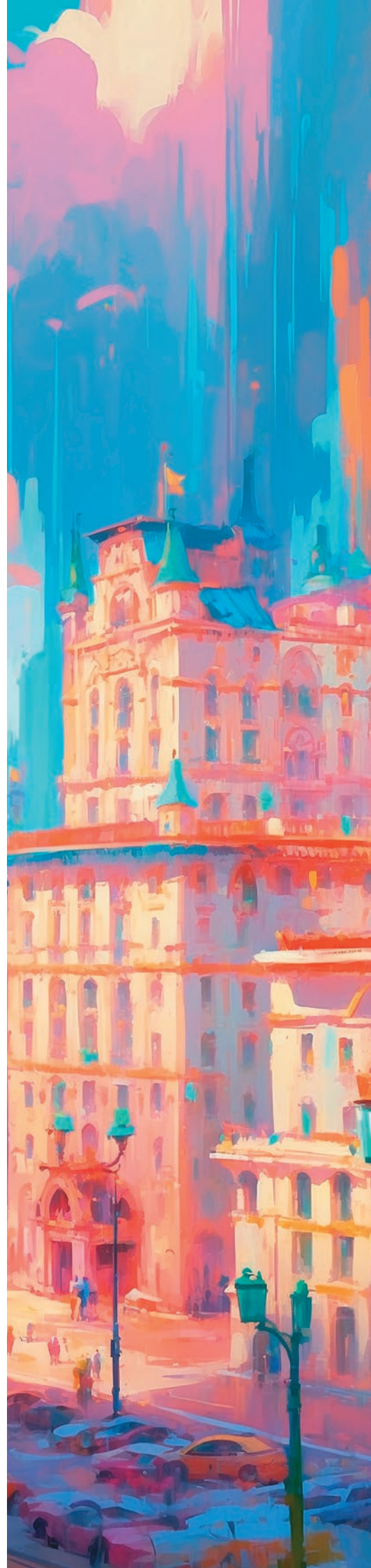
**The likelihood of a sharp capital and labor outflow** and related economic losses (see [EDB Macroeconomic Outlook 2023–2025](#) for details) **becomes an unlikely risk** for the Armenian economy. The outflow process is likely to be spread over time and its impact will be gradual, so the economy will have time to adapt to the new conditions and compensate for losses in other ways.

**Deterioration of the geopolitical situation in the region.** This increases the uncertainty of forecasts regarding key macroeconomic indicators. In case of realization of unfavorable scenarios, pro-inflationary risks and risks of weakening external demand will increase and the country risk premium will rise.

# REPUBLIC OF BELARUS



Source: leonardo.ai



# REPUBLIC OF BELARUS

*The Belarusian economy maintained high growth rates in the first quarter of 2025. The driver was the increase in domestic demand both in the consumer and investment segments. Inflation is accelerating with increased domestic demand and higher labor costs. In the baseline scenario, Belarus's GDP is projected to increase by 3% in 2025 due to the expansion of credit support for investment.*

## Current situation

**The Belarusian economy grew at high rates in early 2025.** GDP grew by 2.8% YoY in January–April 2025 after 2.5% YoY in Q4 2024. Economic activity was noticeably above the long-term average output growth rate, against the background of high capacity utilization — close to the maximum for more than a decade.

**Domestic demand remained the driver of economic growth.** Consumer activity was supported by the increase in incomes and expansion of lending to the population. Thus, retail trade grew by 10% YoY in January–April 2025, while public catering grew by 4.8% YoY. The growth of domestic demand was also supported by a notable expansion of fixed capital investment — by 15% YoY in January–April 2025. Investments in machinery, equipment, and vehicles (by 21.2% YoY) and in construction and installation works (by 12.8% YoY) increased. Investments grew strongly in the private sector and state-owned enterprises. This was supported by the authorities' efforts to launch a new investment cycle, as well as the need to expand production capacity and increase labor productivity to maintain high output.

**Strengthening domestic demand stimulated output growth in most sectors of the Belarusian economy.** Construction accounted for 0.5 p.p. of the 2.8% YoY GDP growth in January–April this year. Industry added 0.3 p.p., trade added 0.2 p.p., and the transportation sector added 0.1 p.p. Information and communication activity continued to recover at the beginning of the current year: value added increased by 5.5% YoY, which provided 0.3 p.p. of annual GDP growth.

**On the labor market, the labor shortage persisted in the first quarter of 2025.** The unemployment rate fell to a new low of 2.8%, while the number of vacancies increased further. The authorities' labor force participation measures contributed to a 0.2% YoY increase in the employed population in April 2025, but increased demand for workers persisted. As a result, wages continued to grow at a rapid pace of 1.7% YoY in January–April 2025 in real terms.

**Inflation accelerated in early 2025** under the impact of higher costs and continued rapid price growth in Belarus's key economic partner, Russia. Inflation reached 6.5% YoY in April of this year, up from 5.2% YoY in December 2024. Price growth was beyond the target level (no more than 5% YoY by the end of 2025). Higher domestic demand

and rising labor costs created pro-inflationary pressure, which was reflected in the acceleration of core inflation from 5.5% YoY in December 2024 to 6.6% YoY in April 2025. High price growth in Russia combined with the weakening of the Belarusian ruble against the Russian ruble were additional factors accelerating inflation in Belarus, mainly in food products. The growth rate of administratively regulated prices and tariffs rose from 4.4% YoY in December 2024 to 6.2% YoY in April 2025. This was driven by an increase in tariffs for housing and communal services and higher fuel prices.

**Interest rates on loans and deposits in Belarusian rubles slightly increased in the first quarter of 2025.** High interest rates in Russia and a contraction of liquidity surplus in the Belarusian banking system contributed to the increase in interest rates; however, credit growth remained high due to the continued strong demand for goods and services. As a result, the money supply continued to grow — by 15.9% YoY in April 2025 in total and 27.8% YoY in national currency.

**The deficit of foreign trade in goods widened in Q1 2025 amid growing domestic demand and shrinking exports.** The negative balance of trade in goods amounted to \$1.4 bn (8% of GDP) in January–March 2025, up from \$0.7 bn (4.1% of GDP) in January–March 2024. The widening of the deficit was a consequence of the growth of imports of goods combined with a decrease in their exports. Imports increased by 1.6% YoY in Q1 2025. Against the backdrop of strong domestic demand, according to Belstat, supplies of investment goods to the country grew by 11.6% YoY, while supplies of consumer goods grew by 8% YoY. Belarusian exports decreased by 7.7% YoY in 1Q 2025, including 1.9% YoY to CIS countries and 11.6% YoY to non-CIS countries. The decline in exports was due to increased competition and weakening demand dynamics in the Russian market. The deficit of foreign trade in goods was partially compensated by the surplus of trade in services, which increased by 16.6% YoY and amounted to USD 0.8 bn in January–March 2024.

**The foreign trade deficit supported net demand for foreign exchange on the part of enterprises,** which was compensated by its sale by households and non-residents. As a result, the exchange rate of the Belarusian ruble in terms of the basket of currencies remained stable in the first four months of the current year. At the same time, the components of the basket of currencies demonstrated multidirectional dynamics. The strengthening of the Belarusian ruble against the dollar by 12.2% and against the yuan by 13.6% since the beginning of the year was offset by its weakening against the Russian ruble by 8.9%.

**Gold and foreign exchange reserves of Belarus have increased by \$2 bn since the beginning of this year — up to the historically maximum level of \$10.94 bn on May 1, 2025.** The value of gold in the reserves increased by \$1.2 bn due to the appreciation of the precious metal in the world market. Assets in foreign currencies increased by \$0.8 bn, which could have been facilitated by the National Bank's purchase of foreign currency at the stock exchange in April 2025 in the amount of about \$0.6 bn.

# Forecast

↓ Table 5: Main macroeconomic indicators of Belarus (baseline scenario)

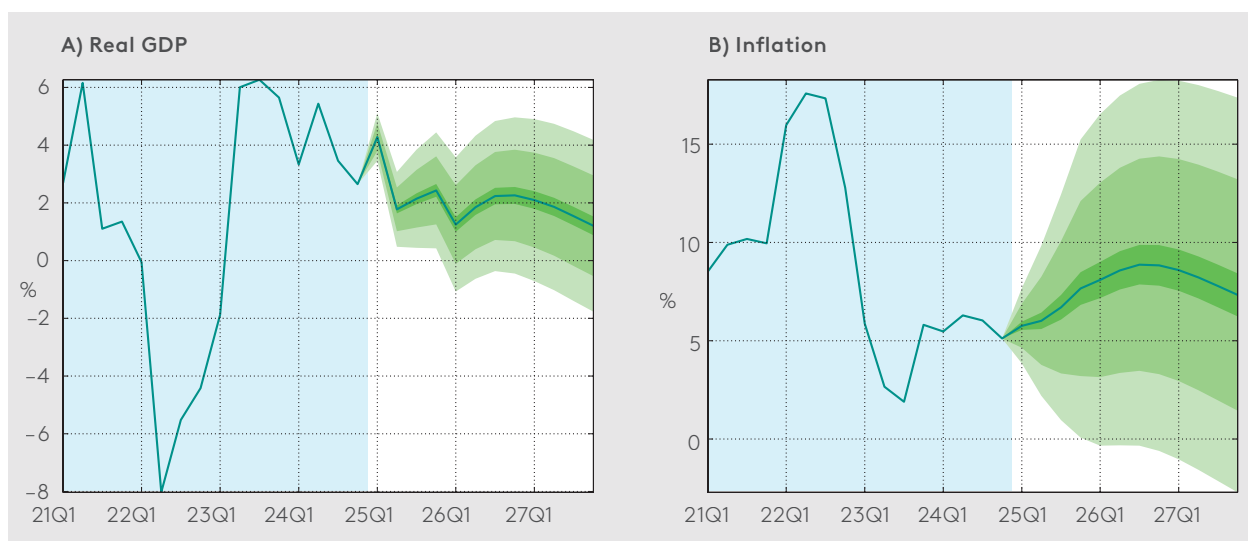
Indicator	2023	2024	2025F	2026F	2027F
<b>GDP in constant prices</b> (% growth YoY)	4.1	4.0	3.0	1.9	1.5
<b>Consumer price index</b> (% growth YoY at the end of the year)	5.8	5.2	7.7	8.9	7.5
<b>Refinancing rate</b> (% per annum, annual average)	9.5	9.5	9.5	9.5	9.5
<b>Belarusian ruble to US dollar exchange rate</b> (annual average)	3.00	3.25	3.28	3.69	4.01

Source: national agencies, EDB analysts' calculations.

## Economic activity and inflation

In the baseline scenario, GDP growth is projected at 3% in 2025. The forecast is raised by 0.4 p.p. amid strong results of the first quarter of 2025 and expected expansion of lending to investment projects (NBRB, 2025). Domestic demand will remain the driver of economic growth. Consumer activity will be supported by rising household incomes and high consumer confidence of households. Investment demand will continue to expand due to the implementation of the state investment program. The recovery of output in the information technology sector will also contribute to GDP growth. Weakening demand dynamics in the Russian and global economies, coupled with constraints related to the shortage of employees and production capacity, will have a limiting effect on economic activity.

↓ Figure 6. Forecast of economic activity and inflation in Belarus

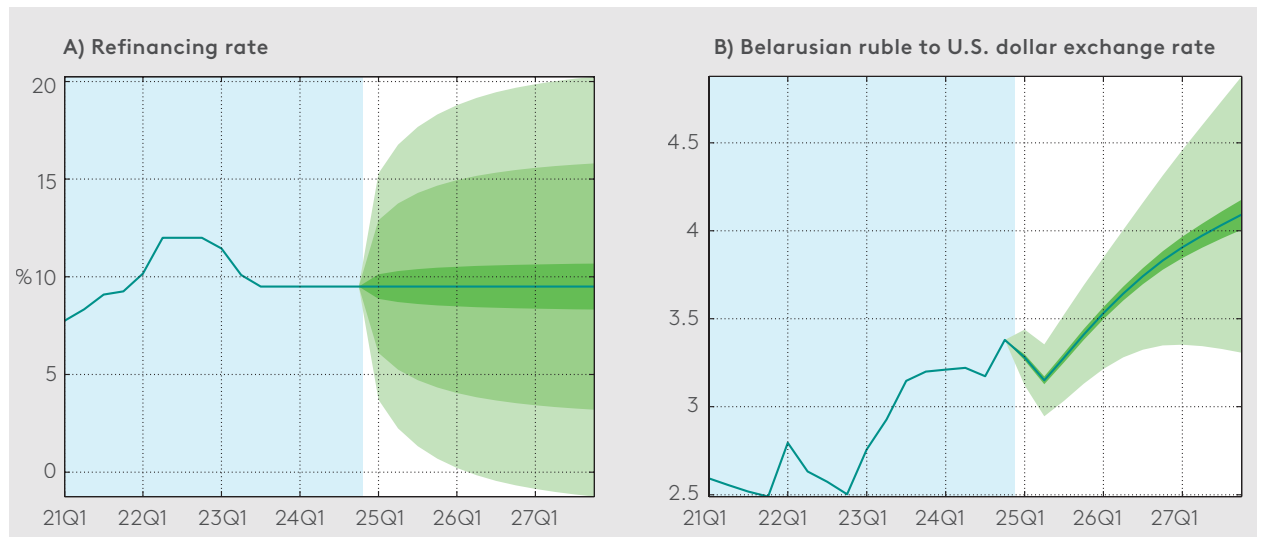


Source: EDB analysts' calculations.

**In 2026–2027, the economy will return to a balanced growth trajectory.** GDP will increase by 1.9% in 2026 and by 1.5% in 2027 (Figure 6.B). Export-led growth opportunities will be constrained by the slowdown of the Russian economy, labor shortages, and limited production capacity. Continued growth of real wages will support domestic demand.

**Inflation will accelerate to 7.7% YoY by the end of 2025 (Figure 6.A).** Wage growth and stronger consumer demand will support price pressures. Weakening of the Belarusian ruble (BYN) against the Russian currency and persistence of higher inflation in Russia will also remain pro-inflationary factors. For 2026, we forecast an increase in price growth to 8.9% YoY. The accumulated inflationary pressure will be transferred to prices provided that their administrative regulation is eased. As domestic demand slows down, price growth will slow down to 7.5% YoY in 2027.

↓ **Figure 7. Forecast of the refinancing rate and the Belarusian ruble exchange rate**



Source: EDB analysts' calculations.

### Monetary policy and the Belarusian ruble exchange rate

**The National Bank will keep the refinancing rate around 9.5% over the entire forecast horizon (Figure 7.A).** The growth of inflationary pressure will limit the regulator's ability to soften monetary policy. No tightening of monetary conditions is expected against the background of the National Bank's stated policy of expanding credit support for investments.

**The average annual exchange rate of the Belarusian ruble to the dollar is projected to be around 3.28 in 2025 (Figure 7.B).** Its weakening in the second half of 2025 compared to current levels will be fostered by the foreign trade deficit and the projected return of the exchange rate of the Russian ruble to the dollar to above 90 Russian rubles per dollar by the end of the year.

## Risks

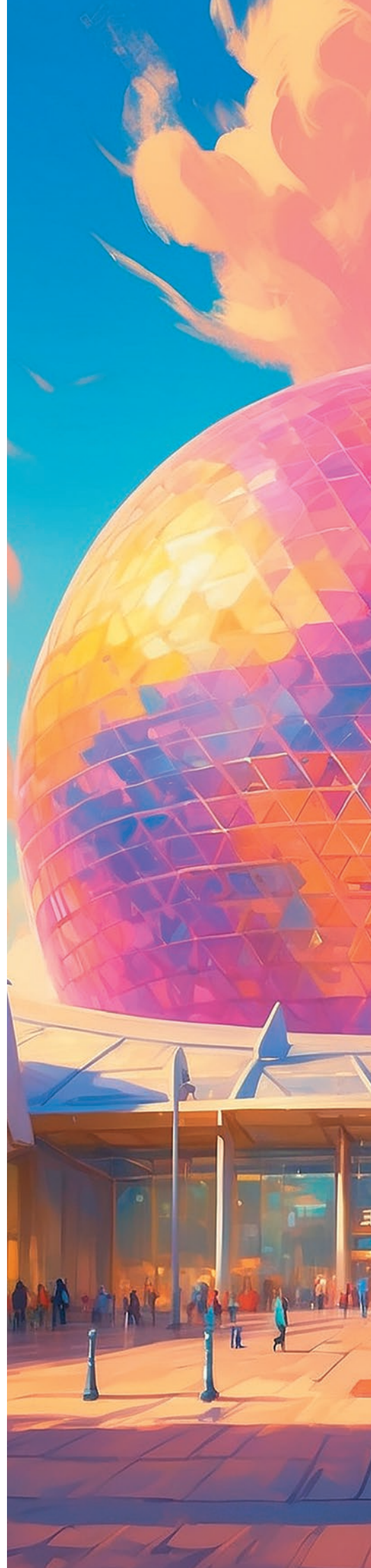
**A sharp weakening of global economic growth may lead to a noticeable slowdown in the Belarusian economy.** The impact will be mainly through deterioration of the economic situation in Russia, which will lead to a noticeable reduction in demand for Belarusian goods in the Russian market. The weakening of the Belarusian ruble in the risk scenario will become a factor in the intensification of inflationary processes and, as a consequence, a reduction in real incomes of the population and a contraction of domestic demand.

**Continued high growth rates of the Russian economy are a positive risk factor for the Belarusian economy.** If Russia's GDP grows by 2.5% per year or higher in the medium term, Belarusian exports will receive a new impetus to growth. Due to significant inter-sectoral effects generated by export-oriented industry, higher output growth (compared to the baseline forecast) will be supported in other sectors of the economy as well. As a result, GDP growth may remain near 3% in the medium term.

# REPUBLIC OF KAZAKHSTAN



Source: leonardo.ai



# REPUBLIC OF KAZAKHSTAN

*We forecast sustainable economic growth of about 5.5% in 2025–2027. Large-scale measures to support investment projects, the volume of financing of which is planned at the level of 6% of GDP, will offset the negative effects of external shocks. Inflation will rise to 11.9% as of the end of 2025 amid rising inflation expectations. This will create prerequisites for maintaining the prime rate at the level of 16.5% until the end of the first quarter of 2026.*

## Current situation

**The economy is gaining momentum in early 2025.** GDP growth accelerated to 6.0% YoY in January–April, after 5.4% YoY in January 2025. The key role in the increase of the indicator was played by the industrial sector, the growth rate of which increased to 6.6% YoY in January–April, after 2.3% YoY in January. This was due to the expansion of activity in the manufacturing sectors, as well as the test launch of new facilities at the Tengiz oil field. The services sector continued to underpin growth, with transportation and warehousing, and the wholesale and retail trade sectors making key contributions. The combined manufacturing and services PMI for May was 51.4, indicating seven months of growth. Optimism remains about the outlook for private sector business activity.

**Inflation continued to move above target in early 2025.** Consumer price growth accelerated to 11.3% YoY in May, and 10.7% YoY in April 2025, after 8.6% YoY in December 2024. The key contribution to the increase in the indicator was made by the services sector (4.5 p.p. in April 2025), which is largely due to the growth of regulated tariffs and the rise in the cost of market services. Weakening of the tenge (KZT) exchange rate, observed in late 2024 to early 2025, was translated into import prices of non-food products. An additional factor was a surge in inflation expectations associated with the planned tax reform. This led to price growth in the food segment (up to 8.5% YoY in April 2025, from 5.5% YoY in December 2024) and in the non-food segment (up to 8.9% YoY from 8.3% YoY).

**Improvement of the current account balance.** The current account surplus reached \$669.8 mn by the end of the first quarter of 2025, according to the preliminary assessment of the National Bank of the Republic of Kazakhstan (NB RK). A year earlier, the deficit amounted to \$46.1 mn. Such dynamics are associated with a decline in investment income, which Kazakhstan pays to foreign direct investors. In the first quarter of 2025, their volume amounted to \$4.6 bn against \$5.4 bn a year earlier. In addition, the increase in the surplus of the balance of goods and services by \$314.9 mn, which is explained by the growth of exports and reduction of imports, had a positive impact.

**A trade balance surplus was recorded at the end of January–March 2025.** The trade surplus in January–March 2025 amounted to \$3.5 bn, which is \$2.2 bn less than in the same period a year earlier. The decrease is due to the reduction in the value of exports by 11.9% YoY, while the value of imports remained at the level of January–March 2024, amounting to \$12.9 bn. At the beginning of the year, there was a decrease in exports of fuel and energy goods by 18.8% YoY. At the same time, the growth of exports was supported by the increase in the value of exported foodstuffs by 36.2% YoY. Imports were restrained by a decrease in supplies of metals and metal products (-12.1% YoY). The increase in import expenditures was mainly determined by the growth in supplies of fuel and energy products (+34.2% YoY), machinery and equipment (+1.6% YoY).

**The National Bank raised the prime rate by 125 basis points to 16.5% in February 2025,** amid accelerating price growth in all components of the consumer basket. The growing pressure is due to increased inflation expectations against the background of the discussion of tax reform, as well as implementation of the medium-term program to increase tariffs in the housing and utilities sector. A high level of uncertainty in the external environment, rising food prices, and continued pro-inflationary pressure from domestic demand create prerequisites for keeping the prime rate at a level not lower than 16.5% for a long time.

**The state budget surplus widened in early 2025.** The surplus of the state budget of Kazakhstan in January–March 2025 amounted to 78 bn tenge. A year earlier in the same period there was a deficit of 271.3 bn tenge. Budget revenues increased by 16.2% YoY. The growth was due to an increase in tax revenues by 18.6% YoY against the background of low performance in January–March 2024 (there was a decrease of 2.5% YoY). An additional positive impact was made by a 2.3-fold increase in collections of non-tax payments (mainly due to an 8.5-fold increase in revenues to special state funds). The volume of transfers from the National Fund remained at the level of the previous year, amounting to 1.45 tn tenge, or 20% of total revenues. State budget expenditures grew by 9.5% YoY, with increased spending on education, social security, and debt service.

**The rating agency S&P affirmed Kazakhstan’s sovereign rating at BBB-, outlook “stable”.** The decision is based on the fact that the positive dynamics of GDP growth are largely provided by the non-oil sector. Important factors were also the significant external reserves (the accumulated volume of gross international reserves of the NB RK and external assets of the National Fund at the end of 2024 amounted to 35.7% of GDP) and a moderate amount of external debt (57.6% of GDP at the end of 2024). Further diversification of the economy and improved efficiency of fiscal policy will contribute to the improvement of the Republic’s credit rating.

# Forecast

↓ Table 6. Main macroeconomic indicators of the Republic of Kazakhstan (baseline scenario)

Indicator	2023	2024	2025F	2026F	2027F
<b>GDP in constant prices</b> (% growth YoY)	5.1	4.8	5.5	5.5	5.5
<b>Consumer price index</b> (% growth YoY at the end of the year)	9.8	8.6	11.9	10.5	6.5
<b>TONIA rate</b> (% per annum, annual average)	16.4	13.8	15.8	15.1	11.5
<b>Kazakhstan's tenge to U.S. dollar exchange rate</b> (annual average)	456	469	513	527	545

Sources: national agencies, EDB analysts' calculations.

## Economic activity and inflation

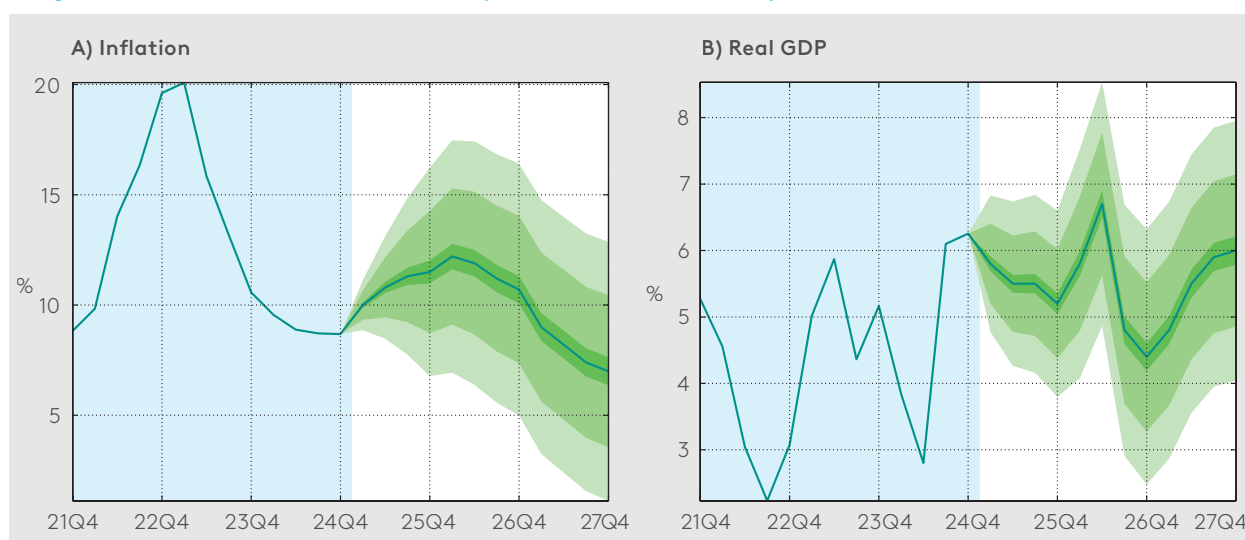
**In 2025, the GDP growth rate will increase to 5.5% YoY.** We have maintained the growth estimate given in the [previous forecast \(EDB, 2024\) \(Table 6\)](#). The government is taking measures to unlock investment potential and strengthen economic activity, including the launch of new businesses in the manufacturing sector. At the end of February 2025, the authorities, through development financial institutions, launched a large-scale campaign to support investment projects in the manufacturing sector. In 2025, the National Management Holding Baiterek JSC plans to allocate KZT 8 tn (6% of GDP) to support entrepreneurship, housing development, and implementation of key national and investment projects, with a further increase in financing up to KZT 10 tn by 2027. By the end of 2025, it is expected that through Baiterek institutions, the volume of investment in fixed assets will amount to about KZT 3 tn (2.4% of GDP) ([Government of Kazakhstan, 2025](#)). These initiatives will more than compensate for the negative effects of the slowdown in the global economy and the decline in world energy prices. In the second half of 2025, oil production and exports are expected to increase after the launch of new capacities at the Tengiz field. This will give an additional 0.4–0.6 p.p. to GDP growth.

**Kazakhstan's economy is expected to grow steadily at 5.5% in 2026–2027 (Figure 8.B).** In the medium term, the restraining effect of low oil prices will be offset by government measures aimed at creating internal growth points through active diversification of the economy. The National Development Plan and the National Infrastructure Plan will create conditions for higher growth rates in non-resource sectors of industry, as well as in services and construction. It is expected that over the entire period of financing, implemented through JSC National Management Holding Baiterek, the contribution to the economy of Kazakhstan in the form of new industries, goods, and services will amount to about 60 tn tenge, which corresponds to 45% of 2024 GDP.

**Inflation will rise to 11.9% YoY at the end of 2025.** This figure is 4.6 p.p. higher than in the [previous forecast \(EDB, 2024\)](#). Such adjustments are explained by the growth of inflation expectations against the background of the discussed tax reform in Kazakhstan. Increase in tariffs for housing and communal services by an average of 10–15% within the framework of implementation of the medium-term tariff policy will also contribute to the rise of the consumer price index. In addition, high consumer activity, stimulated by lending, will continue to limit the rate at which inflation declines in 2025. This requires maintaining tight monetary conditions to bring inflation expectations under control and limit inflation growth.

**We forecast a slowdown in inflation in the medium term.** In early 2026, we expect inflation to rise on the back of the tax reform, and its peak is forecasted in Q2 2026. As businesses and households adapt to the changes in the fiscal sector legislation, as well as continued tight monetary conditions, inflation will start to slow down in the second half of 2026 and is forecasted at 11.7% at the end of the year ([Figure 8.A](#)). In 2027, as the high 2026 figures come out of the calculation and due to monetary policy measures, inflation will slow to 6.5% at the end of the year.

↓ **Figure 8. Forecast of economic activity and inflation in the Republic of Kazakhstan**



**Note:** seasonally adjusted data.

**Sources:** national agencies, EDB analysts' calculations.

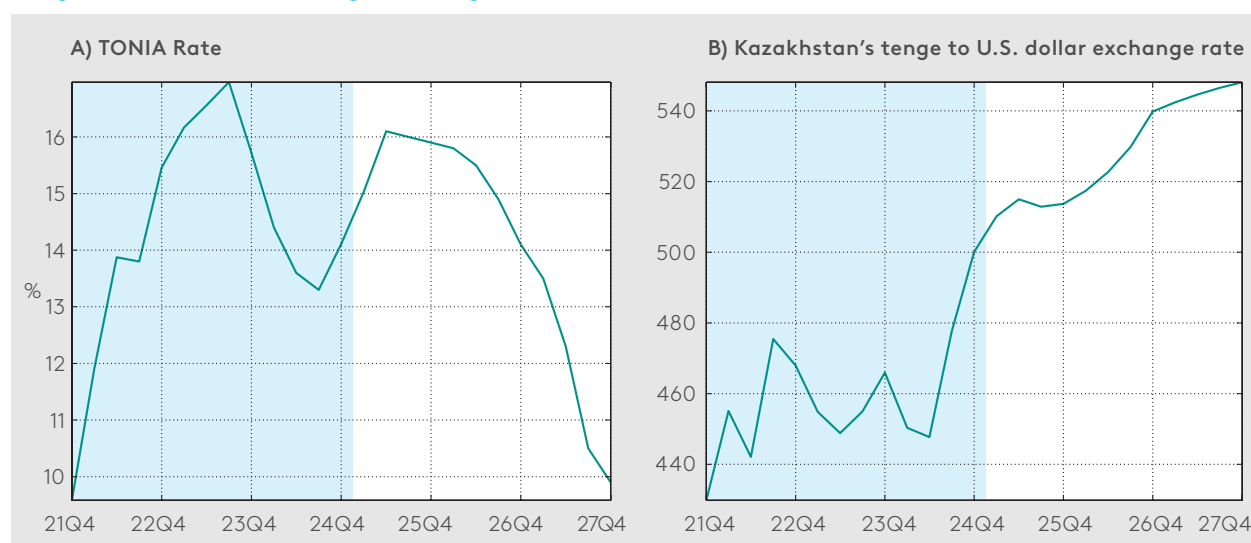
## Monetary policy and the exchange rate of the Kazakhstani tenge

**Monetary conditions will be aimed at curbing inflation.** Volatile inflation expectations point to increased pro-inflationary risks. Under these conditions, the regulator may stick to tight monetary conditions for a long time. We believe that the prime rate will remain at 16.5% until the end of Q1 2026. This will make it possible to restrain inflation from further growth and bring it back to the target. As the downward trend of the consumer price index dynamics consolidates, the NB RK will cautiously start to reduce the prime rate in Q2 2026, and it is projected to be around 14.5% at the

end of the year. A sharper reduction of the prime rate is likely in 2027 as inflationary pressures diminish (Figure 9.A).

**Moderate weakening of the tenge in the medium term.** In 2025, the exchange rate of the national currency is estimated at an average of 513 tenge per dollar (Figure 9.B). The factors supporting the exchange rate will be the high prime rate and the projected growth of oil exports in the second half of the year due to the launch of the Tengiz field expansion project. In addition, in 2025, the volume of transfers from the National Fund will remain at an elevated level of KZT 5.25 tn, and the quasi-public sector’s obligation to sell 50% of export earnings remains in place, which will provide additional supply of foreign currency in the domestic market.

↓ Figure 9. Kazakhstan’s tenge exchange rate and TONIA rate



Sources: national agencies, EDB analysts’ calculations.

## Risks

**Risk of slowdown in economic activity.** Expanding trade conflict in the world will be expressed in a more significant decline in world oil prices. As a consequence, Kazakhstan’s economy may face a decline in export and tax revenues, which, in turn, will slow down GDP growth.

**Risks of inflation acceleration** may materialize in case of a sharp increase in global food prices or an increase in tariffs for services, as well as a more significant growth of inflation expectations in the context of the ongoing tax reform. There is still a risk of capital outflow from emerging markets, which may negatively affect the currencies of these countries, in particular entailing a more significant weakening of the tenge compared to the baseline scenario.

# KYRGYZ REPUBLIC



Source: leonardo.ai



# KYRGYZ REPUBLIC

*We forecast an acceleration of GDP growth in the Kyrgyz Republic up to 10.3% in 2025 with implementation of the state investment program. Inflation at the end of 2025 is expected to be close to the target and will amount to 7.3%. We assume that the discount rate will remain at 9.0% in 2025.*

## Current situation

**Economic activity increased in the context of strong domestic demand.** GDP growth in the Kyrgyz Republic increased to 11.7% YoY in January–April 2025, after 9.0% YoY in 2024. The key factor contributing to the expansion of economic activity in early 2025 was the increase in the contribution of the industrial sector to GDP growth by 4.4 times to 2.4 p.p., from 0.4 p.p. by the end of 2024, as well as the contribution of the construction sector by 1.9 times to 3.0 p.p. The increased production in the manufacturing sectors was mainly due to the increase in the output of food and beverages (1.6 times), non-metallic mineral products (1.4 times), and petroleum products (1.5 times), as well as basic metals (+1% YoY). In addition, the growth of investments in fixed assets accelerated to 62.0% YoY in January–April 2025 (38.3% YoY in January 2025) in the context of the “Menin Uyum” housing construction program, as well as increased investments in urban infrastructure and telecommunications.

**Inflation is at the upper limit of the 5–7% target.** In April 2025, the indicator amounted to 7.1% YoY, after 6.3% YoY in December 2024. The overall price level increased due to the rise in food prices, whose contribution to inflation rose to 4.0 p.p. in April 2025 (2.5 p.p. in December 2024). This was facilitated by the growth of external demand for the products of Kyrgyz producers, combined with the recovery of the price situation after a good harvest a year earlier: in January–September 2024, prices for fruit and vegetable products were declining on an annualized basis. The contribution of non-food inflation to overall price growth decreased to 1.4 p.p. in April 2025 (1.6 p.p. in December 2024), which is partly due to the absence of sharp fluctuations in the nominal exchange rate of the Kyrgyzstan som (KGS) against the dollar. Inflation in the services sector also slowed to 5.9% YoY in April 2025, compared to 8.1% YoY in December 2024.

**The current account balance has improved.** The negative current account balance of the balance of payments of the Kyrgyz Republic decreased by \$2.4 bn and amounted to \$4.4 bn by the end of 2024, according to the preliminary assessment of the NBKR. The positive dynamics were facilitated by the decrease in the deficit of the balance of goods and services, as well as the growth of remittances. On financial account operations, excluding reserve assets, in 2024, there was a capital inflow due to the inflow of foreign direct investments and attraction of debt instruments.

**Foreign trade turnover of the Kyrgyz Republic decreased by 14.7% YoY in January-March 2025.** This was due to the reduction of exports by 6.5% YoY and imports by 16.1% YoY. The dynamics of exports were determined by a 70.9% YoY drop in the volume of exported base metals compared to strong performance a year earlier. The decrease in imports was due to the cessation of re-export of machinery and equipment after changes in the rules of foreign trade within the EAEU.

**The National Bank left the discount rate at 9% at the beginning of 2025.** The rate on overnight deposits remained at 4%, and on overnight loans 11%. The rate in the interbank repo market moved near the cost of withdrawal instruments for 7 days and averaged 4.07% in the first quarter of 2024.

In our view, the current interest rate is below neutral, estimated by us at around 9.75%. This is because inflation in 2024 fell below the 5–7% target benchmark. In November 2024, inflation entered the 5–7% target benchmark and anchored at its upper boundary in early 2025. This creates prerequisites for a gradual return of interest rates to the neutral level.

**The state of the public finance sector has improved.** The state budget surplus at the end of the first quarter of 2025 amounted to 53 bn KGS against 9.2 bn KGS a year earlier. Eighty percent of revenue growth was provided by the increase in non-tax revenues by 6.6 times due to the receipt of profits of the NB KR to the budget. Tax revenues grew by 23% YoY, with half of the growth provided by the increase in corporate income tax revenues, 27% growth due to customs payments, and 20% growth due to taxes on goods and services (mainly VAT). Expenditures grew by 34.6% YoY. The growth driver was the allocations for economic development purposes, which increased 4.1 times compared to the first quarter of 2024. In addition, there was a 25.6% YoY growth in expenditures for the acquisition of non-financial assets.

**Growth of sustainability of the public finance sector in the last four years.** The public debt of the Kyrgyz Republic amounted to 37.6% of GDP at the end of 2024, according to the preliminary assessment of the MoF of the Kyrgyz Republic. Over the last four years, the indicator has decreased by 1.7 times: as of the end of 2020, public debt was estimated at 63.7% of GDP. This was possible due to high economic activity: GDP grew by an average of 8.1% annually in 2021–2024. Improved debt sustainability allowed the government to enter the global borrowing market. At the end of May 2025, the republic for the first time successfully placed sovereign Eurobonds worth \$700 mn on the international market. The coupon rate of the bonds was 7.75%, for a period of 5 years. At the same time, the debt position remains stable. According to our estimates, taking into account the debut Eurobond placement, the country's public debt will grow by 3.8 p.p. GDP to 39.5% of GDP, while the threshold is set at 70% of GDP.

**Upgrade of the sovereign rating of the Kyrgyz Republic.** The international rating agency S&P upgraded the credit rating to B+ with a stable outlook. In April 2025, Fitch for the first time assigned a credit rating at the level of B with a “stable” outlook.

Both rating agencies justified their decision on the basis of strong economic growth, which has been steady at 9% between 2022 and 2024. The ongoing structural reforms, strengthened fiscal stance, and improvements in the banking sector were additional factors in assigning the sovereign rating.

## Forecast

↓ **Table 7. Key macroeconomic indicators of the Kyrgyz Republic (baseline scenario)**

Indicator	2023	2024	2025F	2026F	2027F
<b>GDP in constant prices</b> (% growth YoY)	9.0	9.0	10.3	7.1	6.0
<b>Consumer price index</b> (% growth YoY at the end of the year)	7.3	6.3	7.3	6.8	6.6
<b>7-day REPO rate</b> (% per annum, annual average)	11.4	7.6	4.5	5.9	6.7
<b>Kyrgyzstan's som to U.S. dollar exchange rate</b> (annual average)	88.0	87.1	87.5	89.7	91.9

Sources: national agencies, EDB analysts' calculations.

### Economic activity and inflation

**The GDP growth rate is projected to increase to 10.3% in 2025, after 9% a year earlier.** The economic growth estimate is raised by 1.6 p.p. compared to the [previous forecast \(EDB, 2024\)](#) (Table 7). This is due to a stronger investment impulse than previously estimated.

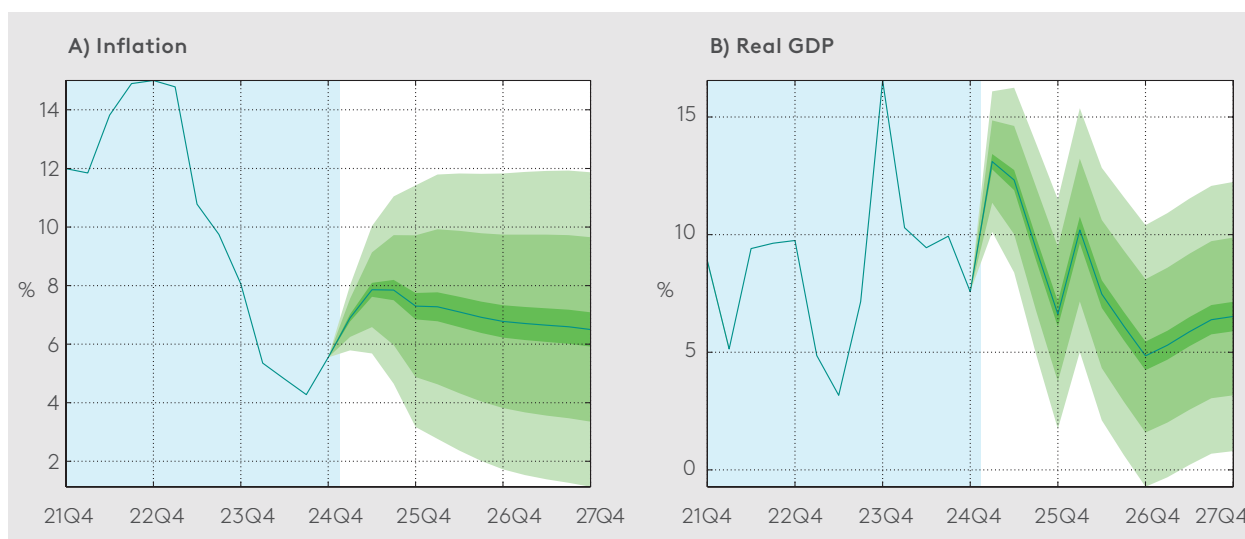
State investment programs, which are mainly financed by international financial institutions, create prerequisites for increasing output growth rates in construction, transport, energy, and irrigation. The economy will receive additional support as a result of increased production of basic metals, which will provide an additional 0.7–0.8 p.p. contribution to GDP growth in 2025. In addition, export growth will be stimulated by high gold prices. Compared to the [previous forecast \(EDB, 2024\)](#), the estimate of the world price for the precious metal is raised by 8.4%. Consumer activity will be strong for most of 2025, driven by credit. We believe that by the end of the year, retail dynamics will start to return to a balanced pace after the strong performance of 2024.

**In 2026–2027, the growth rates will be 7.1% and 6%, respectively.** The economy of the Kyrgyz Republic will gradually return to equilibrium growth rates in the medium term as domestic demand cools ([Figure 10.B](#)).

**We forecast inflation at 7.3% YoY by the end of 2025.** World grain prices started to rise again in April. In early May, with a dry spring, the probability of a poor harvest increased, creating prerequisites for the rise in prices for fruit and vegetable products until April 2026. Also, the ongoing reform of housing and utility services may add 0.4–0.6 p.p. to the rise of the consumer price index. All this will cause inflation dynamics above the target of 5–7% in the II–IV quarters of 2025. On the other hand, a more significant acceleration of domestic prices will be hindered by the stability of the nominal exchange rate of the som against the dollar and the decline in world oil prices.

**Keeping inflation within the target range in the medium term.** Rising global food prices will continue to exert upward pressure on domestic prices. Further increase in the discount rate will stabilize inflation expectations and keep inflation near the upper end of the target range of 5–7% in 2026–2027 (Figure 10.A).

↓ **Figure 10. Economic activity and inflation in the Kyrgyz Republic**



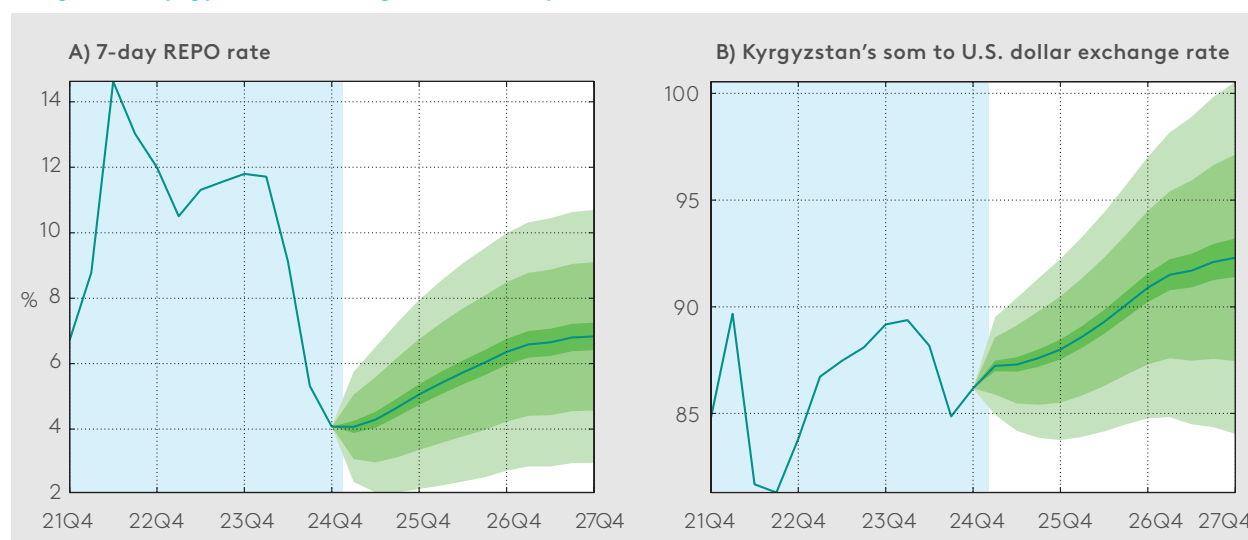
**Note:** seasonally adjusted data.

**Sources:** national agencies, EDB analysts' calculations.

**The discount rate is forecasted at 9.0% by the end of 2025.** A wide interest rate corridor around the discount rate remains: 9% (+2 p.p.; minus 5 p.p.). As a consequence, the rate on the interbank credit market on seven-day repos at the beginning of 2025 is near 4%. We believe that the deviation of the interbank rate from the discount rate will decrease, contributing to the tightening of monetary conditions in the second half of 2025. Taking into account that inflation in the medium term is forecasted near the upper threshold of the target benchmark of 5–7%, we believe that the NBKR from 2026 will begin a gradual return of the discount rate to a neutral level, estimated by us at about 9.5% (Figure 11.A).

**Moderate weakening of the som in the medium term is expected.** Stability of the exchange rate in 2025 will be supported by the growth of export revenues on the background of a favorable price situation in the world gold market, as well as slowdown in the growth of imports. In the medium term, the nominal exchange rate will weaken slightly in line with the difference in inflation rates in the Kyrgyz Republic and abroad (Figure 11.B).

↓ Figure 11. Kyrgyz som exchange rate and repo rate



Sources: national agencies, EDB analysts' calculations.

## Risks

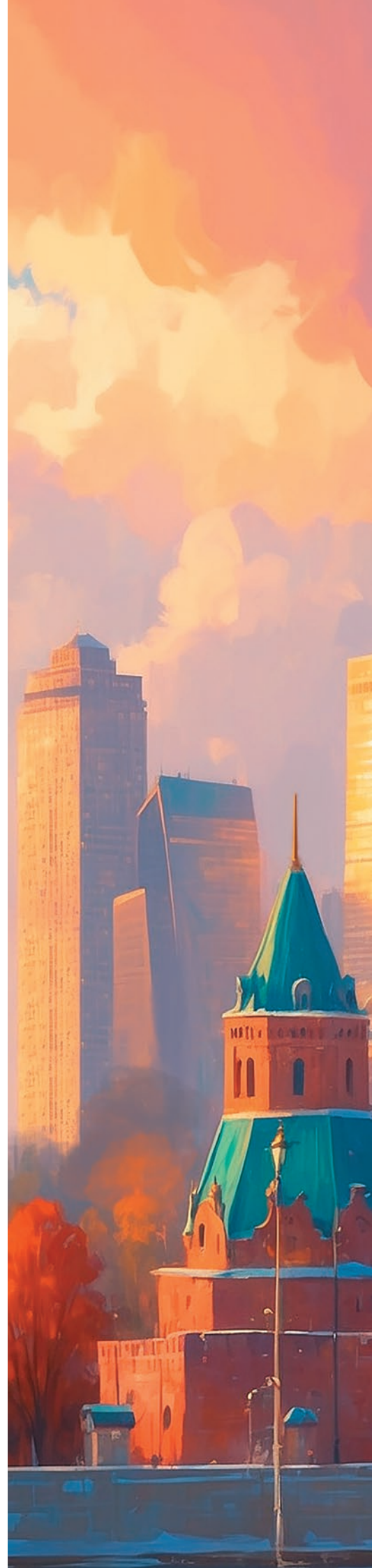
**Risks of economic growth slowdown.** A deeper recession in the global economy than expected in the baseline scenario will primarily affect the foreign economic activity of the Kyrgyz Republic and may affect the rate of economic growth. Another risk limiting economic activity could be a shift in the timing of implementation of planned investment projects.

**Risks of accelerating inflation.** In May 2025, the risks of rising global grain prices have increased, as well as the likelihood of a dry summer, which could adversely affect the harvest. This, in turn, will put pressure on domestic prices. The risk of capital outflow from emerging markets remains relevant. If that occurs, the KGS exchange rate may weaken significantly more than in the baseline scenario. As a consequence, inflation will increase more and tighter monetary policy will be required compared to the baseline scenario.

# RUSSIAN FEDERATION



Source: leonardo.ai



# RUSSIAN FEDERATION

*The Russian economy is gradually slowing down its growth rate, but will maintain it at an elevated level in 2025. Economic activity will be supported by budget expenditures and continued wage growth. High interest rates and lower exports amid deteriorating external conditions will restrain the potential for more robust economic activity. Stimulative fiscal policy would complicate the disinflation process, which will require the Bank of Russia to pursue a conservative monetary policy. We expect the cycle of key rate reduction to continue in the second half of 2025.*

## Current situation

**The Russian economy is gradually returning to a balanced growth trajectory.**

Russia's GDP grew by 1.4% YoY in January–March 2025 after a record<sup>9</sup> growth rate of 4.3% in 2024. The growth slowed down to the lowest level in the last seven quarters against the backdrop of continued tight monetary conditions, which contributed to cooling of consumption and strengthening of savings sentiment. Even a significant fiscal impulse in the first quarter failed to accelerate growth.

**Industrial production remains the main driver of economic growth.**

Output expansion slowed down to 1.1% YoY in January–March 2025, after growing by 4.6% in 2024. Despite the slowdown, the contribution of industry to GDP growth is still significant: according to our estimates, it amounted to about 0.3 p.p. over this period. The increase in output is due to the manufacturing sector, which grew by 4.7% YoY in January–March 2025, largely due to support by budget expenditures. At the same time, the dynamics within the sector was heterogeneous. The machine-building complex (+13% YoY) and chemical production (+4.8% YoY) maintained significant growth, while food, light industry, and mineral products production recorded a decline of 1% YoY, 2.9% YoY, and 5.8% YoY, respectively. The slowdown in output growth is also evidenced by the data from business surveys: Manufacturing PMI for March–April 2025 fell below neutral to 49.3 points; capacity utilization declined from its 2023–2024 peak levels. Mining production declined by 3.7% YoY in January–March 2025 in the context of lower oil production. This is partly a consequence of Russia's commitments to reduce oil production under OPEC+ agreements, which resulted in a 2.4% decline in daily production in Q1 vs. the 2024 average.

**Domestic demand has started to cool down.**

The total turnover of retail trade, public catering, and paid services grew by 3.2% YoY in January–March 2025, after 6.5% in 2024. Its dynamics are supported by a significant increase in real disposable income (by 7.1% YoY in January–March 2025), an important source of growth of which is the increase in labor remuneration in real terms (+7.7% YoY in January–March 2025). This is

<sup>9</sup> Excluding recovery growth after the removal of COVID restrictions in 2021.

primarily due to the shortage of skilled workers, which is reflected in the unemployment rate remaining at its historical minimum of 2.3% in the first quarter of 2025.

However, due to the transition to the savings behavior model of the population<sup>10</sup> in the conditions of high interest rates, the growth of household consumption is slowing down. Investment activity has also slowed: according to the Bank of Russia's monitoring data, in the first quarter of 2025 its growth was the lowest for the last 10 quarters.

**Current inflation is slowing down due to the high key rate.** Inflation was at 10.2% YoY in April 2025, significantly exceeding the Bank of Russia's target (4%). At the same time, the cooling of domestic demand and high interest rates have created conditions for inflation to decline (taking into account the elimination of seasonal factors) to 8.9% YoY in 1Q 2025, after 13.4% YoY in the previous quarter. The growth rate of consumer prices with the elimination of the seasonal factor was consistently slowing down and in terms of annual inflation amounted to 6.2% in April 2025, decreasing by more than half as compared to the last months of the previous year. The slowdown in inflationary processes was facilitated by the decline in commodity prices on the world markets, as well as by the noticeable strengthening of the Russian ruble (RUB). Against this background, April surveys of enterprises indicate that the rise of raw material costs slowed down for the fifth month in a row. The inertia of inflationary processes hinders a more noticeable slowdown in price growth, as reflected in the increased inflation expectations of the population, which rose to 13.1% in April 2025 (from 12.9% in March). An additional factor was the reallocation of the budget expenditure schedule for the first months of 2025, which supported the growth of demand above the possibilities of output expansion.

**Monetary conditions tightened<sup>11</sup> in January–April 2025.** The Bank of Russia adhered to an extremely conservative approach in conducting monetary policy, keeping the key rate at 21% per annum until early June. Against the background of tight monetary conditions and strengthening of prudential<sup>12</sup> measures, lending is shrinking. Loans to individuals declined by 0.5% at end-March compared to the beginning of the year, while the corporate loan portfolio decreased by 0.1% over the same period. Slowing inflation and reduced demand for loans allowed the Bank of Russia in June to reduce the key rate by 100 b.p., to 20% per annum.

**The current account surplus narrowed by 31.2% YoY from January to April 2025 to USD 21.1 bn.** Decrease in exports of goods by 5.4% YoY in January–April 2025 was the main factor of the current account balance weakening. The main reason was a decrease in sales of mineral products (due to lower oil prices), as well as agricultural products and foodstuffs because of a poor harvest last year. This decrease was partially compensated by an increase in sales of other commodity groups. The volume

<sup>10</sup> The population allocated 8.9% of its income to a net increase in savings in Q1 2025. This is a historical high for Q1; the average for Q1 2013–2024 was 0.8% of income.

<sup>11</sup> Real rates rose due to a slowdown in quarterly inflation.

<sup>12</sup> From 01.01.2025, the requirements for mortgage and consumer loans have been increased.

of imports did not change significantly as compared with January–April 2024. Despite the strengthening of the Russian ruble exchange rate and expansion of domestic demand, a significant decrease in imports of vehicles, machinery, and equipment restrained the growth of imports. The main reasons for this were: a drop in demand for imported vehicles due to the introduction of a utilization fee from the beginning of the current year, high interest rates, as well as importers’ accumulated stocks.

**The exchange rate strengthened to its highest values** since the second half of 2023, despite unfavorable dynamics of oil prices. The Russian ruble appreciated against the U.S. dollar by more than 20% in May 2025 compared to December 2024. An important factor was high interest rates, which created a high yield on ruble assets. In addition, the expectation of an improvement in the geopolitical situation contributed to the ruble’s strengthening. The accumulated strengthening of the real effective ruble exchange rate by 19.2% since the beginning of the year has a negative impact on the price competitiveness of Russian exporters, as well as on budget revenues. The probable reduction in physical export supplies along with the decline in oil prices creates conditions for a decrease in export revenues. This creates risks for increased volatility of the exchange rate and creates conditions for its weakening.

**After a significant acceleration at the beginning of the year, the growth of budget expenditures slowed down.** From January to April, the budget deficit amounted to RUB 3.2 tn (1.5% of GDP), which is RUB 2.1 tn more compared with the same period of 2024. The main reason for the widening of the deficit was the rapid growth of expenditures (by 20.8% YoY, or RUB 2.7 tn), which outpaced the growth of revenues (+5% YoY, or RUB 0.6 tn). Accelerated advance payments under government contracts became the key driver of the increased expenditures. At the same time, in February–April, the dynamics of expenditures slowed down noticeably, indicating normalization of the budget spending trajectory. Weak revenue dynamics are associated with a 10.3% YoY reduction in oil and gas revenues in January–April 2025, amid low oil prices and a stronger ruble.

## Forecast

↓ **Table 8. Russia’s main macroeconomic indicators (baseline scenario)**

Indicator	2023	2024	2025F	2026F	2027F
<b>GDP</b> in constant prices (% growth YoY)	4.1	4.3	2.0	1.7	1.5
<b>Consumer price index</b> (% growth YoY at the end of the year)	7.4	9.5	7.5	5.8	4.5
<b>Key rate</b> (% per annum, annual average)	9.9	17.5	20.1	14.7	10.5
<b>Russian ruble to U.S. dollar exchange rate</b> (annual average)	85.8	92.7	90	105	110

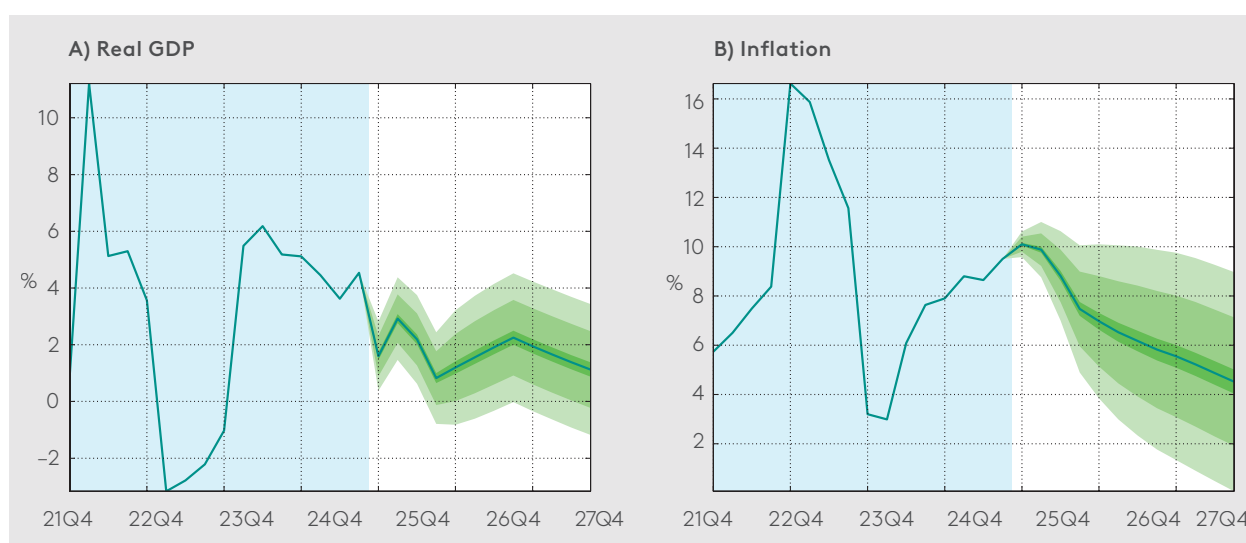
Sources: national agencies, EDB analysts’ calculations.

## Economic activity and inflation

We forecast GDP growth in 2025 at 2%, which is 0.4 p.p. lower than the [previous forecast](#) (EDB, 2024a). The revision of the forecast was influenced by the weak results of Q1 2025. We expect that the persistence of high interest rates will limit consumer and investment activity. Reduction in export supplies amid lower demand in the global markets will also have a negative impact on output. At the same time, the persistence of high growth of household incomes in Q1 suggests that the slowdown in consumption will be gradual. Increased government support for preferential mortgages creates conditions for maintaining growth in construction. In addition, the anticipated increase in budget expenditures by RUB 0.8 tn (0.4% of GDP) this year compared to the initial projections will support domestic demand. Under these conditions, we downgraded our growth forecast for the Russian economy to 2% for 2025 ([Table 8](#)).

**The economy will continue to move toward a balanced growth rate in 2026–2027 (Figure 12.A).** As the economy cools down from the overheating of the previous years, growth will return to equilibrium rates. Export revenues will be constrained by a decline in export earnings amid lower world prices for the most important items of Russian exports, compared to previous years. This will lead to a slowdown in wage growth, despite the persistence of tensions in the labor market due to staff shortages. With slower consumption growth, we can expect a slowdown in the investment activity of private companies. Timely reduction of the key rate will make it possible to partially compensate for the impact of external factors. Implementation of national projects and continued development of import-substituting industries will support economic growth rates.

↓ **Figure 12. Forecast of economic activity and inflation in Russia**



Source: EDB analysts' calculations.

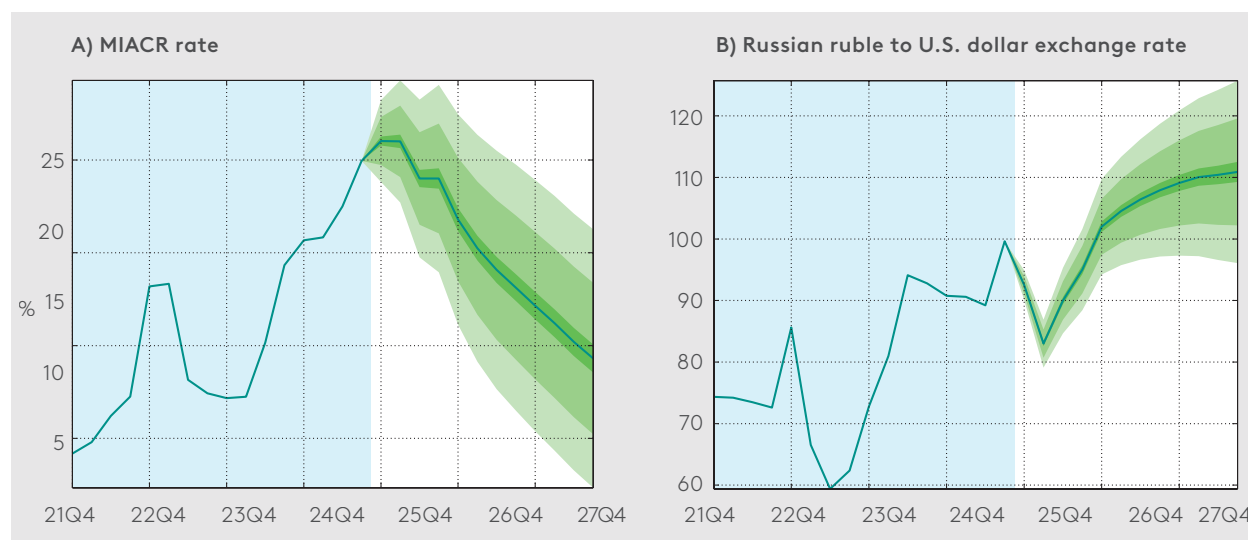
**Inflation is above target over the entire forecast horizon.** We forecast a slowdown in price growth to 7.5% in 2025. The prolonged period of tight monetary conditions is manifested in the form of the initial slowdown of the current quarterly inflation. The persistence of high inflation expectations, the budgetary impetus shifted to the beginning of the year, and the planned indexation of housing and utilities tariffs (+11.9%) will restrain the slowdown in inflation. The projected weakening of the ruble will further complicate the disinflation process. Inflation will continue to slow down in 2026–2027, but will remain at elevated levels (Figure 12.B).

## Monetary policy and the Russian ruble exchange rate

**Monetary policy will remain tight.** The Bank of Russia will maintain a conservative approach to monetary policy in order to achieve a sustainable slowdown of inflationary processes in the context of persistent pro-inflationary risks. However, the cooling domestic demand opens up opportunities for further reduction of the key rate. In the baseline scenario, we expect its value to be around 18% by the end of 2025. At the same time, rates in real terms will remain high against the backdrop of slowing inflation. As the budget is consolidated in 2026–2027 and a steady trend of slowing inflation is formed, the easing of monetary conditions due to timely reduction of the key rate will be more pronounced. We forecast that the key rate will decrease to about 10% by the end of 2027 (Figure 13.A).

**The average annual exchange rate will be about 90 rubles per dollar in 2025** (Figure 13.B). High interest rates will continue to support the national currency, but lower oil prices and reduced exports may lead to a lower supply of currency in the domestic market. This will create conditions for a possible depreciation of the ruble in the second half of the year. On the horizon of 2026–2027, in the absence of additional external shocks, we expect the nominal exchange rate to weaken in line with the difference in inflation rates in Russia and abroad.

↓ Figure 13. Forecast of the interest rate and the Russian ruble exchange rate



Source: EDB analysts' calculations.

## Risks

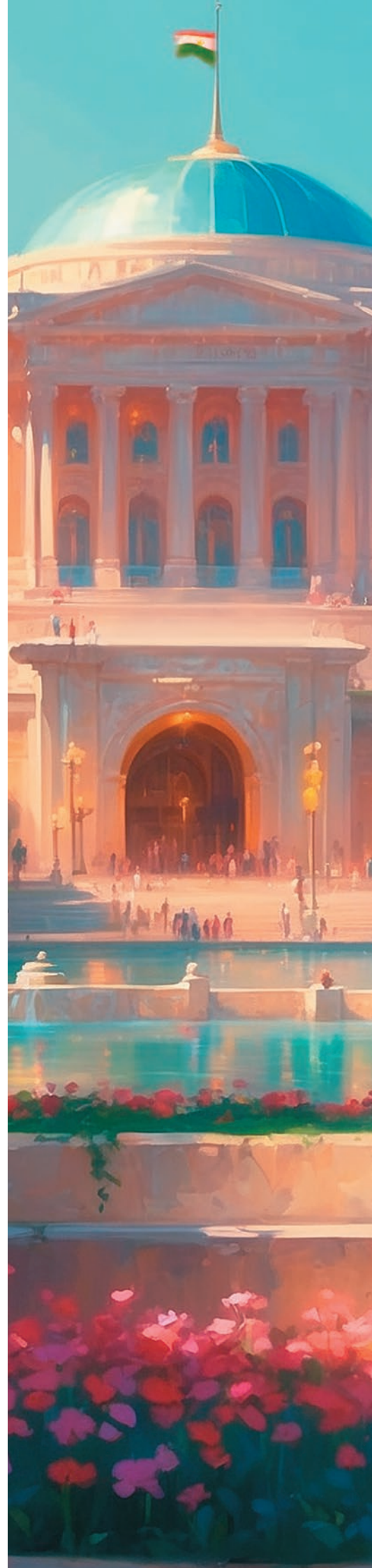
**A more significant and prolonged decline in oil prices remains a key risk for the Russian economy.** Failure to resolve the resulting tariff contradictions will lead to a significant slowdown in the global economy and a drop in energy demand. The risk of falling oil prices is intensified by the expansion of the OPEC+ oil supply. Thus, the decisions taken by the cartel in April and May 2025 to increase production by 0.4 mn barrels per day noticeably change (accelerate) the previously announced schedule for the return of the production rate of 2.2 mn barrels per day (+6.7% of the average level of 2024). A decline in global oil prices will lead to a steady decline in export revenues. The current decline in prices has already led to active spending from the National Welfare Fund (NWF); in a prolonged period of low prices, the possibilities to support the economy from the NWF will be limited. Against the background of the widening budget deficit in 2025, the reduction of oil revenues will require a search for additional sources of financing. At the same time, the build-up of public debt to finance budget expenditures in the current conditions can be carried out only in the domestic financial market.

**The decline in oil prices and Russian exports may lead to a significant weakening of the ruble exchange rate,** which will strengthen inflationary expectations, leading to a new round of increased inflation. Additional tightening of monetary policy may be required to curb inflationary processes in the context of record high interest rates. With the current slowdown in business activity, this will form the preconditions for an even more significant recession.

# REPUBLIC OF TAJIKISTAN



Source: leonardo.ai



# REPUBLIC OF TAJIKISTAN

*Strong domestic demand and a favorable foreign trade environment for Tajikistan will ensure the country's GDP growth in 2025 at the level of 8.4%, as in 2024. In 2026–2027, economic growth will remain elevated, supported by high gold prices. GDP will grow by 8.0% in 2026 and 7.1% in 2027. A soft monetary policy will help keep inflation within the target range in 2026–2027.*

## Current situation

**The economy is growing at a high rate.** According to the results of January–March 2025, GDP growth amounted to 8.2% YoY. The increase in output was recorded in most of the main sectors: in industry by 23.4% YoY, in agriculture by 7.2% YoY, in trade (wholesale and retail) by 10.6% YoY, in cargo turnover of transport by 18.7% YoY, and in passenger turnover by 16.6% YoY. Given the favorable external economic conditions for Tajikistan — primarily, high prices for gold and base metals — we do not expect GDP growth to slow down in the next one or two quarters.

**Extractive industries are the driving force of industrial growth.** Extraction of minerals (primarily ores of precious and non-ferrous metals) grew by 80% YoY in January–March 2025. The energy sector increased output by 10.0% YoY, recovering from [last year's weather-related decline](#). Manufacturing showed a more moderate performance, adding 2.1% YoY amid a contraction in output in sectors such as textiles (-10.3% YoY) because of a relatively poor [cotton harvest](#) last year. Growth in the textile industry can be expected to recover by the end of 2025 due to [improved availability of](#) raw materials.

**The increase in retail trade turnover indicates the growth of domestic demand.** Retail sales increased by 8.1% YoY as of January–March 2025. This was facilitated by high consumer demand due to the growth of labor remuneration. The average real wage in the country increased by 21.6% YoY based on the results of January–February<sup>13</sup>. The growth of remittances to the country also seems to be sustained and has a positive impact on consumption: it was recorded at 20.8% YoY in Q4 2024<sup>14</sup>. In contrast to trade, investment declined by 10.1% YoY in January–March. This is explained by increased activity in capital construction a year earlier: in January–March 2024, investment growth reached 22.2% YoY. We expect that the investment growth indicator will enter the positive area in Q2 2025 and investment activity will make a positive contribution to GDP growth in 2025.

**The trade deficit widened year-on-year.** Driven by strong domestic demand, imports increased by 23.8% YoY, to USD 1.9 bn by January–March 2025. Foreign shipments

<sup>13</sup> Data for the subsequent months of 2025 have not yet been released.

<sup>14</sup> The data are part of the balance of payments statistics and are published on a quarterly basis; those for Q1 2025 are not yet available.

of food and mineral products, machinery and equipment, and vehicles increased by 5% YoY, 10% YoY, 17% YoY, and 70% YoY, respectively.

Exports declined by 15.7% YoY, to \$0.5 bn, in the absence of gold shipments to foreign markets in the first three months of 2025. The trade deficit in goods amounted to \$1.3 bn in January–March 2025, which is 51% higher than in January–February 2024. The rise in this indicator does not indicate a deterioration in the sustainability of the Tajik economy: we can expect a reduction in the trade deficit by the end of 2025 due to the resumption of exports of precious metals and increased delivery to abroad of other major exports — primarily non-precious metals and ores. This is also evidenced by the growth of the extractive industry in the first quarter by 1.8 times compared to the same period of 2024.

**The national currency is strengthening.** The exchange rate amounted to 10.33 somoni (TJS) per dollar on average for May 2025. The somoni appreciated by 5.4% compared to December, when the average rate was 10.92 per dollar. The Tajik currency was strengthened by the rise in prices for the country's exported goods: gold appreciated by an average of 39% YoY in January–May 2025, and base metals such as aluminum, copper, and zinc rose by 4.0% YoY, 9.1% YoY, and 5.8% YoY, respectively. The weakening of the dollar against other world currencies and such currencies of the EDB's region of operations as the Russian ruble, against the background of the tariff conflict, also contributed to the stability of the somoni: the dollar index calculated by the U.S. Federal Reserve decreased by 1% on average in April 2025 compared to December.

**Inflation was 3.6% YoY by the end of April — the same as in December 2024.** Consumer price growth remained in the range of 3–4% YoY during almost<sup>15</sup> the entire period from November 2023 to the end of the first quarter of this year. These values are within the National Bank's target interval in force since 2025 (5±2%)<sup>16</sup>. Acceleration of inflation is hindered by the stability of the national currency. Another factor restraining inflation is the decline in international prices for the most important imported goods for Tajikistan — energy and food. Their dynamics against the background of the global tariff conflict creates significant deflationary risks for the Tajik economy in the short term.

**The National Bank reduced the refinancing rate from 9% at the beginning of the year to 8.25% in May 2025.** This is the minimum for the last nine years. We expect monetary policy to remain eased during 2025, which will help to keep inflation within the range consistent with the National Bank's policy objectives.

**The state budget remains in surplus.** The balance of revenues and expenditures amounted to 1.2 bn TJS or 3.7% of GDP as of January–March 2025, having decreased by 0.4 p.p. against January–March last year. The decline in the surplus is explained

<sup>15</sup> The exception was November 2024, when inflation was 4.1% YoY.

<sup>16</sup> Previously, the target interval was 6±2%

by the growth of expenditures by 33% YoY, which is significantly higher than a year earlier (5.6% YoY). We expect the dynamics of budget expenditure execution to converge with the dynamics of revenues in 2025, while maintaining the stimulating effect of government financing on economic growth in 2025.

## Forecast

↓ **Table 9. Main macroeconomic indicators of the Republic of Tajikistan (baseline scenario)**

Indicator	2023	2024	2025F	2026F	2027F
<b>GDP</b> in constant prices (% growth YoY)	8.3	8.4	8.4	8.0	7.1
<b>Inflation</b> (% growth YoY at the end of the year)	3.8	3.6	3.3	5.5	6.1
<b>Refinancing rate</b> (% per annum, annual average)	10.5	9.3	8.5	9.4	11.1
<b>Tajikistan's somoni to U.S. dollar exchange rate</b> (annual average)	10.8	10.8	11.1	11.5	11.9

Source: national agencies, EDB analysts' calculations.

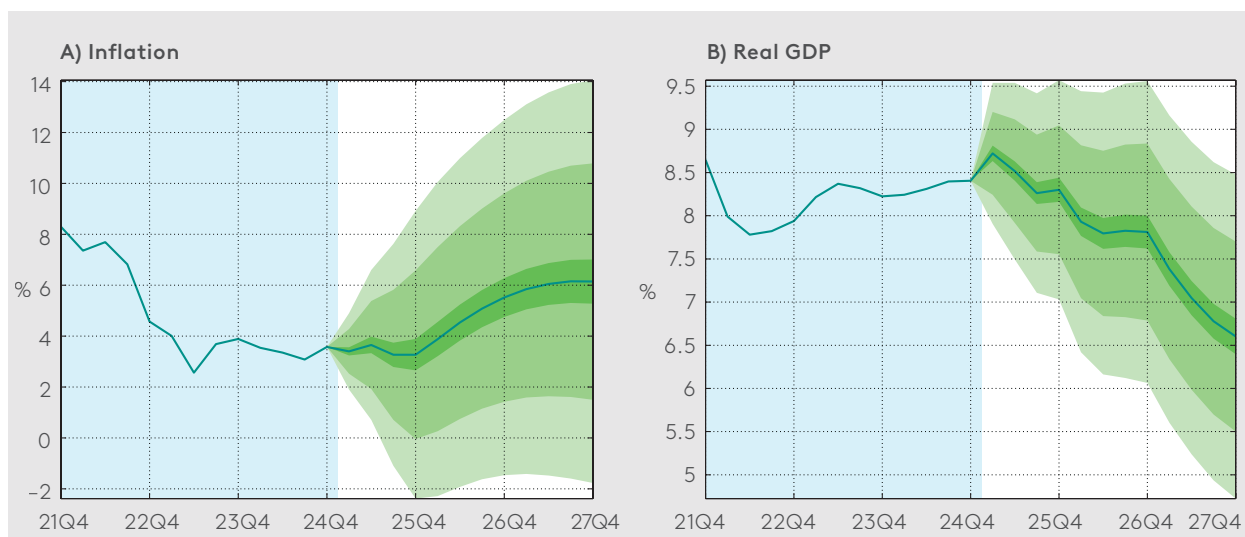
### Economic activity and inflation

**Tajikistan's GDP is projected to grow by 8.4% in 2025 (Table 9).** The forecast is unchanged from (EDB, 2024a), given the results of the first quarter of 2025, high prices for gold and base metals exported by Tajikistan, and continued growth in remittances. In Q2-Q4 2025, we expect that in Q2-Q4 2025, a resumption of investment growth and continued strong consumption dynamics against the background of increased budget expenditures and lower NBT rate will ensure GDP growth at 8.4%.

**We expect high GDP growth in 2026 as well — at 8.0%.** The economy will continue to be supported by gold prices. Investment activity, including that financed by the budget, will remain strong. GDP dynamics will be affected by the expansion of capacities in mining and metallurgy and creation of new production facilities. As a result, GDP growth will remain high.

**In 2027, the economy will grow by 7.1%.** GDP growth will gradually approach potential (Figure 14.B) under the influence of such factors as a decrease in the growth rate of remittances due to the fact that the intensity of migration flows will stabilize. Another factor that will negatively affect Tajikistan's GDP growth will be the slowdown of economic growth in the region. The balanced growth rates of the Tajik economy will continue to exceed the average for the region due to the catch-up nature of development and high growth rates of the country's population (by an average of 2.3% per year for 2015–2024, with the average growth of the region's population by 0.5% per year).

↓ Figure 14. Forecast of economic activity and inflation in Tajikistan

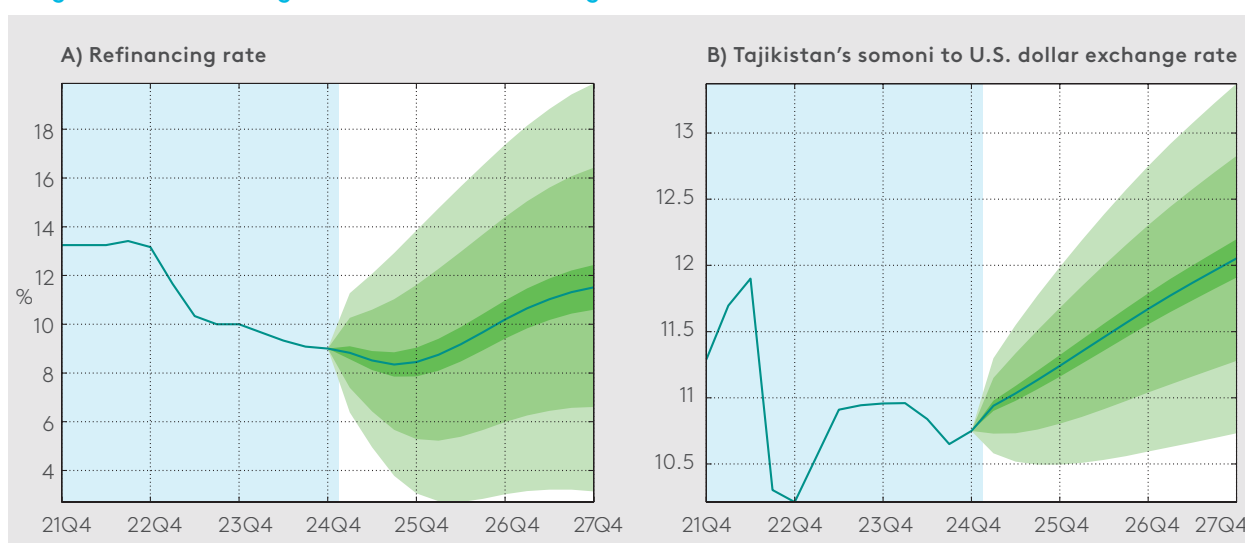


Source: EDB analysts' calculations.

**By the end of 2025, consumer price growth will amount to 3.3%, remaining within the NBT target interval ( $5\pm 2\%$ ).** Inflation is kept from falling below the target interval by strong domestic demand — labor costs for public sector employees are planned to **increase by 36%** in 2025 compared to the previous year. The inflation rate will also be supported by a systematic increase in regulated prices — for public transportation, electricity, etc. At the same time, the rise in energy and food prices on world markets will not stimulate the acceleration of inflation within the framework of our baseline forecast.

**In 2026–2027, inflation will remain within the target interval,** returning to the middle (or above the middle) of the NBT target range (Figure 14.A). This will be supported by the return of the somoni to the trajectory of gradual weakening against the dollar (Figure 15.B), rising global food prices, and sustainably strong domestic demand.

↓ Figure 15. Refinancing rate and somoni exchange rate



Source: EDB analysts' calculations.

## Monetary policy and the national currency exchange rate

**The TJS/dollar exchange rate will average 11.1 in 2025** (Figure 15.B) after 10.8 in 2024. This will be facilitated by a soft monetary policy: the interest rate will remain at its lowest level in almost a decade. The weakening of the Russian ruble (the currency of an important trading partner and the main source of remittances for Tajikistan) will also contribute to the change in the TJS exchange rate in the direction we forecast.

**In 2026–2027, the exchange rate of the national currency will remain stable, amounting to about 12 somoni per dollar by the end of the forecast period.** The dynamics of the Tajik currency will be determined by the gradual end of the period of rapid growth of the country's exports, associated to a large extent with the increase in gold mining and exports. Decrease in the inflow of remittances on the background of weakening of the Russian ruble will also affect the TJS exchange rate. The dynamics of the value of the somoni against the dollar will make the products of Tajik enterprises more competitive compared to imports, as well as increase the profitability of exports, which will have a positive impact on GDP growth.

**Monetary policy will remain soft, with inflation near the lower boundary of the target interval** (Figure 14.B). We believe that the rate will remain at the current level of 8.25% until the end of 2025.

**From 2026, the NBT may start to increase the refinancing** rate, which will be conditioned by stabilization of inflation at the levels of 5–6% YoY. The rate will return to around 11% p.a. (Figure 15.A). At the same time, the rate will be around 5% in real terms, which is comparable to the 2023–24 levels. Combined with the projected dynamics of the somoni, this policy will provide favorable conditions for the country's economic growth.

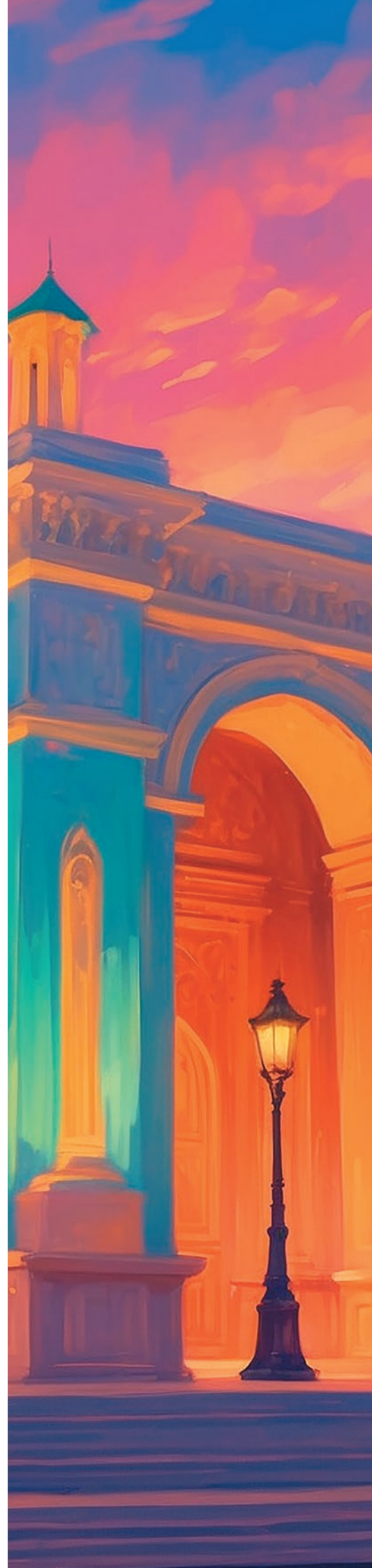
## Risks

**The key risks for Tajikistan's economy come from the external sector.** In the context of global tariff confrontation, there is a high probability of a slowdown in economic growth in the world and falling prices for raw materials. The realization of such a scenario would lead to a decrease in demand for many goods exported by Tajikistan: non-ferrous metals and ores, textiles. Under this scenario, the volume of remittances coming into the country will also decrease — their sources for Tajikistan are mainly oil-exporting countries. Household consumption growth will slow down and non-state investments will decrease. GDP growth will be below the equilibrium level. The economy will continue to be supported by the budget policy, the inflow of investments, including those directed by international financial organizations, as well as lower prices for food and energy imported by Tajikistan.

# REPUBLIC OF UZBEKISTAN



Source: leonardo.ai



# REPUBLIC OF UZBEKISTAN

*This macroeconomic forecast for the Republic of Uzbekistan is presented for the first time and prepared on the basis of EDB proprietary model for macroeconomic analysis and forecasting of the Uzbek economy (Kuznetsov A. et al., 2025). By the time Uzbekistan joined the group of EDB member countries, the Bank had developed and introduced a modern modeling toolkit that allows for in-depth analysis of macroeconomic trends and medium-term forecasts for the new member.*

*In the baseline scenario, Uzbekistan's economic growth is projected at 6.5% in 2025. This will be supported by robust domestic demand and high investment activity, as well as improved terms of trade, mainly due to high gold prices<sup>17</sup>. Inflation is expected to slow in 2025 and stabilize near the central bank's target (5%) by the end of 2027. Monetary policy will remain tight, but as inflation slows, the Central Bank may start to gradually reduce the interest rate in 2026.*

## Current situation

**Sustained economic growth.** Uzbekistan's economy grew by 6.5% in 2024 (vs. 6.3% in 2023), supported by robust domestic demand. Private consumption grew by 7.5% in 2024, driven by an 8.1% YoY increase in household incomes and a 30% YoY increase in remittance inflows. Retail trade turnover increased by 9.1% YoY in January–April 2025, slightly accelerating relative to the same period in 2024 (then it was 8.9% YoY). Another important factor in the dynamics of economic activity in 2024 was the expansion of the services sector by 7.7%. The highest growth rates were observed in trade, accommodation and food services (11.1%), as well as in transportation, storage and communications (13.4%). Uzbekistan's foreign trade turnover in 2024 reached \$65.9 bn (+3.8% YoY). Exports of food and agricultural goods increased significantly (by 15.8% for fruits and vegetables in 2024).

**The steady growth of the economy continued in the first quarter of 2025 and amounted to 6.8%.** About 3.9% of GDP growth is accounted for by the services sector. The transportation, storage and communications sector (+14.3%) particularly distinguished itself. Agriculture and industry showed stable expansion by 3.8% and 6.5% respectively.

**Investments in fixed capital show strong positive dynamics,** estimated to grow by about 7.9% YoY in Q1 2025. The volume of disbursed investments reached 120.4 tn sums (UZS) (about \$9.3 bn), with over 65% of financing provided by foreign direct investments and attracted loans. Intensification of investment activity, particularly in construction and infrastructure, contributed to the acceleration of growth in the construction sector to 10.3% YoY in January–April 2025.

<sup>17</sup> The share of non-monetary gold in RU exports for 2024 was about 27.8%.

**Foreign trade indicators improved significantly in early 2025.** Exports of goods in January–April 2025 increased by 35.1% YoY compared to the same period of 2024, exceeding \$11.8 bn (mainly due to growth in deliveries of gold and industrial products), while imports grew by only 2.9% YoY, to \$12.7 bn. As a result, total trade turnover grew by 16.3% YoY, while the foreign trade deficit narrowed relative to the previous year. Steady export revenues (more than 46% of exports were gold) and restrained imports contribute to the improvement of the current account of the balance of payments.

**The exchange rate of the sum remained stable** against the background of reduction of the foreign trade deficit. In January–April of the current year, the exchange rate of the sum was in the range of 12,900–12,960 sums per dollar, and the real effective exchange rate was close to its medium-term equilibrium trajectory.

The stability of the sum is supported by the improvement of the foreign trade balance and strengthening of the currencies of Uzbekistan’s main trading partners. In January–April 2025, the foreign trade deficit decreased by more than 4.2 times compared to the same period of 2024 and stopped at \$0.85 bn.

**Inflation since the beginning of the year amounted to 4.4% as of the end of May,** having slowed by 1 p.p. compared to the same period of 2024. As a result, annual inflation reached 8.7% YoY by the end of May, remaining slightly above the target benchmark. The acceleration of prices is due to both the indexation of tariffs for energy and utilities and stable domestic demand. For example, household spending growth of 7.5% YoY and credit growth of 15.4% YoY in Q1 2025 are adding pressure to prices. Core inflation also rose to 8.1% YoY in Q1 relative to 6.2% YoY in Q4 2024, signaling pervasive price pressures. Nevertheless, the slowdown in inflation in 2025 will be supported by updated energy tariffs<sup>18</sup> and a stable exchange rate of the sum.

**Monetary policy remains constrained.** The central bank raised the key rate from 13.5% to 14% p.a. at its March 2025 meeting and left it unchanged at its next meeting in April. We expect monetary policy to remain relatively tight throughout 2025, which will be required to bring inflation back to target.

**The state budget deficit is decreasing.** The negative balance of revenues and expenditures amounted to 6.4 tn sums (1.9% of GDP) at the end of the first quarter of 2025, decreasing 2.8 times compared to the same period of the previous year. The reduction in the deficit is explained by the absence of growth in expenditures, which remained virtually unchanged compared to 1Q 2024, while revenues grew by 21.5%. According to the state budget law<sup>19</sup>, the budget deficit is planned to be within 3% of GDP by the end of the year. Thus, fiscal policy remains moderately stimulative, but without excessive debt buildup.

<sup>18</sup> After the May 2025 update. The Government of the RU does not plan to further increase tariffs. It is planned to index tariffs to inflation every year thereafter.

<sup>19</sup> Law of the Republic of Uzbekistan “On the State Budget of the Republic of Uzbekistan for 2025” dated 24.12.2024 No. ZRU-1011 — <https://lex.uz/en/docs/7277659>.

## Forecast

↓ Table 10. Main macroeconomic indicators of the Republic of Uzbekistan (baseline scenario)

Indicator	2023	2024	2025F	2026F	2027F
<b>GDP</b> in constant prices (% growth YoY)	6.3	6.5	6.5	6.3	6.4
<b>Consumer price index</b> (% growth YoY at the end of the year)	8.8	9.8	8.1	6.8	5.4
<b>UZONIA rate</b> (% per annum, annual average)	13.7	13.6	13.4	11.9	10.6
<b>Uzbekistan's sum to U.S. dollar exchange rate</b> (annual average)	11,735	12,652	13,200	14,100	14,500

Sources: data of national agencies, EDB analysts' calculations.

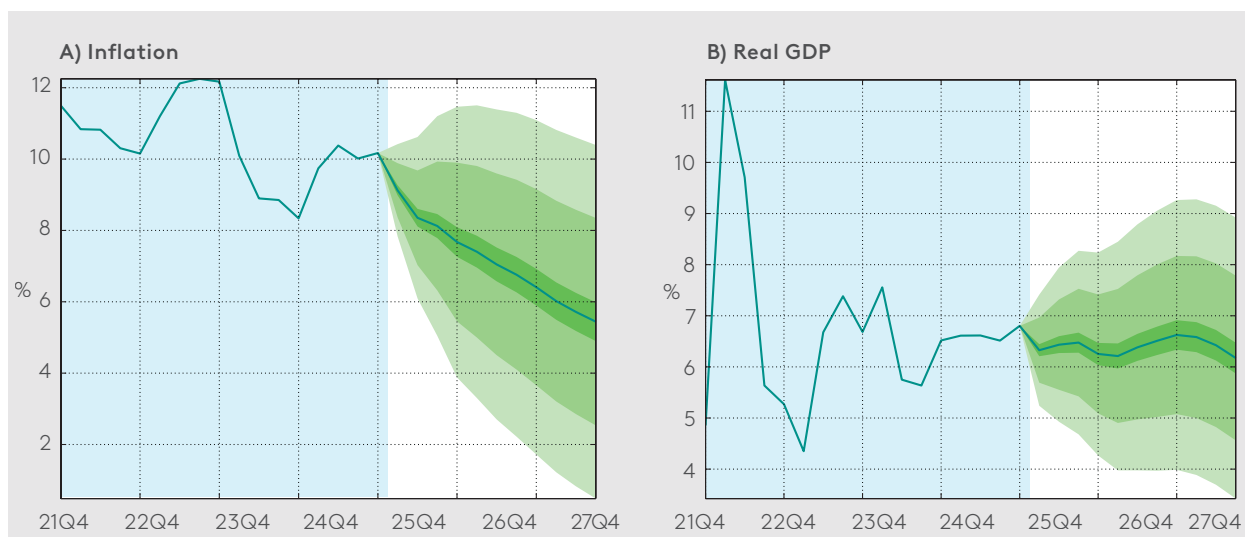
### Economic activity and inflation

**We forecast Uzbekistan's GDP to increase by 6.5% in 2025 (Table 10).** Economic growth will be underpinned by strong domestic demand, formed by the increase in household incomes and active investment policy. Nominal wage growth is expected at 21.9% YoY; this will support consumer activity and stimulate retail trade expansion. According to our estimates, the contribution of investments to GDP growth in 2025–2027 will amount to 2–3 p.p. annually, including due to the implementation of large-scale state projects in energy, water supply, and transportation infrastructure. The inflow of foreign direct investment into the mining sector and manufacturing industry will also provide significant support. Overall, we forecast a stable and high GDP growth rate, above 6% per year until the end of 2027.

**Fiscal policy in the forecast period will be aimed at maintaining economic growth while keeping debt under control.** The impact of fiscal policy on demand in 2025, according to our assessment, will be stimulative, but within the limits of budgetary rules. The deficit planned for 2025–2027 is 3% of GDP.

**In 2025, inflation in Uzbekistan will slow to 8.1% YoY** at the end of the year, approaching the upper boundary of the CB RU forecast corridor of 7–8% (Table 10). Price growth will be supported by stable consumer demand against the background of rising household incomes and higher tariffs for electricity and utilities in the first quarter of 2025. Possible growth of world food prices will put additional pressure on inflation. Despite this, price growth will be restrained by the previously adopted moderately tight monetary policy measures and expected weakening of domestic demand in the second half of the year. We expect inflation to slow further to 5.4% by the end of 2027 (Figure 16).

↓ Figure 16. Forecast of economic activity and inflation in Uzbekistan



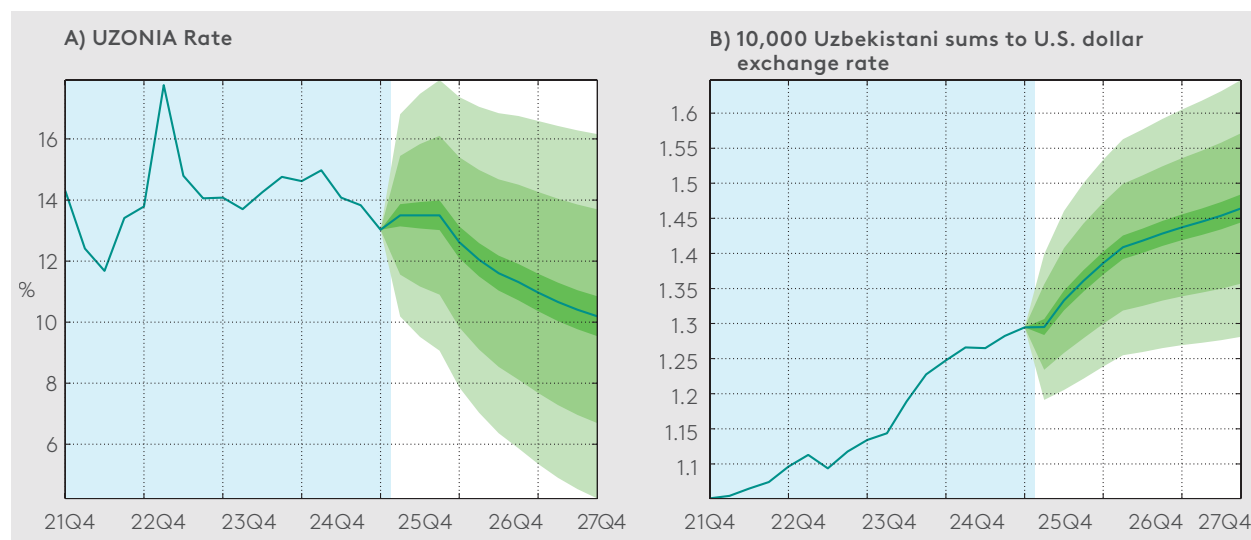
Source: EDB analysts' calculations.

## Monetary policy and the national currency exchange rate

**The Central Bank of the Republic of Uzbekistan will keep the key rate at 14% until the end of 2025.** Relatively fast price growth in early 2025 will be a factor for the **CB RU** to maintain high rates. Gradual slowdown of inflation to the target level of 5% and stabilization of inflation expectations will create conditions for gradual easing of monetary policy in 2026–2027. The rate will fall to about 11% by the end of 2027, providing conditions for balanced growth of the country's economy (Figure 17.A).

**The average annual exchange rate of the sum to the dollar is projected at 13,208 in 2025 (Figure 17.B).** The national currency will be supported by increasing remittances and steady export growth. In the medium term, the sum will gradually weaken by 3–4% per year, stabilizing around its long-term trend. Remittances from labor migrants largely compensate for the trade deficit. In the baseline scenario, remittances will continue to grow in 2025: they are projected to grow by 23% to \$14.8 bn, followed by a slowdown in 2026 (to 5.5%). This means that the support of the balance of payments from secondary income will remain significant.

↓ Figure 17. Interest rate and exchange rate (baseline scenario).



Source: EDB analysts' calculations.

## Risks

**Slowdown of economic growth in major trading partner countries.** For example, a sharper-than-expected cooling of the economies of major trading partners would reduce Uzbekistan's exports to these countries and reduce remittance flows.

**Fluctuations in world prices for raw materials.** A possible increase in energy prices and decrease in gold prices are the key external risks for Uzbekistan's economy. A rise in global oil and gas prices — for example, in case of increased geopolitical tensions in the Middle East — may lead to an increase in import costs, deterioration of the terms of trade, and increased pressure on the balance of payments. At the same time, a fall in gold and metals prices, with stabilization of the global economy or tightening of monetary policy in developed market countries, could reduce export revenues. Given the significant share of raw materials in the export structure, such a development could weaken the exchange rate support and create new challenges for the country's macroeconomic stability.

**Deteriorating conditions in global financial markets.** A longer than expected period of high global interest rates or worsening access to external financing for developing countries could make it more difficult for Uzbekistan to attract external loans and investments. In such a case, there is a risk of reduction of investment expenditures. This would slow down the implementation of infrastructure projects and, as a consequence, GDP growth.

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# ABBREVIATIONS

<b>AO</b>	joint-stock company
<b>CB RU</b>	Central Bank of the Republic of Uzbekistan
<b>CB RA</b>	Central Bank of the Republic of Armenia
<b>CBR</b>	Central Bank of the Russian Federation (Bank of Russia)
<b>CIS</b>	Commonwealth of Independent States
<b>COVID-19</b>	COronaVirus Disease 2019, coronavirus infection
<b>GDP</b>	gross domestic product
<b>EDB, Bank</b>	Eurasian Development Bank
<b>EAEU, Union</b>	Eurasian Economic Union
<b>EU</b>	European Union
<b>ECB</b>	European Central Bank
<b>FDI</b>	foreign direct investment
<b>ISM</b>	integrated system of models
<b>KR</b>	Kyrgyz Republic
<b>MIACR</b>	Moscow Interbank Actual Credit Rate (actual rate on granted interbank loans)
<b>NB RB</b>	National Bank of the Republic of Belarus
<b>NB KR</b>	National Bank of the Kyrgyz Republic
<b>NB RK</b>	National Bank of the Republic of Kazakhstan
<b>NBT</b>	National Bank of Tajikistan
<b>OPEC+</b>	Organization of the Petroleum Exporting Countries
<b>PMI</b>	Purchasing Managers' Index (business activity index)
<b>RA</b>	Republic of Armenia
<b>RB</b>	Republic of Belarus
<b>Repo</b>	a type of transaction in which securities are sold and at the same time an agreement is made to repurchase them at a predetermined price
<b>RK</b>	Republic of Kazakhstan
<b>RT</b>	Republic of Tajikistan
<b>RU</b>	Republic of Uzbekistan
<b>RF</b>	Russian Federation
<b>SWF</b>	Sovereign Wealth Fund
<b>TONIA</b>	Tenge OverNight Index Average
<b>U.S.</b>	United States of America
<b>U.S. Fed</b>	U.S. Federal Reserve
<b>UZONIA</b>	Uzbekistan's Sum Overnight Index Average
<b>VAT</b>	value added tax
<b>%</b>	Percentage
<b>% YoY</b>	annual growth rate
<b>dollars</b>	U.S. dollar
<b>mn</b>	million
<b>bn</b>	billion
<b>p.p.</b>	percentage point
<b>tn</b>	trillion

# GLOSSARY

## **Budget (fiscal) reserves**

The amount of available state budget funds available to finance expenditures.

## **Budget (fiscal) impulse**

Characterizes the impact of fiscal policy on economic activity. A positive fiscal impulse indicates a positive contribution of fiscal policy to GDP.

## **Dollarization of bank deposits (loans)**

Share of deposits (loans) in foreign currency in the total volume of deposits (loans) of commercial banks.

## **Equilibrium exchange rate**

A real exchange rate that has neither additional inflationary nor disinflationary effects.

## **Neutral rate**

An interest rate level that corresponds to inflation and inflation expectations being sustainably at target levels, and GDP and the real exchange rate at equilibrium levels.

## **Output gap**

Deviation of the volume of real GDP from its potential level. Positive output gap, as a rule, characterizes the situation of excess demand in the economy and is an indicator of inflationary pressure. The opposite is true for a negative output gap.

## **Potential (equilibrium) GDP**

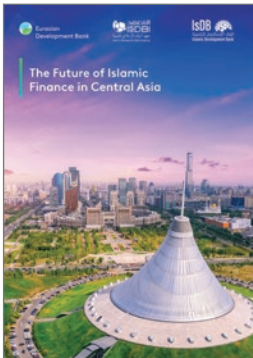
The volume of real GDP that would be formed in the economy in a certain time period under the most efficient use of factors of production. Potential GDP can also be understood as the volume of real GDP that the economy is able to sustainably produce without the formation of economic imbalances.

## **Purchasing Managers' Index (PMI)**

An indicator characterizing changes in business activity and operating conditions of private enterprises in manufacturing and services. The indicator is calculated on the basis of monthly surveys of purchasing managers. PMI values above 50 points signal an increase in business activity, while those below that level signal a decrease.



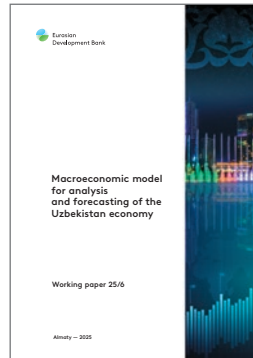
# Research at the EDB website



## Report (RU/EN)

### The Future of Islamic Finance in Central Asia

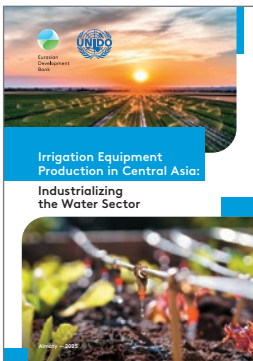
Joint report of the Eurasian Development Bank (EDB), the Islamic Development Bank Institute (IsDBI) and the London Stock Exchange Group (LSEG).



## Report 25/6 (RU/EN)

### Macroeconomic model for analysis and forecasting of the Uzbekistan economy

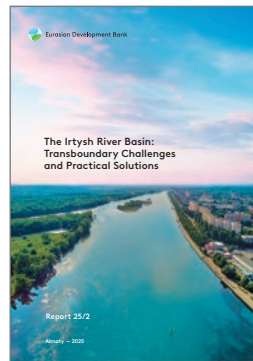
The working paper presents the developed model of macroeconomic analysis and forecasting of the Uzbekistan economy. The integration of the new model into the EDB's model complex makes it possible to more accurately and comprehensively forecast the economic development of the Bank's region of operations, while taking into account close cross-country relationships.



## Report (RU/EN)

### Irrigation Equipment Production in Central Asia: Industrializing the Water Sector

Irrigation equipment production in Central Asia is becoming a strategic area for ensuring food security and efficient water resource management. A new report by EDB and UNIDO provides a detailed analysis of the current state of the market, a forecast of its development and recommendations for creating conditions for local production.



## Report 25/2 (RU/EN)

### The Irtysh River Basin: Transboundary Challenges and Practical Solutions

A recent study by the Eurasian Development Bank, titled "The Irtysh River Basin: Transboundary Challenges and Practical Solutions," presents the findings of a diagnostic analysis and a forecasting model of the basin's water resources. The study identifies the positions of the three countries involved and puts forward a series of practical solutions, including investment recommendations.



## Report 25/1 (RU/EN)

### Mutual Investments on the Eurasian Continent: New and Traditional Partners

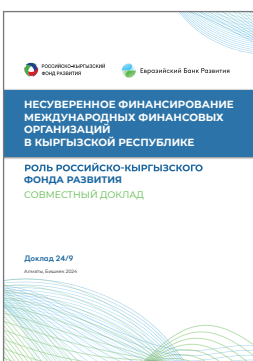
The report contains detailed information on the scale, dynamics, geographical and sectoral structure of mutual direct investment stock between the countries of the Eurasian region, on the one hand, and China, Türkiye, Iran, and the Gulf states, on the other hand, for the period from 2016 to the first half of 2024.



## Report 24/10 (RU/EN)

### EDB Monitoring of Mutual Investments – 2024. Eurasian Region

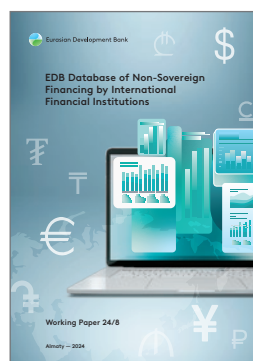
The report contains detailed information on the scale, dynamics, geographical and sectoral structure of mutual direct investments of the Eurasian region from 2016 to 1H of 2024.



## Report 24/9 (RU)

### Non-sovereign financing of international financial organizations in the Kyrgyz Republic

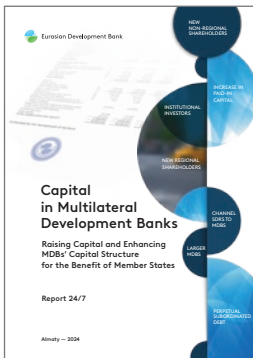
The report contains a comprehensive analysis of non-sovereign financing operations by international financial institutions in the Kyrgyz Republic over the last decade.



## Report 24/8 (RU/EN)

### EDB Database of Non-Sovereign Financing by International Financial Institutions

Non-Sovereign Financing (NSF) Database is EDB's new analytical project. The EDB Database is a dynamic tool for timely monitoring and analysis of non-sovereign operations of IFIs in the Eurasian region.



**Report 24/7**  
(RU/EN)

**Capital in Multilateral Development Banks**

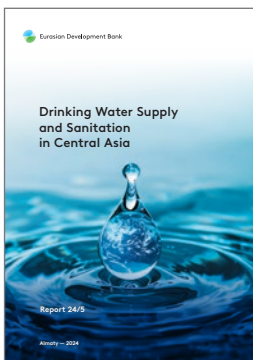
This paper covers the whole ‘MDB family’ of institutions but highlights regional and sub-regional MDBs because of their specifics of raising shareholders’ capital. The study discusses seven standard and novel options for increasing capital



**Report 24/6**  
(RU/EN)

**The Eurasian Transport Network**

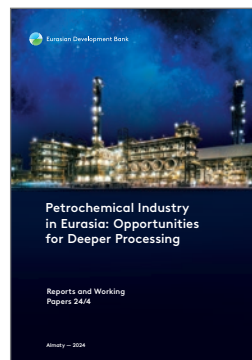
The report examines ten system elements of the Eurasian transport framework concept. Among them are the formation of a transport crossroads in Central Asia, priorities for intraregional transport connectivity, an impetus for realizing the agro-industrial potential of the countries of the region, and improvement of soft infrastructure.



**Report 24/5**  
(RU/EN)

**Drinking Water Supply and Sanitation in Central Asia**

In Central Asia, 10 million people do not have access to safe drinking water. Given the priority importance of drinking water for public health and the scale of the challenges, a comprehensive approach is required in the region. A new EDB report presents a set of practical steps that shape such an approach.



**Report 24/4**  
(RU/EN)

**Petrochemical industry in Eurasia: Opportunities for Deeper Processing**

The analytical report uses a balance approach to assess the production and export potential of the petrochemical complex of the Eurasian region (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan, Uzbekistan) in the perspective up to 2035.



**Report 24/3**  
(RU/EN)

**Infrastructure in Eurasia: short-term and medium-term trends**

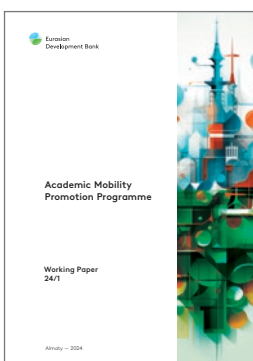
The EDB’s report highlights ten important short- and medium-term investment and institutional trends in the region’s energy, transportation, logistics, water supply and telecommunications sectors.



**Report 24/2**  
(RU/EN)

**Economic Cooperation in Eurasia: Practical Solutions**

The EDB’s report “Economic Cooperation in Eurasia: Practical Solutions” contains a “menu” of pragmatic applied solutions that can be enabled relatively fast and with flexible configurations among participating countries aimed at fostering mutually beneficial economic cooperation among Eurasian countries.



**Report 24/1**  
(RU/EN)

**EDB Monitoring of Mutual Investments – 2023**

Eurasian countries’ FDI stock reached \$48.8 billion by mid-2023, following a 5.4% increase in 2022 and with continued growth in 2023.



**Report 23/5**  
(RU/EN)

**EDB Monitoring of Mutual Investments – 2023**

Eurasian countries’ FDI stock reached \$48.8 billion by mid-2023, following a 5.4% increase in 2022 and with continued growth in 2023.



Eurasian Development Bank

**CENTRE FOR MACROECONOMIC ANALYSIS  
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