

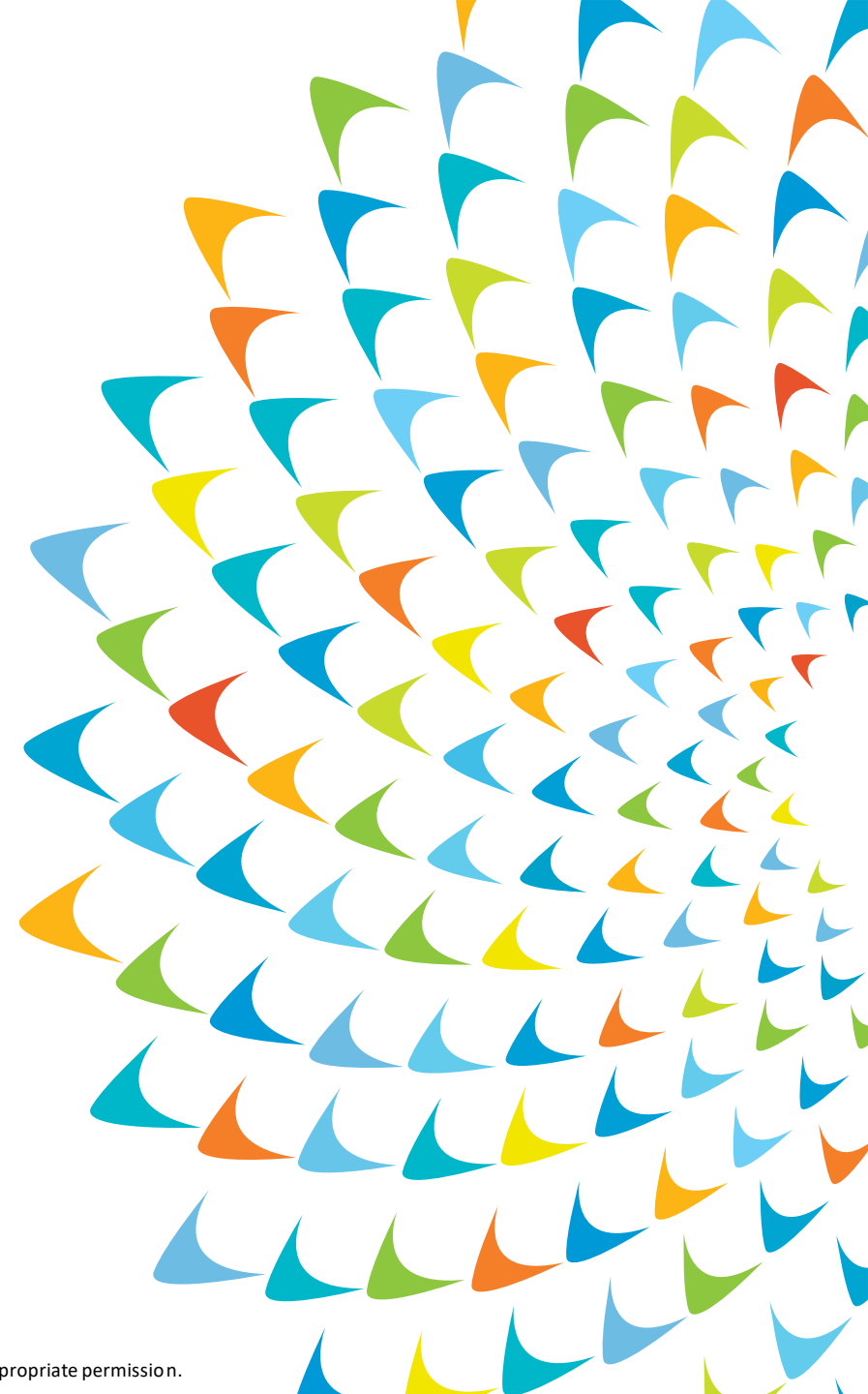


# Central and West Asia Economic Outlook 2024 - 2025

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# Highlights: Economic Performance & Prospects

## GDP Growth Rates (%)

- CWRD economies demonstrate robust growth in the first half of 2024.
- The growth outlook for Caucasus and Central Asia (CCA) was revised upward for 2024 and 2025 in the September 2024 edition of Asian Development Outlook (ADO), reflecting higher growth projections in 5 of the 8 CCA economies.
- Growth projections for Kazakhstan are revised down because of damage from major floods in March 2024 and a cap on oil production imposed by the Organization for the Petroleum Exporting Countries and its partners (OPEC+) in an agreement reached in June 2024.
- Pakistan's growth in FY2024 rebounded as a series of policy reforms stabilized the economy. A comprehensive economic reform program is projected to increase growth in FY2025.

	2023	2024 year-to-date data		ADO Forecasts			
		Growth rate	Period	2024		2025	
				ADO Apr 2024	ADO Sep 2024	ADO Apr 2024	ADO Sep 2024
CCA	<b>5.3</b>			<b>4.3</b>	<b>4.7</b>	<b>5.0</b>	<b>5.2</b>
Armenia	8.3	6.5	H1	5.7	6.0	6.0	6.0
Azerbaijan	1.1	4.3	H1	1.2	2.7	1.6	2.6
Georgia	7.5	9.0	H1	5.0	7.0	5.5	5.5
Kazakhstan	5.1	3.2	H1	3.8	3.6	5.3	5.1
Kyrgyz Republic	6.2	8.1	H1	5.0	6.3	4.5	5.8
Tajikistan	8.3	8.2	H1	6.5	6.5	6.5	6.5
Turkmenistan	6.3	6.3	H1	6.5	6.5	6.0	6.0
Uzbekistan	6.0	6.4	H1	5.5	6.0	5.6	6.2
South Asia	<b>6.8</b>			<b>6.3</b>	<b>6.4</b>	<b>6.6</b>	<b>6.4</b>
Afghanistan	(6.2)	...		...	...	...	...
Pakistan	(0.2)	2.4	FY2024	1.9	2.4	2.8	2.8

Source: ADO September 2024.

downward revision from ADO April 2024

retained from ADO April 2024

upward revision from ADO April 2024



# Highlights: Economic Performance & Prospects

- Inflationary pressures are subsiding in the region.
- Inflation projections for the subregion are revised down amid a slowdown in global inflation, which has tended to lower prices for imports.
- In Kazakhstan, inflation slowed during the first 7 months of 2024. However, inflation expectations for the next 12 months remain elevated because of price increases for state-regulated utilities.
- In Pakistan, inflation eased slightly as the central bank maintained a relatively tight monetary policy while improved crop production curbed a rise in food prices. The central bank has committed to maintaining an adequately tight monetary policy to meet its medium-term inflation target.

## Inflation Rates (%)

	2023	2024 year-to-date data		ADO Forecasts			
				2024		2025	
		Inflation rate	Period	ADO Apr 2024	ADO Sep 2024	ADO Apr 2024	ADO Sep 2024
<b>CCA</b>	<b>10.5</b>			<b>7.9</b>	<b>6.9</b>	<b>7.0</b>	<b>6.2</b>
Armenia	2.0	(0.3)	Jan-Jul	3.0	0.8	3.5	2.5
Azerbaijan	8.8	0.7	Jan-Jun	5.5	2.1	6.5	3.8
Georgia	2.5	1.1	Jan-Jun	3.5	2.5	4.0	3.5
Kazakhstan	14.5	8.9	Jan-Jul	8.7	8.5	6.3	6.1
Kyrgyz Republic	10.8	5.1	Jan-Jun	7.0	6.8	6.5	6.2
Tajikistan	3.8	1.9	Jan-Jun	5.5	5.5	6.5	6.5
Turkmenistan	5.9	...		8.0	5.0	8.0	5.0
Uzbekistan	10.0	9.5	Jan-Jul	10.0	9.5	9.5	9.0
<b>South Asia</b>	<b>8.4</b>			<b>7.0</b>	<b>7.0</b>	<b>5.8</b>	<b>6.1</b>
Afghanistan	10.8	(7.7)	FY2024	...	(7.7)	...	...
Pakistan	29.2	23.4	FY2024	25.0	23.4	15.0	15.0

Source: ADO September 2024.

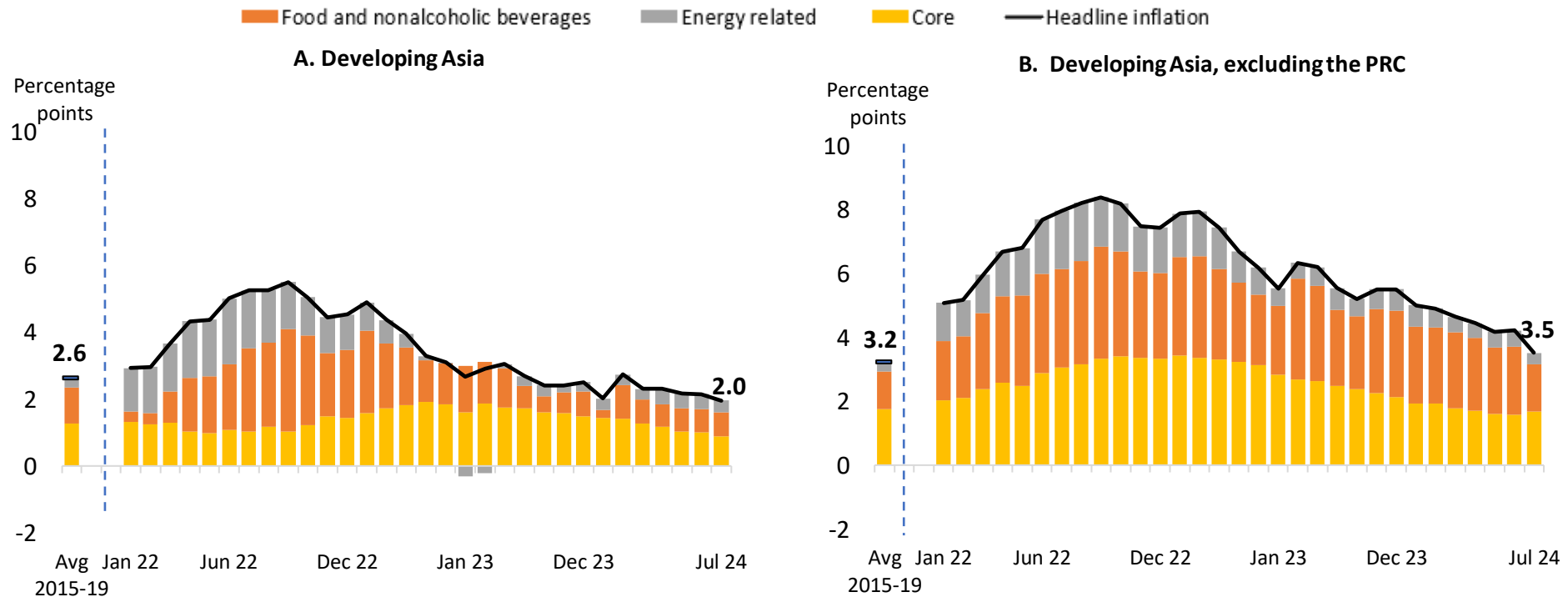
downward revision from ADO April 2024  
retained from ADO April 2024  
upward revision from ADO April 2024



# Inflation continues to ease as price pressures subside

*Inflation in across developing Asia continues to decline, reflecting the impact of past monetary tightening and easing global commodity prices*

## Contributions to Inflation, developing Asia



PRC = People's Republic of China, Avg = average.

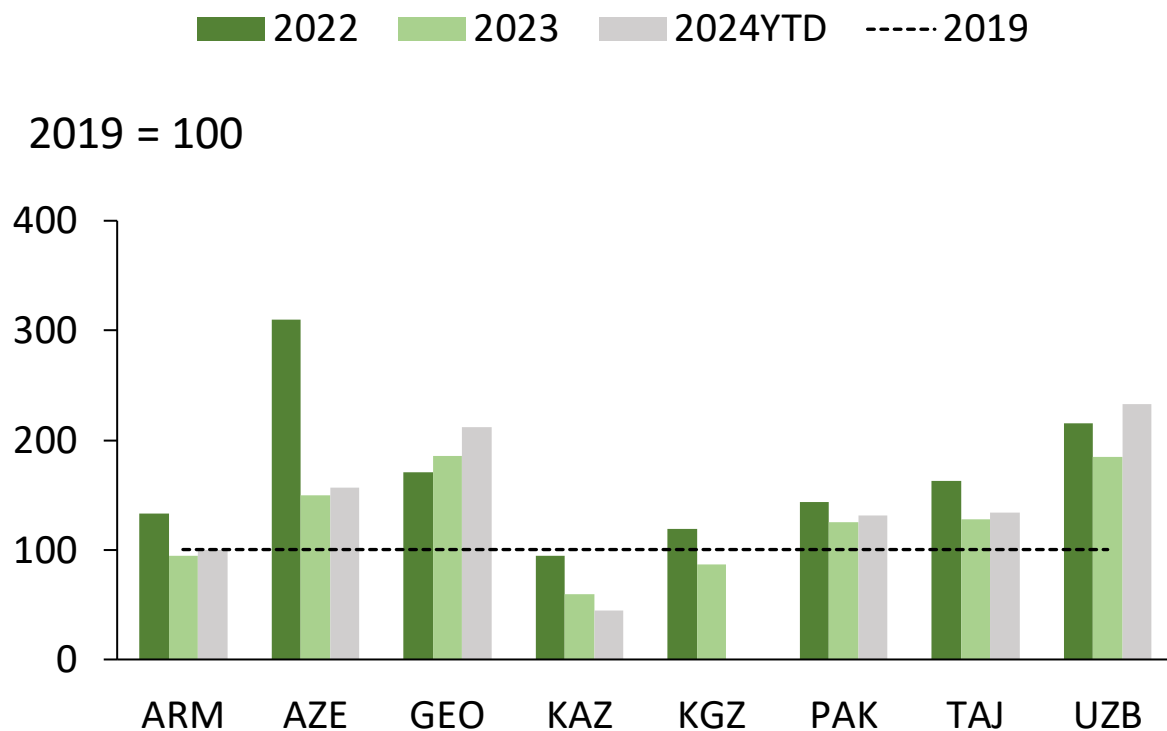
Notes: Core inflation excludes volatile components, i.e., energy and fuel. Regional average is calculated using GDP PPP shares as weights and covers 22 economies.

Sources: Staff calculations using data from Haver Analytics; CEIC Data Company; official sources.



# Increase in personal remittances experienced in some economies

Figure 6. Personal Remittances



PAK: Remittances increased by \$3 billion to \$30.3 billion in FY2024, equal to 8.1% of GDP.

TAJ: Remittances are estimated to have risen by 56% in the first quarter of 2024 from the same period in 2023, with slower growth in the second quarter.

UZB: 25% rise in remittance inflows, mainly from Germany, Poland, the Republic of Korea, and the United States. The government’s programs to diversify the destinations of migrant workers from Uzbekistan helped reduce the share of remittances from the Russian Federation from about 87% in 2022 to 78% in 2023 and 77% in the first half of 2024.

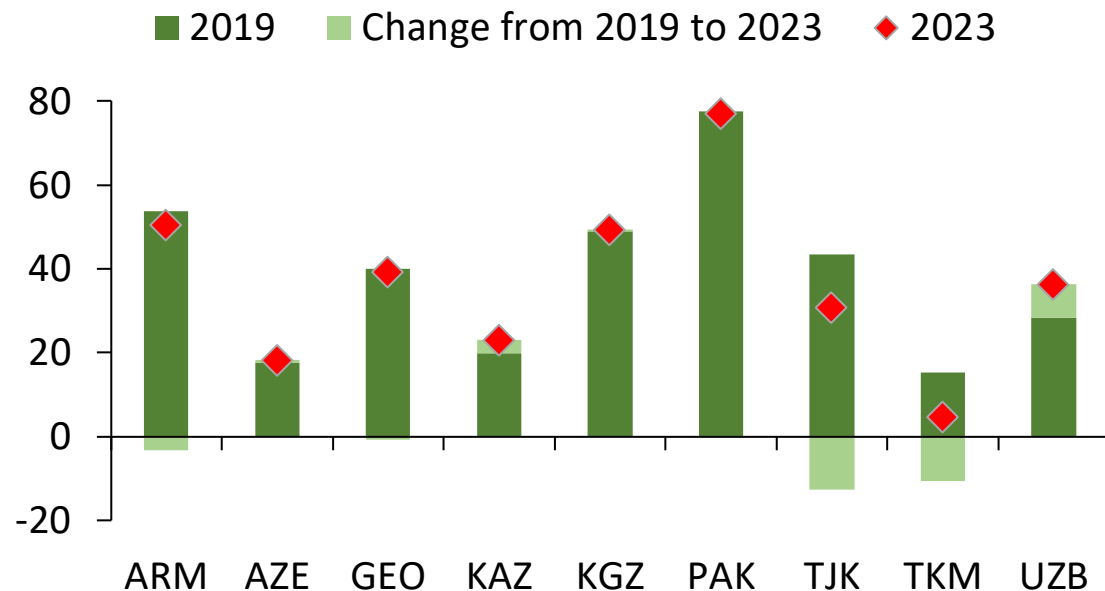
Note: Latest available data for KGZ is 2023 Q2 year-to-date; 2024 year-to-date data are as of quarter 1 for all except for PAK which covers 3 quarters of FY 2024.

Sources: CEIC data company, and Haver Analytics.



## Public-sector debt remained high, but at manageable levels.

Figure 10. General government gross debt(% of GDP)



Sources: World Economic Outlook database, Haver Analytics.

- ARM: Public debt as a share of GDP increased moderately by the end of 2023 from the 2022 level.
- GEO: Public debt declined below the level reached in 2022 and was aided by prudent fiscal policy and local currency appreciation.
- KGZ: Total debt declined slightly as a percentage of GDP, with more domestic debt and less external.
- PAK: Total debt, including domestic and external, increased during Q1–Q3 FY2024, driven by large interest payments
- TJK: Public and publicly guaranteed debt fell in 2023 driven mainly by rapid economic growth and servicing of domestic debt.



# ADB's new Capital Adequacy Framework (CAF)

- ADB has approved **capital management reforms** that unlock **\$100 billion** in new funding over the next decade to address overlapping, simultaneous crises in Asia and the Pacific, including climate change. This is done through the balance sheet optimization.
- The reforms were introduced through an update of ADB's **Capital Adequacy Framework (CAF)**. They expand the bank's annual new commitments capacity to more than \$36 billion—**an increase of approximately \$10 billion annually**, or about 40%.
- Asia and the Pacific is facing an immense climate financing gap. The **Innovative Finance Facility for Climate in Asia and the Pacific (IF-CAP)** is a multi-donor financing partnership facility with the goal of scaling-up finance for accelerated action against climate change in Asia and the Pacific.
- IF-CAP partners will provide **guarantees** for parts of ADB's sovereign loan portfolios to enable ADB to free up capital to increase lending for climate investments. **Supplementary grants** will facilitate project preparation, capacity building, and knowledge solutions.



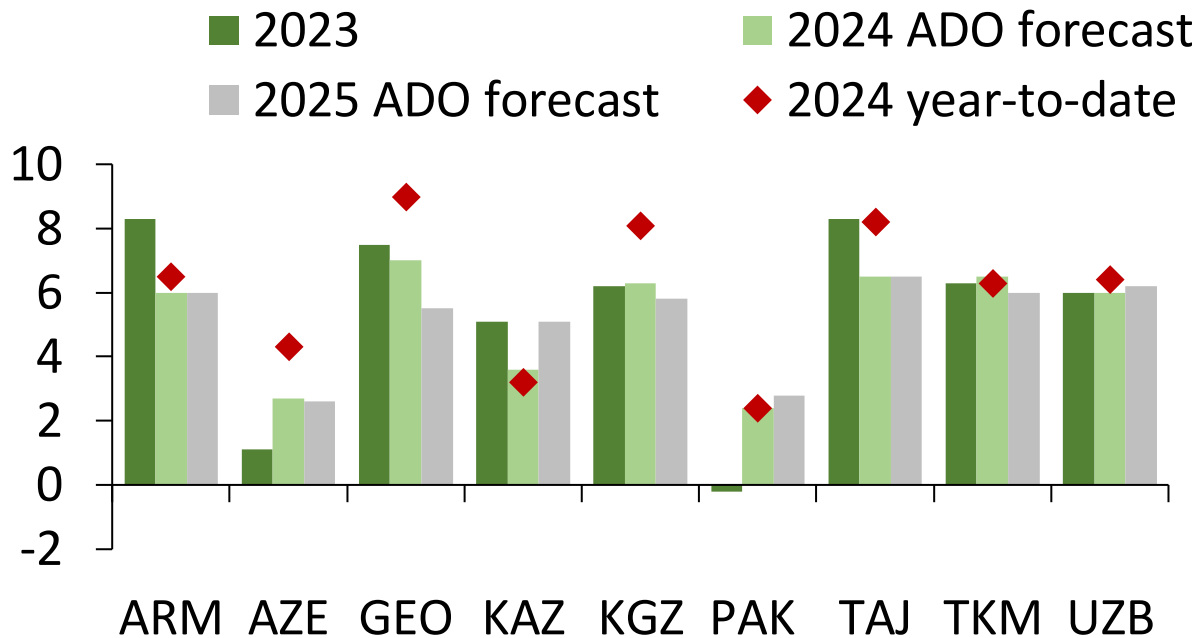
Thank you!





# CWRD economies demonstrate strong year-to-date growth.

Figure 1. Growth Rate of GDP (% per year)



Notes: 2024 year-to-date growth rates are for the first half of 2024. For PAK, GDP growth rate for FY2024 is reflected as 2024 year-to-date. Forecasts are based on ADO September 2024.

Sources: ADO September 2024.

- ARM: Growth moderated but remained strong because of gains in industry reflecting rise in manufacturing, particularly for jewelry production, and gains in utilities.

AZE: Growth accelerated in the first half of 2024 as the non-oil economy expanded, reflecting higher public spending.

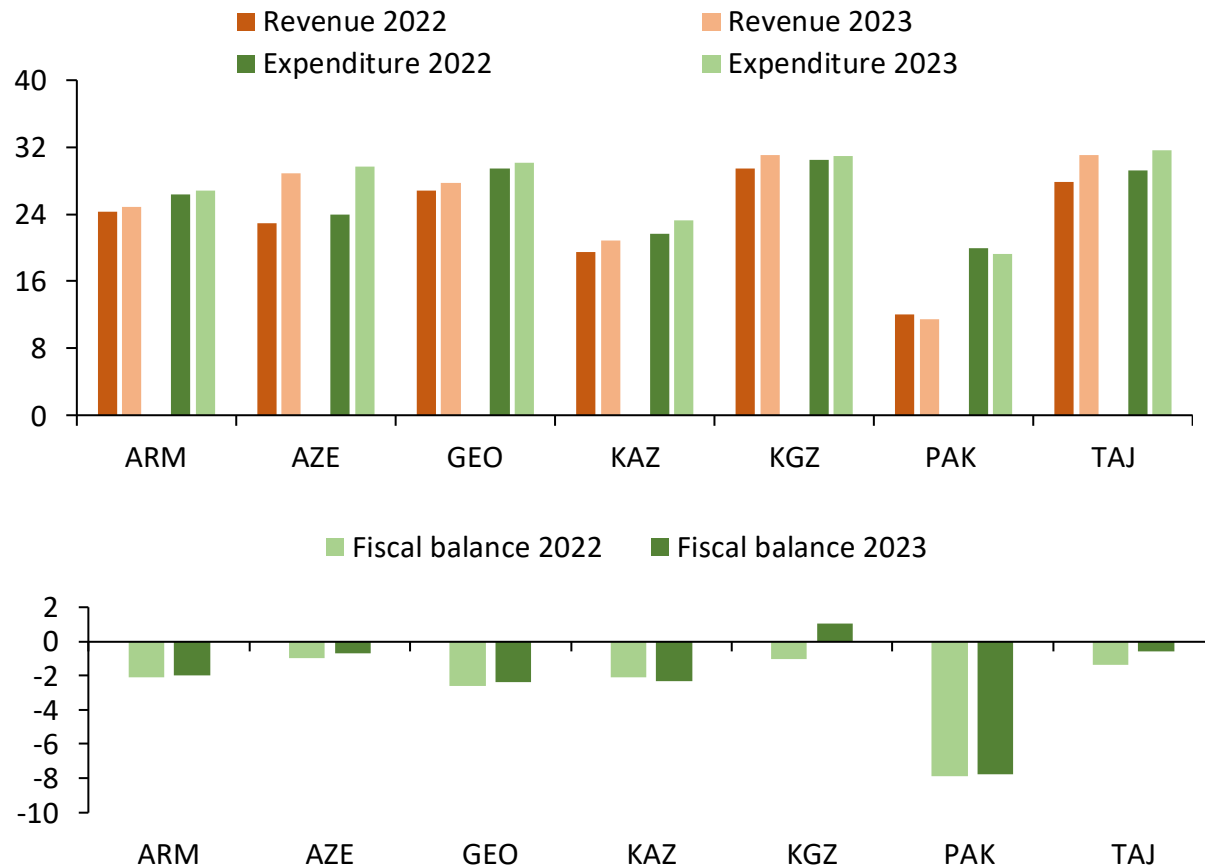
KAZ: Growth slowed in the first 6 months of 2024 as oil production fell and floods undermined expansion in services. On the demand side, data from the first quarter show slowing consumption growth and declines in investment and net exports.

PAK: Pakistan's growth in FY2024 rebounded as a series of policy reforms stabilized the economy. Modest recovery came from higher consumption supported by increased income from agriculture and workers' remittances.



# Fiscal support continued, partially supported by improved tax collection.

Figure 8. Fiscal indicators (% of GDP)



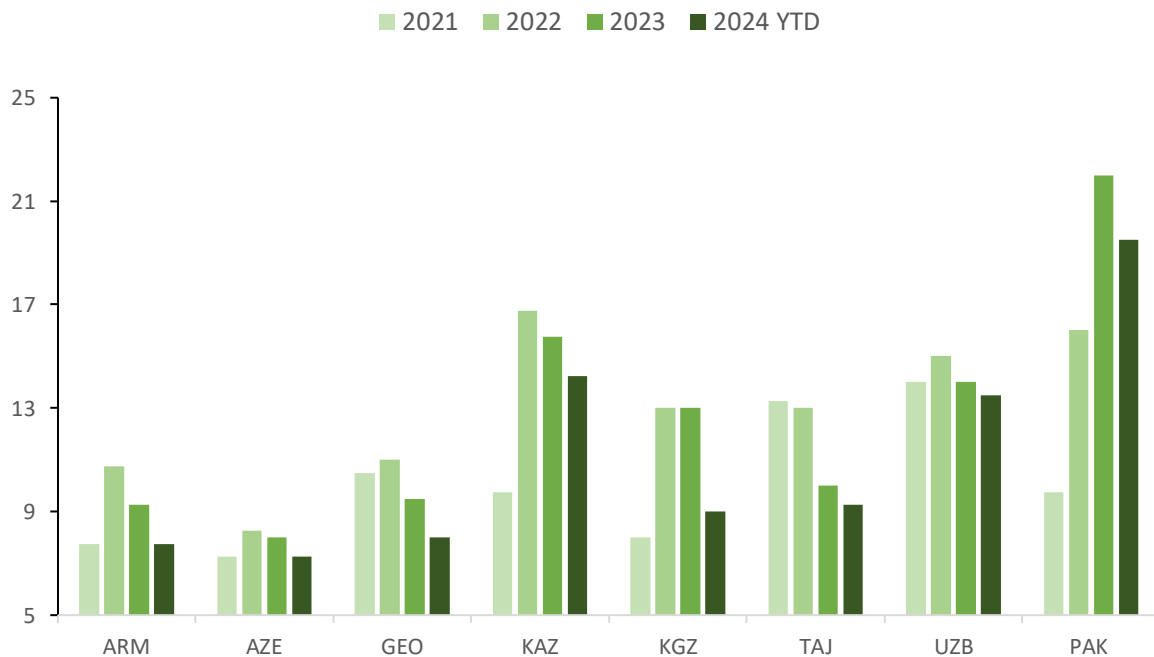
- GEO: Prudent fiscal policy helped keep public debt in check. An 18.5% increase in revenue erased the fiscal deficit during the first half of 2024.
- KAZ: The state fiscal budget deficit was lower by 40.8%, driven down by increased transfers from the National Fund for the Republic of Kazakhstan, which are considered part of total revenue.
- PAK: Fiscal policy remained expansionary as spending growth outpaced revenue.
- TAJ: Higher revenue and constrained spending led to a budget surplus during the first half of 2024.

Sources: ADO September 2024.



# Central banks in some CCA countries have continued easing monetary policy due to slowing inflation.

Figure 9. Policy Rates (% , end of period)



Note: Year-to-date (YTD) data are as of August 2024.

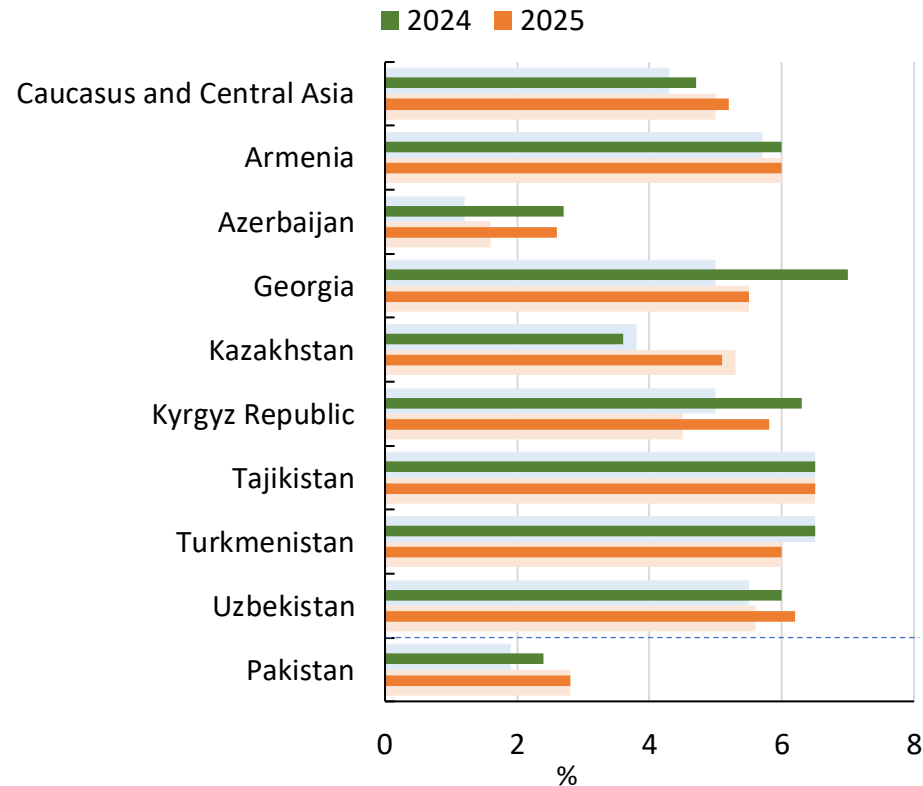
Source: CEIC data company.

- GEO: With inflation slowing, the central bank cut its policy rate in three steps from 9.5% at the start of 2024 to 8.0% in May.
- KAZ: With inflation declining, the central bank reduced its key policy rate in four steps from January to August 2024 by a cumulative 150 basis points to 14.25%.
- KGZ: As inflation fell within its target range of 5%–7%, the central bank lowered its policy rate by a cumulative 400 basis points to 9.0% in two steps in April and May 2024, the first decreases since November 2022.
- UZB: With inflation lower but still above target, the monetary authorities cut the policy interest rate from 14.0% to 13.5% in July 2024, the first reduction since March 2023.
- PAK: Following rapid deceleration in headline inflation in the fourth quarter of FY2024, the central bank reduced the policy rate to 20.5% in June 2024 and further to 19.5% in July.



# Growth outlook for CCA revised up mainly because the majority of the countries registered robust economic growth during the first half of 2024.

Figure 11. GDP Growth Forecasts (%)



GDP = gross domestic product.

Note: Lighter-colored bars are forecasts in Asian Development Outlook April 2024.

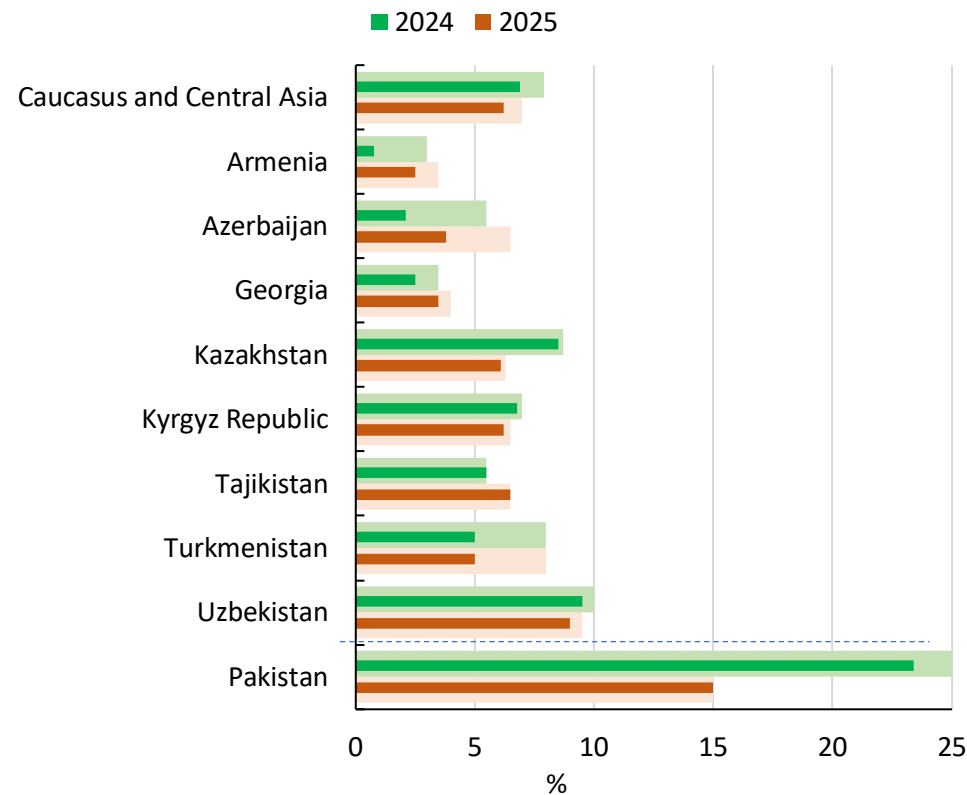
Source: ADO September 2024.

- Upward adjustments reflect higher growth projections for five of the eight subregional economies: Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, and Uzbekistan.
- KAZ: Growth projections are revised down because of damage from major floods from March to May 2024 and a cap on oil production imposed by the Organization for the Petroleum Exporting Countries and its partners (OPEC+) in an agreement reached in June 2024.
- PAK: Comprehensive economic reform program supported by the International Monetary Fund (IMF) is projected to increase growth and reduce inflation in FY2025



# Inflation projections for the subregion are revised down amid a slowdown in global inflation, which has tended to lower prices for imports.

Figure 12. Inflation Forecasts (%)



- KAZ: Inflation is projected to slow somewhat more than earlier forecast because of lower prices for food and imported consumer goods
- PAK: Inflation is projected to decline in 2025 under a stable outlook for international commodity prices.

Note: Lighter-colored bars are forecasts in Asian Development Outlook April 2024.

Sources: ADO September 2024.