

Quarterly Economic Monitor No. 16
Solid growth amidst heightened uncertainty

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Knowledge for Prosperity

In most CAREC economies, GDP growth was higher in 2024 than in 2023

Going forward, ADB/IMF/WB forecast a (moderate) deceleration of growth.

Real GDP growth (% , yoy)

	2015-19	2020	2021	2022	2023	2024	2025F	2026F
							Average ADB, IMF and WB	
Afghanistan	1.9	-2.4	-2.1	-20.7	-6.2	2.3	2.6	2.2
Azerbaijan	0.8	-4.3	5.6	4.6	1.1	4.1	3.2	2.7
PRC	6.7	2.3	8.6	3.1	5.4	5.0	4.4	4.1
Georgia	4.0	-6.3	10.6	11.0	7.8	9.4	6.0	5.0
Kazakhstan	2.5	-2.5	4.3	3.2	5.1	4.8	4.8	4.0
Kyrgyz R.	4.2	-7.1	5.5	9.0	9.0	9.0	6.6	6.1
Mongolia	3.9	-4.6	1.6	5.0	7.4	4.9	6.4	6.0
Pakistan*	3.8	-0.9	5.8	6.2	-0.2	2.5	2.6	3.3
Tajikistan	6.9	4.5	9.2	8.0	8.3	8.4	6.7	5.6
Turkmenistan	6.3	5.9	5.0	6.2	6.3	6.3	4.4	4.1
Uzbekistan	5.8	1.6	8.0	6.0	6.3	6.5	6.1	6.1
CAREC avg.	4.3	-1.3	5.6	3.8	4.6	5.7	4.9	4.5

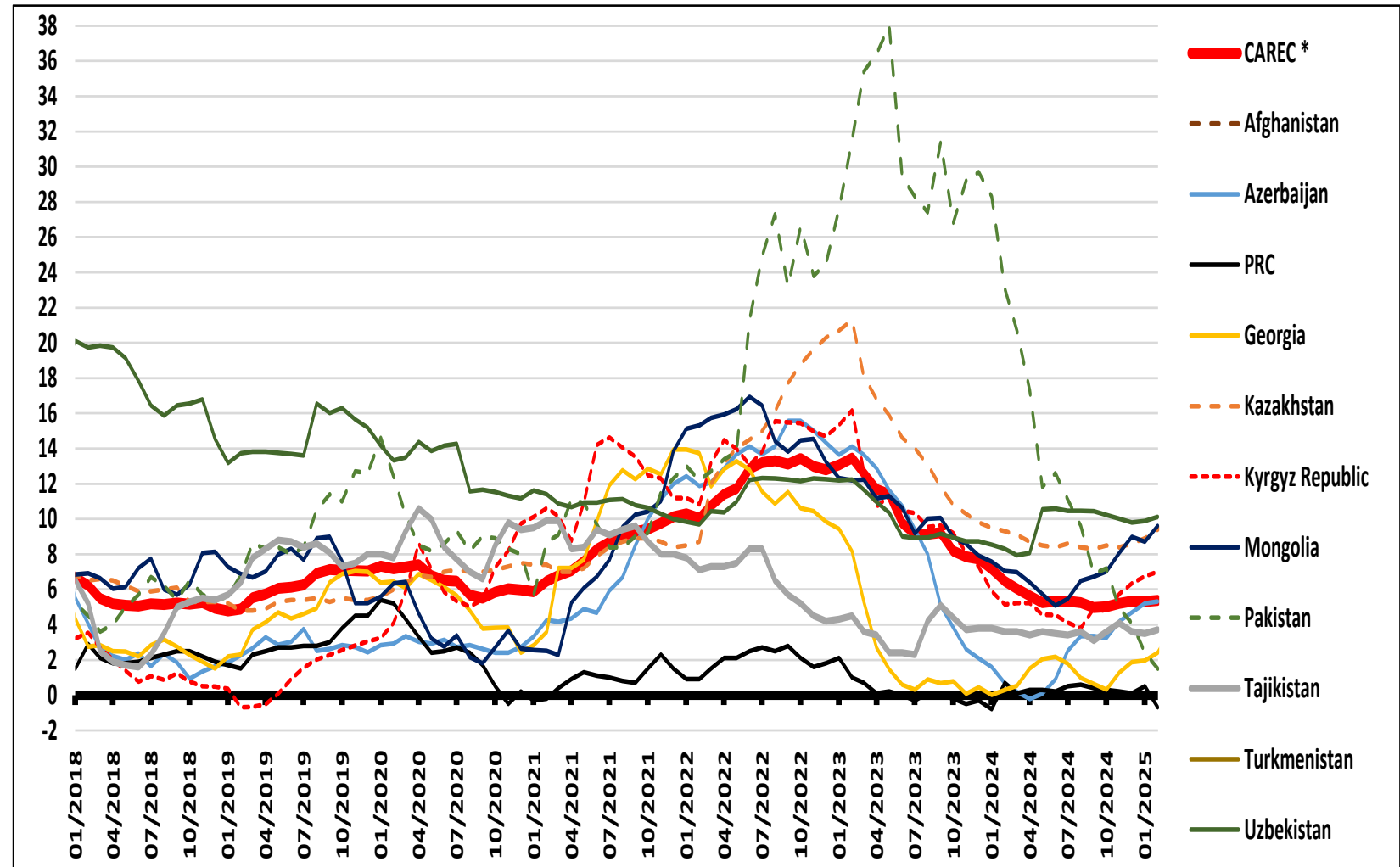
Note: Green figures in 2024 indicate faster growth than in 2023, red figures slower growth. Green figures in the forecasts indicate faster growth than in 2024, red figures slower growth.

Sources: ADB (ADO, April 2025 forecast), IMF (WEO, April 2025 forecast), WB (GEP, Jan 2025 forecast).

Inflation rates have re-increased in the CAREC economies other than Pakistan, Uzbekistan, and the PRC.

Average CAREC annual consumer price inflation was 5.4% in February 2025, 0.4 percentage points higher than at the low in September 2024

Consumer price index (% , yoy)



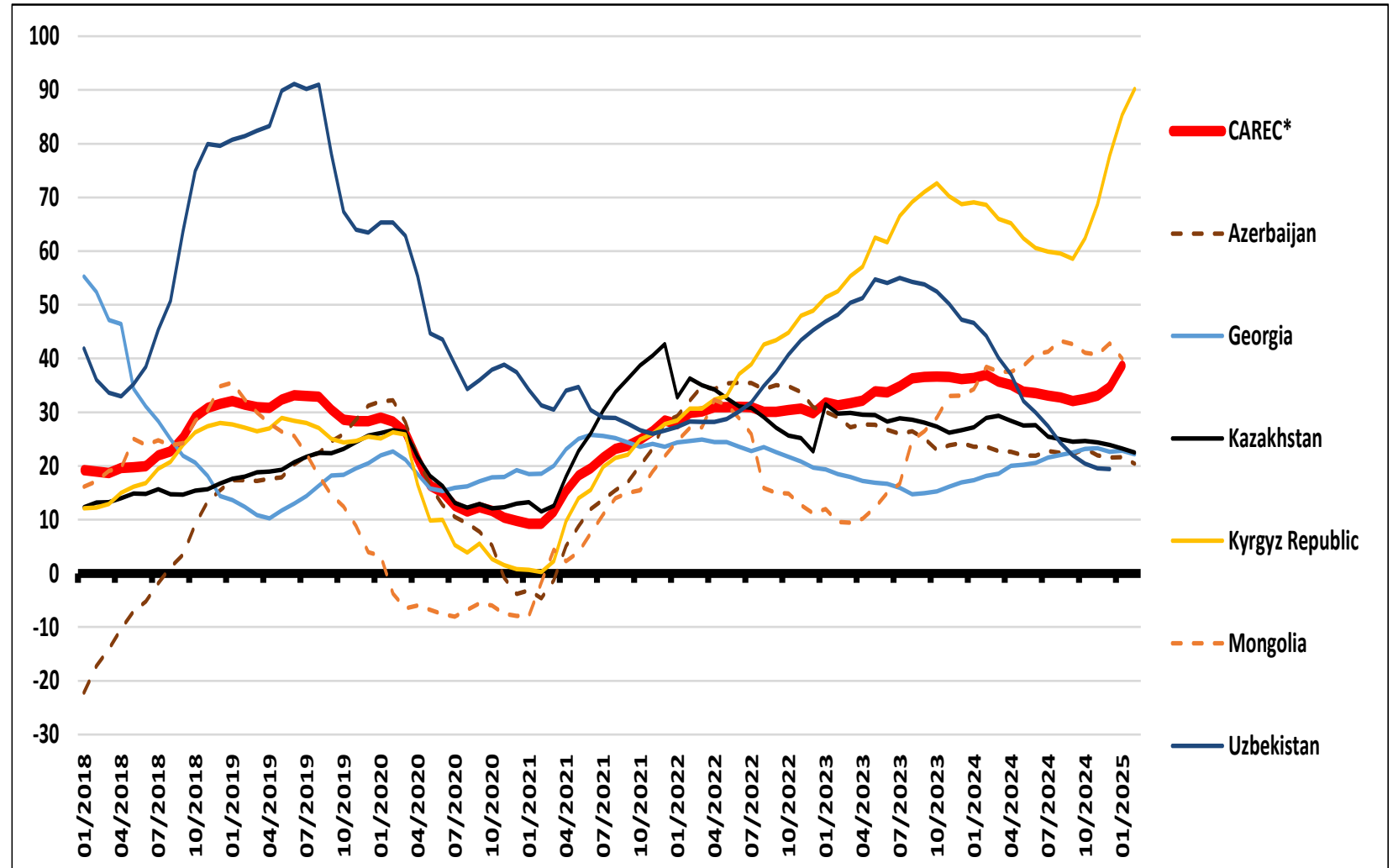
*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

Despite relatively conservative monetary policies, **growth in loans to individuals** remained substantially higher than inflation, in the Kyrgyz Republic and Mongolia much higher.

This contributed to demand-driven GDP growth.

Outstanding bank loans to individuals (% , yoy)



*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

Some messages

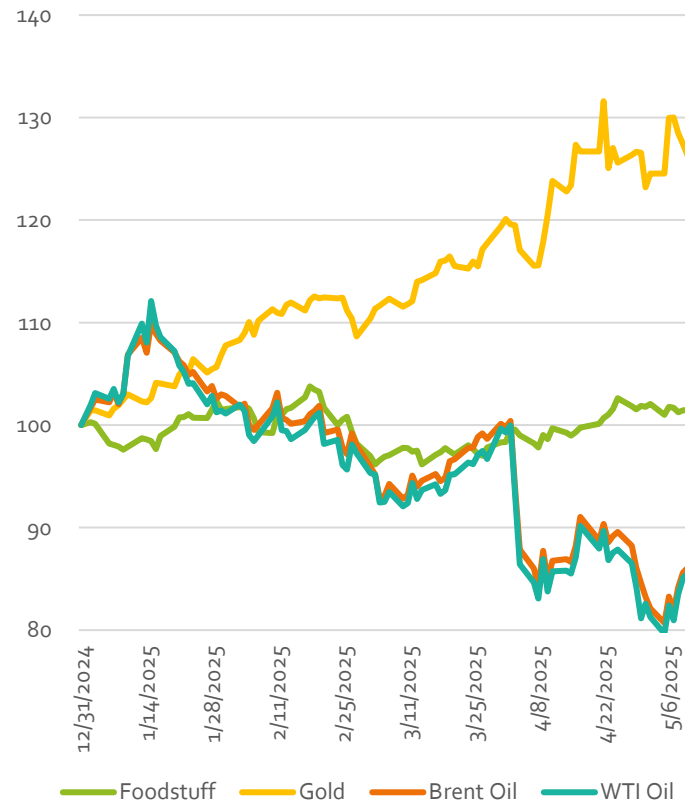


- The CAREC region achieved a **solid economic performance** despite substantial geopolitical and geoeconomic turbulences on top of challenges from **global warming** and **deep technological change**.
- Growth was primarily brought about by **services**, partially by manufacturing, whereas **mining results were still rather mixed**.
- There are **new opportunities**, especially for the **mining** of materials needed for accelerated **electrification and digitalization** and in **transcontinental transportation and trade**.
- While further **adjusting to the challenges**, CAREC countries should **use the new opportunities to preserve decent growth and to further develop production and services**.

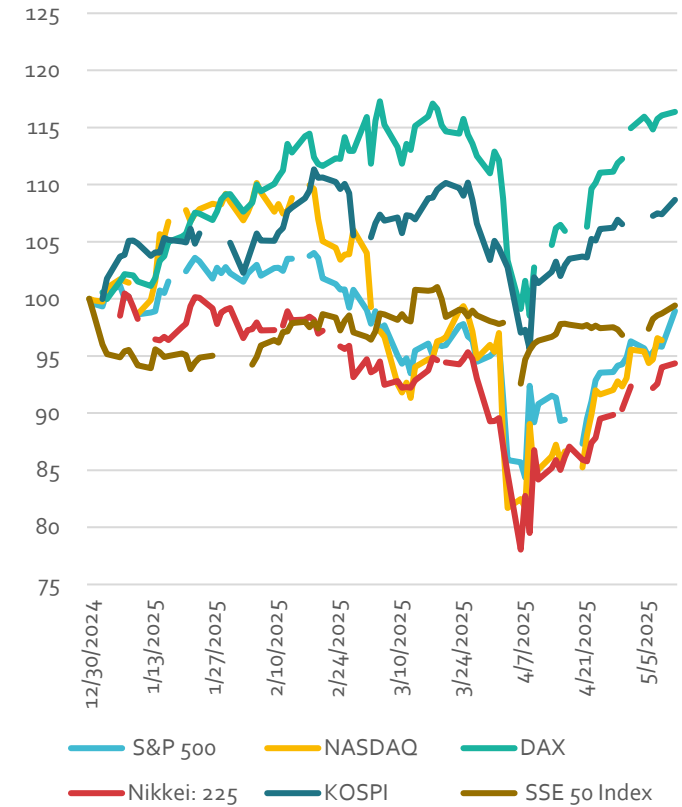
Excursion I.

On the possible impact of global trade tensions on CAREC region

Global Commodity Market Index
(end 2024 = 100)



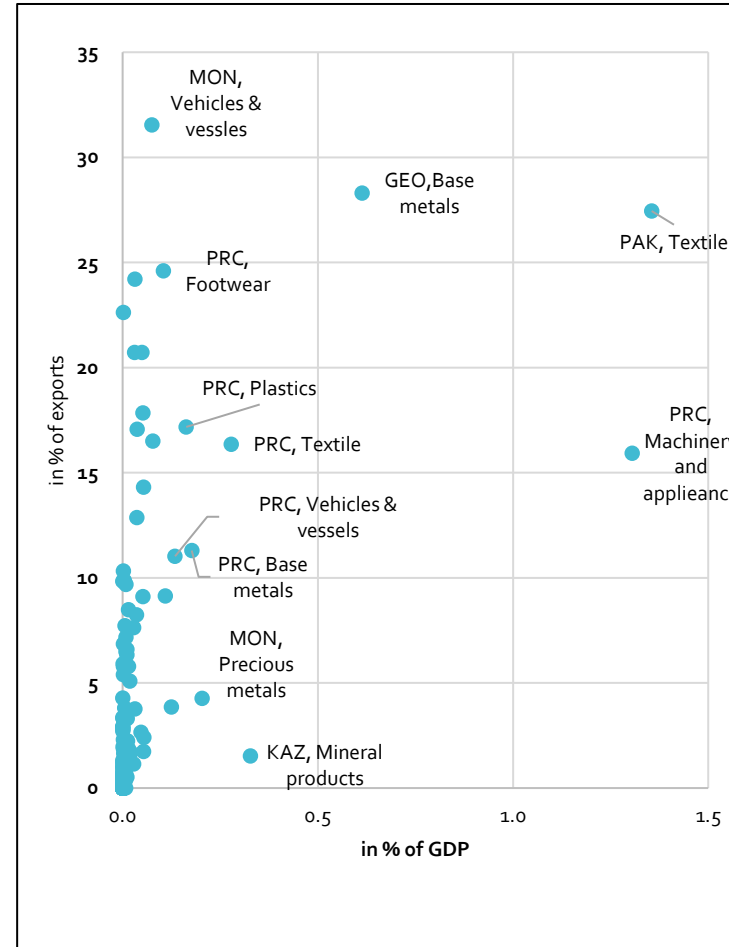
Stock markets
(end 2024=100)



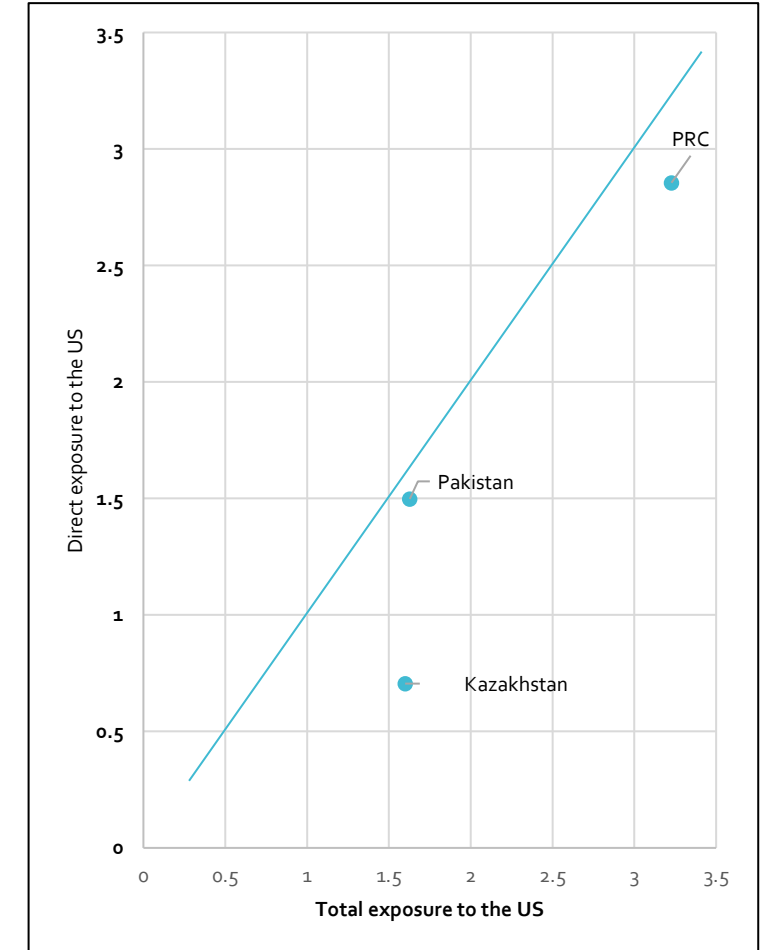
Source: CEIC, authors' calculations.

Most CAREC economies maintain **modest trade exposure to the US market**, with only the PRC and Pakistan running meaningful surpluses

Export of CAREC to the USA



Total exposure to the USA



Source: Trademap, OECD, CEIC, authors' calculations.

**The current
trade tensions
signal a
fundamental
restructuring of
global
economic
relationships**

Challenges:

- Slower global and regional demand
- Lower capital and investment flows
- Exchange rate and inflation pressure
- Lower remittance flows

Opportunities:

- Trade re-orientation
- Supply chain re-alignment

Excursion II.

The PRC's "Two Sessions" - development goals and policy orientations for 2025

Expectations from "Two Sessions"

- Unveil annual growth target
- Outline other key economic indicators such as deficit-to-GDP ratio and inflation target
- Set development priorities (10 major tasks for 2025)
- Review the plan for national economic and social development of the year, as well as the government budgets
- Enact or amend laws
- ...

**GDP target
remains the
same with 2024
at around 5%,
and target for
CPI is 1 p.p.
lower than the
target for the
last year at
around 2%**

Adopt more proactive fiscal policy

- Deficit-to-GDP ratio: 4% (1 p.p. higher)
- Government deficit: 5.66 trillion yuan (1.6 trillion more)
- Expenditure in the general public budget: 29.7 trillion yuan (1.2 trillion more)
- Ultra-long special treasury bonds: 1.3 trillion yuan (300 billion more)
- Special treasury bonds: 500 billion yuan
- Local government special-purpose bonds: 4.4 trillion yuan (500 billion more)
- New government debt: 11.86 trillion yuan (2.9 trillion more)

Apply appropriately accommodative monetary policy

- Make timely cuts to RRR and interest rates
- Further support the housing and stock market
- Promote consumption, scientific and technological innovation, green development, and further support private businesses and SMEs
- Reduce overall financing costs

PRC's major tasks for 2025

Major tasks for 2025 are similar to the ones for 2024, but **boost of consumption was put to the first place this year**

1. Vigorously boosting **consumption and investment returns** and stimulating **domestic demand** across the board
2. Developing **new quality productive forces** in light of local conditions and accelerating the development of a **modernized industrial system**
3. Fully implementing the strategy of **invigorating China through science and education** and boosting the overall performance of China's **innovation system**
4. Accelerating the implementation of **landmark reform** measures and better leveraging the leading role of **economic structural reform**
5. Expanding **higher-standard opening up** and stabilizing **foreign trade and investment**
6. Effectively **preventing and defusing risks** in key areas and ensuring that no systemic risks arise
7. Making every effort to deliver in work relating to **agriculture, rural areas, and rural residents** and taking solid steps to advance **all-around rural revitalization**
8. Advancing **new urbanization** and coordinated **regional development** and further improving the spatial layout of development
9. Making coordinated efforts to cut carbon emissions, reduce pollution, pursue green development, and boost economic growth and accelerating the **green transition in all areas of economic and social development**
10. Working harder to ensure and improve the **people's wellbeing** and enhancing **social governance**

Excursion III.

Indications from Uzbekistan’s WTO accession progress for Turkmenistan

Comparative Analysis of WTO Accession Progress (2024)

Key Factor	Uzbekistan	Turkmenistan
WTO Stage	Advanced market access negotiations	Preliminary FTR submission only
Economic Reforms	Currency floatation, Market-oriented SOE economic activities	More necessary changes under WTO rules
Main Obstacles	Agricultural subsidies, service sector restrictions	Insufficient economic transparency, currency controls
Diplomatic Approach	Multi-engagement, proactive WTO strategy	Relatively slow towards some WTO regulations
Projected Accession	2026-2027	Beyond 2030 (if reforms materialize)

Source: WTO, authors’ compilation.

Central Asia's WTO Accession Journey (1)

□ Early Joiners:

❖ Kyrgyz Republic (1998):

- First post-Soviet & Central Asian WTO member
- Rapid accession (2 years 10 months)
- Reduced tariffs (7% → 5%), opened 90% economy to FDI

❖ Tajikistan (2013) & Kazakhstan (2015):

- Kazakhstan cut tariffs (10.4% → 6.1%), liberalized services (finance, telecom, transport)
- Reformed subsidies & IP laws for WTO compliance

Central Asia's WTO Accession Journey (2)

❑ Current Candidates:

❖ Uzbekistan (Projected 2026-2027):

- Accelerated reforms since 2017
- Multi-vector strategy for economic diversification

❖ Turkmenistan (Delayed):

- Relatively slow structural reforms
- State dominance (gas = 80% GDP), currency disparity
- Pending Foreign Trade Regime Memorandum (2024 deadline)

WTO Accession – Remaining Hurdles & Global Context

□ Turkmenistan's Major Obstacles:

- ❖ Accessible Economic data
- ❖ Sectoral reforms (energy, telecom, transport)
- ❖ Slow legislative alignment with WTO rules
- ❖ EU & ADB providing technical workshops

□ Future Implications:

- ❖ **Uzbekistan:** Likely to join by 2026-2027, boosting trade integration
- ❖ **Turkmenistan:** Needs reforms to benefit from WTO (market efficiency, FDI)

□ Global Uncertainty:

- ❖ **US "Reciprocal Tariff" (2025):** Threatens WTO stability
- ❖ Potential delays for Turkmenistan's accession