

REGIONAL ECONOMIC PROSPECTS



European Bank
for Reconstruction and Development

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Regional Economic Prospects in the EBRD Regions



Under pressure

September 2025

Growth in the EBRD regions (excluding six economies in sub-Saharan Africa and Iraq) averaged 2.8 per cent in 2023 and 2024 before picking up to 3.3 per cent in the first half of 2025. The outturn for the first half of the year was slightly stronger than expected in May 2025, driven by higher growth in the southern and eastern Mediterranean, Central Asia and Türkiye. Elsewhere, outturns were weaker than expected, as record-high trade policy uncertainty weighed on external demand and Russia's war on Ukraine entered its fourth year.

Growth is expected to moderate to 3.1 per cent in 2025 as a whole, before picking up to 3.3 per cent in 2026, as economies in the EBRD regions are under pressure from continued global geopolitical tensions, increased competition from China in export markets and limited fiscal space. The latest forecast represents an upward revision of 0.1 percentage point for 2025 relative to the forecast made in May 2025 and a downward revision of 0.1 percentage point for 2026. While overall revisions are modest, they mark a further divergence in growth trajectories between Emerging Europe (where downward revisions reflect weak external demand, the need for fiscal consolidation and the direct and indirect effects of increased US import tariffs) and the rest of the EBRD regions.

For the first time, the Regional Economic Prospects also cover developments in six economies in sub-Saharan Africa (Benin, Côte d'Ivoire, Ghana, Kenya, Nigeria and Senegal) as well as Iraq. Including these economies, the overall picture remains similar. Growth in the EBRD regions averaged 2.9 per cent in 2023 and 2.8 per cent in 2024 before picking up to 3.3 per cent in the first half of 2025. Growth is expected to moderate to 3.2 per cent in 2025 as a whole before picking up to 3.3 per cent in 2026.

Against this background, average inflation in the EBRD regions continued picking up, from a low point in September 2024, exceeding expectations. It increasingly reflects more expansionary fiscal stances and other demand-side factors.

Increases in US import tariffs that became effective in 2025 (up to end-August) are estimated to push the expected average effective US tariff on imports from the EBRD regions from 1.4 per cent in the first half of 2024 to 4 per cent in the first half of 2025 (allowing for changes in the composition of imports, which have been modest so far). In the first half of the year, US imports from Slovenia, Tunisia and Jordan declined. However, imports from Kazakhstan and Hungary increased, as did US imports of computers, phones, machinery and gold, possibly reflecting front-loading of imports in anticipation of higher tariffs in the future.

China's share of global manufacturing exports increased from less than 10 per cent in 2000 to 25 per cent in 2024, more than those of the United States and Germany combined. As China's exports have grown and become more diversified, China has been increasingly competing with economies in Emerging

Europe and Türkiye, while China's imports are now more complementary to the exports of economies specialising in commodities.

A number of economies in the EBRD regions continue to face high government interest payments as a share of GDP and/or high public debt—in particular in Egypt, Ukraine and Jordan, as well as in Ghana, Kenya and Senegal.

Growth in **central Europe and the Baltic states** picked up from 0.4 per cent in 2023 to 2.1 per cent in 2024 and 2.4 per cent in the first half of 2025 as economies gradually adjusted to a lower supply of Russian gas and higher energy prices following Russia's invasion of Ukraine. Growth is expected at 2.4 per cent in 2025 and 2.7 per cent in 2026. Country-level downward revisions reflect the impact of weaker external demand, fiscal consolidations and the direct and indirect impact of increased US import tariffs, partly offset by higher infrastructure investment.

Growth in the **south-eastern EU** decelerated from 2.3 per cent in 2023 to 1.6 per cent in 2024 on sluggish external demand, a slowdown in investment and more modest fiscal stimulus. Growth picked up to 1.9 per cent in the first half of 2025 and is expected to remain broadly at this level in the near term averaging 1.7 per cent in 2025 and 1.9 per cent in 2026.

Growth in the **Western Balkans** slowed from 3.6 per cent in 2024 to 2.4 per cent in the first half of 2025. It is expected to pick up to 2.7 per cent in 2025 as a whole and 3.2 per cent in 2026. Downward revisions to forecasts since May 2025 reflect increasing spillovers from slower growth in advanced Europe and weaker-than-expected construction and investment in Serbia.

Growth in **Central Asia** picked up from 5.6 per cent in 2024 to 6.6 per cent in the first half of 2025 reflecting strong domestic demand. It is expected to moderate to 6.2 per cent in 2025 as a whole and 5.2 per cent in 2026. Upward revisions reflect stronger-than-expected consumption, high inflows of remittances and continued fiscal stimulus.

In **eastern Europe and the Caucasus**, growth slowed from 4.7 per cent in 2023 to 3.9 per cent in 2024 and 2 per cent in the first half of 2025 as the boost from intermediated trade and inflows of labour and capital to the economies of the Caucasus waned. Growth is expected to pick up to 3 per cent in 2025 and 4.4 per cent in 2026. The 2025 growth forecast for **Ukraine** has been revised down, as the impact of the ongoing Russian aggression has been compounded by weak harvests.

In **Türkiye**, growth moderated from 5.1 per cent in 2023 to 3.2 per cent in 2024 on tighter monetary policy aimed at bringing down persistently high inflation, before picking up slightly to 3.6 per cent in the first half of 2025 on stronger domestic demand. Growth is expected to reach 3.1 per cent in 2025 as a whole, rising to 3.5 per cent in 2026.

After averaging 2.2 per cent in 2023 and 1.2 per cent in 2024 growth in the **southern and eastern Mediterranean** (now including Iraq) picked up to 3.6 per cent in the first half of 2025. Growth forecasts for the region have been revised up, to 3.7 per cent in 2025 and 3.2 per cent in 2026.

Growth in **sub-Saharan Africa** picked up from 4.5 per cent in 2023 to 5.1 per cent in 2024 and 4.7 per cent in the first half of 2025. It is expected to remain at similar levels, averaging 4.7 per cent in 2025 and 4.6 per cent in 2026.

Table 1. GDP growth in real terms

	Actual			Forecast (Sep'25)		Revision since May'25	
	2023	2024	2025H1	2025	2026	2025	2026
EBRD regions excl. SSA and Iraq	2.8	2.8	3.3	3.1	3.3	0.1	-0.1
EBRD regions incl. SSA and Iraq	2.9	2.8	3.3	3.2	3.3		
Central Asia	5.9	5.6	6.6	6.2	5.2	0.7	0.0
Kazakhstan	5.1	4.8	6.2	5.7	4.5	0.8	0.0
Kyrgyz Republic	9.0	9.0	11.4	9.0	6.0	2.0	0.0
Mongolia	7.4	5.1	5.6	5.8	5.5	-0.5	-0.5
Tajikistan	8.3	8.4	8.1	7.5	5.7	0.5	0.0
Turkmenistan	6.3	6.3	6.3	6.3	6.3	0.0	0.0
Uzbekistan	6.3	6.5	7.2	6.7	6.0	0.7	0.0
Central Europe and the Baltic states	0.4	2.1	2.4	2.4	2.7	-0.1	0.0
Croatia	3.3	3.9	3.2	3.2	2.8	0.3	0.2
Czechia	-0.1	1.2	2.4	2.0	2.2	0.4	0.0
Estonia	-3.0	-0.3	0.1	0.5	2.0	-0.8	0.0
Hungary	-0.8	0.5	0.0	0.5	2.0	-1.0	-0.7
Latvia	2.9	-0.4	0.7	0.9	1.9	-0.9	-0.5
Lithuania	0.3	2.8	3.2	2.6	3.2	0.0	0.6
Poland	0.2	2.9	3.4	3.5	3.4	0.2	0.2
Slovak Republic	2.2	2.1	0.6	1.1	1.6	-0.3	-0.2
Slovenia	2.1	1.6	0.1	0.7	2.0	-1.2	-0.3
Eastern Europe and the Caucasus	4.7	3.9	2.0	3.0	4.4	-0.5	0.0
Armenia	8.3	5.9	5.5	5.0	4.5	0.0	0.0
Azerbaijan	1.4	4.1	1.5	2.0	2.5	-1.0	0.0
Georgia	7.8	9.4	8.3	e 7.0	5.0	1.0	0.0
Moldova	0.7	0.1	-1.2	e 1.5	3.8	-0.3	0.0
Ukraine	5.3	2.9	0.9	e 2.5	5.0	-0.8	0.0
South-eastern EU	2.3	1.6	1.9	1.7	1.9	-0.3	-0.5
Bulgaria	1.9	2.8	3.2	3.2	2.6	0.4	0.0
Greece	2.3	2.3	2.0	2.2	2.1	0.0	-0.1
Romania	2.4	0.8	1.4	0.9	1.6	-0.7	-0.8
Southern and eastern Mediterranean excl. Iraq	2.7	2.7	4.6	4.1	4.0	0.6	0.2
Southern and eastern Mediterranean	2.2	1.2	3.6	3.7	3.2		
Egypt	2.9	3.1	5.1	e 4.8	4.5	0.8	0.0
Iraq	0.9	-2.3	1.2	e 2.5	1.4		
Jordan	2.9	2.5	2.7	e 2.4	2.6	0.2	0.2
Lebanon	-0.2	-7.5	4.7	e 1.9	2.9	0.0	0.0
Morocco	3.7	3.8	4.7	e 4.2	4.0	0.7	0.6
Tunisia	0.2	1.6	2.4	2.0	2.1	0.3	0.0
Sub-Saharan Africa	4.5	5.1	4.7	4.7	4.6		
Benin	6.4	6.7	7.4	e 6.6	6.3		
Cote d'Ivoire	6.5	6.0	2.4	e 6.3	6.4		
Ghana	3.1	5.7	5.3	e 4.3	4.8		
Kenya	5.7	4.7	4.9	e 4.7	4.9		
Nigeria	3.3	4.1	3.8	e 3.4	3.3		
Senegal	4.3	6.9	12.1	e 8.4	4.1		
Türkiye	5.1	3.2	3.6	3.1	3.5	0.3	0.0
Western Balkans	3.5	3.6	2.4	2.7	3.2	-0.5	-0.2
Albania	3.9	4.0	3.4	e 3.5	3.5	0.0	0.0
Bosnia and Herzegovina	1.9	2.5	1.7	e 2.2	2.7	-0.3	0.0
Kosovo	4.1	4.4	3.6	e 3.9	3.9	0.0	0.0
Montenegro	6.3	3.0	2.5	e 2.6	2.7	0.0	0.0
North Macedonia	2.1	2.8	3.2	3.0	3.0	0.4	0.3
Serbia	3.8	3.9	2.0	2.5	3.3	-1.0	-0.4
Memo: Egypt (fiscal year to June)	3.8	2.4	3.9	4.5	4.4	0.7	0.0
Memo: Belarus	3.9	4.0	2.1	1.7	2.3	-0.8	-0.2
Memo: Russia	4.1	4.3	1.2	1.3	1.3	-0.2	-0.2

Source: Eurostat for EU economies, national authorities and EBRD. Note: Weights are based on the values of gross domestic product in 2022 at market exchange rates for the line “EBRD regions excluding SSA and Iraq”, for comparability with forecasts made in May 2025. Elsewhere weights are based on GDP at market exchange rates in 2024. The table also includes forecasts for Belarus and Russia notwithstanding the fact that Belarus and Russia have had their access to Bank resources suspended under Article 8.3 of the Agreements Establishing the EBRD. “e” denotes unofficial estimates.

Growth in the EBRD regions (excluding sub-Saharan Africa and Iraq) picked up from 2.8 per cent in 2024 to 3.3 per cent in the first half of 2025

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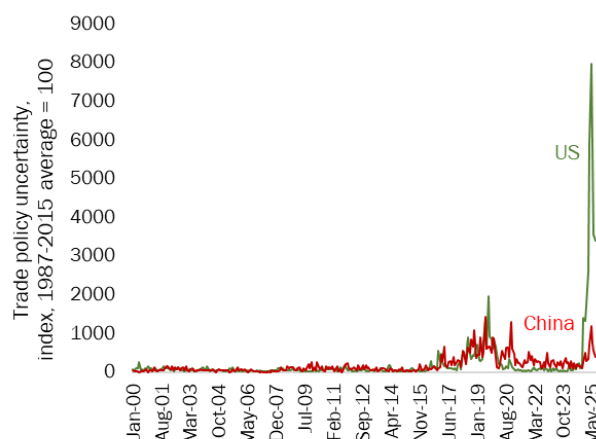
Expanded geography of coverage

For the first time, the Regional Economic Prospects also cover developments in six economies in sub-Saharan Africa (Benin, Côte d'Ivoire, Ghana, Kenya, Nigeria and Senegal) as well as Iraq. Including these economies, the overall picture remains similar: growth averaged 2.9 per cent in 2023 and 2.8 per cent in 2024 before picking up to 3.3 per cent in the first half of 2025. These new economies together account for around 12 per cent of the new EBRD average (country weights are based on GDP at market exchange rates in 2024), with Iraq and Nigeria having the largest weights (accounting for around 4 and 3 per cent respectively; see Annex Table 1).

Trade policy uncertainty remains elevated

Trade and economic policy uncertainties spiked in April 2025 reflecting unknowns surrounding potential increases in tariffs on US imports and reciprocal measures by US trade partners. The measures of policy uncertainty have since come down from their peaks but remain high in historical perspective (see Charts 1 and 2).

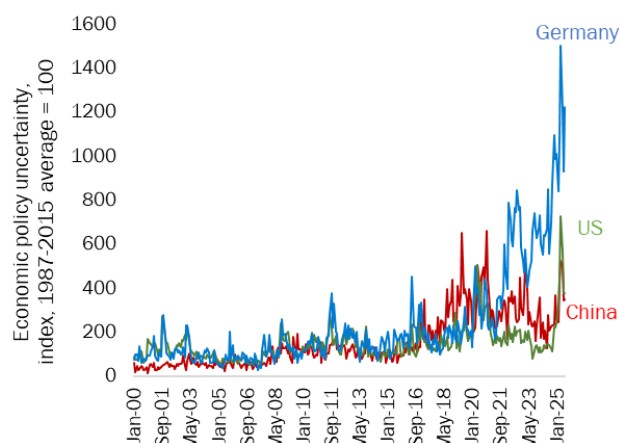
Chart 1. Trade policy uncertainty has come down from its April 2025 peak but remains very high



Source: CEIC, Baker, Bloom and Davis (2016) and authors' calculations.

Note: Latest observation is July 2025.

Chart 2. Economic policy uncertainty has also peaked but remains elevated



Source: CEIC, Baker, Bloom and Davis (2016) and authors' calculations.

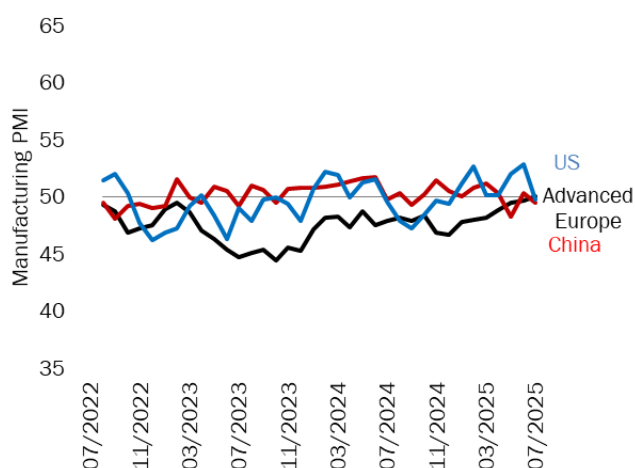
Note: Latest observation is July 2025.

Purchasing managers' indices (PMIs) point to a divergence between manufacturing and services (see Charts 3 and 4, where a value above 50 represents an increase relative to the previous month, while a value below 50 represents a decrease). Manufacturing PMIs remained depressed in advanced European economies for several years before recovering somewhat in the summer of 2025 while PMIs in the United States

and China fluctuated around neutral readings. In contrast, services PMIs have been in expansion for over two years in major economies, with a recent acceleration in the United States. This is also in line with services consumption having rebounded from its trough during the Covid-19 pandemic, to around pre-Covid levels. Investment has remained sluggish as discussed in Box 1.

In the United States, growth in the second quarter of 2025 picked up relative to the first quarter, supported by strong consumption, but investment stayed weak. The German economy experienced a sharper contraction than previously estimated, on manufacturing weakness and a larger-than-expected fall in investment, despite expectations of higher future spending on defence and infrastructure.

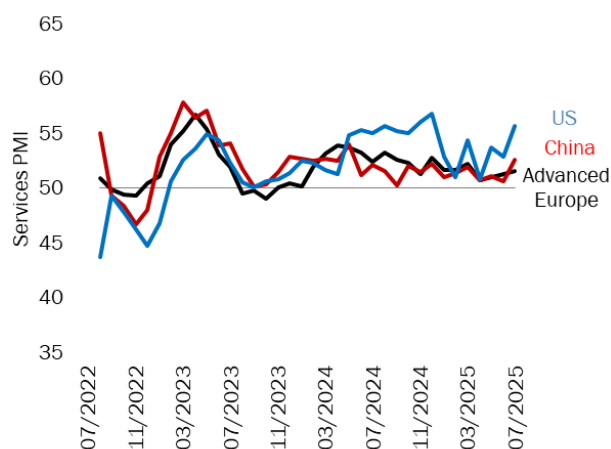
Chart 3. Manufacturing PMIs remained depressed in advanced economies as well as in China



Source: CEIC and authors' calculations.

Note: Advanced Europe based on IMF country grouping excluding economies in the EBRD regions. Latest observation is July 2025.

Chart 4. Services PMIs have been expanding in major economies, with a recent acceleration in the US



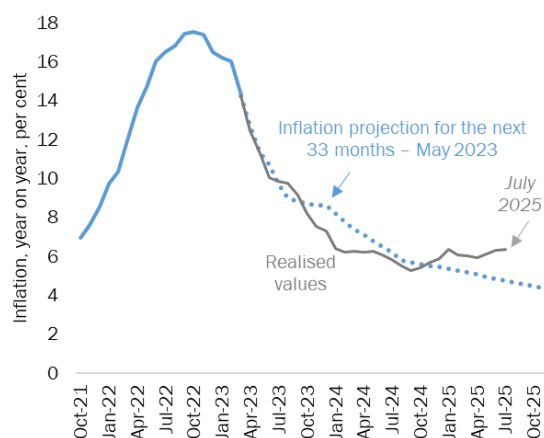
Source: CEIC and authors' calculations.

Note: Advanced Europe based on IMF country grouping excluding economies in the EBRD regions. Latest observation is July 2025.

Inflation rising

Average inflation in the EBRD regions (excluding sub-Saharan Africa and Iraq) peaked at 17.5 per cent in October 2022 and bottomed out at 5.3 per cent in September 2024. It has since been rising reaching 6.4 per cent on average as of July 2025 (see Chart 5) and deviating markedly from the path of disinflation predicted back in May 2023 (shortly after inflation peaked).

Chart 5. Average inflation has been rising above expectations



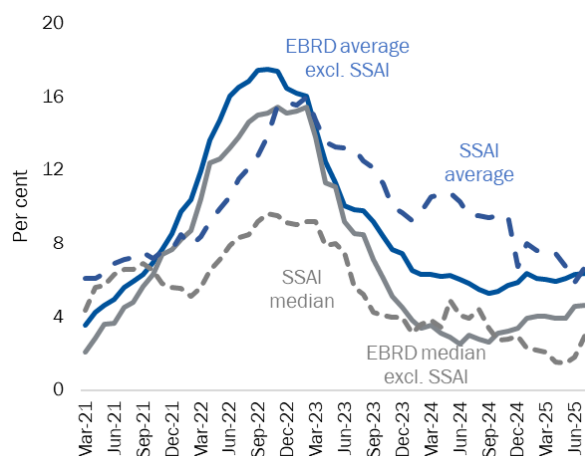
Source: May 2023 Regional Economic Prospects based on IMF, national authorities via CEIC, World

Bank Global Inflation database and authors' calculations.

Note: Simple average across 33 economies in the EBRD regions (excluding Ukraine 2024 onwards and excluding sub-Saharan Africa and Iraq). Dashed line denotes a month-to-month curve fitted based on end of-year and annual average April 2023 IMF inflation forecasts. Grey line denotes data releases after the May 2023 *Regional Economic Prospects*.

Inflation patterns in sub-Saharan Africa and Iraq (SSAI) are broadly similar to those observed in the rest of the EBRD regions, with elevated rates in 2022-23 (see Chart 6). Including sub-Saharan Africa and Iraq (which were not yet included in the predictions made in May 2023), average inflation peaked at 17 per cent in November 2022, bottomed out at 6 per cent in September 2024 and reached 6.2 per cent as of July 2025. Inflation remains highest in Nigeria and Ghana (around 22 and 12 per cent respectively as of July 2025).

Chart 6. Inflation patterns in SSAI are broadly similar to those observed in the rest of the EBRD regions



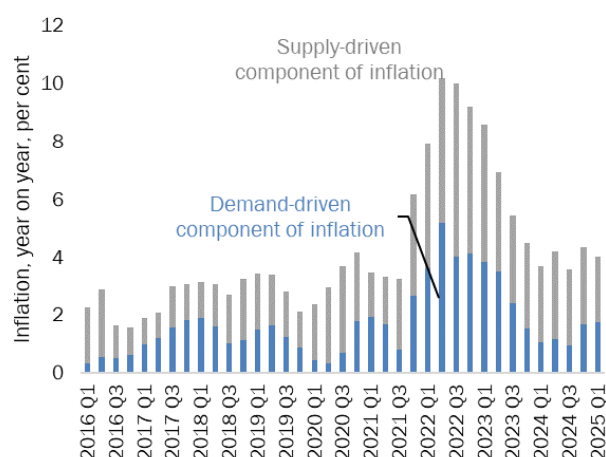
Source: Refinitiv and authors' calculations.

Note: Simple average and median across six economies in sub-Saharan Africa and Iraq (included for the first time in the *Regional Economic Prospects*) and 33 economies in the rest of the EBRD regions.

The increase has been broad-based: median (typical) inflation points to an even stronger pick-up since September 2024, from 2.6 per cent to 4.5 per cent in July 2025 (these calculations include sub-Saharan Africa and Iraq).

As the impact of supply-side drivers of inflation (high energy and food prices and supply chain disruptions post-Covid) waned, inflationary pressures have been increasingly demand-driven, reflecting expansionary fiscal stances (see Chart 7, which extends the decomposition of inflation into supply- and demand-side factors presented in the earlier *Regional Economic Prospects*).¹

Chart 7. Inflation is increasingly driven by demand-side factors



Source: CEIC, national statistical agencies and authors' calculations.

Note: Medians across Czechia, Egypt, Estonia, Greece, Hungary, Kazakhstan, Latvia, Poland, Romania and Türkiye. The inflation decomposition is obtained by estimating a VAR model using the deflator and the volume of a particular sector in first differences with four lags. This VAR model looks at whether inflation in each individual sector can be attributed to supply- or demand-driven factors, following the methodology used in Shapiro (2022).

¹ See also Shapiro (2022), EBRD (2025a, b) and Firat and Hao (2023).

Impact of increases in US import tariffs

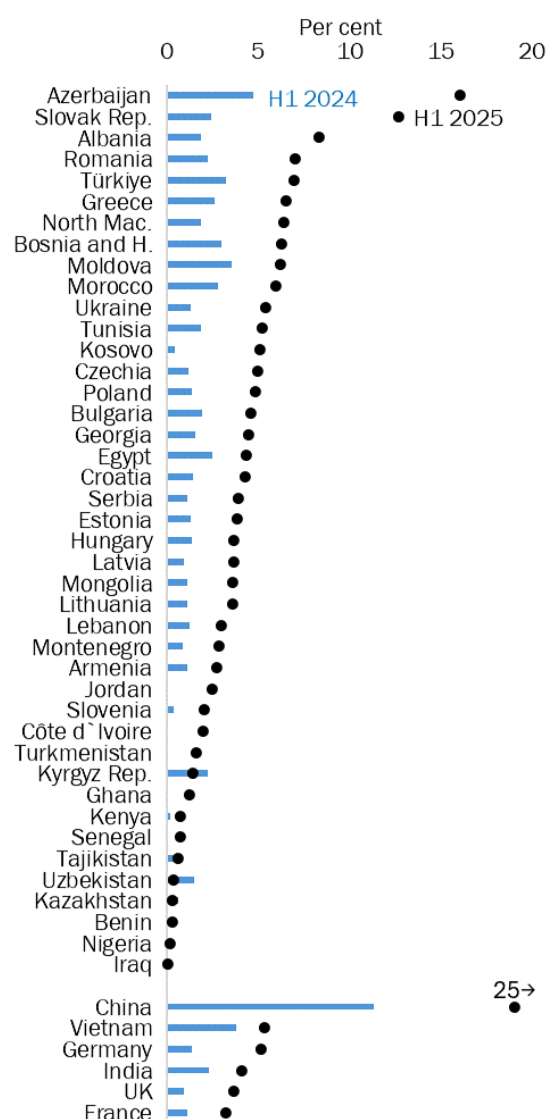
US import tariffs in place as of August 2025 include a 10 per cent baseline tariff on all imports (subject to some good-specific exemptions and USMCA-based exemptions), country-specific tariffs based on trade deals (such as the 15 per cent tariffs on imports from the EU) or unilateral tariffs (such as the 39 per cent tariff faced by Switzerland), as well as goods-specific tariffs on cars and car parts (25 per cent) and steel and aluminium (50 per cent).

The effective average tariff rate on US imports from the EBRD regions rose by 2.7 percentage points, from 1.4 per cent in the first half of 2024 to 4.1 per cent in the first half of 2025 (see Chart 8). This rate is calculated as a ratio of import duties collected by the US to US total imports from a given economy and thus takes into account both changes in tariffs and changes in the product structure of a country's exports to the US.

Changes in the composition of imports from any given economy have been modest so far. With unchanged trade structures, the average tariff would have, if anything, registered a smaller increase, of 2.3 percentage points. A similar picture holds globally, with the effective tariff rate on US imports rising from 1.1 per cent to 3.4 per cent (3.1 per cent with unchanged export structures). This could be consistent with US imports from China being replaced by imports from other economies facing lower *relative* tariffs (shifting trade flows across economies, as discussed in detail in the following), but no clear behavioural adjustment within individual economies.

US imports increased by 13 per cent in the first half of 2025 relative to the first half of 2024. Over the same period, collected import duties in the US increased by 161 per cent reaching US\$ 94 billion. Had the structure of imports remained unchanged at the country-product level, with no substitution away from imports from China to other sources, the increase would have been even larger, at around 176 per cent.

Chart 8. The average effective tariff rate on US imports from the EBRD regions rose by 2.7 percentage points for the EBRD regions

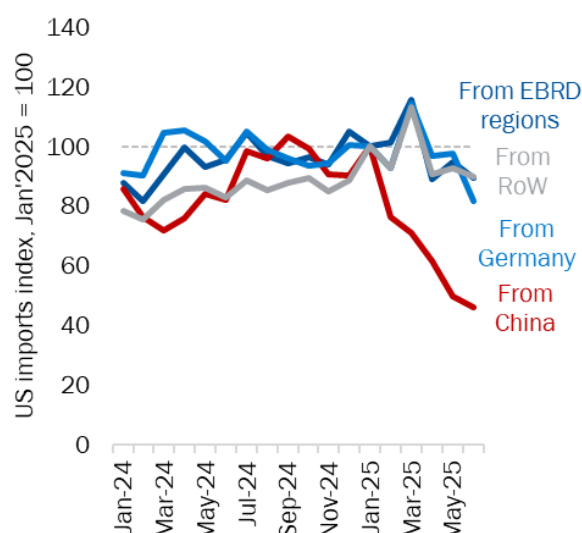


Source: USITC and authors' calculations.

Note: The estimate for Azerbaijan is driven by exports of aluminium to the US which were already subject to a high tariff rate in 2024.

Reflecting changes in relative tariff rates, the geography of US imports shifted since January 2025. US imports from China fell by US\$ 31 billion between the first half of 2024 and the same period of 2025. This decline is equivalent to around 0.4 per cent of China's GDP on a six-month basis (see Chart 9). Imports from Germany dropped by only about 0.04 per cent of Germany's GDP over the same period.

Chart 9. US imports from China fell sharply

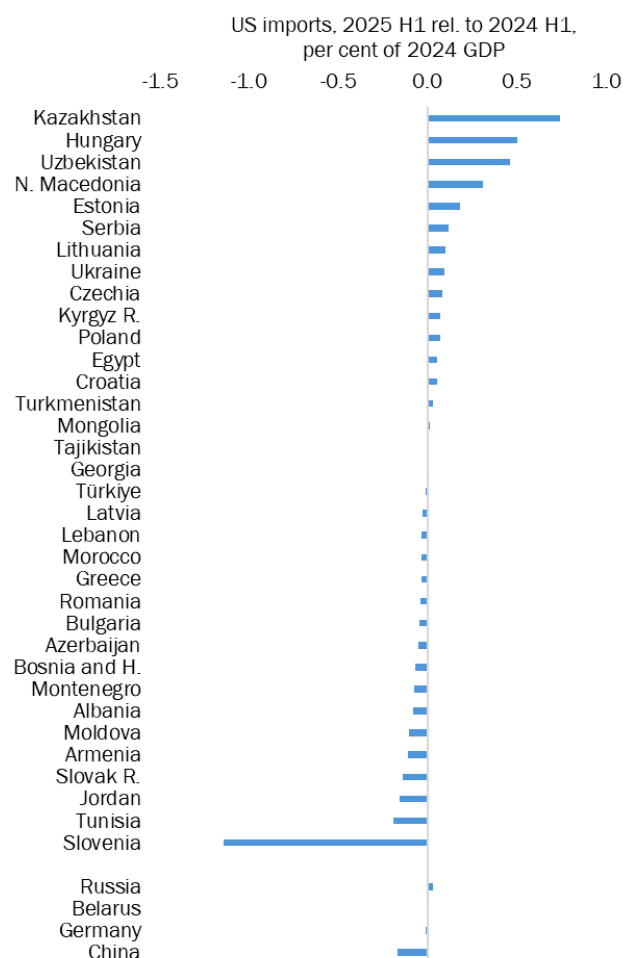


Source: UN COMTRADE and authors' calculations.
 Note: Latest observation is June 2025. EBRD regions refers to total US imports from economies in the EBRD regions. Based on imports reported by the US.

While imports from the EBRD regions as a whole increased (up 8 per cent in the first half of 2025 relative to the first half of 2024), US imports from Slovenia declined by around US\$ 830 million (equivalent to 1.1 per cent of Slovenia's annual GDP, mostly on account of medicines highly integrated in a supply chain with Switzerland, which in turn faces high US import tariffs). Declines in US imports were also observed for Tunisia (olive oil, fertilisers, 0.2 per cent of GDP) and Jordan (jewellery, fertilisers, 0.2 per cent of GDP).

In contrast, US imports from Kazakhstan (mostly precious metals) and Hungary (medicines, computers) increased, likely reflecting frontloading of trade in anticipation of potential higher tariffs in the future (see Chart 10). Changes are based on imports as reported by the US and could in part reflect changes in supply chains and the country of origin as labelled by the suppliers.

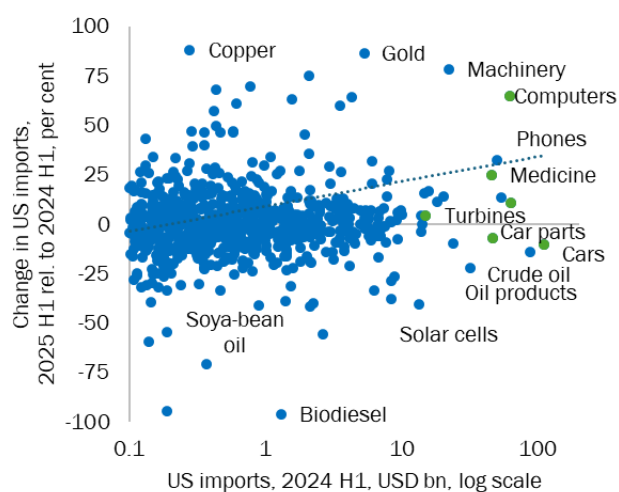
Chart 10. US imports from Slovenia, Tunisia and Jordan fell



Source: UN COMTRADE and authors' calculations.
 Note: Based on imports reported by the US. The denominator is the exporter country's annual GDP.

More generally, looking at total US imports globally, imports of cars, solar cells and a range of commodities declined, while imports of computers, phones, machinery and gold increased as they appear to have been frontloaded (see Chart 11). Of the goods where the economies in the EBRD regions are significant exporters to the US, computers were frontloaded, but imports of cars and car parts declined.

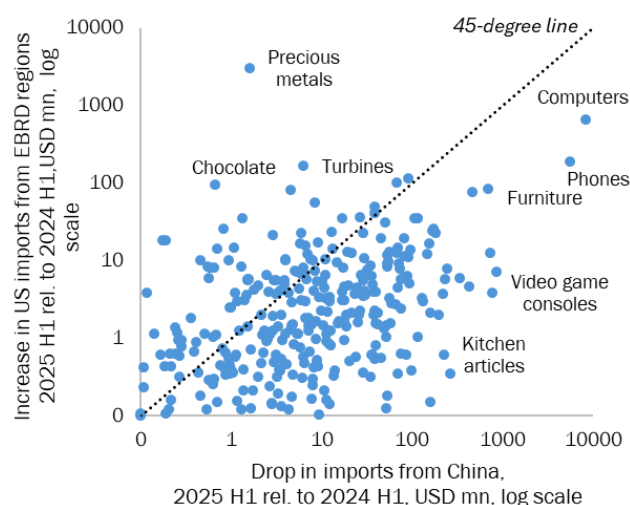
Chart 11. US imports of cars, solar cells and commodities declined



Source: UN COMTRADE and authors' calculations.
Note: Total US imports from all trading partners. Based on HS-4 aggregation. Based on imports reported by the US. Goods with imports from the EBRD regions of more than US\$ 1 billion in H1 2025 are shown in green.

Trade patterns shifted somewhat towards countries facing relatively lower US import tariff rates. For instance, for some goods (in particular precious metals, computers and phones) where US imports from China declined, EBRD regions' exports to the US increased significantly (see Chart 12).

Chart 12. For some goods where US imports from China declined, EBRD regions' exports to the US increased

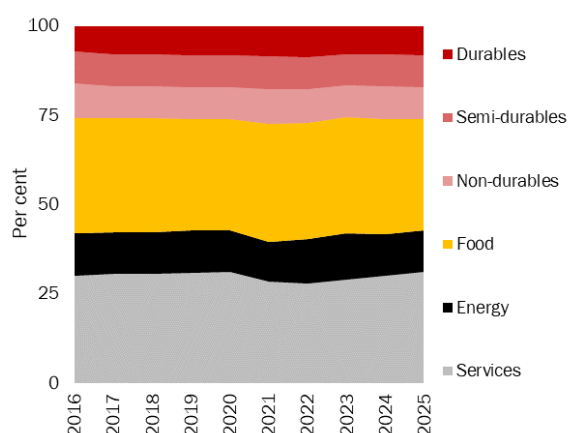


Source: UN COMTRADE and authors' calculations.
Note: The sample is restricted to the subset of HS4 product groups where US imports from China fell and imports from the EBRD regions increased between H1 2024 and H1 2025. Based on imports reported by the US.

While indirectly trade tensions can have complex effects on inflation in third countries on account of redirection of trade, changes in growth outlooks and changes in countries' fiscal positions, those effects are likely to be relatively modest and take time to materialise. The direct impact of US import tariff hikes on inflation in other economies is also likely to be small and, if anything, negative, as the most traded goods (durable products) account for a small share of consumption baskets while prices of China's exports continued falling.² Durable industrial products only account for around 8 per cent of consumption baskets in the EBRD regions and 12 per cent in Germany (see Chart 13).

² See, for instance, Barbiero and Stein (2025) for a discussion of the impact of US import tariffs on inflation in the US.

Chart 13. The most-traded goods (durable industrial products) account for a small share of consumption baskets in the EBRD regions

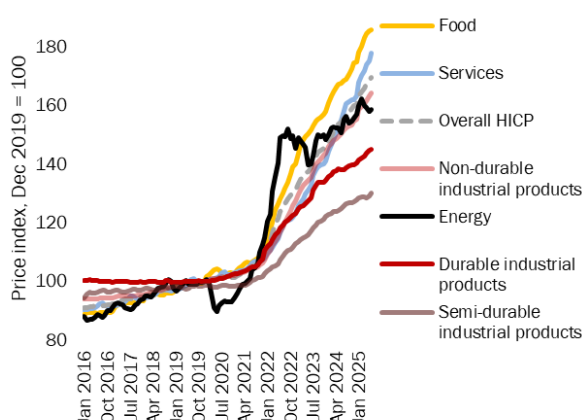


Source: Eurostat and authors' calculations.

Note: Simple average across 18 economies in the EBRD regions.

Reflecting this, the 2022 inflation episode was driven primarily by rapid changes in the prices of energy, food and services (while durable and semi-durable goods saw more modest price rises, see Chart 14).³ This was the case both in the EBRD regions and in advanced economies.

Chart 14. Durable and semi-durable goods saw relatively modest price rises in recent years



Source: Eurostat and authors' calculations.

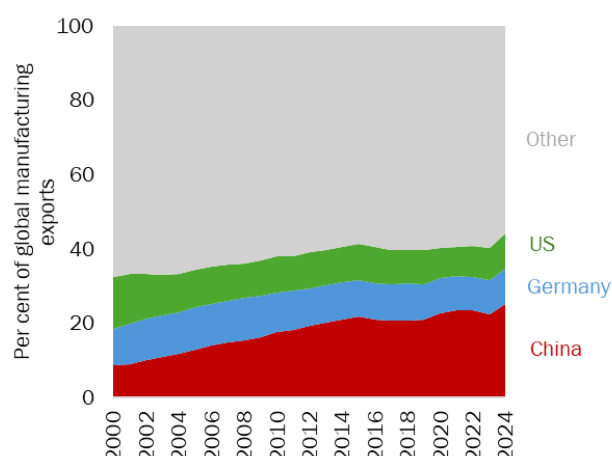
Note: Simple averages across 17 economies in the EBRD regions.

³ Semi-durable goods refer to goods that can be used multiple times but have shorter lifespans, for example, shoes or cookware.

Greater competition with China in export markets

The global trading landscape has been shifting fast. China's share of global manufacturing exports increased from less than 10 per cent in 2000 to 25 per cent in 2024. China's manufacturing exports are now higher than those of the United States and Germany combined (see Chart 15).

Chart 15. China's share of global manufacturing exports has increased sharply



Source: UN COMTRADE and authors' calculations.

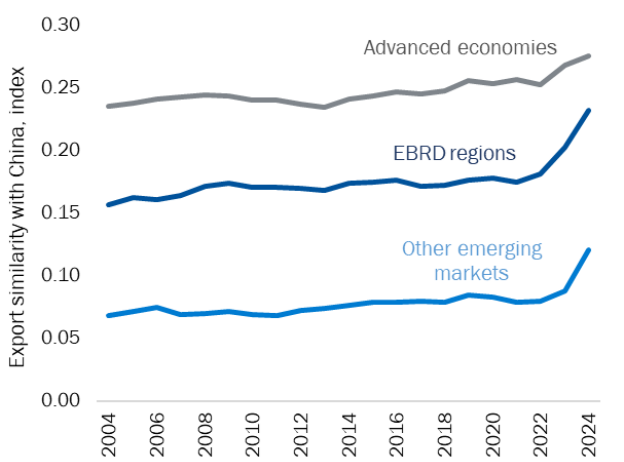
Note: Manufacturing is defined as HS-2 codes from 28 to 96.

China's exports have also become more diversified. For instance, it increased its exports of cars and batteries (goods which also constitute important shares of exports for some economies in the EBRD regions, such as Hungary and Poland).

Its exports have thus become more 'similar' to that of advanced economies and other emerging markets since 2022, with particularly sharp increases observed for economies in the EBRD regions (see Chart 16). For each country the calculation constructs shares of each product in that country's total exports in a given year and takes the minimum of those shares for each product across a pair of countries. Export

similarity between a pair of economies is then measured as a sum of these minimum export shares across all products, following the approach of Finger and Kreinin (1979). It yields an index ranging from zero to one where a value of one corresponds to a country having exactly the same export structure as China (identical goods with identical shares in total exports).

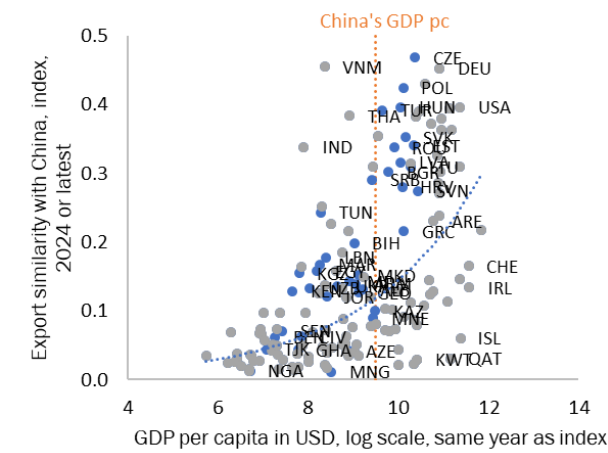
Chart 16. Strong increase in export similarity between China and the average country since 2022



Source: UN Comtrade and authors’ calculations.
 Note: Export similarity is calculated based on Finger and Kreinin (1979). Simple averages across unbalanced panels of up to 39 economies in the EBRD regions, 30 advanced economies and 125 other emerging markets following IMF country groupings.

China’s exports are most similar to those of richer economies (except commodity exporters), as well as India, Thailand and Vietnam (see Chart 17).

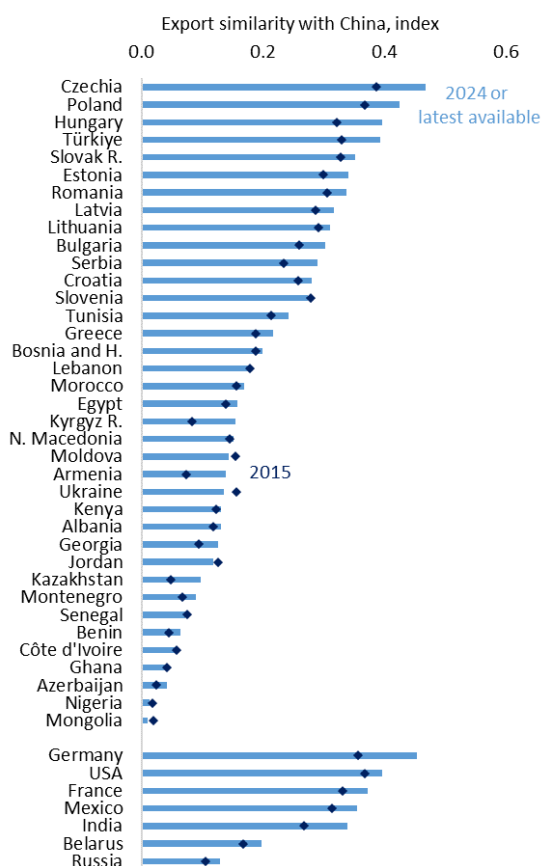
Chart 17. China's exports are most similar to those of higher-income economies



Source: UN COMTRADE and authors’ calculations.
 Note: Export similarity is calculated based on Finger and Kreinin (1979). EBRD regions in blue, comparators in grey.

In the EBRD regions, China’s exports are most similar to those of Emerging European economies and Türkiye, and export similarity with China has been rising for most economies (see Chart 18).

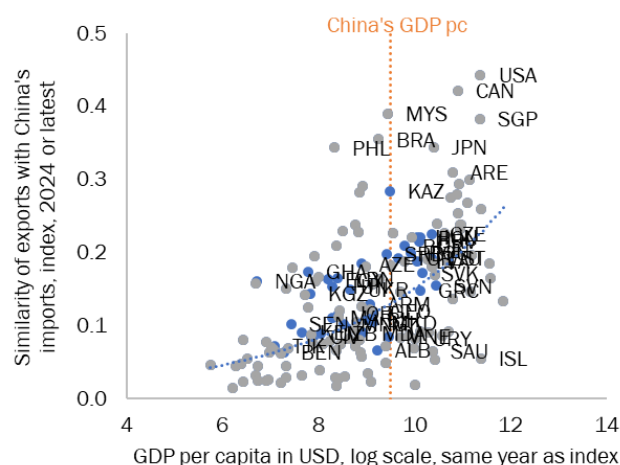
Chart 18. China's exports are most similar to those of 'factory Europe' and Türkiye



Source: UN COMTRADE and authors' calculations.
Note: Export similarity is calculated based on Finger and Kreinin (1979).

In turn, complementarity with China's imports is also higher for the exports of higher-income economies, for commodity exporters, as well as for Brazil, Malaysia and the Philippines (see Chart 19).

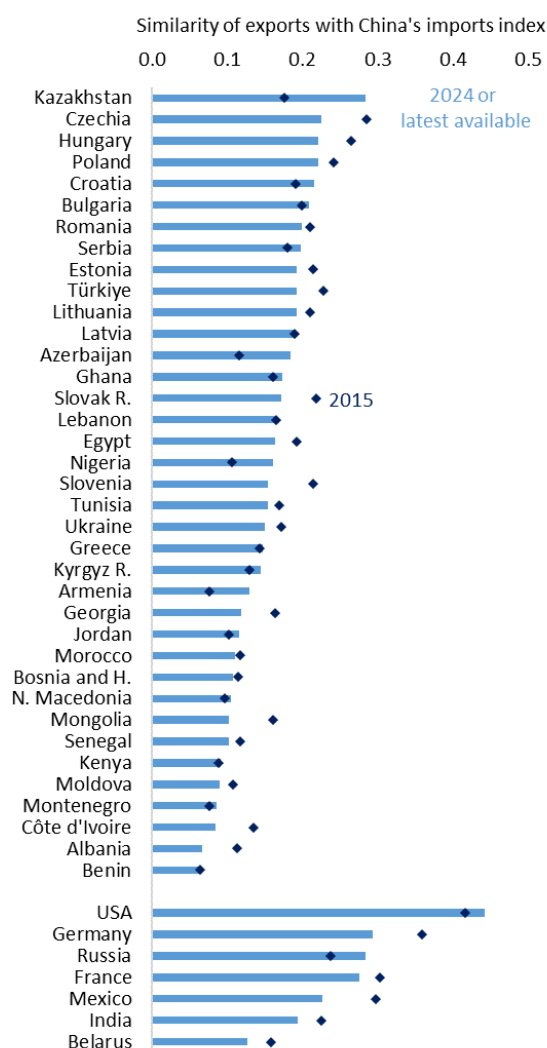
Chart 19. Complementarity with China's imports is also higher for richer economies



Source: UN COMTRADE and authors' calculations.
Note: Export similarity is calculated based on Finger and Kreinin (1979). EBRD regions in blue, comparators in grey.

In the EBRD regions, complementarity with China's imports is highest for Kazakhstan on account of commodity exports. Complementarity for commodity exporters has also been rising, while it has been declining for manufacturing exporters (see Chart 20).

Chart 20. In the EBRD regions, complementarity with China's imports is highest for Kazakhstan

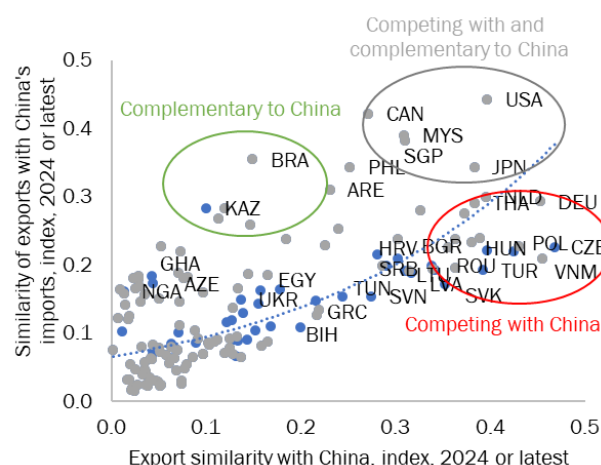


Source: UN COMTRADE and authors' calculations.
Note: Export similarity is calculated based on Finger and Kreinin (1979).

Overall, in the global market China is thus increasingly competing with economies in the EBRD regions which have higher shares of manufacturing exports (such as Czechia, Hungary, Poland, the Slovak Republic and Türkiye) as well as Germany, while its imports are becoming more complementary to the exports of commodity exporters (such as Kazakhstan or Brazil). In the case of the United States, Canada, Japan and

Singapore, among several other economies, exports are both competing with China's exports and are complementary to China's imports (see Chart 21).

Chart 21. China is increasingly competing with manufacturing exporters in the EBRD regions



Source: UN COMTRADE and authors' calculations.
Note: Export similarity is calculated based on Finger and Kreinin (1979). EBRD regions in blue, comparators in grey. Selected economies labelled.

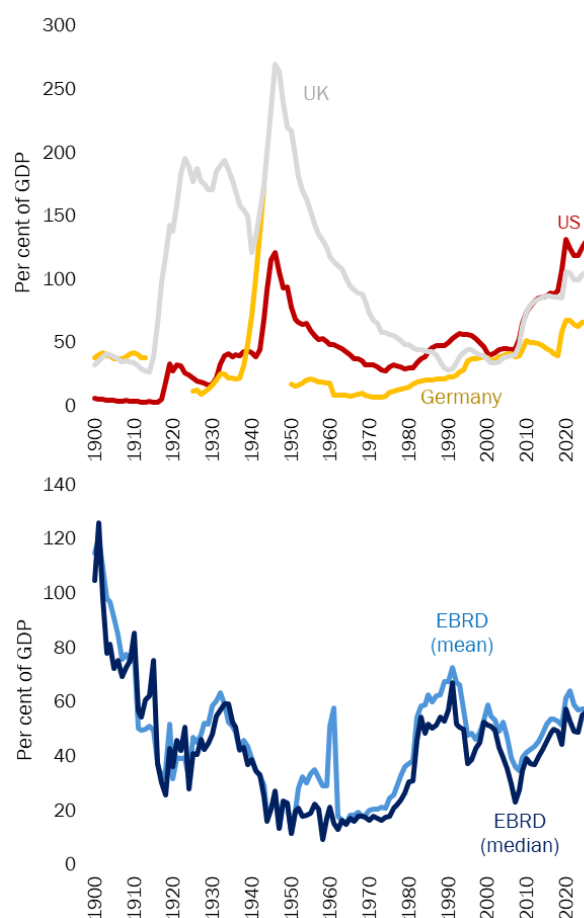
Fiscal vulnerabilities

Economies in the EBRD regions continue to face persistent fiscal pressures, including rising spending on industrial policies and defence (see Box 2).⁴

In most economies, while public debt-to-GDP ratios are relatively high and rising, they remain below their historical peaks, with the United States, where debt ratios exceed those seen during the Second World War, being a notable exception (see Chart 22). Debt levels are also elevated and at or near their historical peaks in Senegal, Tunisia and Ukraine. In Latvia, North Macedonia, Poland, the Slovak Republic and Slovenia, debt is at or close to its historical peaks but the levels are more modest.

⁴ See EBRD (2024); see also a discussion of aging-related fiscal pressures in EBRD (2025c).

Chart 22. In most economies, public debt-to-GDP remains high but below historical peaks

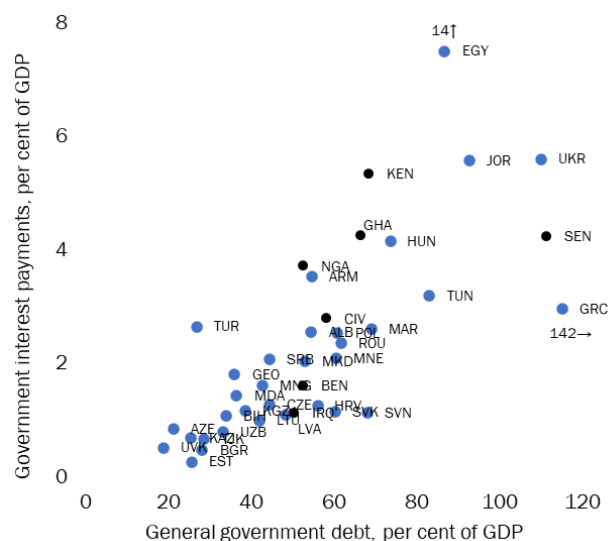


Source: Global Macro Database and authors' calculations.

Note: EBRD mean and median based on an unbalanced set of economies.

A number of economies in the EBRD regions continue to face high government interest payments as a share of GDP and/or high public debt. These are expected to be highest in Egypt (with interest payments of 14 per cent of GDP), Ukraine and Jordan. Several sub-Saharan African economies, including Ghana, Kenya and Senegal also have high ratios of debt to GDP and interest payments to GDP (see Chart 23).

Chart 23. Public debt servicing costs are high in several sub-Saharan African economies

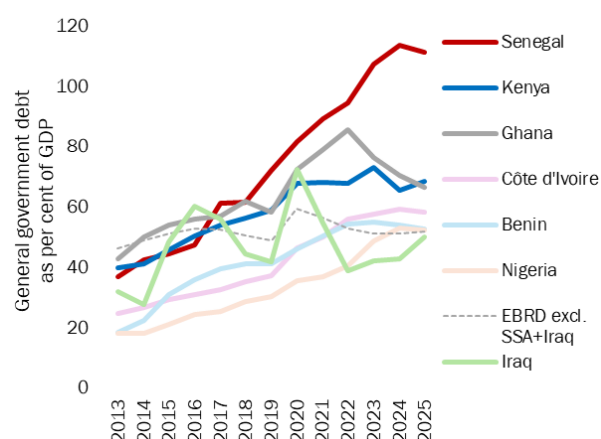


Source: IMF World Economic Outlook April 2025 and authors' calculations.

Note: IMF projections for 2025. Data not available for Lebanon and Turkmenistan. Sub-Saharan African economies and Iraq marked as black dots.

This reflects recent increases in debt-to-GDP ratios in several sub-Saharan African economies while in the rest of the EBRD regions the average debt-to-GDP ratio has declined somewhat after peaking in 2020 during the Covid-19 pandemic (see Chart 24).

Chart 24. In several sub-Saharan African economies debt-to-GDP ratios continued rising

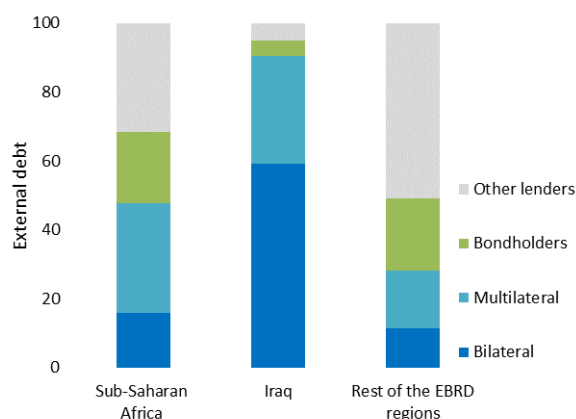


Source: IMF World Economic Outlook April 2025 and authors' calculations.

A large recent increase in Senegal's debt-to-GDP ratio, of over 30 percentage points, reflects a data revision. On the other hand, an upward revision to Nigeria's GDP level, by about 30 per cent in 2025, contributed to a lower debt-to-GDP ratio.

The debt structures of sub-Saharan African economies and Iraq differ somewhat from those in the rest of the EBRD regions. In sub-Saharan Africa, debt to multilateral organisations comprises the biggest share of all external debt. Bilateral debt is much more important for Iraq, accounting for 59 per cent of its total external debt, and somewhat more important for sub-Saharan African economies (16 per cent), compared with 11 per cent in the rest of the EBRD regions (see Chart 25).

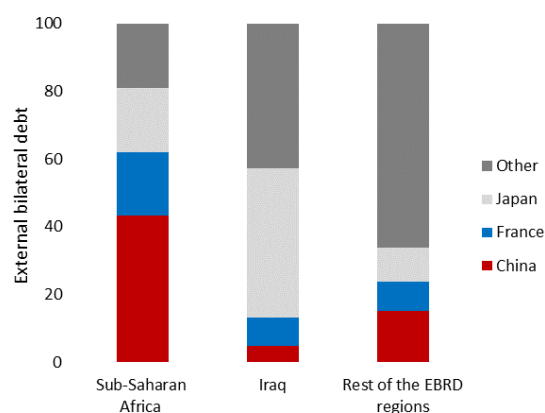
Chart 25. Bilateral debt accounts for a higher share of total external debt of sub-Saharan African economies



Source: *International Debt Statistics and authors' calculations.*

In sub-Saharan Africa, China tends to be a more important lender, accounting for a higher share of bilateral debt (based on the available data, which may in some cases be incomplete; see Horn et al. 2021). In Kenya, China's share of bilateral external debt rose from 2 per cent in 2007 to 58 per cent by 2023. In Côte d'Ivoire it rose from 1 per cent to 34 per cent over the same period. China has been an important creditor to Nigeria throughout, accounting for 80-90 per cent of its bilateral external debt (see Chart 26).

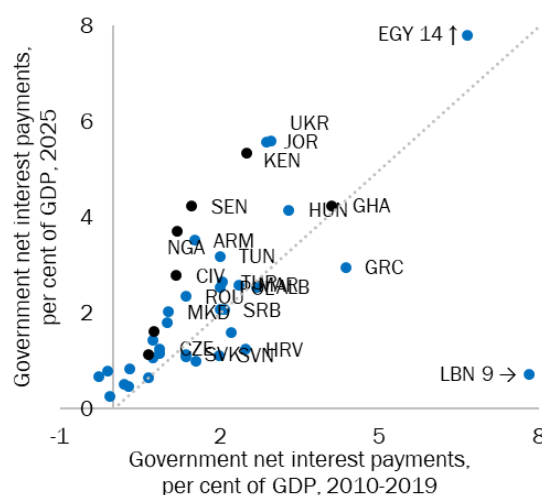
Chart 26. China accounts for a higher share of external bilateral debt of sub-Saharan African economies



Source: *International Debt Statistics and authors' calculations.*

For most economies in the EBRD regions, interest payments as a share of GDP have increased significantly since the 2010s. Average interest rate payments rose from 1.7 to 2.5 per cent of GDP (see Chart 27). Increases were particularly sharp in Egypt, Jordan, Kenya, Nigeria, Senegal and Ukraine.

Chart 27. Government net interest payments have risen since the 2010s



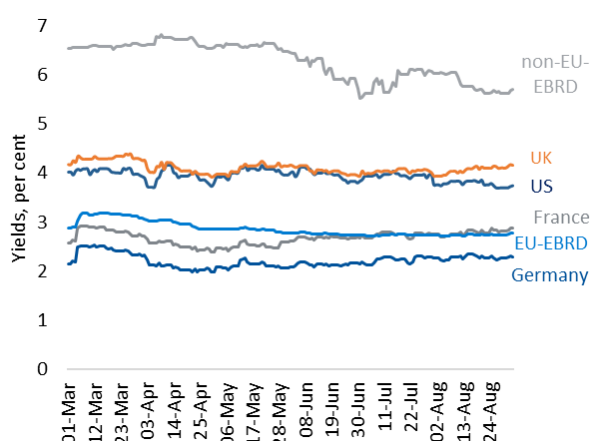
Source: *IMF World Economic Outlook April 2025 and authors' calculations.*

Note: IMF projections for 2025. 2024 data for Lebanon, data not available for Turkmenistan. Sub-Saharan African economies and Iraq marked as black dots.

As of August 2025, the median yield on government bonds of maturities close to 5 years in the EBRD regions was 1.7 percentage points higher than before the start of the war on Ukraine. Nonetheless, the median spread relative to Germany is lower than it was in January 2022.

While bond yields at 30-year maturities have risen sharply in a number of advanced economies in recent months, changes in yields at shorter maturities (5-10 years) have been more muted, both in advanced economies and in the EBRD regions (see Chart 28).

Chart 28. Changes in borrowing costs have been relatively modest



Source: Bloomberg and authors' calculations.

Note: Government bonds in euros or US\$ with maturities of 4 to 7 years. EU-EBRD and non-EU-EBRD refer to medians across these sub-regions. EU-EBRD comprises Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, the Slovak Republic and Slovenia.

Output in the EBRD regions (excluding SSA and Iraq) is expected to grow by 3.1 per cent in 2025 and 3.3 per cent in 2026

Growth in the EBRD regions excluding SSA and Iraq is expected at 3.1 per cent in 2025, picking up to 3.3 per cent in 2026 (see Chart 29). While overall revisions to forecasts relative to May are modest, they mark a further divergence in growth trajectories between Emerging Europe (where downward revisions reflect weak external demand, the need for fiscal consolidation and the direct and indirect effects of increased US import tariffs) and the rest of the EBRD regions (see Chart 30).

For the EBRD regions excluding sub-Saharan Africa and Iraq, forecasts have been revised up by 0.1 percentage point for 2025 and down by 0.1 percentage point for 2026 relative to the forecast made in May 2025.⁵

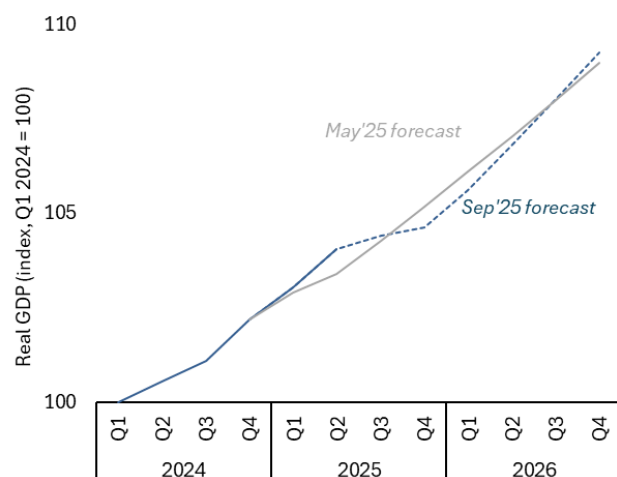
For the EBRD regions including sub-Saharan Africa and Iraq, the picture is broadly similar. Growth is expected to average 3.2 per cent in 2025 picking up to 3.3 per cent in 2026.

The quarterly path of average GDP shown in Chart 29 now reflects stronger outturns in the first half of the year than was expected in May. Forecasts assume a considerable slowdown in growth in the second half of 2025 reflecting continued trade tensions and weakening global demand, with the quarterly rate of growth picking up again in 2026.

⁵ These calculations use country weights based on 2022 values of GDP per capita at market exchange rates as in the previous Regional Economic Prospects.

The September forecasts for the EBRD regions including SSA and Iraq have been updated using weights based on the 2024 GDP values.

Chart 29. The forecasts assume that the quarterly rate of growth in the EBRD regions will slow down in the second half of 2025



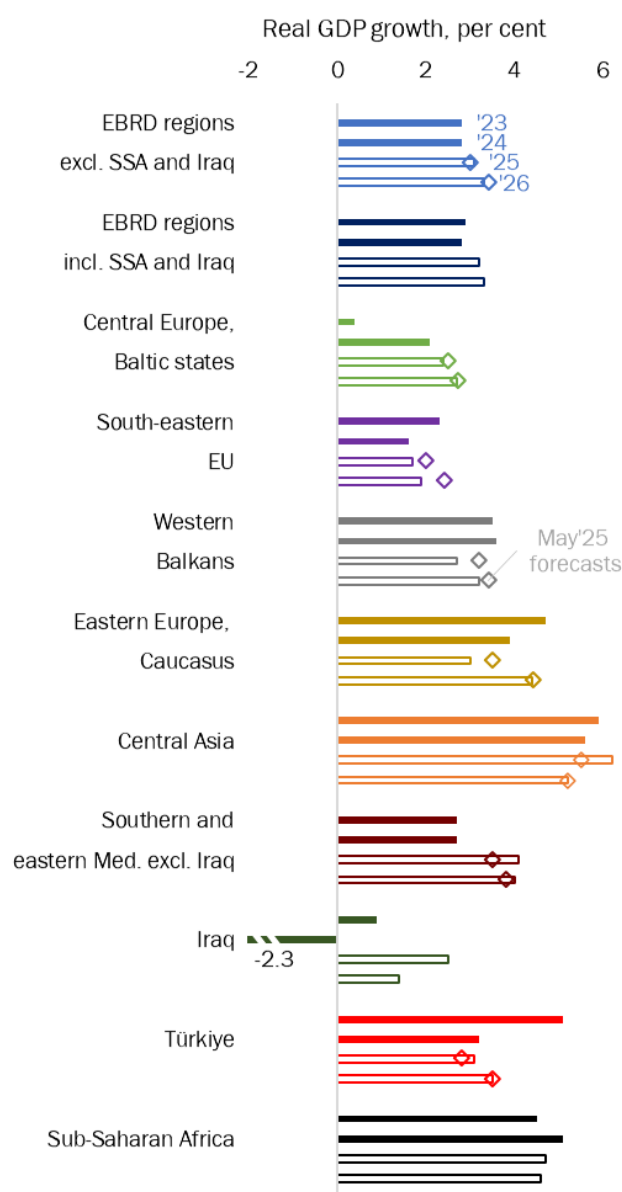
Source: National authorities via CEIC and EBRD forecasts.

Note: EBRD average (including sub-Saharan Africa and Iraq) based on the values of gross domestic product in 2024 in current US dollars from the IMF.

Regional outlooks

Growth in **central Europe and the Baltic states** picked up from 0.4 per cent in 2023 to 2.1 per cent in 2024 and 2.4 per cent in the first half of 2025 as economies gradually adjusted to a lower supply of Russian gas and higher energy prices following Russia's invasion of Ukraine. Growth is expected at 2.4 per cent in 2025 picking up to 2.7 per cent in 2026 (see Chart 30). Country-level downward revisions since May reflect the impact of weaker-than-expected external demand, fiscal consolidations and the direct and indirect impact of increased US import tariffs, partly offset by higher infrastructure investment. Poland's forecasts have been revised up on significant infrastructure investment, including energy transition projects such as grid upgrades and Baltic offshore wind, major transport schemes including rail and defence-related works under the Eastern Shield programme. Lithuania's upward revision for 2026 reflects the proposed pension reform which would allow people to withdraw their savings from the second pillar, with withdrawals expected to boost private consumption in the short term.

Chart 30. Revisions mark a further divergence in growth trajectories between Emerging Europe and the rest of the EBRD regions



Source: National authorities via CEIC and EBRD forecasts.

Note: EBRD average based on the values of gross domestic product in 2024 in current US dollars from the IMF.

Growth in the **south-eastern EU** decelerated from 2.3 per cent in 2023 to 1.6 per cent in 2024 on sluggish external demand, a slowdown in investment and more modest fiscal stimulus. Growth picked up to 1.9 per cent in the first half of 2025 and is expected to remain broadly at this

level in the near terms averaging 1.7 per cent in 2025 and 1.9 per cent in 2026.

Growth in the **Western Balkans** slowed from 3.6 per cent in 2024 to 2.4 per cent in the first half of 2025. It is expected to pick up to 2.7 per cent in 2025 as a whole and 3.2 per cent in 2026. Downward revisions to forecasts since May 2025 reflect increasing spillovers from slower growth in advanced Europe and weaker-than-expected construction and investment in Serbia and slow reform progress coupled with weak industrial production and exports in Bosnia and Herzegovina. North Macedonia saw better outturns than expected in the first quarter of 2025, with strong performance of construction and high investment.

Growth in **Central Asia** picked up from 5.6 per cent in 2024 to 6.6 per cent in the first half of 2025 reflecting strong domestic demand. It is expected to moderate to 6.2 per cent in 2025 as a whole and 5.2 per cent in 2026. Upward revisions reflect stronger-than-expected consumption, high inflows of remittances, continued fiscal stimulus and the opening of Tengiz oil field in Kazakhstan ahead of schedule. Mongolia's forecast has been revised down on lower-than-expected investment and exports.

In **eastern Europe and the Caucasus**, growth slowed from 4.7 per cent in 2023 to 3.9 per cent in 2024 and 2 per cent in the first half of 2025 as the boost from intermediated trade and inflows of labour and capital to the economies of the Caucasus waned. Growth slowed sharply in Azerbaijan as the oil and gas sector contracted, while in Georgia the moderation in growth has been slower than expected, with continued strong performance in ICT and other service sectors. Average growth in the region is expected to pick up to 3 per cent in 2025 and 4.4 per cent in 2026. The 2025 growth forecasts for **Moldova** and **Ukraine** have been revised down. In Moldova, this reflects weak outturns in agriculture and manufacturing, high energy imports and still-high inflation weighing on consumption. In Ukraine, the impact of the ongoing Russian aggression has

been compounded by weak harvests, and the external sector deteriorated.

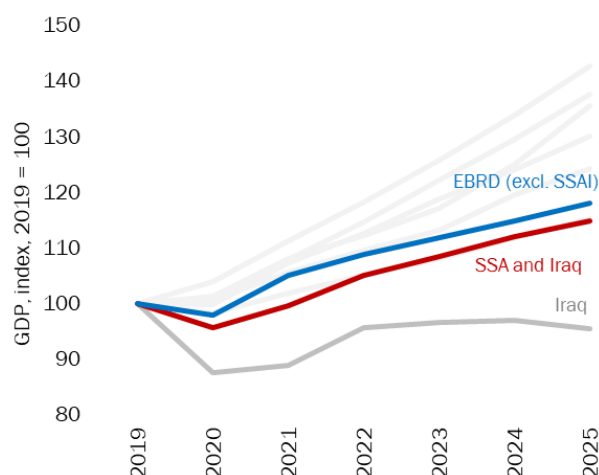
In **Türkiye**, growth moderated from 5.1 per cent in 2023 to 3.2 per cent in 2024 on tighter monetary policy aimed at bringing down persistently high inflation, before picking up slightly to 3.6 per cent in the first half of 2025 on stronger domestic demand. Growth is expected to reach 3.1 per cent in 2025 as a whole rising to 3.5 per cent in 2026.

After averaging 2.2 per cent in 2023 and 1.2 per cent in 2024 growth in the **southern and eastern Mediterranean** (now including Iraq) picked up to 3.6 per cent in the first half of 2025. Growth forecasts for the region have been revised up, to 3.7 per cent in 2025 and 3.2 per cent in 2026.

Growth in **sub-Saharan Africa** picked up from 4.5 per cent in 2023 to 5.1 per cent in 2024 and 4.7 per cent in the first half of 2025. It is expected to remain at similar levels, averaging 4.7 per cent in 2025 and 4.6 per cent in 2026.

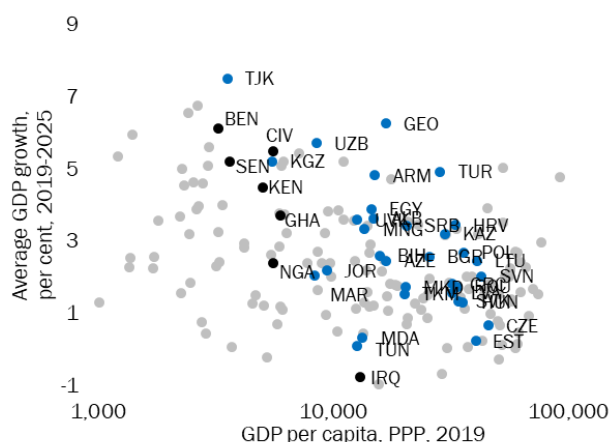
GDP in sub-Saharan Africa and Iraq has almost doubled over the past 16 years, but the growth differential between these economies and the rest of the EBRD regions has disappeared since the Covid-19 pandemic (see Chart 31). This reflects weak recent performance in Iraq and Nigeria, which have experienced lower growth than other economies at similar levels of GDP per capita (see Chart 32).

Chart 31. The growth differential between SSAI and the rest of the EBRD regions has disappeared since Covid-19



Source: IMF WEO April 2025 and authors' calculations.
Note: Average based on the values of gross domestic product in 2024 in current US dollars from the IMF.

Chart 32. Nigeria and Iraq underperformed relative to peers with similar income levels



Source: IMF WEO April 2025 and authors' calculations.
Note: Average growth is calculated as the geometric average of growth in constant prices (in national currency) between 2019 and 2025. SSAI shown in black, rest of EBRD regions in blue, comparators in grey.

Risks to the outlook

The outlook for growth in the EBRD regions is subject to numerous risks. These relate to a renewed pickup in economic and trade policy uncertainty and further escalation of geopolitical tensions. Slowdowns in key trading partners such as Germany (which may face its third consecutive year of recession for the first time in post-war history) and China could have significant spillover effects on many economies in the EBRD regions. Renewed inflationary pressures and extreme weather events pose additional risks for many economies.

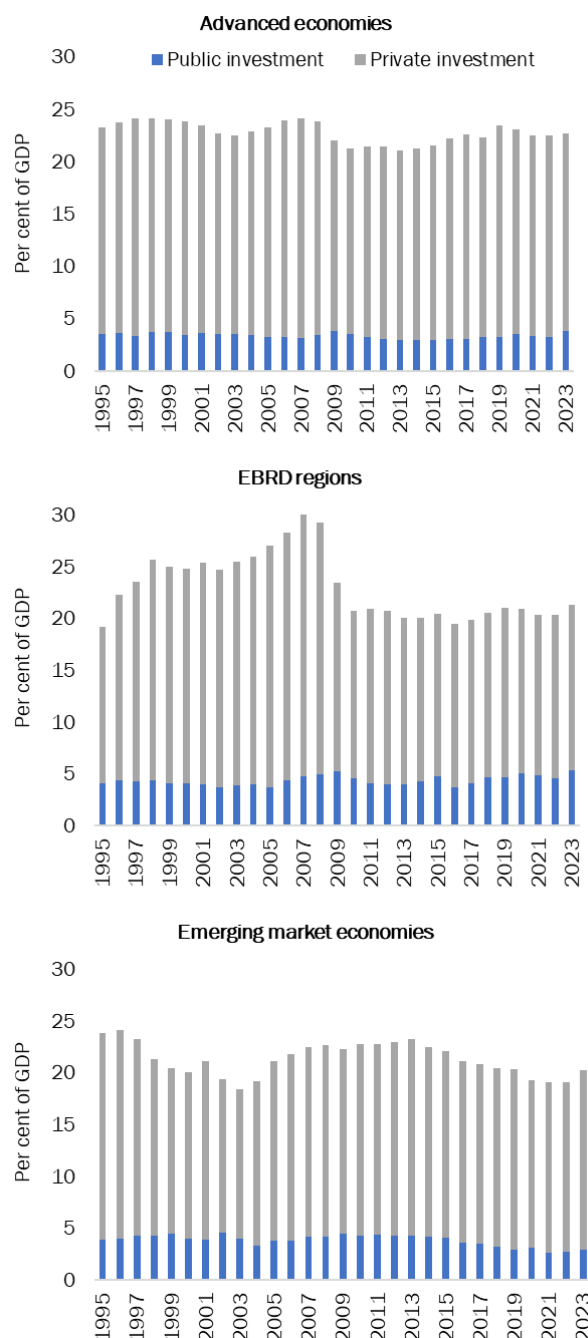
Box 1. Investment in the EBRD regions

With uncertainty weighing on investment globally, this box takes stock of investment growth in the EBRD regions and comparator economies. Investment growth in the EBRD regions has been sluggish since the global financial crisis (GFC) and private investment as a share of GDP has declined. Public investment plays a greater role in the EBRD regions than in other emerging markets and this differential has increased over time.

Over the past few years, investment in the EBRD regions hovered around 20 per cent of GDP—broadly in line with the average for emerging market economies, but below that of advanced economies (see Chart 1.1). This is also substantially lower than the levels that prevailed before the global financial crisis of 2008-09, when the average investment rate in the region exceeded 25 per cent of GDP. Following the crisis, investment declined sharply and has not recovered to the earlier highs.

The composition of sources of investment in the EBRD regions has evolved and differs from that in other economies. Public investment accounts for higher shares of GDP in the EBRD regions than in other emerging markets at similar levels of GDP per capita (see Chart 1.2) and this differential has widened over time.

Chart 1.1. In the EBRD regions, private investment declined post-GFC

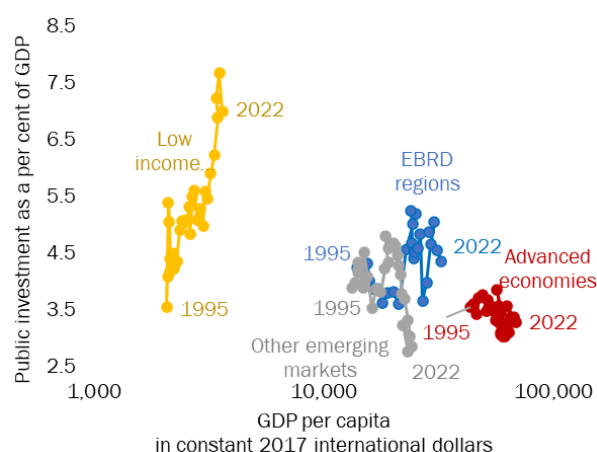


Source: OECD, IMF, AMECO, WB.

Note: EBRD regions is simple average across Bulgaria, Croatia, Egypt, Estonia, Georgia, Greece, Hungary, Latvia, Poland, Romania, the Slovak Republic, Slovenia. The shares of public and private investment in total investment are estimated based on the IMF's Capital and Investment Database (covering most economies until 2019), OECD National Accounts (based on total and general government fixed capital

formation, GFCF), IMF databases (total investment = GFCF + inventories from the WEO and investment in non-financial assets by the general government from the Government Finance Statistics), AMECO Database (GFCF by general government and private sector) and World Bank WDI (private and total GFCF).

Chart 1.2. The EBRD regions have higher ratios of public investment to GDP than other emerging markets

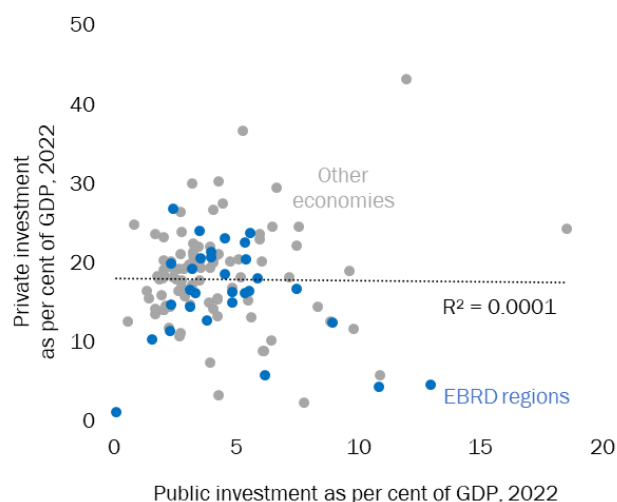


Source: OECD, IMF, AMECO, WB.

Note: Country groupings based on IMF classifications.

Whether public and private investment are complements or substitutes is ambiguous. Public investment can stimulate private investment by improving infrastructure, human capital and the business environment, thus increasing returns to private investment. If public investment is inefficient and poorly prioritised, it may not raise returns on private investment. Instead, higher levels of public investment could crowd private investment out by absorbing the limited stock of savings and driving up the real interest rate (interest rate net of inflation). Empirically, there does not appear to be a clear relationship between public and private investment as shares of GDP across economies (see Chart 1.3).

Chart 1.3. No relationship between levels of public and private investment across economies



Source: OECD, IMF, AMECO, WB.

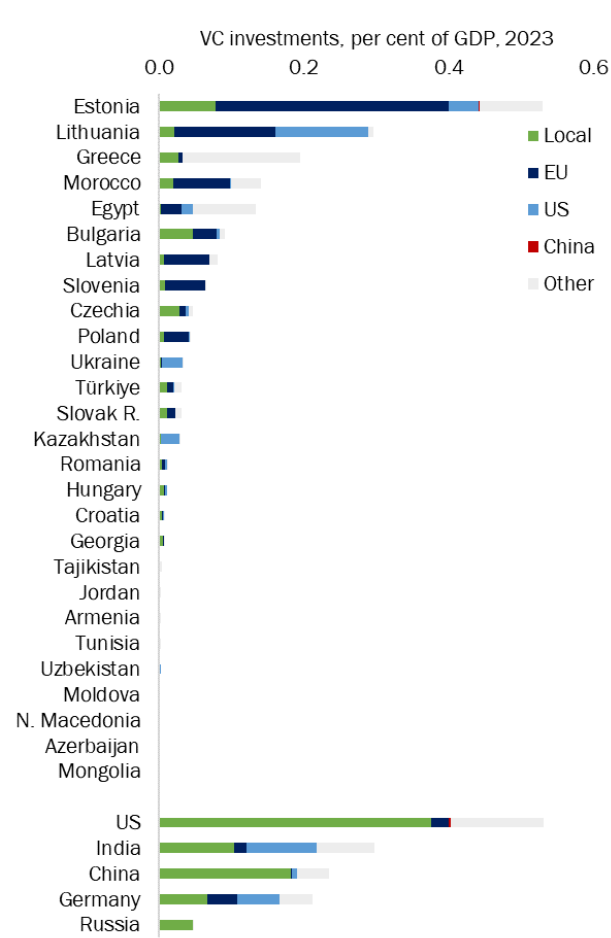
Note: Trend line fitted to all economies.

Zooming in on a subset of private investment, venture capital (VC), VC activity remains limited across much of the EBRD regions, with the exception of the Baltic states, Egypt and Morocco (see Chart 1.4). Where VC investment does occur, it is typically led by foreign funds, mainly those from the European Union and the United States.

VC investment tends to be higher in economies with greater availability of digital talent, proxied by the number of GitHub developers per million people (see Chart 1.5). The highest levels of digital human capital are found in the Baltics and in central and eastern European economies. In some smaller European economies, the ratios of VC financing to IT specialists are relatively high – but such higher ratios are not observed in larger economies, a point made also in the Draghi report on European competitiveness.⁶

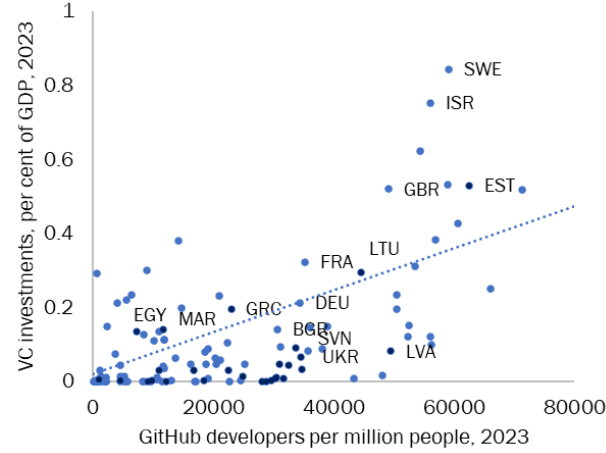
⁶ See Draghi (2024).

Chart 1.4. VC investment in most of the EBRD regions remains limited



Source: Refinitiv, GitHub and authors' calculations.

Chart 1.5. VC investment is higher in economies with higher levels of digital human capital



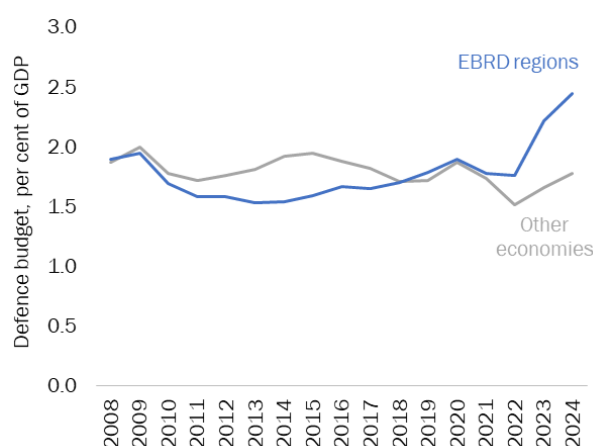
Source: Refinitiv, GitHub and authors' calculations.

Box 2. Expanding defence industries

Following up on the analysis presented in the May 2025 *Regional Economic Prospects*, this box examines military spending and employment in the EBRD regions. Economies in the EBRD regions have seen significant increases in their military spending, with a greater focus on investment since 2022, though capital spending as a share of total spending tends to be lower than in comparator economies.

The average defence spending in the EBRD regions increased from around 1.5 to 2 per cent of GDP over the period 2008-2021 to 2.5 per cent of GDP in 2024. In contrast, the average defence budget remained in the 1.5 - 2 per cent of GDP range in comparator economies (simple average across 135 economies; see Chart 2.1.)

Chart 2.1. Increase in defence budgets in the EBRD regions post-2022



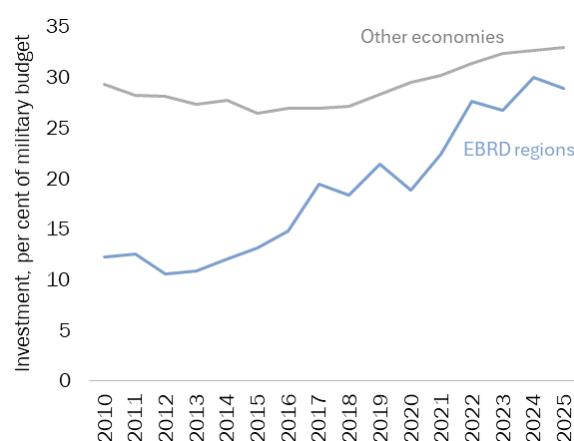
Source: Military balance + and authors' calculations.
Note: Simple averages across 39 economies in the EBRD regions and 135 comparators.

Since 2022, the increases in military spending in the EBRD regions have been disproportionately earmarked for investment as opposed to operational expenditures, maintenance, wages and military pensions. The average investment ratio increased from 12 per cent in 2010 to 27 per cent in 2024 (see Chart 2.2). However, the investment shares of total spending remain below the average level observed for comparator economies (32 per cent). Within the EBRD

regions, investment shares of military spending are highest in Hungary, Albania, Czechia and Poland (see Chart 2.3.).

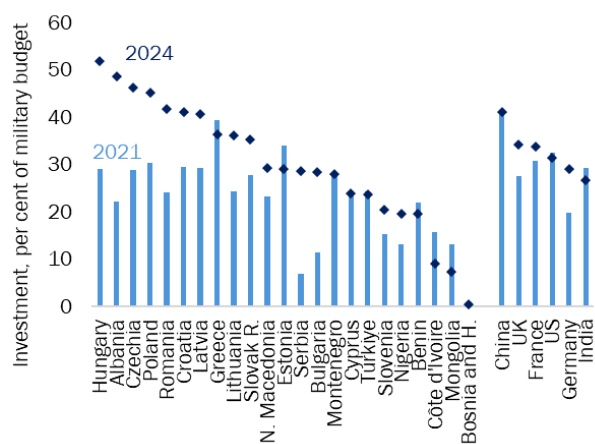
Increased investment is partially a reflection of joint EU military procurement programmes. For example, the €150 billion EU loans-for-arms SAFE programme aimed at pooling military spending has been fully subscribed. These joint projects, which often have an EU content preference, are aimed at ensuring interoperability of military equipment, reach economies of scale and provide long-term off-take commitments to the European defence manufacturers.

Chart 2.2. The share of military spending on investment has increased in the EBRD regions



Source: Military balance + and authors' calculations.
Note: Simple averages across 23 economies in the EBRD regions and 6 comparators.

Chart 2.3. In the EBRD regions, investment shares of military spending are highest in Hungary, Albania, Czechia and Poland



Source: *Military balance + and authors' calculations.*

Note: Simple averages across 23 economies in the EBRD regions and 6 comparators.

In an average economy in the EBRD regions, around 0.4 per cent of the population are in active military service (rising to 1.2 per cent if reservists are included), with the highest shares observed in Ukraine, Armenia and Greece.

Box 3. Cryptocurrencies in the EBRD regions and beyond

In light of the recent rapid growth in cryptocurrency market and transaction volumes, this box assesses the exposure of economies in the EBRD regions to cryptocurrencies. Nigeria, Ukraine and Türkiye stand out with the highest rates of cryptocurrency adoption.

The global cryptocurrency market capitalisation stood at around US\$ 4 trillion as of mid-2024, up 57 per cent year on year. Stablecoins have a market cap of US\$ 272 billion, accounting for 7 per cent of the total crypto market; Tether and USDC make up around 85 per cent of total stablecoin capitalisation.⁷ Unlike volatile cryptocurrencies such as Bitcoin or Ethereum, stablecoins are designed to maintain a stable value by being pegged to traditional fiat currencies like the US dollar, making them particularly attractive for everyday transactions, remittances and savings in high-inflation or capital-constrained economies.

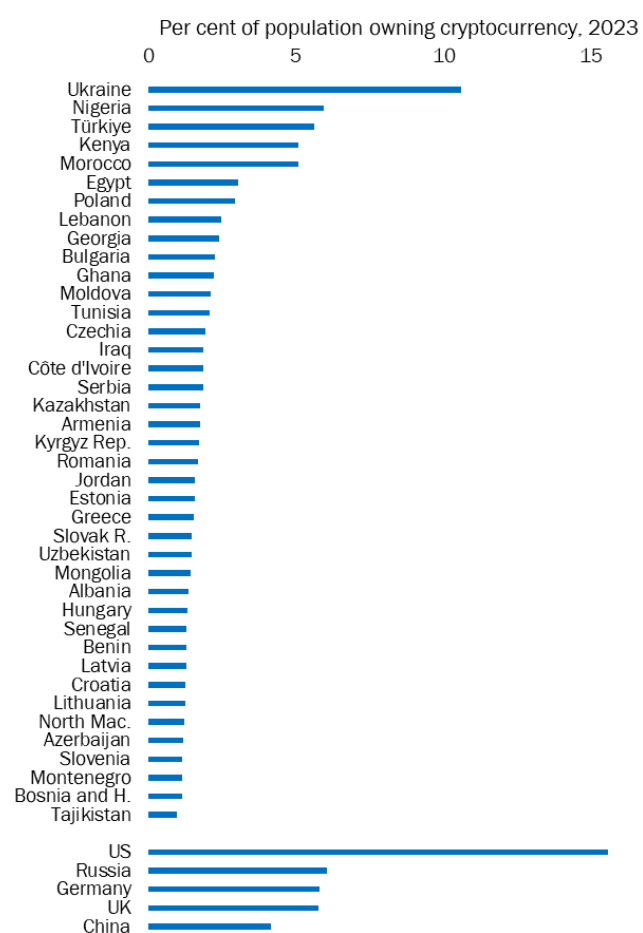
Out of an estimated 560 million cryptocurrency owners worldwide, 37 million—or 7 per cent—are in the EBRD regions. This is broadly in line with the EBRD regions' economic size: it accounts for 12 per cent of global population and 6 per cent of global GDP at market exchange rates. Two economies in the EBRD regions—Nigeria and Ukraine—rank in the top 10 for crypto adoption, according to the 2024 Global Crypto Adoption Index by Chainalysis; Türkiye ranks 11th (see Chart 3.1).

Nigeria is one of the world's largest adopters of cryptocurrency, according to Chainalysis. Between July 2023 and July 2024 the country received US\$ 59 billion worth of cryptocurrency inflows. Crypto activity in Nigeria is largely driven by smaller-denomination retail and professional-sized transactions, with around 85 per cent of transfer value coming from transactions under US\$ 1 million—including 13 per cent from transfers below US\$ 1,000. Nigeria also accounts

for 40 per cent of all stablecoin inflows into sub-Saharan Africa.

Stablecoins are primarily used for remittances, where the average cost of sending US\$ 200 is estimated at 6 per cent, compared to 14 per cent for traditional methods of making transfer payments denominated in fiat currencies.⁸

Chart 3.1. Nigeria and Ukraine rank in the top 10 economies globally for crypto adoption



Source: Triple A and authors' calculations.

Note: Rankings are available for 147 economies.

Ukraine emerged as another heavy user of crypto, having received US\$ 106 billion in crypto inflows over the same period and having spent US\$ 882 million worth of Ukrainian hryvnia on Bitcoin purchases. The recent growth in crypto activity has been driven mostly by institutional transfers (in the range of US\$ 1-10 million) and

⁷ See CoinGecko (2025).

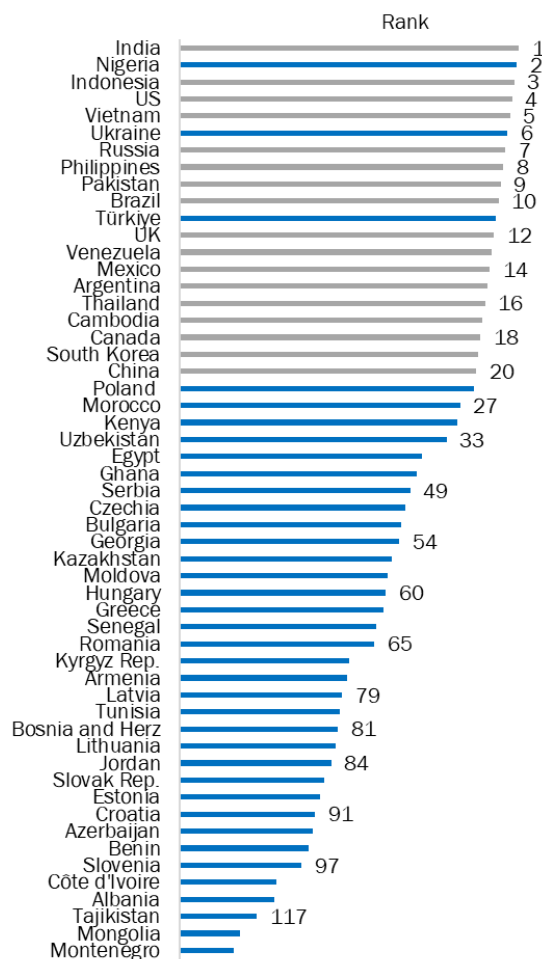
⁸ See Chainalysis (2024), p. 119.

professional transfers (in the range of US\$ 10,000–1 million).

Türkiye ranks seventh globally, with US\$ 136.8 billion worth of crypto received between July 2023 and June 2024. It leads the world – by a wide margin – in stablecoin trading volume expressed as a percentage of GDP (almost 4 per cent, according to CCData).

Alternative rankings, such as the Global Cryptocurrency Adoption Index, which measures countries' use of various cryptocurrency services, point to a similar ranking of economies (see Chart 3.2).

Chart 3.2. Nigeria, Ukraine and Türkiye rank highly in the Global Cryptocurrency Adoption Index



Source: Chainanalysis and authors' calculations.

Note: The index consists of four sub-indices covering on-chain activity (value received) via centralised services and DeFi, both total and retail, weighted by GDP per capita at purchasing power parity.

Annex Table 1. Country weights

	Weights	Weights within regions
EBRD regions incl. SSA and Iraq	100.0	
Central Asia	8.2	100.0
Kazakhstan	4.3	53.0
Kyrgyz Republic	0.3	3.3
Mongolia	0.4	4.4
Tajikistan	0.2	2.5
Turkmenistan	1.3	15.4
Uzbekistan	1.7	21.4
Central Europe and the Baltic states	29.7	100.0
Croatia	1.4	4.7
Czechia	5.2	17.7
Estonia	0.7	2.2
Hungary	3.4	11.4
Latvia	0.7	2.2
Lithuania	1.3	4.3
Poland	13.8	46.5
Slovak Republic	2.1	7.2
Slovenia	1.1	3.7
Eastern Europe and the Caucasus	5.2	100.0
Armenia	0.4	7.5
Azerbaijan	1.1	21.7
Georgia	0.5	9.9
Moldova	0.3	5.3
Ukraine	2.9	55.7
South-eastern EU	11.5	100.0
Bulgaria	1.7	14.9
Greece	3.9	34.1
Romania	5.8	51.0
Southern and eastern Mediterranean	14.5	100.0
Egypt	5.8	40.3
Iraq	4.2	29.2
Jordan	0.8	5.6
Lebanon	0.4	3.0
Morocco	2.4	16.3
Tunisia	0.8	5.6
Sub-Saharan Africa	8.1	100.0
Benin	0.3	4.0
Cote d'Ivoire	1.3	16.4
Ghana	1.3	15.6
Kenya	1.8	22.7
Nigeria	2.9	35.2
Senegal	0.5	6.2
Türkiye	20.1	100.0
Western Balkans	2.8	100.0
Albania	0.4	15.1
Bosnia and Herzegovina	0.4	15.9
Kosovo	0.2	6.2
Montenegro	0.1	4.4
North Macedonia	0.3	9.2
Serbia	1.4	49.2

Source: IMF World Economic Outlook April 2025 and authors' calculations. Note: Weights are based on GDP at market exchange rates in 2024. The first column shows overall weights, while the second column shows weights within regional averages.

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Regional updates

Central Asia

Central Asian economies continued to post solid growth in the first half of 2025, supported by robust domestic demand, rising real wages and strong remittance inflows. Industrial output remained overall resilient, but volatility in commodity prices affected mining outputs and exports of countries in this region. Inflation trends diverged: while inflation eased from its peaks in Turkmenistan, Mongolia and Uzbekistan, it accelerated in Kazakhstan and the Kyrgyz Republic, driven by fiscal stimulus, rising food prices and utility tariff adjustments. The Kyrgyz Republic, Tajikistan and Uzbekistan recorded stronger fiscal positions, while Mongolia's position weakened due to falling coal revenues. While the outlook for 2025 and 2026 remains strong, with growth underpinned by resilient domestic demand and investment, risks stem from commodity price volatility, reliance on remittances and continued dependence on the Russian and Chinese markets.

Kazakhstan

Kazakhstan's real GDP expanded by 6.2 per cent year on year in the first half of 2025, primarily driven by increased oil production at the Tengiz field. Oil production rose by 11.6 per cent year on year in the first six months of the year. Growth in construction also accelerated, reaching 18.4 per cent year on year in the first half of 2025, supported by major infrastructure initiatives, utility network repairs and residential construction. Household consumption was boosted by strong consumer lending (up by 31 per cent year on year as of August 2025), despite accelerating inflation on the back of increasing food prices, continued fiscal stimulus and adjustments of utility tariffs. The inflation rate reached 12.2 per cent in August, despite the tight monetary policy stance (with the policy rate set at 16.5 per cent). Fixed capital investment increased by 19.3 per cent year on year in the first half of the year. The current account deficit more than doubled to US\$

3.5 billion in the first half of 2025, driven by lower oil prices and a rise in imports. The Tenge continued to experience volatility, reflecting lower oil prices and a decline in FDI following the completion of the Tengiz expansion project. Looking ahead, the new tax and budget codes set to take effect in January 2026 are expected to introduce stricter fiscal rules, supporting fiscal consolidation and reducing reliance on the National Fund. Real GDP growth is projected at 5.7 per cent in 2025, slowing down to 4.5 per cent in 2026. Key downside risks include an overreliance on Russian infrastructure for oil transit and volatile commodity prices.

Kyrgyz Republic

Growth accelerated to 11.4 per cent year on year in the first half of 2025. Growth was supported by strong public investment, rising wages and growing remittances. Investment rose by over 50 per cent, with the public share of new capital formation reaching a third. On the supply side, growth was led by manufacturing, trade and construction. Despite rising international prices, gold export revenue fell by around 60 per cent in the first quarter of 2025 due to weaker supply. Imports also fell, and the current account deficit narrowed by 51 per cent. Inflationary pressures intensified, with headline inflation reaching 8.8 per cent in July 2025, in part reflecting higher electricity tariffs, prompting the National Bank to raise its policy rate to 9.25 per cent in July. Fiscal performance remained strong in the first half of the year, with revenues rising by almost 40 per cent, while expenditures grew more moderately. As a result, the fiscal surplus widened to 8.5 per cent of GDP. International reserves climbed to US\$ 6.5 billion in June 2025, equivalent to 4.7 months of import cover, on the back of rising gold prices. Growth is projected at 9 per cent in 2025 moderating to 6 per cent in 2026, driven by major infrastructure projects and tourism, while downside risks stem from a potential weakening of remittances.

Mongolia

Real GDP expanded by 5.6 per cent year on year in the first half of 2025, driven primarily by services and a strong rebound in the agriculture sector, up 35.6 per cent year on year after two years of severe ‘dzud’ (extreme winter weather). The mining sector was nearly stagnant, as a decline in coal output was partly offset by the surge in the volume of copper production. On the demand side, growth was supported by rising real wages and strong credit expansion. External balances weakened, largely reflecting a sharp drop in coal prices. Coal’s share of exports fell from 55 per cent in 2024 to 40 per cent in the first half of 2025, while copper’s share of exports grew from 21 per cent to 36 per cent over the same period. The current account deficit widened by 74 per cent year on year in nominal terms. As budget revenues fell by 6.1 per cent year on year in the first half of the year, a revised 2025 budget projects a deficit of 1.5 per cent of GDP following three consecutive years of fiscal surpluses. After peaking in February, inflation slowed to 8.1 per cent in July, helped by the rise in the monetary policy rate of 200 basis points in March. Mongolia’s economy is projected to grow at the rate of 5.8 per cent in 2025 and 5.5 per cent in 2026, supported by rising copper output and a recovery in agriculture. Weaker Chinese demand and commodity price volatility are sources of risk.

Tajikistan

Strong growth momentum was sustained in the first half of 2025, with output expanding by 8.1 per cent year on year. Growth was broad-based, driven by domestic trade, agriculture, transportation and industry. Mining activity, accounting for one third of all industry, almost doubled, driven by expanded metal ore production. Household consumption remained strong, supported by a 17.2 per cent year-on-year increase in real wages in June 2025 and a 64 per cent year-on-year rise in wage remittances in the first quarter. Fixed capital investments rose by 14.6 per cent year on year. Inflation remained stable at 3.5 per cent in July, the lowest in the

region, prompting the National Bank of Tajikistan to cut its refinancing rate three times this year, to 7.75 per cent in August. The Somoni gained 15.6 per cent against the US dollar in the first eight months of 2025, supported by the strong inflow of remittances. The approval of the World Bank’s budget support programme in August and continuation of the IMF’s Policy Coordination Instrument (PCI) programme bode well for medium-term growth. The economy is projected to grow by 7.5 per cent in 2025 and 5.7 per cent in 2026, supported by high gold prices, infrastructure investment and remittances, though a potential decline in remittance inflows remains a downside risk.

Turkmenistan

According to official data, real GDP expanded by 6.3 per cent year on year in the first half of 2025. Growth was broad based, supported by transportation, services and construction as retail trade turnover grew at the rate of 12.7 per cent year on year. Both the current account and fiscal balances are estimated to be in surplus despite lower global commodity prices. Public debt remains low. Inflation eased from 3.8 per cent at the end of 2024 to 2.7 per cent in the first half of 2025. Investment grew at the rate of 15.6 per cent year on year in the first half of 2025. Growth is expected to remain at 6.3 per cent in 2025 and 2026, supported by ongoing investments in energy, infrastructure, agriculture and food processing.

Uzbekistan

Economic growth accelerated to 7.2 per cent year on year in the first half of 2025, supported by rising real wages and remittances. The services sector expanded by 8.2 per cent, contributing 4 percentage points to overall growth. Remittances grew by 28.7 per cent year on year in the same period, largely reflecting the appreciation of the Russian rouble. As higher global gold prices and tourism receipts offset continued weakness in natural gas extraction, export revenues rose by almost 30 per cent, helping to narrow the trade deficit from 11.1 per cent of GDP in the first half

of 2024 to 5.1 per cent of GDP in the same period in 2025. The Uzbek Som appreciated by 3.4 per cent against the US dollar in the first eight months of the year, reversing the previous year's depreciation. After peaking in late 2024, inflation eased to 8.8 per cent in August. Persistent inflationary pressures reflected higher prices of imported goods and electricity. Owing to fiscal consolidation efforts, public debt edged down to 34.2 per cent of GDP in the second quarter of 2025, while international reserves rose by 36.5 per cent year on year in June on the back of higher gold prices. Growth is projected at 6.7 per cent in 2025 and 6 per cent in 2026, underpinned by a sustained broad-based expansion in manufacturing and continued inflows of foreign investment.

Central Europe and the Baltic States

In Central Europe and the Baltic states, growth is forecast to average 2.4 per cent in 2025 and 2.7 per cent in 2026, up from 2.1 per cent in 2024. Private consumption remains robust, while investment is accelerating as governments absorb EU funds ahead of the Recovery and Resilience Facility (RRF) deadline (end-August 2026), ramp up defence spending and benefit from lower financing costs. The Baltic states and Poland are allocating the highest shares of GDP to defence spending among NATO members, with spending approaching 4–5 per cent of GDP and a strong push to expand defence industrial capacity in response to heightened security concerns. Public and EU-backed infrastructure projects are gathering pace and private investment is recovering in most economies. Hungary remained an exception in this regard, with investment contracting as the central bank kept the key policy rate at 6.5 per cent to curb inflation and EU funds remained frozen. While consumption continues to support growth, it faces headwinds from resurgent inflation and higher taxes. Fiscal positions are under pressure from rising defence outlays, with deficits and debt ratios climbing. The short-term economic outlook hinges on the pace of EU fund absorption and project delivery and on the evolution of global trade tensions.

Croatia

Growth moderated from 3.9 per cent in 2024 to 3.2 per cent year on year in the first half of 2025, as private consumption and investment eased, while inventory accumulation rose significantly. Reflecting this, retail trade volumes have decelerated, in parallel with a moderation of real wage growth to 7 per cent, as inflation averaged 4.5 per cent. Meanwhile, industrial production held up well, in contrast to most regional peers, as exports of goods remained strong. After a moderate fiscal expansion in 2024, when the deficit reached 2.4 per cent of GDP, government spending increased significantly in the first half of 2025. Based on the strong tourism season, real GDP is expected to grow at the rate of 3.2 per cent in 2025, with growth moderating to 2.8 per cent in 2026, supported by the EU's Recovery and Resilience Facility (RRF) funds. Reduced export demand from the EU is a source of risk to the outlook.

Czechia

The economy recorded modest growth of 1.2 per cent in 2024 as a recovery in consumption and positive net exports were offset by a drop in investment and destocking. In the first half of 2025, real GDP growth accelerated to 2.4 per cent year on year, driven primarily by robust household consumption. Although exports were resilient and accelerated compared with 2024, faster import growth translated into a negative contribution of net exports. On the supply side, manufacturing expanded at the rate of 0.8 per cent year on year, while the construction sector grew by 5.8 per cent in the first half of 2025. June 2025 saw a sharp drop (in annual terms) of industrial orders, suggesting more uncertainty ahead. The Czech economy is highly integrated with Germany, largely through the automotive sector, which will be affected in both economies by the effective 27.5 per cent US import tariff. Growth is expected at the rate of 2 per cent in 2025 and 2.2 per cent in 2026, as headwinds from trade barriers are offset by higher fiscal spending and EU-funded investments.

Estonia

After a deep recession in 2023 and further contraction in 2024, real GDP rose by 0.1 per cent year on year in the first half of 2025, as households brought forward spending ahead of the July 2025 VAT hike. However, exports and private investment remained subdued, reflecting weak demand from the Nordic economies and persistent global trade tensions. Investment has been picking up gradually, supported by expanding corporate lending and public infrastructure projects such as Rail Baltica, a railway line connecting Poland, Lithuania, Latvia, Estonia and Finland. While EU funds, including the RRF, are being deployed, public finances face mounting pressures. The deficit is set to widen in 2025 as defence spending approaches 5 per cent of GDP and tax hikes weigh on household expenditure. Real GDP growth is forecast at 0.5 per cent in 2025 and 2 per cent in 2026. Risks remain tilted to the downside, with recovery hinging on improved external conditions.

Hungary

Real GDP was broadly flat year on year in the first half of 2025 after 0.5 per cent growth in 2024, as weak industry and agriculture offset modest gains in household consumption and net exports remained a drag on overall growth. Gross fixed capital formation fell throughout 2024 and was down 8.3 per cent year on year in early 2025 amid high financing costs, increased policy uncertainty and a continued freeze of EU recovery funds. Trade tensions are weighing on the automobile and batteries sectors. A temporary EU-US pause on reciprocal tariffs earlier in 2025 offered only partial relief. Public finances remain strained: while the fiscal deficit narrowed from 6.7 per cent in 2023 to 4.9 per cent of GDP in 2024 it is expected to stay above 4 per cent in 2025. Government debt was 73.5 per cent at end-2024. As inflation (HICP) remained above 4 per cent, the central bank kept its key policy rate unchanged at 6.5 per cent over the past year. Growth is forecast at 0.5 per cent in 2025, rising to 2.0 per cent in 2026 as consumption and private investment

gradually recover. Risks are skewed to the downside and relate to weak external demand, trade disruptions and challenges in the relationship with the EU. Upside risks centre on a quicker expansion of new capacity in the automotive and battery sectors.

Latvia

After contracting by 0.4 per cent in 2024, output grew by 0.7 per cent in the first half of 2025 as soft external demand offset the impact of higher wages. While investment has been supported by public projects and defence spending, trade frictions weighed on economic prospects. Construction rose by 7.8 per cent in the first six months of 2025 driven by EU-funded infrastructure projects and RRF-backed Rail Baltica. Defence outlays are on track to reach about 3.5 per cent of GDP in 2025, up from 2.8 per cent in 2024. While the late-July EU-US agreement introduced sectoral exemptions and reduced the risk of escalation, trade policy uncertainty continues to weigh on exports. The general government deficit narrowed to 1.8 per cent of GDP in 2024 and debt stood at 46.8 per cent as of end-2024. In 2025 the deficit is projected near 3 per cent and debt close to 49 per cent of GDP. Growth is projected at 0.9 per cent in 2025 and 1.9 per cent in 2026, with downside risks from persistent trade tensions and upside risks related to faster disinflation and stronger export demand.

Lithuania

Real GDP expanded by 2.8 per cent in 2024 as household consumption recovered and services exports rebounded. Growth momentum was sustained into the first half of 2025, with real GDP growing at the rate of 3.2 per cent year on year, despite a contraction in manufacturing on weaker external demand and higher labour costs. Fixed investment grew 8.7 per cent year on year in the first half of 2025, as public investment in energy and transport, including the Rail Baltica project, and defence outlays were stepped-up, cushioning the adverse impact of global trade tensions and

higher US import tariffs. The general government deficit widened to 1.3 per cent of GDP in 2024 and is likely to approach 3 per cent in 2025, with defence spending rising from 3.2 per cent of GDP towards 4 per cent. Debt remains below 40 per cent of GDP, however. Growth is projected at 2.6 per cent in 2025 and 3.2 per cent in 2026, supported by a one-off boost from potential withdrawals from individual pension savings accounts in 2026. Downside risks stem from trade disputes and euro area weakness, while faster absorption of EU funds is a source of upside risk.

Poland

The economy gained momentum in the first half of 2025, with growth accelerating from 2.9 per cent in 2024 to 3.4 per cent year on year. The upturn reflected a gradual recovery in public investment, easing inflation and higher wages. Investment was volatile as firms delayed projects amid global trade frictions and elevated borrowing costs. Higher US import tariffs on goods from the EU weighed indirectly on the economy via weaker German demand. Public investment, co-financed by EU RRF funds, is set to accelerate later this year and defence procurement remains a notable driver. The Finance Ministry foresees a fiscal deficit of 6.9 per cent of GDP in 2025 and 6.5 per cent in 2026, with debt rising above 60 per cent of GDP this year and approaching 67 per cent in 2026. Real GDP is forecast to grow by 3.5 per cent in 2025 and 3.4 per cent in 2026 supported by absorption of EU funds and easing financing conditions. Risks to the outlook stem from persistent geopolitical tensions.

Slovak Republic

After a modest rebound in 2024, growth softened from 2.1 per cent to 0.6 per cent year on year in the first half of 2025, as higher taxes, uncertainty and weak external orders weighed on aggregate demand. The automotive sector remained under pressure from US trade measures and soft demand in key EU markets, while tight financing conditions continue to constrain private investment. In contrast, public investment has

held up, supported by EU funds and stepped-up defence procurement ahead of RRF deadlines in mid-2026. Fiscal consolidation is under way, but deficits are well above the EU thresholds: the 2024 deficit reached 5.3 per cent of GDP and is projected at 5.2 per cent in 2025, with debt surpassing 60 per cent of GDP and the budget council signalling the need for further measures worth 2 per cent of GDP by 2027. Growth is projected at 1.1 per cent in 2025 and 1.6 per cent in 2026. Risks are tilted to the downside amid trade frictions, fiscal tightening and weak EU demand. On the upside, higher real wage gains and timely delivery of EU-funded projects could boost growth further.

Slovenia

Growth decelerated sharply from 1.6 per cent in 2024 to 0.1 per cent year on year in the first half of 2025, owing to contracting investment, industrial production and construction and a worsening trade balance. Nevertheless, both private consumption and investment recovered in the second quarter after a much weaker first quarter. Despite an uptick in inflation, which reached 3 per cent by August 2025, real wage growth was resilient at 5.3 per cent year on year in the first half of the year, as the unemployment rate fell to 2.9 per cent in July 2025. The central government deficit more than doubled in the first half of 2025, to 2.4 per cent of GDP. As a highly open economy, Slovenia has been affected by the indirect trade effects of higher US tariffs on the EU and Swiss economies. Nevertheless, given the higher 39 per cent tariff on US imports from Switzerland, there may be an opportunity for Slovenia to increase direct exports to the US, although trade uncertainty remains high and the domestic value-added component remains low in the case of processing of Swiss-branded pharmaceuticals. The growth projection for 2025 has been revised down to 0.7 per cent, with downside risks. In 2026, economic growth is expected to rebound to 2 per cent on the back of an investment rebound.

Eastern Europe and the Caucasus

After disappointing economic growth and increased inflation during the first half of the year, price pressures have recently eased in Ukraine and Moldova. The continuing Russian war of aggression, however, limits growth prospects in Ukraine and affects Moldova's economy.

Armenia

Armenia's economic growth moderated from 5.9 per cent in 2024 to 5.5 per cent year on year in the first half of 2025, as the exceptional post-2022 boom faded, and industry contracted. Growth was increasingly supported by public investment and other sources of domestic demand as the effects of re-export and migration subsided. Meanwhile, inflation returned to the Central Bank of Armenia's (CBA) target range of 2-4 per cent after low readings in 2024. It averaged 3.2 per cent in the first seven months of 2025, rising from 1.7 per cent in January to 4.3 per cent in May before easing to 3.4 per cent in July. The CBA has held its policy rate steady at 6.75 per cent since February 2025, signalling caution in light of more expansionary fiscal policy. In the first half of the year, the fiscal deficit reached 0.8 per cent of GDP, compared with a surplus in the same period of 2024, as expenditure rose 19 per cent year on year. Reflecting lower re-exports, exports of goods fell by more than half year on year in the first half of 2025, while imports contracted by nearly 40 per cent. GDP growth is projected at 5 per cent in 2025 moderating to 4.5 per cent in 2026. On the upside, the US-brokered peace framework with Azerbaijan could reduce geopolitical risk, unlock higher private investment and boost tourism. A potential normalisation of relations with Türkiye could significantly enhance Armenia's role in East-West transit and regional logistics. However, downside risks persist, including a widening current account deficit, continued reliance on remittances and exposure to regional shocks.

Azerbaijan

Economic growth slowed from 4.1 per cent in 2024 to 1.5 per cent year on year in the first half of 2025, as output of hydrocarbons contracted by 3.1 per cent while non-oil activity expanded by 3.8 per cent driven by construction, trade and tourism. Non-oil sectors now make up over two-thirds of GDP. Headline inflation picked up from an average of 2.2 per cent in 2024 to 5.6 per cent in the first eight months of 2025, driven by rising prices of food and services. In July 2025, the Central Bank of Azerbaijan lowered its policy rate by 25 basis points to 7.0 per cent, bringing cumulative easing since late 2023 to 200 basis points, despite inflation running close to the upper end of the 4 per cent (± 2) target band. Fiscal and external buffers remain strong. The state budget recorded a surplus of 4.4 per cent of GDP in the first half of 2025, slightly below that of 2024, as revenues and oil prices surpassed budget projections. Foreign reserves (including the assets of SOFAZ, the state oil fund) reached US\$ 78.8 billion by mid-2025, covering more than three years of imports. As a result, Moody's upgraded Azerbaijan's sovereign rating to Baa3 in June 2025, highlighting the country's fiscal resilience. Real GDP is forecast to grow by 2 per cent in 2025 and 2.5 per cent in 2026, with solid non-oil activity offset by weaker hydrocarbons. Energy price volatility, global trade uncertainty and regional geopolitics pose downside risks. Upside potential stems from the cooperation on energy with the EU, expansion of the Middle Corridor and the US-backed peace framework with Armenia, which could unlock new trade routes and improve investor confidence.

Georgia

Georgia's growth decelerated from 9.4 per cent in 2024 to an estimated 8.3 per cent year on year in the first half of 2025. Growth was driven by credit expansion, rapid growth in the IT and education sectors and booming exports of services. After averaging 1.1 per cent in 2024, inflation edged higher to 3.5 per cent in the first eight months of 2025. This is slightly above the National Bank of

Georgia's (NBG) target of 3 per cent. The policy rate has been held at 8 per cent since May 2024. Fiscal and external positions remained relatively strong, helped by resilient tourism, while foreign direct investment slowed in 2024 and the first half of 2025 reflecting weaker sentiment. Foreign reserves recovered to US\$ 5.2 billion by August 2025, covering more than three months of imports. Growth is forecast at 7 per cent in 2025 moderating to 5 per cent in 2026, as external conditions soften. Upside risks include stronger external demand and continued buoyancy in services, while downside risks stem from weaker global growth, de-facto suspension of the EU accession process over domestic democratic backsliding and investor caution. Maintaining macroeconomic buffers and policy credibility will be critical to sustaining investor confidence.

Moldova

The economy contracted by 1.2 per cent year on year in the first quarter of 2025, mainly due to sharp declines in agricultural and manufacturing output and reduced exports of goods. Russia's cut-off of gas deliveries to the Transnistrian region of Moldova in January triggered electricity shortages, forcing Moldova to import more costly energy from Romania. As a result, electricity import spending soared, the trade deficit widened by 50 per cent and the current account deficit more than doubled in the first quarter of 2025. Continued EU financial assistance supported Moldova's funding needs and foreign exchange reserves remained robust at US\$ 5.0 billion as of July 2025, covering nearly six months of imports. Rising energy prices intensified inflationary pressures, with electricity tariffs jumping almost 50 per cent and urban heating costs climbing by 25 per cent in January 2025 relative to the previous month. As a result, annual inflation surged to 9.1 per cent in January 2025 before easing to 7.3 per cent in August. The National Bank responded to greater inflationary pressures by hiking the policy rate twice, bringing it to 6.5 per cent by February 2025. It was subsequently reduced to 6.25 per cent in August as inflationary pressures eased somewhat. The currency

remained stable, supported by external financing. Responding to the energy crisis, the European Commission provided a €250 million energy resilience package, including consumer subsidies and support for green investments. Real GDP growth is forecast at 1.5 per cent for 2025, rising to 3.8 per cent in 2026. Despite subdued short-term growth, ongoing EU support—such as the €1.9 billion Growth Plan with €520 million in grants—may foster a recovery. Persistent risks to the outlook are related to energy price volatility, underperforming tradable sectors and sluggish external demand.

Ukraine

Despite ongoing Russian aggression, Ukraine has largely maintained macroeconomic stability. Real GDP grew by 0.9 per cent year on year in the first quarter of 2025, driven by consumption and critical infrastructure investment, although labour shortages, damage to the energy infrastructure and weak agricultural exports continue to constrain growth. The unemployment rate has dropped to a post-invasion low of 12 per cent, but recruitment remains difficult due to mobilisation and emigration. The current account deficit widened by almost 50 per cent in the period January to July 2025, reflecting high military and energy imports and weak exports. The fiscal deficit is expected to reach 22 per cent of GDP in 2025, with about US\$ 40 billion in external financing—much of it sourced from the EU, G7 (using income from frozen Russian assets) and the IMF. Inflation remains high, driven by food prices, utilities and rising real wages, but is gradually easing, declining from 15.9 per cent in May to 13.2 per cent in August 2025. The central bank has kept its policy rate at 15.5 per cent since March 2025 with the view to moderate inflation, while foreign reserves reached US\$46 billion in August 2025—covering 5.5 months of imports and supporting exchange rate stability. Ukraine's economic outlook is highly uncertain, depending on the war's course, energy security and continued international support. The government remains committed to macroeconomic discipline and structural reforms,

aiming to mobilise public revenue, increase investment, improve governance of state-owned enterprises and strengthen resilience of the financial sector. Real GDP growth in 2025 is forecast at 2.5 per cent. Assuming the war ends and reconstruction begins, growth could reach 5 per cent in 2026.

South-eastern EU

After the 2024 slowdown, the region has maintained similar growth dynamics in the first half of 2025, with lower exports partly offset by stronger investment early in the year. Forecasts have been revised down to 1.7 per cent in 2025 and 1.9 per cent in 2026, largely reflecting Romania's fiscal consolidation which coincides with a downward phase of the business cycle. Bulgaria's improved political stability and its forthcoming accession to the eurozone are supportive of a recovery of investment and EU funds absorption, while the Romanian government will need to fully leverage EU funds to stimulate growth. Greece's outlook remains stable, supported by another strong tourism season and effective utilisation of EU funds.

Bulgaria

After accelerating to 2.8 per cent in 2024, real GDP growth rose further to 3.2 per cent year on year in the first half of 2025. Despite some moderation of wage growth, private consumption was resilient, while the unemployment rate fell to 3.6 per cent by mid-year. Inflation rose to 5.3 per cent in July 2025, driven partially by an increase in the rate of value-added tax (VAT) levied on bread and restaurants to 20 per cent. After a weak 2024, investment has also rebounded on higher public capital spending. On the downside, exports fell in annual terms, as exports of energy products and raw materials contracted. Government spending increased by 20 per cent in the first half of 2025, while revenues increased by just 13 per cent, raising fiscal risks. Nevertheless, following the approval of eurozone accession, Bulgaria is benefiting from credit rating upgrades and lower financing costs. GDP growth is expected to reach 3.2 per cent in 2025 moderating to 2.6

per cent in 2026, contingent on sustained public investment, while eurozone accession could boost trade and private investment including FDI. However, US tariffs on EU exports will negatively affect Bulgaria's industrial production and exports.

Greece

Economic growth has remained firm at 2.2 per cent year on year in the first quarter of 2025, moderating to 1.7 per cent in the second quarter. Growth has been supported by private consumption, investment backed by EU resources from the Recovery and Resilience Facility (RRF) and exports of goods amidst challenging global conditions. In the first half of 2025, tourism revenues were up 9.1 per cent over the same period in 2024, pointing to another record-breaking year. Soft indicators also signal continued growth momentum, and unemployment has declined further to 7.9 per cent in May 2025. The general government registered a primary surplus of 4.8 per cent of GDP in 2024, driven by robust tax revenue performance and effective control of primary expenditures. Nevertheless, inflation has remained at elevated levels in the first six months of 2025, at 3.1 per cent, with core price pressures persisting as a result of wage growth and rising cost of services. The implementation of the revised Recovery and Resilience Plan (RRP) is progressing well, helping to mitigate external risks. As of July 2025, Greece has received €21.3 billion, comprising €9.9 billion in grants and €11.4 billion in loans, representing 59 per cent of its total allocation of €36 billion. Real GDP growth is forecast at 2.2 per cent in 2025 and 2.1 per cent in 2026, driven by resilient private consumption and sustained investment supported by the RRF. Nonetheless, the outlook is subject to several downside risks, including potential spillover effects from regional geopolitical tensions, a deceleration in key export markets, delays in the implementation of RRF-funded projects and an increased incidence of climate-related disruptions.

Romania

Economic growth significantly slowed down in 2024, to 0.8 per cent. Industry, services and construction all experienced sharp decelerations, while agriculture was heavily affected by drought. During the first half of 2025, growth averaged 1.4 per cent year on year, amid slowing real wage growth, a deteriorating external balance and a contraction in industry. On the other hand, investment rebounded from the sharp decline experienced in the last quarter of 2024 and the agricultural sector is expected to achieve substantial recovery this year. Business sentiment has been negatively influenced by political instability in the first half of 2025 and fiscal austerity measures worth up to an estimated 5.5 per cent of GDP over two years. The fiscal deficit in the first half of 2025 (3.6 per cent of GDP) points for a full-year deficit of close to 8 per cent of GDP, down from 9.3 per cent in 2024. The energy market liberalisation in July and the increase in the rates of value-added tax (VAT) and excise taxes from August 2025 are projected to contribute four percentage points to annual inflation, bringing year-end inflation to 8.8 per cent, significantly higher than the EU average, according to the National Bank. Growth is projected at 0.9 per cent in 2025, picking up to 1.6 per cent in 2026 on accelerating absorption of EU funds. Downside risks are linked to weaker exports and public investment cuts.

Southern and eastern Mediterranean

In the first half of 2025 growth rates exceeded expectations in most countries in the region. Growth in Egypt averaged 4.2 per cent year on year between July 2024 and March 2025 as manufacturing rebounded, while growth in Morocco accelerated to 4.7 per cent year on year in the first half of 2025 and Tunisia's growth accelerated to 2.4 per cent. Inflation moderated significantly in Egypt, Tunisia and Morocco as food price pressures eased. The region benefited from strong recovery in tourism, increased remittance flows and improving external balances. Lebanon's economy, however,

contracted by 7.5 per cent in 2024 due to conflict-related disruptions.

Egypt

Growth accelerated to 4.2 per cent year on year over July 2024 to March 2025 (first three quarters of the fiscal year) from 2.4 per cent over the same period of the preceding fiscal year. This outcome exceeded expectations, driven by a recovery in the manufacturing sector following a deep contraction as well as strong performance in wholesale and retail trade and transportation. Inflation averaged 15.7 per cent year on year between January and July 2025, half the rate observed during the same period of 2024. Remittances increased by 82.7 per cent year on year during the period July 2024 to March 2025 while foreign investors have returned to the short-term government debt market, owning 44.7 per cent of outstanding T-bills as of March 2025. Net international reserves increased to US\$ 49 billion as at August 2025, their highest level in over 20 years. However, debt levels remain elevated, with servicing costs expected to absorb 65 per cent of budget revenue in the fiscal year 2025/26 while slow progress in the area of structural reform continues to hold back potential growth. Against the backdrop of macroeconomic stabilisation and gradual improvement in investor sentiment, output is expected to expand by 4.8 per cent in 2025 and 4.5 per cent in 2026. Downside risks remain significant and relate to a further escalation of regional conflicts and lack of progress in the area of structural reforms, possibly delaying further the implementation of an IMF-supported programme.

Iraq

In 2024, real GDP contracted by 2.3 per cent, as oil GDP declined by an estimated 6.2 per cent due to extended OPEC+ production cuts, including Iraq's voluntary cuts, in response to weak global demand and low oil prices. Growth of the non-oil sector moderated significantly, to an estimated 2.5 per cent in 2024, reflecting a slowdown in public investment and a surge in imports. Inflation slowed down from 4 per cent in 2023 to 2.7 per

cent in 2024 and -0.6 per cent year on year in June 2025 on the back of lower global food prices. The current account surplus shrank from 7.5 per cent to GDP in 2023 to 2 per cent in 2024 on subdued oil exports, a surge in goods imports and an increased outflow of remittances. International reserves stood at US\$ 100 billion at end-2024 covering 11 months of imports. The fiscal deficit rose to 4.2 per cent of GDP in 2024 and total public debt increased to 47.2 per cent of GDP. In 2025, growth is expected rise to 2.5 per cent as oil production cuts are undone before moderating to 1.4 per cent in 2026. In the medium run, fiscal consolidation – notably on the expenditure side – will be essential to maintain macroeconomic stability. Risks to the outlook stem from global and regional geopolitical tensions and their impact on the oil market and regional conflicts.

Jordan

In 2024, economic growth slowed down somewhat to 2.5 per cent, as regional instability impacted tourism, investment and trade flows in the first half of the year. Economic activity picked up in the first quarter of 2025, with growth reaching 2.7 per cent year on year, led by manufacturing, financial services and agriculture. Inflation averaged 1.9 per cent over January-July 2025, up slightly from 1.7 per cent over the same period the preceding year, as food prices eased. The current account deficit narrowed slightly as exports grew by 8.6 per cent year on year in January-May 2025 while tourism receipts increased by 9 per cent despite regional instability. Growth is expected to reach 2.4 per cent in 2025 and 2.6 per cent in 2026 supported by a recovery in tourism and the re-opening of the Syrian market to Jordanian businesses. Significant downside risks to the medium-term outlook stem from weaker global demand and regional instability.

Lebanon

Lebanon's real GDP is estimated to have contracted by 7.5 per cent in 2024 as the war with Israel displaced people, damaged

infrastructure and disrupted agriculture, trade and tourism activities. Unemployment remained elevated, while inflation eased considerably, from 221 per cent in 2023 to 45.2 per cent in 2024 owing to a stabilised exchange rate and tighter monetary policy. The current account deficit declined to 18.2 per cent of GDP in 2024 despite lower tourism income, supported largely by remittances from abroad. In parallel, improved revenue collection resulted in a fiscal surplus of 1.1 per cent of GDP, but financial resources are still severely limited and public spending remains largely curtailed. Public debt was estimated at 164 per cent of GDP at the end of 2024. Following a sharp contraction in 2024, growth is projected to reach 1.9 per cent in 2025, driven by a gradual rebound in tourism and limited reconstruction inflows, rising to 2.9 per in 2026 as geopolitical tensions subside and critical banking sector reforms gain traction improving the prospects for an IMF-supported programme. However, risks from regional instability remain present and the resumption of international donor support will be a key condition for robust recovery.

Morocco

Growth accelerated from 3.7 per cent in 2023 and 3.8 per cent in 2024 to 4.7 per cent year on year in the first half of 2025. Inflation decelerated to an average of 1.2 per cent year on year in January-July 2025, owing to easing prices of food, fuel and transport. The fiscal deficit narrowed to 3.9 per cent of GDP in 2024, 0.4 percentage points below the budget target, on higher tax revenues. The government is targeting a reduction in the fiscal deficit to 3.5 per cent of GDP in 2025 and 3 per cent of GDP in 2026. The public debt to GDP ratio declined from a peak of 72 per cent in 2020 to 70 per cent of GDP in 2024. The current account deficit widened to 1.4 per cent of GDP in 2024, up from 0.6 per cent the previous year, but below 3.6 per cent of GDP recorded in 2023. Goods exports expanded by 5.8 per cent, led by phosphate and automotive sales, alongside a 20 per cent surge in tourist arrivals, to 17.4 million. Tourist arrivals further increased by 16 per cent year on year in January-July 2025. Official

reserves stood at US\$ 45 billion in August 2025, up 12 per cent year on year and equivalent to over five months of imports. Growth is expected to reach 4.2 per cent in 2025 and 4 per cent in 2026, supported by public investment. Downside risks relate to a slowdown in European markets that may dampen remittances and demand for exports and adverse weather shocks.

Tunisia

Growth accelerated from 0.2 per cent in 2023 and 1.6 per cent in 2024 to 2.4 per cent year on year in the first half of 2025, led by agriculture, construction, trade and manufacturing of mechanical and electrical equipment. As food prices eased, inflation moderated to an average of 5.6 per cent year on year in January-July 2025 after peaking above 10 per cent in early 2023. The fiscal deficit narrowed from 7.6 per cent of GDP in 2023 to 6 per cent of GDP in 2024, owing to higher revenue mobilisation, lower subsidies covering basic goods and contained wage increases in the public sector. The current account deficit fell to 1.5 per cent of GDP in 2024, supported by increased tourism and remittance receipts. Tourist revenues and remittances increased by more than 8 per cent year on year in January-July 2025. International reserves stood at US\$ 8.5 billion in August 2025, covering over three months of imports. Growth is expected at 2 per cent in 2025 and 2.1 per cent in 2026 as slow progress in the area of improving the business environment and subdued investment continue to weigh on the outlook. Downside risks arise from external vulnerabilities that could exacerbate the impact of global economic shocks.

Türkiye

Growth averaged 3.6 per cent year on year in the first half of the year, accelerating to 4.8 per cent year on year in the second quarter. This outturn was stronger than expected, driven by private consumption and investment, while government spending and net exports contracted.

Inflation declined from a peak of 75 per cent in May 2024 to 33 per cent in August 2025. The Central Bank of the Republic of Türkiye (CBRT) began easing its policy stance with consecutive 250 basis point cuts in December 2024, January 2025 and March 2025, but reversed course in April with a 350 basis point hike in response to market volatility. The easing cycle resumed in July with a 300 basis point cut, followed by a further 250 basis point reduction in September. Fiscal consolidation has been slower than anticipated owing to rising interest costs and higher post-earthquake reconstruction spending. The new Medium-Term Programme (2026–28) revised the projected central government deficit from 3.1 to 3.6 per cent of GDP in 2025 (which still represents a reduction relative to the deficit of 4.7 per cent in 2024).

External buffers have been restored following earlier market turbulence. Net international reserves excluding swaps, which had fallen from more than US\$ 60 billion to around US\$ 10 billion in late April, rebounded to over US\$ 55 billion by early September. The 12-month cumulative current account stood at 1.3 per cent of GDP in July 2025.

Growth is expected to remain in the range of 3.1 to 3.5 per cent in 2025-26 as economic policies balance the objectives of supporting growth and facilitating disinflation. Political tensions, volatile risk sentiment and tighter global financing conditions remain key risks given Türkiye's substantial short-term external financing needs. On the upside, easing tensions in Syria and the Caucasus and closer cooperation with the EU could allow Türkiye to capitalise on its established strengths in construction, logistics and defence.

Western Balkans

Real growth in the Western Balkans is forecast to be modest, averaging 2.7 per cent in 2025 and rising to 3.2 per cent in 2026. Ongoing global uncertainty and weak EU demand will continue to affect exports, trade, investment and remittances, particularly in export-driven economies like Serbia, Bosnia and Herzegovina and North

Macedonia. Tourism-dependent economies such as Kosovo, Albania and Montenegro are also impacted due to heightened uncertainty in the EU economies. While resilient private consumption, wage growth and public investment have supported economic activity, structural reforms and progress toward EU integration could significantly boost growth further. Tight labour markets, rising unit labour costs and inflation continue to pose significant challenges, while political instability in some economies weighs on investment and growth.

Albania

Economic growth moderated to 3.4 per cent year on year in the first quarter of 2025, driven by the services and construction sectors, while industry and agriculture experienced slight contractions. On the expenditure side, economic activity was broadly balanced, with notable contributions from increased government consumption and exports of goods and services. The current account deficit narrowed by over 40 per cent year on year in the first quarter of 2025, reflecting changes across all major components. Inflationary pressures remained subdued, with the annual inflation rate standing at 2.3 per cent in August. In response, the Bank of Albania reduced its benchmark interest rate to 2.5 per cent in July 2025, the third rate reduction since July 2024. Real GDP growth is projected at 3.5 per cent in 2025 and 2026. Downside risks include the possibility of softening demand within the Eurozone, declining remittance inflows and adverse climate factors such as drought, which could continue to adversely affect electricity generation and agricultural production. On the other hand, accelerated implementation of structural reforms and further advances in the integration into the European Union—further bolstered by the implementation of the EU's Growth Plan for the Western Balkans—could strengthen Albania's growth outlook.

Bosnia and Herzegovina

Economic growth decelerated to 1.7 per cent year on year in the first quarter of 2025, underpinned by rising wages and remittances. Economic

growth was constrained by subdued external demand and domestic political instability. The current account deficit persisted on an upward trajectory during the same period, following a near doubling in 2024. Inflation reached 4.8 per cent year on year in July 2025, driven by increases in real wages and expansionary fiscal policy. Real GDP growth is projected at 2.2 per cent in 2025, rising to 2.7 per cent in 2026. Significant downside risks stem from the contraction of industrial production, heightened trade uncertainty, a slowdown in the European economy, volatility in commodity markets and continued political tensions.

Kosovo

Real GDP growth slowed to 3.6 per cent year on year in the first quarter of 2025, primarily due to weaker net exports. On the other hand, gross capital formation grew 13.6 per cent, while household consumption was up 4.3 per cent. The current account deficit widened by 15.1 per cent on an annual basis, mainly as a result of a deepening trade deficit. Inflation bottomed out at 0.4 per cent in October 2024, rising to 4.3 per cent year on year by July 2025. Fiscal expansion linked to social transfers and public investments turned last year's fiscal surplus into a deficit of 0.7 per cent of GDP in the first quarter of 2025. Real GDP growth is forecast at 3.9 per cent in both 2025 and 2026. Key drivers of growth include the acceleration of structural reforms, slowing inflation and prospects for additional funding under the Growth Plan. Downside risks relate to protracted political instability, weaker economic growth in the eurozone and lower inflows of remittances.

Montenegro

Economic growth slowed to 2.5 per cent in the first quarter of 2025, mainly due to reduced net exports after renovations at the Pljevlja power plant led to increased electricity imports. Meanwhile, private consumption and investment grew, supported by higher wages and pensions as well as infrastructure projects, including the Bar–Boljare highway. Robust domestic demand and

higher electricity imports widened the trade and current account deficits, with the latter also impacted by a drop this year in both tourism and transfers. Inflation increased from 1 per cent in September 2024 to 4.5 per cent by July 2025, reflecting expansionary fiscal policy and rising real disposable income growth. The central government ran a deficit due to higher spending and slower revenue growth. Real GDP is forecast to grow at the rate of 2.6 per cent in 2025 and 2.7 per cent in 2026. Higher labour costs may negatively affect tourism, and the ongoing power plant reconstruction is expected to necessitate further electricity imports. Wage growth, on the other hand, should continue to fuel private consumption, with the Growth Plan supporting investment activity.

North Macedonia

Real GDP growth accelerated to 3 per cent year on year in the first quarter of 2025 and further to 3.4 per cent in the second quarter, primarily driven by construction, manufacturing and trade. During this period, household consumption was supported by rising incomes and moderating inflation, while road construction bolstered investment. Exports recovered in the first half of 2025 following a subdued export performance in the previous year. However, the current account deficit widened by 66 per cent in the same period, reflecting lower surpluses in both services trade and secondary income. Following the removal of profit margin caps on certain staple goods, inflation rose to 4.8 per cent by July 2025 before easing to 4.4 per cent in August. Fiscal policy remains expansionary, with the revised 2025 deficit target set at 4 per cent of GDP, aiming to balance fiscal consolidation with ongoing infrastructure investments. The deficit for the period January to July 2025 reached 2.5 per cent of the projected GDP, as expenditures outpaced revenue growth. Real GDP growth is projected at 3 per cent in 2025 and 2026, underpinned by strong domestic demand and the accelerated execution of public investment projects, particularly the construction of motorway sections along Pan-European Corridors VIII and X.

Increased municipal investment ahead of local elections in late 2025 may provide a further stimulus in the short term. Household consumption is expected to remain resilient, supported by rising real wages and higher government transfers. Risks to the economic outlook stem from constrained fiscal capacity and external volatility, especially due to structural adjustments in the European automotive industry and heightened global uncertainty.

Serbia

Economic growth moderated to 2 per cent year on year during the first half of 2025, following two years of robust expansion. The principal drivers of growth were the information and communication services and manufacturing sectors, underpinned by the commencement of the serial production of electrical vehicles and increased tire output, while construction weighed negatively on overall growth. Social unrest adversely impacted trade, hospitality and related industries. While household and government consumption continued expanding, investment declined, and net exports were negative. The current account deficit doubled in the first half of the year. Inflation remained elevated at 4.9 per cent in July 2025 reflecting both rising food prices sticky core inflation. Government expenditures grew at a faster pace due to higher wages and increased social transfers, resulting in a shift to a small deficit in the period January to July 2025. Real GDP growth is forecast at 2.5 per cent in 2025, accelerating to 3.3 per cent in 2026 supported by EXPO-related investment. Downside risks stem from ongoing domestic political tensions and potential global trade disruptions, which could constrain exports and inflows of foreign direct investment and weigh on structural reforms. However, stronger automotive exports and accelerated infrastructure investments could drive growth in the second half of the year.

Sub-Saharan Africa

The SSA region's economic performance in 2024 and early 2025 was strong, supported by growth in extractive sectors, particularly gold mining in

Ghana and the petroleum sector in Nigeria, alongside resilient services and agricultural exports. While inflation pressures continued to ease across most countries, the levels of inflation remain elevated in Nigeria and Ghana. Fiscal consolidations in Benin and Côte d'Ivoire led to credit rating upgrades, while issues related to fiscal transparency in Senegal resulted in an IMF-supported programme being suspended while the estimate of the country's debt level was revised sharply upward.

Benin

In 2024, real GDP expanded by 6.7 per cent, up from 6.4 per cent in the preceding year, led by agriculture, services, construction and industry. Inflation continued to moderate, reaching 1.8 per cent in June 2025 on easing fuel prices and tighter monetary policy. The current account deficit narrowed slightly in 2024, to 8 per cent of GDP in 2024, but remained large due to strong import demand. Owing to improved tax collection, the budget deficit narrowed faster than expected to 3 per cent of GDP in 2024, from 4.1 per cent in 2023, in line with the Western Africa Economic and Monetary Union (WAEMU) target, while public debt slightly decreased to 53.4 per cent of GDP in 2024. In the medium term, growth is expected to remain robust, averaging 6.6 per cent in 2025 and 6.3 per cent in 2026, reflecting higher public investment and government subsidies aimed at boosting agricultural output. Downside risks to the outlook include unfavourable weather conditions and persistent security challenges impacting key cotton-producing regions in the north. Additionally, political tensions in the region could further disrupt cross-border trade.

Côte d'Ivoire

Economic growth slowed from 6.5 per cent in 2023 to 6 per cent in 2024, as lower agricultural production and weaker performance in construction was partly offset by higher output of hydrocarbons and gold. Inflation eased to 3.5 per cent in 2024, largely due to monetary tightening and declines in food and transportation prices. As a result of higher exports of cocoa and

hydrocarbons, the current account deficit was halved in 2024, to 4.1 per cent of GDP. The gradual phasing out of food and fuel subsidies alongside higher fiscal revenues led to a reduction in the fiscal deficit from 4.4 to 4 per cent of GDP. Central government debt stood at 59.3 per cent of GDP at the end of 2024, with external debt accounting for more than half of the total debt. In the medium-term, growth is expected to remain robust, projected at 6.3 per cent in 2025 and 6.4 per cent in 2026, on the back of stronger agricultural output and private consumption. Downside risks to the outlook include commodity price fluctuations and increased global trade uncertainty. Climate change also poses significant risks to the production of cocoa and cashews.

Ghana

Real GDP expanded at the rate of 5.3 per cent year on year in the first quarter of 2025. In 2024, growth accelerated to 5.7 per cent from 3.8 per cent in 2022 and 3.1 per cent in 2023, led by the expansion of the extractive sector, in particular gold mining. Inflation declined to 13.7 per cent year on year in June 2025, down from an average of 22.9 per cent in 2024 and a peak of 54.1 in December 2022. However, the fiscal deficit more than doubled in 2024, to 7.3 per cent of GDP, as government expenditure rose ahead of elections. In mid-2025, Ghana's credit ratings were upgraded to CCC+ (from SD) by S&P and B- (from RD) by Fitch, with credit risk agencies citing the near completion of debt restructuring following the default in 2022. The current account surplus widened from 2 per cent of GDP in 2024 to 3.9 per cent in the first half of 2025. Growth is forecast to reach 4.3 per cent in 2025 accelerating to 4.8 per cent in 2026, supported by high gold prices. Significant downside risks relate to continued delays in structural reforms, lack of fiscal discipline, regional instability and weakening global demand.

Kenya

Real GDP growth slowed from 5.7 per cent in 2023 to 4.7 per cent in 2024. The broad-based deceleration across sectors was recorded amid

widespread protests against the proposed tax reforms and tightening of monetary policy. Inflation eased through 2024 to an average of 4.5 per cent. The current account deficit narrowed from 4.1 per cent of GDP in 2023 to 3.7 per cent of GDP in 2024, supported by higher agricultural exports and remittances. The fiscal deficit remained high in 2024, at 5.8 per cent of GDP, as revenue mobilisation remained weak. Public debt decreased to around 66 per cent of GDP in 2024, half of which is external. An initial push for more austerity and fiscal consolidation led to violent anti-tax protests, leading to multiple deaths and withdrawal of the Finance Bill, and subsequently a Supplementary Finance Bill with a more gradual consolidation path. Growth is expected to reach 4.7 per cent in 2025 picking up to 4.9 per cent in 2026, supported by more accommodative monetary policy, provided renewed social unrest is short-lived. Downside risks relate to regional instability and lack of progress in the area of structural reform, as well as uncertainty regarding agreement on a new IMF programme.

Nigeria

Real GDP grew at 3.8 per cent year on year in the first quarter of 2025, up from 3.1 per cent in the same period of 2024. Petroleum output continued to recover after a significant drop in 2020-22, recording a 17 per cent increase in the first half of the year. Output growth figures were revised up to 3.3 per cent in 2023 and 4.1 per cent in 2024. Following the rebasing of GDP, the economy is now thought to be one third larger than previously estimated. Inflation has been on a downward trajectory since the beginning of the year, reaching 22.2 per cent year on year in June, down from 24.5 per cent in January. Fiscal consolidation is progressing following fuel subsidy and tax reforms. The deficit narrowed from 4.3 per cent of GDP in 2023 to 4.1 per cent in 2024, while the debt level stood at 38.5 per cent of GDP as of March 2025, significantly lower than the earlier figure of 52.1 per cent that was based on the GDP estimates before rebasing. In 2025, Nigeria's credit rating was upgraded by Fitch to B (from B-) and by Moody's from Caa1 to B3. The

current account surplus reached 5.9 per cent of GDP in the first quarter of 2025. Growth is projected at 3.4 per cent in 2025 and 3.3 per cent in 2026 on gradual recovery in industry. Significant downside risks relate to structural reforms stalling, security challenges affecting the oil sector and volatility of agricultural output.

Senegal

Senegal's real GDP growth accelerated from 4.3 per cent in 2023 to 6.9 per cent in 2025 and 12.1 per cent year on year in the first quarter of 2025, boosted by the start of oil and gas extraction from the offshore Sangomar field. The resulting surge in exports helped reduce the current account deficit to 13.3 per cent of GDP in 2024. Meanwhile, inflation slowed to 0.8 per cent on the back of lower food and energy prices and tight monetary policy throughout the year. Following an audit by Senegal's Court of Auditors, the 2024 fiscal deficit was revised upwards by over 6 percentage points of GDP and is now estimated at 12 per cent of GDP, while central government debt was revised up from 99.7 per cent of GDP in 2023 to 118 per cent of GDP. In October 2024, the IMF suspended the ECF/EFF and RFS programmes (approved in 2023 and totalling US\$ 1.8 billion), pending the conclusion of the audit. Senegal's economy is expected to continue reaping gains from new hydrocarbon exports, with growth expected to reach 8.4 per cent in 2025 before moderating to 4.1 per cent in 2026 as the direct effect of the field wanes and reflecting fiscal consolidation required to rein in debt accumulation. Downside risks include the impact of climate change, as well as the uncertainty surrounding the IMF programme. A revised programme, once agreed, could further boost investor confidence.

Belarus

In January-July 2025, real GDP growth decelerated to 1.3 per cent year on year, primarily as a result of contractions in the manufacturing and agricultural sectors. At the same time, inflation rose to 7.4 per cent in July, reflecting higher prices of food and services. Given the

heightened reliance on the Russian economy and the moderation of growth in Russia, short-term economic prospects appear unfavourable. Real GDP is expected to grow by 1.7 per cent in 2025 and 2.3 per cent in 2026. While a better harvest may support economic performance in 2025, the economic sanctions currently in place continue to pose significant downside risks.

Russia

Economic growth in Russia slowed to 1.2 per cent year on year in the first half of 2025 due to weaker domestic demand and lower oil export revenues. While defence industries continued to support GDP growth, activity in the extractive industries remained weak and trade growth turned negative. The current account surplus dropped by 40 per cent in the first half of the year and the budget deficit widened. Inflation eased slightly but remained high at 8.1 per cent year on year in August 2025, exceeding the target. In July 2025, the Bank of Russia cut its policy rate by 200 basis points to 18 per cent. Real GDP growth is projected at 1.3 per cent in 2025 and 2026, with risks mostly on the downside.

About this report

The Regional Economic Prospects report is published twice a year. The report is prepared by the Office of the Chief Economist and the Department for Policy Strategy and Delivery and contains a summary of regional economic developments and outlook, alongside the EBRD's growth forecasts for the economies where it invests. The report also touches on the economic developments in Belarus and Russia notwithstanding the fact that Belarus and Russia have had their access to Bank resources suspended under Article 8.3 of the Agreements Establishing the EBRD. All historical data are based on estimates by country statistical offices. Since 2022, Russia has stopped releasing detailed statistics on the government budget, external trade and current-account balance. The estimates and projections are based on statistical information available through September 11, 2025.

For more comprehensive coverage of economic policies and structural changes, see the EBRD's country strategies and updates, as well as the Transition Report 2024-25, which are all available on the Bank's website at www.ebrd.com.

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