

Recent developments: Growth in Europe and Central Asia (ECA) strengthened to 3.2 percent in 2023, primarily reflecting a shift from contraction to expansion in the Russian Federation and Ukraine and a more robust recovery in Central Asia. The regional picture was mixed: growth in Türkiye slowed and activity in Central Europe barely expanded, primarily reflecting stagnation in Poland due to falling real incomes, and amid spillovers from euro area weakness. High-frequency economic indicators, including manufacturing purchasing managers' indexes and retail sales, suggest a relatively resilient first quarter of 2024 in ECA's largest economies—Russia, Türkiye, and Poland.

The region's median headline and core inflation fell about one-third of the levels prevailing a year earlier. Monetary policy has shifted toward easing in most countries, with the notable exception of Türkiye. Real wages continued to rise markedly over the past six months, while the unemployment rate dropped to historic lows in the region.

Outlook: Growth in ECA is projected to decelerate to 3 percent in 2024, 2.9 percent in 2025, and 2.8 percent in 2026. The primary growth drivers in most countries are expected to be private consumption and investment—buoyed by the easing of monetary policies and decreasing inflation—and a recovery in exports, particularly as activity in the euro area firms. The slowdown this year is mainly attributed to decelerations in Russia and Türkiye.

Elevated uncertainty regarding the evolution of the invasion of Ukraine continues to play an essential role in shaping the regional outlook. Excluding Russia, Türkiye, and Ukraine, growth in the region is expected to accelerate to 3.1 percent this year and 3.6 percent on average in 2025–26, with growth picking up in about half of ECA's economies.

Inflation is expected to continue moderating, paving the way for more substantial monetary policy easing. In April 2024, inflation was above official targets in about half of ECA countries, but market-based expectations are consistent with inflation close to targets in most cases by 2025. Despite the need for fiscal consolidation to ensure sustainability, prospects for significant fiscal adjustments in the region appear to be limited, amid many upcoming elections.

Risks: Risks to the outlook are tilted to the downside. Geopolitical tensions, particularly stemming from Russia's invasion of Ukraine, and the potential continued effects and risk of escalation of the invasion, cloud prospects for ECA. Political uncertainty in the region is also heightened. An escalation of trade restrictions could further hamper trade activity and weigh on growth, amid a deceleration in exports in recent years. Additionally, a slower-than-expected recovery in China could adversely impact commodity exporters in the region. Frequent or extreme weather events would also dampen growth prospects. Despite recent moderation, inflation could be fueled by an escalation of conflict in the Middle East, which could increase energy prices and potentially feed back into core inflation, which remains sticky. More robust-than-expected wage growth could also add to inflationary pressures. Conversely, a faster-than-expected decline in inflation, potentially driven by an easing of labor market pressures, represents a potential upside.

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Europe and Central Asia Country Forecasts

(Annual percent change unless indicated otherwise)

| | 2021 | 2022 | 2023e | 2024f | 2025f | 2026f |
|---|------|-------|-------|-------|-------|-------|
| GDP at market prices (average 2010-19 US\$) | | | | | | |
| Albania | 8.9 | 4.9 | 3.3 | 3.3 | 3.4 | 3.5 |
| Armenia | 5.8 | 12.6 | 8.7 | 5.5 | 4.9 | 4.5 |
| Azerbaijan | 5.6 | 4.6 | 1.1 | 2.3 | 2.4 | 2.4 |
| Belarus | 2.4 | -4.7 | 3.9 | 1.2 | 0.7 | 0.5 |
| Bosnia and Herzegovina ^a | 7.4 | 4.2 | 1.7 | 2.6 | 3.3 | 4.0 |
| Bulgaria | 7.7 | 3.9 | 1.8 | 2.1 | 3.1 | 2.7 |
| Croatia | 13.0 | 7.0 | 3.1 | 3.0 | 2.8 | 2.7 |
| Georgia | 10.6 | 11.0 | 7.5 | 5.2 | 5.0 | 5.0 |
| Kazakhstan | 4.3 | 3.2 | 5.1 | 3.4 | 4.7 | 3.6 |
| Kosovo | 10.7 | 4.3 | 3.3 | 3.7 | 3.9 | 3.9 |
| Kyrgyz Republic | 5.5 | 9.0 | 6.2 | 4.5 | 4.2 | 4.0 |
| Moldova | 13.9 | -4.6 | 0.7 | 2.2 | 3.9 | 4.5 |
| Montenegro | 13.0 | 6.4 | 6.0 | 3.4 | 2.8 | 3.0 |
| North Macedonia | 4.5 | 2.2 | 1.0 | 2.5 | 2.9 | 3.0 |
| Poland | 6.9 | 5.6 | 0.2 | 3.0 | 3.4 | 3.2 |
| Romania | 5.7 | 4.1 | 2.1 | 3.3 | 3.8 | 3.8 |
| Russian Federation | 5.9 | -1.2 | 3.6 | 2.9 | 1.4 | 1.1 |
| Serbia | 7.7 | 2.5 | 2.5 | 3.5 | 3.8 | 4.0 |
| Tajikistan | 9.4 | 8.0 | 8.3 | 6.5 | 4.5 | 4.5 |
| Türkiye | 11.4 | 5.5 | 4.5 | 3.0 | 3.6 | 4.3 |
| Ukraine | 3.4 | -28.8 | 5.3 | 3.2 | 6.5 | 5.1 |
| Uzbekistan | 7.4 | 5.7 | 6.0 | 5.3 | 5.5 | 5.7 |

Source: World Bank.

Note: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time. The World Bank is currently not publishing economic output, income, or growth data for Turkmenistan owing to a lack of reliable data of adequate quality. Turkmenistan is excluded from cross-country macroeconomic aggregates.

a. GDP growth rate at constant prices is based on production approach.