

Media Brief: Caucasus and Central Asia

IMF October 2025 Regional Economic Outlook: Middle East and Central Asia

Key Messages and Takeaways

The Caucasus and Central Asia (CCA) region has shown continued economic resilience in 2025 despite high global uncertainty and renewed geopolitical tensions. Real GDP growth is projected to remain strong at 5.6% in 2025, reflecting an upward revision of 0.7 percentage point compared to the IMF's May REO. This robust growth is supported by solid domestic demand, credit expansion, and hydrocarbon exports. Growth is projected to slow gradually over the medium term to an estimated rate of 4 percent, as hydrocarbon production in oil-exporting countries levels off and demand pressures abate once the effects from the war in Ukraine normalize and fiscal policy becomes less expansionary.

Inflation accelerated in 2025 in most CCA countries, driven by demand pressures, imported inflation mainly from Russia (primary trading partner for most economies), and reforms such as electricity tariff increases. Going forward, inflation is projected to moderate as these effects fade and on account of generally tight monetary policy stances.

Political developments offer promising opportunities for enhanced regional cooperation. The peace agreement preliminarily reached between Armenia and Azerbaijan in August 2025 marks a hopeful step toward greater stability and potential economic integration, which could spur trade and investment across the region.

Risks to Watch

Further geopolitical tensions related to the war in Ukraine and sanctions on Russia could threaten trade, remittances, and investment flows. Higher global interest rates could increase borrowing costs and worsen fiscal vulnerabilities. Commodity price volatility—especially in oil and gas—poses risks to fiscal revenues and external balances. Additionally, sanctions could put banks at regulatory risk, straining correspondent relationships and forcing them to boost compliance with stricter anti-money laundering, counterterrorism, and due diligence measures.

Policy Priorities

Policymakers should reinforce fiscal and external buffers against downside risks and focus on pursuing structural reforms that improve governance, reduce state dominance, cut trade barriers, upgrade infrastructure, and strengthen regulation to better handle global trade uncertainty and harness the gains from regional integration.

Central Asia and Caucasus: Real GDP Growth

(Year-over-year percent change)

	2023	2024	2025	2026	2030
CCA	5.3	5.5	5.6	4.7	4.0
CCA Oil Exporters	4.2	4.4	4.9	4.0	3.1
Azerbaijan	1.4	4.1	3.0	2.5	2.5
Kazakhstan	5.1	4.8	5.9	4.8	3.4
Turkmenistan	4.2	3.0	2.3	2.3	2.3
CCA Oil Importers	7.1	7.2	6.8	5.7	5.4
Emerging Market and Middle-Income Economies	8.0	8.0	6.3	5.1	4.8
Armenia	8.3	5.9	4.8	4.9	4.5
Georgia	7.8	9.4	7.2	5.3	5.0
Low-Income Countries	6.8	7.0	7.0	5.9	5.5
Kyrgyz Republic	9.0	9.0	8.0	5.3	5.3
Tajikistan	8.3	8.4	7.5	5.5	4.5
Uzbekistan	6.3	6.5	6.8	6.0	5.7

Sources: National authorities; and IMF staff calculations and projections.

Note: Regional output growth aggregates are purchasing-power-parity-GDP-weighted averages.

For further detailed analysis and data, please refer to the October 2025 *IMF Regional Economic Outlook: Middle East and Central Asia*, available at imf.org/mcd.

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