

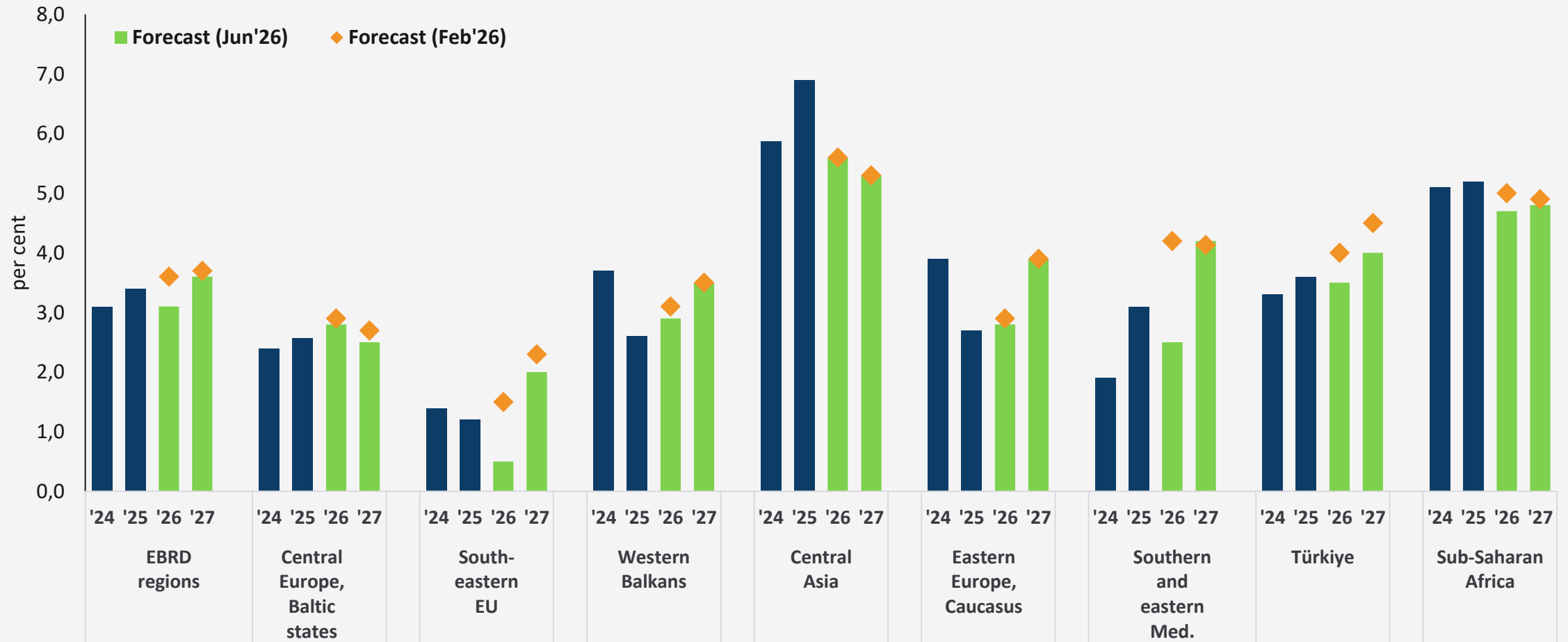
Central Asian Economic Overview

June 2026



European Bank
for Reconstruction and Development

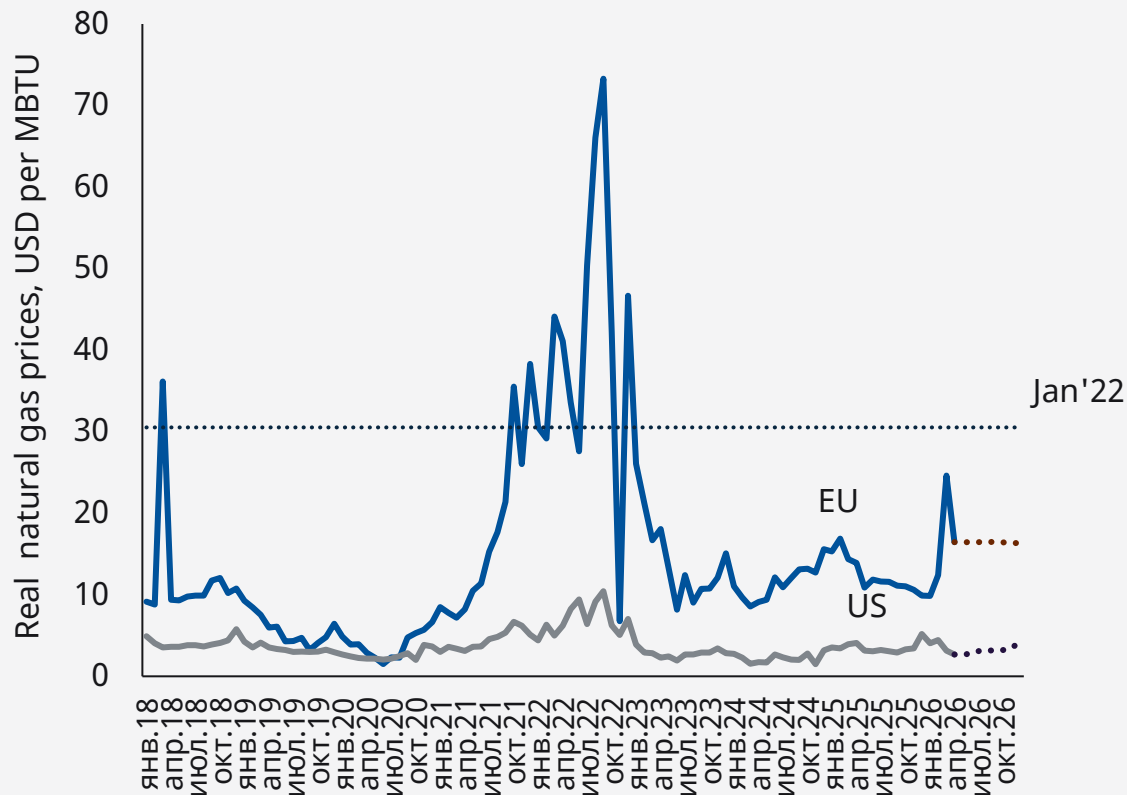
In June's REP, EBRD revised its forecasts downward in most regions



Straight of Hormuz disruptions led to significant spikes in energy prices

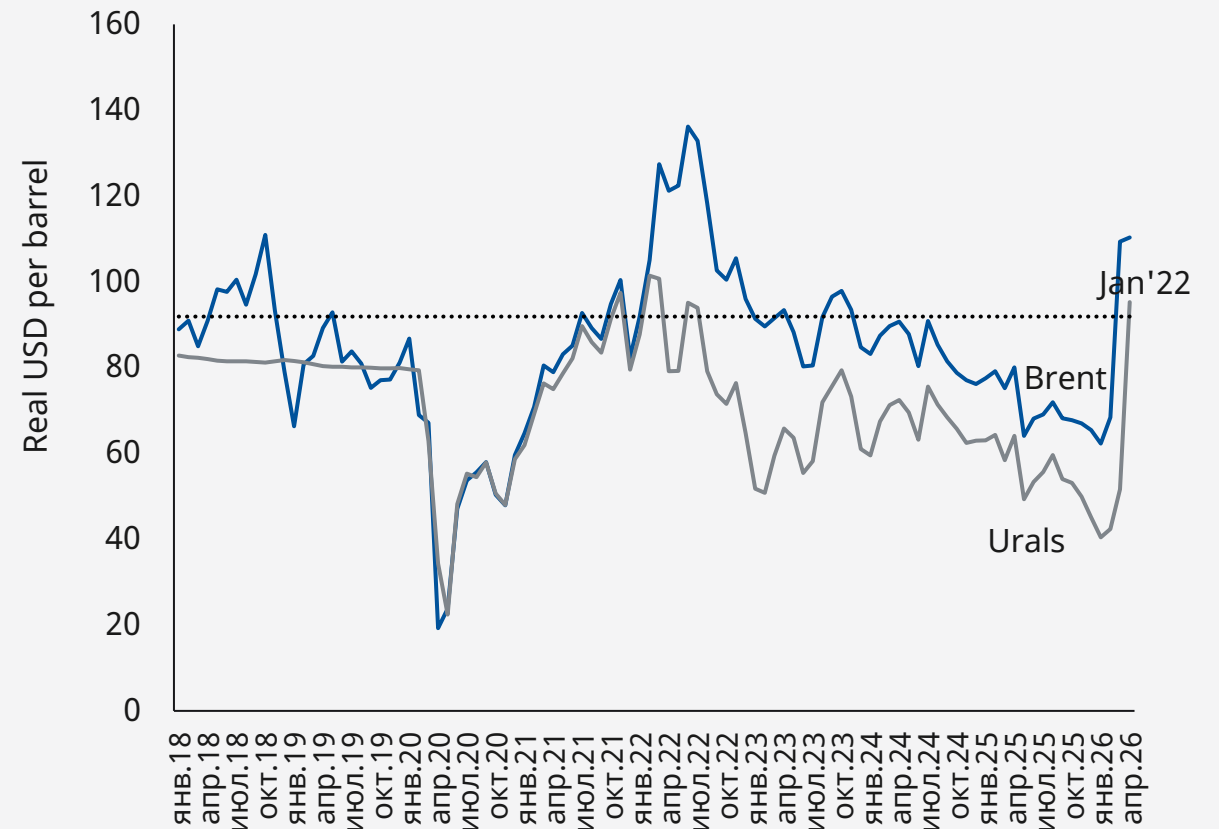
Gas prices (including LNG) in Europe **more than doubled** between 27 Feb and 19 March, before slightly moderating in April.

Oil prices **surpassed US\$ 100** on 9 March 2026, returning to the levels of early 2022 in real terms.



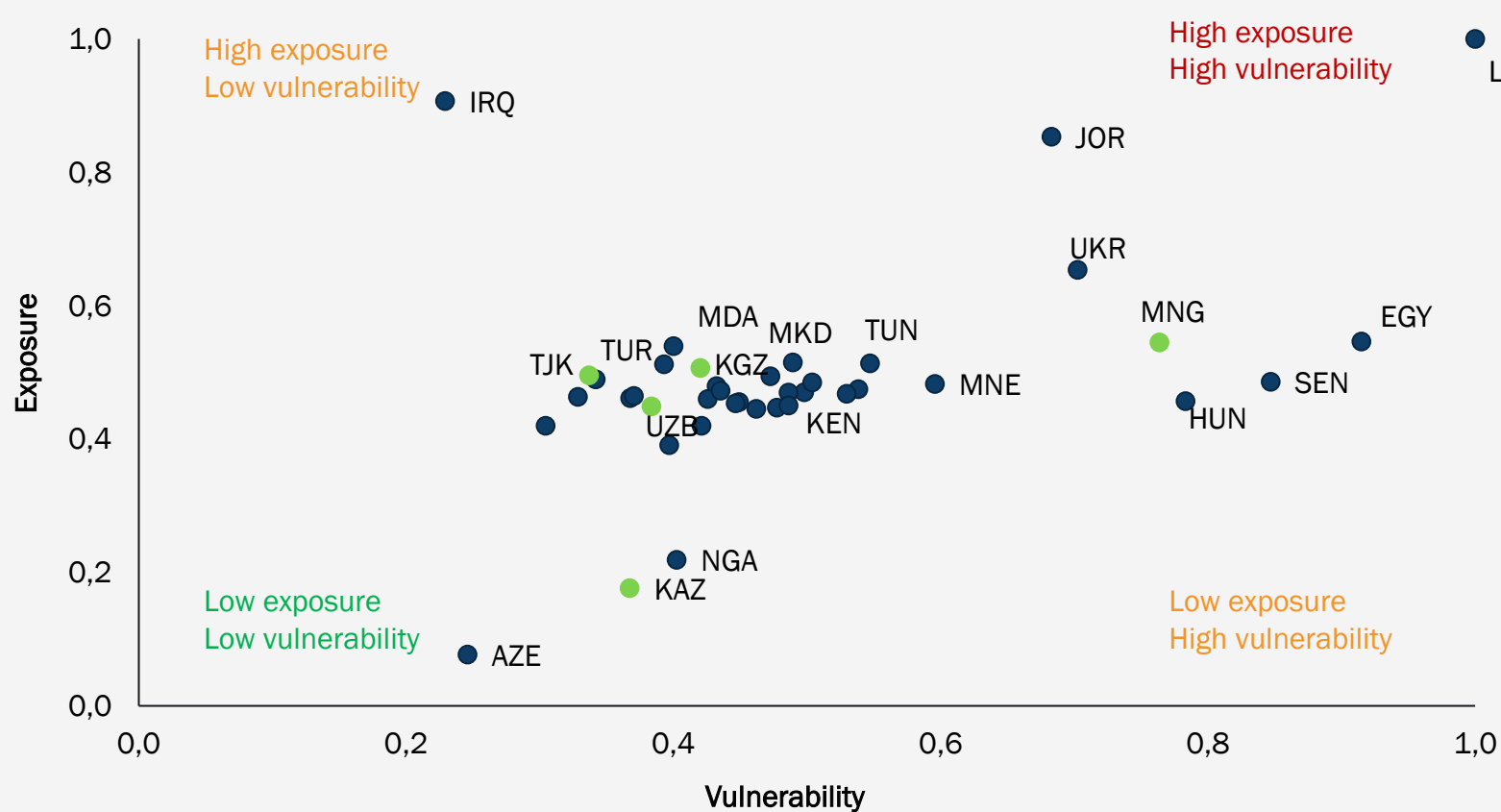
Source: Bloomberg, Refinitiv and authors' calculations.

Note: Forecast based on futures prices as of March 23. Prices adjusted for US inflation.



Source: Bloomberg, Refinitiv and authors' calculations. Note: Prices adjusted for US inflation.

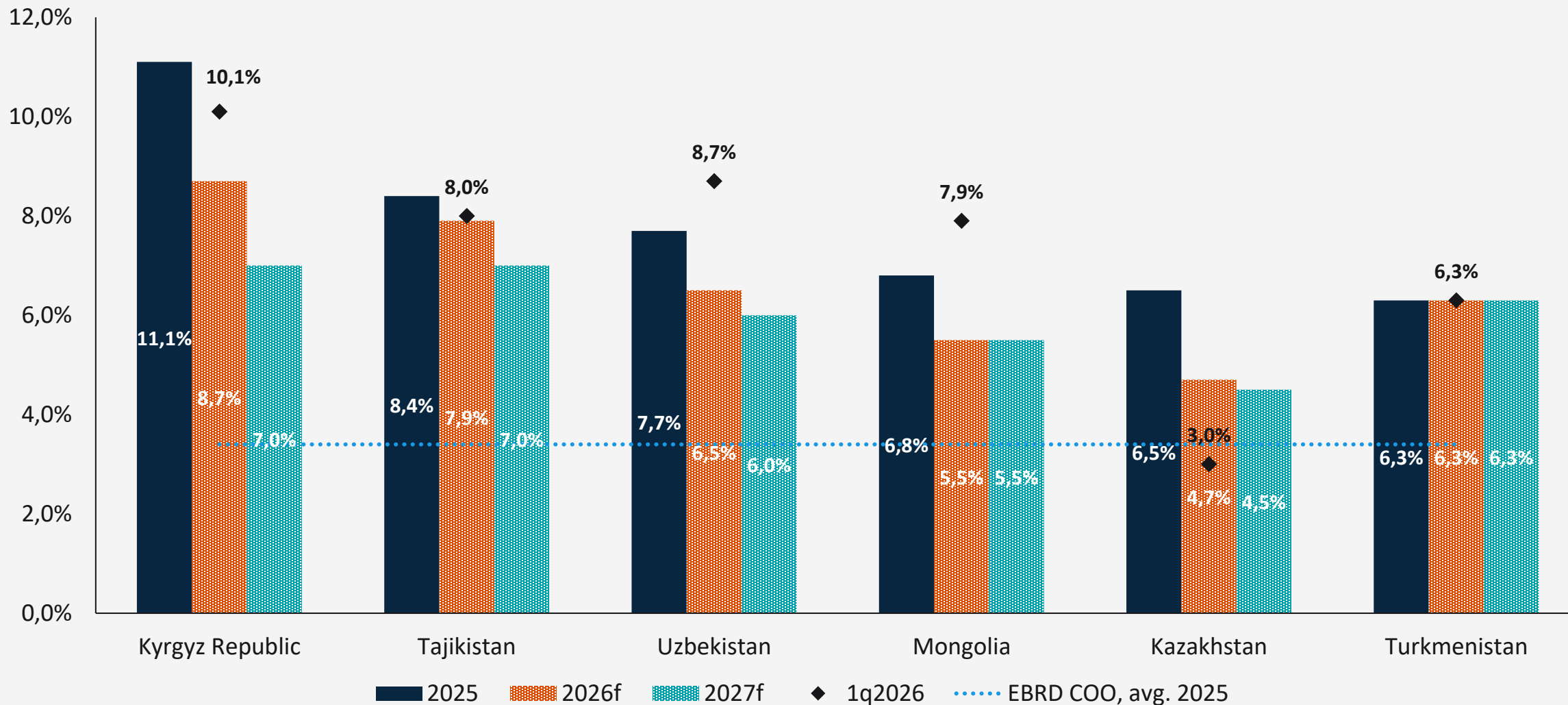
Central Asian economies are less vulnerable to spillovers from the Middle East conflict



Note: The measure of economies' pre-existing vulnerabilities, normalised to range between 0 (low vulnerability) and 1 (high vulnerability) looks at economies' external debt as well as their government interest bill (both as shares of GDP), while the measure of exposure combines the energy import bill, fertiliser imports, remittances from the GCC and direct exposure to the conflict

Central Asian economies remain robust

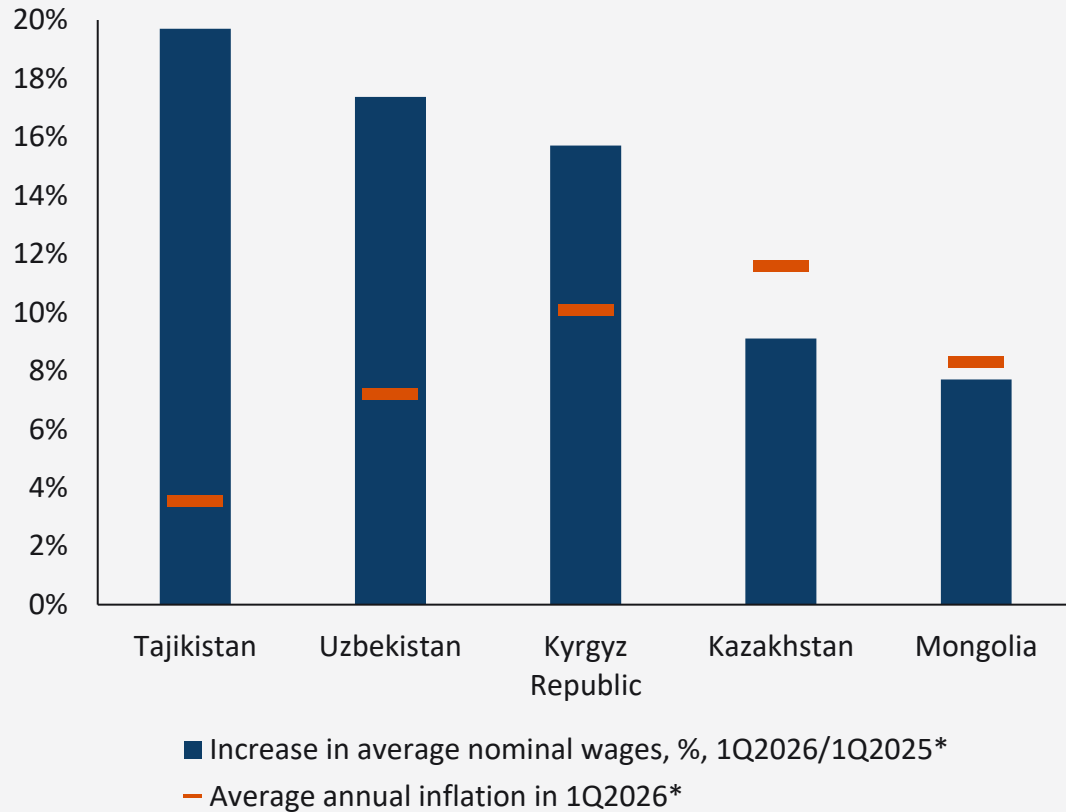
Real GDP growth, %



Source: National Statistical authorities, EBRD REP (June)

On the demand side, private consumption remains the major driver of regional growth

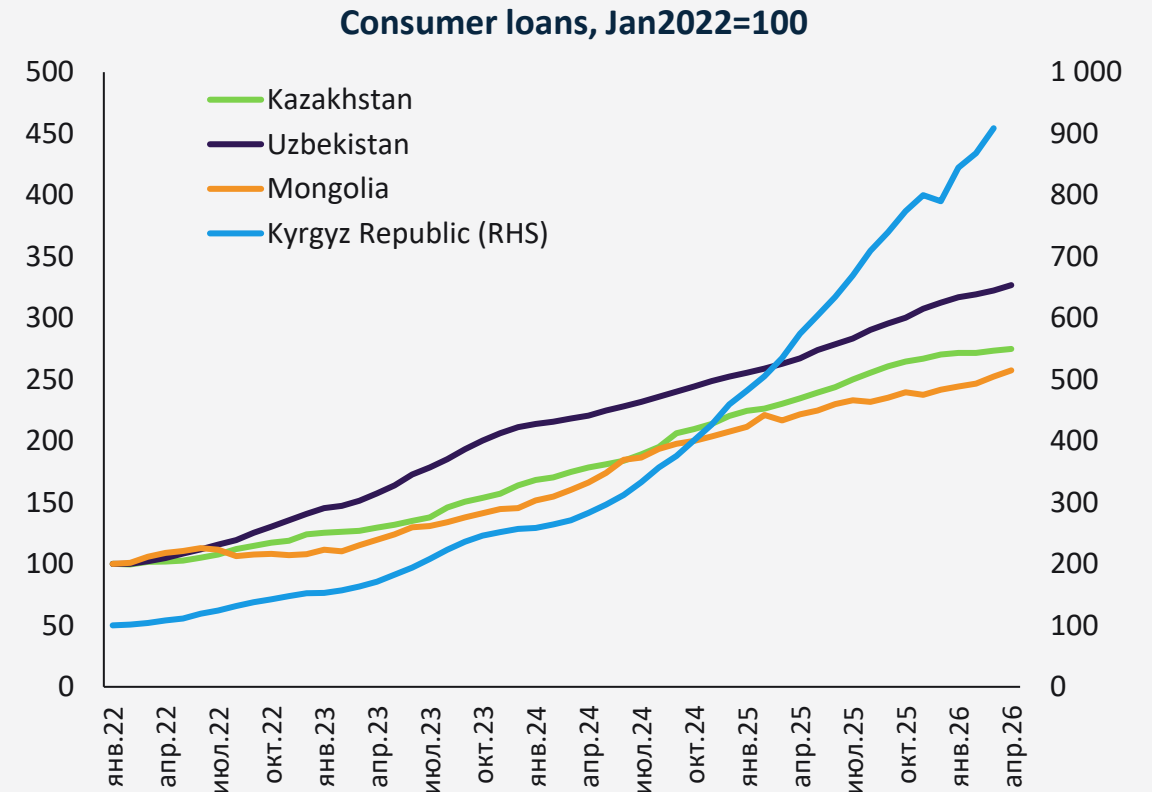
Supported by real wage growth...



Note: For Mongolia data for the fourth quarter of 2025 were used

Source: National Statistical authorities, CEIC, author's calculations

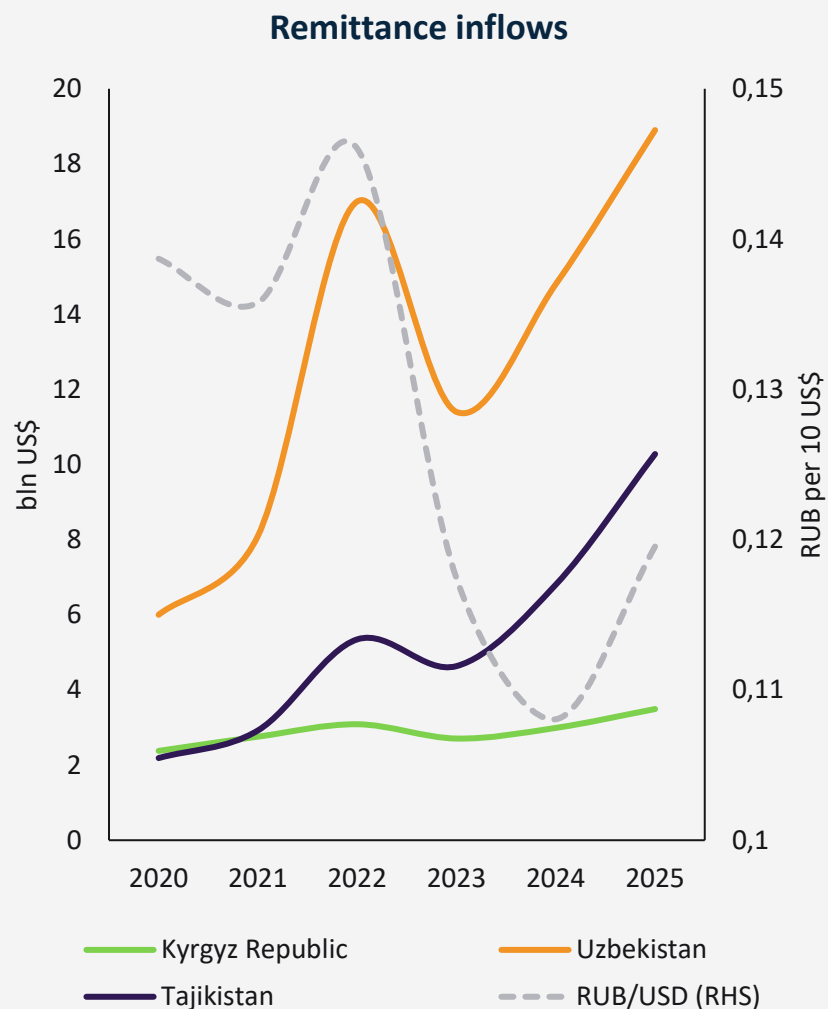
... elevated household lending ...



Note: For Uzbekistan and Mongolia, data for loans to individuals were used

Remittances continue to play integral role

... and surging incoming remittances



Source: National Statistical authorities, author's calculations

Russia remains a dominant source of remittances for Central Asian workers. That said, stricter migration rules, additional controls and migrant raids slightly decreased Russia's attractiveness.



Source: Ministry of Internal Affairs of Russia

In attempt to decrease reliance on Russia, Central Asian countries search for alternatives:

- UZ has been the most proactive, implementing a formal program under the umbrella of the "Uzbekistan-2030" strategy to redirect labour flows toward higher-paying destinations in Europe, the Gulf and East Asia.
- KR: In 2025, remittances from KZ have increased fivefold, from US by 73%.

That said, remittances from other countries still account for a miniscule.

Meanwhile, in Kazakhstan, softer growth in 4M'26 reflects disruptions in the oil sector

In M4 2026:



+5.1% y/y trade



+14.5% y/y construction

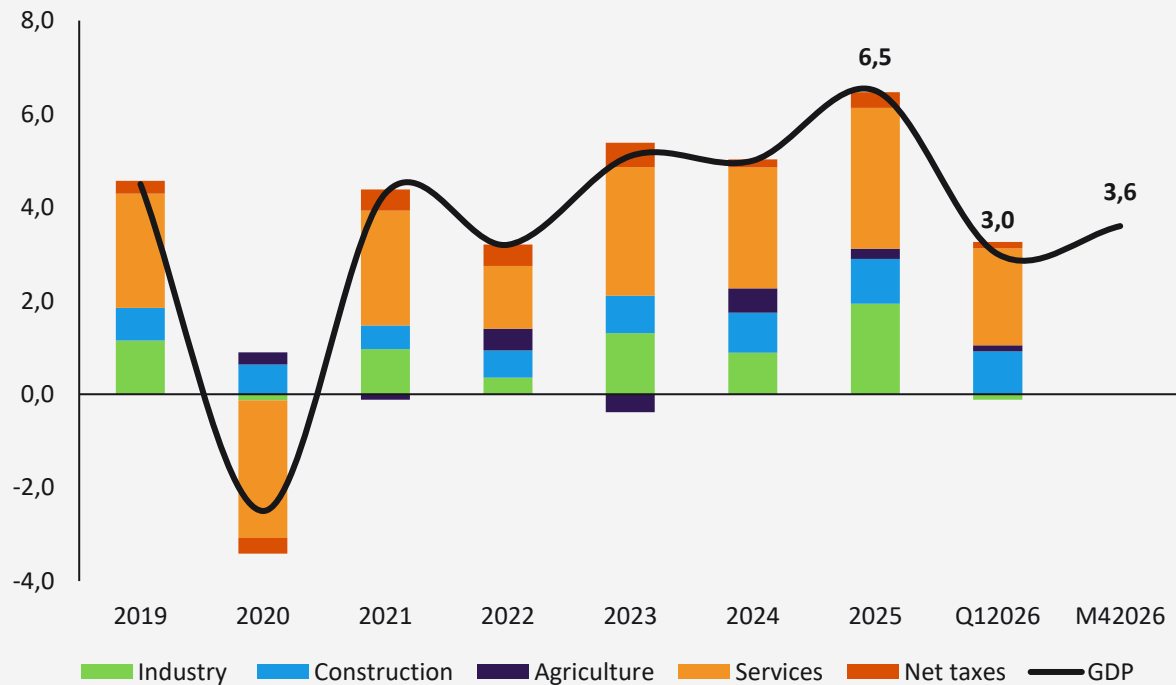


+1.9% y/y industry



+12.0% y/y transport

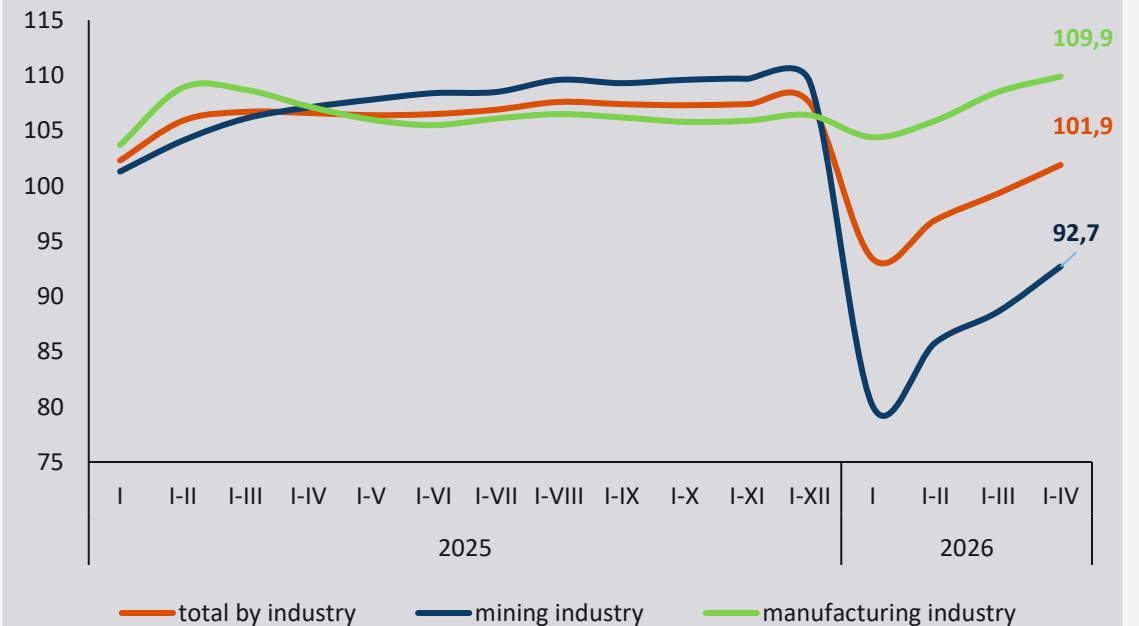
Contribution to GDP growth (production method)



Source: National Statistical authorities, author's calculations

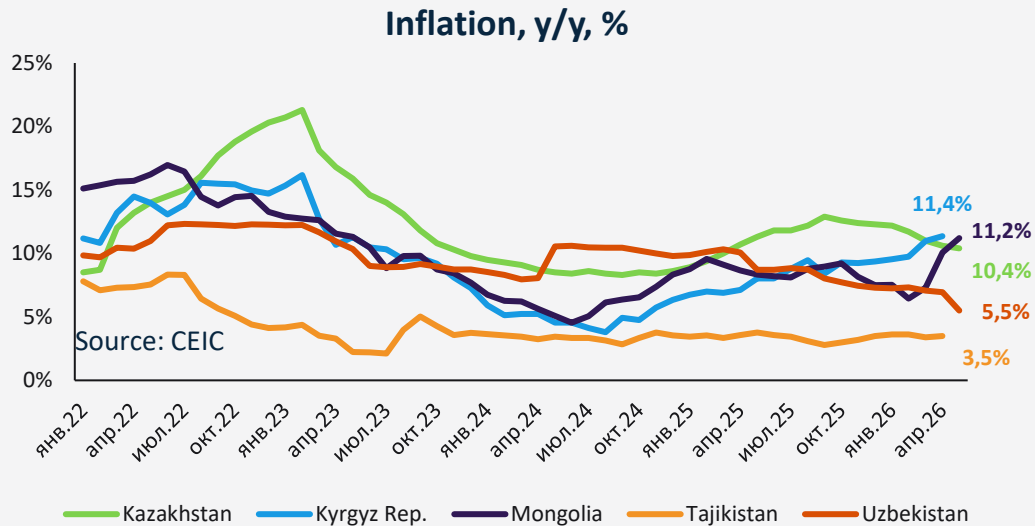
Oil and gas output contracted by 18.2% y/y in the first quarter of 2026 due to CPC disruptions and fire incident at the Tengiz field. In April, oil extraction volumes recovered.

Industrial production indices (as a percent of the corresponding period of the previous year)



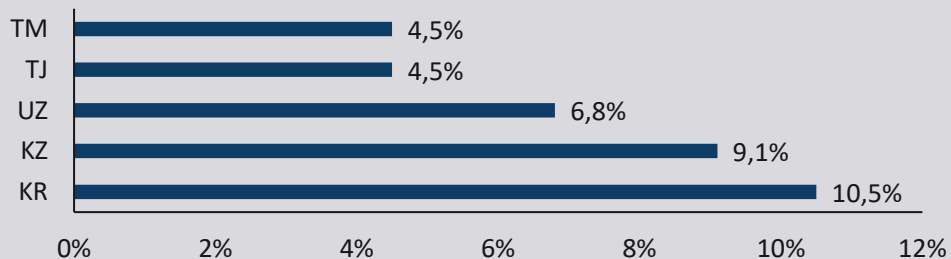
Inflationary pressures persist

Inflation remains elevated across most of the regional economies, fuelled by food and energy prices, tariff hikes, buoyant consumer demand and fiscal stimulus...

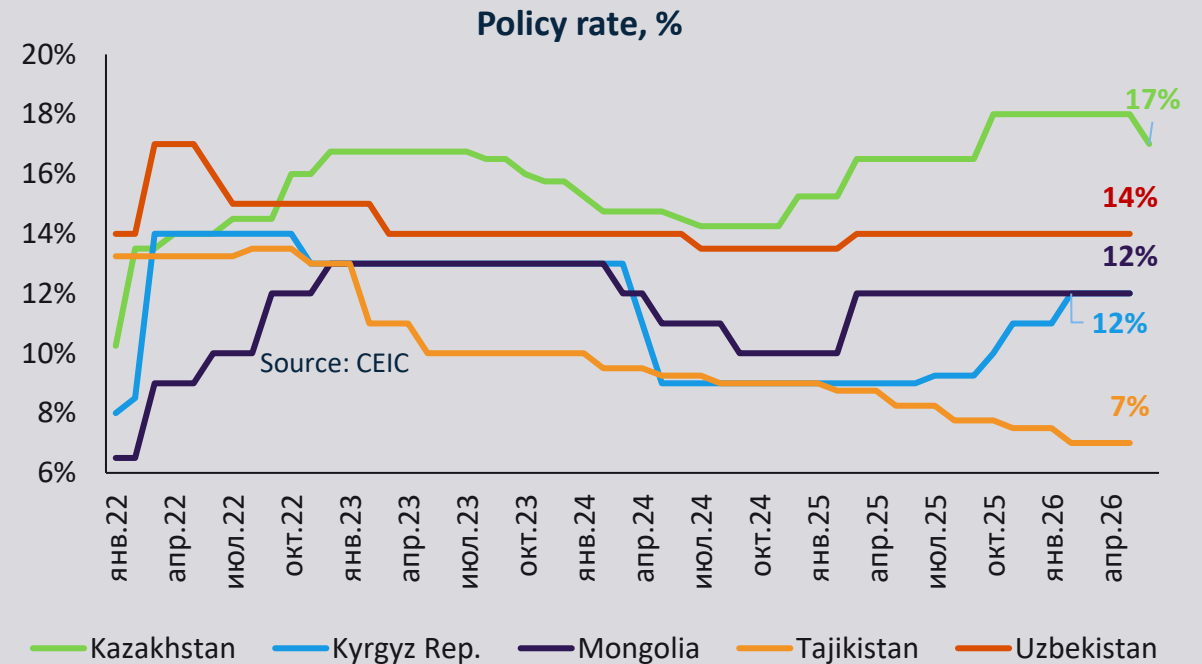


CPI is set to **slightly moderate** in most economies in 2026.

CPI 2026, end of period, IMF (Apr'26)



... prompting **monetary policy tightening**, with real rates currently ranging from 0.6% to 7%.

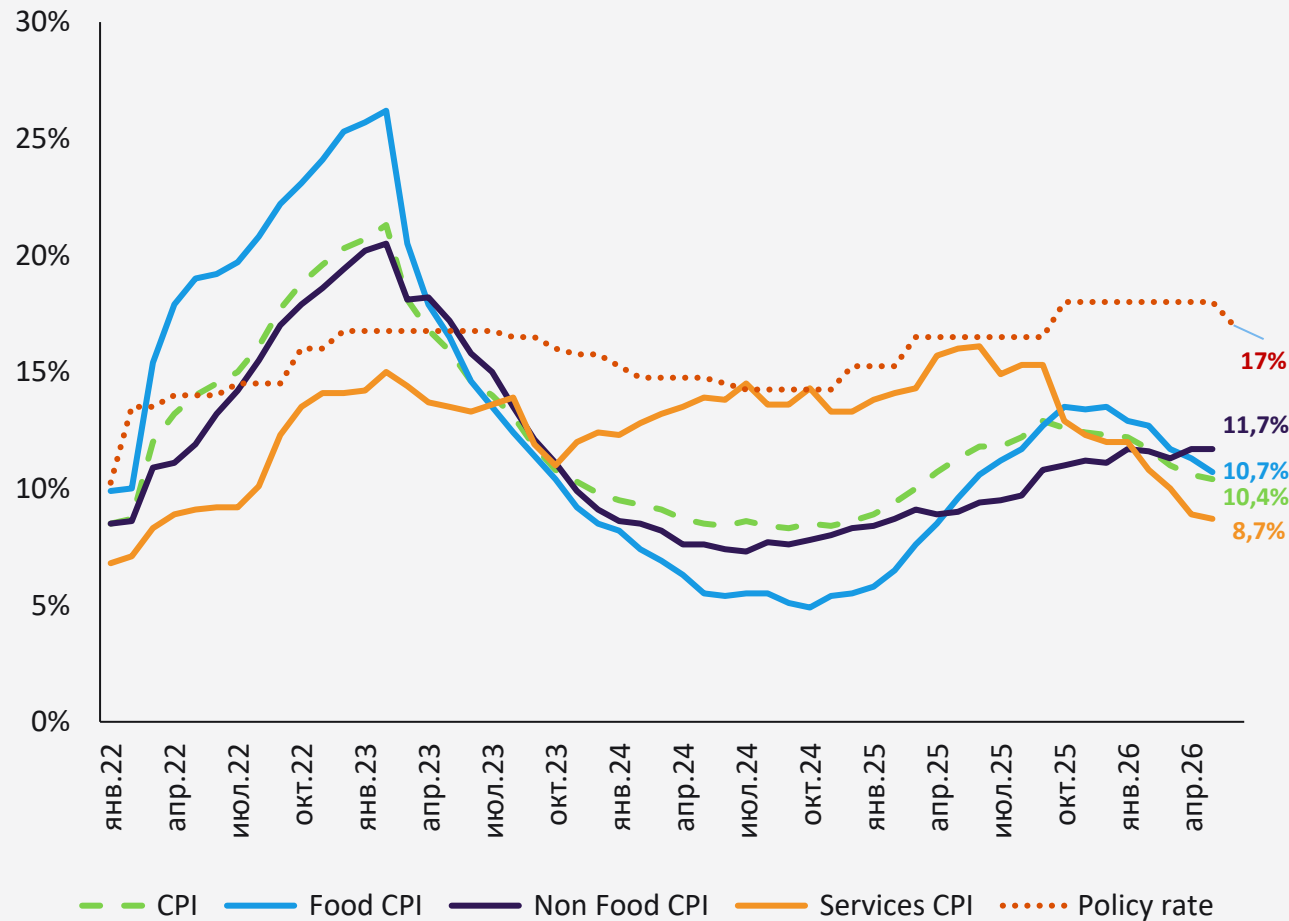


Pro-inflationary risks in 2026:

- **Middle East conflict induced shocks** leading to greater food, transportation and energy prices.
- Politically motivated **upward salary adjustments** leading to greater consumer demand.
- Utility **tariff** adjustments.

In Kazakhstan, inflation decreased but remains above Central Bank's target

Inflation and policy rate dynamics in Kazakhstan, %



In Kazakhstan, **inflation decelerated** on tight monetary policy, macroprudential measures and tenge appreciation, enabling **NBK to decrease the policy rate by 100 bps** on June 5.

Key inflationary risks:

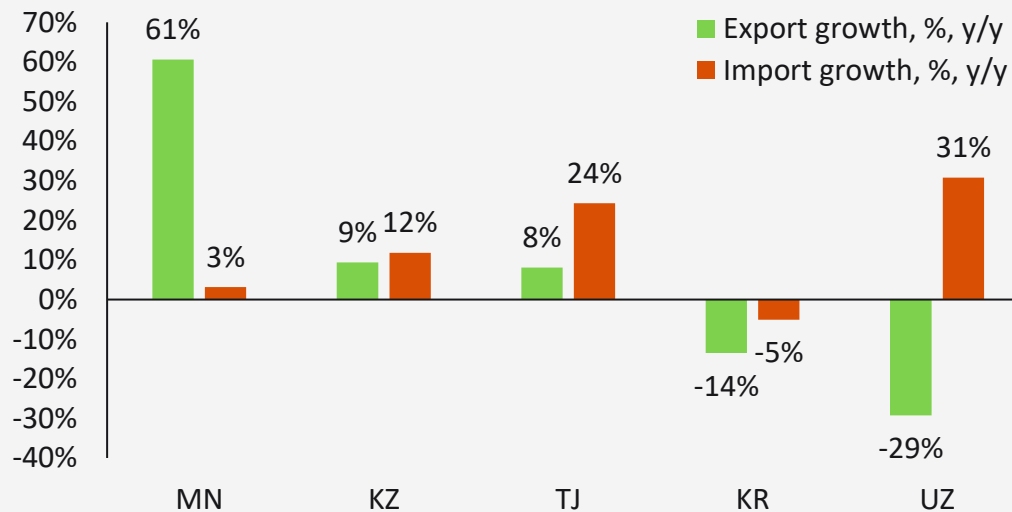
- Elevated inflation expectations
- Resumption of growth in utility tariffs and fuel prices
- Quasi-fiscal stimulus
- Potential second-round effects from tax reform
- Geopolitical tensions fuelling import costs

The IMF expects CPI at **9.1%** by the year-end, while NBK's forecasts lie within **9-11% range**.

Trade balances remained vulnerable to commodities sector developments

In Q1'26, export revenues reflected commodity prices, developments in the mining industry, and authorities' decisions on gold reserve accumulation. Imports stayed high due to large investment programs and robust consumer demand. Meanwhile intermediated trade appear to have peaked.

Foreign trade dynamics in Q1'26 or latest available*

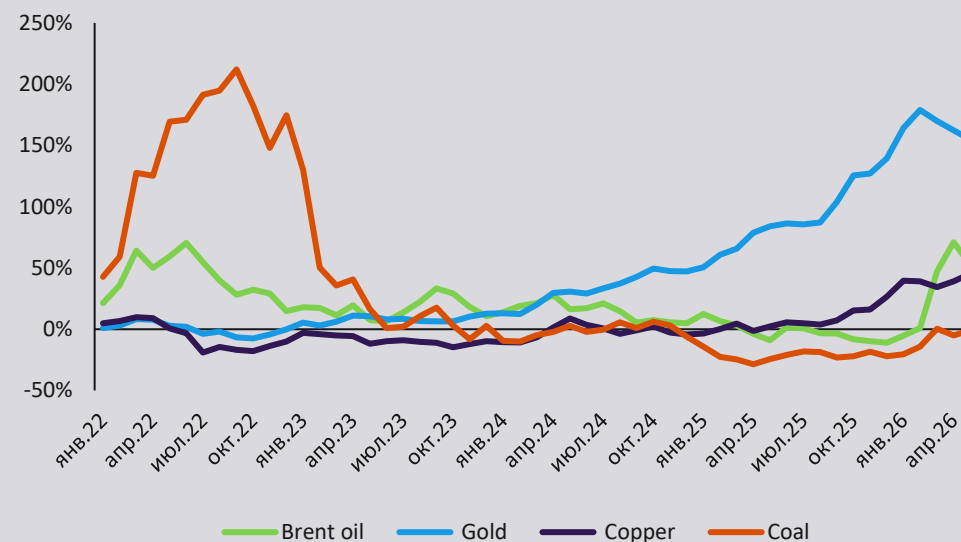


Note: * Jan-April for MN and TJ

Source: National Authorities, CEIC, IMF WEO, author's calculations

Oil, copper, coal and gold price have significant implications for Central Asian countries' trade balances.

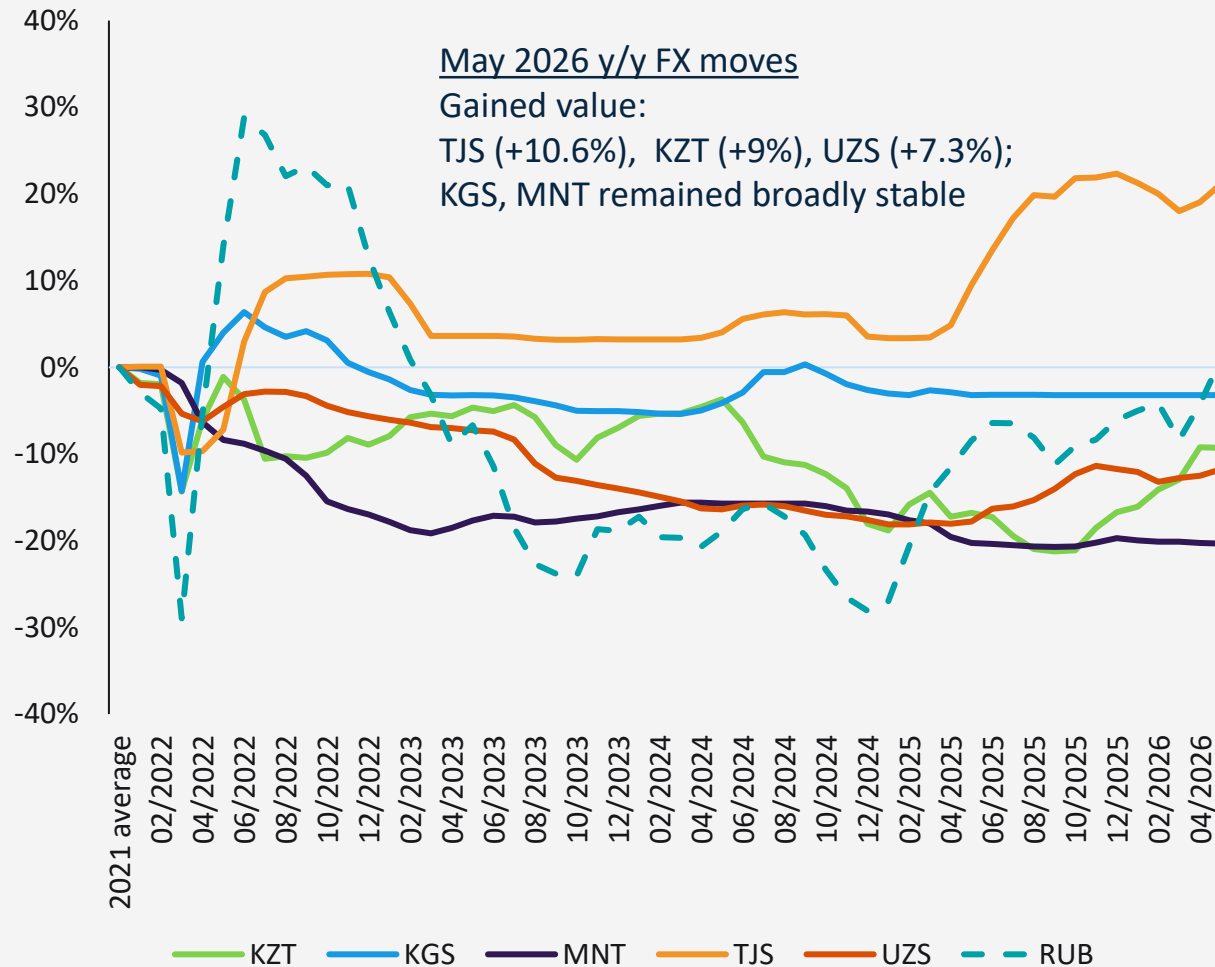
Commodity price dynamics, 2021 average=100



- Middle East conflicts pushed **oil prices to levels not seen since 2022**. Future price dynamics will depend on the conflict's duration.
- J.P. Morgan expects **gold and copper prices to increase further** in 2026.

Most regional currencies strengthened against the US\$

Exchange rate dynamics vs US\$, change relative to 2021 average, "-" indicates depreciation



Source: CEIC, author's calculations

Key factors behind exchange rate dynamics

External

- Softer US dollar.
- Commodity export revenues remained an important source of FX inflows, with mixed impact across countries.
- Strong remittance inflows, partially affected by RUB appreciation, continued to support FX liquidity in TJ, UZ and KR.
- Increased interest from the foreign investors in KZ domestic securities, supported KZT strengthening

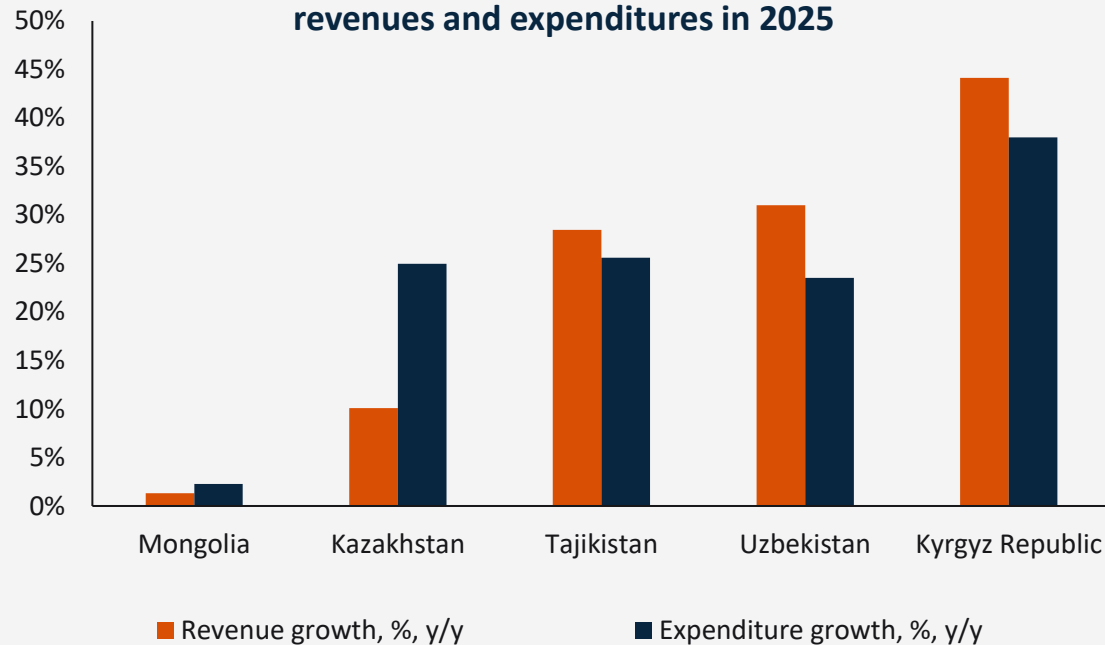
Internal

- Strong domestic consumption and investments increased import demand and FX outflows.
- Monetary tightening supported local currencies
- CB interventions.

Efforts to improve fiscal stance paid off but further progress is needed

Stronger revenue collection supported by **robust economic performance** and enhanced **tax administration** in recent years, is allowing governments to increase spending.

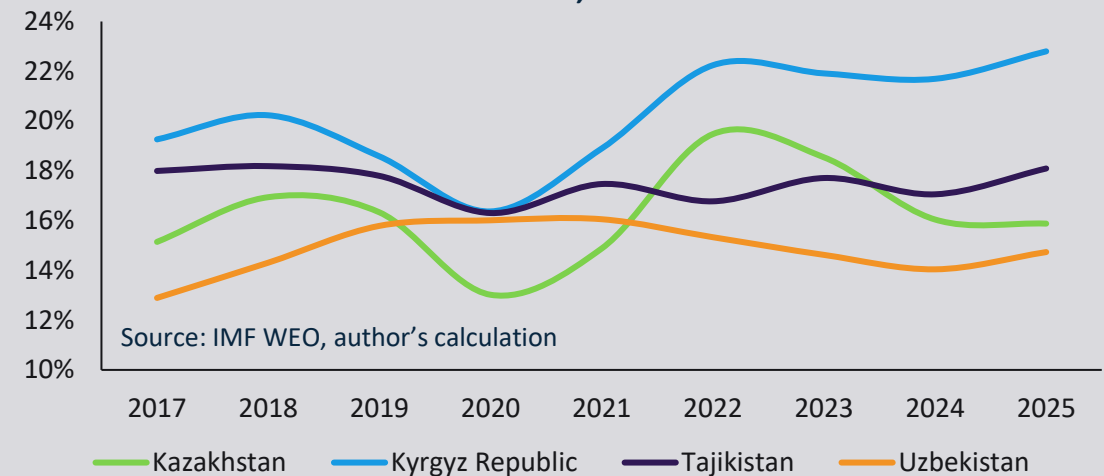
Changes in government budget revenues and expenditures in 2025



Note: This graph reflects official budget data, which doesn't capture some off-budget and social spending

Source: National Authorities, author's calculation

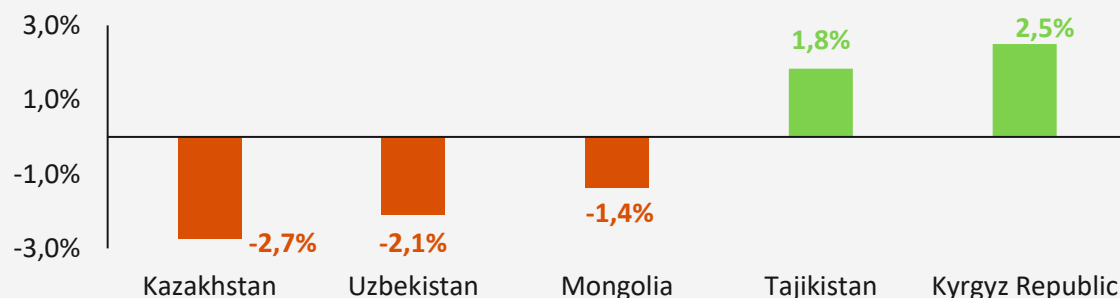
Tax revenue, % of GDP



- **Tax to GDP ratio increased from 16% in 2020 to 23% in 2025 in the Kyrgyz Republic** thanks to formalisation measures (installation of POS terminals, improving tax administration)
- In contrast, **Kazakhstani budget fell short of tax revenue**. The country newly introduced Tax Code is set to improve the situation.
- **Uzbekistan is eyeing tax reforms** as well.
- Despite some progress, tax to GDP ratio is still below the level of more advanced economies.

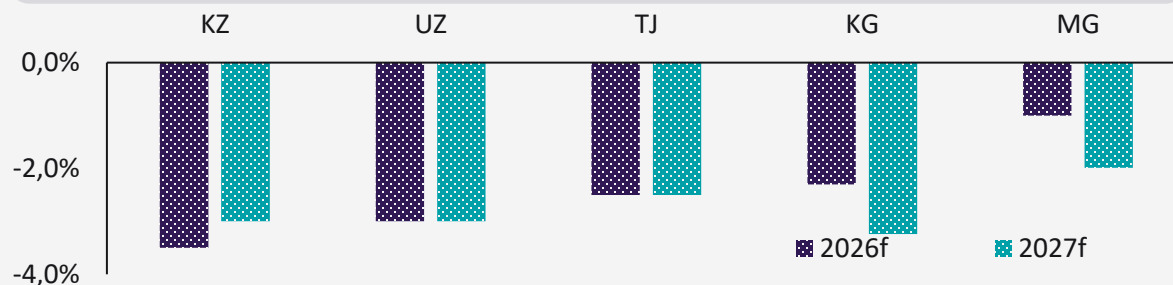
Fiscal balances under strain

In 2025, Kazakhstan, Uzbekistan, and Mongolia ran budget deficits, while Tajikistan and the Kyrgyz Republic posted budget surpluses. Tajikistan's surplus partly reflected delayed execution of large projects.



Note: This graph reflects official budget data, which doesn't capture some off-budget and social spending

In near term, IMF expects fiscal balances to come under pressure.



Note: General government overall fiscal balance based on the IMF definition

Source: National Authorities, IMF, author's calculation

Factors potentially contributing to fiscal imbalances:



High capital expenditures, including Rogun HPP project (TJ), Kambarata-1 HPP and the China-Kyrgyzstan-Uzbekistan railway (KR).



Social spending commitments. In late 2025, Mongolian authorities significantly increased wage and pensions following protests by medical workers, teachers, and pensioners. With election cycles approaching, authorities may opt to raise wages, pensions, and other social benefits.



Volatility in commodity prices. High energy prices negatively affect fiscal balances of the fuel-importing economies.

Kazakhstan introduced New Tax Code in January 2026 to streamline tax administration and mobilise revenue

Key Changes

VAT

- Increased **from 12 to 16%**.
- Medical services and medicine to be taxed at lower rates (5% in '26, 10% in '27)
- VAT **registration threshold reduced by 50%**.

CIT

- Increased from 20 to **25% for banks** and gambling companies
- **No corporate income tax deductions** may be claimed for payments to **taxpayers using the beneficial tax regime** of a simplified tax return.

PIT

- Move toward progressive taxation, with annual incomes higher than \$69,412 to be taxed at 15% (up from 10%)

Administration

- 30% reduction in tax reporting volume
- 20% reduction in the number of taxes

Potential Risks

Burden on SMEs

Banking sector profits

Growth slowdown

Inflationary pressures

Informality

Revenue mobilisation

Lower business fragmentation

Fiscal consolidation in the medium term

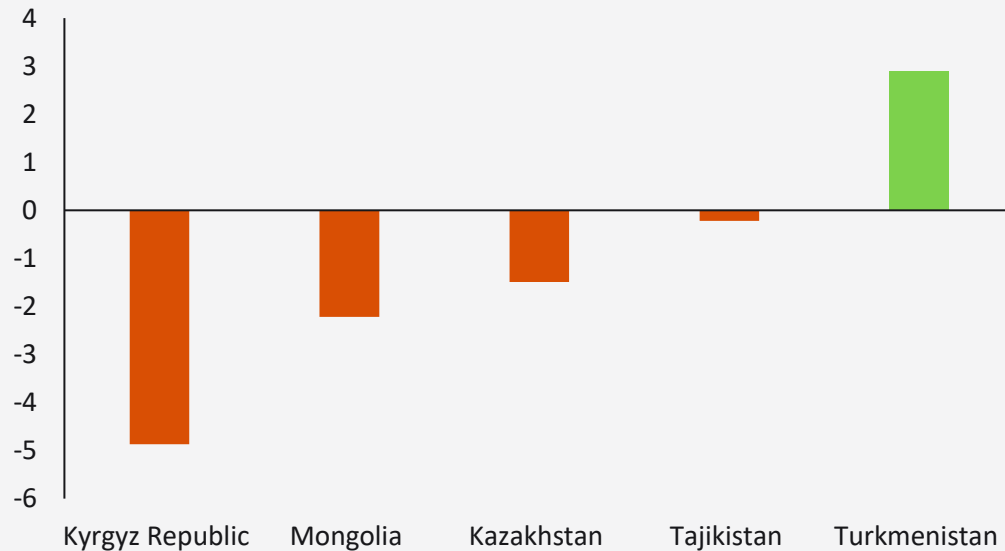
Lower reliance on NF

Energy shortages and aging infrastructure trigger long-awaited tariff reforms (1/2)

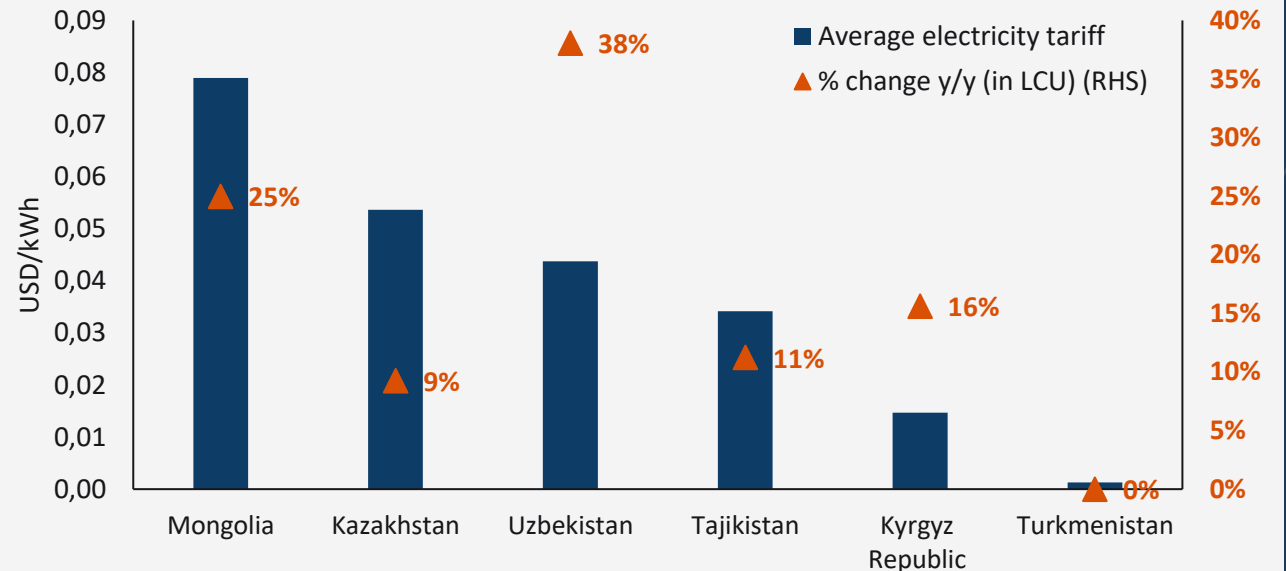
Central Asia faces increasing pressure from **rising demand, aging energy infrastructure and climate change...**

... pushing authorities to **adjust tariffs**
Most countries (further) increased electricity tariffs in 2025. That said, **tariffs are still well below cost-reflective levels.**

Electricity balance, 2024, TWh



Electricity tariffs for the general population, 2025



! Kazakhstan's expansion of AI and data-centre infrastructure can add new baseload electricity demand

Note: In Kazakhstan, tariffs shown are for Astana residents with consumption up to 180 kWh; in Uzbekistan, tariffs apply to households consuming up to 200 kWh, excluding multi-storey buildings with centrally supplied electric stoves; in the Kyrgyz Republic, tariffs reflect consumption up to 700 kWh; in Turkmenistan, tariffs apply to usage exceeding the free electricity allowance.

Energy shortages and aging infrastructure trigger long-awaited tariff reforms (2/2)

Recent energy sector reforms:

KZ	Utility tariff increases are now tied to mandatory investment programmes under a “tariff-for-investment” model. Tariffs are meant to cover principal and up to 10% interest, while rates above 10% are subsidised within a KZT 1,480 billion (€2.8 billion) cap for 2025-29.
KR	The cabinet of ministers approved a new tariff policy for 2025-30, envisaging a 23.5% tariff increase for residential customers , effective May 2025, with annual increases of 20% thereafter. The government aims to achieve full cost recovery by 2030.
TJ	To reduce quasi-fiscal losses in electricity sector, reforms focus on improved collections, smart-meter rollout and penalties for theft, alongside a 15% tariff increase in April 2025 and planned annual hikes to achieve cost recovery by 2027.
UZ	In May 2025 electricity tariffs were raised by 33.3% to UZS 600 (€0.04) per kWh. From 2026 tariffs will be adjusted annually in line with inflation , subject to a cap of 10% a year. Starting from June’26, gas and electricity tariffs were increased by an average 9.9%.

... and closer cooperation...

Kazakhstan, Uzbekistan to Supply Electricity to Kyrgyz Republic for Winter Water Conservation

BY AYANA BIRBAYEVA in CENTRAL ASIA on 24 NOVEMBER 2025

Kazakhstan, Kyrgyzstan, Uzbekistan Seal Water-Energy Deal Until 2026

in CENTRAL ASIA on 8 SEPTEMBER 2025

Kazakhstan expresses readiness to purchase electricity from Roghun Hydroelectric Plant

14:22, October 3, 2025 Author: Asia-Plus

Tajikistan to supply power from Rogun dam to Uzbekistan

2025-07-17 11:56:09

23.08.25 25877

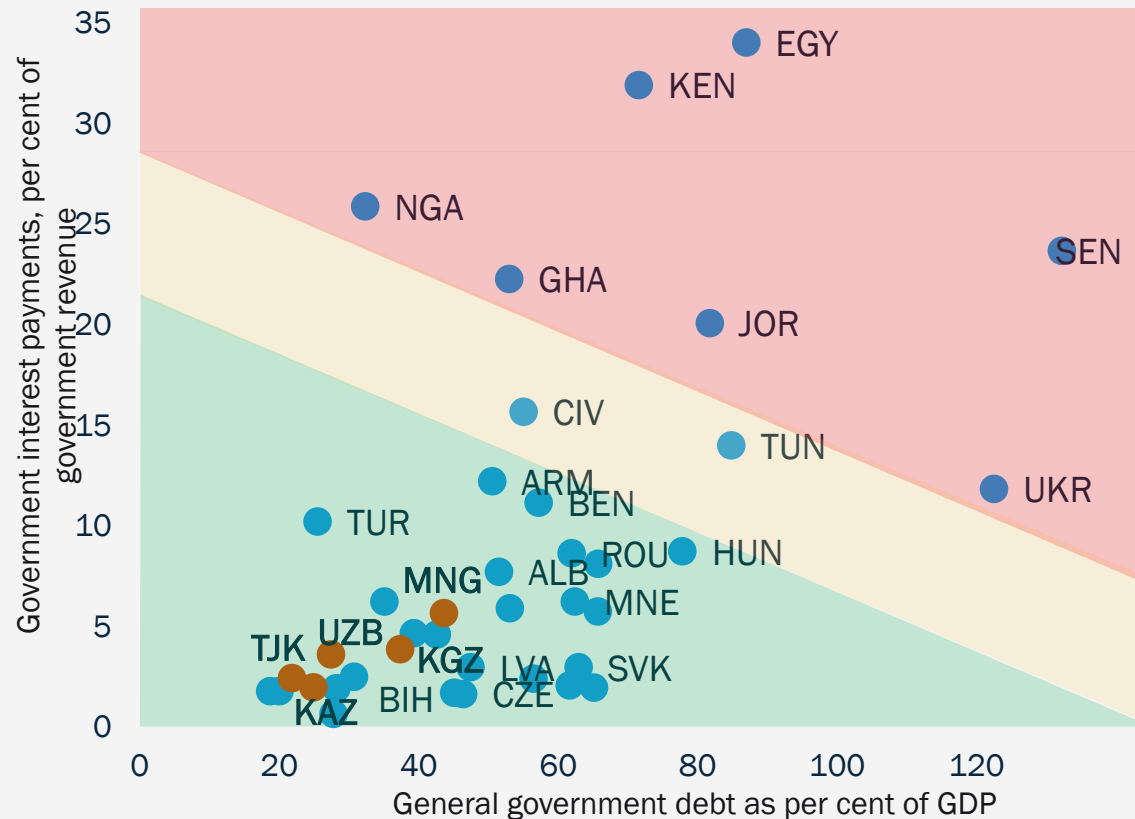
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Turkmenistan, Uzbekistan and Azerbaijan agree to expand energy cooperation

Public debt remains manageable while largely gold-based reserve buffers strengthened

Central Asian economies demonstrate relatively healthy fiscal position...

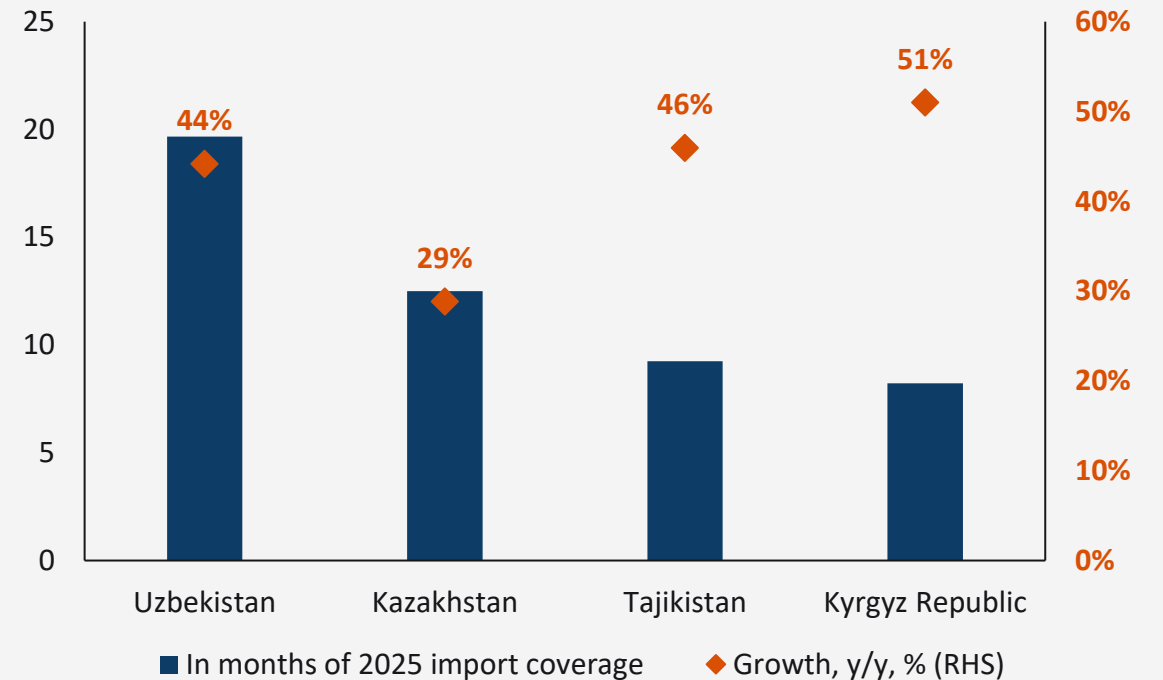
... while higher gold prices and purchases support reserve accumulation and strengthen external buffers



Note: Data refer to 2026

Source: IMF (April 2026), National Authorities, author's calculations

International reserves, as of April 2026 or latest available*



Note: * December 2025 for Tajikistan, May for Mongolia

Regional cooperation is set to deepen



- **Landmark border agreement** between Kyrgyz Republic and Tajikistan , and *Khujand declaration* between KR, TJ, UZ fostering cooperation.



- At the consultative meeting of the Central Asian leaders (Nov. 2025), **Azerbaijan** was admitted as a full member. Announcements included: plans for visa-free travel, establishing **Community of Central Asian States**, cooperation in energy, water, transport, security.



- Turkmenistan eyes closer cooperation with neighbours. Serdar Berdymukhamedov mentioned **expanding cooperation** with regional countries as one of the policy objectives for 2026. Moreover, the country chairs Commonwealth of Independent States in 2026.



- Sustained **interest in Central Asia from other countries**, as reflected in C5+1 meetings. In 2025, CA leaders met with EU, China, US, Japan's leaders.

Tokyo Declaration to Bring New Level of Cooperation Between Central Asia and Japan

BY AYANA BIRBAYEVA in INTERNATIONAL on 20 DECEMBER 2025

Kambarata-1 to See Joint Financing From Kyrgyzstan, Kazakhstan, and Uzbekistan in 2026

China-Kyrgyzstan-Uzbekistan Railway Financing Loan Signed

S.Korea To Hold 1st Summit With Central Asian Nations On Sept 16-17

🕒 12/02/2026 06:25 PM



Kazakhstan and Kyrgyzstan strike major 'water diplomacy' deal

17:18, 9 February 2026



Recent rating upgrades signal enhanced investor perception of the region, but risks persist

Country	Fitch	Moody's	S&P
KZ	BBB, "Stable" (July'25)	Baa1, "Stable" (Oct'25)	BBB-, "Positive" (Aug'25)
KR	B, "Stable" (Apr'25)	B3, "Positive" (July'25)	B+, "Stable" (March'25)
MN	B+, "Stable" (Sept'25)	B1, "Stable" (Oct'25)	BB-, "Stable" (Oct'25)
TJ	NA	B2, "Stable" (March'26)	B, "Positive" (Feb'26)
TM	BB-, "Stable" (July'25)	NA	NA
UZ	BB, "Positive" (June'26)	Ba3, "Positive" (June'25)	BB, "Stable" (Nov'25)

Upside	Downside
Commodity price uptick	Commodity price swings
Enhanced budget discipline	Geopolitical spillovers
Investment growth	Reform reversals
Structural reforms acceleration	Inflation
Strengthened regional cooperation	Lack of fiscal discipline
	

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