

June 2021

Recent developments: The region continues to grapple with COVID-19. After declining in early 2021, cases accelerated as new variants emerged and population mobility increased. Vaccination progress has been uneven across the region. The resurgence of COVID-19 cases in early 2021 has weighed on the incipient economic recovery; manufacturing has faltered; and services activity remains subdued.

Recent currency depreciations have put further upward pressure on prices. Nearly half of the central banks of the region that have inflation targets contended with inflation levels that exceeded the upper limits in early 2021, and policy rates have been raised in several countries. Fiscal support packages enacted to address the economic shock associated with the pandemic are expected to be partially unwound this year. Due to the large fiscal response and last year's contraction in output, median public debt is expected to be 54% of GDP by end-2022, nearly 15 percentage points higher than in 2019. However, targeted fiscal support is estimated to have averted a large spike in poverty and job losses.

Outlook: The regional economy is forecast to expand a stronger-than-expected 3.9% in 2021, partly due to improvement in the euro area. However, the outlook remains challenging given the recent worsening of the pandemic, tighter macroeconomic policy, and elevated policy uncertainty and geopolitical tensions. The forecast is predicated on a faster pace of vaccination in the second half of the year in the region's largest economies. Growth is expected to stabilize at 3.9% in 2022. However, per capita GDP in 2022 is forecast to be 5.3% below the level expected prior to the pandemic.

Growth in Russia, the region's largest economy, is projected to reach 3.2% in 2021, supported by firming domestic demand and elevated energy prices. Tighter-than-expected macroeconomic policy and an escalation of geopolitical tensions in 2021 are weighing on the outlook. Growth is expected to remain steady at 3.2% in 2022. In Turkey, the second largest economy in the region, growth is projected to rise to 5% in 2021, as exports benefit from firming external demand, before moderating to 4.5% in 2022.

In Central Europe, growth is projected at 4.6% in both 2021 and 2022, supported by a recovery in trade. Exceptional policy accommodation is expected to continue through 2021, and sizeable EU fund packages for member states should help mitigate weakness in investment. Growth in the Western Balkans is forecast to rebound to 4.4% this year and moderate to 3.7% in 2022, assuming consumer and business confidence revives as vaccination takes place and political instability eases. The South Caucasus is projected to return to growth in 2021, expanding 3.6% and strengthening to 4.2% in 2022, predicated on dissipation of shocks related to the pandemic and to conflict.

Eastern Europe is projected to expand 1.9% in 2021 and 2.8% in 2022, as the recovery is constrained by geopolitical tensions, subdued domestic demand, and structural weakness. Growth in Central Asia is forecast to recover to 3.7% in 2021 and 4.3% in 2022, supported by a modest rise in commodity prices, relaxation of production cuts among major oil producers, and increased foreign direct investment.

Risks: Risks to the outlook are tilted to the downside. Although the region has had some success in administering the vaccine in some countries – mainly in Central Europe, the Western Balkans, and Turkey – deployment elsewhere has lagged. The pandemic could also add a further drag to already slowing investment in human and physical capital. Financial stress is another risk to the outlook. Intensifying geopolitical tensions or further rises in policy uncertainty pose additional downside risks in the region.

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Europe and Central Asia Country Forecasts

(Annual percent change unless indicated otherwise)

	2018	2019	2020e	2021f	2022f	2023f
GDP at market prices (average 2010-19 US\$)						
Albania	4.1	2.2	-3.3	4.4	3.7	3.7
Armenia	5.2	7.6	-7.6	3.4	4.3	5.3
Azerbaijan	1.5	2.2	-4.3	2.8	3.9	3.4
Belarus	3.1	1.4	-0.9	-2.2	1.9	1.2
Bosnia and Herzegovina^a	3.7	2.8	-4.3	2.8	3.5	3.7
Bulgaria	3.1	3.7	-4.2	2.6	3.3	3.4
Croatia	2.8	2.9	-8.0	5.5	6.2	5.7
Georgia	4.9	5.0	-6.1	6.0	5.0	5.0
Hungary	5.4	4.6	-5.0	6.0	4.7	4.3
Kazakhstan	4.1	4.5	-2.6	3.2	3.7	4.8
Kosovo	3.8	4.9	-6.9	4.0	4.5	4.1
Kyrgyz Republic	3.8	4.6	-8.6	3.8	4.3	4.5
Moldova	4.3	3.6	-7.0	3.8	3.7	3.8
Montenegro	5.1	4.1	-15.2	7.1	4.5	3.5
North Macedonia	2.9	3.2	-4.5	3.6	3.5	3.4
Poland	5.4	4.7	-2.7	3.8	4.5	3.9
Romania	4.5	4.1	-3.9	6.0	4.5	3.9
Russian Federation	2.8	2.0	-3.0	3.2	3.2	2.3
Serbia	4.4	4.2	-1.0	5.0	3.7	3.9
Tajikistan	7.6	7.4	4.5	5.3	5.6	6.0
Turkey	3.0	0.9	1.8	5.0	4.5	4.5
Ukraine	3.4	3.2	-4.0	3.8	3.1	3.1
Uzbekistan	5.4	5.8	1.6	4.8	5.5	5.8

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.

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

[Download the data](#)

World Bank Group COVID-19 Response

The [World Bank](#), one of the largest sources of funding and knowledge for developing countries, is taking [broad, fast action](#) to help developing countries respond to the health, social and economic impacts of COVID-19. This includes [\\$12 billion](#) to help low- and middle-income countries purchase and distribute COVID-19 vaccines, tests, and treatments, and strengthen vaccination systems. The financing builds on the broader [World Bank Group COVID-19 response](#), which is helping more than 100 countries strengthen health systems, support the poorest households, and create supportive conditions to maintain livelihoods and jobs for those hit hardest.