Recent developments: Growth in Europe and Central Asia (ECA) is estimated to have slowed in 2025 to 2.4 percent. This slowdown primarily reflects softer private consumption, especially in the Russian Federation, due to the lagged effects of tight monetary policy. Trade expanded modestly in the first half of 2025, partly reflecting the front-loading of goods trade ahead of tariff increases. Growth also benefited from easing global financing conditions, with sovereign spreads narrowing and equities rising. External headwinds have persisted amid elevated trade policy uncertainty and subdued euro area growth, constraining exports—particularly in Central Europe and the Western Balkans' automotive sectors. While the region has limited direct exposure to the U.S. market, it remains vulnerable due to supply chain integration and spillovers from further softening in euro area growth. Tourism and remittances continued to be important drivers of economic activity in 2025, although their contributions to regional growth moderated.

In the second half of 2025, inflation in ECA picked up again after moderating in the first half. Median headline and core rates remained elevated and above pre-pandemic levels, with most countries exceeding central bank targets. Price pressures were largely driven by rising food and utility costs, notably in Central Asia and Romania, while wage growth remained robust. Most central banks have consequently kept their monetary policy stances unchanged.

Outlook: Growth in ECA is expected to remain unchanged in 2026, with solid domestic demand supported by easing inflation, improving financial conditions, increasing absorption of European Union funds, and higher defense spending. These positive factors are expected to help offset slower trade stemming from weak euro area growth and elevated trade tensions. These external drags are expected to ease in 2027, supporting a moderate rebound in exports. Excluding Russia, Türkiye, and Ukraine, regional growth is forecast to average 3.1 percent in 2026-27, but with mixed country trends.

ECA headline inflation is anticipated to decline gradually in 2026, supported by moderating commodity prices. Yet, inflation is expected to remain above central bank targets in most economies, suggesting a cautious approach to monetary easing. Though many economies are set to undertake fiscal consolidations in 2026–27, deficit reductions are expected to be modest, exerting only a limited drag on growth.

ECA faces unique labor and demographic challenges, with population aging set to weigh on growth. Slower labor force expansion—except in Central Asia—is projected to raise the region's dependency ratio to 63 percent in 2050. At the same time, over the next decade, around 63 million young people are expected to enter the workforce, but limited job creation and persistent skill mismatches may make it harder for them to find jobs.

Risks: Risks to the outlook remain tilted to the downside. A prolonged extension or intensification of Russia's invasion of Ukraine could sustain high geopolitical uncertainty and further disrupt regional activity. Further escalation of global trade tensions and policy uncertainty—particularly for open economies in Central Europe and the Western Balkans—could dampen trade and investment. Inflation could prove more persistent than expected, driven by tight labor markets, faster wages, higher tariffs, and supply chain disruptions. Tighter global financial conditions could trigger capital outflows, exchange rate pressures, and higher borrowing costs, especially in economies with large external financing needs, notably in Central Europe. More frequent and severe extreme weather events pose additional downside risks to regional growth. On the upside, an earlier-than-expected end of active hostilities associated with the invasion could accelerate reconstruction-driven investment in Ukraine and boost regional investor confidence. Deeper regional integration, bolstered by new agreements, could support trade and growth. Faster productivity gains from artificial intelligence—particularly in Central Europe—could further strengthen growth if reskilling and innovation policies are in place.

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Europe and Central Asia Country Forecasts
(Annual percent change unless indicated otherwise)

	2023	2024	2025e	2026f	2027f
GDP at market prices (average 2010-19 US$)					
Albania	4.0	4.0	3.7	3.5	3.5
Armenia	8.3	5.9	5.2	4.9	4.7
Azerbaijan	1.4	4.1	1.9	1.8	1.7
Belarus	4.1	4.0	1.9	1.3	0.8
Bosnia and Herzegovina [a]	2.0	3.0	2.6	3.0	3.2
Bulgaria	1.7	3.4	3.0	2.9	3.1
Croatia	3.8	3.8	3.1	2.9	2.7
Georgia	7.8	9.7	7.0	5.5	5.0
Kazakhstan	5.1	5.0	6.0	4.5	3.9
Kosovo	4.1	4.6	3.8	3.8	3.9
Kyrgyz Republic	9.0	9.0	9.2	6.5	6.8
Moldova	1.2	0.1	2.9	2.7	3.8
Montenegro	6.5	3.2	3.3	3.2	3.2
North Macedonia	2.6	3.0	3.2	3.0	3.0
Poland	0.2	3.0	3.3	3.2	2.9
Romania	2.3	0.9	0.8	1.3	1.9
Russian Federation	4.1	4.3	0.9	0.8	1.0
Serbia	3.7	3.9	2.1	3.0	3.2
Tajikistan	8.3	8.4	8.0	6.2	4.7
Türkiye	5.0	3.3	3.5	3.7	4.4
Ukraine	5.5	2.9	2.0	2.0	4.0
Uzbekistan	6.3	6.6	6.2	6.0	5.9

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.