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WEDNESDAY, JANUARY 6, 2016 AT 3:01 PM EST (2001 UTC/GMT).**

*Global Economic Prospects:  
Spillovers Amid Weak Growth*  
January 2016

*Europe and Central Asia*

**Recent Developments:** The developing Europe and Central Asia region is estimated to have slowed to 2.1 percent in 2015 from 2.3 percent the year before, as the eastern part of the region was hit by sharply lower oil prices, conflict in Ukraine and regional ripple effects from a recession in the Russian Federation. The western part of the region is benefitting from lower fuel import costs and a moderate recovery in the Euro Area.

International sanctions against Russia in connection with the conflict in Ukraine and lower commodity prices hindered Russia's economy, which contracted by 3.8 percent in 2015 after growing by 0.6 percent the previous year. Plunging oil export revenues deteriorated Russia's trade balance and weakened the ruble.

Growth in Turkey is estimated to have accelerated to 4.2 percent in 2015 from 2.9 percent the previous year, boosted by higher consumption and net exports on lower fuel costs. Strengthening economic activity in the Euro Area and low oil prices have helped stabilize Turkey's current account deficit.

**Outlook:** Growth in the Europe and Central Asia region is projected to rise to 3 percent in 2016 as oil prices fall more slowly or stabilize, Russia's economy improves, and Ukraine recovers. Gains depend on whether the region can manage challenges including geopolitical tensions, low oil prices, and tighter external financing conditions.

A modest pick-up of growth over the 2016-18 forecast period in the eastern part of the region, which includes Eastern Europe, South Caucasus, and Central Asia, may be helped by a stabilization of commodity prices following the sharp drop since 2014. A bottoming-out of Russia's recession in 2016 would support growth in the rest of the eastern part of the region.

Russia is projected to contract by 0.7 percent in 2016, before posting positive growth in 2017. Sustained low oil prices and international sanctions will be drags on economic activity. Weak investor confidence and high interest rates are chilling investment, and a sharp drop in consumer purchasing power has hurt consumption.

A rebound in conflict-torn Ukraine, which is projected to expand by 1 percent this year from a 12 percent contraction in 2015, will also raise the regional aggregates. Measures to strengthen Ukraine's fiscal situation, including cutting pension benefits, shrinking the government, and raising utility tariffs should help pare the budget deficit.

The western part of the region, which includes Bulgaria, Romania, Turkey and the Western Balkans, should grow moderately in 2016, buoyed by a recovery in the Euro Area.

Growth in Turkey is forecast to remain at about 3.5 percent in 2016-18. Faster growth will depend on de-escalating tensions in the southeast of the country and managing the refugee crisis from the conflict in neighboring Syria.

Growth should pick up modestly in Kazakhstan, rising to 1.1 percent in 2016 from 0.9 percent in the year just ended. The country will benefit from the Kashagan off-shore oil field coming on stream, oil prices stabilizing, and Russia's economy healing. Growth will remain well below levels registered in the first decade of the century as weak domestic demand appears likely to limit industrial and services growth.

**Risks:** Geopolitical tensions loom over the region. An escalation or failure to resolve the conflict in eastern Ukraine would hurt one of the largest economies in the region and could lead to extended or tougher sanctions against Russia, with regional ripple effects. Intensified violence in Syria could escalate the flow of refugees and have impacts in Turkey, the Balkans and western parts of the region. Low commodity prices and weak remittance flows will also be drags on growth for many countries.

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**Europe and Central Asia forecast**

(annual percent change unless indicated otherwise)

	2013	2014	Est. 2015	Forecast 2016	2017	2018
GDP at market prices (2010 US dollars )						
<b>Albania</b>	1.4	2.0	2.7	3.4	3.5	3.5
<b>Armenia</b>	3.3	3.5	2.5	2.2	2.8	3.0
<b>Azerbaijan</b>	5.8	2.8	2.0	0.8	1.2	2.7
<b>Belarus</b>	1.1	1.6	-3.5	-0.5	1.0	1.0
<b>Bosnia and Herzegovina</b>	2.5	0.8	1.9	2.3	3.1	3.5
<b>Bulgaria</b>	1.3	1.5	2.9	2.2	2.7	2.7
<b>Georgia</b>	3.3	4.8	2.5	3.0	4.5	5.0
<b>Kazakhstan</b>	6.0	4.4	0.9	1.1	3.3	3.4
<b>Kosovo</b>	3.4	1.2	3.0	3.5	3.7	4.0
<b>Kyrgyz Republic</b>	10.9	3.6	2.0	4.2	3.4	4.3
<b>FYR Macedonia</b>	2.7	3.5	3.2	3.4	3.7	3.7
<b>Moldova</b>	9.4	4.6	-2.0	0.5	4.0	4.0
<b>Montenegro</b>	3.5	1.8	3.4	2.9	3.0	2.9
<b>Romania</b>	3.5	2.8	3.6	3.9	4.1	4.0
<b>Serbia</b>	2.6	-1.8	0.8	1.8	2.2	3.5
<b>Tajikistan</b>	7.4	6.7	4.2	4.8	5.5	5.5
<b>Turkey</b>	4.2	2.9	4.2	3.5	3.5	3.4
<b>Turkmenistan</b>	10.2	10.3	8.5	8.9	8.9	8.9
<b>Ukraine</b>	0.0	-6.8	-12.0	1.0	2.0	2.0
<b>Uzbekistan</b>	8.0	8.1	7.0	7.5	7.7	7.7

Source: World Bank.

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.