United Nations | Department of Economic and Social Affairs

Press Release

Under embargo until 4 January 2024, 12:30 pm EST

# Economies of the CIS and Georgia will see slower growth in 2024 as region faces numerous risks, according to UN flagship economic report

***Slower global growth, tightening monetary conditions and elevated inflation weigh on growth outlook and sustainable development***

**Moscow, 16 January** - Economic growth in the Commonwealth of Independent States and Georgia is expected to moderate in 2024 with lingering geopolitical risks clouding the outlook, according to the **UN World Economic Situation and Prospects (WESP) 2024**.

The UN's flagship economic report presents a sombre global economic outlook for the near term. Persistently high interest rates, further escalation of conflicts, sluggish international trade, and increasing climate disasters, pose significant challenges to global growth. Global economic growth is projected to slow from an estimated 2.7 per cent in 2023 to 2.4 per cent in 2024, trending below the pre-pandemic growth rate of 3.0 per cent.

The prospects of a prolonged period of tighter credit conditions and higher borrowing costs present strong headwinds for a world economy saddled with debt, while in need of more investments to resuscitate growth, fight climate change and accelerate progress towards the Sustainable Development Goals (SDGs).

"2024 must be the year when we break out of this quagmire. By unlocking big, bold investments we can drive sustainable development and climate action, and put the global economy on a stronger growth path for all," said António Guterres, United Nations Secretary-General. "We must build on the progress made in the past year towards an SDG Stimulus of at least $500 billion per year in affordable long-term financing for investments in sustainable development and climate action."

## The Commonwealth of Independent States and Georgia: adjusting to new realities

The combined GDP of the CIS and Georgia expanded by an estimated 3.3 per cent in 2023, following a 1.9 per cent contraction in 2022, and is projected to grow by a more moderate 2.3 per cent in 2024. The anticipated slowdown in 2024 reflects weaker growth in the Russian

Federation and dissipating effects of relocation and reorientation of regional economic activities.

The protracted war in Ukraine continues to affect economic activities in the CIS area. The region has adapted to the new context with economic sanctions imposed on the Russian Federation reorienting trade, financial and remittance flows. New value chains have emerged since 2022, in particular within the Eurasian Economic Union. The better-than- anticipated performance of the Russian economy in 2023, which expanded by almost 3 per cent, drove up the regional growth average.

The Russian economy benefited from import substitution and growing public spending, including military expenditure that boosted industrial output. Rapid nominal wage growth and increased social transfers supported private consumption in the first half of 2023, while subsidized mortgages supported construction. The economy, however, is increasingly facing the negative impact of sanctions and shrinking export revenues. Fiscal spending will continue to grow in 2024, but the impact of monetary tightening, high consumer indebtedness, and possible stronger enforcement of the oil price cap are likely to curb the Russian Federation's GDP growth at around 1.3 per cent in 2024.

The Ukrainian economy grew by over 4 per cent in 2023, a marginal recovery in relative terms following the earlier 29.1 per cent contraction in 2022. Agricultural output is currently lower than prior to the war and exports continue to face impediments. External assistance and deferring debt payments will remain crucial for the recovery.

Many economies in the Caucasus and Central Asia region in 2023 continued to benefit from the relocation of Russian residents and businesses and increasing exports to the Russian market, including re-exports, while being cautious of the prospects of facing secondary sanctions. Remittances from the Russian Federation remained an important source of financing for those countries.

**Inflation slowing, Russian Federation excluded, while labour market conditions favourable**

Inflationary pressures in the CIS area mostly softened in 2023. However, inflation resurged in the Russian Federation during the second half of the year amid a weakening currency and strong domestic demand. Labour market conditions across the CIS remain favourable. In the Russian Federation, the unemployment rate declined to record lows of below 3 per cent. The negative impact of mobilization and the outward migration has led to worker shortages in the Russian Federation. In response to tapering inflation, most central banks in the region reduced their policy rates. However, in the Russian Federation, monetary policy was abruptly tightened since the third quarter of 2023 to contain rising inflationary pressures and stabilize the exchange rate.

**South-Eastern Europe: mirroring a slowdown in the EU**

The economies of South-Eastern Europe experienced a significant slowdown in 2023, in line with the slowdown in the EU, particularly in Germany, the region's main trading and investment partner. The manufacturing sector in the region has been most adversely affected, while services remained comparatively resilient. Despite those external headwinds, remittances, foreign direct investment (FDI) inflows and, in the case of Albania and Montenegro, strong tourism flows supported growth. Despite tighter financing conditions, infrastructure investment increased. Aggregate GDP of the region grew by only 2.2 per cent in 2023, after a 3.2 per cent expansion in 2022. A modest acceleration of growth to 2.9 per cent is expected in 2024.

The expected recovery in the region hinges on improved economic conditions in EU and further moderation of inflation. As the scope for future fiscal expansion remains constrained, structural reforms would be key to lift growth in the medium term, building on the prospect of EU accession. The European Union envisages a €6 billion growth plan for the region, aiming to double the region's economy over the next ten years, including granting a partial access to the European single market and deepening the regional market.

###

***The full report will be available on 4 January 2024, 12:30 pm EST at:***
https://desapublications.un.org/

**Media contacts:**
Sharon Birch, UN Department of Global Communications, birchs@un.org
Leah Kennedy, UN Department of Economic and Social Affairs, kennedy1@un.org