Turkic States
Quarterly Economic Outlook
2nd Quarter 2025 No. 14

Baku

October 2025

CENTER FOR ANALYSIS OF ECONOMIC REFORMS
AND COMMUNICATION OF THE REPUBLIC OF AZERBAIJAN

Published by:
The Center for Analysis of Economic Reforms and Communication of the Republic of Azerbaijan

The Turkic Economic Outlook is a quarterly publication providing comprehensive analysis of the economic performance, emerging trends, and forecasts across the eight member states of the Organization of Turkic States (OTS). This report is developed based on data provided by the national focal points of the OTS Statistical Committee Working Group.

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Recommended Citation:
Center for Analysis of Economic Reforms and Communication of the Republic of Azerbaijan 2025. *Turkic States Quarterly Economic Outlook: 2nd Quarter 2025*.

Available online:

https://ereforms.gov.az/en/turk-iqtisadi-icmali

https://turkicstates.org/en/news/the-publication-on-turkic-economic-outlook

Publication Orders:
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Errata:
This document has been updated with the most current data available as of October 2025. Revisions may be made in future releases to ensure the accuracy and timeliness of the economic insights provided.

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Abbreviations

CIF – Cost, Insurance and Freight

FY – Fiscal Year

GDP – Gross Domestic Product

IMF – International Monetary Fund

OTS – Organization of Turkic States

PRC – People's Republic of China

Q1 – First Quarter

Q2 – Second Quarter

Q3 – Third Quarter

Q4 – Fourth Quarter

TIF – Turkic Investment Fund

WB – World Bank

WEO – World Economic Outlook

yoy – year-on-year

Preface

The *Turkic States Quarterly Economic Outlook* provides a comprehensive analysis of the economic developments within the Organization of Turkic States (OTS), synthesizing trends and forecasts essential for shaping policy and decision-making.

This report draws on extensive data provided by focal points from the statistical ageny officials nominated with the support of the Organization of Turkic States (OTS). The contributors include Ms. Leyla Karimova from the State Statistical Committee of Azerbaijan; Ms. Saliya Seidakhmatova from the National Statistics Committee of Kyrgyzstan; Mr. Alibek Raipov from Kazakhstan's Center for World Economy; Ms. Latofat Burieva from Uzbekistan's Center for Economic Research and Reforms; Mr. Salih Keleş, Trade Expert at the Ministry of Trade of Türkiye; Mr. Dénes Ádám from the Hungarian Central Statistical Office; and Ms. Aysun Önet and Mr. Yılmaz Altinterim from the Ministry of Foreign Affairs of Northern Cyprus.

Special thanks are extended to Mr. Farid Mammadov, Project Manager at the OTS Secretariat, for coordinating the nomination of working group members and facilitating collaboration among national focal points.

Prepared by Ms. Vusala Jafarova, head of the Turkic World Research Center under the Center for Economic Analysis and Communication of Azerbaijan, this report reflects the collective efforts of OTS member states and their agencies. While the data has undergone rigorous review, the views expressed do not necessarily reflect the official stance of the Center for Economic Analysis and Communication, the Government of Azerbaijan, or the OTS.

We appreciate the continued support from our member states and agencies, as this report remains an essential resource for promoting regional economic cooperation and growth.

Prof. Dr. Vusal Gasimli

Executive Director

The Center for Analysis of Economic Reforms and Communication of Azerbaijan

Executive Summary

The **Turkic States Quarterly Economic Outlook** for the second quarter of 2025 provides an in-depth analysis of the economic performance and key developments within the Organization of Turkic States (OTS). Drawing on the most recent data, this report highlights the region's economic growth, fiscal trends, external trade performance, and ongoing green and digital transformations, while also offering a strategic outlook for the second half of the year.

Macroeconomic Performance

The OTS region continued to outperform the global average in the first half of 2025, with a collective GDP growth rate of 5.4%, more than double the global rate of 2.3% (IMF, World Economic Outlook Update, July 2025). Key drivers of this growth included robust investments in infrastructure, energy diversification, and a growing digital economy. Kazakhstan and Uzbekistan recorded impressive GDP growths of 6.2% and 7.2%, respectively, while Kyrgyzstan led with an exceptional growth rate of 11.7% (National Statistical Committee of Kyrgyzstan, July 2025). Azerbaijan saw modest growth of 1.5%, driven by a diversification into non-oil sectors, including agriculture and transportation (State Statistical Committee of Azerbaijan, 2025). Türkiye, despite a challenging external environment, recorded 3.6% growth, largely driven by construction and services (TurkStat, 2025).

External Sector Dynamics

In the first half of 2025, global trade grew at a slower pace of 1.7%, down from 3.8% in 2024 (IMF, World Economic Outlook Update, July 2025). Despite this, the OTS region maintained a 4.2% share of global trade turnover, reaching approximately USD 701.6 billion (CAERC estimate based on data from Statistical Agencies of OTS). This performance highlights the OTS's critical role in Eurasian trade, particularly in energy exports and manufacturing.

Azerbaijan faced a 4.6% decline in exports, totaling USD 12.44 billion, but continued to maintain a trade surplus of USD 920 million (State Statistical Committee of Azerbaijan, 2025). Kazakhstan recorded a 7.1% drop in exports, while still maintaining a trade surplus of USD 7.68 billion, largely driven by energy exports (National Bank of Kazakhstan, 2025). Uzbekistan saw impressive 29.1% growth in exports, amounting to USD 16.89 billion, driven by textiles, minerals, and agriculture (Central Bank of Uzbekistan, 2025). Turkmenistan faced a 14.3% decline in exports but managed to achieve a trade surplus of USD 8.54 billion (Official Government of Turkmenistan Reports, 2025).

Fiscal Sector Developments

The fiscal dynamics of OTS countries in the first half of 2025 demonstrated a mix of fiscal consolidation efforts and expansionary policies in some countries. Revenue collection showed notable increases in countries like Kazakhstan and Türkiye, while Uzbekistan

reported 19% growth in public revenues (Central Bank of Uzbekistan, 2025). Kazakhstan's public revenue surged by 17.6%, totaling USD 28.45 billion, driven by hydrocarbon revenues and improved tax compliance (National Bank of Kazakhstan, 2025).

Türkiye also posted a significant increase of 46.1% in public revenues, amounting to USD 149.58 billion, underpinned by a mix of fiscal reforms and new financing for infrastructure (TurkStat, 2025). Azerbaijan saw 5.1% growth in public revenues, totaling USD 11.65 billion, driven by non-oil sector development (State Statistical Committee of Azerbaijan, 2025). Expenditures were more varied, with Uzbekistan and Kazakhstan focusing on infrastructure and social programs, while Azerbaijan and Türkiye emphasized investments in digitalization and green energy.

Green and Digital Transformation

The OTS region continues to make substantial investments in green energy and digital transformation. Several OTS countries are advancing toward sustainability goals by investing in renewable energy, smart cities, and green infrastructure.

Kazakhstan allocated USD 3.2 billion for renewable energy investments in 2025, including solar and wind power projects (Kazakhstan Ministry of Energy, 2025). Uzbekistan raised USD 1 billion in green bonds to finance renewable energy and sustainable infrastructure projects (Uzbekistan Ministry of Finance, 2025). Azerbaijan is making progress with investments in green energy and digital infrastructure, aiming to foster smart governance and enhance e-government services (Azerbaijan Ministry of Economy, 2025).

Digital transformation is equally a priority, with a focus on e-commerce, smart cities, and digital platforms. Kazakhstan's digital economy accounted for 9.2% of its GDP in 2025, while Türkiye has made significant progress in smart city initiatives (Kazakhstan Digital Economy Report, 2025; TurkStat, 2025). Azerbaijan has launched a transformative smart growth initiative **in the** liberated territories **of** Eastern Zangazur and the Garabakh Economic Zones**.** The government has committed significant resources to developing **smart cities** and **smart villages** in these areas

Looking forward, the OTS region is poised to continue its investment-driven growth, with a focus on green transformation, digital infrastructure, and regional integration. The development of the Middle Corridor remains a key priority for OTS countries, further enhancing trade connectivity between Asia and Europe. The region's economies are expected to continue their diversification efforts, particularly in non-oil sectors, manufacturing, and services.

Regional cooperation within the OTS framework, alongside investments in renewable energy and digital technologies, will enhance the competitiveness of OTS countries and position them as leaders in both sustainability and technological innovation within Eurasia. However, global challenges, such as geopolitical tensions and energy price volatility, must be navigated carefully to sustain the momentum and ensure long-term economic stability.

1. Macroeconomic Overview

Global activity strengthened in early 2025, supported by improved financial conditions and steady demand in major economies. The IMF projects world real GDP growth at 3.0 percent in 2025, an upward revision from April, reflecting firmer momentum into mid-year (IMF, *World Economic Outlook Update*, July 2025). Global trade also firmed. UNCTAD's July update estimates that global trade value increased by about USD 300 billion in the first half of 2025 compared with the same period of 2024, with stronger US imports and EU exports underpinning the improvement (UNCTAD, *Global Trade Update*, July 2025). These tailwinds provided a supportive external environment for Eurasian supply chains and the Middle Corridor.

OTS in the global economy—growth leader within Eurasia

The economies of the Organization of Turkic States (OTS) continued to post solid results in the first half of 2025, reflecting sustained investment, diversified industry, and expanding trade links**.** The combined average GDP growth rate of OTS members reached 5.4 percent, more than twice the estimated global average of 2.3 percent during the same period (IMF; UNCTAD). This underscores the OTS's emerging role as a fast-growing economic region connecting Europe and Asia, with growth driven by infrastructure spending, trade corridor expansion, and resilient domestic demand.

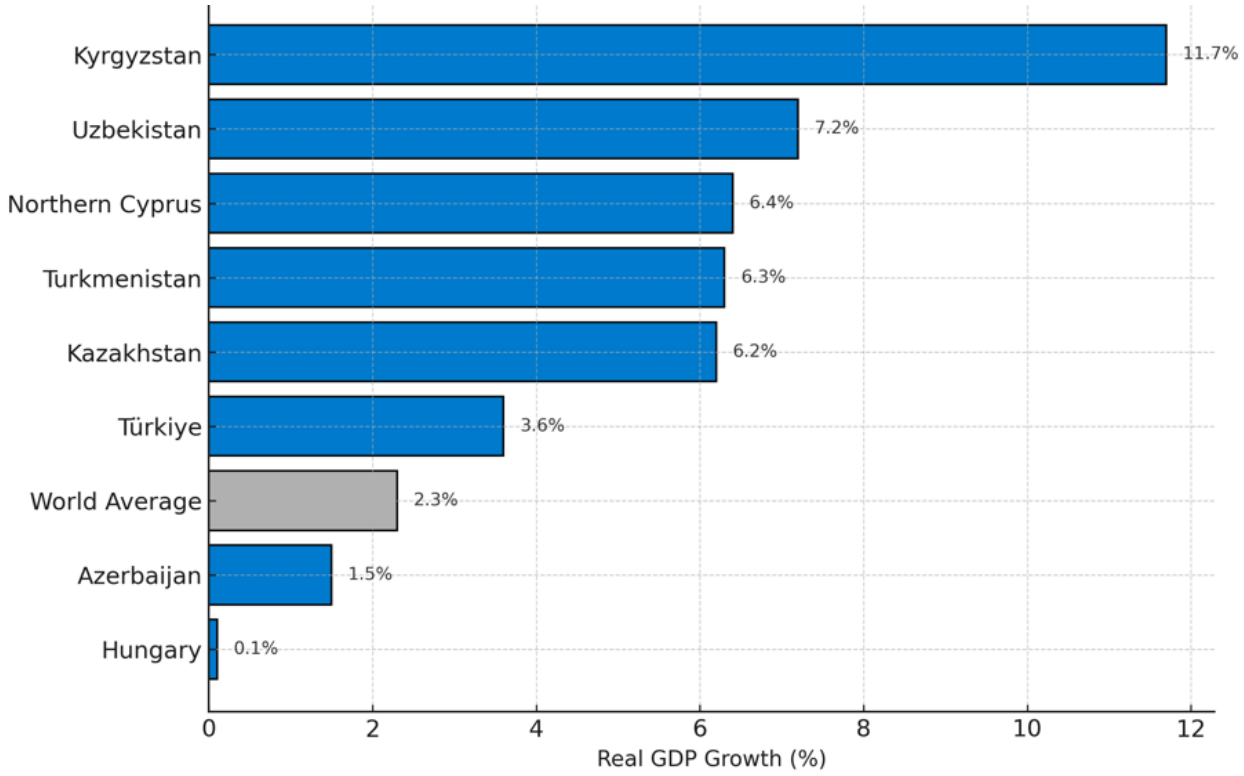
Country data point to broad-based acceleration across several members. **Kyrgyzstan** recorded **real GDP growth of 11.7 percent** (y/y) in January–June 2025 with output reaching USD 8 billion, led by construction, industry, and services (National Statistical Committee; mid-July release). **Uzbekistan** expanded by **7.2 percent (y/y)** in the first half of 2025 on broad-based gains in industry and agriculture and a strong trade outturn (National Statistics Committee; July release). **Turkmenistan** reported **6.3 percent (y/y)** growth for the first half, alongside continued implementation of priority investment projects (official government communiqué).

Performance in larger OTS economies remained constructive. **Türkiye** registered **3.6 percent (y/y)** growth in Q1 2025 on sustained services and construction activity, setting a positive tone for the half-year (TurkStat/official release). **Kazakhstan** posted **6.2 percent (y/y)** growth in January–June—the strongest half-year since 2011—supported by higher transport activity, construction, and a balanced contribution from mining and manufacturing; trade turnover reached KZT 31.4 trillion (≈USD 59.7 billion) in the period. **Azerbaijan** with **1.5% GDP growth** during the period maintained expansion supported by non-oil sectors and stable external demand. **Hungary** stabilized with **0.1 percent growth** as industrial recovery gained momentum, while **Northern Cyprus** expanded **6.4 percent**, propelled by tourism and construction.

The combined nominal GDP of OTS economies amounted to USD 1.11 trillion in the first half of 2025, accounting for around 2 percent of global GDP, reaffirming the OTS's strengthening contribution to global economic output. The OTS's continued expansion

underscores its growing role in the global economic landscape and its potential as a key node in Eurasian trade connectivity.

Graph 1. GDP Growth Rates by OTS Member States, H1 2025 (% y/y).



Source: National statistical agencies; IMF World Economic Outlook (July 2025), author's estimates.

Sectoral Dynamics

Non-oil activity in **Azerbaijan.** remained the main engine. Industrial output in the non-oil and gas segment increased 6.3% y/y in January–June, offsetting a decline in hydrocarbons; overall industry eased 1.9% as oil and gas volumes fell. Merchandise imports grew while exports softened in real terms, yielding a modest H1 trade surplus (~USD 0.9 bn); non-oil exports strengthened. Fixed-capital investment was broadly stable overall, with a notable increase directed to the non-oil sector.

Kazakhstan's real-sector momentum was broad-based. Transport (+22.7%), construction (+18.4%), mining (+8.4%), manufacturing (+5.5%) and agriculture (+3.7%) all expanded in H1, supported by logistics upgrades and public investment. External engagement stayed strong with trade turnover KZT 31.4 trillion (~USD 59.7 bn).

Sectoral gains in **Kyrgyz Republic** were led by construction and trade/services, with industry also advancing; official communications highlighted construction's contribution and strong investment inflows, alongside steady agriculture. Goods exports moderated while imports normalized with domestic demand.

Türkiye's sector composition remained services-led with construction supportive. National accounts show construction output up 7.3% y/y in Q1 (chain-linked index), while services continued to expand, underpinned by tourism and domestic demand (TurkStat). Manufactured-goods exports were steady; imports rose with investment and consumption needs. (TÜİK Data Portal)

In Uzbekistan the expansion was broad-based in industry and agriculture with firm retail and logistics activity. External trade was dynamic: exports rose ~29% y/y in H1, while imports increased about 7%, lifting total trade by ~16% (press summaries of official data). Fixed investment continued to rise in manufacturing and infrastructure.

Hungary's sector signals were mixed but stabilizing by mid-year. Industry's earlier weakness eased toward mid-summer; construction posted positive readings (e.g., +3.6% y/y in May; +4.9% in July) as project execution improved (KSH/TradingEconomics). Services helped offset manufacturing softness; external trade in services strengthened while goods trade was broadly flat on the half-year (KSH).

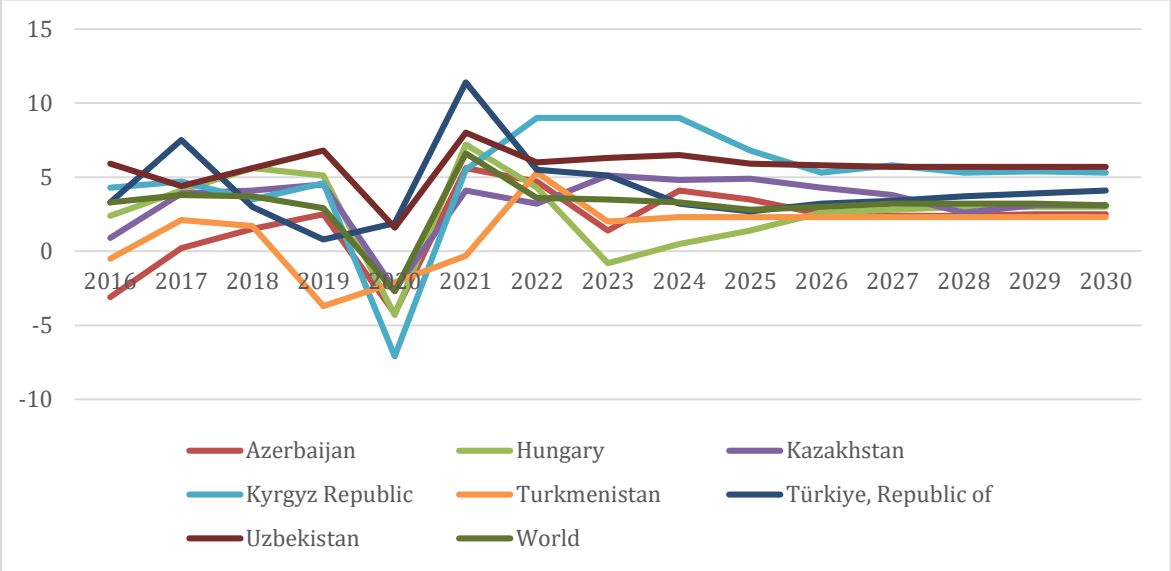
Turkmenistan reflected continued capital formation and energy-linked services. Authorities reported steady real-sector performance through H1 and ongoing implementation of investment programs; official communications also flagged strong transport and trade services.

Northern Cyprus (TRNC). Sector performance was anchored by tourism and construction. Public reports indicate buoyant tourism flows through mid-year and continued construction activity; official TRNC statistics are not fully harmonized internationally, and country snapshot provides the detailed breakdown.

Overall, first-half outcomes confirm resilient, investment-led, and trade-enabled expansion across the OTS, with measured policy implementation and corridor connectivity supporting momentum into the second half (IMF; UNCTAD; national statistical releases).

Looking ahead, the OTS region is projected to maintain its strong growth trajectory, outperforming the global average. The IMF forecasts that the OTS economies will continue to benefit from robust investment in infrastructure, energy, and digital sectors, further bolstered by expanding regional trade and integration efforts. The region's GDP growth is expected to average **5.5%** in the second half of 2025, driven by ongoing diversification efforts and strategic infrastructure projects, particularly in renewable energy, transportation, and digitalization.

Graph 2. GDP growth forecast OTS countries



Source. IMF Economic Outlook 2025,

Kazakhstan and Uzbekistan are expected to continue their rapid industrialization, with strong growth in manufacturing, mining, and services. Kyrgyzstan is poised for a recovery in exports, while Azerbaijan will continue to benefit from stable non-oil exports and infrastructure investments, despite external challenges in the energy sector.

Turkey's economic performance is expected to stabilize as inflationary pressures ease and external demand for manufactured goods strengthens. Turkmenistan and Northern Cyprus will continue to leverage their infrastructure and energy projects, while Hungary is forecasted to benefit from a resilient industrial sector.

Overall, the region's commitment to green and digital transformations will provide the necessary impetus for long-term growth. Continued efforts to integrate the Middle Corridor and enhance cross-border digital infrastructure will enable OTS countries to position themselves as key players in Eurasian and global trade networks.

2. Inflation Trends

Global inflation continued to moderate through the first half of 2025 as the disinflation process that began in 2023 gained further traction. The IMF projects **world consumer price inflation at 4.5 percent in 2025**, down from 6.8 percent in 2023, with the deceleration most pronounced in advanced economies (IMF, *World Economic Outlook Update*, July 2025).
Easing global energy prices, normalizing supply chains, and steady monetary policy

contributed to lower headline rates. Core inflation also declined gradually but remained above pre-pandemic levels in several emerging markets, reflecting lingering services and food pressures (World Bank, *Global Economic Prospects*, June 2025). Within this context, most OTS members experienced a similar moderation in consumer prices, helped by prudent macroeconomic management and targeted fiscal measures.

In **Azerbaijan** headline consumer price inflation averaged **2.8 percent y/y** in the first half of 2025, broadly in line with the Central Bank of Azerbaijan's medium-term objective of 4 ± 2 percent (IMF WEO, April 2025). Food inflation slowed markedly due to strong agricultural output and administrative stabilization of bread and fuel prices. Core inflation stayed contained, supported by a stable manat and disciplined fiscal stance.

Kazakhstan experienced Inflation pressures eased to **6.4 percent y/y** by June 2025, down from 14 percent a year earlier, reflecting tight monetary policy and improved supply conditions (National Bank of Kazakhstan, July 2025). Continued disinflation allowed gradual policy-rate normalization while maintaining real-rate differentials consistent with price stability.

Kyrgyz Republic's average inflation stood at **6.7 percent** in January–June 2025 (National Statistical Committee, 2025), supported by lower imported fuel costs and steady domestic food production. The som's relative stability and improved harvest dynamics helped anchor expectations around single digits.

Türkiye's disinflation path progressed in line with policy objectives. Headline inflation declined to **48 percent y/y in June 2025** from over 65 percent in late 2024, driven by a strong monetary tightening cycle and base effects (TurkStat, June 2025; IMF WEO Update). Sequential monthly inflation eased steadily, indicating improved price-setting behavior and moderating demand pressures.

Uzbekistan consumer price inflation averaged **8.3 percent** in H1 2025—continuing the downward trajectory from 2023—reflecting tighter monetary policy, rising agricultural supply, and a stable exchange rate (Central Bank of Uzbekistan, July 2025). Inflation expectations declined, supporting household confidence and investment.

Turkmenistan's price dynamics remained stable under the administered price regime. The IMF estimates average consumer inflation at **6.2 percent in 2025**, broadly unchanged from the previous year, anchored by regulated energy and food prices (IMF WEO April 2025).

Hungary economy Inflation moderated sharply to **4.7 percent y/y** by mid-2025, down from 17 percent in 2023, supported by declining energy costs and a stronger forint (Hungarian Central Statistical Office, July 2025; IMF WEO 2025).

Northern Cyprus official CPI data are not compiled under a harmonized framework; nevertheless, price developments broadly mirrored those in Türkiye, with a gradual decline through mid-year supported by fiscal transfers and exchange-rate stability.

Overall across the OTS countries, inflation is converging toward single-digit levels. Tight monetary stances, improved harvests, and easing global import costs have collectively anchored price expectations. Average headline inflation among the eight member economies compared with year earlier, signaling a strong regional disinflation trend. Looking forward, inflation is expected to continue moderating through 2026 as supply chains normalize and domestic currencies remain broadly stable (IMF, WEO Update July 2025). Authorities across the region reaffirmed their commitment to prudent macroeconomic management to preserve price stability while supporting growth and investment.

3. Monetary Policy

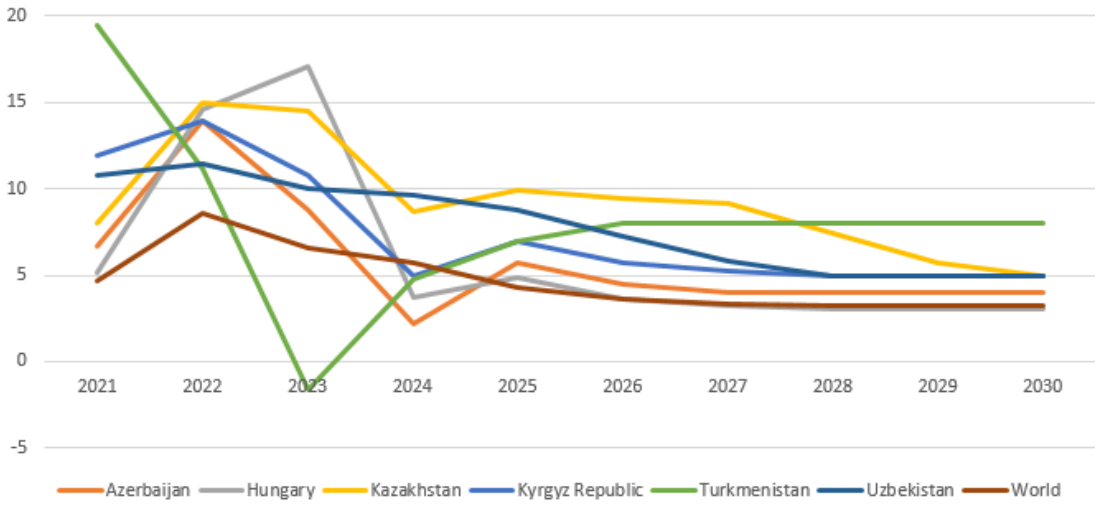
In the first half of 2025, global monetary policy was characterized by a cautious approach to balance economic growth and inflation control. The International Monetary Fund (IMF) projected global growth at 3.0% for 2025, an upward revision from earlier forecasts, reflecting stronger-than-expected front-loading, lower tariff rates, improved financial conditions, and fiscal expansion in some major jurisdictions. Global inflation was expected to decline, reaching 4.2% in 2025 and 3.6% in 2026, as per the IMF's World Economic Outlook Update, July 2025.

Despite these improvements, central banks remained vigilant, focusing on anchoring inflation expectations and ensuring financial stability amid ongoing global uncertainties. Global monetary tightening continued to affect financial conditions, with central banks in advanced economies slowing the pace of interest rate hikes. The U.S. Federal Reserve and the European Central Bank (ECB) maintained relatively high rates, while emerging markets faced diverse challenges from capital inflows, exchange rate pressures, and persistent inflation.

The Central Bank of Azerbaijan (CBA) maintained a tight monetary stance in H1 2025, keeping the policy rate at 7.25% to manage inflationary risks. Inflation in Azerbaijan was controlled at 5.9% year-on-year (*State Statistical Committee of Azerbaijan*). The CBA also implemented foreign exchange market interventions to stabilize the manat and provide liquidity to the non-oil sector (*CBA official reports*).

The National Bank of Kazakhstan (NBK) continued with a restrictive policy, maintaining interest rates at 14.5% in H1 2025 to combat inflation, which stood at 6.4% year-on-year (*NBK, July 2025*). The central bank worked to stabilize the tenge through foreign exchange interventions and maintain liquidity, particularly in response to rising commodity prices. Capital outflows remained a concern, and the NBK focused on curbing inflation expectations (*Government of Kazakhstan*). The National Bank of Kyrgyzstan (NBK) maintained a policy rate of 9.0%, gradually tightening to manage inflationary risks. Inflation stood at 6.7% year-on-year (*National Statistical Committee of Kyrgyzstan*). The central bank emphasized exchange rate stability and currency reserve management, while also working to foster financial inclusion and improve digital banking infrastructure to support a growing economy (*NBK official communications*).

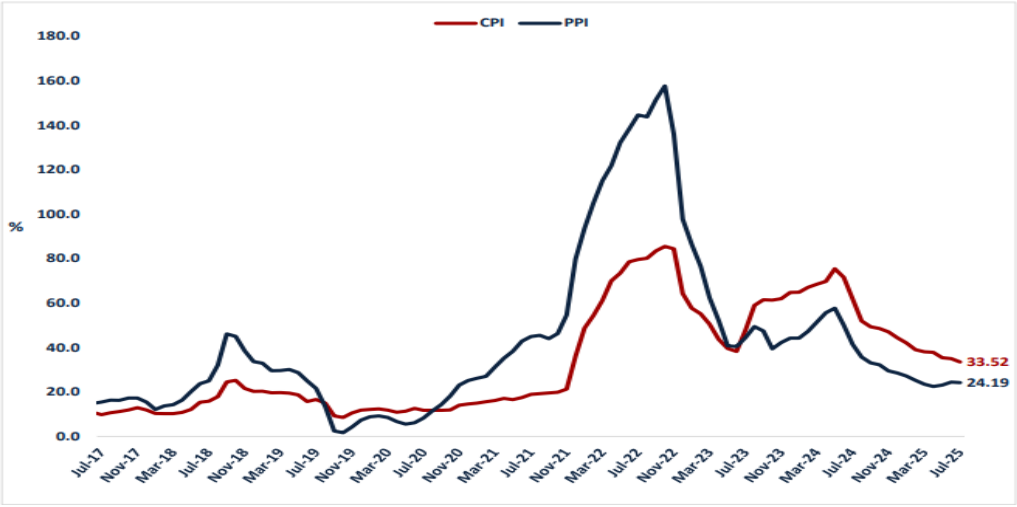
Graph 3. Inflation rate, average consumer prices (Annual percent change)



Source. IMF Economic Outlook 2025

The Central Bank of the Republic of Turkey (CBRT) held a restrictive monetary policy stance, keeping the policy rate at 19.0% despite moderating inflationary pressures. Inflation in Turkey decreased to 48% year-on-year, but core inflation remained stubbornly high (*CBRT, July 2025*). The central bank continued foreign exchange interventions to stabilize the lira and mitigate capital flight risks. The CBRT also focused on maintaining price stability amid ongoing external vulnerabilities (*CBRT press statements*). In July 2025, the Consumer Price Index (CPI) rose by 33.52% and the Producer Price Index (PPI) rose by 24.19%, annually.

Graph 4. Price Indices in Turkiye (YoY, %)



Source: Turkstat

The Central Bank of Uzbekistan (CBU) adjusted its monetary policy to address rising inflationary pressures, keeping the policy rate at 15%. Inflation stood at 8.3% year-on-year (*CBU, July 2025*). The CBU continued efforts to stabilize the som and promote economic diversification by fostering domestic financial inclusion and reducing reliance on foreign currencies. The central bank's key challenge was balancing inflation with stable growth in industry and agriculture (*State Statistical Committee of Uzbekistan*).

The Central Bank of Turkmenistan maintained a policy rate of 8.0% throughout H1 2025, focusing on currency stability and supporting economic diversification efforts. Inflation remained at 6.2% year-on-year, despite global energy price volatility (*Turkmenistan Central Bank Reports*, 2025). The central bank emphasized foreign exchange stabilization and capital formation in non-energy sectors, supporting infrastructure and manufacturing growth (*official government communiqué*).

The Hungarian National Bank (MNB) continued with its tight monetary policy, keeping the base rate at 8.5% to combat core inflation and maintain financial stability. Inflation moderated to 4.7%, but the MNB remained cautious with quantitative tightening (*Hungarian National Bank, July 2025*). The forint remained under pressure from both domestic wage-price dynamics and external trade imbalances. The central bank's policies remained focused on ensuring price stability and managing currency fluctuations. (*KSH, July 2025*).

4. External trade

Global merchandise trade experienced a notable slowdown in the first half of 2025, with growth decelerating to **1.7%** year-on-year, down from **3.8%** in 2024. This deceleration is attributed to the cumulative impact of elevated tariff rates, geopolitical tensions, and tightening global financial conditions. The International Monetary Fund (IMF) projects global trade growth to remain subdued in the near term, with risks tilted to the downside due to persistent policy uncertainties and potential escalation of protectionist measures (UN Trade and Development).

OTS countries collectively accounted for approximately **4.2%** of global trade turnover in the first half of 2025, amounting to around **$701.6 billion**. This reflects a significant role in global trade dynamics, underpinned by strategic positioning along key Eurasian trade corridors and robust intra-regional trade activities.

In H1 2025, **Azerbaijan's** external trade experienced mixed dynamics. While export growth decreased by 4.6%, the decline in exports was largely driven by fluctuations in oil and gas prices, Non-oil exports, including agricultural products and industrial goods, showed moderate performance, with services exports seeing steady growth as the country diversifies its economy.
Import growth surged by 29.9%, reflecting increasing demand for investment goods and capital machinery, which are critical for ongoing infrastructure and non-oil sector development. Despite the increase in imports, Azerbaijan maintained a positive trade balance of $920 million, supported by its continued dominance in energy exports. The trade

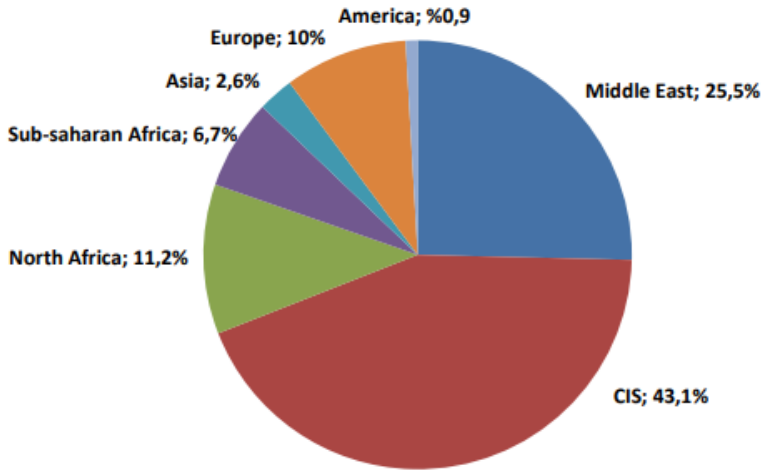
turnover stood at $23.96 billion, highlighting the country's centrality in Eurasian trade networks. As the non-oil sectors expand, further diversification of exports is expected, while imports related to infrastructure projects continue to rise. (State Statistical Committee of Azerbaijan, 2025)

Kazakhstan's external sector showed resilience in H1 2025, despite a slight decline in exports by 7.1%. Energy exports, particularly oil and gas, continue to dominate Kazakhstan's trade portfolio, with mining products, including coal and metals, maintaining robust demand globally. Despite the overall decline in exports, Kazakhstan recorded a trade surplus of $7.68 billion, driven by the substantial revenue from energy exports. On the import side, Kazakhstan saw a modest increase of 2.6%, with demand for machinery, construction materials, and transport equipment on the rise. This trend is consistent with Kazakhstan's investment in infrastructure and energy projects. Trade turnover reached $65.96 billion, underscoring Kazakhstan's strategic role in Eurasian trade. Going forward, the expansion of non-oil industries and growing regional trade partnerships will help diversify Kazakhstan's trade profile. (National Bank of Kazakhstan, 2025)

Kyrgyzstan's external trade exhibited significant challenges, with exports falling by 26.3% in H1 2025. This steep decline was mainly due to a drop in the export of gold, which remains a critical export for the country, alongside lower demand for textiles and minerals. The deficit of $4.90 billion reflects Kyrgyzstan's structural dependence on imports for goods such as fuel, machinery, and consumer goods, with imports contracting by 9.4% in the same period.
Kyrgyzstan's reliance on imports highlights the need for broader diversification efforts and the development of export-oriented industries. Fixed investments grew by 33.4%, signaling future capacity-building in sectors such as agriculture and hydropower. Intra-OTS trade is expected to remain an important driver for Kyrgyzstan's export recovery. (National Statistical Committee of Kyrgyzstan, 2025).

Türkiye's external trade performance in H1 2025 showed mixed results. Export growth was relatively stable at 0.9%, reflecting continued demand for machinery, automotive products, and textiles, particularly from European and regional markets. Energy-related imports, including oil and natural gas, contributed to the 6% increase in imports, which brought the trade deficit to $12.33 billion.
Türkiye's strong industrial base, diversified exports, and strategic location between Europe and Asia continue to provide opportunities for growth, particularly in construction, services, and manufactured goods. The country is also positioning itself as a central player in global supply chains, especially in the energy transit sector. Trade agreements within Eurasia are expected to further enhance Türkiye's role as a regional hub for both imports and exports. (TurkStat, 2025). On services trade 43 Turkish companies are in the list of the world's 250 largest contracting companies in 2024 and Türkiye ranks 2nd after China.

Graph 5. Distribution of Contracting Services by Country Groups (%) (1972-2025 July)

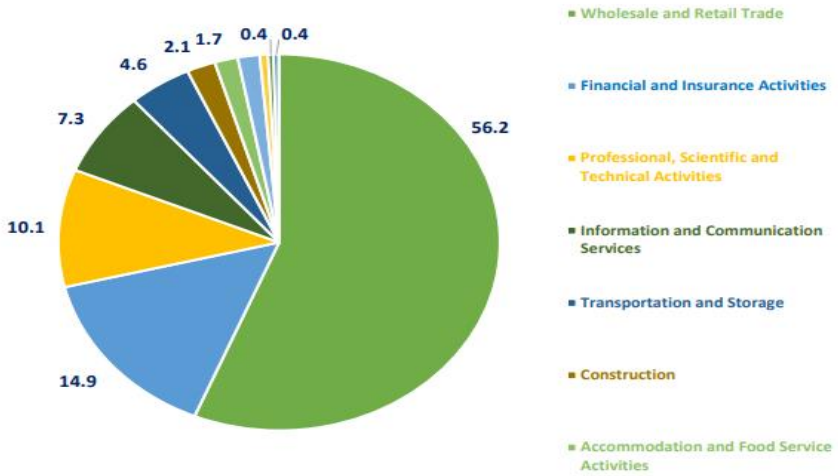


Source: Ministry of Trade, *2025 July Data.

Turkiye's cumulative foreign direct investments (FDI) inflows reached USD 279.5 billion from the beginning of 2002 to May 2025, up from USD 13.5 billion in the 1984– 2001 period. FDI inflows amounted to USD 4.7 billion in the January-May 2025 period, representing a 16.4% increase compared to the same period of the previous year.

Residents' cumulative foreign direct investments (FDI) outflows reached USD 76.5 billion from the beginning of 2002 to May 2025. In the January-May 2025 period, Residents' FDI outflows amounted to USD 3.5 billion, representing a 50.2% increase compared to the same period of the previous year.

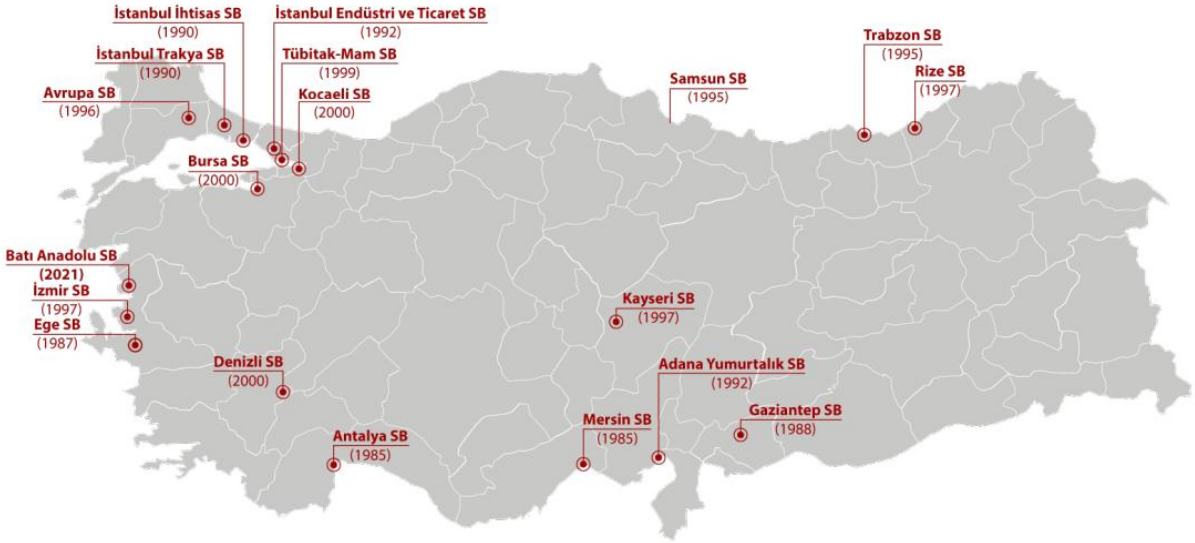
Graph 6. Breakdown of Investment in Services (%) (January-May 2025)



Source: CBRT *Sorted by FDI in January-May 2025 Period.

Specialized Free Zones project was implemented in order to increase the share of R&D, value added and high technology products and services production in foreign trade from free zones. In this context, the Istanbul Specialized Free Zone was declared on 20/02/2020. With the President's Decree No. 2635, R&D-intensive; employment and rent supports are provided to high value-added, innovation and technology-focused investments focusing on exports with wider opportunities. As of July 2025, 92,842 people were employed in Free Zones.

Map 1. Free Zones in Türkiye



Source. Ministry of Trade of the Republic of Turkiye

Investments in software and IT production in specialized free zones were included among the priority investments and benefit from Region 5 Incentives in the General Investment Incentives Scheme.

Uzbekistan exhibited strong trade performance in H1 2025, with exports increasing by 29.1% to reach $16.89 billion, supported by rising demand for textiles, minerals, and agriculture products. The robust export growth was driven by an expansion in Uzbekistan's manufacturing sector and non-gold exports. Despite the positive export growth, imports also increased by 7%, particularly for consumer goods, fuel, and machinery, reflecting the country's ongoing industrialization. Uzbekistan's trade balance remained in deficit by $3.25 billion, but the continued diversification of export goods and an investment-friendly climate suggest a more sustainable trade balance moving forward. The growth in fixed investments (5.5%) further highlights Uzbekistan's drive to become a regional manufacturing hub. (Central Bank of Uzbekistan, 2025)

Turkmenistan's external trade was characterized by a decline in exports by 14.3%, primarily due to lower global hydrocarbon prices. Despite this, imports also fell by 4.3%, leading to a trade surplus of $8.54 billion. The surplus reflected a decrease in the country's reliance on imported goods, particularly consumer goods and machinery.

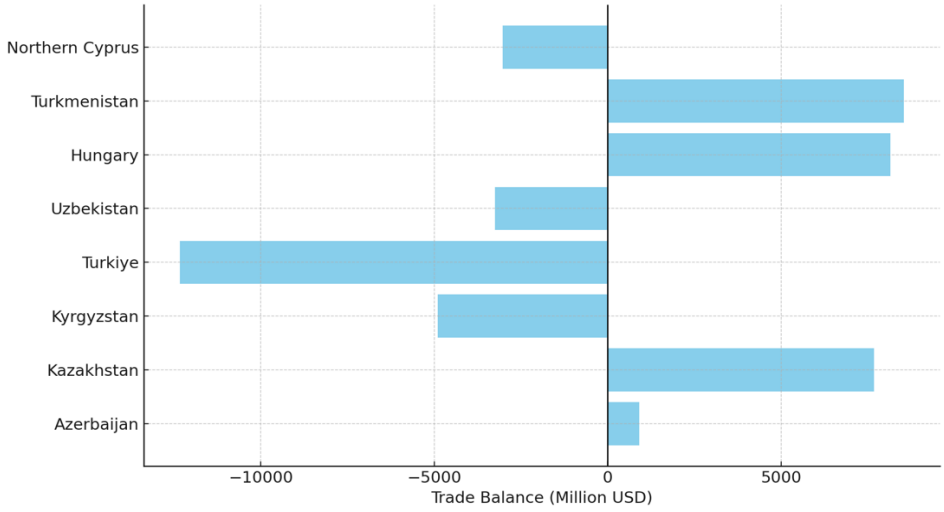
The country's trade balance is expected to remain positive, bolstered by a favorable geopolitical position along the Middle Corridor and investments in energy and infrastructure sectors. Turkmenistan is increasingly focusing on economic diversification by developing the agriculture, manufacturing, and services sectors, alongside maintaining strong trade ties with neighboring countries. (Official Government of Turkmenistan Reports, 2025)

Hungary's external sector showed stable performance in H1 2025, with exports increasing by 5.4%. Hungary continues to leverage its industrial base, particularly in automotive, machinery, and electronics, with the European Union remaining its largest trading partner. Imports grew by 4.3%, driven by rising demand for energy and technology imports. Hungary's trade balance remained in surplus, amounting to $8.16 billion, reflecting its strong integration into European value chains. As the European Union's industrial and technological center, Hungary continues to benefit from its strategic role in the Eurozone. (Hungarian National Bank, 2025)

In H1 2025 **Northern Cyprus exports** grew by 6% to reach $196.2 million, driven by construction materials and tourism services. Imports also increased by 6.4%, primarily in energy and consumer goods.
The trade deficit of $3.03 billion highlights the region's reliance on imports to meet domestic demand. However, ongoing investments in tourism and construction suggest a gradual reduction in the trade deficit over the coming years. (TRNC Statistical Agency, 2025).

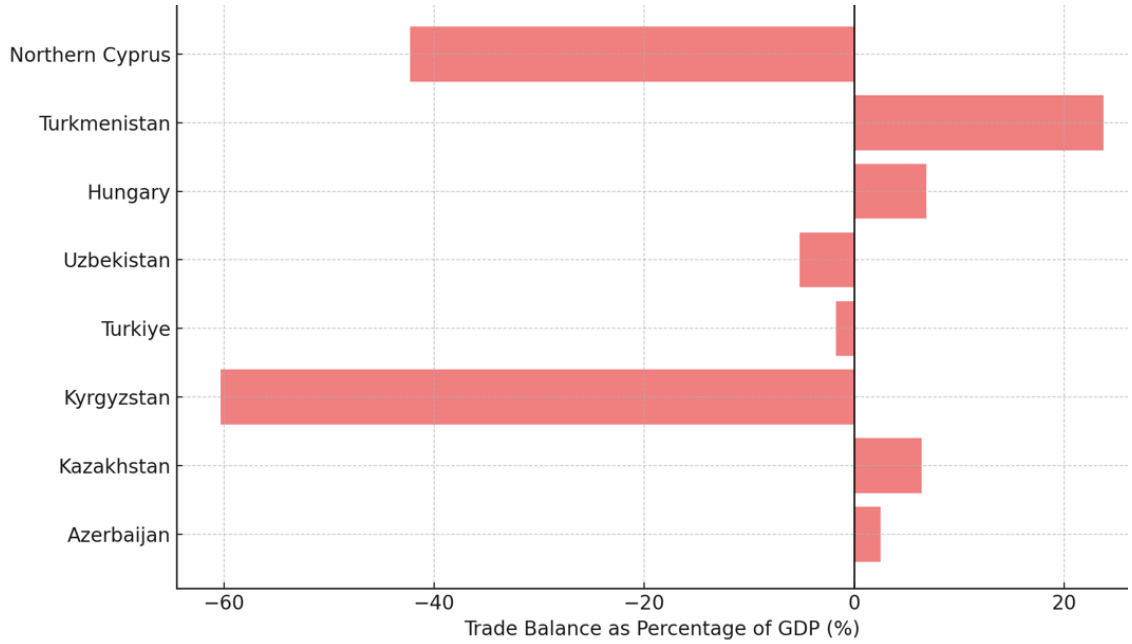
Trade Balance chart for the OTS countries in H1 shows the trade balance in **million USD** for each country, with positive values indicating trade surpluses and negative values reflecting trade deficits.

Graph 7. Trade Balance of OTS Countries in H1 2025



Source. CAERC estimate based on data from Statistical Agencies of OTS

Graph 8. Trade Balance as % of GDP for OTS Countries in H1 2025



Source. CAERC estimate based on data from Statistical Agencies of OTS

Intra-OTS Trade and Regional Integration

The **intra-OTS trade** has seen considerable growth, with **$42–57 billion** traded within the region, accounting for approximately 5–7% of total trade turnover across OTS countries. As intra-regional trade deepens, OTS countries are benefitting from improved trade facilitation, customs cooperation, and enhanced infrastructure, notably along the Middle Corridor, which connects Central Asia with Europe via Turkey and the Caucasus. Regional trade agreements are expected to foster greater economic integration, particularly in manufacturing, energy, and agricultural exports. The development of cross-border infrastructure will further boost trade flows and enable OTS countries to strengthen their competitive positions globally.

The OTS region's external sector in H1 2025 demonstrated mixed trends in trade performance. While energy exporters like Kazakhstan and Turkmenistan maintained positive trade balances, other economies like Kyrgyzstan and Uzbekistan faced challenges with growing deficits. The diversification of exports and improvements in trade infrastructure will be key for the long-term stability of OTS economies in the global trade environment. With ongoing efforts to strengthen regional trade cooperation, the OTS is poised for continued growth and greater integration into the Eurasian economic landscape.

The establishment and enhancement of trade corridors, such as the **Middle Corridor**, have been pivotal in facilitating smoother and more efficient trade flows among OTS countries. Investments in infrastructure, including transportation and logistics networks, are expected to further bolster trade connectivity and economic integration within the region.

5. Fixed Capital and bank assets

In the first half of 2025, global investment trends were heavily influenced by monetary policy adjustments, geopolitical tensions, and the post-pandemic recovery phase. According to the UNCTAD World Investment Report (2025), global FDI inflows showed a modest increase of 3%, reflecting resilience despite global uncertainties. This increase was driven primarily by stronger investments in renewable energy, infrastructure, and technology sectors, especially in Asia and Latin America. However, investment growth in advanced economies remained subdued, with developing markets continuing to attract larger shares of global capital.

Fixed Capital Investment Growth. The OTS region has seen mixed trends in fixed capital investment. The total growth rate for fixed investment in OTS countries averaged 5.5% in H1 2025, supported by substantial infrastructure projects, particularly in Kazakhstan, Uzbekistan, and Turkmenistan. Investment in energy and transport infrastructure, aligned with the development of the Middle Corridor, remained central to the region's development.

Kazakhstan, in particular, experienced 19.3% growth in fixed capital investment, reflecting its investments in energy infrastructure and mining sectors, underpinned by strategic public-private partnerships (PPP) and foreign investment. Uzbekistan saw a 5.5% growth in fixed investments, primarily in manufacturing and agriculture as the country continued its push for industrialization and diversification. Turkmenistan also reported significant infrastructure growth, particularly in energy and transport sectors, where investment growth reached 15.6% (source: Government of Turkmenistan, 2025).

Foreign Direct Investment (FDI) Trends in OTS Countries. FDI has become a key driver for economic development in the OTS region, with countries positioning themselves to attract more foreign capital by offering attractive incentives, such as tax holidays and investment protection agreements. According to UNCTAD, OTS countries saw a 7% increase in FDI inflows in H1 2025 compared to the same period in 2024.

Kazakhstan, a major energy exporter, continued to attract FDI in the oil and gas sector, but there was also a noticeable rise in investments in non-oil sectors, particularly technology and manufacturing, driven by favorable investment policies and regional trade integration. Uzbekistan's FDI inflows surged by 29.1%, reflecting a diversified portfolio of investments in manufacturing, textiles, mining, and agriculture, in part driven by its ongoing economic reforms and improved investment climate.

Azerbaijan also witnessed a significant rise in FDI, although its overall FDI growth was tempered by global oil price fluctuations. Despite this, the country's emphasis on non-oil sector development saw increased interest from FDI in sectors like agriculture, technology, and transportation. In terms of sectoral distribution, energy, infrastructure, and agriculture remained the primary recipients of fixed capital investments in the OTS region:

Energy investments were particularly strong in Kazakhstan, Turkmenistan, and Azerbaijan, where oil and gas investments were complemented by growing renewable energy investments. Infrastructure development continued to be a focus across OTS countries, especially with projects tied to regional connectivity. This includes the Middle Corridor, which enhances the trade route between Central Asia, Europe, and the Middle East. Agricultural investments were particularly high in Uzbekistan and Kyrgyzstan, where efforts to increase food production and diversify exports led to increased investments in irrigation systems and processing plants.

Investment-Driven Growth and Regional Integration. The growth in fixed capital investment and FDI reflects ongoing efforts by OTS countries to leverage their strategic positions as trade and energy hubs between Asia and Europe. The integration of infrastructure projects, particularly those under the Belt and Road Initiative (BRI) and Middle Corridor, is expected to foster regional connectivity, reduce logistical costs, and increase trade flows.

Investment in infrastructure is also playing a key role in reducing bottlenecks in trade, particularly in landlocked countries like Kyrgyzstan and Uzbekistan. These investments are expected to boost trade volumes, attract more foreign capital, and support the industrialization process across the region. FDI inflows into OTS countries are expected to grow further as regional cooperation strengthens, particularly under the framework of the Eurasian Economic Union (EAEU), BRI, and other multilateral agreements that reduce trade barriers and improve market access.

Countries like Kazakhstan, Turkmenistan, and Uzbekistan have seen growing FDI from China and other Asian investors, attracted by the region's energy resources, strategic location, and improving investment climate.

Overall in the first half of 2025, fixed capital investment and FDI have been critical drivers of growth in the OTS region. With continued investment in infrastructure, energy, and manufacturing, OTS countries are poised to further integrate into global supply chains and enhance their economic resilience. The ongoing commitment to regional cooperation and trade liberalization will continue to make OTS economies attractive to foreign investors.

7. Fiscal Sector Developments

According to the **IMF Fiscal Monitor (April 2025)**, global public debt projections have been revised upwards, with many countries facing elevated debt levels due to increased defense spending, challenging foreign aid scenarios, and escalating policy uncertainty. The **OECD Economic Outlook (June 2025)** highlights that fiscal policy is expected to tighten mildly in many large OECD economies over 2025–2026, driven by concerns over public debt sustainability. In the first half of 2025, OTS countries exhibited varied fiscal dynamics, with some nations enhancing revenue collection and others focusing on expenditure management to achieve fiscal consolidation.

Public Revenue and Expenditure Trends in OTS countries

Kazakhstan reported a 17.6% increase in public budget income, totaling $28.45 billion, driven by robust hydrocarbon revenues and improved tax compliance. Concurrently, public expenditure rose by 15.2%, amounting to $30.66 billion, reflecting investments in infrastructure and social programs. Kyrgyzstan experienced an 38% surge in revenues, reaching $3.5 billion, attributed to enhanced tax administration and increased imports. Expenditures grew by 34.6%, totaling $2.8 billion, primarily directed towards healthcare, pensions, and infrastructure projects.

Uzbekistan witnessed a 19% rise in public revenues, amounting to $11.18 billion, with a 13% increase in expenditures, totaling $13.44 billion, reflecting strategic investments in logistics and public infrastructure. Türkiye saw a 46.1% growth in public revenues, reaching $149.58 billion, and a 43.7% increase in expenditures, totaling $175.78 billion, supported by a new $5 billion AIIB financing line for infrastructure and green projects.

Hungary reported a 4.2% increase in public revenues, totaling $57.83 billion, with expenditures rising by 4.2% to $65.98 billion, indicating a balanced fiscal approach. Northern Cyprus experienced a 25.8% rise in public revenues, amounting to $1.11 billion, and a 22% increase in expenditures, totaling $1.21 billion, reflecting efforts to enhance fiscal discipline. Northern Cyprus faced an extremely high trade deficit to GDP ratio of 42.3%, indicating significant external economic vulnerabilities.

The fiscal positions of OTS countries varied, with some nations maintaining surpluses and others recording deficits. This underscore the importance of addressing external imbalances to ensure fiscal sustainability.

Fiscal Policy Adjustments

In response to fiscal pressures, many countries are implementing fiscal consolidations. **Kazakhstan** is working on fiscal consolidation measures to reduce its fiscal deficit and manage public debt effectively. **Hungary** is implementing policies to control public spending and improve tax compliance to ensure fiscal sustainability. **Northern Cyprus** is exploring avenues to enhance domestic revenue mobilization and improve public financial management. These efforts are crucial for maintaining fiscal discipline and ensuring long-term economic stability.

Fiscal Reforms and Policy Outlook

OTS countries are undertaking various fiscal reforms to strengthen public financial management, enhance revenue mobilization, and improve expenditure efficiency. Key reform areas include:

- **Tax Policy and Administration**: Efforts to broaden the tax base, improve tax compliance, and reduce tax evasion.

- **Public Expenditure Management**: Implementation of medium-term expenditure frameworks and performance-based budgeting to enhance spending efficiency.
- **Debt Management**: Strengthening debt management frameworks to ensure sustainable borrowing practices and reduce fiscal vulnerabilities.

The outlook for fiscal performance in the OTS region remains cautiously optimistic, contingent on continued economic growth, effective implementation of fiscal reforms, and prudent public financial management.

8. Green and Digital Transformation Trends

The global push for a greener economy has intensified, especially in the wake of climate change concerns and global sustainability goals. According to the UN Environment Programme's 2025 Report, global investments in renewable energy reached $500 billion in the first half of 2025, a 12% increase from the previous year. This surge reflects the growing commitment of both developed and developing nations to reduce carbon emissions and transition towards sustainable energy sources.(unep.org)

At the same time, the digital economy is increasingly seen as a means to drive sustainable development. The IMF World Economic Outlook (2025) highlights how digitalization can contribute to green growth by improving resource efficiency, reducing waste, and fostering innovation in green technologies. Among the key trends are the rise of green digital technologies in energy production, agriculture, and transportation.

The global digital transformation continues to reshape economic landscapes. As of mid-2025, the global digital economy accounted for 15% of world GDP, with projections to reach 20% by 2030, according to the OECD's 2025 Digital Economy Outlook. Digital infrastructure is at the core of this transformation, enabling sectors such as e-commerce, fintech, artificial intelligence, and automation to thrive. (oecd.org)

For emerging economies, digitalization offers new avenues for growth, especially in areas such as financial inclusion, e-government, and digital public services. In many OTS countries, the adoption of digital technologies in sectors like agriculture, transport, and energy is seen as critical for improving productivity, creating jobs, and enhancing overall economic resilience.

Green and Digital Transformation in OTS Countries

In H1 2025, OTS countries continued to advance their green transformation agendas, focusing on sustainable energy, climate-resilient agriculture, and green investment policies. The region's growing commitment to renewable energy and carbon reduction targets is evident in national strategies and international partnerships.

Kazakhstan's renewable energy capacity saw a 15% increase in the first half of 2025, with solar and wind power projects accounting for the majority of the expansion. In parallel,

Kazakhstan is enhancing its participation in the Paris Agreement, committing to reduce greenhouse gas emissions by 40% by 2030 (source: Kazakhstan Ministry of Energy, 2025).

In 2025, Uzbekistan made significant strides in sustainable agriculture with the launch of the Green Agriculture Initiative, which includes water-saving technologies and the promotion of organic farming. These efforts aim to reduce the environmental footprint of agriculture, which is a major contributor to emissions (source: Uzbekistan Ministry of Agriculture, 2025).

Turkmenistan made notable progress in clean energy production, with a 7% increase in solar energy generation, aimed at diversifying the energy mix and reducing dependence on fossil fuels. This aligns with Turkmenistan's long-term goals for sustainable economic development (source: Turkmenistan Government Communications, 2025).

The digital transformation in OTS countries is gaining momentum, with governments investing in digital infrastructure, e-government platforms, and smart city projects. The emphasis on technological innovation and digital connectivity aims to enhance productivity, improve governance, and promote sustainable growth.

Kazakhstan's digital economy accounted for 9.2% of its GDP in 2025, up from 7.8% in 2024. The government has implemented significant reforms to foster digital financial services, including the rollout of digital wallets and blockchain-based services. These efforts are aimed at enhancing financial inclusion and supporting e-commerce (source: Kazakhstan Digital Economy Report, 2025).

Türkiye has been a regional leader in smart city initiatives, with cities like Istanbul and Ankara integrating IoT technologies, improving energy efficiency, and enhancing public transportation systems. Digital public services have expanded significantly, with a 40% increase in online government services usage by citizens in the past year (source: TurkStat, 2025).

Azerbaijan's digital transformation strategy has placed a strong emphasis on e-governance and cloud computing. The country has launched Digital Azerbaijan 2025, a national program aimed at digitizing public services and creating a smart economy. This initiative has been supported by investments in digital education and cybersecurity infrastructure (source: Azerbaijan Ministry of Economy, 2025).

Intra-OTS Cooperation in Green and Digital Sectors

Regional collaboration has been instrumental in driving both green and digital transformations. The OTS countries have worked together to create shared platforms for green technology and digital infrastructure development:

The OTS member states signed an agreement to establish a Digital Connectivity Framework, aimed at improving cross-border digital infrastructure, enhancing e-commerce opportunities, and creating a unified digital market. A joint initiative, called the Green Silk

Road Initiative, was launched to enhance green infrastructure projects, focusing on renewable energy projects and sustainable agriculture practices across the region. This includes cooperation on the Middle Corridor, improving logistics and transportation networks while ensuring environmental sustainability.

Kazakhstan has committed to significant investments in green and digital sectors. The government allocated **$3.2 billion** for renewable energy projects, including solar and wind farms, aiming to meet its renewable energy targets. An additional **$5 billion** was directed towards enhancing digital infrastructure, focusing on smart grids and Internet of Things (IoT) networks in urban areas.

Uzbekistan has made strides in sustainable finance and digital transformation. The government issued **€600 million** (approximately **$700 million**) in sustainable bonds in May 2024, followed by another **€500 million** issuance in 2025, to finance renewable energy and sustainable infrastructure projects. Investments totaling **$2 billion** were made in digital platforms, including the development of smart cities in Tashkent and Samarkand.

Azerbaijan has unveiled a comprehensive renewable energy investment plan. The government announced a **$3 billion** investment in renewable energy projects, including solar and wind energy initiatives. Investments are also being directed towards digital infrastructure to enhance public services and governance.

Türkiye continues to strengthen its commitment to green and digital investments. The government allocated **$46.2 billion** for 3,783 projects across multiple sectors, including energy and infrastructure, as part of the 2025 Public Investment Program. A memorandum of understanding with the Asian Infrastructure Investment Bank (AIIB) was signed for **$5 billion** in financing for public sector projects, focusing on sustainability and green development initiatives.

Kyrgyzstan is actively pursuing green and digital development**.** The government is implementing the Green Economy Development Programme (2025–2029) to stimulate sustainable economic growth and introduce innovative solutions. Investments are being made to enhance digital connectivity and e-government services.

Turkmenistan is focusing on renewable energy and digital transformation. The country is developing solar energy potential and diversifying its energy mix to reduce reliance on natural gas. Efforts are underway to improve digital services and governance through technological advancements.

Hungary continues to invest in green and digital sectors. The European Commission approved a **€2.36 billion** scheme for accelerated investments in strategic sectors, including renewable energy. **Digital Transformation**: Investments are being made to enhance digital infrastructure and services.

Northern Cyprus is making progress in renewable energy and digital development. The government is promoting renewable energy projects as part of efforts to reduce carbon

emissions and increase the share of green energy.Investments are directed towards improving digital services and governance.

Overall the first half of 2025 has marked significant progress in both green and digital transformations across OTS countries. While the region is embracing renewable energy and green technologies to support sustainable growth, the drive for digital transformation is equally strong, with investments in digital infrastructure and e-government platforms reshaping the economic landscape. As these initiatives continue, OTS countries are positioning themselves to be at the forefront of both technological and environmental leadership in the Eurasian context.

9. Middle Corridor

A Strategic Trade Artery for OTS Countries

The **Middle Corridor**, encompassing the **Trans-Caspian International Transport Route (TITR)**, remains central to the evolving trade dynamics of the Organization of Turkic States (OTS). It links China, Central Asia, the Caucasus, and Europe, positioning OTS countries as crucial players in global trade. The growing significance of this corridor is evident in the substantial investments and strategic collaborations among the member states, enhancing both regional and international connectivity.

Key Developments and Performance Metrics

Surge in Freight Volumes. Cargo volumes along the Middle Corridor grew significantly in 2024, increasing by **70%** compared to the previous year, with a total of **3.4 million tons** transiting through OTS countries by September (Jamestown, 2024). This surge highlights the corridor's increasing capacity to handle trade between Asia and Europe, making it a viable alternative to traditional routes through Russia and Iran.

Container Traffic Growth: Container traffic along the corridor saw a remarkable threefold increase during the same period, with transit from China alone seeing a rise of over 20 times (Jamestown, 2024). This dramatic growth is a testament to the corridor's expanding role in facilitating high-value goods trade, particularly between China and Europe.

Infrastructure Enhancements: Investments in infrastructure, particularly in **Azerbaijan's** Baku International Sea Trade Port, have been pivotal in accommodating the growing volume of trade. Azerbaijan is also modernizing its **rail and road networks** to enhance the efficiency of the corridor and accommodate future increases in freight volumes (Baku Dialogues Journal, 2024).

Regional Cooperation and Multimodal Integration: The establishment of **Middle Corridor Multimodal Ltd**, a joint venture between **Kazakhstan**, **Azerbaijan**, and **Georgia**, aims to streamline operations, improve cross-border coordination, and foster

multimodal transport solutions (The Times of Central Asia, 2024). This collaboration is set to strengthen trade flows and optimize logistical operations across the corridor.

Economic and Strategic Implications

The Middle Corridor provides a critical alternative to the Northern Corridor and traditional maritime routes. This diversification enhances resilience against geopolitical tensions and supply chain disruptions, making it an attractive route for global trade. The expansion of the corridor is essential for ensuring more flexible and secure trade routes between Europe, Asia, and the Middle East (Atlantic Council, 2024).

The Middle Corridor is pivotal to enhancing the integration of OTS economies, particularly in Kazakhstan, Azerbaijan, and Turkey. These countries are playing a central role in strengthening regional cooperation, which has led to deeper economic ties and an increasing share of intra-regional trade. The development of the Middle Corridor also facilitates easier movement of goods and services, fostering growth in the transport, logistics, and energy sectors.

The World Bank projects that by 2030, freight volumes along the Middle Corridor could triple, reaching 11 million tons, with transit times potentially halved, significantly improving trade efficiency and connectivity (World Bank, 2024). This growth potential creates substantial investment opportunities in infrastructure, logistics, and digital technologies to support the corridor's development.

Challenges and Considerations

Infrastructure Bottlenecks: Despite the progress, the Middle Corridor faces challenges, including congestion at key transit points and variations in regulations across countries, which can lead to delays and inefficiencies in cross-border trade. Addressing these bottlenecks will require coordinated efforts to upgrade existing infrastructure and align regulatory frameworks to facilitate smoother operations (OECD, 2024).

Geopolitical Dynamics: The geopolitical landscape of Central Asia, the Caucasus, and Europe remains volatile, with ongoing regional tensions and shifting alliances. This requires continuous diplomatic efforts from OTS countries to ensure the stability and security of the corridor, which is critical to attracting international stakeholders and sustaining trade growth (Atlantic Council, 2024).

Zangazur corridor

In H1 2025, OTS countries have made substantial progress in strengthening their economic resilience and positioning themselves as key players in the Eurasian economic landscape. One of the most pivotal infrastructure developments is the **Zangazur Corridor**, which will connect Azerbaijan's **Nakhchivan Autonomous Republic** with the rest of Azerbaijan. This route is expected to greatly enhance trade and transportation flows between Central Asia, the Caucasus, and Europe, significantly reducing transit times and costs.

The **Zangazur Corridor** not only contributes to regional trade integration but also strengthens energy and transport links between **Azerbaijan, Turkey**, and Central Asia. As a critical extension of the Middle Corridor**,** it will provide additional access points to vital energy resources and create new avenues for infrastructure investment, further promoting regional economic cooperation**.**

Map 2. Zangazur Corridor

Green transformation, digitalization, and regional cooperation will continue to play central roles in shaping the OTS region's economic future. While challenges persist, the region's investment in sustainable development, technological innovation, and infrastructure, including the **Zangazur Corridor**, will likely ensure continued growth and integration into the global economy. This infrastructure project, in tandem with other strategic investments, is vital for reducing regional trade bottlenecks and promoting a more connected and resilient Eurasian trade network.

The **Middle Corridor** is rapidly becoming a cornerstone of Eurasian trade, bolstered by strategic investments, regional cooperation, and infrastructural development. As OTS countries continue to expand and modernize the corridor, their role as central players in global logistics will be further cemented. The sustained growth of the corridor and its integration into the broader Eurasian economic framework will drive long-term economic growth, enhancing regional competitiveness and global connectivity.

10. Strategic Outlook

The first half of 2025 saw significant progress across the OTS region, as countries continued to strengthen their roles within global trade networks, enhance regional integration, and pursue sustainable development goals. The ongoing momentum in green transformation and digitalization, along with targeted investments in key sectors, is expected to drive continued economic growth in the second half of the year. While there are challenges, such as external vulnerabilities and fiscal pressures, the OTS economies are well-positioned for a strong recovery trajectory.

Economic Growth and Diversification. The OTS region remains one of the more dynamic economic zones globally. With an average GDP growth rate of 5.4% in the first half of 2025, OTS countries continue to outperform the global average of 2.3%. This growth is underpinned by investment-led development, strong export performance in several key sectors, and a steady rise in foreign direct investment (FDI), particularly in sectors like energy, manufacturing, and technology.

Kazakhstan, Uzbekistan, and Kyrgyzstan are on track to further diversify their economies, with digital infrastructure and renewable energy investments helping these countries reduce their reliance on traditional industries like oil and gas. Azerbaijan continues to leverage its energy sector for fiscal growth, but ongoing efforts to diversify into non-oil sectors such as transportation, services, and agriculture are expected to increase the sustainability of its economic growth.

Regional Integration and Cooperation. Strategic cooperation among OTS countries is increasingly shaping the region's global competitiveness. As countries invest in infrastructure, trade corridors, and regional agreements, the OTS is positioning itself as an essential bridge between Asia, Europe, and the Middle East. Central to these efforts is the development of the Middle Corridor, which enhances regional connectivity, facilitates trade, and strengthens geopolitical ties. The Eurasian Economic Union (EAEU), along with China's Belt and Road Initiative (BRI), are fostering deeper integration across OTS countries, especially in transportation, energy, and logistics. Continued collaboration through frameworks like the Organization of Turkic States (OTS) will drive further harmonization of trade regulations, customs practices, and the digitization of cross-border commerce.

Green and Digital Transformation. Both green and digital transformations are central to the region's long-term economic sustainability. OTS countries are making strong strides in meeting renewable energy goals, reducing carbon footprints, and adopting green technologies. Kazakhstan and Uzbekistan have already made substantial investments in solar and wind power, while Azerbaijan and Turkmenistan are actively exploring alternative energy sources.

The adoption of digital technologies, including IoT networks, blockchain, and AI-powered solutions, is expected to enhance operational efficiency, improve public service delivery, and provide new opportunities for economic development. The growth of digital platforms will play a key role in fostering e-commerce, financial inclusion, and smart infrastructure, further enhancing the region's digital economy.

Fiscal and Policy Sustainability. While fiscal consolidation efforts are underway, the OTS region must address public spending pressures and the rising costs of debt servicing. Strategies for fiscal discipline, such as broadening the tax base, improving revenue collection, and optimizing public investments, will be critical to achieving sustainable fiscal balances.

Kazakhstan, Uzbekistan, and Azerbaijan are expected to continue their focus on investment-driven growth, while improving tax administration and expenditure efficiency to maintain fiscal stability. Structural reforms in the banking sector and debt management will be essential in mitigating external vulnerabilities, especially as global interest rates rise.

Geopolitical and Trade Outlook. The OTS region's strategic position at the crossroads of Europe, Asia, and the Middle East provides ample opportunities for leveraging trade agreements and attracting foreign investment. As global trade begins to stabilize post-pandemic, the OTS will remain a hub for energy transit, logistics, and manufacturing exports.

OTS countries, particularly Kazakhstan, Azerbaijan, and Turkmenistan, are expected to see rising trade volumes with both China and Europe, while also benefiting from regional cooperation within Central Asia and with the EU. Efforts to enhance trade agreements and regional partnerships, including with the European Union and China, will help mitigate global economic risks and provide access to new markets for OTS exports.

Key Risks and Challenges. While the outlook remains generally positive, several risks may affect OTS economies in the near term:

- **Geopolitical tensions** in Central Asia, the Caucasus, and beyond could disrupt trade flows, supply chains, and economic stability.
- **Energy price volatility**, especially for countries like Azerbaijan and Kazakhstan, could influence fiscal health, although investments in renewable energy and diversification should help buffer these effects.
- The **climate crisis** poses long-term risks to agricultural productivity and infrastructure in several OTS countries, particularly those reliant on fossil fuels or exposed to extreme weather events.

In H1 2025, OTS countries have made substantial progress in strengthening their economic resilience and positioning themselves as key players in the Eurasian economic landscape. **Green** transformation, digitalization, and regional cooperation will continue to play central roles in shaping the OTS region's economic future. While challenges persist, the region's investment in sustainable development, technological innovation, and infrastructure will likely ensure continued growth and integration into the global economy.

Annex 1. Comparative Visual Dashboards

Organization of Turkic States

Center for Analysis of Economic Reforms and Communication

COUNTRY SNAPSHOTS

GENERAL OVERVIEW OF THE ORGANIZATION OF TURKIC STATES' MEMBERS AND OBSERVERS

Turkic Economic Outlook: January - June 2025

AREA
(thousand km^2)

4 823.5

POPULATION
(milion people)

178.8

GDP
(million USD)

1 112 161.8

TRADE TURNOVER
(million USD)

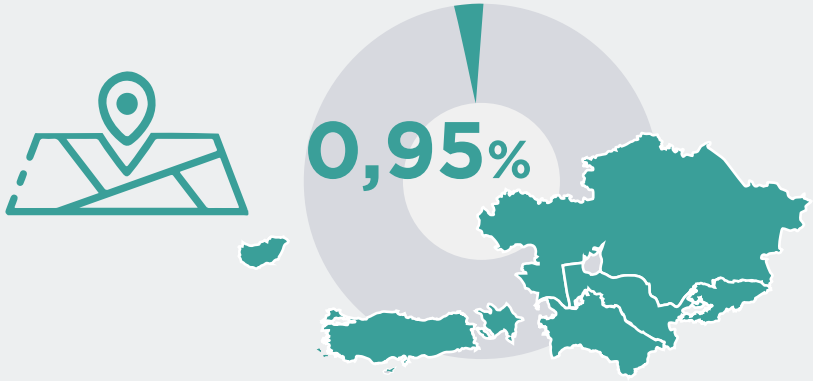
701 569.8

"*CAERC staff estimate"

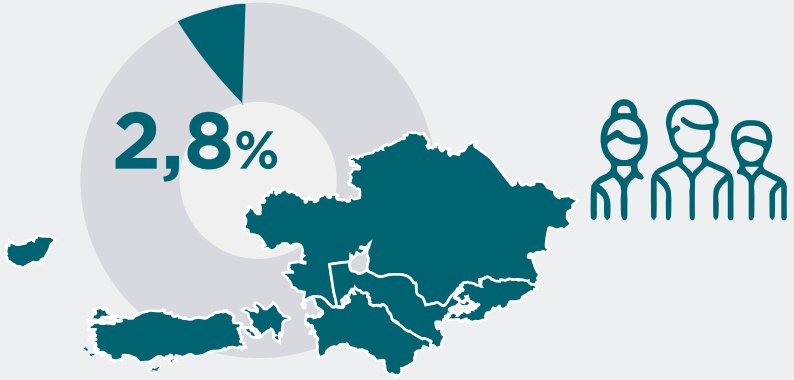
THE SHARE OF THE ORGANIZATION OF TURKIC STATES' MEMBERS AND OBSERVERS IN THE WORLD

Turkic Economic Outlook: January - June 2025

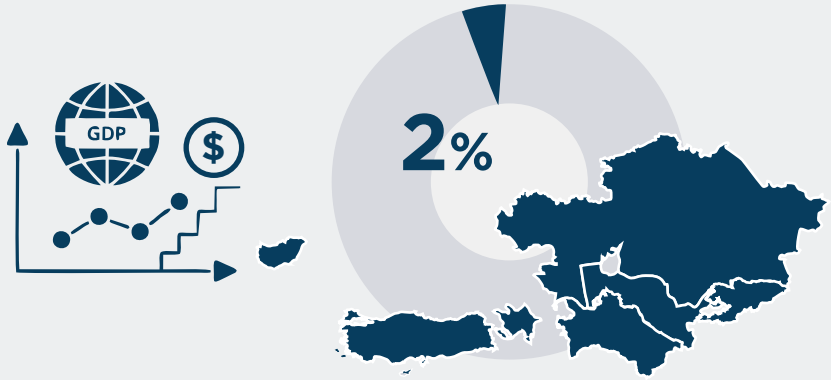
AREA



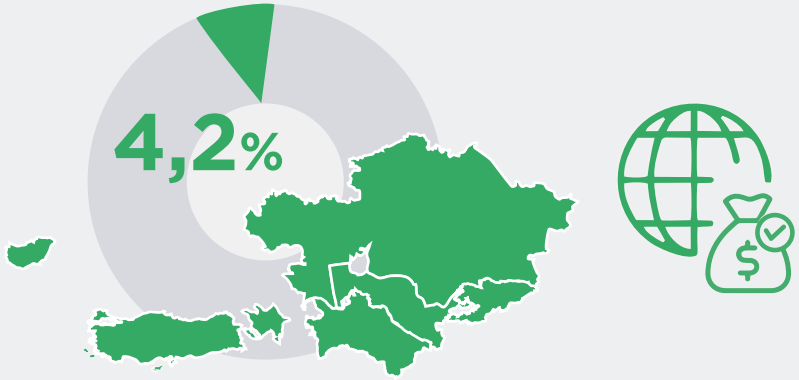
POPULATION



GDP



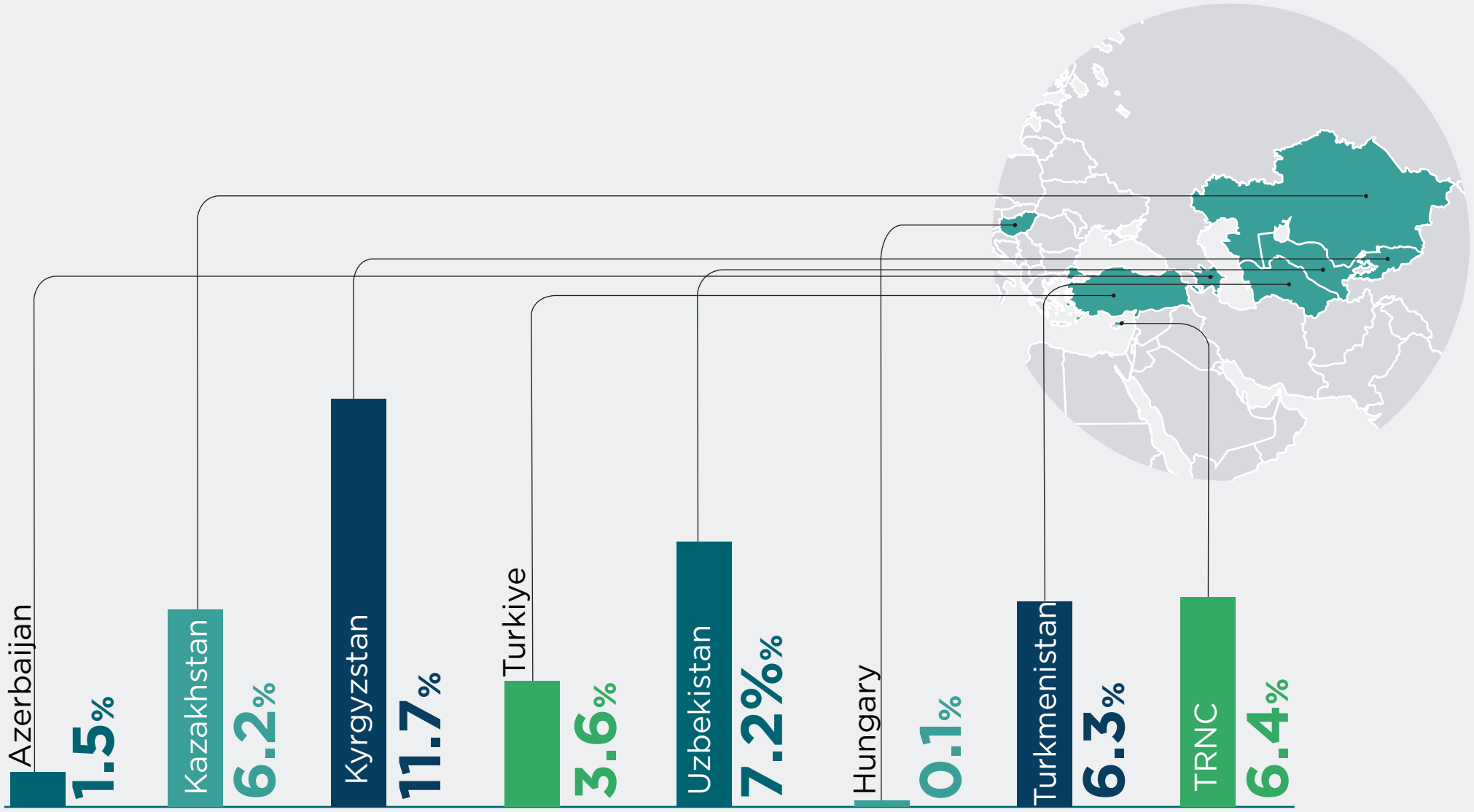
TRADE TURNOVER



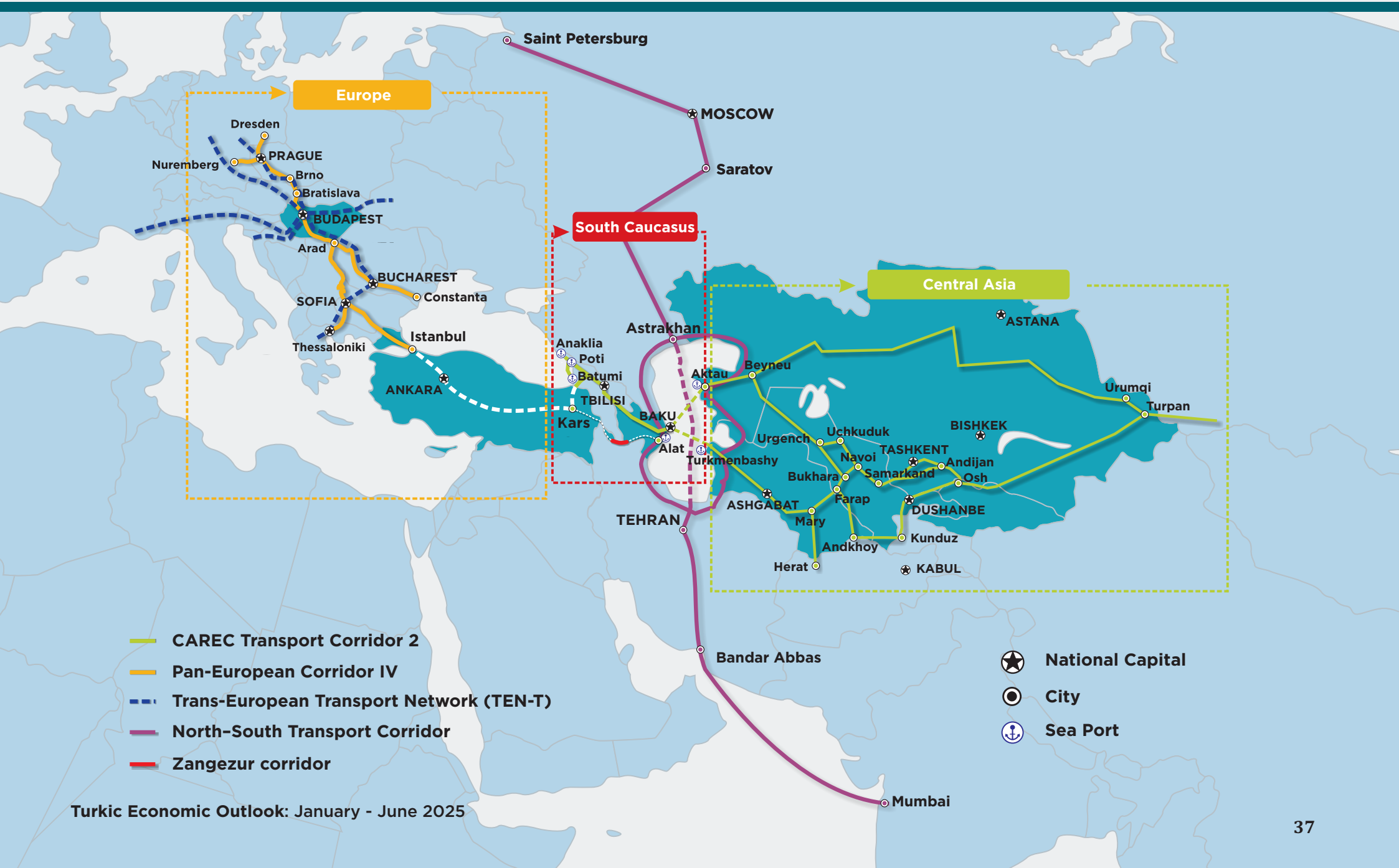
"*CAERC staff estimate"

COMPARISON OF GDP GROWTH FOR THE MEMBERS AND OBSERVERS OF THE ORGANIZATION OF TURKIC STATES

(January-March 2025)



CONDITIONAL SCHEMATIC TRANSPORT CORRIDORS



AZERBAIJAN:
MAIN MACROECONOMIC INDICATORS (January-June 2025)

Center for Analysis of Economic Reforms and Communication

Exchange rate: 1 USD = 1.70000 AZN

ECONOMIC GROWTH

GDP*
(36 516.6 mln $)
↑ 1.5%

INDUSTRIAL PRODUCTION*
(18 365.3 mln $)
↓ 1.9%

AGRICULTURAL PRODUCTS*
(3 905.9 mln $)
↑ 1.4%

FOREIGN TRADE

EXPORTS
(12 442.2 mln $)
↓ 4.6%

IMPORTS
(11 522.1 mln $)
↑ 29.9%

TRADE BALANCE
+920.1 mln $

FINANCE

INVESTMENTS DIRECTED TO FIXED CAPITAL*
(4 749.1 mln $)
↓ 0.5%

BANK ASSETS*
(33 373.0 mln $)
↑ 7%

STATE BUDGET

INCOME OF STATE BUDGET*
(11 649.3 mln $)
↑ 5.1%

EXPENDITURE OF STATE BUDGET*
(10 056.2 mln $)
↑ 6.5%

The figures in percent show a change in the January-June of 2025 compared to the same period last year.
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* Calculated on the basis of the conversion of the national currency to the US dollar at the exchange rate as of the last day of the 4th quarter of the relevant years.

KAZAKHSTAN:
MAIN MACROECONOMIC INDICATORS (January-June 2025)

Center for Analysis of Economic Reforms and Communication

Exchange rate: 1 USD = 510.17 KZT

ECONOMIC GROWTH

GDP
(119 433.3 mln $)
↑ 6.2%

INDUSTRIAL PRODUCTION
(33 876.2 mln $)
↑ 3.7%

AGRICULTURAL PRODUCTS
(2 562.0 mln $)
↑ 6.5%

FOREIGN TRADE

EXPORTS
(36 819.5 mln $)
↓ 7.1%

IMPORTS
(29 138.5 mln $)
↑ 2.6%

TRADE BALANCE
+7 681 mln $

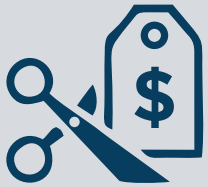
FINANCE

INVESTMENTS DIRECTED TO FIXED CAPITAL
(16 025.4 mln $)
↑ 19.3%

BANK ASSETS
(127 111.8 mln $)
↓ 5.3%

STATE BUDGET

INCOME OF STATE BUDGET
(28 454.2 mln $)
↑ 17.6%



EXPENDITURE OF STATE BUDGET
(30 661.2 mln $)
↑ 15.2%

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KYRGYZSTAN:
MAIN MACROECONOMIC INDICATORS (January-June 2025)

Center for Analysis of Economic Reforms and Communication

Exchange rate: 1 USD = 87.47 KGS

ECONOMIC GROWTH

GDP*
(8 129 mln $)
↑ 11.7%

INDUSTRIAL PRODUCTION*
(3 594 mln $)
↑ 10.2%

AGRICULTURAL PRODUCTS*
(1 347 mln $)
↑ 3.8%

FOREIGN TRADE

EXPORTS
(1 048.6 mln $)
↓ 26.3%

IMPORTS
(5 950.1 mln $)
↓ 9.4%

TRADE BALANCE
-4 901.5 mln $

FINANCE

INVESTMENTS DIRECTED TO FIXED CAPITAL*
(1 626 mln $)
↑ 33.4%

BANK ASSETS*
(11 594.5 mln $)
↑ 24.1%

STATE BUDGET

INCOME OF STATE BUDGET*
(3 506 mln $)
↑ 38.6%

EXPENDITURE OF STATE BUDGET*
(2 815 mln $)
↑ 35%

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HUNGARY:
MAIN MACROECONOMIC INDICATORS (January-June 2025)

Center for Analysis of Economic Reforms and Communication

Exchange rate: 1 USD = 356.42 HUF
Exchange rate: 1 USD = 0.88 EUR

ECONOMIC GROWTH

GDP*
(118 940 mln $)
↑ 0.1%

INDUSTRIAL PRODUCTION*
(21 404 mln $)
↑ 2.1%

AGRICULTURAL PRODUCTS*
(1 714 mln $)
↑ 6.9%

FOREIGN TRADE

EXPORTS*
(88 440 mln $)
↑ 5.4%

IMPORTS*
(80 283 mln $)
↑ 4.3%

TRADE BALANCE
+8 157 mln $

FINANCE

INVESTMENTS DIRECTED TO FIXED CAPITAL*
(21 632 mln $)
↑ 1.1%

BANK ASSETS*
(237 203 mln $)
↑ 2.5%

STATE BUDGET

INCOME OF STATE BUDGET*
(57 831 mln $)
↑ 4.2%

EXPENDITURE OF STATE BUDGET*
(65 979 mln $)
↑ 4.2%

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NORTHERN CYPRUS:
MAIN MACROECONOMIC INDICATORS (January-June 2025)

Center for Analysis of Economic Reforms and Communication

Exchange rate: 1 USD = 18.6887 TRY

ECONOMIC GROWTH

GDP*
(7 162.8 mln $)
↑ **6.4%**

INDUSTRIAL PRODUCTION*
(558.7 mln $)
↑ **9.3%**

AGRICULTURAL PRODUCTS*
(494.2 mln $)
↑ **8%**

FOREIGN TRADE

EXPORTS*
(196.2 mln $)
↑ **6%**

IMPORTS*
(3 223.2 mln $)
↑ **6.4%**

TRADE BALANCE*
-3 027.0 mln $

FINANCE

LOCAL INVESTMENT
(15.7 mln $)
↓ **25.9%**

BANK ASSETS
(9 382.7 mln $)
↑ **14.3%**

STATE BUDGET

INCOME OF STATE BUDGET
(1 113.8 mln $)
↑ **25.8%**

EXPENDITURE OF STATE BUDGET
(1 210.7 mln $)
↑ **22%**

* Middle Term Program (2025-2027) publicized by TRNC State Planning Organization. 2024 datas are yearly estimated datas and 2025 datas are yearly forecasted datas (% changes are yearly changes)

TÜRKİYE:
MAIN MACROECONOMIC INDICATORS (January-June 2025)

Center for Analysis of Economic Reforms and Communication

Exchange rate: 1 USD = 29.4899 TRY

ECONOMIC GROWTH

GDP*
(723 317 mln $)
↑ 3.6%

INDUSTRIAL PRODUCTION*
(135 141.9 mln $)
↑ 2.1%

AGRICULTURAL PRODUCTS*
(23 265.7 mln $)
↓ 3%

FOREIGN TRADE

EXPORTS
(183 450.9 mln $)
↑ 0.9%

IMPORTS
(195 785.8 mln $)
↑ 6%

TRADE BALANCE
-12 334.9 mln $

FINANCE

INVESTMENTS DIRECTED TO FIXED CAPITAL*
(223 809.6 mln $)
↑ 5.3%
Gross Fixed Capital

BANK ASSETS*
(1 354 mln $)
↑ 4.4%

STATE BUDGET

INCOME OF STATE BUDGET*
(149 584.4 mln $)
↑ 46.1%

EXPENDITURE OF STATE BUDGET*
(175 781 mln $)
↑ 43.7%

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TURKMENİSTAN:
MAIN MACROECONOMIC INDICATORS (January-June 2025)

Center for Analysis of Economic Reforms and Communication

Exchange rate: 1 USD = 3.50 TMT

ECONOMIC GROWTH

GDP
(36 126 mln $)*
↑ 6.3%

INDUSTRIAL PRODUCTION
(23 810 mln $)*
↑ 1%

AGRICULTURAL PRODUCTS
(6 850 mln $)*
↑ 4.5%

FOREIGN TRADE

EXPORTS*
(12 400 mln $)
↓ 14.3%

IMPORTS*
(3 850 mln $)
↓ 4.3%

TRADE BALANCE*
+8 542 mln $

FINANCE

INVESTMENTS DIRECTED TO FIXED CAPITAL*
(5 094 mln $)
↑ 15.6%

BANK ASSETS*
(44 290 mln $)
↑ 2.3%

STATE BUDGET

INCOME OF STATE BUDGET
(34 000 mln $)*
↑ 1.5%

EXPENDITURE OF STATE BUDGET
(31 996 mln $)*
↓ 2.4%

* Figures expressed in dollars represent actual figures for 2024.

UZBEKISTAN:
MAIN MACROECONOMIC INDICATORS (January-June 2025)

Center for Analysis of Economic Reforms and Communication

Exchange rate: 1 USD = 12 654.13 UZS

ECONOMIC GROWTH

GDP*
(62 663 mln $)
↑ **7.2%**

INDUSTRIAL PRODUCTION*
(37 890 mln $)
↑ **6.6%**

AGRICULTURAL PRODUCTS*
(15 117 mln $)
↑ **4%**

FOREIGN TRADE

EXPORTS
(16 887 mln $)
↑ **29.1%**

IMPORTS
(20 133 mln $)
↑ **7%**

TRADE BALANCE
-3 247 mln $

FINANCE

INVESTMENTS DIRECTED TO FIXED CAPITAL*
(21 207 mln $)
↑ **5.5%**

BANK ASSETS*
(67 129 mln $)
↑ **7.2%**

STATE BUDGET

INCOME OF STATE BUDGET*
(3.5 mln $)
↑ **138.6%**

EXPENDITURE OF STATE BUDGET*
(2.8 mln $)
↑ **135%**

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