NORTH AND CENTRAL ASIA AT A GLANCE

Azerbaijan

Population	9.9 M
GDP (2011 const., PPP)	$ 156 bn
GDP per capita (2011 const., PPP)	$ 15 860.9
GDP growth rate	
− 2017	0.1%
− 2018	1.1%
Sectoral shape of GDP	
− Agriculture	5.6%
− Services	37.5%
− Industry	49.6%
▪ Manufacturing	5%
▪ Extractive sector	44.6%
Imp. share of GDP (2011 const., PPP)	42%
Exp. share of GDP (2011 const., PPP)	49%

Russian Federation

Population	144.5 M
GDP (2011 const., PPP)	$ 3 640.3 bn
GDP per capita (2011 const., PPP)	$ 24 790.4
GDP growth rate	
− 2017	1.5%
− 2018	1.7%
Sectoral shape of GDP	
− Agriculture	4%
− Services	56.2%
− Industry	30.48%
▪ Manufacturing	12%
▪ Extractive sector	18.5%
Imp. share of GDP (2011 const., PPP)	20.7%
Exp. share of GDP (2011 const., PPP)	26.1%

Kazakhstan

Population	18.4 M
GDP (2011 const., PPP)	$ 434.3 bn
GDP per capita (2011 const., PPP)	$ 24 078.5
GDP growth rate	
− 2017	4.0%
− 2018	3.9%
Sectoral shape of GDP	
− Agriculture	4.4%
− Services	57.4%
− Industry	32.2%
▪ Manufacturing	11%
▪ Extractive sector	21.2%
Imp. share of GDP (2011 const., PPP)	26.3%
Exp. share of GDP (2011 const., PPP)	34.3%

Georgia

Population	3.7 M
GDP (2011 const., PPP)	$36.2 bn
GDP per capita (2011 const., PPP)	$ 9 702.43
GDP growth rate	
− 2017	4.8%
− 2018	4.8%
Sectoral shape of GDP	
− Agriculture	7%
− Services	57.6%
− Industry	23%
▪ Manufacturing	11%
▪ Extractive sector	12%
Imp. share of GDP (2011 const., PPP)	62.2%
Exp. share of GDP (2011 const., PPP)	50.3%

Armenia

Population	2.9 M
GDP (2011 const., PPP)	$ 25.8 bn
GDP per capita (2011 const., PPP)	$ 8 787.6
GDP growth rate	
− 2017	7.4%
− 2018	5.8%
Sectoral shape of GDP	
− Agriculture	14.9%
− Services	51.3%
− Industry	25.3%
▪ Manufacturing	10.2%
▪ Extractive sector	15.1%
Imp. share of GDP (2011 const., PPP)	49.5%
Exp. share of GDP (2011 const., PPP)	37.3%

Turkmenistan

Population	5.8 M
GDP (2011 const., PPP)	$ 94.37 bn
GDP per capita (2011 const., PPP)	$16 389
GDP growth rate	
− 2017	6.5%
− 2018	6.2%
Sectoral shape of GDP	
− Agriculture	9% [10]
− Services	n.a. [10]
− Industry	57% [10]
▪ Manufacturing	n.a.
▪ Extractive sector	n.a.
Imp. share of GDP (2011 const., PPP)	31.1% [12]
Exp. share of GDP (2011 const., PPP)	22.4% [12]

Uzbekistan

Population	32.4 M
GDP (2011 const., PPP)	$ 202.5 bn
GDP per capita (2011 const., PPP)	$ 6 253.1
GDP growth rate	
− 2017	4.5%
− 2018	5.1%
Sectoral shape of GDP	
− Agriculture	17%
− Services	39.8%
− Industry	29.4%
▪ Manufacturing	n.a
▪ Extractive sector	n.a
Imp. share of GDP (2011 const., PPP)	38.7%
Exp. share of GDP (2011 const., PPP)	29.8%

Tajikistan

Population	8.9 M
GDP (2011 const., PPP)	$ 25.9 bn
GDP per capita (2011 const., PPP)	$ 2 910.2
GDP growth rate	
− 2017	7.1%
− 2018	7.0%
Sectoral shape of GDP	
− Agriculture	20%
− Services	42.2%
− Industry	27%
▪ Manufacturing	10%
▪ Extractive sector	17%
Imp. share of GDP (2011 const., PPP)	41%
Exp. share of GDP (2011 const., PPP)	15.7%

Kyrgyzstan

Population	6.2 M
GDP (2011 const., PPP)	$ 21 bn
GDP per capita (2011 const., PPP)	$ 3 395.3
GDP growth rate	
− 2017	4.6%
− 2018	3.5%
Sectoral shape of GDP	
− Agriculture	12.3%
− Services	50.4%
− Industry	26%
▪ Manufacturing	15%
▪ Extractive sector	11%
Imp. share of GDP (2011 const., PPP)	66.8%
Exp. share of GDP (2011 const., PPP)	35.4%

North and Central Asia is home to almost 233 million people, 3% of the world population. The Russian Federation and Kazakhstan account for almost 88% of subregional GDP. All the countries are in the middle-income tier, while Kyrgyzstan and Tajikistan are closer to the low-income status threshold.

In 2018, the economy of the Russian Federation expanded by 1.7%, supported by higher commodity prices, robust private consumption and rising disposable incomes. Thanks to higher oil prices in 2018 and stronger export revenues, the economy of Azerbaijan grew to 1.1%. Strong fixed investment sustained economic growth in Tajikistan at about 7%, but the country faces major fiscal challenges, financial sector weakness and business constraints. Investment boom also supported growth acceleration in Uzbekistan (5.1%), but severe weather and water shortages disrupted its agricultural production. Armenia's growth slowed partly due to lower remittance inflows from the Russian Federation. (Economic and Social Survey 2019, p. 32)

Accelerating economic diversification is a challenge for North and Central Asia to sustain its economic growth and balanced implementation of the 2030 Agenda. Economies with high economic reliance on oil, natural gas and minerals tend to be responsive to international commodity prices. Such economic fluctuations are often transmitted through remittance channels to countries sending migrant workers to the Russian Federation and Kazakhstan. This may have resulted in a slower implementation of the 2030 Agenda in this subregion, especially towards Goals 8 (decent work and economic growth), 10 (reducing inequalities), 12 (responsible consumption and production), 13 (climate action), 14 (life below water), 15 (life on land), and 16 (peace, justice and strong institutions). (Asia and the Pacific SDG Progress Report 2017, p. 20)

KEY CHALLENGE OF NORTH AND CENTRAL ASIA

Regional processes to enhance infrastructure and market connectivity in North and Central Asia are going on at a higher speed and in an unpreceded scale. As the cross road of trade, North and Central Asia has potential for further economic growth from trading more diversified, higher value added and lower bulk products, as well as services, to its neighbours' markets and beyond. However, the economic structure of North and Central Asia is not ready to adapt to this changing economic landscape. **Structural economic transformation**, a shift of industrial outputs and exports from primary materials to manufactured products and services, is essential to benefit from improved connectivity of markets.

Structural economic transformation in North and Central Asia is on slow progress. For the last two decades, the manufacturing share of value added has declined while the extractive sector has expanded. Even though the number of products exported has increased, the export revenue of North and Central Asia still depends on few goods, mainly crude petroleum and natural gas (Figure 1). The process of export sophistication is still slow, or even reversed.

Figure 1. Change in merchandise export structure between 1997 and 2017, by country and country group
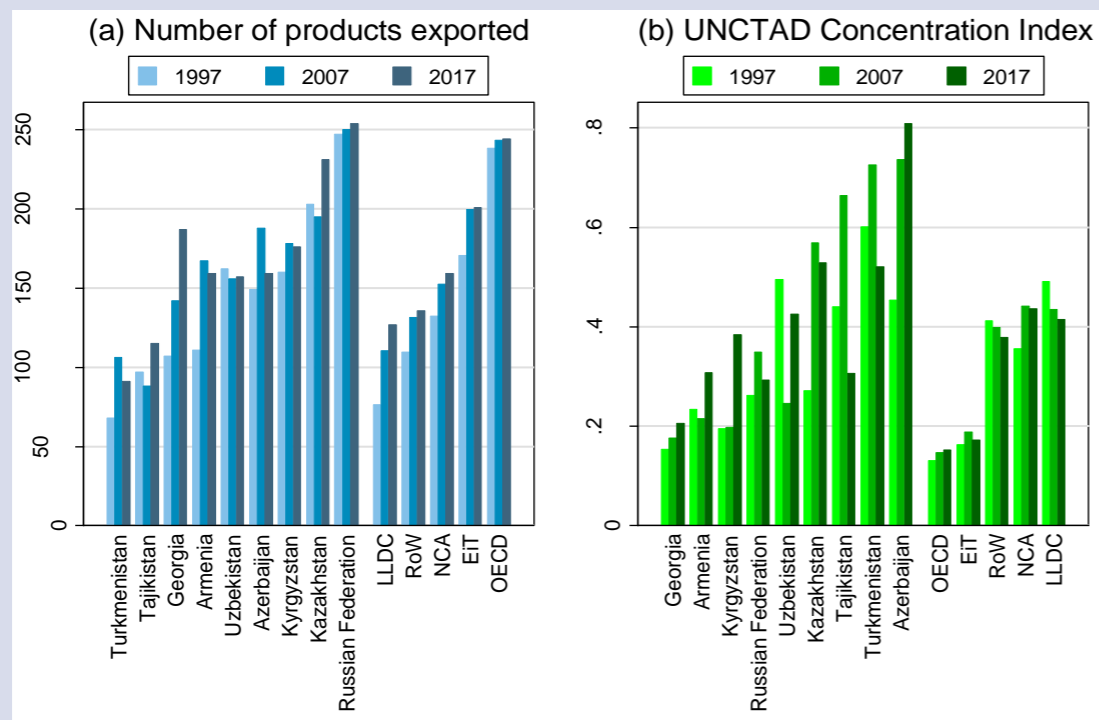

Source: ESCAP based on UNCTAD STAT (accessed on 25 February 2019)
Note: SITC Revision 3 at 3-digit group level. The total number of products is 261. NCA = North and Central Asian countries except Russian Federation; EiT = other economies in transition; LLDC = other landlocked developing countries; OECD = OECD member countries; RoW = rest of the world; Simple average of the number of products exported for groups.

Promoting the participation of North and Central Asian countries in the global value chain will help diversify its economic base through export sophistication by trading to external markets with higher technical standards for hygiene, health and safety, as well as technical spill over from foreign direct investment.

The similarity of their economic structures results in relatively low intra-subregional trade compared to other Asian subregions. The share of intra-subregional export (imports) is 7.7% (11.2%) in North and Central Asia, while it is 22.8% (22.4%) in South-East Asia and 31.6% (32.9%) in East and North-East Asia in 2017 (Figure 2).

Furthermore, **North and Central Asia is less integrated into trade and value chain networks in Asia** than other subregions: 35.5% of total subregional exports are directed to Asia-Pacific economies compared to 65.9% in SEA and 54.4% in ENEA (Figure 2).
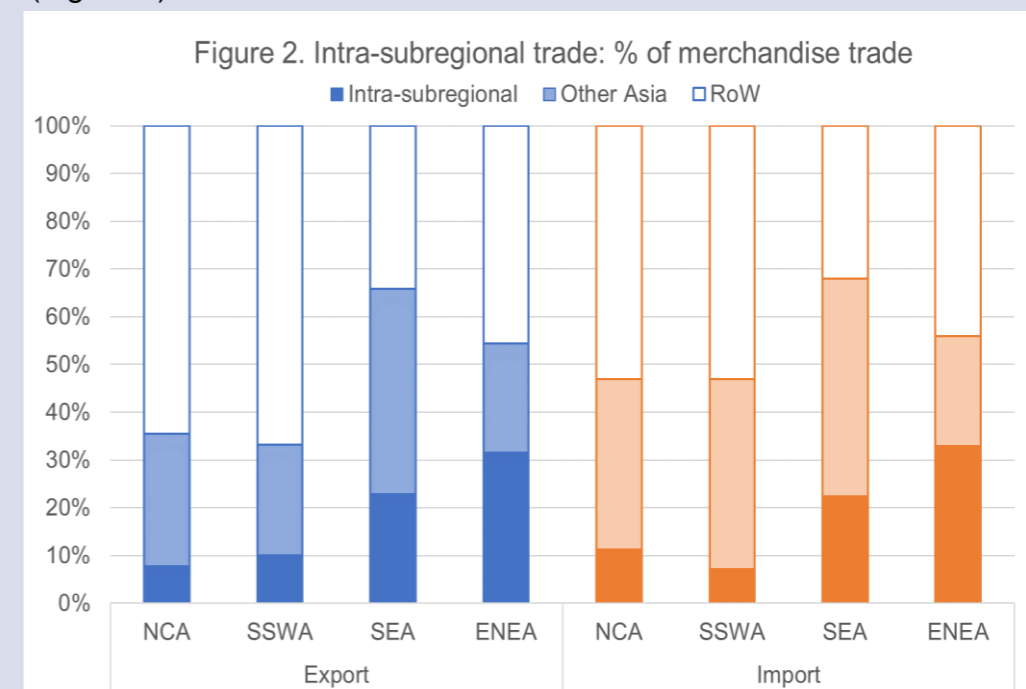
Source: ESCAP, Asia-Pacific Trade and Investment Report 2018, p. 13
Note: NCA = North and Central Asia; SSWA = South and South-West Asia; SEA = South-East Asia; and ENEA = East and North-East Asia

Their landlockedness and remoteness from seaports and major consumer markets in Asia increases cost and time in trading products and services from North and Central Asia, leading to less trade and foreign investment inflow especially in manufacturing sectors. **Further regional cooperation for improved infrastructure connectivity and trade and transport facilitation** is required to overcome this geographical constraint for structural economic transformation.