Kazakhstan slows, Uzbekistan may surprise: 3 calls for CIS

Our safe call is that Kazakhstan will face slower GDP growth and faster inflation. The riskier one is that Uzbekistan will continue showing better-than-expected FX and CPI performance, while our bold call is that Azerbaijan could face FX risks amid a negative current account balance

A train is lifted onto rails in Astana, Kazakhstan. Can its economy also stay on track?

ING's base call: Kazakhstan to slow amid fiscal consolidation

Kazakhstan's economy is to lose some steam after showing a strong oil and consumption-driven performance in 2025. We expect GDP growth to ease to 4.5-5.0% in 2026, as fiscal consolidation through a VAT rate hike puts pressure on consumption. Moderation of oil production and lending growth will weigh on activity.

Inflation remains a thorn in policymakers' sides. The upcoming VAT rate hike from 12% to 16% and other challenges may lead to a spike in CPI inflation to 15% at the beginning of the year, potentially triggering another rate hike from the current 18.0% level before moderating in the second half of next year. Still, with the year-end CPI expected at 11% and the policy rate projected at 17%, monetary conditions will stay restrictive.

Our risky call: Uzbekistani soum to see only 2% correction, CPI to approach 6%

Markets are expecting a sharp depreciation of the Uzbek soum after an atypical gold-driven strength in 2025, but we see only a mild 2% correction. Why? A strong gold price environment, more credible fiscal consolidation, and efforts to boost the attractiveness of foreign investment inflows will provide a buffer against external shocks. These factors should prevent the kind of FX volatility that consensus expects.

Inflation dynamics will benefit from this stability. We forecast CPI at 6.0-6.5% by the end of 2026. Combined with fiscal prudence, this backdrop should allow the central bank to cut its key rate towards 12.00%, undercutting consensus and signalling confidence in macro fundamentals.

Our bold call: Azerbaijan to face elevated depreciation risk

Our GDP growth forecast for Azerbaijan is 2.8%, signalling a recovery from the 2025 trough. However, the key story is rising external vulnerability. With exports stagnating and imports growing, Azerbaijan's current account breakeven Brent price has climbed to nearly $60 – the highest since 2014. Under our house oil price view, the current account is set to turn negative in 2026, an unusual and uncomfortable scenario for Azerbaijan that raises concerns over FX stability.

If oil prices remain near our forecast, pressure on the manat could intensify. The peg, fixed at 1.7 per USD since 2017, may become a policy flashpoint. Authorities will face a stark choice: defend the peg at the cost of reserves or allow adjustment to preserve competitiveness. Azerbaijan's substantial external buffers – sovereign fund and central bank reserves totalling around 100% of GDP – should enable short-term defence, as seen in 2020. However, if oil prices fall sustainably below the breakeven level, as was the case in 2015–16, an exchange rate adjustment cannot be ruled out

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