

CIS-4 remains a strong regional play

CIS-4 economies remain resilient amid global uncertainty. Armenia and Uzbekistan outperform in terms of GDP growth and FX. Kazakhstan faces inflation and currency pressure, and is likely to raise the key rate, while Azerbaijan's growth has slowed due to oil weakness. Monetary policy remains tight [as inflation and external risks persist](#)



Tashkent, Uzbekistan, where the economy has been lifted by a bullish gold market

Armenia: peace process remains key

The slowdown in Armenia's economic growth is being cushioned by robust fiscal stimulus and sustained credit expansion. Recent months have seen a moderate improvement in external conditions, with the ongoing peace process with Azerbaijan offering the prospect of unlocking new capital inflows and supporting the external balance.

Against this backdrop, we have revised our GDP outlook upward, though risks to the inflation trajectory have also increased. The dram remains strong, now more firmly underpinned by capital inflows, yet this currency strength continues to weigh on the trade balance. Notably, the Armenian dram has gained around 3% against the US dollar since the beginning of the year, reflecting strong capital inflows.

Azerbaijan: healthy financials, but weaker activity

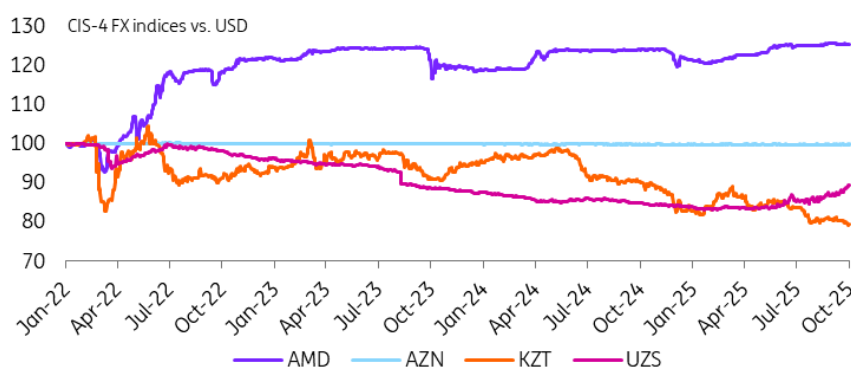
The near-term outlook for Azerbaijan's GDP, budget, external balance and CPI has worsened based on performance in the first half of the year. The country's financial position remains solid,

underpinned by substantial sovereign assets and prudent fiscal management.

The sovereign rating upgrade from Moody's to investment-grade Baa3 is potentially positive for portfolio inflows. Nevertheless, the risk of the current account turning negative next year remains high, in our view, keeping FX stability in focus as oil prices and export volumes face headwinds.

KZT is under pressure, while UZS has been lifted by the gold price rally

CIS currencies vs USD, index, end-2021 = 100



Source: National sources, Refinitiv, CEIC, ING

Kazakhstan: watch out for upcoming VAT rate hike

Economic activity in Kazakhstan has continued to outperform expectations, but this has come at the cost of heightened inflation risks and increased pressure on both fiscal and external balances. The outlook for fiscal consolidation and the impact of the upcoming VAT hike on growth and CPI remain central to the macro story.

The National Bank of Kazakhstan (NBK) has signalled that a hike in the key rate is likely in the near term, as inflation remains stubbornly high. Currency risks also persist, with the tenge experiencing renewed volatility over the summer months as external imbalances widened and capital outflows accelerated – causing the NBK to announce a boost in FX sales for 4Q25.

Uzbekistan: lifted by a bullish gold market

Uzbekistan continues to stand out as the main CIS beneficiary in the current environment, thanks to elevated global gold prices and resilient domestic demand. The outlook for GDP growth, fiscal balance, current account and the Uzbek soum has improved further in recent months.

International observers have recognised the government's commitment to gradual fiscal consolidation and prudent macroeconomic management. The recent slowdown in CPI amid USZ strength creates room for a moderate cut in the policy rate, but the medium-term stance should remain cautious. The Central Bank of Uzbekistan recently reiterated its position, emphasising the need to anchor inflation expectations before considering any easing cycle.

Author

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

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