

Divergent oil and gold prices are shaping the CIS-4's economic path

Gold, oil, and inflation are the three key themes of the month for the CIS-4. The last couple of months have shown that Uzbekistan continues to benefit from strong gold prices, while Kazakhstan and Azerbaijan face renewed pressure from oil market dynamics. Meanwhile, inflation and rate hike risks across the region have not materialised so far



Gold, oil, and inflation are the dominant themes for the CIS-4 economies this month

A golden moment for Uzbekistan

In recent months, Uzbekistan has emerged as the standout performer in the region, benefiting from a favourable external environment and strengthening domestic fundamentals. The rally in gold prices has further bolstered the country's trade and current account balances, reversing the Uzbek soum's multi-quarter depreciation trend. These gains build on already encouraging signs from the first quarter, when the trailing fourth-quarter current account deficit narrowed to US\$3.8bn from \$5.7bn in 2024. According to our estimates, each \$1/oz increase in the gold price currently translates into an annualised \$3.6m in export proceeds for Uzbekistan.

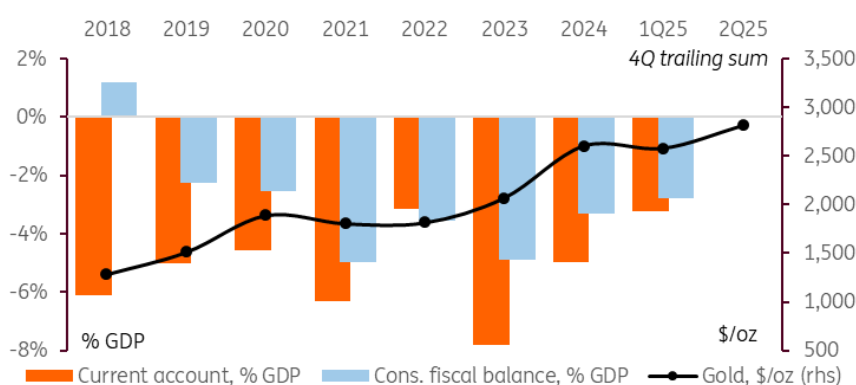
On the fiscal front, the budget performance has also improved, supported by tighter cost controls and stronger revenue collection. As of the first quarter of 2025, the 12-month rolling consolidated deficit narrowed to 2.8% of GDP, down from 3.3% in 2024 and 4.9% in 2023. These positive

developments contributed to Fitch's [recent upgrade](#) of the sovereign rating to BB, with a stable outlook, citing accelerated reform progress and favourable medium-term growth prospects.

Looking ahead, the near-term performance of the UZS aligns with our constructive outlook. However, the longer-term trajectory of the soum will depend on the stability of private capital flows. Balance of Payments (BoP) data indicate that the local FX market has recently benefited from robust private capital inflows, with net portfolio inflows reaching \$5.1bn over the four quarters ending in the first quarter of this year. This marks a significant improvement compared to \$3.1bn in 2024 and the \$1-2bn per annum seen over the previous five years. Nonetheless, the durability of these inflows remains uncertain.

Gold price rally helps to narrow Uzbekistan's twin deficit

Source: CEIC, National sources, Refinitiv, ING



Armenia benefits from commodities markets, oil exporters struggle

The temporary spike in oil prices linked to Middle East tensions has faded, with OPEC+ now guiding for a faster-than-expected increase in supply. The group [plans to boost output](#) by over half a million barrels per day in August, with similar moves likely in September. This shift is putting renewed pressure on the external balances of oil exporters. Kazakhstan is already experiencing renewed depreciation of the tenge, while Azerbaijan's pegged currency conceals a shrinking trade surplus, which has narrowed to \$2.7bn over the 12 months ending in May 2025, down from \$5.5bn in 2024 and \$16.6bn in 2023. Based on our estimates, each \$1/bbl of oil prices translates into approximately \$570m in annualised fuel export revenues for Kazakhstan and \$350m for Azerbaijan.

However, Kazakhstan may find some relief in rising oil production volumes, which grew by 13-16% year-on-year between February and May. If sustained, this could support higher export volumes in the coming months. Given that oil accounts for approximately 55% of Kazakhstan's total exports, its alignment with OPEC holds significantly more macroeconomic weight than its trade relationship with the US, which comprised just 2.4% of Kazakhstan's exports in 2024.

As such, the recent US [announcement](#) of 25% tariffs on Kazakh exports – set to take effect on 1 August – is likely to have a limited macroeconomic impact. For Azerbaijan, the deterioration in the trade balance may be offset by stronger capital inflows. Moody's recently followed Fitch in

assigning the country an [investment-grade rating of Baa3](#), maintaining a positive outlook and citing improved fiscal and external buffers. Additionally, further investor interest could be unlocked if the ongoing normalisation of relations with Armenia continues.

Meanwhile, Armenia continues to benefit from a combination of higher gold exports, lower energy import costs, and optimism surrounding foreign policy developments. The dram has remained strong, reflecting these favourable dynamics.

Inflation risks appear contained, for now

Earlier this year, [we flagged](#) the risk of rising CPI and a potential shift toward more hawkish central bank policies in response to escalating global trade tensions. Encouragingly, this scenario has not fully materialised. With the exception of Kazakhstan, where inflation accelerated to 11.8% YoY last month, June inflation readings across the region remained broadly stable compared to May, despite continued pressure from food prices.

Over the past couple of months, central banks have adopted a more cautious tone, but none have raised policy rates. Even in Kazakhstan, where inflation has shown signs of renewed momentum – partly driven by robust domestic demand – we expect the National Bank of Kazakhstan (NBK) to [maintain](#) its current policy stance and keep rates on hold this week. However, if fiscal and banking sector dynamics remain pro-inflationary in the second half of 2025, a rate hike later in the year cannot be ruled out.

For the remaining three countries, key rate hikes appear less likely. That said, given the current global uncertainties and domestic policy challenges in some cases, we continue to believe that the scope for rate cuts in the second half of 2025 remains limited.

Author

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the

Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.