

How the CIS-4 are navigating global trade tensions

A look at the implications of US trade wars and tariffs on the CIS-4 economies: Armenia, Azerbaijan, Kazakhstan, Uzbekistan



The National Bank of Kazakhstan held the base rate unchanged on 11 April but pointed at pro-inflationary risks coming from global trade tensions

Armenia, Azerbaijan, Kazakhstan, and Uzbekistan are largely insulated from the direct impact of US trade tariffs but are not immune to secondary effects. While domestic [macro conditions are mostly in decent shape](#), key factors to watch include trade exposure to China and the EU, sensitivities to oil prices, and rising inflationary pressures.

Additionally, a weaker dollar is unlikely to benefit CIS currencies.

Tariffs: watch out for global implications

The direct impact of US tariffs on the CIS should be minimal, given that the US accounts for only 0.5-2.0% of their exports, while commodities make up 50-95% of their exports. Uzbekistan, which derives 40% of its export proceeds from gold (\$3-4 million per \$1/oz), could benefit from high gold prices.

However, trade relationships with the primary targets of US tariffs expose the CIS to potential slowdowns in those economies. From this perspective, Armenia and Uzbekistan, with 10-20% of their exports going to the EU and China, seem less exposed than Azerbaijan and Kazakhstan, which have 50-60% shares.

Cheaper oil: risks for some, opportunities for others

The pressure on energy prices is a critical factor for fuel exporters. Azerbaijan is more dependent on oil, with 52% of fiscal revenues and 88% of exports coming from oil, compared to Kazakhstan's 22% and 55%, respectively. However, Azerbaijan appears more insulated with a breakeven oil price of \$63-64/bbl for its budget and current account, while Kazakhstan needs Brent at \$80/bbl to balance its budget (\$185/bbl net of non-tax proceeds) and \$87/bbl for its current account.

Meanwhile, commodity importers like Armenia could benefit from lower energy prices through reduced import costs.

Central banks are getting more hawkish

Most central banks view current global tensions as pro-inflationary due to supply chain concerns. This adds to existing domestic pressures from generous fiscal policies in Armenia, Azerbaijan, and Kazakhstan, as well as utility tariff hikes in Kazakhstan and Uzbekistan. CIS central banks have been making more hawkish decisions than previously guided. In its most recent decision on 11 of April, [Kazakhstan's central bank maintained the base rate at 16.50%](#) guiding for a prolonged period of high rates amid higher proinflationary risks coming from global trade tensions.

The generally modest size of bank loan portfolios (except for Armenia's 60% of GDP) in the CIS-4 should limit the negative impact of higher rates on domestic activity.

A weaker dollar doesn't help CIS currencies

The foreign exchange outlook for CIS countries is mixed. While a weaker global US dollar might support their currencies, it is unlikely to offset other pressure factors. These include potential capital outflows from smaller countries and reduced export revenues for fuel exporters due to lower oil prices.

Uzbekistan's soum appears the most resilient, bolstered by gold exports and previous depreciation, whereas the Armenian dram seems most vulnerable. Azerbaijan's currency peg remains secure for now, supported by substantial monetary and fiscal buffers amounting to 100% of GDP. In contrast, Kazakhstan's tenge may experience higher volatility due to sensitivities to trade partner currencies, although state FX operations are expected to support the KZT over the next year.

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