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CREDIT ARMENIA AZERBAIJAN

CIS macro and credit: A strong regional play

The CIS region remains resilient amid global uncertainty, with growth outperforming expectations despite persistent inflation and external pressures. Fundamental improvements and ratings upgrades are supportive of sovereign credit in the region, while we expect further steady issuance



Executive summary

The CIS region remains resilient amid global uncertainty, with growth outperforming expectations despite persistent inflation and external pressures. Fiscal and monetary policies are increasingly focused on balancing support for activity with the need to anchor inflation.

While commodity trends and geopolitical developments continue to shape the outlook, the region's fundamentals are underpinned by strong buffers and activity momentum. Fundamental improvements and ratings upgrades are supportive of sovereign credit in the region, while we expect further steady issuance.

Country views

Since our [1Q25 report](#), growth has surprised on the upside in Kazakhstan and Uzbekistan, proven resilient in Armenia and slowed more than expected in Azerbaijan, while the region-wide inflation risks we highlighted in March have materialised, keeping policy settings tighter for longer.

Armenia. Growth remains robust, supported by fiscal stimulus and capital inflows, but inflation risks and a widening trade deficit require continued policy vigilance.

Azerbaijan's economic momentum has slowed more than expected, with oil sector weakness and narrowing external surpluses putting FX stability in focus despite strong sovereign buffers.

Kazakhstan. Activity is running above trend, but inflation remains stubbornly high and the tenge is under pressure, making credible fiscal consolidation and tighter policy essential.

Uzbekistan. The economy is outperforming on the back of strong gold exports and resilient domestic demand, while the strengthening of the soum is helping to lower inflationary risks for now.

Sovereign credit views

Fundamental trends are generally positive for the CIS region, which should be supportive for sovereign credit despite tight spread levels. We see Armenia as most attractive given the spread pickup over BB-rated peers, while in Uzbekistan spreads have squeezed tight and we would prefer to wait for new issuance.

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