



CIS macroeconomics in new reality:

A strong regional play

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ANALYST FORECAST AWARDS 2025
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Long-term messages



Armenia

- Benefitted from the influx of high-skilled immigrants in 2022-23, but this impulse is gradually wearing off.
- Peace process with Azerbaijan remains a watch factor
- The dram appears overvalued compared to peers



Azerbaijan

- The most financially solid CIS-4, but challenged by lagging economic growth rate
- Aided by new gas contracts with the EU and upcoming state investments into reintegrated Nagorno-Karabakh.
- Look out for erosion of current account as precursors of manat devaluation



Kazakhstan

- The largest CIS-4, retaining GDP growth momentum.
- Fiscal consolidation is looming, meaning lower state support to tenge.
- KZT performance is subject to high volatility due to C/A deficit and unstable capital flows.



Uzbekistan

- Posting solid economic growth and is increasingly affected by fiscal policy, which is now turning to consolidation.
- The key focus is on the soum, which has been the worst performing currency in the CIS space on twin deficits and elevated inflation.

Impact of global trade tensions

- **Lower oil prices** matter for **Kazakhstan** and **Azerbaijan**. They derive a significant portion of their export proceeds (55% and 88%, respectively) and fiscal revenues (22% and 52%) from oil trade. Each dollar of average annual oil price means US\$600m of annual export proceeds and US\$150m of budget revenues for Kazakhstan, while for Azerbaijan, it is US\$300m and US\$190mn, respectively.
- The downgrade in the house view on oil prices by US\$5 for 2025 and US\$11 for 2026 can increase **Kazakhstan's** expected current account and fiscal deficits by 0.3-0.6ppt of GDP in 2025-26, while the scale of financial hit for Azerbaijan could reach around 2% of GDP on a two-year horizon. **Azerbaijan's** manat peg might lead to the first current account deficit since 2020, but large external buffers could serve as a mitigating factor.
- **Uzbekistan** is benefiting from **higher gold prices**. Exports amount to c. US\$3.5-4.0bn per \$1,000/oz of gold price annually. Assuming the average gold price stays at US\$4,000 per ounce, that would mean doubling of annual gold export proceeds from US\$7.5bn in 2024 to US\$15.0 bn in 2025.
- For **Armenia**, the implications are mixed. On the one hand, higher gold and lower oil should improve the expected current account by 1ppt GDP in 2025-26 each. Also, lower trade exposure to the EU and China (10-20%) compared to **Azerbaijan** and **Kazakhstan** (50-60%) is a plus. On the other hand, the small size, combined with country- and region-specific risks, could prevent Armenia from fully benefiting from the capital account and activity side.

Sovereign ratings confirm strong financials



Long-term FC ratings
Moody's / S&P / Fitch

Medium- to near-term messages



Armenia

- Activity is moderating, domestic demand is gradually weakening despite generous fiscal policy
- CPI is now looking up for now, above the 3% LT target
- AMD is currently supported by stronger capital inflows, but widening trade deficit remains a watch factor



Azerbaijan

- Activity growth is slowing despite supportive fiscal policy
- CPI growth has recovered back to historical averages.
- External balance is in comfortable surplus so far, AZN peg appears secure, but the trade surplus is narrowing, while capital outflow is accelerating.



Kazakhstan

- Activity should be good in 2025, but fiscal consolidation is looming in the following years
- CPI pressure intensified due to utility tariffs and upcoming VAT hike, rate hikes likely soon
- Stronger KZT in possible in the near-term, weakening is more likely in the longer run.

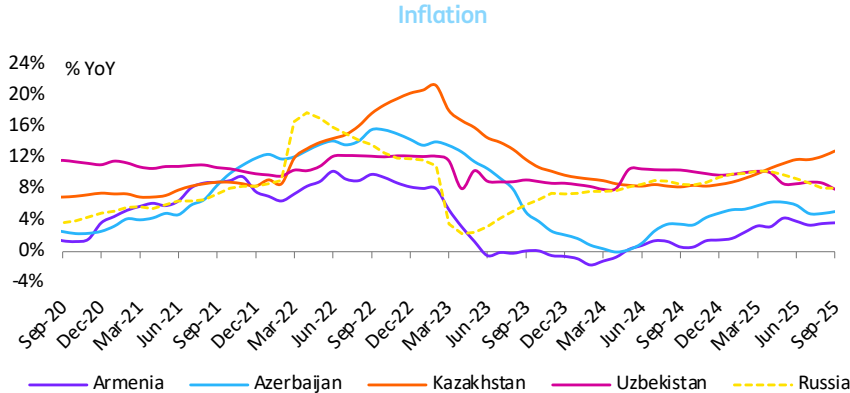


Uzbekistan

- Fiscal consolidation is a watch factor for activity
- CPI is currently slowing despite tariff hike, suggesting a modest room for key rate cut.
- Higher gold prices stabilized trade deficit, leading to USZ appreciation in 2025, but twin deficit remains a watch factor

Cross-country trends in CPI, policy rates, and currencies

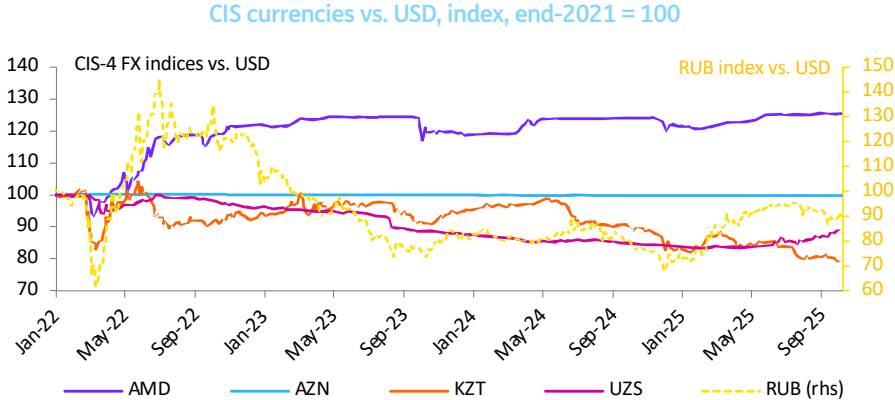
Inflation pressure persists in the region, Kazakhstan stands out



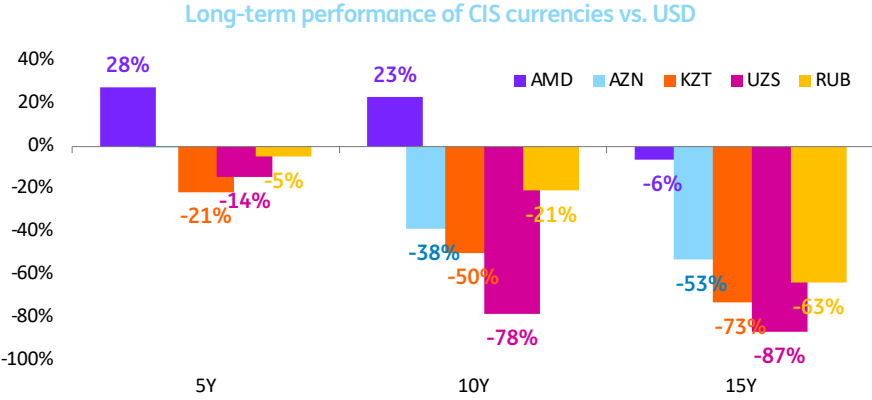
Real rates remain in the positive territory



Armenian dram is the winner since 2022, UZS trend improved in 2025



AMD and AZN seem relatively strong, while KZT is underperforming



Sources: National sources, CEIC, Refinitiv, IMF, ING

Key macro indicators and forecasts

	Armenia			Azerbaijan			Kazakhstan			Uzbekistan		
	2024A	2025F	2026F	2024A	2025F	2026F	2024A	2025F	2026F	2024A	2025F	2026F
Activity												
Real GDP (%YoY)	5.9	5.5	4.5	4.1	1.5	2.8	4.8	5.5	4.8	6.5	7.0	6.0
Nominal GDP (US\$bn)	24.0	24.8	25.6	74.3	79.6	81.3	291.5	305.8	350.2	115.0	135.7	158.0
GDP per capita (US\$)	8556	9583	10308	7284	7631	7720	14445	14926	16848	3050	3524	4020
Fiscal balance												
Consolidated budget balance (% of GDP)	-3.5	-4.3	-3.9	4.0	1.3	-1.7	0.0	-2.5	-1.0	-3.3	-2.8	-2.2
Public debt (% of GDP)	50.3	51.0	51.5	20.9	21.5	25.5	23.3	21.8	20.3	35.0	35.6	36.0
Fiscal breakeven Brent (US\$/bbl)	n/a	n/a	n/a	64	63	64	80	119	81	n/a	n/a	n/a
External balance												
Current account (% of GDP)	-4.6	-3.2	-3.8	6.3	2.0	-3.3	-2.7	-3.3	-3.5	-5.0	-2.9	-2.5
Trade balance (% of GDP)	-8.5	-6.0	-5.2	11.9	6.3	1.2	5.9	4.4	2.3	-11.8	-8.8	-7.5
Foreign debt (% of GDP)	62.9	62.7	63.2	20.2	19.5	19.7	56.8	55.8	50.1	53.2	48.8	45.1
Current account breakeven Brent (\$/bbl)	n/a	n/a	n/a	63	63	65	89	85	78	n/a	n/a	n/a
CPI, Interest & exchange rate												
CPI (year-end, %YoY)	1.5	4.6	4.0	4.9	5.1	5.8	8.6	13.7	10.5	9.9	8.7	6.9
Central bank key rate (year-end, %)	7.00	6.75	6.50	7.25	7.00	7.75	15.25	18.00	17.00	13.50	13.50	12.00
Exchange rate vs USD (year-end)	397	383	402	1.70	1.70	2.21	524	535	560	12895	12122	12364

Sources: National sources, CEIC, Refinitiv, IMF, ING

- **Activity:** Growth rates are back to normal in most cases despite higher regional trade and more generous fiscal policy.
- **Budget:** generally growth-supportive. **Armenia** and **Azerbaijan** to maintain elevated defense spending. **Kazakhstan** is considering consolidation. **Azerbaijan's** finances are the most solid, while **Armenia's** require attention. **Uzbekistan** begun to consolidate
- **Interest rates:** scope for easing is almost exhausted except **Uzbekistan** due to reversal in CPI trends because of external factors, fiscal easing and credit expansion, **Armenia's** FX depreciation risks, **Kazakhstan's** tariff liberalization, pressure on FX.
- **Exchange rates:** **Azerbaijani** manat's peg to USD is secure for now but might be tested in 2026-27, the **Armenian** dram is vulnerable to depreciation on overvaluation, **Uzbeki** soum's and **Kazakhstani** tenge may stabilize after strong moves YTD

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