Kazakhstan

OUTLOOK 2026

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Table of contents

Executive summary

The trajectory of inflation in Kazakhstan reversed in 2025 after the country managed to stabilise it below double digits in 2024. Fed by excess demand, seen by the International Monetary Fund (IMF) as a sign of an overheating economy, inflation was hovering around 13% near the end of 2025. This caused Kazakhstan's central bank to adopt its highest ever policy rate of 18% in October with no scope for a rate reduction in the near term and the possibility of further tightening in 2026.

Double digit inflation pushes up public discontent with the authorities. At the same time, the authorities appear to be tightening their noose on freedom of speech. New laws are under consideration, including one on "LGBT propaganda", in what seems to be a delusional attempt to appeal to the country's traditionalist majority amid ongoing economic dissatisfaction. The government has simultaneously banned face-covering in public, a move which effectively bans the wearing of niqabs in the Muslim-majority country. Such attempts to juggle and balance reactions of the public to one authoritarian measure with responses to another authoritarian solution are unlikely to bear any fruit, as the public is only likely to grow even more antagonised by the escalation of restrictions on freedoms amid widespread economic anxieties.

Though Kazakhstan has continued to develop its capacities to function as a transit zone for trade between China and Europe that bypasses the territory of Russia, the ex-Soviet state has grown bolder in its engagement with Russia as US President Donald Trump's administration has created an environment where Kazakhstan no longer needs to demonstrate political distance from its northern neighbour in fear of sanctions.

Kazakhstan has officially picked Russia's Rosatom to build the country's first nuclear power plant – a move that Kazakhstan hopes will help the country cut emissions and accelerate the switch from coal-reliance towards green energy (China, meanwhile, has been chosen to build two more nuclear power plants, offering a diversification of delivery risk in the nuclear programme).

Central Asia's largest, and oil-rich, economy continues to struggle to diversify oil exports away from reliance on the Russia-territory-dependent CPC pipeline, something which became a growing concern in 2025 amid drone strikes conducted by Ukraine on the Black Sea port of Novorossiysk. At the end of the year, repairs were still required to bring one of CPC's three single mooring points at the port back into action. Drone-strike damage caused to the equipment was still impacting Kazakh oil exports and production.
The government plans to reduce its reliance on the "rainy day" National Fund in 2026 by increasing reliance on its own revenues. Ministers anticipate that coverage of the republican budget with "own revenues" is set to grow from 63.7% in 2025 to 83.5% in 2028.

1.0 Political outlook

Compared to a seemingly progressive streak when it came to Kazakh authorities' treatment of domestic violence cases and women's safety within households in 2024, something of a U-turn was seen in 2025 as regards other issues involving basic rights. Kazakhstan experienced multiple instances involving crackdowns on dissent, including criminal investigations pursued against satirical media and probes initiated against independent media.

Early in December, The Committee to Protect Journalists (CPJ) urged authorities to drop a criminal "false information" case opened against Gulnara Bazhkenova, editor-in-chief of independent outlet *Orda*. On December 1, armed officers conducted coordinated raids at *Orda's* offices in Astana and Almaty, detaining at least five employees, and searched Bazhkenova's home. Investigators have accused her of "repeated and intentional dissemination of knowingly false information" and placed her under a two-month house arrest while the case proceeds. Other staff members were released after several hours of questioning.

The raids follow a prolonged period in which *Orda* and its editor reported multiple forms of pressure, including hacking attempts, cyberattacks, threats and even fabricated online announcements of Bazhkenova's death, a CPJ statement said.

In August, Kazakhstan's satirical news outlet *Qaznews24* announced its closure, citing pressure from law enforcement on relatives of its editorial team and the launch of new investigations. *Qaznews24* was launched in April 2021, publishing satirical stories on socio-political events. The outlet's closure follows the conviction in April of former writer Temirlan Yensebek, who was sentenced by an Almaty court to five years of restricted freedom and banned from engaging in public and political activities. He was found guilty of "inciting discord."

Other notable crackdowns on dissent in 2025 included arrests and probes conducted against activists opposing the construction of nuclear power plants in the country.

Another "highlight" of Kazakhstan's pressure on freedom of expression and speech in 2025 was the anti-LGBT propaganda bill, approved by the lower house of parliament and awaiting a vote in the upper house. If approved and signed by Kazakh President Kassym-Jomart Tokayev, such a law could mark the beginning of a trajectory that will continue to further mimic authoritarian laws in Russia and signal a degradation in freedoms under Tokayev that would seemingly cast the president in a worse light than his predecessor Nursultan Nazarbayev, now 85 and rarely in the news.

The anti-LGBT propaganda bill is widely perceived as an attempt by the authorities to distract citizens from economic anxieties tied to rapid inflation. Officials may also hope it can counteract the traditionalist population's anger over other restrictions on freedom, such as a ban on face-covering in public (effectively banning the wearing of niqabs in the Muslim-majority country). Such tactics are unlikely to win back the support of those citizens already unhappy with Tokayev's regime and they risk further alienating any support from progressive Kazakhs that the regime won over in 2024, when it introduced laws to combat domestic violence.

In October, Tokayev announced plans to amend around 40 articles of the country's Constitution as part of a wide-ranging parliamentary reform initiative. The last major constitutional changes were introduced in 2022, when 33 articles were amended following a national referendum. Tokayev said the scale of the proposed legal changes would be comparable to adopting an entirely new Constitution.

The president stated that discussions on the reform would be open and inclusive, with broad public consultation. One key proposal is a transition from the current bicameral legislature to a single-chamber parliament, which Tokayev said "fully corresponds to international practice," noting that two-thirds of parliaments worldwide are unicameral.

Tokayev has also reaffirmed the guiding principle of Kazakhstan's ongoing political modernisation — "a strong president, an influential parliament, and an accountable government". Some experts, however, have questioned whether this formula has been effectively implemented, arguing that most decision-making power remains concentrated in the presidency.

The year of 2025 was also a year in which Kazakhstan continued to strengthen ties with Russia, without needing to simultaneously signal to the West that it is not getting too close to its Northern neighbour. This change has been mainly made possible by US President Donald Trump, whose more favourable attitude towards Russia appears to have made Kazakhstan quit playing it safe in such a fashion with the West.

Kazakhstan's energy infrastructure has been heavily intertwined with certain crucial dependencies on Russia since the Soviet times. The vast majority of Kazakhstan's oil exports still rely on Russia's Black Sea port of Novorossiysk, which was recently damaged by multiple Ukrainian drone strikes. The latest strike damaged one of its three oil export single mooring points. Significant consequences for Kazakh oil shipments have been seen, with repairs yet to be completed.

Following the strike, Kazakhstan adopted an unusually harsh reaction towards Ukraine, with the government all too aware of how reliant the health of the Kazakh economy still is on oil exports. In Kazakhstan's multivector foreign policy, the issue of the attacks must, as an urgent priority, be addressed diplomatically with Ukraine and other parties. Any more damage suffered at Novorossiyska could seriously hurt the country's economy and such an eventuality could in turn push Kazakhstan into further aligning with Russia.

2.0 Macro Economy

Kazakhstan: Key economic figures and forecasts

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025F
Real GDP (% y/y)	1.1	4.1	4.1	4.5	-2.5	4	3.2	5.1	4.8	*Projected at 6*
Industrial output (% y/y)	-2.5	1.8	5.4	6.4	0.3	3.8	1.2	4.3	3.8	
Unemployment rate (avg, %)	4.96	4.9	4.85	4.8	6.05	4.9	4.9	4.85	4.7	*Likely to remain essentially unchanged*
Consumer prices (avg, % y/y)	14.5	7.4	6.0	5.2	6.7	8.4	20.3	9.8%	8.6	*Projected at 13*
Public debt (% of GDP)	19.7%	19.9 %	20.2 %	19.9 %	23.4 %	27.4 %	24.4%	22.8%	23%	Projected to remain essentially unchanged or higher
Current account balance (% of GDP)					-3.8 %	-3.0 %	-2.2%	-3.5%	1.3%	Projected at 1.7%

Source: TradingEconomics, IMF, EBRD, ADB, stat.gov.kz

2.1 GDP growth

President Kassym-Jomart Tokayev said at the Altyn Sapa and Paryz awards ceremony held on December 5 that Kazakhstan's economic growth is expected to exceed 6% this year—the strongest performance in a decade. In line with Tokayev's projection, Deputy Prime Minister and Minister of National Economy Serik Zhumangarin said at a government meeting in Astana on December 17 that Kazakhstan's economy grew by 6.4% y/y in the first 11 months of 2025.

Following the completion of a mission to the country in early November, the IMF reported that GDP growth was outpacing Kazakhstan's real potential, creating excess demand that was pushing prices upward. The Fund noted that the economy remained strong and was on track to expand by a little more than 6% in 2025, compared with 5% the previous year. Higher oil output and vigorous domestic consumption remained the main drivers of economic growth.

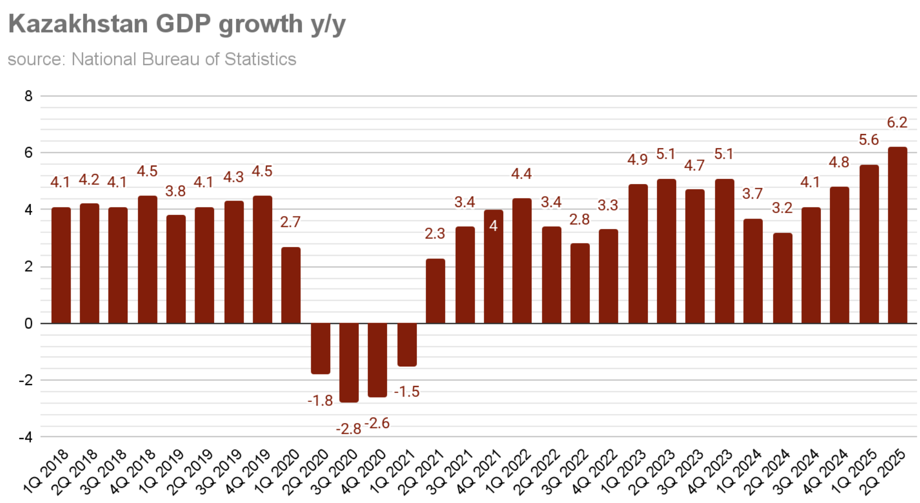
Withdrawals from the National Fund have played a central role: more than $12.1bn was taken out in 2024, including $10.8bn that was directed straight into the state budget and $1.3bn that was used to purchase shares and bonds of domestic issuers, the IMF statement noted.

Although the government plans to reduce such withdrawals to $5.2bn in 2026, the IMF cautioned that the non-oil budget deficit may still exceed 8% of GDP. Strong activity by state-owned enterprises has widened the current account deficit, which the Fund expected will reach around 4% of GDP.

The IMF further stated that domestic demand was likely to remain elevated in 2026, even with softer consumer lending and steady oil output (The IMF projects GDP growth of about 4.5% in 2026). Over the medium term, the new Tax Code is expected to help steer inflation back toward the 5% target, while economic growth slows to a more sustainable pace of roughly 3.5%.

In its September update, the Asian Development Bank (ADB) projected Kazakhstan's GDP growth would reach 5.3% in 2025 and ease to 4.3% in 2026.

The Eurasian Development Bank (EDB) kept its forecast for Kazakhstan's 2025 GDP growth at 5.5%.



2.2 Inflation and monetary policy

Kazakhstan's annual inflation slowed to 12.4% in November, easing from 12.6% in October and 12.9% in September, according to latest official data published by the State Statistics Committee.

There was softer inflation in housing and utilities prices (1.2% in November v 1.3% in October). In food and alcoholic beverages, inflation remained unchanged, month on month, at 5.2%.

The National Bank of Kazakhstan has revised upward its inflation projections for 2025 and 2026, the regulator said in its November Monetary Policy Report published on December 3.

The updated baseline forecast now anticipates inflation at 12–13% in 2025 and 9.5–12.5% in 2026. The outlook for 2027 remains unchanged at 5.5–7.5%. In comparison, the August report expected inflation at 11–12.5% in 2025 and 9.5–11.5% in 2026.

The higher estimates reflect persistent price pressures: actual inflation and inflation expectations continue to exceed earlier assumptions, while administered prices are rising faster than planned, according to the central bank's report. Although regulated tariffs are expected to slow under the "inflation +5%" rule in 2026–2027, overall cost pressures remain elevated. The wider forecast interval for 2026 indicates increased uncertainty linked to the upcoming tax reform, its effect on demand and expanding quasi-budgetary spending.

A new Tax Code scheduled for 2026 will raise the VAT rate from 12% to 16%. Utility and fuel tariff freezes are set to end by early 2Q25, which will add to inflation in the near term.

The regulator also warned that extensive quasi-fiscal spending could amplify inflation and weaken the impact of planned budget consolidation.

Despite these pressures, the central bank expects inflation to slow gradually, supported by tight monetary policy and coordinated anti-inflation measures implemented with the government and the financial regulator.

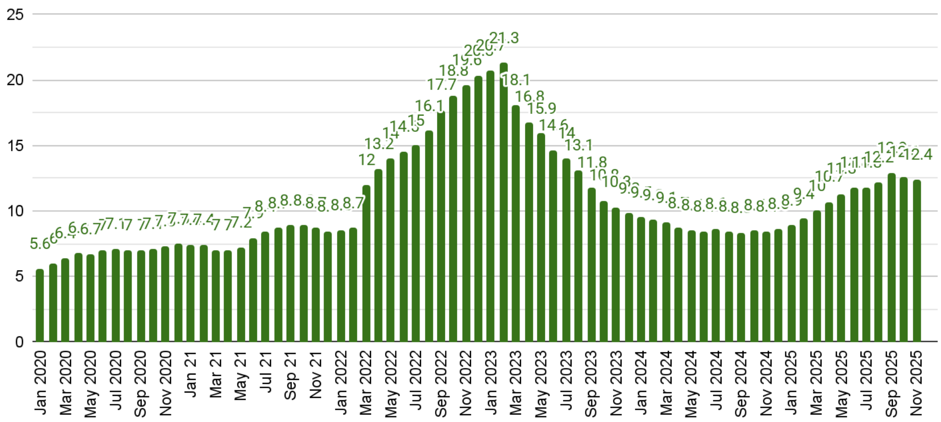
The IMF has linked Kazakhstan's persistent inflation to clear signs that the economy is running hotter than its underlying capacity allows, according to a concluding statement released by the Fund following a visit paid by staff as part of regular Article IV consultations. Inflation is expected to hover near 13% by year-end, according to the IMF.

The ADB expects Kazakhstan's inflation at 10.5% by end-2025 and at 8.4% in 2026.

The EDB's latest inflation projections on Kazakhstan see inflation at 11.9% by end-2025.

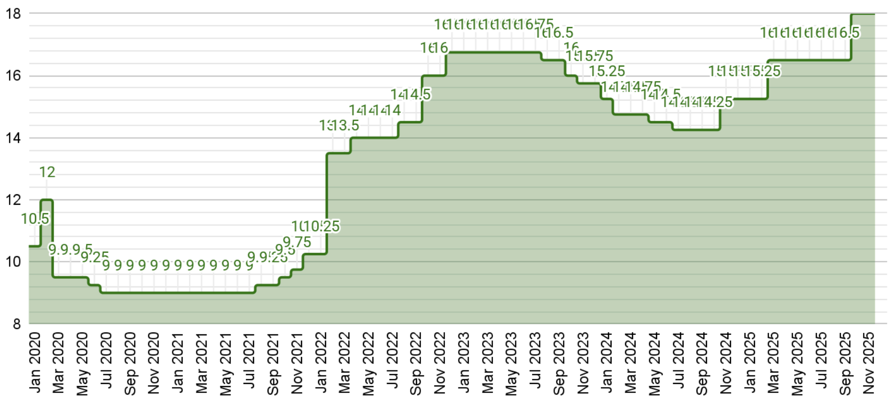
Kazakhstan inflation y/y

source: Bureau of National Statistics



Kazakhstan monetary policy rate

source: Central bank of Kazakhstan



3.0 External Environment

The IMF's latest World Economic Outlook, published in October, projects Kazakhstan's current account deficit at 1.7% of GDP in 2025. However, in a concluding statement following the IMF's visit to Kazakhstan in November, the IMF noted that "the fiscal stance remains loose, with the non-oil deficit projected at over 8 percent of GDP, supported by large transfers from the National Fund of the Republic of Kazakhstan (NFRK). Strong demand, including from the activities of state-owned enterprises (SOEs), has contributed to the current account deficit, which is projected to be around 4 percent of GDP this year."

Kazakhstan's external debt climbed to an unprecedented $172.8bn by the end of June, *Kursiv* reported on November 20, citing an analysis by Halyk Finance.

Although private firms still account for the bulk of obligations—about 71%—the most recent rise stems mainly from borrowing by state bodies and quasi-public entities, the news outlet's report said. As a result, the external debt-to-GDP ratio was calculated to have increased to 59.2%, compared with 56.6% earlier this year. Even so, analysts argue that the country's substantial international reserves and the National Fund's assets continue to provide a buffer that underpins external stability.

Intercompany liabilities recorded as direct investment remain the dominant component of the total, representing roughly 53.6% of all external debt, the report added. Sectoral distribution shows a clear concentration in extractive industries: mining accounts for 45.8% of the total, with oil and gas production alone making up 42.5%, the report said. Manufacturing holds 8.7%, while wholesale and retail trade represents 7.2%.

Kazakhstan's foreign trade turnover reached $103.4bn in the first nine months of 2025, slightly down—by about 1.1%—from the same period a year earlier, according to latest data published by the Bureau of National Statistics.

Exports amounted to $57.5bn, reflecting a 5.1% y/y decline. More than half of all export revenues—51.7%—came from crude oil and petroleum products derived from bituminous minerals. Other major export categories included refined copper and copper alloys (4.9%), radioactive chemical elements and isotopes (4.8%), copper ores and concentrates (3.8%) and ferroalloys (2.8%).

Imports rose 4.5% y/y to $45.9bn. China and Russia dominated Kazakhstan's import structure, supplying 29.5% and 29.1% of total imports, respectively. They were followed by Germany (4.5%), the US (3.6%), South Korea (3.6%) and France (2.5%).

The country continued to develop its Middle Corridor capacity in 2025.

Kazakhstan's national maritime carrier KazmorTransFlot has announced that it will acquire six new container vessels as part of a wider plan to increase freight volumes moving along the trans-Caspian Middle Corridor.. The move was announced by Talgat Aldybergenov, chairman of Kazakhstan Railways. Aldybergenov noted the principal bottleneck for the corridor remains the limited number of ships operating on the Caspian Sea.

He added that Kazakhstan is simultaneously advancing port infrastructure to accommodate rising container flows, the report noted. At the port of Aktau, construction is under way on a major container complex.

Aldybergenov said that the first pilot terminal is set to be commissioned by the end of 2025, with an annual capacity of 140,000 TEU. A second phase will expand total capacity to 240,000 TEU, with completion due in 2026.

Aldybergenov also mentioned that cargo volumes are set to increase further following the decision by China Railway Container Transport (CRCT) to join Middle Corridor Multimodal, the tripartite joint venture operated by Kazakhstan, Azerbaijan and Georgia. Officials expect CRCT's participation to double freight movements on the route in the coming years.

Transportation along the Middle Corridor is currently rising at a rate of 12%, with 317 container trains dispatched from China to Azerbaijan over the first 10 months of 2025, according to local media reports. Cargo exchange between Kazakhstan and Azerbaijan has also expanded sharply, increasing sevenfold over the past four years. From January to October 2025, freight volumes reached 4.1mn tonnes.

Ukraine's recent strike on the Caspian Pipeline Consortium's (CPC's) oil export infrastructure on the Russian Black Sea coast has created uncertainty over the future of Kazakh oil exports, as damage to one of the three CPC mooring points means that the pipeline, which exports around 70-80% of total Kazakh crude exports, might fail to retain sufficient capacity in the coming year.

Kazakhstan is redirecting part of its crude oil exports away from the CPC system towards alternative routes, including the Atyrau–Samara pipeline through Russia, the Baku–Tbilisi–Ceyhan (BTC) pipeline in Azerbaijan, and to pipeline capacity available for flows to China, pipeline operator KazTransOil said on December 10.

According to the company, deliveries via the Atyrau–Samara pipeline in December will be 232,000 tonnes (55,000 barrels per day) higher than initially scheduled. Shipments to the port of Aktau on the Caspian Sea, for onward transportation through the BTC pipeline, will increase by 58,000 tonnes, while exports to China via the Atasu–Alashankou pipeline will rise by 72,000 tonnes.

In total, Kazakhstan will divert 362,000 tonnes of crude to alternative routes this month, KazTransOil said, adding that around 64% of these volumes will still transit Russia.

Reports on December 15 cited Kazakhstan's Energy Minister Yerlan Akkenzhenov as saying that the CPC will receive two new single-point moorings for its Russian Black Sea coast oil export terminal earlier than planned, with delivery now expected in January instead of April. If the minister's comments are accurate, Kazakhstan's oil exports next year will not suffer from low export capacity, provided, of course, that Ukraine does not continue to carry out attacks on the CPC infrastructure.

In October, the CEO of the country's national oil company KazMunayGas, Askhat Khasenov, said Kazakhstan plans to export 1.7mn tonnes of oil to Germany via the Druzhba pipeline in Russia. Former Energy Minister Almassadam Satkaliyev earlier stated that shipments could be increased to 2mn tonnes if Berlin requested additional supply. Kazakhstan began supplying crude to Germany through the Transneft system toward Adamowo-Zastawa in 2023, as Berlin sought to diversify away from Russian-origin oil.

4.0 Real Economy

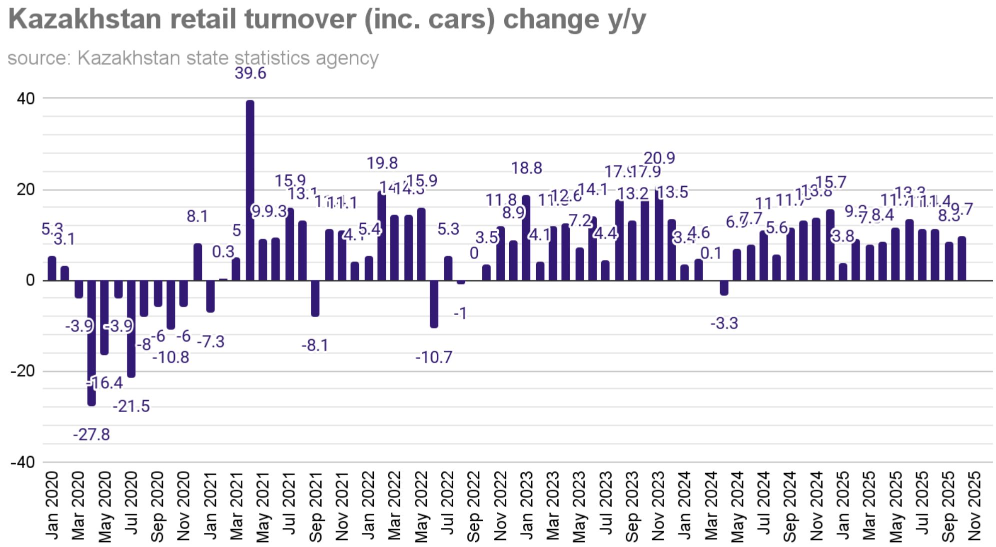
4.1 Retail

Retail trade turnover in Kazakhstan amounted to approximately $38bn in 9M25, up by 7.1% y/y, according to an analysis by the INFOLine B2B information and consultancy agency. INFOLine is forecasting Central Asia's combined retail trade will beat the "$100bn retail trade barrier" in 2025.

Much retail trade expansion in Kazakhstan is being driven by rapid retail lending growth - especially thanks to lending growth in ecommerce and the popularity of fintech lending instruments such as the buy-now-pay-later (BNPL) schemes. However, Kazakh authorities are introducing measures to regulate retail lending to curb overheating risks.

Among other things, Kazakhstan is preparing to tighten regulation of the BNPL instalment market, according to Kazakh media reports. Currently, the majority of BNPL transactions are not treated as official loans and are therefore absent from credit histories, preventing banks from accurately assessing borrowers' actual debt levels. The authorities are planning to make BNPL transaction histories transparent for lenders in 2026.

The National Payments Corporation of Kazakhstan (NPCK) has previously said that BNPLs may account for 50% of consumer loans in the country, citing anecdotal evidence, and has stated that official statistics make it hard to confirm this figure. Kazakhstan's financial market regulator has been raising alarm bells since 2025 about the popularity of BNPLs, as hidden fees in BNPL offers contribute to inflation in retail stores and online marketplaces. The expected regulations may affect the rate of retail sales growth in 2026, but it is unclear whether this would actually lead to a dramatic decrease in consumer lending.



4.2 Banks

Fitch Ratings said in late October 2025 that operating profitability at Kazakh banks is expected to remain robust through the second half of 2025 and into 2026, despite mounting pressure from narrowing net interest margins and a slowdown in consumer lending. The ratings agency said high lending rates, adequate opportunities for loan growth and only moderate increases in credit costs should continue to underpin earnings.

The National Bank of the Republic of Kazakhstan recently lifted its base rate to 18% from 16.5%, exceeding Fitch’s expectations, and indicated that further tightening could follow if inflationary pressures persist. Fitch said the increase is likely to lead to higher deposit pricing and inflows into term deposits, which made up 61% of sector liabilities at the end of the first half of 2025 and represent banks’ primary funding source. Loan yields typically adjust more slowly than deposit costs in Kazakhstan because of the prevalence of fixed-rate lending, pointing to a period of weaker net interest margins for many lenders.

Fitch expects the pass-through to loan yields to be even more gradual in the current cycle as retail lending, which accounted for 59% of loans at end-1H25, loses momentum and as the composition of consumer lending shifts. The slowdown is set to be most pronounced in consumer credit, which represents 40% of loans and has driven sector-wide credit growth since 2021.

Consumer lending expanded at an average annual rate of 32% between 2021 and 2024, compared with 16% for corporate and SME loans. Growth eased slightly to 32% year on year in the first half of 2025, from 37% a year earlier, as banks adjusted their retail strategies towards secured products. Issuance of lower-yielding car loans and secured consumer loans rose by 54% and 23%, respectively, while unsecured consumer lending fell by 16%, according to the Association of Financiers of Kazakhstan. Fitch expects this shift towards secured lending to persist into 2026.

The agency said these trends reflect tighter underwriting standards, weaker demand amid stagnant real incomes, and rising, though still relatively low, household debt, with retail loans equivalent to 15% of GDP at end-2024. Recent macroprudential measures, including caps on effective interest rates and limits on unsecured loan sizes, have further constrained risk appetite and curbed retail lending growth. Fitch expects consumer loan growth to slow but remain elevated at 20%–25% in 2025–2026.

A moratorium on the sale of non-performing retail loans to collection agencies, in place from July 2024 to May 2026, is keeping impaired assets on bank balance sheets for longer and could push credit losses higher. Fitch expects sector loan impairment charges to rise to 2.5%–3.0% in 2026, following a period of stability after reaching 2.1% of average loans in 2022.

While higher credit losses and margin pressure are set to weigh on profitability, Fitch said high effective interest rates, strong income from corporate and SME lending, sizable sovereign bond portfolios and disciplined cost control should provide a buffer. The agency expects the ratio of operating profit to risk-weighted assets to fall from 6.9% in the first half of 2025 but to remain at 5.5%–6% in 2026, keeping profitability a core strength for the sector.

Fitch also reiterated in an outlook in early December that Kazakh banks are expected to maintain solid performance in 2026, supported by economic growth (2026F: 4.6%; 2025: 5.6%) driven by oil production and non-mining activity.

Profitability should remain strong despite margin compression and slower consumer loan growth, Fitch noted.

“High interest rates, reasonable lending growth opportunities and only-moderate credit cost rises should support financial performance,” Fitch added.

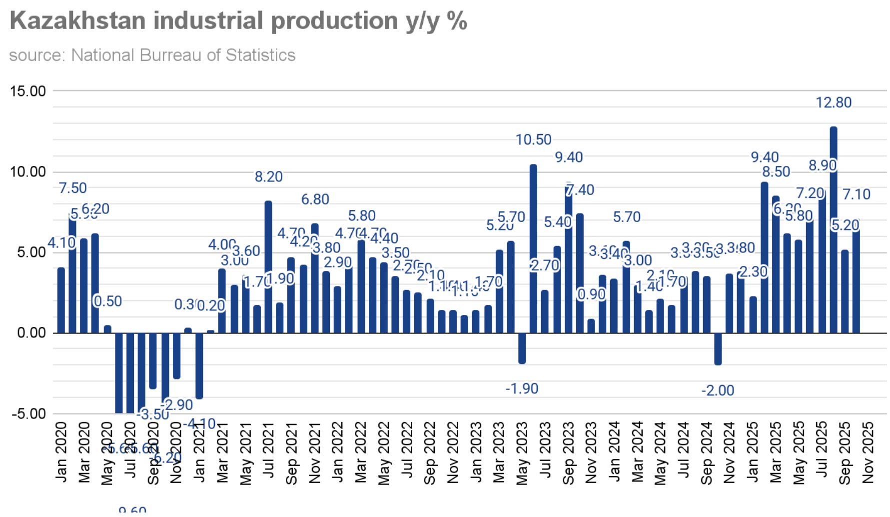
Regulatory measures, including gradual reserve requirement increases and a ban on selling impaired retail loans to collection agencies, are expected to moderate retail lending growth, the ratings agency said.

Stage 3 impaired loans may rise to around 7%, but coverage ratios remain adequate, it added.

Fitch forecasts that return on average equity will remain strong at 20%–25%, supported by revenues from corporate and SME lending, sovereign debt holdings and tight cost controls.

Tier 1 ratios are expected to remain around 20%, with robust liquidity buffers, Fitch said.

4.3 Industry



Kazakhstan's industrial output picked up speed in October, rising 7.1% y/y after slowing to 5.2% y/y in September, according to data published by the country's statistics office in late November.

The recovery was largely the result of a sharp upswing in mining and quarrying, where growth nearly doubled to 12.5%. Production in the electricity, gas, steam, hot water and air-conditioning segment also strengthened slightly.

Manufacturing, by contrast, lost momentum, with output expanding by just 2.2% y/y compared with 4.1% y/y the previous month. The month-to-month results were weaker: overall industrial production slipped 0.6% m/m in October, following a more pronounced fall of 2.9% m/m in September.

Over the first 10 months of 2025, industrial output remained solid, with growth running 7.3% above the level recorded in the same period last year.

Kazakhstan's industrial output is mainly driven by oil production and mining.

Oil & Gas

Kazakhstan is projected to produce roughly 90mn tonnes of oil next year, based on an initial estimate, *TASS* reported in December, citing Energy Minister Yerlan Akkenzhenov. Speaking to reporters, Akkenzhenov noted that the forecast has not yet been formally approved, but current calculations point to output of that volume.

Earlier, the energy ministry had anticipated significantly higher production, forecasting 96.2mn tonnes of oil in 2025 and 100mn tonnes in 2026. Output in 2024 stood at 87.7mn tonnes. Oil exports are also expected to rise, increasing from 68.6mn tonnes in 2024 to 70.5mn tonnes in 2025.

Kazakh Deputy Minister of Energy Sunnat Esimkhanov announced on December 17 that Kazakhstan's oil output had reached 91.9mn tonnes in the first 11 months of 2025, up by 14.1% y/y.

Kazakhstan's largest oilfield, Tengiz, operated by the Chevron-led Tengizchevroil consortium, raised production to 787,300 barrels per day between November 1 and 23, marking an 8.5% increase compared with October, *Reuters* reported on November 25, citing sources familiar with the data. Even with the month-on-month boost, output still fell short of the target set by the Energy Ministry, a source familiar with the data told the news service. Energy Minister Yerlan Akkenzhenov noted earlier on November 25 that Tengiz had entered another maintenance period, but did not elaborate, its report noted.

Kazakhstan's total oil output dropped by 10% in October to around 1.69mn barrels per day. Despite the decline, national production remains above the level assigned to Kazakhstan under the OPEC+ agreement. The increase at Tengiz — though below the ministry's plan — has been one of the main factors behind Kazakhstan's repeated overproduction relative to its OPEC+ quota throughout the year.

Trend reported in December that the International Energy Agency (IEA) has increased its forecast for Kazakhstan's oil production in 2026 to 1.84mn barrels per day.

Regardless of forecasts, the most recent concerns over Kazakh oil output came up after the November 29 drone strikes on the Caspian Pipeline Consortium's (CPC's) pipeline's infrastructure at the Russian port of Novorossiysk. The attack left one of CPC's three mooring points damaged, immediately affecting oil exports and, consequently, oil production - the CPC pipeline accounts for around 70%-80% of Kazakh oil exports.

Shipments are continuing via a single mooring point - one unit remains under maintenance and another awaits repair following the strike. Kazakhstan has so far lost about 480,000 tonnes of oil output as a result of the Ukrainian drone attack, *TASS* reported on December 11, citing Energy Minister Yerlan Akkenzhenov.

Though the government has downplayed the negative consequences of the damage done to one of the mooring points, it remains unclear how it will affect Kazakhstan's oil output going forward. Some good news did emerge on December 15, when Akkenzhenov announced that the CPC would receive accelerated repairs allowing for two of its mooring points to become active as early as January 2026. Whether or not this will come to fruition remains to be seen.

Regardless of this, if Kazakhstan fails to diplomatically resolve the issue of attack targeting with Ukraine, and particularly if Ukraine continues its attacks on Novorossiysk crude export facilities, Kazakh oil exports and production may suffer permanent irreversible damage for years to come.

Sergei Vakulenko, a senior fellow at the Carnegie Center think tank in Berlin, outlined in an analytical report published by *Carnegie Politika* on December 3 that Kazakhstan and its oil major partners could annually take a $27bn hit if

Ukraine was to keep up its attacks on the Central Asian country's main crude export terminal on Russia's Black Sea coast. Moscow, on the other hand, might lose only around $0.6–0.65bn annually.

Esimkhanov said on December 17 that, despite the CPC disruptions, Kazakhstan has already managed to achieve its oil export targets, having exported 73.4mn tonnes of crude in the first 11 months of 2025.

Mining

The mining sector accounts for approximately 4-5% of Kazakhstan's GDP and stands as the second biggest contributor to the economy after oil.

The sector is dominated by a few large companies that mainly produce steel and copper (other metals such as gold, silver and zinc make up a smaller share of output).

Kazakhstan's main steel producer Qarmet (formerly ArcelorMittal Temirtau) was aiming to increase steel output to 3.7mn tonnes in 2025.

Over the first 10 months of 2025, national steel production edged down by 0.1% to 3.43mn tonnes, while rolled metal output expanded 4.9% to 2.42mn tonnes. For comparison, in 2024 Kazakhstan boosted steel production by 9.5% to 4.17mn tonnes, with flat steel output climbing 18.2% to 2.9mn tonnes.

Copper production in 1H25 decreased to 184,000 tonnes, down from 191,000 tonnes a year earlier. The slight decline was attributed "to an expected reduction in the average copper grades processed and temporarily lower recovery rates at Bozshakol due to the complex mineralogy of the ore". This slight decline in output likely continued in the second of 2025, and, as such, a decline in FY 2025 production can be expected.

During Kazakh President Kassym-Jomart Tokayev's visit to Washington for the C5+1 summit in November, Kazakhstan signed a memorandum of understanding with the US government on critical minerals, an agreement that observers said forms part of Washington's broader strategy to diversify supply chains away from China. The same visit also featured discussions between Kazakh officials and "Western partners", which paid particular attention to critical minerals, including uranium, tungsten and rare earth elements (REEs), and focused on "moving from extraction to processing and integration into US and EU supply chains".

During the visit, a press release from Cove Capital announced a $1.1bn agreement to develop the Northern Katpar and Upper Kayrakty tungsten deposits. The company's local affiliate, Cove Kaz, has already begun preparatory project work. There are plans to develop downstream refining capacity to produce ammonium paratungstate and other tungsten compounds.

Uranium

The world's largest uranium producer, Kazakhstan's state-run Kazatomprom, said in August that it expects its 2025 production to be between 25,000 and 26,500 tU. This would represent 12% growth from its 2024 guidance.

Kazatomprom also said in August that it was working on revisions to its 2026 uranium production strategy. The company said that a number of its mining subsidiaries are in the process of amending their subsoil use agreements, with the amendments set to establish new nominal licensed production levels.

The miner said it is anticipated that the company's nominal production level (on a 100% basis) will fall from previously expected 32,777 tonnes of uranium (tU), equivalent to 85mn pounds U3O8, to 29,697 tU, or around 77mn pounds, representing around 3,000 tonnes (around 8mn pounds), or roughly a 10% decrease, most of which will be attributable to adjustments at its joint venture Budenovskoye (Budenovskoye is a joint venture with Rosatom).

Kazakhstan is moving ahead with amendments to the Subsoil and Subsoil Use Code that would sharply increase Kazatomprom's role in uranium projects in 2026. The draft changes, approved by the Mazhilis (lower house of parliament) and now under review by the Senate (upper house), would require Kazatomprom — or one of its subsidiaries — to hold a 90% stake in any joint venture that seeks to renew its uranium production contract.

Kazatomprom's chief legal officer, Yermek Kuantyrov, said the rule would apply at every renewal stage: if a joint venture wants to extend its contract, Kazatomprom must receive 90% ownership.

The company's CEO Meirzhan Yussupov was reported as pointing out that several major projects will soon be affected. The contract for the Zarechnoye mine — a 49.98/49.98 joint venture between Kazatomprom and China's SNURDC — is approaching expiration. Multiple contracts at SMCC, where Kazatomprom owns 30% and Rosatom's Uranium One controls 70%, are also nearing their end.

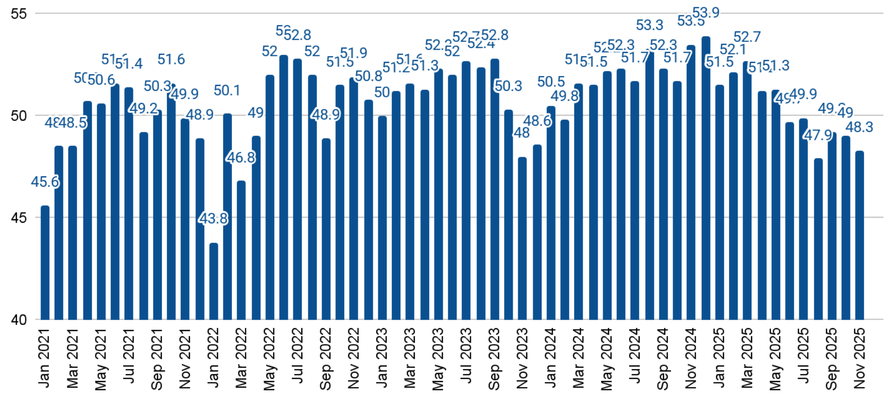
Yussupov reportedly acknowledged that some foreign partners have voiced concerns but said Kazakhstan has fully met its obligations and expects international operators to accept the upcoming changes. Any contract extension will require revisiting commercial terms, including new financial commitments.

The proposed revisions go beyond contract renewals. Lawmakers also want to give Kazatomprom priority rights not only in production — which the company already holds — but also in geological exploration at uranium sites.

Manufacturing

Kazakhstan PMI index

source: IHS Markit



Kazakhstan's manufacturing sector continued to weaken in November for the sixth consecutive month, though gathered data suggested the downturn was perhaps losing momentum, according to the latest Purchasing Managers' Index (PMI) data released by Freedom Holding and S&P Global.

Output, new orders and purchasing activity all declined again, but at a slower pace than in October. The one indicator that worsened was employment, with manufacturers reporting increasing difficulty in finding qualified workers. Firms also cited a high level of uncertainty about the months ahead, pointing in particular to concerns over a planned VAT increase and its potential impact on demand and costs.

Freedom Holding's Kazakhstan Manufacturing PMI index rose to 49.0 in November from 48.3 in October. However, the index remained below the 50.0 threshold — any reading below the mark indicates a contraction, while any reading above it indicates an expansion — for the sixth consecutive month. November thus brought another deterioration in operating conditions, but the reading signalled that the contraction had become more moderate.

Yerlan Abdikarimov, director of the Financial Analysis Department at Freedom Finance Global, commented: "The manufacturing sector in Kazakhstan showed a slight slowdown in decline in November compared to October but the PMI remains below 50 points. On the one hand, despite ongoing pressure from currency and inflation factors, their impact on business has somewhat eased over the month. On the other hand, companies report an intensifying labor imbalance and growing tension related to the upcoming VAT increase, which has affected production and investment plans. Against this backdrop, forecasts for the next 12 months have fallen to a multi-year low but hopes for new contracts and demand recovery sustain moderate optimism in the sector."

Despite the PMI figures, Deputy Prime Minister and Minister of National Economy Serik Zhumangarin announced on December 17 that manufacturing output in the country grew by 5.9% in the first 11 months of 2025. He noted that growth was observed across 17 regions of the country.

5.0 Budget and debt outlook

Kazakhstan's President Kassym-Jomart Tokayev signed into law the national budget for 2026–2028, formalising fiscal parameters for the next three years. The legislation was approved on December 8.

The law was adopted after members of the lower house of parliament, the Mazhilis, accepted amendments proposed by the Senate during a plenary session. Lawmakers also endorsed revisions to legislation governing the size of general transfers between the national budget and regional and city administrations.

Under approved changes, subsidies allocated to the regions were increased by KZT 17.5bn ($34.2mn). A further KZT 28.5bn was earmarked for regional development in 2026, with funding directed towards heat and electricity supply, gas infrastructure, shoreline reinforcement and other priority needs.

The government said additional funding would come from the state reserve and from resources freed up by lower debt servicing costs. At the same time, KZT 79bn was redistributed between state bodies, while KZT 73.4bn was reallocated within the budget programmes of individual ministries.

According to the law on general transfers for 2026–2028, projected revenues of local budgets were set at KZT 10.7 trillion in 2026, rising to KZT 12.1 trillion in 2027 and KZT 13.3 trillion in 2028. Local budget expenditures over the same period were forecast at KZT 14.9 trillion, KZT 17.3 trillion and KZT 18.7 trillion, respectively.

Government estimates indicated that the share of local budgets reliant on transfers from the republican budget would fall from 50.7% to 33% over the period.

At the national level, budget revenues were projected to reach KZT 19.2 trillion in 2026, equivalent to 10.5% of GDP, increasing to KZT 23.2 trillion, or 20.8% of GDP, by 2028. The guaranteed annual transfer from the National Fund was set at KZT2.77 trillion, within limits determined by the oil price cut-off.

National budget expenditures were planned at KZT27.7 trillion in 2026, or 15.1% of GDP, KZT 28.8 trillion in 2027, or 14%, and KZT 29.8 trillion in 2028, or 13%, in line with existing budget rules.

Most notably, Kazakhstan is planning to decrease its reliance on transfers from the country's "rainy day" National Fund fund in 2026 - many observers, including the IMF, see overreliance on the National Fund as a sign of loose fiscal policy, procyclical spending and weakened incentives for diversification. As such, Kazakhstan is planning to increase its guaranteed transfers from the National Fund, while entirely getting rid of targeted transfers from the fund. Guaranteed and targeted transfers together amounted to KZT 5.25 trillion in 2025 - this number is set to decline to just KZT 2.77 trillion worth of guaranteed transfers in 2026.

6.0 Energy & Power

Nuclear energy ambitions and renewables

Kazakhstan officially launched construction of its first nuclear power plant (NPP) on August 8 in southeastern Almaty Region, near the village of Ulken on the shores of Lake Balkhash, about 400 kilometres (249 miles) from Almaty.

The project is being implemented by a consortium led by Rosatom, Russia's state nuclear energy corporation, and will feature two reactors with the combined capacity of 2.4 gigawatts by 2035.

Almasadam Satkaliyev, chairman of the Atomic Energy Agency of the Republic of Kazakhstan, said total investment in the plant had been estimated at $14bn–$15bn, with an additional $1bn allocated for social infrastructure in the surrounding area.

"Today's ceremony marks the start of engineering and survey work, a critical preparatory stage that will determine not only the final site and configuration of the plant, but also the safety, reliability, and economic efficiency of the entire project," Satkaliyev said.

Kazakhstan will begin producing its own nuclear fuel for its future planned NPPs, the country's atomic energy agency announced on August 8.

Although Kazakhstan currently has no operational NPPs, it holds around 15% of global uranium reserves, second only to Australia. In a referendum held in October, 71.12% of voters supported the construction of a nuclear power facility.

President Kassym-Jomart Tokayev's government has promoted nuclear power as a means to reduce Kazakhstan's reliance on coal-fired generation, which currently dominates the country's energy mix. By 2035, the nation aims to install 2.4 gigawatts of nuclear capacity.

The move to produce nuclear fuel domestically is expected to support this expansion, using the country's significant uranium resources to supply the planned facilities.

Russian preferential export financing for Kazakhstan's first NPP will be used for long-cycle equipment and major construction works, including the reactor, steam generators and main circulation pumps, *The Times of Central Asia* reported on August 13, citing Kazakhstan's Atomic Energy Agency (AEA).

Loan terms and parameters for the NPP will be finalised in an intergovernmental agreement. Kazakhstan Atomic Power Plants, a subsidiary of national wealth fund Samruk-Kazyna, has been tasked with managing construction. In July, the company was placed under AEA trust management and it will later become state property.

The AEA is also assessing potential sites for the country's second and third NPPs, with geological, seismic, infrastructural and environmental factors under review. Studies follow International Atomic Energy Agency (IAEA) standards and consider electricity demand and public opinion.

Kazakhstan has also identified two possible sites in Almaty Region for the construction of the country's second NPP. Kazakhstan has chosen China to construct its second and third nuclear power plants. Some speculation has also taken place as to whether Russia might run into financing issues with the construction of Kazakhstan's first nuclear plant. In such a scenario, it is possible that China could also take on the construction of the first plant as well.

Among other developments, Kazakhstan has taken a major step forward in nuclear fuel manufacturing. Ulba Metallurgical Plant (UMP) in Ust-Kamenogorsk launched a fully automated inspection line for uranium fuel pellets and expanded production of fuel assemblies for NPPs, *The Astana Times* reported on December 1.

The new system examines three pellets per second with micrometre-level accuracy, allowing the plant to verify dimensions and quality at high speed, UMP's press service reported. Each pellet weighs 7.7 g and can generate as much energy as 700 kg of high-grade coal, underscoring its importance for low-carbon power generation.

UMP has boosted its annual output of fuel assemblies—the core components used in nuclear reactors—to 300 tonnes per year, reflecting stronger global demand for nuclear fuel and Kazakhstan's plan to build its first domestic NPP, the news outlet's report said.

Oil & gas transit

In September, Rosneft signed an additional agreement to ship 2.5mn tonnes of oil a year to China via Kazakhstan. In 2024, total volumes of Russian oil transiting Kazakhstan reached 10.2mn tonnes, equivalent to about 204,000 barrels per day.

Kazakh pipeline operator KazTransOil increased volumes of oil transportation to the Kyrgyz Republic and resumed oil transit in the direction of the Republic of Uzbekistan in December, the company said.

According to KazTransOil, shipments of oil to Kyrgyzstan rose during the month, while transit deliveries to Uzbekistan were restarted after a pause. Oil supplies to Kyrgyzstan were resumed in November, having previously been carried out in 2017.

The company said that by the end of 2025 it plans to supply up to 30,000 tonnes of oil to the Kyrgyz Republic. Transit of oil to Uzbekistan is scheduled to take place in December, with planned volumes of up to 35,000 tonnes.

KazTransOil said all oil transportation along these routes is carried out through the trunk oil pipeline system. The oil is delivered to the Shagyr oil loading terminal operated by the company, where it is transferred into railway tank cars for onward shipment.

The Moscow Times reported on December 3 that Kazakhstan could be forced to suspend pipeline deliveries of Russian oil to China following US sanctions imposed on Rosneft.

The outcome now depends on whether the US Treasury grants a special exemption. In October, the Treasury's Office of Foreign Assets Control imposed blocking sanctions on Rosneft, prohibiting all transactions with the company. Kazakhstan's Ministry of Energy has since sought guidance from Washington on how to operate under the new restrictions.

“If the US Treasury issues a general licence and exempts the pipeline from sanctions, deliveries will continue at previous volumes,” *The Moscow Times* reported. “If no licence is granted, Kazakhstan will face a choice: halt the transit or risk secondary sanctions against KazTransOil, the state pipeline operator.”

Rosneft currently transports up to 10mn tonnes of oil a year to China through the Atasu–Alashankou pipeline, which runs across Kazakh territory. Under a contract signed in 2023, KazTransOil earns about $15 per tonne in transit fees.

China, however, imports the bulk of its Russian crude by sea, with volumes estimated at between 1mn and 1.5mn barrels per day.

The sanctions imposed on October 22 marked the first new energy-related restrictions introduced during President Donald Trump's second term. Rosneft and Lukoil, Russia's two largest oil producers, were both targeted. The US Treasury said the measures were already cutting Kremlin revenues and could reduce Russian oil sales over the longer term.

In September, Rosneft signed an additional agreement to ship 2.5mn tonnes of oil a year to China via Kazakhstan. In 2024, total volumes of Russian oil transiting Kazakhstan reached 10.2mn tonnes, equivalent to about 204,000 barrels per day.

Oil flows are handled by Kazakhstan-China Pipeline LLP, a joint venture owned equally by KazTransOil and China National Oil and Gas Exploration and Development Corporation. The company operates the Kenkiyak–Kumkol and Atasu–Alashankou pipelines, which transport crude from western Kazakhstan into China. Russian oil supplies are delivered specifically through the Atasu–Alashankou section of the network.