



Macroeconomic report for H1 2025

Accelerating growth and a balance of stability

29 July 2025

In the first half of 2025, Kazakhstan's economy demonstrated notable acceleration. GDP growth reached a record 6.2% yoy, driven by strong expansion in the transport, construction, mining, and manufacturing sectors. Growth was further supported by a significant increase in oil production, the implementation of large-scale infrastructure projects, and expansive fiscal spending. Despite the solid GDP performance, improvements in household welfare remain limited — real incomes continue to show subdued or even negative dynamics.

Fiscal policy remains expansionary: budget revenues increased amid higher tax inflows, while expenditures also continued to grow. The National Bank's international reserves and the National Fund's foreign assets expanded. However, budget transfers from the National Fund remain elevated even as oil-related tax receipts decline.

Inflationary pressures intensified in H1 2025: by June, annual inflation reached 11.8% yoy, with the largest contribution coming from paid services. Reflecting this, our year-end inflation forecast has been revised upward from 10% to 10–11%. The National Bank of Kazakhstan (NBK) is expected to maintain the base rate at 16.50% through year-end — in line with our view.

The tenge strengthened modestly in the first half of the year amid supportive FX operations. We expect a gradual depreciation to 550–560 KZT per USD by year-end, reflecting external risks and domestic imbalances.

Given the strong performance across major sectors, we have revised our 2025 GDP growth forecast upward to 5.6% (from 5.3% previously). The main growth driver will remain the expansion of oil output, supported by state-financed infrastructure projects. The forecast assumes an average Brent oil price of USD 70/bbl. At the same time, several headwinds persist — including tight monetary conditions, oil price volatility, and global trade uncertainty. The low-base effect from 2024 is also expected to fade by year-end.

Executive summary

Economic growth accelerated in H1 2025

In the first half of 2025, Kazakhstan's economy recorded significant acceleration: according to preliminary government estimates, real GDP grew 6.2% yoy (compared to 3.2% yoy in H1 2024). The Short-Term Economic Indicator (STEI) reached a multi-year high of 9.0% yoy. Key growth drivers were the transport and construction sectors, where government infrastructure spending ensured robust expansion of 22.7% and 18.4%, respectively. Industrial output rose 6.5% yoy, supported by increased oil production under the Future Growth Project (FGP) at the Tengiz oil field. The manufacturing sector showed slower growth of 5.5% yoy, mainly due to weaker dynamics in ferrous metallurgy. The trade sector, after slowing early in the year, rebounded to 8.4% yoy growth.

We have raised our 2025 GDP growth forecast to 5.6% (previously 5.3%), considering the current economic momentum. The main driver will be the increase in oil production at the Tengiz field. Large-scale engineering and transport infrastructure projects and continued fiscal stimulus will also support growth. However, risks remain — notably tight monetary conditions, global uncertainty, and oil price volatility. Excluding the extractive sector, GDP growth for 2025 is expected to be more moderate at around 3.5%, constrained by sluggish productivity and investment growth. Our forecast assumes an average Brent price of USD 70/bbl.

Fiscal policy remains expansionary

Kazakhstan continues to pursue an active fiscal expansion. According to data from the Ministry of Finance (MoF), by end-June 2025 total state budget revenues amounted to KZT 14.5 trillion, an increase of 17.6% yoy or KZT 2.2 trillion. The rise was mainly driven by tax revenues, which grew 20.4% yoy (up by KZT 1.8 trillion), while non-tax revenues declined slightly by 1.1% yoy. Budget expenditures also increased, up 15.2% yoy. Fiscal spending continues to be supported by transfers from the National Fund (NF), which accounted for 21.5% of total budget revenues. The volume of transfers also rose year-on-year — from KZT 2.75 trillion in H1 2024 to KZT 3.12 trillion in January–June 2025 (+13.5% yoy).

As of end-June 2025, NF assets stood at USD 60.3 billion, increasing by 2.5% since the beginning of the year. According to the National Bank of Kazakhstan (NBK), this growth was driven mainly by strong investment income. However, according to MoF, NF recorded an investment management loss of KZT 584 billion in Q1 2025. The discrepancy between NBK and MoF data raises questions regarding differences in reporting periods and accounting methodologies. Inflows to NF during H1 2025 amounted to KZT 1.2 trillion, which is 56% lower than in the same period last year (KZT 2.8 trillion). The main reason for the decline in inflows was a reduction in direct taxes from oil sector companies — from KZT 2.3 trillion to KZT 1.8 trillion — reflecting lower oil prices. As a result, there was a net outflow of around KZT 1.9 trillion. The accelerated use of NF transfers creates risks for Kazakhstan's financial stability and long-term economic sustainability. Persistent reliance on NF to finance short-term fiscal needs reduces its stabilizing role. In addition, current global market volatility and the projected decline in oil prices could lead to lower investment income of NF, which currently covers a large share of the gap between withdrawals and inflows.

Tight monetary policy conditions persist

In the first half of 2025, inflationary pressures intensified. In January, annual inflation stood at 8.9%, rising to 11.8% in June (11.3% in May). The main drivers were higher utility tariffs, fiscal stimulus, and the weakening of the tenge at the end of 2024 and in January 2025, which increased imported inflation.

Monthly inflation, which peaked in February–March (1.5% and 1.3%, respectively), gradually slowed. In June it stood at 0.8% (0.9% in May), while the growth rate of service prices declined significantly, in line with our expectations.

The base rate, which the NBK raised from 15.25% in January to 16.50% in March, has remained unchanged since then. According to the regulator, this decision was based on updated inflation and GDP growth forecasts, as well as the results of risk assessments and data analysis.

External and domestic pro-inflationary factors persist, including the high level of NF transfers, exchange rate volatility, and lower oil prices. The largest contribution to price growth came from paid services (mainly due to higher regulated tariffs for housing and utilities) and non-food goods, reflecting the high import share in consumption, fluctuations in global commodity prices, and limited potential to expand domestic supply. A key challenge for monetary policy effectiveness remains the procyclical nature of fiscal spending, which supports aggregate demand even under tight monetary conditions. Substantial government expenditures offset the effect of the high base rate, emphasizing the need for better coordination of macroeconomic policies.

Taking these factors into account, we expect annual inflation to remain within the range of 10–11% by the end of 2025, with a high likelihood of approaching the upper bound. Based on NBK statements, the base rate is expected to remain at 16.50% through the end of the year. In the longer term, returning inflation to target levels will require not only a tight monetary policy but also structural measures aimed at diversifying production and smoothing fiscal cycles.

National currency strengthened

Kazakhstan's foreign exchange market in 2025 remained influenced by mixed internal and external factors. On the one hand, the tenge was supported by significant foreign currency sales from NF and proceeds from gold exports, which helped to smooth short-term volatility amid strong import demand. On the other hand, pressure persisted due to imports exceeding export revenues. For the first five months of 2025, imports grew by 2.2% yoy, while total exports fell by 9.2% yoy in nominal terms.

By the end of June, the exchange rate stood at 520.4 KZT per USD, compared with 523.5 KZT per USD in December. The main factors supporting the tenge since the beginning of the year included NF foreign currency sales of USD 4.95 billion, mirrored gold operations, mandatory conversion of foreign currency earnings by quasi-sovereign companies, and a temporary suspension of FX purchases for the Unified Pension Fund (UAPF) in January–February. The weakening of the tenge to around 540 per USD in July is viewed as temporary and not reflective of underlying fundamentals. We expect the NBK to take appropriate measures to stabilize the situation.

Current measures are aimed at stabilizing short-term volatility in the domestic currency. However, the exchange rate remains sensitive to global market conditions, including oil and metal prices, geopolitical risks, and the exchange rate policies of key trading partners. As Kazakhstan is a small open economy with a relatively shallow FX market, any significant imbalance between foreign currency demand and supply can lead to deviations from fundamental levels. In baseline scenario, we expect the tenge to gradually depreciate toward 550–560 per USD by the end of 2025. This forecast assumes an average oil price of USD 70 per barrel and annual oil exports of around 95–97 million tons.

Halyk Finance forecasts

Key macroeconomic indicators	2023	2024	Forecast 2025
Oil Brent, average, USD/bbl.	82,6	80,7	70,0
Oil output, million tons	90,0	87,6	95-97
Real GDP, % yoy	5,1	4,8	5,6
Exchange rate USDKZT, eop	454,6	523,5	550-560
Exchange rate USDKZT, average	456,3	469,4	540,0
CPI, % change yoy	9,8	8,6	10-11
Base rate, %	15,75	15,25	16,50
Current account, % to GDP	-3,4	-1,3	-3,8

THE ECONOMY DEMONSTRATED RECORD GROWTH IN THE FIRST HALF OF THE YEAR

In the first half of 2025, Kazakhstan's economy showed its fastest growth in 14 years. According to preliminary government estimates, real GDP increased by 6.2% yoy, significantly higher than in the same period of 2024 (3.2% yoy). The Short-Term Economic Indicator, which tracks the performance of key sectors, reached a decade-high of 9.0% yoy.

The strongest growth was recorded in transport (22.7% yoy) and construction (18.4% yoy), which together account for about 11.5% of GDP. Other sectors also demonstrated positive momentum: trade (16.5% of GDP) grew by 8.4% yoy, and industry (28.2% of GDP) expanded by 6.5% yoy. Growth in the mining sector (8.4% yoy) was driven largely by increased oil production, while manufacturing (5.5% yoy) was supported by higher output in selected production categories. The only sector that showed a decline was water supply (-5.3% yoy).

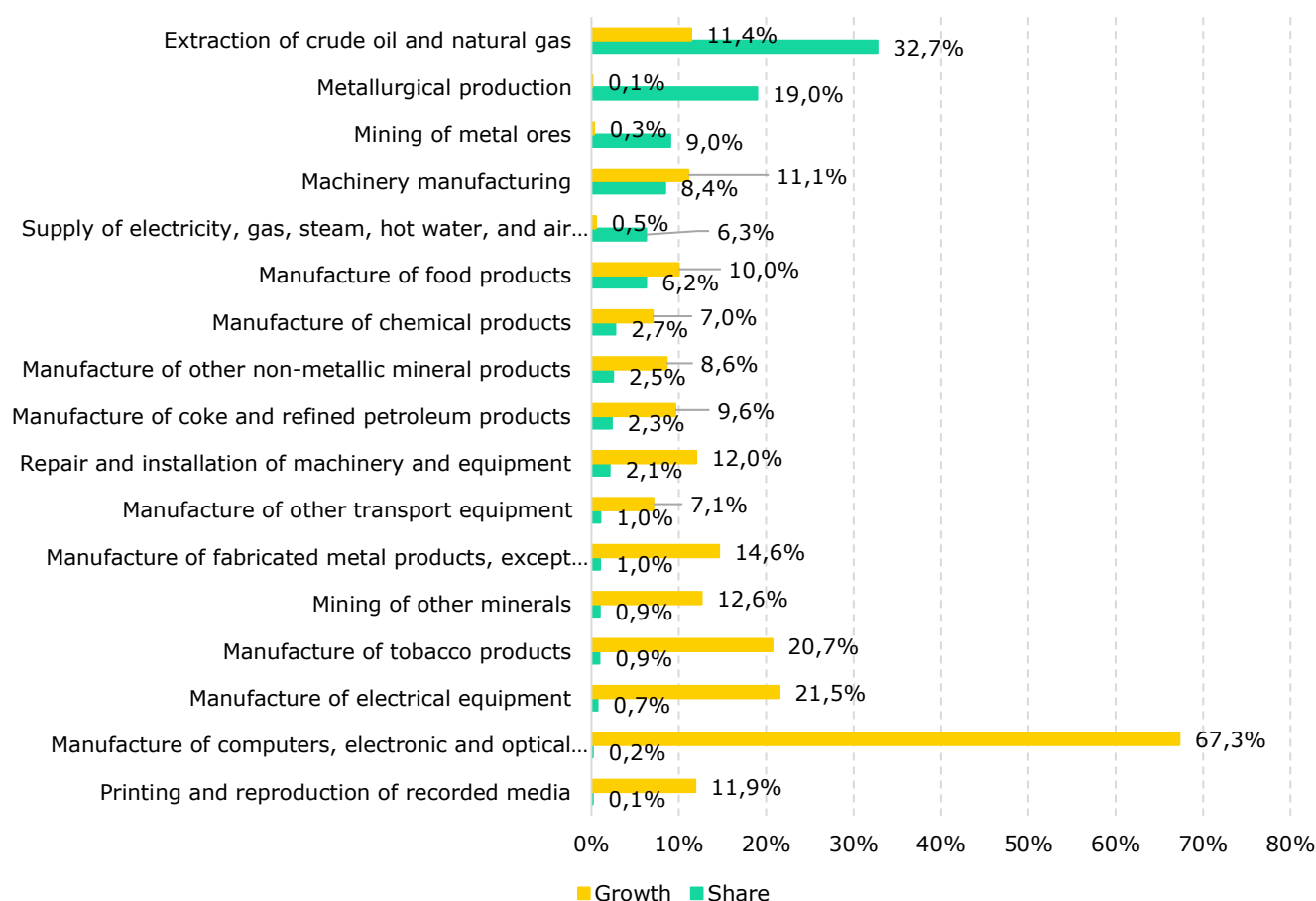
Figure 1. GDP growth by sector, % yoy

	6M2024	2024	3M2025	6M2025
GDP	3,2	4,8	5,8	6,2
STEI	3,9	6,2	8,3	9,0
Trade	3,9	9,1	6,3	8,4
Manufacturing	5,1	5,9	8,7	5,5
Mining	0,3	-0,2	6,1	8,4
Transport	7,3	8,5	21,0	22,7
Construction	8,6	13,1	16,9	18,4
Agriculture	3,4	13,7	3,7	3,7
Telecommunications	8,7	5,0	-0,4	3,1

Source: BNS, MNE

Oil production made the largest contribution to industrial growth

Figure 2. Composite contribution of sectors to industrial growth in H1 2025



Source: BNS

To assess each sector's contribution to industrial growth, we took into account not only growth rates but also the sector's share in total output, calculating the relative weight of each component. The main contributors were crude oil and natural gas extraction (share – 32.7%, growth – 11.4% yoy), machinery manufacturing (share – 8.4%, growth – 11.1% yoy), and food production (share – 6.2%, growth – 10.0% yoy). Metallurgical production, which occupies a significant share in industry (19%), has shown a slowdown for the second consecutive month (+0.1% yoy). The highest growth within industrial sectors was recorded in computer and electronic equipment manufacturing (+67.3% yoy), although its share remains modest at 0.2% (Figure 2).

Growth in individual industrial categories was also driven by a number of external factors, the most important of which were last year's increase in fixed asset investment and price dynamics. Investments by enterprises in modernization and capacity expansion typically have a lagged effect on output — ranging from several months to two years. In the first quarter of 2025, investment in fixed assets rose by 6.3% yoy, and in the first half of 2025 by 19.3% yoy, which could have positively influenced industrial growth this year.

Extensive growth in the mining sector

The mining industry, one of the key drivers of Kazakhstan's economy and accounting for about 12% of GDP, accelerated to 8.4% yoy in the first half of 2025 after a period of slower growth at the end of 2024. The increase was mainly driven by higher production of crude oil and natural gas, which rose by 11.4% yoy and account for about 72% of the sector's output. At the same time, oil exports for the first five months of 2025 declined by 14% yoy amid a sharp drop in global oil prices during the second quarter. On July 16, during a government meeting, the Ministry of Energy reported that oil exports reached 39.6 million tons in the first half of the year, an increase of 11.9% yoy. The discrepancies between official Bureau of National Statistics (BNS) data and the Ministry of Energy's figures raise questions about the accuracy and consistency of reporting. Overall, growth in oil production was supported by higher physical production volumes.

Metal ore extraction, which represents about 20% of the sector, grew by 0.3% yoy, while coal mining increased by 11.7% yoy and other mineral extraction by 12.6% yoy.

The main driver of mining growth was the expansion of oil production at the Tengiz field, which, in our view, was a decisive factor behind the acceleration of the national economy in the first half of 2025. As the Tengiz project approaches completion, oil production growth is expected to slow in the second half of the year, which may also moderate overall industrial dynamics.

Growth in manufacturing

The manufacturing sector, which accounts for about 11.9% of GDP, slowed to 5.5% yoy compared with 8.7% yoy in the first quarter of 2025 (5.1% yoy in the first half of 2024). The sector's dynamics were supported by large-scale infrastructure projects and an increase in oil production, which stimulated demand for machinery, metal structures, and construction materials. Most key subsectors contributed positively to growth. The largest contributions came from food production, which grew by 10.0% yoy and accounts for 13.2% of total manufacturing output, and machinery production, which increased by 11.1% yoy and represents 17.8% of the sector.

The metallurgy industry, which has a dominant share of about 40% in manufacturing, showed a near-zero growth rate of 0.1% yoy, acting as a constraint on the overall performance of the sector. The slowdown in metallurgy was mainly due to weaker dynamics in ferrous metallurgy (–0.5% yoy), which accounts for roughly a quarter of metallurgical output. The decline was caused by reduced production of rolled metal, steel pipes, and reinforcement bars amid rising costs, higher tariffs, and limited access to raw materials. Restrictions on the export of raw materials have not yet resolved market imbalances, while limited technological modernization constrains the ability to produce competitive, higher value-added goods.

Investment in metallurgy increased by 4.0% yoy in the first half of 2025 after a decline a year earlier, indicating a gradual recovery in capital spending. Global price pressure on steel and ferroalloys amid macroeconomic uncertainty and trade restrictions also affected sector performance. Going forward, large infrastructure projects and growth in oil production will continue to support demand for industrial goods. Given that manufacturing remains one of the main beneficiaries of state support programs, positive dynamics in the sector are expected to persist through the end of the year.

Trade growth began to accelerate

Trade remains one of the key sources of economic growth, accounting for 16.5% of GDP. In the first half of 2025, trade turnover increased by 8.4% yoy, demonstrating a clear recovery after a temporary slowdown in January. Growth was observed in both wholesale and retail segments. Wholesale trade continues to dominate, representing 67.4% of total turnover, while retail accounts for 32.1%.

Wholesale trade grew by 9.2% yoy, supported mainly by the expansion of the mining industry, as wholesale activities are closely linked to the sale and distribution of intermediate goods used in extraction and processing. The low-base effect of the first half of 2024 (3.3% yoy growth) also contributed to stronger dynamics.

The non-food and industrial goods segment, which forms about 82% of wholesale turnover, rose by 16.3% yoy, while the food segment decreased by 0.7% yoy. Growth was concentrated in nine key product groups that together account for more than 45% of total wholesale trade: crude oil and petroleum products, natural gas, household appliances, mobile phones, pharmaceuticals, machinery, grain, and tobacco products.

Although the low-base effect is expected to weaken by the end of the year, wholesale trade should remain supported by continued increases in oil production and ongoing government support for key industries.

Retail trade, which accounts for a smaller share of the sector, also accelerated to 6.6% yoy in the first half of 2025 (compared to 5.6% yoy in the same period of 2024). Non-food goods account for 69.9% of retail turnover, while food products make up 30.1%. The e-commerce segment continues to expand rapidly. In the first half of 2025, its turnover increased by more than 10% yoy, reaching KZT 1.5 trillion, with 87% of total online sales concentrated among six major marketplaces. Despite these positive trends, further acceleration in retail trade may be constrained by slowing real income growth and the tightening of monetary conditions, which are likely to restrain consumer lending and demand in the coming quarters.

Infrastructure projects support the transport sector

The transport sector continued to demonstrate high growth rates, expanding by 22.7% yoy in the first half of 2025. Growth was primarily driven by the implementation of large infrastructure projects financed from the budget. The share of public investment in the sector remains substantial, accounting for about 35% of total capital expenditures. Freight turnover increased by 12.8% yoy, mainly due to higher volumes of rail transport, while passenger turnover rose by 12.0% yoy, largely on the back of expanding road transport services. Road freight showed particularly strong dynamics, with turnover rising by 40.8% yoy, supported by infrastructure upgrades, logistics expansion, and a rebound in domestic demand. Pipeline transportation also posted robust growth of 18.2% yoy, reflecting higher oil production and export volumes.

The sector's performance was further supported by recovery effects, higher state investment activity, increased transit flows through Kazakhstan's territory, and favorable conditions for international trade and logistics.

Growth in construction of non-residential real estate

In the construction sector, growth in the first half of 2025 reached 18.4% yoy. Output increased in structures by 29.2% yoy, in residential buildings by 15.8% yoy, and in non-residential buildings by 5.2% yoy. High growth in these areas was also supported by public financing, as the largest share of contracted work was in non-residential buildings (excluding retail facilities) at 22.0% of total sector work, as well as roads and highways (16.0%). The volume of road and highway construction increased by 42.8% yoy.

Other sectors

Agriculture maintained growth at the first-quarter pace of 3.7% yoy, supported by a 3.2% yoy increase in livestock output, including an 8.3% yoy increase in cattle headcount.

The communications sector, after negative dynamics in Q1, accelerated to 3.1% yoy, mainly due to the development of internet services (+14.3% yoy), alongside declines in telecommunications and mobile services (-16.8% yoy and -1.2% yoy, respectively).

Our forecast

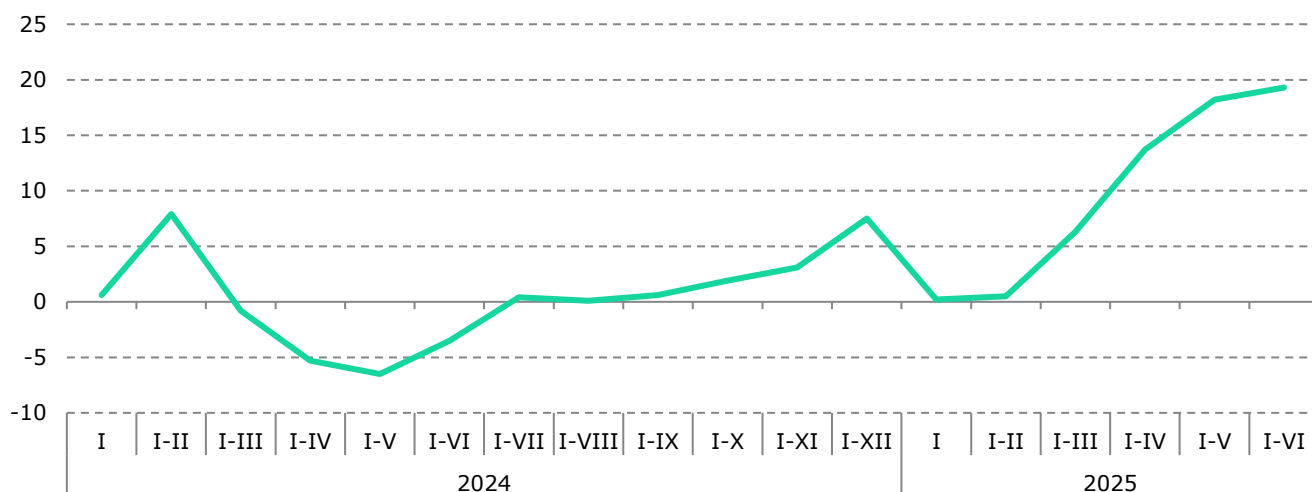
According to our estimates, Kazakhstan's economy will post strong growth of 5.6% in 2025. The main driver will be the expansion of oil production under the Future Growth Project at the Tengiz field. Additional support will come from the implementation of large-scale infrastructure projects and elevated spending from the budget and the National Fund; the approved level of NF transfers for 2025 is KZT 5.25 trillion.

On the other hand, constraining factors include tight monetary policy and a relatively low level of factor productivity and investment, which limit long-term growth. Given elevated pro-inflation risks stemming from fiscal stimulus and exchange-rate fluctuations, the NBK will likely keep the base rate unchanged through year-end, which may cap GDP growth. Our baseline assumes an average Brent oil price of USD 70 per barrel. Geopolitical challenges and volatility in global prices for oil and other commodities could affect the attainment of the forecast growth.

INVESTMENTS IN FIXED ASSETS SHOW GROWTH

In January–June 2025, investment in fixed assets increased by 19.3% yoy, showing an acceleration in the positive trend that began in spring. Excluding budget funds and individual developers, investment growth amounted to 8.4% yoy. The main driver of this acceleration remains the low base: in the first half of 2024, investment declined by 3.5% yoy amid weak business activity, postponed implementation of large projects, and fiscal constraints. This year, the recovery is supported by the expansion of public spending and the activation of infrastructure modernization programs.

Figure 3. Investment in fixed assets, % yoy



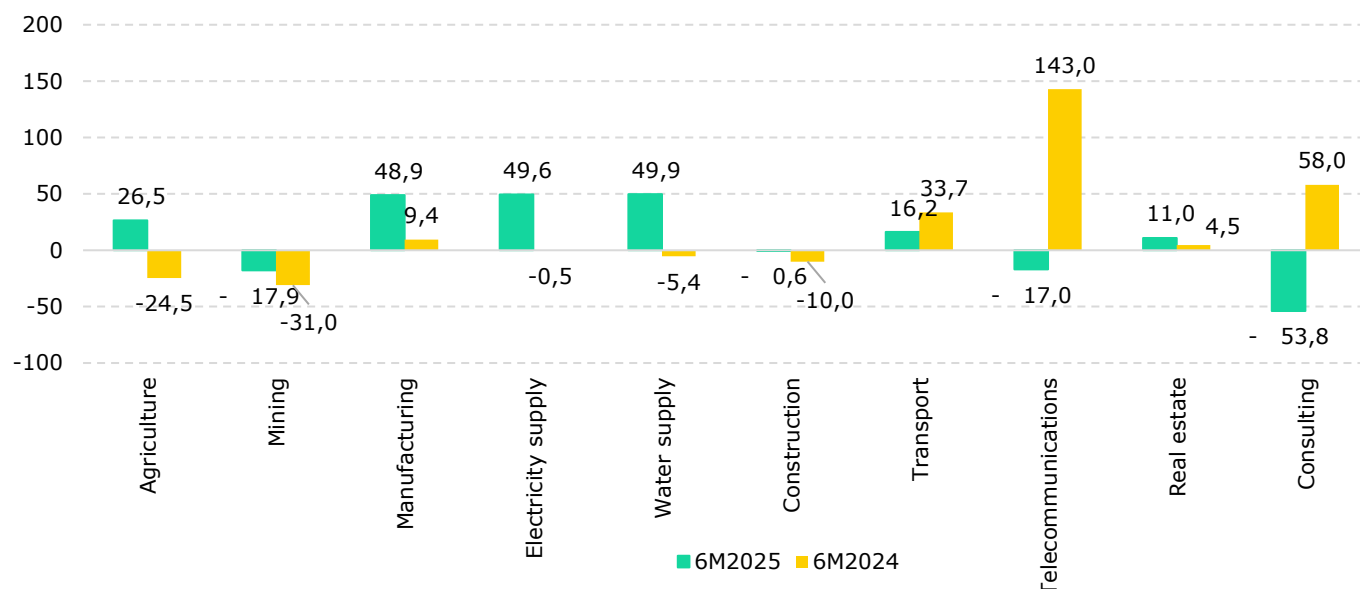
Source: BNS

In the mining sector, investment decreased by 17.9% yoy. This sector accounts for 42% of total industrial investment. Within oil and gas extraction, capital expenditures fell by 31.6% yoy, reflecting the near completion of the Tengiz Future Growth Project. Other categories also recorded declines, including construction (–0.6% yoy), professional and scientific activities (–53.8% yoy), and administrative services (–5.7% yoy). Telecommunications investment dropped 17.0% yoy due to the completion of earlier large-scale projects, which had surged by 143.0% yoy in the first half of 2024.

Growth was concentrated mainly in non-resource sectors. Manufacturing provided the largest positive contribution, with investment up 48.9% yoy. Within manufacturing, investment increased in metallurgy by 4.0% yoy, in food production by 48.0% yoy, and in machinery production by 95.7% yoy. Investments in coke and refined petroleum products tripled, while chemicals rose by 79.4% yoy and other non-metallic mineral products by 15.8% yoy.

Positive dynamics were also observed in transport (up 16.2% yoy), trade (up 21.8% yoy), education (3.5 times), public administration (up 59.5% yoy), and financial activities (1.9 times). In the electricity and water supply sectors, investment increased by 49.6% yoy and 49.9% yoy respectively, due in part to the low base of the previous year (–0.5% yoy and –5.4% yoy in H1 2024). Nearly half of investments in these sectors (47% combined) were financed through the budget, reflecting the government's active role in stimulating recovery processes.

Figure 4. Investment in fixed assets by sector, % yoy



Source: BNS

Given the decline in mining investment, real estate became the largest investment destination, with a share of 19.8% of total investment and an 11.0% yoy increase.

The share of budget funding rose to 21.9% (up from 14.6% a year earlier), with the nominal amount increasing 1.8 times. Excluding budget funds and individual developers, investment rose 8.4% yoy. The share of enterprises' own funds decreased from 72.0% in the first half of 2024 to 64.6% this year. Borrowed funds remain limited at 13.5% of total investment, including 3.8% financed by bank loans.

In terms of use, 67.4% of investments were directed toward construction and major repairs of buildings and structures, primarily financed by the state as part of infrastructure and social development programs. Investment in machinery and equipment accounted for 28.2% of the total, declining by 10.6% yoy due to the completion of the investment cycle in the resource sector.

STATE BUDGET REVENUES INCREASED

As of the end of June 2025, state budget revenues amounted to KZT 14.5 trillion, an increase of 17.6% yoy or KZT 2.2 trillion. This growth was mainly driven by tax revenues, which rose 20.4% yoy or KZT 1.8 trillion. The largest shares of tax revenues came from corporate income tax (28.0%), value-added tax (25.3%), personal income tax (12.8%), and customs duties (9.3%), which increased by 25.6% yoy, 21.9% yoy, 12.9% yoy, and 17.1% yoy, respectively (Table 1). Non-tax revenues declined slightly by 1.1% compared to the same period of 2024.

Budget financing continues to rely on transfers from the NF, which accounted for 21.5% of total state budget revenues. By the end of June 2025, actual transfers reached KZT 3.1 trillion, representing 76.3% of the planned annual amount. As a result, total revenue execution reached 98.1%. Meanwhile, the performance of tax and non-tax revenues exceeded their respective plans by 4.9% and 42.4%. The overperformance in non-tax revenues mainly stemmed from fines and penalties, which exceeded the plan by 221% and represented 25% of all non-tax revenues

Table 1. Structure of tax revenues of the republican budget, H1 2024–2025

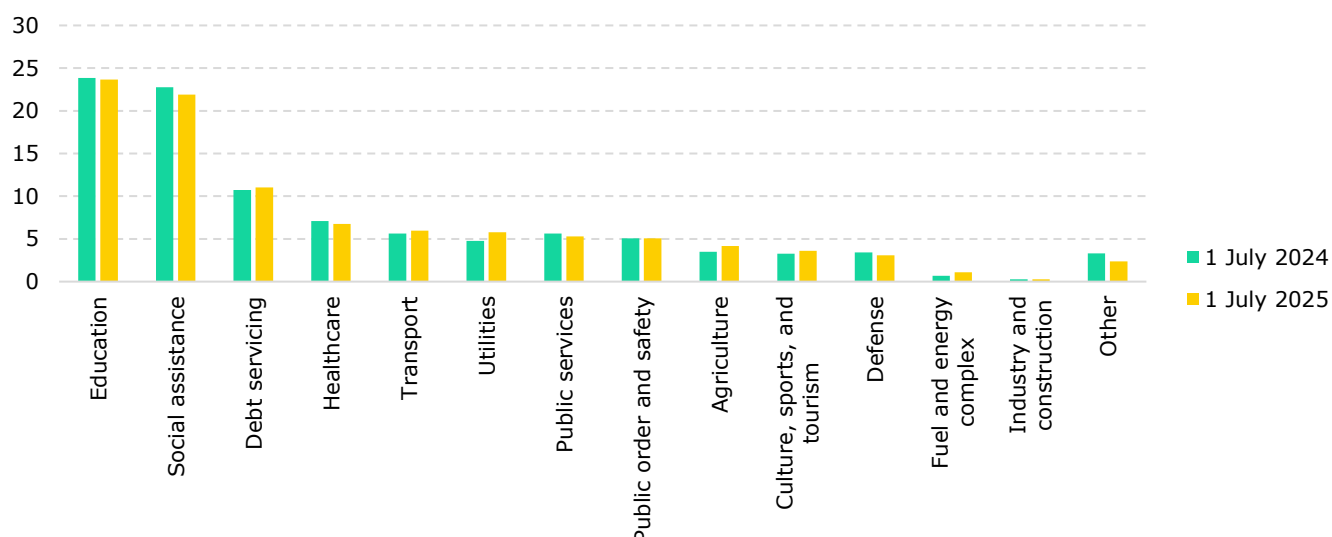
	Share in H1 2025, %	Growth in H1 2025, % yoy	Growth in H1 2024, % yoy
CIT	28,0	25,6	-0,6
VAT	25,3	21,9	-15,4
Transfers	21,5	13,5	28,2
PIT	12,8	12,9	25,9
Customs duties	9,3	17,1	-12,9

Source: MoF

State budget expenditures reached KZT 15.1 trillion by the end of June 2025, increasing by 15.2% yoy or KZT 2.0 trillion. The main spending categories were education (23.7%), social assistance (21.9%), debt servicing (11.0%), and healthcare (6.8%), while tourism, defense, and the fuel and energy complex accounted for 3.6%, 3.1%, and 1.1%, respectively (Figure 5). Changes were recorded in the structure of expenditures: the share of social assistance declined from 22.8% at the end of June 2024 to 21.9% at the end of June 2025, while housing and utilities rose from 4.8% to 5.8%, and agriculture increased from 3.5% to 4.2%. The share of debt servicing rose from 8.7% at the end of June 2023 to 10.7% a year later and reached 11.0% by June 2025, indicating rising fiscal pressure and the need for careful debt management in fiscal planning.

Particular attention should be paid to healthcare and education, which are key areas for developing human capital and have a multiplier effect on long-term economic growth. While in the first half of 2024 healthcare spending decreased by 17.2% yoy, its 9.6% yoy increase in the first half of 2025 suggests partial recovery. However, the share of healthcare in total expenditures declined from 9.1% in H1 2023 to 7.1% and 6.8% in H1 2024 and H1 2025, respectively. Without adequate support for this sector, it will be difficult to ensure improvements in the quality of life and sustainable social development. Spending on education demonstrated greater stability, with its share amounting to 23.7% of total expenditures in the first half of 2025 (23.9% in the first half of 2024).

Figure 5. Structure of state budget expenditures as of the end of June 2024 and 2025, %



Source: MoF

CHALLENGES FOR THE SUSTAINABILITY OF THE NATIONAL FUND

As of the end of June 2025, NF assets totaled USD 60.3 billion, increasing by 2.5% since the beginning of the year (a decline of 1.9% yoy). According to the NBK, the increase during the first half of the year was mainly driven by investment income, preliminarily estimated at USD 4.7 billion, or 7.8%. The Ministry of Finance, however, reported an investment management loss of KZT 584 billion in the first quarter of 2025. The discrepancy between the NBK and MoF data raises questions regarding the accounting periods and methodology.

Inflows to NF amounted to KZT 1.2 trillion in the first half of 2025, which is 56% lower than in the same period of the previous year (KZT 2.8 trillion). The decline was primarily due to a reduction in direct taxes from oil sector companies — from KZT 2.3 trillion to KZT 1.8 trillion — amid lower oil prices. As a result, the net outflow from NF reached about KZT 1.9 trillion.

Withdrawals remained high, totaling KZT 3.1 trillion in the first half of 2025 (excluding management expenses), up 13.5% yoy. In 2024, when the average oil price was close to USD 81 per barrel, withdrawals (excluding investment income) exceeded inflows by KZT 1.8 trillion. The approved amount of transfers for 2025 — KZT 5.25 trillion — reflects a continuation of procyclical fiscal policy, where spending growth outpaces revenue. Although such transfers help cover short-term budget needs, they simultaneously reduce the NF's stabilization capacity and increase fiscal vulnerability.

Given the NF's dependence on oil revenues, a further decline in oil prices could put additional pressure on inflows. Elevated volatility in global financial markets may also lower investment returns, which currently cover a significant part of the gap between withdrawals and inflows. Strict adherence to fiscal rules and countercyclical principles would strengthen the long-term sustainability of NF assets and enhance fiscal policy predictability.

SLOWDOWN IN WAGE GROWTH AND DECLINE IN HOUSEHOLD INCOME

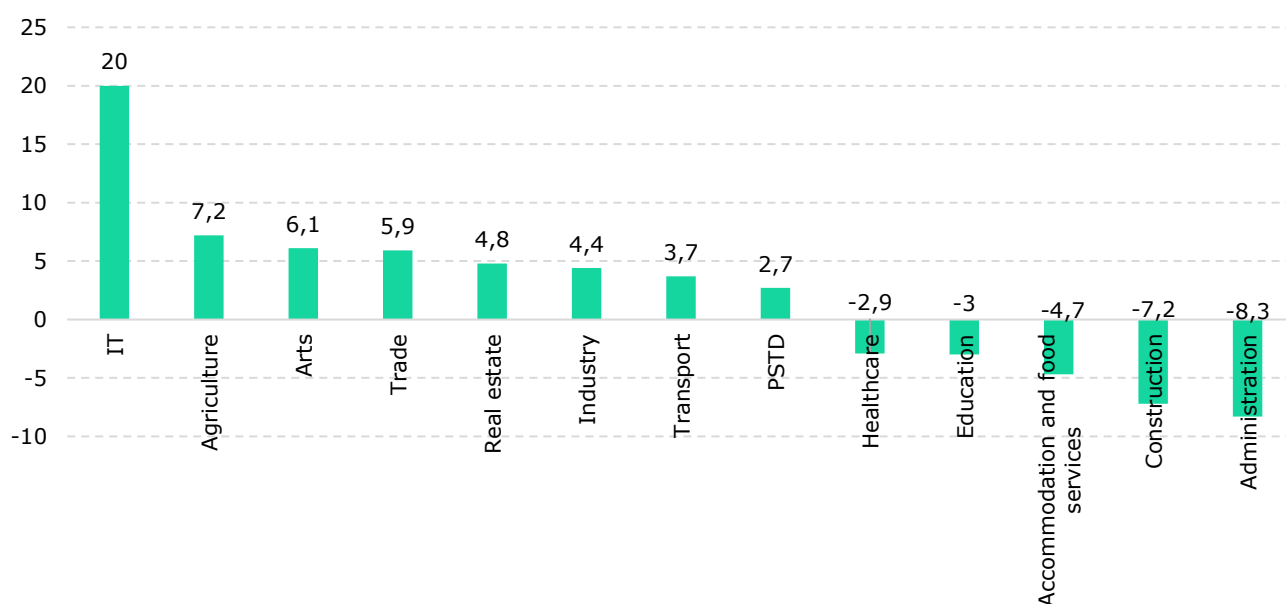
Employment and wage dynamics

As of the end of Q1 2025, the number of employed persons in the economy was about 9.3 million, of which 7.1 million (76.9%) were employees and 2.2 million (23.1%) were self-employed. The unemployment rate has remained at 4.6% for three consecutive quarters. At the same time, female unemployment was higher (5%) than male unemployment (4.3%). The rate of long-term unemployment rose significantly in Q1 2025 to 1.7%, compared with below 1.1% throughout the previous year. On the other hand, youth unemployment declined slightly by 0.2 percentage points.

In Q1 2025, the nominal average wage amounted to KZT 423,000, increasing by 10.7% yoy in nominal terms. The pace of nominal wage growth remained unchanged compared to Q1 2024, while the growth rate of real wages declined sharply — from 12.7% yoy in Q1 2022 to 1.2% yoy in Q1 2025. The median wage was lower than the average, at KZT 300,000 in Q1 2025, indicating an uneven distribution of earnings among wage workers.

Wage dynamics across industries reveal significant disparities: telecommunications showed a 20% yoy increase in real wages, while education, healthcare, construction, and administrative services experienced a marked decline (Figure 6). As wages account for 66.9% of total household income, changes in real wages directly influence overall income levels.

Figure 6. Real wage dynamics by sector in Q1 2025, % yoy



Source: BNS

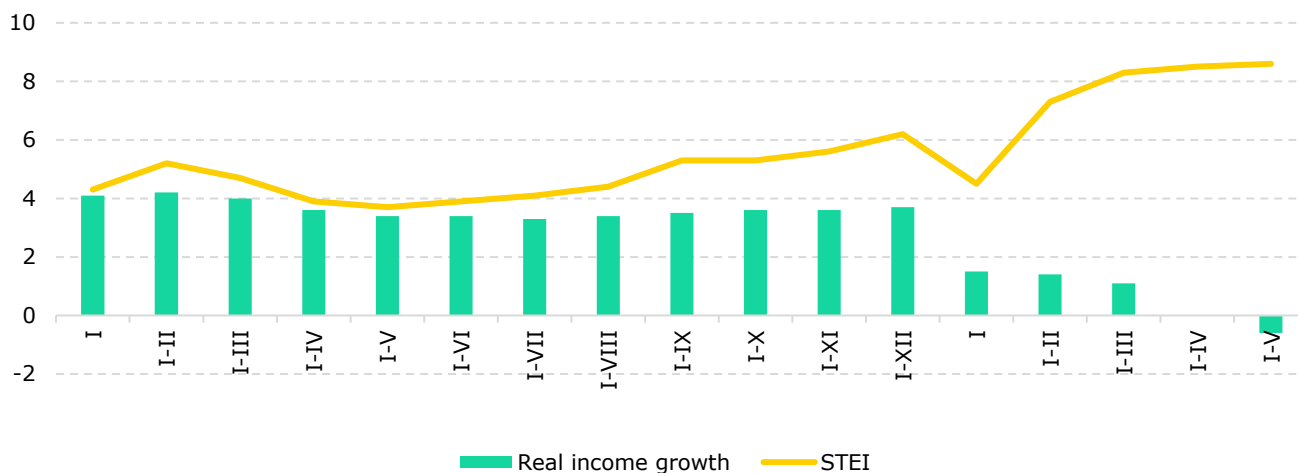
Note: sectors with changes in real wages below 1% are excluded
PSTD – Professional, scientific, and technical activities

Overall, amid renewed inflationary pressures, real wages continue to decline, lagging behind GDP growth. While the economy expanded by 5.8% yoy in Q1 and by 6.2% yoy in H1 2025, the dynamics of real wages remain weak. For more balanced economic and social development, it is essential to stimulate productivity growth and direct resources toward labor-intensive sectors.

Household income and consumption dynamics

While wages showed modest growth, real household incomes slowed in Q1 2025 and began to decline after March 2025 (Figure 7). The decline in real income was driven by rising inflation, from 8.9% yoy in January to 11.8% yoy in June, and the depreciation of the tenge in late 2024. At the same time, the poverty rate in Kazakhstan gradually decreased from 4.8% in Q4 2024 to 4.5% in Q1 2025.

Figure 7. Real income dynamics, % yoy



Source: BNS

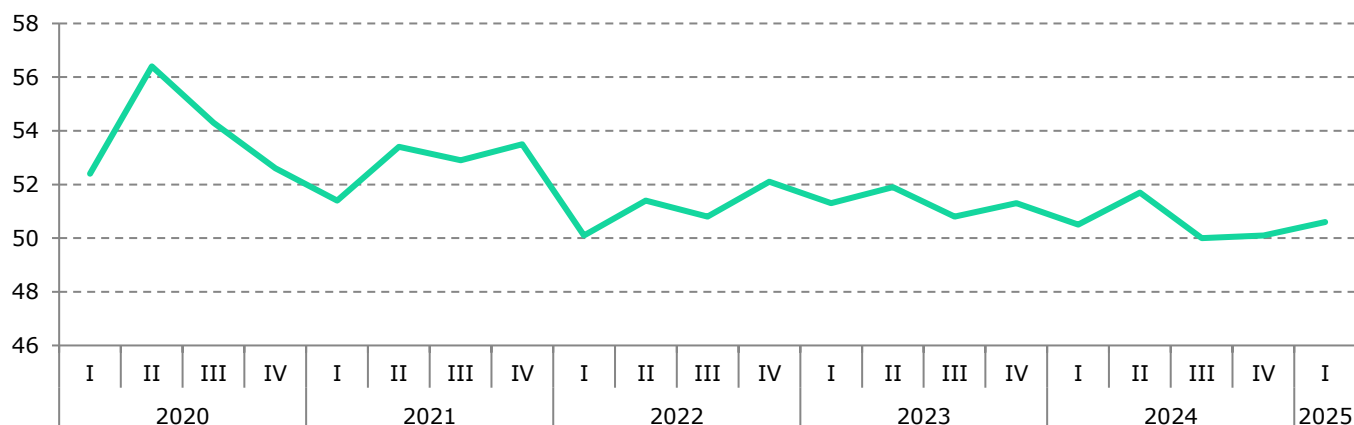
Note: real income data for January–June have not yet been compiled

In Q1 2025, real income from self-employment and entrepreneurial activity, as well as social assistance and remittances, fell sharply — by 9.4% yoy, 8.9% yoy, and 9.1% yoy, respectively — negatively affecting aggregate household income and increasing socio-economic risks. The only income source showing positive dynamics was pensions, which rose by 8.2% yoy and accounted for 16.6% of total household income.

Implementing an adequate and well-targeted social policy remains one of the government's key instruments and has become even more relevant this year. Planned tax increases and the government's intention to redistribute public expenditures could further pressure real household incomes.

Particular attention should be given to the share of consumer spending in total household expenditures: despite the annual growth of real incomes, for the past five years Kazakhstani households have been spending more than 50% of their budgets on food products (Figure 8).

Figure 8. Share of food expenditures in total household spending in 2020–2025, quarterly, %



Source: BNS

The current situation is driven by a combination of interrelated factors: inflationary pressure, dependence on food imports, and the specific characteristics of the services market. First, as noted earlier, nominal income growth is being offset by inflation, which limits households' ability to reallocate expenditures and keeps the share of food spending consistently high at around 50–52% over the past three years. This trend may be explained not only by declining real wages but also by decreases in other income sources (excluding pensions). Second, a significant imbalance in foreign trade creates additional upward pressure on food prices. To change the existing structure of household expenditures, a qualitatively different pace of real income growth is required, as current growth rates remain insufficient to transform consumer spending patterns.

TIGHT MONETARY POLICY CONDITIONS PERSIST

The National Bank continues to pursue a tight monetary policy aimed at containing accelerated inflation. Since March 2025, the base rate has been maintained at an elevated level of 16.50% (Figure 10). According to the latest official statement by the NBK, persistent inflationary pressure, the current pace of inflation, and external uncertainty suggest a high likelihood that the base rate will remain at its current level until the end of 2025.

Since the beginning of 2025, the pace of price growth has noticeably strengthened. Quarterly inflation rose to 3.9% in Q1 2025 (2.7% in Q4 2024) and slightly decreased to 3.5% in Q2 (Figure 9). As of June 2025, annual inflation reached 11.8% (11.3% in May; 10.7% in April). The main inflation component in Q2 was paid services, which accelerated to 4.6% compared with 3.8% in Q1 (quarterly terms). Meanwhile, food inflation slowed to 3.6% versus 4.1% in Q1, and the growth rate of non-food goods prices declined slightly to 2.1% from 2.3% (quarterly terms).

Figure 9. Quarterly inflation

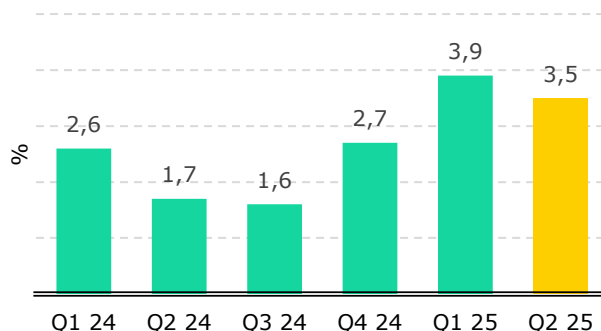
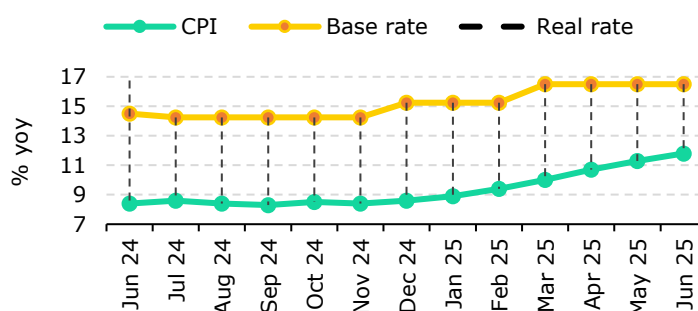


Figure 10. Inflation and base rate dynamics



Source: BNS

The inflation structure shows that the main contribution to its acceleration this year came from non-food goods and paid services. While in January inflation in the non-food segment was 8.4% yoy, by June it had risen to 9.4% yoy. Notably, the monthly increase in non-food prices unexpectedly accelerated in June to 0.9%, driven by adjustments to tariffs for certain utilities and the continued rise in the cost of imported goods amid exchange-rate fluctuations. The most significant and stable contribution to overall inflation comes from the paid services sector. In June 2025, service prices grew by 16.1% yoy. This trend reflects both the general effect of indexation of regulated housing and utility tariffs and the steady rise in prices for several commercial services. To curb inflation, the government decided to limit further tariff increases for housing and utility services: the forecasted rise is capped at 15–20%, and the previously planned tariff hikes in electricity and heating were revised from 35% to 20%, while in water supply and gas from 50% to 30%.

In June, food prices also increased, reaching 10.6% yoy. In Kazakhstan, food inflation traditionally slows during the summer months due to seasonal declines in fruit and vegetable prices. However, this year, as the data show, the usual seasonal pattern did not materialize. This deviation is largely linked to the country's high dependence on imported food products — primarily from Russia — where inflationary pressures remain elevated.

It should be noted that, under current conditions, the effectiveness of the base rate as an anti-inflationary instrument is limited by the nature of price formation factors. In our view, inflation in Kazakhstan continues to be predominantly supply-driven, primarily associated with rising prices for services, especially regulated tariffs, which have a prolonged effect on the overall price level.

In addition, the food sector's vulnerability to fluctuations in global prices, dependence on imports, and internal logistics constraints have a significant impact on inflation. Tax reform and tariff adjustments will also have a long-term influence on price dynamics. The situation is further complicated by the current procyclical fiscal policy, characterized by large-scale transfers and high government spending. Such fiscal injections amplify aggregate demand, while the potential for rapid expansion of domestic supply remains limited.

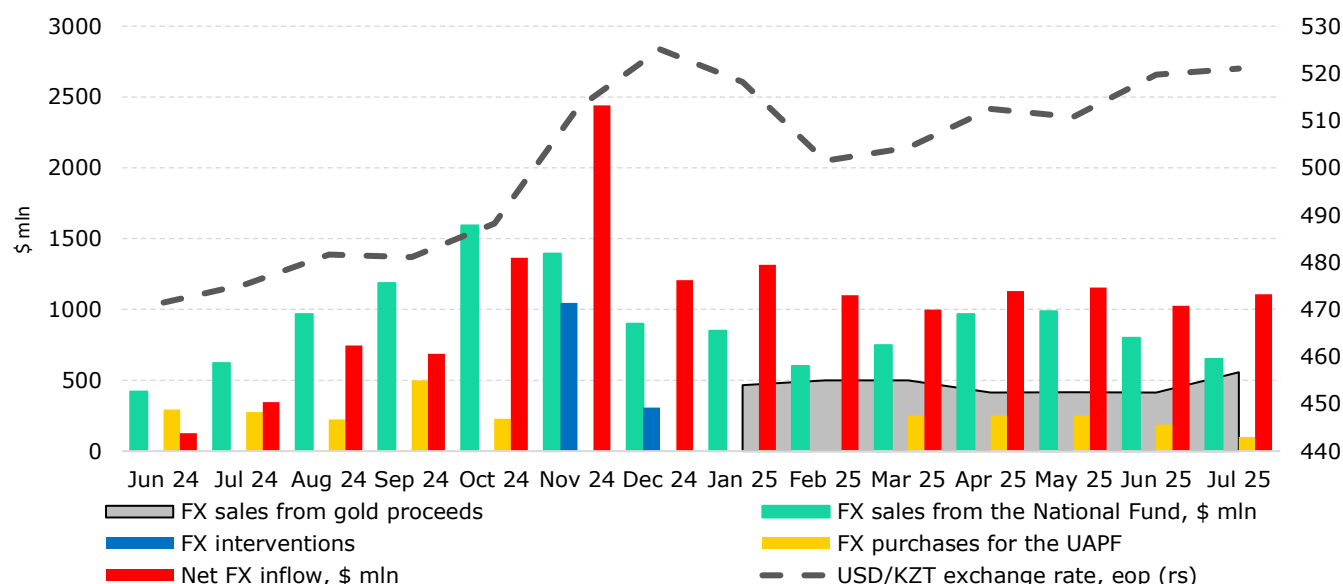
Other pro-inflationary factors include elevated inflation expectations over both one-year and five-year horizons. External influences also persist — fluctuations in oil and other commodity prices, developments along key trade routes, and geopolitical instability all continue to affect inflationary processes.

Taking into account all these factors, we have revised our year-end inflation forecast from 10% to 10–11%, reflecting the faster pace of price growth in the first half of the year. The risk of inflation shifting toward the upper bound of this range is assessed as the most likely scenario.

NATIONAL CURRENCY STRENGTHENED

After a period of volatility at the end of 2024, the national currency strengthened slightly in the first half of 2025. The USD/KZT exchange rate at the end of June stood at 520.4 KZT per USD, compared with 523.5 KZT per USD at the end of December — an appreciation of 1% amid continued volatility in commodity markets. The tenge was supported at the beginning of the year by several factors, including a high volume of foreign currency sales from the National Fund (USD 4.95 billion during the first half of 2025) to finance budget transfers, mirrored gold operations, and the sale of 50% of foreign currency earnings by quasi-sovereign entities. In addition, in January–February, the purchase of foreign currency to maintain the foreign asset share of pension assets (UAPF) was temporarily suspended, which, along with seasonally lower demand for foreign currency early in the year, provided further support to the tenge (Figure 11).

Figure 11. USD/KZT exchange rate and NBK foreign exchange operations



Source: NBK

Note: July data are forecast values

In the second quarter, the tenge experienced some weakening: the average monthly exchange rate for Q2 was 513.77 KZT per USD, compared with 510.7 KZT per USD in Q1. This movement reflected the active implementation phase of budget programs, the revival of the investment cycle, and the realization of infrastructure projects requiring foreign currency inflows. A decline in exports alongside rising imports over the first five months of 2025 led to a reduction in the trade surplus, which also exerted pressure on the exchange rate. The national currency remains vulnerable to fluctuations in export revenues; the current account balance continues to be under pressure due to faster growth of imports — primarily investment and consumer goods — which is typical during periods of large-scale infrastructure projects and government programs. A domestic factor reinforcing pressure on the tenge is the ongoing procyclical fiscal policy. Large transfers from the National Fund and extensive government spending increase domestic demand, including for imported goods and services. As a result, demand for foreign currency grows, which is offset through reserve conversions but does not address the underlying issue of a structural current account deficit.

In July 2025, the tenge weakened significantly — exceeding 530 KZT per USD — which was not driven by fundamental factors. We believe that in cases of heightened market volatility, the National Bank should intervene in the exchange rate formation process through targeted interventions.

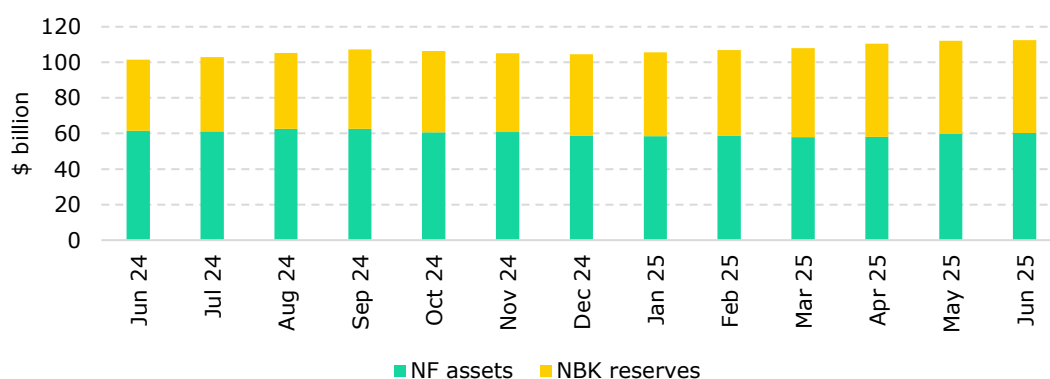
Given the continued high level of fiscal spending and the consistent pattern of FX sales from the National Fund, we expect the tenge to remain supported in the second half of the year. However, as transfer volumes normalize and imports potentially rise, exchange rate pressure will persist. Under the baseline scenario, assuming an oil price of USD 70 per barrel and annual oil exports of 96–97 million tons, we expect a gradual depreciation of the national currency to 550–560 KZT per USD by year-end. In the long term, the sustainability of the tenge will depend not only on the scale of FX interventions and NF sales but also on the economy’s ability to reduce import dependence and diversify its export structure.

INTERNATIONAL RESERVES INCREASED

Consolidated international reserves at the end of June 2025 amounted to USD 112.3 billion, up 7.4% since the beginning of the year (Figure 12). The National Fund’s foreign currency assets and the National Bank’s gold and foreign exchange reserves grew by 2.5% and 13.5%, respectively, while assets in freely convertible currencies fell by 10%. Meanwhile, monetary gold in value terms continued to rise, increasing by 35.3% year-to-date, which contributed significantly to the overall growth of reserves. This was largely driven by the rise in global gold prices — up more than 22% since the beginning of the year. According to the World Gold Council, the National Bank of Kazakhstan was the global leader in gold purchases in May, increasing its gold holdings by 15 tons over the first five months of 2025. As a result, the National Fund’s gold portfolio grew by USD 0.8 billion or 25.5% in the first half of the year.

The adequacy of international reserves remains high. Reserve indicators exceed threshold values across all key criteria: total reserves amount to 38% of the country’s exports and 70% of Kazakhstan’s external debt. Reserves also significantly surpass the benchmarks set by the IMF’s ARA methodology.¹

Figure 12. Consolidated international reserves



Source: NBK

According to data from the Ministry of Finance, there has been an outflow of funds from the National Fund: as of the end of June 2025, the net outflow since the beginning of the year amounted to KZT 1.3 trillion (or KZT 1.9 trillion when accounting for the investment loss recorded in Q1 2025). The use of the Fund’s resources to cover the non-oil budget deficit poses risks to achieving the government’s target of increasing the NF’s foreign assets to USD 100 billion by 2030.² Given the volatility of global markets, this could affect the Fund’s short- and medium-term performance, which in turn may have implications for the overall international reserves.

¹ ARA metric IMF. Available at: <https://www.imf.org/external/datamapper/profile/KAZ>

² Decree of the President of the Republic of Kazakhstan No. 1005 dated September 10, 2022, “On the Approval of the Concept for Public Finance Management of the Republic of Kazakhstan until 2030.” Available at: <https://adilet.zan.kz/rus/docs/U2200001005>

Appendix 1. Selected macroeconomic indicators of Kazakhstan

	2020	2021	2022	2023
GDP, KZT trillion	70,6	84,0	103,8	120,6
GDP, USD billion	171,1	197,1	243,6	264,3
GDP, % yoy	-2,5	4,3	3,2	5,1
Industrial production, % yoy	-0,5	3,6	1,2	4,3
Oil output, million tons	85,7	85,9	84,2	89,9
Investment, % yoy	-3,9	3,7	9,2	13,7
Average monthly wage, KZT thousand	213,0	250,3	309,9	358,0
Average monthly wage, USD	498,0	587,5	672,9	784,6
Inflation, % yoy	7,5	8,4	20,3	9,8
Non-oil fiscal balance, % to GDP	-13,1	-9,6	-9,3	-9,7
State debt, % to GDP	29,2	26,2	24,4	22,5
Export of goods, USD billion	44,1	65,8	85,6	79,9
Import of goods, USD billion	38,1	41,6	50,6	59,7
Current account, % to GDP	-6,4	-1,3	3,1	-3,2
NBK international reserves, USD billion	35,6	34,4	35,1	36,0
Foreign currency assets of the National Fund, USD bil	58,7	55,3	55,7	60,0
Oil Brent, average, USD/bbl.	42,3	70,4	99,8	82,6
Exchange rate USDKZT, eop	420,7	431,7	462,7	454,6
Exchange rate USDKZT, average	413,0	426,0	460,5	456,3

	9M2024	2024	3M2025	6M2025
GDP cumulative, % yoy	4,1	4,8	5,8	6,2
Industrial production cumulative, % yoy	3,1	2,8	6,7	6,5
Retail trade cumulative, % yoy	7,3	9,8	4,8	6,6
Investment cumulative, % yoy	0,6	7,5	6,3	19,3
Inflation, % yoy	8,3	8,6	10,0	11,8
Base rate, %	14,25	15,25	16,50	16,50
Exchange rate USDKZT, eop	479,2	523,5	503,4	520,4

Source: BNS, NBK, MoF, World Bank, Halyk Finance

Analytical center

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