

Macroeconomic report
for Q3 2025 and forecasts for 2026
The economy is entering a cooling phase

31 October 2025

In the third quarter of 2025, Kazakhstan's economy maintained positive momentum, although growth is gradually slowing. GDP growth for the first nine months of 2025 amounted to 6.3% yoy, compared with 6.5% yoy in January–August, reflecting a slowdown across all key sectors. Expansion of oil production at the Tengiz field remains the main driver of industrial output and overall GDP. The impact of short-term factors, including large-scale public infrastructure spending and substantial monthly transfers from the National Fund to the budget, is gradually waning. Despite strong GDP growth, real household incomes continue to decline.

Fiscal policy in 2025 remained expansionary; however, in 2026, the government plans almost a twofold reduction in transfers from the National Fund, which will weaken the fiscal impulse. The increase in budget expenditures will be financed mainly by higher tax revenues, which does not constitute fiscal or pro-cyclical stimulus.

Inflation reached 12.9% yoy in September, marking the highest level this year. In response, the National Bank sharply raised the base rate to 18.00% in October. Such a sharp tightening of monetary policy may slow domestic demand and credit activity while exacerbating macroeconomic imbalances. Due to the acceleration of inflation in September, we revised our end-2025 inflation forecast to 11.5–12.5% yoy. By the end of 2026, inflation is expected to ease to 10.5–11.5% yoy.

The tenge weakened to 549 KZT per USD by the end of September, reflecting higher imports and limited liquidity in the foreign exchange market. At the same time, fundamental factors remain stable: oil prices are holding around USD 69 per barrel, and oil exports continue to increase. We forecast the tenge to depreciate to 550–560 KZT per USD by end-2025 and to 600–610 KZT per USD by end-2026 amid external risks and domestic pressures.

We maintain our GDP growth forecast for 2025 at 5.6%, expecting a gradual slowdown toward year-end due to the weakening of fiscal stimulus and the high base effect from 2024. In 2026, we forecast economic growth to slow further to 4.5%, reflecting the expected decline in oil prices, slower oil production growth, reduced National Fund transfers, higher tax rates, weaker household income dynamics, slower consumer lending, persistent inflation, and the completion of several large public infrastructure projects. Overall, Kazakhstan's economy is entering a cooling phase following a period of strong growth driven by fiscal spending and oil-sector expansion.

Executive summary

The economy began to cool down

Kazakhstan's economic growth has started to slow: over the first nine months of 2025, GDP grew by 6.3% yoy, compared with 6.5% yoy in January–August. The short-term economic indicator fell to 9.1% yoy (from 9.6% yoy in January–August). Overall industrial output grew 7.4% yoy, primarily due to the oil sector, which contributed most of the increase in the mining industry (+9.3% yoy). Oil production reached 75.7 million tons in the first nine months and will likely exceed 100 million tons by the end of the year, supported by expansion at the Tengiz field (government plan – 96.2 million tons). The manufacturing sector grew 6.2% yoy, supported by machinery and food production, while metallurgy stagnated. The trade sector rose 8.8% yoy, but growth began to slow due to weaker wholesale activity. Retail trade maintained moderate growth (+7.1% yoy), although its sources are unclear given the decline in real household incomes (–1.0% yoy in H1) and the cooling of consumer credit. The transport sector showed slower but still strong growth (+21.2% yoy) due to state infrastructure projects and cargo turnover expansion. The construction sector grew 14.9% yoy, with slower dynamics in structural and residential building.

We maintain our 2025 GDP growth forecast at 5.6%. Current growth is driven by oil-production expansion, the low base effect from 2024 (GDP grew 4.1% yoy in 9M 2024), and substantial National Fund (NF) transfers to the republican budget in late 2024 and the first half of 2025. Large-scale public infrastructure investments continue to support growth but are gradually losing momentum. Without additional National Fund transfers in Q4 (as in 2024), the high base from late 2024 will lead to slower GDP growth by year-end. Another constraint could come from the sharp increase in the National Bank's (NBK) base rate.

We forecast that in 2026 Kazakhstan's GDP growth will slow to 4.5% yoy (the government forecast is 5.4% yoy). The expected oil-price decline (USD 64 per barrel on average in 2026) will constrain export and fiscal revenues. Meanwhile, oil production will not increase as significantly as in 2025, when the Future Growth Project (FGP) at Tengiz provided a strong boost. Additional headwinds include reduced fiscal stimulus (National Fund transfers to decline to KZT 2.77 trillion from KZT 5.25 trillion in 2025), higher tax rates, slower consumer credit, persistently high inflation, weak household income growth, and the completion of several major infrastructure projects. The high 2025 base will also weigh on the 2026 results.

Fiscal stimulus reduction

For the first nine months of 2025, state budget revenues excluding transfers increased by 15.8% yoy, reaching KZT 17.3 trillion. The main growth driver was tax revenues (+20.0% yoy), particularly due to increases in CIT (+24.9% yoy), VAT (+20.3% yoy), PIT (+16.9% yoy), customs duties (+16.7% yoy) against a low base from the previous year. Non-tax revenues, by contrast, declined 28.4% yoy due to the absence of large one-off dividend inflows from state-owned shareholdings, as seen in 2024. Meanwhile, revenue execution for the republican budget over the first nine months of 2025 reached 94.4%, raising concerns regarding fiscal performance in 2026.

State budget expenditures rose 10.4% yoy to KZT 22.9 trillion. The main spending categories were education (21.9%), social assistance (21.8%), and utilities (7.2%). The share of expenditures on public debt servicing increased from 8.8% in 2023 to 10.2% in 2025.

As of end-September 2025, National Fund assets stood at KZT 35.8 trillion, up 14.2% yoy. However, inflows into the NF decreased 4.0% yoy to KZT 5.3 trillion, mainly due to lower tax payments from the oil sector, including CIT (–10.1% yoy), rent tax (–28.9% yoy), and additional subsoil user payments (–34.9% yoy). Meanwhile, withdrawals from the NF totaled KZT 4.2 trillion (+4.1% yoy). Excluding investment income, withdrawals exceeded inflows by KZT 1.4 trillion, despite the average oil price of USD 71 per barrel over the period. The figures indicated also exclude withdrawals in the form of bonds.

The draft republican budget for 2026–2028, published in late August 2025, provides for a reduction in guaranteed transfers from the National Fund to KZT 2.77 trillion and the abolition of targeted transfers, implying a nearly twofold decrease in fiscal stimulus (compared with KZT 5.25 trillion in 2025, assuming no additional withdrawals).

Sharp base rate increase

In September 2025, inflation accelerated to 12.9% yoy, marking the highest level of the year. The main contributors to price growth were food products (5.23 p.p.; +12.7% yoy), followed by paid services (4.47 p.p.; +15.3% yoy) and non-food goods (3.23 p.p.; +10.8% yoy). In our view, the inflation acceleration this year was driven by the growth of regulated housing and utility tariffs, including electricity, gas, and water, which had a multiplicative effect on overall prices; the excessive use of National Fund resources in the fourth quarter of 2024 and the first half of 2025; the depreciation of the tenge in the beginning of the year and in July; the appreciation of the Russian ruble since March, which increased imported inflation in Kazakhstan, particularly for food; as well as persistently high inflation and devaluation expectations among households and businesses.

Monthly inflation in September amounted to 1.1%, significantly higher than last year's 0.4%, and not attributable to seasonality. On a quarterly basis, prices rose 2.8% in the third quarter of 2025 compared with 1.6% in the same period of 2024, highlighting persistent inflationary pressure.

Against this backdrop, on October 10, the National Bank increased the base rate by 150 basis points, from 16.50% to 18.00%, explaining this move as necessary to stabilize inflation expectations and prevent a potential inflationary spiral. This was the second sharp rate hike of 2025: in March, the NBK had already raised the rate by 125 basis points to 16.50%. However, the latest press release did not explain why the March tightening failed to address inflation's underlying causes, which remained largely unchanged by October.

In our view, the NBK's reaction was excessive, as most current inflation drivers — fiscal stimulus, tariff increases, and exchange rate volatility — cannot be resolved through monetary tightening. Several existing regulatory and government measures already create disinflationary effects, such as the freeze on utility tariffs until year-end, tighter reserve requirements for banks, enhanced supervision of consumer lending, and a significant reduction of fiscal stimulus. These factors alone should contribute to moderating inflation toward year-end, even without such a steep rate hike.

Applying standard inflation-targeting principles, we believe that in October the NBK should have raised the base rate by no more than 50 basis points, as a stronger increase risks amplifying macroeconomic imbalances and undermining confidence in monetary policy.

Taking into account the current price dynamics and implemented anti-inflationary measures, we have revised our end-2025 inflation forecast to 11.5–12.5% yoy. By end-2026, inflation is projected to decline to 10.5–11.5% yoy. Price pressures in 2026 will persist due to planned tariff increases, tenge depreciation, and tax changes, including the effect of higher VAT, but inflation should ease in the second half of the year as these effects fade, the 2025 high base takes hold, domestic demand cools amid credit restrictions and high interest rates, and real income growth slows.

The national currency weakened

The USD/KZT exchange rate stood at 549.07 KZT per USD at the end of September, weakening by 1.9% over the month and by 5.6% compared with June. The average exchange rate for the third quarter weakened to 536.05 KZT per USD versus 513.77 KZT per USD in the second quarter. The main pressure on the tenge occurred in July and September, while in August the national currency showed temporary strengthening due to seasonal inflows of export revenue and slower investment activity.

The depreciation of the tenge occurred amid stable fundamentals. Oil prices remained around USD 69 per barrel, oil exports continued to grow, and the U.S. dollar index stayed low. Pressure on the exchange rate mainly resulted from higher imports associated with large infrastructure projects, which increased demand for foreign currency. In addition, heightened activity of certain market participants against a backdrop of shallow market depth and limited liquidity amplified volatility.

In late July, the NBK conducted its first foreign exchange interventions since the end of 2024, totaling USD 125.6 million, in response to speculative demand for foreign currency. In August, the exchange rate stabilized, but in September the tenge weakened again, while the regulator refrained from further interventions. According to the NBK, net foreign currency sales on the exchange in September amounted to USD 1.04 billion. The practice of “mirroring operations” with gold and the requirement for mandatory sale of 50% of foreign currency earnings by quasi-state entities continued. Purchases of foreign currency for the Unified Pension Fund (UAPF) have been suspended since August.

We forecast the tenge exchange rate to reach 550–560 KZT per USD by the end of 2025, reflecting gradual depreciation driven by import growth and reduced monthly foreign currency sales from the National Fund (in the absence of additional transfers). On the other hand, oil prices are expected to remain near current levels, and oil exports should continue to rise. At the same time, the volume of sterilization operations under gold-mirroring schemes will increase substantially: in the fourth quarter, about KZT 1.4 trillion (equivalent to USD 848 million per month) in foreign currency sales are planned. These operations will offset the decline in National Fund sales, increasing foreign currency supply and helping to stabilize the tenge.

In 2026, further depreciation of the national currency to 600–610 KZT per USD is expected, assuming other factors remain unchanged. The main drivers will be a decline in global oil prices, reduced export earnings, and a lower volume of foreign currency sales from the National Fund, which will deepen the imbalance between supply and demand in the domestic FX market.

Halyk Finance forecasts

Macroeconomic indicators	2023	2024	Forecast 2025	Forecast 2026
Oil Brent, average, USD/bbl.	82.6	80.7	70.0	64.0
Oil output, million tons	90.0	87.6	100.0	101.5
Real GDP, % yoy	5.1	5.0	5.6	4.5
Exchange rate USDKZT, eop	454.6	523.5	550-560	600-610
Exchange rate USDKZT, average	456.3	469.4	527.0	574.0
CPI, % yoy	9.8	8.6	11.5-12.5	10.5-11.5
Base rate, %, eop	15.75	15.25	18.00	16.00

Government and NBK forecasts

Macroeconomic indicators	2025		2026	
	Government	NBK	Government	NBK
Oil Brent, average, USD/bbl.	70.0	68.0	60.0	60.0
Oil output, million tons	96.2	-	101.5	-
Real GDP, % yoy	6.0	5.5-6.5	5.4	4-5
Exchange rate USDKZT, eop	550-560	600-610	550-560	600-610
Exchange rate USDKZT, average	520.0	-	540.0	-
CPI, % yoy	10-11	11-12.5	9-11	9.5-11.5
Base rate, %, eop	-	16.00-20.50	-	14.00-16.00

THE ECONOMY BEGAN TO COOL DOWN

According to preliminary government data, Kazakhstan's economic growth for the first nine months of 2025 amounted to 6.3% yoy, slowing compared to the first half of the year. The short-term economic indicator (STEI), which reflects the dynamics of key industries, also showed a deceleration to 9.1% yoy compared with 9.6% yoy in January–August.

The highest growth rates continue to be observed in transport (+21.2% yoy) and construction (+14.9% yoy), which together account for about 12% of GDP. Other major sectors also demonstrated positive dynamics. Growth in trade (16% of GDP) amounted to 8.8% yoy, while industry (28% of GDP) expanded 7.4% yoy. Within industry, the mining sector grew 9.3% yoy, driven largely by increased oil production. The manufacturing sector expanded 6.2% yoy, while water supply continued to contract (–6.6% yoy).

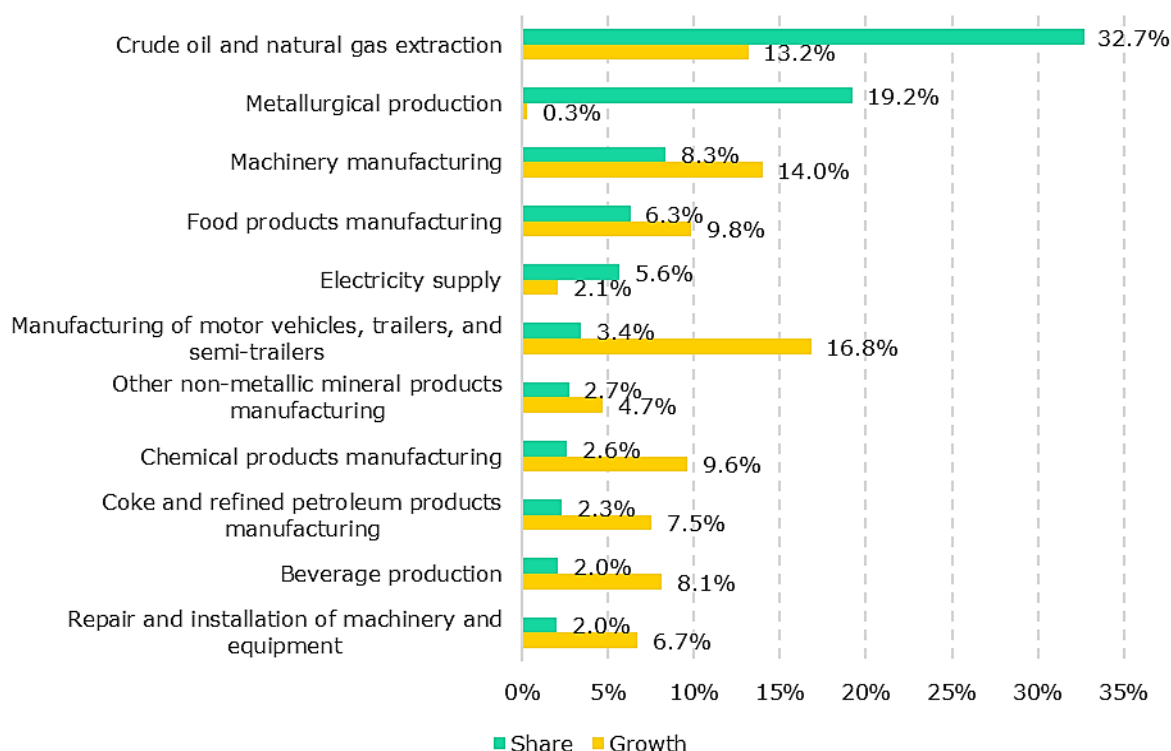
Figure 1. GDP growth by sector, % yoy

Sector	9M 2024	2024	8M 2025	9M 2025
GDP	4.1	5.0	6.5	6.3
Short-term economic indicator	5.3	6.2	9.6	9.1
Trade	6.5	8.9	8.9	8.8
Manufacturing	4.9	6.8	6.5	6.2
Mining	1.3	0.2	9.6	9.3
Transport	8.0	9.4	21.5	21.2
Construction	10.1	15.3	18.1	14.9
Agriculture	10.8	13.7	3.4	4.4
Telecommunications	10.9	5.5	3.8	3.9

Source: BNS, MNE

Largest contribution to industrial growth comes from the oil sector

Figure 2. Composite contribution of sectors to industrial growth, 9M 2025



Source: BNS

Note: industries with less than 2% share were excluded

To assess each industry's contribution to overall growth, we considered not only growth rates but also sector weights, calculating the specific contribution of each component. The main contributions came from crude oil and natural gas extraction (share 32.7%, growth 13.2% yoy), machinery manufacturing (share 8.3%, growth 14.0% yoy), and food production (share 6.3%, growth 9.8% yoy). Metallurgy, which holds a substantial share in industry (19.2%), continued to show only 0.3% yoy growth. The fastest growth among industrial segments was in computers and electronic equipment (+60.3% yoy), although this segment accounts for just 0.2% of total industrial output.

Extensive growth in the mining sector

The mining industry, one of the key drivers of the economy and accounting for about 13% of GDP, continues to show strong acceleration with growth of 9.3% yoy after the slowdown observed at the end of last year. The key driver was the increase in crude oil and natural gas extraction (up 13.2% yoy), which makes up 71.3% of total mining output. The oil sector's expansion was largely driven by higher physical production volumes.

According to the Bureau of National Statistics (BNS), oil exports for the first eight months of 2025 reached 48.4 million tons, up 1.7% yoy. However, the Ministry of Energy (MoE) reported that for the first nine months, oil exports rose to 60.5 million tons, an increase of 14.9% yoy. Such discrepancies between the official statistics of the BNS and the information provided by the MoE raise questions.

Metal ore extraction (accounting for 20.1% of the mining sector) slightly decreased 0.3% yoy, while coal extraction rose 10.4% yoy, and other minerals extraction increased 7.0% yoy.

The key growth source remained Tengiz oil field expansion, which was one of the principal contributors to GDP growth in January–September. Oil production at Tengiz totaled 30.5 million tons for 9M 2025 compared with 21.5 million tons in the same period of 2024. Overall, 75.7 million tons of oil were produced in Kazakhstan in the first nine months, and at the current pace, production may exceed 100 million tons by year-end, surpassing the government's plan of 96.2 million tons. No comparable surge is expected in 2026.

Growth in manufacturing

The manufacturing sector, which accounts for around 13% of GDP, accelerated to 6.2% yoy in the first nine months of 2025, compared with 4.9% yoy in the same period of 2024. This growth was supported by infrastructure projects and oil-sector expansion. The strongest contributions came from food production (+9.8% yoy) and machinery manufacturing (+14.0% yoy), which together account for over 30% of total manufacturing output. Metallurgy remains a weak spot, showing only 0.3% yoy growth despite representing over 40% of total manufacturing. The slowdown resulted mainly from a 0.9% yoy decline in ferrous metallurgy, which forms about one-quarter of metallurgical output.

Nevertheless, investments in metallurgy increased 10.6% yoy in January–September, recovering from a 13.6% yoy decline in the same period of 2024, suggesting a moderate revival of capital expenditure. The sector also faced downward price pressures in global markets for steel and ferroalloys due to geopolitical instability and trade restrictions.

Large-scale implementation of infrastructure projects, combined with the growth of oil production, creates a significant positive impulse for the development of the manufacturing industry. Considering that this sector is one of the key recipients of state support measures, we forecast that its indicators will maintain stable positive dynamics through year-end.

Trade growth is losing momentum

Trade remains one of the key sources of economic growth, accounting for over 16% of GDP. For the first nine months of 2025, the sector grew 8.8% yoy (+6.5% yoy in the same period of 2024), slightly lower than the 8.9% yoy recorded for January–August. This deceleration was mainly due to the dynamics of the wholesale trade segment, which accounts for 66.4% of total trade volume. Between January and September, wholesale trade grew 9.6% yoy, compared with 9.8% yoy in January–August, which may signal the beginning of a slowdown by year-end. Growth was driven primarily by non-food and industrial goods, which make up 81.9% of total wholesale sales. Sales in this category rose 13.5% yoy, while wholesale food trade showed zero growth. Key drivers of wholesale trade included strong performance in the mining sector, expanded investment activity (including through state expenditure), and the low base effect of last year.

Retail trade recorded a slight acceleration to 7.1% yoy (+6.6% yoy in H1 2025). The main driver was the non-food segment, which grew 7.4% yoy, accounting for 67.2% of total retail sales.

However, the sustained growth in retail trade, mirroring last year's trend, raises questions about its underlying sources. Core drivers of consumer activity show weakening dynamics: real wages rose only 0.3% yoy in the first half of 2025 (+2.4% yoy a year earlier), while real incomes fell 1.0% yoy (+3.4% yoy in H1 2024). The NBK and the Agency for Regulation and Development of the Financial Market (ARDFM) are actively working to cool the consumer lending market. This year, nominal growth in consumer loans has slowed substantially; adjusted for inflation, the real growth rate has nearly halved. Given these factors, the drivers of retail trade growth this year remain unclear.

We expect both wholesale and retail trade growth to slow toward the end of the year, as the low-base effect fades (growth acceleration in late 2024), real household incomes continue to decline, consumer lending slows, and fiscal stimulus weakens due to lower transfers from the National Fund.

Deceleration in the transport sector, which nevertheless remains strong

The transport sector continues to demonstrate robust growth despite some deceleration. In the first nine months of 2025, the sector expanded 21.2% yoy, driven primarily by state-funded infrastructure projects. About one-third of total investment in transport was financed from the budget. Cargo turnover increased 12.1% yoy, primarily due to higher volumes in railway and pipeline transport, both supported by the expansion of oil production and exports. Passenger turnover grew 8.8% yoy, largely in road transport. A notable contribution came from cargo turnover in road transport, which surged 32.3% yoy. Nevertheless, the main driver of growth remained pipeline transport, which rose 16.9% yoy, though slightly slower than in the first half of the year (+17.1% yoy).

Table 1. Dynamics of key transport segments, 9M 2025, % yoy

	Cargo turnover	Share in cargo turnover, %	Passenger turnover	Share in passenger turnover, %
Railway	7.6	60.5	-2.5	18.2
Road	32.3	8.1	14.8	47.1
Pipeline	16.9	31.0	-	-
Air	6.6	0.01	7.8	34.7
Sea	6.8	0.3	-74.5	0.0

Source: BNS

Significant slowdown in the construction sector

In the construction sector, growth slowed to 14.9% yoy in the first nine months of 2025 (+18.4% yoy in H1 2025). The slowdown was mainly due to weaker performance in structures construction, which accounts for 53.2% of total construction volume. Growth in this segment decelerated from 29.2% yoy in H1 to 19.7% yoy in January–September. The dynamics of residential construction (15.9% of total) also worsened, with growth slowing from 15.8% yoy in H1 to 7.2% yoy in the first nine months of 2025. In contrast, non-residential construction (30.9% of total) demonstrated strong improvement, accelerating to 9.8% yoy from 5.2% yoy in H1. Besides seasonality, a possible reason for slower construction activity is the decline in state investment growth, which is partly reflected in the dynamics of road and highway construction, where growth slowed to 22.1% yoy in January–September after 42.8% yoy in H1 2025.

Other sectors

Agriculture slightly accelerated during the reporting period, growing 4.4% yoy amid the seasonal grain harvest. In crop production, output increased 5.2% yoy, while livestock production rose 3.4% yoy, supported by higher livestock numbers: cattle up 1.1% yoy, horses up 6.4% yoy, and poultry up 6.5% yoy. The telecommunications sector recorded growth of 3.9% yoy for the first nine months of 2025, significantly below the 10.9% yoy observed in 2024. Internet services increased 14.9% yoy over the reporting period, while telecommunication services declined 15.5% yoy. Mobile communication services showed no growth during the same period.

Our forecast

According to our projections, Kazakhstan's economic growth will slow toward the end of 2025 and amount to 5.6% yoy. Current growth is mainly supported by the expansion of oil production, the low base effect from 2024 (when GDP for the first nine months grew 4.1% yoy), and significant transfers

from the National Fund to the republican budget in late 2024 and the first half of 2025. Large-scale public infrastructure investments also continue to support activity, although their impact is gradually diminishing. In the absence of additional transfers from the National Fund in the fourth quarter (as was the case in 2024), the high base of late 2024 will lead to slower GDP growth by the end of the current year. Another potential limiting factor is the recent sharp increase in the base rate.

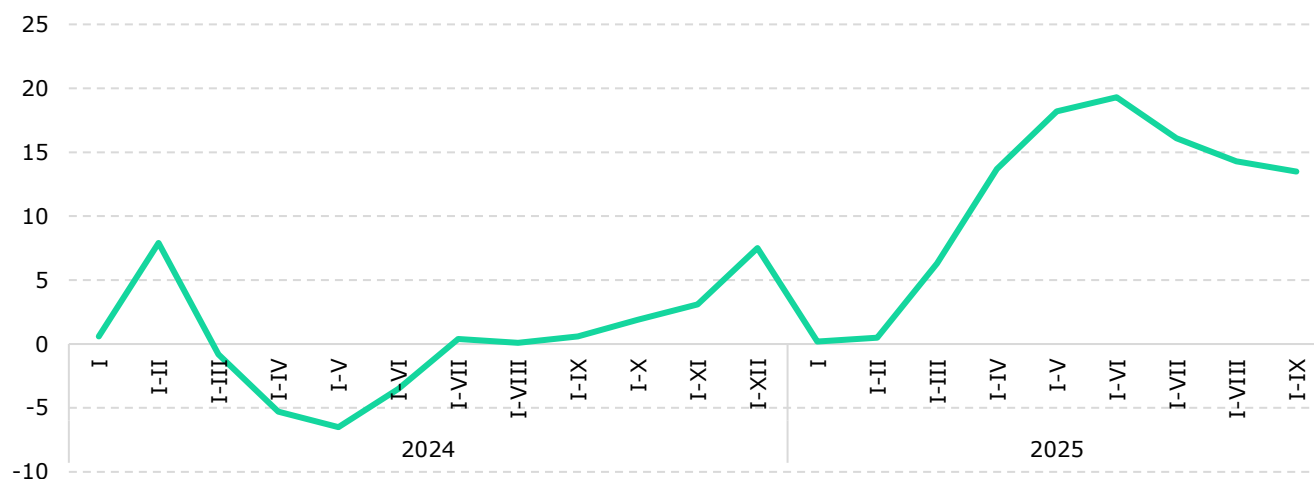
For 2026, we forecast that Kazakhstan's GDP growth will slow further to 4.5% yoy (compared with the government forecast of 5.4% yoy). The expected decline in oil prices, to an average of USD 64 per barrel, will limit export revenues and fiscal inflows. At the same time, the increase in oil production will no longer be as strong as in 2025, when the FGP at the Tengiz oil field provided a major boost. Additional constraints on growth will include a significant reduction in fiscal stimulus (with transfers from the National Fund to decrease from KZT 5.25 trillion in 2025 to KZT 2.77 trillion in 2026), higher tax rates, slower consumer lending, persistently high inflation, weak household income growth, and the completion of large infrastructure projects. The high base of 2025 will also exert a downward effect on economic growth next year.

GROWTH OF FIXED CAPITAL INVESTMENT IS SLOWING

In January–September 2025, fixed capital investment increased by 13.5% yoy, showing a significant slowdown compared with the first half of the year (+19.3% yoy) (Figure 3). This year, investment growth was supported by expanded government spending, the low base effect from last year, and the activation of infrastructure modernization programs. The current slowdown is associated with the gradual exhaustion of last year's low-base effect and with the reduction of transfers from the National Fund to the budget used to finance the economy.

In the mining sector, investment declined 16.9% yoy, while this sector accounts for 15.2% of total investment. In particular, investment in oil and gas extraction fell 29.8% yoy due to the completion of the Future Growth Project at the Tengiz field. Negative dynamics were also recorded in professional and scientific activities (–52.8% yoy) and administrative services (–14.4% yoy). After declining in the first half of the year, construction (+8.2% yoy) and telecommunications (+3.3% yoy) returned to growth.

Figure 3. Fixed capital investment, % yoy



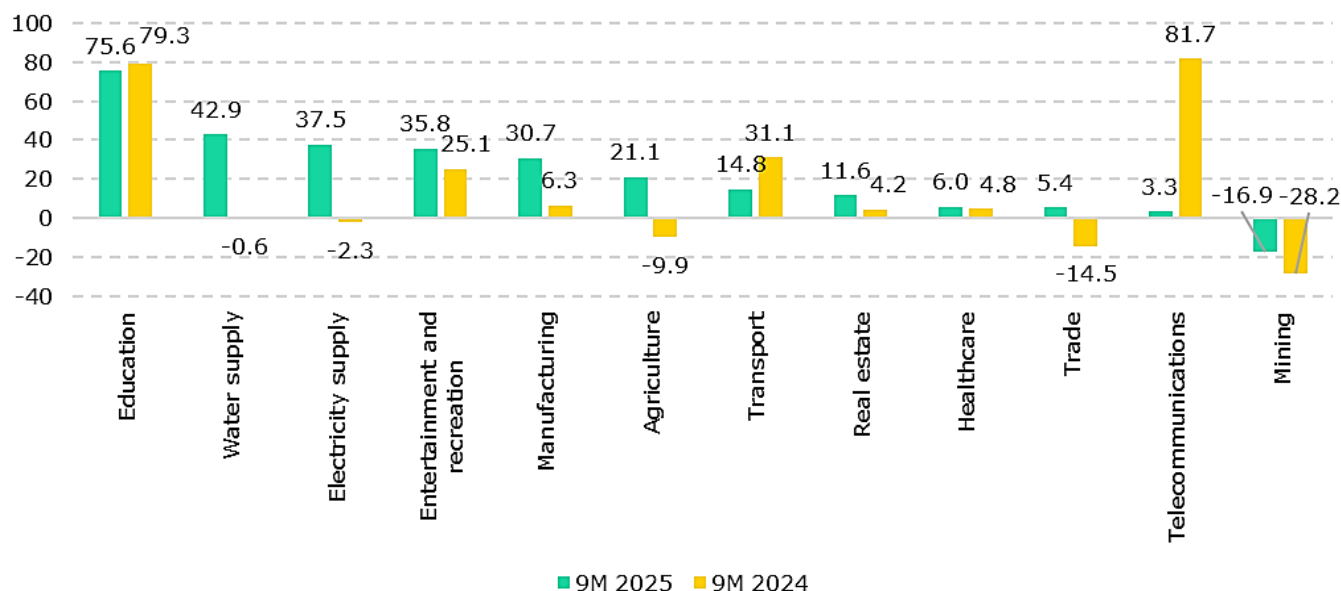
Source: BNS

Investment growth was recorded in non-resource sectors. The largest contribution came from education, where investment volumes increased 75.6% yoy, accounting for 6.9% of total investment for the first nine months of the year (Figure 4). This surge reflects the large-scale construction of schools across the country. The manufacturing industry was the second-largest contributor, posting 30.7% yoy growth (10.7% of total investment). Within manufacturing, investment rose 10.6% yoy in metallurgy, 47.7% yoy in food production, 37.9% yoy in machinery manufacturing, and 53.7% yoy in chemical production. A particularly strong increase was seen in beverages production (up 2.5 times), textiles (up 4 times), leather goods (up 2 times), and other transport equipment (up 3 times).

Investment also rose sharply in agriculture (+21.1% yoy), the transport sector (+14.8% yoy), accommodation and food services (+35.6% yoy), arts, entertainment, and recreation (+35.8% yoy),

public administration (+48.5% yoy), and financial activities (up 2 times). In electricity and water supply, investment growth reached 37.5% yoy and 42.9% yoy, respectively, partly due to the low base effect (-2.3% yoy and -0.6% yoy for the first nine months of 2024). More than half (50.4% combined) of investment in these sectors was financed by the state, underscoring the government's active role in the recovery process.

Figure 4. Fixed capital investment by sector, % yoy



Source: BNS

Note: industries with less than 2% share were excluded

The reduced share of investment in the mining sector (-5.8 p.p.) was offset by increases in education, manufacturing, and electricity supply, whose shares grew 2.5 p.p., 1.3 p.p., and 1.2 p.p., respectively.

The share of budget-funded investment continues to rise, now accounting for 23% of total investment. In absolute terms, budget investment grew 42.2% compared with the same period of 2024, when its share was 19%. Excluding budgetary funds and spending by individual developers, total investment increased 11.7% yoy. The share of enterprises' own funds (including quasi-state entities) declined from 66.7% in 9M 2024 to 63% in 9M 2025. Borrowed-fund financing also decreased to 14% of total investment, including bank loans (3.7%).

Investment purposes mirror the structure of financing sources. The majority (68%) of total investment was directed toward construction and major repair of buildings and structures (+18.8% yoy), largely funded through government programs for infrastructure and social projects. A smaller portion (27.5%) was allocated to machinery and equipment, where growth was more moderate (+3.2% yoy), reflecting the completion of investment cycles in the resource sector.

BUDGET REVENUES INCREASED AGAINST A LOW BASE

As of the end of September 2025, state budget revenues excluding transfers amounted to KZT 17.3 trillion, an increase of 15.8% yoy or KZT 2.4 trillion. This growth was mainly driven by tax revenues, which rose 20.0% yoy or KZT 2.7 trillion. The largest components of tax receipts are corporate income tax (25.5%), value-added tax (26.4%), personal income tax (13.2%), and customs duties (10.0%), all of which showed significant growth, 24.9% yoy, 20.3% yoy, 16.9% yoy, and 16.7% yoy, respectively, against last year's low base (Table 2). At the same time, non-tax revenues fell 28.4% compared with the same period of 2024. This reflects dynamics in income from state property, where in the first nine months of 2024 the plan was over-fulfilled by 825.4% due to the receipt of dividends on state shareholdings totaling KZT 684 billion. The sum allocated for the purchase of Kazatomprom JSC shares was transferred to the budget in the form of dividends and accounted for the bulk of total dividends on state shareholdings.

Plans for republican budget revenues for the first nine months of 2025 were fulfilled by only 94.4%, raising concerns regarding the budget's revenue performance in 2026.

Budget financing continues to rely on transfers from the National Fund, which account for 19.4% of total state budget revenues. By the end of September 2025, the actual allocation of transfers reached KZT 4.2 trillion, or 87% of the planned amount. As a result, the plan for overall state budget revenues was fulfilled by 99.5%. On the other hand, plans for tax and non-tax revenues were over-executed by 1.5% and 48.8%, respectively. The over-performance of non-tax revenues was primarily driven by a low planned target and a significant collection of fines (198% of plan), which accounted for 24.5% of total non-tax revenues.

Table 2. Structure of state budget tax revenues

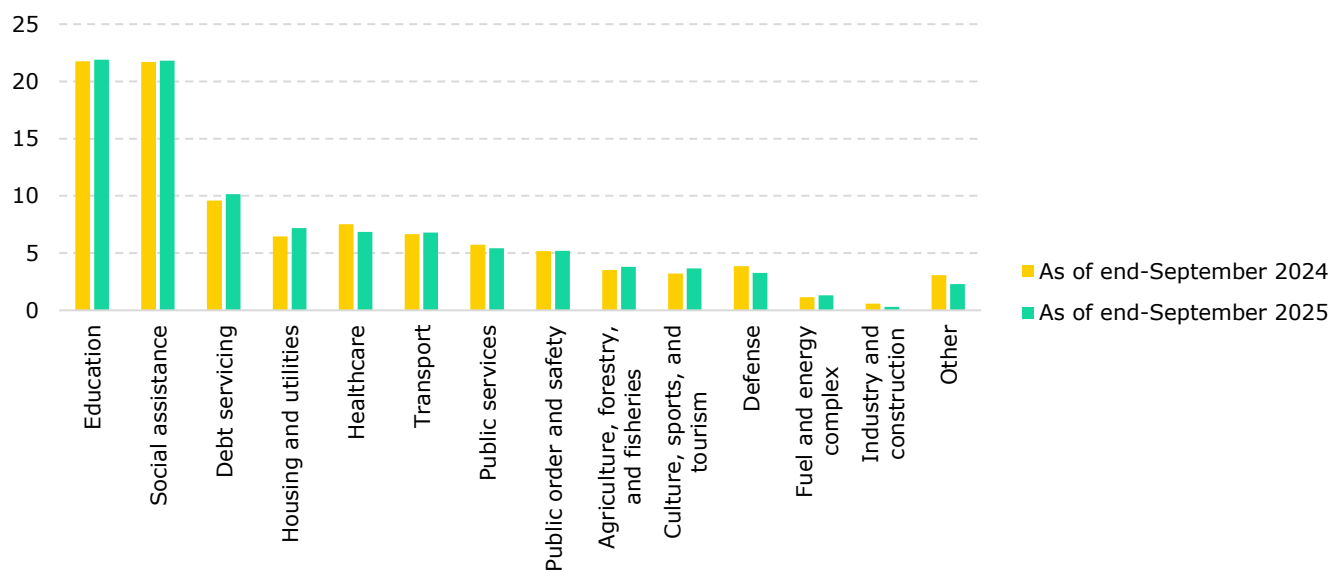
	Share in 9M 2025, %	Growth in 9M 2025, % yoy	Growth in 9M 2024, % yoy
CIT	25.5	24.9	3.4
VAT	26.4	20.3	-12.6
PIT	13.2	16.9	23.4
Customs duties	10.0	16.7	-5.6

Source: MoF

The expenditure side of the budget shows steady growth. State budget expenditures as of the end of September 2025 amounted to KZT 22.9 trillion, increasing by 10.4% yoy or KZT 2.2 trillion. The main expenditure areas were education (21.9%), social assistance (21.8%), public debt servicing (10.2%), and housing and utilities (7.2%), while tourism, defense, and the fuel and energy complex (FEC) accounted for 3.7%, 3.3%, and 1.3%, respectively (Figure 5). Significant changes were recorded in the expenditure structure for the following categories: the share of housing and utilities in total spending increased from 6.5% at the end of September 2024 to 7.2% at the end of September 2025; the share of healthcare decreased from 7.5% to 6.9%; and the share of defense fell from 3.9% to 3.3%. The share of public debt servicing rose from 8.8% at the end of September 2023 to 9.6% a year later and reached 10.2% by September 2025, which continues to indicate a growing debt burden on the budget and requires special attention in fiscal policy planning.

Particular attention should be given to the areas of healthcare and education as key sectors for the development of human capital that have a multiplier effect on long-term economic growth. If in the first nine months of 2024 expenditures on healthcare decreased 5.8% yoy, their increase of 0.5% yoy in the same period of 2025 may indicate a moderate recovery in growth. In the structure of budget expenditures, the share of healthcare declined from 9.0% in the first nine months of 2023 to 7.5% and 6.9% in the corresponding periods of 2024 and 2025, respectively. It should be noted that without adequate support for this sector, it is impossible to ensure improvements in the quality of life and sustainable social development. Expenditures on education show more stable dynamics — their share in total expenditures for the first nine months of 2025 amounted to 21.9%, compared with 21.8% for the same period of 2024.

Figure 5. Structure of state budget expenditures, %



Source: MoF

FISCAL STIMULUS REDUCTION

According to the Ministry of Finance, as of the end of September 2025, the National Fund's assets stood at KZT 35.8 trillion, increasing 3.2% since the beginning of the year (+14.2% yoy). Investment income from the management of the fund in the first half of the year totaled KZT 2.48 trillion.

Inflows to the NF for the first nine months of 2025 amounted to KZT 5.3 trillion, which is 4.0% lower than in the same period of 2024 (KZT 5.5 trillion). The main reason for the decline in inflows year-on-year was the decrease in direct taxes from oil sector companies — from KZT 3 trillion to KZT 2.8 trillion, which in turn is associated with lower oil prices. The most notable declines were recorded in corporate income tax (–10.1% yoy), rent tax on exports (–28.9% yoy), and additional payments from subsoil users (–34.9% yoy), which were partially offset by growth in mineral extraction tax inflows (+28.4% yoy).

Despite the decline in inflows, withdrawals from the NF this year remain high. For the first nine months of 2025, they totaled KZT 4.2 trillion, which is 4.1% higher than in the same period of the previous year. Excluding investment income, withdrawals exceeded inflows by KZT 1.4 trillion, with the average oil price amounting to USD 71 per barrel for the nine-month period. The indicated amounts also do not include withdrawals in the form of bonds.

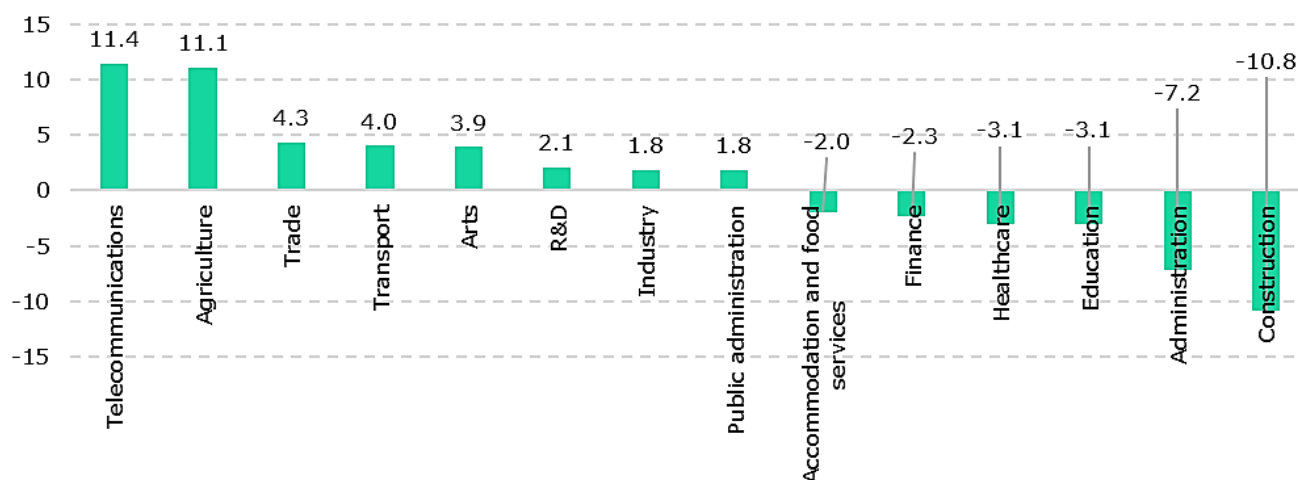
In the draft republican budget for 2026–2028, published at the end of August, the volume of guaranteed transfers from the National Fund is set at KZT 2.77 trillion, while the government intends to abandon targeted transfers. Thus, in the absence of additional withdrawals, the total volume of transfers from the National Fund will decrease almost by half compared with 2025 (KZT 5.25 trillion). At the same time, compliance with countercyclical budgetary rules, which are extremely important for the sustainability of the National Fund, implies a different logic: in periods of economic downturns and heightened uncertainty, the state should increase budget spending and stimulate the economy using accumulated resources, while in periods of growth, it should reduce withdrawals and build up savings.

SLOWDOWN IN WAGE AND REAL INCOME DYNAMICS

Employment and wage dynamics

As of the end of the second quarter of 2025, the number of employed people in the economy amounted to about 9.3 million, of which 7.1 million (76.8%) were employees and 2.2 million (23.2%) were self-employed. The unemployment rate has remained at 4.6% for four consecutive quarters. At the same time, female unemployment remains higher (5.1%) than male unemployment (4.2%). The long-term unemployment rate in the second quarter of the current year increased to 1.8%, whereas throughout last year this indicator was below 1.1%. On the other hand, the youth unemployment rate remained at the level of the first quarter (3.1%).

Figure 6. Real wage dynamics by sector in Q2 2025, % yoy



Source: BNS

Note: PSTD – Professional, scientific, and technical activities

In the second quarter of 2025, the average monthly wage in Kazakhstan amounted to KZT 448.6 thousand, increasing 11.3% yoy in nominal terms. The growth rate of nominal wages accelerated compared with the first quarter of the previous year, while real wage growth in the first half of the year amounted to only 0.3% yoy due to rising inflation, having slowed significantly compared with the same period of the previous year (+2.4% yoy). The median wage, which is lower than the average, amounted to KZT 316.2 thousand in the second quarter of 2025, indicating an uneven distribution of wages among employees.

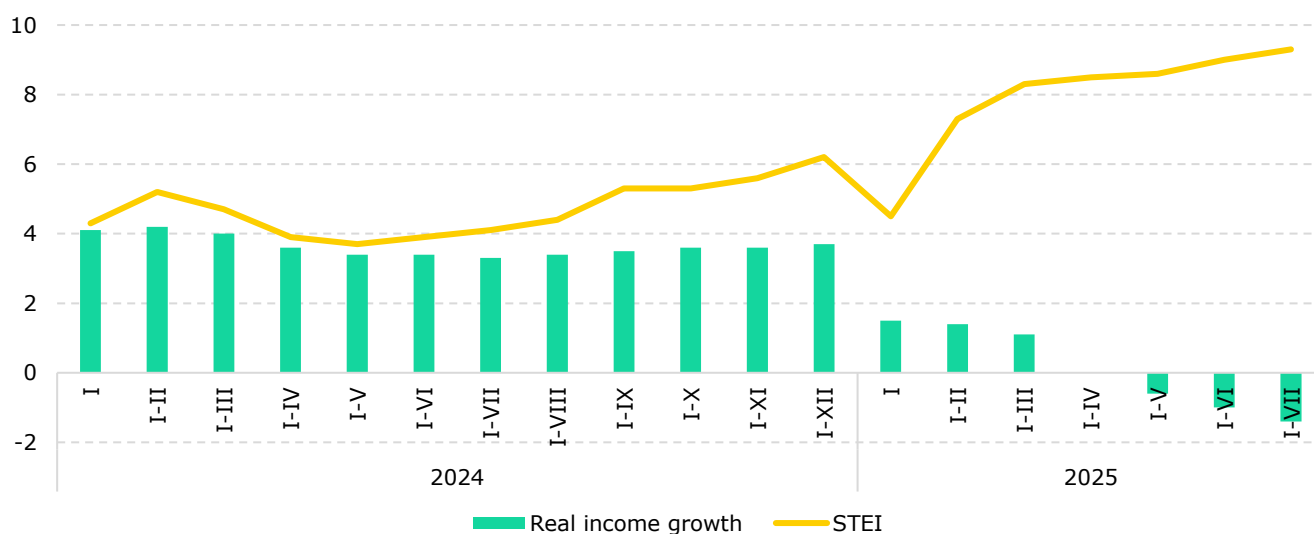
Wage dynamics by sector show a disbalance: telecommunications recorded real wage growth of 11.4% yoy, while education, healthcare, construction, and administrative services showed a decline (Figure 6). Since wages account for 66.8% of income structure, the dynamics of real wages are directly reflected in the population's income level.

Overall, amid a significant acceleration of inflation, the growth rate of real wage is declining, continuing to lag behind GDP growth. Based on the results of the first nine months of the current year, economic growth amounted to 6.3% yoy, which contrasts with the dynamics of real wages of employees for the first half of the year (+0.3% yoy). For more balanced economic growth and an improvement in living standards, it is necessary to diversify the economy, invest in labor-intensive industries, and increase labor productivity.

Household income and consumption dynamics

Real household incomes in the second quarter showed a slowdown in growth rates, and after April 2025 began to decline (Figure 7). A significant impact on the decline in real incomes was exerted by accelerating inflation — from 8.9% yoy in January to 12.9% yoy in September — and the depreciation of the tenge. The main components of monetary household income are wages (66.8%) and pensions (17.8%). The second income source repeated the overall trend, decreasing 2.8% yoy in real terms in the second quarter of the current year.

Figure 7. Real income dynamics, % yoy



Source: BNS

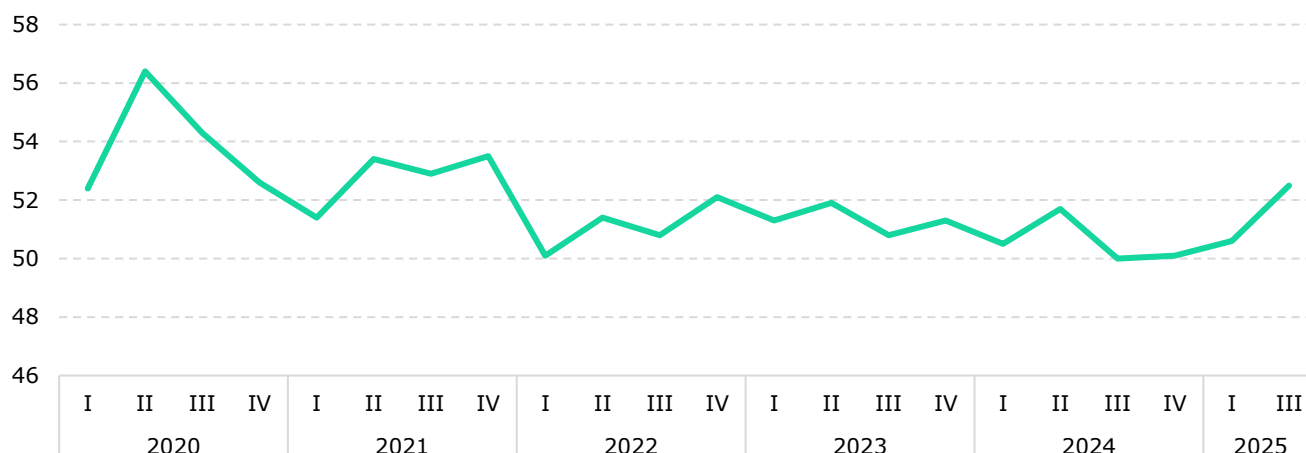
Implementing an adequate and well-targeted social policy remains one of the government's key instruments and has become even more relevant this year. Planned tax increases and the intention to redistribute public expenditures could further pressure real household incomes.

The structure of expenditures deserves particular attention. The share of food expenditures in total household spending, after declining in the second half of 2024, increased significantly to 52.5% in the second quarter of the current year (Figure 8).

The current situation is driven by a combination of interrelated factors: intensifying inflationary pressure, dependence on food imports, and the certain characteristics of the services market. First, nominal income growth is offset by inflation, which limits households' ability to reallocate spending and keeps the share of food expenditures at a consistently high level of 50–54% over the past four years. This may be related not only to a decrease in real wages but also in other types of income

(pensions, benefits). Second, there is a significant imbalance in foreign trade, which creates additional upward pressure on food prices. To change the current situation, qualitatively different growth in real household incomes is required, since their current growth rates remain largely insufficient to alter the structure of consumer expenditures.

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



Source: BNS

SHARP BASE RATE INCREASE

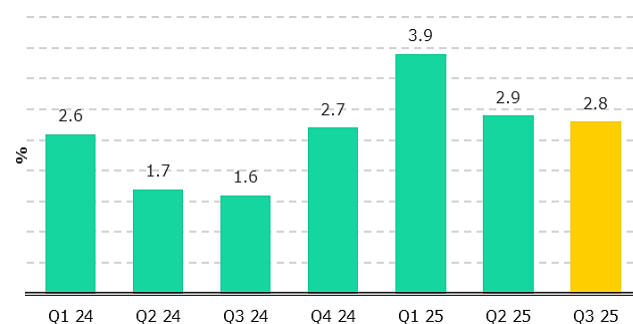
In September 2025, the pace of inflation continued to accelerate and reached 12.9% yoy (12.2% yoy in August; 11.8% yoy in July), updating the highest level of the current year (Figure 10). The main contribution to annual price growth came from food products (5.23 p.p.), which increased by 12.7% yoy (11.7% yoy in August; 11.2% yoy in July).

In our opinion, the following factors influenced the acceleration of inflation this year:

- Growth of regulated tariffs and prices for housing services, water, electricity, gas, and others. In addition to the direct impact on inflation, the increase in these prices has a multiplicative effect on overall inflation in the country.
- Excessive use of the National Fund in the fourth quarter of last year and in H1 this year.
- Depreciation of the tenge at the end of last year and the beginning of this year, followed by another weakening in July.
- Strengthening of the Russian ruble (weakening of the tenge against the ruble) since March of this year, which negatively affected food inflation.
- High inflationary and devaluation expectations of the population and businesses.

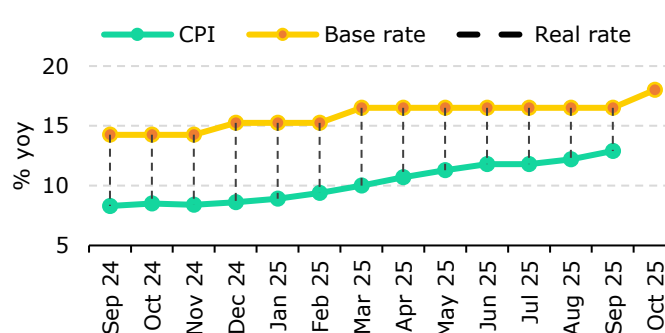
Monthly inflation in September amounted to 1.1%, which is higher than in August (1.0%), July (0.7%), and significantly higher than in September of last year (0.4%). The increase in monthly inflation was driven by faster growth in prices for food and non-food products amid a slowdown in the dynamics of paid services. It should be noted that the increase is not seasonal: food prices typically slow their growth in September, while price growth for non-food products showed significant values exceeding the rates of the past three years.

Figure 9. Quarterly inflation, %



Source: BNS

Figure 10. Inflation and base rate dynamics



On a quarterly basis, prices in the third quarter increased by 2.8%, which is slightly below the previous quarter (2.9%), but noticeably higher than the same period last year (1.6%). Such a large difference is explained by the acceleration of price growth in August and September (Figure 9).

Against the backdrop of accelerating inflation, the National Bank on October 10 decided to raise the base rate immediately by 150 basis points — from 16.50% to 18.00%. As stated in the NBK press release: “The easing of monetary conditions amid accelerating inflation, signs of demand exceeding the expansion of supply, and active fiscal policy required a significant response to stabilize inflation dynamics and prevent the risk of forming an inflationary spiral.”

Meanwhile, this is already the second sharp increase of the base rate since the beginning of the year: in March, the rate was raised by 125 basis points — from 15.25% to 16.50% — and was maintained at this level until October. At that time, the NBK cited similar reasons for inflation growth and justified the sharp increase in the base rate as a necessary step to prevent a higher rate hike in the future. However, in the latest press release, the NBK did not explain why the significant rate increase in March did not help resolve the causes of high inflation.

In our view, most of the factors that led to the acceleration of inflation in the third quarter and since the beginning of 2025 cannot be eliminated by a simple increase of the base rate, which makes such a sharp reaction by the NBK appear excessive. A number of measures currently being implemented by the NBK, the ARDFM, and the government are already creating conditions for inflation to slow down by the end of this year. These include the suspension of growth in regulated utility tariffs, the increase in FX sales under gold mirroring operations, the raising of minimum reserve requirements, and the tightening of supervision over consumer lending. In addition, fiscal and quasi-fiscal stimulus of the economy will be significantly reduced in the remaining months of the year (in the absence of additional withdrawals from the National Fund).

In our opinion, based on the standard principles of the inflation targeting regime, in October the NBK should indeed have raised the base rate by no more than 50 basis points, since a sharper tightening creates risks of strengthening imbalances in the economy and undermines confidence in the monetary policy being pursued.

Taking into account all the factors listed above, we have revised our inflation forecast for the end of 2025 from 11–12% to 11.5–12.5%. In its press release, the NBK allows for the possibility of a further increase of the base rate at the last meeting of the Monetary Policy Committee in November, which, in our view, is not an optimal decision.

According to our estimates, inflation at the end of 2026 will be in the range of 10.5–11.5% yoy. Price pressures will be maintained by higher tariffs and tax changes (including the effect of the upcoming VAT increase), as well as by the depreciation of the national currency. At the same time, in the second half of the year, a gradual decline in inflationary pressure is expected due to the dissipation of the VAT effect, the high base of 2025, weaker domestic demand amid restrictions on consumer lending, a high base rate, slower growth of real incomes, and higher tax rates.

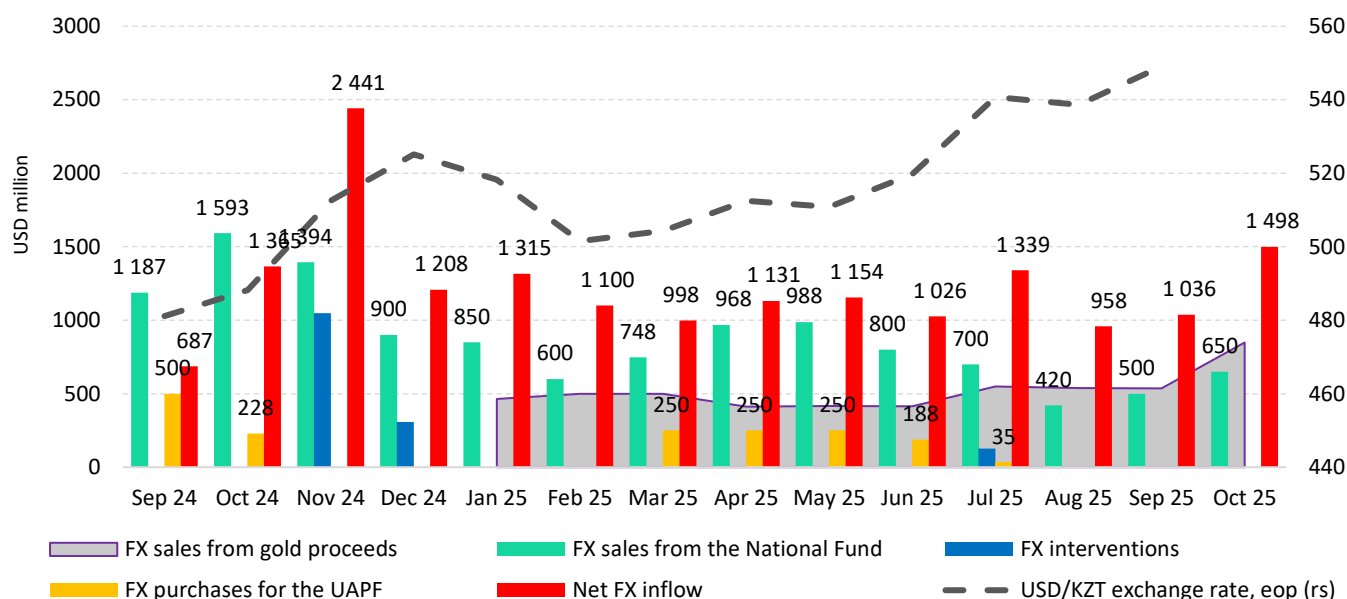
THE NATIONAL CURRENCY WEAKENED

The USD/KZT exchange rate at the end of September 2025 stood at 549.07 KZT per USD, weakening by 1.9% over the month (538.60 at the end of August) and by 5.6% compared with June (519.73 at the end of June). On a quarterly basis, the average exchange rate for the third quarter was 536.05 KZT per USD, compared with 513.77 in the second quarter — a depreciation of 4.3%. The main pressure on the exchange rate was observed in July and September, while in August the tenge showed some strengthening due to seasonal inflows of export revenues and a slowdown in investment.

The weakening of the tenge exchange rate in the third quarter and in September, in particular, was driven by a combination of factors unrelated to fundamental changes in the economy. A key role was played by the growth of imports within the implementation of state-funded infrastructure projects. In addition, there was increased activity of certain market participants amid the low depth of the market itself and limited liquidity. Under such conditions, even a small increase in demand for foreign currency exerts noticeable pressure on the exchange rate.

Fundamental factors remained stable: oil prices in the third quarter averaged USD 69 per barrel, oil exports continued to grow, and the US dollar index remained at a low level in global markets.

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



Source: NBK

Note: October data are forecasted

It should be noted that at the end of July, the NBK for the first time since the end of the previous year conducted foreign exchange interventions amounting to USD 125.6 million. This was a response to the increased pressure on the exchange rate caused by a surge in demand for foreign currency. In August, the foreign exchange market stabilized, while in September the tenge weakened again, with no interventions conducted.

In September, the NBK's net FX sales amounted to USD 1,036 million (USD 958 million in August and USD 1,339 million in July). FX sales from the National Fund in September totaled USD 500 million (USD 420 million in August and USD 700 million in July). The practice of mirroring gold operations in the domestic market continues, as does the requirement for quasi-state entities to sell 50% of their foreign currency revenues. At the same time, since August, the purchase of foreign currency for the Unified Accumulative Pension Fund (UAPF) to maintain the foreign-currency share of pension assets has been suspended.

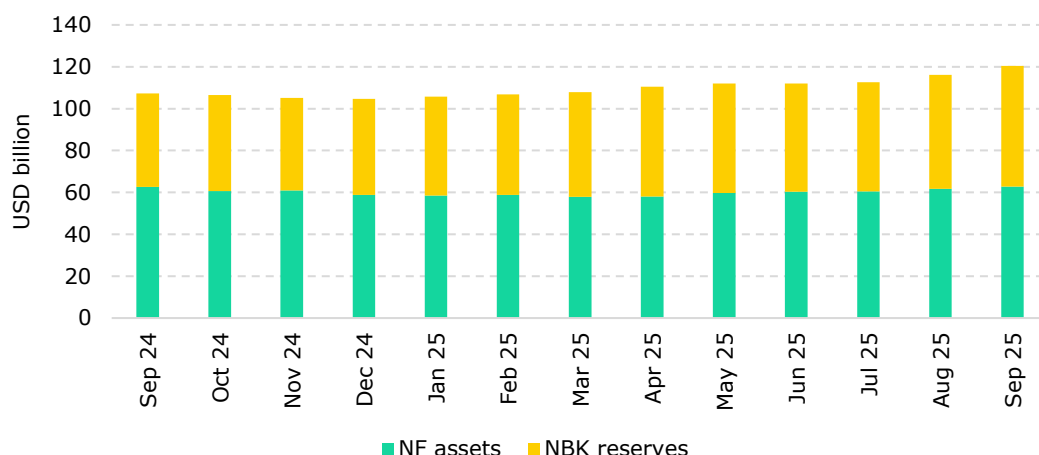
Given current trends, we expect the tenge exchange rate to weaken to 550–560 KZT per USD by the end of 2025. As National Fund transfers decrease (if plans for its use remain unchanged) and imports continue to rise, pressure on the exchange rate will persist. On the other hand, oil prices are expected to remain around USD 70 per barrel until the end of the year, and oil exports will continue to grow. In addition, the volume of sterilization operations under the mirroring of gold transactions will increase significantly: in the fourth quarter, it is planned to sell foreign currency equivalent to KZT 1.4 trillion (or about USD 848 million per month) for these purposes. These operations will offset the reduction in National Fund's FX sales, increase the supply of foreign currency in the market, and support the tenge exchange rate.

By the end of 2026, we expect a further weakening of the exchange rate to 600–610 KZT per USD, all else being equal. The key fundamental factor will be the decline in global oil prices, which will lead to a reduction in export revenues and deterioration of the external trade balance. Additional pressure will come from the reduction in National Fund's FX sales, which will decrease the supply of foreign currency in the domestic market and intensify the imbalance between supply and demand.

INTERNATIONAL RESERVES ARE GROWING DUE TO GOLD

Consolidated international reserves of the Republic of Kazakhstan at the end of September 2025 amounted to USD 112.3 billion, having increased since the beginning of the year by 15.1% or USD 15.8 billion in absolute terms (Figure 12). Such growth of reserves was mainly ensured by the increase in NBK gold and foreign exchange assets, which rose 25.9% since the beginning of the year (+USD 11.9 billion), while the foreign currency assets of the National Fund increased 6.6% (+USD 3.9 billion) over the same period.

Figure 12. Consolidated international reserves



Source: NBK

Within the structure of gold and foreign exchange reserves, assets in freely convertible currency have decreased 18.2% since the beginning of the year. At the same time, monetary gold, whose share in the structure of reserves is about 69%, increased 66.5% in value terms, which ensured the overall growth of reserves. This result is explained by the simultaneous increase in both the physical volume of gold and its prices. According to the World Gold Council, in the first half of 2025 the National Bank purchased about 22.1 tons of gold, entering the top three central banks with the largest gold purchases in the world. Meanwhile, gold prices over the same period rose 26% in USD terms, reaching historical highs near USD 2,400 per ounce.

The weak growth of the National Fund's foreign currency assets is partly explained by a decrease in investment income, which, according to the Ministry of Finance, amounted to KZT 2.48 trillion in the first half of 2025 (-2.3% yoy). At the same time, there has been a noticeable outflow of funds from the National Fund: in 9M2025, withdrawals from the NF exceeded inflows by KZT 1.4 trillion (excluding investment income). These amounts also do not include withdrawals in the form of bonds, which also affect the level of the NF's foreign currency assets. Given high uncertainty in the global oil market, the potential for further growth of the National Fund's foreign currency assets remains limited.

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 billion	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
	2024	3M2025	6M2025	9M2025
GDP cumulative, % yoy	5.0	5.6	6.3	6.3
Industrial production cumulative, % yoy	3.2	6.7	6.5	7.4
Retail trade cumulative, % yoy	9.8	4.8	6.6	7.1
Investment cumulative, % yoy	7.5	6.3	19.3	13.5
Inflation, % yoy	8.6	10.0	11.8	12.9
Base rate, %	15.25	16.50	16.50	16.50
Exchange rate USDKZT, eop	523.5	503.4	520.4	548.8

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

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