Macroeconomic Review

Q2 2026

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Despite persistent geopolitical uncertainty and elevated volatility in the global economy, Kazakhstan maintained macroeconomic stability in the second quarter. The attractiveness of government securities to foreign investors supported the tenge and contributed to a further slowdown in inflation. Key risks through year-end include volatility in the global oil market, the declining contribution of oil revenues to the budget, and rising government debt-servicing costs.

Key highlights:

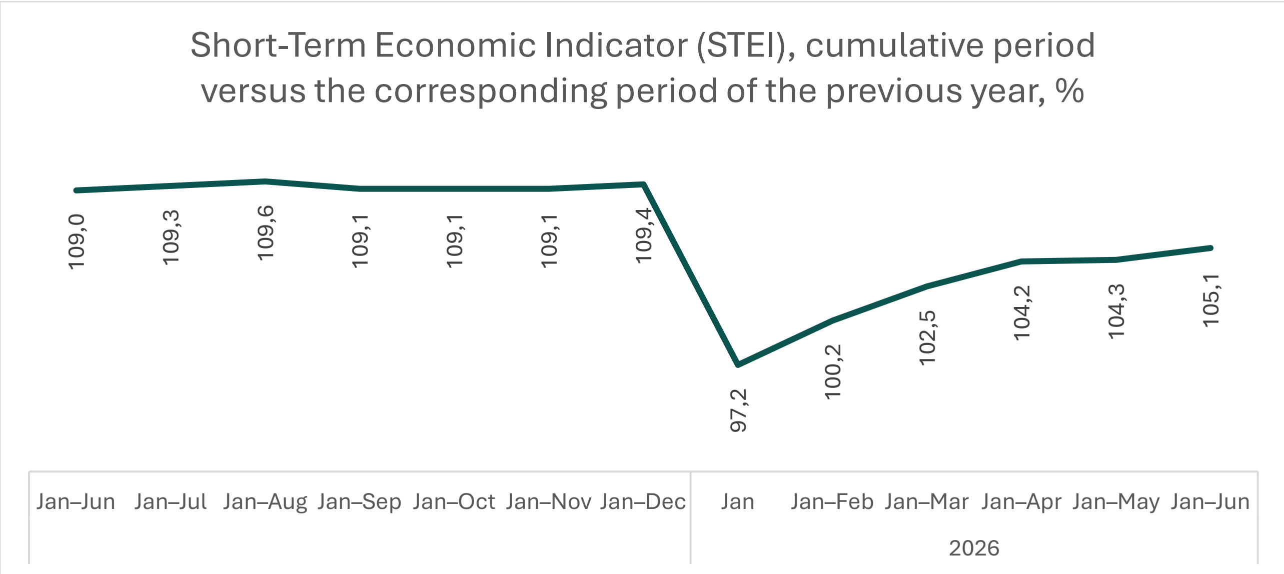
- Oil output is recovering but remains below year-earlier levels. The war in Ukraine continues to constrain logistics, while global markets have become less sensitive to geopolitical risks. As a result, higher oil prices no longer offset lower production as they did in the first quarter.
- Lower oil revenues are being partly offset by higher VAT receipts, other non-oil tax revenues, and increased issuance of government securities.
- The carry trade remains attractive. Although non-residents' share of trading volume fell to approximately 16%, their share of total government securities holdings rose to 7.8% in June and, according to our estimates, will reach 8.1% by year-end.
- Government debt-servicing costs rose to 16.6% of total republican budget expenditure, from 14.1% a year earlier.
- In June, the base rate was cut to 17%. We expect a further cut in September, bringing the rate to approximately 16.0–16.5% by the end of the third quarter, with that level maintained through year-end. We do not expect a deeper cut because inflation risks remain elevated.
- Inflation is slowing amid weaker consumer demand and cooling credit growth. However, the high import share and tariff deregulation will prevent inflation from remaining sustainably low.
- In the second quarter, the tenge appreciated, supported by non-resident inflows into government securities and foreign currency sales from the National Fund. We do not expect a significant weakening through year-end, as Kazakhstan's government securities remain attractive to foreign investors.

Economy: sluggish growth amid recovering oil production

In Q2 2026, Kazakhstan's economy began to recover gradually after a weak start to the year. In January–June, key sectors grew by 5.1% y/y, compared with 9.0% in the same period last year.

The slowdown continues to be driven primarily by the oil sector. In the first half of the year, oil production totalled 45.6 million tonnes, equivalent to 91.6% of the level recorded in the corresponding period last year, reflecting persistent production and transportation constraints. Export logistics through Russia also became more difficult, and exports to Germany via the Druzhba pipeline were halted. Thus, unlike in previous years, the oil sector has shifted from being a growth driver to the main drag on growth.

Fig. 1. Growth of key economic sectors in Q2 2026 (STEI)



Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan

Construction and trade continue to expand, supported primarily by sustained domestic demand and government investment programmes. In particular, the Ulytau, Abai, and Turkestan regions are experiencing a construction boom unprecedented in Kazakhstan, driven by major new infrastructure and industrial projects.

In the Ulytau region, construction activity increased 3.2-fold, driven by a combined-cycle gas power unit (KZT 60.5 billion), a sulphuric acid production facility (KZT 70 billion), and the New Western residential district in Zhezkazgan.

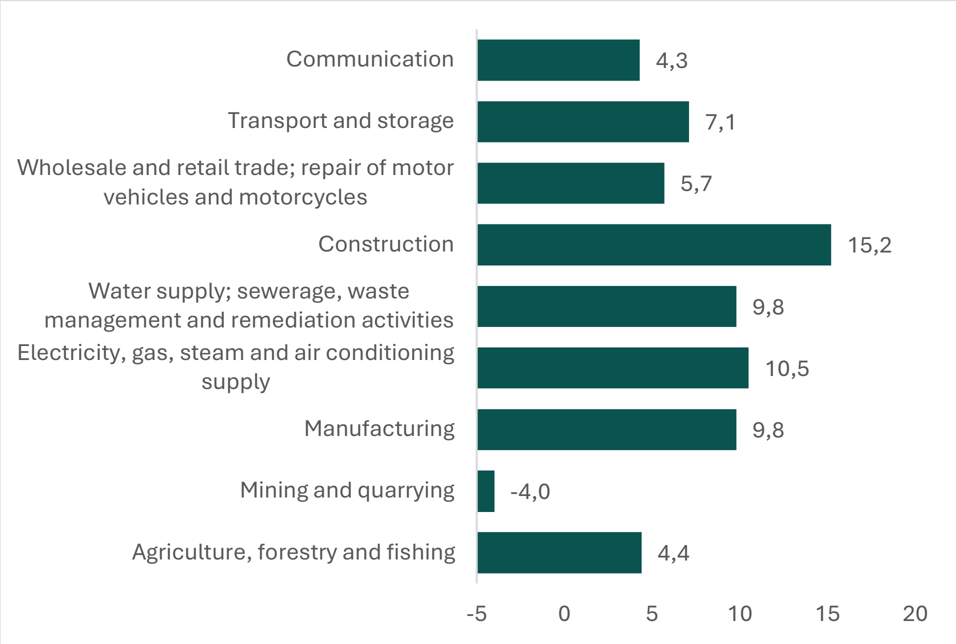
In the Abai region, projects under construction include the 303 km Bakhty–Ayagoz railway, a new combined heat and power plant in Semey worth KZT 714 billion, and 35 social infrastructure facilities.

The Turkestan region leads in attracting foreign investment: 26 large plants are being built simultaneously within the Turan SEZ, a combined-cycle power plant worth KZT 800 billion is under construction in the Sairam district, and the expansion of Turkestan under the new master plan continues.

However, these projects are not sufficient to offset the contraction in the extractive sector, resulting in slower overall economic growth.

Overall, current trends point to a more subdued economic cycle in 2026 than in 2024–2025, constrained by weaker extractive output, external conditions, and tight monetary policy.

Fig. 2. Growth of selected sectors in Q2 2026



Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan

Export growth remains subdued, but its structure is becoming more diversified

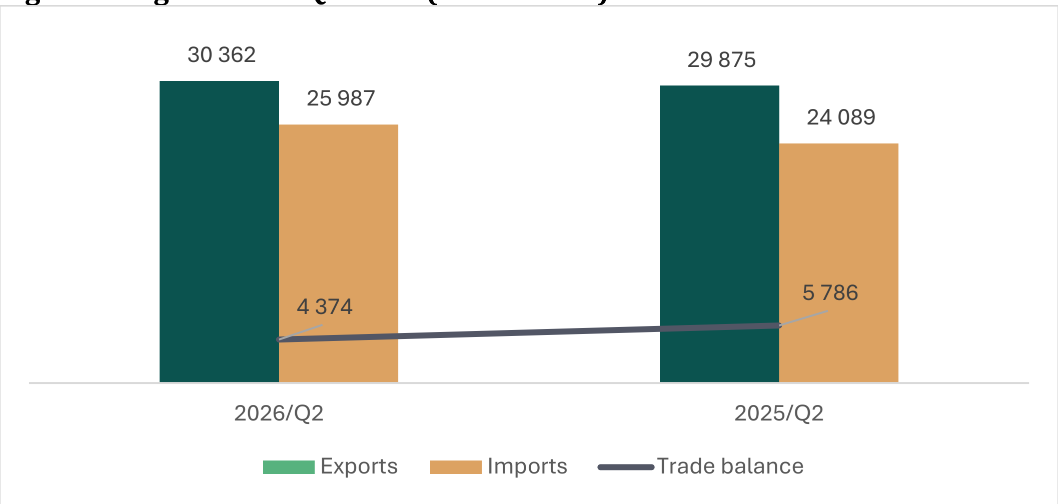
In January–May, exports rose by 1.6% y/y, while imports grew by 7.9%. The main reason for the weak growth was a 14% decline in oil exports.

Other key export categories performed more strongly. Copper exports recorded the fastest growth, rising by 61% for ores and 59% for semi-finished copper products, supported by stronger global demand and higher spot prices.

Global demand for copper continues to rise amid the large-scale electrification of the world economy. The main drivers are the development of green energy, the production of electric vehicles, and the construction of artificial intelligence infrastructure (data centres), all of which require significant volumes of copper.

At the same time, the global copper market faces a structural supply deficit. Virtually no new deposits are being brought on stream, ore quality at operating deposits in Chile and Peru is declining, and geopolitical tensions and a shortage of sulphuric acid for smelting are constraining the operations of metallurgical enterprises, keeping global prices high.

Fig. 3. Foreign trade in Q2 2026 (USD million)



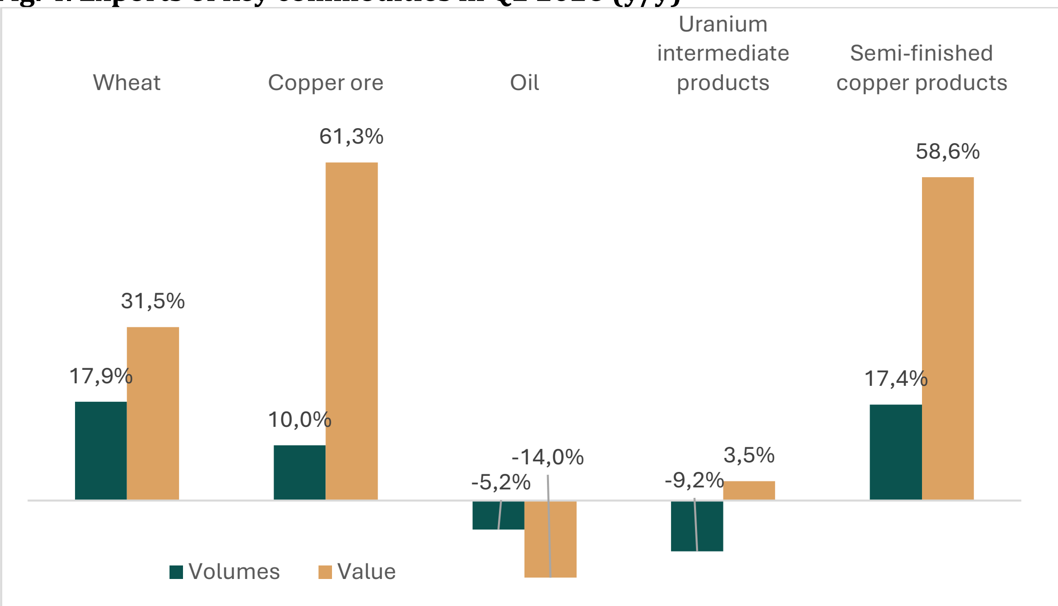
Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan

Exports remain highly concentrated, with the oil sector accounting for approximately 48% of total shipments. However, oil export revenues were unchanged from the first half of the previous year.

Wheat exports improved compared with previous periods: export revenues rose by 31.5% as shipment volumes increased by 17.9%, indicating favourable pricing conditions alongside recovering export volumes. By contrast, exports of uranium intermediate products followed a different pattern: although shipment volumes declined by 9.2%, export revenues increased by 3.5%, supported by higher global prices.

Imports are growing more steadily, reflecting the active phase of infrastructure project implementation and continued strong domestic demand. Growth is concentrated in capital and intermediate goods and is also supported by higher government spending on infrastructure. Despite the headline increase in exports, faster import growth is weakening the external balance and adding pressure to the current account, increasing fundamental risks for the foreign exchange market.

Fig. 4. Exports of key commodities in Q2 2026 (y/y)



Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan

According to our forecast, foreign trade activity will continue to recover in the second half of the year, so that full-year exports will reach around $75.0 billion, imports $65.4 billion, and the trade surplus will widen to $9.5 billion.

Table 4. Foreign trade forecast through end-2026

	Actual		Forecast	
	Q1	Q2	Q3	Q4
Exports	17,992	36,175	55,164	74,966
Imports	14,911	30,677	47,582	65,439
Trade balance	3,082	5,498	7,582	9,527

Source: Bureau of National Statistics of the Republic of Kazakhstan, BCC Invest forecasts

Budget: less oil dependence amid a rising debt burden

In Q2 2026, budget revenues rose by 5.6% y/y to KZT 10,886.9 billion, from KZT 10,313.7 billion a year earlier, accompanied by significant structural changes.

Growth in tax receipts (+29.2%), mainly from VAT (+41.9%) and corporate income tax (+15.7%), offset the decline in oil revenues (–28.3%) and transfers from the National Fund (–40.4%). Meanwhile, the pace of decline in oil revenues slowed markedly compared with the start of the year.

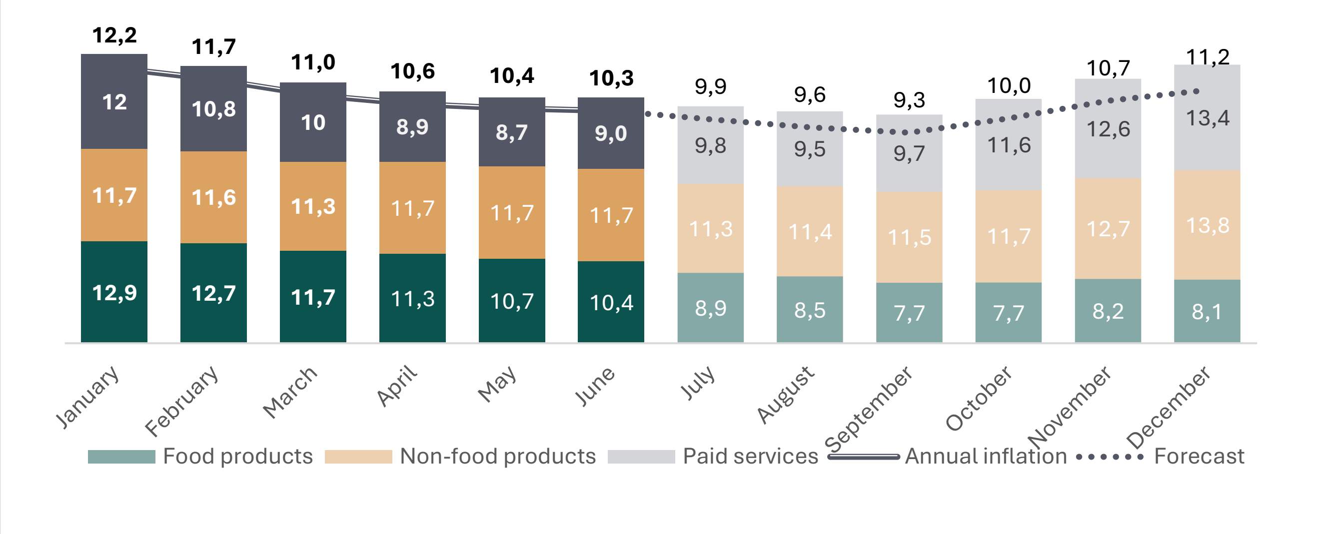
Non-oil revenues increased by 25.7%, underscoring an ongoing decline in the budget's dependence on the oil sector. However, with expenditure up 7.1% y/y, the budget deficit widened to KZT 2,134.4 billion, from KZT 1,537.9 billion in Q2 2025, an increase of 38.8% y/y.

Unlike at the beginning of the year, new borrowing is growing moderately, with borrowing receipts up 4.0% y/y. Most of the shortfall in oil revenues is now being offset by higher non-oil receipts rather than additional debt issuance. Nevertheless, the existing debt stock is placing a growing burden on the budget: debt-servicing costs rose by 26.2% y/y, and their share of expenditure reached 16%, up from 14% in the same period last year.

Inflationary pressure is slowly easing

Inflationary pressure in Kazakhstan gradually eased during the first half of 2026, largely because economic activity slowed and the credit market cooled. However, we expect further disinflation to be uneven. After reaching a local low of approximately 9.3% in September, supported by a seasonal decline in prices for newly harvested vegetables, inflation is expected to accelerate again and approach 11.2% by year-end.

Fig. 5. Inflation in Q2 and forecast through end-2026 (y/y)



Source: BCC Invest estimates

The expected acceleration in inflation toward year-end is largely linked to the easing of administrative price controls. Last year's moratorium on the indexation of utility tariffs has expired, while the deregulation of petroleum product and gas prices will feed directly into the prices and tariffs paid by households. Additional pressure continues to build through the food and foreign exchange channels. Russia's share of Kazakhstan's imports increased to approximately 32%, from about 29% at the start of the year, strengthening the pass-through of Russian inflation to the domestic market, particularly through food prices. The tenge's depreciation against the rouble further increases the cost of imported goods, sustaining inflation even under tight monetary policy.

Base-rate cuts have not weakened the tenge

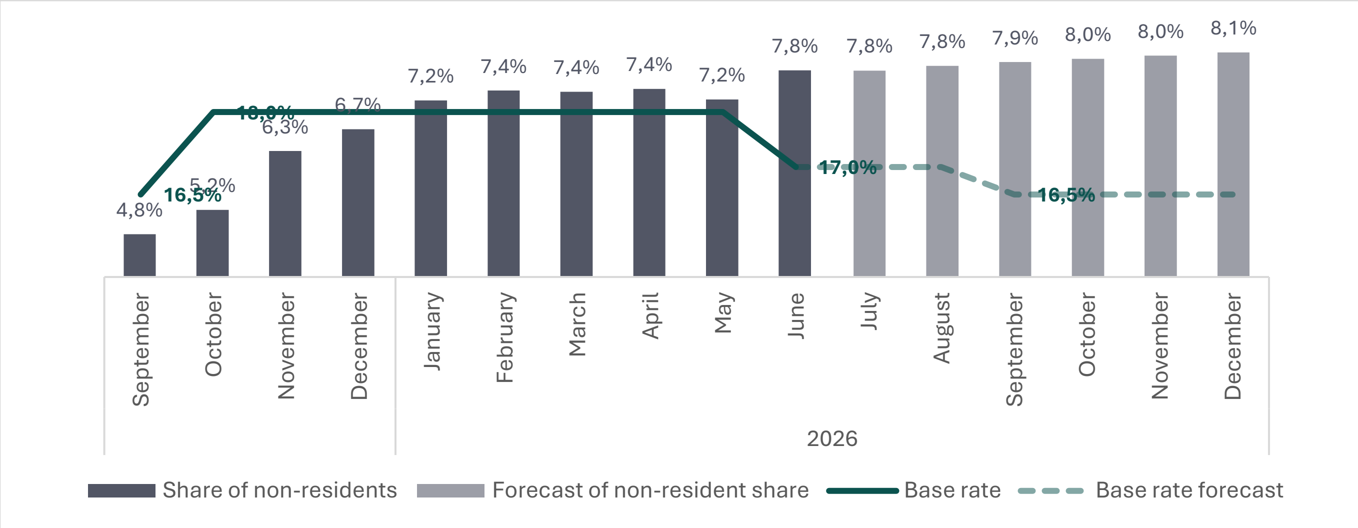
The National Bank has begun a cycle of base-rate cuts, lowering the rate from 18% to 17% in June, earlier than previously expected.

We expect the base rate to fall to approximately 16.5% by the end of the third quarter and remain at that level through year-end, provided inflation continues to slow.

The monetary policy stance remains clearly restrictive and is intended to cool credit growth and reduce inflationary pressure. However, its effectiveness is constrained because a significant share of inflation is driven by non-monetary factors.

The high base rate, together with falling real household incomes, is further restraining retail lending.

Fig. 6. Base rate and the share of non-residents in government securities



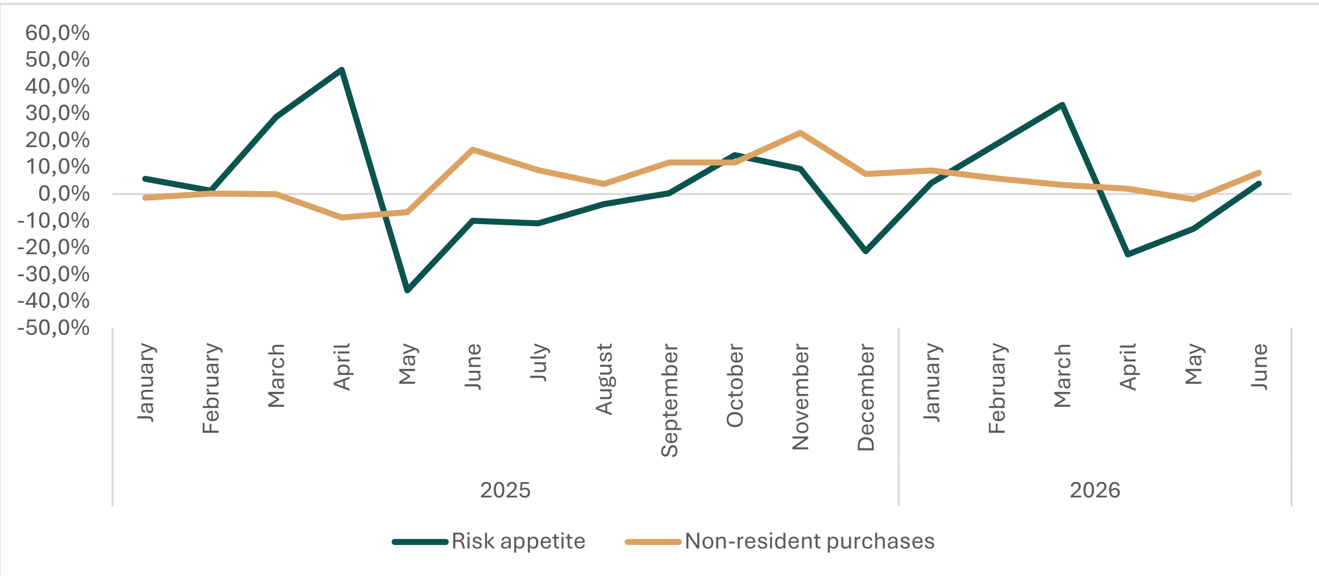
Source: authors' calculations based on NBK data, Central Securities Depository (KCSD)

In the second quarter, the tenge continued to appreciate against the US dollar as foreign capital flowed into the government securities market. The base-rate cut did not trigger an outflow of non-resident capital. The national currency also received support from net foreign currency sales by the National Fund and quasi-government sector entities.

Global risk appetite and demand for Kazakhstan's government securities

The relationship between government securities purchases and global risk appetite is clearly cyclical. A decline in the VIX and improved sentiment in global financial markets are typically accompanied by stronger purchases of Kazakhstan's government securities, particularly by non-residents. When global uncertainty rises, foreign capital inflows slow or reverse. A similar relationship is observed among resident investors, but it is considerably weaker, indicating that domestic factors play a larger role in their investment decisions. These findings confirm that foreign demand for Kazakhstan's government securities is highly sensitive to global financial conditions.

Fig. 7. Non-resident purchases of government securities and global risk appetite



Source: authors' calculations based on NBK data

The National Bank introduced a new mechanism for foreign exchange operations on behalf of the National Fund: transfers will first be credited to the National Bank's account, after which foreign currency will be sold on the domestic market as needed. In addition to the regular monthly sale of USD 200 million to fund budget transfers, a further USD 460 million was sold. These operations may have contributed to the tenge strengthening to an average of KZT 475 per US dollar in June.

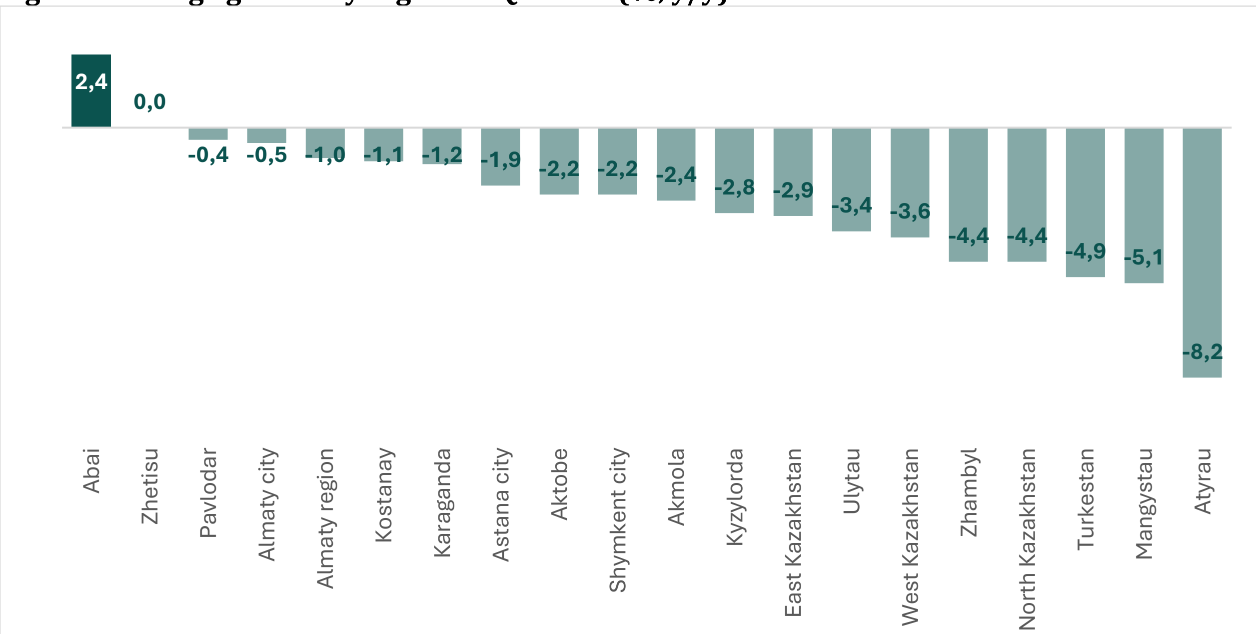
Another factor supporting the tenge may have been non-resident inflows into government securities. In June, non-resident holdings increased by KZT 185 billion, and their share of total government securities holdings rose to 7.76%, from 7.23% in May. Although non-residents' share of trading volume declined to 16% in June, this most likely reflects lower trading activity: investors appear to be holding previously purchased securities to maturity, as indicated by their rising share of total holdings.

According to our estimates, sustained non-resident inflows into government securities despite the base-rate cut reflect the gradual and predictable easing cycle. Yields on Kazakhstan's government securities remain well above comparable global benchmarks, preserving the attractiveness of the carry trade.

Real wages continue to decline

Kazakhstan's labour market remains stable in terms of employment, but real incomes continue to decline. In Q2 2026, the average wage was KZT 461,500, while real wages fell by 2.3% y/y as inflation outpaced nominal wage growth. Trends varied considerably by sector: the largest declines in real wages were recorded in IT (–8.0%), education (–6.7%), and hospitality and catering (–6.4%), while real wages increased in agriculture (+7.7%) and finance (+5.7%).

Fig. 8. Real wage growth by region — Q2 2026 (%, y/y)



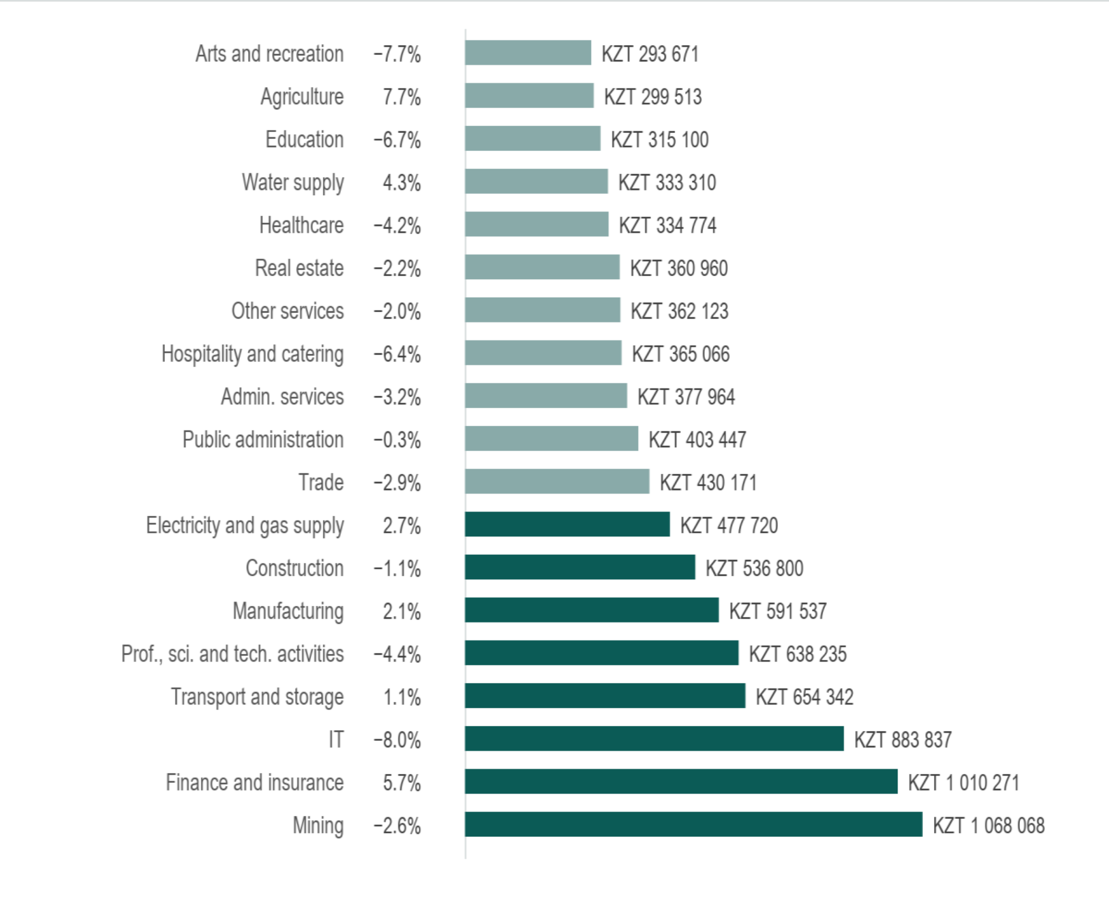
Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan

Significant structural imbalances persist: wages differ by more than a factor of two across regions and by up to a factor of three across sectors. Wages are highest in mining and finance, while pay in education, healthcare, and agriculture remains well below the national average.

At the same time, the sharpest decline in real wages occurred in the oil-producing regions — Atyrau and Mangystau. The likely cause was a reduction in bonus payments amid falling production volumes.

Inequality is also reinforced by an urban–rural income gap of approximately 37% and weaker income growth in small businesses.

Fig. 9. Real wage growth by sector — Q2 2026 (%, y/y)



Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan