Kazakhstan: Growth Continues, but Oil Export Risks Are Rising

Key Takeaway

Kazakhstan entered the second half of 2026 with an economy that continues to grow despite weak momentum in the oil sector. Construction, manufacturing, trade and transport are supporting domestic activity, while oil production was already under pressure in the first half of the year due to production and export constraints.

According to the National Bank, GDP increased by 4.1% y/y in January–June, while growth excluding the mining industry amounted to approximately 5.3%. The Bureau of National Statistics' Short-Term Economic Indicator rose by 5.1%. This shows that domestic sources of growth are currently offsetting the weakness of the extractive sector.

In July, the country's dependence on its main export route became a direct macroeconomic risk. Following attacks on tankers near the Caspian Pipeline Consortium's marine terminal in Novorossiysk, oil loadings were suspended. The CPC temporarily stopped accepting Kazakh crude, while the filling of storage tanks forced oil companies to reduce production.

The problem is no longer limited to global oil prices or Kazakhstan's production plans. Even the volume already produced cannot be fully sold if the main route to buyers is unavailable and alternative routes do not yet have comparable capacity.

If CPC operations are restored quickly, the losses will remain manageable: non-oil sectors are maintaining strong momentum, while favourable oil prices will support export earnings. Prolonged or recurring disruptions could weaken GDP growth, the trade balance, budget revenues and the tenge exchange rate.

The central question of this review is therefore not whether Kazakhstan has retained its capacity to grow. What matters is how resilient the economy will prove if its largest export sector regularly faces physical supply constraints.

From the Pandemic Downturn to Rapid Growth

Over the past six years, Kazakhstan has passed through several different economic phases. In 2020, real GDP contracted by 2.5% under the impact of the pandemic, restrictive measures and deteriorating conditions in commodity markets. The economy recovered by 4.3% in 2021 and grew by 3.2% in 2022, before accelerating to 5.1% in 2023. According to revised data, GDP increased by 5.0% in 2024.

In 2025, the economy grew by 6.5% — the highest rate over the period under review. Growth was supported by domestic demand, investment, government and quasi-government programmes, consumer lending and higher oil production following the expansion of the Tengiz oilfield.

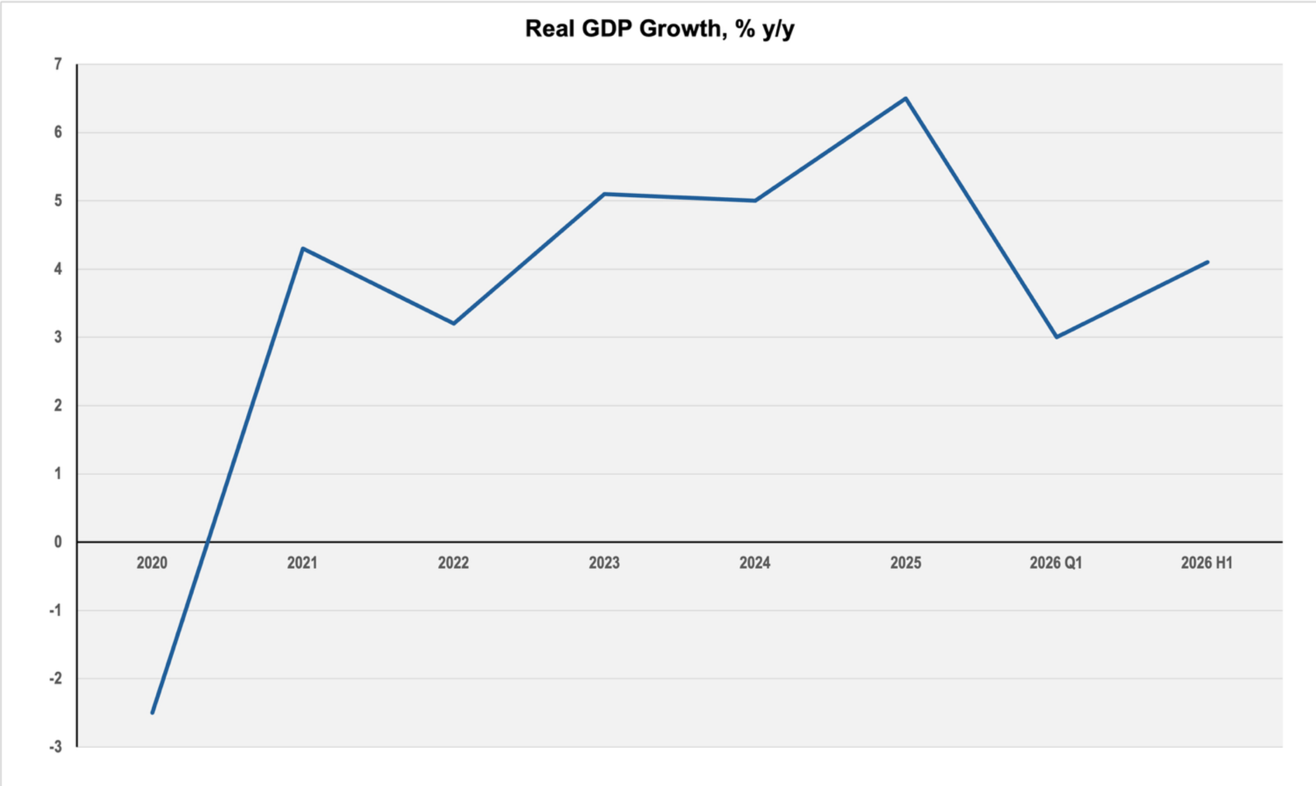

Chart 1. Real GDP Growth in Kazakhstan, 2020–H1 2026, % y/y.
Source: Bureau of National Statistics of the Republic of Kazakhstan, World Bank.

This performance also created signs of overheating. The International Monetary Fund highlighted the rapid expansion of domestic demand, a significant fiscal and quasi-fiscal impulse, credit growth and persistently high inflation.

Growth slowed noticeably at the beginning of 2026. In the first quarter, real GDP increased by 3.0% y/y. Output in the mining industry declined, while manufacturing, construction, transport and domestic consumption continued to support the economy.

By mid-year, growth had accelerated again. The National Bank estimated GDP growth in the first half of the year at 4.1%, while the Short-Term Economic Indicator reached 5.1%. The divergence reflects differences in the methodology and composition of the indicators, but both confirm that the economy continues to expand.

Non-Oil Sectors Sustain Overall Momentum

In January–June, construction recorded the strongest growth, increasing by 15.2% y/y. Transportation and storage expanded by 7.1%, while trade rose by 5.7%. Agriculture grew by 4.4%, communications by 4.3%, and industry as a whole by only 3.5%.

Construction remains one of the main sources of economic activity. It is supported by infrastructure projects, residential construction, government programmes and investment by national holdings. The sector's growth generates demand for construction materials, transport, labour, bank financing and related services.

Manufacturing is also demonstrating more resilient momentum than the extractive sector. In the first quarter, its physical output increased by 8.7% y/y, while mining output declined by 11.5%. This divergence shows that the slowdown is primarily linked to the commodity sector rather than to a broad weakening of production activity.

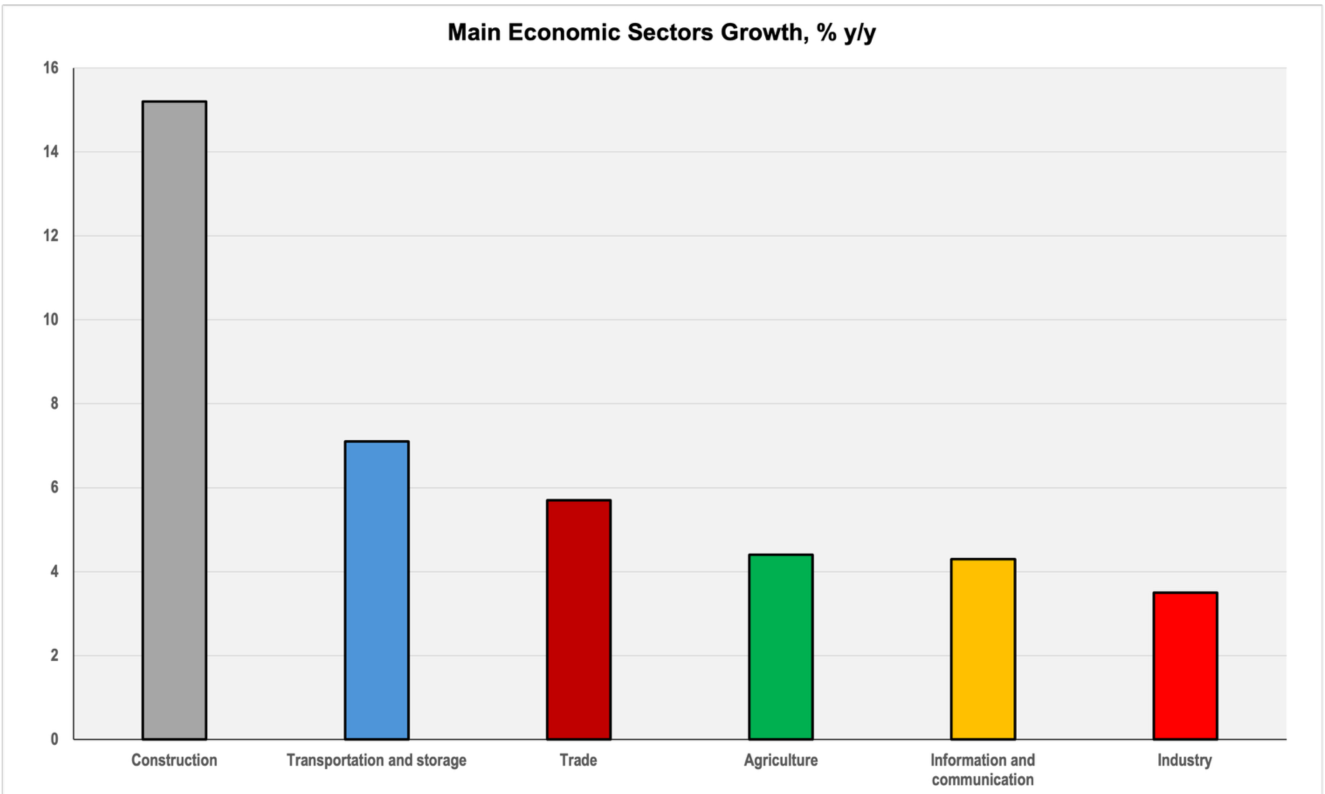

Chart 2. Performance of Kazakhstan's Main Economic Sectors, January–June 2026, % y/y.
Source: Bureau of National Statistics of the Republic of Kazakhstan.

However, the rapid growth of construction and investment cannot yet be considered evidence of completed diversification. A significant share of projects is financed by the government, national companies and development institutions. This supports GDP but also preserves the economy's dependence on budget decisions and the quasi-government sector.

Regional data highlight the difference between the oil and non-oil economies. In the first half of the year, the Short-Term Economic Indicator declined by 6.4% in the West Kazakhstan Region and by 5.3% in the Atyrau Region. At the same time, the Turkistan Region grew by 26.3%, the Ulytau Region by 17.0%, and the Almaty Region by 14.8%.

Kazakhstan is therefore developing at two speeds. Western oil-producing regions are under pressure from production and export constraints, while construction, trade, manufacturing and transport are supporting growth in other parts of the country.

Exports Remain Oil-Dependent Despite the Development of Other Sectors

In January–May 2026, Kazakhstan's foreign trade turnover amounted to USD 56.35 billion and increased by 4.3% y/y. Exports rose by 1.6% to USD 30.36 billion, while imports increased by 7.7% to USD 25.99 billion. The trade surplus was preserved, but the gap between exports and imports narrowed significantly.

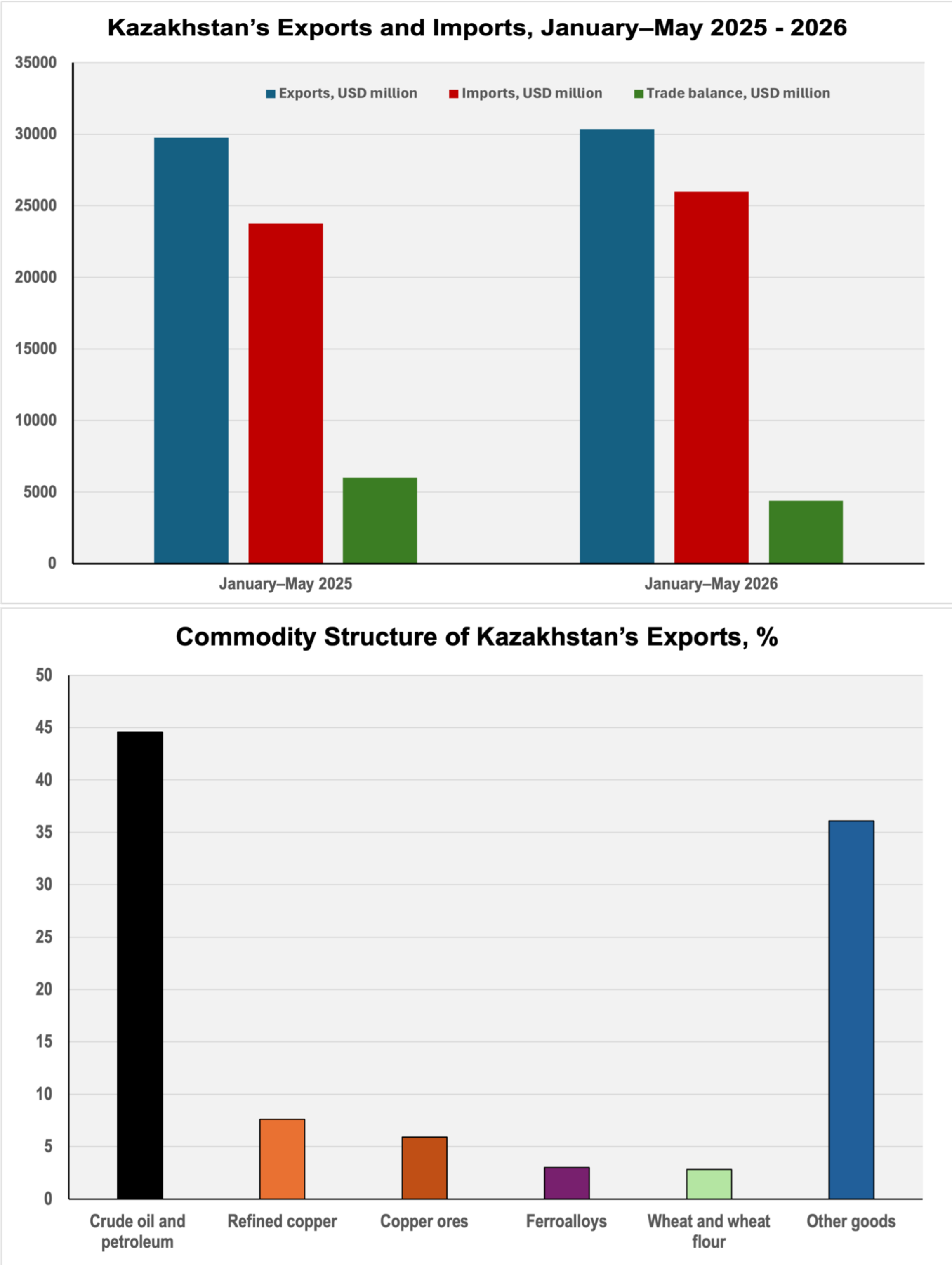

Chart 3. Commodity Structure of Kazakhstan's Exports and Export and Import Dynamics, January–May 2026.
Source: Bureau of National Statistics of the Republic of Kazakhstan.

Crude oil and crude petroleum products accounted for 44.6% of merchandise exports. Refined copper and copper alloys represented 7.6%, copper ores and concentrates 5.9%, ferroalloys 3.0%, and wheat and flour 2.8%.

The share of oil declined from 52.9% in January–May 2025 to 44.6% one year later. This partly reflects higher exports of metals and other products, but is also related to weaker oil production and export disruptions. The decline in the oil share therefore cannot be interpreted entirely as sustainable structural diversification.

The main export partners remained China with a share of 19.9%, Italy with 16.4%, Russia with 8.8%, Türkiye with 7.6%, the Netherlands with 6.3% and Uzbekistan with 5.8%. The geography of buyers appears relatively diversified, but transport geography is considerably more concentrated: most of the oil destined for European markets passes through the CPC and Novorossiysk.

The diversification of domestic production is therefore progressing faster than the diversification of export revenues. Kazakhstan is producing more non-oil goods and services, but foreign earnings, budget revenues and the supply of foreign currency are still largely determined by the oil sector.

CPC Turned an External Conflict into a Domestic Production Shock

The Caspian Pipeline Consortium transports oil from fields in western Kazakhstan through Russian territory to a marine terminal near Novorossiysk. The system is more than 1,500 kilometres long. It carries approximately 80% of Kazakhstan's oil exports and almost 2% of daily global oil supply.

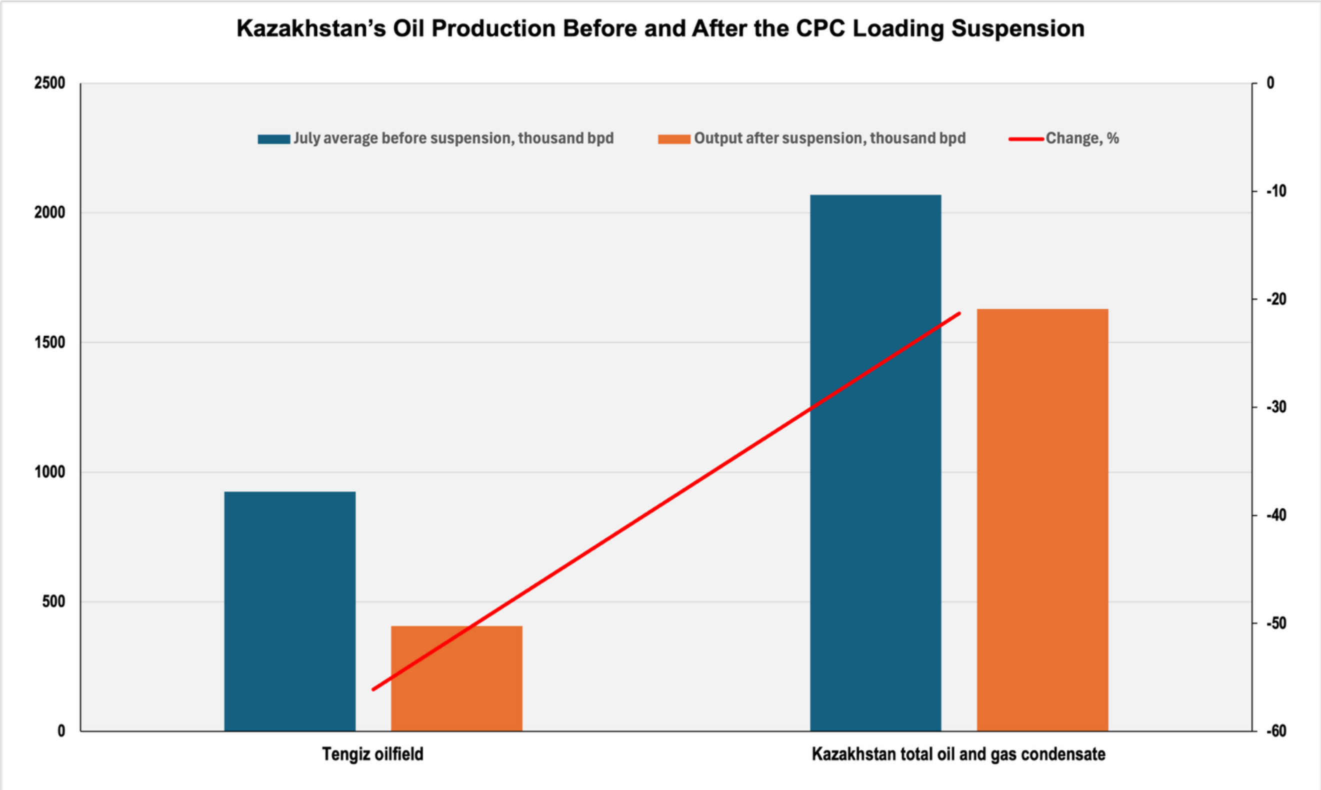

Chart 4. Kazakhstan's Oil Production Before and After the CPC Loading Suspension, July 2026, Thousand Barrels per Day.
Source: Ministry of Energy of the Republic of Kazakhstan, Reuters.

In July, attacks on tankers near the terminal led to the suspension of loading operations. Once the terminal's storage tanks were filled, the CPC stopped accepting oil from Kazakhstan. Although no damage to the loading facilities themselves was confirmed, operations became impossible due to the threat to shipping safety.

Kazakh companies had to reduce production to prevent their own storage facilities from overflowing. The Ministry of Energy confirmed a controlled reduction in production but did not disclose precise volumes. According to Reuters industry sources, production at Tengiz declined from an average of approximately 925 thousand barrels per day in July to 406 thousand barrels per day. Kazakhstan's total production of oil and gas condensate fell from 2.07 million to 1.63 million barrels per day.

For an ordinary exporter, a temporary port closure means delayed deliveries. For Kazakhstan's oil industry, it quickly becomes a production constraint. Oil cannot be stored indefinitely near the fields, while reducing and subsequently restoring production at major projects involves technological and financial costs.

The position of Tengiz is particularly important. The expansion of the field was expected to become one of the main sources of higher production and export revenues in 2025–2026. However, additional output has economic value only when there is a stable route to buyers.

High Oil Prices Cannot Replace an Export Route

The suspension of supplies occurred amid tensions in the global oil market. Disruptions to shipping in the Red Sea, supply problems through the Middle East and interruptions in the Black Sea pushed up prices for physical crude grades. In late July, some quotations approached USD 110 per barrel, while Dated Brent reached USD 105.70.

For Kazakhstan, high prices provide a partial compensating effect. Once loadings resume, the higher value of each barrel will support the trade balance, budget revenues, the National Fund and the supply of foreign currency.

However, higher prices cannot fully replace the decline in physical volumes. While oil is not being loaded, export revenue is not generated regardless of the market price. Production taxes, transportation payments and contractor revenues also decline.

Kazakhstan has alternative routes through the Atyrau–Samara system, the oil pipeline to China, the Caspian Sea and the Baku–Tbilisi–Ceyhan route. During previous disruptions, KazTransOil redirected part of the flows towards Samara, BTC and China.

These routes are strategically important but cannot yet accommodate volumes comparable to the CPC. Trans-Caspian shipments require tanker capacity, port transshipment and access to Azerbaijan's infrastructure. Rail exports are more expensive, while the Chinese and northern routes have their own technical and contractual limitations.

The task is therefore not to urgently find a single new route capable of immediately replacing the CPC. A more realistic approach is to gradually increase the combined capacity of alternative channels by expanding the ports of Aktau and Kuryk, developing the Caspian fleet, modernising connecting infrastructure and concluding long-term agreements with transit countries.

Until such capacity is created, the duration of disruptions in Novorossiysk will directly affect not only exports but also the volume of oil production within Kazakhstan.

Inflation Is Slowing but Remains in Double Digits

Annual inflation declined to 10.3% in June from 10.4% in May. Food prices rose by 10.4%, non-food goods by 11.7%, and paid services by 9.0%. Monthly inflation amounted to 0.8%.

Despite the slowdown, the current rate of inflation remains more than twice the National Bank's medium-term target of 5%. Non-food inflation is barely declining, while growth in service prices has accelerated slightly again.

Historical dynamics demonstrate the persistence of the inflation problem. Inflation stood at 7.5% at the end of 2020 and 8.4% in 2021. It accelerated to 20.3% in 2022, before declining to 9.8% in 2023 and 8.6% in 2024. In 2025, inflation rose again to 12.3%.

An additional factor was the increase in the standard VAT rate from 12% to 16% from 1 January 2026. A reduced rate applies to medicines, medical devices and medical services.

The National Bank notes that the initial pass-through of the VAT increase into consumer prices was smaller than initially feared. However, the full effect may emerge gradually through retail mark-ups, service prices, wages and production costs.

The suspension of oil exports has diverging effects. On the one hand, lower production and investment may weaken domestic demand. On the other hand, reduced foreign currency inflows may place pressure on the tenge, while more expensive logistics and imported goods may create an additional inflationary impulse.

The National Bank Has Begun Easing, but Room Is Limited

At the beginning of 2026, the base rate remained at 18%. On 5 June, the National Bank lowered it to 17%, and on 24 July to 16.75%. Monetary conditions nevertheless remain tight, while the real interest rate is positive.

The regulator attributes the rate cuts to the slowdown in inflation, a stronger tenge, stabilising consumer activity and the limited pass-through of the VAT increase into prices. At the same time, household inflation expectations remain high: in June, one-year-ahead expectations stood at 13.4%.

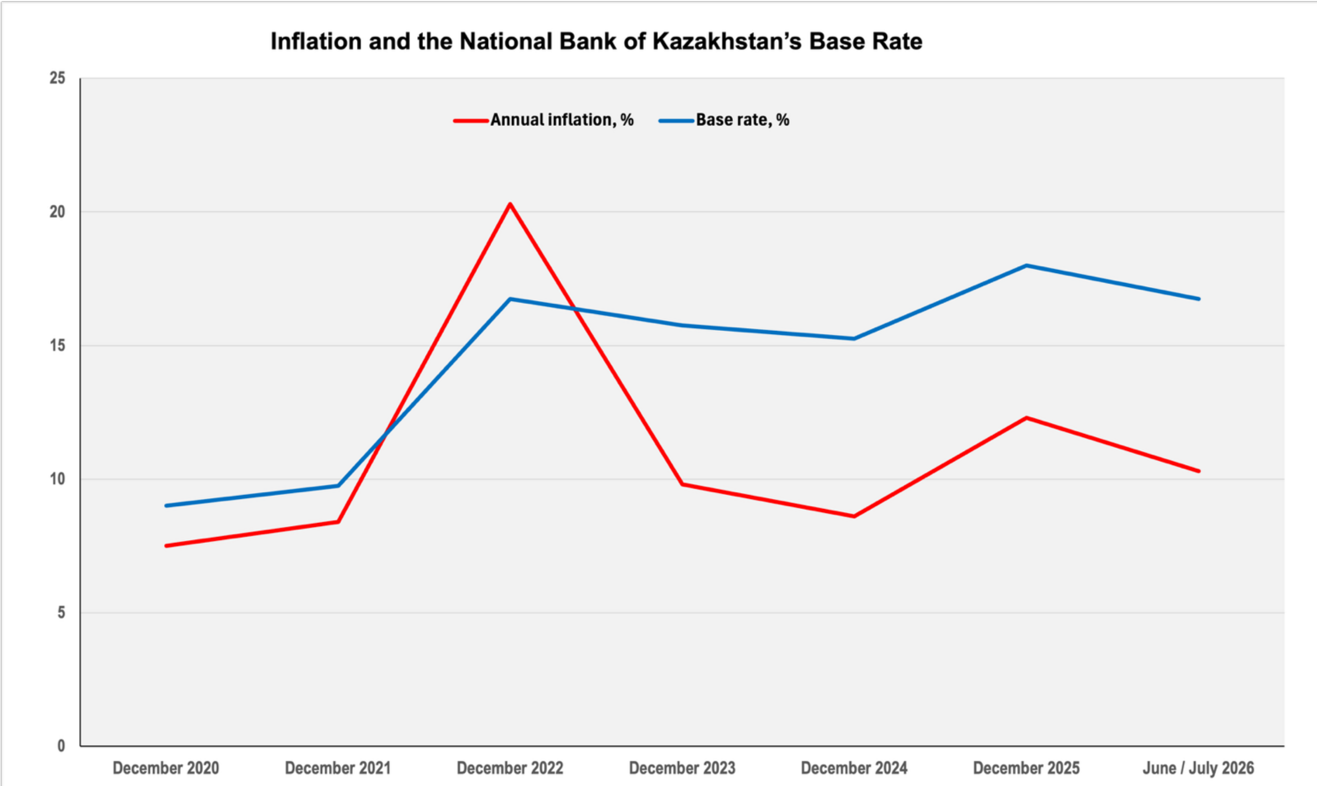

Chart 5. Annual Inflation and the National Bank of Kazakhstan's Base Rate, 2020–July 2026.
Source: Bureau of National Statistics of the Republic of Kazakhstan, National Bank of Kazakhstan.

Further rate reductions will require caution. Weakness in the oil sector supports the case for stimulating the economy, but possible tenge depreciation, high inflation expectations, rising producer prices and continued government demand point in the opposite direction.

The July decision was based on the assumption that the government would adhere to the announced parameters for the budget, transfers from the National Fund and quasi-government stimulus. The National Bank explicitly stated that a significant deviation from these parameters could lead to a reassessment of risks and the policy-rate trajectory.

Disruptions to CPC operations therefore do not provide an unambiguous basis for rapid monetary easing. They simultaneously weaken the growth outlook and increase risks to the exchange rate and inflation.

Fiscal Consolidation Coexists with Quasi-Fiscal Expansion

The new Tax Code is intended to increase the sustainability of public revenues, reduce certain exemptions and lower the budget's dependence on transfers from the National Fund. The VAT increase is a central element of this reform.

A formal improvement in the budget, however, does not necessarily mean a tightening of overall government economic policy. A significant share of stimulus is implemented outside the republican budget through national holdings, state-owned companies and development institutions.

The International Monetary Fund notes that large-scale quasi-fiscal programmes support infrastructure projects, industry and lending, but simultaneously strengthen domestic demand and complicate the fight against inflation.

For growth, this model remains effective in the short term. With bank financing expensive, companies gain access to government programmes and investment resources. Construction, transport and manufacturing continue to grow strongly even when oil production is weak.

The effect is less favourable for monetary policy. The National Bank maintains a high cost of money in an effort to restrict consumption and price growth, while the government and quasi-government sectors continue to expand investment.

This creates inconsistency between different areas of macroeconomic policy. For the time being, it supports GDP, but it may slow the return of inflation to the target and prolong the period of high interest rates.

Lower oil revenues could make this balance even more difficult. If export disruptions persist, the government will have to choose between reducing expenditure, increasing transfers from the National Fund and maintaining the investment impulse through quasi-government structures.

Political Reform and Institutional Predictability

A new Constitution entered into force in Kazakhstan on 1 July. It provides for a transition from a bicameral parliament to a smaller unicameral parliament and establishes the position of vice-president. Early parliamentary elections are scheduled for 23 August.

The direct impact of the political reform on current GDP is limited. More important for the economy is how the new system will affect the consistency of government policy, control over budget expenditure, the speed of decision-making and interaction with private investors.

The position of major foreign investors in the oil and gas sector is becoming particularly important. On 21 July, the authorities froze the property and transport assets of Kashagan field operator North Caspian Operating Company over the non-payment of an environmental fine of approximately USD 4.84 billion. The consortium rejects the allegations, and the dispute is being considered in international arbitration.

From the government's perspective, the matter concerns compliance with environmental requirements and the enforcement of national legislation. From the investors' perspective, it increases uncertainty regarding operating conditions at one of the country's largest oil projects.

The dispute itself does not imply an abrupt halt to foreign investment. However, together with the vulnerability of the CPC, the need to expand alternative logistics and the high capital intensity of oil projects, it increases the importance of regulatory predictability and stable contractual conditions.

Kazakhstan must simultaneously protect state interests, enforce environmental standards and preserve the confidence of companies capable of financing complex, long-term energy projects.

Outlook: Growth Will Slow, While the Range of Risks Has Widened

Before the July suspension of loadings, the International Monetary Fund expected Kazakhstan's real GDP to grow by 4.6% in 2026. The National Bank's June forecast was in the range of 4.5–5.5%, reflecting stronger economic activity and favourable oil-price assumptions.

The results for the first half of the year show that domestic sources of growth remain resilient. GDP increased by approximately 4.1%, growth excluding mining amounted to around 5.3%, and construction and manufacturing sectors maintained strong momentum.

The temporary CPC shutdown therefore does not in itself imply a reversal of the economy. However, it increases the dependence of the full-year result on the duration of disruptions and on the ability to restore production after loadings resume.

If the terminal resumes operations quickly, part of the July losses may be offset by a subsequent increase in exports and high oil prices. In this case, the working estimate for full-year GDP growth is approximately 4–4.5%. This is an analytical estimate based on current first-half indicators and the assumption that the supply disruption will be short-lived.

Prolonged or recurring interruptions would limit the recovery of production and increase pressure on exports, budget revenues, the National Fund and the tenge exchange rate. A weaker national currency would also complicate the reduction of inflation and limit the National Bank's room for further easing.

The positive scenario assumes a stable resumption of CPC operations, continued strong performance in construction and manufacturing, and a gradual increase in the capacity of alternative routes.

The negative scenario involves recurring loading disruptions in Novorossiysk, weaker oil production, lower foreign currency inflows, a weaker tenge and the need to maintain high interest rates for longer.

A separate risk arises from the combination of the oil shock and active government investment policy. An attempt to fully compensate for lower export revenues through new expenditure may preserve nominal activity but increase inflation and dependence on the resources of the National Fund.

Final Assessment

Kazakhstan's economy has become more resilient to fluctuations in the oil sector than it was several years ago. Construction, transport, trade and manufacturing are capable of supporting growth even during a temporary reduction in production.

However, the diversification of domestic production has not yet eliminated the concentration of export revenues and transport infrastructure. Oil still accounts for almost half of merchandise exports, while approximately 80% of its shipments depend on a single route to the Black Sea.

The main problem is not a complete absence of alternatives. Kazakhstan can redirect individual cargoes through China, the Caspian Sea, Azerbaijan and northern pipeline systems. However, the capacity of these routes remains far below that of the CPC.

The domestic macroeconomic situation also remains difficult. Inflation is slowing but remains in double digits. The National Bank has begun cautiously lowering the rate, but inflation expectations, tax changes, government demand and possible pressure on the tenge limit the room for rapid easing.

Political and institutional restructuring adds another dimension. To sustain investment, Kazakhstan must ensure consistent economic policy and predictable operating conditions for major international companies.

The most likely outcome remains economic growth of approximately 4–4.5% in 2026, provided that CPC operations are restored without a prolonged interruption. If disruptions recur, the result could be significantly weaker.

Kazakhstan continues to grow thanks to domestic demand and non-oil sectors. However, the main question for the second half of 2026 is no longer only how much oil the country can produce, but how resilient the routes carrying it to the global market will prove.

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