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Economic Overview and Growth Prospects of Kazakhstan: A Focus on Key Sectors and Geopolitical Factors

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Abstract

In terms of area, Kazakhstan is the largest country in Central Asia, and has demonstrated robust economic growth, primarily driven by gas and oil revenues from, which have contributed significantly to the nation's GDP and exports. The agricultural sector, previously in decline, has undergone a substantial recovery, with a focus on wheat production and livestock. The industrial sector, particularly in oil and gas production, mining, metallurgy, and machinery, plays a pivotal role in Kazakhstan's economy. The Kazakh economy is projected to have a GDP growth of 4.5 percent in 2026. Concurrently, the circumstances surrounding the Strait of Hormuz, which governs approximately one-third of global oil shipments, persist as a salient concern for the oil-export-dependent Kazakh economy. In the event of protracted conflict, it is conceivable that the price of Brent crude oil will stabilize at approximately USD 90 per barrel, which could represent a substantial revenue stream for the Kazakh economy if it is able to market its oil reserves.

Keywords: Kazakhstan, economy, GDP, trade

Introduction

General economic characteristics of Kazakhstan

Kazakhstan, the largest country in Central Asia in terms of territory, has experienced robust economic growth, largely driven by substantial gas and oil revenues, which account for approximately 35 percent of GDP and 75 percent of exports. Kazakhstan's economy is growing 6.5 percent in 2025. In the medium term, non-oil GDP growth is projected to stabilize at around 3.5 percent. Key downside risks include a potential decline in oil prices, disruptions in oil exports, and sluggish growth among trading partners. Additionally, the ongoing conflict in Ukraine and the resulting geopolitical fragmentation, including secondary sanctions, could pose significant risks to economic activity and investor confidence.

Kazakhstan boasts a wealth of [natural resources](#), including substantial deposits of oil, natural gas, coal, iron ore, manganese, chromite, nickel, cobalt, copper, lead, zinc, bauxite, and uranium. The country also possesses a sizable agricultural area (ranked 14th globally), encompassing arable land and pastures. Agriculture experienced a precipitous decline following the dissolution of the Soviet Union, but has demonstrated a remarkable recovery over the past two decades. The sector accounts for 5.2 percent of the country's GDP and employs 13 percent of the working population. The country's agriculture is extensive, but its development is limited by aging infrastructure. More than half of its products are crops (cereals, including wheat, oilseeds, cucumbers). Kazakhstan is one of the world's [leading](#) wheat producers, and the livestock and dairy sectors account for a significant share of the agricultural sector. The country is almost self-sufficient in agri-food, with gross agricultural output amounting to USD 18.8 billion in the first eleven months of 2025, according to government figures. The substantial harvest included 16.6 million tons of cereals, 2.1 million tons of oilseeds, and 5 million tons of fodder crops, providing ample supplies for the local market.

The industrial sector, contributing around 35 percent to the country's GDP and providing

employment for 22 percent of the working population, encompasses diverse sub-sectors. These include oil and gas extraction, mining, metallurgy, chemicals, machinery, and agriculture. The metallurgy sector is distinguished by its specialization in steel production, while the chemical industry's focus lies in petrochemicals and fertilizers. The mechanical engineering sector encompasses a broad spectrum of products, ranging from agricultural machinery to industrial equipment.

The services accounting for 52.6 percent of GDP and employing 66 percent of the working population, is the predominant sector in Kazakhstan and is growing steadily. The financial sector, transport, and technology are the primary services produced in the country. The tourism sector, although not yet well developed, experienced strong growth before the outbreak of the epidemic. The tourism sector in Kazakhstan has demonstrated a consistent growth trajectory, marked by an increase in both domestic and international visitors. This growth is further supported by substantial investments in tourism infrastructure, which are projected to generate employment opportunities for 800,000 individuals within the sector by the year [2029](#).

Kazakhstan: Selected Economic Indicators, 2022–26					
	Proj				
	2022	2023	2024	2025	2026
GDP			(Percent)		
Real GDP	3.2	5.1	3.9	5.0	3.9
Real Oil GDP	-1.7	7.0	-0.6	8.8	4.4
Real Non-Oil GDP	4.6	4.6	5.1	4.0	3.8
Inflation					
General government fiscal accounts			(Percent of GDP)		
Revenues and grants	21.8	21.7	19.5	18.5	19.0
Oil revenues	8.0	5.7	5.8	5.7	5.1
Non-oil revenues	13.8	16.0	12.7	12.7	13.9
Expenditures and net lending	21.7	23.2	22.1	21.6	21.2
Overall fiscal balance	0.1	-1.5	-2.6	-3.1	-2.2
Non-oil fiscal balance	-7.9	-7.2	-8.4	-8.9	-7.3
Gross public debt	23.5	22.8	24.0	25.5	28.2
Net public debt	-1.2	0.1	2.6	4.5	5.7
Monetary accounts					
Reserve money	11.4	11.6	11.9	12.0	11.5
Broad money	33.1	34.0	34.6	35.0	35.4
Credit to the private sector	22.7	23.5	24.1	25.0	26.1
Balance of payments					
Current account balance	3.1	-3.3	-1.5	-2.3	-2.3
Financial account balance	2.6	-0.6	-2.8	-3.0	-2.5
Exchange rates			(Units)		
Exchange rate KZT/USD (EOP)	461.0	453.6
Memorandum items			(Various Units)		
Reserves Assets (USD billion)	35.1	35.9	40.2	43.2	44.5

In months of following year imports of G&S	5.8	5.9	6.5	6.7	6.6
NFRK assets (percent of GDP)	24.7	22.7	21.4	21.0	22.5
External debt (percent of GDP)	71.2	61.3	58.4	57.6	56.4
NBK policy rate (EOP, percent)	16.8	16.6
Crude oil and gas cond. prod. (million tons) 3/	84.2	90.0	89.6	97.3	101.5
Unemployment rate (AVG, percent)	4.9	4.7	4.7	4.6	4.6

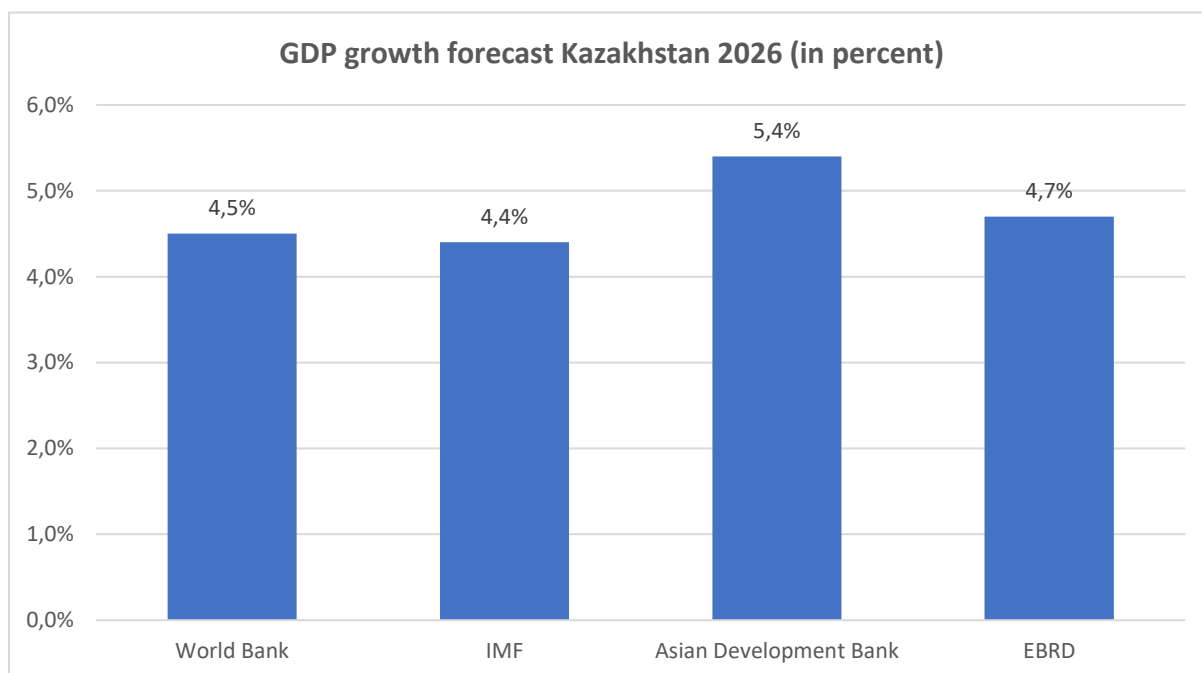
Source: Qaztat and IMF data

Structural constraints

At the end of 2025, the National Bank of Kazakhstan (NBK) [published](#) an updated monetary policy. The [report](#) showing the main [problems](#) the economy will face before 2026. The National Bank of Kazakhstan states that Kazakhstan’s economy will transition from high growth in 2025 to slower expansion. Moreover, this shift indicates a transition to more moderate economic development. According to the [analysis](#), a baseline growth forecast of 3.5–4.5 percent looks realistic. Household spending will decrease, but factories and large-scale construction projects will remain stable, resulting in uneven growth. The inflation and interest rates move together, where rising prices mean borrowing money becomes more expensive.

Growth prospects

Although Kazakhstan’s economy will continue to grow in 2026, the growth rate will slow down due to inflation and tight financial conditions. According to [experts](#), the country is entering a phase in which efficiency and the quality of investment will be more important than rapid expansion. This shift will require a greater focus on planning than on fast growth. According to economic [forecasts](#), Kazakhstan’s economy is expected to grow by 4-4.5 percent in 2026 despite challenges posed by external [risks](#) and [fluctuating](#) commodity prices. Infrastructure projects, public sector digitalization and industrial processing will drive further growth. However, the economic growth will remain uneven as the country depends on oil exports and faces logistical risks from Caspian Sea [routes](#) and the pipeline consortium. Further challenges may affect overall economic progress. New regional projects such as transport roads, energy plans and farming clusters will bring real economic benefits to central and northern areas such as Kostanai by 2026.

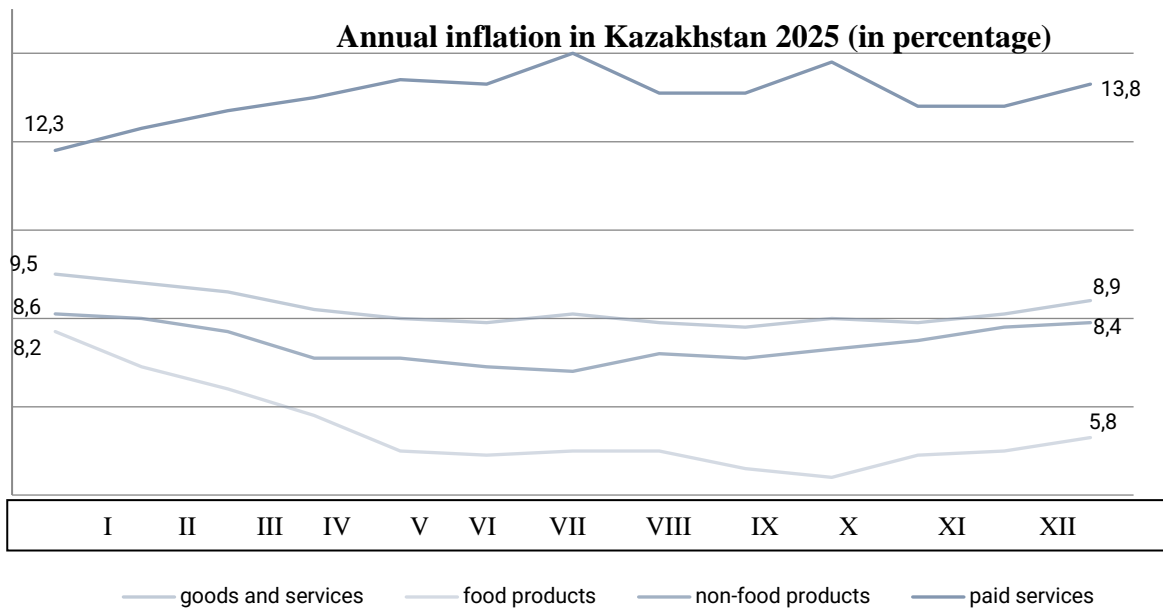


Source: own compilation based on the IMF, World Bank, Asian Development Bank and EBRD data

Inflation

In February 2026, short-term inflation expectations in Kazakhstan registered at 13.7 percent, marking a decline from the previous month's figure of 14.2 percent. Despite the inflation index remaining in the double digits, recent months have witnessed a gradual decline in expectations. Following several years of substantial price escalations, the projections of future inflation appear to be undergoing a gradual recalibration.

Concurrently, the survey administered by the National Bank of Kazakhstan unveils a noteworthy finding: there is a substantial discrepancy between estimates of future inflation and the public's perception of price escalations. In February 2026, the median inflation rate for the previous 12 months was 12.5 percent, representing an increase from the 12.1 percent recorded the previous month. This phenomenon gives rise to a paradoxical situation. On the one hand, inflation expectations for the coming year are gradually declining. Conversely, consumers persist in perceiving price escalations. This phenomenon is primarily attributed to the perception of inflation, which is largely influenced by the costs of day-to-day expenses. Households exhibit a heightened responsiveness to goods and services that they purchase regularly. Consequently, even minor price fluctuations can rapidly engender a pervasive sense of rising living costs.



Source: Qazstat

The predominant cause of inflation is food

As indicated by the extant data, the most salient indicator of inflation is food prices. In February 2026, 79 percent of respondents reported an increase in food prices, while a month earlier, this figure was higher – 81.7 percent.

A comparison of price increase reports from various categories reveals that Kazakhstan is a comparatively infrequent reporter of price increases in other categories. Furthermore, 10.7 percent of respondents reported price increases for non-food products (8.4 percent in January), and 7.6 percent reported price increases for paid services (6.3 percent in January).

Furthermore, the cost of food increased by 12.7 percent over the course of the past year (12.9 percent in January), non-food products by 11.6 percent (11.7 percent in January), and paid services by 10.8 percent (12 percent in January). Concurrently, price escalations in 13 of Kazakhstan's 20 regions surpassed the national average. The North Kazakhstan region demonstrated the highest inflation rate, reaching 14 percent, while Astana exhibited the lowest rate at 9.7 percent.

New drivers of growth in the Kazakh economy

In light of geopolitical developments in the Middle East and Venezuela the Kazakh government has [recalibrated](#) its GDP growth forecasts for 2026, identifying manufacturing, construction, trade, and transportation as pivotal sectors anticipated to underpin economic expansion.

In Kazakhstan, the physical volume index (PVI) for manufacturing is projected to [increase](#) by 6 percent in 2025, while the 2029 national development plan establishes a target of 6.2 percent for 2026.

In [2026](#), the primary contributors to Kazakh economic growth are projected to be manufacturing, construction, transport and warehousing, trade, and food and beverage production.

[Metallurgy](#), which serves as the foundation of manufacturing, is projected to expand by 3 percent in 2026, primarily attributable to the full operational capacity of recently initiated facilities, [including](#) Kyzyl Aray Copper, Ekibastuz Ferro Alloys, Kazferro Limited, and Shagala Mining. In the ferrous metals industry, the strategic initiative entails an augmentation in the production of ferroalloys, steel, flat rolled products, and pig iron. Conversely, in the non-ferrous metals segment, the objective is to enhance the production of gold, copper, aluminum, and zinc.

The machinery manufacturing sector is projected to expand by 13.4 percent in 2026, driven by a 17 percent surge in automobile production following the initiation of operations at the Astana Motors Manufacturing Kazakhstan and KIA Qazaqstan facilities. Additionally, the production of agricultural machinery is projected to increase by [5 percent](#). It is noteworthy that in 2025, Kazakhstan is projected to generate 436,500 household appliances, representing an increase of more than 1.5 times the previous year's output. The leading manufacturers of household electronics in Kazakhstan include Silk Road Electronics, Almaty Turmystyq Tehnika Zavody, and DS Multimedia CA. The sector has set a target of 50 percent annual growth by 2026.

The chemical industry is expected to undergo a 7 percent expansion in 2026, driven by new capacities for sulfuric acid, sodium cyanide, hydrogen peroxide, and liquid glass. The machinery manufacturing sector is projected to expand by 13.4 percent in 2026, driven by a 22 percent surge in [automobile production](#) following the initiation of operations at the Astana Motors Manufacturing Kazakhstan and KIA Qazaqstan facilities. Additionally, the production of agricultural machinery is projected to increase by 5 percent. It is noteworthy that in 2025, Kazakhstan is projected to generate 436,500 household appliances, representing an increase of over 1.5 times the previous year's output. The leading manufacturers of household electronics in Kazakhstan include Silk Road Electronics, Almaty Turmystyq Tehnika Zavody, and DS Multimedia CA. The sector has set a target of 50 percent annual growth in 2026. The chemical industry is expected to undergo a 7 percent expansion in 2026, driven by new capacities for sulfuric acid, sodium cyanide, hydrogen peroxide, and liquid glass.

Tenge and oil challenges

End of February 2026, the exchange rate of the tenge, the national currency of Kazakhstan, demonstrated notable sensitivity to economic factors, as we can see in its fluctuations against the US dollar and other international currencies. The tenge exchange rate is influenced by a complex interplay of domestic and international economic factors. The exchange rate of the tenge was significantly impacted by oil price dynamics, the policies of the Kazakh National Bank, and the unexpected strengthening of the Russian ruble. Specifically, as of February 21, 2026, the Russian ruble had reached 88.67 rubles per dollar, marking a 6 percent increase over

a five-day period and directly impacting the tenge exchange rate.¹

Analysts anticipate the dollar to fluctuate within the range of 545 and 650 tenge by the conclusion of 2026. The [exchange rate](#) will be contingent on a multitude of factors, including the global strengthening of the dollar against major currencies, the price of Brent oil, and the ruble.

The weakening of the tenge could be influenced by rising public debt, the cost of servicing it, the build-up of domestic inflation, and imports, for example from Russia (one of Kazakhstan's main trading partners). Among the positive factors, we can call the geopolitical situation.

The Strait of Hormuz, which handles approximately one-third of global oil shipments, remains a primary area of concern. Despite the initial announcement of its closure, Iran subsequently reversed the decision. However, the potential for shipping risks persists. Should the present state of conflict persist, there is a possibility that the price of Brent crude oil will rise to USD 90 per barrel. During the initial phase of the escalation, prices surged to approximately USD 82 before undergoing a decline to the range of USD 78 to USD 79. Analysts have expressed concerns that supply risks are becoming structural.

Kazakhstan stands to benefit from this as an alternative oil supplier, with the greatest demand anticipated to originate from China. State-owned enterprises KazMunayGas (KMG) and KazTransOil (KTO) are poised to benefit from this development. KMG stands to benefit from higher prices and potential increases in production under the auspices of OPEC+. Conversely, KTO may experience an escalation in oil shipments and a gradual rise in tariffs. Negotiations are currently underway to augment Russian oil shipments through Kazakhstan, with the objective of increasing the annual volume to 12.5 million tons. These expectations were reflected in the stock market, as evidenced by the 10 percent increase in KMG shares and the 5.5 percent increase in KTO shares.

Geopolitical outlook

By 2026, it appears that Central Asia, including Kazakhstan, has entered a new era in the competition between the great powers. Despite the historical predominance of Russia in the region, the geopolitical landscape of Central Asia has undergone significant transformations in

¹ The exchange rate of the tenge often exhibits a mirrored movement in relation to the rouble when measured against the dollar. This relationship between the Kazakh and Russian national currencies has been observed for over two decades. The fundamental rationale for this phenomenon is rooted in the inherent structural parallels between the Kazakh and Russian economies. Both nations possess substantial mining sectors, with each accounting for approximately 9-10 percent of its respective country's GDP. Additionally, both countries are highly reliant on oil for their exports, which renders both currencies susceptible to global oil price fluctuations. The currencies of Kazakhstan and Russia are predominantly influenced by exports and imports, and as they are contingent on analogous factors, particularly oil prices, the tenge frequently strengthens or weakens in tandem with the ruble. Another salient factor is inflation. It is noteworthy that Kazakhstan and Russia exhibit comparable inflation rates, a circumstance that contributes to the maintenance of a relative parity between their respective currencies.

recent years, particularly following the 2022 invasion of Ukraine. The outcome of this competition hinges on Kazakhstan's and other Central Asian countries' ability to establish themselves as strategic mediators rather than passive players in the geopolitical landscape.

Concurrently, the Republic of Kazakhstan offers a pertinent illustration of the manner in which Central Asian nations are navigating the competitive dynamics among major powers. The UAE's economy, the largest in the region, with a GDP of USD 288 billion, is heavily concentrated on oil and gas, while undergoing a gradual diversification. The country's strategic importance has been shaped by energy geopolitics. A substantial amount of capital has been allocated to the development of infrastructure, including pipeline construction, oil field development, and transit routes such as the Central Asia Railway Corridor and the Trans-Caspian International Transport Route.

Historically, Russia has played a pivotal role in Kazakhstan's development, particularly by facilitating seaport access for energy exports and collecting transit fees in return. Russia and Kazakhstan maintain ongoing connections through linguistic, migratory, tourist, and security agreements, including the CSTO.

Concurrently, China functions as a novel economic anchor for Kazakhstan's rapidly evolving economy. China's Belt and Road Initiative (BRI) has made substantial investments in projects such as the [Khorgos Gateway](#) and various economic corridors, thereby significantly strengthening Kazakhstan's logistics connections and transport infrastructure. [According](#) to the World Bank, these infrastructure investments have the potential to enhance Kazakhstan's GDP by 6.5 percent, with further augmentation of up to 15 percent being realized through enhanced trade facilitation.

The United States ultimately functioned as a counterbalance to these actions. Western oil companies, most notably Chevron and ExxonMobil, have strategically consolidated their presence in the region, particularly through their [activities](#) in the Tengiz and Karachaganak oil fields. Chevron, an entity that has been conducting business in Kazakhstan since the late 1990s, has emerged as the nation's foremost private oil producer. These companies offer capital-intensive extraction technology, management expertise, and long-term investment stability. A strategic approach to US foreign direct investment involves aligning investments with domestic reform priorities, such as the 2030 plan, and ensuring complementarity with investments from other nations to avoid potential conflicts. The United States is also engaged in [security cooperation](#) with Kazakhstan, including the provision of counterterrorism and border security training. Notably, these arrangements frequently do not necessitate political alignment, enabling Kazakhstan to maintain its economic autonomy while enhancing its diversification.

Kazakhstan's approach and increasingly that of its Central Asian neighbors combines cooperation with all three major powers, recognizing their complementary roles. The Russian Federation functions as a transit gateway, the People's Republic of China as a source of demand and financing, and the United States of America as a provider of technology and expertise. This framework enables the coexistence of competition and cooperation without the need for a single political patron.

The foundation of Kazakhstan's success is rooted in the maintenance of “*structural independence*” a principle that fosters a symbiotic relationship between cooperation and competition, devoid of a singular political entity exerting its dominance. This structural independence serves as a stabilizing force, ensuring a balanced and autonomous political landscape. The impending years will serve as a critical juncture, determining the potential for Kazakhstan’s model to disseminate throughout the region. The future of the region will not be determined by the preponderance of a dominant great power, but rather by the capacity of the Central Asian nations to sustain multidirectional diplomacy while concurrently pursuing economic diversification. Kazakhstan has demonstrated that this is a feasible undertaking indeed, that it may be the sole viable long-term strategy.