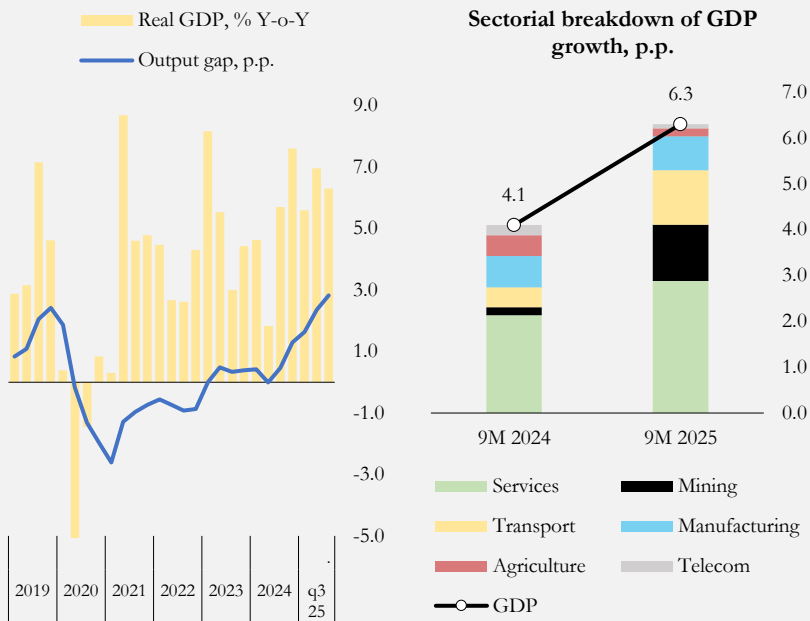




Kazakhstan Monthly Update, December 2025

Growth accelerates, beyond potential

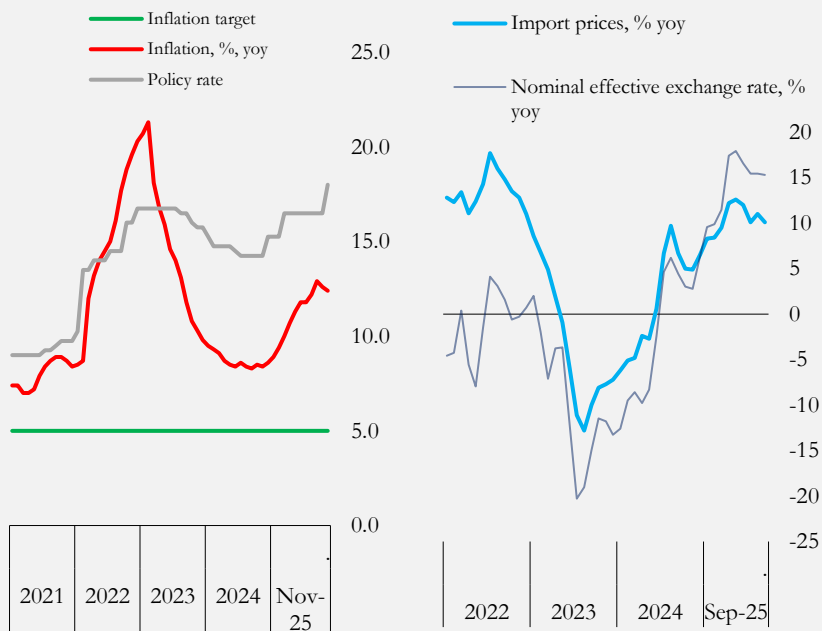
- Real GDP expanded by an estimated 6.3% y-o-y in the first nine months of 2025, outpacing the growth of 4.1% over the same period in 2024, driven by robust domestic demand. The acceleration was also evident in the quarter-over-quarter performance with real GDP rising by an estimated 1.9% Q3 compared to the previous quarter. Estimates suggest that GDP is above potential in most of 2024 and in 2025.
- Investment surged by 13.5% y-o-y in 9M of 2025, compared to a marginal 0.6% increase a year earlier, reflecting strong growth in housing and budget-funded infrastructure spending. Domestic trade – a key indicator of consumer spending – picked up to 9.6% y-o-y, up from 5.7% a year ago, supported largely by household borrowing despite falling real incomes (-0.5% contraction in 9M). While growth in budget expenditure remained contained, quasi-fiscal activities outside the budget expanded notably.
- On the production side, after making a negligible contribution in 9M 2024, the mining sector re-emerged as a notable growth engine in 2025, reflecting 13.2% increase in oil output. Services sector continued to contribute the largest share to the headline figure with a notable expansion in transport driven by increased trade logistics and oil export.



Source: Bureau of National Statistics, Haver Analytics, staff estimates

Inflation heats up amid demand surge

- Surging domestic demand has intensified inflationary pressures, with headline inflation accelerating to 12.4% y-o-y in November (from 8.6% in December 2024). Continued credit growth and expanded quasi-fiscal operations, including subsidized lending, contributed to excess domestic demand, prompting price increases. Concessional loans through Baiterek holding alone have increased to 2.3% of GDP in 2025, up from 1.8% in 2023.
- On the supply side, inflation was pushed higher by sharp hikes in regulated utility tariffs (9.9% in November) under ongoing subsidy reforms, as well as higher import costs (10.1%) following past currency depreciation.
- With inflation remaining more than double the 5% target for 5 consecutive years, the National Bank kept its policy rate unchanged at 18.0% in mid-October. Containing inflation remains a central policy priority, as sustained price pressure hits family incomes and can erode living standards.



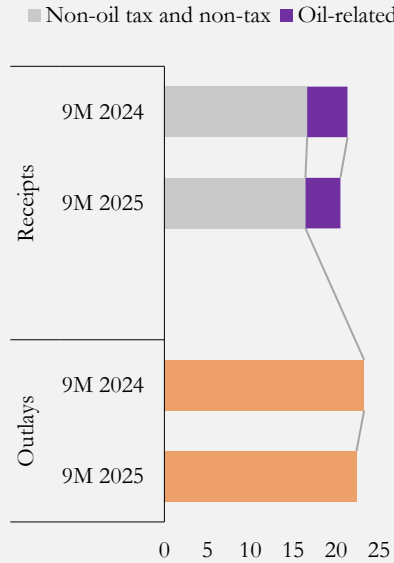
Source: Bureau of National Statistics, Haver Analytics, National Bank, staff estimates



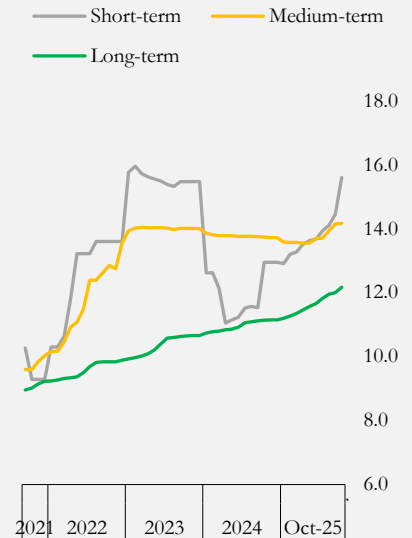
Spending cuts offset revenue loss

- Consolidated budget revenue moderated to 20.5% of GDP in 9M 2025, a 0.8 p.p. decline from a year earlier. The main drag came from lower oil receipts, reflecting a 15% drop in global oil prices, only partly offset by higher production volumes. Non-oil revenue demonstrated relative resilience but still recorded a marginal decline of 0.2 p.p. (to 16.4% of GDP).
- Budget spending decreased by 0.9 p.p. to 22.4% of GDP, driven primarily by cuts to education and social transfers (each down 0.3 p.p. of GDP). At the same time, debt service costs remained high, ranking as the third-largest spending item—after education and social transfers—and far exceeding allocations to healthcare, infrastructure, and agriculture. Elevated inflation and heavy reliance on domestic financing continued to push borrowing costs up.
- As a result of simultaneous reduction in both government revenue and spending, the fiscal deficit remained unchanged at 1.9% of GDP. While reflecting short-term fiscal discipline, it underscores the need to strengthen fiscal buffers to better manage macro volatility as revenues weaken and debt servicing rises.

Budget totals, % of GDP



Government bond interest rates, %

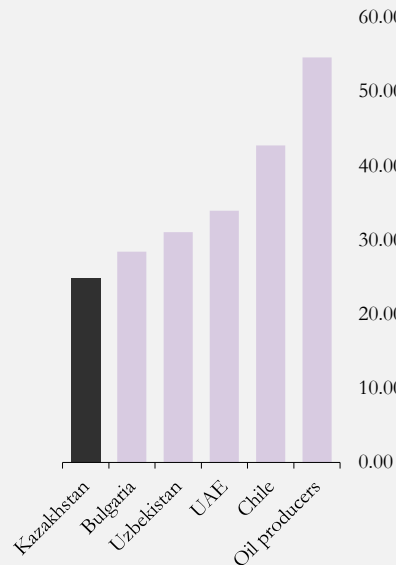


Source: Bureau of National Statistics, Haver Analytics, staff estimates. Note: Consolidated budget expenditures encompass net lending and excludes spending by extra-budgetary funds.

Debt remains low, but debt service is not. Reforms can help

- Despite years of fiscal deficits, public debt, projected at around 24% of GDP by end-2025, remains comfortably low compared with both structural peers and other oil-exporting economies.
- However, elevated inflation—first triggered by post-pandemic disruptions and spillovers from Russia’s invasion of Ukraine, and more recently reinforced by tariff reforms—has forced prolonged monetary tightening. With budget deficits financed mainly in domestic markets, borrowing and servicing of existing debt has become more expensive. By October 2025, debt service absorbed 9.3% of budget revenues, nearly double its pre-pandemic share.
- National Oil Fund, holding assets of roughly 20% of GDP, remains a vital shock absorber and helps to preserve fiscal continuity. But stronger domestic revenue mobilization and smarter financing strategies are increasingly critical. Expanding the use of public guarantees, blended finance, and risk-sharing instruments to crowd in private capital—especially for productivity-enhancing infrastructure—could ease pressure on the budget, improve returns on public investment, enhance the quality of governance, and underpin long-term fiscal sustainability.

Debt-to-GDP ratio, % in 2025



Debt service-to-revenue ratio



Source: IMF, Haver Analytics, staff estimates. Debt service payments are presented as a 12-month moving average.