Kazakhstan: High oil prices support Kazakhstan's economy amid damage to its oil infrastructure and the global energy shock | Credendo

Event

In mid-March, the constitutional referendum was approved by a large majority of voters, consolidating President Tokayev's rule and paving the way for faster legislation. The two most substantial reforms submitted to voters were the creation of a vice-president post – appointed by the president – and the abolishment of the senate to move to a unicameral parliament, for which elections are scheduled for August. This endorsement of the country's third constitution – that will come into force next July – comes at a time of high oil prices, which are broadly benefiting Kazakhstan's budget and exports. Nevertheless, energy exports are being hit hard by Ukrainian drone strikes on its pipeline in Russia.

Impact

Being an oil exporter, Kazakhstan's macroeconomic fundamentals are benefiting from the global energy shock. Although the economy continues to face double-digit inflation and is harmed by disrupted trade through Iran (particularly along the southern oil transit route, but also affecting other exports of goods to Gulf countries), elevated oil prices are likely to make the country a net beneficiary. Oil accounted for more than 40% of total current account receipts and 25% of government revenues in 2024. However, Kazakhstan's hydrocarbon industry is also a collateral victim of the war in Ukraine. Over the past months, Ukrainian drone strikes on Russian energy infrastructure have notably damaged the CPC pipeline (Caspian Pipeline Consortium), which carries around 80% of the Kazakhstan's oil exports, causing a 20% drop in production and a 22% decline in exports in the first quarter of 2026.

This damage, combined with disruptions from the Gulf war, will force Astana to further diversify its oil exports towards Asian and European customers. For European buyers, the strategic importance of the Middle Corridor, linking Asia to Europe while bypassing Russia, is therefore likely to grow and should further boost infrastructure expansion and regulatory improvements to accommodate rapidly increasing in trade and energy volumes. This year's expected deceleration of GDP growth could be somewhat milder (from 6.5% in 2025 to 4.6% this year, according to the IMF) thanks to high oil prices and rising investment.

Overall, supported by steep oil prices, Kazakhstan's risk outlook is stable.

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