



## Kazakhstan

### Highlights

- **Growth moderated in 2024.** Real gross domestic product (GDP) expanded by 3.2 per cent year on year in the first half of the year. Growth was driven by a strong performance in manufacturing and trade but held back by stagnation in mining and quarrying.
- **The new National Development Plan envisages a doubling of GDP by 2029.** The plan aims to promote competition, innovation and inclusion and to enable a predictable business environment.
- **The country is taking steps to limit the state's footprint in the economy.** The recent initial public offering (IPO) of state airline Air Astana signals the authorities' intention to proceed with their privatisation agenda. A renewed moratorium on the creation of state-owned enterprises (SOEs) is likely to foster competition and private-sector growth.

### Key priorities for 2025

- **The authorities should strengthen fiscal management and maintain the counter-cyclicality of transfers from the National Fund.** In January-July 2024, budget revenues were 12 per cent below target indicating a need to improve tax mobilisation and administration. National Fund assets have been overused of late, and the 2025 draft budget envisages transfers increasing by another 50 per cent, leaving Kazakhstan more vulnerable to future economic shocks.
- **Investment in renewables should be accelerated and existing capacity modernised to meet growing energy needs.** In 2023, electricity consumption surpassed production capacity. The energy sector has suffered from years of underinvestment, resulting in massive infrastructural wear and tear. Solving the energy challenges will require an upgrade of existing generation capacity and transmission lines and the introduction of further renewable energy sources.
- **Effective implementation of the government's reform agenda will require a strengthening of institutional capacity and improvements in interagency coordination.** The ambitious reform agenda will require effective planning, a results-based management framework, less bureaucracy and better-trained personnel.

### Main macroeconomic indicators (per cent)

	2020	2021	2022	2023	2024 proj.
GDP growth	-2.6	4.1	3.3	5.1	4.0
Inflation (average)	6.8	8.0	15.0	14.6	8.7
Government balance/GDP	-7.7	-4.4	0.8	-0.6	-1.3
Current account balance/GDP	-6.4	-1.4	3.1	-3.8	-4.5
Net FDI/GDP [neg. sign = inflows]	-4.2	-2.3	-2.2	-2.0	na
External debt/GDP	95.9	83.3	71.5	62.3	na
Gross reserves/GDP	20.8	17.4	15.6	13.8	na
Credit to private sector/GDP	25.6	26.0	25.0	26.1	na

## Macroeconomic developments and policy response

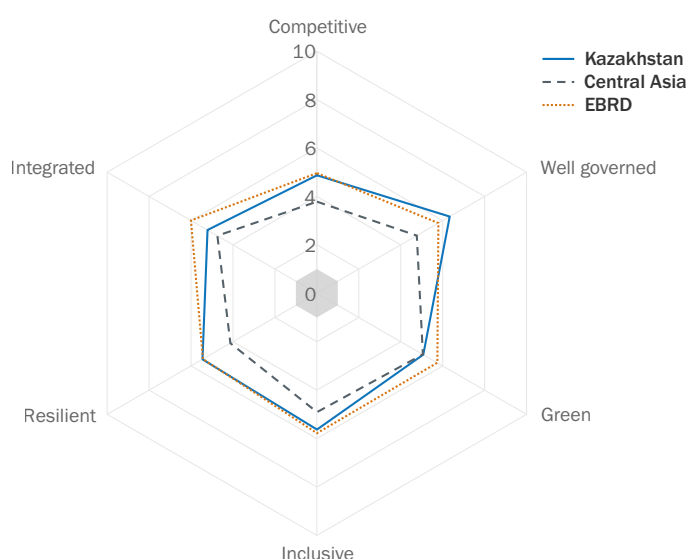
**Economic growth moderated in the first half of 2024.** Real GDP grew by 3.2 per cent year on year in the first half of 2024, compared with 5.3 per cent in the first half of 2023. Relative stagnation in the mining and quarrying sector (up 0.3 per cent year on year) was offset by buoyant growth in manufacturing activity (up 5.1 per cent year on year). As a result, industrial production emerged as the main growth driver (up 2.7 per cent year on year). Since April 2023, the unemployment rate has remained at an historical low (4.7 per cent), bolstering real wages by 1.7 per cent year on year on average in the first half of the year. Higher incomes contributed to rising consumer spending, boosting retail and wholesale trade (up 3.9 per cent year on year). On the external side, exports rose by 2.1 per cent year on year, but their performance was hindered by lower animal and plant product exports (down 19.8 per cent year on year). A decline in imports of mineral products, vehicles and equipment helped expand the trade surplus.

**Inflation is still above the central bank's target of 5 per cent.** In 2024, the rate of growth of the consumer price index has largely been on a downward trajectory, dropping to 8.3 per cent as of September 2024. In response to the decline in inflation, the National Bank of Kazakhstan has continued to ease monetary policy, cutting rates by a cumulative 150 basis points in the year to October 2024. Bolstered by higher foreign-exchange sales by the National Fund, the Kazakh tenge (KZT) strengthened against the US dollar in January-May 2024, but has significantly depreciated since then, in tandem with a decline in transfers from the National Fund and a strengthening dollar.

**Strong international reserves are supporting debt sustainability, but fiscal discipline has weakened.** Public and publicly guaranteed debt (PPGD) increased 5.8 per cent in the first six months of the year, reaching KZT 30.3 trillion (US\$ 67.7 billion or €60.1 billion, around 26 per cent of 2023 GDP). Meanwhile, external PPGD was estimated at US\$ 19.0 billion (€17.1 billion or 7 per cent of 2023 GDP). As of July 2024, international reserves stood at US\$ 41.8 billion (€37.6 billion, up 16.5 per cent year to date), cushioning the country from potential external risks. That said, Kazakhstan continues to run a budget deficit because of lower revenue mobilisation and elevated expenditure. The draft budget for 2025-27 envisages a budget deficit of 2.7 per cent of GDP in 2025, similar to the planned deficit of 2.6 per cent of GDP in 2024.

**Short-term growth is expected to pick up.** The economy is projected to grow by 4.0 per cent in 2024, accelerating to 5.5 per cent growth in 2025, helped by the planned expansion of the Tengiz oil field. Key risks to the outlook include weakening investor confidence amid poor fiscal management, an overreliance on Russian infrastructure for oil transit, and commodity price volatility. Reforms aimed at diversification and infrastructure investment to support implementation of the National Development Plan could provide an upside.

### Assessment of transition qualities (1-10)



## Structural reform developments

**The government introduced a new National Development Plan.** The plan, adopted by the government in August 2024, targets a doubling of GDP to US\$ 450 billion (€404.5 billion) by 2029, a 1.4-fold increase in GDP per capita and a 1.9-fold increase in the median wage over the same period. It further envisages a number of important reforms, including: greater liberalisation and competition; ensuring property rights and a predictable business environment; improving education and healthcare; supporting entrepreneurial and creative activities; fostering innovation and digitalisation; and reducing gaps in regional development.

**Kazakhstan is advancing on its green agenda.** The country joined the Global Methane Pledge at the COP28 climate conference in November 2023, aligning methane abatement measures with the goals of the country's 2060 decarbonisation strategy. In the first half of 2024, generation from renewable energy sources increased slightly, reaching 6.5 per cent of total generation capacity, with a plan to introduce an additional 196.9 MW of capacity by the end of 2024. In August 2024, the International Centre for Green Technologies and Investment Projects signed a memorandum of understanding with the Japan Centre of Assistance for International Projects, aimed at facilitating knowledge exchange, cooperating on greenhouse gas reduction projects and boosting scientific collaboration.

**Efforts to improve the investment climate continue.** In August 2024 the government launched the Green Corridor system to facilitate domestic and foreign investment. Designed to accelerate investment projects, the system simplifies interactions with government agencies. This should enable quicker understanding of regulatory processes, ease the process for securing licences and provide a platform for addressing infrastructural issues.

**The state's footprint in the economy is being limited.** February 2024 saw a key step in the government's privatisation agenda, when Air Astana completed its IPO, with 58 per cent distributed among domestic participants. On 10 May 2024 the President signed a decree on measures to liberalise the economy. This envisages the creation of a National Privatisation Office, which will develop standards for the privatisation of state assets and compile a list of potential privatisation targets. Another step in limiting the role of SOEs in the economy was the reintroduction of a moratorium on quasi-state company creation. In place from 21 August 2024 to the end of 2026, it will constrain the role of SOEs in competitive sectors and help foster private-sector growth. That said, there are exclusions to the moratorium, including special presidential orders and cases where creating an SOE is needed to enable the implementation of the Law on the Return of Illegally Acquired Assets.

**The country has taken an important step towards tackling gender-based violence.** In April 2024 Kazakhstan made amendments to some legislative acts to ensure women's rights and the safety of children. The legislation reintroduces criminal penalties for battery and the "intentional infliction of light bodily harm" on a perpetrator's dependents. It eliminates the option of reconciliation in such cases. The law signals the authorities' commitment to preventing harassment and violence in the workplace. ●