

KAZAKHSTAN

Table 1 **2023**

Population, million	19.8
GDP, current US\$ billion	262.6
GDP per capita, current US\$	13232.8
International poverty rate (\$2.15) ^a	0.0
Lower middle-income poverty rate (\$3.65) ^a	0.3
Upper middle-income poverty rate (\$6.85) ^a	10.6
Gini index ^a	29.2
School enrollment, primary (% gross) ^b	100.5
Life expectancy at birth, years ^b	74.4
Total GHG emissions (mtCO2e)	314.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2023); Life expectancy (2022).

Growth is projected to accelerate to 4.7 percent in 2025, driven by new oil production flows, before subsiding towards its long-term potential rate, thereafter. Inflation is expected to decrease but will remain above the central bank target. Poverty rate is projected to decrease marginally to 6.1 percent by 2026. Downside risks include weakening global demand and lower prices for oil. Global decarbonization efforts pose a long-term challenge, warranting transition toward a new, sustainable growth model.

Key conditions and challenges

Kazakhstan's progress toward high income has slowed in recent years; to regain momentum, the government should focus on the effective implementation of key reforms to support growth diversification and enhance inclusion. The government's goal of achieving 6 percent growth in the medium term and doubling the size of its economy by 2030 (compared to the 2023 level) cannot be attained in the absence of significant reforms, given the moderate potential growth that is hampered by stagnant productivity and dominance of extractive industries.

To stimulate foreign and domestic investment and facilitate technology transfer, Kazakhstan must enhance competition by removing market distortions and other barriers to dynamic private sector growth. Improving state-owned enterprise efficiency and establishing a robust governance framework would further support competition. Addressing infrastructure gaps, complemented with strengthening human capital and policies to support decarbonization, also can enhance the competitiveness of firms and the quality of services.

Recent developments

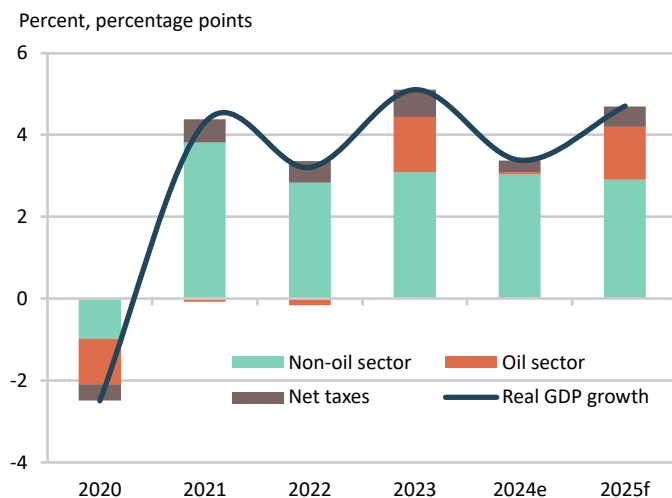
Kazakhstan's economy slowed to 3.2 percent year-on-year (y-o-y) in the first half

(H1) of 2024, down from 5.3 percent a year ago. Slowing growth momentum is evident across all demand components, with investment and government spending notably weak. Investment declined by 3.5 percent y-o-y in real terms (+13.3 percent in H1 2023) and government spending was 4.5 percent lower in real terms y-o-y (+17 percent). Total sales growth, a proxy for consumer spending, slowed to 3.9 percent y-o-y in real terms (+10.4 percent in H1 2023), reflecting waning consumer demand. On the supply side, industrial production showed tepid growth of 2.7 percent y-o-y in H1 (+3.8 percent in H1 2023) due to lower oil production (-1.6 percent); construction edged to 8.6 percent (+7.7 percent); and services slowed to 3.3 percent y-o-y (+5.5 percent).

The official unemployment rate held constant at 4.7 percent in Q2. To bolster living standards, the government implemented a 21.4 percent nominal increase in minimum wage, effectively doubling the amount since 2021 (+70 percent rise in real term). Consumer price inflation decreased from 9.7 percent in December 2023 to 8.5 percent y-o-y in August and September, which is above the target rate of 5 percent. Food and nonfood prices moderated, while service prices remain elevated due to robust sectoral wage growth. The central bank trimmed its policy rate by 25 basis points to 14.5 percent in June, maintaining a tight policy stance.

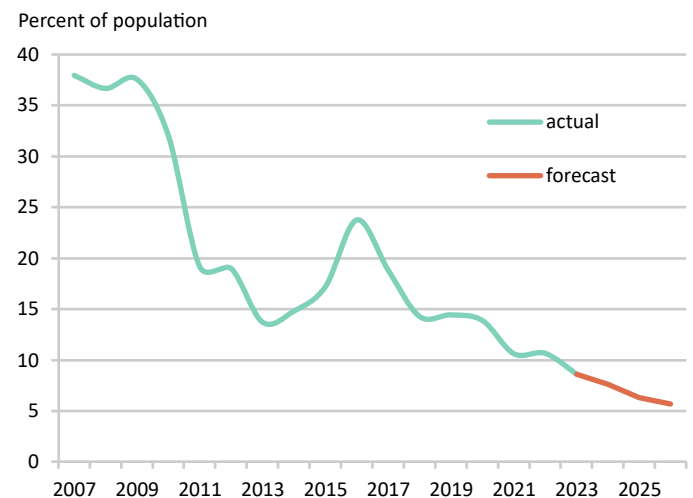
A reduction in goods imports and an increase in service exports improved the trade balance, raising it to US\$11.3bn in H2 2023 (from US\$9.6bn in H1 2023). This, coupled with a significant

FIGURE 1 Kazakhstan / Real GDP growth and contributions to real GDP growth



Sources: Statistical Office of Kazakhstan and World Bank staff estimates.

FIGURE 2 Kazakhstan / Poverty rate, percent of population living on less than \$6.85 (PPP) per day



Source: World Bank staff estimates.

27.7 percent y-o-y decline in the primary income balance, shifted the current account to a surplus of US\$0.8bn in H1 2024, compared to a deficit of US\$5.0bn in H1 2023. Foreign direct investment inflows, declined by 56.3 percent compared to a year earlier, reaching US\$2.2bn, as a major oil production expansion project nears completion. Gross international reserves grew to US\$41bn, covering approximately eight months of imports. Between January and August, the tenge depreciated by 4.5 percent against the U.S. dollar. The fiscal deficit expanded in H1 2024 as slower economic growth hit revenues, widening the consolidated budget deficit to 1 percent of GDP from 0.4 percent in 2023. Spending dropped by 1.3 ppts of GDP to 24.2 percent due to cuts in defense and healthcare, although social welfare, housing, utility infrastructure, and interest payments rose. Revenues declined by 1.8 ppts to 23.3 percent of GDP, with oil-related and non-oil revenues falling. The banking sector remains resilient, supported by robust capital and liquidity positions exceeding regulatory requirements. Real bank loans increased by 13.8 percent y-o-y in June, driven primarily by consumer borrowing (2/3 of total growth), helping to sustain consumer spending.

Non-performing loans amounted to only 3 percent of the loan portfolio in June 2024, but this warrants close monitoring given rising household indebtedness and elevated interest rates.

Outlook

Economic growth is projected to pick up temporarily to 4.7 percent in 2025, supported by increased oil production, before gradually slowing down to its long-term potential rate of 3.0–3.5 percent in the ensuing years.

Private consumption and net exports, boosted by higher oil exports, will be the primary growth drivers. Investment activity should remain subdued, contributing modestly in 2025–2026.

Inflation will gradually decline in 2025 as energy and food prices stabilize, but persistent service sector inflation will keep it above the 5 percent target until late 2026. Ongoing tariff adjustments and potential fiscal imbalances may hinder the disinflationary trend.

The current account deficit is projected to narrow in 2025 and beyond, underpinned by higher oil exports. The fiscal

deficit is projected to decrease gradually from 2.1 percent of GDP in 2024 to 1 percent in 2026, through increased revenue mobilization—primarily via tax code reforms—and more targeted and tempered budget spending. The revised tax code is likely to include higher income taxes for businesses and households, along with increased levies on luxury items. However, uncertainty around revenue gains and growing pressures for social and infrastructure spending may pose risks to meeting these fiscal goals.

Poverty is expected to fall to 7.9 percent (at US\$6.85/day) in 2024, 6.7 percent in 2025, and 6.1 in 2026 as growth continues and inflation subsides.

Economic growth faces significant downside risks. A decline in global oil demand/prices would harm exports, fiscal revenues, and growth. Increased budget spending and reversal of fiscal consolidation could worsen the fiscal balance, sustain inflationary pressure, and keep borrowing costs elevated. Furthermore, the growing frequency of extreme weather events (e.g., droughts, wildfires, floods) threatens agricultural output, infrastructure, and economic stability, potentially stoking inflation and requiring further fiscal intervention.

TABLE 2 Kazakhstan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.3	3.2	5.1	3.4	4.7	3.5
Private consumption	6.3	3.9	4.6	3.8	5.2	4.1
Government consumption	-2.4	4.3	10.3	-2.7	3.2	0.5
Gross fixed capital investment	2.6	3.8	20.7	2.6	4.0	3.6
Exports, goods and services	2.3	9.6	1.9	1.9	6.3	2.1
Imports, goods and services	-0.3	13.1	14.7	1.7	5.1	3.5
Real GDP growth, at constant factor prices	4.1	2.9	4.7	3.4	4.6	3.4
Agriculture	-2.2	9.1	-7.4	3.0	3.0	2.0
Industry	4.5	2.7	5.7	3.4	6.0	3.8
Services	4.4	2.5	5.2	3.4	3.8	3.2
Inflation (consumer price index)	8.5	20.3	9.8	8.4	7.1	6.0
Current account balance (% of GDP)	-1.4	3.1	-3.3	-2.7	-2.0	-1.6
Net foreign direct investment inflow (% of GDP)	-1.0	-3.6	-0.9	-0.4	-2.3	-1.7
Fiscal balance (% of GDP)	-5.1	-0.2	-1.6	-2.1	-1.6	-1.0
Revenues (% of GDP)	16.8	21.5	21.5	20.3	20.1	20.2
Debt (% of GDP)	23.7	22.5	22.0	23.6	23.9	25.1
Primary balance (% of GDP)	-3.9	1.2	0.0	-0.4	-0.1	0.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	0.0	0.0	0.0	0.0	0.0	0.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	0.3	0.3	0.2	0.2	0.1	0.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	10.6	10.7	8.8	7.9	6.7	6.1
GHG emissions growth (mtCO₂e)	6.1	-1.5	0.4	0.9	1.3	1.2
Energy related GHG emissions (% of total)	71.3	71.6	72.1	72.8	73.6	74.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2021-HBS. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.