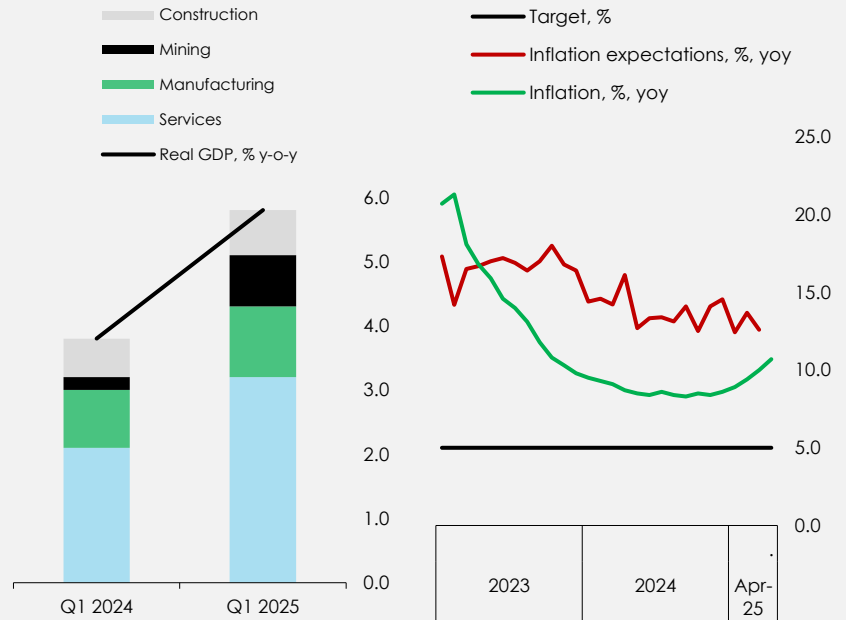




Kazakhstan Monthly Update, April 2025

Growth accelerates, inflation follows suit

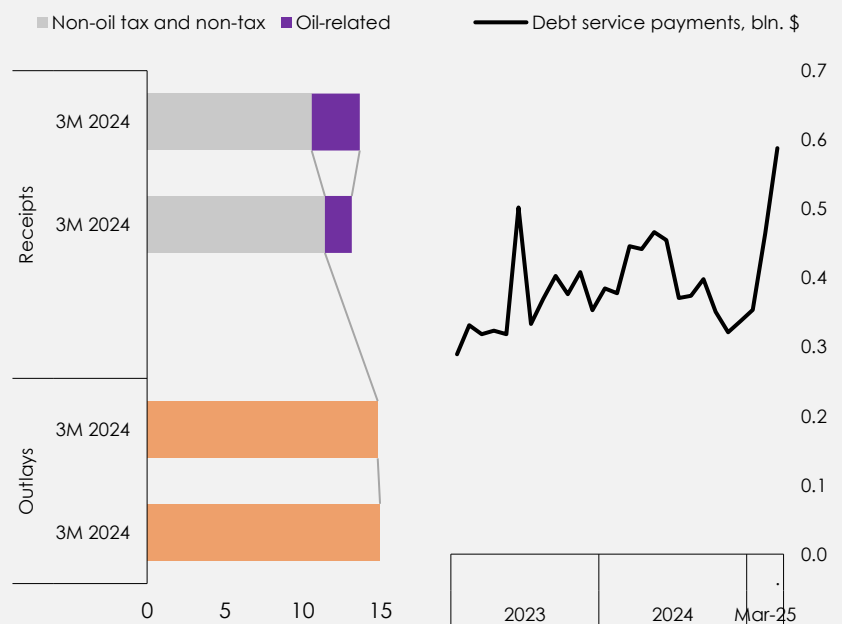
- The economy carried solid momentum into the second quarter of 2025. Composite PMI inched up to 51.1 in March from 50.7 in February, pointing to continued expansion across both manufacturing and services.
- This signal mirrors robust preliminary statistics: real GDP reportedly grew 5.8% y-o-y Q1, a sharp improvement from 3.8% in the same period of 2024. On a quarterly basis, seasonally adjusted growth accelerated to 3.9%, up from 3.6% in Q4 2024.
- Growth was broad-based. The mining sector added 0.8 percentage points to GDP growth (up from 0.2 p.p. last year), while manufacturing and construction held steady with positive gains. The real driver, however, was services, contributing a 3.2 p.p., up from 2.1 a year earlier.
- On the flip side, inflation picked up speed in April, rising to 10.7% y-o-y, up from 10% in March. The pressure was felt across the board: food prices climbed to 8.5% (+6.3% a year ago), non-food inflation edged up to 8.9% (+7.6%), and services inflation soared to 15.7% (+13.5%).



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

Deficit grows amid oil price declines and rising debt service costs

- In Q1 of 2025, consolidated budget revenues reached \$13.2 bln. down by 3.8% y-o-y. A steep 45% drop in oil-related revenues was partially cushioned by an 8.1% increase in non-oil tax collections, reflecting progress on revenue mobilization.
- Government spending rose slightly to \$15 bln. (+1% y-o-y), driven in large part by a sharp jump in debt servicing costs (+19.8%) and infrastructure investment (+19.7%). These increases were partially offset by cuts in defense and other public services.
- Debt service payments alone reached a record high of \$1.9 bln. in Q1, likely due to high bullet payments and elevated borrowing costs. Interest payments surpassed combined budget expenditures on agriculture, infrastructure, and industry support.
- With budget spending outpacing revenues, the budget deficit widened to \$1.8 bln. in Q1, up from \$1.2 bln. a year ago, signaling mounting fiscal pressures.



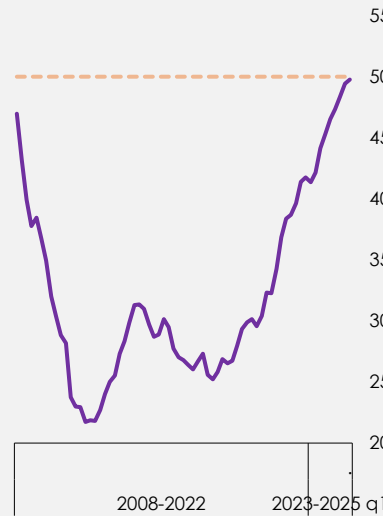
Source: Bureau of National Statistics, Haver Analytics, National Bank, staff estimates. Note: Consolidated budget expenditures encompass net lending and include spending by extra-budgetary funds. Gross government debt includes guarantees but excludes central bank liabilities and is calculated in US dollars using the end-of-period exchange rate.



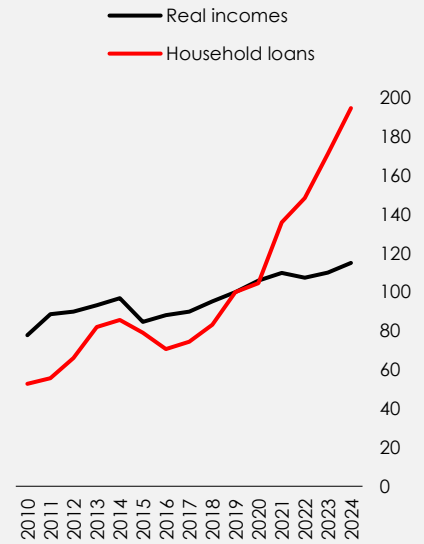
Widening gap between household debt and income raises alarms

- Household credit growth picked up pace in March, rising 13% in real terms (up from 12% in December), while corporate lending also edged up to 6%. Consumer loans and mortgages continued to dominate, making up nearly 80% of the total lending surge – even amid tighter financial conditions.
- Mortgage and auto loan programs have kept demand buoyant, while the rise of digital banking apps has made access to costly, short-term, and unsecured loans easier than ever – often at interest far exceeding the inflation rate. Post-pandemic cost-of-living pressures have also added to household indebtedness, which exceeded levels seen before the 2008 banking crisis.
- Household loans have nearly doubled in real terms between 2020-2024, while real incomes have inched up by just 15%. This rapid and potentially unsustainable consumer credit boom raises red flags about financial vulnerability, especially for low-income and informal sector workers without steady earnings – exposing them to higher risks of debt distress.

Household, Debt-to-Wages ratio, %
2007 peak, %



Real incomes vs Real consumer loans growth, 2020=10

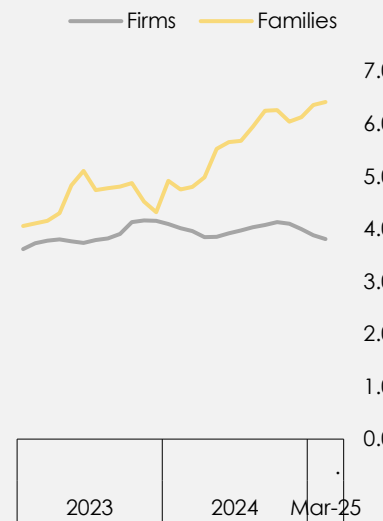


Source: Bureau of National Statistics, Haver Analytics, National Bank, Bank for International Settlements, staff estimates

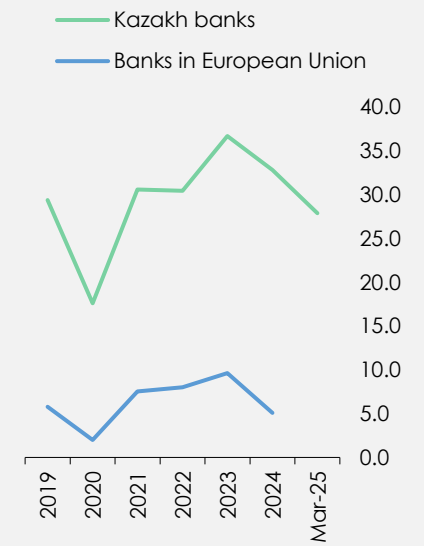
Solid buffers and high profits keep banks resilient

- As of February 2025, capital adequacy ratio (CET1) edged up to 20.7%, slightly above the 19.2% recorded a year earlier. Strong earnings boosted by a sharp increase in net interest income likely helped banks maintain capital levels along with hefty dividend payouts.
- Late payments on loans by more than 90 days (NPLs) crept up only marginally to 3.2% from 3.0% in December 2024, signaling no major deterioration in credit risk.
- While corporate lending margins have stayed relatively flat in real terms, retail borrowing has become more expensive. Consumer lending rates continue to climb through April 2025, adding pressure on household budgets even after adjusting for inflation.
- Bank profitability remains exceptionally strong – well above levels observed in most other countries. In February, the sector posted a return on equity (ROE) of 27.9%, a slight dip from a peak of 36.7% in 2023, driven by a 25% y-o-y jump in net interest income and robust loan growth of 19.1%.

Spread between real lending & deposit rates, percentage points



Bank profitability: Return on Equity, %



Source: The National Bank of Kazakhstan, Haver analytics, ECB