

KAZAKHSTAN

Table 1 **2023**

Population, million	19.8
GDP, current US\$ billion	259.7
GDP per capita, current US\$	13088.5
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	100.9
Life expectancy at birth, years ^b	70.2
Total GHG emissions (mtCO2e)	294.3

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2021), 2017 PPPs.

b/ WDI for School enrollment (2022); Life expectancy (2021).

Economic growth is projected to slow to 3.4 percent in 2024 before regaining momentum in subsequent years, driven by new oil production coming online. Inflation is expected to decrease but remain above the central bank target. Downside risks include weakening global demand and prices for oil, and potential disruptions to exports. Global decarbonization efforts pose a long-term challenge, necessitating a transition towards a new, sustainable growth model.

Key conditions and challenges

Kazakhstan's growth has slowed from 10 percent over 2000-2007 to below 4 percent over the last 10 years, highlighting the vulnerabilities of an economy still dependent on hydrocarbons and with stagnant productivity growth. Looking ahead, adjusting to the global green transition presents significant challenges for Kazakhstan.

Revitalizing economic growth and productivity will require bolder steps to enable the private sector to thrive and drive economic diversification by reducing the state's footprint and boosting competition across the economy, complemented with strengthening human capital and policies to support decarbonization.

Recent developments

Real GDP grew by 5.1 percent in 2023 thanks to increased oil production, fiscal stimulus, and robust consumption. Oil production jumped by 6 percent yoy, accounting for one-third of growth. Despite stagnant real incomes and tight monetary policy, strong consumer and business sentiment was evident in retail trade growth (7 percent, real terms), car sales (8 percent), and new business registrations (10 percent). Capital investment picked up 14 percent yoy in 2023 (9 percent in

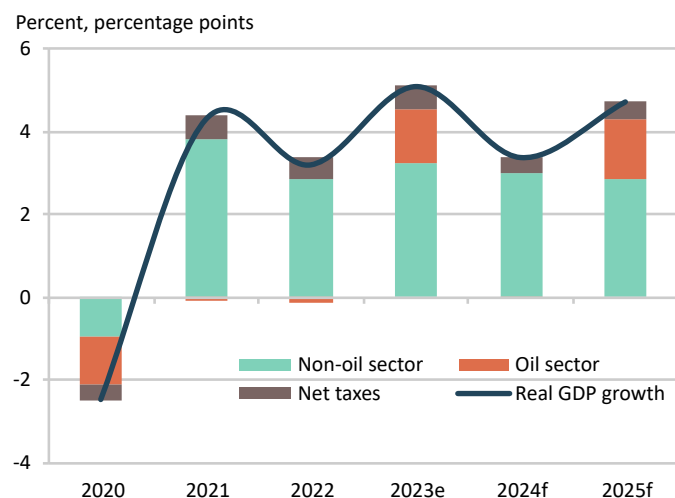
2022), with almost 80 percent from non-resource sectors.

While unemployment decreased slightly from 4.9 percent in 2022 to 4.7 percent in 2023, real incomes contracted 0.3 percent yoy due to high inflation. To ease the burden on living standards, the authorities once again raised the minimum wage, by 21.4 percent in nominal terms in 2023. This effectively doubled its level from 2021 (70 percent, real terms), exceeding inflation over the same period, and it helped to reduce the poverty rate to 8.8 percent (at USD 6.85/day) in 2023.

Slowing food prices and tight monetary policy helped ease price pressure. In February 2024, inflation decelerated to 9.3 percent yoy from a peak of 21.3 percent a year ago, but inflation expectations remain elevated. In line with the recent reversal in price dynamics, in February 2024, the central bank cut the policy rate by 0.5 percent to 14.75 percent.

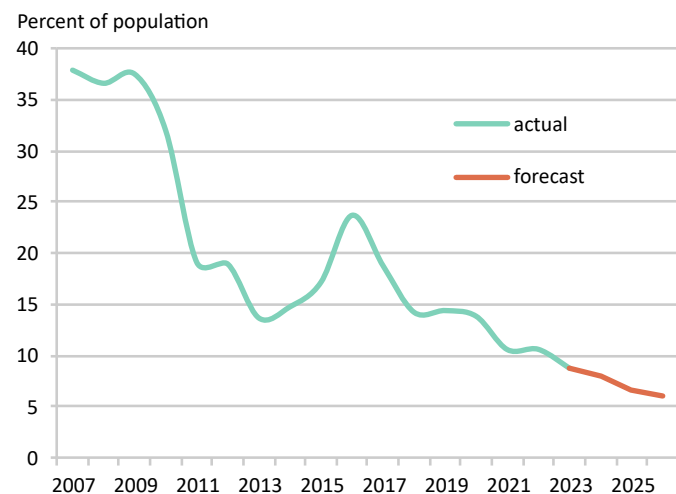
The current account has swung from a surplus of 3.5 percent in 2022 to a deficit of 3.8 percent of GDP in 2023. This deterioration was driven by a 6.6 percent fall in exports due to lower oil prices and import growth of 20.1 percent. FDI inflows continued, reaching an estimated 1.9 percent of GDP, and this helped to finance the deficit. However, momentum has weakened as major investment projects in the oil sector, financed through FDI, near completion. Gross international reserves remained stable in 2023, providing approximately seven months of import cover. The tenge has been relatively stable against the US dollar. The consolidated budget moved into a deficit of 1.6 percent in 2023, down from a

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.

surplus of 1.2 percent of GDP in 2022. This deterioration was due to increased spending on social welfare programs, housing, and utility infrastructure, along with rising interest payments, which collectively drove expenditures up by 1.6 percent of GDP. Revenues declined by 1.2 percent of GDP due to lower oil-related tax income. The banking sector remains resilient, supported by robust capital and liquidity positions that exceed regulatory requirements. Profitability was boosted in 2023 by high interest rates. Non-performing loans amounted to only 3 percent of the loan portfolio in 2023, but this warrants close monitoring given rising household indebtedness and elevated interest rates.

Outlook

Economic growth is projected to moderate to 3.4 percent in 2024 before increased

oil production temporarily raises it to 4.7 percent in 2025. Lower growth expectations for 2024 reflect reduced oil production expectations due to maintenance at major fields and Kazakhstan's adherence to OPEC+ production cuts.

Inflation is expected to gradually decline but remain above the 5 percent target in 2024. The planned utility tariff increases and the potential for a sustained budget deficit could hinder the projected downward trend.

The current account deficit is expected to decrease in 2024 and beyond, driven by an increase in oil exports.

The fiscal deficit is projected to increase to 2.7 percent of GDP in 2024, primarily due to lower oil-related revenues, before gradually decreasing to 1.2 percent by 2026. Sustained growth in non-oil sectors and improved tax collection efforts will contribute to growth in non-oil revenues. Following a series of fiscal stimulus measures,

the government aims to comply with the fiscal rule by bringing budget spending down to pre-crisis levels.

Poverty is expected to fall to 7.9 percent (at USD 6.85/day) in 2024 as growth continues and inflation subsides, though elevated food prices remain a key challenge for the poorest households.

The outlook faces downside risks. Lower growth in major trading partners like China and the EU, could substantially worsen Kazakhstan's outlook, as would a weakening of oil prices. Stubborn inflation and the increased likelihood of climate-related shocks risk setting back poverty reduction progress. Disruptions to oil exports, such as unexpected maintenance in existing fields or delays in oil production coming online from the new Tengiz oil-field, could hinder oil output and economic growth. Lastly, there are risks to growth arising from the geopolitical situation and trade flows with Russia.

TABLE 2 Kazakhstan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.3	3.2	5.1	3.4	4.7	3.6
Private consumption	6.3	2.0	4.3	5.0	5.2	5.2
Government consumption	-2.4	9.1	3.1	1.5	0.9	0.5
Gross fixed capital investment	2.6	3.6	5.2	4.0	4.5	3.7
Exports, goods and services	2.3	10.2	5.5	0.0	6.4	1.6
Imports, goods and services	-0.3	11.6	4.1	3.8	5.0	4.1
Real GDP growth, at constant factor prices	4.1	2.9	5.0	3.3	4.7	3.4
Agriculture	-2.2	9.1	-7.7	3.0	3.0	2.0
Industry	4.5	2.7	5.7	3.4	6.0	3.8
Services	4.4	2.5	5.8	3.3	3.9	3.3
Inflation (consumer price index)	8.5	20.3	9.8	8.0	6.7	5.6
Current account balance (% of GDP)	-1.3	3.5	-3.8	-3.1	-2.3	-1.2
Net foreign direct investment inflow (% of GDP)	1.0	3.5	1.9	2.1	2.1	2.1
Fiscal balance (% of GDP)	-4.3	1.2	-1.6	-2.7	-2.1	-1.2
Revenues (% of GDP)	17.6	22.8	21.8	19.5	19.5	19.5
Debt (% of GDP)	23.7	22.5	22.3	23.9	26.3	27.5
Primary balance (% of GDP)	-3.1	2.6	0.0	-0.9	-0.3	0.6
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	6.0
GHG emissions growth (mtCO₂e)	3.2	-4.4	2.2	0.8	2.3	1.2
Energy related GHG emissions (% of total)	71.9	71.3	72.8	73.8	75.2	76.3

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.