

## [KAZAKHSTAN]

Kazakhstan	2023
Population, million	19.8
GDP, current US\$ billion	259.7
GDP per capita, current US\$	13,088.5
School Enrollment, primary (% gross) <sup>(2020)</sup>	100.9
Life Expectancy at Birth, years <sup>(2020)</sup>	70.2

### CONTEXT

Since the 2000s, Kazakhstan has seen impressive economic growth driven by the first generation of market-oriented reforms, abundant mineral resources extraction, and strong foreign direct investment (FDI). Sustained economic growth has transformed the country into an upper middle-income economy, commensurately raising living standards and reducing poverty.

Over the last 10 years, however, Kazakhstan's growth has slowed from 10% over 2000-2007 to below 4%, 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.

#### World Bank Portfolio

- No. of Projects: 8
- Lending: \$4.07 billion
- IBRD: 7 loans
- TF: 1 grant

### STRATEGY

#### Country Partnership Framework for 2020–25

The partnership between Kazakhstan and the World Bank Group is outlined in the Country Partnership Framework (CPF), developed in consultation with counterparts and civil society to guide a new investment program and quality technical assistance to the Government of Kazakhstan for 2020–25.

The CPF is fully aligned with the Government's reform program and Kazakhstan's 2050 development strategy to accelerate the country's transformation into a modern society with a knowledge-based, diversified, and private sector-driven economy.

The CPF focuses on the following priority areas:

- Promoting inclusive growth by strengthening the environment for private sector development, promoting the market-led transformation of the agriculture sector, and bolstering the connectivity infrastructure
- Strengthening human capital by closing the gap along regional and rural-urban divides in the delivery of education, health, and social protection services
- Securing sustainable, resilient, and low carbon growth by managing natural capital, including land and water resources, promoting less energy intensity, and strengthening institutions and service delivery

Underlying these focus areas is the cross-cutting theme of more effective governance and strengthened market and social institutions.

### **Key Engagement**

Since 2003, the World Bank has significantly extended its Advisory Services and Analytics (ASA) provided under the Joint Economic Reform Program (JERP). Over the years, the program has proven to be an innovative solution, with a client-driven knowledge agenda and World Bank-selected work, bringing in and building up international experience.

The JERP is structured around the government's strategic priorities and focuses on development gaps in growth, governance, and the public service delivery agenda. The program is designed to ensure strong government ownership while enhancing the World Bank's contribution to the country's development in a way that goes beyond funding.

## **ECONOMY**

### **Recent Economic Developments**

In 2023, real GDP grew by 5.1% largely due to a boost in oil production, fiscal stimulus, and strong consumption. Oil production's 6% increase significantly contributed to this growth. Consumer confidence remained high despite stagnant incomes and tight monetary policy, as evidenced by retail (7%, real terms), car sales (8%), and new business registration (10%). Capital investment also rose, predominantly in non-resource sectors (80%).

Unemployment slightly decreased to 4.7%, and a substantial minimum wage increase helped reduce poverty to 8.8% (at USD 6.85/day). Inflation, which peaked at 21.3%, slowed to 9.3% by February 2024, leading to a central bank rate cut. The current account shifted from a surplus to a deficit, with a drop in exports and a surge in imports, though FDI inflows helped finance this deficit. However, momentum has weakened as major investment projects in the oil sector, financed through FDI, near completion.

The budget deficit widened to 1.6% of GDP due to higher social spending and reduced oil tax revenue (1.2% of GDP). The banking sector remained strong, with low non-performing loans (3%), but rising household debt and interest rates warrant attention.

### **Economic Outlook**

The 2024 economic forecast anticipates a growth slowdown to 3.4%, with a rebound to 4.7% in 2025 due to increased oil production. 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 likely to decrease but stay over the 5% target, affected by utility tariff hikes and potential budget deficits. The current account deficit should shrink, helped by rising oil exports, while the fiscal deficit may grow to 2.7% of GDP due to reduced oil revenues, then taper to 1.2% by 2026. Non-oil sector growth and better tax collection will boost non-oil revenue. The government plans to reduce spending to pre-crisis levels, aligning with fiscal rules.

Poverty rates could drop to 7.9% (at \$6.85/day) in 2024, with economic growth and easing inflation, though high food prices could impact the poorest. Risks to the outlook include reduced growth in key trade partners, volatile oil prices, persistent inflation, climate shocks, and potential sanctions on the financial sector due to illicit trade with Russian entities, which could affect FDI and market access.