



REPUBLIC OF KAZAKHSTAN

2024 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

January 2025

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2024 Article IV consultation with the Republic of Kazakhstan, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on lapse-of-time basis, following discussions that ended on October 1, 2024, with the officials of the Republic of Kazakhstan on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 12, 2024.
- An **Informational Annex** prepared by the IMF staff.

The document listed below will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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IMF Executive Board Concludes the 2024 Article IV Consultation with the Republic of Kazakhstan

FOR IMMEDIATE RELEASE

Washington, DC—January 31, 2025: The Executive Board of the International Monetary Fund (IMF) concluded the 2024 Article IV consultation¹ with the Republic of Kazakhstan on a lapse of time basis on **November 27, 2024**.

After reaching 5.1 percent in 2023, Kazakhstan's economic growth has remained robust in 2024, and inflation has continued to decline gradually. The banking sector remains resilient amid continued rapid consumer credit growth. In the medium term, growth is projected to stabilize at about 3½ percent, while inflation would ease further and reach its 5 percent target by 2028.

The National Bank of Kazakhstan has maintained a prudent monetary policy in light of persisting inflation pressures from increased energy tariffs and fiscal underperformance: as of September 2024, tax revenues were only 60½ percent of the 2024 budget plan, implying an expansionary fiscal stance. The macroprudential policy and risk-based supervisory frameworks are being strengthened in line with the 2023 FSAP recommendations.

Structural reform implementation remains slow, with the state footprint growing in some areas, while higher economic growth, diversification and resilience will be important in the current environment, including to address increasingly pressing challenges from climate change.

Executive Board Assessment²

In concluding the Article IV consultation with the Republic of Kazakhstan, Executive Directors endorsed the staff's appraisal as follows:

Robust economic growth and disinflation have continued this year. Growth is projected at 3.9 percent in 2024 due to broad-based acceleration of economic activity in the second half of the year. Inflation is expected to reach 8.2 percent, still above its 5 percent target, as the pace of disinflation has slowed this year due to increased domestic energy tariffs and an expansionary fiscal policy. On the external front, a moderate current account deficit is expected in 2024, and the external position is assessed as moderately weaker than implied by economic fundamentals and desirable policies.

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without conveying formal discussions.

Risks to the outlook remain tilted to the downside. They include external risks from a slowdown in major economies, an intensification of regional conflicts, secondary sanctions, and higher commodity price volatility or export pipeline disruptions. On the domestic front, key risks are delays in large infrastructure projects in the short term, failure to reintroduce fiscal discipline which could fuel inflation pressures, and a resurgence of social tensions. Upside risks include accelerated reform implementation, higher oil prices, and stronger foreign investment in new sectors.

Monetary policy should remain tight until inflation is close to target, and its effectiveness could be further strengthened. The combination of robust growth, slowing disinflation, and an uncertain outlook justify continued monetary policy prudence. In order to enhance the National Bank of Kazakhstan (NBK)'s institutional independence and monetary policy effectiveness, its governance and legal framework can be further improved, and the NBK should refrain from foreign exchange interventions in the absence of disorderly market conditions.

Recurrent fiscal underperformance requires measures to avoid fiscal procyclicality and strengthen the fiscal policy framework. Such measures would also help to meet the authorities' objective of fiscal consolidation and maintain a balanced external position. Priorities are to improve macro-fiscal forecasts and budget planning, and to use the introduction of new tax and budget codes as opportunities to enhance non-oil revenue mobilization, including through gradual VAT rate increases, and spending efficiency. Fiscal policy effectiveness also requires public sector data that are better aligned with international standards and a more rules-based and transparent policy framework, including by reducing off-budget spending and the continued reliance on discretionary transfers from the National Fund.

The banking sector remains resilient and rapid progress in implementing the 2023 FSAP recommendations is commendable. In particular, the regulatory agency (ARDFM)'s institutional independence and risk-based supervision, as well as the NBK's macroprudential policy mandate and toolkit, have been significantly enhanced. Going forward, the main priority is to introduce a fully-fledged framework for bank resolution, including coordination mechanisms among the ARDFM, NBK and relevant ministries.

Structural reform implementation is critical to elevate long-term economic growth. To meet the authorities' ambitious growth objectives, a key priority is to reduce the state footprint in the economy and promote competition and private sector development. However, the amount and size of state interventions, subsidies, state-owned enterprises, and external restrictions have recently increased. Stronger public governance is also required, including through continued efforts to reduce corruption-related vulnerabilities.

Given increasingly pressing challenges from climate change, more comprehensive policies are needed to accelerate the transition to a sustainable and resilient economic model and meet the authorities' commitment to reduce carbon emissions. Building on recent progress, including in implementing the national strategy for carbon neutrality, priorities are to modernize energy infrastructure, enhance energy efficiency, accelerate fossil fuel subsidy reforms, and adopt measures to transform high-emission sectors, manage climate-related risks in the financial sector, and address the needs of vulnerable groups.

Table 1. Kazakhstan: Selected Economic Indicators, 2022–26

	2022	2023	Proj		
			2024	2025	2026
GDP			(Percent)		
Real GDP	3.2	5.1	3.9	5.0	3.9
Real Oil GDP	-1.7	7.0	-0.6	8.8	4.4
Real Non-Oil GDP	4.6	4.6	5.1	4.0	3.8
Inflation					
Headline (EOP)	20.4	9.7	8.2	7.2	6.2
General government fiscal accounts			(Percent of GDP)		
Revenues and grants	21.8	21.7	19.5	18.5	19.0
Oil revenues	8.0	5.7	5.8	5.7	5.1
Non-oil revenues 1/	13.8	16.0	12.7	12.7	13.9
Expenditures and net lending	21.7	23.2	22.1	21.6	21.2
Overall fiscal balance	0.1	-1.5	-2.6	-3.1	-2.2
Non-oil fiscal balance	-7.9	-7.2	-8.4	-8.9	-7.3
Gross public debt	23.5	22.8	24.0	25.5	28.2
Net public debt	-1.2	0.1	2.6	4.5	5.7
Monetary accounts					
Reserve money	11.4	11.6	11.9	12.0	11.5
Broad money	33.1	34.0	34.6	35.0	35.4
Credit to the private sector	22.7	23.5	24.1	25.0	26.1
Balance of payments					
Current account balance	3.1	-3.3	-1.5	-2.3	-2.3
Financial account balance 2/	2.6	-0.6	-2.8	-3.0	-2.5
Exchange rates			(Units)		
Exchange rate KZT/USD (EOP)	461.0	453.6	...	...	...
Memorandum items			(Various Units)		
Reserves Assets (USD billion)	35.1	35.9	40.2	43.2	44.5
In months of following year imports of G&S	5.8	5.9	6.5	6.7	6.6
NFRK assets (percent of GDP)	24.7	22.7	21.4	21.0	22.5
External debt (percent of GDP)	71.2	61.3	58.4	57.6	56.4
NBK policy rate (EOP, percent)	16.8	16.6	...	...	...
Crude oil and gas cond. prod. (million tons) 3/	84.2	90.0	89.6	97.3	101.5
Unemployment rate (AVG, percent)	4.9	4.7	4.7	4.6	4.6

Sources: Kazakhstani authorities and IMF staff estimates and projections.

1/ Non-oil revenue in 2023 includes a one-off dividend from Samruk-Kazyna of 1.1 percent of GDP and in 2024 includes a one-off dividend from Kazatomprom of 0.3 percent of GDP from the sale of shares to the NFRK.

2/ Excluding reserve movements.

3/ Based on a conversion factor of 7.5 barrels of oil per ton.



REPUBLIC OF KAZAKHSTAN

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION

November 12, 2024

KEY ISSUES

Context. After reaching 5.1 percent in 2023, growth is expected to slow to 3.9 percent in 2024, while inflation would decline to 8.2 percent. The banking sector remains resilient amid continued rapid consumer credit growth. A moderate current account deficit is expected this year. The outlook is subject to elevated risks, including from an uncertain external environment. Decisive reforms are necessary to diversify the economy, make growth higher and more inclusive, and address challenges from climate change.

Recommendations. In recent years, recurrent fiscal underperformance and stalled structural reforms have highlighted a need for decisive efforts to strengthen economic institutions and policy frameworks and raise growth prospects. Key priorities are:

- *Monetary policy* should remain tight until inflation is close to target (5 percent), especially considering the slower pace of disinflation in 2024. Strengthening the National Bank of Kazakhstan (NBK)'s legal framework and institutional independence would help enhance monetary policy effectiveness.
- *Fiscal adjustment* is needed to avoid fueling inflation, preserve buffers, and meet the authorities' fiscal consolidation objectives. In addition to short-term measures to avoid fiscal slippages in 2025, improved budget planning, increased non-oil revenues, reduced discretionary spending, and a more transparent policy framework, will be critical in the medium term.
- *In the financial sector*, the authorities should continue their strong implementation of key recommendations from the 2023 Financial Sector Assessment Program (FSAP). Key priorities are to introduce a fully-fledged bank resolution framework, including through further institutional capacity building and interagency coordination.
- *Structural reform* priorities are to reduce and refocus the role of the state, strengthen public sector governance (e.g., through more rules-based institutional frameworks and reduced corruption), and remove trade and other external restrictions. Policies to manage the multiple challenges from climate change should be more ambitious, including to phase out carbon subsidies.

Approved By
**Subir Lall (MCD) and
 Fabian Bornhorst
 (SPR)**

Discussions took place in Almaty and Astana during September 18–October 1, 2024. The team comprised N. Blancher (head), R. Al Humaidi, D. Heng, and G. Impavido (MCD). A. Dumitrescu, S. Forte, and D. Yao (LEG) contributed remotely. The mission met with Deputy Prime Minister and Minister of Economy Baibazarov, National Bank of Kazakhstan Governor Suleimenov, Minister of Finance Takiyev, Chairperson of the Agency for Regulation and Development of the Financial Market Abylkassymova, other government officials, and representatives from international financial institutions, the private sector, diplomatic community, and media. Mr. Zellweger (OED) attended some meetings. The mission was supported by O. Bissekeyeva (local office) and S. Zolotareva (HQ).

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Glossary

AIFC	Astana International Financial Center
AML/CFT	Anti-Money laundering and Combating the Financing of Terrorism
AQR	Asset Quality Review
ARA	Assessing Reserve Adequacy
ARDFM	Agency for Regulation and Development of Financial Market
CCAMTAC	Caucasus, Central Asia, and Mongolia Regional Capacity Development Center
CFM	Capital Flow Management Measure
CIT	Corporate Income Tax
CPAT	Climate Policy Assessment Tool
CPC	Caspian Pipeline Consortium
DAMU	Entrepreneurship Development Fund
DSTI	Debt Service-to-Income
DTI	Debt-to-Income
ETS	Emissions Trading System
FSAP	Financial Sector Assessment Program
FSSA	Financial Sector Stability Assessment
FTE	Fiscal Transparency Evaluation
FX	Foreign Exchange
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GFSM	Government Finance Statistics Manual
GHG	Greenhouse Gas
GIR	Gross International Reserves
IMF	International Monetary Fund
LEG	Legal Department, IMF
MCM	Monetary and Capital Markets Department, IMF
ML/FT	Money Laundering and Financing of Terrorism
MNE	Ministry of National Economy
MOF	Ministry of Finance
NBK	National Bank of Kazakhstan
NDC	Nationally Determined Contributions
NFRK	National Fund of the Republic of Kazakhstan
PFM	Public Finance Management
REER	Real Effective Exchange Rate
SIP	Selected Issues Paper
SME	Small and Medium-Sized Enterprise
SOE	State-Owned Enterprise
SREP	Supervisory Review and Evaluation Process
TA	Technical Assistance
VAT	Value-Added Tax

CONTEXT

1. **Favorable macroeconomic developments and political stability provide an opportunity to accelerate reforms for future economic growth, diversification, and greening.**

Strong domestic and external buffers help secure economic resilience in the near term. Yet, in an external environment that is likely to remain uncertain in the years ahead, structural challenges and limited economic diversification raise important risks, especially in sustaining elevated growth and managing the impact of climate change. Accelerated structural reforms are therefore critical, starting with the need to reduce the state's footprint in the economy, strengthen public sector governance, and promote private sector development.

RECENT DEVELOPMENTS

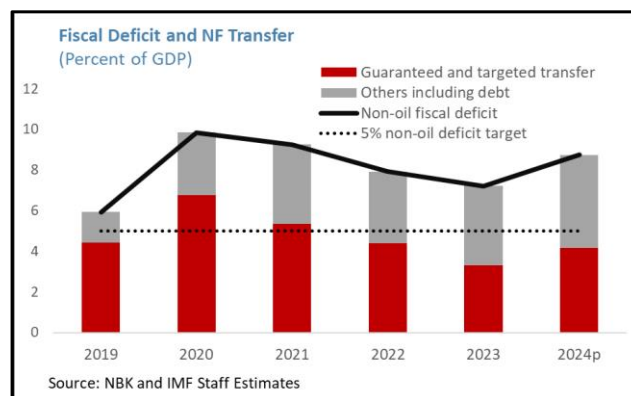
2. **Growth has slowed down in 2024 but remains robust** (Figure 1, Table 1). High-frequency indicators suggest that growth moderated to 3.7 percent in May (yoy, seasonally adjusted), against 5.1 percent in 2023, due mainly to flat oil production. It picked up to about 4 percent in September, supported by robust activity in agricultural, construction, transport, and services sectors. The economic impact of the war in Ukraine remains limited.

3. **While inflation declined to 8.3 percent in September, the pace of disinflation has eased.** Disinflation this year has reflected mainly lower food inflation and tight monetary policy: the NBK reduced the policy rate by 25 bps to 14¼ percent in July 2024, and by a total of 250 bps since July 2023. At the same time, price pressures have been fueled by strong domestic demand (including from a looser fiscal stance) and higher non-food inflation, in turn partly due to rising domestic utility and energy tariffs.¹

4. **Fiscal underperformance, driven by revenue shortfalls, is a growing concern.** As of September 2024, tax revenues were only 60½ percent of the 2024 budget plan, due in part to lower-than expected corporate and value-added tax revenues. As a result, the fiscal deficit is expected to increase by 1.4 percent of GDP in 2024, implying an expansionary fiscal stance. To finance the increased deficit, the authorities announced additional transfers from the National Fund (NFRK) of about 1½ percent of GDP, bringing the total expected transfer for 2024 to 4.2 percent of GDP. The 2025 draft budget envisages continued subdued tax revenues and higher spending, as well as NFRK transfers of about 3.9 percent of GDP.

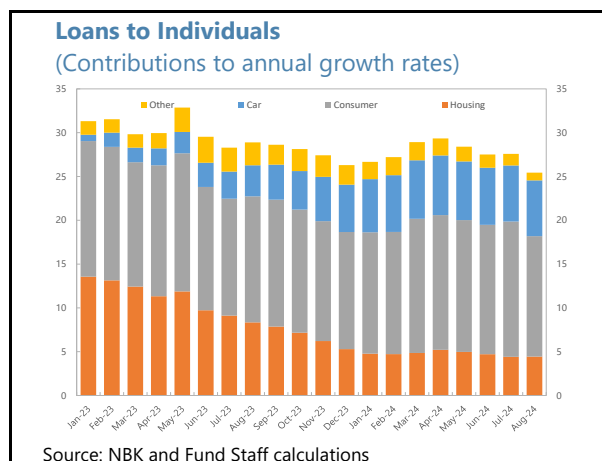
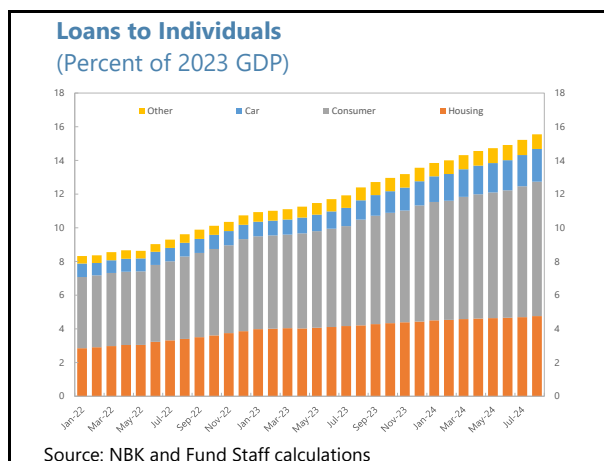
¹ Domestic tariff reforms are estimated to have contributed to 1-1½ percentage points to inflation this year.

Selected Fiscal Indicators (In percent of GDP)			
	Projections		
	2023	2024	2025
Total revenue	21.7	19.2	18.6
Oil	5.7	5.9	5.8
Non-oil	16	13.3	12.8
Total expenditure and net lending	23.2	22.1	21.7
Overall balance	-1.5	-2.9	-3.1
Non-oil balance	-7.2	-8.4	-8.9
Structural non-oil balance	-8.6	-9.3	-9.6
Fiscal stance 1/	-0.5	-0.7	-0.3
1/ Defined as the change in the structural non-oil balance			



5. A moderate current account deficit of 1½ percent is expected in 2024. The current account balance has improved due to lower imports from Russia, but this has been moderated by robust domestic demand and lower oil and grain exports. While there are signs of growing intra-regional trade and foreign investor interest (e.g., in renewable energy and rare mineral sectors), trade restrictions have been maintained or expanded in the energy and food sectors. The authorities continue to ensure regulatory compliance and avoid secondary international sanctions. In 2023, the external position is estimated as moderately weaker than implied by economic fundamentals and desirable policies (Annex II).

6. The banking sector is resilient amid high credit growth, and risks to financial stability are contained (Table 4). At end-2023, the average bank capital adequacy ratio was 21½ percent and return on assets 5.1 percent, while banks held large excess reserves in local and foreign currency at the NBK. Financial conditions eased in 2024H1 due to lower risk premia and base rates, and dollarization continued to decline (Figure 3). The 2023 FSAP found the banking system broadly resilient to adverse scenarios. However, rapid consumer lending growth highlights potential vulnerabilities in the household sector – since January 2022, loans to individuals doubled as a share of GDP.² In addition, while banks benefit from comfortable liquidity positions, stress could materialize in a scenario of significant deposit outflows due to high deposit concentration.



² <https://nationalbank.kz/en/news/kredity-bankovskogo-sektora-ekonomike>

7. Structural reform implementation remains slow, and the state footprint has increased in some areas. In May 2024, a presidential *Decree on economic liberalization* laid out important goals and steps to reduce the role of the state, improve the business environment, and increase domestic competition. However, the decree's implementation and accelerated privatizations have not materialized, while state interventions have recently tended to increase (e.g., subsidy programs and external restrictions). Ongoing increases in domestic energy and utility tariffs, and investments in renewable energy sources, are steps in the right direction to prepare for the impacts of climate change and decarbonization.

OUTLOOK AND RISKS

8. Growth is projected at about 4 percent in 2024 and 3½ percent over the medium term. In 2024, oil growth would be marginally negative due to temporary disruptions, but robust and broad-based non-oil growth (5 percent) is expected, including because of the expansionary fiscal stance. Growth would reach 5 percent in 2025 with the expansion of the Tengiz oil field and still strong public spending. In the absence of accelerated reform implementation, medium-term growth would not exceed its estimated potential of 3-3½ percent. Inflation would continue to decline, but at a reduced pace due to a combination of prudent monetary policy, domestic tariff reforms, and loose fiscal stance in 2024-25. As a result, it would reach its 5 percent target only by 2028. A moderate current account deficit is projected to persist in the medium term, at around 2½ percent, financed in part by continued foreign direct investment inflows.

9. Risks to the outlook remain tilted to the downside (Annex III). External risks include a growth slowdown in major economies, including because of supply disruptions or renewed inflation pressures; an intensification of regional conflicts and risks of secondary sanctions; and higher commodity price volatility or oil pipeline disruptions. Domestic risks include delays in implementing large infrastructure projects in the short term; failure to reintroduce fiscal discipline or loss of monetary policy credibility, which could fuel inflation pressures and require further policy tightening; and a resurgence of social tensions. Upside risks to medium-term prospects reflect oil price developments and a potential acceleration of structural reforms and private sector development.

Authorities' Views

10. The authorities expect that strong public investment will drive a pick-up in growth while fiscal consolidation will resume in 2026. They concurred that potential growth needed to be raised and were confident that strong public sector investment and plans to accelerate the development of the small and medium-sized enterprise (SME) sector will help increase it in the coming years. The authorities broadly agreed with the main risks to the outlook, although they disagreed that Caspian Pipeline Consortium (CPC) pipeline disruptions represent a material risk.

MACRO-FINANCIAL POLICY STANCE

11. Maintaining a restrictive policy mix is desirable in the period ahead. Robust growth, persistent inflation pressures, continued fiscal underperformance, and an uncertain environment argue in favor of tight and prudent macro-financial policies.

12. Monetary policy should remain tight. With a real *ex ante* policy interest rate of about 3.6 percentage points above a real neutral rate estimated at 4 percent, monetary policy is currently tight. It should remain so in the period ahead, considering the slowing pace of disinflation, increasing domestic pressures, substantial risks to the outlook, and distance to target (5 percent).

13. Corrective measures are needed to limit fiscal deficits and avoid fiscal procyclicality. Inadequate budget planning and recurrent revenue underperformance have led to procyclical fiscal policy and increased reliance on discretionary transfers from the NFRK in recent years (Box 1). Swift tax and spending reforms can help address these risks. Reducing tax exemptions and raising corporate tax rates could boost revenues by about 1½ percentage point of GDP. Additionally, increasing the value-added tax (VAT) rate from 12 to 16 percent could increase revenues by another 1½ percentage point of GDP, and the taxation of tobacco, alcohol, and motor vehicles could also be adjusted. The current version of the revised tax code includes higher corporate income tax (CIT) rates and reduced tax exemptions, but not higher VAT rates. Moreover, the delayed adoption of the new tax code raises risks of persistent large deficits until 2026. On the expenditure side, additional savings may be achieved relatively quickly by streamlining some of the spending programs conducted by extra-budgetary funds and SOEs, which have recently increased.³

14. Macprudential policy should continue to contain potential risks from rapid growth in retail lending. The debt-service-to-income (DSTI) limit for household lending was reduced in December 2023, and a debt-to-income (DTI) limit was introduced in June 2024. In addition, bank capital requirements were raised based on the latest Supervisory Review and Evaluation Process (SREP), Asset Quality Review (AQR), and stress testing exercises. As highlighted in the 2023 FSAP, data gaps on the distribution of consumer loans by borrower income levels need to be filled to properly assess related risks to financial stability.

Authorities' Views

15. The authorities agreed with the need to maintain a tight policy mix. They reaffirmed their commitment to monetary policy prudence. In line with their fiscal consolidation objectives, they noted that reforms of the tax code would help lift non-oil revenues and lower non-oil fiscal deficits, resulting (together with expenditure cuts) in smaller NFRK transfers in 2026. They also noted that expanding the macroprudential toolkit and improving the division of responsibilities among agencies would help minimize financial stability risks from rapid consumer lending growth.

³ *Public Finance Review–Kazakhstan: Strengthening Public Finance for Inclusive and Resilient Growth*, World Bank, 2023.

Box 1. Kazakhstan: Over-Reliance on National Oil Fund Resources?

The NFRK was established in 2000 with several key objectives: stabilize fiscal spending across economic cycles, avoid “Dutch disease” effects, and preserve long-term savings for inter-generational equity purposes. These objectives are aligned with best international practices in resource-rich countries. Budgetary transfers from the NFRK are either “guaranteed,” i.e., set and approved by parliament based on projected oil revenues, or “targeted,” i.e., discretionary and approved by the President. NFRK assets are managed by the NBK.

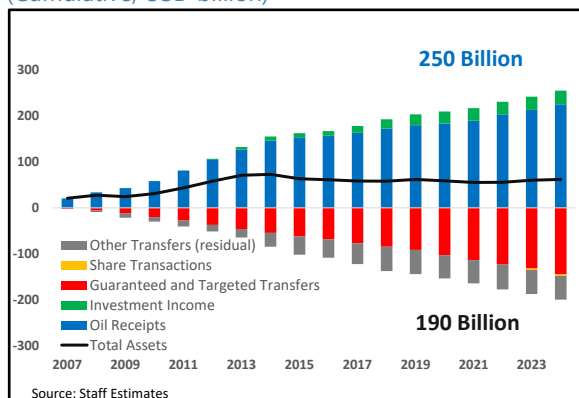
Growing NFRK transfers have been used to finance larger fiscal deficits in recent years. Between 2007-23, total transfers represented USD190 billion, or about 75 percent of total NFRK oil revenues and investment income. Between 2014-23, total NFRK assets declined from a peak of USD77 billion to USD60 billion; total transfers exceeded the NFRK’s total revenues; on average, total annual transfers were about 17 percent of total assets (against 3 percent for the *Norway Global Pension Fund*, or 5 percent for the *Alaska Permanent Fund*);¹ and, as a result, net public assets declined from 19 percent to about 1 percent of GDP.

These developments are not in line with the NFRK’s strategic objectives and raise several issues.

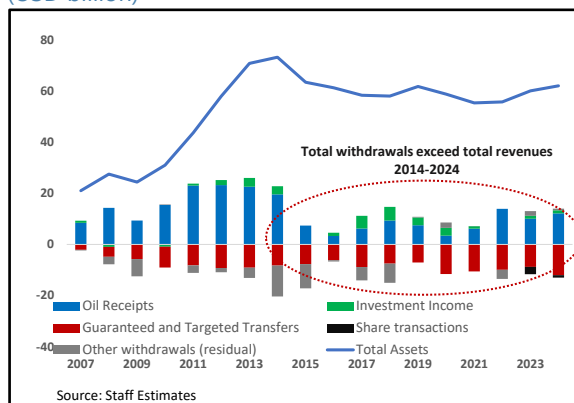
Increased reliance on NFRK transfers has not reflected the economy’s cyclical position, especially in recent years when growth was robust, suggesting that readily available NFRK financing may have weakened incentives for fiscal discipline and tax reforms. In addition, discretionary NFRK transfers, together with NFRK transactions that are opaque and not overseen by Parliament, can undermine fiscal rules and discipline. Finally, these and other quasi-fiscal activities blur the real fiscal policy stance and thus hamper macroeconomic policymaking and fiscal credibility.

Efforts to avoid over-reliance on NFRK resources should be part of broad reforms of public financial management. Improving budget planning, limiting the non-oil deficit, and implementing fiscal rules strictly, including through escape clauses limiting discretionary NFRK transfers, would all be key steps toward ensuring close alignment with the NFRK’s mandate. Other *ad hoc* mechanisms mobilizing NFRK assets, such as bond or state-owned enterprise (SOE) share purchases, should be eliminated. Finally, greater fiscal transparency and better public sector statistics would help clarify the role of the NFRK in the overall allocation of public resources, including for long-term economic growth and inclusion, in line with its strategic goals.

Total NFRK Revenues and Withdrawals
(Cumulative, USD billion)



Total NFRK Revenues and Withdrawals
(USD billion)



¹ Government of Norway, *National Budget 2024, White Paper*; Alaska Permanent Fund, *2024 Annual Report*.

STRENGTHENING POLICY EFFECTIVENESS

A. Monetary Policy Transmission and Independence

16. Monetary policy effectiveness has improved. Monetary policy transmission has traditionally been weak due to several policy and structural factors, including price controls, subsidized lending programs, dollarization, and limited capital market development.⁴ However, preliminary analysis suggests that monetary policy transmission has improved in recent years (Annex VI). Despite multiple shocks, the inflation targeting regime has been preserved and dollarization decreased from 70 to 25 percent since 2015, while the NBK exited from quasi-fiscal activities and improved its policy communication. Looking ahead, areas for further progress include the NBK's tools and operations to manage systemic liquidity, while a growing role of the Digital Tenge may also support monetary transmission.

17. The NBK's autonomy and commitment to exchange rate flexibility could be strengthened. The NBK's law complies with international best practices in many areas, but it could be enhanced to better support its price stability mandate. Priorities include increasing the NBK's autonomy from the President's office; establishing an independent oversight Board and Audit Committee; clarifying the objectives, functions, and allocation of responsibilities between the Governor and the Executive Board; eliminating loopholes that may allow for monetary financing of the budget; and strengthening the effectiveness of the Monetary Policy Committee. In addition, the authorities should refrain from intervening in the foreign exchange market in the absence of disorderly market conditions, as occurred in July-September 2024, because this may affect the credibility of their commitment to exchange rate flexibility and inflation targeting.⁵

B. Fiscal Policy Effectiveness and Transparency

18. While fiscal space is currently substantial, enhanced revenue mobilization and spending efficiency would help safeguard long-term fiscal sustainability. It would be in line with the authorities' commitment to reduce the non-oil deficit to 5 percent of GDP and keep public debt low and sustainable (Annex IV), and would contribute to maintain a balanced external position. Government plans to phase out tax exemptions are welcome but, as noted, raising non-oil revenues through gradual VAT rate increases is also desirable, while differentiated CIT rates should generally be avoided to simplify business taxation. The introduction of a new tax code is a major opportunity for progress in these areas. On the spending side, off-budget or discretionary public spending

⁴ *Shocks and Monetary Policy Transmission in Kazakhstan: Empirical Findings from an Estimated DSGE Model*, Selected Issues Paper, 2021 Article IV consultation.

⁵ In July, the NBK purchased about USD900 million net in the FX market to compensate for the impact on the exchange rate of large NFRK budgetary transfers due to unexpected government cash management needs. The NBK intervened again in the FX market in August and in September, selling about USD500 million on total (Figure 4).

programs (e.g., through the NFRK or SOEs) should be consolidated to help enhance their monitoring, evaluation and efficiency.

19. Several key reforms are needed to strengthen the fiscal policy framework. Building on recent progress, including the publication of an annual *Fiscal Risks Statement*, the adoption of a new budget code should help make fiscal policy more rules-based and transparent. An independent fiscal council and better-designed escape clauses would play a critical role in enforcing fiscal rules and limiting discretionary spending. Importantly, fiscal plans should be based on more realistic medium-term macro-fiscal projections and on public sector data that are aligned with international standards, including to better capture quasi-fiscal activities, SOE performance, and the fiscal implications of public-private partnerships. The 2022 *Fiscal Transparency Evaluation* identified specific priorities in these areas.⁶

C. Financial Sector Policy Framework

20. The authorities have made significant progress in implementing the 2023 FSAP recommendations, with technical assistance from the IMF (Annex VIII). A detailed roadmap was approved in December 2023 and action was taken in key areas: (i) the *Financial Stability Council* approved a new legal framework for the NBK's macroprudential mandate, with an expanded policy toolkit, greater clarity on the division of responsibilities across agencies, and increased policy transparency and accountability; (ii) the ARDFM recently acquired greater budget autonomy, an important step in increasing its institutional independence, capacity, and policy effectiveness; (iii) prudential requirements and supervisory practices are being strengthened in line with Basel standards and in areas such as consolidated and risk-based supervision and oversight of related party transactions. Going forward, a top priority remains to introduce a fully-fledged framework for bank resolution, including clear interagency responsibilities and coordination. Additional priorities are to enhance the legal protection of ARDFM staff, the monitoring of related party transactions, and the effectiveness of risk-based AML/CFT supervision.

21. Ongoing efforts to strengthen the financial sector policy framework are important considering existing macro-financial linkages in Kazakhstan. The financial cycle in Kazakhstan tends to be persistent and to amplify the business cycle, primarily through consumption (retail credit) and construction (housing prices), and secondarily through investment.⁷ Separately, integrating macro projections with financial soundness indicators shows that, under a baseline scenario, banks would likely retain enough balance sheet space in the years ahead to extend credit without being constrained by prudential requirements (Annex VII). Going forward, incorporating these linkages into policy decisions will help benefit from complementarities between macroprudential policy (focused on the financial cycle and financial stability) and macroeconomic policies (aimed at managing the business cycle and preserving macroeconomic stability).

⁶ 2022 Article IV report, Box 3.

⁷ 2024 Selected Issues Paper: *Output and Financial Cycles*.

Authorities' Views

22. The authorities remain strongly committed to inflation targeting and broadly concurred with recommendations to strengthen key policy frameworks. They renewed their commitment to a flexible exchange rate, stressed the one-off nature of recent FX interventions, and agreed that further increasing the NBK's independence could support monetary policy effectiveness. The authorities intend to proactively remove tax exemptions and further improve digitalization in tax administration as part of the new tax code, which they plan to submit to Parliament by the summer of 2025. They also noted that a roadmap is being implemented following the recent *Fiscal Transparency Evaluation*, aiming to align government finance statistics with international standards and enhance fiscal governance. Finally, the authorities will draw on IMF TA to establish a robust bank resolution framework that limits reliance on public resources (Annex VIII).

REFORMS FOR LONG-TERM ECONOMIC DIVERSIFICATION AND GROWTH

A. Structural Reform Implementation

23. Structural reforms can go a long way in advancing economic diversification, resilience, and growth, but more decisive implementation is required, including to reach the authorities' 6 percent growth objective. Priorities include reducing the state footprint, strengthening public governance, improving labor and product market regulations, and economic and trade diversification.⁸ In particular, restructuring SOEs and resuming privatizations, moving away from broad subsidy programs toward more targeted and temporary support, and eliminating price regulations and trade restrictions, are all essential to promote competition and private sector participation.⁹ For instance, the financial sector can play a key role in lifting growth, but state interventions in this sector should be reduced and rebalanced away from direct interventions and towards targeted risk-sharing mechanisms, as exemplified by the shift initiated by the entrepreneurship development fund DAMU in its SME credit support operations.¹⁰

24. The authorities should continue to address governance and corruption vulnerabilities and strengthen the AML/CFT framework. In particular, further progress is needed to address earlier IMF recommendations to: (i) strengthen law enforcement against high-level corruption; (ii) swiftly adopt anti-corruption legal amendments; (iii) operationalize the asset declaration system

⁸ *Paving the Way to More Resilient, Inclusive, and Greener Economies in Caucasus and Central Asia*, Middle East and Central Asia Department, IMF Departmental Paper, 2023; and *Structural Reforms to Accelerate Growth, Ease Policy Trade-offs, and Support the Green Transition in Emerging Market and Developing Economies*, IMF Staff Discussion Note, 2023.

⁹ 2023 Article IV staff report, Box 1.

¹⁰ 2023 *Financial System Stability Assessment*. The state footprint has recently tended to increase in some market segments, such as with the use of national pension fund resources to finance subsidized mortgage programs and direct lending to SMEs.

in a timely manner and ensure its transparency and accountability; (iv) revise rules on immunity to exclude undue privilege against liability for corruption; (v) enhance the institutional and operational autonomy of anti-corruption institutions; and (vi) reduce corruption risks in land management (Annex IX). In line with the FSAP recommendations, the authorities should also strengthen the mitigation of the risk of misuse of legal persons, including by improving verification of beneficial ownership information and sanctioning non-compliance with related requirements.¹¹

B. International Integration

25. Further trade integration within the region and with the rest of the world would help diversify the economy and increase its growth and resilience. Being strategically positioned among major economies, Kazakhstan attracts foreign investor interest in several sectors and can benefit from cross-border trade and investment opportunities. Ongoing efforts to boost international connectivity and diversify trade routes and partners are welcome, including because they will help reduce the country's exposures to external shocks.¹² At the regional level, facilitating the freer movement of goods, services, capital, and people can increase market size and economic efficiency and offer major economic opportunities.¹³ Further institutional and governance reforms to improve the domestic business environment will be important to effectively mobilize foreign investment, reap productivity gains, and enhance private sector development.

26. For this, external restrictions and protectionist measures should be removed. A range of external restrictions have recently been introduced or reinforced, including export quotas and bans, local content requirements, and preferential treatment measures often aimed at protecting food security and domestic producers. However, such measures are generally ineffective and distortionary. Instead, the focus should be on protecting the vulnerable population groups through a combination of targeted social spending, incentives to agricultural modernization, and education and upskilling of the labor force. Regarding capital flows, administrative requirements introduced since 2020 to mitigate exchange rate pressures and avoid secondary sanctions constitute Capital Flow Management measures (CFM) since Kazakhstan is not facing crisis circumstances (Annex II).

C. Climate Policies

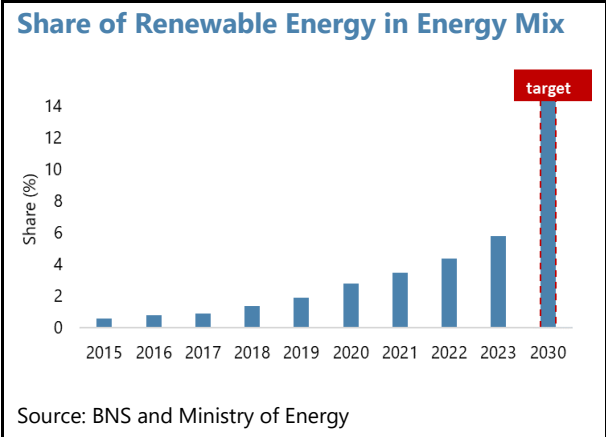
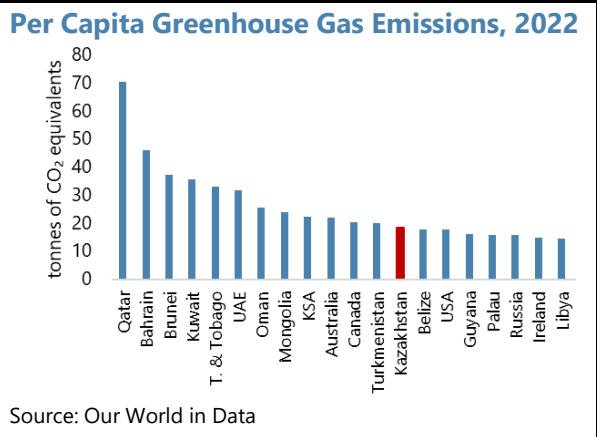
27. Climate-related challenges are increasingly pressing. Catastrophic floods highlighted again in 2024 that Kazakhstan is exposed to substantial physical risks. Furthermore, the country faces risks from local and global decarbonization as coal constitutes more than 50 percent of total

¹¹ Assessment by the *Eurasian Group on Combating Money Laundering and Financing of Terrorism*, 2023; 2022 Article IV staff report, Annex V; *State-Owned Enterprises in the Middle East, North Africa, and Central Asia: Size, Costs, and Challenges*, IMF Departmental Paper, 2021; and *Financial System Stability Assessment (FSSA)*, IMF, 2023.

¹² *Middle Trade and Transport Corridor: Policies and Investments to Triple Freight Volumes and Halve Travel Time by 2030*, World Bank, 2023.

¹³ Boosting infrastructure investment and enhancing regulatory quality could increase trade by up to 17 percent on average in the CCA region. See *Trade Patterns amid Shocks and a Changing Geoeconomic Landscape*, Regional Economic Outlook, Middle East and Central Asia Department, IMF, April 2024.

domestic energy supply and 60 percent of domestic electricity generation, and carbon-intensive industries represent nearly 80 percent of the country's exports. Kazakhstan is also one of the largest emitters of greenhouse gases per capita. Therefore, climate change can impact the economy through multiple channels (Box 2), and it is estimated that global decarbonization could potentially lead to a 2.6 percent drop in GDP by 2030, highlighting the need for urgent policy action.¹⁴



28. Kazakhstan is making progress in tackling climate-related challenges, including through the recent introduction of the *Strategy of the Republic of Kazakhstan on Achieving Carbon Neutrality by 2060* and an updated *Environmental Code*. Renewable energy capacity is being increased through tariff reforms and investment incentives, with support from international financial institutions, and aiming to reach 15 percent of the energy mix by 2030. An Emissions Trading System (ETS) has been introduced, and progress is underway in improving energy efficiency regulations and enhancing the monitoring of climate-related exposures and risks in the financial sector.

¹⁴ 2024 Selected Issues Paper: *Taking Stock of Climate-Related Challenges and Policies*.

Box 2. Kazakhstan: Climate-Related Challenges and Opportunities

Climate changes and related global policies raise numerous risks but also potential opportunities if Kazakhstan undertakes appropriate policies to transition to a low-carbon economy.

Impact channels

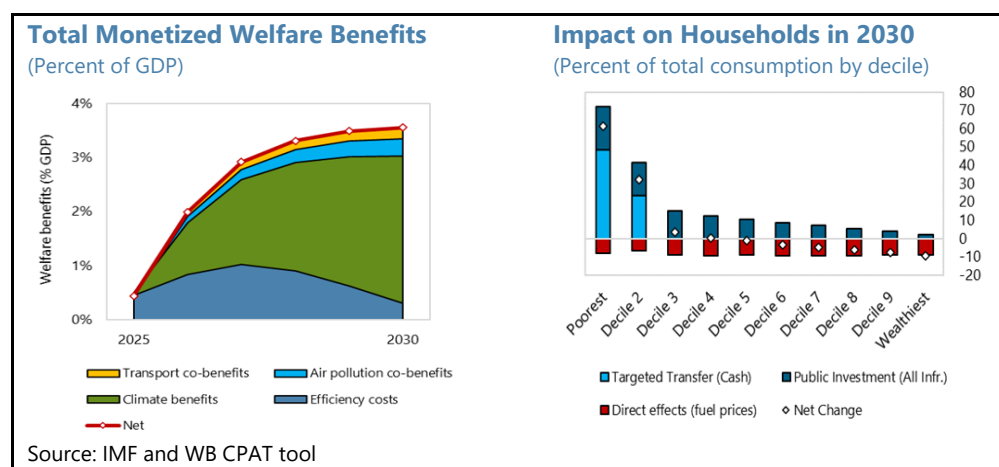
Climate change could threaten Kazakhstan's economic growth and aggravate domestic inequalities.

Disruptions and output losses in various sectors could stem from natural disasters such as floods and droughts. More broadly, global decarbonization raises important transition risks for Kazakhstan's insufficiently diversified economy, including through stranded assets, obsolete jobs in the hydrocarbon sector, and growing inequalities.

There are also risks to public finances, monetary policy effectiveness, and the financial sector. Fiscal challenges stem from Kazakhstan's heavy reliance on hydrocarbon revenues. The transition to net-zero emissions could also affect monetary policy through its impact on inflation and exchange rate fluctuations, necessitating the integration of climate change and risks into monetary frameworks. Finally, Kazakhstan's financial sector is exposed to significant climate transition risks.^{1/}

Potential benefits of raising carbon prices

Simulations using the IMF-ENV and CPAT tools illustrate potential benefits of raising carbon prices.^{2/} To meet the conditional NDC targets of a 25 percent reduction in greenhouse gas (GHG) emissions, the domestic carbon price would need to increase to USD78/tCO₂ by 2030. Analyses show that this could yield up to 1.6 percent increase in GDP by 2030 relative to the baseline scenario. Furthermore, the added fiscal revenues from the removal of the implicit carbon subsidy could be partially used to finance targeted transfers to low-income households (raising their average consumption by about 60 percent) and welfare benefits for society (estimated to be equivalent to 3.6 percent of GDP).



^{1/} *Climate-Related Risks and Financial Stability*, Technical Note, Financial Sector Assessment Program, IMF, 2024.

^{2/} IMF-ENV is a recursive dynamic computable general equilibrium model used to assess the macroeconomic impact of climate-related transition scenarios; Black et al, *Climate Policy Assessment Tool (CPAT): A Tool to Help Countries Mitigate Climate Change*, IMF Working Paper, 2023.

29. More ambitious policies are needed to meet Kazakhstan’s climate commitments and accelerate its transition to a sustainable and resilient economic model.¹⁵ Priorities are to:

(i) improve carbon pricing through reduced fossil fuel subsidies (currently estimated to amount to about 6 percent of GDP) and strengthened ETS effectiveness (by enhancing its coverage and pricing mechanism, as the ETS carbon price is currently about USD 1/tCO₂, one of the lowest in the world); (ii) upgrade energy infrastructure and efficiency regulations; (iii) invest in renewable energy sources, including by attracting more private investment; and (iv) implement adaptation measures such as early warning systems and improved disaster response capacity. Revenues from increased carbon taxation can help support the transition, contingent on careful fiscal planning and efficiency in public spending (Annex IV).¹⁶

D. Social Safety Nets

30. Strong social safety nets are needed to shield vulnerable groups from the negative impacts of reforms. Poverty levels in Kazakhstan are comparatively low and social safety nets have been strengthened considerably in recent years through increased social spending, the adoption of a new Social Code, and the development of digital platforms. Going forward, further improvements should focus on the targeting of social transfers, including for workers in informal and climate-impacted sectors, and on the monitoring of social program outcomes, especially on education. These efforts would help mitigate the social costs of inflation pressures and medium-term economic transitions, support the phasing out of energy subsidies, and facilitate the reallocation of labor to new sectors of the economy.¹⁷

Authorities’ Views

31. The authorities remain committed to structural reforms and private sector development. They noted that an updated list of entities to privatize will be ready by end-2024 and that public investment under the National Infrastructure Plan will support long-term growth and private sector development. They plan to continue to diversify trade partners and the economy by attracting foreign investment, including in non-extractive industries. They do not see a need to remove remaining CFMs, noting that (i) the ban on exports of physical cash in excess of the limit aims to reduce the shadow economy and ML/FT risks (electronic transfers are not affected), and (ii) the requirement for residents to provide proof of contract before making FX transactions above USD50,000 is for reporting purposes and does not restrict these transactions. Finally, the authorities are working on a detailed roadmap for sustainable growth, including to achieve net zero targets, reform the ETS, modernize energy infrastructure, and invest in joint ventures to develop renewable energies.

¹⁵ Kazakhstan is committed to reducing greenhouse gas (GHG) emissions by 15-25 percent by 2030 (from 1990 levels) and to reach carbon neutrality by 2060.

¹⁶ 2021 Selected Issues Paper: *Climate Change and Structural Transformation*.

¹⁷ 2023 Article IV staff report, Box 2.

DATA ADEQUACY

32. Data quality in Kazakhstan has some shortcomings but is broadly adequate for bilateral surveillance. Key shortcomings include price, national account, and public sector statistics (Annex V). Specifically, the lack of discrete quarterly GDP from the expenditure side and large discrepancies between available income and expenditure data hamper the assessment of the economy's cyclical position. The general government fiscal perimeter is not defined in line with international standards (GFSM 2014) and many extrabudgetary funds are excluded, making it difficult to measure the true fiscal stance. In addition, while budget execution is reported along an economic classification, public spending data are not adequately classified, leading to underestimate wage expenditure and overestimate spending on goods and services, and preventing comparisons of budget execution with original budget data. IMF technical assistance is provided in all these areas.¹⁸

Authorities' Views

33. The authorities are working to improve data adequacy. They noted that GDP data from both from the income and expenditure side are expected to be published in early 2025, and that the roadmap to implement the recommendations from the recent *Fiscal Transparency Evaluation* would help align government finance statistics with international standards and strengthen fiscal governance.

STAFF APPRAISAL

34. Robust economic growth and disinflation have continued this year. Growth is projected at 3.9 percent in 2024 due to a broad-based acceleration of economic activity in the second half of the year. Inflation is expected to reach 8.2 percent, still above its 5 percent target, as the pace of disinflation has slowed this year due to increased domestic energy tariffs and an expansionary fiscal policy. A current account deficit of 2.3 percent of GDP is expected in 2024, and the external position is assessed as moderately weaker than implied by economic fundamentals and desirable policies.

35. Risks to the outlook remain tilted to the downside. They include external risks from a slowdown in major economies, an intensification of regional conflicts, secondary sanctions, and higher commodity price volatility or export pipeline disruptions. On the domestic front, key risks are delays in large infrastructure projects in the short term, failure to reintroduce fiscal discipline which could fuel inflation pressures, and a resurgence of social tensions. Upside risks include accelerated reform implementation, higher oil prices, and stronger foreign investment inflows.

36. Monetary policy should remain tight until inflation is close to target, and its effectiveness could be further strengthened. The combination of robust growth, slowing disinflation, and an uncertain outlook justify continued monetary policy prudence. In order to

¹⁸ 2023 Article IV staff report, Box 3.

enhance the National Bank of Kazakhstan's institutional independence and monetary policy effectiveness, its governance and legal framework can be further improved, and it should refrain from foreign exchange interventions in the absence of disorderly market conditions.

37. Recurrent fiscal underperformance requires measures to avoid fiscal procyclicality and strengthen the fiscal policy framework. Such measures would also help to meet the authorities' objective of fiscal consolidation and maintain a balanced external position. Priorities are to improve macro-fiscal forecasts and budget planning, and to use the introduction of new tax and budget codes as opportunities to enhance non-oil revenue mobilization, including through gradual VAT rate increases, and spending efficiency. Fiscal policy effectiveness also requires public sector data that are better aligned with international standards and a more rules-based and transparent policy framework, including by reducing off-budget spending and the continued reliance on discretionary transfers from the National Fund.

38. The banking sector remains resilient and rapid progress in implementing the 2023 FSAP recommendations is commendable. In particular, the regulatory agency (ARDFM)'s institutional independence and risk-based supervision, as well as the NBK's macroprudential policy mandate and toolkit, have been significantly enhanced. Going forward, the main priority is to introduce a fully-fledged framework for bank resolution, including coordination mechanisms among the ARDFM, NBK and relevant ministries.

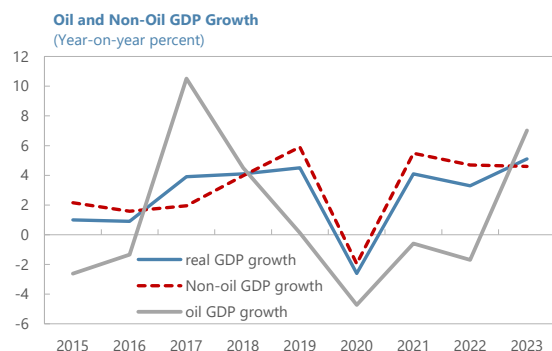
39. Structural reform implementation is critical to elevate long-term economic growth. To meet the authorities' ambitious growth objectives, a key priority is to reduce the state footprint in the economy and promote competition and private sector development. However, the amount and size of state interventions, subsidies, state-owned enterprises, and external restrictions have recently increased. Stronger public governance is also required, including through continued efforts to reduce corruption-related vulnerabilities.

40. Given increasingly pressing challenges from climate change, more comprehensive climate policies are needed to accelerate the transition to a sustainable and resilient economic model and meet the authorities' commitment to reduce carbon emissions. Building on recent progress, including in implementing the national strategy for carbon neutrality, priorities are to modernize energy infrastructure, enhance energy efficiency, accelerate fossil fuel subsidy reforms, and adopt measures to transform high-emission sectors, manage climate-related risks in the financial sector, and address the needs of vulnerable groups.

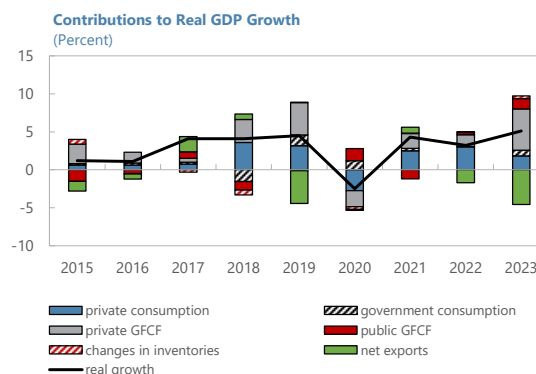
41. It is proposed that the next Article IV consultation take place on the standard 12-month cycle.

Figure 1. Kazakhstan: Economic Developments

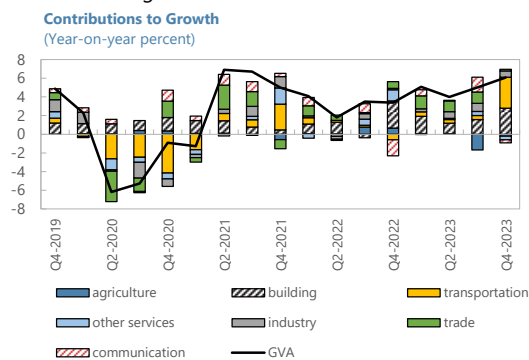
Economic growth has been robust since the COVID crisis.



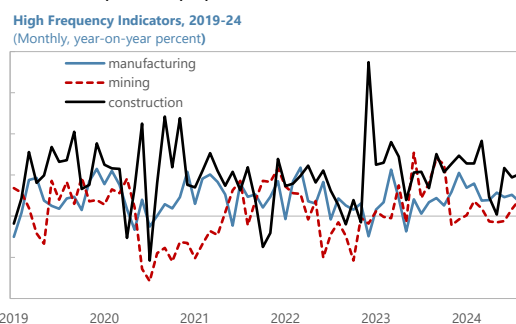
Most demand components contributed to the recovery.



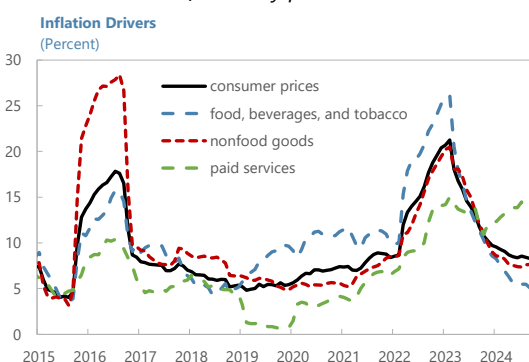
Services, manufacturing, and construction are the largest contributors to growth.



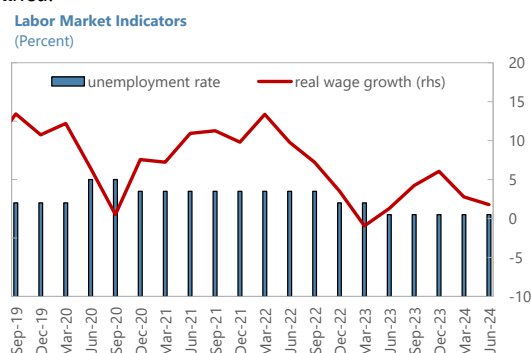
Activity in mining, construction and manufacturing slowed in the first half of 2024



Inflation continues to decrease but at a slower pace due to increased domestic inflationary pressures.



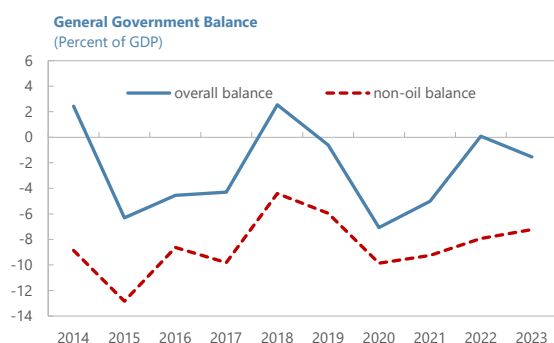
Unemployment remained stable while wage growth declined.



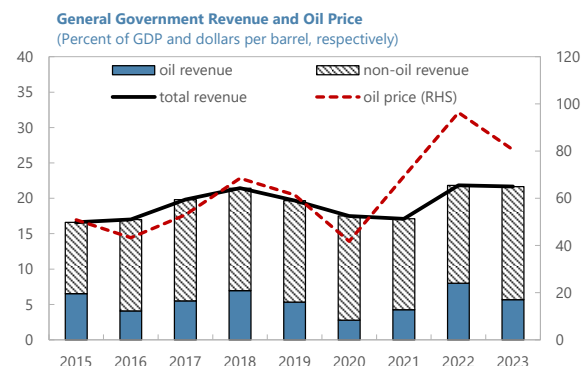
Sources: National authorities, Haver Analytics, and IMF staff estimates.

Figure 2. Kazakhstan: Fiscal Sector Developments

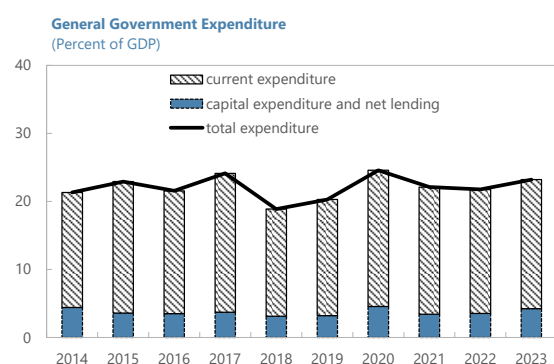
Fiscal balances were negative in 2023.



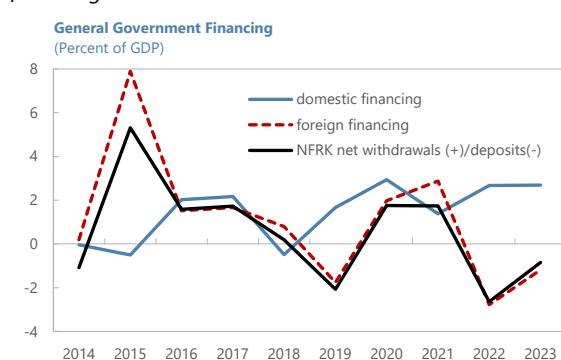
Revenues were stable, with a larger contribution from non-oil revenues.



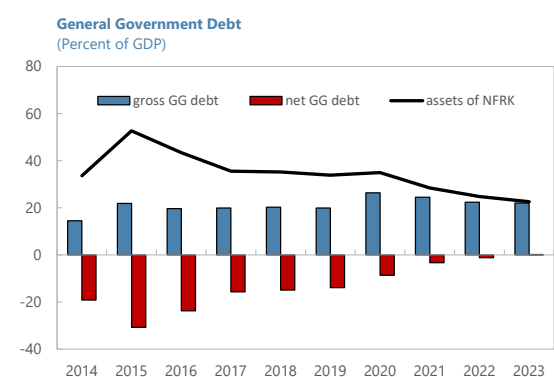
Public expenditure increased in 2023.



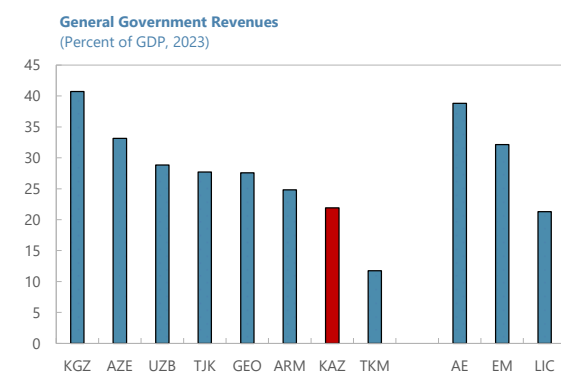
The government continued to rely more on domestic financing.



The general government's debt level remains comfortable and net debt continued to shrink.



Revenues are low in Kazakhstan by international standards.

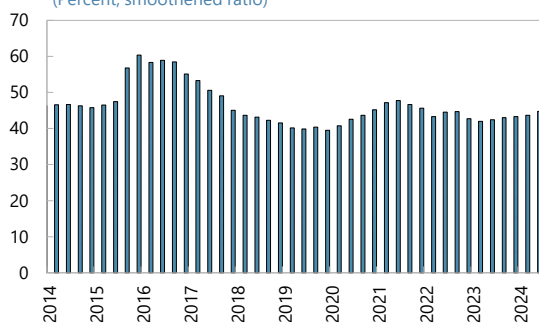


Sources: National Authorities, IMF World Economic Outlook, and IMF staff estimates.

Figure 3. Kazakhstan: Banking Sector Developments

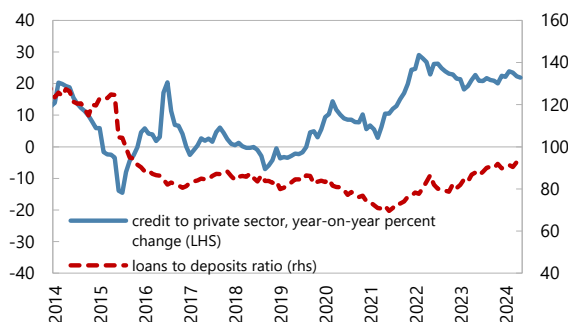
Bank assets have increased modestly in recent years...

Bank Assets to GDP
(Percent, smoothened ratio)



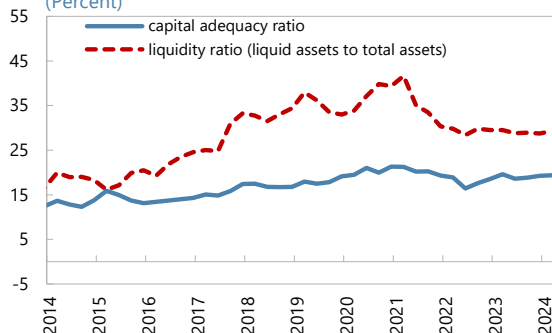
...leading to an increase in the loan-to-deposit ratio

Credit Growth and Loan to Deposits Ratio



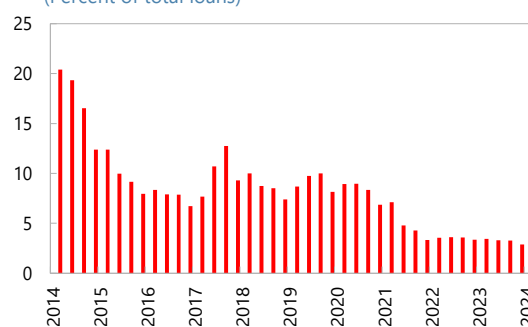
The banking sector is very liquid on average ...

Capital Adequacy and Liquidity
(Percent)



...and NPL ratios have continued to decrease.

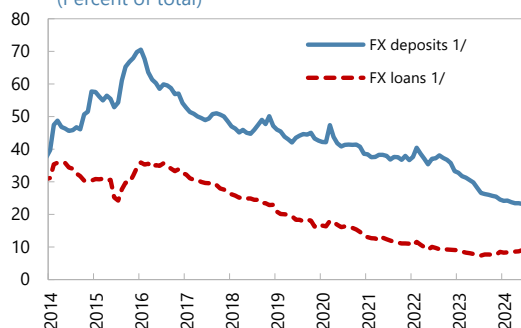
Non-Performing Loans 2/
(Percent of total loans)



Note: Defined as 90 days past due.

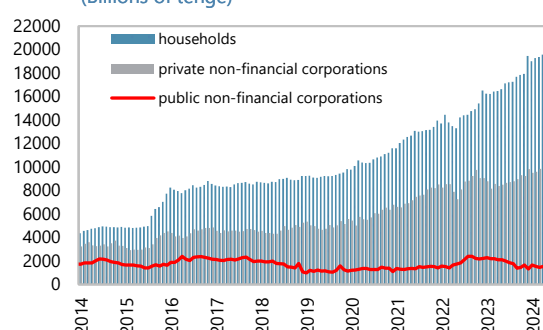
Both asset and liability dollarization declined ...

FX Deposits and Loans
(Percent of total)



...and private sector deposits continued to rise.

Deposits
(Billions of tenge)



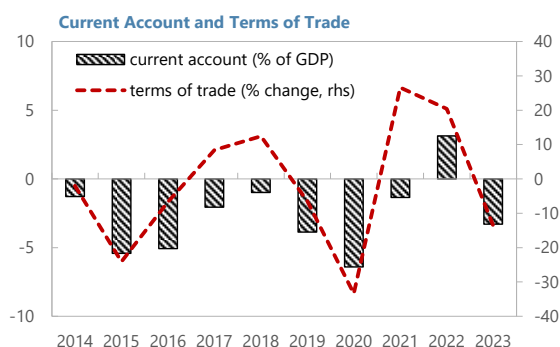
Sources: Kazakhstani authorities, Global Financial Stability Report, and IMF staff estimates.

1/ Accounting for exchange rate valuation effects.

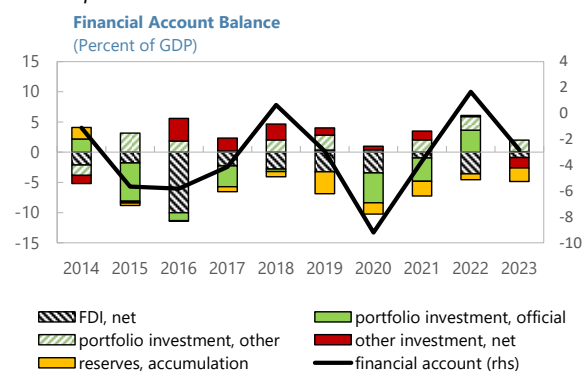
2/ The definition of NPLs used by the authorities is narrower than international standards (IFRS9 Stage 3).

Figure 4. Kazakhstan: External Sector Developments

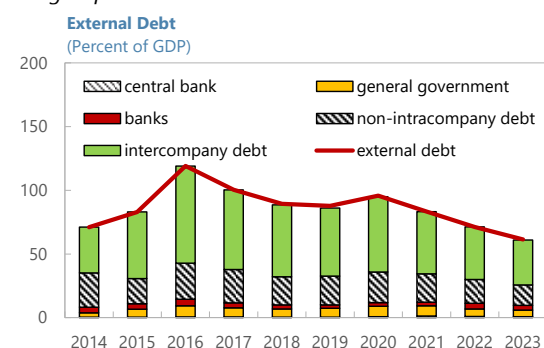
Current account turned into deficit in 2023 with weaker terms of trade....



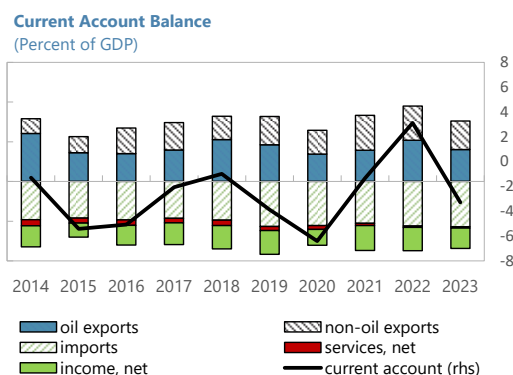
Significant portfolio outflows reflected government and NFRK operations.



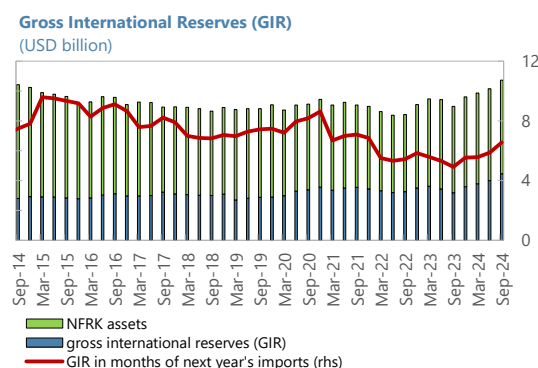
External debt decreased as a percentage of GDP, driven by intra-group debt.



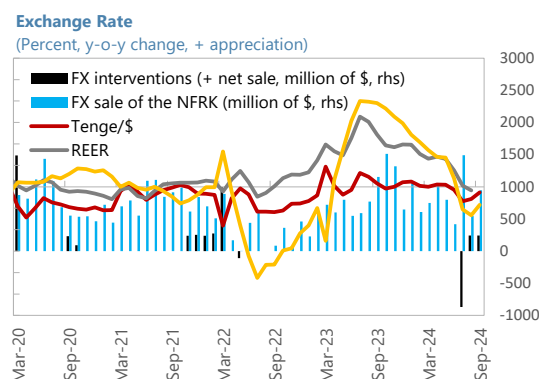
...driven by lower exports and higher imports.



International reserves remain adequate, at about 6 months of projected imports.



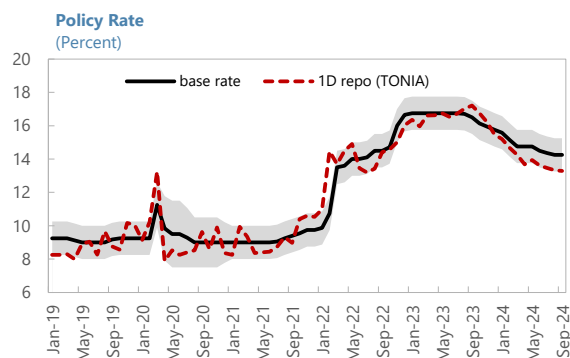
The Tenge appreciated in 2024Q1 but depreciated in Q2, while the NBK resumed FX interventions.



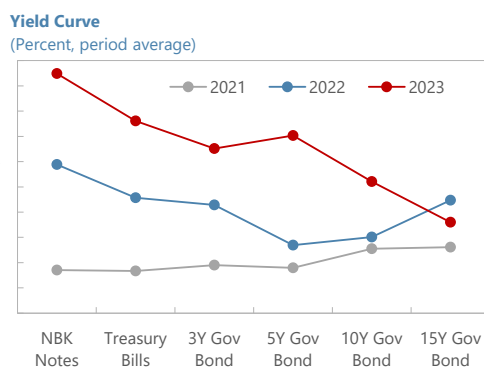
Sources: National authorities, Haver Analytics, Bloomberg, and IMF staff estimates.

Figure 5. Kazakhstan: Monetary Sector Development

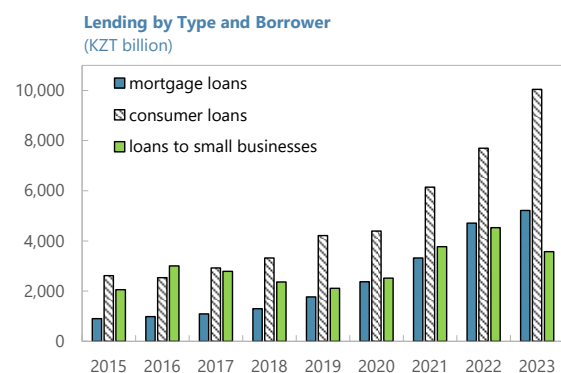
The NBK has lowered the base rate in 2024...



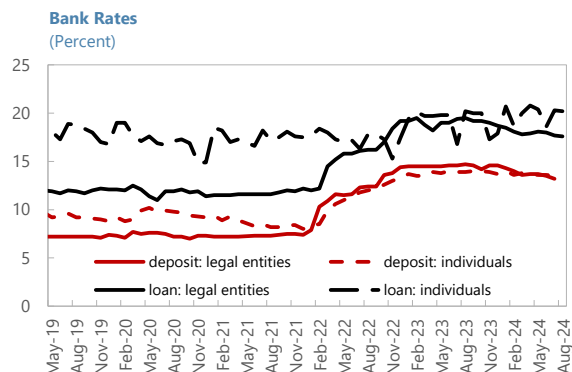
The government security market remains incomplete and segmented.



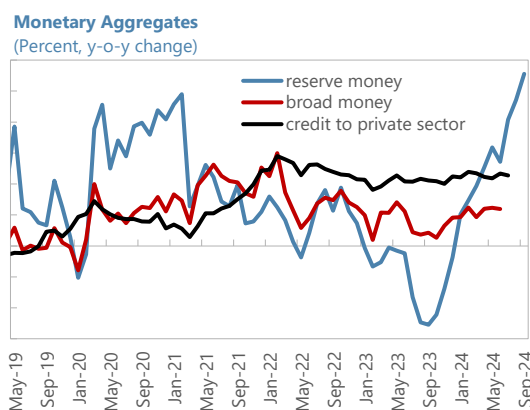
Growth was observed in consumer and SME loans, benefiting from government support.



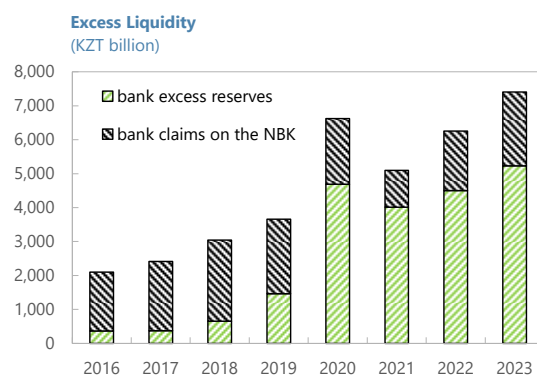
... and average bank rates have decreased modestly.



Monetary expansion was reflected in rapid credit growth and excess reserves at the central bank in recent years.



Banks have accumulated significant excess liquidity.



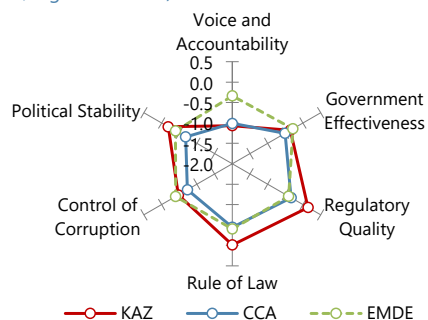
Sources: National authorities, Haver Analytics, Bloomberg, and IMF staff estimates.

Figure 6. Kazakhstan: Business Environment and Governance

The business environment and governance have improved.

Worldwide Governance Indicators, 2022

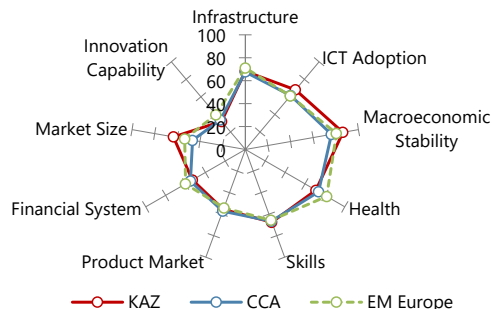
(Score, higher = better)



Note: Survey-based indicators summarize perceptions of quality of governance, higher scores indicate better governance.

Global Competitiveness Index

(Score of 0-100, where 100 is best)

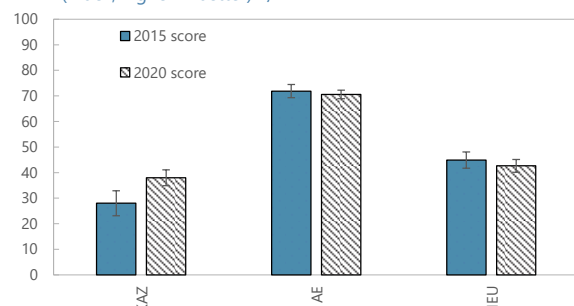


Note: Uses both official data and survey responses from executives on areas of competitiveness, higher is better. CCA Average excludes TKM and UZB (for lack of data) and TJK.

Yet, corruption perceptions remain high...

Corruption Perceptions

(Index, higher = better) 1/

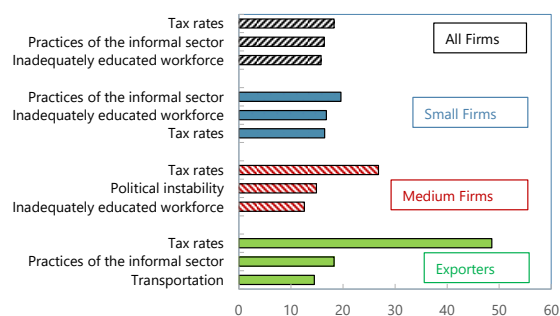


Source: Transparency International, and IMF staff estimates.
1/ Vertical error bars capture the standard errors.

...and businesses continue to face various obstacles.

Top 3 Biggest Obstacles, 2019

(In percent of surveyed firms)



Sources: Kaufmann, Kraay, and Mastruzzi (2011), World Economic Forum, OECD 2018 PMR database, the World Bank Enterprise Survey, and IMF staff calculations.

Table 1. Kazakhstan: Selected Economic Indicators, 2022–29

	2022	2023	Projections					
			2024	2025	2026	2027	2028	2029
GDP			(Percent)					
Real GDP	3.2	5.1	3.9	5.0	3.9	3.7	2.4	2.9
Real Oil GDP	-1.7	7.0	-0.6	8.8	4.4	4.0	-1.6	0.9
Real Non-Oil GDP	4.6	4.6	5.1	4.0	3.8	3.6	3.4	3.4
Contribution to GDP								
Private Consumption	3.0	2.0	1.9	1.8	2.0	1.7	1.6	1.8
Government Consumption	0.6	1.0	-0.2	0.4	0.3	0.6	0.4	0.3
Gross Capital Formation	1.3	6.7	1.0	1.5	1.4	1.4	1.0	1.1
Net Exports of Goods and Services	-1.7	-4.6	1.2	1.3	0.1	0.0	-0.6	-0.4
Inflation								
Headline (AVG)	15.0	14.5	8.6	7.3	6.7	5.9	5.3	5.0
Headline (EOP)	20.4	9.7	8.2	7.2	6.2	5.6	5.0	5.0
Saving and Investment			(Percent of GDP)					
Gross national saving	27.8	26.1	27.2	26.6	27.0	27.4	27.5	27.7
Gross domestic investment	25.0	29.6	28.6	28.9	29.3	29.8	30.3	30.3
General government fiscal accounts								
Revenues and grants	21.8	21.7	19.5	18.5	19.0	19.5	20.1	20.7
Oil revenues	8.0	5.7	5.8	5.7	5.1	4.9	4.8	5.0
Non-oil revenues 1/	13.8	16.0	13.7	12.7	13.9	14.6	15.3	15.7
Expenditures and net lending	21.7	23.2	22.1	21.6	21.2	21.2	21.3	21.2
Overall fiscal balance	0.1	-1.5	-2.6	-3.1	-2.2	-1.7	-1.2	-0.5
Non-oil fiscal balance	-7.9	-7.2	-8.4	-8.9	-7.3	-6.6	-6.0	-5.5
Financing	-0.1	1.5	2.6	3.1	2.2	1.7	1.2	0.5
Domestic financing, net	2.7	2.7	2.9	3.8	4.7	4.0	2.8	3.0
Foreign financing, net	-2.8	-1.2	-0.3	-0.7	-2.5	-2.3	-1.6	-2.5
of which: NFRK withdrawal (+) / accumulation (-), net	-2.6	-0.8	-0.5	-0.7	-2.9	-2.8	-2.8	-3.2
Gross public debt	23.5	22.8	24.0	25.5	28.2	30.2	31.9	33.3
Net public debt	-1.2	0.1	2.6	4.5	5.7	6.2	6.3	5.8
Monetary accounts								
Reserve money	11.4	11.6	11.9	12.0	11.5	11.2	10.9	10.7
Broad money	33.1	34.0	34.6	35.0	35.4	35.4	35.6	35.7
Credit to the private sector	22.7	23.5	24.1	25.0	26.1	27.2	28.5	29.8
Balance of payments								
Current account balance	3.1	-3.3	-1.5	-2.3	-2.3	-2.4	-2.8	-2.6
Trade balance	15.5	7.6	7.7	7.4	6.8	6.3	5.3	4.8
Exports of goods and services	41.5	34.2	32.2	31.3	30.2	29.2	28.1	27.4
of which: Oil exports	20.8	16.0	14.6	13.8	13.1	12.6	11.6	11.1
Imports of goods and services	26.7	27.3	25.2	24.5	24.0	23.5	23.3	23.2
Financial account balance 2/	2.6	-0.6	-2.8	-3.0	-2.5	-2.5	-2.7	-2.5
Exchange rates			(Units)					
Exchange rate KZT/USD (EOP)	461.0	453.6	...	...	...	...	...	...
Exchange rate KZT/RUB (EOP)	6.4	5.0	...	...	...	...	...	...
Real effective exchange rate (AVG)	74.6	83.9	...	...	...	...	...	...
Memorandum items			(Various units)					
Nominal GDP (Tenge billion)	103,766	120,561	133,812	149,874	166,934	184,798	201,104	218,332
Nominal GDP (USD billion)	225.5	264.3	...	...	...	...	...	...
Reserves Assets (USD billion)	35.1	35.9	40.2	43.2	44.5	45.5	46.1	46.8
In months of following year imports of G&S (Units)	5.8	5.9	6.5	6.7	6.6	6.5	6.3	...
NFRK assets (percent of GDP)	24.7	22.7	21.4	21.0	22.5	24.0	25.6	27.5
External debt (percent of GDP)	71.2	61.3	58.4	57.6	56.4	55.0	54.1	53.1
NBK policy rate (EOP, percent)	16.8	16.4	...	...	...	...	...	...
Output gap (in percent of potential GDP)	-0.1	0.6	1.6	1.6	1.2	0.9	0.3	0.2
Crude oil and gas condensate production (million tons) 3/	84.2	90.0	89.6	97.3	101.5	105.5	103.9	104.8
Oil price (USD per barrel)	96.4	80.6	81.3	72.8	70.2	68.6	67.6	67.0
Unemployment rate (AVG, percent)	4.9	4.7	4.7	4.6	4.6	4.5	4.5	4.4

Sources: Kazakhstani authorities and IMF staff estimates and projections.

1/ Non-oil revenue in 2023 includes a one-off dividend from Samruk-Kazyna of 1.1 percent of GDP and in 2024 includes a one-off dividend from Kazatomprom of 0.3 percent of GDP from the sale of shares to the NFRK.

2/ Excluding reserve movements.

3/ Based on a conversion factor of 7.5 barrels of oil per ton.

Table 2. Kazakhstan: Balance of Payments, 2022–29

	Projections							
	2022	2023	2024	2025	2026	2027	2028	2029
	(In billions of USD)							
Current Account Balance	7.1	-8.7	-4.2	-6.9	-7.6	-8.4	-10.0	-9.9
Trade Balance	35.0	20.1	22.2	22.5	22.1	21.6	19.3	18.3
Exports of Goods (f.o.b.) 1/	85.6	80.2	81.4	83.0	85.1	87.4	87.8	90.0
o/w Oil Exports	46.9	42.3	41.9	41.6	42.3	43.4	42.0	42.1
Imports of Goods (f.o.b.) 2/	50.6	60.1	59.2	60.5	62.9	65.8	68.5	71.7
Service Balance 3/ 4/	-1.6	-1.8	-2.1	-2.0	-2.1	-2.1	-2.1	-2.1
Primary Income Balance	-25.6	-26.0	-22.9	-25.9	-26.1	-26.3	-25.5	-24.6
Secondary Income Balance	-0.8	-1.0	-1.4	-1.4	-1.5	-1.6	-1.7	-1.4
Capital Account Balance	0.2	1.3	0.6	0.7	0.9	0.7	0.8	0.8
Financial Account Balance 5/ 6/	5.9	-1.6	-7.9	-9.1	-8.0	-8.7	-9.9	-9.7
Direct Investment, net	-8.1	-2.3	-5.8	-6.7	-7.5	-8.0	-8.5	-9.0
Net Acquisition of Financial Assets 7/	-3.0	3.0	1.0	1.5	1.2	1.4	1.3	1.3
Net Incurrence of Liabilities 7/	5.1	5.3	6.8	8.2	8.8	9.3	9.8	10.4
Portfolio Investment, net	13.3	5.3	-1.1	-1.1	6.0	4.8	3.8	4.5
Financial Derivatives, net 8/	0.3	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Other Investment, net 9/	0.5	-4.5	-1.1	-1.4	-6.6	-5.6	-5.2	-5.2
Net Error and Omissions	-3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	2.2	5.9	-4.3	-3.0	-1.3	-1.0	-0.6	-0.6
	(In percent of GDP)							
Current Account Balance	3.1	-3.3	-1.5	-2.3	-2.3	-2.4	-2.8	-2.6
Trade Balance	15.5	7.6	7.7	7.4	6.8	6.3	5.3	4.8
Exports of Goods (f.o.b.) 1/	38.0	30.3	28.3	27.4	26.3	25.4	24.3	23.6
o/w Oil Exports	20.8	16.0	14.6	13.8	13.1	12.6	11.6	11.1
Imports of Goods (f.o.b.) 2/	22.5	22.7	20.6	20.0	19.5	19.1	19.0	18.8
Service Balance 3/ 4/	-0.7	-0.7	-0.7	-0.7	-0.6	-0.6	-0.6	-0.5
Primary Income Balance	-11.3	-9.8	-8.0	-8.6	-8.1	-7.7	-7.1	-6.5
Secondary Income Balance	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.4
Capital Account Balance	0.1	0.5	0.2	0.2	0.3	0.2	0.2	0.2
Financial Account Balance 5/ 6/	2.6	-0.6	-2.8	-3.0	-2.5	-2.5	-2.7	-2.5
Direct Investment, net	-3.6	-0.9	-2.0	-2.2	-2.3	-2.3	-2.4	-2.4
Net Acquisition of Financial Assets 7/	-1.3	1.1	0.3	0.5	0.4	0.4	0.4	0.4
Net Incurrence of Liabilities 7/	2.2	2.0	2.4	2.7	2.7	2.7	2.7	2.7
Portfolio Investment, net	5.9	2.0	-0.4	-0.4	1.9	1.4	1.0	1.2
Financial Derivatives, net 8/	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment, net 9/	0.2	-1.7	-0.4	-0.5	-2.0	-1.6	-1.4	-1.4
Net Error and Omissions	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	1.0	2.2	-1.5	-1.0	-0.4	-0.3	-0.2	-0.2
Memorandum items								
Terms of Trade (Unit)	131.0	113.1	110.8	105.3	102.6	100.2	98.6	97.3
Real Effective Exchange Rate	74.6	83.9	...	...	...	...	...	...
Reserves Assets (GIR, USD billion)	35.1	35.9	40.2	43.2	44.5	45.5	46.1	46.8
Percent of EM ARA Metric (Percent)	148.6	145.2	151.6	150.8	140.2	131.3	123.0	114.7
In months of next year imports of G&S (Units)	5.8	5.9	6.5	6.7	6.6	6.5	6.3	...
Nominal GDP (USD billion)	225.5	264.3	...	...	...	...	...	...

Sources: National Bank of Kazakhstan and IMF staff estimates and projections.

1/ Includes net merchanting, excludes goods for processing and repairs.

2/ Excludes goods for processing and repairs.

3/ Includes processing fees (manufacturing services) and repairs on goods; excludes merchanting credits.

4/ Includes processing fees and repairs on goods; excludes merchanting debits.

5/ Excluding reserve movements.

6/ In BPM6, a negative sign indicates inflows into the country.

7/ Includes reinvested earnings.

8/ Other than reserves and employee stock options.

9/ Loans, deposits, insurance, pensions, trade credits, SDR allocations with Fund Record, and other accounts receivable/payable.

Table 3. Kazakhstan: Net International Investment Position, 2022-29

			Projections					
	2022	2023	2024	2025	2026	2027	2028	2029
			(In billions of USD)					
Net International Investment Position	-68.1	-68.8	-72.5	-78.6	-85.4	-93.0	-102.2	-111.3
Assets	174.1	182.3	194.3	206.1	223.9	241.0	257.4	276.0
Liabilities	242.3	251.2	266.7	284.7	309.3	334.0	359.6	387.3
Direct Investment, net 1/	-137.6	-139.9	-145.7	-152.5	-160.0	-168.0	-176.5	-185.5
Assets	31.8	34.8	35.8	37.3	38.5	39.9	41.2	42.5
Liabilities	169.4	174.7	181.5	189.7	198.5	207.9	217.7	228.0
Portfolio Investment, net	50.3	55.6	54.4	53.3	59.4	64.2	68.0	72.4
Official, net	45.6	45.9	42.6	39.6	43.9	47.4	50.3	54.6
Non-Official, net	4.7	9.7	11.8	13.8	15.5	16.8	17.6	17.9
Financial Derivatives, net 2/	0.0	0.0	0.1	0.1	0.2	0.3	0.4	0.5
Other Investment, net 3/	-15.9	-20.4	-21.5	-22.9	-29.4	-35.0	-40.2	-45.5
Official, net	-6.7	-7.5	-8.2	-9.0	-10.7	-12.1	-13.5	-14.9
Non-Official, net	-9.2	-12.9	-13.3	-13.9	-18.8	-22.9	-26.8	-30.6
Reserves Assets (GIR)	35.1	35.9	40.2	43.2	44.5	45.5	46.1	46.8
Gold 4/	20.5	19.5	23.5	26.2	27.1	27.9	28.2	28.5
Reserve assets, Special Drawing Rights	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Reserve Position in IMF	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other	12.4	14.2	14.5	14.8	15.1	15.4	15.7	16.0
o/w Currency and Deposits	4.4	6.6	6.8	6.9	7.1	7.2	7.3	7.5
o/w Debt Securities	7.9	7.5	7.7	7.8	8.0	8.1	8.3	8.5
			(In percent of GDP)					
Net International Investment Position	-30.2	-26.0	-25.2	-26.0	-26.4	-27.1	-28.3	-29.2
Assets	77.2	69.0	67.5	68.1	69.3	70.2	71.3	72.5
Liabilities	107.4	95.0	92.7	94.1	95.7	97.2	99.6	101.7
Direct Investment, net 1/	-61.0	-52.9	-50.7	-50.4	-49.5	-48.9	-48.9	-48.7
Assets	14.1	13.2	12.4	12.3	11.9	11.6	11.4	11.2
Liabilities	75.1	66.1	63.1	62.7	61.4	60.5	60.3	59.9
Portfolio Investment, net	22.3	21.0	18.9	17.6	18.4	18.7	18.8	19.0
Official, net	20.2	17.4	14.8	13.1	13.6	13.8	13.9	14.3
Non-Official, net	2.1	3.7	4.1	4.5	4.8	4.9	4.9	4.7
Financial Derivatives, net 2/	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Other Investment, net 3/	-7.0	-7.7	-7.5	-7.6	-9.1	-10.2	-11.1	-11.9
Official, net	-3.0	-2.8	-2.9	-3.0	-3.3	-3.5	-3.7	-3.9
Non-Official, net	-4.1	-4.9	-4.6	-4.6	-5.8	-6.7	-7.4	-8.0
Reserves Assets (GIR)	15.6	13.6	14.0	14.3	13.8	13.2	12.8	12.3
Gold 4/	9.1	7.4	8.2	8.6	8.4	8.1	7.8	7.5
Reserve assets, Special Drawing Rights	0.9	0.7	0.7	0.7	0.6	0.6	0.5	0.5
Reserve Position in IMF	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	5.5	5.4	5.0	4.9	4.7	4.5	4.4	4.2
o/w Currency and Deposits	2.0	2.5	2.4	2.3	2.2	2.1	2.0	2.0
o/w Debt Securities	3.5	2.8	2.7	2.6	2.5	2.4	2.3	2.2
Memorandum items								
Nominal GDP (USD billion)	225.5	264.3	...	...	...	...	...	...

Sources: National Bank of Kazakhstan and IMF staff estimates and projections.

1/ Includes reinvested earnings.

2/ Other than reserves and employee stock options.

3/ Loans, deposits, insurance, pensions, trade credits, SDR allocations with Fund Record, and other accounts receivable/payable.

4/ Includes monetary gold and bullions.

Table 4. Kazakhstan: Financial Soundness Indicators of the Banking Sector, 2019–2028

	2019	2020	2021	2022	2023	Projections				
						2024	2025	2026	2027	2028
Capital adequacy										
Regulatory Capital to Risk-weighted Assets	24.2	27.0	23.4	21.7	21.5	21.3	21.2	21.0	21.4	21.4
Regulatory Tier 1 Capital to Risk-weighted Assets	19.1	21.3	19.3	18.6	19.2	19.4	19.5	19.6	20.1	20.2
Regulatory Tier 1 Capital to Accounting Assets	13.2	12.2	11.6	11.1	12.8	13.4	13.8	14.2	14.7	15.1
Asset quality										
Nonperforming loans to gross loans 1/	8.1	6.9	3.3	3.4	2.9	3.0	3.1	3.7	3.5	3.7
Provisions as percent of NPL 1/	80.2	77.7	75.6	76.9	76.0	76.0	76.0	76.0	76.0	76.0
NPLs to capital 1/	26.6	22.4	12.6	13.7	11.5	10.0	11.5	13.9	13.1	14.0
Earnings and profitability										
ROA	3.8	3.2	4.3	4.2	5.1	3.8	4.1	3.9	4.1	4.0
ROE	26.9	23.2	32.8	33.0	36.5	25.7	27.6	25.8	26.5	25.3
Interest margin to gross income	48.9	45.5	57.7	61.5	64.6	61.5	64.1	64.9	65.6	65.8
Noninterest expenses to gross income	36.1	44.7	40.3	35.4	34.3	37.3	34.8	34.1	33.4	33.2
Liquidity										
Liquid assets to short term liabilities	69.5	63.8	71.3	73.2	81.3	84.3	85.8	87.2	88.3	89.4
Banking system size										
Banking sector assets to GDP	38.5	44.1	44.8	43.9	44.0	44.1	43.0	43.2	42.5	42.9

Source: FSI, IFS, NBK, WEO, and IMF Staff calculations and projections.

Note: All numbers in percent, unless otherwise indicated.

1/ The definition of NPLs used by the authorities is narrower than international standards (IFRS9 Stage 3).

Table 5. Kazakhstan: Monetary Accounts, 2022–29

	Projections							
	2022	2023	2024	2025	2026	2027	2028	2029
	(In billions of tenge)							
Monetary Survey								
Net Foreign Assets	17,720	18,086	21,257	23,716	25,500	27,087	28,377	29,613
Net Domestic Assets	17,163	23,520	25,685	29,392	34,142	38,886	43,712	48,922
o/w Credit to the private sector 1/	23,549	28,288	32,246	37,401	43,521	50,351	57,307	65,076
Broad money	34,296	38,302	46,354	52,520	59,055	65,386	71,502	77,948
Nonliquid liabilities	587	587	587	587	587	587	587	587
Central Bank								
Net foreign assets 2/	16,910	17,145	20,212	22,545	24,196	25,644	26,807	27,909
o/w Net international reserves 2/	15,168	15,402	18,470	20,803	22,454	23,901	25,065	26,166
Net domestic assets 2/	-4,619	-2,579	-3,852	-4,117	-4,483	-4,523	-4,373	-3,998
Reserve money	11,874	11,540	15,858	17,942	19,204	20,622	21,936	23,408
o/w Currency in circulation	3,824	4,110	5,135	5,929	6,808	7,770	8,717	9,756
o/w Liabilities to banks	6,702	5,881	8,775	9,870	9,930	10,529	10,835	11,297
Demand deposits	1,348	1,549	1,948	2,142	2,466	2,323	2,384	2,354
Other liquid liabilities	340	1,009	425	409	432	422	421	425
Other Depository Corporations (ODCs)								
Net foreign assets	810	837	1,045	1,170	1,303	1,443	1,570	1,705
Net domestic assets	28,947	34,501	38,934	44,098	49,379	54,879	59,976	65,399
Domestic credit	36,739	41,657	46,278	51,528	56,689	62,240	67,342	72,745
o/w Credit to the private sector 1/	23,513	28,804	32,213	37,368	43,490	50,319	57,275	65,045
Other items, net	-7,792	-7,155	-7,343	-7,430	-7,309	-7,361	-7,367	-7,346
Banks' liabilities	29,758	35,443	39,979	45,268	50,683	56,322	61,546	67,104
o/w deposits	29,248	32,105	39,469	44,758	50,173	55,812	61,036	66,594
	(Annual growth rate, in percent)							
Monetary Survey								
Net Foreign Assets	3.3	2.1	17.5	11.6	7.5	6.2	4.8	4.4
Net Domestic Assets	27.4	37.0	9.2	14.4	16.2	13.9	12.4	11.9
o/w ODC credit to the private sector 1/	21.5	20.2	14.0	16.0	16.4	15.7	13.8	13.6
Broad money	13.9	11.7	13.0	13.3	12.4	10.7	9.4	9.0
Central Bank Survey								
Net foreign assets 2/	9.9	1.4	17.9	11.5	7.3	6.0	4.5	4.1
Net domestic assets 2/	-18.3	44.2	-49.4	-6.9	-8.9	-0.9	3.3	8.6
Reserve money	8.4	-2.8	13.1	13.1	7.0	7.4	6.4	6.7
Memorandum items:								
Exchange rate KZT/USD (eop)	461.0	453.6	...	...	...	...	...	...
Exchange rate KZT/USD (period average)	460.1	456.2	...	...	...	...	...	...
Velocity of broad money	3.0	2.9	2.9	2.9	2.8	2.8	2.8	2.8
Money multiplier	2.9	2.9	2.9	2.9	3.1	3.2	3.3	3.3
ODC credit to the private sector (percent of GDP)	22.7	23.4	24.1	24.9	26.1	27.2	28.5	29.8

Sources: Kazakhstani authorities and Fund staff estimates.

1/ Private sector includes nonfinancial private enterprises and other resident sectors (mainly households).

2/ Does not include oil fund resources. For 2021, gross international reserves include the SDR allocation of \$1.575 billion effective on August 23, 2021.

Table 6a. Kazakhstan: General Government Fiscal Operations, 2022–29 1/
(In billions of tenge)

	2022	2023	Projections					
			2024	2025	2026	2027	2028	2029
Total revenue	22,645	26,122	26,076	27,714	31,703	36,070	40,416	45,179
Tax revenue	21,242	23,470	24,071	25,975	29,795	33,886	37,946	42,411
Oil 2/	8,301	6,856	7,801	8,616	8,528	9,137	9,681	10,836
Non-oil	12,941	16,614	16,270	17,358	21,267	24,749	28,264	31,576
Personal income tax	1,500	1,992	2,203	2,427	2,695	2,996	3,238	3,508
Corporate income tax	6,229	6,579	6,919	7,281	8,132	9,460	10,624	11,970
Social tax	1,035	1,321	1,466	1,614	1,780	1,974	2,130	2,314
Value added tax	4,226	5,674	5,390	5,605	7,020	8,186	9,654	10,920
Excise taxes	757	840	946	1,060	1,182	1,320	1,461	1,613
Property tax	455	489	549	609	678	750	824	899
Taxes on international trade	2,027	2,216	2,186	2,564	2,762	3,061	3,331	3,494
Receipts from use of natural resources	4,861	4,091	4,113	4,482	5,175	5,729	6,234	7,205
Other taxes	152	268	299	333	371	410	449	489
Nontax revenue 3/	1,403	2,652	2,005	1,739	1,908	2,184	2,471	2,768
of which: Interest and dividend income	616	716	851	977	1,060	1,246	1,440	1,645
Total expenditure and net lending	22,568	27,976	29,559	32,429	35,409	39,209	42,881	46,357
Total expenditure	21,826	27,263	28,807	31,588	34,472	38,171	41,751	45,131
Current expenditure	18,909	22,860	24,326	27,017	29,609	32,988	36,111	39,007
Wages	3,843	4,446	4,722	5,071	5,649	6,253	6,805	7,388
Goods and services	4,064	5,211	5,382	5,879	6,381	7,064	7,687	8,345
Current transfers	7,577	8,776	9,583	10,496	11,477	12,706	13,827	15,011
Other Current Expenditures	2,068	2,561	2,441	2,734	3,045	3,371	3,669	3,983
Interest payment	1,358	1,866	2,198	2,837	3,057	3,594	4,124	4,280
Capital expenditure	2,916	4,404	4,481	4,571	4,863	5,183	5,640	6,123
Net lending	742	712	752	842	938	1,038	1,129	1,226
Overall balance	77	-1,854	-3,483	-4,715	-3,707	-3,139	-2,465	-1,178
Statistical discrepancy	0	0	0	0	0	0	0	0
Financing	-77	1,854	3,483	4,715	3,707	3,139	2,465	1,178
Domestic financing, net	2,770	3,247	3,869	5,681	7,788	7,372	5,653	6,609
Foreign financing, net	-2,879	-1,428	-421	-1,001	-4,117	-4,269	-3,224	-5,467
of which: NFRK withdrawal (+) / accumulation (-), net 4/	-2,737	-1,018	-654	-1,001	-4,840	-5,132	-5,627	-6,944
Memorandum items:								
Non-oil balance	-8,225	-8,710	-11,283	-13,332	-12,235	-12,276	-12,146	-12,013
Primary balance	817.7	-704.4	-2,135.9	-2,855.7	-1,709.9	-790.7	219.5	1,456.7
Structural Balance	77	-2,036	-4,072	-5,233	-4,453	-4,003	-3,486	-2,278
Structural Non-oil Balance	-8,385	-10,413	-12,496	-14,380	-13,612	-13,985	-14,142	-12,013
NFRK assets (in billions U.S. dollars)	55.7	60.0	61.4	63.5	72.8	82.4	92.5	104.6
Nominal GDP	103,766	120,561	133,812	149,874	166,934	184,798	201,104	218,332

Sources: Kazakhstani authorities and Fund staff estimates and projections.

1/ General government includes republican and local budgets plus the NFRK.

2/ Oil revenues include items such as royalties, export duties on oil, and corporate income and social taxes levied on oil companies.

3/ Includes also capital revenue. Non-oil revenue in 2023 includes a one-off dividend from Samruk-Kazyna of 1.1 percent of GDP and in 2024 includes a one-off dividend from Kazatomprom of 0.3 percent of GDP from the sale of shares to the NFRK.

4/ National Fund of the Republic of Kazakhstan. Classified under external financing as most of the assets are external.

Table 6b. Kazakhstan: General Government Fiscal Operations, 2022–29 1/
(percent of GDP)

	2022	2023	Projections					
			2024	2025	2026	2027	2028	2029
Total revenue	21.8	21.7	19.5	18.5	19.0	19.5	20.1	20.7
Tax revenue	20.5	19.5	18.0	17.3	17.8	18.3	18.9	19.4
Oil 2/	8.0	5.7	5.8	5.7	5.1	4.9	4.8	5.0
Non-oil	12.5	13.8	12.2	11.6	12.7	13.4	14.1	14.5
Personal income tax	1.4	1.7	1.6	1.6	1.6	1.6	1.6	1.6
Corporate income tax	6.0	5.5	5.2	4.9	4.9	5.1	5.3	5.5
Social tax	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Value added tax	4.1	4.7	4.0	3.7	4.2	4.4	4.8	5.0
Excise taxes	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Property tax	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Taxes on international trade	2.0	1.8	1.6	1.7	1.7	1.7	1.7	1.6
Receipts from use of natural resources	4.7	3.4	3.1	3.0	3.1	3.1	3.1	3.3
Other taxes	4.1	4.7	4.0	3.7	4.2	4.4	4.8	5.0
Nontax revenue 3/	1.4	2.2	1.5	1.2	1.1	1.2	1.2	1.3
of which: Interest and dividend income	0.6	0.6	0.6	0.7	0.6	0.7	0.7	0.8
Total expenditure and net lending	21.7	23.2	22.1	21.6	21.2	21.2	21.3	21.2
Total expenditure	21.0	22.6	21.5	21.1	20.6	20.7	20.8	20.7
Current expenditure	18.2	19.0	18.2	18.0	17.7	17.9	18.0	17.9
Wages	3.7	3.7	3.5	3.4	3.4	3.4	3.4	3.4
Goods and services	3.9	4.3	4.0	3.9	3.8	3.8	3.8	3.8
Current transfers	7.3	7.3	7.2	7.0	6.9	6.9	6.9	6.9
Other Current Expenditures	2.0	2.1	1.8	1.8	1.8	1.8	1.8	1.8
Interest payment	1.3	1.5	1.6	1.9	1.8	1.9	2.1	2.0
Capital expenditure	2.8	3.7	3.3	3.0	2.9	2.8	2.8	2.8
Net lending	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Overall balance	0.1	-1.5	-2.6	-3.1	-2.2	-1.7	-1.2	-0.5
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing	-0.1	1.5	2.6	3.1	2.2	1.7	1.2	0.5
Domestic financing, net	2.7	2.7	2.9	3.8	4.7	4.0	2.8	3.0
Foreign financing, net	-2.8	-1.2	-0.3	-0.7	-2.5	-2.3	-1.6	-2.5
of which: NFRK withdrawal (+) / accumulation (-), net 4/	-2.6	-0.8	-0.5	-0.7	-2.9	-2.8	-2.8	-3.2
Memorandum items:								
Non-oil balance	-7.9	-7.2	-8.4	-8.9	-7.3	-6.6	-6.0	-5.5
Non-oil balance (in percent of non-oil GDP)	-9.8	-9.0	-10.4	-11.1	-9.1	-8.3	-7.5	-6.8
Non-oil revenues (in percent of non-oil GDP)	17.2	19.9	16.8	15.9	17.3	18.2	18.9	19.3
Primary balance	0.8	-0.6	-1.6	-1.9	-1.0	-0.4	0.1	0.7
Structural Balance	0.1	-1.7	-3.0	-3.5	-2.7	-2.2	-1.7	-1.0
Structural Non-oil Balance	-8.1	-8.6	-9.3	-9.6	-8.2	-7.6	-7.0	-5.5
Gross public debt	23.5	22.8	24.0	25.5	28.2	30.2	31.9	33.3
NFRK assets	24.7	22.7	21.4	21.0	22.5	24.0	25.6	27.5
Net public debt	-1.2	0.1	2.6	4.5	5.7	6.2	6.3	5.8

Sources: Kazakhstani authorities and Fund staff estimates and projections.

1/ General government includes republican and local budgets plus the NFRK.

2/ Oil revenues include items such as royalties, export duties on oil, and corporate income and social taxes levied on oil companies.

3/ Includes also capital revenue. Non-oil revenue in 2023 includes a one-off dividend from Samruk-Kazyna of 1.1 percent of GDP and in 2024 includes a one-off dividend from Kazatomprom of 0.3 percent of GDP from the sale of shares to the NFRK.

4/ National Fund of the Republic of Kazakhstan. Classified under external financing as most of the assets are external.

Table 7. Kazakhstan: Inclusive Growth Indicators

	Indicator	EMDE Average		Indicator	EMDE Average
Growth			Human Development and Access to Services		
	GDP per capita growth (percent; 2018-23 average)	1.0		Human Development Index (2022)	0.8 ↑ 0.6
	Gross Fixed Capital Formation (percent of GDP; 2018-22 average)	22.8		Life expectancy at birth (years, 2022)	74.4 ↑ 69.4
Poverty and Inequality				Prevalence of stunting (% of children under 5, 2022)	4.9 ↑ 18.5
	Poverty headcount ratio at \$5.50/day (percent of population; 2021)	10.6 ↑ 34.1		Child mortality (per 1,000, 2022)	9.7 ↑ 31.1
	Income share held by highest 10% (2018)	24.8 ↓ 30.6		Access to electricity (% of population, 2022)	100.0 ↑ 82.6
	GINI Index (2021)	29.2 ↓ 39.4		Net school enrollment, secondary, total (% population, 2019)	99.8 ↑ 68.4
	Growth in mean consumption (growth, %, bottom 40th percentile, 2021)	3.7 ↑ 3.1		Net school enrollment, secondary (female vs male, %, 2012)	100.7 ↑ 102.7
Labor Markets (ILO estimates)				Individuals using internet (% population, 2022)	92.3 ↑ 81.8
	Unemployment rate (% of total labor force, 2023)	4.8 ↓ 8.8		Literacy rate (% population, 2018)	99.8 ↑ 78.8
	Female (% of female labor force, 2023)	5.5 ↓ 10.5		Literacy rate (female vs male, %, 2018)	99.9 ↑ 94.5
	Youth (% of total labor force ages 15-24, 2023)	3.8 ↓ 19.5		Gender Gap Index (2021)	0.7 ↓ 0.7
	Labor force participation (% of total population ages 15+, 2023)	68.5 ↓ 59.1		Access to Finance	
	Female (% of female population ages 15+, 2023)	63.2 ↓ 48.4		Account at a financial institution (% age 15+, 2021)	81.1 ↑ 59.6
	Youth (% of population ages 15-24, 2023)	42.3 ↓ 38.6		Account at a financial institution (female vs male, %, 2017)	106.8 ↑ 87.5
	Female employment to population ratio (%; 2023)	59.8 ↓ 44.0		Domestic credit to private sector (% GDP, 2023)	24.2 ↑ 39.8
Government				Governance¹	
	Commitment to reducing inequality index (2022)	0.5 ↓ 0.3		Government Effectiveness (WGI, 2022)	0.1 ↑ -0.5
	Government spending on social safety net programs (percent of GDP, 2019)	1.7 ↓ 1.8		Regulatory Quality (WGI, 2022)	0.0 ↓ -0.5
	Coverage of social safety net programs in poorest quintile (% population, 2017)	36.2 ↓ 67.7		Rule of Law (WGI, 2022)	-0.5 ↓ -0.5
	Government expenditure on education, total (% GDP, 2022)	4.2 ↑ 4.2		Control of Corruption (WGI, 2022)	-0.2 ↓ -0.4
	Health expenditure, domestic general government (% of GDP, 2021)	2.6 ↓ 2.8		Corruption Perceptions Index (2023)	39.0 ↑ 36.7
Better than EMDE Average			Worse than EMDE Average		
Improvement since previous observation ↑			Deterioration since previous observation ↓		

Sources: IMF World Economic Outlook; World Bank, World Economic Forum, International Labour Organization, Transparency International, UNDP, Oxfam International.
 1 / Indicators use official sources and surveys to summarize perceptions of the quality of governance and business environments. Higher scores indicate better governance.

Annex I. Implementation of the 2023 Article IV Recommendations

Recommendations	Current Status
Fiscal policy	
Stronger public sector governance, a more rules-based policy framework, and greater institutional capacity to underpin fiscal projections, will be key to increase the effectiveness of fiscal policy and support the credibility of medium-term fiscal consolidation plans.	Public revenues are underperforming and, despite the reactivation of fiscal rules, the fiscal deficit and NFRK transfers have exceeded projections, weakening the credibility of medium-term fiscal consolidation plans. The government's macro-fiscal projections continue to be based on aspirational growth levels that are not consistent with inflation projections.
A simple set of fiscal rules would best serve the authorities' goals to safeguard sustainability and intergenerational equity, and to promote countercyclical policy.	Fiscal rules were reactivated in 2024 but their design is unchanged, and they have not prevented procyclical fiscal policy. There remains a need to simplify these rules, tighten escape clauses, and eliminate discretion in NFRK transfers.
Monetary Policy	
Monetary policy should remain tight until inflation is closer to target and inflation expectations are re-anchored. There is significant room to further strengthen the NBK's independence and the effectiveness and credibility of monetary policy.	The NBK plans to maintain a tight monetary policy stance until inflation is close to target. It continues to focus on price stability under the inflation targeting regime. Recent foreign exchange interventions, if they persist, may weaken the credibility of the authorities' commitment to exchange rate flexibility. The NBK has exited from most quasi-fiscal activities.
Financial Sector Policy	
Stronger financial supervision and more effective crisis management and bank resolution frameworks require greater independence, legal protection, and resources for the ARDFM, as well clearer mandates of, and inter-agency collaboration among, the ARDFM and other relevant public entities.	The authorities approved a roadmap to implement the 2023 FSAP recommendations, and significant progress is ongoing in the areas of consolidated and risk-based supervision, compliance with Basel core principles, supervision of non-performing assets and related party transactions, and the macroprudential framework. Further efforts are needed to introduce a fully-fledged bank resolution framework and related institutional capacity and arrangements.
Structural Reforms	
Priorities reforms include reducing and refocusing state interventions, moving to more rules-based institutional frameworks, and continuing improving the business environment, including by strengthening the rule of law, especially property rights, contract enforcement and investor protection.	A presidential decree on economic liberalization adopted in early 2024 signaled the authorities' commitment to accelerate structural reforms, but implementation has not materialized.

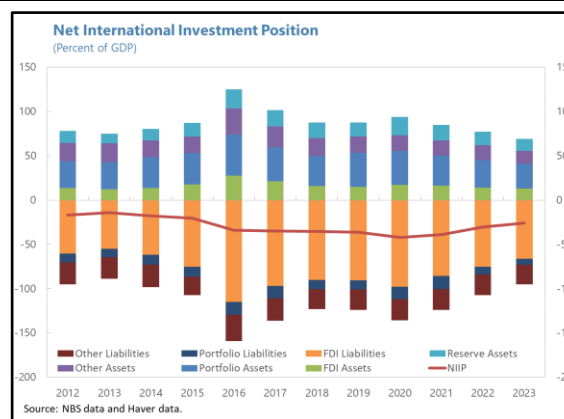
Annex II. External Sector Assessment

Overall Assessment: The external position in 2023 is assessed as moderately weaker than the level implied by economic fundamentals and desirables policies. Lower oil and commodity prices and higher imports worsened Kazakhstan's external position. The current account deficit was associated with net inflows in financial account.

Potential Policy Responses: Addressing the policy gaps such as in health care expenditure would help bring Kazakhstan's external position in line with fundamental and desirable policies. Over the medium-term, the current account deficit is projected to persist on the back of lower oil revenues. In that context, structural reforms to boost export competitiveness, economic diversification from oil and FDI in non-extractive sectors would help reduce structural vulnerabilities in the external position.

Foreign Assets and Liabilities

Background. Since Kazakhstan shifted to a flexible exchange rate regime in 2015, its net international investment position (NIIP) has gradually widened, reflecting a surge of FDI and, to a lesser extent, portfolio investment inflows. In 2023, the NIIP reached minus USD69 billion (26 percent of GDP), almost double its size in 2015. In 2024H1, FDI inflows continued, largely into key sectors such as minerals and oil-related sectors. Portfolio inflows also slightly picked up given attractive yields and broader macroeconomic stability. Reserves slightly increased on the back of gold price. Over the medium term, the NIIP is projected to be about 40 percent of GDP.



Assessment. Kazakhstan has large gross external liabilities – about 102 percent of GDP. However, over 70 percent of them are related to FDI, including in the natural resource sector. The public sector is a net creditor. Overall, risks to external sustainability are limited.

2023 (% GDP)	NIIP: -26	Assets: 72	Portf. Assets: 29	Liabilities: 102	Portf. Liab.: 9
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Current Account

Background. In 2023, the current account (CA) balance turned into a deficit of 3.3 percent of GDP (against a surplus of 3.1 percent of GDP in 2022). The trade surplus decreased by about 50 percent on the back of a decrease in oil exports and non-oil exports amid increased significant increase in imports. The primary income balance remained constant in nominal terms, with investors in the extractive industry repatriating lower dividends. In 2024H1, the current account turned into a small surplus with lower imports and

improved income balance. In the medium term, a current account deficit is projected to persist with lower oil prices and moderate growth of imports of manufactured and intermediate goods, given the limited local content of manufacturing output.

Assessment. For 2023, the CA model of the IMF EBA-lite framework estimates a (multilaterally consistent) cyclically adjusted current account norm of minus -1.8 percent. The cyclically adjusted balance stood at -3.3 percentage. The model identifies a positive policy gap of 2.1 percent of GDP, indicating that the CA gap would be substantially more negative if policy settings were at their desirable levels. The policy gap mostly arises from low public health expenditure and financial deepening.

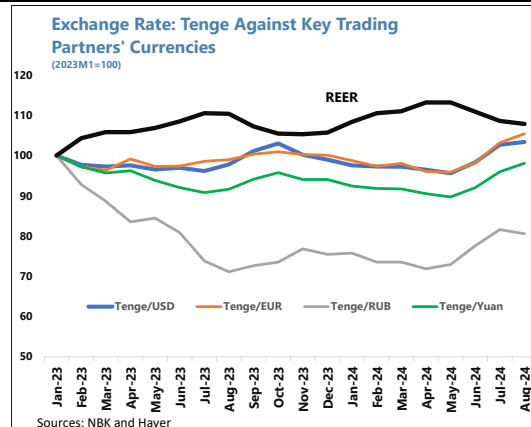
Kazakhstan: EBA-lite Model Results, 2023

	CA model 1/	REER model
	(in percent of GDP)	
CA-Actual	-3.3	
Cyclical contributions (from model) (-)	0.1	
Additional temporary/statistical factors (-) 2/	0.0	
Natural disasters and conflicts (-)	-0.1	
Adjusted CA	-3.3	
CA Norm (from model) 3/	-1.8	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	-1.8	
CA Gap	-1.5	2.6
o/w Relative policy gap	2.1	
Elasticity	-0.2	
REER Gap (in percent)	6.5	-11.5
1/ Based on the EBA-lite 3.0 methodology.		
2/ No additional cyclical adjustment applied.		
3/ Cyclically adjusted, including multilateral consistency adjustments.		

Real Exchange Rate

Background. In 2023Q4, the real effective exchange rate (REER) had appreciated by 7.2 percent due to a large appreciation of the Tenge vis-à-vis the Russian ruble and Chinese yuan. As of August 2024, it had appreciated by another 2 percent since end-2023.

Assessment. Based on the IMF-CA model, staff is of the view that at end 2023, the real exchange rate is moderately stronger than implied by fundamentals and desirable policies. Although the EBA-IREER models points to the opposite, staff believes that EBA-CA approach gives more reliable results as the EBA_IREER results tends to be affected by the historical trend of the real exchange rate.



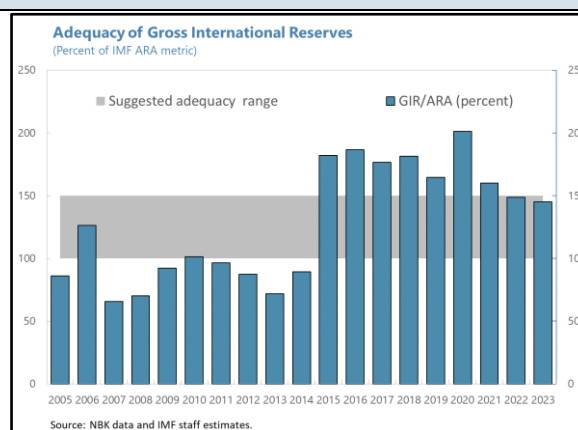
Capital and Financial Accounts: Flows and Policy Measures

Background. Together with a large current account deficit, Kazakhstan saw large capital inflows in 2023, driven by significant FDI and while other investment balances broadly offset net portfolio outflows. In recent years, the authorities took several measures to mitigate exchange rate pressures and (more recently) limit the risk of secondary sanctions. They halved the daily cap on foreign currency that a resident legal entity may purchase unrelated to foreign currency obligations (from USD100,000 to USD50,000) and prohibited physical exports of FX above the equivalent of USD10,000 and of more than 100g of gold (except for NBK operations and certain other transactions). Electronic FX transfers are unaffected by this second measure, limiting its impact on capital flows. In August 2023, the requirement for SOEs to sell part of their FX export proceeds was reduced to zero.

Assessment. The above regulatory measures (the daily cap on FX purchases unrelated to FX obligations and restrictions on the physical exports of FX) are assessed as CFMs under the IMF's *Institutional View on the Liberalization and Management of Capital Flows*. The adoption of these measures was part of a policy response to an imminent crisis at the time of the initial COVID shocks and more recently when the war in Ukraine started. With imminent crisis conditions having abated, they should be phased out.

FX Intervention and Reserves Level

Background. At the end of 2023, reserves were at USD36 billion, covering about 6 months of projected next-year's imports of goods and services, 178 percent of short-term external debt, 164 percent of portfolio investment liabilities, and 43 percent of broad money. About 60 percent of reserve assets are in gold. Strong gold prices are among the factors that pushed up reserves in 2023. The NBK did not intervene in the FX market between May 2022 and June 2024. However, it intervened again in July, August and September 2024, aiming to offset the exchange rate impact of large NFRK budgetary transfers (e.g., by purchasing USD900 million net in July).



Assessment. Based on the IMF's Assessing Reserve Adequacy (ARA) metric, gross reserves in 2023 are well within the adequacy range for a country with a floating exchange rate. The assets of the NFRK (USD60 billion or about 23 percent of GDP at end-2023) provide an additional buffer.

Annex III. Risk Assessment Matrix ^{1/}

Risks	Likelihood	Expected Impact	Policy Response
External risks			
Intensification of regional conflicts. Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	High	Medium Trade disruptions could affect exports from Kazakhstan. High oil prices would support Kazakhstan's buffers. Migration flows could add to inflation pressures.	Save oil revenue windfalls. Strengthen the medium-term fiscal framework. Diversify export routes. Allow the exchange rate to adjust to potential pressures, use buffers to smooth short-term volatility.
Commodity price volatility. Supply and demand fluctuations (e.g., due to conflicts, export restrictions, OPEC+ decisions, and green transition) cause recurrent commodity price volatility, external and fiscal pressures and food insecurity in EMDEs, cross-border spillovers, and social and economic instability.	High	High Sustained high oil prices could contribute to build external and fiscal accounts buffers. A sharp drop in oil prices would have the opposite effect and cause pressures on the financial sector via the exchange rate and slower growth.	Allow the exchange rate to adjust; accumulate buffers and use them to smooth short-term volatility if needed. Accelerate structural reforms to promote economic diversification.
Social discontent. High inflation, real income loss, spillovers from conflicts (including migration), and worsening inequality stir social unrest, drive populist policies, and increase resistance to reforms, especially in the context of polarized or disputed elections. This exacerbates imbalances and weakens growth prospects, leading to policy uncertainty and market repricing.	High	High High inflation could re-ignite social tensions. This would impact economic activity and could trigger fiscally costly responses.	Strengthen social safety nets. Accelerate structural reforms, including anti-corruption reforms, to promote inclusive growth. Strengthen the inflation-targeting framework.

¹ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon. **G-RAM operational guidance is available on the [SPR Risk Unit website](#)**

Risks	Likelihood	Expected Impact	Policy Response
Global growth surprises: <ul style="list-style-type: none"> • Slowdown. Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than- envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs. • Acceleration. Positive supply-side surprises, monetary easing, productivity gains from AI, and/or stronger EMDE performance raise global demand and trade, and ease global financing conditions. 	<p>Medium</p> <p>Low</p>	<p>Medium</p> <p>A global slowdown (acceleration) could result in lower (higher) commodity prices and volume of trade resulting in lower fiscal revenues.</p>	<p>Allow the exchange rate to adjust; if needed, use fiscal buffers to smooth volatility in a countercyclical manner.</p>
Deepening geoeconomic fragmentation. Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.	High	<p>High</p> <p>Increased geo-economic fragmentation would disrupt traditional trade routes exacerbating inflation and costs from the lack of economic and trade diversification of the country</p>	<p>Accelerate reforms and initiatives (e.g., new infrastructure) to promote economic and trade diversification (away from fossil fuels) and to attract FDI. Continue strengthening policies and regulatory compliance against risks of secondary sanctions.</p>
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability.	High	<p>Medium</p> <p>Cyberattacks could disrupt the payment system, which relies on electronic means to a large extent.</p>	<p>Provide monetary and fiscal support as needed. Accelerate efforts to enhance cyber-security including digital national infrastructure.</p>

Risks	Likelihood	Expected Impact	Policy Response
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. A disorderly transition to net-zero emissions and regulatory uncertainty lead to stranded assets and low investment.	Medium	Medium/Low Kazakhstan could further face escalating natural disasters such as droughts, heatwaves, floods, mudflows, and landslides, causing land degradation, infrastructure damage, and loss of life.	Accelerate the green transformation, including to foster mitigation and adaptation, and cushion the transition. Utilize fiscal buffers, if needed.
Domestic risks			
Fiscal slippages, slowdown of reforms, and delays in privatization	Medium	Medium Loosening fiscal policy, decreased investors' confidence, low level of competition, lack of diversification and high vulnerability to external shocks.	Implement medium term fiscal framework and strengthen fiscal rules. Accelerate structural reforms and privatizations. Improve public sector transparency and accountability.
Loss of monetary policy credibility.	High	High Loss of monetary policy credibility would endanger macroeconomic stability.	Keep monetary policy tight until inflation is closer to the target. Reaffirm the independence of the NBK.

Annex IV. Debt Sustainability Analysis

Figure 1. Kazakhstan: Risk of Sovereign Stress

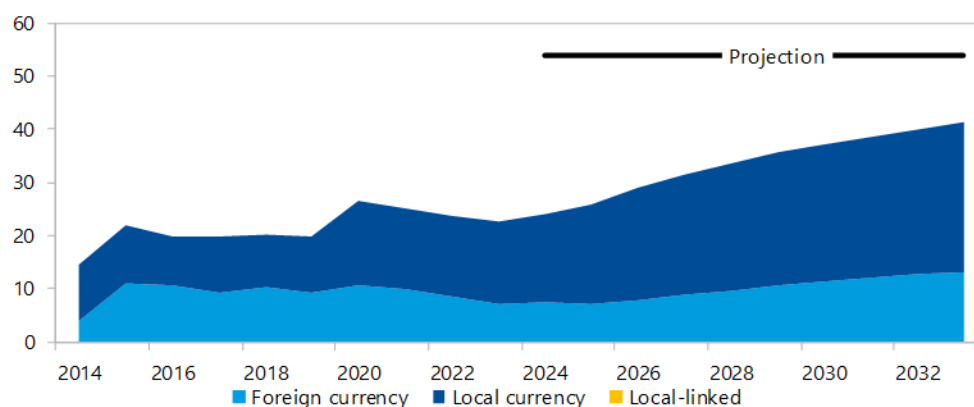
Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Low	The overall risk of sovereign stress is low, reflecting assessment of low level for the near term and medium term.
Near term 1/			
Medium term	Low	Low	Medium-term risks are assessed to be low given relatively low debt levels and large assets buffers at the NFRK.
Fanchart	Moderate	...	
GFN	Low	...	
Stress test		...	
Long term	...	Moderate	Kazakhstan has fiscal space and is well positioned for climate adaptation and mitigation. The costs of adaptation and mitigation are manageable if properly implemented. Revenue mobilization from carbon taxation can help support the adjustment.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			No
DSA Summary Assessment			
<p>Commentary: The final assessment of low risk is based on the assessment of low debt and financing risks over the medium and long term. Kazakhstan's public debt remains low with large financial assets accumulated at the National Fund (about 23 percent of GDP at end-2023). Fiscal deficits are expected to remain moderate over the medium term given the development needs and climate transition. Fiscal space remains substantial and the fiscal buffers can support periods of fiscal deficit, if needed. The projected debt increase reflects the government's decision to simultaneously increase the assets at the National Fund.</p>			
<p>Source: Fund staff.</p> <p>Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.</p> <p>1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.</p> <p>2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.</p>			

Figure 2. Kazakhstan: Debt Coverage and Disclosures

Figure 2. Kazakhstan: Debt Coverage and Disclosures										Comments
1. Debt coverage in the DSA: 1/										
<div> <div>CG</div> <div>GG</div> <div>NFPS</div> <div>CPS</div> <div>Other</div> </div>										
1a. If central government, are non-central government entities insignificant?										n.a.
2. Subsectors included in the chosen coverage in (1) above:										
Subsectors captured in the baseline										Inclusion
<div> <div>CPS</div> <div>NFPS</div> <div>GG: expected</div> <div>CG</div> </div>	1	Budgetary central government	Yes	Not applicable						
	2	Extra budgetary funds (EBFs)	Yes							
	3	Social security funds (SSFs)	Yes							
	4	State governments	No							
	5	Local governments	Yes							
	6	Public nonfinancial corporations	No							
	7	Central bank	No							
	8	Other public financial corporations	No							
3. Instrument coverage:										
<div> <div>Currency & deposits</div> <div>Loans</div> <div>Debt securities</div> <div>Oth acct. payable 2/</div> <div>IPSGSs 3/</div> </div>										
4. Accounting principles:										
<div> <div>Basis of recording</div> <div>Valuation of debt stock</div> </div>										
<div> <div>Non-cash basis 4/</div> <div>Cash basis</div> <div>Nominal value 5/</div> <div>Face value 6/</div> <div>Market value 7/</div> </div>										
5. Debt consolidation across sectors:										
<div> <div>Consolidated</div> <div>Non-consolidated</div> </div>										
Color code: chosen coverage Missing from recommended coverage Not applicable										
Reporting on Intra-Government Debt Holdings										
<div> <div>Holder</div> <div>Budget, central govt</div> <div>Extra-budget, funds (EBFs)</div> <div>Social security funds (SSFs)</div> <div>State govt.</div> <div>Local govt.</div> <div>Nonfin. pub. corp.</div> <div>Central bank</div> <div>Oth. pub. fin. corp</div> <div>Total</div> </div>										
<div> <div>CPS</div> <div>NFPS</div> <div>GG: expected</div> <div>CG</div> </div>	1	Budget, central govt								0
	2	Extra-budget, funds								0
	3	Social security funds								0
	4	State govt.								0
	5	Local govt.								0
	6	Nonfin pub. corp.								0
	7	Central bank								0
	8	Oth. pub. fin. corp								0
Total										0
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector. 2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable. 3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities. 4/ Includes accrual recording, commitment basis, due for payment, etc. 5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes). 6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity. 7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.										
Commentary: : Coverage in this SRDSA is consolidated General Government debt. EBFs includes State Social Insurance Fund and Social Health Insurance Fund.										

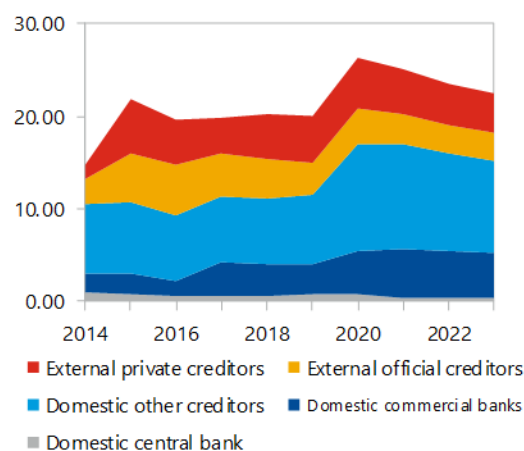
Figure 3. Kazakhstan: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



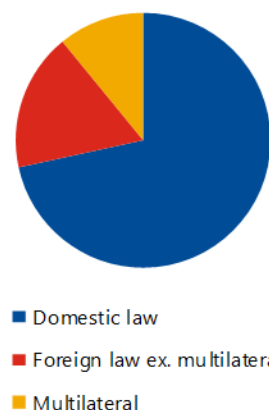
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



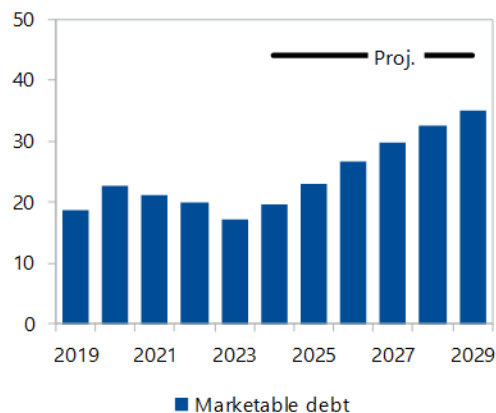
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2023 (percent)



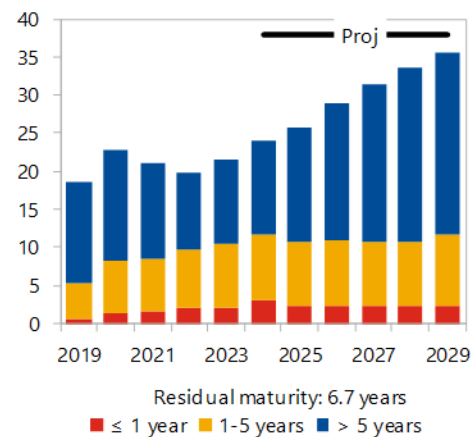
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



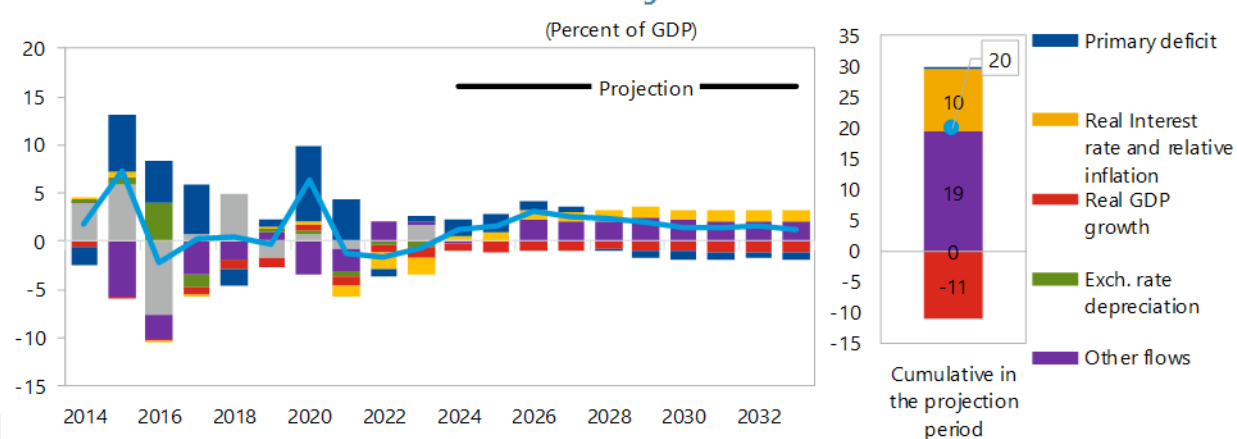
Note: The perimeter shown is general government.

Commentary: Public Debt is largely held by domestic creditors with maturity projected to increase over time.

Figure 4. Kazakhstan: Baseline Scenario

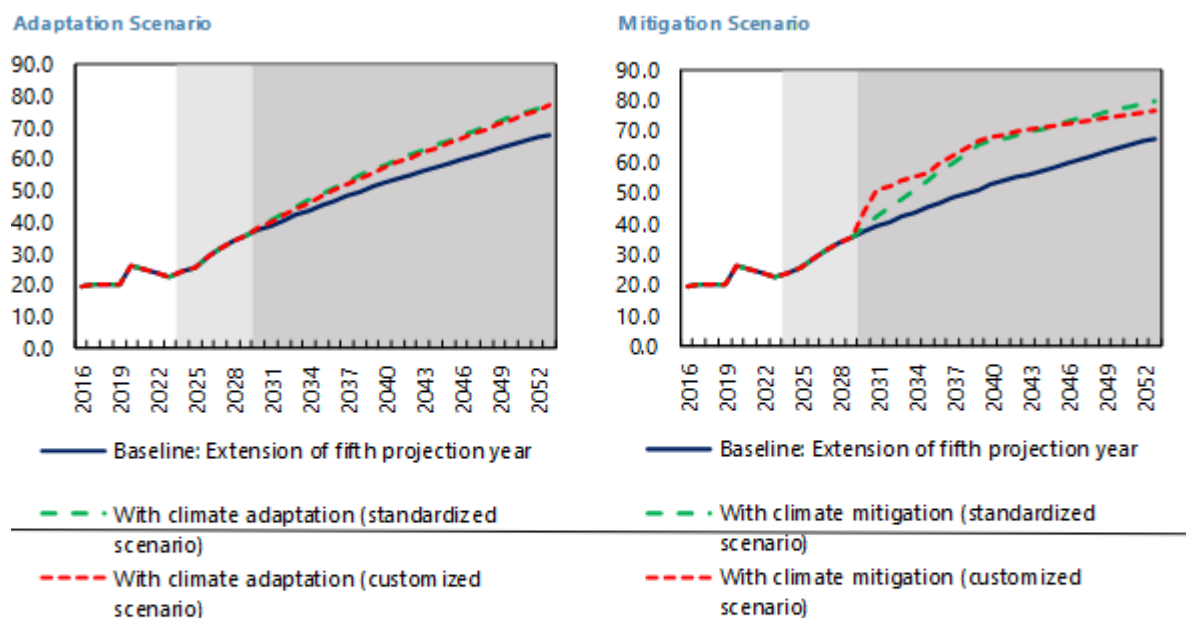
(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection							Extended projection			
	2023	2024	2025	2026	2027	2028	2029		2030	2031	2032	2033
Public debt	22.8	24.0	25.7	28.9	31.4	33.7	35.7		37.0	38.5	40.0	41.3
Change in public debt	-0.8	1.2	1.7	3.2	2.5	2.3	2.0		1.4	1.5	1.5	1.3
Contribution of identified flows	-2.5	1.0	1.7	3.2	2.5	2.3	2.0		1.3	1.5	1.5	1.4
Primary deficit	0.6	1.6	1.9	1.0	0.4	-0.1	-0.7		-1.0	-0.8	-0.6	-0.8
Noninterest revenues	21.1	18.9	17.8	18.4	18.8	19.4	19.9		20.0	20.1	20.1	20.3
Noninterest expenditures	21.7	20.4	19.7	19.4	19.3	19.3	19.3		19.0	19.2	19.5	19.5
Automatic debt dynamics	-3.3	-0.5	-0.2	-0.1	0.0	0.4	0.2		0.1	0.1	0.1	0.1
Real interest rate and relative inflation	-1.6	0.4	0.9	0.9	1.0	1.1	1.2		1.1	1.2	1.2	1.3
Real interest rate	-2.1	0.1	0.6	0.6	0.7	0.7	0.9		0.8	0.8	0.9	0.9
Relative inflation	0.5	0.3	0.3	0.3	0.3	0.3	0.3		0.3	0.3	0.3	0.4
Real growth rate	-1.1	-0.8	-1.1	-1.0	-1.0	-0.7	-0.9		-1.0	-1.1	-1.1	-1.1
Real exchange rate	-0.6	...	...	...	...	...	...		...	...	...	...
Other identified flows	0.3	-0.1	0.0	2.3	2.1	2.1	2.4		2.2	2.1	2.1	2.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
(minus) Interest Revenues	-0.6	-0.6	-0.7	-0.6	-0.7	-0.7	-0.8		-0.8	-0.8	-0.9	-0.9
Other transactions	0.9	0.5	0.7	2.9	2.8	2.8	3.2		3.0	3.0	2.9	2.9
Contribution of residual	1.7	0.2	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Gross financing needs	2.2	4.7	6.0	4.7	4.4	3.9	3.2		2.8	3.1	3.3	3.3
of which: debt service	2.2	3.8	4.8	4.3	4.6	4.7	4.6		4.5	4.8	4.8	5.0
Local currency	1.6	2.6	3.5	3.7	4.2	4.1	4.1		4.0	4.2	4.2	4.3
Foreign currency	0.5	1.1	1.3	0.6	0.4	0.6	0.5		0.5	0.6	0.6	0.7
Memo:												
Real GDP growth (percent)	5.1	3.8	4.8	3.9	3.7	2.4	2.9		2.9	2.9	2.9	2.9
Inflation (GDP deflator; percent)	10.5	6.9	6.9	7.2	6.8	6.3	5.5		5.0	5.0	5.0	5.1
Nominal GDP growth (percent)	16.2	11.0	12.0	11.4	10.7	8.8	8.6		8.1	8.1	8.1	8.1
Effective interest rate (percent)	0.0	7.4	9.5	9.6	9.3	8.9	8.3		7.4	7.5	7.5	7.5

Contribution to Change in Public Debt

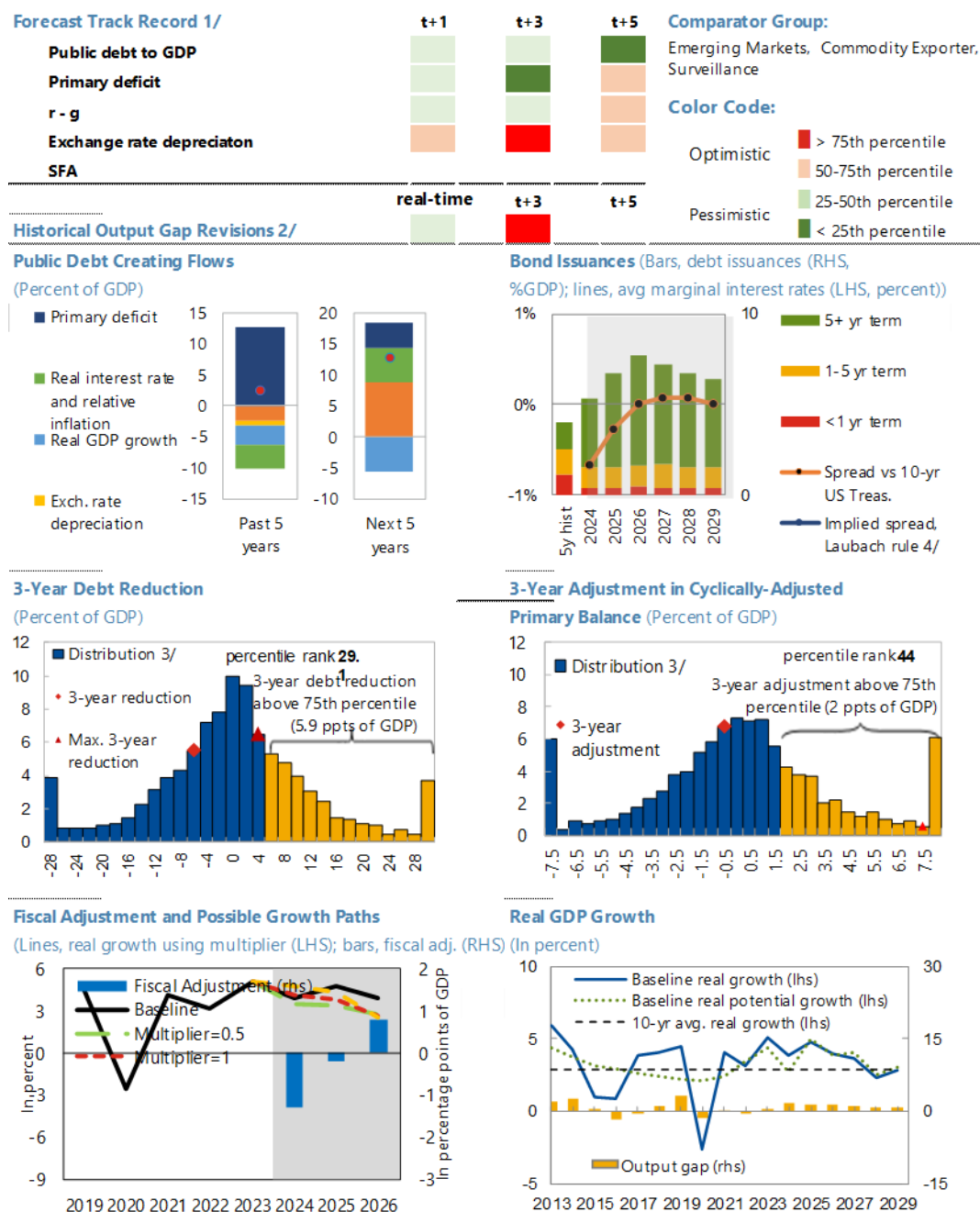
Commentary: Public Debt is projected to increase moderately over the forecast horizon with the assumption of a simultaneous increase in the asset accumulated at the National Fund (seen in the charts as "other flows"). Overall the net public debt is expected to remain below 10 percent of GDP.

Figure 5. Kazakhstan: Climate Change Adaptation and Mitigation



Commentary: Kazakhstan has fiscal space and is well positioned for climate adaptation and mitigation. The costs of adaptation and mitigation are manageable and do not put serious risks to the debt sustainability if properly implemented. Revenue mobilization from carbon taxation can help support the adjustment. Public spending efficiency in the adaptation and mitigation can also support growth and revenues, and thus help reduce the fiscal burden. As high debt level in the long-run is projected with the assumption of simultaneous asset accumulation at the NFRK, the assessment of this long-run module is moderate.

Figure 6. Kazakhstan: Realism of Baseline Assumptions



Commentary: The realism analysis does not point to major concerns. Past forecast errors do not reveal any systematic biases and the projected fiscal adjustment and debt reduction are well within norms.

Source: IMF Staff.

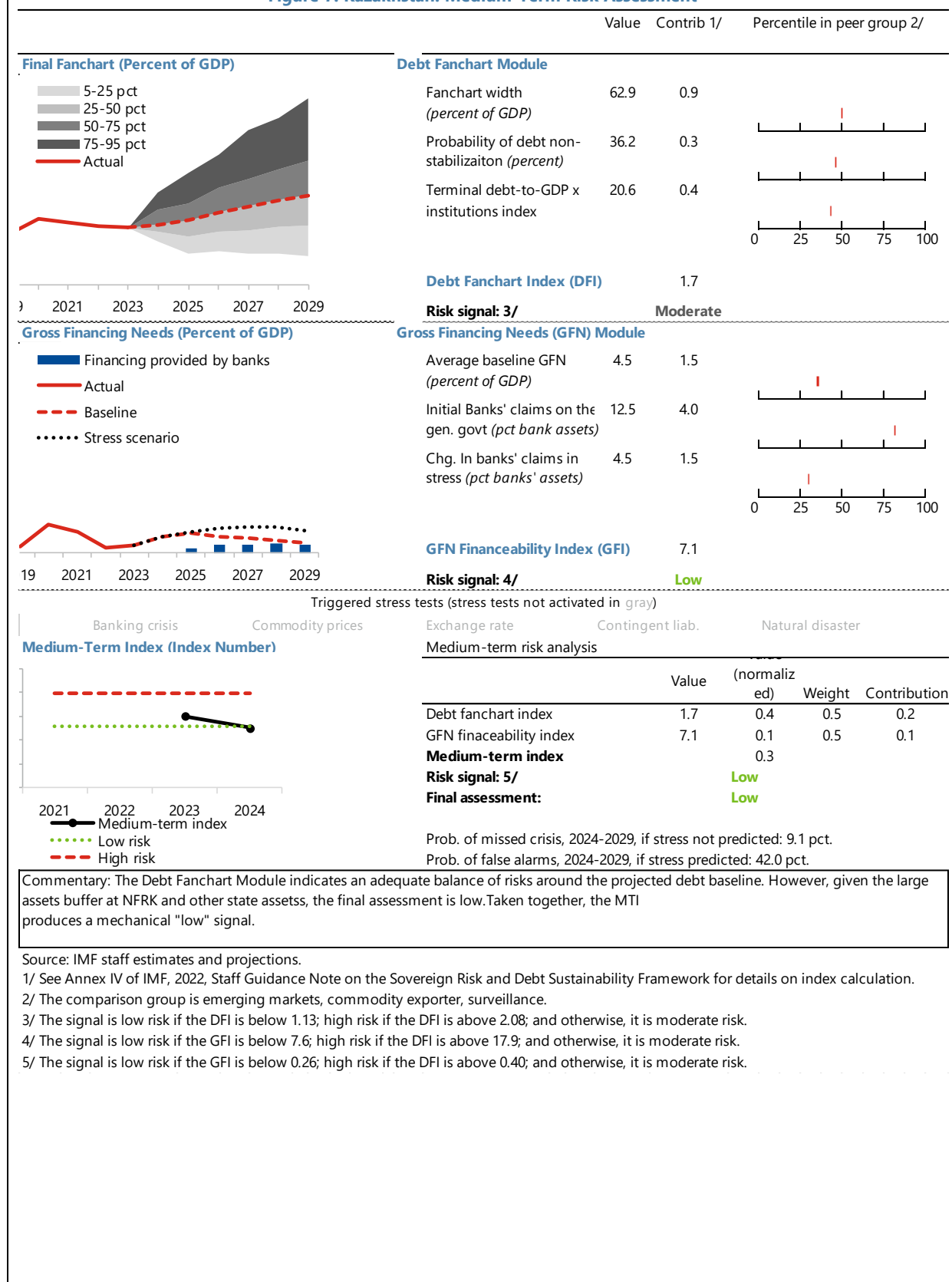
1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates)

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 7. Kazakhstan: Medium-Term Risk Assessment



Annex V. Data Issues

Table 1. Kazakhstan: Data Adequacy Assessment for Surveillance							
Data Adequacy Assessment Rating 1/							
B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	B	C	A	A	C	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	A	D	A	A		
Granularity 3/	C		C	A	A		
			B		A		
Consistency			D	B		C	
Frequency and Timeliness	B	C	B	A	C		
Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.							
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.							
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF Review of the Framework for Data Adequacy Assessment for Surveillance , January 2024, Appendix I).							
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.							
A	The data provided to the Fund are adequate for surveillance.						
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.						
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.						
Rationale for staff assessment. Data quality in Kazakhstan has some shortcomings but are broadly adequate for bilateral surveillance. Key weaknesses include: - Price data. CPI weights have not been published since end-2022. This impairs the assessment of contributions to inflation dynamics. Only non-seasonally adjusted numbers are published for headline CPI and its components. A definition of core CPI is available excluding food prices, coal, prices and regulated prices. - National accounts. GDP is computed cumulatively instead of discretely for each quarter, both from the demand and supply sides. This results in incorrect quarterly estimates that do not add up to annual GDP. In addition, large discrepancies exist between demand and supply side GDP. The authorities, supported by IMF TA, were planning to publish revised quarterly GDP estimates in July of 2024 although recent TA reports indicate that discrepancies between demand and supply side GDP could not be reduced. - Fiscal. The general government fiscal perimeter is not defined in line with GFSM 2014 and many extrabudgetary funds are excluded. The budget is not produced with an economic classification. Budget execution is reported with an economic classification (which cannot be compared to the original budget), but spending items are not adequately classified (e.g., there's a big underestimation of wages and overestimation of goods and services). Absent an adequate definition of the general government, a proper reconciliation between the deficit and financing sources cannot be performed. - Labor market. Anomalies in labor market data suggest there are also important weaknesses in this area as well, in particular on unemployment and wage statistics. In particular, the constant unemployment data over time negatively impact the assessment of the cyclical position of the economy. - GFS balance sheet data is published with one year delay and cross sectoral consistency is hampered by monetary data not being consolidated.							
Changes since the last Article IV consultation. No material change.							
Corrective actions and capacity development priorities. TA is ongoing in the area of national accounts, price statistics, and fiscal statistics including budget categorization. Priority should be given to national accounts, fiscal, and labor statistics.							
Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. The General Government fiscal perimeter is estimated by staff. Dscrepancies between income and expenditure approach GDP and between annual and quarterly series resolved by staff in projections.							
Other data gaps. N/A							

Table 2. Kazakhstan: Data Standards Initiatives

Kazakhstan subscribes to the Special Data Dissemination Standard (SDDS) since March 2003 and publishes the data on its National Summary Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>).

Table 3. Kazakhstan: Table of Common Indicators Required for Surveillance

As of 10/23/2024

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁵	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Kazakhstan ⁸	Expected Timeliness ^{6,7}	Kazakhstan ⁸
Exchange Rates	23-Oct-24	23-Oct-24	D	D	D	...	...	1
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Jun-24	Jul-24	M	M	M	30	1W	30
Reserve/Base Money	Sep-24	Oct-24	M	M	M	30	2W	7
Broad Money	Jun-24	Jul-24	M	M	M	30	1M	25
Central Bank Balance Sheet	Jun-24	Jul-24	M	M	M	30	2W	7
Consolidated Balance Sheet of the Banking System	Jun-24	Jul-24	M	M	M	30	1M	25
Interest Rates ²	23-Oct-24	23-Oct-24	D	D	D	...	...	1
Consumer Price Index	Jan-24	Apr-24	M	M	M	30	1M	3
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	Jun-24	Sep-24	Q	Q	A	90	2Q	35
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	Aug-24	Sep-24	M	M	M	90	1M	30
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Jun-24	Sep-24	Q	Q	Q	90	1Q	35
External Current Account Balance	Jun-24	Sep-24	Q	Q	Q	90	1Q	90
Exports and Imports of Goods and Services	Sep-24	Sep-24	M	M	M	30	8W	30
GDP/GNP	Jun-24	Sep-24	Q	Q	Q	90	1Q	90
Gross External Debt	Jun-24	Sep-24	Q	Q	Q	90	1Q	90
International Investment Position	Jun-24	Sep-24	Q	Q	Q	90	1Q	90
¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions. ² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds. ³ Foreign, domestic bank, and domestic nonbank financing. ⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments. ⁵ Including currency and maturity composition. ⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than. ⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan. ⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".								

Annex VI. Monetary Policy and the Business Cycle

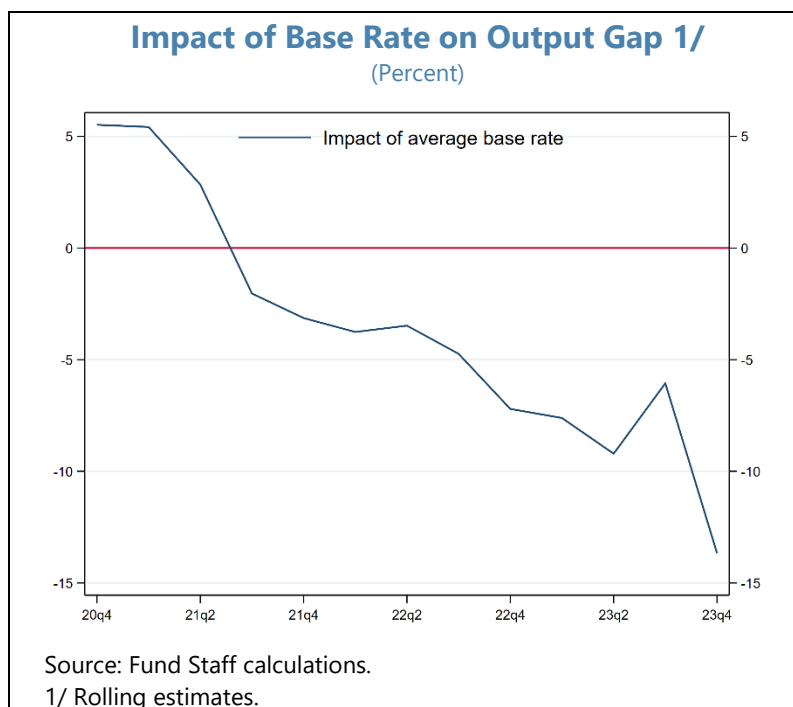
1. **The impact of monetary policy on the business cycle is estimated using a multivariate filter framework.** The following state-space model is estimated via maximum likelihood using the Kalman filter:

$$\begin{bmatrix} \tau_t \\ \tau_{t-1} \end{bmatrix} = \begin{bmatrix} 2 & -1 \\ 1 & 0 \end{bmatrix} \begin{bmatrix} \tau_{t-1} \\ \tau_{t-2} \end{bmatrix} + \begin{bmatrix} 1 & 0 \\ 0 & 0 \end{bmatrix} \begin{bmatrix} \varepsilon_{0,t} \\ \varepsilon_{0,t-1} \end{bmatrix}$$

$$y_t = [1 \quad -\beta] \begin{bmatrix} \tau_t \\ \tau_{t-1} \end{bmatrix} + [\beta \quad \gamma] \begin{bmatrix} y_{t-1} \\ \xi_t \end{bmatrix} + \varepsilon_{1,t}$$

In this representation, y_t is the log of the observed quarterly GDP, τ_t is log the unobserved GDP trend, β is the AR(1) parameter of the business cycle ($y_t - \tau_t$) in the observation equation, and γ is a vector of parameters in front of the vector of exogenous variables ξ_t measuring the contribution of such variables to the business cycle.

2. **Results suggest increasing monetary policy effectiveness** (text figure). Rolling estimates of γ using changes in the base rate as exogenous variable ξ_t show a noticeable downward trend in the last 3 years also considering the associated confidence intervals (not displayed); implying increasing monetary policy effectiveness (text figure). The average impact of a 1 pp increase in the base rate on the business cycle has increased from zero in 2021 (i.e., five years after the introduction of the IT regime) to about 15 percent at end-2023.



Annex VII. Linking Macroeconomic Projections to FSIs

1. **A new approach integrates macro forecasts with projected banking sector soundness indicators.**¹ Projected *Financial Soundness Indicators* (FSI) reflect the interaction between key macro variables with the banking system's aggregate income statement and balance sheet. Specifically, net interest income is projected as a function of the size of the loan portfolio (which reflects nominal credit growth), loss provisions, and the deposit/funding and lending rates (which are driven mainly by the policy interest rate). A credit risk model estimates future nonperforming loan ratios as a function of aggregate demand growth and interest rates. Provisions for (loan) losses are linked to the size of the loan portfolio, credit quality, and macrofinancial risks. This allows to project retained earnings and bank capital. Finally, new lending is projected in two steps: (i) banks anticipate future demand growth proxied by GDP projections, but (ii) credit growth is capped by the existing lending space; itself a function of the difference between actual capital and minimum regulatory capital.
2. **This approach allows to incorporate feedback effects and check the consistency between real and credit cycles.** The main transmission channel from the financial sector to the real economy is credit growth, but various market interest rates are also considered. The estimate of real credit growth is then added to the macro or macrofinancial model, causing a change in the other macro variables.
3. **For Kazakhstan, a key finding at this point is that there is substantial room for further financial deepening through bank lending** (Table 4). The average capital adequacy ratio is currently about 22 percent, well more than regulatory requirements, while overall credit penetration (about 20 percent of GDP) is very low. Under the baseline scenario, bank-related FSIs are projected to remain strong, suggesting further financial deepening could be achieved without jeopardizing financial stability – assuming of course proper credit risk management practices remain in place.

¹ Kopp, E., *Integrating Macrofinancial Dynamics in Forecasting Frameworks*, IMF Working Paper, forthcoming.

Annex VIII. Progress on FSAP Recommendations

In December 2023, Kazakhstan's *Financial Stability Council* approved a roadmap to implement the 2023 FSAP recommendations. The following table provides an update on progress made so far on key macro-relevant FSAP recommendations.

Recommendations	Authorities	Timeline	Authorities' Comments
Systemic and Climate Risk Analysis			
Develop liquidity stress testing and monitor LCR in significant foreign currencies to better understand the risks associated with potential liquidity drain from the system	ARDFM, NBK	MT	<ul style="list-style-type: none"> - Monitoring of LCR in national and foreign currency is conducted by the Agency and submitted to the Supervision Committee on a quarterly basis. - In August 2024, a pilot stress-testing of banking sector liquidity was carried out and work on the development of an expanded methodology is ongoing.
Collect granular data on interest-sensitive assets and liabilities by maturity/repricing ladder to enhance the monitoring of interest rate risk in the banking book and to perform cash-flow analysis to complement liquidity stress testing	ARDFM, NBK	ST	<ul style="list-style-type: none"> - Since November 1, 2023, the Agency implements a new GAP indicator report (NBRK Resolution No. 54) requiring banks to provide to the Agency information on assets and liabilities by maturity for cash-flow analysis. - Additional information for cash-flow analysis is obtained by the Agency during the annual SREP assessment.
Join the Network for Greening the Financial System, especially the workstreams on 'Supervision', 'Scenario Design and Analysis', and 'Monetary Policy'	ARDFM, NBK	I	The Agency has been a full member of the Global Network for Greening the Financial System (NGFS) since June 2023.
Strengthen coordination between financial regulators and ministries and develop an interagency working group on climate finance and climate risk analysis, also to improve and harmonize data (including energy, emissions, and environmental data) for assessing transition and physical risks	ARDFM, NBK, AIFC, ASPR, MNE, MoF, MEGNR, MoE, MoA, MIID, MES	ST	<ul style="list-style-type: none"> - The Agency systematically analyses data from the Ministries of Ecology and Natural Resources, Emergency Situations, and Energy, and other government agencies for climate risk analysis. - The Agency is developing prerequisites, scenarios and approaches for stress testing of climate risk, aiming to conduct it in 2024-25. - In July 2024, Agency staff participated in the IMF Seminar on 'Effective Supervision of Climate Financial Risks in the Banking Sector'.
Banking Supervision and Regulation			
Enshrine ARDFM's independence in the law, including the authority to decide its organizational structure, strengthen budgetary resources and their independent use, and enhance legal protection of staff when defending their actions in faithful discharge of duties	ARDFM, MoF	ST	<ul style="list-style-type: none"> - in 2023, the Agency's independence in determining its organizational structure was legally increased. - In June 2024, a law transferring the Agency's budget to the NBK was signed. - Legal amendments strengthening the legal protection of employees of the Agency, NBK and KDIF in the conscientious performance of their duties were included in a block of amendments on financial market regulation, to be adopted in 2025Q1.

Recommendations	Authorities	Timeline	Authorities' Comments
Identify and quantify related party transactions, revise the legal framework to eliminate exemptions and apply the arm's length principle in relation to problem assets transactions between parent banks and asset management companies	ARDFM	ST	<ul style="list-style-type: none"> - A law adopted in June 2024 requires banks and <i>Distressed Assets Management Organizations</i> to sell distressed assets exclusively on digital platforms accredited by the Agency, to ensure market-based pricing of distressed assets. - The Digital Platform for trading of distressed assets should be launched by end-2024. - Legislative amendments have been developed to remove exemptions for transactions with distressed assets between parent banks and asset management companies, and to require audits for related party transactions. - The methodology for thematic reviews of related party transactions is being developed and will be conducted regularly from 2025 on.
Extend the application of prudential standards and strengthen the requirements for risk management at consolidated level	ARDFM	ST	In 2023-24, the necessary regulatory and legal framework for consolidated supervision was developed to introduce requirements for: (i) capital and liquidity for conglomerates, in line with Basel standards; (ii) risk management systems and corporate governance. Developed with IMF assistance, these regulatory legal acts will be implemented in 2025.
Expand NPL recognition criteria to IFRS9 stage 3 exposures, as well as foreclosed assets	ARDFM	ST	A draft regulatory legal act was prepared to introduce amendments to expand the definition of NPL. It will be adopted by end-2024.
Strengthen the effectiveness of risk-based AML/CFT supervision of financial institutions, by ensuring adequate supervisory resources and technology, and reinforcing the primary responsibility of financial institutions to address ML/TF risks	ARDFM	ST	In 2025, the Agency will take measures to introduce risk-based supervision in the AML/CFT framework, and requirements for qualification and alignment of risk management, compliance and internal control systems.
Macprudential Policy and Framework			
Amend legislation to clarify roles and responsibilities of the NBK and ARDFM on macroprudential policies and update the Memorandum of Understanding on Financial Stability issues to strengthen inter-agency cooperation	NBK, ARDFM	ST	<ul style="list-style-type: none"> - In December 2023, a new macroprudential policy framework was approved by the Financial Stability Board. - The NBK and Agency agreed on legislative amendments on the competence of the NBK and Agency in setting macroprudential standards and a mechanism for their adoption. - According to the legislative amendments, the NBK is authorized to set macroprudential norms and limits to reduce systemic risks of banks. A list of 4 macroprudential norms is defined: countercyclical capital buffers, sectoral countercyclical capital buffers, debt service to income ratio (DSTI), debt to income ratio (DTI), and the right of the NBK to set additional macroprudential indicators. - The Agency will monitor compliance with macroprudential ratios.

Recommendations	Authorities	Timeline	Authorities' Comments
Financial Consumer Protection and Consumer Credit			
Strengthen regulatory requirements relating to creditworthiness assessment, business conduct and disclosure and transparency, including appropriate adaptation for digital contexts	ARDFM	ST	<ul style="list-style-type: none"> - In December 2023, the calculation of the debt service-to-income ratio (DSTI) was tightened and extended to all loans, including secured loans and loans to high-income individuals. - In June 2024, a new law provided for limiting maximum amounts of unsecured consumer credit and maintaining a new macroprudential standard: the debt-to-income ratio (DTI). - The powers of the banking ombudsman were legally expanded, and the institution of a microfinance ombudsman was introduced. - In 2025, the Agency plans to develop the Concept of Behavioral Supervision and define approaches to risk-oriented supervision of consumer protection.
Regulation of Crypto Assets			
Upskill supervisors to better recognize risks from crypto markets, in relation to banks, but also more broadly in terms of consumer and investor protection and market integrity across the whole financial system	ARDFM, NBK, AFSA	ST	<ul style="list-style-type: none"> - The AIFC has identified a list of cryptocurrency exchanges and providers with high ML/TF risk, and a mechanism has been developed with the NBK to automatically block transfers and payments through such exchanges. - In August 2024, the Agency sent letters to the European Securities and Markets Authority (ESMA) and the Financial Stability Board (FSB) with a proposal to establish cooperation, including on the issues of crypto asset turnover.
Continue monitoring crypto markets and – in the event of significant domestic crypto market growth – be prepared to replace the broad prohibition on crypto assets with a robust regulatory framework	ARDFM, NBK, AFSA	MT	<ul style="list-style-type: none"> - As instructed by the President, the NBK and the Agency will introduce regulation of digital assets and digital financial assets.
The Astana International Financial Centre and the Kazakhstan Financial System			
Develop a financial stability protocol to enhance collaboration between the domestic financial authorities and AFSA to facilitate information sharing and the mitigation of risks to the financial system and support financial stability	ARDFM, NBK, AFSA	I	<ul style="list-style-type: none"> - Joint Order No. B-123 adopted in March 2024 established an Interagency Working Group to monitor interconnections between the national financial system and that of the Astana International Financial Centre. - The working group includes representatives from the Agency, NBK, AIFC and AFK. To date, 3 meetings of this working group have been held. - A Memorandum on data exchange between ARDFM, NBRK and AFSA is already in force, and will be further improved.
Reinforce frameworks to clarify responsibilities and minimize duplication of regulatory frameworks, and apply common (harmonized) approaches in line with international standards and good practices in any	ARDFM, NBK, AFSA	ST	<ul style="list-style-type: none"> - In June 2024, the Agency made proposals to the President regarding the delimitation of the regulatory perimeter between the ARDFM, NB and AIFC Committee to exclude regulatory arbitrage and duplication of functions.

Recommendations	Authorities	Timeline	Authorities' Comments
remaining cases where similar activities can be provided under two regulatory authorities to prevent arbitrage			
Financial Safety Net and Crisis Management Preparedness			
Revise the resolution and liquidation decision-making processes to strengthen the ARDFM's operational independence, subject to robust transparency and accountability, and its staffing and resourcing; expand and clarify the rules for the injection of capital into bridge banks during episodes of systemic risk	ARDFM, MOF, MNE	I	<ul style="list-style-type: none"> - Relevant norms are being included in legislative amendments on insolvent bank resolution, in coordination with ongoing IMF technical assistance (TA) support. - Upon completion of the IMF TA, expected in 2024Q4, the plan is to submit to the Economic Policy Council (EPC) the IMF recommendations on the state's participation in the insolvent bank resolution process, including the roles of the Government, Agency, and NBK. - Following agreement among all stakeholders, the legislative amendments will be submitted to Parliament as part of the draft Banking Law.
The law should specify the forms and mechanisms of state participation in the resolution of insolvent banks (e.g.: bridge banks), tightening the conditions for the use of public resources	MoF, MNE, ARDFM, NBK	I	
Ensure that there is in place a general architecture of intra- and interagency contingency plans (even bilateral), establish MoUs, and engage in financial crisis-simulation exercises to test the plans; enhance legal protection of staff when defending their actions in faithful discharge of duties	ARDFM, NBK, MoF, KDIF, MNE	I	<ul style="list-style-type: none"> - Approval of the general architecture of intra- and inter-agency anti-crisis plans, within the framework of the Financial Stability Board, is expected in 2025Q1. - By the end of 2025 Q3, internal guidelines (playbook) on the provision of LOLR support (NBK), participation in resolution, guaranteed deposit payments (KDIF), early intervention measures, viability assessment, and resolution measures (ARDFM) will be developed by the NBK, ARDFM, and KDIF.
Revise the process of Lender of Last Resort (LOLR) collateral supervision and prepositioning of eligible nonmarketable assets (ARDFM); refine the methodology for valuation of non-marketable assets haircut (NBK); ensure that the government indemnifies NBK in case LoLR is granted to prevent severe systemic disruption, where justified to prevent an accumulation of risk on the NBK's balance sheet (MoF, MNE)	ARDFM, NBK, MoF, MNE	ST	<ul style="list-style-type: none"> - The Agency and the NBK are working on improving the LOLR mechanism. To date, the following agreed proposals have been made: - AQR results on provisions and risk metrics will be used to simplify the prepositioning procedure. - Expansion of the list of assets to be pledged by including all IFRS stage 1 loans for the bank and AQR (except for loans to related parties and large individual loans). - Dynamic discount scale depending on risk and loan quality (set by the NBK taking into account the Agency's proposals).
Note: I Immediate (within 1 year); ST Short term (1-3 years); MT Medium Term (3-5 years)			

Annex IX. Progress on Anti-Corruption and the Rule of Law Recommendations

This annex summarizes the latest developments regarding Kazakhstan's efforts to address previous IMF recommendations on anti-corruption and rule of law (e.g., in the 2022 Article IV Consultation – Annex V).¹ Specifically, progress was achieved in addressing past recommendations on investigating high-level corruption and upgrading the anti-corruption legal framework. However, the offense of unjustified enrichment remains to be introduced in 2027 and the asset declaration mechanism has not been operationalized (planned for 2025). While the introduction of a minimum budget for the judiciary and of qualification criteria for judges are encouraging, continued efforts are needed to ensure judicial independence and integrity, such as effective self-governance of judicial institutions and objective appointment and dismissal procedures.

Recommendations	Current Status
Address risks from grand corruption	The authorities reported exposing 18 high-ranking officials for corruption, as of September 2024. Effective law enforcement (from investigation to prosecution and conviction) will help ensure that grand corruption is a high-risk and low-reward offense.
Continue upgrading the anti-corruption legal framework and enhance their implementation	Several reform laws were submitted to Parliament but have not yet adopted. ^{1/} According to the authorities, these draft laws aim to facilitate the implementation of anti-corruption policies in line with international standards and best practices, including: (i) criminalizing promising/offering bribes and introducing a public register of corrupt officials; (ii) strengthening the liability of legal entities and liability for failure to take anti-corruption measures; (iii) improving detection of domestic corruption; and (iv) regulating conflicts of interest. Under the 2023 Law, the liability for unjustified enrichment by civil servants and persons equated to them is set to enter into force in 2027. ^{2/} This law also introduced additional measures to protect labor interests and confidentiality of whistleblowers for reporting corrupt conduct.
Revise asset disclosure system and ensure their vigorous enforcement	Universal income and property declarations are being introduced with full completion by 2025. Since 2021, officials and their spouses are required to submit their income and property declarations. In the next phase (starting from 2023), this requirement has been expanded to employees of government bodies and of the quasi-public sector and their spouses. As regards publication of information in these declarations, the Anti-Corruption Agency is developing a draft order that will be circulated for public discussion. Public access to income and property declarations will contribute to meaningful verification of their accuracy and effective sanctioning for violations.
Exclude any undue privilege against liability for corruption in the rules for immunity	In February 2023, the references to the First President were removed from the Constitution and the family members of the First President lost their immunity. Top official's immunity from criminal offenses (including corruption) should not amount to a disproportionate privilege and promote impunity.

¹ Prepared by Yao Deng (LEG).

Recommendations	Current Status
Strengthen the institutional and operational autonomy of anti-corruption institutions	<p>The Anti-Corruption Agency is only subordinate to the President.</p> <p>Additional measures to limit the role of the executive in the Anti-Corruption Agency are critical, including in the appointment and dismissal of key officials, and in deciding on structural organization, number of staff and operational regulations.</p>
Accelerate the judicial reforms and eliminate political influence over appointments and dismissal of judges and prosecutors	<p>In 2023, measures to promote judicial independence were enacted, such as establishing a minimum budget threshold for the judiciary and the right of the judicial self-governing body to determine the size of judges' salaries. All types of legal proceedings have been moved to an electronic format and the elements of election of judges have been incorporated in the law to reduce the executive influence.</p> <p>Efforts should continue to address the excessive role of political bodies in judicial appointments and dismissals, and transform the High Judicial Council into a fully autonomous and effective institution.</p>
Continue to strengthen the protection of property rights by reducing bureaucratic obstacles and addressing corruption risks in land management	<p>In 2023, the Ministry of Justice, in cooperation with relevant state bodies, was instructed to develop proposals to strengthen the protection of property rights and submit them to the Presidential Administration. A joint action plan to eliminate the causes and conditions for corruption in land management, based on an external analysis of corruption risks, was being implemented by the Committee for Land Resources Management of the Ministry of Agriculture.</p> <p>The efficiency of the land dispute resolution system should be enhanced and the corruption risks in land management should be further mitigated.</p>
<p>1/ Draft Laws on Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Combating Corruption and on Amendments and Additions to the Code of Administrative Offenses of the Republic of Kazakhstan on Combating Corruption.</p> <p>2/ Law on Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Combating Corruption and Ensuring the Security of Persons Subject to State Protection, January 3, 2023.</p>	



INTERNATIONAL MONETARY FUND

REPUBLIC OF KAZAKHSTAN

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION— INFORMATIONAL ANNEX

November 12, 2024

Prepared By:

The Middle East and Central Asia Department
(in consultation with other Departments)

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RELATIONS WITH THE FUND

(As of September 30, 2024)

Membership status:

The Republic of Kazakhstan joined the IMF on July 15, 1992. It accepted the obligations of Article VIII, Sections 2, 3, and 4 in 1996.

General Resources Account:

	SDR Million	Percent of Quota
Quota	1,158.40	100.00
IMF's Holdings of Currency (Holdings Rate)	960.23	82.89
Reserve Tranche Position	198.18	17.11

SDR Department:

	SDR Million	Percent Allocation
Net cumulative allocation	1,453.93	100.00
Holdings	1,478.67	101.70

Outstanding Purchases and Loans: None

Latest Financial Arrangements (in millions of SDR):

Type	Arrangement	Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
EFF	12/13/99	3/19/02	329.10	0.00
EFF	7/17/96	7/16/99	309.40	154.70
Stand-By	6/05/95	6/04/96	185.60	185.60

Overdue Obligations and Projected Payments to Fund 1/ (SDR million; based on existing use of resources and present holdings of SDRs):

	2025	2026	2027	2028
Principal				
Charges/Interest	0.01	0.01	0.01	0.01
Total	0.01	0.01	0.01	0.01

1/ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section

Implementation of HIPC Initiative: Not Applicable.

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Exchange Rate Arrangements: Kazakhstan's de jure exchange rate arrangement is free floating, and its de facto exchange rate arrangement is classified as floating. Interventions by the National Bank of Kazakhstan (NBK) on the foreign exchange market are not systematic but aimed exclusively at limiting short-term market volatility. The NBK started publishing monthly data on net foreign exchange interventions on a regular basis in 2016. Kazakhstan has accepted the obligations of Article VIII, Sections 2, 3, and 4, and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions.

Article IV Consultation:

Kazakhstan is on the standard 12-month consultation cycle. The last consultation was concluded by the IMF Executive Board on February 7, 2024 (see IMF Country Report No. 2024/046).

FSAP Participation:

Kazakhstan first participated in the Financial Sector Assessment Program (FSAP) in 2000. FSAP updates were conducted in 2004, 2008, 2014, and 2023 and a Financial System Stability Assessment (FSSA) was published on February 7, 2024 (see IMF Country Report 2024/048).

Technical Assistance and Training:

Kazakhstan has received IMF TA and training in all key economic policy areas during 1993–2023. The Fund has also provided resident or peripatetic advisors to the NBK, the Committee on Statistics, the Ministry of Finance, and the former Financial Supervision Agency. A regional capacity development center for CCA countries and Mongolia (CCAMTAC) was established in Almaty in 2021 and officially opened in 2023. Other international agencies and governments also provide TA (e.g., the World Bank, EBRD, UNDP, ADB, OECD, USAID). The following summarizes Fund TA to Kazakhstan since 2018.

Monetary and Capital Markets Department

IMF TA has enabled progress in monetary and exchange rate policy and operations, central bank accounting, payments system reform, central bank organization and management, banking legislation, banking supervision, statistics, and money-market development.

1. April 2018: Management of distressed assets.
2. April 2018: Foreign exchange operations.
3. 2018–19: Forecasting and Policy Analysis System.
4. September 2020: Risk-Based Supervision.
5. November 2020–January 2021: Risk-Based Supervision Pillar 2 Implementation.

6. January–April 2021: Capacity Development Plan in Central Bank Policy and Operations.
7. April–May 2021: Risk-Based Supervision Recovery Plans and Interest Rate Risk.
8. July–September 2021: Risk-Based Supervision Pillar 2 Liquidity.
9. July–October 2021: Cybersecurity in Financial Institutions.
10. December 2021: Bank Stress Testing.
11. January 2022: Quarterly Projection Model.
12. February 2022: Debt Management.
13. February 2022: Risk-Based Supervision for Securities Markets.
14. February 2022: Central Bank Risk Management.
15. August 2022: Forensic Supervision.
16. September 2023: FXI modelling.
17. November 2023: Conglomerated Supervision.
18. February 2024: Central Bank Digital Currency.
19. March 2024: Emergency liquidity assistance framework.
20. May 2024: Central Bank Digital Currency.
21. September 2024: Consolidated Supervision.
22. October 2024, Monetary Policy Committee Functioning

Fiscal Affairs Department

Support has been provided on revenue administration and public financial management, including treasury operations, accounting, IT systems, and the introduction of a social safety net.

1. April-May 2019: Accrual budgeting.
2. September 2019: Tax Compliance Risk Management.
3. May-August 2020: Assessing Macro-Fiscal Risks and State-Owned Enterprises.
4. November-December 2020: Accrual Budgeting and First Prospective Consolidated Financial Statements.
5. November 2021: Accrual Budgeting.
6. February-March 2022: Fiscal Risks Management.
7. June 2022: Fiscal Risks.
8. February 2023: Fiscal risks.
9. February 2023: Fiscal Transparency Evaluation.
10. June 2023: Fiscal Risks.
11. June 2023: Tax policy diagnosis.
12. July 2023: Compliance Risk Management.
13. September 2023: Diagnosis of the extractive sector.
14. May 2024: Fiscal risks.
15. September 2024: Fiscal risks.

Institute for Capacity Development

1. October–November 2021: Forecasting Performance of Quarterly Projection Model of the NBK.
2. November–December 2023: Quarterly Projection Model of the NBK.
3. June 2024: Macroeconomic Framework, MNE.
4. August 2024: Quarterly Projection Model of the NBK.

Statistics

1. 2017–18: National accounts statistics.
2. April 2018: Government finance statistics.
3. September 2019: Government finance statistics.
4. January 2021: Government finance statistics.
5. August–September 2021: National accounts statistics.
6. November 2021: Price statistics.
7. November 2021: Government finance statistics and public sector debt statistics.
8. July 2022: National accounts statistics.
9. July 2022: Price statistics.
10. October 2022: National accounts (GDP).
11. October 2022, Technical Assistance Report Government Finance Statistics
12. April 2023: National accounts (GDP).
13. November 2023: Government Financial Statistics.
14. November 2023: National accounts (GDP).
15. December 2023: Price statistics.
16. March 2024: National accounts (GDP)
17. September 2024: Price statistics.

Legal Development

1. June 2024: Bank resolution, ARDFM.

Training

Officials from Kazakhstan have participated in IMF courses and workshops in Washington, at the Joint Vienna Institute, and in the region, on macroeconomic management, monetary and exchange policy and operations, central bank communications, budgetary expenditure control, financial programming, taxation, and statistics.

Local Office

The IMF maintains a local office in Almaty.

A regional capacity development center for the eight countries in the Caucasus and Central Asia, as well as Mongolia (CCAMTAC), was established in Almaty in 2021.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

World Bank: <https://www.worldbank.org/en/country/kazakhstan>

European Bank for Reconstruction and Development: <https://www.ebrd.com/kazakhstan.html>

Asian Development Bank: <https://www.adb.org/countries/kazakhstan/mainsvetlana>