INTERNATIONAL MONETARY FUND

IMF Country Report No. 26/17

REPUBLIC OF KAZAKHSTAN

January 2026

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE REPUBLIC OF KAZAKHSTAN

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 2025 Article IV consultation with the Republic of Kazakhstan, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its January 20, 2026, consideration of the staff report that concluded the Article IV consultation with the Republic of Kazakhstan.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on January 20, 2026, following discussions that ended on November 19, 2025, 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 January 5, 2026.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for the Republic of Kazakhstan.

The documents listed below have been or 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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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes 2025 Article IV Consultation with Kazakhstan

FOR IMMEDIATE RELEASE

Washington, DC – January 27, 2026: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Kazakhstan[1].

Kazakhstan's economy continued to grow at a rapid pace in 2025, boosted by rising oil output and robust activity in non-oil sectors. Strong domestic demand, underpinned by an expansionary public sector stance, has contributed to clear signs of economic overheating. Alongside imported price pressures, this has helped push inflation well above its target. Overall, banks remain resilient amid rapid consumer credit growth. In the medium-term, growth is projected to moderate to around 3½ percent, and inflation would decline only gradually to its 5 percent target by 2030.

The National Bank of Kazakhstan continues to maintain a tight monetary stance amid persistent inflation pressures. Planned fiscal consolidation in the 2026 state-budget will be largely offset by expanding quasi-fiscal activities by State Owned Enterprises, resulting in a continued overall loose public sector stance. Rapid progress in implementing the 2023 FSAP recommendations and ongoing deployment of prudential measures should continue to support financial stability.

Structural reform implementation faces persistent challenges, with the state footprint remaining large and constraining private sector development. Enhancing efforts to diversify the economy and promote private activity in key productivity-enhancing sectors will be crucial to delivering higher levels of sustainable growth.

Executive Board Assessment[2]

Executive Directors commended the Kazakh authorities for the economy's resilience amid global policy uncertainty and oil price fluctuations. They noted that strong economic growth, however, has been accompanied by persistently high inflation and widening current account deficit, consistent with signs of economic overheating. Directors stressed the importance of ensuring a more restrictive and well-coordinated macroeconomic policy mix and additional structural reform efforts to deliver more sustainable, inclusive growth.

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[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] At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Directors emphasized the importance of maintaining a tight monetary policy stance until inflation is close to target and noted the need for further policy rate hikes should inflation increase. They also called for more effective liquidity management, including through greater issuance of short-term notes by the National Bank of Kazakhstan, coordinated with the issuance of treasury bills by the Ministry of Finance. Directors noted such efforts would help strengthen the transmission of monetary policy, enhance government cash management, and support domestic capital market development.

Directors recommended an overall fiscal consolidation to avoid fiscal procyclicality. They emphasized the importance of additional measures to strengthen planned fiscal consolidation, including by phasing out remaining tax exemptions, while stressing that the off-budget activities of SOEs should be more restrained and carefully calibrated to avoid undermining disinflation efforts. Enhancing the fiscal framework is also a priority.

Directors welcomed that the banking sector remains sound, but noted risks related, in particular, to rapid consumer credit growth. They encouraged continuing to implement key 2023 FSAP recommendations and further strengthen the stability of the banking system. Directors urged giving priority to enacting the new Banking Law, establishing the necessary capacity to operationalize the new bank resolution framework, and regulating and supervising activities in the digital asset space. Ensuring prudential measures are well-targeted will help mitigate potential financial stability risks from household over-indebtedness.

Directors urged the authorities to accelerate market and governance structural reforms to further reduce the role of the state and promote private sector activity. They agreed that further investments in health, education, digitalization, and infrastructure should be complemented by reforms to reinforce legal protections, ensure property rights, and reduce the cost of doing business to level the playing field for the private sector. Strengthening the AML/CFT framework is also key.

Table 1. Kazakhstan: Selected Economic Indicators, 2024–27

		Projections		
	2024	2025	2026	2027
Output and prices		(Annual percent change)		
Real GDP	5.0	6.2	4.4	4.2
Real Oil GDP	-2.2	11.5	3.6	4.0
Real Non-Oil GDP	6.9	4.9	4.6	4.2
Headline Inflation (AVG)	8.7	11.4	10.7	10.0
General government fiscal accounts		(Percent of GDP)		
Revenues and grants	19.2	17.6	17.8	18.3
Expenditures and net lending	22.7	21.6	21.3	21.3
Overall fiscal balance	-3.5	-4.0	-3.5	-3.0
Non-oil fiscal balance	-8.2	-8.3	-7.4	-7.1
Gross public debt	24.4	25.2	27.5	28.8
Monetary accounts		(Annual percent change)		
Broad money	33.4	34.3	34.8	34.9
Credit to the private sector	25.5	26.0	26.4	26.9
External sector	(Percent of GDP, unless otherwise indicated)			
Current account balance	-2.7	-4.1	-4.3	-4.2
Reserves Assets (USD billion)	45.8	56.1	62.6	62.8
In months of following year imports of G&S (Units)	7.0	8.2	8.9	8.8
NFRK assets	19.9	19.4	19.2	19.5
External debt	56.5	62.7	63.9	63.8

Sources: Kazakhstani authorities and IMF staff estimates and projections.

INTERNATIONAL MONETARY FUND

REPUBLIC OF KAZAKHSTAN

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

January 5, 2026

KEY ISSUES

Context. Kazakhstan's economy is showing clear signs of overheating. After growing by around 5 percent in 2023 and 2024, the economy is expected to expand by 6.2 percent in 2025, fueled by rising oil production, a loose fiscal stance, expanding quasi-fiscal activities, and rapid consumer lending. Inflation remains stubbornly high at around 12½ percent and the current account deficit is widening. The outlook faces elevated risks from persistent inflation, an uncertain external environment, and weaker oil prices.

Recommendations. Strong policy coordination, backed by prudential measures and decisive reforms, is essential to support overall fiscal consolidation, reduce inflation, diversify the economy, and achieve sustainable, low-inflation growth.

- *Monetary policy* should remain tight until inflation is close to target. Additional policy rate hikes should be delivered if inflation rises further. In addition, structural measures to absorb the overhang of excess liquidity, including greater issuance of National Bank of Kazakhstan short-term notes, are needed and would also strengthen monetary policy transmission.
- *A credible adjustment in the fiscal stance and SOE investment plans* is necessary to help curb inflation, preserve fiscal buffers, and meet fiscal consolidation objectives. Priorities include raising non-oil revenue, recalibrating quasi-fiscal activities to avoid an expansionary overall public sector stance, and strict adherence to expenditure rules to reinforce countercyclical fiscal policy.
- In the *financial sector,* well-targeted prudential policies would help ensure continued financial stability. Strong implementation of key recommendations from the 2023 Financial Sector Assessment Program (FSAP) should continue, while efforts to finalize a fully-fledged bank resolution framework, supported by sustained institutional capacity building and interagency coordination, are needed.
- *Structural reform* priorities should remain focused on reducing the state's footprint, improving governance and the business environment, fostering capital market development, and pursuing trade diversification alongside cross-regional integration. Further investments in health, education, digitalization, and infrastructure would support productivity gains and higher potential growth.

Approved By
Subir Lall (MCD) and Tokhir Mirzoev (SPR)

Discussions took place in Almaty and Astana during November 6-19, 2025. The team comprised A. Al-Eyd (head), D. Heng, G. Impavido, and T. Piontek (MCD). The mission met with Deputy Chief of the President's Executive Office Dosaev, Deputy Prime Minister and Minister of Economy Zhumangarin, National Bank of Kazakhstan Governor Suleimenov, Vice Minister of Finance Kengbeil, Chairperson of the Agency for Regulation and Development of the Financial Market Abylkassymova, other government officials, representatives from international financial institutions, the private sector, diplomatic community, and media. S. Lall (MCD), P. Loszewski (Executive Director), and M. Zhunusbekova (Senior Advisor to Executive Director) joined the concluding meetings. The mission was supported by O. Bissekeyeva (local office) and S. Wang and S. Zolotareva (HQ).

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TABLES

ANNEXES

Glossary

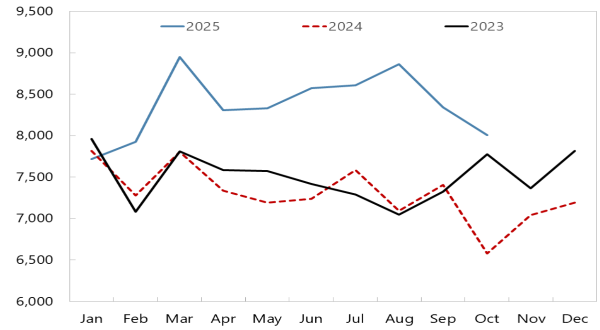
AIFC	Astana International Financial Center
AML/CFT	Anti-Money laundering and Combating the Financing of Terrorism
ARA	Assessing Reserve Adequacy
ARDFM	Agency for Regulation and Development of Financial Market
BNMH	Baiterek National Management Holding
CCAMTAC	Caucasus, Central Asia, and Mongolia Regional Capacity Development Center
CFM	Capital Flow Management Measure
CIT	Corporate Income Tax
CPC	Caspian Pipeline Consortium
DAMU	Entrepreneurship Development Fund
DSTI	Debt Service-to-Income
DTI	Debt-to-Income
FSAP	Financial Sector Assessment Program
FSSA	Financial Sector Stability Assessment
FTE	Fiscal Transparency Evaluation
FX	Foreign Exchange
GDP	Gross Domestic Product
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
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
SK	Samruk Kazyna
TA	Technical Assistance
VAT	Value-Added Tax

CONTEXT

1. Kazakhstan shows clear signs of overheating. Growth in 2025 has been boosted by rising oil output (text figure 1), and ongoing robust activity in non-oil sectors. The combination of strong domestic demand, underpinned by an expansionary public sector stance, and external factors have helped push inflation well above its target. Monetary policy has been tightened, and the exchange rate has experienced bouts of heightened volatility. Geopolitical risks and global trade tensions have had limited impact thus far, reflecting trade diversification, small direct impacts from US tariffs, and large fiscal and financial buffers.

Text Figure 1. Oil Production 1/

(MT Thousand, EOP, NSA)



Source: BNS and Haver data.

1/ Crude oil and gas condensate.

2. Appetite for implementing key structural reforms is limited and could further wane with the approaching election cycle. External uncertainties could slow domestic activity through risks of weaker global growth and lower oil prices, further restricting the policy space needed to advance critical structural reforms for economic diversification and higher medium-term potential growth. Persistently high inflation has driven the policy rate to historic highs and is increasingly straining household welfare. In November 2025, the government announced the "Joint Action Program" of the Government, the National Bank of Kazakhstan (NBK), and the Agency for Regulation and Development of the Financial Market (ARDFM) for 2026–2028,[1] prioritizing higher real incomes, the improvement of public welfare, and reducing inflation.

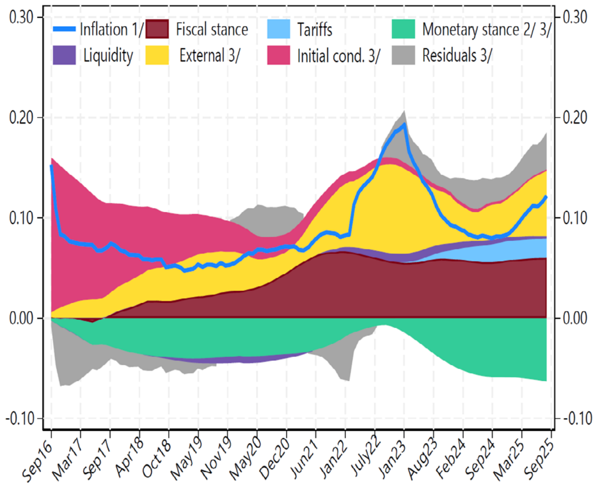
RECENT MACROECONOMIC DEVELOPMENTS

3. Growth is notably above potential, and inflation remains well above its target. In the first ten months of 2025, growth increased to 6.4 percent from 5 percent at end-2024, compared to staff's current estimated potential growth rate of 3-4 percent (Annex I). Growth is broad-based, buoyed by a loose fiscal stance, strong consumer credit growth, and rising SOE-led investment. Inflation accelerated in 2025, reaching 12.4 percent at end-November, more than double the NBK's inflation target of 5 percent. The temporary suspension of planned utility tariff increases (from October 2025 to April 2026) has helped contain further acceleration of headline inflation, but inflation pressures remain significant, especially in food due to higher global meat prices and domestic costs. Staff estimates[2] indicate that the loose fiscal stance is a key determinant of inflation, followed by external factors, primarily through import prices from Russia, and utility tariff reforms. These inflationary forces are only partially offset by a restrictive monetary policy stance (text figure 2).

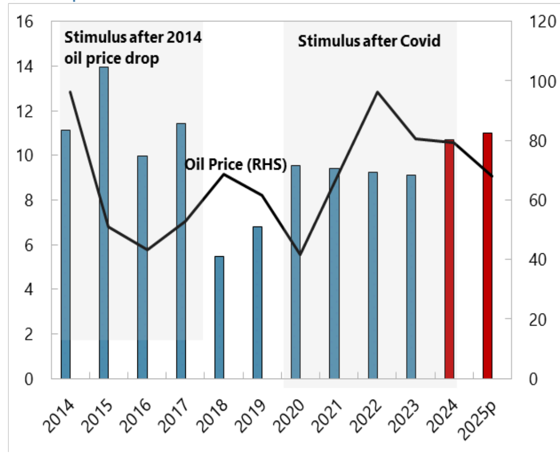
[1] Joint Action Program, November 19, 2025. Full details of the program are still being developed.

[2] See Impavido, G. (2025a). Inflation Determinants in Kazakhstan: A Tale of (at Least) Two Stories. IMF Working paper No WP/25/210.

Text Figure 2. Inflation and Fiscal Stance



Source: Impavido (2025a).
1/ Historical contribution.
2/ Excluding liquidity component.
3/ Including expectations



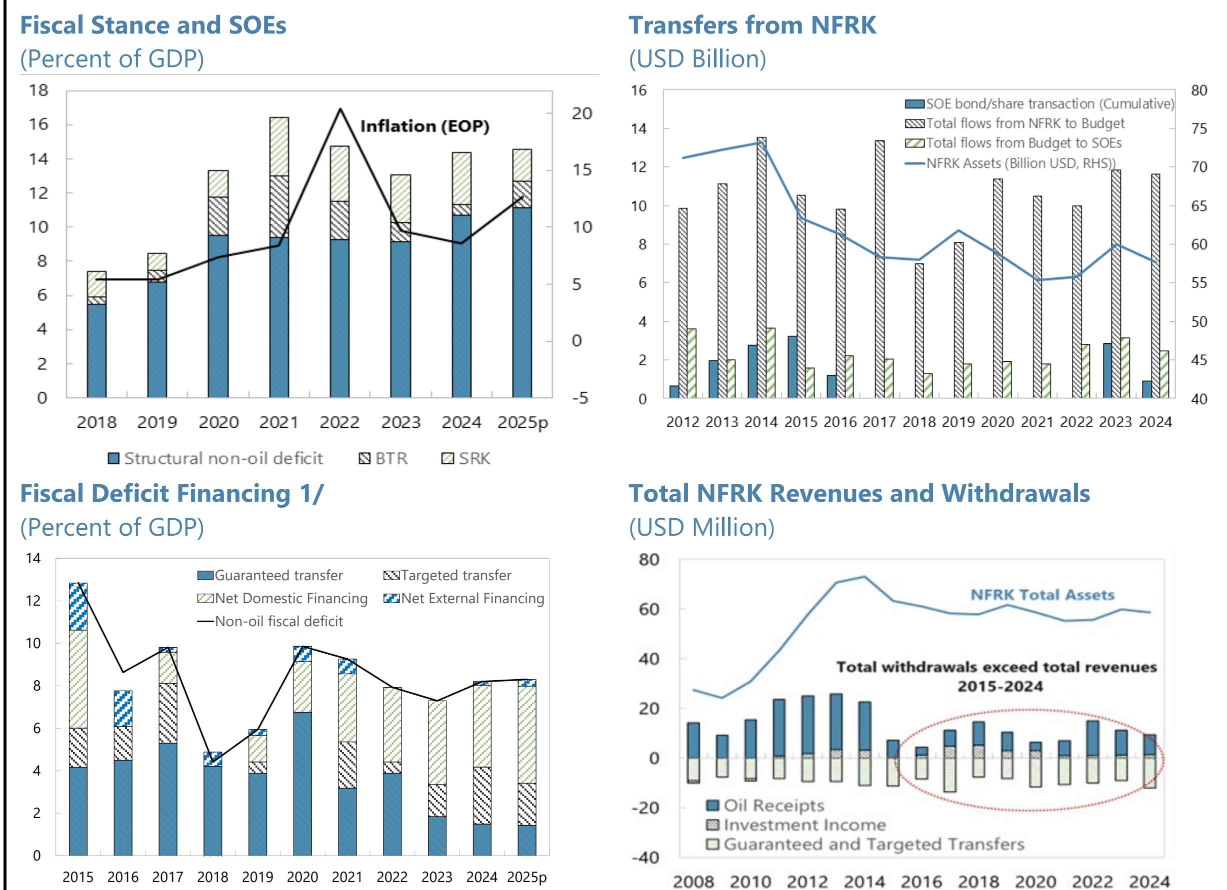
Source: MOF and IMF Estimates
1/ Deficit figures are presented in positive terms.

4. The fiscal stance has been expansionary. As of 2025Q3, revenue collection and expenditure are broadly in line with the budget, which anticipates subdued tax revenues, high spending, and large transfers from the National Fund of the Republic of Kazakhstan (NFRK). Revenues are expected to remain weak in 2025 due to lower oil prices and extensive tax exemptions, while expenditure is expected to remain elevated, resulting in a slight widening of the structural non-oil deficit to 11 percent of GDP in 2025 from 10.7 percent in 2024 (text figure 2).

5. The overall public-sector fiscal stance is significantly looser when accounting for lending and investment by SOEs. Staff estimates indicate the balance sheet expansion by major SOEs averaged about 20 percent of the state budget expenditure over the past five years (text figure 3). If this activity were booked as budgetary capital expenses, the non-oil deficit would have been about 3½ percentage points higher in 2024–25. Over the past five years, SOEs would have added an additional 4½ percentage points, on average, to the deficit.[3] Baiterek National Management Holding (BNMH) has been mandated to scale up lending to non-oil infrastructure in 2025 and 2026, supported by increased capitalization from the state budget. The government's continued reliance on the large NFRK transfers to fund the fiscal deficit and SOEs contributes to excess liquidity in the economy and jeopardizes its goal of accumulating assets amounting to USD 100 Billion in the NFRK by 2030 (text chart).

[3] The estimates are based on changes in total assets. Estimates using changes in total loans and investments point to an expansion of about 3 percent on average.

Text Figure 3. Fiscal Stance and Transfers from the Oil Fund



Source: NBK and IMF Estimates
1/ Guaranteed transfer is legislated in the budget. Targeted transfer is at the discretion of the President.

Source: NBK and MOF

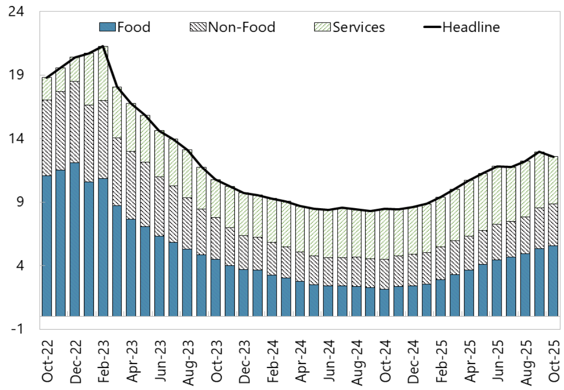
6. **The monetary stance has been tightened amid persistent inflation pressures.** In October 2025, the NBK hiked its policy rate by 150 basis points to 18 percent, bringing the ex-ante real policy rate to about 100 basis points above the long-term neutral rate (text figure 4). However, policy rates have a limited direct impact on commercial bank lending rates, reflecting weak transmission and the large presence of subsidized loans. The NBK also implemented measures to reduce structural excess liquidity, including by gradually phasing-in a higher marginal reserve requirement on both domestic and foreign currency liabilities, tripling the volume of NBK short-term note issuance, and sterilizing the excess Tenge liquidity caused by gold purchases and mirroring operations in 2025.[4] Despite the tightening of the monetary policy stance, inflation expectations have remained elevated at around 13 percent.

[4] Starting in 2025, the NBK began mirroring its gold purchases by selling FX into the domestic market to sterilize the local currency used to buy gold during the previous quarter. Due to the surge in global gold prices, the NBK's mirroring operations have lagged the tenge issuance linked to gold purchases. To absorb the resulting excess liquidity accumulated in 2025, the NBK plans roughly KZT 1.4 trillion in FX sales in 2025Q4.

Text Figure 4. Inflation and Monetary Stance

Headline Inflation

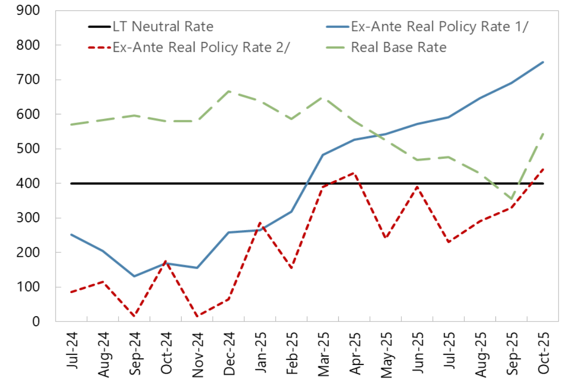
(Percent, EOP)



Source: NBK.

Ex-Ante and Real Policy Rates

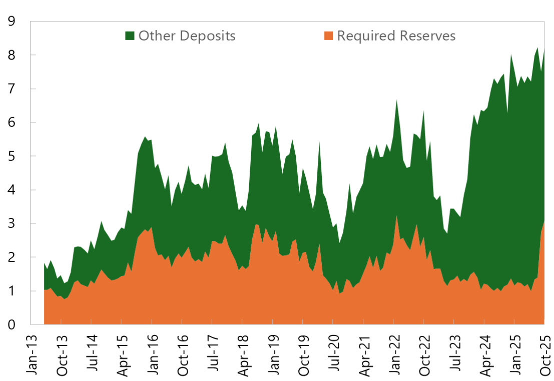
(Basis points)



Source: NBK and IMF Staff estimates.
1/ Using Staff inflation projections. 2/ Using inflation expectations.

Excess liquidity

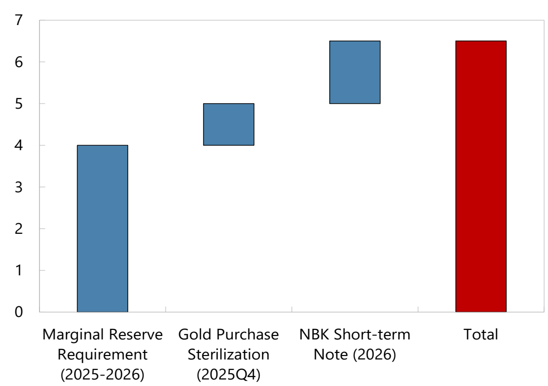
(Tenge trillion, EOP NSA)



Source: NBK

Liquidity Absorption in 2025-2026

(Tenge trillion)



Source: NBK and Staff Estimate

7. **Financial stability risks are contained despite rapid credit growth**. Overall, banks are well capitalized, highly profitable, and liquid. However, consumer credit growth has started decelerating, reaching 25 percent (yoy) in October 2025, but remains high. This has contributed to strong domestic demand, raising concerns about household leverage. Banks' impaired assets have increased somewhat, but remain low as a share of total assets, largely because banks routinely offload these to asset management companies. Between 2022 and 2024, distressed assets in these companies rose by about 2 percent of GDP, reflecting an increase in restructured loans.

8. **The current account deficit has widened with strong domestic demand.** The current account deficit is projected to widen to around 4 percent of GDP in 2025, from 2.7 percent of GDP in 2024, and remain at this level through 2027. Strong import demand, partly related to SOE activities, has been a key driver of the deficit. Lower net foreign direct investment (FDI) inflows and net portfolio outflows in 2025H1 contributed to net financial outflows (Box 1). The external position is projected to be weaker than implied by economic fundamentals and desirable policies (Annex II).

Nevertheless, Kazakhstan has ample international reserves, amounting to around 180 percent of the composite ARA metric.

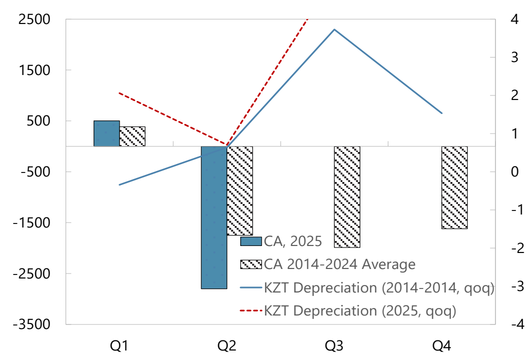
9. Structural reform implementation faces persistent challenges (Annex VIII). Despite ongoing efforts to diversify the economy and promote private activity in key productivity-enhancing sectors, the state's footprint remains large. Although recent progress on privatization programs and the removal of select subsidies are welcome, state interventions and external restrictions remain substantial, constraining competition and private sector development. Expanding quasi-fiscal activities also poses larger contingent fiscal risks (see 2025 Selected Issues Paper).

10. The NBK, together with financial regulators, is building a comprehensive ecosystem for digital asset circulation across the country. Legislative amendments passed by the parliamentary in December 2025 aim to foster the digital asset market by formally defining digital financial assets, which include stablecoins, asset-backed digital assets, and digital financial instruments. The amendments also remove the previous ban on circulating unbacked crypto assets outside the AIFC and defines the NBK as the sole issuer of Digital Tenge that can manage its issuance, circulation, and redemption. A regulatory framework is under development by a joint committee of the NBK, ARDFM, and Astana Financial Services Authority, while a State Crypto-Reserve fund has been established to invest in digital assets and activities.

Box 1. The Twin Deficits and Tenge Depreciation in 2025H1

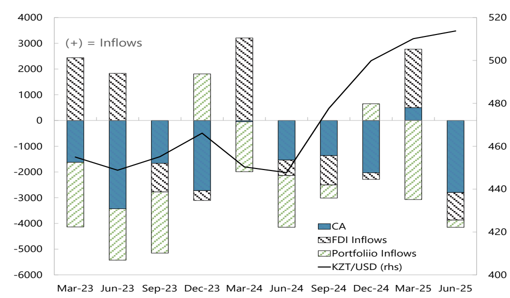
Kazakhstan's twin deficits have contributed to depreciation pressures on the Tenge exchange rate. The weakening of the exchange rate tends to be more pronounced in Q2–Q4, when current account deficits widen with a seasonal increase in public and private spending (chart). Over the past year, these seasonal factors combined with net portfolio outflows and reduced FDI inflows, intensifying depreciation pressures on the Tenge (chart). The NBK intervened amid disorderly conditions in the FX market in November 2024, when the Tenge reached 530 KZT/USD, and again in July 2025, as the Tenge hit a record low of 550 KZT/USD.

Current Account Deficits and Tenge
(Left Axis: millions of USD; Right Axis: percent)



Source: IMF Staff Estimates

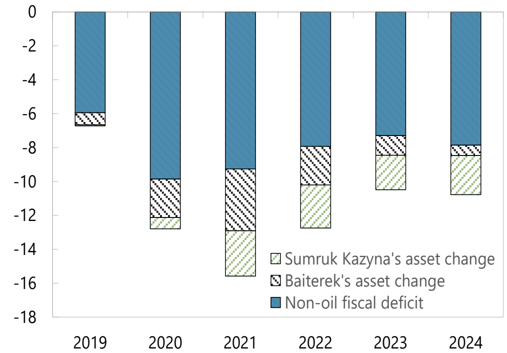
Exchange Rate and Capital Flows
(Left Axis: Billions of USD, Right Axis: KZT/USD)



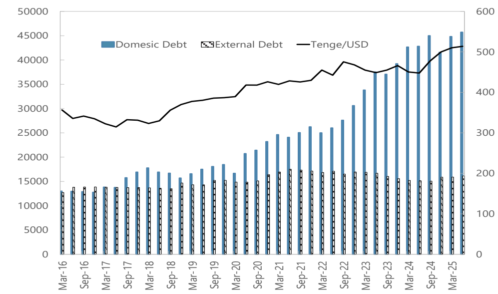
The persistent twin deficits reflect inadequate policy coordination. Fiscal policy has remained expansionary, accompanied by significant balance sheet expansion by large SOEs to stimulate economic growth toward official targets (chart). This expansion has been financed largely through increased domestic borrowing (chart) and comes at a time when the economy is operating notably above its potential. Although monetary policy has been tightened, its transmission remains weak, including due to structural excess liquidity, and inflation has accelerated. Persistent excess liquidity and rapid credit growth have continued to enable substantial domestic borrowing by the government, SOEs, and households alike.

Box 1. The Twin Deficits and Tenge Depreciation in 2025H1 (Concluded)

Fiscal Deficit and Quasi-Fiscal Activities
(Percent of GDP)



Domestic and External Bonds
(USD Billion)



Source: IMF Staff Estimates

OUTLOOK AND RISKS

11. **Kazakhstan's economic outlook is strong, though inflation is projected to remain stubbornly high.** Growth is projected to increase to 6.2 percent in 2025 with continued strong domestic demand, higher oil production, and large infrastructure projects. BNMH's additional subsidized financing for key projects amounts to about 1.6 percent of GDP in 2025 (text figure 5) and poses an upside risk to growth. Inflation is projected to remain around 12½ percent in 2025, driven by elevated food prices and a positive output gap, despite the suspension of utility tariffs increases and recent exchange rate appreciation.

Text Figure 5. Announced Multiyear State Support

Sector	Projects
Manufacturing	190 small scale projects worth KZT1.5 Trillion. 17 large scale projects in metallurgy, mechanical engineering, petrochemicals. Procurement of domestic products by quasi-public sector. Creation of 37 small industrial zones across 8 regions.
Mining	Maintenance projects at three major oil fields. Commencement of shale oil extraction in southern part of the country. Commissioning of new natural gas fields. Pilot projects in rare earth materials.
Agriculture	Increase in concessional financing for farmers to KZT700 billion. Expansion of grain exports. Implementation of 286 projects for KZT694 billion. KZT200 billion preferential leasing of agriculture machinery.
Infrastructure	Implementation of National Infrastructure Development Project until 2029. Modernization of energy and utility sectors through the tariffs for investment project. Modernization of Km9 Thousand of highways and Km 1.5 Thousand of road network. Development of Trans-Caspian International Transport Route targeting 2.6-fold increase in container traffic.

Source: MNE

12. **Growth is projected to moderate to around 4½ percent in 2026 and 3½ percent over the medium term as oil output levels off, while domestic demand will remain robust**. Crude oil and gas condensate production is expected to average around 104 million tons per annum over the medium term (up from 88 million tons in 2024). Non-oil GDP growth is projected to remain healthy at around 4½ percent, albeit somewhat lower than current levels, including as credit growth slows in response to targeted prudential measures. Staff project the execution of large infrastructure investment through fiscal and quasi-fiscal expenditures to deliver a modest increase in non-oil potential growth to about 4 percent by the end of the forecast horizon. Inflation is projected to decrease to 11 percent in 2026 in line with slower growth, the temporary suspension of utility tariff increases, and a continued tight monetary stance, before gradually converging to target in 2030.

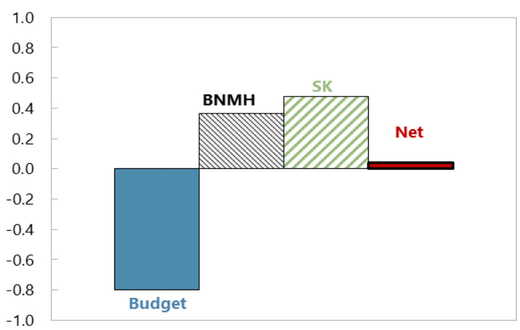
13. **Planned fiscal consolidation in the 2026 budget will be largely offset by expanding quasi-fiscal activities by SOEs, resulting in a continued overall loose public sector stance.** The

authorities expect the new tax code and the adoption of digitalization to increase non-oil revenue by about 2½ percent of GDP from 2026[5] (Annex IV). However, extensive tax exemptions pose risks to revenue collection targets, while lower oil prices could further dampen revenue prospects. The significant planned expansion of SOE activities in 2026 will largely dilute the disinflationary effects of 2026 budget consolidation. Staff estimates indicate that BNMH's capitalization and lending plans and Samruk-Kazyna's (SK) 2026 investment program[6] will expand the consolidated balance sheets of SOEs by roughly the same magnitude as the planned consolidation in the budget non-oil deficit, resulting in a continued overall loose public sector stance in 2026 (text figure 6). The overall public sector impulse since Covid has been significantly larger than the budgeted fiscal impulse, contributing to excess demand and inflation pressures. Despite this, the risk of sovereign stress is assessed to be low, reflecting a modest level of government debt and large financial buffers (Annex V).

Text Figure 6. Fiscal Impulse and SOEs

Fiscal Impulse in 2026

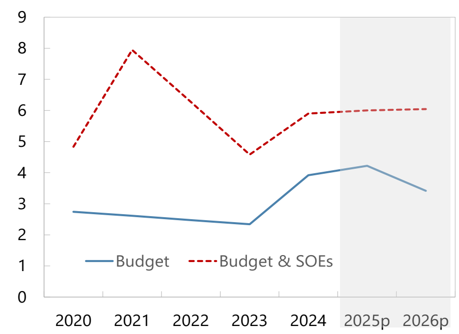
(Percent)



Source: Staff Estimates.

Cumulative Fiscal Impulse

(Percent of GDP)



Source: Staff Estimates.

14. Several new policy measures are expected to curb rapid consumer credit growth going forward, potentially dampening bank profitability. In addition to the gradual increase in minimum reserve requirements, banks face a one-off 10 percent tax on excess profits in 2025 from certain operations[7] and, from 2026, a differentiated corporate income tax of 20 and 25 percent on profits from business and consumer lending, respectively. The ARDFM is also considering measures to contain household indebtedness, including imposing an increased countercyclical capital buffer on consumer loans for systemically important banks, a ban on non-collateralized consumer loans with a maturity of more than 5 years, with increasing risk-weight assets for these loans, and a debt-to-income (DTI) threshold. Together, these measures are expected to slow consumer credit growth and reduce asset quality risks but could also result in lower bank profitability and risks of disintermediation.

[5] The government expects continued digitalization and the expansion of e-government services to streamline tax payment processes and, over the medium term, enhance "other taxes" revenue.

[6] SK plans to increase its investment in 2026 to about 4.4 trillion Tenge according to its action plan 2025-2029.

[7] These include capital gains from the sale of government securities, income from currency and interest rate swap transactions concluded for up to one year, interest on short-term repo transactions, interest on government securities and interest on deposits held at the NBK for up to one year.

15. Risks are tilted to the downside (Annex VI). External risks include a growth slowdown or renewed inflation pressures in major trading partners, trade fragmentation and global policy uncertainty, lower oil prices, and disruptions to oil exports through the Caspian Pipeline Consortium (CPC) pipeline. Domestic risks relate to revenue underperformance from widespread exemptions, potential delays in implementing infrastructure projects, continued liquidity injections into the economy via large transfers from the oil fund, which could further de-anchor inflation expectations, and higher-than-expected inflation that could undermine monetary policy credibility and prompt additional monetary policy tightening. Acceleration of large infrastructure projects financed through state-subsidized schemes pose upside risks to growth and inflation.

16. Policies should remain flexible to respond to shocks. In case of a significant growth slowdown from a major shock, fiscal space should be strategically allocated to support non-oil growth. This includes prioritizing, frontloading, and scaling up investment in activities and sectors with the potential to accelerate economic growth and productivity gains, while ensuring well-targeted support to the most vulnerable segments of society. The NBK should stand ready to deliver a more accommodative monetary stance as needed and, alongside the ARDFM, use prudential tools to ensure financial stability.

Authorities' Views

17. The authorities expect that strong investment, including through quasi-fiscal activities, will help sustain high growth and help lower inflation by expanding production. They agreed that potential growth needs to be raised and expressed confidence that large investment projects and plans to accelerate the development of the small and medium-sized enterprise (SME) sector will lift potential growth in the coming years. While broadly agreeing with the main risks to the outlook, the Government emphasized that the additional financing by Baiterek will not add to inflation pressure. At the same time, the National Bank views these quasi-fiscal measures not only as an opportunity to boost economic growth, but also as a source of stimulus for domestic demand and inflationary pressures in the economy.

MANAGING THE POLICY MIX

18. Stronger policy coordination is essential to bring down inflation and reduce macroeconomic imbalances. Persistent inflation, rapid credit growth, loose fiscal policy, and extensive quasi-fiscal activities all contribute to overheating that is fueled by state-driven demand rather than private market forces. A complementary policy mix (text figure 7) should prioritize: (i) maintaining a tight monetary stance and absorbing excess liquidity to avoid second-round inflation effects; (ii) tightening the overall public sector fiscal stance by calibrating quasi-fiscal activities, curbing SOE-driven spending, and limiting NFRK transfers in line with the fiscal rules; (iii) applying targeted prudential measures to slow excessive consumer credit growth and maintain financial stability; and (iv) transparently phasing in utility tariff adjustments only once inflation durably declines.

19. Kazakhstan can strengthen its fight against inflation and raise potential growth by combining this macroeconomic policy mix with deeper structural reforms. This requires breaking decisively from a state-led, central-planning, approach to economic growth and empowering competitive markets.

- In the near term, monetary policy should remain firmly focused on bringing inflation back to target, supported by a consistent fiscal stance that avoids pro-cyclical spending, limits quasi-fiscal activities, and caps discretionary transfers from the NFRK to the budget. Credible fiscal discipline—including strict adherence to the fiscal rules, a broader tax base, and limits on SOE balance sheet expansion—is critical to ending fiscal dominance and further strengthening the independence of monetary policy.

- Over the medium term, Kazakhstan needs productivity-enhancing reforms that reduce the state's footprint in key sectors, promote private investment, deepen capital markets, and ensure cost-reflective utility tariffs with targeted social protection, while investing in human capital, and accelerating physical, digital and soft infrastructure upgrades.

- By shifting from state-driven interventions to rules-based policies and a more dynamic private sector, Kazakhstan can sustainably curb inflation and unlock higher, more diversified long-term growth.

Text Figure 7. Strengthening Policy Coordination

Source: IMF Staff

Authorities' Views

20. The authorities broadly agreed with the need for a more restrictive overall policy mix and recently launched a "Joint Program" to increase real incomes and combat inflation. This program was endorsed in November 2025 and identifies the increase in real incomes and the improvement of public welfare as the strategic priority of socio-economic policy, with particular attention to reducing and stabilizing inflation. The authorities acknowledge that the additional lending by Baiterek in 2026 would partially offset the fiscal consolidation planned in the state budget. For this reason, and starting in 2027, they plan to revise Baiterek's lending targets based on future inflation and inflation expectations prints.

A. The Monetary Stance Should Remain Tight

21. The monetary policy stance should remain sufficiently restrictive until inflation is close to target, including through further policy rates hikes and liquidity absorption if inflation increases. Staff welcome the NBK's policy rate hike in October to ensure a sufficiently restrictive monetary stance (Annex III). Nevertheless, inflation pressures are expected to persist in the near term, including due to limited monetary transmission, seasonal factors, high food prices, increased lending targets by BNMH, and a widening output gap. Elevated inflation for a prolonged period risks further de-anchoring inflation expectations and thus increases risks to the credibility of the inflation targeting regime.

22. Staff welcome the gradual phasing-in of higher minimum reserve requirements to absorb excess liquidity. This approach mitigates risks of disintermediation, which could also arise from the rapid introduction of micro- and macro-prudential measures aimed at curbing consumer lending (Section C). Close monitoring of potential risks to banking sector disintermediation should be conducted in parallel, including through movements in banks' deposit and lending rates and increases in banking fees. Future consideration should be given to re-calibrating monetary micro- and macro-prudential measures, as well as remunerating reserve requirements once their current phasing-in is complete, the high level of structural excess liquidity has been absorbed, and if there are signs of bank disintermediation.

23. Strengthening monetary policy effectiveness requires more careful calibration of liquidity management tools. While monetary transmission has improved over time, it remains weak.[8] The Tenge Overnight Index Average's (TONIA) persistent drift to the bottom of the interest rate corridor underscores the need for recalibrating liquidity management tools (text figure 8).[9] The recent use of more structural liquidity management tools to absorb excess liquidity (noted above) is welcome. In addition to this, the NBK could consider reducing the frequency of deposit auctions to improve interbank activity, while coordinated issuance of NBK short-term notes and T-bills by the government would deepen the money and capital markets, facilitate MOF cash management, and increase the pricing efficiency of longer-term debt issuances. Once structural liquidity has been fully absorbed, the NBK should strictly adhere to a neutrality principle in its mirroring gold purchase program.

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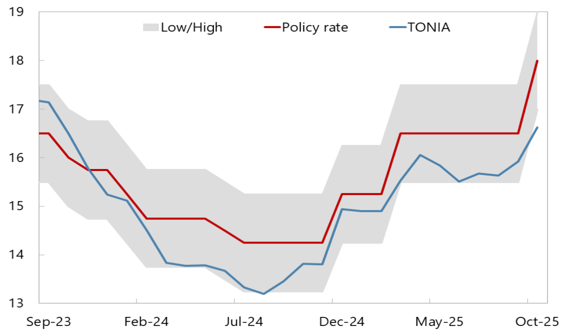
[8] See Impavido, G. (2025b). Monetary Policy Effectiveness: Results with a Small Macro Model. IMF Working Paper No WP/25/173.

[9] Tenge Over Night Index Average is the risk-free operational target for the NBK. It's calculated as the weighted average of overnight repo transactions on the Kazakhstan Stock Exchange among also other financial corporations.

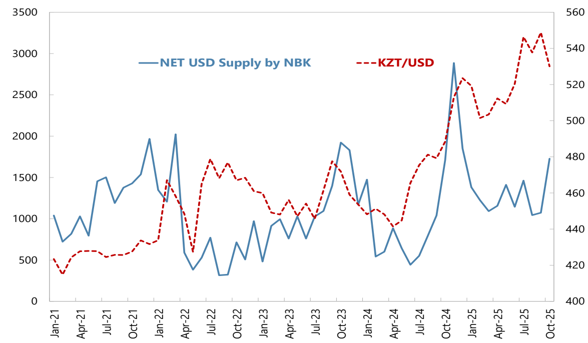
Text Figure 8. Monetary Transmission and FX Market

Policy and Tenge Overnight Index Average (TONIA) Rates
(Percent)



Source: Impavido (2025a)

NBK FX Market Activity and Exchange Rate
(LHS, million USD; RHS, Tenge/USD)



Source: NBK and IMF Estimates

24. NBK FX interventions should be limited to address temporary disorderly market conditions. Since the adoption of an inflation targeting regime, the NBK has generally refrained from intervening in the FX market. The NBK's recent FXIs addressed temporary illiquidity in the shallow FX market, and the authorities renewed their commitment to a flexible exchange rate and stressed the one-off nature of recent FX interventions. At the same time, the NBK is a major player in the FX market through the management of the national pension fund (UAPF), the oil fund (NFRK), its FX reserves, and the implementation of the mirroring mechanism of refined gold purchases since 2025. It is crucial for the NBK to refrain from foreign exchange interventions in the absence of disorderly market conditions and to maintain clear and timely communication regarding its operations in the FX market to ensure a neutral posture.

25. Outflow Capital Flow Management (CFM) measures introduced since 2020 should be phased out. Three outflow CFM measures continue to be in place including: (i) a tightened daily cap of US$50,000 ((previously, US$100,000) on non-cash FX that a resident legal entity may purchase unrelated to FX obligations); (ii) the prohibition of physical exports of FX above the equivalent of US$10,000 and of more than 100 grams of gold (except for NBK operations and certain other transactions); and (iii) reinstated in November 2024, requirement for exporting SOEs to sell 50 percent of their FX proceeds in the domestic market. These three measures should be phased out in line with the IMF Institutional View on the Liberalization and Management of Capital Flows since Kazakhstan is not facing (near-term) crisis circumstances (Annex II).

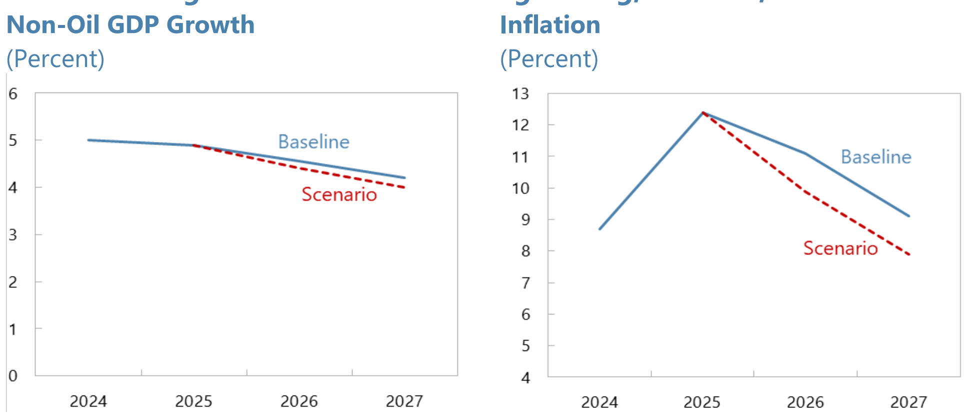
Authorities' Views

26. The authorities agreed with staff's recommendation to maintain a tight monetary stance, including by taking additional measures to address excess liquidity. They highlighted the importance of ensuring a sufficiently restrictive policy stance until inflation is close to the target and remain ready to hike the policy rate further if inflation continues to increase. The authorities have started using more structural instruments to address excess liquidity, including reserve requirements, and re-issuing NBK short-term notes, which would also support development of the money and capital markets. In addition, the authorities agree that adjustments to reserve requirements policy should be considered once the objective of a substantial reduction in excess liquidity has been achieved. Current policies including limits on cash exports, requirements for large FX transactions, and mandatory sales of FX proceeds by SOEs are not viewed as capital flow management measures (CFMs).

B. Fiscal Consolidation Is Needed

27. Corrective measures are essential to avoid fiscal procyclicality and ensure overall fiscal consolidation. The government's plan to begin fiscal consolidation from 2026 is welcome (Annex IV) but additional efforts are needed to ensure an overall restrictive public sector stance. Given the current budget and plans for SOEs, an additional fiscal tightening of about 1 percentage point of GDP is needed to maintain an overall restrictive stance. This is achievable through stronger revenue efforts, more efficient spending, and a scaling back of SOE expansion plans. In particular, off-budget SOE activities should be more gradual and carefully calibrated to ensure a restrictive overall policy mix, contain inflation pressures, and prevent the crowding out of private sector activity. An additional fiscal tightening of 1 percentage point of GDP, together with reforms to boost potential growth, would help close the output gap and bring inflation closer to target faster than in the current baseline (text figure 9).

Text Figure 9. Scenario. Fiscal Tightening, Reforms, and Inflation



Source: Staff Estimates based on a simple-macro fiscal model calibrated for Kazakhstan. Fiscal multiplier is assumed at 0.3.

28. The new tax code should be strengthened by phasing out tax exemptions and eliminating inefficient incentives. Given widespread exemptions and a sizable informal sector, staff takes a more conservative view in the baseline regarding the effectiveness of proposed tax measures and projects 2026 revenue gains to be only about half of the authorities' expectation of 2½ percent of GDP. Over the medium term, further strengthening revenue mobilization and spending efficiency are critical to meeting the authorities' goals of reducing the non-oil deficit to 5 percent of GDP. Fiscal consolidation would support a more balanced external position (Annex II) and keep public debt sustainable (Annex V). Staff estimate that current tax measures would close only about half of the existing revenue gap seen as being consistent with Kazakhstan's estimated tax potential (Annex IV).

29. Strengthening the fiscal framework remains a priority. Staff welcome recent measures to embed fiscal rules in the new budget code that (i) limit expenditure growth; and (ii) cap transfers from the NFRK. These rules should be further reinforced by adopting a debt limit as a credible anchor and by developing a coherent medium-term fiscal outlook. Establishing an independent fiscal council and introducing a well-designed escape clause would also help curb discretionary spending and further strengthen fiscal policy credibility.[10] Overall, fiscal policymaking and risk management can be enhanced by reducing quasi-fiscal activities and tightening oversight of SOEs and public-private partnerships, and ensuring transparent, high-quality public sector reporting. The 2022 Fiscal Transparency Evaluation identified specific priorities in these areas.[11]

Authorities' Views

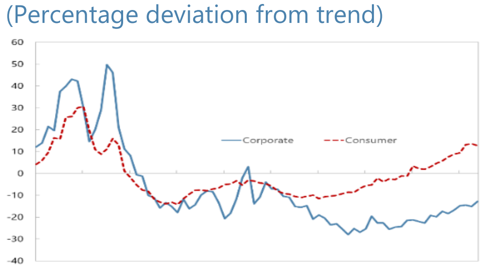
30. The authorities agreed with the need to avoid a procyclical fiscal stance. They reiterate their commitment to fiscal consolidation in the state budget through higher non-oil revenues, improved spending efficiency, and continued digitalization efforts. The authorities acknowledge the importance of strengthening the fiscal framework, highlighting the fiscal rules that cap expenditure growth and transfers from the oil fund. The debt ceiling limits are taken into consideration within the preparation of socio-economic development forecasts, which is the basis for the draft of Government budget parameters.

C. Well-Targeted Prudential Measures to Ensure Financial Stability

31. Excessive consumer credit growth needs to be curbed. Rapid consumer credit growth raises concerns about weakening underwriting standards and has also contributed to a positive credit gap (text figure 10), amplifying the business cycle.[12] Staff support the micro- and macro-prudential measures being introduced to curb consumer lending, but urge they be well-targeted, carefully monitored, and recalibrated, as needed, to avoid unintended disintermediation risks. Staff reiterate the 2023 FSAP recommendation (Annex III) to monitor the financial stability implications of high credit growth, including potential risks of indebtedness and asset price overvaluation. This reinforces the importance of developing and publishing data on household indebtedness and closely monitoring real estate prices (text figure 10).

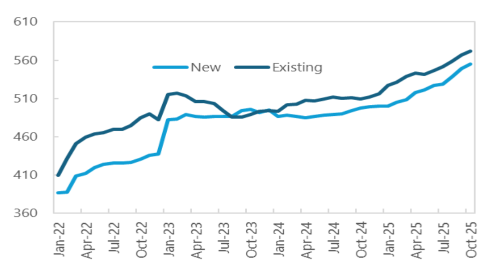
Text Figure 10. Credit Growth and Risks

Nominal Credit to GDP Gap
(Percentage deviation from trend)



Sources: IMF staff calculations based on NBK data
Notes: Each series is an average across four credit gap estimates.

Real Estate Prices
(Thousand Tenge per square meters)



Source: Bureau of National Statistics

[10] See also 2024 Article IV Staff Report and 2022 Fiscal Transparency Evaluation for details.

[11] 2022 Article Report, Box 3.

[12] See Impavido G. (2024). Financial and Business Cycles: Shall We Dance? IMF Working Paper No. WP/24/182.

32. Rapid progress has been made in implementing the FSAP 2023 recommendations, including bank resolution and consumer protection (Annex VII). Going forward, priorities should be to enact the new Banking Law, which will incorporate provisions on the bank resolution framework, establishing the necessary capacity to operationalize the new resolution framework, and further strengthening the macroprudential framework by enhancing near-term forecast of credit market conditions. Given the rapid rise of digital money activities, capacity for effective regulation and supervision of digital financial assets needs to be established, while digital infrastructure should continue to be strengthened, including to mitigate risks to the payment system. Enhancing the harmonization and coordination in this area between the AIFC and national regulators will also be needed to reduce the risk of regulatory arbitrage between onshore and offshore jurisdictions.

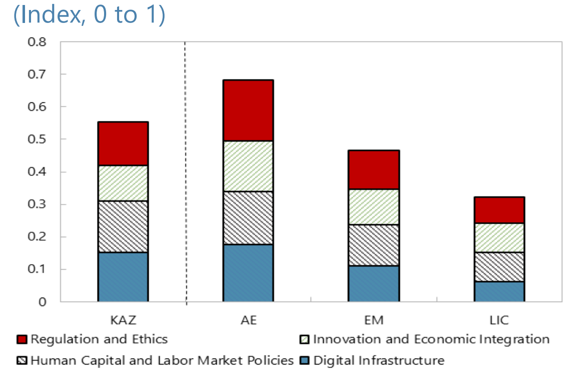
Authorities' Views

33. The authorities agreed with the recommendations aimed at ensuring continued financial stability. They noted the need for well-targeted prudential measures to limit household over-indebtedness. The authorities expect to publish the new banking law by end-2025 and operationalize the newly introduced bank resolution framework, including dedicating a separate unit in ARDFM for this purpose. They also agreed that the rapid development of digital technologies and artificial intelligence require the institutional capacity of the financial regulator (ARDFM) to be improved. In response to these challenges, the ARDFM is already taking systemic steps in the field of digitalization to implement the tasks set by the Head of State.

D. Advancing Reforms to Reduce Growth-Inflation Tradeoff

34. Accelerating structural reforms is crucial to lifting medium-term growth and easing the growth-inflation tradeoff. Closing key reform gaps—reducing the state footprint, enhancing public governance and the business environment, fostering capital market development, and advancing trade diversification and regional integration—would raise potential growth (Annex VIII). Further investments in health, education, digitalization, and infrastructure should be complemented by efforts to boost private sector development. Although some progress has been made on reducing the state footprint, increasing investment from SOEs and delayed privatization plans continue to weigh on competitiveness and efforts to reduce inflation. Planned investments in strategic sectors, improved customs digitalization, and rapid adoption of artificial intelligence (AI) (text figure 11) will help integrate Kazakhstan into regional and global value chains and increase the country's competitiveness. IMF research shows that Kazakhstan is ahead of most emerging markets and LICs in terms of AI preparedness. However, gaps remain when compared to advanced economies when it comes to regulation and innovation (Cazzaniga and

Text Figure 11. AI Preparedness Index and Components, 2023
(Index, 0 to 1)



Sources: Cazzaniga and others (2024) and IMF staff calculations
Notes: EM includes both oil-importing and oil-exporting emerging markets. AE = advanced economy; EM = emerging market; KAZ = Kazakhstan; LIC = low-income country.

others 2024).[13] Rapid progress in these areas would be needed to prevent further widening of the income gap with advanced economies.

35. SOE reforms and a stronger business environment are needed to reduce fiscal risks and reinforce disinflation efforts. The authorities approved a list of almost 500 SOEs to be privatized, merged, or liquidated by 2030. However, only a small minority of shares of select companies have been publicly floated so far, and lending and investments from SOEs are increasing. The National Privatization Office has delayed the ongoing reduction in state assets until 2026 to make a more attractive environment by improving regulations around corporate reorganizations and introducing an online registry of SOE financial reports. More decisive actions are needed to level the playing field and reduce barriers to entry for potential competitors. Restructuring SOEs, resuming privatizations, and strengthening investor protections and property rights are necessary to reduce fiscal risks, support disinflation, and promote private investment. Greater transparency around the full range of fiscal interactions with SOEs is also crucial for adequately monitoring and mitigating fiscal risks.[14] The financial sector can also support greater private sector involvement, but public credit support programs need to shift from subsidized lending toward risk-sharing schemes involving private funding.[15]

36. Fostering deeper capital markets would improve financial intermediation. Ongoing efforts focus on expanding financial instruments and facilitating SME participation, advancing digitalization and financial infrastructure, and integrating Kazakhstan with global markets. However, certain pre-conditions are needed to enable and deepen local capital markets (Annex IX). Persistent excess liquidity and limited interbank activity continue to constrain Kazakhstan's government bond and money markets development. Recent NBK and government efforts to address excess liquidity should help invigorate money market trading, establish a credible local benchmark yield curve, and promote primary market issuances.

37. Addressing governance and corruption-related vulnerabilities and strengthening the AML/CFT framework remain important to level the playing field and promote inclusive and private-based growth. Progress on governance includes recent reorganization of the Anti-Corruption Agency, introduction of three specialized courts to review appeals, and abolishment of the practice of selecting complaints by a single judge. While the effect of these measures remains to be seen, sustained efforts are needed. Continued efforts are needed to ensure institutional and operational autonomy of anti-corruption institutions, operationalize the asset declaration system, and enhance judicial independence and integrity. Regarding AML/CFT, the authorities should also continue enhancing risk-based supervision of financial institutions, improve transparency of ultimate beneficial ownership, and strengthen the regulation and supervision of virtual asset service providers.

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[14] See IMF 2026, Republic of Kazakhstan: Selected Issues

[15] For example, the DAMU fund changed its structure to now provide credit guarantees rather than directly providing subsidized loans to SMEs.

Authorities' Views

38. The authorities broadly agreed with recommendations to lift medium-term potential growth and attract investment in the non-extractive industry. They plan to reduce the state footprint with the newly adopted list of entities to be privatized, including as a means to improve their institutional quality and governance and reduce fiscal risks, while recognizing the need for further efforts to improve the business environment. The authorities recognize the importance of deepening the domestic capital market, boosting regional trade and financial integration, and harnessing the potential benefits from AI and digitalization to foster investment and lift productivity.

DATA ADEQUACY

39. Some shortcomings in data quality remain but data provision is broadly adequate for bilateral surveillance. Since the 2024 Article IV Staff Report, the authorities have finalized a new series for discrete quarterly GDP from the expenditure side but not adopted them as official estimates. Key shortcomings in data quality persist in price, national account, and public sector statistics (Annex X). Specifically, the large discrepancies between income and expenditure GDP 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 using an economic classification, public spending data are not adequately classified, leading to underestimated wage expenditure and overestimated spending on goods and services, and preventing meaningful comparisons between budget execution and original budget data. IMF technical assistance is provided in all these areas.

STAFF APPRAISAL

40. Kazakhstan's economy is showing clear signs of overheating with widening twin deficits. Growth is projected to accelerate to 6.2 percent in 2025 with higher oil production and remain robust in 2026 with continued strong non-oil activity underpinned by quasi-fiscal spending and rapid consumer credit growth. Inflation is expected to remain elevated at more than double the NBK's inflation target over this period. The current account deficit is projected to increase to about 4 percent in 2025, and the external position is assessed as weaker than implied by economic fundamentals and desirable policies.

41. Enhanced policy collaboration is needed to fight inflation and lay the foundations for more sustainable growth. A more restrictive overall macroeconomic policy mix that includes measures to contain fiscal and large quasi-fiscal activities would complement the necessary restrictive monetary policy stance and dampen excess domestic demand pressures and inflation, while helping to reduce fiscal and external deficits and build financial buffers. In this regard, staff welcome the recently announced "Joint Program" of the government and NBK and look forward to studying its details when they are finalized. Structural reforms aimed at further reducing the role of the state and promoting private sector activity would allow Kazakhstan to achieve sustainable levels of trend growth with lower inflation.

42. Tight monetary policy and more effective liquidity management are necessary amid persistent inflation pressures. The NBK should continue to maintain a sufficiently restrictive monetary stance until inflation is close to its target and deliver further policy rate hikes should inflation increase. Additional measures to absorb banking system liquidity should be advanced without delay, including the issuance of short-term notes by the NBK, coordinated with the issuance of treasury bills by MOF to strengthen its cash management framework. Such efforts would also help strengthen the transmission of monetary policy, enhance government cash management, and support domestic capital market development.

43. Overall fiscal consolidation is needed to avoid fiscal procyclicality. The new tax code should be made more effective through further efforts to phase out remaining tax exemptions, while the off-budget activity of SOEs should be more gradual and carefully calibrated to ensure a restrictive overall public sector stance. The fiscal rules capping expenditure and NFRK transfers should be further reinforced by adopting a debt limit as a long-term fiscal anchor to guide policy over the medium term.

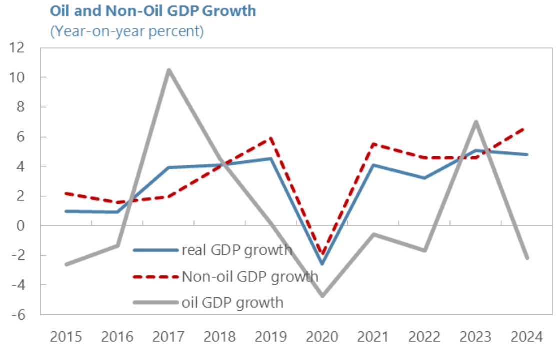
44. The banking system is sound, and good progress has been made in implementing key 2023 FSAP recommendations. Planned prudential measures will help mitigate potential financial stability risks from household over indebtedness but should be well-targeted to avoid bank disintermediation. Priorities should be given to enacting the new Banking Law, establishing the necessary capacity to operationalize the new bank resolution framework, and regulating and supervising activities in the digital asset space. The institutional capacity of the financial regulator (ARDFM) in these areas should be further strengthened, including with additional resources as needed.

45. Accelerating structural reforms to lift productivity and reduce the state footprint would facilitate private sector activity and higher levels of sustainable growth. Further investments in health, education, digitalization, and infrastructure should be complemented by efforts to boost private sector development. In particular, reforms to reinforce legal protections, ensure property rights, and reduce barriers to entry and the cost of doing business would level the playing field for the private sector.

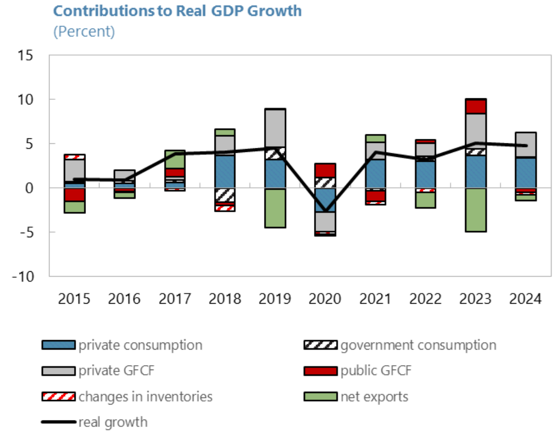
46. It is proposed that the next Article IV consultation take place on the standard 12-month cycle.

Figure 1. Kazakhstan: Economic Developments

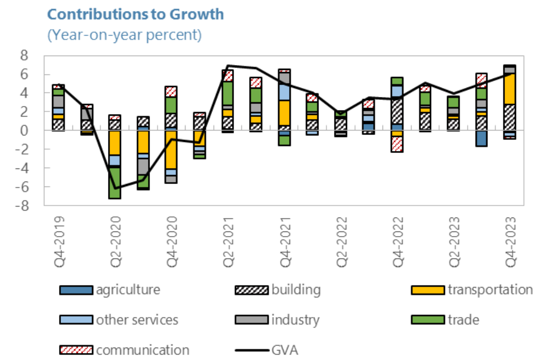
Economic growth has been robust since the COVID crisis.



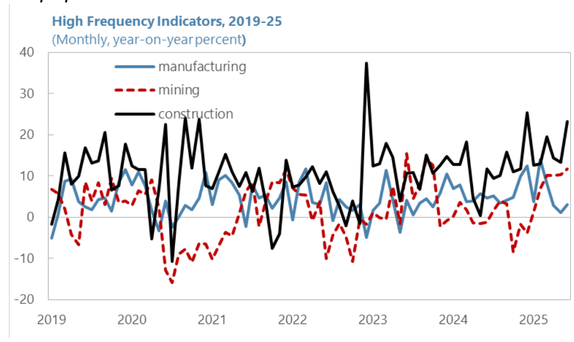
Most demand components have contributed to the ongoing recovery.



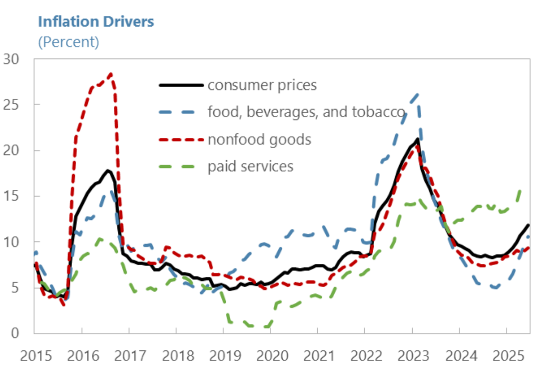
Services, manufacturing and construction are the largest contributors to growth.



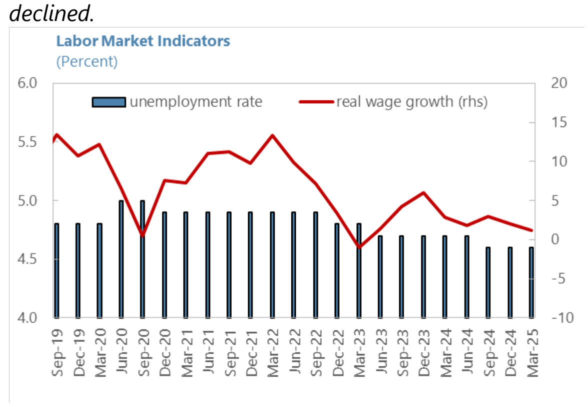
Activity in mining and construction accelerated in the first half of 2025.



Inflation has accelerated with a rapid increase in food prices.



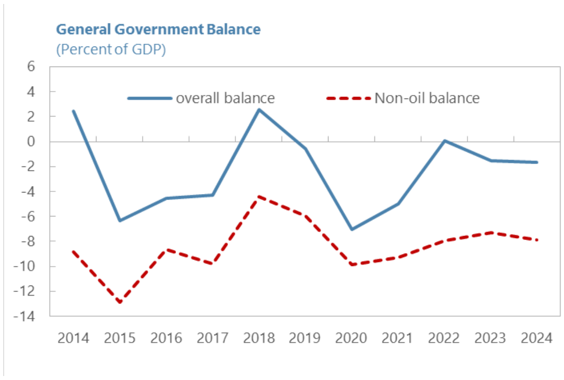
Unemployment remains low, while real wage growth declined.



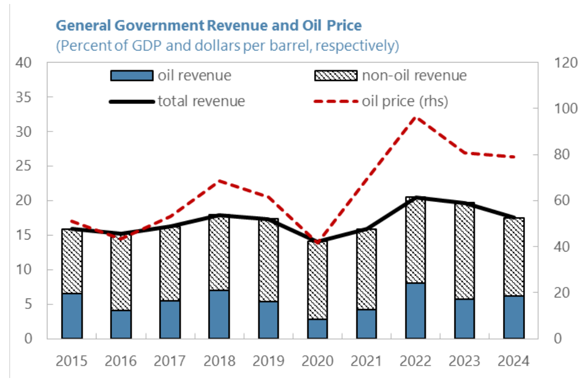
Sources: National authorities, Haver Analytics, and IMF staff estimates.

Figure 2. Kazakhstan: Fiscal Sector Developments

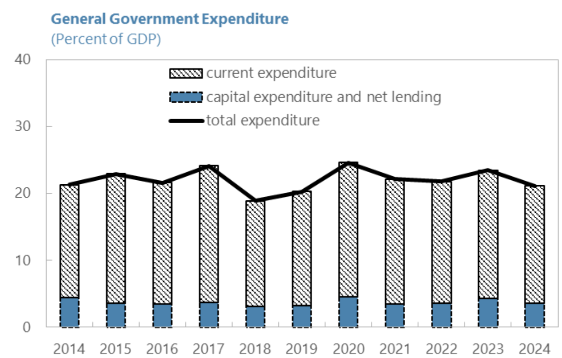
The non-oil deficit has been large for the past few years.



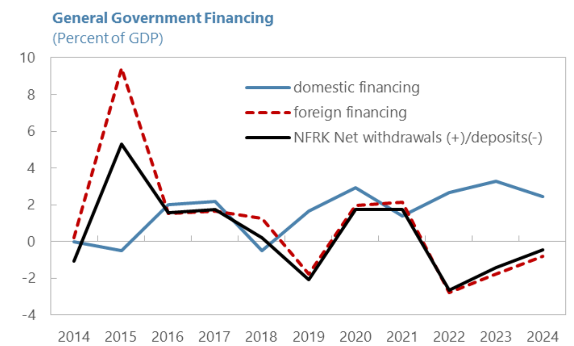
Total revenues declined, reflecting lower non-oil revenues.



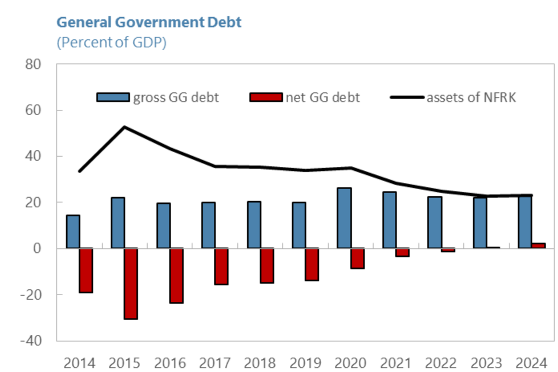
Public expenditure remains rigid, dominated by a high share of current spending.



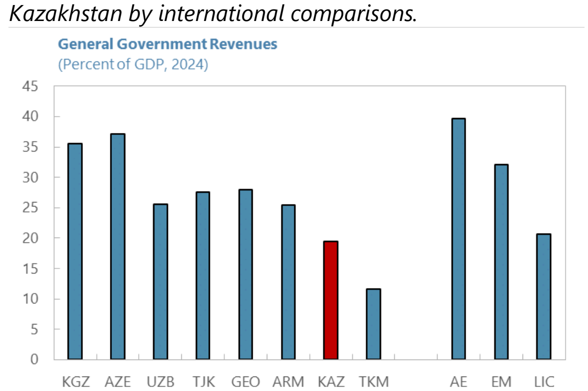
The government continues to rely more on domestic debt financing .



Debt levels remain low but exceeded the assets of the NFRK in 2024.



Revenues as a share of GDP are relatively low in Kazakhstan by international comparisons.

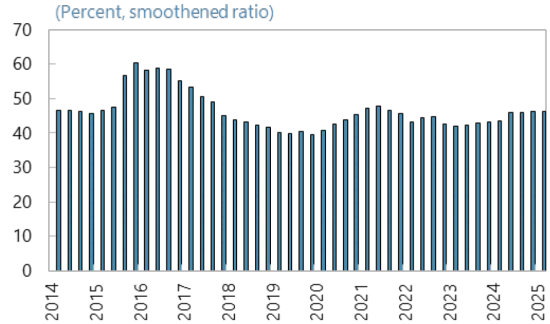


Sources: National Authorities, IMF World Economic Outlook, and IMF staff estimates.

Figure 3. Kazakhstan: Banking Sector Developments

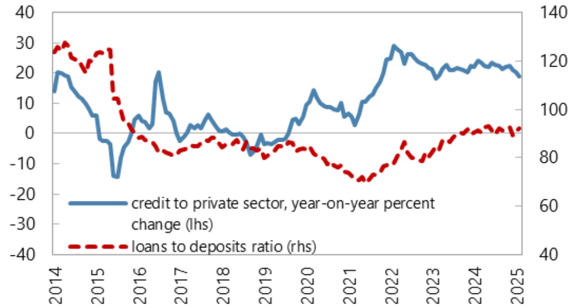
Bank assets have increased modestly in recent years…

Bank Assets to GDP
(Percent, smoothened ratio)



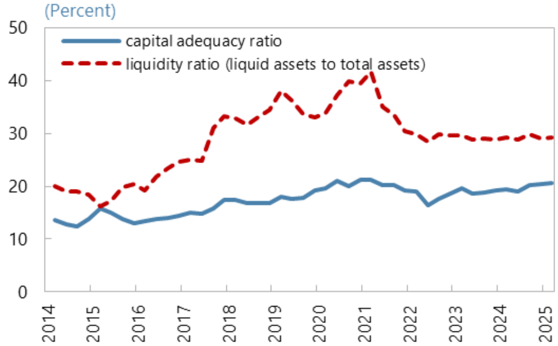
…driven by a sustained increase in credit growth.

Credit Growth and Loan to Deposits Ratio



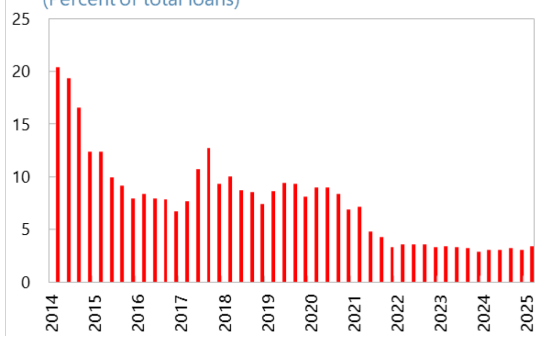
The banking sector is highly liquid on average…

Capital Adequacy and Liquidity
(Percent)



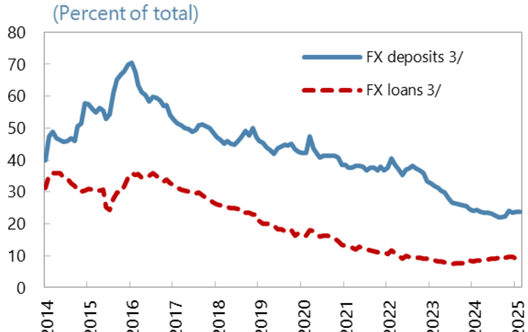
…and the share of NPLs on bank balance sheets remains manageable.

Non-Performing Loans 1/ 2/
(Percent of total loans)



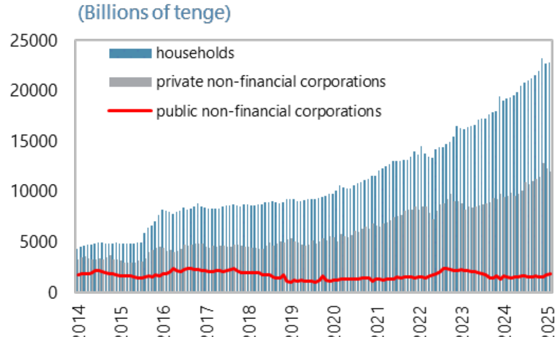
Both asset and liability dollarization have stagnated after several years of decline…

FX Deposits and Loans
(Percent of total)



…and private sector deposits continued to rise.

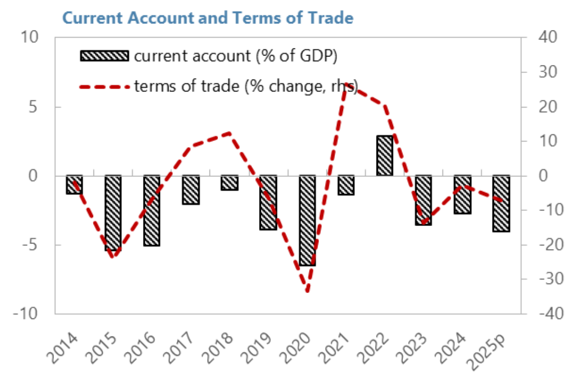
Deposits
(Billions of tenge)



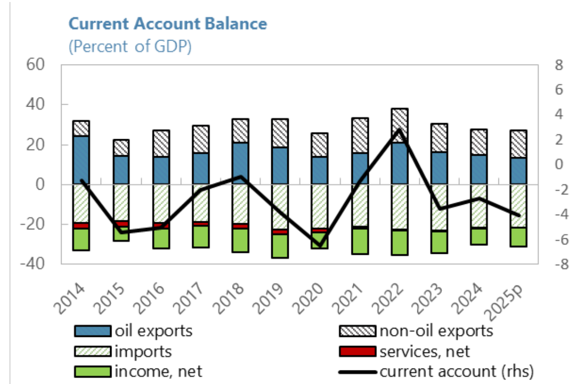
Sources: Kazakhstani authorities, GFSR, and IMF staff estimates.
1/ Excluding IFRS stage-3 loans.
2/ Defined as 90 days past due.
3/ Accounting for exchange rate valuation effects.

Figure 4. Kazakhstan: External Sector Developments

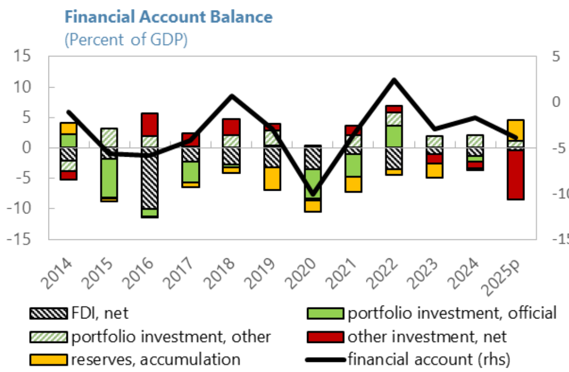
Current account deficits have persisted amid robust import demand…



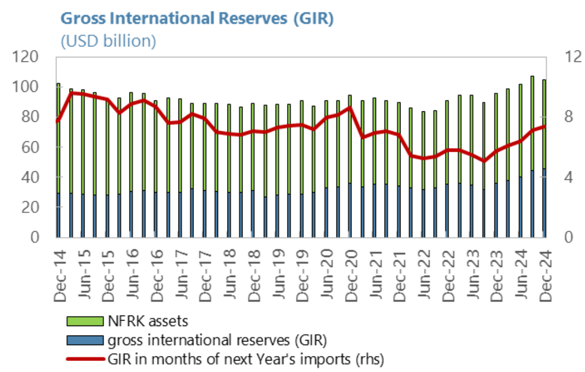
…and modest export growth.



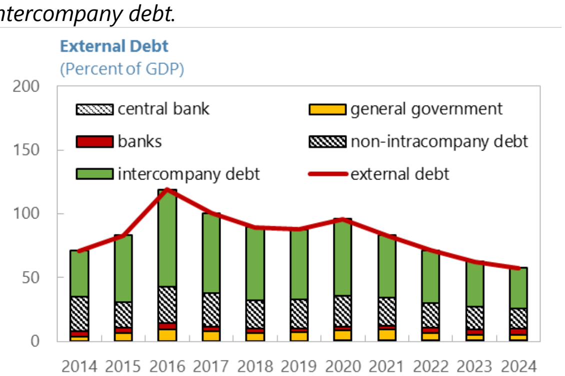
FDI remains weak while portfolio outflows increased with external debt repayments.



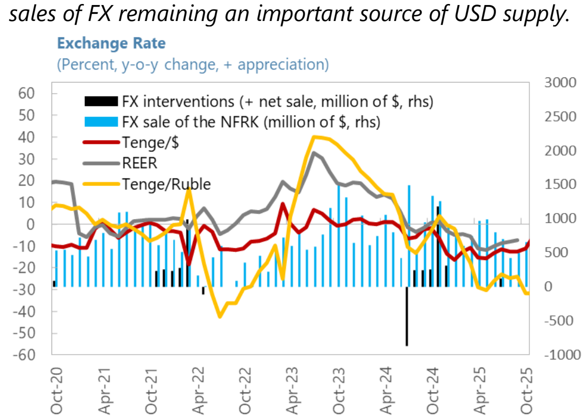
International reserves remain adequate, at about 8 months of next year's imports.



External debt as a share of GDP decreased, driven by intercompany debt.



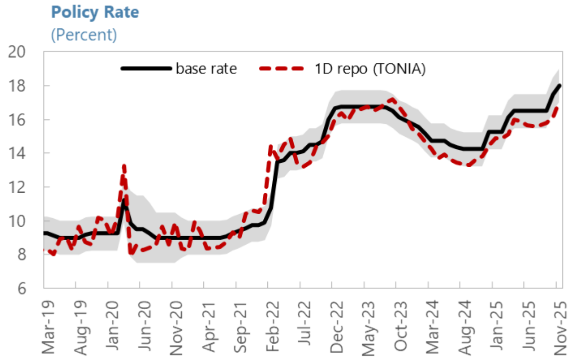
The Tenge depreciated in 2024Q4 and 2025Q2, with NFRK sales of FX remaining an important source of USD supply.



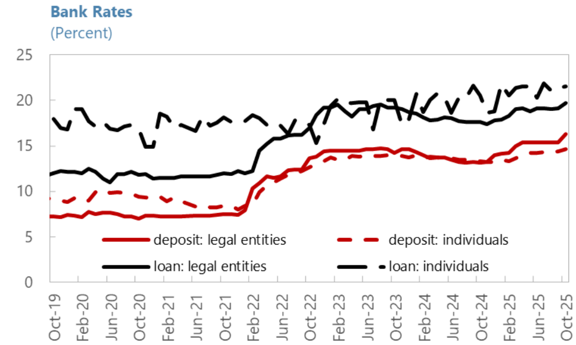
Sources: National authorities, Haver Analytics, Bloomberg, and IMF staff calculation.

Figure 5. Kazakhstan: Monetary Sector Developments

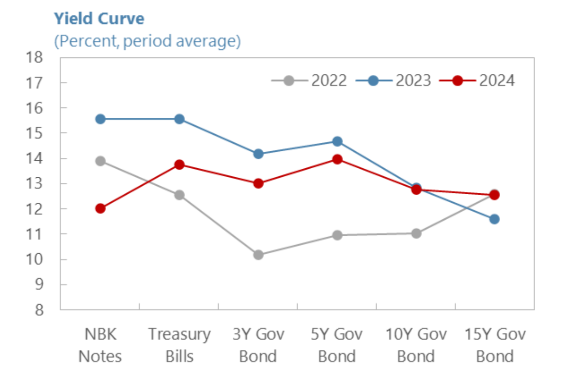
The NBK further hiked the base rate, while the TONIA has fallen to the lower bound of the policy rate corridor.



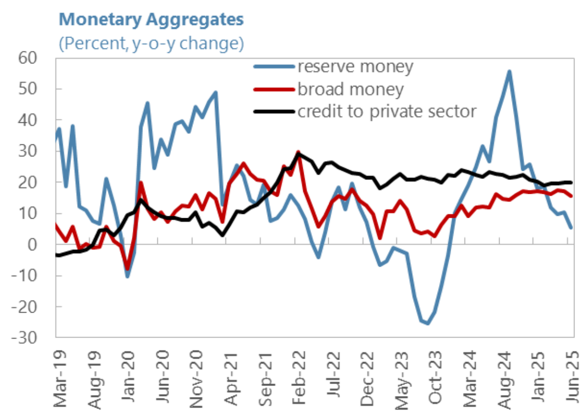
Average bank lending and deposit rates have increased only modestly.



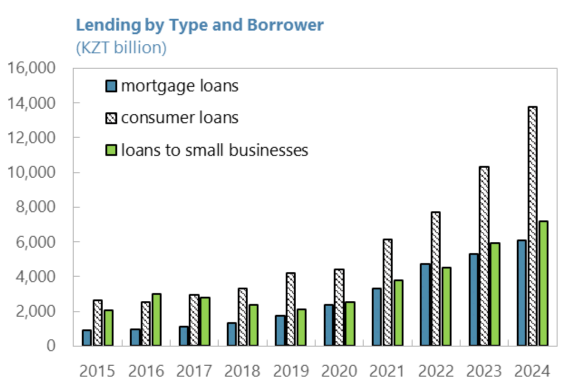
The government securities market remains incomplete and segmented.



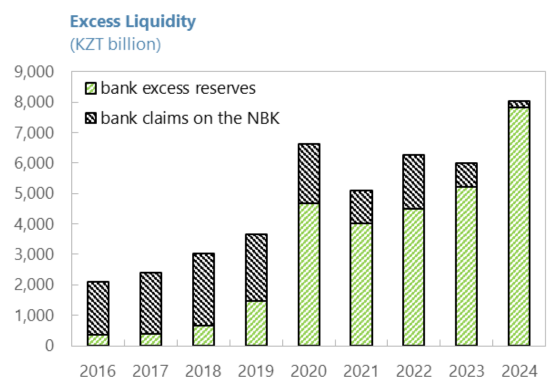
Rapid credit growth has been associated with increasing broad money growth in recent years.



Rapid growth continues in consumer and SME loans, which have benefitted from government support.



Banks have accumulated significant excess liquidity.

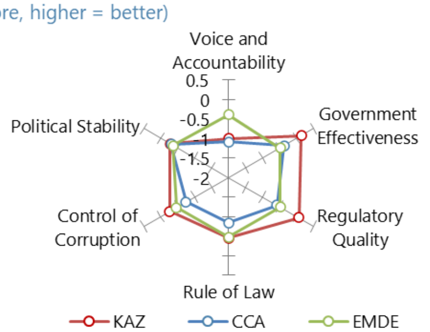


Sources: National authorities, Haver Analytics, Bloomberg, and IMF staff calculation.

Figure 6. Kazakhstan: Business Environment and Governance

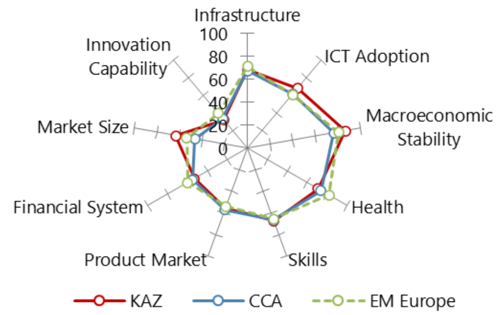
Improvements to the business environment and governance have taken place.

Worldwide Governance Indicators, 2023
(Score, higher = better)



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

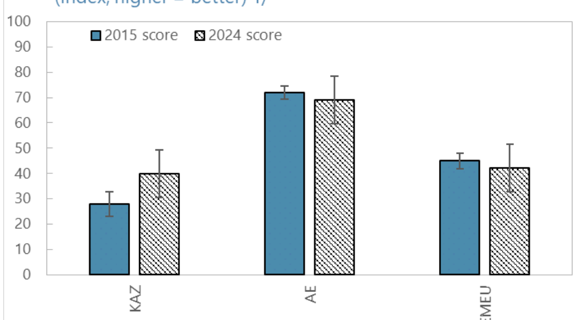
Global Competitiveness Index
(Score of 0-100, where 100 is best)



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, state interventions remain sizable in product markets…

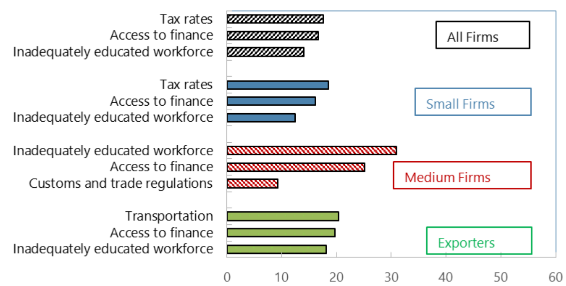
Corruption Perceptions
(Index, higher = better) 1/



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, 2024
(In percent of surveyed firms)



Sources: Kauffman, Krayy, and Mastruzzi (2011), World Bank Global Competitiveness Indicators, OECD 2018 PMR database, the World Bank Enterprise Survey, and IMF staff calculation.

Table 1. Kazakhstan: Selected Economic Indicators, 2024–30

		Projections					
	2024	2025	2026	2027	2028	2029	2030
GDP		(Percent)					
Real GDP	5.0	6.2	4.4	4.2	3.0	3.4	3.4
Real Oil GDP	-2.2	11.5	3.6	4.0	-1.6	0.9	1.0
Real Non-Oil GDP	6.9	4.9	4.6	4.2	4.2	4.0	4.0
Contribution to GDP							
Private Consumption	3.5	2.3	0.4	1.8	0.7	1.6	1.5
Government Consumption	0.1	0.0	0.2	0.6	0.5	0.3	0.5
Gross Capital Formation	2.1	2.6	3.0	2.0	1.7	1.7	1.5
Net Exports of Goods and Services	-0.7	1.3	0.7	-0.2	0.1	-0.3	-0.1
Inflation							
Headline (AVG)	8.7	11.4	10.7	10.0	8.8	7.6	5.8
Headline (EOP)	8.6	12.4	11.1	9.1	8.5	6.8	5.0
Saving and Investment		(Percent of GDP)					
Gross national saving	24.5	24.0	25.5	26.2	27.4	28.0	28.1
Gross domestic investment	27.2	28.1	29.8	30.4	31.1	31.2	31.2
General government fiscal accounts							
Revenues and grants	19.2	17.6	17.8	18.3	18.4	18.7	19.0
Oil revenues	4.7	4.2	3.9	4.1	4.1	4.0	3.8
Non-oil revenues 1/	14.5	13.3	14.0	14.3	14.3	14.6	15.2
Expenditures and net lending	22.7	21.6	21.3	21.3	21.3	21.0	21.0
Overall fiscal balance	-3.5	-4.0	-3.5	-3.0	-2.8	-2.3	-1.9
Non-oil fiscal balance	-8.2	-8.3	-7.4	-7.1	-6.9	-6.3	-5.8
Financing	3.5	4.0	3.5	3.0	2.8	2.3	1.9
Domestic financing, net	2.4	4.3	4.7	4.2	3.7	3.8	3.3
Foreign financing, net	1.0	-0.3	-1.2	-1.2	-0.9	-1.5	-1.4
of which: NFRK withdrawal (+) / accumulation (-), net	0.0	-0.3	-1.6	-1.8	-2.0	-2.1	-2.0
Gross public debt	24.4	25.2	27.5	28.8	30.5	31.8	32.9
Net public debt	4.5	5.9	8.3	9.3	10.4	11.0	11.5
Monetary accounts							
Reserve money	10.7	11.8	11.3	11.1	10.5	10.0	9.6
Broad money	33.4	34.3	34.8	34.9	34.8	34.7	34.6
Credit to the private sector	25.5	26.0	26.4	26.9	27.3	27.8	28.3
Balance of payments							
Current account balance	-2.7	-4.1	-4.3	-4.2	-3.7	-3.3	-3.1
Trade balance	5.9	5.4	4.8	4.9	4.5	4.4	4.5
Exports of goods and services	31.5	31.1	28.9	27.5	26.2	25.6	25.1
of which: Oil exports	15.1	13.6	11.8	11.2	10.3	9.9	9.5
Imports of goods and services	26.0	26.0	24.4	23.2	21.9	21.4	20.8
Financial account balance 2/	-1.3	-7.3	-6.0	-4.1	-3.7	-3.2	-3.1
Exchange rates		(Units)					
Exchange rate KZT/USD (EOP)	523.5	...	...	...	...	...	...
Exchange rate KZT/RUB (EOP)	5.2	...	...	...	...	...	...
Real effective exchange rate (AVG)	122.1	...	...	...	...	...	...
Memorandum items		(Various units)					
Nominal GDP (Tenge billion)	136,693	159,038	182,520	211,606	239,507	268,504	296,356
Nominal GDP (USD billion)	291.5	...	...	...	...	...	...
Reserves Assets (USD billion)	45.8	56.1	62.6	62.8	63.0	63.0	63.0
In months of following year imports of G&S (Units)	7.0	8.2	8.9	8.8	8.4	8.1	7.7
NFRK assets (percent of GDP)	19.9	19.4	19.2	19.5	20.1	20.8	21.4
External debt (percent of GDP)	56.5	62.7	63.9	63.8	63.5	62.7	62.0
NBK policy rate (EOP, percent)	15.3	...	...	...	...	...	...
Output gap (in percent of potential GDP)	1.0	2.6	2.2	1.8	0.9	0.3	0.1
Crude oil and gas condensate production (million tons) 3/	87.8	98.0	101.5	105.5	103.9	104.8	105.8
Oil price (USD per barrel)	79.2	67.9	62.1	62.2	63.2	64.4	65.3
Unemployment rate (AVG, percent)	4.7	4.6	4.6	4.5	4.5	4.4	4.4

Sources: Kazakhstani authorities and IMF staff estimates and projections.
1/ Non-oil revenue 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, 2024–30

	2024	2025	2026	2027	2028	2029	2030
		Projections					
		(In billions of USD)					
Current Account Balance	**-7.9**	**-12.4**	**-14.3**	**-15.1**	**-14.6**	**-13.7**	**-14.1**
Trade Balance	17.2	16.5	16.1	17.7	17.4	18.4	20.2
Exports of Goods (f.o.b.) 1/	80.0	81.9	83.0	85.4	86.1	89.9	94.9
o/w Oil Exports	43.9	41.3	39.5	40.9	40.0	41.5	42.5
Imports of Goods (f.o.b.) 2/	62.8	65.4	66.9	67.7	68.7	71.5	74.7
Service Balance 3/ 4/	-1.2	-0.9	-1.0	-2.2	-0.8	-0.4	-0.9
Primary Income Balance	-23.5	-26.5	-27.6	-28.8	-29.2	-29.5	-31.1
Secondary Income Balance	-0.5	-1.5	-1.7	-1.9	-2.0	-2.2	-2.3
Capital Account Balance	**-0.1**	**0.5**	**0.6**	**0.3**	**0.4**	**0.4**	**0.4**
Financial Account Balance 5/ 6/	**-3.9**	**-22.2**	**-20.2**	**-15.0**	**-14.4**	**-13.3**	**-13.7**
Direct Investment, net	-3.9	-1.3	-4.1	-4.1	-4.8	-5.1	-5.4
Net Acquisition of Financial Assets 7/	-1.9	1.1	0.6	1.0	1.0	1.2	1.3
Net Incurrence of Liabilities 7/	2.0	2.4	4.7	5.1	5.9	6.3	6.7
Portfolio Investment, net	3.5	3.4	7.2	8.0	9.4	10.4	9.7
Financial Derivatives, net 8/	0.0	0.1	0.1	0.1	0.0	0.1	0.1
Other Investment, net 9/	-3.5	-24.3	-23.4	-19.0	-19.0	-18.6	-18.0
Net Error and Omissions	**3.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall Balance	**0.9**	**-10.3**	**-6.5**	**-0.2**	**-0.2**	**0.0**	**0.0**
		(In percent of GDP)					
Current Account Balance	**-2.7**	**-4.1**	**-4.3**	**-4.2**	**-3.7**	**-3.3**	**-3.1**
Trade Balance	5.9	5.4	4.8	4.9	4.5	4.4	4.5
Exports of Goods (f.o.b.) 1/	27.4	26.9	24.7	23.5	22.1	21.4	21.1
o/w Oil Exports	15.1	13.6	11.8	11.2	10.3	9.9	9.5
Imports of Goods (f.o.b.) 2/	21.5	21.5	19.9	18.6	17.6	17.1	16.6
Service Balance 3/ 4/	-0.4	-0.3	-0.3	-0.6	-0.2	-0.1	-0.2
Primary Income Balance	-8.1	-8.7	-8.2	-7.9	-7.5	-7.0	-6.9
Secondary Income Balance	-0.2	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Capital Account Balance	**0.0**	**0.2**	**0.2**	**0.1**	**0.1**	**0.1**	**0.1**
Financial Account Balance 5/ 6/	**-1.3**	**-7.3**	**-6.0**	**-4.1**	**-3.7**	**-3.2**	**-3.1**
Direct Investment, net	-1.3	-0.4	-1.2	-1.1	-1.2	-1.2	-1.2
Net Acquisition of Financial Assets 7/	-0.7	0.4	0.2	0.3	0.3	0.3	0.3
Net Incurrence of Liabilities 7/	0.7	0.8	1.4	1.4	1.5	1.5	1.5
Portfolio Investment, net	1.2	1.1	2.2	2.2	2.4	2.5	2.2
Financial Derivatives, net 8/	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment, net 9/	-1.2	-8.0	-7.0	-5.2	-4.9	-4.4	-4.0
Net Error and Omissions	**1.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall Balance	**0.3**	**-3.4**	**-1.9**	**0.0**	**-0.1**	**0.0**	**0.0**
Memorandum items							
Terms of Trade (Unit)	109.9	102.2	97.8	97.7	98.0	98.3	98.2
Real Effective Exchange Rate	122.1	...	...	...	...	...	...
Reserves Assets (GIR, USD billion)	45.8	56.1	62.6	62.8	63.0	63.0	63.0
Percent of EM ARA Metric (Percent)	180.3	179.0	170.1	151.4	137.6	125.2	114.7
In months of next year imports of G&S (Units)	7.0	8.2	8.9	8.8	8.4	8.1	7.7
Nominal GDP (USD billion)	291.5	...	...	...	...	...	...

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 signs 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, 2024-30

	2024	Projections 2025	2026	2027	2028	2029	2030
		(In billions of USD)					
Net International Investment Position	**-62.2**	**-74.0**	**-87.8**	**-102.6**	**-116.8**	**-130.0**	**-143.8**
Assets	197.0	216.3	236.4	250.7	265.6	281.8	298.3
Liabilities	259.2	290.4	324.2	353.3	382.3	411.8	442.1
Direct Investment, net 1/	-144.5	-145.9	-150.0	-154.0	-158.9	-164.0	-169.4
Assets	33.2	34.3	34.8	35.9	36.9	38.1	39.4
Liabilities	177.7	180.1	184.8	189.9	195.8	202.1	208.8
Portfolio Investment, net	60.0	63.4	70.6	78.6	88.0	98.4	108.0
Official, net	43.4	43.6	48.4	53.9	60.8	68.8	76.9
Non-Official, net	16.6	19.7	22.2	24.7	27.2	29.5	31.2
Financial Derivatives, net 2/	0.0	0.1	0.2	0.2	0.3	0.4	0.4
Other Investment, net 3/	-23.4	-47.7	-71.2	-90.2	-109.2	-127.8	-145.9
Official, net	-8.2	-12.8	-17.3	-21.0	-24.5	-28.1	-31.6
Non-Official, net	-15.2	-34.9	-53.9	-69.2	-84.6	-99.8	-114.3
Reserves Assets (GIR)	45.8	56.1	62.6	62.8	63.0	63.0	63.0
Gold 4/	23.8	34.1	40.6	40.8	41.0	41.0	41.0
Reserve assets, Special Drawing Rights	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Reserve Position in IMF	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other	19.8	19.8	19.8	19.8	19.8	19.8	19.8
o/w Currency and Deposits	6.2	6.2	6.2	6.2	6.2	6.2	6.2
o/w Debt Securities	13.6	13.6	13.6	13.6	13.6	13.6	13.6
		(In percent of GDP)					
Net International Investment Position	**-21.3**	**-24.3**	**-26.2**	**-28.2**	**-29.9**	**-31.0**	**-32.0**
Assets	67.6	71.1	70.5	68.9	68.0	67.2	66.4
Liabilities	88.9	95.4	96.6	97.1	97.9	98.2	98.4
Direct Investment, net 1/	-49.6	-47.9	-44.7	-42.3	-40.7	-39.1	-37.7
Assets	11.4	11.2	10.4	9.9	9.4	9.1	8.8
Liabilities	61.0	59.2	55.1	52.2	50.1	48.2	46.5
Portfolio Investment, net	20.6	20.8	21.1	21.6	22.5	23.5	24.0
Official, net	14.9	14.3	14.4	14.8	15.6	16.4	17.1
Non-Official, net	5.7	6.5	6.6	6.8	7.0	7.0	6.9
Financial Derivatives, net 2/	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Other Investment, net 3/	-8.0	-15.7	-21.2	-24.8	-28.0	-30.5	-32.5
Official, net	-2.8	-4.2	-5.2	-5.8	-6.3	-6.7	-7.0
Non-Official, net	-5.2	-11.5	-16.1	-19.0	-21.7	-23.8	-25.4
Reserves Assets (GIR)	15.7	18.4	18.7	17.2	16.1	15.0	14.0
Gold 4/	8.2	11.2	12.1	11.2	10.5	9.8	9.1
Reserve assets, Special Drawing Rights	0.7	0.6	0.6	0.5	0.5	0.5	0.4
Reserve Position in IMF	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	6.8	6.5	5.9	5.4	5.1	4.7	4.4
o/w Currency and Deposits	2.1	2.0	1.8	1.7	1.6	1.5	1.4
o/w Debt Securities	4.7	4.5	4.1	3.7	3.5	3.2	3.0
Memorandum items							
Nominal GDP (USD billion)	291.5	...	...	...	...	...	...

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, 2021–2025Q1

	2021	2022	2023	2024Q2	2024Q3	2024Q4	2025Q1
Capital adequacy				(In percent)			
Regulatory Capital to Risk-Weighted Assets	23.4	21.7	21.5	21.1	22.0	22.0	22.1
Regulatory Tier 1 Capital to Risk-Weighted Assets	19.3	18.6	19.2	19.1	20.1	20.4	20.6
Regulatory Tier 1 Capital to Assets	11.4	11.1	12.8	13.0	13.7	13.9	14.5
Asset quality							
Non-performing Loans to Total Gross Loans 1/	3.3	3.4	2.9	3.1	3.2	3.1	3.4
Provisions as percent of NPL	75.6	76.9	76.0	70.9	69.6	67.0	66.1
Non-performing Loans Net of Provisions to Capital	3.1	3.2	2.8	3.6	3.7	3.8	4.3
Large Exposures to Capital	98.0	39.1	26.5	22.0	24.4	22.2	21.8
Earnings and profitability							
Return on Assets	4.2	4.2	5.2	5.0	5.2	5.3	5.0
Return on Equity	30.6	30.7	36.7	31.7	32.8	32.7	29.1
Interest Margin to Gross Income	57.7	61.5	60.7	64.1	64.1	63.4	70.1
Trading Income to Total Income	7.2	9.9	10.8	10.6	11.3	12.0	7.6
Non-interest Expenses to Gross Income	40.3	35.4	32.4	33.5	32.4	32.9	33.2
Personnel Expenses to Non-interest Expenses	29.8	31.1	32.4	33.7	33.4	33.2	34.2
Liquidity							
Liquid Assets to Total Assets (Liquid Asset Ratio)	30.3	29.5	28.7	28.8	29.8	29.0	29.3
Liquid Assets to Short Term Liabilities	75.5	73.2	74.2	75.2	73.0	70.9	70.0
Foreign-Currency-Denominated Loans to Total Loans	11.3	9.9	9.3	10.6	10.9	11.0	10.3
Foreign-Currency-Denominated Liabilities to Total Liabilities	32.6	32.8	25.8	25.1	24.3	25.6	27.0
Customer Deposits to Total (Non-interbank) Loans	129.8	130.9	118.1	117.8	116.4	119.2	114.3
Sensitivity to market risk							
Gross Asset Position in Financial Derivatives to Capital	1.7	1.5	3.3	0.9	0.5	0.8	0.6
Gross Liability Position in Financial Derivatives to Capital	1.4	1.5	3.0	0.4	0.3	0.2	0.3
Net Open Position in Foreign Exchange to Capital	2.0	2.3	1.6	1.6	1.3	1.5	1.7

Source: IMF Financial Soundness Indicators (FSI) database.
1/ Non-performing loans are defined as 90 days past due.

Table 5. Kazakhstan: Monetary Accounts, 2024–30

	2024	Projections 2025	2026	2027	2028	2029	2030
		(In billions of tenge)					
Monetary Survey							
Net Foreign Assets	24,334	29,788	35,709	38,064	40,190	41,770	42,820
Net Domestic Assets	22,120	25,488	28,670	36,669	44,017	52,131	60,440
o/w Credit to the private sector 1/	34,899	41,281	48,196	56,835	65,456	74,684	83,919
Broad money	45,660	54,481	63,585	73,938	83,412	93,106	102,466
Nonliquid liabilities	794	794	794	794	794	794	794
Central Bank							
Net foreign assets 2/	23,953	29,345	35,200	37,474	39,523	41,022	41,994
o/w Net international reserves 2/	22,768	28,160	34,015	36,289	38,338	39,837	40,809
Net domestic assets 2/	-8,421	-9,781	-13,588	-13,116	-13,551	-13,280	-12,621
Reserve money	14,607	18,776	20,690	23,479	25,108	26,854	28,497
o/w Currency in circulation	4,862	7,071	9,017	11,616	13,147	14,739	16,268
o/w Liabilities to banks	8,447	9,827	9,296	9,749	9,717	9,930	10,017
Demand deposits	1,298	1,877	2,377	2,115	2,245	2,185	2,212
Other liquid liabilities	879	742	876	833	817	842	831
Other Depository Corporations (ODCs)							
Net foreign assets	381	443	508	589	667	748	826
Net domestic assets	39,476	45,806	52,459	60,700	68,605	76,820	84,711
Domestic credit	50,773	55,234	62,465	70,943	78,497	86,867	94,772
o/w Credit to the private sector 1/	34,844	41,237	48,151	56,787	65,410	74,638	83,872
Other items, net	-11,297	-9,428	-10,006	-10,243	-9,892	-10,047	-10,061
Banks' liabilities	39,857	46,249	52,968	61,289	69,272	77,568	85,536
o/w deposits	39,108	45,501	52,220	60,541	68,524	76,820	84,788
		(Annual growth rate, in percent)					
Monetary Survey							
Net Foreign Assets	42.1	22.4	19.9	6.6	5.6	3.9	2.5
Net Domestic Assets	1.1	15.2	12.5	27.9	20.0	18.4	15.9
o/w ODC credit to the private sector 1/	21.0	18.3	16.8	17.9	15.2	14.1	12.4
Broad money	19.2	19.3	16.7	16.3	12.8	11.6	10.1
Central Bank Survey							
Net foreign assets 2/	47.1	22.5	20.0	6.5	5.5	3.8	2.4
Net domestic assets 2/	-130.2	-16.1	-38.9	3.5	-3.3	2.0	5.0
Reserve money	26.6	28.5	10.2	13.5	6.9	7.0	6.1
Memorandum items:							
Exchange rate KZT/USD (eop)	523.5	…	…	…	…	…	…
Exchange rate KZT/USD (period average)	469.0	…	…	…	…	…	…
Velocity of broad money	3.0	2.9	2.9	2.9	2.9	2.9	2.9
Money multiplier	3.1	2.9	3.1	3.1	3.3	3.5	3.6
ODC credit to the private sector (percent of GDP)	25.5	25.9	26.4	26.8	27.3	27.8	28.3

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, 2024–30 1/

(In billions of tenge)

	2024	2025	2026	2027	2028	2029	2030
		Projections					
Total revenue	26,290	27,936	32,521	38,825	44,181	50,133	56,435
Tax revenue	23,509	25,267	29,736	35,588	40,504	45,957	51,753
Oil 2/	6,412	6,715	7,027	8,631	9,835	10,838	11,395
Non-oil	17,097	18,551	22,708	26,958	30,668	35,119	40,358
Personal income tax	2,452	2,743	3,068	3,522	3,919	4,328	4,848
Corporate income tax	6,479	6,657	7,400	8,438	9,777	11,282	12,504
Social tax	1,579	1,759	1,965	2,255	2,510	2,773	3,104
Value added tax	5,179	5,884	7,848	9,099	10,299	11,546	12,743
Excise taxes	845	983	1,111	1,280	1,433	1,603	1,793
Property tax	702	806	927	1,075	1,231	1,388	1,541
Taxes on international trade	2,217	2,151	2,318	3,373	3,684	3,922	5,157
Receipts from use of natural resources	3,790	3,976	4,746	6,137	7,185	8,592	9,483
Other taxes	266	307	353	409	466	524	580
Nontax revenue 3/	2,781	2,669	2,785	3,237	3,677	4,177	4,682
of which: Interest and dividend income	1,102	1,277	1,184	1,380	1,551	1,782	2,025
Total expenditure and net lending	31,041	34,342	38,967	45,120	50,989	56,303	62,199
Total expenditure	30,521	33,737	38,273	44,316	50,079	55,282	61,072
Current expenditure	25,105	28,085	31,787	37,120	42,294	46,866	52,203
Wages	4,765	5,496	6,308	7,313	8,277	9,280	10,242
Goods and services	6,016	6,523	7,121	8,255	9,344	10,475	11,262
Current transfers	9,733	11,092	12,517	14,511	16,425	18,413	20,983
Other Current Expenditures	2,359	2,895	3,323	3,852	4,360	4,351	4,803
Interest payment	2,232	2,079	2,519	3,188	3,888	4,347	4,915
Capital expenditure	5,417	5,652	6,487	7,196	7,785	8,416	8,868
Net lending	520	605	694	805	911	1,021	1,127
Overall balance	-4,751	-6,406	-6,447	-6,295	-6,809	-6,170	-5,764
Statistical discrepancy	0	0	0	0	0	0	0
Financing	4,751	6,406	6,447	6,295	6,809	6,170	5,764
Domestic financing, net	3,289	6,863	8,603	8,793	8,795	10,095	9,714
Foreign financing, net	1,370	-506	-2,208	-2,555	-2,049	-3,980	-4,007
of which: NFRK withdrawal (+) / accumulation (-), net 4/	-35	-506	-2,970	-3,721	-4,695	-5,629	-5,921
Memorandum items:							
Non-oil balance	-11,163	-13,122	-13,474	-14,926	-16,644	-17,008	-17,159
Primary balance	-3,621.0	-5,603.7	-5,112.1	-4,487.3	-4,472.4	-3,604.5	-2,873.8
Structural Balance	-6,031	-8,329	-8,301	-8,109	-7,284	-6,243	-5,846
Structural Non-oil Balance	-14,594	-17,463	-17,933	-20,113	-21,898	-22,209	-21,928
NFRK assets (in billions U.S. dollars)	58.1	59.0	64.5	70.9	78.6	87.4	96.3
Nominal GDP	136,693	159,038	182,520	211,606	239,507	268,504	296,356

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, 2024–30 1/

(Percent of GDP)

		Projections					
	2024	2025	2026	2027	2028	2029	2030
Total revenue	19.2	17.6	17.8	18.3	18.4	18.7	19.0
Tax revenue	17.2	15.9	16.3	16.8	16.9	17.1	17.5
Oil 2/	4.7	4.2	3.9	4.1	4.1	4.0	3.8
Non-oil	12.5	11.7	12.4	12.7	12.8	13.1	13.6
Personal income tax	1.8	1.7	1.7	1.7	1.6	1.6	1.6
Corporate income tax	4.7	4.2	4.1	4.0	4.1	4.2	4.2
Social tax	1.2	1.1	1.1	1.1	1.0	1.0	1.0
Value added tax	3.8	3.7	4.3	4.3	4.3	4.3	4.3
Excise taxes	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Property tax	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Taxes on international trade	1.6	1.4	1.3	1.6	1.5	1.5	1.7
Receipts from use of natural resources	2.8	2.5	2.6	2.9	3.0	3.2	3.2
Other taxes	3.8	3.7	4.3	4.3	4.3	4.3	4.3
Nontax revenue 3/	2.0	1.7	1.5	1.5	1.5	1.6	1.6
of which: Interest and dividend income	0.8	0.8	0.6	0.7	0.6	0.7	0.7
Total expenditure and net lending	22.7	21.6	21.3	21.3	21.3	21.0	21.0
Total expenditure	22.3	21.2	21.0	20.9	20.9	20.6	20.6
Current expenditure	18.4	17.7	17.4	17.5	17.7	17.5	17.6
Wages	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Goods and services	4.4	4.1	3.9	3.9	3.9	3.9	3.8
Current transfers	7.1	7.0	6.9	6.9	6.9	6.9	7.1
Other Current Expenditures	1.7	1.8	1.8	1.8	1.8	1.6	1.6
Interest payment	1.6	1.3	1.4	1.5	1.6	1.6	1.7
Capital expenditure	4.0	3.6	3.6	3.4	3.3	3.1	3.0
Net lending	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Overall balance	-3.5	-4.0	-3.5	-3.0	-2.8	-2.3	-1.9
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing	3.5	4.0	3.5	3.0	2.8	2.3	1.9
Domestic financing, net	2.4	4.3	4.7	4.2	3.7	3.8	3.3
Foreign financing, net	1.0	-0.3	-1.2	-1.2	-0.9	-1.5	-1.4
of which: NFRK withdrawal (+) / accumulation (-), net 4/	0.0	-0.3	-1.6	-1.8	-2.0	-2.1	-2.0
Memorandum items:							
Non-oil balance	-8.2	-8.3	-7.4	-7.1	-6.9	-6.3	-5.8
Non-oil balance (in percent of non-oil GDP)	-10.0	-10.2	-9.1	-8.7	-8.5	-7.7	-7.0
Non-oil revenues (in percent of non-oil GDP)	17.8	16.5	17.3	17.7	17.5	17.8	18.4
Primary balance	-2.6	-3.5	-2.8	-2.1	-1.9	-1.3	-1.0
Structural Balance	-4.4	-5.2	-4.5	-3.8	-3.0	-2.3	-2.0
Structural Non-oil Balance	-10.7	-11.0	-9.8	-9.5	-9.1	-8.3	-7.4
Gross public debt	24.4	25.2	27.5	28.8	30.5	31.8	32.9
NFRK assets	19.9	19.4	19.2	19.5	20.1	20.8	21.4
Net public debt	4.5	5.9	8.3	9.3	10.4	11.0	11.5

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 Kazatompror 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

Inclusive Growth Indicators

	Indicator		EMDE Average
Growth			
GDP per capita growth (percent; 2018-24 average)	1.7		1.6
Gross Fixed Capital Formation (percent of GDP; 2018-23 average)	23.5		22.8
Poverty and Inequality			
Poverty headcount ratio at $5.50/day (percent of population; 2021)	15.2	⇩	41.5
Income share held by highest 10% (2021)	24.8	⇩	29.0
GINI Index (2021)	29.2	⇩	37.3
Growth in mean consumption (growth, %, bottom 40th percentile, 2018)	3.7		1.1
Labor Markets (ILO estimates)			
Unemployment rate (% of total labor force, 2024)	4.8	⇧	7.3
Female (% of female labor force, 2024)	5.4	⇧	8.9
Youth (% of total labor force ages 15-24, 2024)	3.8	⇩	16.4
Labor force participation (% of total population ages 15+, 2024)	70.7	⇧	60.0
Female (% of female population ages 15+, 2024)	66.0	⇧	49.4
Youth (% of population ages 15-24, 2024)	41.9	⇩	38.7
Female employment to population ratio (%, 2024)	62.4	⇧	45.7
Government			
Commitment to reducing inequality index (2024)	0.6		0.5
Government spending on social safety net programs (percent of GDP, 2022)	1.9		1.6
Coverage of social safety net programs in poorest quintile (% population, 2021)	41.1	⇧	56.1
Government expenditure on education, total (% GDP, 2022)	4.5	⇧	4.1
Health expenditure, domestic general government (% of GDP, 2022)	2.3	⇩	2.9

	Indicator		EMDE Average
Human Development and Access to Services			
Human Development Index (2023)	0.8	⇧	0.7
Life expectancy at birth (years, 2023)	74.4	⇧	70.1
Prevalence of stunting (% of children under 5, 2015)	8.0	⇧	17.7
Child mortality (per 1,000, 2023)	9.6	⇧	30.4
Access to electricity (% of population, 2023)	100.0	⇧	83.6
Net school enrollment, secondary, total (% population, 2019)	99.8	⇧	73.0
Net school enrollment, secondary (female vs male, %, 2012)	100.7	⇧	102.5
Individuals using internet (% population, 2023)	92.9	⇧	65.9
Literacy rate (% population, 2020)	99.8	⇧	84.9
Literacy rate (female vs male, %, 2020)	99.9	⇧	93.9
Gender Gap Index (2021)	0.7	⇩	0.7
Access to Finance			
Account at a financial institution (% age 15+, 2021)	81.1	⇧	59.6
Account at a financial institution (female vs male, %, 2017)	106.8	⇩	87.5
Domestic credit to private sector (% GDP, 2024)	25.8	⇧	40.5
Governance[1]			
Government Effectiveness (WGI, 2023)	0.1	⇧	-0.4
Regulatory Quality (WGI, 2023)	0.1	⇧	-0.4
Rule of Law (WGI, 2023)	-0.4	⇧	-0.4
Control of Corruption (WGI, 2023)	-0.3	⇩	-0.4
Corruption Perceptions Index (2024)	40.0	⇧	35.4

Better than EMDE Average | **Worse than EMDE Average**

Improvement since previous observation ⇧ | **Deterioration since previous observation** ⇩

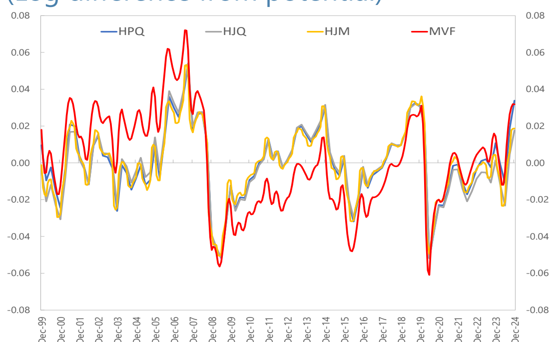
Sources: IMF World Economic Outlook, World Bank, World Economic Forum, International Labour Organization, Transparency International, UNDP, Oxfam International.

1 / Indicators use official sources and surveys to summarize perceptions of the quality of governance and business environments. Higher scores indicate better governance.

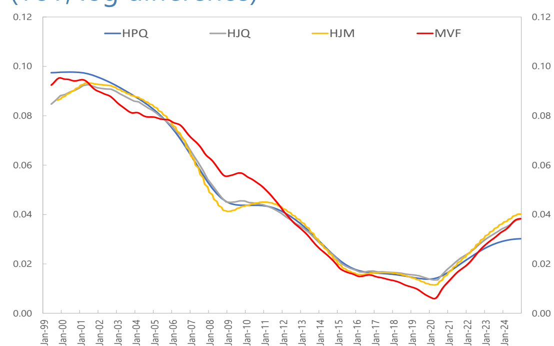
Annex I. Updating Potential Growth Estimates

1. **Kazakhstan is estimated to have a positive output gap at the end of 2024 in the range of 2 to 3 percent.** Five methods are employed to update previous estimates of potential output and growth[1]: (i) HP filter on quarterly data (HPQ); (ii) Harvey-Jaeger (1993)[2] on quarterly data (HJQ); (iii) a mixed frequency variant of HJQ to estimate the quarterly output gap at a monthly frequency (HJM); (iv) a multivariate filter variant of HJM accounting for the amplification impact of the financial cycle (MVF)[3]; and (v) HP filter and a production function approach on annual data. At end-2024, estimated output gaps vary between 2 and 3 percent of potential output. Estimated annual growth rates of potential output vary between 3 and 4 percent per year (text charts).

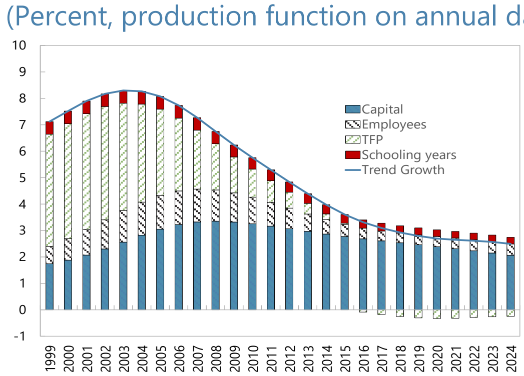
Quarterly GDP Cycle
(Log difference from potential)



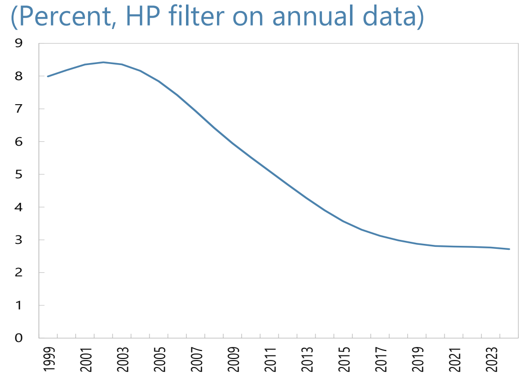
Potential Growth
(YoY, log difference)



Contributions to Trend Growth
(Percent, production function on annual data)



Potential Growth
(Percent, HP filter on annual data)



Source: Staff calculations

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[1] See Kazakhstan 2024 Article IV.

[2] See Harvey A.C. and A. Jaeger (1993) Detrending, Stylized Facts and the Business Cycle. *Journal of Applied Econometrics*, Vol 8(3), pp. 231-247.

[3] See Impavido, G. (2024) Financial and Business Cycles: Shall we Dance? An application to Kazakhstan data. *IMF Working Paper* WP/24/182. https://doi.org/10.5089/9798400288883.001

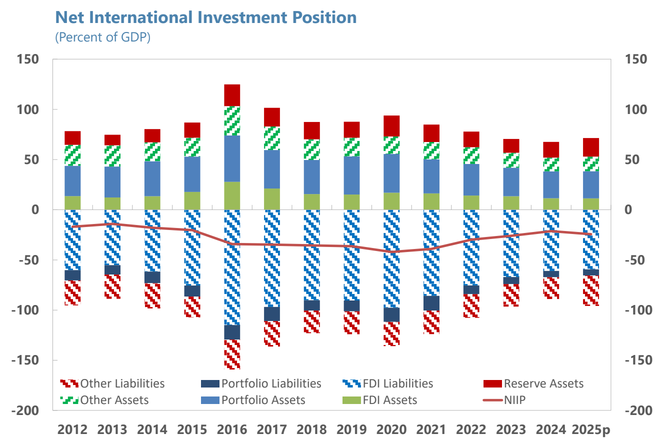
Annex II. External Sector Assessment

Overall Assessment: *The current account in 2025 is estimated to be weaker than the level implied by the economic fundamentals and desirables policies. The current account deficit is projected to widen in 2025, driven by robust domestic demand, reflecting loose fiscal policy and rapid credit growth. From 2026 onwards, the current account deficit is projected to be persistent due to lower oil prices and sustained imports of intermediate goods associated with loose fiscal policy and rising quasi-fiscal activities.*

Potential Policy Responses: *Fiscal consolidation, tight monetary policy, and enhanced prudential measures to curb credit growth, alongside implementation structural reforms to boost competitiveness, would reduce the imbalance, enhance resilience to shocks, and help bring Kazakhstan's external position back in line with fundamentals and desirable policies.*

Foreign Assets and Liabilities

Background. The net international investment position (NIIP) gradually widened after the adoption of a flexible exchange rate in 2015, driven by FDI inflows largely into the extractive sectors. However, after Covid-19, with relatively lower FDI inflows, the NIIP gradually declined from a peak of 39 percent of GDP in 2021 to about 18 percent of GDP in 2024. Over the medium term, the NIIP is projected to return to around 30 percent of GDP, supported by increased foreign investment inflows.



Source: NBS data and Haver data.

Assessment. Kazakhstan has large gross external liabilities – about 90 percent of GDP. However, about 70 percent of these are related to FDI, mostly in the natural resource sector. The public sector has low external debt and large financial buffers within the NFRK. Overall, risks to external sustainability are limited.

2024 (% GDP)	NIIP: -21	Assets: 68	Portf. Assets: 27	Liabilities: 90	Portf. Liab.: 6

Current Account

Background. The current account deficit widened in 2025Q3 amid robust import growth. The current account deficit in 2025 is projected to widen to about 4 percent of GDP (from 2.7 percent of GDP in 2024), driven by strong domestic demand. The positive trade balance is expected to decline by a further half percentage point in 2025, as lower oil prices offset higher oil export volumes. Over the medium term, the deficit is expected to remain elevated, reflecting planned investment projects, strong consumption growth, and lower projected oil prices.

Assessment. For 2025, the CA model of the IMF EBA-lite framework estimates a cyclically adjusted current account norm of -1.2 percent. The cyclically adjusted balance is projected at -4.0 percent, implying a CA gap of -2.8 percent. Fiscal consolidation, slower credit growth, and accelerated structural reforms to boost competitiveness and diversify the economy would reduce the imbalance and help bring Kazakhstan's external position back in line with fundamentals and desirable policies.

EBA-Lite Model Results, 2025

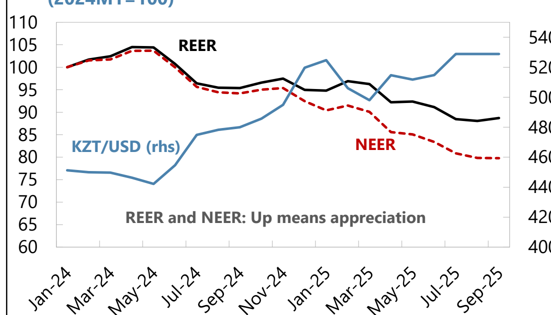
	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**-4.1**	
Cyclical contributions (from model) (-)	-0.1	
Additional temporary/statistical factors (-) 2/		
Natural disasters and conflicts (-)	0.0	
Adjusted CA	**-4.0**	
CA Norm (from model) 3/	**-1.2**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-1.2**	
CA Gap	**-2.8**	**2.2**
o/w Relative policy gap	3.3	
Elasticity	-0.2	
REER Gap (in percent)	**12.3**	**-9.7**

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 2025Q3, the REER weakened by an additional 6 percent relative to end-2024, following a 12-percent depreciation in 2024, as nominal depreciation was partially offset by higher domestic inflation. The nominal tenge depreciated against the currencies of key trading partners, consistent with Kazakhstan's twin deficits and reduced FX supply from the NBK (Box 1).

Nominal and REER Exchange Rates (2024M1=100)



Sources: NBK and IMF staff calculation

Assessment. Based on the IMF's CA model, staff assess that in 2025 the real exchange rate is weaker than implied by fundamentals and desirable policies; in other words, the current account deficit is larger than its norm. While the EBA-IREER models point in the opposite direction, staff consider the EBA-CA approach more reliable, as EBA-IREER estimates are influenced by the historical trend of the real exchange rate and Kazakhstan's high exchange-rate pass-through to inflation. Moreover, exchange-rate movements have limited short-term effects on competitiveness given that oil and other raw commodities dominate Kazakhstan's exports.

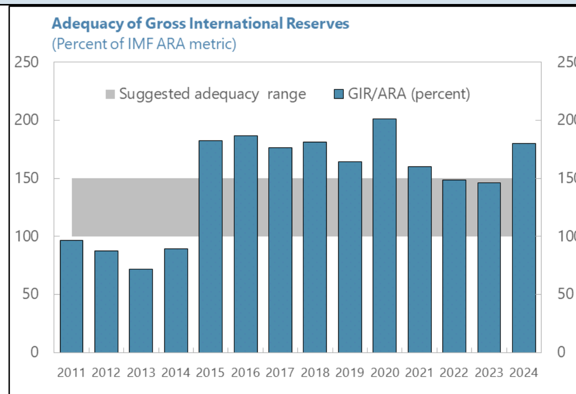
Capital and Financial Accounts: Flows and Policy Measures

Background. Kazakhstan saw a drop in FDI inflows in 2024 and in 2025H1. In recent years, the authorities implemented several regulatory measures, assessed as outflow capital flow management measures (CFM) by IMF staff, to mitigate exchange rate pressures and limit the risk of secondary sanctions from the war in Ukraine. They halved the daily cap on non-cash foreign currency that a resident legal entity may purchase unrelated to foreign currency obligations (from US$100,000 to US$50,000) and prohibited physical exports of FX above the equivalent of US$10,000 and of more than 100g of gold (except for NBK operations and certain other transactions). Electronic cross-border transfers of FX remain unaffected by this second measure, limiting its impact on the flow of capital. In November 2024, the NBK reintroduced the requirement for SOEs to sell 50 percent of their FX export proceeds to address the increased pressure on the tenge.

Assessment. The adoption of three mentioned outflow CFMs was part of a policy response to an imminent crisis at the time of the initial COVID shock and then when the war in Ukraine started and more recently to the increased pressure on the tenge. With imminent crisis conditions having abated, they should be gradually phased out in line with the IMF Institutional View on Liberalization and Management of Capital Flows.

FX Intervention and Reserves Level

Background. FX reserves are projected to rise in 2025—supported by higher gold prices—to about US$56 billion, covering roughly eight months of projected imports of goods and services in 2026, 174 percent of short-term external debt, 303 percent of portfolio investment liabilities, and 55 percent of broad money. Around 60 percent of reserve assets are held in gold. Strong gold prices also helped boost reserves in 2023 and 2024. In 2024Q4, the NBK conducted about US$1.3 billion in FX interventions amid pressure on the tenge, and in July 2025 it intervened again in response to a sharp depreciation of the currency.



Source: NBK data and IMF staff estimates.

Assessment. Based on the IMF's Assessing Reserve Adequacy (ARA) metric, gross reserves in 2025 are above the adequacy range for a country with a floating exchange rate. The assets of the NFRK (about 20 percent of GDP) provide an additional buffer.

Annex III. Implementation of the 2024 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.	The 2026 Budget Code embeds fiscal rules that set limits on expenditure growth and impose caps on transfers. The Ministry of National Economy is finalizing on-going TA to develop and implement an official macroeconomic projection framework that ensures both accounting and economic consistency.
Monetary Policy	
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.	The NBK further tightened its monetary stance by hiking the policy rate and announcing higher reserve requirements for banks' domestic and foreign liabilities. The NBK plans to keep a tight stance until inflation is close to target, and indicated its readiness to further tighten monetary policy if inflation accelerates further. However, inflation expectations are still available at only a one-year horizon, constraining the NBK's ability to assess the credibility of the inflation targeting regime. The NBK has exited from most quasi-fiscal activities (subsidized credits to SMEs, etc.). Since the 2024 Article IV consultation, the NBK conducted a central banks transparency evaluation and received TA on the effectiveness of the monetary policy committee and on enhancing monetary policy implementation.
Financial Sector Policy	
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.	The authorities have made rapid progress in implementing many of the 2023 FSAP recommendations. Provisions related to bank resolution framework have been drafted and will be included in the new Banking Law, expected by end-2025. Going forward focus should be given to strengthening institutional capacity and operationalizing the banking resolution framework, including strengthening interagency coordination.
Structural Reforms	
Priority 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.	The 2024 presidential decree renewed the authorities' commitment to structural reforms and has led to recent announcements on privatization programs and the removal of select subsidies. SOE privatization activities have taken shape with the IPO of Air Astana, the national mining company, and national telecom company, serving as key indicators of the government's intent and capacity for reforms. However, discrepancies continue to exist between implementation and reform ambitions as the national privatization office has delayed the ongoing reduction in state assets to 2026.

Annex IV. The New Tax Code and The Tax Gap

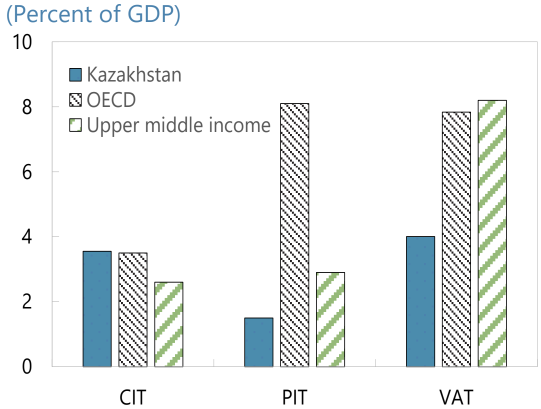
A. Low Tax Revenue Amid Widespread Exemptions

1. Tax revenues are low. Kazakhstan has experienced significant declines in government revenue over the past two decades. Non-oil revenue as a share of GDP fell from 18½ percent in 2007 to approximately 13 percent in 2024. This largely reflects generous tax incentives and low CIT and VAT collections. A large share of foregone revenue stems from tax exemptions and incentives, including broad VAT exemptions, sector-specific corporate tax relief, and preferential regimes in special economic zone (SEZs). These measures erode the tax base and complicate administration. Tax expenditures are estimated at about 7½ percent of GDP in 2023-2024 (text chart), reflecting a significant loss of fiscal space. Many exemptions are open-ended, with limited monitoring or evaluation of costs and benefits. Current VAT exemptions are extensive (health, education, utilities, agriculture).

2. The government of Kazakhstan is moving forward with plans to boost revenue starting in 2026. A new tax code, adopted in July 2025, introduces several key reforms: a higher VAT rate, a more progressive PIT structure, and higher CIT for some sectors. The government also aims to enhance revenue collection through greater digitalization and administrative modernization. This Annex reviews the main features of the new tax code and estimates both the revenue potential and the remaining gap. While the reforms are expected to improve tax collection, a sizable tax gap is likely to persist due to the continued prevalence of widespread tax incentives and exemptions. Cross-country analysis suggests that tax reforms often yield smaller-than-anticipated revenue gains, especially where bases are eroded by exemptions and limited administration capacity.[1]

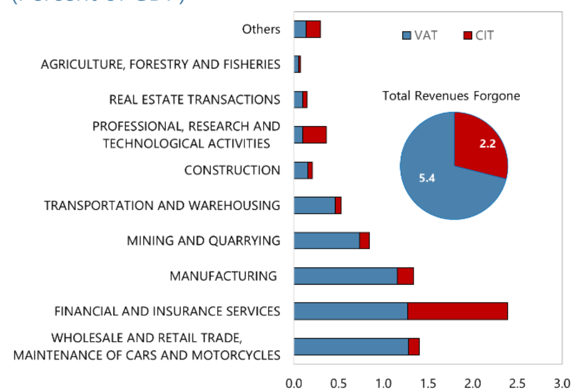
Non-Oil Revenue Is Below Peers

(Percent of GDP)



Tax Exemption Loss

(Percent of GDP)



[1] See for instance Chrispolti and Sheng (2022); Ueda (2017); Ebril, Keen, Bodin, Summers (2001)

B. Tax Reforms

3. **The new tax code introduces several key changes to boost non-oil revenue** (text table). The standard VAT rate will rise from 12 percent to 16 percent, with lower rates maintained for social sectors. The CIT standard rate remains at 20 percent, except for banking and gambling sectors, which will be subject to a higher rate of 25 percent. PIT will transition from a flat 10 percent rate to a progressive structure, with a 15 percent rate applied to income exceeding 33½ million Tenge. Special tax regimes will be reduced from seven to three types, with the simplified small-business regime subject to a flat 4 percent tax rate. The code also proposes increased excise taxes on alcohol, tobacco, and heated tobacco products, along with a new excise tax on energy drinks as part of a health initiative. Tax incentives will be streamlined, with approximately 128 of the existing 453 tax breaks eliminated. The remaining incentives will be more targeted to support specific policy goals.

Key Changes in the Tax Codes

TAX	Old Code	New Code (2026 Onward)
CIT	20 percent (flat)	20 percent (base), 25 percent for banks/gambling, 3 percent for agriculture producers. Social sector: 5 percent in 2026, 10 percent from 2027
VAT	12 percent	16 percent
VAT registration threshold	78.6 million tenge	40 million tenge
PIT- salary[1]	10 percent (flat)	10 percent up to 33½ million Tenge; 15 percent above.
PIT-dividend	5 percent	5 percent for dividend up to 1.8 million Tenge; 15 percent for dividend above the threshold.
Simplified tax Regimes[2]	7 types	3 types (self-employed, simplified, farmers). 4 percent flat tax rate.
Tax Incentives	453 tax breaks	128 tax breaks will be cut.

1/ For instance, an employee's salary would be subject to: PIT (10 percent), social tax (11 percent), social contribution (5 percent), pension contribution (10 percent) and medical insurance (3 percent).
2/ Vis-à-vis general tax regime.

4. **The government expects the announced reforms to result in a revenue gain of about 2½ percent of GDP in 2026**. The largest revenue gains are expected from higher VAT collections (1.1 percent of GDP), with additional gains arising from reductions in corporate tax incentives and improvements in administrative capacity and digitalization. However, despite planned reductions, tax exemptions are expected to remain widespread. More than 600 exemptions will remain after the government cuts around 400 exemptions. Estimates based on MOF data indicate that tax revenue losses due to VAT exemptions averaged about 6 percent of GDP between 2022 and 2024.

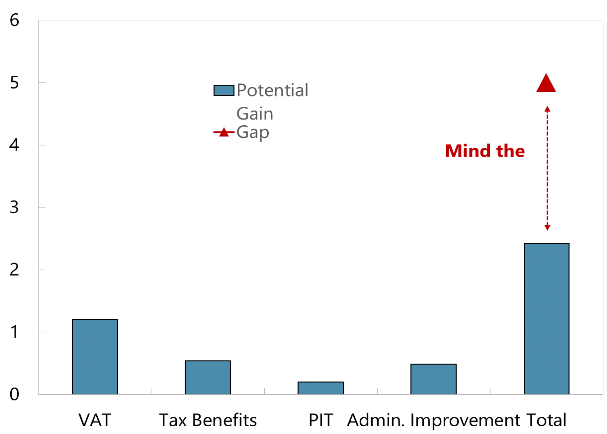
5. **Staff estimates suggest that potential non-oil revenues could close about half of the existing revenue gap**. Using methodologies outlined in IMF (2022)[2], Kazakhstan's potential tax

[2] IMF 2022. Revenue Mobilization for a Resilient and inclusive Recovery in the Middle East and Central Asia.

revenue is approximately 19 percent of GDP, implying a remaining gap after the planned tax reforms of around 2½ percentage points. Further efforts to reduce tax benefits, enhance VAT compliance, broaden the tax base by addressing the informal economy, improve local tax collection capacity, and advance digitalization could significantly increase revenue gains under the new tax code.

Potential Revenue and Gap

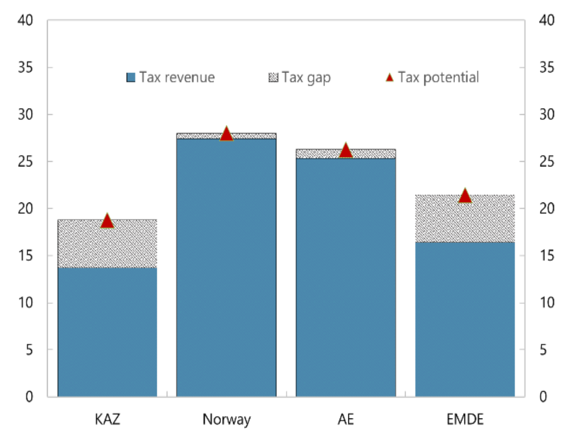
(Percent of GDP)



Sources: Country authorities and IMF staff calculations.

Tax Revenue and Gap

(Percent of GDP)



Sources: Country authorities and IMF staff calculations.

Annex V. 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 and large financial asset buffers.
Near term 1/			
Medium term	Moderate	Low	Medium-term risks are assessed to be low against the mechanical signal given relatively low debt levels and large assets buffers at the NFRK
Fanchart	Moderate	...	
GFN	Low	...	
Stress test		...	
Long term	...	Moderate	Long-term risks are assessed as 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 and increased utility tariffs can help support the adjustment.
Sustainability assessment 2/	Not required for surveillance countries	Sustainable	
Debt stabilization in the baseline			No

DSA Summary Assessment

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 20 percent of GDP at end-2024). Fiscal deficits are expected to remain moderate over the medium term given the lower oil projecttions, development needs and climate transition. Fiscal space remains substantial and the fiscal buffers can support periods of fiscal deficit, if needed. The projected debt path reflects the government's decision to simultanesouly increase the assets at the National Fund.

Source: Fund staff.
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.
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.
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.

Figure 2. Kazakhstan: Debt Coverage and Disclosures

	CG	GG	NFPS	CPS	Other	Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
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	Comments
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes	Not applicable
CPS	NFPS	GG: expected	CG	2	Extra budgetary funds (EBFs)	Yes	
CPS	NFPS	GG: expected	CG	3	Social security funds (SSFs)	Yes	
CPS	NFPS	GG: expected		4	State governments	No	
CPS	NFPS	GG: expected		5	Local governments	Yes	
CPS	NFPS			6	Public nonfinancial corporations	No	
CPS				7	Central bank	No	
CPS				8	Other public financial corporations	No	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

	Basis of recording		Valuation of debt stock		
4. Accounting principles:	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-Government Debt Holdings

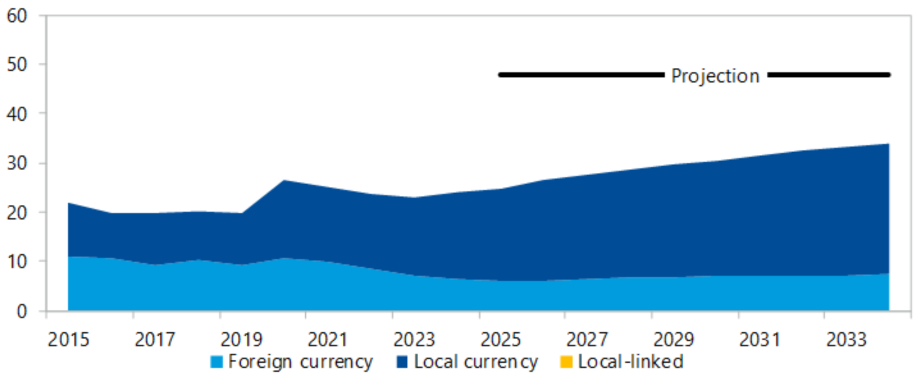
				#	Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS	NFPS	GG: expected	CG	1	Budget. central govt									0
CPS	NFPS	GG: expected	CG	2	Extra-budget. funds									0
CPS	NFPS	GG: expected	CG	3	Social security funds									0
CPS	NFPS	GG: expected		4	State govt.									0
CPS	NFPS	GG: expected		5	Local govt.									0
CPS	NFPS			6	Nonfin pub. corp.									0
CPS				7	Central bank									0
CPS				8	Oth. pub. fin. corp									0
					Total	0	0	0	0	0	0	0	0	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.

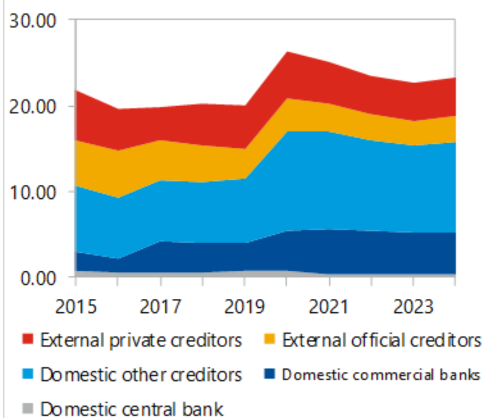
Figure 3. Kazakhstan: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



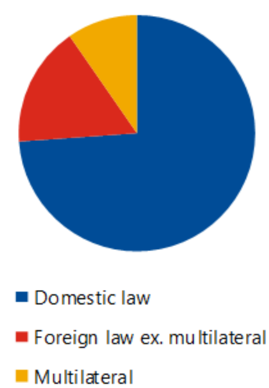
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



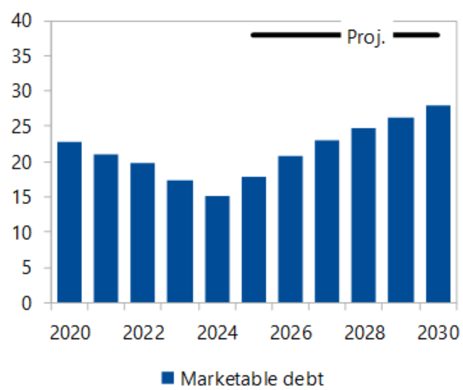
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (percent)



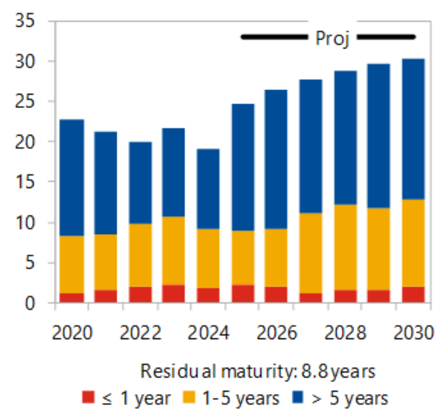
Note: The perimeter shown is general government.

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.

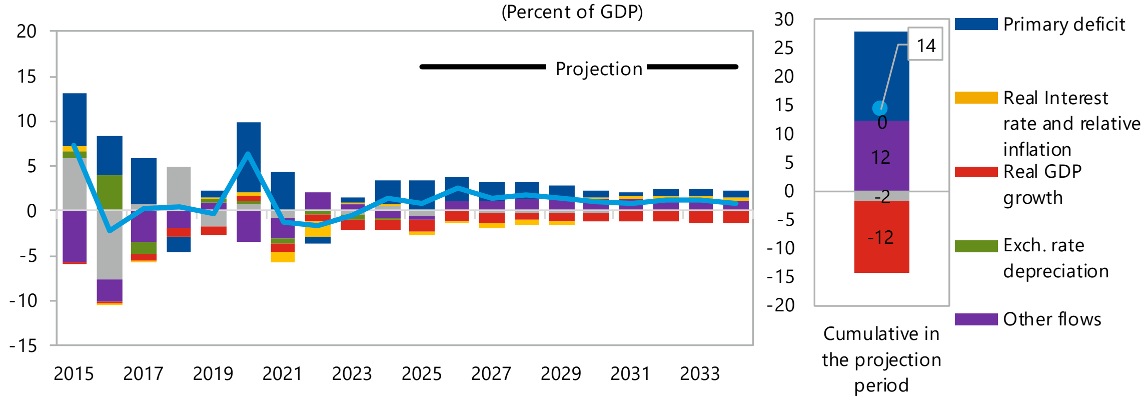
Figure 4. Kazakhstan: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	24.4	25.3	27.8	29.2	30.9	32.3	33.4	34.3	35.5	36.7	37.7
Change in public debt	1.4	0.9	2.5	1.4	1.7	1.4	1.1	0.8	1.3	1.2	0.9
Contribution of identified flows	0.8	1.5	2.5	1.6	1.9	1.5	1.3	0.9	1.3	1.3	1.0
Primary deficit	2.6	3.5	2.8	2.1	1.8	1.3	0.9	0.3	0.7	0.8	0.7
Noninterest revenues	18.4	16.8	17.2	17.8	17.9	18.1	18.4	19.2	19.0	19.3	19.7
Noninterest expenditures	21.1	20.3	20.0	19.8	19.7	19.4	19.3	19.5	19.8	20.1	20.4
Automatic debt dynamics	-1.1	-1.6	-1.4	-1.7	-1.4	-1.3	-1.1	-0.7	-0.7	-0.7	-0.7
Real interest rate and relative inflati	0.2	-0.2	-0.3	-0.6	-0.5	-0.3	0.0	0.4	0.5	0.5	0.5
Real interest rate	-0.2	-0.6	-0.7	-1.1	-1.0	-0.7	-0.3	0.2	0.3	0.3	0.3
Relative inflation	0.4	0.4	0.4	0.5	0.5	0.4	0.3	0.2	0.2	0.2	0.2
Real growth rate	-1.1	-1.4	-1.1	-1.1	-0.9	-1.0	-1.1 .	-1.1	-1.1	-1.2	-1.2
Real exchange rate	-0.2	…	…	…	…	…	… .	…	…	…	…
Other identified flows	-0.7	-0.4	1.1	1.2	1.4	1.5	1.4	1.3	1.3	1.2	1.1
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	-0.8	-0.8	-0.7	-0.7	-0.7	-0.7	-0.7	-0.8	-0.7	-0.7	-0.9
Other transactions	0.1	0.4	1.8	1.9	2.1	2.2	2.1	2.1	2.0	1.9	1.9
Contribution of residual	0.6	-0.5	0.0	-0.1	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Gross financing needs	7.3	6.8	6.2	5.6	5.0	4.8	5.2	4.7	5.5	5.8	5.7
of which: debt service	5.4	4.1	4.1	4.2	3.8	4.2	4.9	5.2	5.5	5.7	5.9
Local currency	4.3	2.8	3.5	3.8	3.3	3.8	4.2	4.4	4.7	4.9	5.1
Foreign currency	1.2	1.3	0.6	0.4	0.6	0.4	0.7	0.8	0.8	0.8	0.9
Memo:											
Real GDP growth (percent)	5.0	6.2	4.4	4.2	3.0	3.4	3.4	3.4	3.5	3.5	3.5
Inflation (GDP deflator; percent)	9.0	9.6	10.3	11.3	9.9	8.4	6.6	5.0	5.0	5.0	5.0
Nominal GDP growth (percent)	14.4	16.4	15.1	15.9	13.2	12.1	10.3	8.6	8.6	8.6	8.7
Effective interest rate (percent)	8.1	6.8	7.0	6.6	6.1	6.0	5.6	5.7	5.9	6.0	6.0

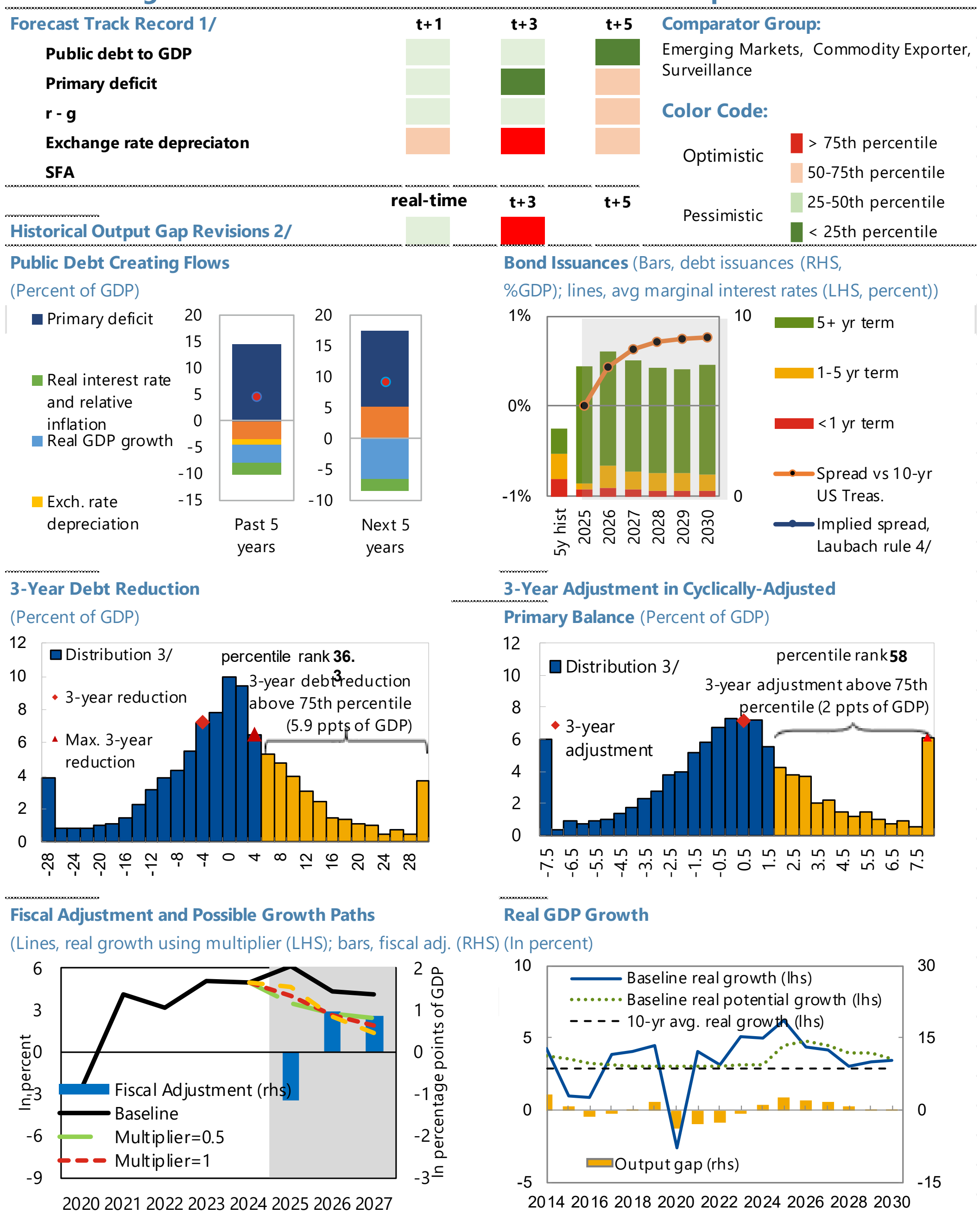
Contribution to Change in Public Debt

(Percent of GDP)



Commentary: Public Debt is projected to increase moderately over the forecast horizon with the assumption of a simultaeous 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: 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.

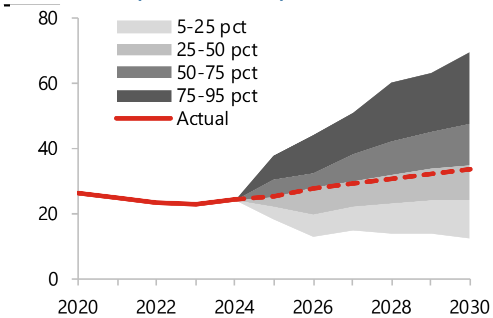
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

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

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.

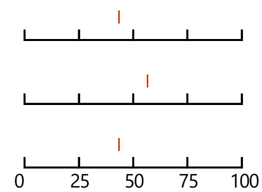
Figure 6. Kazakhstan: Medium-Term Risk Assessment

Final Fanchart (Percent of GDP)

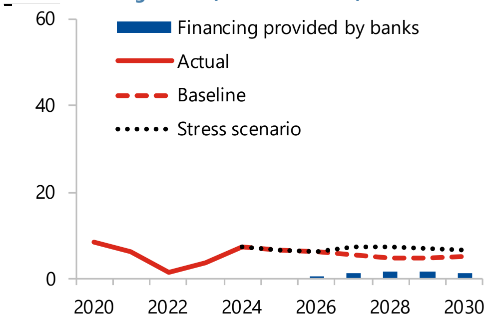


Debt Fanchart Module

	Value	Contrib 1/	Percentile in peer group 2/
Fanchart width *(percent of GDP)*	56.6	0.8	
Probability of debt non-stabilizaiton *(percent)*	64.6	0.5	
Terminal debt-to-GDP x institutions index	19.8	0.4	
Debt Fanchart Index (DFI)		1.8	
Risk signal: 3/		**Moderate**	

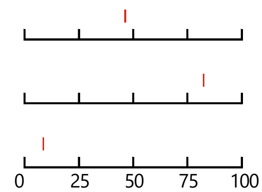


Gross Financing Needs (Percent of GDP)



Gross Financing Needs (GFN) Module

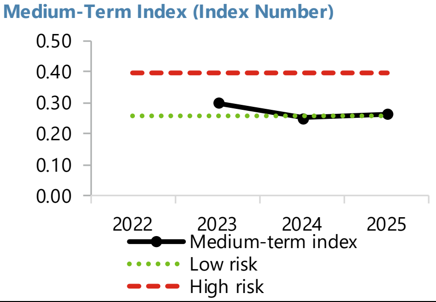
	Value	Contrib 1/	Percentile in peer group 2/
Average baseline GFN *(percent of GDP)*	5.6	1.9	
Initial Banks' claims on the gen. govt *(pct bank assets)*	14.1	4.6	
Chg. In banks' claims in stress *(pct banks' assets)*	0.8	0.3	
GFN Financeability Index (GFI)		6.8	
Risk signal: 4/		**Low**	



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	1.8	0.4	0.5	0.2
GFN finaceability index	6.8	0.1	0.5	0.1
Medium-term index		0.3		
Risk signal: 5/		**Moderate**		
Final assessment:		**Low**		

Prob. of missed crisis, 2025-2030, if stress not predicted: 18.2 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 39.8 pct.

Commentary: The Debt Fanchart Module indicates an adequate balance of risks around the projected debt baseline. However, given the large assets buffer at NFRK and other state assetss, the final assessment is low.Taken together, the MTI produces a mechanical "low" signal.

Source: IMF staff estimates and projections.
1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Annex VI. Risk Assessment Matrix[1]

Risks	Likelihood	Expected Impact	Policy Response
External Risks			
Geopolitical Tensions. Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade and supply chains.	High	**Medium** Trade and tourism 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 implementation of the medium-term fiscal framework. Diversify export routes. Allow the exchange rate to adjust to potential pressures, use buffers to smooth short-term volatility.
Escalating Trade Measures and Prolonged Uncertainty. Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge—especially in countries imposing tariffs. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang.	High	**High** Increased policy uncertainty and rising trade barriers would disrupt traditional trade routes exacerbating inflation and costs from the lack of economic and trade diversification of the country. Weaker global demand would result in lower oil prices and cause pressures on the financial sector via the exchange rate and slower growth.	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. Allow the exchange rate to adjust; accumulate buffers and use them to smooth short-term volatility if needed.
Commodity Price Volatility. Shifts in supply and demand—driven by geopolitical tensions and conflicts, OPEC+ actions, or the green transition—may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability.	High	**High** Sustained high oil prices could help 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.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline. Likelihood reflects staff's subjective assessment: "low" (below 10 percent), "medium" (10-30 percent), and "high" (30-50 percent). The RAM captures staff views on the source of risks and overall concern as of the time of discussions with the authorities. Risks may interact and materialize jointly. The conjunctural shocks reflect shorter-term risks (12-18 months) while structural risks are more persistent.

Risks	Likelihood	Expected Impact	Policy Response
Financial Market Volatility and Correction. Stretched asset valuations, easy financial conditions, and subdued volatility in key markets could be significantly affected by a sudden and disruptive shift in investor sentiment or policy stance, triggering market corrections, exchange rate turbulence, spikes in sovereign bond yields, and capital flow volatility. Elevated leverage among Non-Bank Financial Intermediaries further amplifies these risks, as forced deleveraging during periods of stress could exacerbate asset price swings and propagate shocks. Rapid growth of unregulated crypto markets could add to these vulnerabilities by increasing the risk of redemption runs and market dislocations.	**High**	**Low** Higher risk premia could cause pressure for currency depreciation, higher debt service and refinancing risks. Potential pressure on leveraged firms and households could depress growth. The rollout of the third phase of the Digital Tenge without limits, and the launch of a Tenge-denominated stablecoin, may bring further macro-financial implications.	Allow the exchange rate to adjust; accumulate buffers and use them to smooth short-term volatility if needed. Continue monitoring crypto markets and be prepared to implement a robust regulatory framework.
Fiscal Vulnerabilities and Higher Long-Term Interest Rates. Rising public debt and deficit levels may put upward pressure on long-term interest rates and increase the risk of sovereign bond market disruptions. These developments could amplify capital flow volatility, tighten financial conditions, threaten sovereign debt sustainability and trigger global spillovers. To the extent that major economies are affected, market imbalances (such as reduced investor capacity to absorb sovereign debt) could emerge, exacerbating risks from a close sovereign-financial nexus.	**High**	**Medium** Tightening in the global financial conditions may trigger capital outflows and put pressure on the exchange rate.	Maintain exchange rate flexibility and provide guidance through NBK communications. Continue strengthening financial stability.

Risks	Likelihood	Expected Impact	Policy Response
Rising Social Discontent. High living costs, weak growth, and inequality may fuel social unrest, hinder necessary reforms, and weaken countries' capacity to address domestic and external shocks.	Medium	**High** High inflation could re-ignite the social tensions. This would impact economic activity and could trigger costly fiscal responses.	Strengthen social safety nets and their targeting. Accelerate structural reforms, including anti-corruption reforms, to promote inclusive growth. Tighten monetary policy to strengthen the inflation-targeting framework.
Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	High	**Medium** Cyberattacks could disrupt the payment system, which relies on electronic means to a large extent.	Accelerate efforts to enhance cyber-security including digital national infrastructure.
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. Step up structural reforms and accelerate privatizations, including by reducing contingent liabilities. Improve public sector transparency and accountability.
Loss of monetary policy credibility and effectiveness.	High	**High** Loss of monetary policy credibility and effectiveness would endanger macroeconomic stability.	Keep monetary policy tight until inflation is close to the target and stand ready to tighter further if inflation accelerates. Reaffirm the independence of the NBK. Reduce excess liquidity in the banking sector to strengthen monetary policy implementation and transmission.

Annex VII. Progress on FSAP Recommendations

1. In December 2023, Kazakhstan's *Financial Stability Council* approved a detailed roadmap to implement the 2023 FSAP recommendations, and the authorities have made notable progress. The table below provides an update, as of end-November 2025, on progress made so far on key macro-relevant FSAP recommendations since the 2024 Article IV staff report:

Recommendations	**Authorities' Comments After September 2024**
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	The Agency conducts a semi-annual liquidity stress test and monitors the liquidity of Kazakhstan's banking sector, submitting the results for review by the management. Automation of liquidity stress testing has been introduced; it is currently performed in an automated mode with full integration of input data and calculation modules. Under the Roadmap for implementing IMF and World Bank recommendations within the Financial Sector Assessment Program of Kazakhstan, the NBRK is the lead executing agency for this measure.
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	Completed
Join the Network for Greening the Financial System, especially the workstreams on 'Supervision', 'Scenario Design and Analysis', and 'Monetary Policy'	Completed
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	The Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market has completed its first climate stress test of the banking sector for 2024. The report was published in September 2025. Physical and transition risks were considered as part of the analysis. Physical risks include the effects of global warming manifesting as droughts, extreme heat, and floods. Transition risks are associated with a decrease in demand for Kazakhstan's exports in the context of decarbonization, tightening environmental standards and the impact of the EU Carbon Border Adjustment Mechanism (CBAM). The analysis included 11 banks, which account for 85% of banking system assets. Testing covered a three-year horizon and two scenarios. No further progress to strengthen interagency coordination and on the development of an interagency working group on climate finance and climate risk analysis.

Recommendations	**Authorities' Comments After September 2024**
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	The package of legal amendments strengthening the legal protection of employees of the Agency, NBK and KDIF was initially included in the draft enabling legislation "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Regulation and Development of the Financial Market." However, due to comments from the Administration of the President of the Republic of Kazakhstan, this package of amendments was excluded from the draft law before its submission to the Mazhilis in late August 2025. These may be re-presented on a future occasion.
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	In October 2024, the Agency accredited and launched the first digital platform for trading distressed assets, operated by First Credit Bureau LLP. Regarding tightening rules on related-party transactions, the relevant provisions have been included in the draft new Law "On Banks and Banking in the Republic of Kazakhstan," currently before the Mazhilis of the Parliament of the Republic of Kazakhstan.
Extend the application of prudential standards and strengthen the requirements for risk management at consolidated level	In addition to what published in the 2024 Staff report, requirements for risk management, compliance control and corporate governance systems were further strengthened with Resolution No. 94 of December 27, 2024 and implemented with Resolution No. 90 "On Amendments to Certain Regulatory Legal Acts of the Republic of Kazakhstan on Banking Regulation" of December 27, 2025. This clarified the calculation of capital adequacy, and eliminate situations of double or multiple gearing. The capital ratio available to banking conglomerates must be greater than or equal to 1. ARDFM has also developed Resolution No. 94 of December 27, 2024 "On Approval of Requirements for the Risk Management and Internal Control System of a Banking Conglomerate." Requiring banking conglomerates to have an effective corporate governance system for conglomerates; to manage risks, capital and liquidity of the conglomerate; and to maintain internal control and audit of the conglomerate.
Expand NPL recognition criteria to IFRS9 stage 3 exposures, as well as foreclosed assets	In addition to what published in the 2024 Staff report, amendments to expand the definition of NPLs to include IFRS 9 Stage-3 loans and foreclosed assets were adopted by the Agency Board Resolution No. 90 of December 27, 2024.

Recommendations	Authorities' Comments After September 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	In 2024, as part of risk-based AML/CFT supervision, the Agency improved its internal documents governing the procedure for conducting inspections and assessing the degree of supervised entities' exposure to money laundering and terrorist financing risks. To minimize ML/TF risks, the Agency adopted amendments to the Rules for the Formation of Banks' Risk-Management Systems (Agency Board Resolution No. 24 of June 25, 2025), establishing liability of heads of anti-fraud and compliance control unit heads for adherence to legislative requirements.
Macroprudential 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	Amendments clarifying the functions and responsibilities of the NBRK and the Agency in macroprudential policy were included in the Law of the Republic of Kazakhstan "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on the Development of the Financial Market and Protection of the Rights of Consumers of Financial Services, Communications, and the Elimination of Excessive Legislative Regulation" (hereinafter – the Law), which entered into force on August 31, 2025. By Law of June 30, 2025 "On Amendments and Additions to Certain Legislative Acts on the Development of the Financial Market, Protection of the Rights of Consumers of Financial Services, Communications, and the Elimination of Excessive Legislative Regulation," powers of the NB and ARDFM in macroprudential policy were clarified.
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	Legislative amendments were introduced to strengthen consumer protection in financial services including requirements to protect the interests of consumers, banning the use of personal data for marketing purposes without the consumers' consent, banning specific unfair practices, requiring providers to take into account consumers' interests when developing a new marketing products. In July 2025, the Agency for Regulation and Development of the Financial Market (ARDFM) introduced criteria for identifying borrowers with an elevated risk profile Banks are mandated to apply enhanced creditworthiness assessment procedures and a separate debt resolution framework aimed at preventing the transition of their debt into the non-performing category. A similar approach is planned to be gradually extended to microfinance organizations. In August 2025, additional tightening measures were adopted regarding the calculation of the Debt

Recommendations	Authorities' Comments After September 2024
	Service-to-Income (DSTI) ratio and the issuance of unsecured consumer loans to borrowers with signs of excessive debt burden. New disclosure and transparency requirements were introduced in 2025 to disclose risks embedded in financial products. Since 2025, the concept of conduct supervision has been introduced at the legislative level as an independent area of financial regulation. This model is based on the G20/OECD High-Level Principles on Financial Consumer Protection and is aimed at preventing unfair business practices, protecting consumers from hidden risks, enhancing product transparency, and timely identifying systemic issues at the level of business processes and digital interfaces. As part of the draft Banking Law, conduct supervision is being formally introduced in legislation as a distinct function of state regulation of financial institutions. This approach draws on the G20/OECD Principles on Financial Consumer Protection and focuses on preventing unfair client practices, ensuring transparency of financial product terms, and early detection of systemic issues in product design, sales processes, customer service, and debt resolution.
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	In 2025, interaction with the Financial Stability Board (FSB) was established, including for greater cooperation on regulation of crypto assets, fintech and the securities market. Memoranda of Understanding were signed with regulatory agencies with several countries to formalize information sharing and capacity development and promoting cooperation and enforcement. Staff training conducted. To strengthen the Agency's AML/CFT human-capital capacity, ARDFM staff participated in training and seminars organized by standard setters
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	As part of developing the digital-assets industry in Kazakhstan, the National Bank, in cooperation with the Agency for Regulation and Development of the Financial Market prepared a package of legislative amendments to create an integrated ecosystem of digital financial assets. These amendments introduce a classification of digital financial assets, including money-backed stablecoins, assets representing rights to financial instruments, and digital equivalents of traditional instruments such as bonds, shares, and other securities. Legal mechanisms are created for issuance and circulation,

Recommendations	Authorities' Comments After September 2024
	defining requirements for issuers, investors, custodians, and digital platform operators. These measures are included in the draft enabling legislation to the new Law on Banks, currently under review by the Mazhilis of the Republic of Kazakhstan.
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	In addition to what published in the 2024 Staff report, in Q1 2024 an inter-agency Working Group was created to monitor the relationship between the national financial system and the AIFC financial system. Within this Working Group, provisions have been set out to enhance information sharing among these parties.
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 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	Within the new draft new Law on Banks expected to be enacted by end-2025, a three-tier crisis-management framework is envisaged: enhanced supervision, restoration of financial resilience, and resolution of an insolvent bank. To prevent deterioration in banks' financial condition, new requirements are introduced for developing bank recovery plans and resolution plans. Recovery plans contain detailed measures to lead a bank out of crisis and prevent insolvency. The development and annual updating of such plans will be the responsibility of banks. Systemically important banks will be required to maintain a sufficient loss-absorbing capacity, which will allow converting their liabilities into equity in the event of insolvency and reducing the need for external support. The draft laws also clearly delineate the powers of state bodies in bank-resolution matters.
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	Relevant legislative amendments are included in the new draft Law "On Banks and Banking," currently before the Mazhilis of the Parliament of the Republic of Kazakhstan.
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	The Financial Stability Board approved the common architecture of intra-agency and inter-agency contingency plans (FSB Minutes No. 95 of March 03, 2025).

Recommendations	Authorities' Comments After September 2024
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)	Relevant provisions introducing mandatory pre-positioning of non-marketable assets by second-tier banks for potential LOLR support are included in the draft of the new Law on Banks, currently before the Mazhilis of the Parliament of the Republic of Kazakhstan. Approaches to monitoring non-marketable assets and to enhanced supervision of banks receiving LOLR support were approved by the joint resolution of the ARDFM and the NBRK No. 87 and No. 85 of December 24, 2024. As part of IMF technical assistance, work was carried out to develop a methodology for setting discounts on non-marketable assets accepted as collateral for LOLR loans (memorandum to NBRK management No. 07-0-18/584 of July 31, 2024). Based on the results of this work, a draft resolution of the NBRK Board of Directors "On Approval of the Methodology for Calculating and Setting Discounts on Non-Marketable Assets Accepted by the NBRK as Collateral for Obligations under the Lender-of-Last-Resort Loans" was approved.

Annex VIII. Reforms to Enhance Long-term Growth Prospects

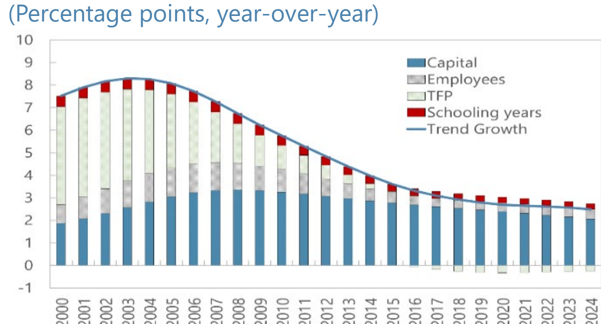
A. Structural Reforms to Improve Lackluster Productivity Growth

1. **Heightened global uncertainty underscores the need for structural reforms aimed at boosting productivity to lift long-term sustainable growth.** Kazakhstan's trend growth has steadily declined, driven by a marked slowdown in the growth of total factor productivity (TFP) amid persistent gaps in reform implementation (Arzoumanian and Impavido, 2022). Productivity has been hindered by weak investment in non-oil, high-value sectors such as manufacturing and agriculture, and a private sector significantly constrained by dominant SOEs.[1] Staff estimates show that improvements to digitalization, macroeconomic stability, trade complexity, quality of institutions and governance, and a smaller state footprint are strongly associated with higher TFP for Kazakhstan and across CCA economies (text chart). While digital reforms have delivered meaningful gains in TFP in Kazakhstan—through better digital infrastructure, digital literacy and financial inclusion, and more efficient public services[2]—they have not been sufficient to offset long-standing weakness in governance and the rule of law, particularly in the judicial process to promote fair and swift contract enforcement.[3]

2. **The productivity gains from governance reforms and reducing the state footprint in Kazakhstan could be substantial.** IMF (2023) estimates show that closing reform gaps to levels

Contributions to Trend Growth

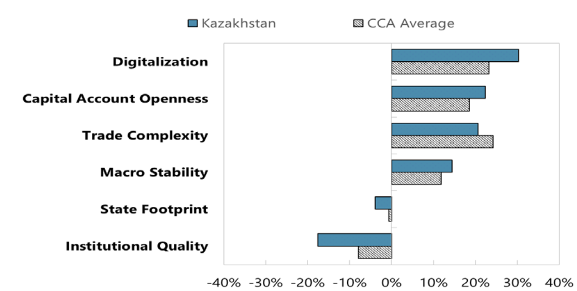
(Percentage points, year-over-year)



Source: National Authorities, Wittgenstein Centre, and IMF staff calculations.

Contributions to TFP Growth

(Percent, 2000-2023)



Source: IMF MCD October 2024 REO Chapter 2; World Bank Development and Worldwide Governance indicators; and IMF Staff Calculations.

Notes: See Chapter 2 and Annex of the MCD October 2024 REO for definitions of the TFP drivers. The contributions for Kazakhstan were computed by multiplying the country-specific drivers by the estimated beta coefficients for the CCA region.

[1] See *Kazakhstan: Reversing Productivity Stagnation – Country Economic Memorandum*. Washington, D.C.: World Bank Group. http://documents.worldbank.org/curated/en/615051550479498194

[2] See "Building Digital Public Infrastructure: Lessons Learned from Kazakhstan." Center for Strategic and International Studies. November 2024.

[3] Hall and Jones 1999; Acemoglu, Johnson, and Robinson 2004; Acemoglu and Robinson 2015.

seen across the best reformers in the CCA region could lift medium-term growth substantially.[4] For Kazakhstan, the largest gains could be achieved by reducing the state footprint and enhancing governance. For example, privatization alone could raise annual growth in Kazakhstan by 1.6 percentage points, while improving corporate governance could add another 0.9 percentage points.[5] Strengthening the rule of law, in particular, is essential for creating a more predictable business environment, enhancing competitiveness, attracting investment, and reinforcing the productivity gains from privatization and better corporate governance.[6]

Potential Payoffs from Closing Reform Gaps

(Percent, annual growth rate)

	World Bank WGI	EBRD Transition Indicators				
Country	Governance	Privatization	Corp. Governance and enterprise restructuring	Price liberalization	Trade & Forex	Competition
Armenia	0.4	0.5	0.0	0.2	0.0	0.0
Azerbaijan	1.1	3.7	0.9	0.2	0.5	0.4
Georgia	0.0	0.0	0.0	0.0	0.0	0.2
Kazakhstan	0.7	1.6	0.9	0.4	1.0	0.2
Kyrgyz Republic	1.2	0.5	0.9	0.0	0.0	0.2
Tajikistan	1.7	2.6	0.9	0.2	1.0	0.4
Turkmenistan	1.8	7.5	3.4	0.7	3.1	0.8
Uzbekistan	1.7	3.2	1.7	0.9	4.1	0.4

Source: "Paving the way to more resilient, inclusive, and greener economies in Caucasus and Central Asia." Middle East and Central Asia Department Departmental Paper, June 2023

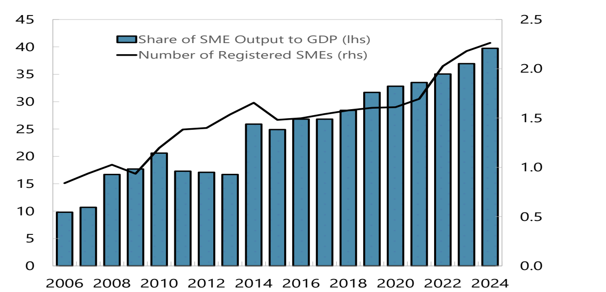
Notes: Gaps are calculated relative to the best performing CCA country. Darker color denotes stronger impact of reforms

B. Foster Entrepreneurship and SMEs to Support Economic Diversification

2. Further improving the business environment and growing the SME sector is essential to complement efforts to reduce the role of the state. A more diversified and dynamic private sector depends on empowering SMEs, which play a large role in supporting job creation and non-oil growth.[7] Kazakhstan aims to increase SMEs' contribution to GDP to 50 percent by 2050, and has undertaken several state programs. There has been some success in implementing such programs; however, SMEs continue to face challenges ranging from informality to

SMEs and Contribution to GDP

(Percent, millions of SMEs)



Sources: Kazakhstan Bureau of National Statistics and IMF Staff calculations.

[4] See "Paving the way to more resilient, inclusive, and greener economies in Caucasus and Central Asia." Middle East and Central Asia Department Departmental Paper. June 2023.

[5] Reform payoffs were calculated by estimating potential growth benefits from closing reform gaps relative to best reformers in the region and EMEU. See IMF Middle East and Central Asia Department Departmental Paper. June 2023

[6] October 2024 Regional Economic Outlook: Middle East and Central Asia

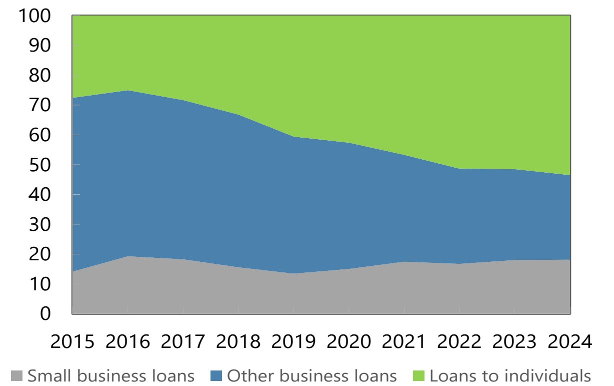
[7] See Blancher and others (2019). Financial Inclusion of Small and Medium-Sized Enterprises in the Middle East and Central Asia. IMF Departmental Paper, No. 2019/002.

competition from SOEs.[8] Apart from their fiscal risks, SOEs distort competition and undermine market efficiency due to their privileged access to resources, crowding out SMEs and potential innovators.

3. Access to finance and distortions from state-subsided lending schemes are additional key barriers to SME growth. As in many other emerging markets, entrepreneurs have faced constraints in access to finance through commercial banks, owing to higher risk, imperfect information about business prospects, and lack of collateral. In response, the government has established credit support programs through DAMU and BNMH, offering loan guarantees and subsidized loans in key sectors such as manufacturing, agriculture, and infrastructure. While helpful, these measures have not been sufficiently effective in addressing the structural barriers impeding the sector's broader access to financing as SME lending has remained stagnant as a share of total bank credit.

Bank Credit by Borrower Type

(Percent of total lending in KZT)



Sources: National Bank of Kazakhstan and IMF Staff calculations.

4. Widespread credit subsidies can also create a lending rate gap that discourage banks from taking on riskier SME lending and encourage firms to focus on securing subsidies rather than competing on efficiency and quality.[9] A more effective approach is to strengthen the capacity of the local financial institutions to assess SME risks and price loans commercially, particularly in high-potential sectors (the agribusiness value chain and raw materials processing, in particular). Public credit support programs to SMEs should also continue to evolve from the provision of subsidized credit to risk-sharing schemes that include private sector funding.[10]

C. Reduce Exposure to Uncertainty Shocks Through Regional Integration

5. Regional integration of the Kazakhstan economy represents an important strategic development that can ensure sustainable and stronger economic growth. Historically, the CCA region has been a vital link between Europe and Asia, serving as a conduit for trade and innovation. In this context, further integrating Kazakhstan into the global value chain can expand market access, attract foreign investment, spur technology transfer, and create jobs. To realize these gains, authorities need to continue to invest in human capital, improve infrastructure, foster a more

[8] See Uruzbaeva, N. (2022). Assessment of the Contribution of Small and Medium-Sized Enterprises to the Output of the Cities of Republican Significance in Kazakhstan.

[9] See Asian Development Bank April 2024 Outlook: Kazakhstan.

[10] For example, the DAMU fund changed its structure to now provide credit guarantees rather than directly providing subsidized loans to SMEs.

favorable business environment, and support innovation.[11] Overall, greater regional and global value chain integration will strengthen the competitiveness of Kazakhstan's goods and services, diversify the economy and enhance resilience amid elevated global economic uncertainty.

6. Pursuing regional integration would support trade diversification and reduce exposure to uncertainty shocks. Bolstering cross-regional connections—for example, amongst GCC, Kazakhstan, and CCA economies more broadly—could improve risk-sharing opportunities. Harnessing the gains from trade amid increasing geoeconomic fragmentation and high trade uncertainty will require reducing trade barriers and strengthening regulatory frameworks. Investing in critical infrastructure to leverage trade corridors and build trade connectivity would also be beneficial.[12]

[11] See Doskalieva, B., Kenzhebekov, N., Kurilkin, A., Pupysheva, T., Puntus, Y., Biryukov, V. (2025). Prospects for the Integration of the Kazakhstan Economy into the Global Value Chain. Montenegrin Journal of Economics, Vol. 21, No. 1, pp. 179-192.

[12] October 2024 Regional Economic Outlook: Middle East and Central Asia.

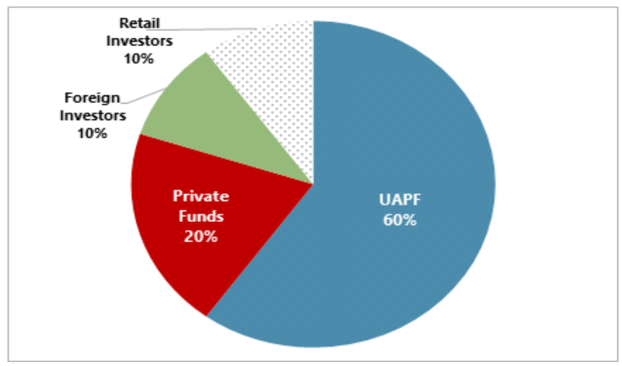
Annex IX. Promoting More Vibrant and Inclusive Capital Markets

1. **The development of deeper capital markets in Kazakhstan requires key fundamental pre-conditions that are still lacking.** Despite progress in modernizing its financial system and maintaining banking sector stability,[1] certain enabling factors continue to limit capital market development: (i) a narrow domestic institutional investor base beyond the UAPF, which adopts a conservative investment approach; (ii) illiquid money markets hampered by excess liquidity; and (iii) state interventions that distort market incentives and crowd out private sector participation. Together, these factors have resulted in both demand and supply side bottlenecks, holding back the emergence of a more vibrant and inclusive capital market ecosystem.

2. **On the demand side, the composition and the conservative investment policies of the domestic institutional investor base are key constraints.** The market is dominated by the state-owned UAPF. The majority of UAPF's assets are managed by NBK under a highly risk-averse investment policy, which limits the growth and vigor of capital markets. Private funds (e.g., mutual funds, asset management companies, private pension funds, and others) account for less than a quarter of total assets under management for the sector, compared to closer to 40 percent in more developed markets; hence their growth could bring more dynamism to capital markets. However, the asset management industry remains underdeveloped due to low demand by investors, exacerbated by the high-interest rate environment. The recently proposed reform to enable pension fund members to transfer up to 50 percent of their savings to private fund managers may help address the demand issue; however, the increasing size of privately managed portfolios would further increase the risk on the asset managers' capital arising from the underlying annual guarantee to meet required returns above the established minimum threshold.[2]

Capital Market Investor Composition

(Percent of assets under management, 2024)



Sources: Astana International Financial Center and IMF Staff calculations.
Notes: Private funds refer to privately managed investment vehicles such as private pension funds and asset management companies offering mutual funds, private equity, venture capital, and alternative investment vehicles. Retail investors are individual, non-institutional investors who buy and sell securities for their personal accounts. Foreign investors are non-resident institutional or individual investors who allocate capital into Kazakhstan's financial markets. UAPF = Unified Accumulated Pension Fund.

3. **A well-functioning money market generates a reliable short-term yield curve and allows investors to manage their liquidity positions as they invest in longer-term fixed income**

[1] International Monetary Fund. Monetary and Capital Markets Department "Republic of Kazakhstan: Financial System Stability Assessment", *IMF Staff Country Reports* 2024, 048 (2024), https://doi.org/10.5089/9798400266041.002

[2] The World Bank Group. "Republic of Kazakhstan: Financial Sector Assessment Program. Technical Note: Capital Market Development." March 2024

securities. It also helps the central bank to implement monetary policy through open market operations and strengthens the interest rate transmission. However, Kazakhstan's interbank money markets have been characterized by structural excess liquidity with a lack of liquidity beyond one-day transactions that ultimately limits the development of a local currency bond market. While the NBK's decision to raise minimum reserve requirements should help remove up to 4 trillion tenge from the financial system and strengthen monetary policy transmission, a significant amount of surplus liquidity will still need to be absorbed through NBK notes and sterilization of gold purchases.[3] Moreover, the absence of well-defined, consistent, and predictable issuance of benchmark Treasury bills and bonds by the MOF hinders the establishment of a benchmark yield curve. As a result, price discovery remains unreliable at the short end (1 –12 months) of the yield curve and is not supported by regular money market trading or primary market issuances.

4. On the supply side, the dominance of the government and quasi-government issuers restricts market access for the private sector. Between 2018 and 2024, fully state-owned or subsidiaries of state-owned entities accounted for over two-thirds of total corporate bond issuance. The direct and indirect involvement of government or quasi-government entities, supported by state policies and special-purpose funds, can distort fair price discovery and limit private sector access to funding. Moreover, the excess liquidity in banks and abundance of government subsidies largely meets the financing needs of large non-financial firms. However, SME access to financing remains weak. State support programs have not been fully successful in creating efficient financial markets, reaching under-served segments, or mobilizing private capital.

5. Further development of the local currency bond market and money markets remains a critical first step in capital markets' development. Domestic bond markets are the cornerstone of the financial development agendas in many emerging markets (for example, Malaysia, Mexico, Thailand—BIS, 2020).[4] A first step to deepening local bond markets involves strengthening the government debt issuance strategy to enhance overall transparency and help increase secondary market liquidity. Several actions can also be taken to improve the predictability of auctions, including increasing communication with primary dealers and main institutional investors regarding auction demand, and reopening benchmark bonds to reduce the number of outstanding bonds. In several countries, money- and repo-market development (for example, Hungary, Malaysia, Mexico, Thailand) were steps taken to initiate more secondary market trading in government securities. For Kazakhstan, the reintroduction of NBK notes and introduction and regular issuance of 3- and 6-month T-Bills could improve the benchmark issuance program and support investors' liquidity management.

[3] "Kazakh National Bank raises minimum reserve requirements, could soak up 3½ trillion tenge in excess liquidity." August 2025. Interfax International Information Group.

[4] See Bank for International Settlements. "Financial Market Development, monetary policy and financial stability in emerging market economies". BIS Papers. 2020.

Annex X. 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	B		

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. External sector statistics and Monetary and financial statistics are timely with broad coverage and sufficient granularity. 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, have revised quarterly GDP but the new GDP series have not yet been adopted.
- Government Finance Statistics. 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.
- GFS balance sheet data is published with one year delay and cross sectoral consistency is hampered by monetary data not being consolidated.
- Inter-sectoral Inconsistency: The large discrepancies between income and expenditure GDP data hamper the assessment of the economy's cyclical position.

Changes since the last Article IV consultation. External sector statistics is slightly downgraded to B. Although timely, the current account balance is often subject to significant revisions.

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 appraoch GDP and between annual and quarterly series resolved by staff in projections.

Other data gaps. 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

Table 2. Kazakhstan: Summary of Data

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: Common Indicators Required for Surveillance

As of 12/01/2025

	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[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Kazakhstan[8]	Expected Timeliness[6,7]	Kazakhstan[8]
Exchange Rates	1-Dec-25	1-Dec-25	D	D	D	...	...	1
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Oct-25	Oct-25	M	M	M	30	1W	30
Reserve/Base Money	Oct-25	Oct-25	M	M	M	30	2W	7
Broad Money	Oct-25	Oct-25	M	M	M	30	1M	25
Central Bank Balance Sheet	Oct-25	Oct-25	M	M	M	30	2W	7
Consolidated Balance Sheet of the Banking System	Oct-25	Oct-25	M	M	M	30	1M	25
Interest Rates[2]	1-Dec-25	1-Dec-25	D	D	D	...	...	1
Consumer Price Index	Nov-25	Nov-25	M	M	M	30	1M	3
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	Jun-25	Jun-25	Q	Q	A	90	2Q	35
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Jun-25	Jun-25	M	M	M	90	1M	30
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Jun-25	Jun-25	Q	Q	Q	90	1Q	35
External Current Account Balance	Jun-25	Jun-25	Q	Q	Q	90	1Q	90
Exports and Imports of Goods and Services	Jun-25	Jun-25	M	M	M	30	8W	30
GDP/GNP	Jun-25	Jun-25	Q	Q	Q	90	1Q	90
Gross External Debt	Jun-25	Jun-25	Q	Q	Q	90	1Q	90
International Investment Position	Jun-25	Jun-25	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 "..."

REPUBLIC OF KAZAKHSTAN

January 5, 2026

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

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

CONTENTS

RELATIONS WITH THE FUND

(As of December 09, 2025)

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	1,487.13	102.28

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 November 27, 2024 (see IMF Country Report No. 2025/030).

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. 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.

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

Statement by Patryk Loszewski, Executive Director for Kazakhstan and Madina Zhunusbekova, Senior Advisor to Executive Director
January 20, 2026

On behalf of our Kazakhstani authorities, we thank staff for a constructive Article IV mission and substantive policy discussions. The authorities value the Fund's assessment and recommendations and look forward to continuing their close engagement with staff.

Recent economic developments and outlook

Kazakhstan's economy has been among the fastest growing in the region, with real GDP growth exceeding 5 percent for the third consecutive year. Growth has been underpinned by ongoing structural transformation and reforms aimed at economic liberalization, alongside continued diversification away from hydrocarbons. The share of the oil and gas sector in GDP declined from 16.5 percent in 2010 to 8.1 percent in 2024, while the contribution of small and medium-sized enterprises to GDP increased from 25 percent in 2015 to about 40 percent in 2025. Growth in 2025 was broad-based, led by transport, logistics, and construction. Investment growth has been strong at 13.1 percent by October 2025, underscoring continued investor confidence and progress in economic diversification.

Inflation remains elevated, reaching 12.3 percent in December, driven by strong demand, high production costs, indirect effects from increases in utility and fuel tariffs, fiscal stimulus, elevated inflation expectations amid high inflation, as well as an increase in the VAT rate from 12 percent to 16 percent in January 2026. Key external factors include persistently high global food prices, continued above-target inflation in Russia, a strong ruble exchange rate, and continued uncertainty related to trade restrictions and geopolitical factors. In October 2025, the authorities introduced new measures, including a suspension of increases in utility and fuel tariffs until the end of Q1 2026. At the same time, the National Bank of Kazakhstan (NBK) tightened monetary conditions. These measures helped slow inflation by end-2025. The VAT increase, despite its inflationary effect in the short term, is expected to exert disinflationary pressure in the longer term by reducing transfers from the Sovereign Wealth Fund of Kazakhstan ("National Fund" hereafter). The authorities will implement coordinated measures to stabilize and reduce inflation to target ranges of 9.5-12.5 percent in 2026 and 5.5-7.5 percent in 2027. Expected fiscal consolidation is projected to be a key disinflationary factor over the medium term.

The unemployment rate stood at 4.6 percent in Q3 2025. Kazakhstan remains a net creditor. The country has a low level of public debt averaging around 25 percent of GDP, which is significantly below the global average. International reserves increased by 19.9 percent over 2025, reaching USD 125.5 billion.

The financial sector remains resilient and continues to expand. Risk-based supervision confirms the overall stability of the banking system, which is well capitalized, with capital adequacy ratios exceeding regulatory requirements by more than threefold, and highly liquid, with liquid assets accounting for about 29 percent of total assets. While credit growth remained strong and increased by 16.8 percent in 2025, household credit growth has moderated. In contrast, business lending has accelerated, supported by increased credit to individual entrepreneurs and large enterprises. Efforts to develop capital market financing are continuing. In this context, a new Banking Law submitted to parliament in December introduces new banking license categories, strengthens the resolution framework, expands banks' investment activities and recognition of digital assets, enhances governance standards, broadens supervisory judgment, and establishes a conduct supervision and financial ombudsman framework. The authorities are grateful for the analytical support provided by the Fund during its drafting.

Medium-term growth is expected to be supported by continued economic diversification, sustained public investment, and robust inflows of foreign capital, underpinned by further improvements in governance and continued social and structural reforms.

Joint Action Program for Stabilization and Improvement of Living Standards for 2026-2028

In November 2025, the authorities have adopted a joint program aimed at ensuring sustainable economic growth, reducing inflation, and increasing household incomes. This medium-term program, which serves as the economic framework for the next three years, aims to reduce and anchor inflation, preserve annual real GDP growth of at least 5 percent, and deliver real income gains exceeding inflation by 2-3 percentage points. To achieve these objectives, the authorities are committed to strong policy coordination among government entities. Fiscal policy will remain anchored by strict adherence to fiscal rules and supported by consolidation measures to strengthen the sustainability of public finances. Monetary policy will maintain a moderately tight stance to stabilize inflation and firmly anchor expectations, complemented by targeted macro- and micro-prudential measures. Targeted social assistance will be enhanced to cushion vulnerable households from the impact of price pressures and tariff adjustments.

The authorities will continue their efforts to reduce the state's footprint in the economy by decreasing the number of quasi-state sector entities, promoting de-monopolization across selected industries, ensuring equal access to resources The privatization process is continuing, alongside the establishment of a regulatory framework designed to prevent the renewed expansion of state-owned enterprises (SOEs) in competitive sectors. Overall, measures aimed at developing a market-oriented environment are aligned with the approaches set out in the Presidential Decree of the Republic of Kazakhstan "On Measures to Liberalize the Economy," which was signed in May 2025.

In 2026-2028, systematic efforts will continue to accelerate the development of a digital government and the adoption of innovative technologies across all sectors of the economy. A nationwide strategy for large-scale digitalization and the comprehensive deployment of artificial intelligence (AI) technologies, “Digital Qazaqstan,” will be developed to modernize all areas of the economy and promote the export of IT services.

Taken together, this policy mix is expected to support durable real income growth and underpin sustained economic expansion.

Fiscal policy

The authorities will pursue a countercyclical fiscal policy by strictly adhering to the fiscal rules established in the Budget Code, which limit the growth of republican budget expenditures as well as transfers and other withdrawals from the National Fund. To strengthen the sustainability of public finances, budgetary policy will be implemented in line with the following target parameters: the republican budget deficit is projected to decline to 2.5 percent of GDP in 2026, 1.7 percent of GDP in 2027, and 0.9 percent of GDP in 2028. The non-oil deficit is expected to decrease to 4.9 percent of GDP in 2026, 3.7 percent in 2027, and 2.7 percent in 2028. The government debt-to-GDP ratio will not exceed 21.4 percent in 2026, 20.8 percent in 2027, and 19.6 percent in 2028. To reduce the republican budget’s dependence on oil revenues, transfers from the National Fund to the republican budget will be scaled down over 2026-2028. The 2026 budget does not envisage any targeted transfers from the National Fund.

The authorities will implement measures to reduce foregone budget revenues through a review of tax exemptions, alongside tighter criteria for granting new tax preferences. At the same time, efforts will focus on strengthening the effectiveness of the tax and customs administration, expanding the use of digital accounting tools, and broadening the tax and customs base. These measures are expected to increase budget revenues without raising the tax burden, thereby supporting a reduction in the republican budget deficit. To further strengthen the revenue base, the authorities plan to develop a new Comprehensive Action Plan to Combat the Shadow Economy for 2026-2028, incorporating measures to integrate information systems and scale up the use of AI and digital solutions.

In line with international best practices and in support of the development of the domestic government securities market, a Government Debt Management Council (GDMC) was established in December 2025. The Council is mandated to support the formulation of policies aimed at deepening and improving the liquidity and efficiency of the government securities market, reducing the cost of government borrowing, and facilitating the development of reliable benchmark yield curves for the quasi-sovereign and corporate sectors. The Council’s core functions include promoting a coordinated approach to government debt management, supporting the development of the government securities market, and guiding issuance strategies in domestic and external markets, taking into account prevailing macroeconomic conditions and debt sustainability considerations.

The establishment of the GDMC underscores the commitment of the authorities, including the NBK, to strengthened coordination between fiscal and monetary policies as well as to advancing the development of the domestic securities market.

Monetary policy

The NBK will maintain a moderately tight monetary policy to stabilize inflation, anchor inflation expectations, and support confidence in the Kazakh tenge. The policy rate will remain the NBK's primary instrument, complemented by measures to absorb excess liquidity, including a phased increase in minimum reserve requirements and expanded use of liquidity management instruments. The Tenge Overnight Index Average (TONIA) will continue to serve as the key operational target, supported by standing facilities, deposit auctions, and an expanded short-term note issuance program. In parallel, the NBK will sterilize the monetary impact of domestic gold purchases through foreign exchange sales to preserve monetary neutrality. Taken together, these measures are expected to stabilize demand, contain second-round effects, and support a sustained decline in inflation toward the NBK's 5 percent target over the medium term.

The exchange rate will remain freely floating and determined by market fundamentals. The authorities will ensure the smooth functioning of the foreign exchange market through close coordination of foreign exchange operations, including those of quasi-sovereign entities, and, if needed, adjustments to mandatory foreign exchange conversion requirements.

The authorities will continue to scale up the use of the digital tenge to enhance the traceability of public spending, including through upgrades to government information systems and the adoption of relevant amendments to sector-specific regulatory and legal frameworks.

Financial sector

Policy efforts will focus on strengthening the resilience of the banking sector, preventing excessive household indebtedness, and encouraging a gradual rebalancing of credit toward the real sector, including through macro- and micro-prudential measures that support an increased share of corporate lending.

The NBK and the ARDFM implement a comprehensive micro- and macro-prudential policy package to contain risks in consumer lending and support sustainable credit growth. Measures include activation of a sectoral countercyclical capital buffer for household lending, introduction of binding debt-to-income limits, tightening of debt-service-to-income requirements, and regulation of installment-based and "buy now, pay later" products. In parallel, caps on the annual percentage rate for consumer loans will be introduced in line with international best practices, with a gradual reduction in allowable rates, while borrower protection measures will be strengthened.

Structural reforms of the financial sector will be advanced through a comprehensive legislative package covering banking, payments, capital markets, and digital finance. A new banking law will reflect technological change, promote competition, support fintech development, and enable the regulated circulation of digital assets. By end-2026, the authorities plan to establish a legal framework for digital financial assets, develop the national digital financial infrastructure, and further modernize the payments system, thereby strengthening the contribution of the financial sector to economic growth and household welfare.

Reducing the state's economic footprint

The authorities continue their efforts to reduce the state's footprint in the economy by streamlining the quasi-public sector, advancing privatization, and demonopolizing industries, while strengthening the regulatory framework to prevent the re-expansion of state ownership in competitive sectors. The Comprehensive Privatization Plan for 2021-25 was completed, with 402 state assets transferred to the private sector and 68 entities designated for reorganization or liquidation. Major SOEs, including KazMunayGas, KEGOC, and Air Astana, have been partially privatized through IPOs/SPOs, and a moratorium on the creation of new quasi-public entities will remain in place through end-2026.

Following the completion of the National Privatization Office's work, a list of around 500 companies across key sectors has been identified for further optimization, to be implemented in three stages over 2026-30, with additional IPOs/SPOs planned for selected Samruk-Kazyna assets, including Kazakhtelecom and Qazaq Green Power PLC, in line with the Presidential Decree on economic liberalization.