



Kazakhstan: Economic outlook and overview of selected priority areas

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Economic context: global, regional and Kazakh trends

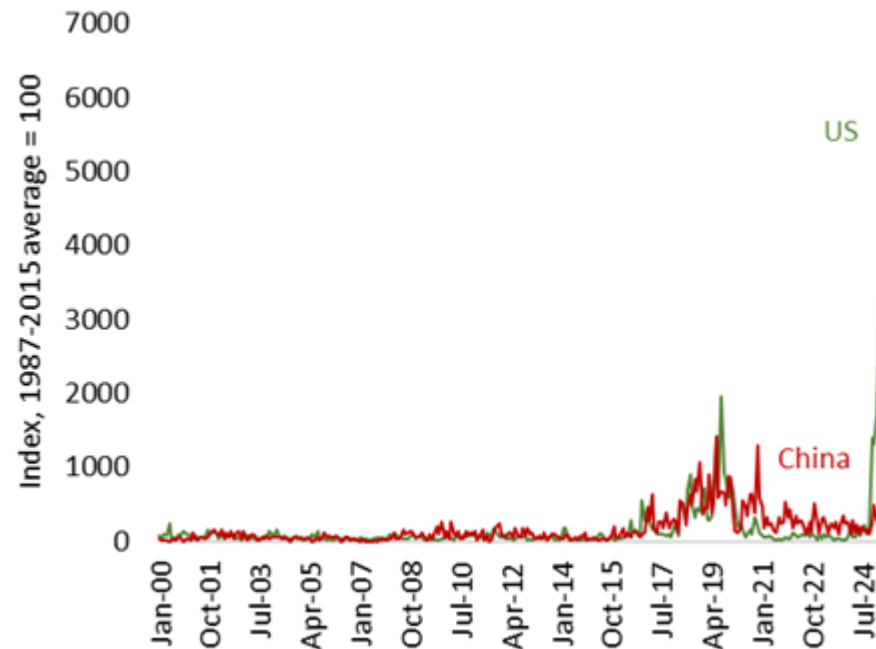


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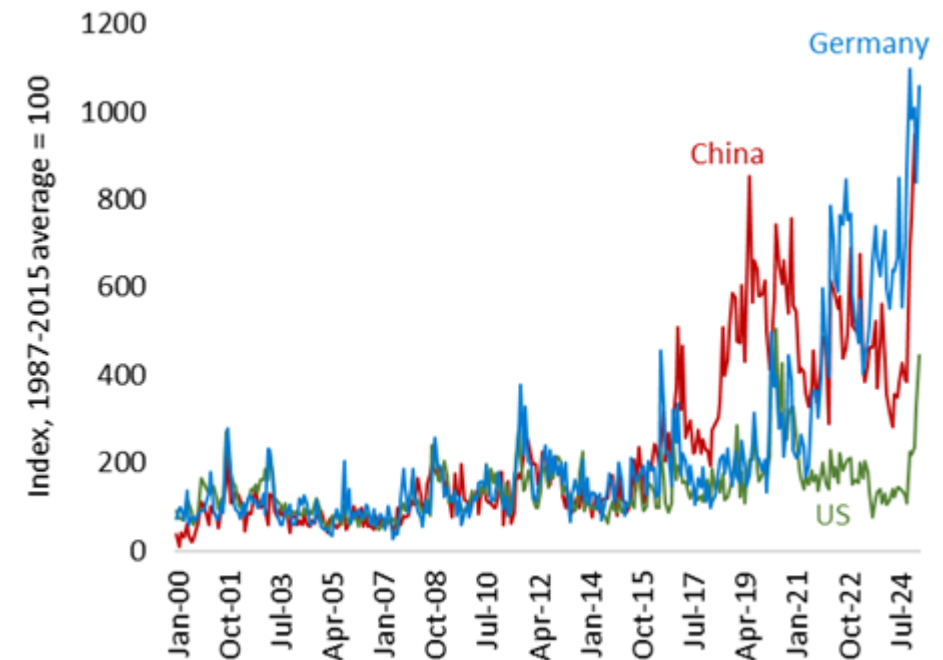


Global policy uncertainty is record high

Trade policy uncertainty spiked in the US



Economic policy uncertainty is at all-time highs in Germany and the US

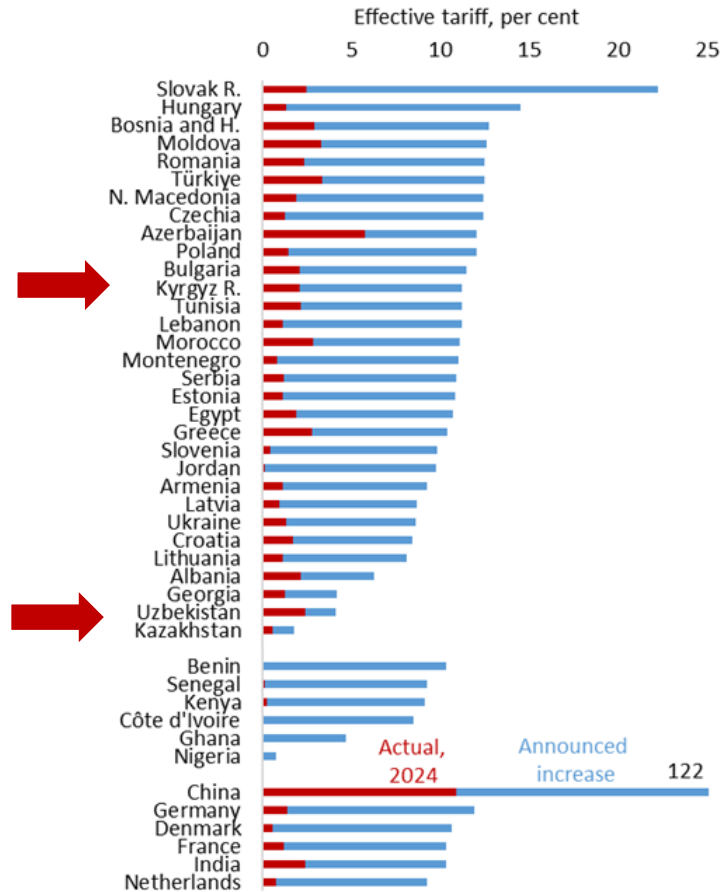


Source: Upcoming Regional Economic Prospects.

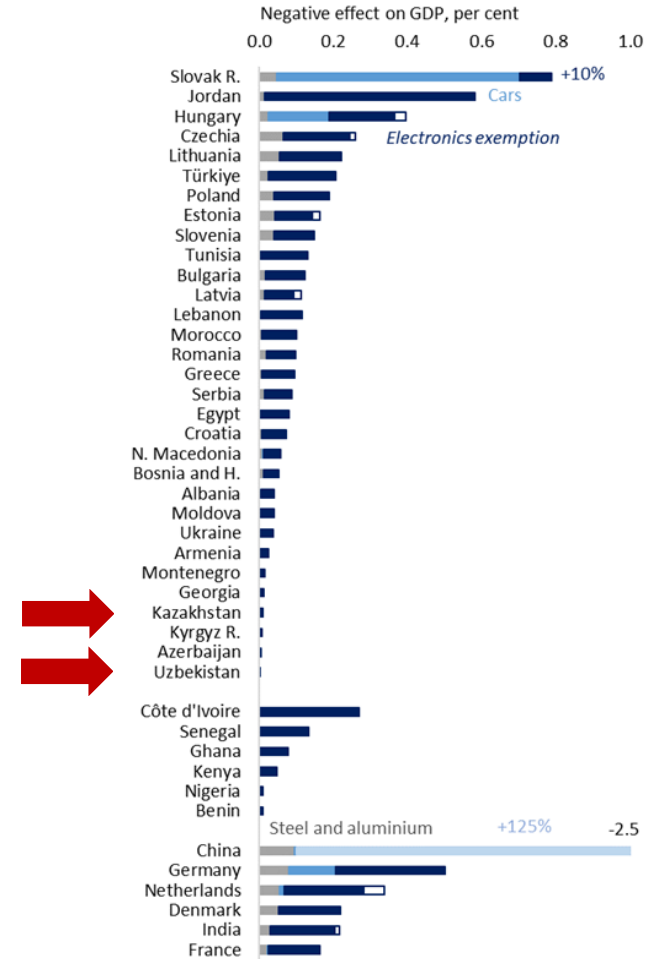


The direct impact of increased US tariffs on Central Asian economies would be limited

Effective US tariffs faced by most Central Asia countries would not increase significantly



And the potential direct impact on GDP would be small given the low share of direct exports to the US



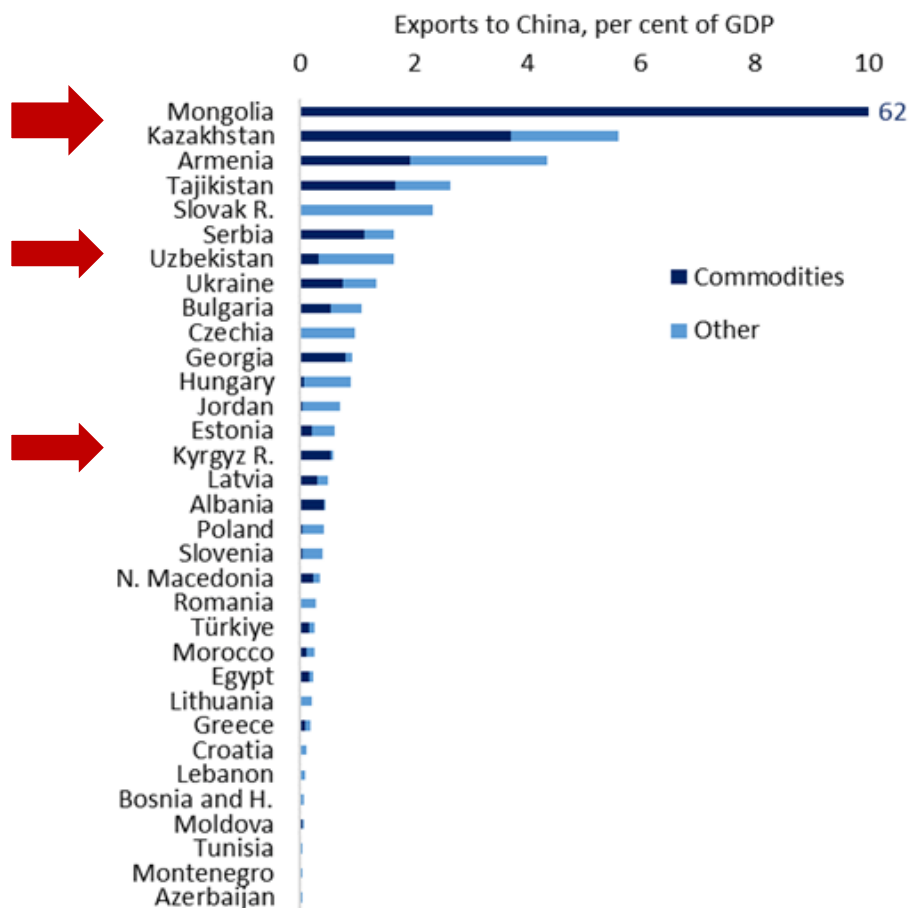
Source: Upcoming Regional Economic Prospects.

The indirect impact of slowing growth in China and other key trade partners will likely be more significant

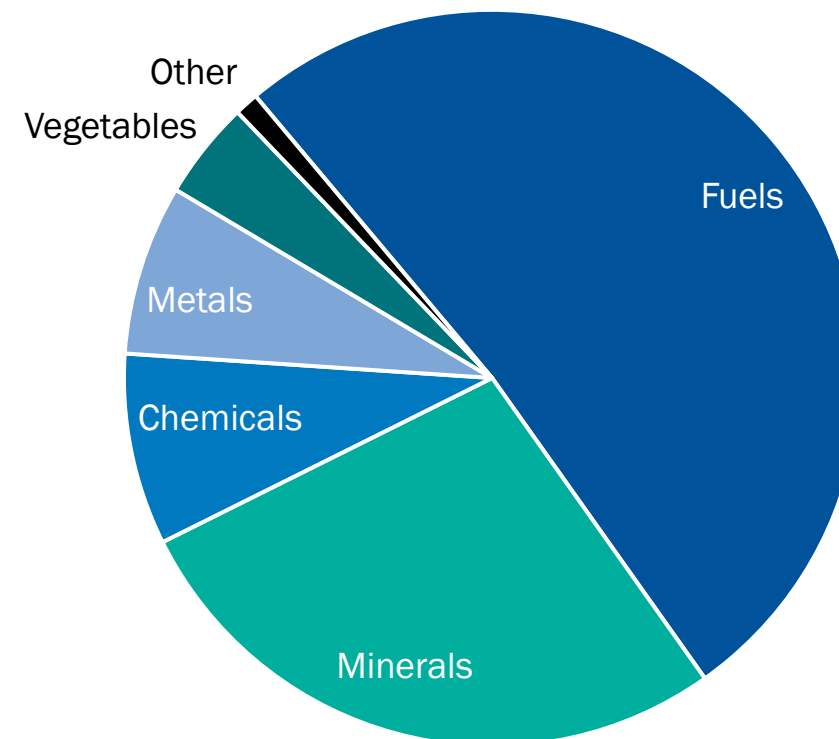


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China is an important export destination for some Central Asian economies



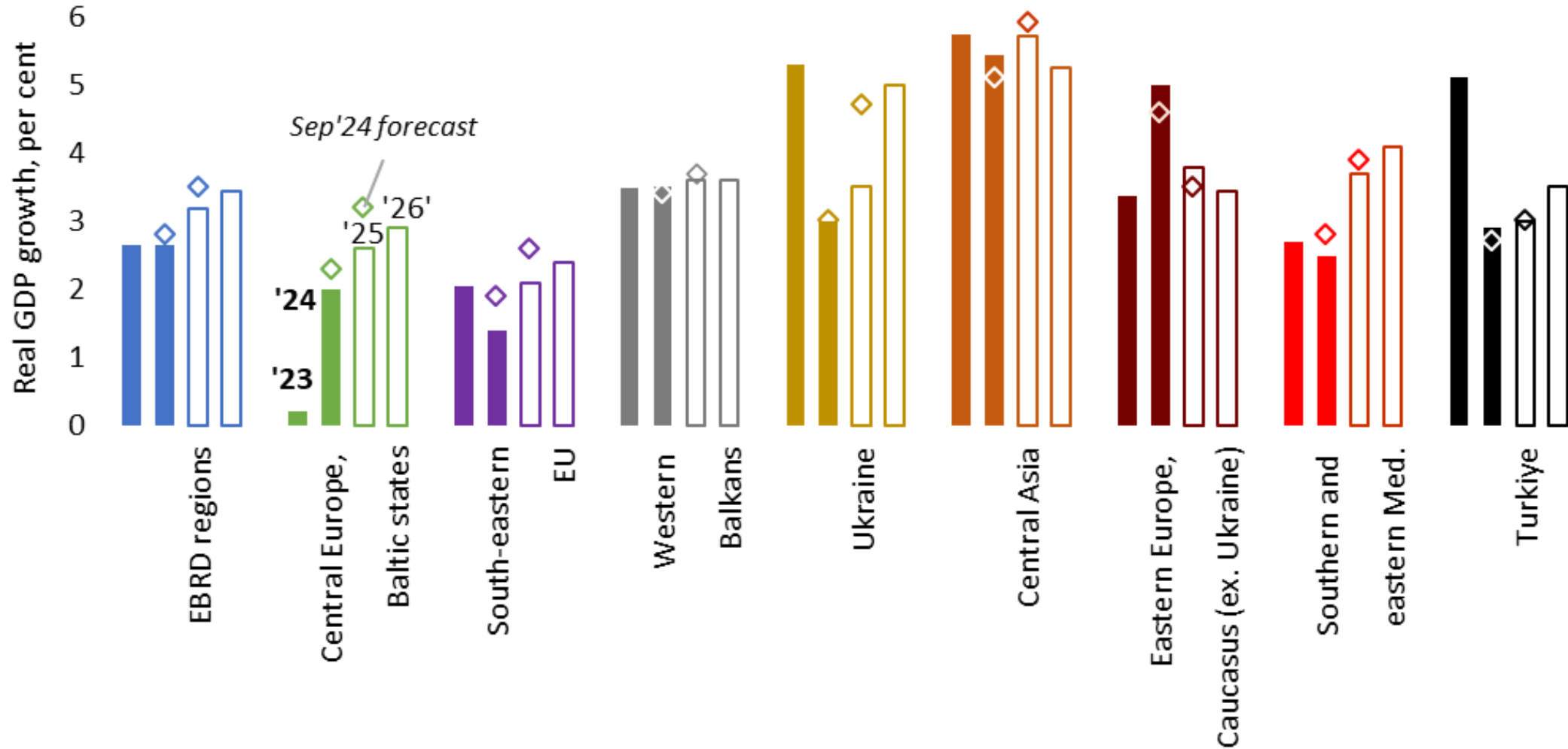
Goods exported from Kazakhstan to China In 2022



Source: Upcoming Regional Economic Prospects, WB WITS.



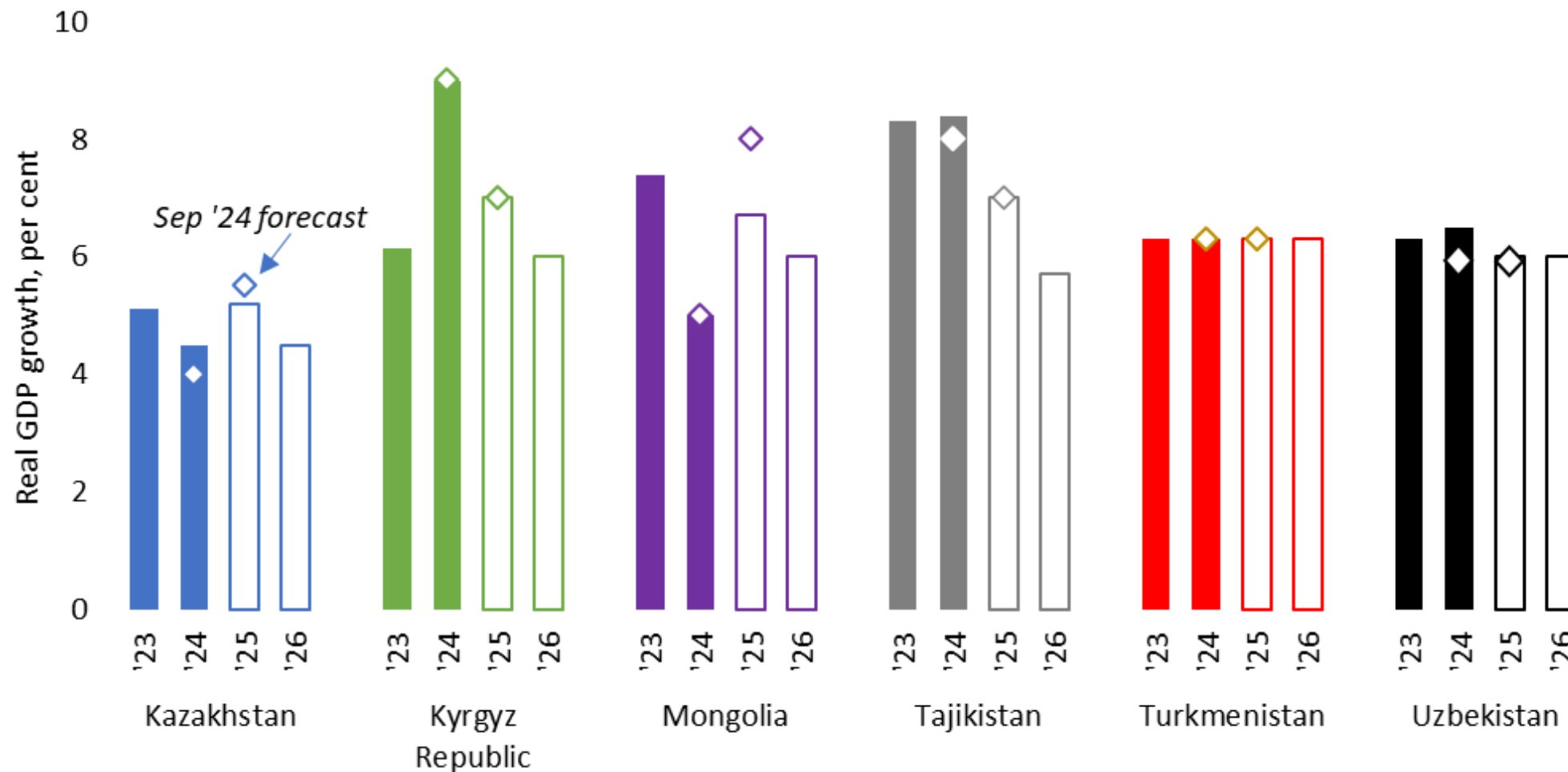
Central Asian economies outpace peers in EBRD region



Source: EBRD Regional Economic Prospects. Note: EBRD average based on the values of gross domestic product in 2022 in current US dollars from the IMF.



‘24 outturns were largely better than expected in Sep ‘24; ‘25 forecasts remain strong, though uncertainty increased



Source: EBRD Regional Economic Prospects

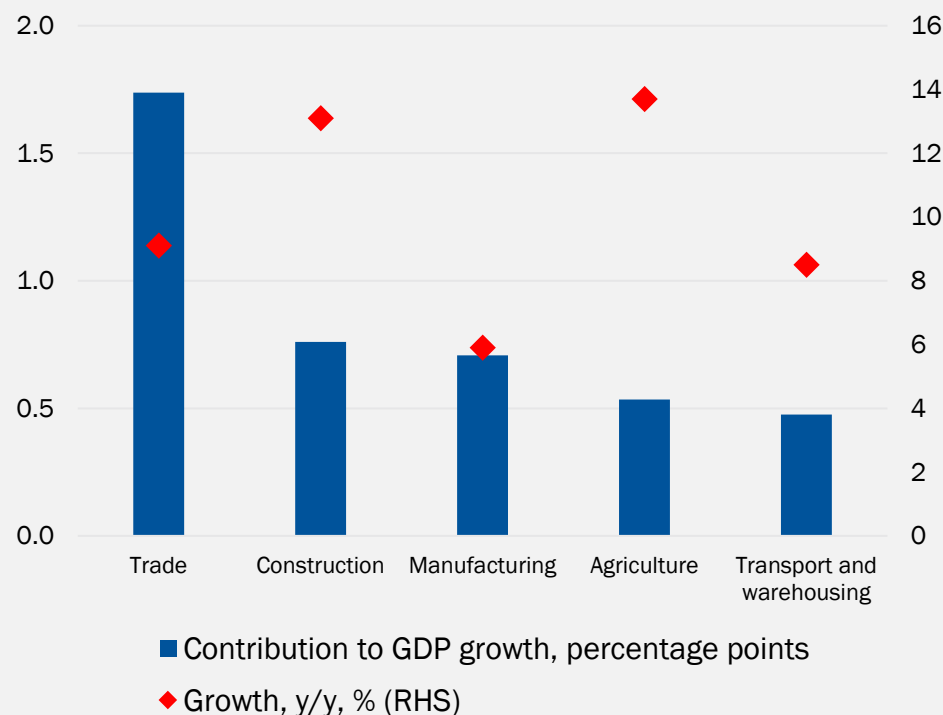
Kazakh economy's 2024 growth was driven by domestic demand, fiscal stimulus and investment



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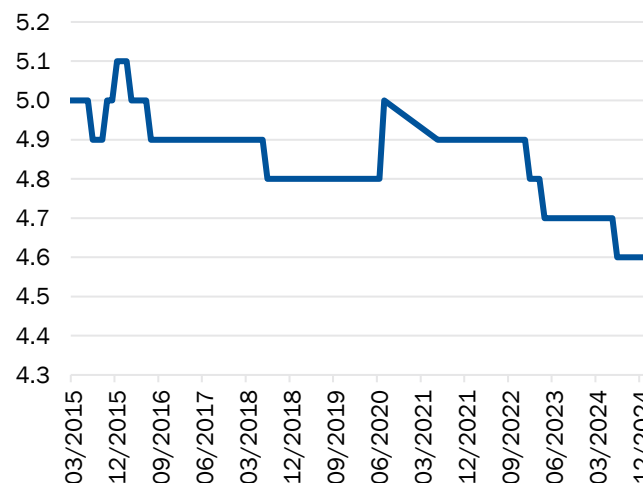
The economy added 4.8% in 2024, strongly driven by domestic trade, reflecting household consumption.

Main growth drivers in 2024

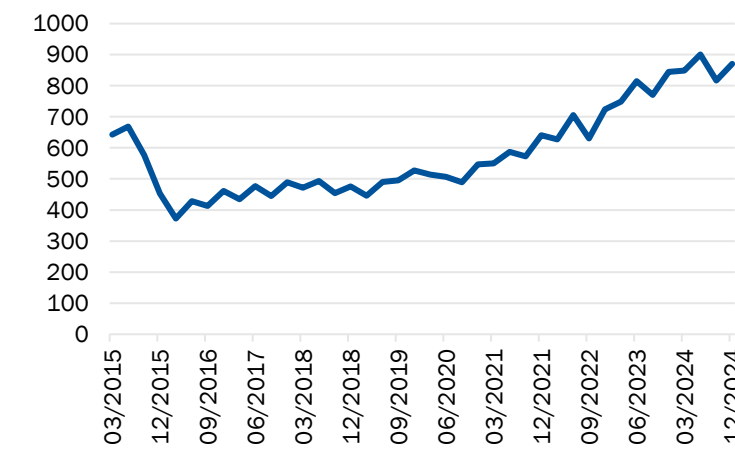


Growing demand translates into unprecedentedly strong labour market. Unemployment reached historically low levels, while nominal wages continued growing, boosting consumption.

Unemployment rate, %



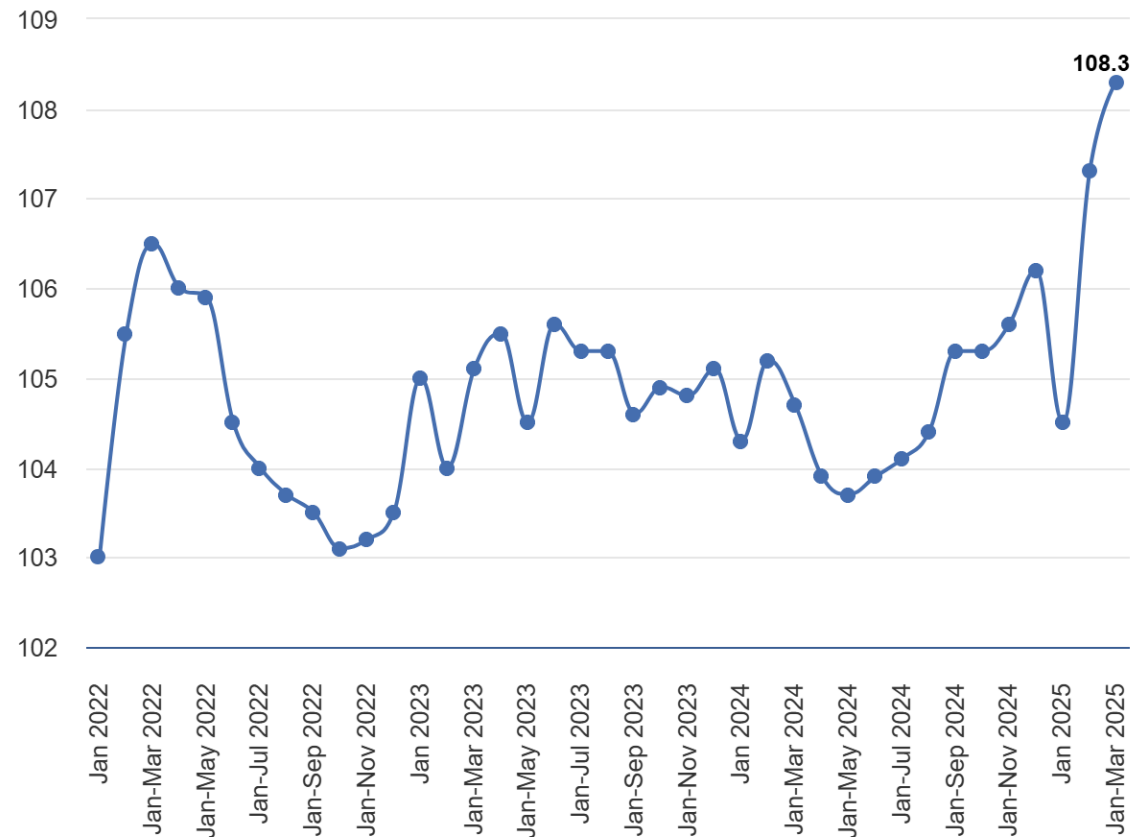
Average nominal monthly wages, US\$





Kazakhstan shows strong growth in 2025 so far

Short-term economic activity indicator,
as a percentage of the corresponding period



Fastest growing sectors in Q1 2025:



+21.0% y/y in Transport
and warehousing



+16.9% y/y in
Construction



+6.7% y/y in Industry



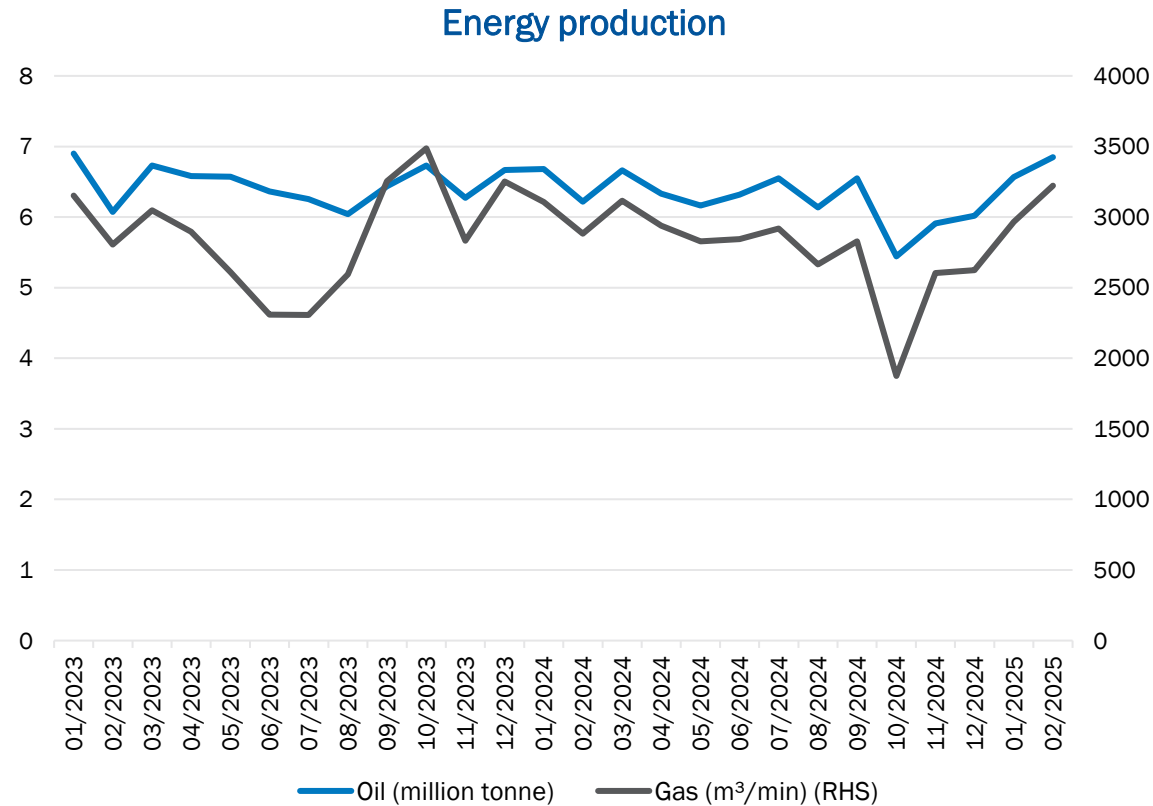
+6.3% y/y in Trade

Note: The calculation of the short-term economic indicator is carried out to ensure timeliness and is based on changes in production indices in key sectors: agriculture, industry, construction, trade, transport, and communication which constitute over 60% of GDP.

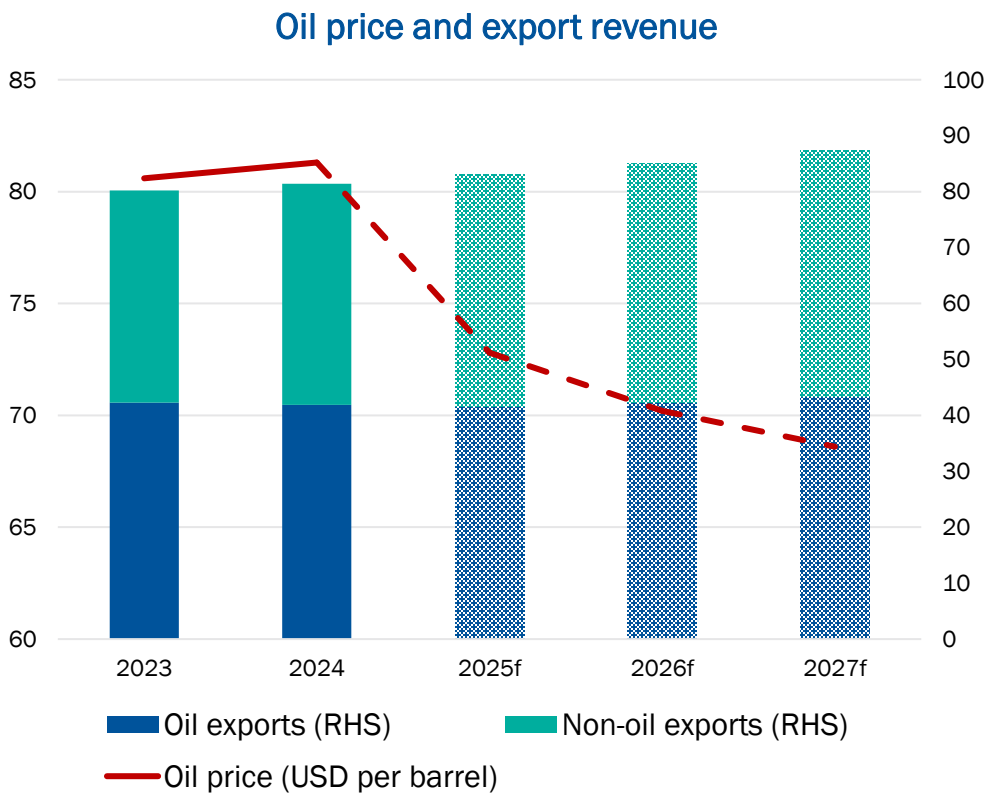
Energy sector continues to account for half of total goods exports revenue

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Oil and gas production is driven by **gradual ramp up in the production at the expanded Tengiz oilfield since late January.**



Energy exports continue to account for half of total goods export revenues. Expected increase in the oil production will be balanced against declining oil prices.



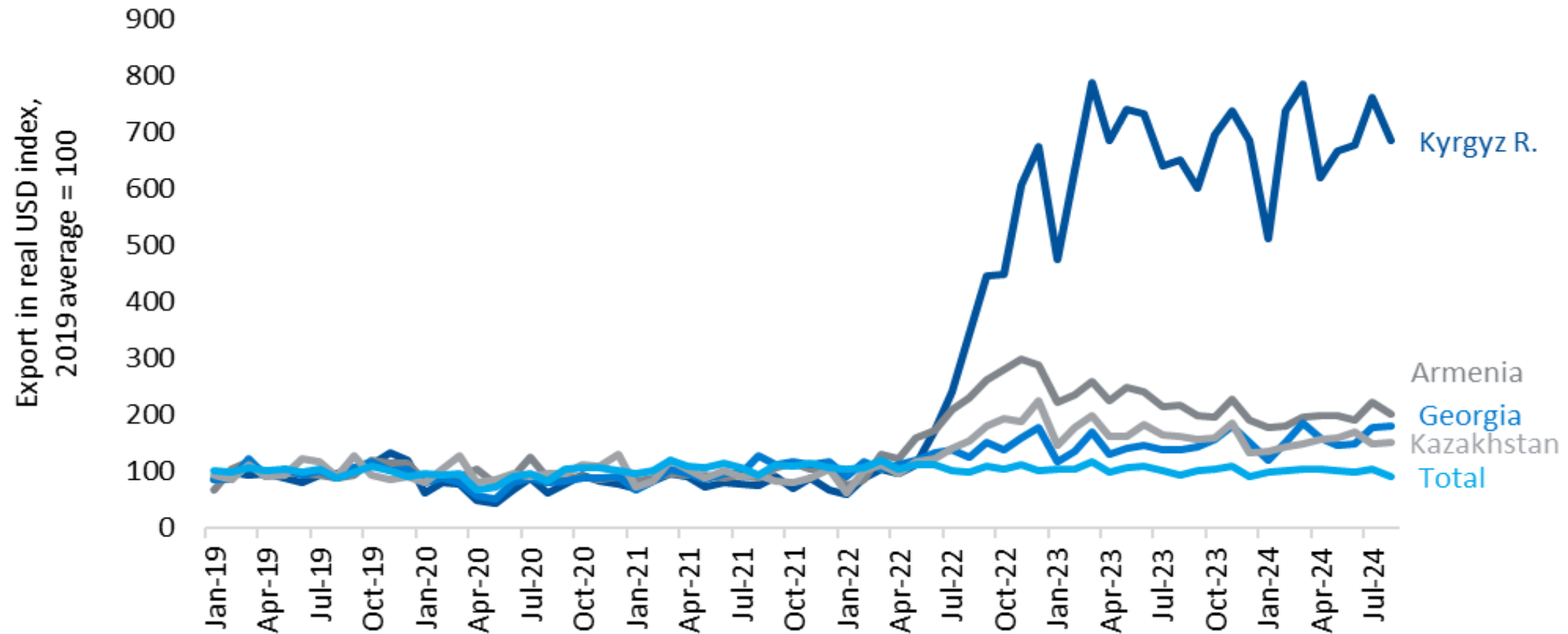
Source: CEIC, IMF country report (2025).

Intermediated trade, while still at high levels, is no longer a driver of growth in the region

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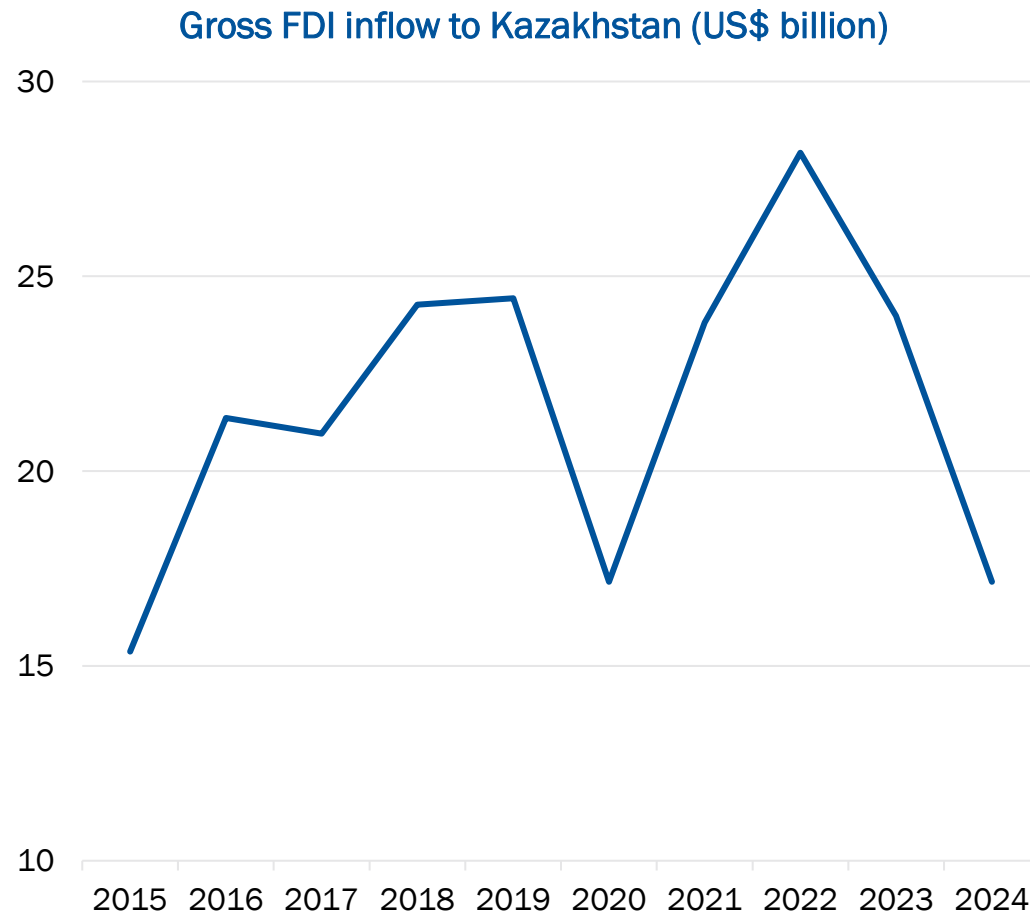
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Source: Refinitiv Eikon and authors' calculations. Note: Last observation is August 2024.

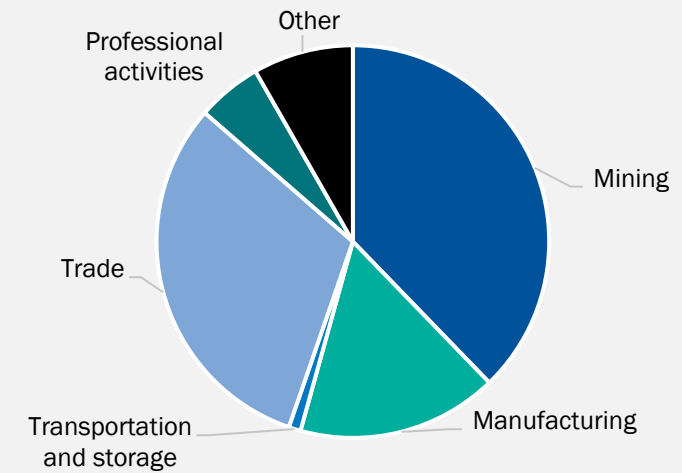


Oil & gas sector remains dominant FDI destination

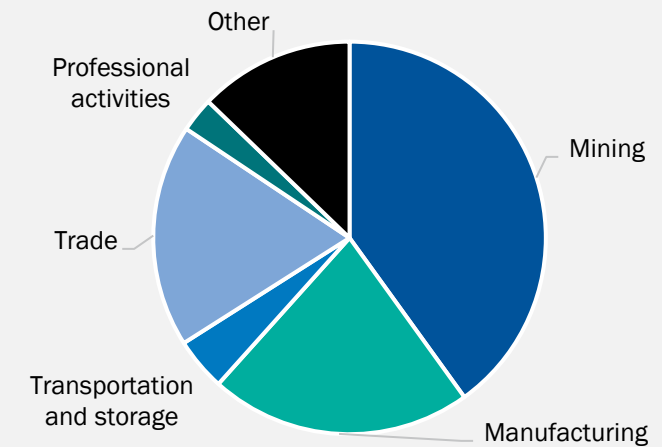


Source: National Bank of Kazakhstan, CEIC

Gross FDI inflows in 2024



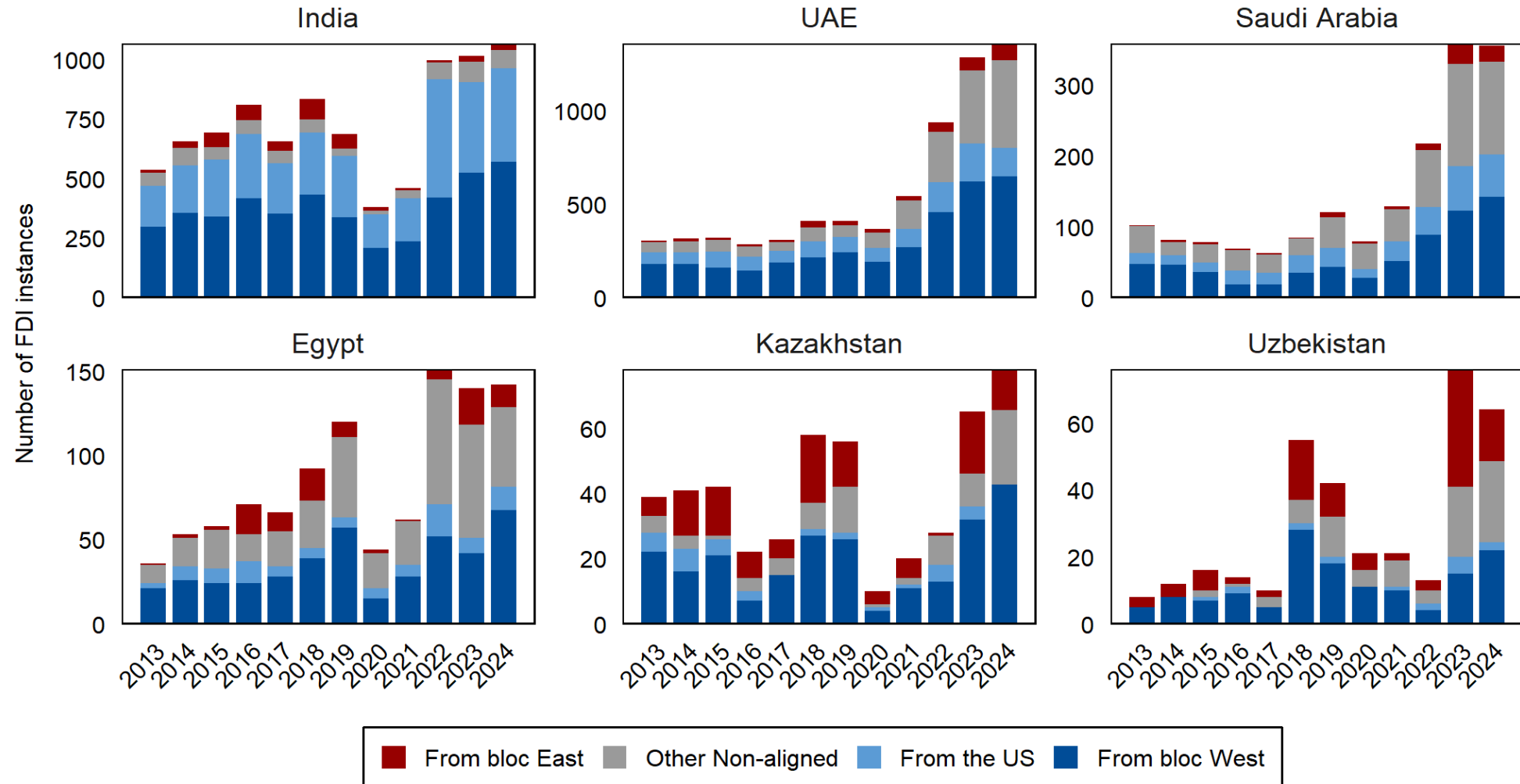
Average gross FDI inflows in 2021-23



Connector countries enjoy higher announced FDI inflows



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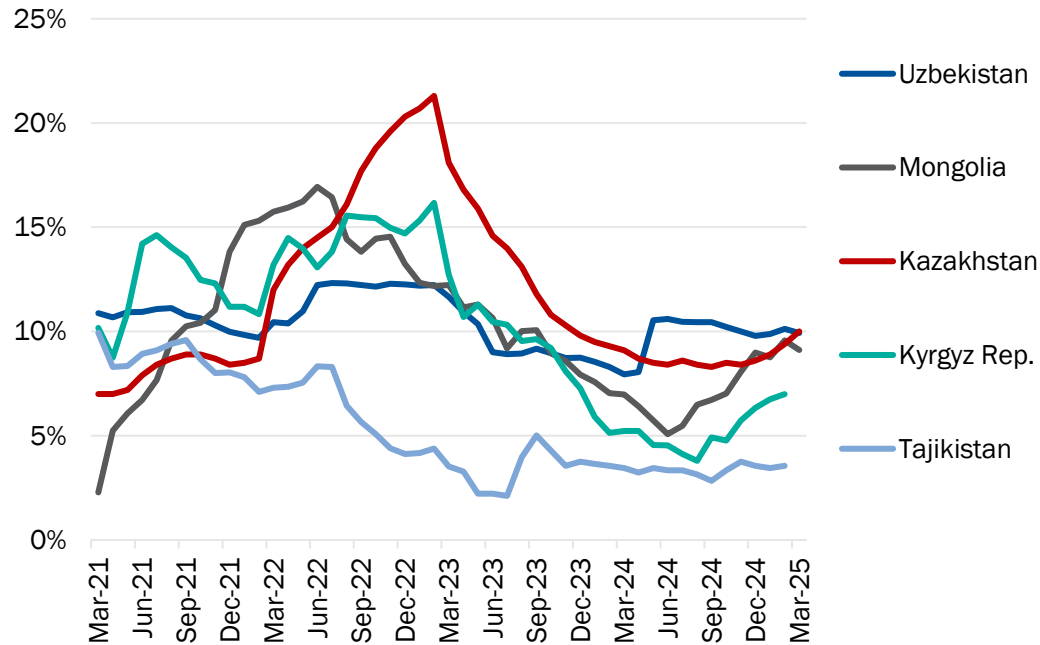
Source: fDi Markets database and authors' calculations.



Inflation accelerated in many countries of the region

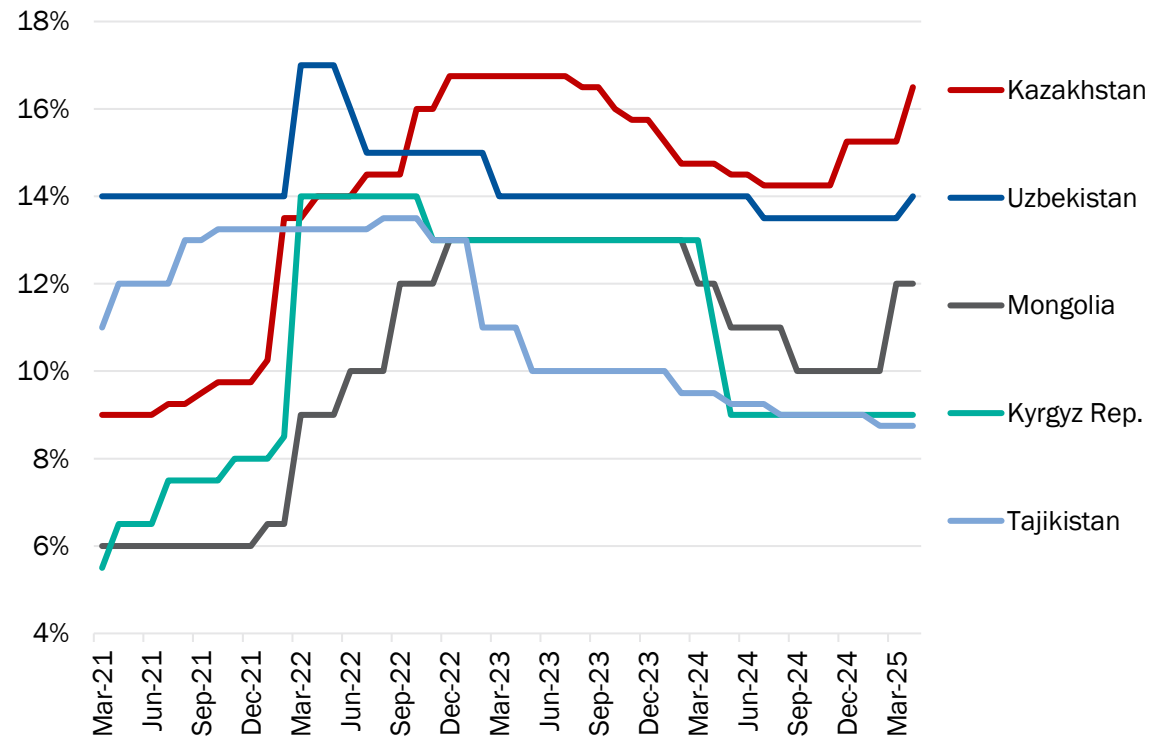
Inflation is picking up, largely on the back of demand-side pressures

CPI, y/y



Kazakhstan, Uzbekistan and Mongolia raised policy rate, other central banks expressed readiness to tighten conditions should pro-inflationary pressures intensify

Monetary policy rate



Source: CEIC, central banks of the respective countries

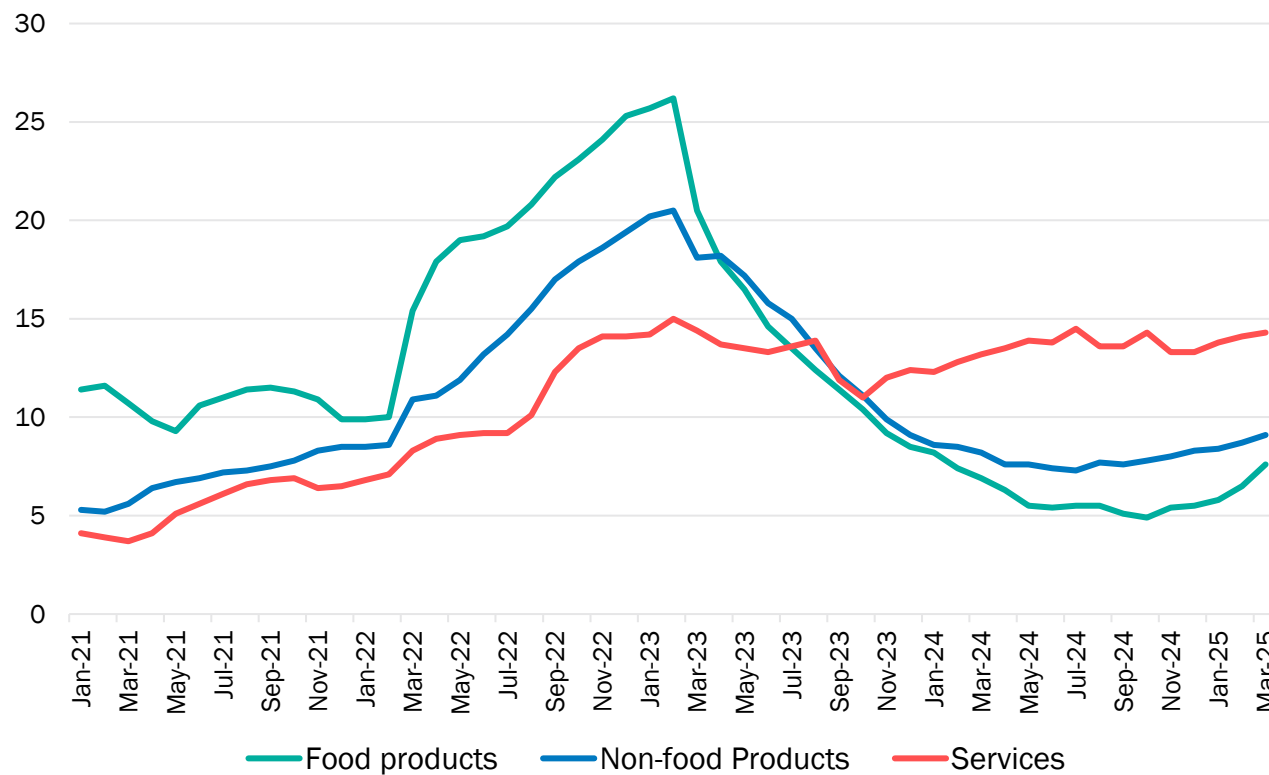
Services are driving inflation



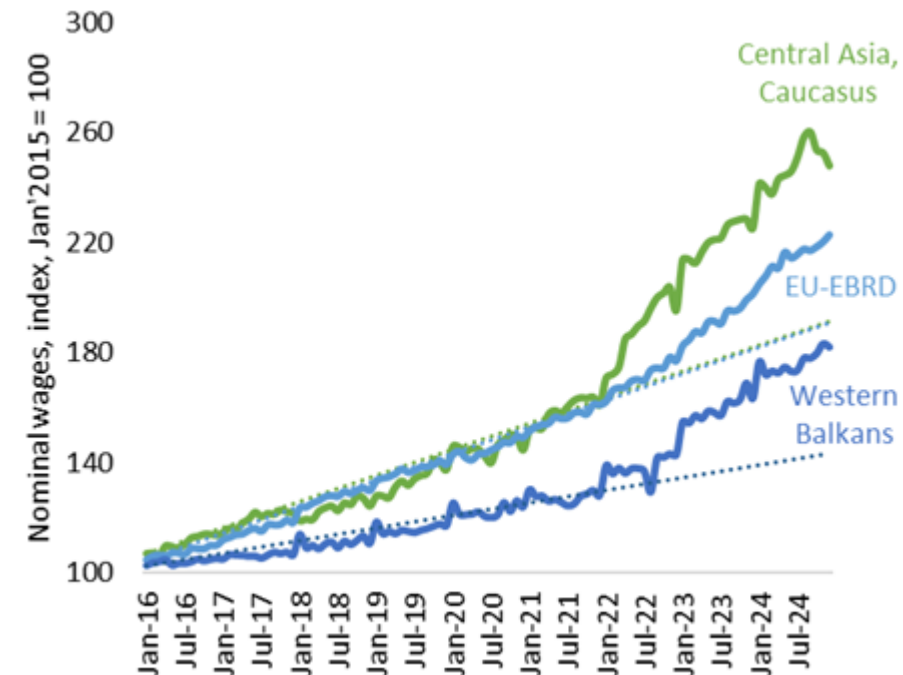
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Services inflation remains the main driver, though other components started accelerating.

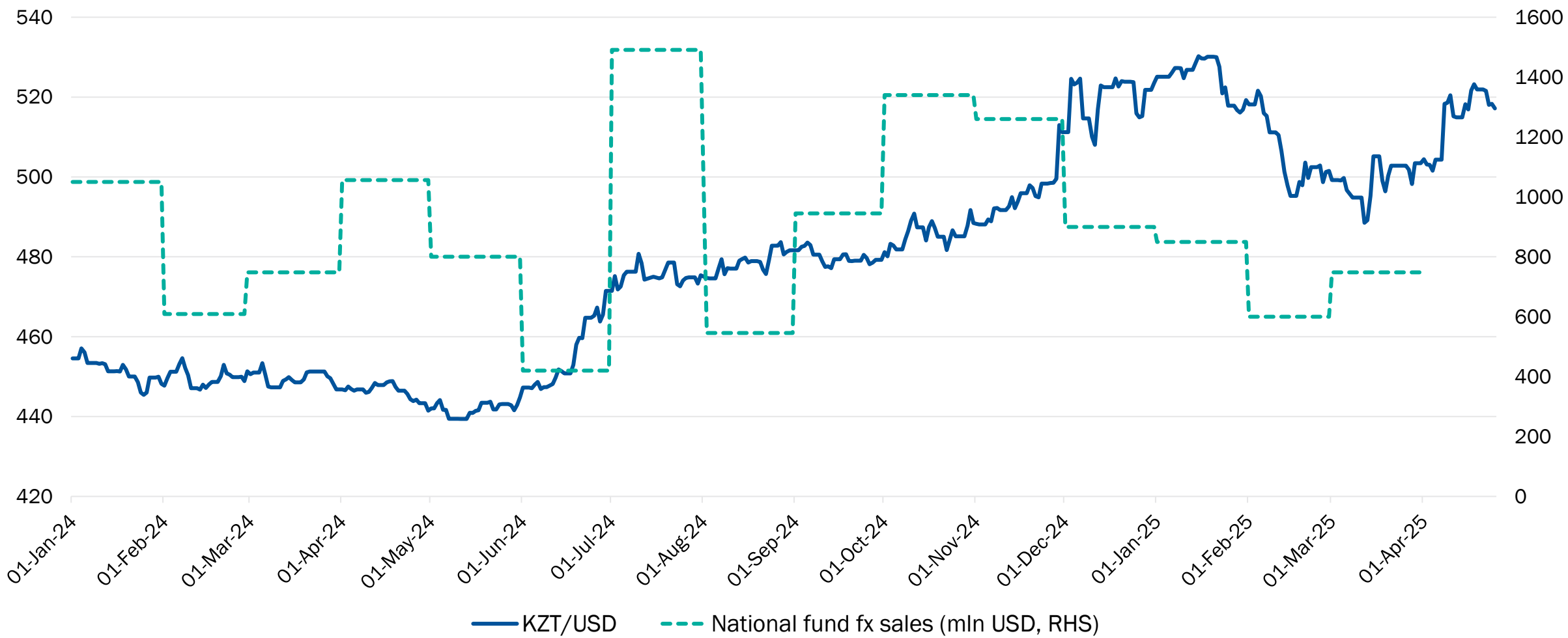
Inflation components



High nominal wages – far exceeding their pre-covid trends – strengthen the demand and contribute to inflation.



Currency fluctuations since mid-2024 due to domestic and external factors

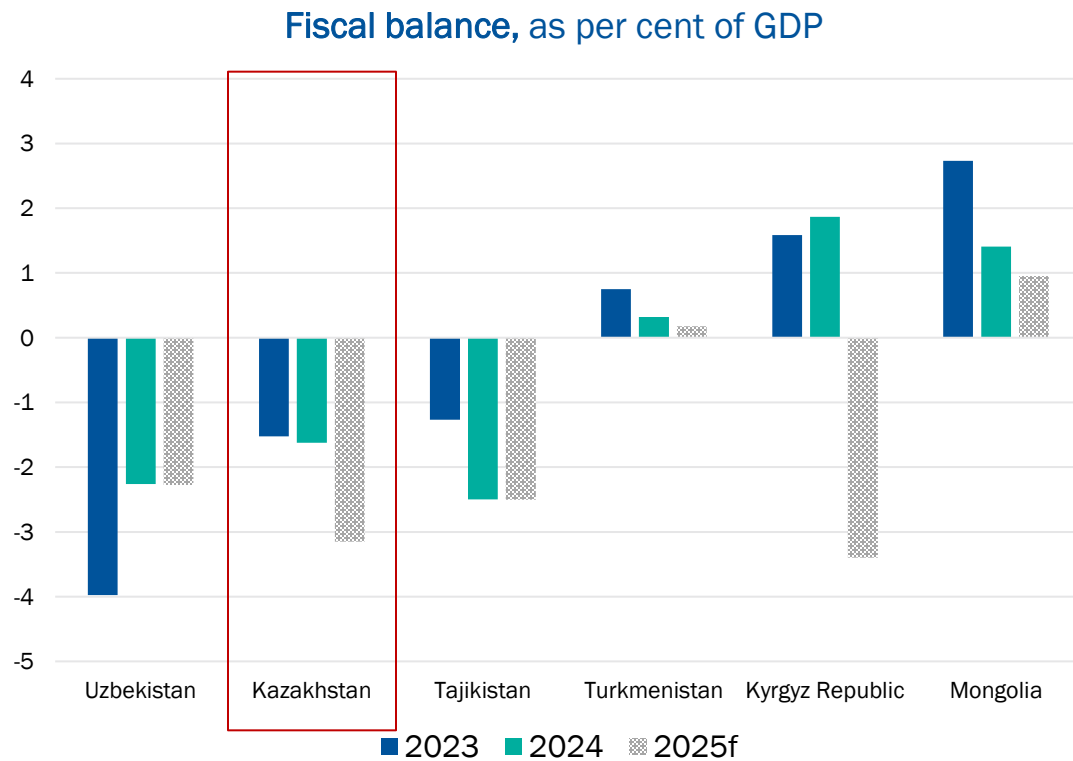


Source: NBK

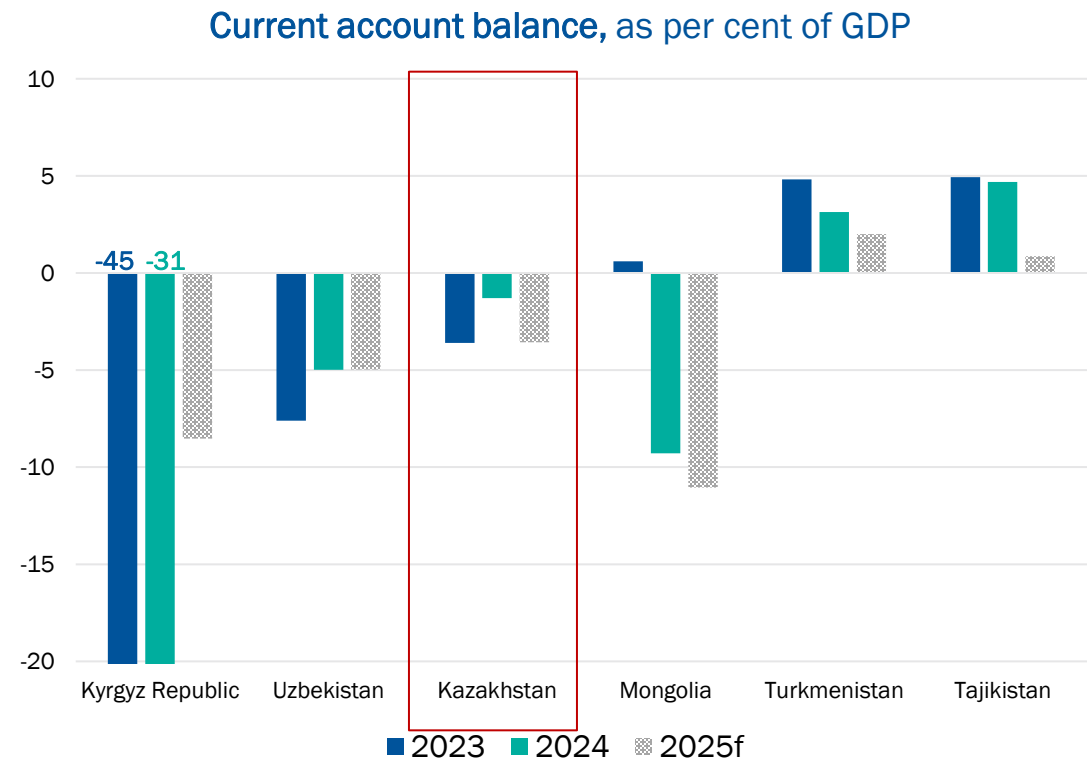


Fiscal and external balances will come under pressure

Fiscal position across CA region has been worsening in most countries



Current account balances affected by **remittances, investments and fluctuations in commodity prices**



Source: WEO April 2025

Note: CA deficit in Kyrgyz Republic due to large unrecorded re-exports to Russia

Low public debt and large international reserves cushion against external shocks

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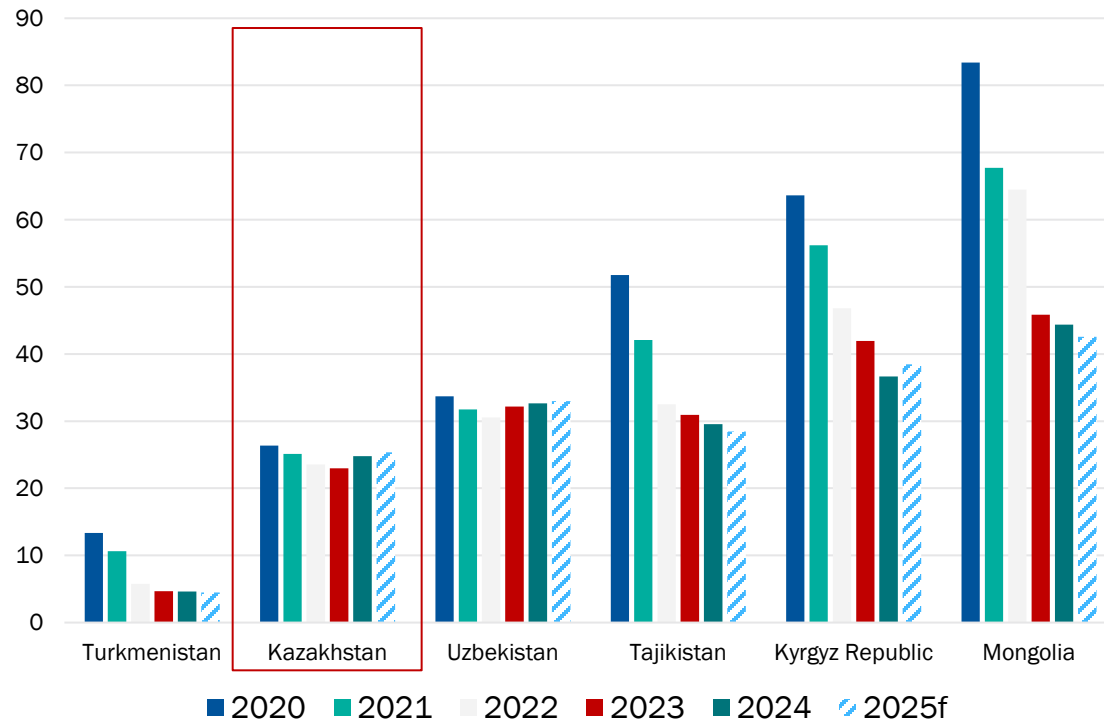


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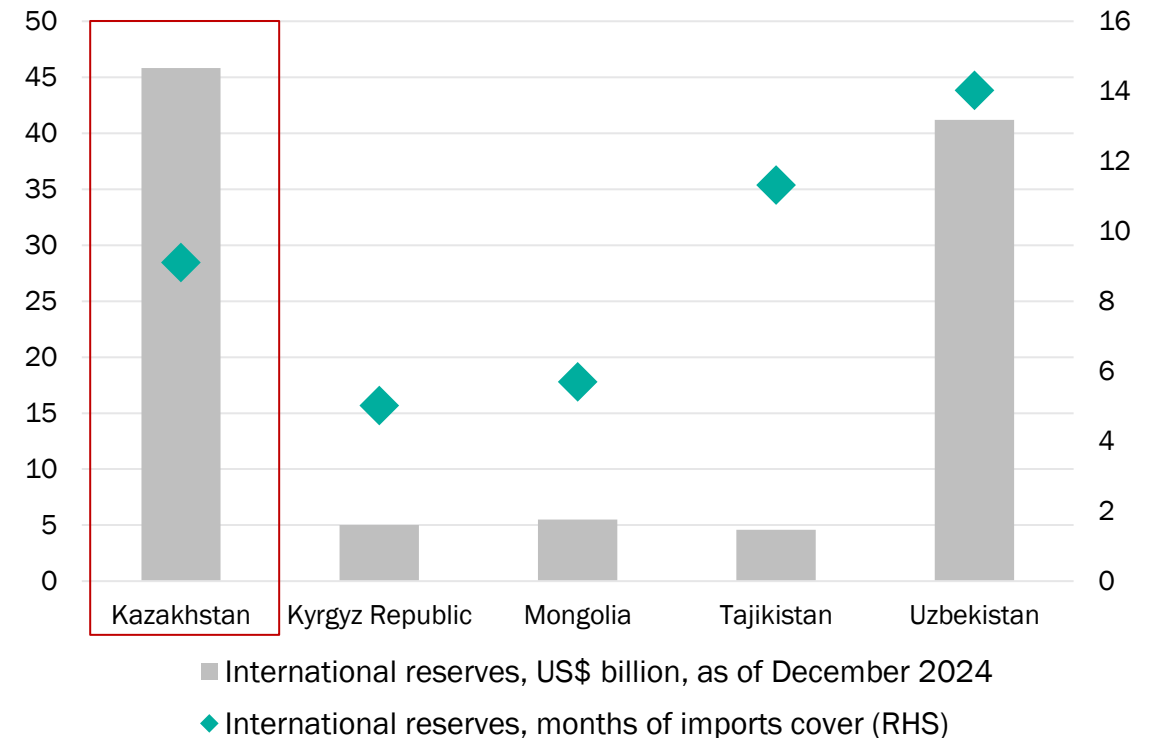
Public debt slightly increased in absolute terms, but largely declined relative to GDP on strong growth. The upcoming tax reform aims to increase fiscal revenues...

...which should allow for lowering transfers from sovereign wealth fund. With international reserves and assets from the sovereign wealth fund making up around 40% of GDP, **Kazakhstan remains well cushioned against external shock.**

General government debt, % of GDP



International reserves and imports coverage



Source: WEO April 2025

Selected priority areas



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National Infrastructure Investment Programme



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The Kazakh government launched a major investment initiative – **National Infrastructure Plan – encompassing 204 projects.**

Key Focus Areas:

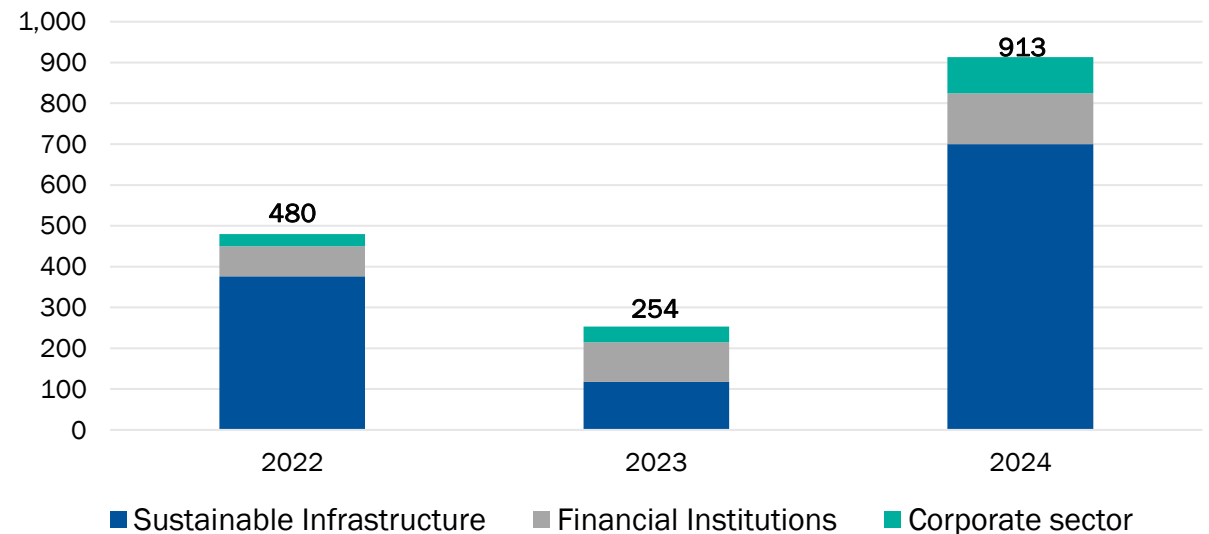
- Energy
- Transport
- Water supply and sanitation
- Digital infrastructure

Accompanying Reforms:

- Public-Private Partnerships (PPPs): Key mechanism to implement the projects
- Regulatory Simplification: Streamlined approval processes

EUR 1.2 billion has been invested in **sustainable infrastructure projects in Kazakhstan** over the past three years, supporting a diverse portfolio across energy, transport, and municipal infrastructure. In 2024, these sectors accounted for 77% of the EBRD's annual investment volume in the country.

EBRD's annual business investment in Kazakhstan,
EUR mln





Trans-Caspian International Transport route (TITR)

- Trade via the TITR (Middle Corridor, MC) will substantially increase, reaching **11 million tonnes by 2030** contingent on infrastructure development (World Bank projection)
- Addressing both hard and soft connectivity obstacles** remains crucial to increase usage of MC

Soft Connectivity Measures

Short-term

Digitalisation of transport documents

Improved interoperability

Enhanced PPP environment

Medium-term

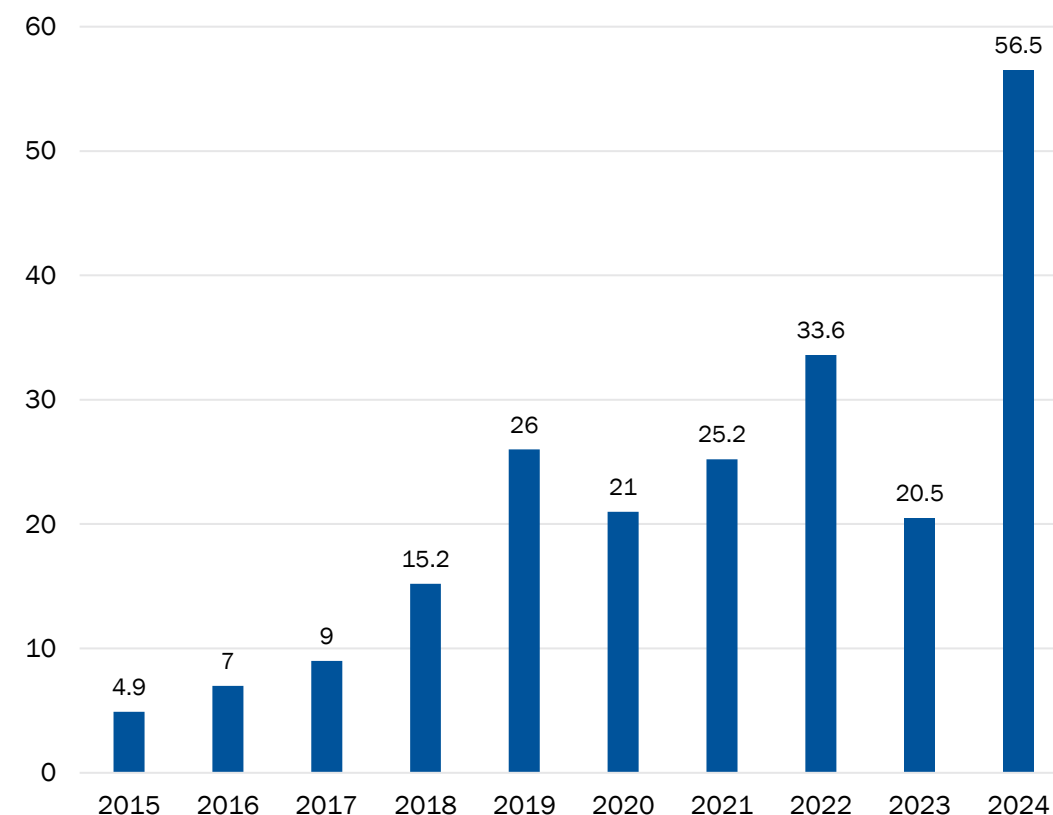
Trade facilitation

Market liberalisation

Improved tariff setting practices

Increased funding for asset maintenance

Container traffic along the Middle Corridor, thousand TEUs



Source: World Bank (2023), Astana Times (2025).

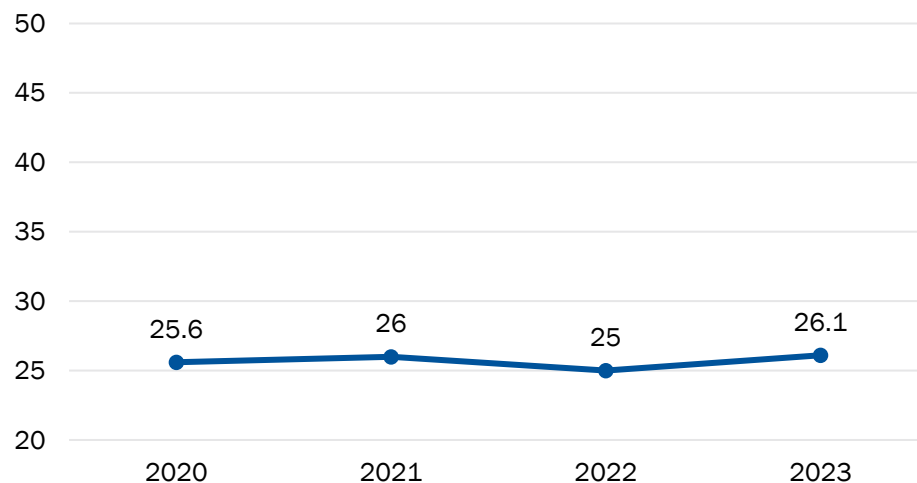
Banking Law Reform



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Kazakhstan is modernising and reforming its banking law, which aims to address sector-critical factors: growing concentration, shallow lending to the real economy, lack of foreign investments and a need for a clear legislative framework for digital solutions.

Credit to private sector/GDP (%)



Source: WB WDI

EBRD has been supporting improvements in the financial sector, including in the **money markets**, development of the **strategic long-term financial sector plans**, and establishment of efficient **NPLs market**.

Most recently, we have been supporting Kazakhstan with:

- Review of current legislation covering the financial sector and **benchmarking with international standards**
- Support with **modernising the key Banking law**. The new law will support a healthy, well-governed, diversified, efficient and competitive banking sector and increase lending in Kazakhstan through the focus on the following:
 - Development of licensing frameworks for basic and universal banks
 - Reform of the insolvency framework
 - Introduction of fintech regulation
 - Introduction of Islamic banking
 - Introduction of behavioural supervision tools

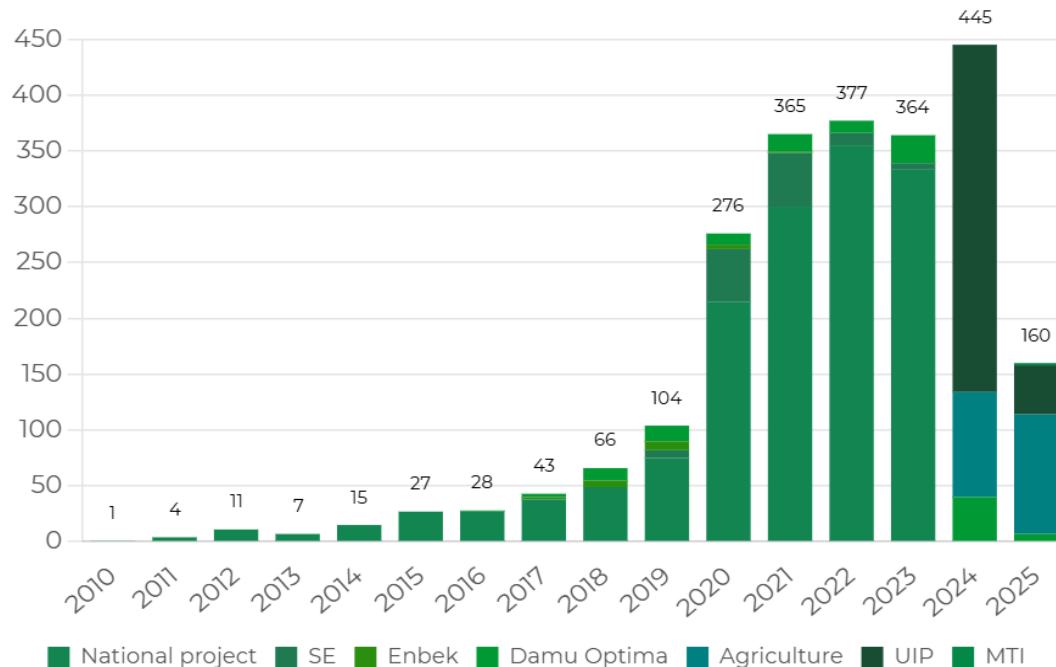
SME Support and DAMU Transformation



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DAMU Entrepreneurship Development Fund, main administrator of SME support measures, has provided **8,891 billion tenge in interest rate subsidies and 2,288 billion tenge in guarantees** until April 2025. To minimise the crowding out of the private sector and market distortions, **DAMU has been lowering the amount of provided subsidy per transaction and focusing on guarantees.**

Amount of guarantees provided by DAMU across programmes



Source: DAMU

EBRD has been providing **SME finance and capacity building via risk-sharing, SME credit facilities and advisory, as well as advocacy:**

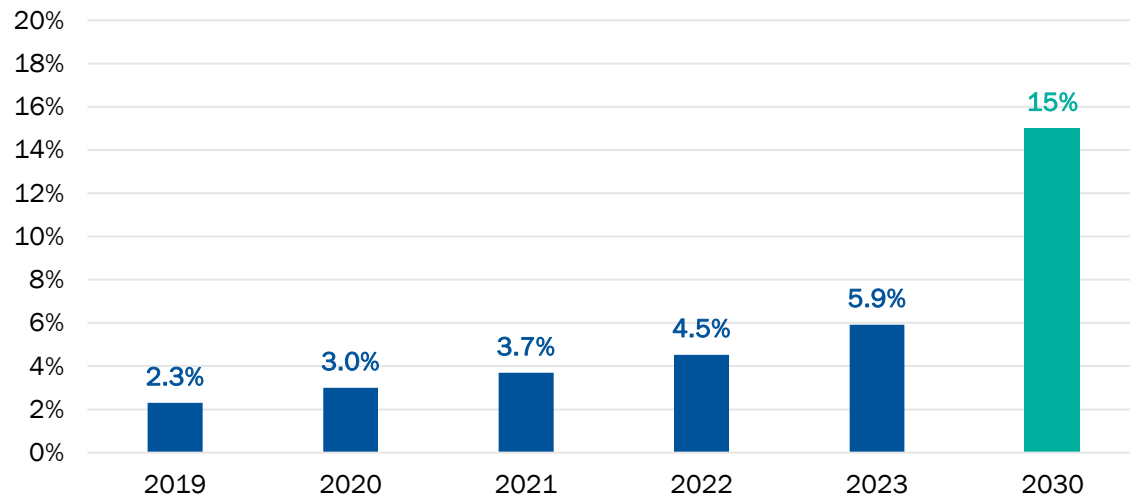
- Over 23,000 SMEs supported since 2013 via advisory services via EBRD's flagship **Advice for Small Businesses Programme**
- EUR 21 million **invested in small businesses** via risk participation with the local banks since 2020
- USD 212 million for **SME on-lending via six partner financial institutions** since 2015, with a special emphasis on **women, youth and green projects**
- **Advocacy and capacity building of DAMU** to provide more market-oriented mechanisms, including more guarantees, with a view to transform DAMU into credit guarantee fund in the long-term
- In the future, focus on **alternative finance instruments** such as factoring and supply chain finance, or capital markets

Energy transition



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Kazakhstan's current and planned shares of RES in total electricity generation



Kazakhstan's share of RES in electricity generation stood at **5.92%** in 2023. According to estimates by the GlobalData Power Intelligence Center, **Kazakhstan will generate only 10.3% of electricity from RES by 2030, likely missing its 15% target as per the current trend.**

Green energy highlights

- **Kazakhstan, Uzbekistan, and Azerbaijan signed an MoU on connecting their energy systems**, agreeing to laying a high-voltage cable on the Caspian seabed. Under the **Green Corridor project**, the parties plan to develop a business model for international transmission corridors and **export green energy to European markets**.
- **Kazakh Ministry of Energy and ACWA Power** signed a strategic alliance pact for the construction of a **1 GW wind power plant in Kazakhstan**, the works on which will start in 2025.
- To continue improvements in the renewables framework, the EBRD is working jointly with the Kazakh Ministry of Energy **on the implementation of site-specific wind auctions for four utility-scale wind power projects with a battery storage component in Kazakhstan (up to 1GW in total)**.
- EBRD is advising the Government of Kazakhstan on the **development of the Just Energy Transition Partnership (JETP) country investment platform for the energy transition**. The platform will help align government priorities with international support and attract both private investment and multilateral and bilateral financing.

Critical Raw Materials



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- Kazakhstan is an important partner for developing sustainable value chains for Critical Raw Materials.
- CRM cooperation featured prominently at 2025 EU-Central Asia Summit.
- The **EU's Global Gateway Strategy** supports Kazakhstan's economic growth and industrial capacity, focusing on sustainable value chains for critical raw materials.
- This includes support for jointly identified investment projects, such as those selected as strategic projects under the EU CRM Act, and the development of sustainable transport infrastructure and logistics networks in Central Asia.

EBRD support

EU & EBRD Cooperation: **EUR 3 million EU-funded EBRD** project to support **Central Asia's** mining sectors and alignment with EU-Kazakhstan Strategic Partnership to achieve:

- Introduction of latest best practices and sustainable technologies for exploration, extraction, refining and processing
- CRM exploration, extraction and processing, harmonised with international and EU environmental, social and good governance standards
- Identification of joint EU-CA projects and acceleration of the transportation along the Trans-Caspian Corridor

Thank you!



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