



# Kazakhstan Economic Outlook

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May 2024

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**S&P Global**  
Ratings

*This report does not constitute a rating action*

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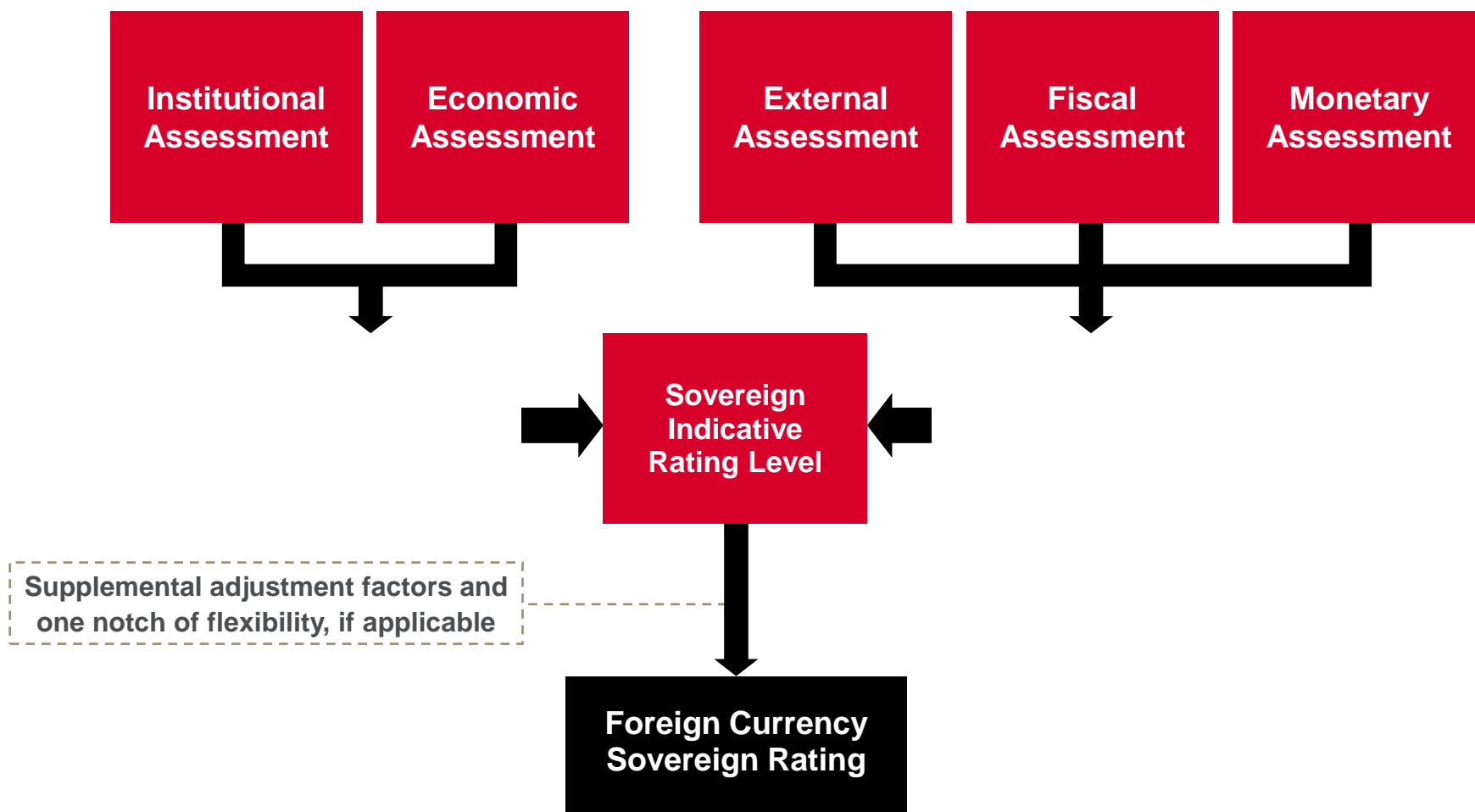
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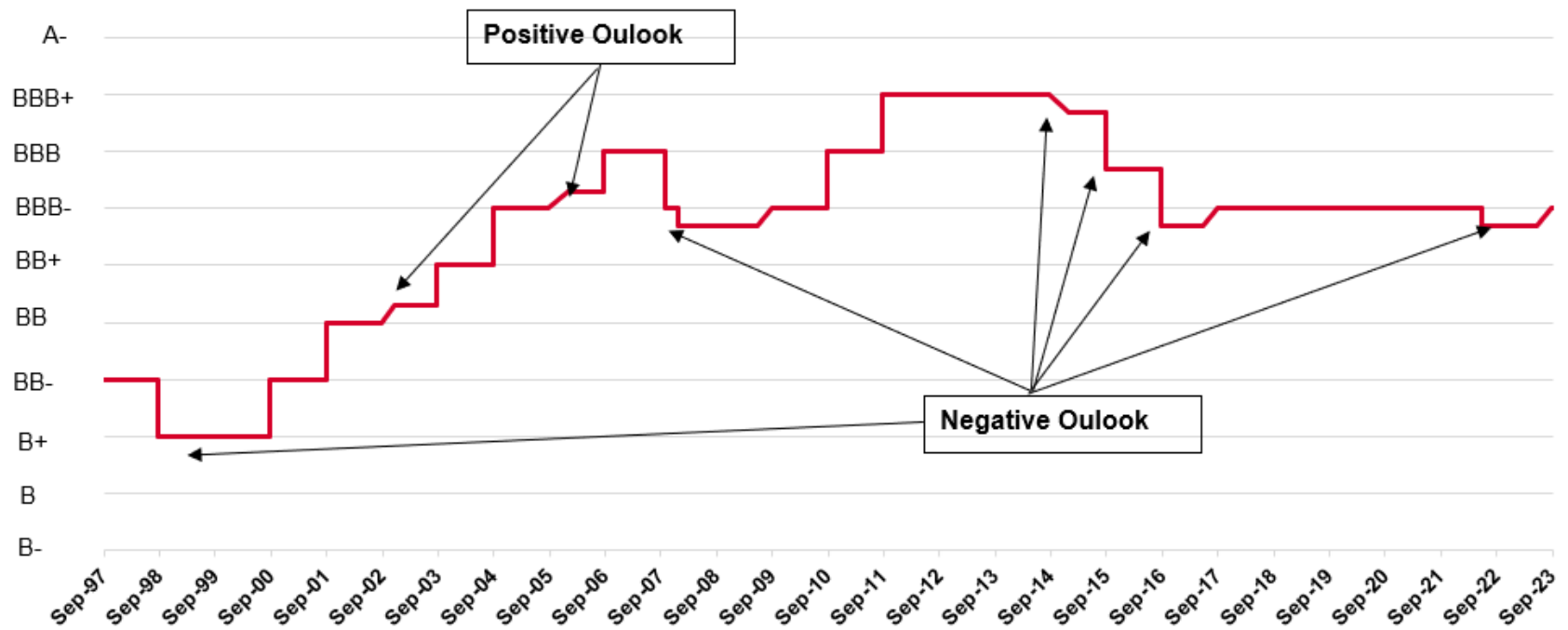
Kazakhstan's Economic &  
External Outlook

# Framework For S&P Sovereign Ratings



# Kazakhstan's Foreign Currency Ratings History

Kazakhstan's rating has moved down by 2 notches from BBB+ in 2011 and is currently BBB-



Source: S&P Global Ratings

# Rating Strengths and Weaknesses

## Strengths

- Strong external position, with external assets exceeding liabilities by 20% of GDP.
- Reasonably strong fiscal buffers thanks to budgetary surpluses during years of high commodity prices until 2014. Total government liquid assets were at 23% of GDP in 2023.
- Flexible exchange rate that acts as an external shock absorber.
- Improvements in the banking sector with solid margins and falling dollarization.

## Weaknesses

- Continued reliance on the hydrocarbon sector, which comprises about 15% of nominal GDP, 30% of general government revenue, and over half of exports.
- Highly centralized decision-making process and fragile social fabric as evidenced by widespread protests in January 2022.
- Geopolitical tensions pose risks to economic growth and oil revenues for the government.

# Global Macroeconomic Outlook

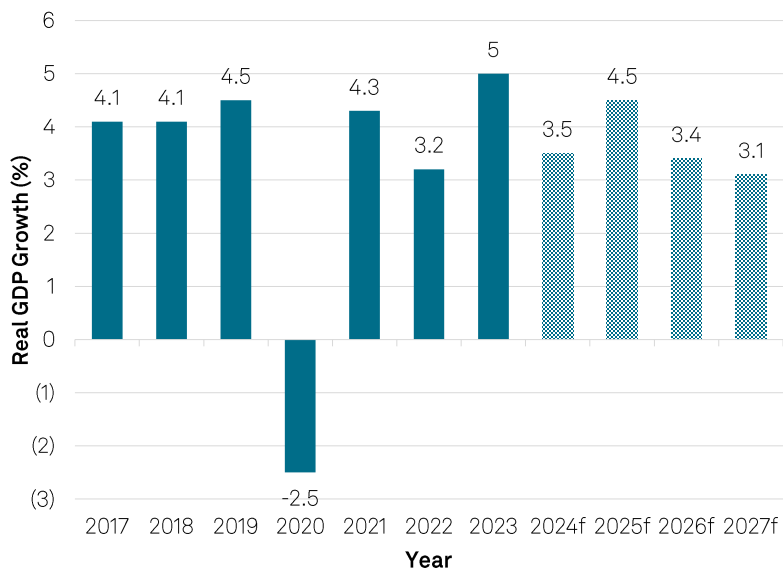
## A soft landing but risks remain elevated

- **Global resilience** – most economies maintained better-than-expected growth in 2023, helping to offset the negative impacts of a high interest rate environment – Global GDP growth is expected to be 3.2% in 2024.
- **Inflation is easing** – with inflation falling we expect gradual rate cuts in the near-medium term, but rates will be staying higher for longer.
- **Growth is uneven and labor markets are tight** – services sector sees stronger growth than primary sectors.
- **Defaults to peak in the fall** – we expect Q3 to be particularly difficult due to softer economic growth and still elevated interest rates.
- **Economic slowdown could increase credit stress** - As rates are still elevated and savings buffers have fallen, an economic downturn would lead to even greater credit stress.
- **Risks remain high** – geopolitical risks with the Russia-Ukraine war, Israel-Hamas conflict and global elections threaten supply chains, trade and market sentiment. Challenges for China could lead to weaker business activity for emerging markets.

# Kazakhstan's Economic Outlook

Chart 1

Economic Growth in Kazakhstan



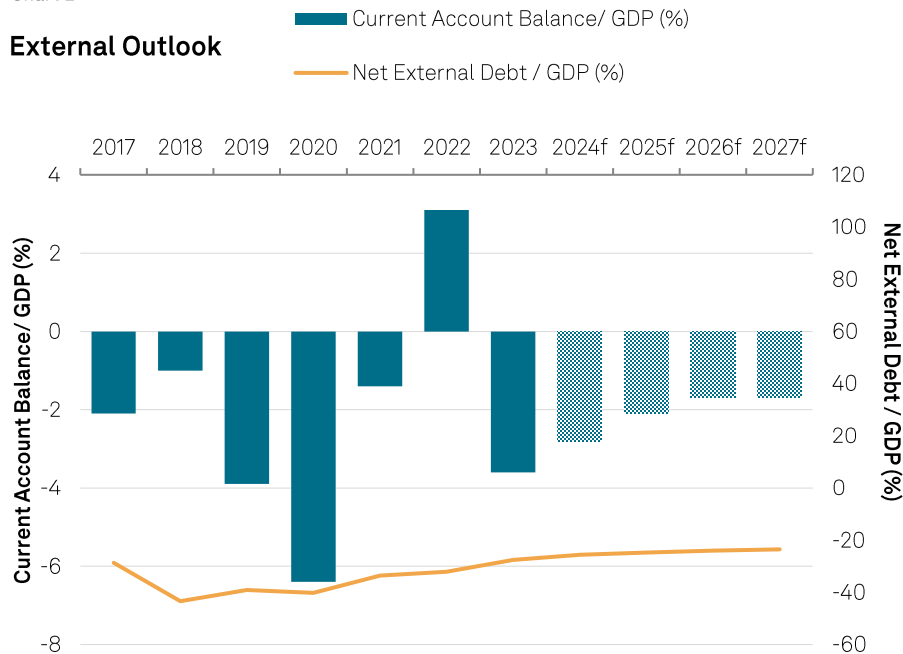
Source: S&P Global Ratings.

- **Economic Growth** – we expect real GDP growth moderate to 3.6% over 2024-2027.
- **Government spending** – new fiscal rules could dampen domestic demand and investment somewhat.
- **Oil sector** – production could increase from 90 million tonnes per year in 2023 to 103 million tonnes by 2025, with expansion of the Tengiz oil field.
- **Non-oil sector** – economic diversification reforms. Strong investment pipeline, particularly for utilities, roads and housing projects.
- **Inflation** – we expect inflation to average 8% in 2024, from 15% in 2023. The central bank began monetary easing in August 2023.
- **Risks to economic growth** - potential for disruption to the Caspian Pipeline Consortium (CPC) transporting 80% of Kazakhstan's oil to Europe.

# Kazakhstan's External outlook

- **Current account deficit to average 2% in 2024-2027** - we expect an improvement in the deficit as global inflation moderates, oil prices remain broadly stable, and exports increase.
- **Russia still the largest trading partner** – exports to Russia remain strong. However, Russian imports have fallen from over 40% to 27%.
- **Increasing FDI** – supported by privatizations and investments from China.
- **External asset position will remain strong** – given expected growth in NFRK assets.

Chart 2



Source: S&P Global Ratings.



# S&P Rating Outlook

The **Stable** outlook on the 'BBB-' long-term rating on Kazakhstan reflects our view that risks from weaker growth and relatively high external financing needs are mitigated by planned governance and economic reforms, as well as strong asset buffers.

## Upside Scenario

-Medium-term fiscal trajectory improves more than we expect, reducing the pace of debt accumulation and debt-servicing requirements.

-Monetary policy effectiveness improves, as shown by a more robust monetary transmission mechanism, low inflation, continued commitment to exchange rate flexibility, and a less dollarized economy.

## Downside Scenario

-External position and fiscal deficits worsening beyond our current projections due to import prices growing or if the CPC pipeline is incapacitated, impairing oil exports.

-Rising borrowing costs continually increasing the government's debt-servicing burden.

# Key Takeaways

- Kazakhstan's growth momentum is supported by the **expansion in oil production, and ongoing economic diversification efforts and reforms.**
- Key to medium term prospects will be improvements in **governance, role of the private sector, and addressing infrastructure gaps.**
- Sectors we are watching include **energy (green energy), critical minerals, information technologies, and the banking sector.**

# Analytical Contact



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