Economic Development of Kazakhstan: Main Trends and Challenges

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Introduction

Kazakhstan is an upper-middle-income country with GDP per capita of nearly US$10.5 thousand in 2015. GDP per capita decreased from $13.6 thousand in 2013 as a result of tenge depreciation.

Oil is a main driver of growth. The economic growth is to a large extent provided by the oil sector, thus making the economy increasingly vulnerable to volatilities of the global market.
Real GDP growth slowed from 4.1 percent in 2014 to 1.2 percent in 2015 due to falling oil prices and weakened domestic and external demand.

Sources: EIA, Committee of Statistic of the MNE data, author’s analysis.
A floating exchange rate regime was introduced in August 2015

Sources: National Bank of the RoK, author’s analysis.
Monetary policy response in Kazakhstan, Azerbaijan and Russia

Source: World Bank RER #35
The effect of the tenge depreciation caused inflation to spike, reaching 13.6 percent, year-on-year, in December 2015.

Sources: Committee of Statistic of the MNE, author’s analysis.
The oil prices shock hits trade balance

Sources: EIA, Committee of Statistic of the MNE data, author’s analysis.
National Fund is the cornerstone to manage oil revenues

Sources: National Bank of the RoK, author’s analysis.
Direct oil sector taxes (with the exception of taxes assigned to the local budgets), including corporate income tax, excess profits tax, mineral extraction tax, bonuses, production share, rent tax on oil export, extra payment of mineral resources user carrying out its activity within production sharing contract.

Revenues from privatization of state property (in ownership of Government) in the mining and processing sectors.

Other revenues from oil sector organizations operations (with the exception of taxes assigned to the local budgets), including receipts for violation of the terms and conditions of oil contracts.

Receipts from sale of agricultural land.

Other proceeds from operations not limited by laws.

Guaranteed transfer to the national budget.

Expenditures on managing the Fund and conducting its annual external audit.

Targeted transfers to the budget for the purposes established by the President of the Republic of Kazakhstan.

Investment income.
Unemployment

• Economic stabilization and growth enable a higher demand for labor force and improve the employment status of the population.

• The unemployment rate jumped from zero in 1991-1993 to 13.5% in 1999, and decreased to 5.1 % in 2015. The lower rural unemployment rate is linked to the prevalence of self-employment in rural areas.
The economic slowdown is slowing achievements in poverty reduction

- In 2015 around 3% of the population were unable to meet their basic food needs (subsistence level).
- The main reasons for poverty are large household size, low level of education and low opportunity to find job for household adults.
Conclusion

- The economy faces an uncertain global recovery.
- Creation of sustainable and diversified economy depends on implementation of structural reforms, including implementation of World Trade Organization agreements, along with institutional reforms and capacity building programmes, development of human capital and investment in infrastructure.