

Economic Development of Kazakhstan: Main Trends and Challenges

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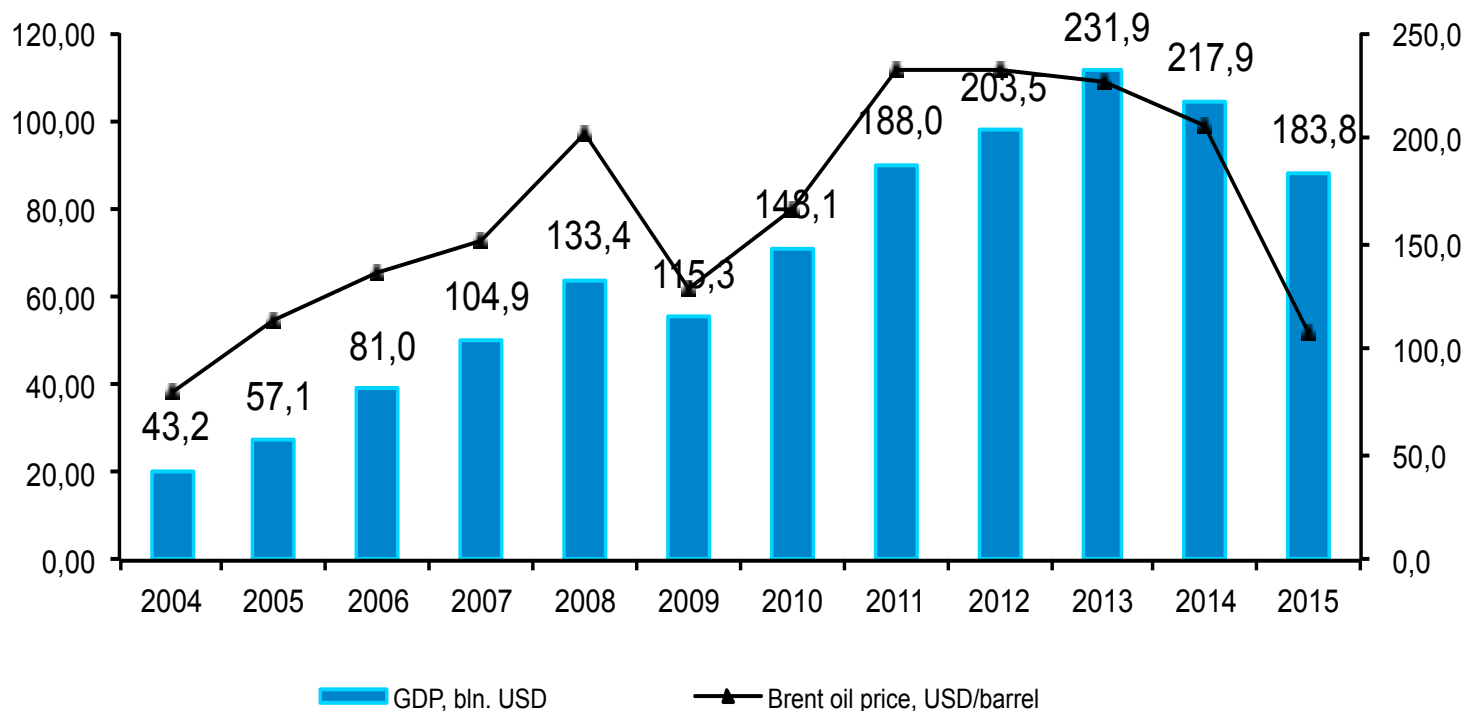
Viena, 7 April, 2016

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.

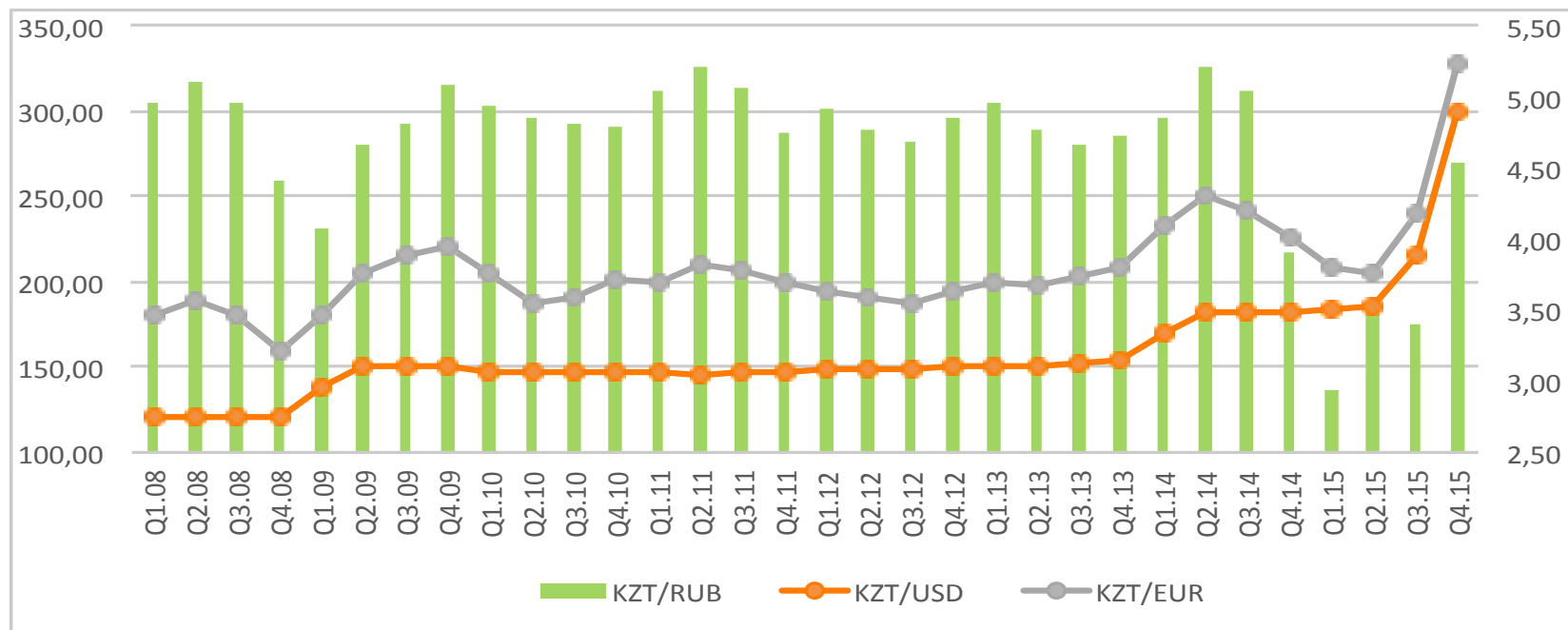
Oil is a main driver of growth. The economic growth is to a large extent provided by the oil sector, thus making the economy increasingly vulnerable to volatilities of the global market.

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



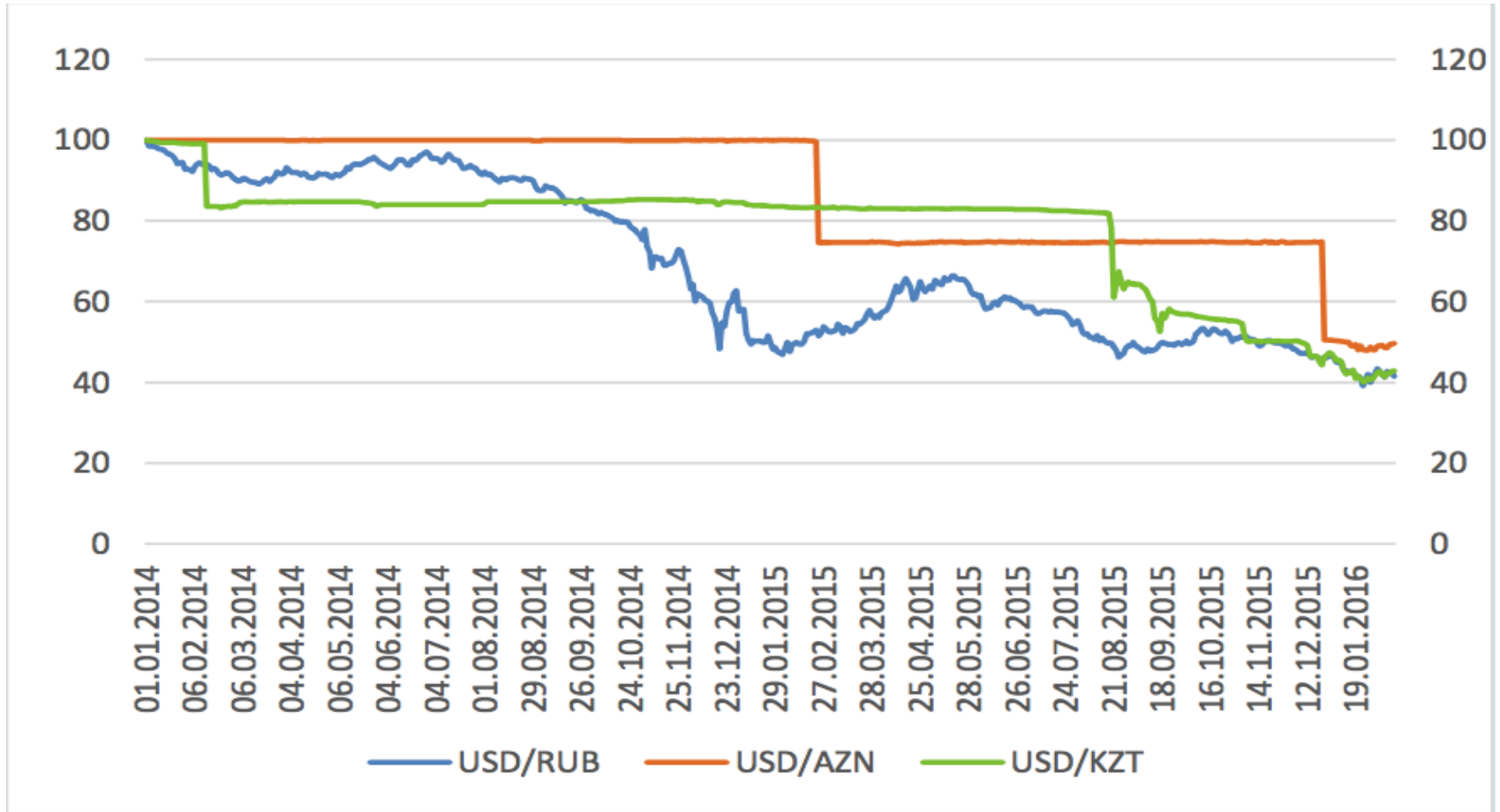
Sources: EIA, Committee of Statistic of the MNE data, author's analysis.

A floating exchange rate regime was introduced in August 2015



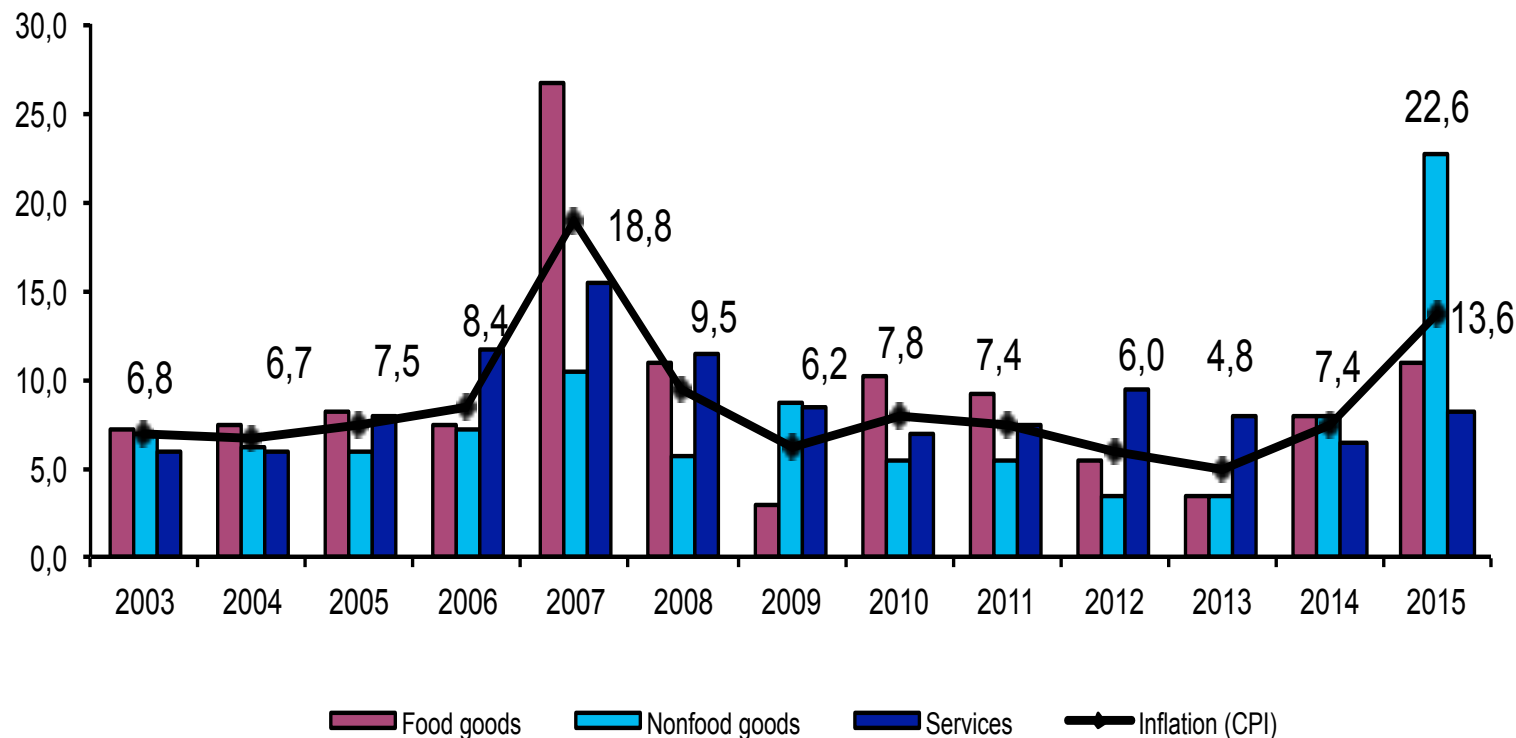
Sources: National Bank of the RoK, author's analysis.

Monetary policy response in Kazakhstan, Azerbaijan and Russia



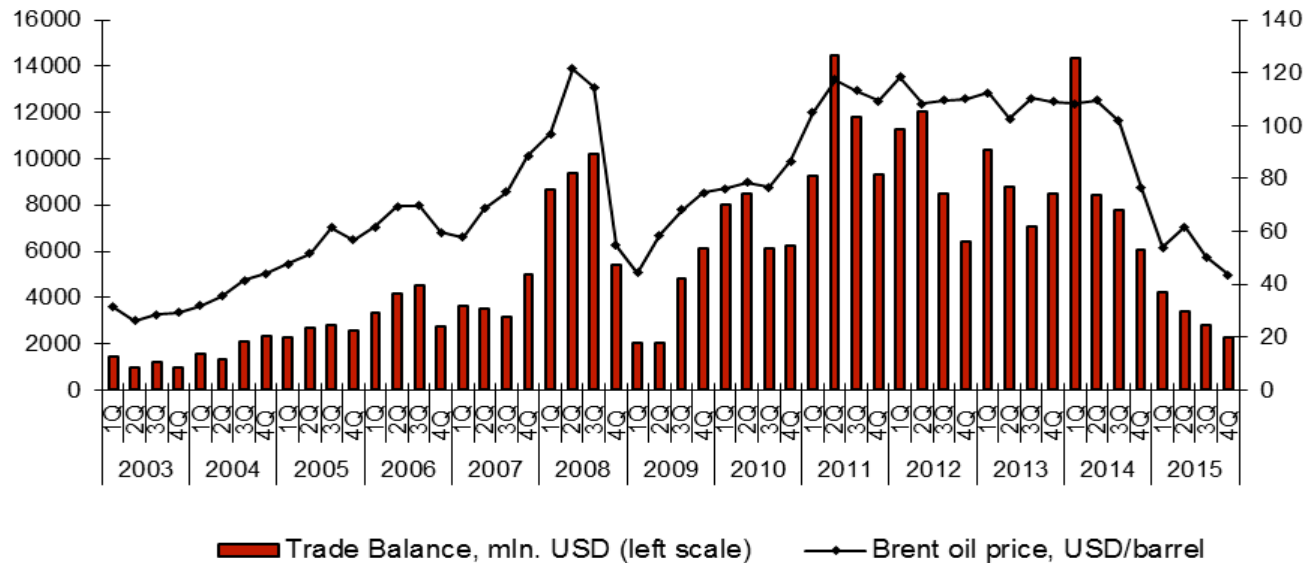
Source: World Bank RER #35

The effect of the tenge depreciation caused inflation to spike, reaching 13.6 percent, year-on-year, in December 2015.



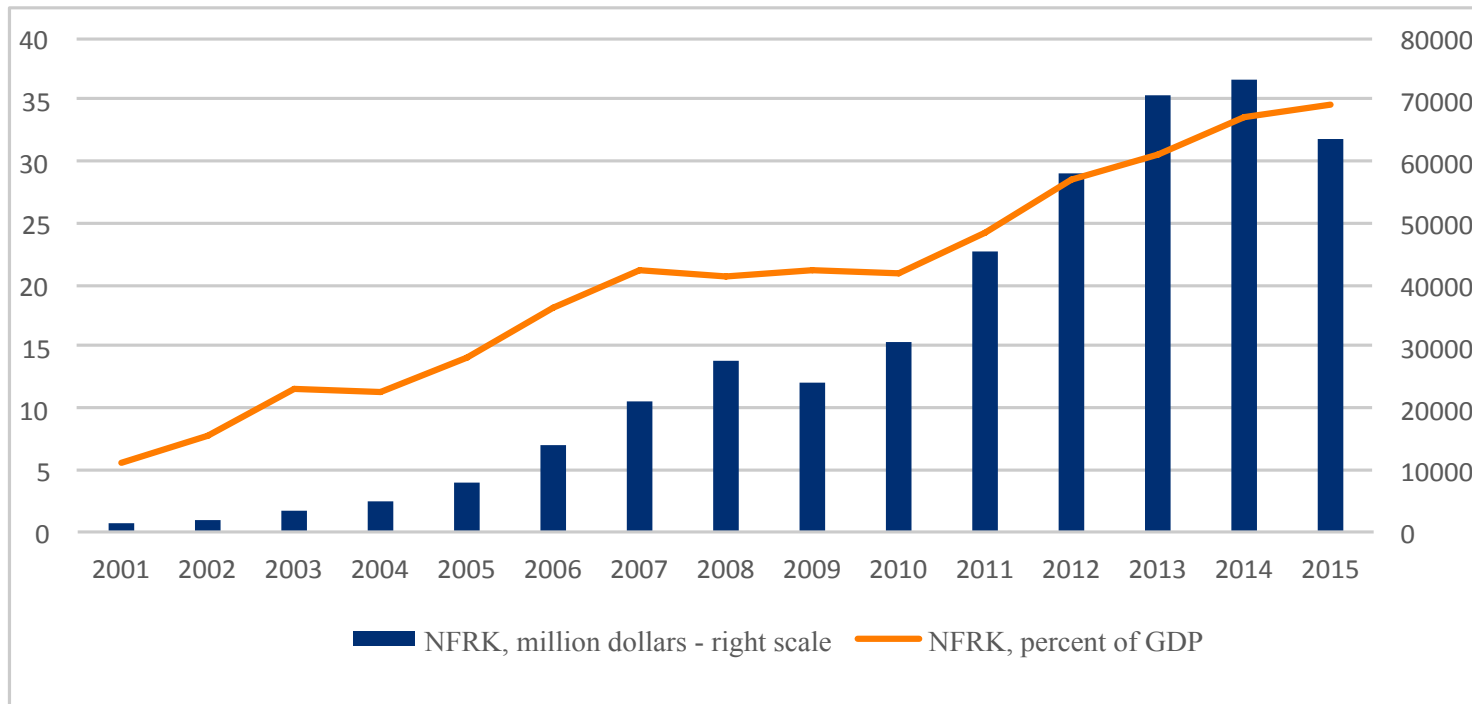
Sources: Committee of Statistic of the MNE, author's analysis.

The oil prices shock hits trade balance

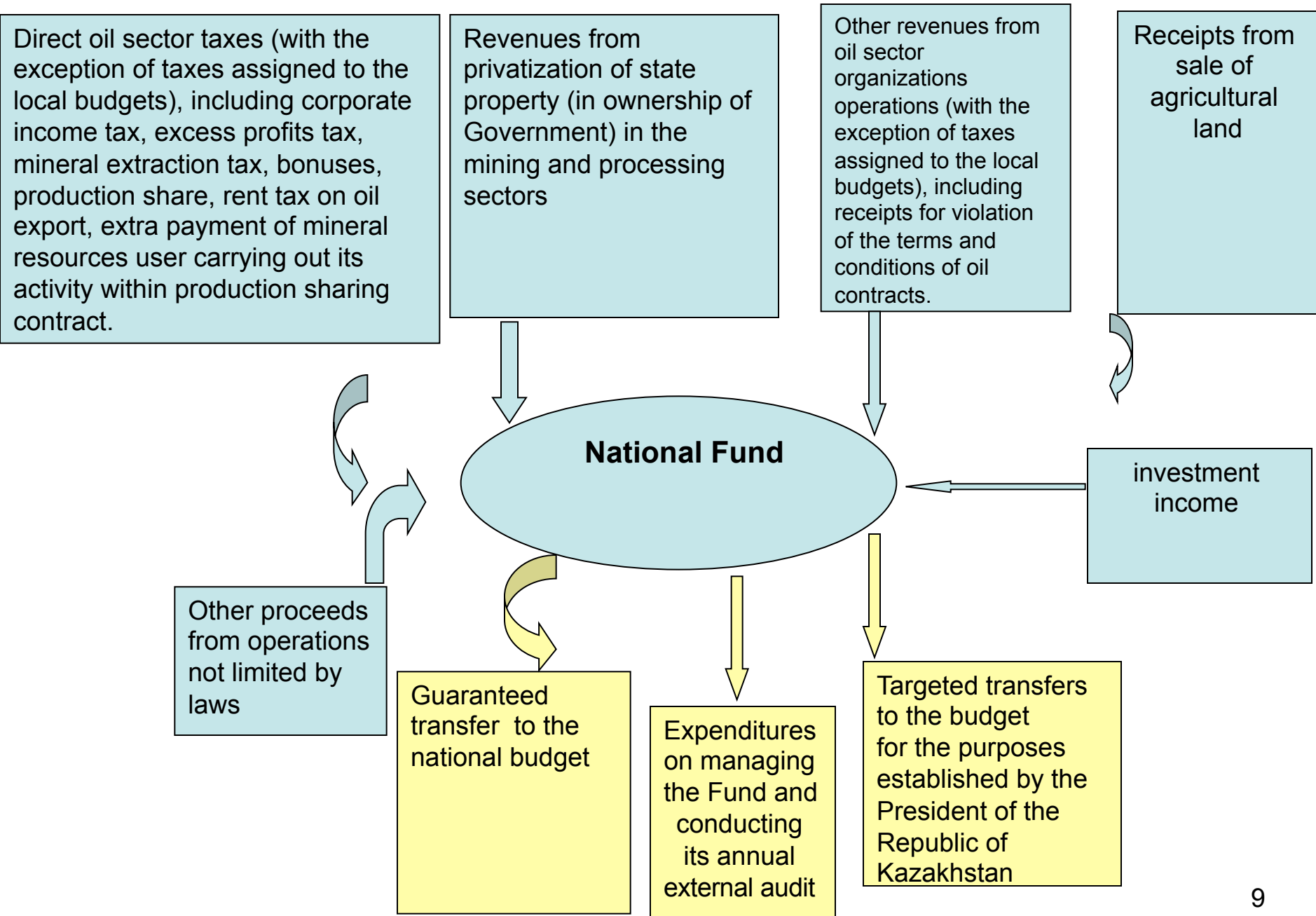


Sources: EIA, Committee of Statistic of the MNE data, author's analysis.

National Fund is the cornerstone to manage oil revenues



Sources: National Bank of the RoK, author's analysis.



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.