



UNDER EMBARGO UNTIL 12.00 HRS., BANGKOK TIME, THURSDAY, 28 APRIL 2016

KAZAKHSTAN

GDP (current US\$, billions):	\$217.87	Population (thousands):	17,289
Share of GDP in developing Asia-Pacific:	0.8%	GDP per capita (current US\$):	\$12,601.62
Share of GDP in North and Central Asia:	7.2%	Average inflation (2015)	6.6%

- Economic growth in Kazakhstan dropped to a six-year low of 1.2% in 2015 compared with 4.3% in 2014.
- Merchandise exports fell amid lower global commodity prices and deep currency depreciation in the Russian Federation, which restricted the demand for Kazakhstan's exports. The trade deficit thus widened and put depreciating pressure on the domestic currency.
- After interventions to maintain the soft peg between the tenge and the United States dollar, the central bank abandoned the peg in August 2015, which is also in line with its transition towards an inflation-targeting monetary framework. As a result, the currency depreciated by about 75% and pushed up inflation in the latter part of the year.
- To keep inflation at a manageable level, the policy rate hike of 10.5 percentage points took place between September and December 2015.
- To cope with slower economic growth, the Government increased spending on social programmes and schemes to support the non-oil sector, such as small-scale businesses and relief for homeowners whose mortgages are dollar-denominated.
- Given sharp declines in revenue, capital expenditures have been reprioritized, while the budget is being partly supported by \$2 billion in loans from multilateral development banks, the issuance of Eurobonds worth \$4 billion and the use of additional resources from the sovereign funds.
- Economic growth is projected to soften further to 0.5% in 2016 before recovering modestly to 1.5% in 2017.
- Subdued oil prices and exports, fiscal tightening and higher inflation are the main drivers of the sluggish near-term economic outlook. On the upside, the construction sector would benefit from preparations for Astana Expo-2017.
- Recent policy reforms, such as privatization of public assets and amendments to the labour law designed to attract foreign investments, should also help to revive market sentiment. More generally, the recently announced structural reform agenda that is focused on introducing more liberal policies, strengthening market competitiveness and enhancing economic diversification would help support Kazakhstan's medium-term growth outlook.