

Priorities of Kazakh Economy: Reducing Inflation and Developing Responsible Fiscal Policy

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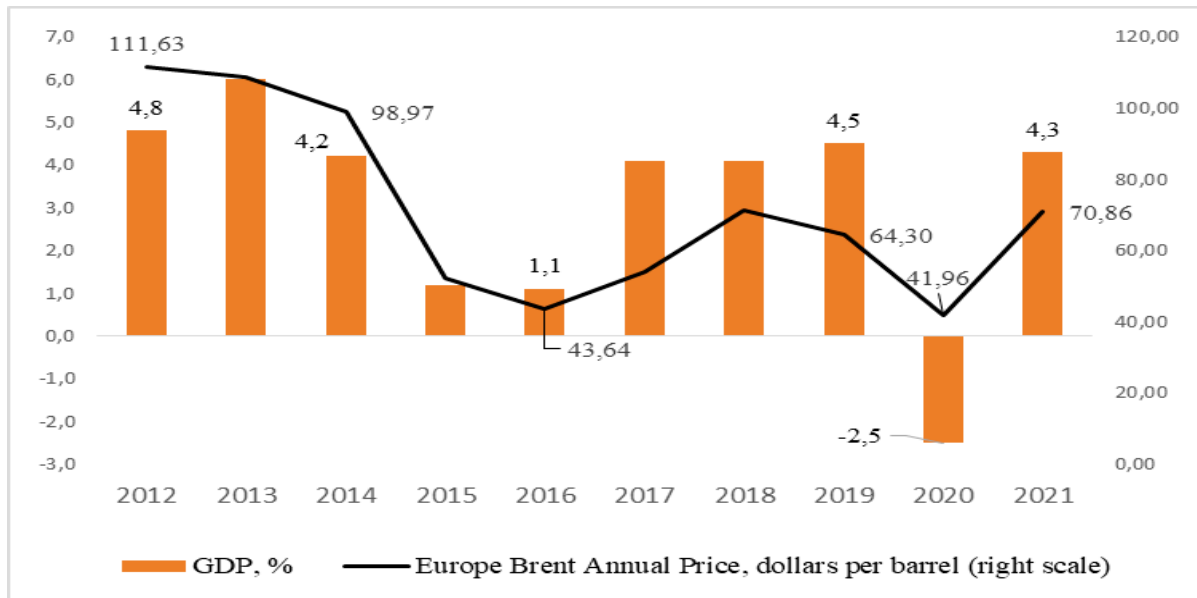
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Introduction. Selected Indicators

GDP per capita (2021)	US\$11,265
Population	19 million
Literacy rate	99,8%
Poverty rate	2,5%

Main export: crude oil, metals, minerals
Key export markets: EU, China, Russia

The Kazakhstan's economic growth is to a large extent provided by the oil sector. Russia's war in Ukraine resulted in worsening external conditions and lead to slower growth, 2022 GDP forecast was reduced from 3.9% to 3%.



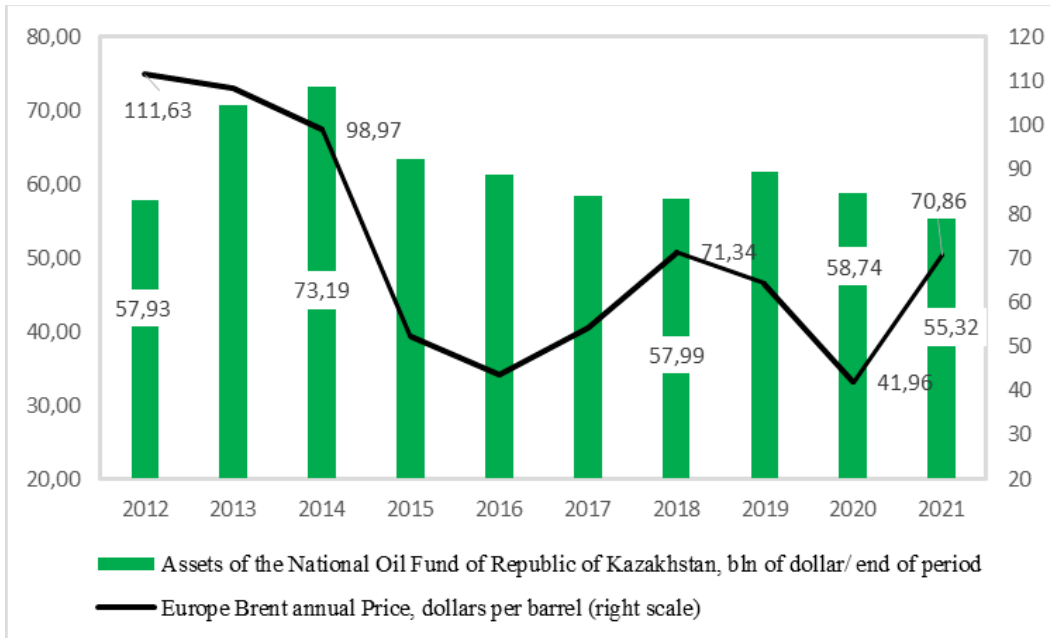
Sources: EIA, Committee on Statistic of the RoK data.

Oil is the main driver of growth

Oil export accounted for two-thirds of export, while revenue from oil sector amounted to a third of general government revenue.

All taxes and payment from oil sector distributed between the national budget (ie budget of the central government), National Fund, and local budgets.

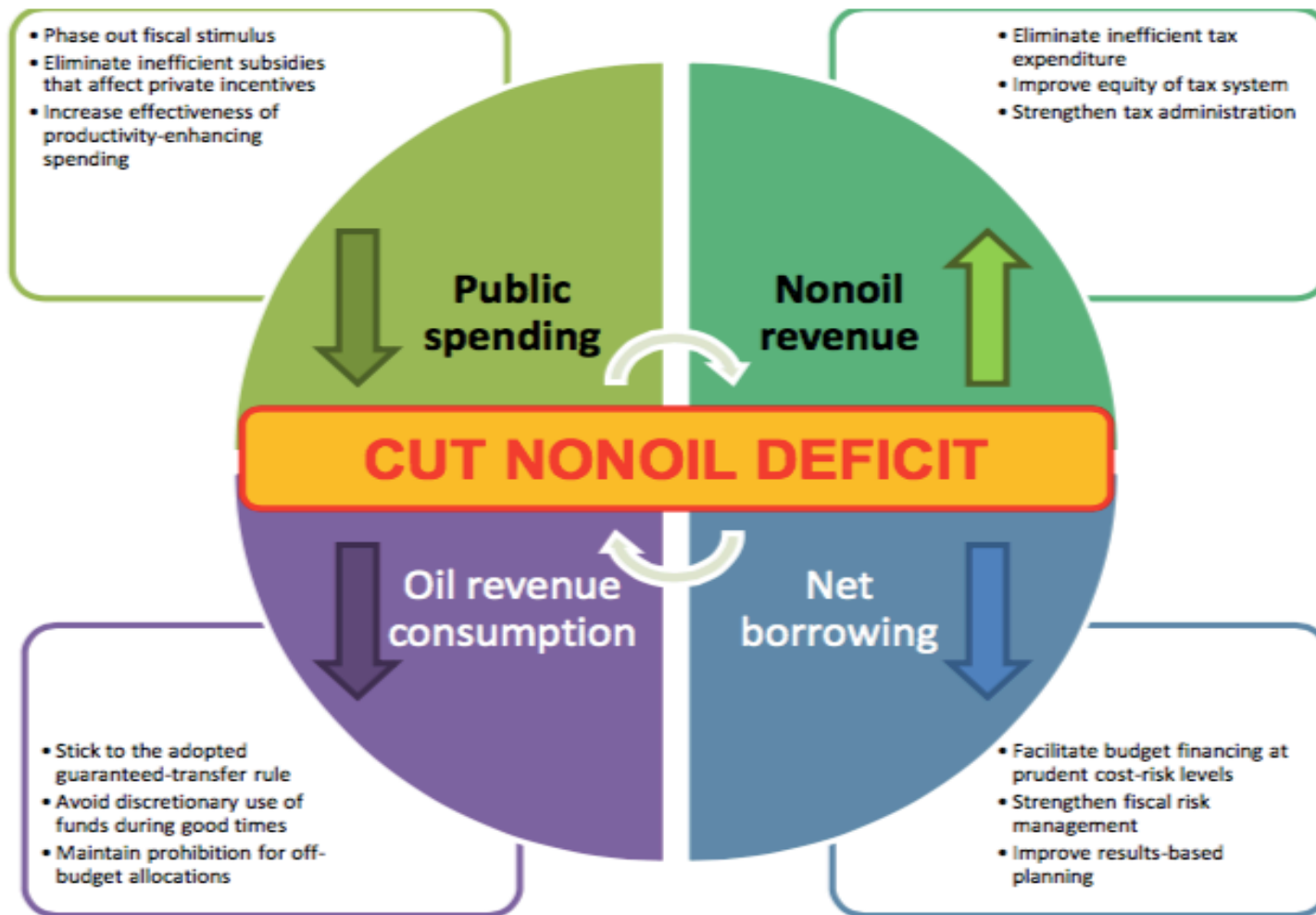
National Fund is the cornerstone to manage oil revenues



The National Fund accumulates the oil revenues while the price trends remain favorable in order to save it for the future generations, on the one hand, and to sustain the required level of government expenditure, first of all, social expenditure, should the prices drop, on the other hand.

Sources: EIA, Committee on Statistic of the RoK data.

Fiscal Policy Framework for Fiscal Consolidation



Sources: World Bank (2017)

Government's Indicative Targets for the Non-Oil deficit

(In percent of GDP)

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Nonoil deficit targets	13.0*	7.4	7.2	7.0	6.6	6.5	6.4	6.1	6.0

Source: The New Concept on Formation and Use of the National Fund of the Republic of Kazakhstan.

Due to global uncertainty updated budget in 2022 leads to growth of nonoil deficit from projected 8% of GDP to 10.2% of GDP

Accumulation of Fiscal Savings

- National Fund was established by the President's decree with the objective to reduce the impact of price volatility on the budget in August 2000.
- The National Fund accumulates the oil revenues while the price trends remain favorable in order to save it for the future generations, on the one hand, and to sustain the required level of government expenditure, first of all, social expenditure, should the prices drop, on the other hand.

Inflation

- The inflation rate jumped to 20% in 2022.
- The reasons are growing fiscal stimulus, weakening of tenge exchange rate to RR, and growth of consumer demand fueled by large-scale migration from Russia after the start of the war and mobilization.

Political and Institutional Challenges and Risks

- **External**

- Russia's war on Ukraine
- Membership in EAES and OCBD
- Uncertainty in the priorities to Main players

Conclusion

- The economy faces an uncertain global environment, and the focus of its adjustment challenges is shifting to fiscal and financial sector restructuring.
- Opportunities arose to cut non-oil deficit, which requires improving the competitiveness of the non-oil sector.