

## **Kazakhstan Economic Outlook 2025: Challenges, Opportunities and Strategic Sectors**

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Dear Associates,

In 2025, Kazakhstan is in a key position to face new economic challenges, but also to seize opportunities for growth and diversification. As we have said repeatedly, the country, rich in natural resources and strategically located between Europe and Asia, is seeking to strengthen its economy through structural reforms but also a strong desire for energy diversification and a boost to the advanced services sector with the promotion of innovative sectors such as green energy and a push for digitisation.

Despite the difficulties related to inflation and the volatility of global markets, Kazakhstan has the ambition to become a key player in the Central Asian context and to strengthen its economic ties with the European Union, also thanks to the support of the Global Gateway initiative.



The European Union, especially with Trump's victory in the United States, plays a diplomatic balancing role for Kazakhstan more than ever and this will also be reflected in the policies of attracting our investments in the country.

### **Overview and GDP Projections for 2025**

On January 24, President Kassym-Jomart Tokayev met with Central Bank of Kazakhstan Governor Timur Suleymanov to discuss the implementation of the monetary policy plans started last year.

Kazakhstan has seen moderate growth in recent years, with GDP growth expected to reach 3.1% in 2023, compared to 3.5% growth in 2022. For 2025, the country expects stable growth, with projections ranging between 3.4% and 3.5%.

Far, therefore, from the hoped-for 5% set in the 2023/2024 financial planning.

GDP forecasts are supported by a mix of foreign investment and ongoing structural reforms (e.g. new Civil Code, new tax reforms, new single code for environmental protection) that seek to diversify an economy still heavily dependent on oil, natural gas and mineral exports. Government policies continue to focus on strengthening non-oil sectors, with particular attention to agriculture, infrastructure and digitalization but remain in a model of attracting investments not anchored with a more structured system with industrial plans accompanied by banks and investment funds.

European SMEs are certainly interested in new markets, but their initiative will depend a lot on the debt structure that rearmament policies fear for 2025 if the war in Ukraine continues, because it will mean a credit crunch and therefore less liquidity for companies' foreign sectors.

### **Key Sectors for GDP Growth:**

**Energy:** oil and natural gas production remains a central pillar of the economy, but an increasing focus on renewable energies such as solar and wind power is expected. Kazakhstan has ambitious targets to increase green energy capacity to 5 GW by 2025, contributing to sustainable economic growth.

The current investment situation in the oil and gas production sector is waiting to see the fate of the EUR 130 billion mega-arbitration between the Kazakh government and the NCOC consortium, which will certainly have an impact on these projects and the future investments involved.

New players outside the European and American veterans have been invited such as Qatar, the Emirates, China and Korea.

On the one hand, their intensified presence may stimulate competition, but on the other hand it will substantially reduce the possibilities of implementation of localisation projects for companies already present.

Kazakhstan is not equipped for serious tax policies that would truly protect foreign businesses in the country in the long term.

**Infrastructure and construction:** Infrastructure projects partly financed by European investments (under the Global Gateway with EBRD and ADB will support the growth of ports, railways and highways, improving regional and international connectivity. This sector will also have a positive impact on the labor market but not before and beyond 2026 when the leading oil sector will restart (probably not before spring 2026)

**Digital Sector:** Digitalization is a strategic goal for the Kazakh government, with targeted investments in information technology (ICT) and automation. The technology industry is expected to grow at a rate of 20% annually in the coming years.

Just think of KASPI Bank. Its Fintech segment recorded strong growth in the third quarter of 2024, with revenue up 24% and net profit up 15% year-on-year, despite being hit by a class action lawsuit last year involving their shareholders in a sanctions case involving Russian entities and account holders in 2022.

### **Inflation and Monetary Policies: Challenges and Responses**

The inflation rate in Kazakhstan reached 16.5% in 2023, a high value that put pressure on both households and businesses. This increase in prices was mainly due to the increase in food and energy costs and disruptions in global supply chains.

Inflation currently stands at 8.3%, still very high considering that in 2022 the attempt to increase gas and fuel prices led to strikes, mobilizations and even urban warfare and the arson of Almaty City Hall.

In Kazakhstan, 4% of the population lives below the poverty line.

In 2025, the government and the National Bank of Kazakhstan expect inflation to decline, with a target of 6% to 8%. Price stabilization will be supported by tighter monetary policies, including interest rate hikes and money supply control. However, the main challenge remains managing the prices of essential goods, which may continue to be volatile due to global fluctuations.

Inflation Projections 2025:

Inflation in 2023: 16.5%, current 8.3%

Inflation target for 2025: 6% - 8%

Risk factors: Changes in global prices, energy and food costs, fluctuations in the tenge.

### **Unemployment and Labour Market Development**

The unemployment rate in Kazakhstan stood at 4.9% in 2023, with a stabilization expected also for 2025, around 4.5% - 5%. The labor market remains a challenge for the country, as the transition to high-tech sectors requires an improvement in professional skills and training.

The Kazakh government has launched programs to boost education and promote digital skills among young people. Sectors such as technology, renewable energy, and construction are expected to create new jobs, reducing pressure on the labor market.

### **Foreign Trade and Trade Balance: Towards Diversification**

In 2023, Kazakhstan's exports amounted to \$70.1 billion, while imports reached \$35.6 billion, with a trade surplus of about \$34.5 billion. The country's main exports remain oil, natural gas, and metals. However, Kazakhstan is trying to diversify its foreign trade, targeting advanced technologies and value-added products.

The European market continues to be a strategic partner, with the European Union being Kazakhstan's fourth largest trading partner. The EU's Global Gateway program is one of the main levers for attracting foreign direct investment (FDI), especially in the field of green infrastructure and digitalization.

Main Commercial Partners (2023):

China: Major partner for oil and raw materials.

Russia: Trade with Kazakhstan in energy and agriculture sectors.

European Union: Focus on advanced technologies and infrastructure.

### **Foreign Direct Investment (FDI) and Private Sector Support**

In 2023, Foreign Direct Investment (FDI) in Kazakhstan reached \$20 billion, with a projected annual growth of 5-6% for 2025. These investments are mainly directed towards the energy, infrastructure, and green technologies sectors.

The inflow of FDI is also made possible by the Kazakh government's reform programs, which aim to improve the "business climate" and increase transparency and protect foreign investors, but for the moment there is an intention, but not yet a strong will for real implementation.

In this, European, English and American institutions should do more by demanding and involving agencies and ministries more in disputes between businesses and local administrations.

Fiscal incentive policies, the creation of special economic zones and the promotion of long-term investments are strategic tools that will foster continued growth of FDI, but the permanence of these FDIs depends on the cooperation of the parties which is still not factually binding.

### **Conclusions: Challenges and Opportunities**

In 2025, Kazakhstan will be at a crossroads, with an opportunity on the one hand to consolidate its economic growth through diversification and innovation.

On the other, the structural reforms, while ambitious, have not yet borne fruit; the European, American and British institutions in the country should be more involved with their companies in the country to coordinate their implementation if they want to see these fruits sooner.