

Kazakhstan to Navigate Economic Growth, Challenges

By Nagima Abuova- The Astana Times



While Kazakhstan's economy experienced moderate growth in 2024, it also faced lingering challenges. As the country strives to build on these gains and address key issues in 2025, it is critical to acknowledge and understand the challenges the economy faces.

Key drivers of growth

According to an analytical article by Economy.kz, an independent business media outlet, the non-oil sector emerged as a major contributor to economic expansion in 2024. Trade, construction, and agriculture registered notable growth rates of 8.2%, 10.3%, and 13.4%, respectively. The trade sector, accounting for 15.8% of the country's GDP, performed well, with strong retail sales in food and non-food products. However, concerns arose about the sustainability of this growth due to declining real household incomes, which fell 0.2% in the first ten months of 2024, and reduced imports.

The manufacturing industry, contributing 12.4% to GDP, increased by 5.3%, led by metallurgy at 7.2% and mechanical engineering at 6.9%. Meanwhile, the mining sector, which makes up 13.5% of GDP, saw only marginal growth of 0.1% due to oil production, which dropped by 15.2% in October during maintenance work in major fields such as Tengiz and Kashagan.

Foreign trade surplus

Kazakhstan maintained a substantial trade surplus of \$20.1 billion in January–October 2024, a 33.4% year-over-year increase. Exports rose by 5.1% to \$68.5 billion, while imports declined by 3.3% to \$48.4 billion. This decline was primarily due to reduced machinery and equipment imports, which account for 42.6% of the total import structure. That, in turn, was due to decreased investments in fixed assets and

reduced re-export operations from Russia.

Investment and social concerns

Investment in fixed assets grew by 3.1% in the first 11 months of 2024, marking a significant slowdown compared to the 14.6% growth recorded the previous year. The slowdown is attributed to reduced investments, which dropped by 23.3% and 17.7%, respectively. Investment growth was primarily supported by public funds and debt financing, as private investment activity remained weaker. Household incomes declined by 0.2% during the first ten months of the year, compounding the impact of persistent inflation, which ranged between 8% and 9%. This limited domestic demand and reduced the effectiveness of government stimulus measures aimed at supporting sectors, including agriculture and construction. Regional disparities also posed challenges, with economic growth concentrated in cities like Almaty and Astana, while oil-dependent regions such as Atyrau and Mangystau faced declining activity.

Challenges and prospects

Looking ahead, development institutions, including the World Bank, Asian Development Bank, Ministry of National Economy, National Bank, International Monetary Fund, and Eurasian Development Bank, predict a promising GDP growth of around 5.1% in 2025, instilling optimism for the future.

However, more conservative estimates place growth closer to 4.5%, driven by rising exports and expanded petrochemical production capacity. Stable investments in extractive industries and manufacturing, combined with higher consumer spending from easing inflation, are expected to support this growth.

Inflation is anticipated to decline but remain above the National Bank's target of 5%. Achieving this target will require sustained fiscal reforms and a strict monetary policy. Meanwhile, the government plans to reduce the budget deficit while adhering to reserve management rules, signaling a commitment to long-term stability.