

Kazakhstan Economic Outlook 2025: Challenges, Opportunities and Strategic Sectors

by Livio Mazzuocolo – General Director of Confindustria Kazakhstan

Kazakhstan, in this first four months of 2025, is still proving to be decisive as a strategic market in Central Asia in the general geostrategic commercial dynamics.

In the panorama of possible peace negotiations between Russia and Ukraine conducted by the United States, with the disempowerment of European diplomacy, it foreshadows even greater uncertainty for the role of Kazakhstan as a regional middle power and a driving economy in Central Asia.

Kazakhstan's trade diplomacy appears to continue the path of diversification and trade neutrality that has characterized the equidistant approach of President K.J. Tokayev.

In 2025, it is reasonable to expect that the mix of macroeconomic challenges and strategic opportunities will define its



growth path, the country is at a crucial moment to consolidate its regional role and attract foreign investments in this specific moment of transition and adjustment.

Just think that Kazakhstan hosted visits from 33 heads of state and government, four leaders and high-ranking representatives of major international organizations, and seven international parliamentary representatives in 2024 alone. (source Kazakh MFA January 2025) and President Kassym-Jomart Tokayev undertook 24 international trips, including state and official visits, as well as participation in international forums.

Kazakhstan has expanded its diplomatic presence, now maintaining 121 foreign missions in 97 countries. A key achievement has been the expansion of Kazakhstan's regulatory framework with foreign countries, with 83 international treaties being signed.

In 2024, the Kazakh passport achieved remarkable results, securing 15 new visa waiver agreements, climbing the Global Passport Power Rank 2025 to 49th place from 65th place, which opens up new scenarios from the point of view of inbound and outbound tourism industry and services. Efforts to attract foreign investment and promote Kazakh products abroad continue.

The Foreign Investors' Council (<https://fic.kz/en>) and the Kazakhstan Global Investment Roundtable (<https://www.kgir.kz>) have facilitated deals worth seven billion dollars.

Overall, Kazakhstan attracted \$15.7 billion in investments in 2024 alone, an increase of 88 percent, accounting for 63 percent of all investments in North and Central Asia, according to the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) report released on December 25, 2024.

1. Macroeconomic Outlook

GDP Growth and Inflation Kazakhstan has maintained solid growth in recent years, with GDP growth forecast at 4.5% in 2024, mainly supported by the energy sector and increased infrastructure investment. For 2025, the National Bank of Kazakhstan forecasts growth in the range of 4.0% to 5.2%, dependent on factors such as global commodity demand and geopolitical stability. According to the International Monetary Fund (IMF), economic growth could be affected by volatile oil prices and the performance of Chinese demand, with a more realistic growth projection of 4.3% in 2025.

Kazakhstan has recently strengthened its international financial cooperation through significant agreements with foreign institutions. A notable example is the Memorandum of Understanding signed in August 2024 between the Japan Bank for International Cooperation (JBIC) and the Development Bank of Kazakhstan (DBK <https://www.kdb.kz/en>). This agreement aims to promote environmental protection projects, facilitating the involvement of Japanese companies in sustainable initiatives in Kazakhstan.

Additionally, JBIC and DBK plan to sign an agreement to jointly finance projects totaling \$200 million. These investments will focus on priority sectors such as energy (including renewables), transportation, mechanical engineering and the food industry.

In addition to cooperation with Japanese institutions, Kazakhstan has obtained financing from other international entities. For example, in October 2024, Cassa Depositi e Prestiti (CDP) granted a €200 million loan to DBK, guaranteed by SACE. These resources are intended to support projects focused on sustainable development in Kazakhstan, with a particular focus on renewable energy, energy efficiency, transport, and health and water infrastructure.

These agreements highlight Kazakhstan's commitment to working with international partners to promote sustainable economic development and strengthen economic relations with countries such as Japan and Italy.



Inflation, which reached 9.8% in 2023, is expected to slow to a target of 6–7%, thanks to tighter monetary policies and the stabilization of the tenge (KZT). However, inflationary pressures remain a risk due to volatile energy prices and food imports. According to the World Bank's January 2025 report, inflation could remain above 7%, due to an increase in logistics and energy costs.

Trade Balance and Foreign Direct Investment (FDI) Kazakhstan continues to enjoy a trade surplus, with exports of oil, gas and rare metals accounting for more than 70% of foreign earnings. Economic diversification remains a priority to reduce dependence on hydrocarbons. Foreign direct investment grew 12% in 2024, with a net flow of more than \$28 billion, particularly in the mining, energy and manufacturing sectors. An OECD (Organisation for Economic Co-operation and Development) analysis suggests that Kazakhstan needs to improve regulatory transparency and investor protection to attract more long-term capital.

The legal customs disputes at the FPSA of 2023 remain unresolved, for which the European Union delegation in Astana has repeatedly insisted on discussing and engaging with the companies involved in the case of retroactive application outside the bilateral trade agreements EPCA (Enhanced Partnership and Cooperation Agreement). This agreement, the first of its kind between the EU and a Central Asian country, covers 29 areas of cooperation, including trade, investment, energy, transport, environment. But companies struggle to be protected from unfair political and fiscal logics and outside a framework of true and effective cooperation. In 2023, the EU and Kazakhstan signed a bilateral financing agreement of around 9 million euros to support the implementation of the EPCA. In addition, Kazakhstan benefits from EU regional programs for a total of around 120 million euros, it would be appropriate for the Kazakh authorities and intermediary institutions not to continuously use the strategy of procrastination and to follow up on the institutional agreements for discussion before become commercial disputes or worse international arbitrations.

The attraction of future FDI depends on the Business Climate of companies already present on the Kazakh territory, not on its wishes.

2. Economic Challenges

Dependence on Raw Materials and Energy Transition Although oil and gas remain the pillars of the Kazakh economy, the global transition to renewable energy requires the country to restructure its economic model. The government has launched initiatives to increase the production of green hydrogen and exploit the potential of wind and solar energy, but the transition will require significant infrastructure investments that depend on international companies and their know-how, these companies need greater guarantees of protection, especially fiscal protection of companies.

Geopolitical Pressures and Trade Relations Kazakhstan's Position Between Russia, China and the European Union

has its advantages and risks. International sanctions against Russia have pushed the country to strengthen relations with Beijing, but also to balance cooperation with the West. The "Middle Corridor" strategy for the transport of goods between Europe and Asia is becoming a fundamental asset, but still requires large investments in infrastructure.

This is also why investor protection work plays a key role in attracting large companies and capital to the country.

There is still a large gap between hopes and promises and the effective change of register and approach to foreign companies that have already undertaken that risk and find themselves fighting for survival against a periodically oppressive local administrative tax regime.

3. Opportunities and Strategic Sectors

Mining and Rare Earths Kazakhstan has significant resources of uranium (the world's leading producer), copper and lithium, which are crucial to the global energy transition. The mining sector has attracted significant investment, especially from the European Union and China, which are seeking alternative suppliers of critical raw materials.

Kazakhstan is making significant strides in the nuclear energy sector. On October 6, 2024, the country held a nationwide referendum on the construction of its first nuclear power plant. Official results, announced on October 8, showed that 71.12 percent of voters supported the proposal, and President Kassym-Jomart Tokayev signed a decree on March 18, 2025, establishing the Kazakh Nuclear Energy Agency, appointing Almasadam Satkaliyev as its chairman. This agency will be responsible for overseeing the country's nuclear industry and strengthening nuclear safety.

The Kazakh government plans to select a supplier or consortium to build the nuclear power plant by July 1, 2025, and finalize intergovernmental agreements and contracts by November 2025. Despite public support, concerns remain over safety and nuclear waste management, given Kazakhstan's history with Soviet nuclear testing. However, the country, rich in uranium resources, sees nuclear power as an opportunity to diversify its energy mix and reduce dependence on fossil fuels.

To accelerate exploration and development, the Kazakh government has streamlined exploration licensing procedures, increasing the number of licenses issued: 487 in the first months of 2024, compared to 397 for the whole of 2023. Major mining companies, including BHP, Rio Tinto, First Quantum Minerals, Fortescue, and Teck Resources, are involved in exploration projects in the country. In addition, the European Bank for Reconstruction and Development (EBRD) recently acquired a stake in a company exploring for graphite in Kazakhstan.

These developments highlight the growing importance of Kazakhstan in the global rare earth and critical minerals market, positioning it as a strategic partner for several global economies bridging Asia and Europe.

Geopolitical Positioning Despite its belonging to the Russian-led economic and security sphere of influence, Kazakhstan maintains a neutral position in the context of the Russia-Ukraine conflict, complying with Western sanctions against Moscow as much as possible and actively participating in the development of alternative cargo transit routes bypassing Russia, for example, via Turkey and Azerbaijan. The current situation increases Kazakhstan's production costs and slows down localization and "Local Content" policies.

However, Kazakh industrial policies are still slow to understand that it is above all fiscal and customs policies that are a real deterrent to a more effective industrial policy of production localization by European companies in Kazakhstan.