

ECONOMIC DEVELOPMENTS

A. Background¹

1. Kazakhstan is the world's largest landlocked country and borders five countries: the People's Republic of China (PRC), Kyrgyz Republic, Russian Federation, Turkmenistan, and Uzbekistan. The total land area is 2,724,900 square kilometers.² The population in 2014 was about 17.4 million. Kazakhstan possesses substantial fossil fuel reserves and other minerals and metals, such as uranium, copper, and zinc. It also has a large agricultural sector producing livestock and grain. Extractive industries have been the engine of Kazakhstan's growth, and have supported rapid increases in household and government spending. Kazakhstan relies on its neighbors, especially the Russian Federation, to export its products, including oil and grain. Although its Caspian Sea ports, pipelines, and rail lines carrying oil have been upgraded, civil aviation and roadways continue to need attention. Supply and distribution of electricity can be erratic because of regional dependencies. In 2002 Kazakhstan received an investment-grade credit rating.

2. At the end of 2007 global financial markets froze up, and the loss of capital inflows to Kazakhstan's banks caused a credit crunch. The subsequent and sharp fall of oil and commodity prices in 2008 aggravated the economic situation, and Kazakhstan's economy slowed significantly. While the global financial crisis took a significant toll on Kazakhstan's economy, it rebounded well, helped by prudent government measures and support from multilateral development banks (MDBs), including support from Asian Development Bank (ADB). Rising commodity prices helped the recovery.

3. The government realizes that its economy suffers from an overreliance on oil and extractive industries, the so-called Dutch disease. In response, Kazakhstan has embarked on an ambitious diversification program, aimed at developing targeted sectors including transport, pharmaceuticals, telecommunications, petrochemicals and food processing. Kazakhstan is moving forward with plans to improve the reliability of electricity and gas supply to its population. In 2010 Kazakhstan joined the Belarus-Kazakhstan-Russia Customs Union in an effort to boost foreign investment and improve trade relationships. The Customs Union evolved into the Eurasian Economic Union in January 2015.

B. External Shocks

4. In 2014 Kazakhstan experienced two external factors which affected economic growth, revenue performance, and the government's ability to mitigate effects through countercyclical expenditures. The first was the spillover effects from the economic slowdown and uncertain situation of the Russian Federation, which triggered a downward adjustment in the tenge exchange rate equivalent to 16.2%, or a 19.4% rise in tenge per dollar. The second was the steep fall in world oil prices, which dropped over 50% from end-2013 to end-2014. Kazakhstan's economy is heavily dependent on the oil sector, which accounts for about 20.0% of GDP, 50.0% of revenues, and 76.0% of exports.

¹ Central Intelligence Agency. The World Factbook.

<https://www.cia.gov/library/publications/the-world-factbook/geos/kz.html>

² Russia leases a small portion of approximately 6,000 sq km of territory enclosing the Baykonur Cosmodrome; in January 2004, Kazakhstan and Russia extended the lease to 2050.

5. According to IMF's most recent World Economic Outlook (WEO) released in April 2015, economic performance in Russia was stronger than expected in the second half of 2014. However, the increase in geopolitical tensions, declining confidence, and the repercussions of the oil price decline point to a more severe weakening, with the Commonwealth of Independent States (CIS) showing weak economic growth in 2015. Oil exporting economies, including Kazakhstan, are expected to face a weaker outlook due to falling oil prices and the economic contraction in the Russian Federation.³

C. Exchange Rate Adjustment

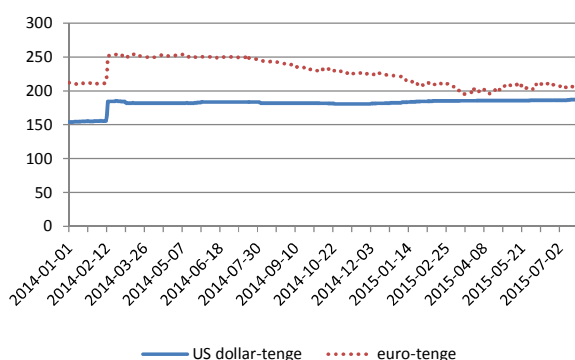
6. Following the Central Bank of the Russian Federation's announcement of a transition to a floating exchange rate in 2013, the ruble had in July 2015 depreciated 33.5% against the tenge. Since September 2013 the tenge has been measured against a basket of currencies. While this helped dampen the effect of the weakening Russian ruble, the depreciation of the ruble triggered a devaluation of the tenge exchange rate against the US dollar in February 2014. At this time the National Bank of Kazakhstan (NBK) reset its exchange rate band for the tenge at T185 ±T3 per US dollar, from about T155 the previous day. This was equivalent to a 16.2% downward adjustment of the exchange rate, or a 19.4% rise in tenge per dollar.^{4,5} Since then, the exchange rate band has been reset twice. First in September 2014 to T185 +T3 to T185 -T15; and in July 2015 to T185 +T13 to T185 -T15, widening the band to T170–T198 = \$1. During the period February 2014 to July 2015 the tenge has depreciated 20.2% against the dollar and 17.3% against the yuan, and appreciated 26.2% against the ruble and 4.1% against the euro.

7. The devaluation undermined confidence in the tenge exchange rate. Firms and households converted tenge deposits into foreign currency. This reduced the tenge money supply and raised deposit dollarization from 37.4% in 2013 to 52.2% by May 2015. Loan dollarization has remained largely the same at 29.7% as of May 2015. Dollarization can limit the effectiveness of monetary policy, and increase the likelihood of balance sheet and liquidity risks. Lending slowed since mid-2014 and had by May 2015 contracted 1.9%. Likewise, deposit taking contracted 0.7% on a year-on-year basis.

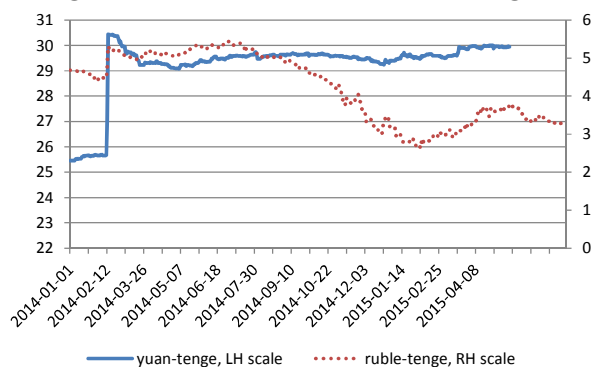
³ IMF. 2015. World Economic Outlook (WEO). *Uneven Growth. Short- and Long-Term Factors*. April. Washington DC.

⁴ In 1999 after the ruble tumbled, oil prices hit \$10 a barrel and the Russian Federation defaulted on debt, Kazakhstan abandoned a fixed rate for its currency and moved to a managed float, and the tenge depreciated 33%. In 2009 when the ruble and oil prices fell during the global crisis, the tenge was devalued 18%. Since September 2013 the tenge has been measured against a basket of currencies, which helped dampen the effect of the weakening Russian ruble. On 10 February 2014 the National Bank of Kazakhstan (NBK) reset its exchange rate band for the tenge at T185 ±T3 per US dollar from about T155 the previous day.

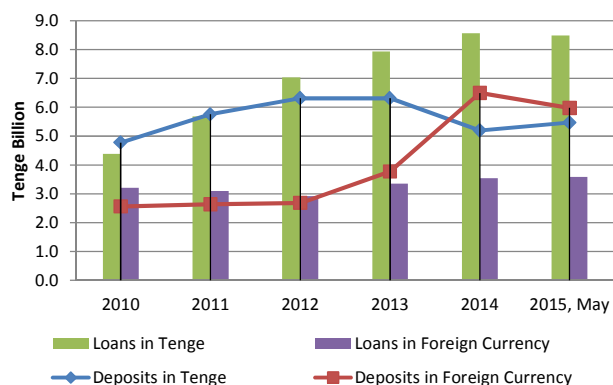
⁵ Exchange rates in other countries in the region have also come under pressure following the depreciation of the Russian ruble with devaluations against the US dollar in Azerbaijan (33.5% in February 2014), and Turkmenistan (19.0%).

Figure 1: US Dollar and Euro Exchange Rate

Source: National Bank of Kazakhstan

Figure 2: Yuan and Ruble Exchange Rate

Source: National Bank of Kazakhstan

Figure 3: Deposits and Loans in Tenge and in Foreign Currency

Source: National Bank of Kazakhstan

8. Market indicators suggest a higher perceived credit risk. In 2015 both S&P and Moody's have downgraded Kazakhstan's sovereign rating, although they are still investment grade.⁶ Sovereign downgrades can lead to greater increases in the cost of financing, whereby the government will have to pay higher interest on its debt. Increased costs to service national debt—the interest paid on what is owed—affects the entire economy. Increased borrowing on the international debt market is likely to have negative implications in terms of debt management strategy.

9. Kazakhstan on 14 July 2015 issued a 10-year dollar denominated bond in the amount of \$2.5 billion with a 5.1% coupon and a 30-year dollar denominated bond in the amount of \$1.5 billion with a 6.5% coupon. Eurobonds were issued in October 2014 in 10- and 30-year dollar-denominated bonds priced to yield 4.07% and 5.12% respectively.

D. Fall in Oil Prices

10. The steep fall in oil prices, which dropped over 50.0% from end-2013 to end-2014, has had a significant negative impact on the Kazakhstan economy. The fall in oil prices is primarily a reflection of weak global growth and weak global demand for oil, as well as an oversupply of oil in the wake of high production of oil, including shale oil. In addition, while Kazakhstan's oil

⁶ Kazakhstan is rated Baa2 by Moody's (stable outlook), BBB by S&P (negative outlook), and BBB+ by Fitch (stable outlook). Kazakhstan retained its investment grade through the 2008-2009 global financial crisis.

production tripled during the period 1992-2012 it has since plateaued, and is expected to decrease during 2015-2016. Current oil production is dominated by two giant fields: Tengiz and Karachaganak, which produce about half of Kazakhstan's total output. Proven natural gas reserves are estimated at 1.3 trillion cubic feet.⁷ Production gains from the offshore Kashagan oil field—among the largest oil fields in the world, with an estimated 16 billion barrels of oil reserves—are not expected until 2017, and uncertainties remain as the project has encountered environmental risks, significant cost overruns, and delays.⁸

11. The impact of lower oil prices depends largely on how persistent they are expected to be. Oil futures point to a partial oil price recovery in coming years: the projected price is \$69.0 for December 2017, consistent with the expected negative impact of lower oil prices on investment and future capacity growth in the oil sector.⁹

12. Oil price scenarios at \$50.0 and \$60 a barrel for 2015 are not sufficient to meet the fiscal break-even oil price for Kazakhstan, which is projected at \$80.0 per barrel 2015.^{10,11} The external breakeven point is projected at \$105.3 for 2015.¹² In general, the breakeven point is the point at which gains equal losses. The fiscal break-even oil price is the annual estimate of the oil price that would ensure the balance between the level of tax revenues and the level of public expenditure, i.e. the price of oil at which the fiscal balance is zero. The external break-even point is the price of oil at which the current account balance is zero. The breakeven price does not take into account the past accumulation (or exhaustion) of a country's net financial assets and therefore cannot in itself be used as a comprehensive measure of solvency.

13. Kazakhstan, as with other oil exporting economies, will need to adjust to a sustained period of lower oil prices and reassess medium-term spending plans. The country must address fiscal vulnerabilities from rapidly eroding buffers and high break-even oil prices to save equitable amounts of non-renewable oil wealth for future generations.

⁷ Source: BP Statistical Review of Energy 2014

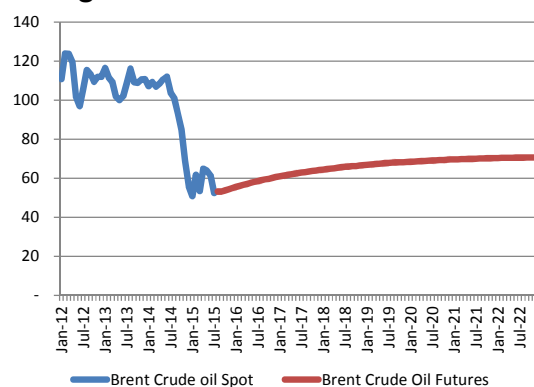
⁸ The North Caspian Operating Company (NCOC) is the consortium of companies that are developing the field. The NCOC is formed by Eni, Royal Dutch Shell, Total S.A., ExxonMobil, KazMunayGas (each with 16.81 percent), China National Petroleum Corporation (8.4 percent), and Inpex (7.56 percent).
<http://thediplomat.com/2015/06/kazakhstan-kashagan-hopes-are-up/>

⁹ According to the April 2015 WEO, oil prices are expected to remain well below the October 2014 WEO baseline into the medium-term. Projected oil prices for 2019 have for instance declined from \$93 a barrel to \$73 a barrel. The futures price is the price at which the two participants in a futures contract agree to transact at on the settlement date. Data source: Bloomberg. Accessed 17 March 2015.

¹⁰ Monetary Policy Guidelines of the Republic of Kazakhstan for 2015. Approved by the Resolution of the Board of the National Bank of the Republic of Kazakhstan dated 25th February, 2015 No. 30.

¹¹ International Monetary Fund. 2014. *Regional Economic Outlook: Middle East and Central Asia*. Washington DC. October.

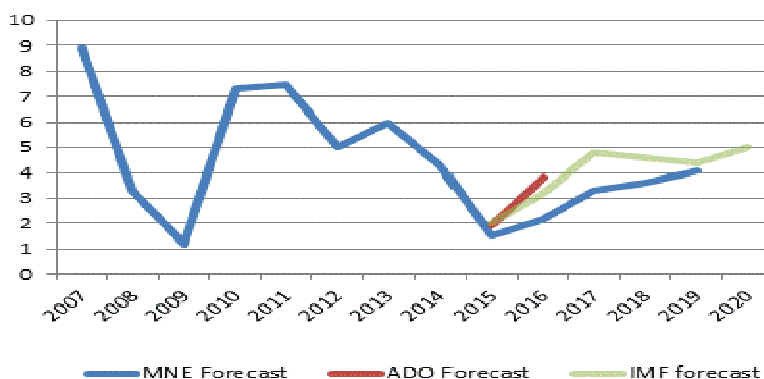
¹² Source: <http://www.fxempire.com/commodities/brent-oil/> Accessed 15 March 2015.

Figure 4: Brent Crude Oil Prices

Source: Bloomberg

E. Slow Economic Growth

14. Economic growth fell from 6.0% in 2013 to 4.3% in 2014, with government projections of 1.9% growth in 2015 due to lower output in the oil industry, weaker external demand by Kazakhstan's main export destinations for metal products, and weaker domestic demand following the tenge devaluation.¹³

Figure 5: Gross Domestic Product Growth, in Percent of GDP

Note: ADO = Asian Development Outlook, IMF = International Monetary Fund, MNE = Ministry of National Economy
 Sources: Asian Development Bank, International Monetary Fund, Ministry of Economy

F. Demand Side Contributions to Growth

15. The decline in commodity prices caused export revenue to fall by 8.6% in 2014. In 2014, exports to the People's Republic of China decreased by 31.7%, to the Netherlands by 11.8%, and to the Russian Federation by 11.9%. Imports decreased by 14.5% in 2014, and are projected to contract by 10% in 2015 on lower volume and declining prices for goods from the Russian Federation. In 2013, imports from the Russian Federation decreased by 23.6%, from the People's Republic of China by 11.9%, and from the United States by 6.4%. In total, exports

¹³ The Asian Development Outlook published in March 2015 projects GDP growth at 1.9% in 2015. According to the IMF World Economic Outlook published in April 2015, growth is projected at 2.0% in 2015 and 3.1% in 2016. The government projects GDP growth at 1.5%.

declined 7.6% and are projected to drop by 32.0% in 2015 and be unchanged in 2016. Imports declined 14.5% in 2014, and are projected to contract by 10% in 2015 on lower volume and declining prices for goods from the Russian Federation. The gradual slowdown in the PRC economy and decline in commodity prices weakened the growth momentum in commodity-exporting countries with close trade links to PRC, including Kazakhstan.¹⁴ In the long-run, the depreciation of the ruble against the tenge is weighing heavy on the competitiveness of Kazakhstan's non-oil and non-metal exports, with cheaper imports from the Russian Federation outcompeting domestic products. Russia is the main transfer country for oil exports to Europe and to members of the Eurasian Economic Union: about 62.0% of Kazakh oil exports go via the Russian Federation pipelines, railways and waterways, as Kazakhstan is landlocked.¹⁵

16. Trade policy will remain a central instrument to help the government integrate into the global economy, but Kazakhstan will face a complex trade policy environment in the medium-term as the economy adjusts to the Eurasian Economic Union. Kazakhstan is set to become the 162nd member of the World Trade Organization after the Geneva-based body formally approved the country's membership in July 2015.

Table 1: Main sources of Kazakhstan exports and imports, December 2014

	Main Destinations of Exports		Main Sources of Imports		
	% of total exports	annual % change	% of total imports	annual % change	
Italy	20.5	-2.6%	Russian Federation	33.3	-23.6%
People's Republic of China	12.5	-31.7%	People's Republic of China	17.9	-11.9%
Netherlands	11.2	-11.8%	Germany	5.6	-5.7%
Russian Federation	6.6	-11.9%	United States	4.8	-6.4%
France	6.0	-14.1%	Ukraine	2.9	-46.7%

Source: National Bank of Kazakhstan

17. Lower real income due to the downward adjustment of the tenge and tightening lending conditions for consumer loans reduced consumption growth from 12.8% in 2013 to 2.5% in 2014—a key economic growth driver for the country. Private consumption grew marginally by 0.4%, but higher government spending, including a pay increase after the currency devaluations, boosted public consumption by 11.2%. With tighter credit conditions, private consumption is expected to be significantly weaker in the coming years.

18. Inflation accelerated from 5.8% in 2013 to 6.7% in 2014. In 2015 inflation has fallen and reached to 3.9% year-on-year in June. Inflation is projected to slow in 2015 in line with lower food prices, slower income growth, and cheaper imports from the Russian Federation and the Kyrgyz Republic entering the Eurasian Economic Union in May 2015. NBK predicts inflation at between 6.0% and 8.0% in 2015, and according to the April 2015 WEO inflation is estimated at 5.2% in 2015.

19. While the current account surplus widened from 0.4% in 2013 to 2.1% of GDP in 2014, it is projected to move to a deficit in 2015.¹⁶ The exchange rate devaluation together with steep fall in oil prices is contributing to the shift in the current account. Depending on the price of oil,

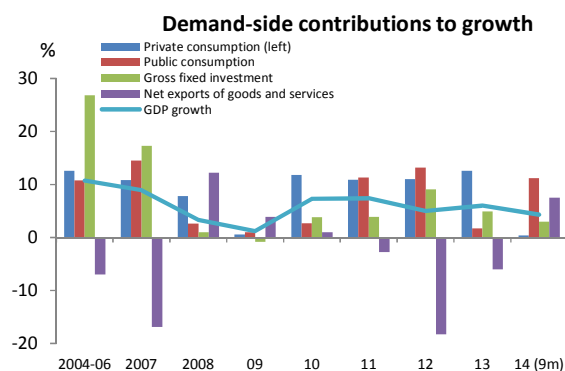
¹⁴ Footnote 1.

¹⁵ <http://elibrary-data.imf.org/DataReport.aspx?c=1449337&d=33061&e=170921> accessed 26/03/2015.

¹⁶ The Asian Development Outlook, based on preliminary data, shows a current account deficit of 1% in 2015. Asian Development Bank. 2015. Asian Development Outlook. March. Manila.

the NBK predicts a current account deficit of 3.0% to 4.0% of GDP in 2015. According to the IMF the current account deficit is expected to widen to 4.4% in 2016 and 3.7% in 2017.¹⁷

Figure 6: Demand Side Contributions to Growth, Kazakhstan 2004-2014



Source: Asian Development Outlook

G. Budget Deficit

20. The republican budget deficit expanded from 2.0% of GDP in 2013 to 2.7% in 2014 (\$6 billion equivalent) (Table 2).¹⁸ Transfers from the NFRK to the republican budget equivalent to 4.9% of GDP in 2014 (\$10.9 billion equivalent), and a 13.3% rise in corporate income tax revenue, caused total revenue to increase from 14.9% in 2013 to 15.1% of GDP in 2014. However, the post-tenge adjustment pay rise and higher pensions and social transfers increased expenditure to 17.0% of GDP in 2014 from 17.9% in 2013. The expanding budget deficit indicates the strong dependence of Kazakhstan on oil and gas revenue. The oil price decline contributed to adjustments in March 2015, when the budget was revised and revenues and expenditures were cut by about 14.0% and 10.0% respectively. The revised budget projects an increased deficit of 3.0% of GDP in 2015 or \$6.8 billion equivalent. The provisional 2016 budget projects a deficit of 2.4% of GDP or about \$5.8 billion equivalent. The government will sustain levels of social support and services, which comprise 39.1% of budget expenditures and 6.9% of GDP, to \$15.3 billion equivalent, while increasing expenditures to support financing for agriculture and industry. Slower growth, lower oil revenues, cuts in export duties, and constrained imports are expected to limit revenue growth to 14.5% of GDP in 2015 and 13.8% in 2016. Expenditure is forecast at 17.5% of GDP in 2015 and 16.2% in 2016. Planned wage increases for 2015 have been postponed. Government allocations of guaranteed and targeted transfers from the NFRK to support the republican budget will increase in 2015 to \$13.4 billion, or 6.0% of GDP and 41.5% of total revenue. In line with government efforts to reduce transfers from the NFRK and ensure long-term savings of the NFRK, allocations are in 2016 expected to be somewhat lower at \$11.2 billion equivalent, or 4.6% of GDP and 33.6% of total revenue.¹⁹

21. The non-oil deficit increased from 6.0% of GDP in 2013 to 7.7% of GDP in 2014. (Figure 8) The non-oil deficit is expected to increase to 9.1% of GDP before reducing to 7.0% of GDP in 2016. The government remains committed to their goal of reducing the non-oil deficit of the unconsolidated budget (not accounting for NFRK) to 2.8 percent of GDP by 2020. Measured on IMF methodology, the non-oil deficit is projected to fall to 8.7% of GDP by 2020, which

¹⁷ Appendix IV. International Monetary Fund Assessment Letter.

¹⁸ Fiscal planning is based on the unconsolidated republican budget, which excludes local government.

¹⁹ Transfers from the NFRK in 2015 are \$8.3 billion in guaranteed transfers, and \$2.7 billion targeted transfers. Equivalent amounts in 2016 are about \$9.2 billion and \$4.2 billion.

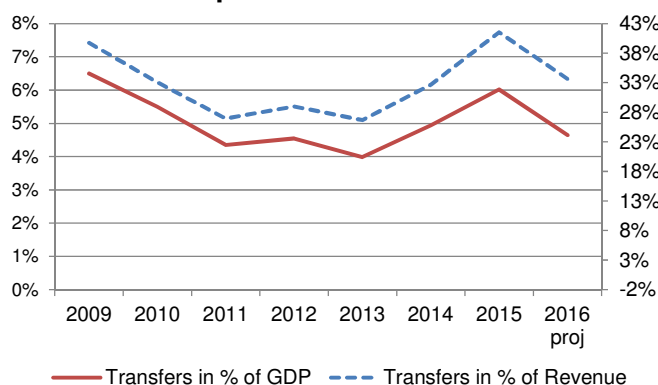
compares to an estimated medium-term sustainable non-oil deficit 5.5% on GDP.²⁰ Consolidating NFRK with the authorities' fiscal accounts and using the non-oil deficit of the consolidated budget (republican budget plus local budgets) as an anchor for fiscal policy was discussed during the IMF August 2014 Article IV consultation.

Table 2: Republican Budget, Key Statistics, Kazakhstan, 2013-2015

Item	2013	2014	2015 revised	2015 original
KZT billion				
Total revenue	5,272.4	5,988.4	5,988.0	6,982.7
Taxes	3,510.6	3,666.1	3,064.8	4,024.4
Nontax	100.7	131.7	145.6	125.6
Transfers from NFRK	1,405.5	1,955.0	2,485.5	2,409.5
Expenditures	5,990.5	7,069.7	7,244.5	8,042.2
Social Expenditures	2,307.5	2,654.2	2,832.7	3,036.6
Budget deficit	-718.0	-1,081.2	-1,256.5	-997.1
US dollar billion				
Total revenue	34.7	33.4	32.4	37.7
Taxes	23.1	20.5	16.6	21.8
Nontax	0.7	0.7	0.8	0.7
Transfers from NFRK	9.2	10.9	13.4	13.0
Expenditures	39.4	39.5	39.2	43.5
Social Expenditures	15.2	14.8	15.3	16.4
Budget deficit	-4.7	-6.0	-6.8	-5.4
% of GDP				
Revenue	14.9%	15.1%	14.5%	14.2%
Taxes	10.0%	9.3%	7.4%	8.2%
Nontax	0.3%	0.3%	0.4%	0.3%
Transfers from NFRK	4.0%	4.9%	6.0%	4.9%
Expenditures	17.0%	17.9%	17.5%	16.3%
Social Expenditures	6.5%	6.7%	6.9%	6.2%
% of total revenue				
Taxes	66.6%	61.2%	51.2%	57.6%
Nontax	1.9%	2.2%	2.4%	1.8%
Transfers from NFRK	26.7%	32.6%	41.5%	34.5%
% of total expenditure				
Social Expenditures	38.5%	37.5%	39.1%	37.8%
Budget deficit	-2.0%	-2.7%	-3.0%	-2.0%

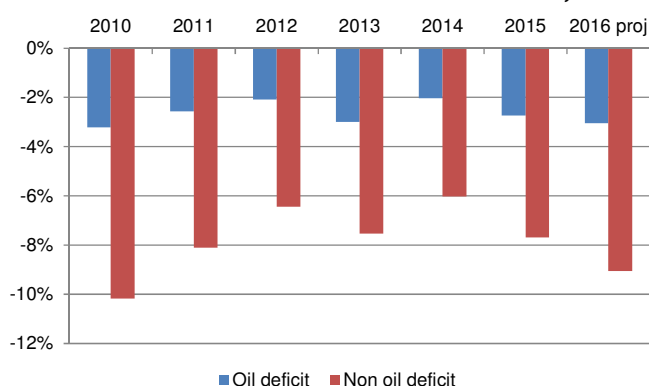
^a Social expenditures = education; health care; social assistance and provision for social security and social aid; and culture, sport, tourism, and information
Source: Ministry of Finance of the Republic of Kazakhstan.

²⁰ Collected Acts of the President and the Government of the Republic of Kazakhstan. *On the Concept of establishment and use of the National Fund of the Republic of Kazakhstan*. Decree of the President of the Republic of Kazakhstan No. 962 dated 2 April 2010.

Figure 7: NFRK Transfers in percent of GDP and Total Revenue, 2009-2016

Note: Transfers from the National Fund of the Republic of Kazakhstan for 2015 and 2016 are provisional.

Source: Ministry of Finance of the Republic of Kazakhstan

Figure 8: Kazakhstan Oil and Non-Oil Deficit, 2009-2016

Note: Transfers from the National Fund of the Republic of Kazakhstan 2016 are projections from the provisional budget for 2016.

Source: Ministry of Finance of the Republic of Kazakhstan

H. Debt

22. Kazakhstan's public debt has been low and manageable. Internal government debt consists of the debt securities of the Ministry of Finance short-term (3-12 months), mid-term and long-term (over 5 years) maturity with fixed and indexed coupon rates, and short-term notes of NBK. The main holder of the government securities is the Unified Pension Fund (UNPF) which can invest up to 50% of its assets in Kazakh state securities.²¹ External public and publicly guaranteed debt is mostly attributed to loan agreements with MDBs and bilateral agreements. In October 2014 Kazakhstan sold \$2.5 billion in Eurobonds, pushing public and publicly guaranteed debt from 12.9% of GDP in 2013 to 15.2% of GDP in 2014.²² Based on Kazakhstan government macroeconomic and fiscal assumptions, public and publicly guaranteed debt is expected to increase to 17.6% of GDP in 2015 and to 19.0% in 2016. Kazakhstan's external payments position has come under downward pressure. External debt, including intercompany loans, increased from 64.8% at end-2013 to 71.2% of GDP at end-2014 and is expected to

²¹ Total assets of Unified National Pension Fund is estimated at \$22 billion.

²² Kazakhstan on 14 July 2015 issued a 10-year dollar denominated bond in the amount of \$2.5 billion with a 5.1% coupon and a 30-year dollar denominated bond in the amount of \$1.5 billion with a 6.5% coupon.

reach 80.5% in 2015 and 86.0% in 2016.²³

23. Based on macroeconomic and fiscal assumptions, the public debt to GDP ratio is expected to increase to 17.6% in 2015 and to 19.0% in 2016. It is projected to fall to 15.0% by 2018 and to 13.9% by 2020, driven by rebounding economic growth.²⁴ A low debt ratio suggests that public debt is sustainable if government assumptions were to realize. The National Fund of the Republic of Kazakhstan supports the conclusion that the outlook is generally benign. A historical scenario and bound tests were conducted to analyze alternative macroeconomic assumptions, and resilience of the key variables driving public debt dynamics to various shocks. The historical scenario suggests that the baseline assumptions are not overly optimistic. The results of all bound tests suggest that public debt is resilient to a broad range of shocks. Higher real interest rates, lower real GDP growth, or a fiscal negative shock all raise the public debt ratio above the baseline. The combined effect of these shocks raises the debt ratio to 24.6% of GDP by 2020. The impact of the loan for countercyclical support on Kazakhstan's public debt sustainability is assessed by a scenario that reflects an ADB \$1 billion loan disbursement in 2015, jointly with two World Bank loans of \$1 billion in 2015 and \$1 billion in 2016. The joint effect initially raises the public debt ratio to 20.2% by 2016, compared to baseline 19.0%, to then converge to the baseline due to swift amortization and the predominantly benign debt dynamics incorporated in the projections.

I. Reserves and the NFRK

24. Gross reserves rose to \$28.9 billion in 2014 from \$24.7 billion at the end of 2013 but may fall to around \$25.0 billion in 2015 and further to around \$22.0 billion in 2016, as reserves are used to maintain the currency against further downward pressures on the exchange rate. The increased use of NFRK resources to support the economy, together with lower income from oil, have reduced growth in NFRK assets from 22.2% in 2013 to 3.9% in 2014, with a total NFRK balance of \$73.2 billion at year-end 2014. In May 2015, NFRK assets stood at \$69.0 billion, a 9.0% contraction of asset growth on a year-on-year basis.

25. The NFRK was established in 2000 to perform savings and stabilization functions. It safeguards the country's petroleum earnings, uses them to maintain macroeconomic stability, and ensures their availability for future generations. The NFRK sets aside windfall oil revenues (including taxes, royalties and other payments from the oil sector) during periods of high prices to limit inflation and ease pressure on the exchange rate.

26. Trust management of NFRK assets are performed by the NBK. Overall coordination of activity is managed by the NFRK Management Council. The Management Council of the NFRK is an advisory body to the President of the Republic of Kazakhstan. The functions of the Management Council of the NFRK are to: (i) develop proposals to improve the formation and use of the NFRK; (ii) consider and develop proposals on the volume and direction of use of the NFRK; (iii) develop proposals for the list of approved financial instruments, except for intangible assets, for placement by the NFRK. The decision to establish the Management Council of the NFRK, its composition and regulations shall be approved by the President of the Republic of Kazakhstan. NFRK assets are to be allocated in financial instruments traded in foreign financial markets and included in the list of authorized financial instruments, except for intangible assets, approved by the Government of the Republic of Kazakhstan as per proposal of the NFRK

²³ This factors in a devaluation of the tenge.

²⁴ Debt Sustainability Assessment (accessible from the list of linked documents in Appendix 4). The assessment takes into consideration the IMF Article IV external debt sustainability assessment from August 2014.

Management Council. Asset management policy is conservative with main objectives to ensure safety, maintain sufficient liquidity level, and ensure long-term profitability with a moderate level of risk. Competitive tenders have been carried out to select external managers for global investment grade corporate bonds, emerging markets hard currency bonds, global stocks with high dividends, and global stocks with minimum volatility/variation. Selected external asset managers include Amundi Asset Management, Pioneer Investment Management Limited, Bank Julius Baer & Co. Ltd, BNY Mellon Asset Management, and BNP Paribas.

27. Transfers from the NFRK supplement budget revenue, to ensure funding for social and development programs. Transfers include: (i) guaranteed transfers to support economic growth; (ii) targeted transfers for socially important projects which are not independently economically viable, which can be funded by the NFRK by order of the President of Kazakhstan in absence of alternative financing sources; and (iii) direct transfers to state-owned enterprises from the NFRK. To ensure transparency transfers from the NFRK are published, and both guaranteed and targeted transfers pass through the republican budget. Transfers to state-owned enterprises are not reflected in the republican budget.

28. To ensure sustainable use of NFRK resources, a presidential decree established rules of operation.²⁵ First, the annual guaranteed transfer to the budget is limited in absolute value to \$8 billion but can be adjusted by decreasing or increasing it by 15.0%, depending on the situation in the economy. With allocated guaranteed transfers of \$9.2 billion in 2015, the ceiling for the annual guaranteed transfer to the budget has been reached. Second, the minimum balance of the NFRK should be at least 30.0% of the predicted GDP value at the end of the relevant financial year in order to perform the mandated savings functions of the NFRK. The 2014 savings required level was \$66.2 billion, and is projected to be \$67 billion in 2015, very close to the current balance.²⁶ Third, annual expenditures on government debt service must not exceed the conditional fixed investment income of the NFRK. The 2014 threshold was \$10.7 billion, and is expected to be \$3.3 billion in 2015, given the impact of the exchange rate adjustment. Fourth, debt service and repayments should not exceed 15.0% of budget revenues, including transfers from the NFRK. The 2014 debt service ratio was 9.7% of budget revenue; it is expected to increase to 10.2% in 2015.²⁷

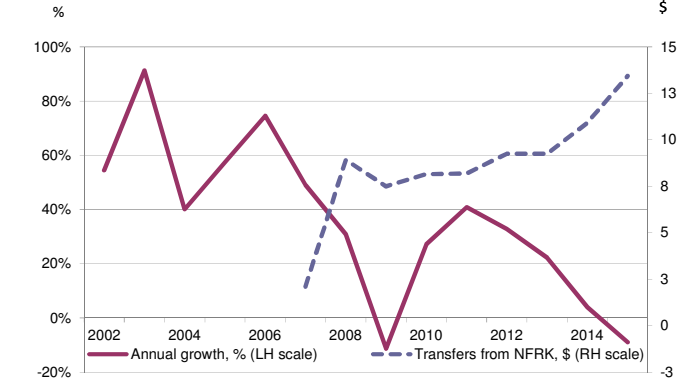
29. Allocations from the NFRK to the republican budget helped the government respond to the global financial crisis of 2008-2009, and currently NFRK transfers support budgeted countercyclical programs. Since 2007 targeted and guaranteed transfers have gradually increased from \$2.1 billion per year to \$13.4 billion in 2015 and \$11.2 billion in 2016. Funds from the NFRK are used to mitigate the impact of lower external demand and to stimulate growth.

²⁵ Collected Acts of the President and the Government of the Republic of Kazakhstan. *On the Concept of establishment and use of the National Fund of the Republic of Kazakhstan*. Decree of the President of the Republic of Kazakhstan No. 962 dated 2 April 2010.

²⁶ The International Monetary Fund projects GDP at \$211.7 billion equivalent for 2015, which entails a projected savings balance of \$63.5 billion equivalent. The government estimates GDP growth in 2015 at \$223.3 billion equivalent. Source: International Monetary Fund. 2015. Assessment Letter to the Asian Development Bank. June.

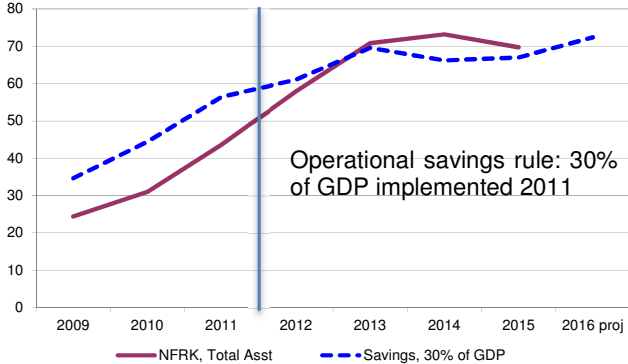
²⁷ The Law on Republican Budget, with amendments, as of 11 March 2015.

Figure 9: Asset Growth of National Fund and Transfers, NFRK Kazakhstan



Source: Ministry Finance, National Bank of Kazakhstan

Figure 10: Total Assets of Kazakhstan NFRK in Relation to Operational Rule on Savings of NFRK



Note. Operational rules for the NFRK, including savings equivalent to 30% of GDP, were implemented in 2011. Source: Ministry of Finance of the Republic of Kazakhstan, National Bank of Kazakhstan

J. Monetary policy

30. Monetary policy in 2014 aimed to maintain price stability and rehabilitate the banking system, while preventing a post-devaluation downturn. The monetary policy for 2015 and 2016 targets macroeconomic and financial stability, as well as domestic and external competitiveness.²⁸ To restore trust in the tenge and stimulate lending, measures have been taken to address the scarcity of long-term tenge funding and high dollarization in the banking system. Preliminary measures to prepare for inflation targeting will be introduced.²⁹ Inflation targeting will require a shift to a more flexible exchange rate, which can help insulate the economy and public finances from external shocks, and curb inflation. NBK plans to moderate exchange rate fluctuation, while limiting market intervention to conserve reserves. NBK and the

²⁸ Monetary Policy Guidelines of the Republic of Kazakhstan for 2015, approved by Resolution of the Board of the National Bank of the Republic of Kazakhstan dated 25 February 2015 No. 30; and ADB. 2015. Asian Development Bank Outlook. Manila (March).

²⁹ Statement by the Government of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan on Main Directions of Economic Policy in 2015. 25 December 2014.

government have started to implement measures to reduce dollarization in the economy. In early 2015, the authorities doubled the ceiling on tenge deposit insurance guarantees to T10 million, while maintaining the T5 million limit on foreign currency deposits.³⁰

K. Financial Sector

30. There are presently 38 banks licensed by NBK including local banks and foreign bank subsidiaries. Commercial banks account for 77% of total financial system assets while the unified pension fund and 34 insurance companies account for 19% and 3% respectively of total financial system assets. The residual 1% of financial system assets is held by mortgage companies and other non-banking organizations.

31. As measured by the World Economic Forum Global Competitiveness Index, conditions in Kazakhstan's financial market improved in 2014-2015 compared to the previous year.^{31, 32} The 2013-2014 report ranked Kazakhstan's financial market development at 103 out of 148 economies with a score of 3.67, while in 2014-2015 the score had improved to 3.7 and the ranking measured 98 out of 144 economies. In terms of ranking, Kazakhstan improved in all sections except Availability of Financial Services and Soundness of Banks (the competitiveness score also declined for both these subcomponents). In spite of the decline in the soundness of banks—due to the continuing problems posed by the high level of non-performing loans—the ranking of ease of access to loans improved from 61 to 43, as did venture capital availability (from 72 to 47).³³ For financing through the local equity market, there was an improvement in the competitiveness score as well as the country's ranking.

Table 3: Kazakhstan Key Indicators: Financial Market Development

		Availability of Financial Services	Affordability of Financial Services	Financing through Equities Markets	Ease of Access to Loans	Venture capital Availability	Soundness of Banks	Regulation of Securities Exchanges	Legal rights Index
Value	2012	4.6	4.3	2.9	2.9	2.6	4.4	3.8	4.0
	2013	4.5	4.3	3.1	3.2	3.0	4.2	3.8	4.0
Ranking	2012	60	58	100	61	72	100	90	101
	2013	65	55	87	43	47	108	86	96

Note: 2012 the ranking included 148 countries and in 2013 144 countries. A rank of 1 is best and a rank of 144 is worst. A value 6 is best and a value 1 is worst.

Source: The World Economic Forum Global Competitiveness Report

32. Efforts are also under way to strengthen the financial system, rehabilitate banks, and develop capital markets. Requirements for higher bank capitalization will take effect on 1 January 2016. Measures taken to reduce the high number of NPLs, a legacy from the 2008–2009 global financial crisis, include (i) implementation of thresholds for NPLs in bank portfolios (10% starting January 2016); (ii) amendments to three laws to facilitate the writing off of NPLs; (iii) write-offs of bad loans from bank balance sheets; and (iv) provision of funds to buy qualified NPLs from banks. In 2014, the government allocated \$1.4 billion equivalent allocated from the NFRK to capitalize the Fund for Problem Loans to purchase NPLs from banks. As a result of these measures, NPLs were reduced from 33.7% (\$26 billion equivalent) in April 2014 to 23.1% (\$17.6 billion equivalent) in April 2015. About 70.0% of these NPLs are held by two banks: Kazkommertsbank (KKB) and BTA Bank (BTA). KKB in 2014 acquired 46.5% of BTA. The

³⁰ National Bank of Kazakhstan. 2015. Resolution №321 of Management Board of the National Bank of the Republic of Kazakhstan. 16 March 2015. Almaty.

³¹ See <http://www.weforum.org/reports/global-competitiveness-report-2014-2015>

³² See appendix for regional comparison.

³³ NPLs in the banking sector stand at around 32% of the total banking sector loan portfolio, or about \$26 billion.

banking license of BTA has subsequently been revoked with plans of establishing BTA as an asset management company to resolve distressed assets.

33. Expectations of further downward adjustments and higher costs to access tenge liquidity caused lending to slow in the second half of the year. A further downward adjustment of the tenge exchange rate would give rise to a renewed deterioration in asset quality, as banks have significant amounts of outstanding loans in foreign currency.

L. Labor Market

34. The economic decline dampens employment prospects. The government implemented the first employment road map in 2009 through the creation of public works to contain sudden rises in unemployment that occurred during the global financial crisis, contributing to a reduction in unemployment from 6.6% in 2009 to 5.1% in 2014. Youth unemployment has decreased and the female labor force participation rate has increased.³⁴ Job creation in services has helped keep poverty low. Poverty incidence decreased from 6.6% in 2009 to 2.8% in 2014.³⁵

35. The relationship between job creation and growth has been weak, reflecting the capital-intensive nature of the economy, dominated by the oil subsector with a small, undiversified private sector. Despite over 458,000 unemployed people, the majority of whom are under 34 years old, there are still a considerable number of unfilled vacancies.³⁶ There is a shortage of qualified personnel, technical and service employees, exacerbated by a lack of objective forecast of industry needs. The skills mismatch is related to the low quality of labor resources, and poor connections between production and training. Approximately one third of the working population lack professional vocational education. About 28.0% of the economically active population, or 2.5 million people, are self-employed.³⁷ Self-employed are less likely to have formal work arrangements, and more likely to lack decent working conditions, adequate social security, and voice through effective representation by trade unions and similar organizations. Especially in rural areas, registered self-employed persons are mostly subsistence and small-scale farmers. They will have to contend with more competitive food imports from the Russian Federation and other members of the Eurasian Economic Union, once EEU membership takes full effect. As a result of these factors, the labor market contributes to associated high government spending on social support for the poor.

36. Due to its geographical location and historically more stable economic situation, Kazakhstan has become a destination of and transit country for migrant workers, primarily from the Kyrgyz Republic, Uzbekistan and Tajikistan.³⁸ Migrants are paid in local currencies, but remittances typically are transferred in dollars. The downward adjustment of the exchange rate has reduced the value of remitted earnings. This strain on remittances is expected to affect household consumption and the current account position, in particular in lower income countries that are more dependent on remittances and which do not have financial safety nets such as Kazakhstan's NFRK to help prevent their own economic crises.

³⁴ World Bank. World Development Indicators. <http://data.worldbank.org/indicator> (accessed 5 July 2015).

³⁵ Poverty is measured by the number of people living below the national poverty line (the proportion of the population with incomes below the subsistence minimum). <http://www.stat.gov.kz> (accessed 5 July 2015).

³⁶ Footnote 35.

³⁷ Government of Kazakhstan. The Official Statistical Information. <http://www.stat.gov.kz> (accessed 5 July 2015).

³⁸ Up to 27% of the population of Uzbekistan, 18% of the population of Tajikistan and 14% of the population of Kyrgyzstan are labor migrants. Most labor migrants are men, and over 50% do menial work. International Organization for Migration. <http://www.iom.int>

37. Challenges in the labor market include (i) the unproductive farm structure, which reflects limited access to credit and weak integration of food value chains; (ii) the underdeveloped private sector, which does not sufficiently increase employment; (iii) the large public sector, with higher compensation and benefit packages than the private sector; and (iv) the demand for labor, which does not match the available skills mix.³⁹

M. Countercyclical Development Expenditures for Poverty Reduction

38. To address the difficult economic situation the government has introduced countercyclical measures to mitigate the fallout from the external environment and deliver conditions for sustainable long-term inclusive economic growth. These are aimed at improving the investment climate, expanding the non-oil sector and generating employment.

39. Early in 2014 the government launched the long-term development strategy, Kazakhstan 2050, to transform the economy into a diversified, private-sector-driven, developed economy by 2050. Strategic priorities include (i) innovative industrialization; (ii) an efficient agro-industrial sector; (iii) improved potential for science; (iv) urban and infrastructure development; (v) development of MSMEs; (vi) an active, educated, and healthy population; and (vii) efficient public institutions. To achieve these priorities the government, in collaboration with MDBs, developed medium-term action plans to be implemented under the partnership framework arrangement (PFA).⁴⁰

40. In February 2014, the government introduced a fiscal stimulus of \$5.5 billion equivalent, with transfers from the NFRK, issued Eurobonds and planned increased borrowing from MDBs through the PFA signed in May 2014. Spending priorities include (i) \$1 billion equivalent to increase lending for MSMEs in the manufacturing sector; (ii) \$0.8 billion equivalent to finance infrastructural projects, financing of regional projects in housing, utilities, road construction and repair, and reconstruction of social facilities; (iii) \$1.4 billion equivalent for the Fund for Problem Loans to support the banking sector by purchasing qualified nonperforming loans; and (iv) an additional \$2.2 billion equivalent for projects under the PFA. ADB is expected to support two programs in 2016 under the PFA with government cofinancing. The proposed Inclusive Economic Growth through Financial Sector and ICT Enhancement Program is expected to support financial market development, and accelerate information and knowledge-sharing for growth. The total amount is proposed at \$410 million of which the government will fund \$205 million. The proposed Small and Medium Enterprise Investment Program is expected to increase MSME contribution to job creation and economic growth. The proposed amount is \$400 million, of which the government will fund \$200 million.⁴¹

41. The government has taken steps to attract investment in the non-oil economy. The Framework for Attracting Foreign and Domestic Investment into Kazakhstan presented in April 2014 includes a package of incentives for investors: (i) investment subsidies, tax preferences, and procurement incentives; (ii) stable laws and cost predictability for tax, migration and environmental legislation, and predictable tariffs and prices of regulated services; (iii)

³⁹ International Monetary Fund. 2014. Republic of Kazakhstan. Country Report. No 14.243. August. Washington DC.

⁴⁰ The Partnership Framework Arrangement (PFA) was signed between ADB and the Government of Kazakhstan during the ADB 47th Annual Meeting of the Board of Governors in Astana in May 2014. The PFA will deepen cooperation to achieve the goals set in the Country Partnership Strategy (CPS 2012–2016), supporting the government's development strategies over the next decade. This is reflected in the increased government's funding share in Country Operations Business Plan 2015-2017. Similar PFAs are in operation with the World Bank, the European Bank for Reconstruction and Development, and the Islamic Development Bank.

⁴¹ The proposed programs are included in the Country Operations Business Plan (2015-2017). See also footnote 12.

establishment of a single window for investors; (iv) energy and transport cost subsidies; and (v) attraction of foreign labor. Additional measures include (i) a simplified visa regime, (ii) extended duration of agricultural land leases for foreigners, and (iii) an investment ombudsman.

42. The Employment Roadmap 2020, approved in March 2015, includes allocations in the 2015 republican budget of \$200 million equivalent, with similar budget percentages in 2016 and 2017. Target population groups include the unemployed, part-time, low-income, and self-employed persons, including youth, women, and the disabled. The road map has three objectives: (i) promote employment of self-employed, unemployed, and target population groups; (ii) develop human resources; and (iii) improve targeted social assistance. It includes increased access to employment opportunities, training, and retraining; and strengthening of the linkage between participation in employment programs (training) and access to social services and aid. By 2020, the target is to keep the total unemployment rate below 5.0%, the unemployment rate of women below 5.5%, and the youth unemployment rate (15–28 years of age) below 4.6%. By 2020 it aims to maintain the total unemployment rate below 5.0%; unemployment rate of women at below 5.5%; and the youth unemployment rate (age of 15-28) below 4.6%. To achieve these targets, measures will be taken to (i) create jobs through entrepreneurship development, vocational education, and support with relocation to areas in need of labor, such as the northern regions; (ii) generate employment through the development of infrastructure, housing, and public utilities; (iii) establish a national database of current vacancies and forecasted jobs; (iv) improve legislative and policy documents aimed at providing employment and targeted social assistance; and (v) raise public awareness on employment-related issues.

43. The Nurly Zhol (The Way to the Future) development program for infrastructure development, approved in April 2014, includes economic support of \$9 billion equivalent—with annual allocations of about \$4.3 billion equivalent in 2015, \$2.0 billion equivalent in 2016, and \$2.7 billion equivalent in 2017—to be financed from the NFRK and loans from MDBs. The program will continue reforms to support and stabilize economic growth and employment, including anti-crisis measures for individual sectors of the economy facing export declines. Spending priorities include (i) developing and modernizing infrastructure to support education, tourism, housing, utilities, transport, and logistics; (ii) developing non-oil business sectors, including manufacturing and agribusiness; and (iii) improving the business environment, including increasing availability of finance.

44. Among other results, Nurly Zhol will address problems with the shortage of preschool educational institutions, three-shift education in secondary schools, and poor materials and technical equipment in higher education institutions. It supports earlier government efforts aimed at expanding pre-school access and free, compulsory secondary education.⁴² In regard to higher education, in 10 universities, determined as basic for programs of industrial and innovative development, 24 new laboratories will be established in the following areas: construction materials production, food processing industry, metallurgy, machinery, machinery manufacturing energy, petro-chemistry, and chemical industry. All laboratories will meet international standards. It is expected that between 2015-2019 over 7,500 masters will be trained, with emphasis put on the training of specialized masters, which will make it possible to meet the demand of industry in highly qualified personnel in a shorter time. Science Park Astana Business Campus will be created. The key role of the science park is to attract and locate scientific and engineering departments of large companies.

⁴² In 2011 Kazakhstan ranked first on UNESCOS “Education for All Development Index” by achieving near-universal levels of primary education, adult literacy, and gender parity.

45. To stimulate entrepreneurship, funds will be provided under the Nurly Zhol for lending to businesses in the manufacturing industry to help create over 4,000 new jobs. To improve the competitiveness of the agribusiness sector, increased financial support will be provided agribusiness through subsidized interest rates on loans and leasing obligations. This will help increase the competitiveness of domestic livestock and poultry enterprises in the context of regional integration, and maintain jobs at poultry enterprises, which employ more than 12 thousand of the rural population. While agriculture accounts for 4.5% of GDP, the sector employs almost 25% of the working population and is critical to addressing poverty and food security, as well as being an important avenue for diversification of the economy. In total, by 2019 the Nurly Zhol expects to generate about 395,000 employment opportunities through investment projects.

46. In May 2015 the Plan for the Nation: 100 Concrete Steps for Implementation of Institutional Reforms was approved in response to current global and domestic challenges. A detailed action plan includes policy improvements, outputs, and activities to be completed in 2015. It supports activities in both the Nurly Zhol and the Employment Roadmap 2020.

N. Geopolitical Situation

47. The Central and West Asia region has a strategic geopolitical location, an enormous economic and energy potential, and abundant resources. Kazakhstan, the largest country in the region, maintains and develops strong trade, energy and political relations with the EU, the PRC, and the Russian Federation, and connects the Central Asian region to their respective export markets. The geo-political strains caused by the Russian-Ukraine situation involve a deeper or more protracted slowdown of growth in the Russian Federation, impact of sanctions imposed on the Russian Federation and the Russian counter-sanctions, and impact of the weakened ruble. These, with the plummeting oil price have had a significant impact on the CIS through three main channels: remittances (Armenia, Kyrgyz Republic, Tajikistan), trade (Kazakhstan, Kyrgyz Republic, Uzbekistan), and direct investment (Armenia, Kyrgyz Republic, Tajikistan).

O. Outlook

48. **Strengths:** Kazakhstan is rated Baa2 by Moody's (stable outlook), BBB by S&P (negative outlook), and BBB+ by Fitch (stable outlook). Kazakhstan retained its investment grade through the 2008-2009 global financial crisis. Kazakhstan's key credit strengths include its relatively large economy, a low public debt level and correspondingly high debt affordability. Kazakhstan has abundant hydrocarbon reserves and potential for further growth in production. Furthermore Kazakhstan's rating is supported by its fiscal reserves held in foreign exchange, which provide a buffer against external shocks.

49. **Risks:** An uncertain global economic environment, geopolitical tensions and sizeable uncertainty about the oil price pose risks to Kazakhstan's economic outlook. Driving factors include a further slowdown in metal production and metal processing industries, weak investor sentiment, and greater risk aversion, particularly in response to the Russia-Ukraine situation. Moreover, as global demand for oil slackens, a further drop in oil prices may undermine Kazakh consumer and business sentiments and potentially increase pressures on the tenge. Lower oil prices will lead to slower economic growth and a wider fiscal deficit in 2015. The economic slowdown also risks impacting the labor market, which in turn would require the government to scale up current social assistance and employment support programs, adding additional

pressures on the fiscal deficit. Dependence on oil and other commodities for export and budget revenue remains the key risk.

50. The stability of the financial sector remains a concern, with legacy NPLs still at high levels of over 20% of the total banking sector loan portfolio, and a high level of foreign currency exposure. Asset quality is likely to decline as the economy slows. Credit creation is expected to be low in 2015-16, owing to weak business confidence and devaluation expectations. As mentioned above, market indicators suggest a higher perceived credit risk: both S&P and Moody's downgraded Kazakhstan's sovereign rating, and the cost of borrowing on international markets has increased as evidenced through the July 2015 issue of 10-year and 30-year dollar denominated bonds.

51. The World Bank governance indicators score control of corruption and government effectiveness as low and the rule of law as weak. On Transparency International Corruption Perceptions Index Kazakhstan ranked 126 out of 179 in 2014.⁴³

Table 5: Foreign Currency Rating/Outlook

Standard&Poor		Moody's		Fitch	
Date	Rating	Date	Rating	Date	Rating
9 Feb 2015	BBB/Negative	31 Mar 2015	Baa2/Stable	20 Nov 2012	BBB+/Stable
13 Jun 2014	BBB+/Negative	16 Aug 2013	Baa2/Positive	21 Nov 2011	BBB/Positive

⁴³ Transparency International. <http://www.transparency.org/country/#KAZ>

Data

Table 1: Doing Business Rank, Regional Comparison

Economy	Year	Ease of Doing Business Rank	Getting Credit	Trading Across Borders
Kazakhstan	DB2014	76	67	186
Kazakhstan	DB2015	77	71	185
Afghanistan	DB2014	182	86	183
Afghanistan	DB2015	183	89	184
Armenia	DB2014	49	30	124
Armenia	DB2015	45	36	110
Azerbaijan	DB2014	88	99	165
Azerbaijan	DB2015	80	104	166
Georgia	DB2014	14	5	31
Georgia	DB2015	15	7	33
Kyrgyz Republic	DB2014	99	30	182
Kyrgyz Republic	DB2015	102	36	183
Pakistan	DB2014	127	125	112
Pakistan	DB2015	128	131	108
Tajikistan	DB2014	177	178	188
Tajikistan	DB2015	166	116	188
Uzbekistan	DB2014	149	99	189
Uzbekistan	DB2015	141	104	189
Russian Federation	DB2014	64	55	154
Russian Federation	DB2015	62	61	155

Source: World Bank. www.doingbusiness.org

Table 2: Key Macroeconomic Indicators, Central and West Asia Region

Country	Growth rate of GDP (% per year)				Growth rate of per capita GDP (% per year)				Inflation (% per year)				Current account balance (% of GDP)				Fiscal balance of central government (% of GDP)		External debt outstanding (\$ million)	
	2013	2014	2015 Proj	2016 Proj	2013	2014	2015 Proj	2016 Proj	2013	2014	2015 Proj	2016 Proj	2013	2014	2015 Proj	2016 Proj	2013	2014	2013	2014
Afghanistan	3.4	1.7	2.5	3.5	1.4	-0.3	0.5	1.5	7.4	5.0	5.0	5.0	3.6	3.8	1.4	-1.0	2.0	-1.8	1,260	1,290
Armenia	3.5	3.4	1.6	2.3	3.2	3.1	1.3	2.3	5.8	3.0	4.6	4.1	-8.0	-8.5	-9.2	-8.3	-1.7	-2.0	3,899	3,785
Azerbaijan	5.8	2.8	3.0	2.8	4.4	1.5	2.0	1.8	2.4	1.4	6.0	5.5	16.6	16.0	12.0	13.4	-1.2	-0.5	6,059	6,478
Georgia	3.3	4.7	2.0	2.5	3.6	4.5	1.8	2.5	-0.5	3.1	5.0	5.0	-5.7	-9.7	-12.0	-10.5	-2.6	-3.0	4,523	...
Kazakhstan	6.0	4.3	1.9	3.2	4.5	2.8	0.4	2.3	5.8	6.7	6.0	6.2	0.5	1.8	-1.0	-1.3	-2.0	-2.7	149,895	157,656
Kyrgyz Republic	10.9	3.6	1.7	2.0	8.7	1.6	-0.3	0.0	6.6	7.5	10.5	10.0	-14.1	-15.0	-16.0	-15.0	-4.0	-4.3	5,929	6,371
Pakistan	3.7	4.1	4.2	4.5	1.6	2.1	2.2	4.5	7.4	8.6	5.8	5.8	-1.1	-1.3	-1.0	-1.3	0.3	0.3	60,899	65,533
Tajikistan	7.4	6.7	4.0	4.8	5.8	5.1	2.4	2.3	5.1	6.1	10.0	6.5	-2.6	-7.9	-5.9	-4.8	-8.2	-6.3	2,149	...
Turkmenistan	10.2	10.3	9.7	9.2	8.5	8.6	8.0	7.5	6.8	6.0	7.0	6.5	-6.3	-4.4	-8.4	-6.2	1.5	0.8	8,654	8,053
Uzbekistan	8.0	8.1	7.0	7.2	6.3	6.3	5.3	5.5	11.2	8.4	9.5	10.0	1.6	1.2	0.9	1.1	0.2	0.2	7,383	8,084

... = data not available

Source: Asian Development Outlook 2015; Asian Development Outlook Supplement, July 2015

Table 3: Key Macroeconomic Indicators, Central and West Asia Region

Country	Real GDP			Consumer prices			Current account balance (% of GDP)		
	2014	2015 Proj	2016 Proj	2014	2015 Proj	2016 Proj	2014	2015 Proj	2016 Proj
Afghanistan
Armenia	3.4	-1.0	...	3.1	6.4	4.0	-9.2	-8.6	-8.6
Azerbaijan	2.8	0.6	2.5	1.4	7.9	6.2	15.3	5.3	8.2
Georgia	4.7	2.0	3.0	3.1	3.0	5.0	-9.6	-11.5	-12.0
Kazakhstan	4.3	2.0	3.1	6.7	5.2	5.5	2.1	-4.4	-3.7
Kyrgyz Republic	3.6	1.7	3.4	7.5	10.7	8.6	-13.7	-17.0	-15.2
Pakistan	4.1	4.3	4.7	8.6	4.7	4.5	-1.2	-1.3	-1.4
Tajikistan	6.7	3.0	4.1	6.1	12.8	6.3	-9.1	-7.1	-5.8
Turkmenistan	10.3	9.0	9.2	6.0	7.7	6.6	-5.9	-11.1	-6.7
Uzbekistan	8.1	6.2	6.5	8.4	9.5	9.8	0.1	0.2	0.2

... = data not available (for Afghanistan, country data is lumped with other oil importer countries)

Source: IMF World Economic Outlook 2015, IMF Assessment Letter June 2015