KAZAKHSTAN

Economics

Economy

Nominal GDP (2009)
89.9 bn USD

Population (2009)
16.1 mn

Total Trade/GDP (2009)
80.1 %

Currency
Kazakhstan tenge (KZT)

Exchange regime
Managed float

Merchandise imports from Canada (2009)
204.4 mn CAD

Main sources of foreign exchange (excl. FDI)
Oil & gas, metals, foreign borrowing

Largest merchandise export destination (2009)
Italy (16.3 %)

Main imports
Machinery & equipment, chemicals, food, consumer goods

Sovereign Ratings

MLT external debt

Fitch	BBB-
S&P	BBB-
Moody's	Baa2

Risks to the outlook

Commodity prices settle at historically high levels

Macro-prudential reforms position the banking sector for sustainable growth

The banking sector faills to normalize relations with foreign creditors

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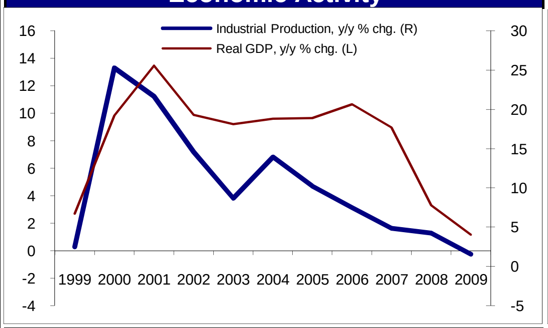
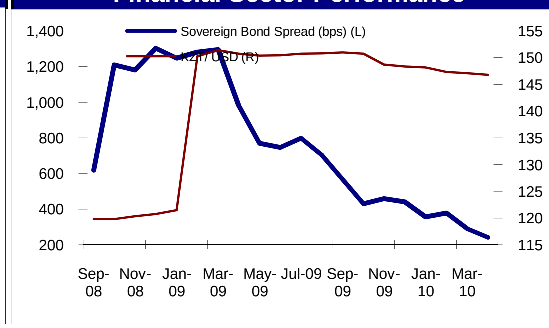
- Having been hit especially hard by the global credit crunch, the Kazakh economy is showing signs of stabilization and pockets of strength. It has benefited considerably from both the energy price rebound since early 2009 and the stimulative fiscal and monetary policies the authorities have pursued. Appreciation pressures recently prompted the central bank to widen the currency's trading band.
- Current poor labour market and local demand conditions should ease into 2011, yet the outright collapse of credit growth will exert a sustained drag on broad-based recovery until the battered financial sector regroups. In the interim, the economy will be left with few sources of growth outside of the government's ambitious stimulus and industrial development programs, and sustained investment in the energy sector.
- Kazakhstan's external liquidity, as well as the government's solvency, remain intact thanks in large part to prudent economic management through the boom years. Heavy dependence on commodity revenues will leave the economy exposed to the global commodity cycle over the MLT. Production increases should, however, help buffer it against future shocks, and FDI streams are likely to remain sturdy.

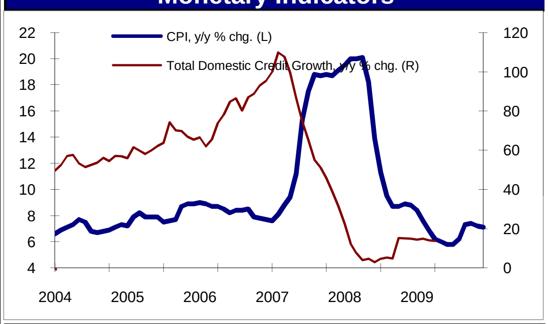
Economic Activity



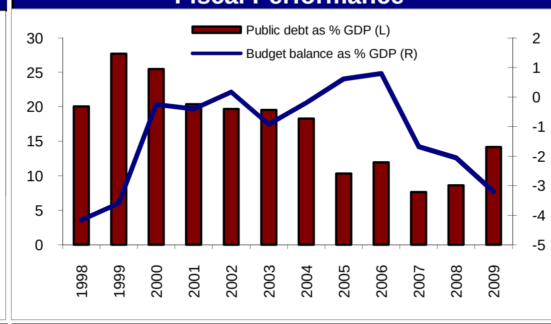
Financial Sector Performance



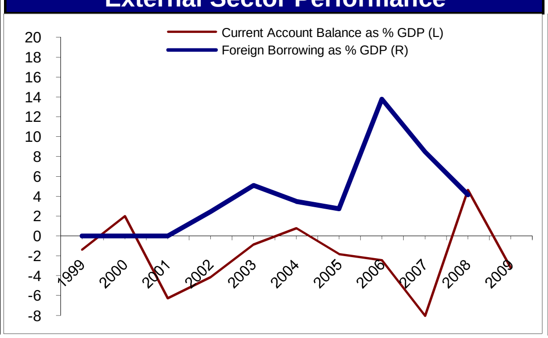
Monetary Indicators



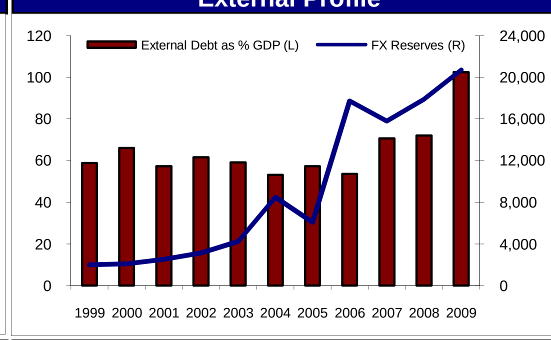
Fiscal Performance



External Sector Performance



External Profile

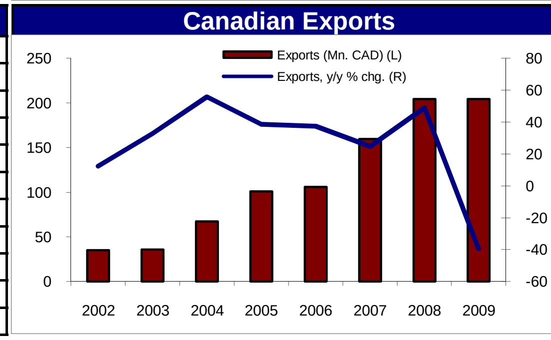


Economic Indicators

	04-08 avg.	2009	2010	2011
GDP (% growth, real)	8.4	1.2	**2.3**	**3.0**
Inflation (%chg, pa avg.)	10.1	7.3	**7.5**	**6.8**
Fiscal Balance (% of GDP)	-0.5	-3.1	**-3.4**	**-2.8**
Exports (%, comp. annual growth)	40.3	-38.5	**22.2**	**8.0**
Imports (%, comp. annual growth)	32.1	-24.8	**10.5**	**7.5**
Current Account (% of GDP)	-1.3	-1.9	**1.0**	**1.3**
Reserves (months of curr. debits)	3.4	4.6	**4.4**	**4.7**
External Debt (% of GDP)	82.9	93.4	**75.1**	**65.3**
Debt Service Ratio (due)	38.5	38.4	**29.1**	**30.5**
Exchange Rate (to USD; eoy)	126	148	**146.0**	**144.0**

Sources: EIU, Haver Analytics, EDC Economics

Canadian Exports



Sources: Haver Analytics, Statistics Canada, EIU, Bloomberg

Kazakhstan

Economics

General Political Environment: Kazakhstan is an autocratic, Central Asian state. Power in Kazakhstan firmly resides with President Nursultan Nazarbayev, who has been president since 1991. Nazarbayev dominates the political scene and was reelected for a third term in December 2005 with 91% of the vote.

Nazarbayev installs friends and family in key positions and allows the parliament and judiciary little autonomy from the executive. The elites surrounding the president are engaged in a constant struggle to influence the president and advance their interests. These struggles often result in wholesale cabinet reshuffles that demote any figures posing a threat to Nazarbayev. Opposition forces are highly fragmented and ineffectual.

A proposal to introduce an amendment to the constitution to allow the president to become president for life which was opposed by opposition activists appears unlikely to move forward. However, President Nazarbayev can continue to run for office given that the presidential two-term limit was removed by the legislature in May 2007.

The succession issue is not as prominent as in some other Central Asian states. Although there is no provision for a smooth transition to a new leadership, Nazarbayev's daughter and son-in-law are key political figures and potential future leaders.

In 2004, the Speaker of the Majilis, Zharmakhan Tuyakbai, a senior figure in the president's party, left the party to join the opposition camp. In September 2005, Tuyakbai was named the opposition's unified candidate in the December elections. In his defection, Tuvakbai claimed that the September 2004 parliamentary elections were not run freely or fairly, with the pro-presidential parties Otan (Fatherland) and Asar (All Together) gaining the most seats. The parties are headed by Nazarbayev and his daughter, Dariga Nazarbayeva, respectively.

Investment Environment: A new investment law, passed in 2002, evened the playing field between domestic and foreign investors, removing the beneficial conditions afforded to foreign investors. Additionally, the wording regarding international arbitration left some confusion as it allowed the Kazakh government to rule out international arbitration in some cases.

A new tax code was passed in December 2008 that reduced the rate of corporate income tax from 30% to 20% in 2009 and then moving progressively downward to 15% by 2011. The code also controversially removed tax stability for subsoil contracts, including oil, gas and mining contracts.

The Kazakh government seeks to increase its influence and ownership over the country's vast oil and gas reserves. In August 2007, authorities suspended the development of the vast Kashagan oil deposit until 2008. Development of the field resumed in the spring of 2008 after the government negotiated a doubling of its stake from 8.3% to 16.8% from the seven-company consortium in charge of the project. The government is now also looking to obtain a 10% interest in the Karachaganak gas field, which is also the subject of a dispute between the field's foreign operators and the government over export duties.

The government recently announced that natural resource companies will be subjected to closer scrutiny for adherence to the country's environmental regulations.

Worsening corruption and state interference are major concerns for investors. The judiciary is not independent from the executive. Ultimately, investments are not so much guaranteed by law as by the goodwill of the President.

Political Violence: The authorities have jailed opposition leaders, demonstrators and strike leaders on several occasions.

Political

Political Structure
Presidential Republic

President
Nursultan Nazarbayev

Prime Minister
Karim Massimov

National Legislative Bodies
- Bicameral Parliament:
- Majlis (lower house): 107 seats (98 elected, 9 appointed)
- Senate: 47 seats

Major Parties (seats)
- Nur Otan (pro-presidential):

Nazarbeyev's Nur Otan party has held all the elected seats in the Majlis since 2007.

Opposition parties:
The National Social Democratic Party (OSDP); Azat (Freedom)

Last Elections
- Presidential: December 4, 2005
- Legislative: August 18, 2007

Next Elections
- Presidential: 2012
- Legislative: 2012

Press Freedom Survey:
- 2009 Score: 78 (Not Free)

(0: Free; 100: Not Free)
freedomhouse.org

Control of Corruption Index:
- 2008 Score: -0.95

(-2.5: Worst; +2.5: Best)
worldbank.org

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Political Outlook

Overall political stability is generally assured with opposition to the government highly fragmented.