Kazakhstan
CRT-4
August 22, 2019
Region: Asia
Country Risk Criteria Procedures
Guide to Best’s Country Risk Tiers

- Kazakhstan, a CRT-4 country, has high levels of economic, political and financial system risk.
- Kazakhstan is the world’s leading producer of uranium and holds large fossil fuel reserves. Additionally, the country is an important link for trade given its geographic location.
- Its economy grew 4.1% in 2018, with growth expected to decelerate to 3.2% in 2019. Over the medium term, Kazakhstan’s economy is expected to grow between 3.0% and 4.5%.
- The countries pictured in the map hold a great deal of the world’s economic potential.

<table>
<thead>
<tr>
<th>Vital Statistics 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal GDP</td>
</tr>
<tr>
<td>Population</td>
</tr>
<tr>
<td>GDP Per Capita</td>
</tr>
<tr>
<td>Real GDP Growth</td>
</tr>
<tr>
<td>Inflation Rate</td>
</tr>
</tbody>
</table>

United Nations Estimates
- Literacy Rate % 99.8
- Urbanization % 57.3
- Dependency Ratio % 53.6
- Life Expectancy Years 70.0
- Median Age Years 29.3

<table>
<thead>
<tr>
<th>Insurance Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance Regulator</td>
</tr>
<tr>
<td>Premiums Written (Life)</td>
</tr>
<tr>
<td>Premiums Written (Non-Life)</td>
</tr>
<tr>
<td>Premiums Growth</td>
</tr>
</tbody>
</table>

Regional Comparison
- Country Risk Tier
  - Kazakhstan: CRT-4
  - Belarus: CRT-5
  - China: CRT-3
  - India: CRT-4
  - Russia: CRT-4
  - Ukraine: CRT-5

Source: IMF, UN, Swiss Re, Axco and AM Best

Economic Risk
Political Risk
Financial System Risk

Country Risk Tier 1 (CRT-1) Very Low Level of Country Risk
Country Risk Tier 2 (CRT-2) Low Level of Country Risk
Country Risk Tier 3 (CRT-3) Moderate Level of Country Risk
Country Risk Tier 4 (CRT-4) High Level of Country Risk
Country Risk Tier 5 (CRT-5) Very High Level of Country Risk

Regional Summary: Central Asia

- Economic growth in the region is expected to remain stable, although GDP growth is likely to be below potential owing to incomplete structural reforms. A main challenge for countries in this region is their reliance on commodity export revenues and the resulting vulnerability to shocks.
- Political power is highly concentrated. The region suffers from high levels of corruption, a lack of transparency, and government interference in the judicial process. A lack of political succession plans in some countries could lead to social unrest and political uncertainty.
- Although global financial conditions have eased somewhat, a change in market sentiment could cause an increase in interest rates, resulting in higher debt burdens. State debt levels have risen due to state support to stimulate the economy following the economic shocks in 2014-2015.
- An economic slowdown in Russia, the region’s largest economy, has the potential to affect the entire region given its importance in trade linkages. Other risks include exchange rate and commodity price volatility, tightening of global financial conditions, and high levels of corruption.
Economic Risk: High

- Kazakhstan’s dependence on commodities exposes the country to significant levels of price volatility and leaves the country vulnerable to global market demand conditions.
- After double-digit inflation in 2016 due largely to currency devaluation, inflation levels have come down markedly, to 6.0% in 2018. In an effort to provide continued price stability, the National Bank of Kazakhstan set an inflation band target, targeting an inflation level at around 4% by 2020.
- The government is undertaking an “economic modernization” program aimed at expanding privatization and improving competitiveness in strategic sectors.
- Although the oil sector remains the main driver of growth, other sectors of the economy are being developed, including manufacturing, construction, and agriculture.

Political Risk: High

- In March of 2019, President Nursultan Nazarbayev decided to step down from the presidency, a position that he held since 1991, when the country became independent from Russia.
- Despite stepping down from the presidency, Nazarbayev is likely to continue to retain a high degree of control and power over state decisions. He is a lifelong member of the Security Council and chairman of the country’s ruling party, the Nur Otan party.
- The current president, Kassym-Jomart Tokayev, won the position in a snap election following Nazabayev’s resignation. Tokayev will serve a five-year term until 2024. He will likely continue the policies of his predecessor to maintain political stability.
- Government power is tightly controlled, which can limit institutional effectiveness and governance. The president is the supreme arbiter of disputes among government institutions.
- Anti-government protest increased at the beginning of 2019 and were largely economically motivated.

Financial System Risk: High

- The insurance industry is regulated by the Committee for the Control and Supervision of the Financial Market and Financial Obligations, part of the National Bank of Kazakhstan.
- In October 2018, the National Bank of Kazakhstan enacted its first interest rate increase of 25 basis points—the first rate increase since February 2016, when interest rates hit 17%. Rates were cut by 25 bps in April 2019 to come to the current policy rate of 9.0%.
- In 2018, Kazakhstan returned to the international bond markets, issuing a five year EUR525 million bond—the first time in three years that the country has issued debt. Debt levels are increasing, but from a low base.