

BEST'S COUNTRY RISK REPORT

Kazakhstan

CRT-4

August 22, 2018

Region: Asia

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Kazakhstan, a CRT-4 country, has moderate levels of economic risk and high levels of political and financial system risk.
- Kazakhstan is the world's leading producer of uranium and holds large fossil fuel reserves. Its economy grew 4.0% in 2017 and is expected to grow moderately over the medium term. In 2016, inflation declined markedly, after the effects from the currency devaluation cycled through. Inflation was relatively high, at 7.4% in 2017, but is expected to moderate to 6.4% in 2018.
- The countries pictured in the map hold a great deal of the world's economic potential.



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

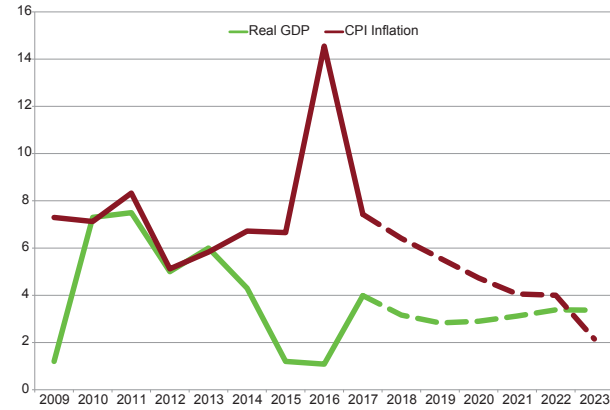
- Economic prospects remain vulnerable due to sanctions against Russia, the region's largest economy, and potential changes in trade policy. Uncertainty surrounding the sanctions, and the potential ripple effects on other countries in the region could lead to slower economic growth, given Russia's importance for trade and remittances.
- Political power is highly concentrated. The region suffers from high levels of corruption, a lack of transparency, and regular government interference in the judicial process. A lack of political succession plans in some countries could lead to social unrest and political uncertainty.
- State support of the financial system in recent years has been substantial and will likely remain necessary, to strengthen buffers and facilitate lending growth. Weak banking systems in several countries will continue to lead to higher government debt.
- Additional risks for the region include tightening of global financial conditions, commodity price and exchange volatility, delays in implementing structural reforms, and the potential for trade restrictions.

Vital Statistics 2017		
Nominal GDP	USD bn	160.84
Population	mil	18.2
GDP Per Capita	USD	8,841
Real GDP Growth	%	4.0
Inflation Rate	%	7.4
United Nations Estimates		
Literacy Rate	%	99.8
Urbanization	%	53.2
Dependency Ratio	%	50.4
Life Expectancy	Years	71.1
Median Age	Years	30.6
Insurance Statistics		
Insurance Regulator	The Committee for the Control and Supervision of the Financial Market and Financial	
Premiums Written (Life)	USD mil	203
Premiums Written (Non-Life)	USD mil	815
Premiums Growth (2016 - 2017)	%	-4.4
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 A.M. Best



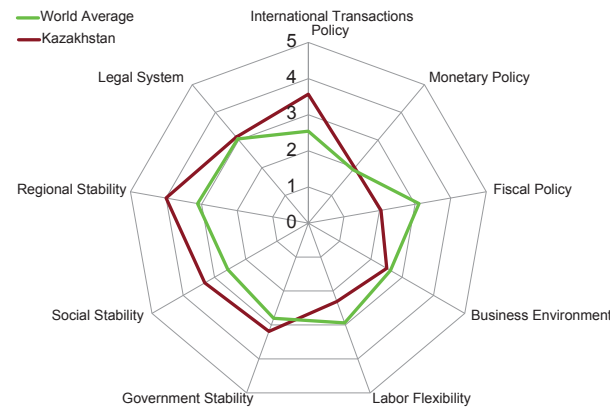
Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: Moderate

- The country depends heavily on the oil sector, which accounts for approximately 15% of GDP, 50% of exports, and 35% of fiscal revenue. The dependence on commodities exposes the country to significant levels of volatility.
- After double-digit inflation in 2016, due largely to currency devaluation, Kazakhstan was able to lower inflation levels to within the National Bank of Kazakhstan's targeted band of 6%-8% in 2017. Inflation is forecasted to moderate over the medium term.
- 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

- The current president has been in office since 1991. Recent legislation shifted executive powers from the president to the cabinet and parliament, but some critics consider these changes superficial.
- The centralized political system is stable, but there are growing concerns over succession. The Kazakh Senate Chairman announced he didn't believe that President Nazarbayev would run for re-election in 2020. However the president was granted a lifetime chairmanship and will remain a significant power even after a voluntary withdrawal from office.
- Government power is tightly controlled by the president and his allies, which can limit institutional effectiveness and governance. The president is the supreme arbiter of disputes among government institutions.

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.
- Lower levels of inflation have allowed the National Bank of Kazakhstan monetary policy to remain accommodative. In 2016, the policy rate hit a high of 17%. Currently, the rate is below 10%.
- Credit growth remains muted owing to a struggling banking sector. The government is working to address the legacy issue of non-performing loans by recapitalizing banks, thus far spending about 4% of GDP to take distressed loans off bank balance sheets.
- The country's balance sheet deteriorated following the freezing of almost USD23 billion from its sovereign wealth fund because of an ongoing legal dispute between the country and foreign investors.