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Bachelor Thesis

Economic Development of Republic of Kazakhstan

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BACHELOR THESIS ASSIGNMENT

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Economics Policy and Administration
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Thesis title

Economic Development of Republic of Kazakhstan

Objectives of thesis

The aim of this diploma work is to analyze the economics of Republic of Kazakhstan, to identify the problems and prospects of the development of Kazakhstan economy in the modern period.

Methodology

The diploma work consists of several parts: theoretical, practical and recommendations. In Theoretical part the descriptive methods were used. The practical and recommendation parts include graphics, tables and SWOT-analysis.

The proposed extent of the thesis

35 – 40 pages

Keywords

state, socio-economic indicators, inflation, gross domestic product, development, economics, indicators, raise, prospective, analysis, evaluation, comparison, forecast, SWOT-analysis.

Recommended information sources

Majumdar R. The oil mighty: The economic impact of oil price fluctuations // Global Economic Outlook. – London: Deloitte University Press, 2016. – P. 70-77.

Medebayeva A., Zhanabergenova M. State Management of Subsoil Resources as a Factor of Economic Security of Kazakhstan // International Economic Society: International Journal of Economic Perspectives. – 2016. – Vol. 10, Issue 4. – P. 228-233

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Declaration

I declare that I have worked on my bachelor thesis titled "Economic Development of Republic of Kazakhstan" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on   _____

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Economic Development of Republic of Kazakhstan

Abstract.

On the current day, we can recognize that in the world society Kazakhstan stands as the state with a market economy. Apart of this, Kazakhstan is one of the first CIS country, which has attained the investment rating. In addition, the World Bank has included Kazakhstan in the list of top-20 of the most attractive countries for investing. Within 29 years of independence, the economics of the state raised over 21 billion of US dollars from the foreign investors. According to the model, which was adopted in the strategic plan, Kazakhstan is being formed as a state with opened economy. The economics of Kazakhstan is directed on the exporting of goods, services, capital and labor, based on the competitiveness and mutually beneficial cooperation with all countries of the globe.

We can state that the economy of Kazakhstan has laid a good start towards the adopted strategic plan's implementation. In the middle-term perspective, it is necessary to continue the accelerated development and along with that, the quality changes in economic and social spheres are needed. One of the fundamental changes that characterize the restructuring of Kazakhstani economy are the intensive financial sector formation, active development of the financial markets and creation of the relevant institutions. Investments remain the most acute problem among the key conditions that define the course of reforms. The global nature of the investment problem in Kazakhstan is the need to create an analysis and forecasting tool for the situation in this area.

Today, the Kazakhstani market is attractive enough for the foreign investments. In its turn, the foreign investors look primarily about the investment climate that has developed in the Republic of Kazakhstan. It is determined by the independent experts and serves to indicate the efficiency of the investments in a particular country. Hence, for the current moment, the topic of researching is relevant and important.

Keywords: state, socio-economic indicators, inflation, gross domestic product, development, economics, indicators, raise, prospective, analysis, evaluation, comparison, forecast, SWOT-analysis.

Title of Bachelor Thesis in Czech

Abstrakt

Summary in the Czech language (approx. 15 lines).

Klíčová slova: Keywords in the Czech language (approx. 10)

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List of abbreviations

GDP – gross domestic product

NDP – net domestic product

NI - national income

SNA - system of national accounts

UN - United Nations

HDI - Human Development Index

CIS - Commonwealth of Independent States

USA - United States of America

NBK - National Bank of the Republic of Kazakhstan

RK - Republic of Kazakhstan

AVI - volume index

NF - National Fund

IMF - International Monetary Fund

OPEC - Organization of Petroleum Exporting Countries

CPI - Consumer Price Index

CIT - Corporate Income Tax

IIT - individual income tax

VAT - value added tax

JSC - Joint Stock Company

ICT - information and communication technologies

R&D - research and development work

OECD - Organization for Economic Co-operation and Development

bbl - barrel

km - kilometers

y - year

thsd - thousand

bn - billions

p/a - per annum

Q – quarter

H – half of a year

1 Introduction

During 29 years of independence the series of global and structure changes have happened in the economy of Kazakhstan. The gradual and staged approach to Kazakhstani model of economic development formation has contributed to the raise of macroeconomic indicators of the state and, consequently, improving of the citizens' living standard, ensuring employment and a high level of their social development.

On today's moment, Kazakhstan demonstrates the surpassing tempos of development in the various fields of activity. The country relies on the solid economical fundament, which was laid in the first years of independence. The fundament that is able to withstand any of external economic fluctuations on the way to the sustainable development.

The Republic of Kazakhstan is the country with the largest economy of the Central Asia. Kazakhstan has large reserves of minerals, oil, and metals. In addition, the country has a significant potential in the agricultural sector, possessing vast steppe lands that accommodate both livestock and grain production. In the Republic there is also the developed cosmic infrastructure, which provides the launches of spaceships to the International Space Station. ("Kazakhstan-2050" Strategy)

The relevance of this work is the need to more fully and comprehensively consider the features of the modern market relations formation and the development of the innovative economy of the Republic of Kazakhstan. Because the economic sphere acts as an economic space in which all the of the country's business life is organized, the interaction of all sectors of the economy as well as the international economic cooperation are carried out. In the economic sphere, there is an interaction of all objective and subjective factors of economic development. The importance of this sphere for the society development is fundamental. This determines the relevance of the research topic.

Today, the acute problem of Republic of Kazakhstan as state is its role in the world economic system. There is also another serious problem- the development of its local market and the expansion of the economy. In all economic systems, the state regulates the economy. Such regulation in a modern market economy is carried out on a much smaller scale than in the administrative-command system. Nevertheless, even here the economic role of the state is big. In the economy of Kazakhstan, the great emphasis is placed on the centralized planning. The Kazakhstan economy is a predominantly market system. At the same time, the economic functions of the state play a very significant role in it.

The main purpose of the diploma thesis is to elaborate the measures on the socio-economic development of Republic of Kazakhstan for 2018-2022 based on the conducted analysis of the country's economy for 2017-2019.

2 Objectives and Methodology of research

2.1 Objectives of research

The purpose of this diploma work is to analyse the economics of Republic of Kazakhstan, to identify the problems and prospects of the development of Kazakhstan economy in the modern period.

Based on the purpose, the objectives of this thesis are:

-to examine the theoretical aspects and conduct the review of the literature on the topic of research;

-to conduct the practical research and the analysis of Republic of Kazakhstan economy for 2017-2019;

-to conduct the SWOT-analysis of economy of Kazakhstan, identify the problems and suggest the measures on improvement of socio-economic development of Republic of Kazakhstan.

-to describe the forecast of socio-economic development of Republic of Kazakhstan for 2018-2022.

2.2 Methodology of research

The diploma work consists of several parts: theoretical and practical.

Theoretical part overviews such questions as: the definition of the state as macroeconomic system; the description of macroeconomic indicators of socio-economic development of state; geographic characteristic of Republic of Kazakhstan; the study of the administrative-territorial structure of the country.

Practical part of research contains the analysis of economy of Republic of Kazakhstan for 2017-2019 in such fields as the sectors of economy; investments; labor market; state budget indicators; inflation and monetary policy; description of the available strategies and programs on the development of economy of Republic of Kazakhstan.

The Recommendation part of diploma work, based on the conducted analysis, considers such questions as the SWOT-analysis of the state economy, identified problems of the development of economy of Kazakhstan; suggestions of some measures on improvement and development of economy of Republic of Kazakhstan; presentation of the forecast of socio-economic development of Republic of Kazakhstan for 2018-2022 based

on the data of Ministry of National Economy of the Republic of Kazakhstan (Committee of Statistics).

In conclusion, the main findings of the study are formulated, the results are summarized.

The list of literature contains all the sources used in the process of writing of this work.

For this diploma work writing as the research methodological base I selected: legal acts of the Republic of Kazakhstan works of domestic and foreign scientists devoted to the problem of research, materials from websites, data of the Ministry of National Economy of the Republic of Kazakhstan (Committee of Statistics).

3 Theoretical part and Literature Review

3.1 State as a macroeconomical system

Government - is a set of public institutions and organizations, which possess the political and legal right to influence the course of economic processes and regulate the economy. (Medebayeva, Zhanabergenova, 2016)

The state is an independent, rationally active macroeconomic agent, the main objective of which is the liquidation of the market failures and the maximization of the national welfare, thus it performs in the roles of:

-the public goods producer;

-the goods and services buyer for ensuring of the public sector functioning and implementation of its many functions;

-the national income redistributor (through a system of taxes and transfers);

-depending on the state budget condition- the lender or borrower on the financial market.

In addition, the state acts as a regulator and organizer of the functioning of a market economy.

It creates and provides the institutional fundamentals of the economy functioning (legal base, safety system, insurance system, tax system etc.), i.e. develops the "rules of the game"; provides and regulates the money supply in the country, since possesses the monopoly right of the money emission; conducts the macroeconomic policy, which is divided on:

-structural, which provides the economic growth;

-conjuncture (stabilization), which is aimed to a smoothing out of the cyclical fluctuations of the economy and ensuring of the full resources employment, a stable price level and foreign-economic equilibrium. The main types of the stabilization policy are: a) fiscal policy; b) monetary policy; c) foreign economic policy; d) income policy. (Augusto Lopez-Claros, 2019)

The government actions aimed at the stabilization and development of the household relations are called the macroeconomic policies.

The state establishes the "rules of the game" in the national market: determines the tax policy, tariff rates, quotas, subsidies and laws, according to which the participants of the economic relations operate. The state, represented by the government, acts as one of

the subjects of the market, that is, an actively operating participant, which is upholding the national interests.

Secondly, microeconomics examines the exchange economy, which uses the "commodity money", i.e. the functions of money are performed by the one of the goods produced by the firms (for example, the gold). this leads to the fact that in microeconomics only the real sector of the national economy is considered. Macroeconomic analysis is based on the existence of "credit money" in the country, the amount of which is regulated by the state (National Bank). Therefore, in macroeconomics, along with the real one, the monetary sector and the both sectors interaction are studied.

As the generalizing indicators of the results of the national economy functioning for the certain period of time, the following aggregates are applied:

-Gross Domestic Product (GDP)

-Gross National Product (GNP)

-Pure National Product (NNP)

-National Income (NI)

-Personal income of citizens (LD)

These indicators form the system of the national accounts (SNA), which is the system of the economic information used around the world for the description and analysis of the economic activity at the macro-level. The SNA data are widely used by the governmental institutions in the macroeconomic policy formation. It's also increasingly used by the entrepreneurs and managers for the analysis of the general macroeconomic climate and for the macroeconomic models building etc. In the modern world the SNA is a universal economic and statistical language spoken by the economists of all schools and areas, statistics, government officials, politicians, sociologists, public administration specialists, financiers, diplomats, and others. Economists believe that a comprehensive indicator of economic development and the best indicator of the economy condition are GDP and GNP, which form the basis of the SNA. Both concepts represent the total market value of all final products (goods and services) produced by a country over a certain period. (Julien, Mitsuo, 2018)

3.2 Macroeconomic indicators of the socio-economic development of the state

Macroeconomic indicators characterize the development of the economy; indicate economic growth or recession. That is, we can say that the macroeconomic indicator of the development of a region is an indicator, characterizing the state of the socio-economic sphere of a given region. Without the use of macroeconomic indicators, it is impossible to carry out a quantitative analysis of the socio-economic situation in the region. However, as it is known, any analysis is directed "into the past," while any management, including the management of the socio-economic situation of the region, implies the need for a quantitative assessment of the qualitative characteristics of processes and the corresponding modelling of the consequences of managerial decisions, the parameters of which cannot always be described quantitatively. Here, a system of macroeconomic indicators comes to the rescue, by which in this work I propose to understand the integral indicators in the form of the limit (threshold) values, which quantitatively determine the qualitative characteristics of socio-economic processes in the region and suggest the presence of tools to influence these processes.

Unlike the macroeconomic index, which gives just the qualitative statement of phenomena or process, the macroeconomic indicator of the region development has the vectored, directional character. Indicators limit the limiting threshold (minimal and maximal) values, for example, concerning the level of profit, tax rates and others. Inside of the limit borders so-called corridor is created, necessary and sufficient for the managerial decision making. For these decisions to be efficient, it is important to establish the adequate threshold values of this corridor.

Threshold values of indicators occupy a special place and are often used in crisis management and crisis prevention. They are designed to signal the approach of a critical state of a control object (for example, a region) and the need to change the development strategy of the object and turn on the corresponding emergency regulators. In this regard, the actuality of the indicator is determined not only by the quantitative characteristics that the system of macroeconomic indicators of the region development can provide. It is important that the indicator is instrumental, i.e. it should be provided by the regulators of direct impact on the regulatory object. (Majumdar, 2016)

So, the most important statistical information for a region diagnostics is the general data about the region, as well as a set of macroeconomic indices and indicators.

The general data about the region is characterized by its geographical situation (remoteness from raw material bases and consumer areas), minerals, type of climatic zone. At the same time, the administrative-territorial division of the region is characterized, the total number, national composition and density of the population are indicated, the place of the leading industries in the region's economy is analysed. Based on the above pointed data the conclusion about the considered region importance among the other subjects is being made.

The complex of the macroeconomic indicators for the regional economic systems includes the indices that characterize the production and usage of the gross regional product, prices changing (inflation), dynamic of the employment rate changing, the level of the investment activity (bank's interest rate) and other sides of financial and business activity of the regions. (Balassa, 2012)

Additional and concretizing characteristics of the regions and countries as a whole may be various macroeconomic indices of their stability (instability).

There are also another groups of the macroeconomic indicators of the region development exist. In particular, the International Bank for Reconstruction and Development offers 26 indices that characterize the macroeconomic condition of the country (region). The International Monetary Fund uses the 10 key macroeconomic indices for these goals.

According to the methodology of the International Bank for Reconstruction and Development, the entire set of the region development indicators can be represented by the following groups:

1. Economic indicators, which include: the economic potential of the region and its usage; the volume and efficiency of production; the state of regional markets; investment activity; energy and food security; financial self-sufficiency of the region; tax burden and the existence of an independent tax base for the formation of local budgets; indices of the territorial structure, concentration of the economic activity, level of diversification; ownership structure in the region.

2. Social indicators, including: the level of unemployment and employment in the region; dynamics of nominal and real incomes; structure of income and expenses; the ratio of the average monthly income and the living wage; consumption of material goods and services; infrastructure development level, etc.

For a generalized assessment of the level of development and the quality of life of people (social development of the region), the UN Development Program recommends the "Human Development Index" (HDI). The Human Development Index provides the most general integrated assessment of the level of social development of a country and a region.

3. Environmental indicators, among which there are: anthropogenic pressure on the territory; level of pollutant emissions into the atmosphere; condition of the surface water bodies and wastewater reserves, etc.

4. Demographic indicators characterizing information about the number of urban and rural population, its sex and age structure, able-bodied population, level of education, population density, migration balance, etc.

5. Indicators of the availability and usage of resources in the region that analyse the availability and condition of the region:

-labour potential, reflecting the number of labour resources, gender and age composition and professional level of their training;

-natural and resources potential characterizing the presence of natural wealth (land, forests, minerals, water, other types of limited natural resources and environmental conditions);

- production potential, which analyses the production capacities in the most general form: cost estimation of the capital resources, material circulating assets, know-how, etc. .;

- the potential of infrastructure that reflects the development indicators of social, industrial, managerial, environmental and market infrastructure. (Alexander, Marshall, 2017)

The systematization of the data about the currently used macroeconomic indicators made it possible to combine them into the three main groups: indicators in the production sphere, in the financial sphere, and in the social sphere.

Thus, there are many indicators designed to quantitatively characterize very diverse phenomena and processes, which take place in the region. None of these phenomena (for example, unemployment and employment) and none of these processes (for example, production) can be characterized with the help of any single macroeconomic indicator. (Karsakov, 2017)

The list of macroeconomic indicators thus obtained is presented in the Figure 1.

Figure 1: Groups of macroeconomic indicators

Groups of macroeconomic indicators			
Economic Development Indicators	Indicators of the technical level of production	Labor usage Indicators	The usage of the financial resources Indicators
National wealth of the country, GDP, GNP, NNP Net national income National product	Volume of production assets Investments Capital productivity Capital and material capacity Energy ratio of production	Total labour resources Employment unemployment Labour input Labor productivity	Price level Price index Inflation rate Nominal and real interest rate Money supply

The indicators are used to determine

-Potential and real national wealth of the country - volume and dynamics of production - final production results	- industrial potential -rates of development and updating of production potential -technical level of production -level of knowledge-capacity production	-the country's labor potential -level and estimates of employment and unemployment -labour resources efficiency	-average price level -inflation rate -money supply

Source: Karsakov I. The features and importance of macroeconomic indicators: a comparative analysis // Sayasat. - 2017. - No. 5. - S. 112-119

3.3 Geographic characteristics of Republic of Kazakhstan

Kazakhstan is located at the junction of two continents- Europe and Asia. The territory of Republic of Kazakhstan is 2724,9 tshd. km^2 , and lays from the lower reaches of the Volga River in the west - to the Altai Mountains in the east and from the Zailiysky Alatau mountains of the Northern Tien Shan in the south - to the West Siberian Lowland in the north.

By the land area, republic is on the ninth place in the world, conceding only to Russia, China, USA, Argentina, Brasilia, Canada, India and Australia; the second place by the territory among states of CIS countries.

The length of the State border of the republic is 13394 km, including:

-Russian Federation- 7591 km,

-Uzbekistan Republic- 2354 km,

-Kyrgyz Republic- 1782 km,

-Turkmenistan- 426 km.

3.4 Administrative and territorial structure of the country

Currently, the system of the administrative and territorial structure of the republic includes 14 regions, 2 cities of republican significance, 177 administrative districts, 87 cities, 30 villages and 6668 rural settlements.

The population for 01.01.2017 (according to an updated data)- 17918,2 thsd. people.

The density of the population is 6,6 people per 1 km^2. The capital of Republic of Kazakhstan- Nursultan city with the population of 972,7 thsd people as for 01.01.2020.

The largest city is Almaty with the population of 1751,3 thsd people as for 01.01.2020.

The largest region by area is Karagandy region (428 thsd. km^2). The most densely populated region is South Kazakhstan (24.5 people per 1 km^2). (Kazakhstan in numbers – 2019,2020)

The administrative and territorial structure of the Republic of Kazakhstan, the status of its capital are dedermined by the law. The Capital of the Republic of Kazakhstan is

Nursultan city. (Article 2 of the Constitution of the Republic of Kazakhstan).[1]

The administrative and territorial structure of the Republic of Kazakhstan is presented in the Table 1.

Table 1: The administrative and territorial structure

	Territory, thsd. km.sq. [2]	districts[3]	Cities		Settlements	
			overall	of republican and regional significance	villages	auls
Republic of Kazakhstan	2 724,9	177	87	38	30	6 668
Akmolinskaya	146,2	17	10	2	5	607
Aktyubinskaya	300,6	12	8	1	-	367
Almatinskaya	223,6	16	10	3	-	731
Atyrauskaya	118,6	7	2	1	-	165
West-Kazakhstan	151,3	12	2	1	3	443
Zhambylskaya	144,3	10	4	1	-	373
Karagandinskaya	428,0	11	11	9	10	421
Kostanayskaya	196,0	16	5	4	3	585
Kyzylordinskaya	226,0	7	4	2	2	260
Mangistauskaya	165,6	5	3	2	-	61
South-Kazakhstan	117,3	15	8	4	-	836
Pavlodarskaya	124,8	10	3	3	4	394
North-Kazakhstan	98,0	13	5	1	-	673
East-Kazakhstan	283,2	15	10	4	3	752
Astana city	0,7	3	1	-	-	-
Almaty city	0,7	8	1	-	-	-

Source: Kazakhstan in numbers - 2019. // Ministry of National Economy of the Republic of

Kazakhstan. Statistics Committee. Electronic resource: https://economy.gov.kz/en

The system of the administrative and territorial structure of the Rrepublic of Kazakhstan includes the following administrative and territorial units:

-aul (village),

-village,

-Aul (rural) district,

-district in the city

-city,

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[1] The Constitution of the Republic of Kazakhstan (adopted at a republican referendum on August 30, 1995) (as amended and supplemented as of March 23, 2019).
[2] Data of the Committee for Land Management of the Ministry of Agriculture of the Republic of Kazakhstan.
[3] Including 11 districts in the cities of republican significance and 6 districts in the cities of regional significance.

-district

-region (article 1 of the Law of the Republic of Kazakhstan "On the administrative-territorial structure of the Republic of Kazakhstan").[4]

4 Practical Research and the analysis of Republic of Kazakhstan economy

4.1 Analysis and overview of Kazakhstan economy for 2017-2019

Currently, the Republic of Kazakhstan is developing according to the classical economic scenario, since the comparative economic advantage is characterized by the presence of large mineral reserves. Intensive development of production and export of the raw materials has allowed to take the national economy out of the crisis and show the high economic growth over the past three years. The country's economy is progressing due to the fact that government policy is being performed in order to attract foreign investments to the raw minerals sector industries and to make the structurally-institutional reforms in the field of finance. The population welfare raise and the accumulation of financial resources are occurring within the state, which in the long run contribute to the transition to post-industrial service-and-technological development.

Today, we can recognize that Kazakhstan in the world community acts as a state with a market economy. In addition, Kazakhstan is the first of the CIS countries to obtain an investment rating. Besides, the World Bank has included Kazakhstan in the list of 20 countries of the world that are the most attractive for investments. Over 29 years of independence, more than 21 billion of dollars have been attracted to the country's economy. In accordance with the model that was adopted in the strategic plan, Kazakhstan is being formed as a country with an open economy. The economy is focused on the export of goods, services, capital and labor force, based on the competition and mutually beneficial cooperation with all countries of the globe.

It can be stated that the economy of Kazakhstan has laid a good start in the implementation of the adopted strategic plan. In the medium term, it is necessary to

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[4] The Law of the Republic of Kazakhstan No. 2572-XII from December 8, 1993 "On the administrative-territorial structure of the Republic of Kazakhstan" (as amended and supplemented as of December 28, 2018).

continue the accelerated development, and along with this, the qualitative changes must be carried out in the economic and social spheres. One of the fundamental changes characterizing the restructuring of the Kazakhstani economy in recent years is the intensive formation of the financial sector, the active development of financial markets and the creation of relevant institutions. Investments remain the most acute problem among the key conditions determining the course of reforms. The global nature of the investment problem is the necessity of the creation of a situation analysis and forecasting tool for this area. (Li, Yuan, Schmerer, Hans-Joerg, 2017)

The Kazakhstan market is quite attractive for the foreign investments. In turn, foreign investors are guided, first of all, by the investment climate that has developed in the Republic of Kazakhstan. It is determined by epy independent experts and serves to indicate the effectiveness of investments in a particular country.

Kazakhstan has a large number of commercial organizations that possess sufficient funds to become an investor in real projects. When engaging in investments, it is necessary to develop a specific and effective policy of actions and determine the main goals of investment, as well as to determine the composition of the investment portfolio, acceptable types of securities, portfolio diversification, etc. (Medukhanova, 2018)

In the following paragraph will be an analysis of Kazakhstan economy condition for 2017-2019 by the main leading indices.

As a result of an increase in mining production and quarrying, as well as non-tradable sectors, Kazakhstan's GDP growth was 4,1% at the end of 2018.

The volume of industrial production in terms of money amounted to 27,218 billion of tenge, which is 19.4% higher than the previous year result, where the largest share falls on the mining and manufacturing industries.

The volume of the mining industry amounted to 14,877 billion tenge, having increased by 28.60% compared to the 2017 figure due to the growth of crude oil and natural gas, coal and lignite production. There is also an increase in the rate of extraction of metal ores, principally an increase in the production of non-ferrous metals.

The volume of manufacturing industry amounted to 10,404 billion tenge, which is 10.7% more than in the previous year. Basically, there was an increase in the production of

oil refining products, chemical industry products, the main noble and non-ferrous metals and the mechanical engineering.

The volume of oil and gas condensate production in physical terms increased by 4.82%, amounting to 90.4 million tons, the increase of which is directly related to the expansion of oil production at the Kashagan and Karachaganak fields.

In December 2018, the monthly inflation rate was 0.7%. In January 2019, the monthly inflation rate was 0.5%.

The inflation expectations of the population, quantifying the results of the responses of the population regarding inflation expected a year in advance, significantly decreased in January 2019 and amounted to 4.7%, which was caused by the retention of the current inflation at low values.

Over the year, the foreign trade balance increased to 93,490 million of dollars as a result of both export and import growth.

The volume of domestic trade turnover in Kazakhstan in 2018 amounted to 33,036 billion of tenge, which is 16.4% more than in the previous year due to, predominantly, the growth in wholesale trade.

The average monthly nominal wage of the population made up 162,673 tenge or 472 US dollars.

The minimum wage amounted to 28,284 tenge.

Nominal cash incomes of the population on average per capita per month amounted to 92,703 tenge, increasing on 11.6%. In real terms, population incomes increased by 4.3%. Nominal cash expenditures of the population on average per capita per month amounted to 51,198 tenge with a living wage of up to 27,072 tenge.

The volume of construction works, the volume of commissioned residential buildings showed growth with an increase in investment in real estate. The highest cost for the purchase of a new housing was recorded in the two cities of the republican significance and Atyrau; the lowest prices are registered in the cities of Zhezkazgan, Taraz, Petropavlovsk, Taldykorgan and Kyzylorda. At the same time, prices in the secondary housing market have decreased. Among Kazakhstan cities, the lowest prices are observed in Kyzylorda, Zhezkazgan and Aktobe and the highest prices are recorded in Almaty, Astana and Atyrau. The average rental price of comfortable housing increased by about 4.14%, the highest rental prices were recorded in the cities of Astana, Almaty and Aktau and the lowest prices in the cities of Taraz, Taldykorgan and Kyzylorda.

At the end of 2018, there was a decrease in inflation from 7.1% to 5.3%, the value of which corresponds to the middle of the NBK (National Bank of Kazakhstan) target corridor.

According to the NBK, the volume of loans given to the economy amounted to 13,092 billion tenge and increased mainly due to an increase in loans in national currency. Average interest rates on loans reduced from 11.38% to 10.90%.

The quality of the loan portfolio showed a degradation, in particular, the share of the overdue loans in the total amount of loans decreased from 15.66% to 15.25%.

According to the NBK data, the volume of deposits in 2018 increased by 5.96% up to 18,553 billion tenge due to an increase in deposits in foreign and national currencies. Average interest rates on deposits decreased from 5.45% to 4.75%.

Government revenues decreased by 6.6% compared to 2017, amounting to 10,809 billion tenge, mainly due to a decrease in transfers and non-tax revenues from the National Fund. Government spending decreased by 9.13% to 11,346 billion tenge, as a result of a reduction in spending for general public services, transfers, the fuel and energy complex, and the subsoil use.

The budget deficit amounted to 833 billion tenge, having significantly decreased (-42.8%) due to the necessary assistance to the banking sector.

According to the Statistics Agency of the Republic of Kazakhstan data, as for the end of 2018, the volume of the Gross Domestic Product of the Republic of Kazakhstan for 2018 amounted to 59,613,707.5 million tenge or 170,536.8 million US dollars and increased in real terms by 4.1% (compared with the previous year). In the gross value added, the share of the oil and gas sector amounted to 21.3%, the commodity sector-19.4%, the non-primary sector -73.7%. (Kazakhstan in numbers – 2019,2020)

The volume of GDP per capita in 2018 amounted to 3,262 thousand tenge, which is 10.8% higher than in the previous year and in dollar terms the indicator was fixed at $ 9,462 (2017: $ 9,030).

The improvement of the Kazakhstani economy is associated with the growth of the oil sector due to the commissioning of the large offshore Kashagan oil and gas field, which is not included in the OPEC oil production reduction plan. Moreover, the additional support to GDP growth was provided by an increase in the mining and quarrying, as well as non-primary sectors.

Figure 2: GDP of RK for 2014-2018, bn. tenge

	2014	2015	2016	2017	2018
GDP	40125	41526	48785	53698	59613
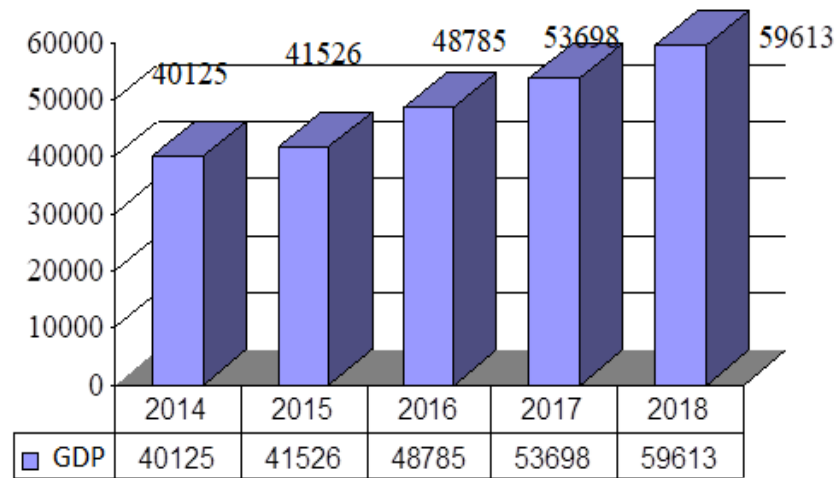
Source: Agency of Statistics of the Republic of Kazakhstan (www.stat.gov.kz)

Figure 3: GDP per Capita of RK for 2014-2018, thousand tenge

	2014	2015	2016	2017	2018
GDP per Capita	2360	2401	2653	2965	3262
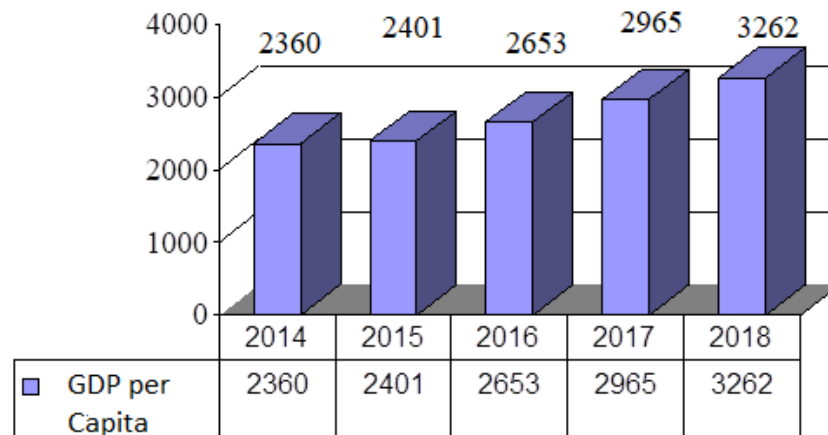
Source: Agency of Statistics of the Republic of Kazakhstan (www.stat.gov.kz)
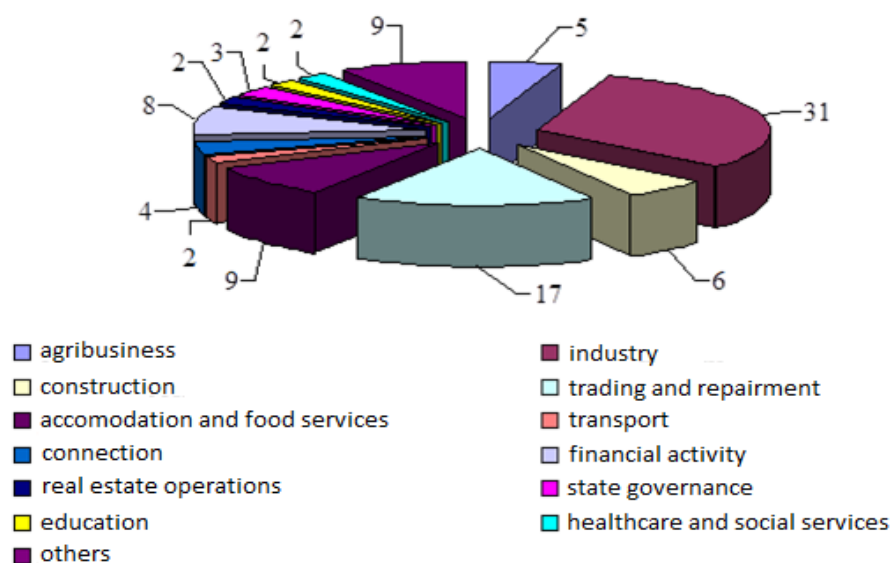
In the structure of GDP, the largest share falls on the production of services (54.4%), goods (38.7%), industry (28.9%), car and motorcycle repair- 16.1%, real estate operations- 7.5 %, transportation and warehousing - 8.2%. In absolute terms, the volume of production of the goods increased by 18.42% to 23 003 542 million tenge, the volume of production of the services increased by 6.57% to 32 497 183 million tenge and the volume of industry increased by 21.04% to 17 203 416 million tenge.

Figure 4: GDP structure of RK for 2014-2018, bn. tenge

	2014	2015	2016	2017	2018
■ Production of Services	36965	38596	44526	50696	55263
□ Production of Goods	14255	14526	15263	19563	23003
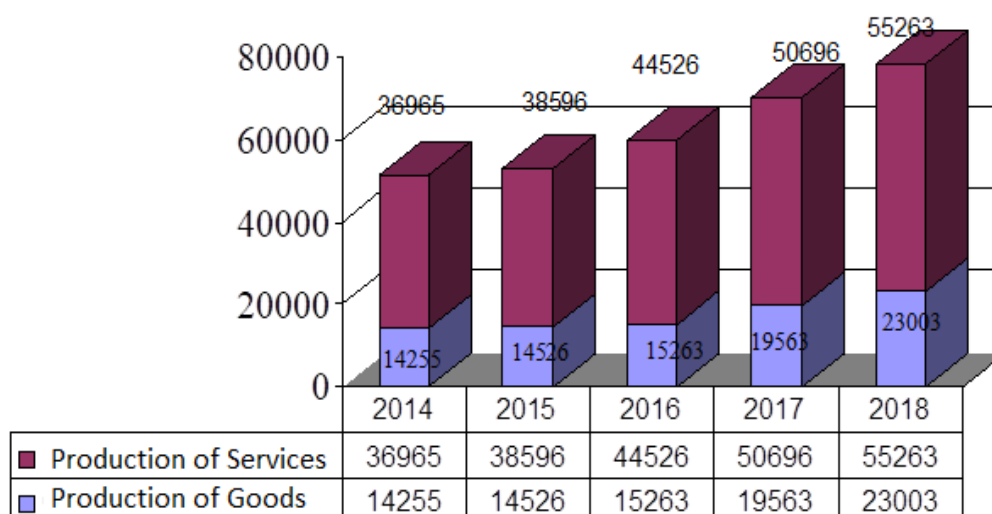
Source: Agency of Statistics of the Republic of Kazakhstan (www.stat.gov.kz)

Figure 5: GDP structure of RK, %

agribusiness — industry
construction — trading and repairment
accomodation and food services — transport
connection — financial activity
real estate operations — state governance
education — healthcare and social services
others

Source: Agency of Statistics of the Republic of Kazakhstan (www.stat.gov.kz)

In 2018, the the actual volume index (AVI) of the goods production sector amounted to 104.00%, which is below the level of 2017 that was equal to 106.40%. The decrease in this index of the goods sector was mainly due to a decrease of the AVI in the industrial sector from 107.3% (2017) to 104.20% (2018), AVI of the mining industry and quarrying decreased from 109.5% (2017) to 104.6% (2018), the AVI of the manufacturing industry decreased from 106.10% (2017) to 104.6% (2018). At the same time, construction

AVI increased from 101.9% (2017) to 104.1% (2018). (Taranuha, Yegemberdiyeva, Zhanabergenova, 2018)

The actual volume index of the services production sector in 2018 amounted to 104.0%, being higher than the same indicator a year earlier 102.7%. In the reporting year, an acceleration of the sector's growth was observed as a result of an increase in the AVI in the branches of the trade and repair work, public administration and education, and the real estate transactions. In the structure of GDP, the share of industry showed an increase from 26.9% (2017) to 28.9% (2018), the share of production of goods also increased from 36.7% (2017) to 38.7% (2018) and the share of production of services decreased from 57.6% (2017) to 54.7% (2018). (Taranuha, Yegemberdiyeva, Zhanabergenova, 2018)

Thus, in accordance to the presented data the following conclusions can be formulated:

1) An annual inflation is in the targeted corridor (5.3%). The main contribution to annual inflation came from the non-food products, which rose 6.4% over the year. Prices for the food products and services for the year increased by 5.1% and 4.5%, respectively.

2) Despite the global prices for oil fall, the industrial sector and the related industries are growing.

3) The mining industry remains to be the most attractive industry for investments.

4) The population income is gradually growing.

5) At the end of 2018, real-time GDP in real terms grew by 4.1%. The main contribution to GDP growth was made by the net exports and gross capital formation, which was caused by the improvement in the price conjuncture in the world's raw materials markets and the accumulation of fixed capital. Increased consumer lending and a gradual slowdown in annual inflation drive household spending growth

6) At the end of 2018, the short-term economic indicator amounted to 104.7%. All basic sectors of Kazakhstan showed growth. The biggest contribution the growth of this indicator was made by: a) the industries- due to the increased oil production values; b) transportation services- due to the increased pipeline transport cargo turnover; c) wholesale trading- due to the increased trading of the non-food goods and the technical-industrial purpose products.

4.2 Analysis of the main macroeconomic indicators for 2017-2019

In the following paragraph the analysis of the main macroeconomic indices for 2017-2019 will be performed.

4.2.1 Sectors of economy

Kazakhstan's economic growth in 2019 remained above 4%, demonstrating resistance to lowering of the oil prices and the suspension of oil production in Kashagan due to high investment activity in the extractive sector and increased government spending to compensate for the weakening of external demand.

Inflation slowed to 5.4% from 5.9% a year earlier, and the unemployment rate fell insignificantly from 4.9% to 4.8%. However, we note growing inflationary pressures and continued dependence on oil revenues. Based on the current dynamics of the main macroeconomic factors, in the base option by the end of 2019 we expect GDP growth by 4%, inflation by 5.4% and the national currency at the end of the year - 385 tenge per dollar.

The economy has maintained growth rates of above 4%, despite the declining in production volumes and oil prices. The growth of the economy of Kazakhstan in the first half of 2019 slowed down slightly from 4.2% in first half of 2018 to 4.1%, while in April-June the largest economic growth since the 2nd quarter of 2017 was at about 4.4%. The average level of oil prices in the first half of 2019 decreased by 7% to $ 66 per bbl, and production decreased by 2% to 44.3 million tons. From a sectoral perspective, a slowdown in industry and agriculture can be seen, while the transport industry, trade and construction have been a significant help to economic growth. In the first half of the year, there was also a strong growth of investment in the fixed capital in the amount of 11.7%. However, according to the estimations, the share of the raw materials industry in the growth of all investments amounted to almost 100%. After the maintenance works at Kashagan which were scheduled in spring, a planned shutdown of oil production at the Tengiz, the largest field in Kazakhstan, is expected in fall. The production volumes of Tengiz are twice as high as on Kashagan. In addition, scheduled repairs will also be carried out on Karachaganak field. As a result, according to the results of the current year, oil production will drop to 89 million tons from 91 million tons in the last year, which will negatively affect the performance of industry and exports. The effect of stops at the three largest fields of the country and the unfavorable external conjuncture in the current year will be

smoothed out by an increase in government spending by 20.5% of GDP from 19% of GDP in 2018.

The current account deficit in the first half of 2019 expanded to $ 2 billion, and there also was a financial account outflow of funds in amount of $ 4 billion. According to preliminary data from the NBK, the surplus balance of $ 361 million in the first quarter of 2019 was covered by a deficit of $ 2,347 million in the second. The expansion of the current account deficit was facilitated by a decrease in the trade balance by 10.3% per annum to $ 11.3 billion. At the same time, the nominal volume of exports grew by 1.1% p/a and amounted to $ 28.5 billion, while the volume of imports grew by 10.2% p/a and amounted to $ 17.3 billion. Expansion of the deficit in the balance of services account in the first half of this year by 13.9% p/a to $ 2.2 billion also contributed to the expansion of the current account deficit.

In the first half of 2019, despite the reduction in tariffs, inflation accelerated to the same level as a year earlier at 2.6%. The weakening of the national currency, high inflationary and devaluation expectations of the population, increased inflationary budget expenditures and external factors create pressure on the consumer market. The revenue of the state budget for six months of 2019 was worse than the last three years', against which the share of transfers of the National Fund of all revenues has increased to 29%. The state budget deficit in January-June expanded to 112 billion tenge from 79 billion tenge in the same period of 2018, but is still within the planned values. The use of funds of the National Fund in the first half of 2019 exceeded the inflow of funds in it.

Macroconomic report for the 2nd quarter of 2019.

Against a slowdown in the global economy, the national currency of Kazakhstan will remain at approximately current levels to stimulate Kazakhstani exports. Despite the lower oil prices, the exchange rate of the tenge in the first half of the year was on average at 379 per US dollar, while against the Russian currency it weakened by 8% to 6.1 per ruble, although the Russian economy did not demonstrate a faster pace of economic growth. Until the end of the year the "weak" tenge will contribute to a better state budget filling, which was made up based on 370 tenge per dollar and 55 dollars per bbl of oil. Maintaining a balance of interests of the external (exporters) and domestic (population) sectors, the NBK will most likely refrain from the significant weakening of the national currency, provided that there is no significant "drawdown" in oil quotes. (Agency of Statistics of the Republic of Kazakhsta, 2019)

Monetary conditions, despite the reduction in the base rate, remained neutral. In the second half of June of 2019, the NBK placed the short-term notes at rates of return (about 9.5-10%) significantly higher than previous placements (8.7% -9.0%). The shift in rates of return occurred up on 0.7% -1.0%. At the same time, money market rates formed at the lower boundary of the base rate corridor. The actions of the NBK in terms of increasing the yield on its instruments without tightening monetary conditions by raising the base rate are aimed at the moving of the excess volumes of liquidity from short placement terms to the more distant ones.

International reserves: the gold reached a share of 60.4% of gold reserves, which fell by almost 9%. According to the NBK, the consolidated international reserves of Kazakhstan in June 2019 amounted to $ 88.2 billion, having decreased by 2.8% since the beginning of the year due to a decrease in the NBR gold reserves by 8.8% to $ 28.2 billion, the size of the National Fund increased by 3.4% to $ 60.0 billion. The NBK significantly reduced its holdings in securities from $ 10.1 billion at the beginning of the year to $ 7.2 billion in June (-29.5%), as well as in foreign currency and deposits by 42.4% to $ 3.2 billion. In the structure of NBK assets, the volume of gold in nominal terms has grown by 18.5% since the beginning of the year and amounted to $ 17.1 billion or 60.4% (the maximum value for the entire observation period). In June, the revenue of funds in the National Fund increased 3.2 times in annual terms and amounted to 1.952 billion tenge, or $ 5.1 billion (+ 32.5%). Direct tax revenues from oil industry companies increased by 10.5% p/a to 1.516 billion tenge.

In the base case at the end of 2019 were expected: the GDP growth of 4%, inflation of 5.4%, and the national currency rate - 385 tenge per dollar by the end of the year. As a result of the aggravation of trade disagreements of the largest countries and the growth of uncertainty regarding the further actions of world central banks, a slowdown in global economic growth was expected. In particular, the IMF lowered its forecast for global economic growth to 3.2%, and global trade growth to 2.5%. Quotations of black gold react extremely weakly to reduced production under OPEC+ agreements and the growing geopolitical risks (hijacking of tankers, instability in the certain oil producing countries), which may indicate weakening demand. Accordingly, the expectations for oil prices are shifting down from $ 68 to $ 65.4/bbl this year. Thanks to the numerous government measures to stimulate consumption- the domestic demand in the Kazakhstan economy compensates for the weak external environment and will support economic growth. At the

same time, we see the risks of a more substantial increase in consumer prices as a side effect of a sharp increase in social spending with a parallel depreciation of tenge. The forecast for GDP growth was increased from 3.6% in both: 2019 and 2020 to 4% and 4.2%, respectively. The forecast for the tenge exchange rate at the end of this and next year against the US dollar was revised downward from 375 to 385 (baseline scenario). In the implemented scenario forecasts of the main macroeconomic indicators with a symmetrical deviation from the baseline scenario, an average annual oil price is of $ 65.4 per bbl in 2019 and $ 65 per bbl in 2020. Pessimistic - the average annual price of $ 60.4/bbl in 2019 and $ 55/bbl in 2020, optimistic - the average annual oil price of $ 70.4/bbl in 2019 and $ 75/bbl in 2020. (Maulenova, 2017)

Table 2: The main macroeconomic indices:

The main macroeconomic indices	2017 Fact	2018 Fact	Basic		Pessimistic		Opimistic	
			2019	2020	2019	2020	2019	2020
Oil price, Brent, avg., USD/bbl.	54.0	71.0	65.4	65.0	60.4	55.0	70.4	75.0
Real GDP, % for a year	4.1	4.1	4.0	4.2	3.8	3.6	4.2	4.6
Exchange rate USDKZT, at the end of period	332.0	384.2	385.0	385.0	394.0	405.0	370.0	375.0
Exchange rate USDKZT, avg. for a year	326.0	344.7	382.5	385.0	387.0	399.5	377.5	372.5
CPI, % change on the end of period, % for a year	7.1	5.3	5.4	5.0	5.6	5.2	5.4	5.0
State debt, Tenge bln., on the end of period	13.5	15.4	16.8	18.1	16.8	18.3	16.6	17.4
State debt, % GDP	25.4	25.8	25.3	24.8	25.8	25.7	24.7	23.3
Consolidated Budget Balance, % GDP	-7.4	-0.2	-2.1	-0.3	-2.4	-0.4	-2.3	-0.3
Current account, % GDP	-3.1	0.0	-0.9	-0.2	-1.1	-1.0	-0.4	0.9

Source: Agency of Statistics of the Republic of Kazakhstan (www.stat.gov.kz)

The key economic indicators in the first half of this year looked pretty good (Pic. 9). Inflation slowed down to 5.4% p/a from 5.9% in 1H2018, although with a cumulative result for 6 months it remained at 2.6%, as in the previous year. The unemployment rate slightly decreased to 4.8% from 4.9% in 1H2018, while it can be noted that employment growth in June this year slowed to 1.3%p/a, which corresponds to the figure in June 2018. As a result, it can be stated that the situation in the economy is stable and is supported by high investment activity in the extractive sector, increasing government spending and reasonable oil prices.

Inflation, unemployment and GDP analysis is on the Figure 6.

Figure 6: Inflation, unemployment, GDP of RK for 2018-2019 %
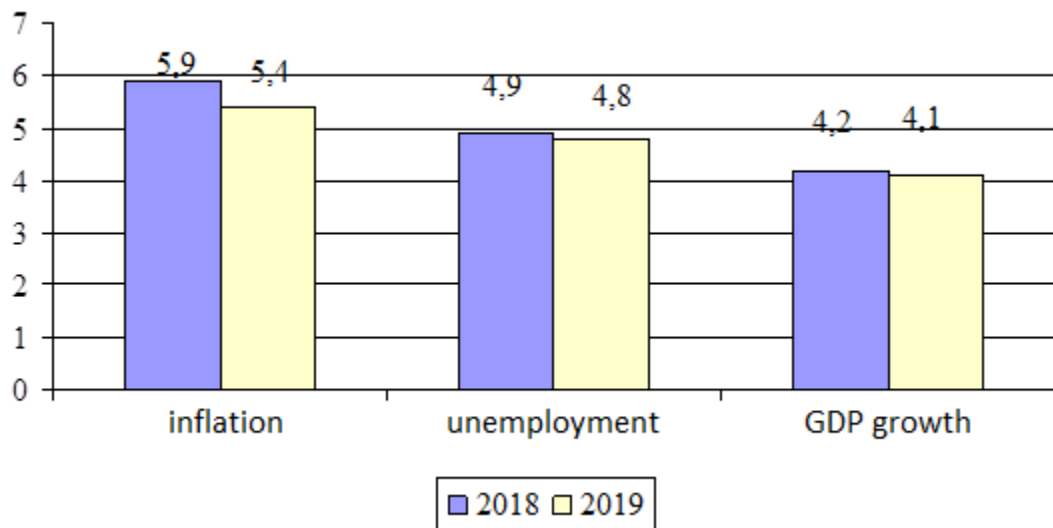
Source: Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan,

Halyk Finance. Electronic resource: https://stat.gov.kz/

Broken down by industry, in the first half of 2019 there was a further slowdown in the industrial production growth to 2.6%p/a (5.2%p/a in 1H2018), agricultural output to 3.8% p/a (4.0% p/a in 1H2018). At the same time, there is a noticeable improvement in the transport industry - growth to 5.3% p/a(4.9% p/a in 1H2018), in trade 7.5% p/a (5.9% p/a in 1H2018) and accelerated growth in construction to 11.1% p/a (3.8% p/a in 1H2018). The construction industry is growing due to an increase of work in the mining sector and growth in housing construction, while in trade the growth is due to an increase in the wholesale trade of oil, despite a decrease in oil production volumes and its export. According to the results of the first half of 2019, the short-term economic indicator amounted to 4.3% p/a, showing the best result for 6 months, successively accelerating from 2.9% p/a in January and 4.2% p/a in January-March. On a quarterly basis, the growth of the short-term economic indicator shows a gradual deceleration from the second half of 2017 against the background of a decrease in the dynamics of an industrial production and a higher base in 2017-2018. (Maulenova, 2017)

Figure 7: Acceleration only in trade, transport and construction among the industries
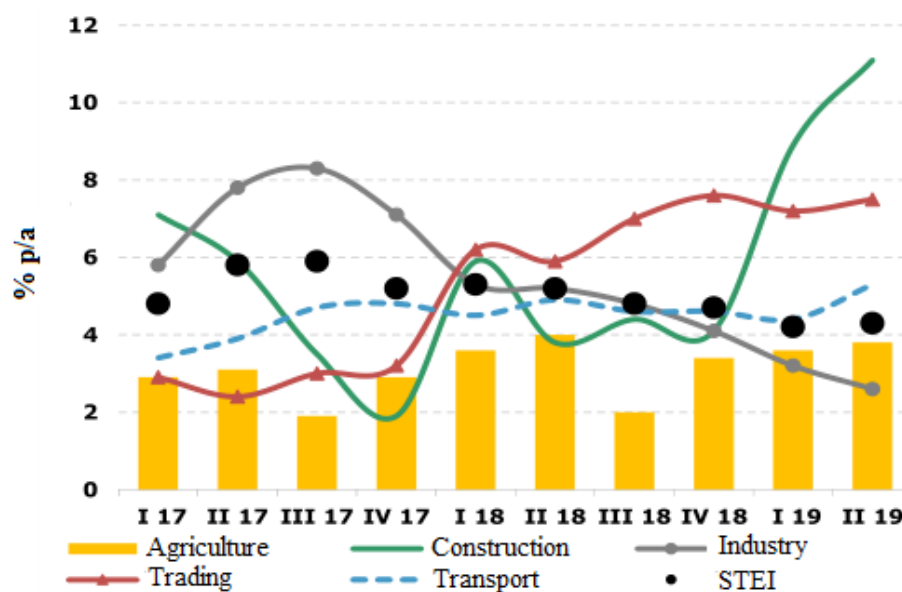
Source: Agency of Statistics of the Republic of Kazakhstan (www.stat.gov.kz)
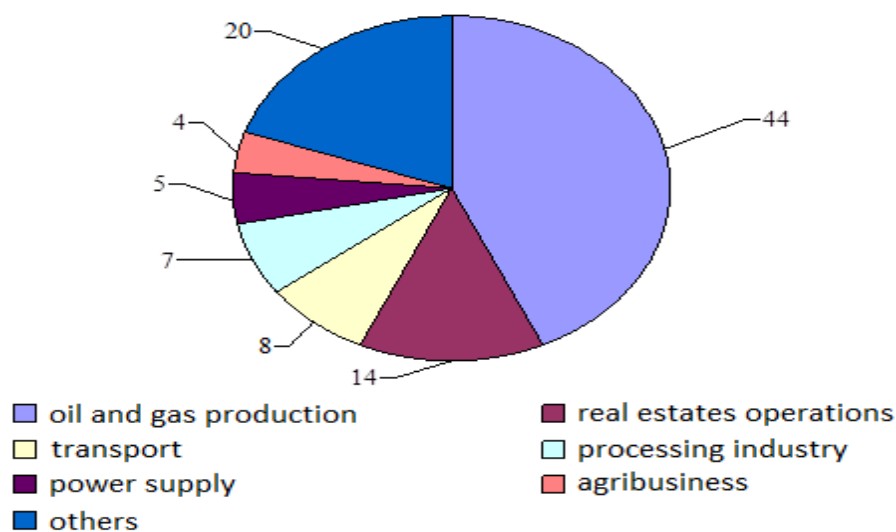
4.2.2 Investments

The growth of investments in fixed capital in 1H2019 intensified again and reached 11.7% p/a after 7% p/a in the first quarter, although it was weaker than 25.8% p/a in 1H2018. This strong investments growth is explained by the growth of investments in the commodity sector: primarily in the production capacities expansion project on Tengiz field. Over 6 months, investments in the oil and gas production increased by 30.8% p/a, while they accounted for 44% of all realized investments.

It is worth noting that, due to the strong growth of investments in the oil and gas sector, the growth of investments in the first half of 2019, according to the estimations, depended more than 80% on this sector, and the total share of the mining industry in the growth of all investments amounted to almost 100%. Moreover, the almost complete absence of growth in investment in the non-primary sector emphasizes the presence of systemic problems for doing business.

Investments in the manufacturing industry fell by 38% p/a, which is explained by the fact that almost half of all investments in this sector last year were secured by investments in the oil refining, where the major share fell to the Shymkent oil refinery. In addition to oil refining, investments in the food industry decreased (-34.7% p/a), in pharmaceuticals (-38% p/a), and in furniture manufacturing (-60.8% p/a). On the contrary, investments in the metallurgy increased on 38% p/a, in the production of motor vehicles on

95%p/a, in the production of rubber and plastics on 52% p/a in chemistry on 124% p/a. The share of investments in the manufacturing industry amounted to 7% of the total volume of investments; 14% of all investments were invested in the real estate operations which increased on 2.9% p/a; 8% in the transport industry with a decrease of 33%p/a; 4% was invested in agriculture with an increase of 62.7% p/a; 5% in electricity and related segments with an increase of 56.5%p/a. (Karsakov, 2017)

Figure 8: Investments structure, %

Investments in housing construction amounted to 605.7 billion Tenge (+ 15.5% p/a) by June 2019. State programs support high activity in the housing construction market, as a result of which state investment in housing construction reaches 32.5% in East Kazakhstan, 34% in Northern Kazakhstan, 29% in Shymkent and 37% in Pavlodar. Housing commissioning for the half of the year decreased by 1.9%p/a, to 5.7 million m^2. In the city of Nur-Sultan, housing commissioning decreased by 36.8% to 859.4 thousand m^2, In Almaty there was a slight increase of 2%p/a to 954.4 thousand m^2, and in general for these two cities about 32% of all commissioned housing in the republic accounted for. There was an increase in housing commissioning in almost all regions except Mangistau. For example, housing commissioning in the newly formed Turkestan region almost doubled over the period. In turn, prices for primary housing for the year from June 2018 to June 2019 in the republic increased by 7%, in Nur-Sultan they increased slightly by 5.4%, in

Almaty - by 3.3%, in Karaganda has not changed, prices also increased by10.6% in Kostanay and by about 20% in Semey, Taraz and Pavlodar. (Kazakhstan in numbers, 2020)

4.2.3 Labor market

Based on the statistics data, the employed population grew by 1.3% p/a and amounted to 8.8 million in the second quarter of 2019 (8.7 million at the end of 2Q2018). Employment growth has been observed continuously since the end of 2017, but in the second quarter, the trend of accelerated employment growth declined after a peak of 2.1% p/a in March 2019, and returned to 1.3% in June (Pic. 14). Against this background, the unemployment rate has remained at a minimum level of 4.8% since the second half of 2018.

In the context by industries, the data for the second quarter is not yet available. In the first quarter, there was a strong growth of demand for workers in the other services industries by 21.4% p/a (+51 thousand employees); in the utilities sector + 13.7% p/a (+10 thousand employees); in the arts, entertainment and recreation sphere - an increase of 12.8% p/a (+17 thousand employees). The reduction in employees was observed in real estate operations sector - 7.4% p/a (-11 thousand employees); in telecommunications - 6.3% p/a (-12 thousand employees). The employment structure in the first quarter of 2019 did not change for the year, the services sector provided employment for 73% of workers, the largest share of employees was noted in trade 16%, in agriculture 13.8%; 12.6% in industry and education; 7, 3% in transport; 7.2% in construction; 5.7% in healthcare and 5.6% in governance.

The average monthly wage in June 2019 increased by 8.8% p/a to 178 thousand tenge. The minimum wage was increased up for 50%, to T42.5 thousand. As a result, the growth of the wages by 13% on average over 6 months of 2019 was outlined, which is significantly higher than 7% on average in the similar period of the previous year.

Thus, the growth of real wages amid a slowdown in inflation is at the level of 5%, which is largely the result of a government initiative to increase the welfare of the population, according to which, it is planned to spend about 1 trillion tenge on raising the wages over the next three years.

**Figure 9: The dynamics of the working-age population of RK for 2015-2018,%**

4.2.4 State budget indicators

State budget revenues (excluding the transfers from the National Fund) for January-June 2019 increased by 14.8% p/a and amounted to 4.4 trillion tenge. Tax revenues to the state budget increased by 15.3% p/a to 4.2 trillion tenge or 46.7% of the annual plan, which is a rather weak indicator compared to 47.6% for 1H2018, and 48.3% for 1H2017. Incomes from CIT (corporate income tax) increased by 17% p/a, from IIT(individual income tax) - by 2% p/a, social tax - 11% p/a, VAT - 27% p/a, excise taxes - 8% p/a. Transfers from the National Fund grew by 27% p/a. Thus, 29% of the state budget revenues were generated through transfers, which is higher than the figure of 27% in the same period of 2018.

State budget expenditures for January-June 2019 increased by 16.8% p/a and amounted to 6 trillion tenge (44.4% of the plan, 44.9% for 1H2018). Defense spending increased by 11.5% p/a, spending on other public services increased by 14% p/a. Due to the increase in pensions and benefits, social security expenses increased by 24% p/a. Expenditures on the economy increased by 20% p/a: transport, industry, agriculture, etc. Public debt servicing expenses increased by 28.2% p/a, which can be attributed to the growth of the public debt and weakening tenge this year, given that one third of the total public debt are the external borrowings. Expenditures sharply increased under the "Other payments" account, where the largest expense item is the targeted transfer of 390 billion tenge to the "Astana International Financial Center Administration" JSC.

Figure 10: RK State budget revenues, bn tenge
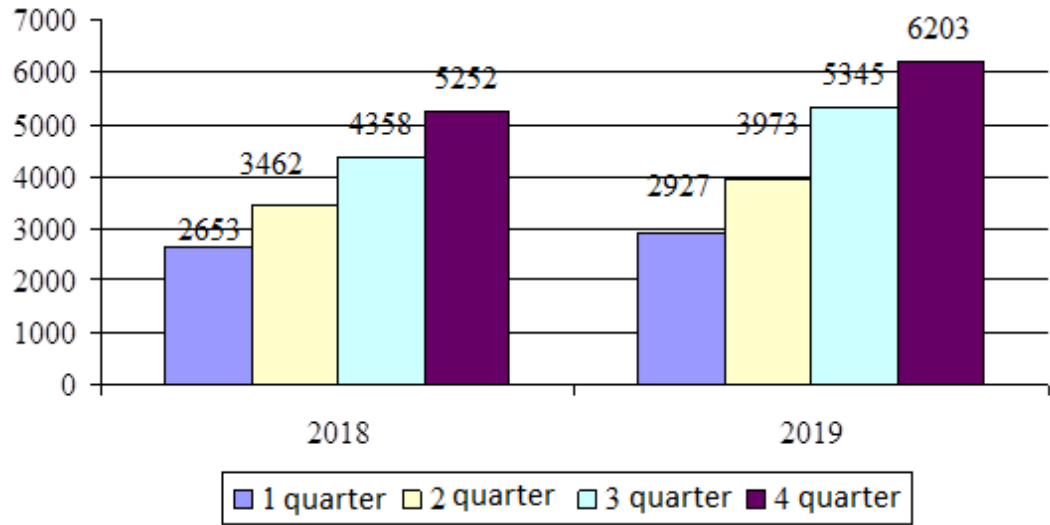
The state budget balance in January-June 2019 was formed with a deficit of 112 billion tenge (-79 billion tenge for 1H2018) with a planned deficit of 1.4 trillion tenge for 2019 or 2.1% of GDP. It is against a deficit of 1, 5% before making changes to the budget this year due to an increase in government spending.

Revenues to the National Fund for the 1H2019 from the oil and gas sector increased by 10.5% p/a to 1.5 trillion tenge.

Figure 11: RK State budget indicators (consolidated), bn. tenge
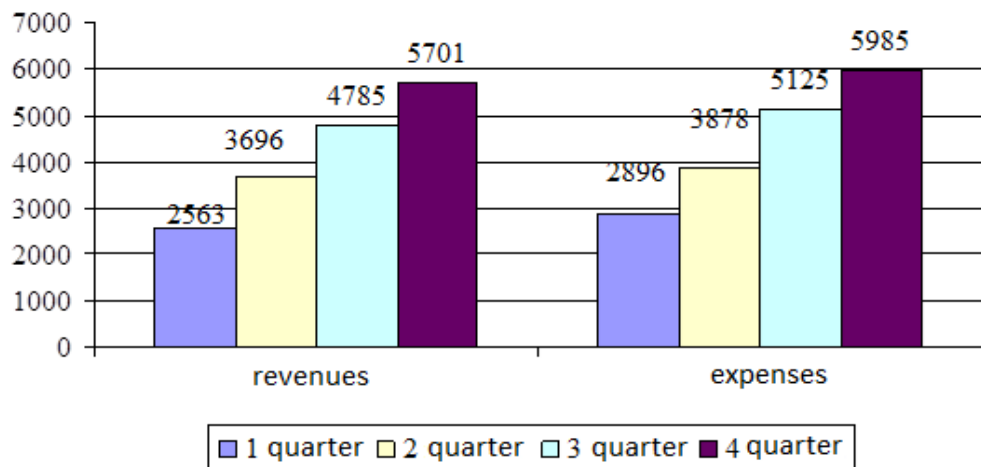
For all the taxes except the mineral extraction tax, the strong growth was observed. It should be noted that income from the mineral extraction tax substantially depends on one-time payments by subsoil developers.

The amount of the National Fund's expenditures increased by 26% p/a to 1.8 trillion tenge due to the introduction of a targeted transfer in the amount of 370 billion tenge this year. According to data for the 1H2019, the use of the National Fund's funds exceeded tax revenues on 313 billion tenge, due to that the assets of the National Fund can grow only slightly this year, mainly due to investment income. The funds of the National Fund at the end of June amounted to 26.2 trillion tenge against 25.4 trillion tenge at the beginning of the year, the share of foreign currency assets increased from $57.7 billion to $58.2 billion (85% of the fund's total assets).

Consolidated budget of the country:

The oil revenues of the consolidated budget (including the operations of the National Fund) showed an increase of 13% p/a in the 1H2019 due to an increase in physical volumes of oil export by 3% p/a, an increase in revenues to the National Fund by 10% and a weakening of tenge by 14%, which compensated the drop in oil prices by 7% p/a. At the same time, the share of oil revenues in the consolidated budget revenues increased to 35% from 26% in January 2019, steadily increasing together with the rising oil prices. Non-oil revenues increased by 14% p/a, which turned out to be better than the indicator for the 1H2018 at 11%. The total revenue of the consolidated budget increased by 14% p/a and reached 5.9 trillion tenge.

Consolidated budget expenses increased by 18% compared to the corresponding period of 2018. The consolidated budget deficit increased to 425 billion tenge against the deficit of 156 billion tenge in January-June 2018. At the end of 2019, the deficit, according to estimations, will amount to 1.4 trillion tenge or 2.1% of GDP (-0.2% in 2018).

The non-oil deficit of the consolidated budget for the 1H2019 amounted to 2.5 trillion tenge and increased compared to 2 trillion tenge for the 1H2018.

**Figure 12: RK State budget deficit (consolidated), tn tenge**
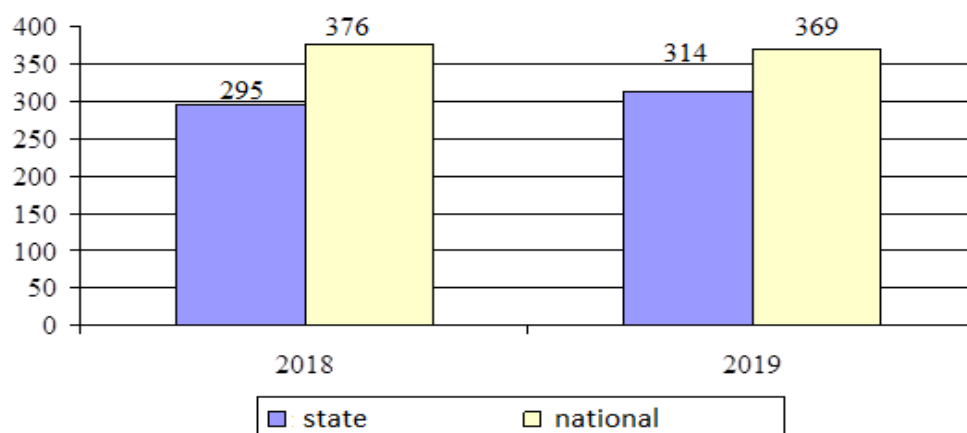
Source: (Li, Yuan, Schmerer, Hans-Joerg, 2017)

4.2.5   Inflation and the monetary policy

From the beginning of 2019 inflation increased by 2.6% at the end of the first half of 2019 and equaled the same value of 1H2018. In annual terms, the inflation rate slowed to 5.4% from 5.9% a year earlier. The main contribution to the price growth over the six months of this year was provided by the food products (2.2% out of 2.6%), non-food products added 0.7%, which is approximately the same as last year, while services under the influence of the state regulation deducted 0.3% from the total increase in consumer prices.

At the beginning of this year the tariffs for housing and communal services were frozen. Which immediately affected the decline in the cost of services as a component of the consumer price index by 1.5% in February. However, due to the rising food prices and inflationary pressures, caused as well by an increased spending by the state budget, in the first half of the year services have already reduced the fall to 0.9%, i.e. the effect of tariff reductions is gradually decreasing. At the same time, the actual inflation rate could have been higher if there had not been the tariff regulation and the reversed correlation between the changes in prices for non-food products and the weakening of the national currency.

Figure 13: Share in prices growth, %
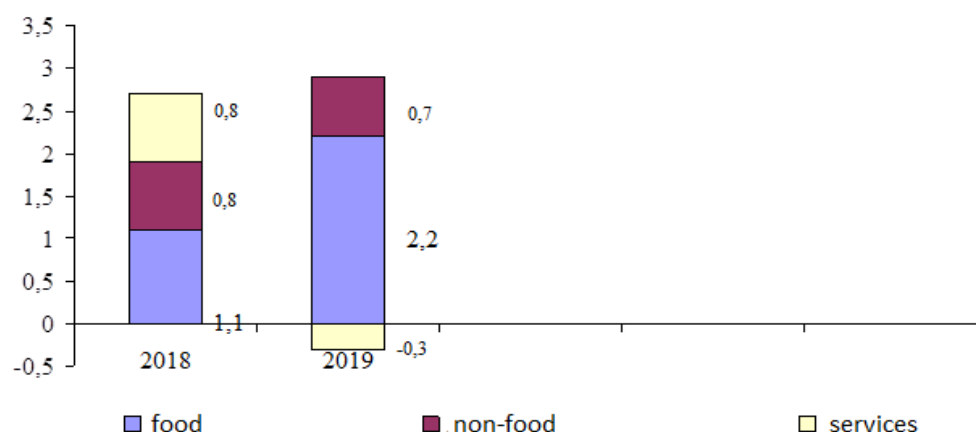
Source: Kazakhstan in numbers - 2019. // Ministry of National Economy of the Republic of Kazakhstan. Statistics Committee. Electronic resource: https://economy.gov.kz, 2020

The results of the June polls published by the NBK showed an increase in inflationary and devaluation expectations of the population. The proportion of respondents expecting acceleration in price growth in the next 12 months increased to 24.3% in June from 21.9% in May (18.9% in June 2018, 28.2% at the peak in September of 2018). The proportion of respondents expecting a decrease or unchanged price positions did not change compared to the previous month and showed 10.6% (8.5% in June 2018) with a minimum of 5.8% in October 2018. In June 2019 the percentage of respondents expecting a US dollar currency rate growth rose to 67.1% compared to 65.7% in the previous month (49.9% in June 2018), which is slightly lower than 70.7% at its peak in September 2018. At the same time, the amount of net expenditures of the population for the purchases of dollars cash in January-June increased by 140% compared to the same period in 2018 to 939.4 billion tenge. June was a record month when the population acquired on a net basis more than $ 1 billion ($ 200-300 million in June 2017 and 2018) which is the highest level since July 2015. It should be noted that back then the dollar was worth about half of its current price - 187 tenge.

Thus, it is clear that the devaluation expectations of the population are at a very high level.

In contrast to the previous years, additional budgetary expenses related to the decision to increase the welfare of the population directly affect the consumer market, as they include increasing salaries, pensions, improving housing affordability, writing off

expired consumer loans and many other measures. These measures have an impact on prices in the consumer market. Despite the current national currency weakening trickle-down effect absence, this factor will eventually manifest itself and will reflect in the official statistics on inflation. Recall that the weakening of the tenge against the dollar in January-June of this year amounted to 14% p/a, a similar change to the ruble amounted to slightly more than 5% p/a. In addition to internal factors, the situation in external markets is aggravating, in particular, the FAO (Food and Agriculture Organization of the United Nations) notes the global increase in food prices since the beginning of this year, which is also affected by floods and droughts in different parts of the world. Increasing inflationary and devaluation expectations of the population, which began to grow at the beginning of this year, are not far from the peak that was reached in the early fall of the previous year, and subsequently, the pressure on consumer prices is significant. According to the basic forecast, an inflation this year will be 5.4%.

Monetary policy, interest rate policy:

During the first three months of this year, the base rate of the regulator remained unchanged at 9.25%, however, at the April meeting of the NBK it was decided to lower the rate by 0.25% while maintaining the corridor for the provision and withdrawal of liquidity +/- 1%. The decision to lower the rate took place against the background of a decrease in annual inflation to 4.8% in March, which was accompanied by an increase in inflation expectations. At the same time, upward dynamics of oil prices was observed in global markets from the beginning of the year up to $74.6 in April. Inflation in the Russian Federation reached 5.3% p/a in March. Domestic demand was supported by the growth in real cash income, growth in business activity and growth in consumer lending. Monetary conditions, despite the reduction in rates, remained neutral. At the June meeting, the regulator left the base rate at 9.0% while maintaining the interest rate corridor. The decision on the rate was taken against the backdrop of accelerated inflation to 5.3% p/a and increased volatility in the hydrocarbon markets and low inflation in the countries of trading partners. Among the main risks indentified by the regulator and hindering a further slowdown in inflation were an increase in aggregate supply and domestic demand. The regulator pointed to the gap when the actual GDP is higher than the potential, which creates an inflationary pressure on the economy.

Domestic demand was still supported by growth in real cash incomes, expansion of consumer lending (+14.6% p/a) and an increase in the size of social payments and wages. The regulator estimated the contribution to inflation from the social initiatives implementation in not more than 0.3%.

In the money market in the second quarter of 2019, 93.2% (91.3% in the second quarter of 2018) of all transactions were carried out as a part of automatic repos with government securities in the amount of 16.807 billion tenge (+5.3% p/a, 15.955 billion tenge in the 2Q2018). The maximum volume of transactions on automatic repos was in May and amounted to 471 billion tenge.

The sterilization of liquidity by NBK notes as for the end of June of this year amounted to 3148 billion tenge, while the effective yield was at the level of 9.02% (8.67% in June 2018). Note that the NBK in the second half of June this year placed short-term notes at the significantly higher rates of return than previous placements. The shift in rates of return occurred on 0.7%-1.0%. At the same time, money market rates formed at the lower boundary of the base rate corridor. However, it's believed that money market rates will also gradually adjust upward. The actions of the NBK in terms of increasing the yield by its instruments without tightening the monetary conditions by raising the base rate are aimed at moving of the liquidity volumes excess from short placement terms to more distant ones. In addition, by offering the higher returns, the regulator increases the attractiveness of placing funds in tenge (compared to instruments in global markets with lower returns), not only for residents, but also for non-residents. And this, in turn, should provide additional support to the national currency in conditions of volatility of energy prices.

As at the end of June this year, according to the preliminary data from NBK, the volume of excess liquidity amounted to about 4.3 trillion tenge in the structure of related liquidity at the end of the period. (Majumdar, 2016)

4.3 Strategies and programs on Republic of Kazakhstan economy development

Further I will describe the Strategies and Programs, which significantly influence the economic development of Republic of Kazakhstan.

Among   the   main   programs   there   are:
1) "Kazakhstan-2050" strategy, which envisages the realization of seven long-

term   priorities:

1. The economic policy of the new course - comprehensive economic pragmatism based on the principles of profitability, return on investments and competitiveness.

2. Comprehensive support for entrepreneurship, the leading force of the national economy.

3. New principles of social policy - social guarantees and personal responsibility.

4. Knowledge and professional skills as the key guidelines of the modern education system, training and retraining of the personnel.

5. Further strengthening of statehood and the development of Kazakhstani democracy.

6. Consistent and predictable foreign policy - promotion of national interests and the strengthening of regional and global security.

7. The new Kazakhstani patriotism as the basis for multinational and multiconfessional society success. (Zhanabergenova, Rakhmatulina, 2016)

2) "Nurly zhol" state program of the infrastructural development for 2015-2020.

The Nurly Zhol program was approved by Decree of the President of the Republic of Kazakhstan No. 1030 dated April 6, 2015.

The goal is the formation of a single economic market by integrating the country's macro-regions based on the building of the effective infrastructure on a hub principle in order to ensure the long-term economic growth of Kazakhstan, as well as implementing the anti-crisis measures to support certain sectors of the economy in the face of worsening conditions on foreign markets.

The key objectives of the program are:

-creation of an efficient transport and logistics infrastructure according to the "ray" principle;

-development of the industrial and tourist infrastructures;

-strengthening the energy infrastructure within the framework of the Unified Electric Power System;

-modernization (reconstruction and construction) of the infrastructure of the housing and communal services, and the heat, water and wastewater systems;

-increasing the affordability of housing for citizens;

-development of an educational infrastructure;

-increasing the competitiveness of business entities;

-domestic engineering support;

-export support;

-increasing the competitiveness of agribusiness entities;

-provide the infrastructure to the projects of the Business Road Map - 2020;

-ensuring the safety of product quality through the laboratory facilities development;

-provision of knowledge about the territory of Kazakhstan with the assessment of forecast resources. (Zhanabergenova, Rakhmatulina, 2016)

3) The Strategic Plan for the Development of the Republic of Kazakhstan until 2025 is a document of the state planning system for the medium term and it is developed to implement the long-term Development Strategy of Kazakhstan until 2050.

The strategic plan until 2025 launches the processes of the Third Modernization of the country, which was announced by the Head of State in early 2017; and sets the goals of accelerated high-quality economic growth and raising the standard of living in the country.

The Strategic Plan until 2025 is replacing the Strategic Plan for the Development of the Republic of Kazakhstan until 2020, which leveled off the effects of the global financial crisis and accelerated the transition to diversified sustainable economic growth. The main tasks and target indicators of the Strategic Plan until 2020 are fulfilled, the remaining ones are implemented through the state programs and plans.

The main goal until 2025 is to achieve a qualitative and sustainable economic recovery, leading to an increase in the people's well-being to the level of the countries of the Organization for Economic Cooperation and Development. (Zhanabergenova, Rakhmatulina, 2016)

4) State program of the industrial and innovative development.

The state program of industrial and innovative development of the Republic of Kazakhstan was approved by Decree of the President of the Republic of Kazakhstan No. 874 from August 1, 2014.

The goal of the program is to stimulate the diversification and increase the competitiveness of the manufacturing industry.

The key objectives of the program are:

-advanced development of the manufacturing industry;

-increasing of efficiency and the value added growth in priority sectors;

-expansion of markets for the non-commodity goods sale;

-increasing of the productive employment;

-giving a new level of manufacturability to priority sectors of the manufacturing industry and laying the foundation for development of the sectors of the future through the formation of innovative clusters;

-stimulation of entrepreneurship and the development of small and medium-sized businesses in the manufacturing industry. (Zhanabergenova, Rakhmatulina, 2016)

5) State program of the education development in the Republic of Kazakhstan.

The State Program of the Development of Education of the Republic of Kazakhstan for 2011-2020 was adopted by Decree of the President of the Republic of Kazakhstan No. 1118 from December 7, 2010 (amendments were made by Decree of the President of the Republic of Kazakhstan No. 423 from 02.11.2012; by the Decree of the President of the Republic of Kazakhstan No. 893 from 08.08.2014 the „Balapan" program was integrated for 2010-2020 to provide children the preschoold education).

The goal are: the growth of the education competitiveness, the development of human capital by ensuring the availability of quality education for sustainable economic growth. (Zhanabergenova, Rakhmatulina, 2016)

6) "Digital Kazakhstan" State program

The Digital Kazakhstan program was approved by Decree of the Government of the Republic of Kazakhstan No. 827 from December 12, 2017.

The goal of the Program are to accelerate the pace of economic development and to improve the quality of life of the population through the digital technologies use in the medium term, as well as to create the conditions for transition of the economy of Kazakhstan to a fundamentally new development path that will ensure the creation of the digital economy of future in the long term.

Key objectives of the program:

-digitalization of the industry and the electric power industry.

-digitalization of transport and logistics.

-digitalization of agriculture.

-development of electronic commerce.

-development of financial technologies and cashless payments.

-state - to citizens.

-state - to business.

-digitalization of the state bodies' internal activities.

-"smart" cities.

-extending the coverage of communication networks and ICT infrastructure.

-provision of information security in the field of ICT.

-improving the digital literacy in secondary, technical and professional, higher education.

-increasing the digital literacy of the population (training, retraining).

-support of innovative development sites.

-development of technological entrepreneurship, startup culture and R&D.

-attraction of "venture" financing.

-formation of the demand for innovation. (Zhanabergenova, Rakhmatulina, 2016)

7) State program for the development and functioning of languages in the Republic of Kazakhstan.

The state program for the development and functioning of languages in the Republic of Kazakhstan for 2011-2020 was adopted by Decree of the President of the Republic of Kazakhstan No. 110 from June 29, 2011.

The purpose of the Program is a harmonious language policy, which ensures the full-scale functioning of the state language as the most important factor in strengthening national unity while preserving the languages of all ethnic groups living in Kazakhstan.

The key objectives of the program are:

-improvement and standardization of the methodology of the state language teaching;

-development of the infrastructure for the state language teaching;

-stimulating the process of the state language teaching;

-increasing the prestige of the state language usage;

-increasing the demand for the state language;

-improvement and systematization of the lexical fund of the Kazakh language;

-improvement of the language culture;

-functioning of the Russian language in the communicative language space;

-preservation of linguistic diversity in Kazakhstan;

-learning of English and other foreign languages. (Zhanabergenova, Rakhmatulina, 2016)

8)"Densaulyk" State Health Development Program of the Republic of Kazakhstan for 2016 – 2020.

"Densaulyk" State Health Development Program of the Republic of Kazakhstan for 2016 - 2019 was adopted by Decree of the President of the Republic of Kazakhstan No. 176 from January 15, 2016.

The purpose of the program is to strengthen public health in order to ensure sustainable social and economic development of the country.

The objectives of the program are:

-development of a public health system;

-improving disease prevention and management;

-improving the efficiency of management and financing of the health system;

-increasing the efficiency of resources usage and improving the infrastructure of the industry.

Thus, we can conclude that all these programs can have a significant impact on the development of the economy of Kazakhstan and help to bring the country to the development of innovative economic policy of a new course. (Zhanabergenova, Rakhmatulina, 2016)

5 Problems and measures on the improvement of Republic of Kazakhstan socio-economic development

5.1 SWOT-analysis and identified problems of development of Kazakhstan economy

Thus, after the overview of the economic developement features of Kazakhstan, the following problems were identified:

-weak guarantees on the long-term investments safety and support;

-insufficient awareness of the foreign business circles about the prospective of investments in cities;

-low susceptibility level of business to the technological innovations;

-lack of scientific personnel in technical, engineering specialties and innovative management;

-insufficient harmonization of the professional standards with educational standards;

-imperfection of the management system on the innovative projects implementation.

To identify the strengths and weaknesses of the Kazakhstani market, threats to its development and favorable opportunities, a SWOT analysis was carried out.

The SWOT analysis allows us to briefly present the situation on the market - the dangers and opportunities that await the subject of market relations, as well as its weak and strong characteristics - that is, its potential.

The method of SWOT analysis is the procedure for collecting data and establishing the correspondence between the internal strong and internal weak properties of the organization, favorable and adverse environmental factors. Stages of SWOT analysis:

1) Distribution of research data on the marketing activities of the organization in the relevant sections: Strengths and Weaknesses, Opportunities and Threats.

2) The use of structured data to determine the direction of change, improvement the situation. ("Kazakhstan-2050" Strategy, 2015)

A SWOT analysis of Kazakhstan's economic development is presented in the Appendix in Table 3.

Based on the examination of SWOT - analysis of the economic development of Kazakhstan, in my opinion, the following recommendations can also contribute to strengthening the competitiveness and sustainability of the economy of Kazakhstan:

-development of high-tech types of production and innovation;

-assistance in the development of the high technologies, which are specific for the regional technical basis;

-introduction of resource and energy-saving technologies;

-modernization of the traditional types of production and updating the material base of firms engaged in key sectors of the country's economy;

-creation of the investment-attractive conditions of entry into the region for the new brand companies and the sphere of intellectual services;

-definition of the "growth points" of enterprises in the real sector, finance and services;

-diversification of production, reducing the level of shadow economic activity; compliance with environmental homeostasis.

Thus, using the conceptual SWOT analysis, one can easily assess the advantages and disadvantages of a country's economic development, which, in combination or

accounting external threats and opportunities, can be strengthened or eliminated. However, it should be remembered that the simplicity inherent to the analysis can lead to hasty, sometimes meaningless conclusions, when an outdated or unreliable information can lead to the biased results.

Therefore, it is advisable for Kazakhstan to work towards improving its investment attractiveness, as one of the key tasks determining the degree of success of any strategy is the evaluation of the attractiveness of strategic economic zones.

5.2 Measures on the improvement and development of Republic of Kazakhstan economy

Based on the problems of the economy of the Republic of Kazakhstan considered, I believe that in the next decade, five key areas will be priority in the activities of the state:

The first key area - preparation for post-crisis development - includes measures to create a more favorable business environment, strengthen the financial sector and improve the legal system.

Actions within the second key area will help to accelerate the diversification of the economy of Kazakhstan as a result of the implementation of the program of forced industrialization of the country and the development of infrastructure.

The quantity and quality of human resources are fundamental factors determining the future of any country. The third area - investment in the future - will include measures necessary to improve the quality of human resources in Kazakhstan in the long term.

Within the fourth key area - services for citizens - measures will be strengthened for the social protection of the population and the effective provision of housing and communal services.

Within the framework of the fifth key area - interethnic harmony, security, stability of international relations - measures will be envisaged to strengthen the internal stability, security, peace and harmony, and to develop a peaceful foreign policy.

The basis for the five key areas of development of Kazakhstan until 2020 is a rational macroeconomic policy. In order to create favorable conditions for the restoration and diversification of the economy, to prevent its "overheating", an anti-cyclical fiscal policy is carried out, which provides for restraining of the government spending during a period of economic growth and its increasing during a recession. At the same time, the

non-oil budget deficit by the end of the next ten-year period will not exceed 3% of GDP. Monetary policy will increase the effectiveness of measures to curb an inflation.

The "Kazakhstan - 2050" strategy was developed for the successful modernization of various fields of the state activity. The strategy contains 7 areas: management, energetics, ecology, high-tech economy, human capital, urbanization and international integration.

Of course, economics, in this case, is the most important aspect.

What does the term "high-tech economy" mean? For the successful development of the economy, the accelerated development of science and innovation is necessary. It is necessary to increase the potential of Kazakhstani science, improve legislation on financing and protection of intellectual property, research and innovation, commercialization of scientific projects and developments.

In his Message to the People of Kazakhstan, the President took appropriate measures: to develop and submit for consideration by the Parliament a package of relevant bills. A concrete plan is needed for a phased increase in the financing of science for specific developments and discoveries working for the country, and bringing it to the level of developed countries. According to the "Kazakhstan-2050" Strategy, the attraction of foreign investment must be fully adapted to the import of new foreign technologies into our country. Together with foreign companies, design and engineering centres must be opened; leading multinational companies that work at the largest oil and gas, mining and metallurgical facilities should be encouraged to set up production in Kazakhstan to meet their own needs and services.

Given that the main goal of the strategy is to become one of the thirty most developed countries in the world, Kazakhstan should be ready for the global economic competition, since many developing countries want to get this place. In this regard, the primary goals were identified: further development and strengthening of statehood; transition to new principles of economic policy; comprehensive support of entrepreneurship as for the leading force in the national economy; the formation of a new social model, etc.

What are the main directions of the economic course of the strategy? The economic policy of the new course is a comprehensive economic pragmatism based on the principles of profitability, return on investments and competitiveness.

What does comprehensive economic pragmatism mean?

At first. The adoption of all, without exception, economic and managerial decisions in terms of economic feasibility and long-term interests.

The second one. Identification of new market niches where Kazakhstan can participate as an equal business partner. Creation of new points of economic growth.

The third. Creating a favorable investment climate in order to build economic potential. Profitability and return on investments.

Fourth. Creation of an effective private sector of the economy and development of public-private partnerships. Export stimulation by the State.

So, let's determine the basic principles of an effective economic strategy of Kazakhstan for the coming years and for the future. First of all, this is the principle of openness of the economy of the republic, it is a choice between self-isolation and openness, between autarchy and a market economy integrated into the world economy. The second principle is the principle of enhancing the importance of the "personal" factor at all levels of management. The third principle is the principle of changing the role of the state in managing the economy. The fourth principle is that priority should be given to the development in society and supported by the state of those projects that are aimed at cheaper technologies, their environmental safety and reducing the consumption of natural and human resources. The fifth principle is the principle of combining economic and administrative methods of economic management. The sixth principle is the provision of civil security in the republic. Finally, the seventh principle is the principle of environmental safety or the principle of the unity of man and nature.

Proceeding from this, the decisive factor in the reforms of the republic is not the time horizon of the transition period, but the nature of the decision, sufficient for a qualitative change in the situation for the long term.

5.3 Forecast of socio-economic development of Republic of Kazakhstan for 2018-2022

In the medium term, the socio-economic policy of the Republic of Kazakhstan will be aimed at the further implementation of the "Kazakhstan-2050 Strategy", taking into account the state and industry programs, the nation's Plan "100 concrete steps" on five institutional reforms, as well as strategic directions of the Message of the Head of State to the people of Kazakhstan from 31 January 2017 called "The Third Modernization of Kazakhstan: Global Competitiveness".

Given the current geo-economic situation in the world, the continuing uncertainty in the world commodity markets and the gradual adaptation of Kazakhstan to new economic realities, the main efforts will be aimed at the continuing of creation of a flexible model of the Kazakhstan economy.

The main goal of the socio-economic policy in 2018 - 2022 is to ensure sustainable and high-quality economic growth in order to enter the "league" of 30 of the most developed countries in the world by 2050.

The implementation of this goal, as well as the tasks defined in the "Kazakhstan-2050 Strategy", the concept of joining to the 30 developed countries, five institutional reforms and the Third Modernization of Kazakhstan is envisaged by the Forecast and the main priorities of the country's socio-economic development for 2018-2022.

The forecast is formed based on:

-reported data on GDP for 2016 and an updated estimation of economic growth for 2017. So, in 2016, nominal GDP amounted to 46971,2 billion tenge, with an increase of 1497,4 billion tenge, real GDP growth was 1.1%.
Since the beginning of this year, there has been an improvement in economic activity, GDP growth for 7 months amounted to 4.0%.

-updated forecasts for global economic growth. So, according to IMF forecasts, in 2017-2018, steady global economic growth was expected at the level of 3.5-3.6% against the backdrop of accelerating of activity in advanced economies countries.

-stabilization of the situation on the world commodity markets. For seven months of 2017, the oil price amounted to $ 51,7 per bbl, and in 2016 - $ 44.

The main macroeconomic indicators of Kazakhstan for a five-year period are presented in the table 4 in the Appendix.

The data in the Table 4 shows that the volume of nominal GDP for 2018 was projected to be 55906,2 billion tenge, will then increase over five years by more than 19900 billion tenge and will be equal to 75875,4 billion tenge. In other words, real GDP growth is projected at 3.1% in 2018, with subsequent growth to 4.2% in 2022, then the average annual GDP growth rate for the coming five-year period will be 3.7%. The calculated GDP per capita will be $9000 in 2018, with an increase to $11700 in 2022.

In accordance with the state programs for the development of the economy of Kazakhstan and taking into account the implementation of the Third Modernization, the highest growth rates according to the forecast are expected in agriculture – 5,7%, transport

- 5.1%, manufacturing industry at the level of 4,2%, in construction - 4,0%, and trade – 3,5%.

A very important macroeconomic indicator in Kazakhstan is oil production. Its size grows according to the forecast from 86 million tons in 2018 to 88,6 million tons in 2022, or by 3%.

Important indicators are the volume of exports and imports of goods. Exports in 2018 will amount to $47,5 and will increase to $60,6 bn in 2022, or 27,6%, the growth rate of imports will be higher – 33,8% and grow from $34 bn in 2018 to $45,5 bn in 2022. You can notice the unfavorable structure of the foreign economic activity of our state.

As for the level of inflation in the country, it is maintained, as in previous years, in the range of 5.0-7.0% in 2018, 4.0-6.0% in 2019, with a subsequent decrease to 3.0-4.0% in 2020-2022.

To achieve such macroeconomic indicators, the following economic policy priorities have been identified:

-ensuring the macroeconomic stability by stimulating the role of monetary policy, ensuring financial stability and effective fiscal policy, taking into account fiscal decentralization.

-accelerated technological modernization through the cultivation of the new industries using digital technologies, technological re-equipment, increasing labor productivity and export potential of basic industries (agro-industrial complex, development of transport and logistics infrastructure, construction sector).

-cardinal improvement and expansion of the business environment through the frontal reduction of all types of costs for business, development of competition and private capital through a reduction in the state's share in the economy and the expansion of public-private partnerships.

-improving the quality of human capital through ensuring accessibility and improving the quality of education, transforming the health care system and increasing the effectiveness of social security through strengthening its targeted nature.

-institutional transformations through the implementation of OECD best practices and recommendations, the formation of an effective public administration system through a professional state apparatus and the provision of high-quality public services.

-balanced regional development with the aim of expanding and strengthening the economic independence and responsibility of the regions, achieving equal living and working conditions for citizens of Kazakhstan regardless of place of residence.

-international integration and interaction through the adaptation of the economy and business to the conditions of functioning in the new economic integration associations.

The data in Table 5 shows that the total revenue as for the forecast for a three-year period increases from 8578,5 bn tenge in 2018 to 9190,2 bn tenge in 2019 and to 9566,2 bn tenge in 2020 or an increase of 111,5%. In revenues, the most significant item are budget revenues. Without taking into account the transfers, in 2018 they are projected in the amount of 5528,4 bn tenge (with an increase of 636,5 bn tenge compared to 2017), in 2019 - 6 403,9 bn tenge, in 2020 – 7175,8 bn tenge. Other revenues of the republican budget are the guaranteed transfers from the National Fund of Kazakhstan.

In accordance with the new Concept for the formation and use of funds of the National Fund, the guaranteed transfer to the republican budget was determined with a decrease in volumes by 2,600 bn tenge in 2018, 2,300 bn tenge in 2019, and 2,000 bn tenge in 2020 . The budget deficit in 2018 is proposed to be reduced to 1,1% of GDP, and in 2019-2020 to be determined at the level of 1% of GDP. Such a decrease in the deficit will make it possible to ensure the size of the Government debt at the level of no more than 25% of GDP.

Consideringt the projected revenues and the planned deficit, the forecast of expenditures of the republican budget is defined in the following amounts: in 2018 – 9217,9 bn tenge, in 2019 – 9798,2 bn tenge, and in 2020 – 10219,7 bn tenge, which is 10,9% higher than the level of 2018. In other words, if the growth rate of revenues is almost 30%, and the growth rate of expenditures is much lower, then this made it possible to predict a significant decrease in the budget deficit for 2018-2019 despite a reduction in the guaranteed transfer.

The forecast of the main budget parameters for 2018 - 2020 will help to ensure the solution of the following tasks of the budget policy: reducing the dependence of the budget on oil revenues; stabilization and preservation of assets of the National Fund; increasing the efficiency of budget spending; continued fiscal decentralization and increased independence of local executive bodies.

In order to reduce the budget's dependence on oil revenues, the fiscal policy, first of all, will proceed from the reduction of the non-oil budget deficit. In the medium term,

the guideline will be the reduction of the level of non-oil deficit to 7% of GDP in 2020. This will be possible by reducing the use of funds of the National Fund, stimulating the growth of revenues from the non-oil sector, as well as streamlining budget expenditures. Rationalization means increasing the efficiency of budget expenditures, which will be directed to budget programs that ensure the implementation of the priorities of the country's socio-economic development. (Majumdar, 2016)

Thus, solving the problems of budget policy will contribute to achieving its main goal - strengthening the sustainability of public finances and supporting further economic growth.

6 Conclusion

The objectives of this study were to analyse the economy of the Republic of Kazakhstan, identify problems and suggest prospects for the development of the economy of Kazakhstan in the modern period.

To achieve this goal, the following tasks were solved:

-the theoretical aspects were studied and a literature review on the research topic was conducted;

-the practical research and analysis of the economy of the Republic of Kazakhstan for 2017-2019 was conducted;

-a SWOT analysis of the economy of Kazakhstan was carried out, problems were identified and measures were proposed to improve the socio-economic development of the Republic of Kazakhstan;

-the forecast of socio-economic development of the Republic of Kazakhstan for 2020 - 2022 was described.

So, based on the foregoing, in the thesis, we can conclude that today, Kazakhstan has received recognition as a country that successfully develops its economy. This is confirmed by the world competitiveness rating. In 2015, Kazakhstan was ranked 59th in the global competitiveness index among 140 countries and rose most rapidly in such categories as "macroeconomic environment" (25th place) and "labor market efficiency" (18th place). Such indicators were achieved due to the government's policy of the investment climate improvement.

Based on the SWOT analysis, I determined that for the stable functioning of the national economy of the Republic of Kazakhstan, it is necessary to strengthen the positive, competitive socio-economic conditions, which means the need of:

-further growth of investments in infrastructure development;

-improving the tariff policy, making it more favourable for the population and the small and medium-sized businesses;

-introduction of a progressive income tax and luxury tax;

-use of tax incentives (lower rates, tax holidays);

-solving the problems of regulating VAT and customs duties for importers and exporters;

-credit stimulation.

In general, Kazakhstan has a lot of work to do on macroeconomic stabilization as part of the Strategic Development Plan implementation until 2025 towards the Third Modernization of the country, which carries the name "National Technology Initiative of Kazakhstan". For this we need the cooperated work of the National Bank and the Government of the Republic of Kazakhstan with the interaction of all ministries, departments and the business community.

Today, a task has been set and active work is being carried out to ensure Kazakhstan's entry into the list of 30 most developed countries of the world. An important step in this direction is the entry of the Republic of Kazakhstan into the Investment Committee of the Organization for Economic Cooperation and Development. All these measures are aimed at creating the most comfortable conditions for investors, national and foreign, and further promoting Kazakhstan to the world stage as a regional investment hub.

The new course of Kazakhstan's economic policy, focused on the industrial and innovative development in the terms of global challenges, requires improving the system of qualified personnel training, capable of providing the labor force with the priorities for the development of the national economy.

For this purpose, the following questions should be resolved:

-the medium and long term forecasting of the human resources requirements;

-the formation of a model of continuing education, including an interconnected system of technical and vocational, engineering and additional professional education;

-development of the mechanisms of interaction between the state and business to attract specialists to the economy's priority sectors;

-development of the funding-enhancing mechanisms for the science and higher education system to maximize the training of competitive domestic highly-qualified personnel;

-development of the higher education system 's modernization measures to improve the quality of educational services and their accessibility for all segments of the population;

-stimulating the creation of business-incubators and small innovative enterprises, technology parks;

-introduction of the modern educational standards, unification of the Kazakhstani educational system and the development of the mechanisms of effective interaction with the educational services consumers;

-development of public-private partnership (PPP) during training of personnel for innovative sectors of the economy.

Therefore, I believe that these measures will make a breakthrough in improving of the global competitiveness of the Kazakhstani economy possible.

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8 Appendix

Table 3. SWOT-analysis of the economic development of Kazakhstan (Kukleev, 2011)

Internal environment	
Strong sides	Weak sides
1 Competition as the basis of market relations. 2 Negative dynamics of the share of monopoly on the market. 3 Market self-regulation through the free market prices and competition. 4 Redeveloping, informational, stimulating market functions are sufficiently developed. 5 Favorable geographical and geopolitical position, convenient location relatively to the economic centers of China, Russia. 6 High provision of resources of the Kazakhstan economy (natural resources, raw materials, tourist facilities, etc.). 7 The presence of transport corridors passing through Kazakhstan and the "Khorgos"trade hub. 8 A stable supplier of energy resources to world markets. Security, stability. 9 Lack of clear political and economic conflicts.	1. The presence of the monopolists on the market. 2. Closed information of monopolistic enterprises. 4. More than 65% of the product market is occupied by firms with a dominant share in the volume of output of goods and the provision of services. 5. A small volume of aggregate demand and a small volume of the domestic market. 6.. High level of bureaucratization in decision-making in the state apparatus. 7. Low competitiveness of products of Kazakhstan and Central Asian countries. 8. Dependance on raw materials of RK. 9. Underdeveloped transport infrastructure, underdeveloped logistics infrastructure.
External environment	
Opportunities	Threats
1. Antitrust policy of the state. 2. Prospects for a market economy in Kazakhstan - complete demonopolization. 3. The government seeks to prevent the transformation of the large businesses that arose on the basis of cooperation and concentration into a monopoly. 4. State control over monopoly markets, through the Law of the Republic of Kazakhstan "On Competition". 5. State prohibition of anti-competitive agreements. 6. Creation of the antimonopoly committee of the CIS countries at the initiative of the Republic of Kazakhstan. 7. Creation of a single economic space in the territory of the customs union. 8. Prohibited anti-competitive actions of state bodies. 9. The provision of state assistance to market entities for research, support for agricultural producers and small businesses. 10. Accession to the WTO.	1. In any case, the monopoly realizes its economic interest - making profit through the consumer. 2. Anti-competitive agreed actions of market entities (collusion of competitors). 3. Kazakhstan in the ranking of global competitiveness of the World Economic Forum in terms of efficiency is on th 81 place only. 4. The increase in the share of government regulation in the economy. 5. The difficulty of joining the WTO. 6. The risk of becoming dependent on China's investments. 7. The possibility of political pressure in the future from the United States and several EU countries. 8. The risk of benefiting from the project only as transit countries. 9. Low product competitiveness. 10. Low scientific, scientific-technical, investment and innovative activity.

11. Free movement of goods, capital, people. 12. The increase in demand for raw materials in Kazakhstan. 13. Economic cooperation with partner countries. 14. Broadening access to innovative technologies. 15. Strengthening economic cooperation in various fields.	

Table 4: Forecast of the socio-economic development of Republic of Kazakhstan for 2018-2022 (Agency of Statistics of RK. Electronic resource: www.stat.gov.kz , 2020)

№	Names of indicators	Estimation	Forecast				
		2017 г	2018 г	2019 г	2020г	2021 г	2022г
	2	3	4	5	6	7	8
1	GDP, bn. tenge	51855,3	55906,2	60800,0	65352,3	70362,3	75875,4
2	Real GDP change to the previous year, %	103,4	103,1	103,5	103,9	104,0	104,2
3	GDP, $ bn according to the official currency rate	156,4	164,4	178,8	192,2	206,9	223,2
4	GDP per Capita, $	8708,6	9005,9	9676,8	10283,4	10953,3	11692,4

Table 5: Forecast of the basis indicators of the National budget for 2018-2020 (The main socio-economic indicators of RK for 1991-2019, 2020)

№	Names of indicators	Estimate	Forecast		
		2017 г	2018 г	2019 г	2020 г
1	Incomes	9628,5	8578,3	9190,2	9566,2
2	% to GDP	19,4	15,3	15,1	14,6
3	Revenues (excluding transfers)	4891,9	5528,4	6403,9	7175,8
4	% to GDP	9,8	9,9	10,5	11,0
5	Tax incomes	4787,8	5396,1	6284,5	7056,0
6	Non-tax incomes	102,8	126,7	115,5	117,6
7	Incomes from the operations with capital	1,4	5,6	3,9	2,2
8	Incomes of transfers	4651,4	2921,5	2665,4	2301,7
9	Guaranteed transfer from the National Fund	2880,0	2600,0	2300,0	2000,0
10	Targeted transfer from the National Fund	1534,6			
11	Opposite transfer		68,7	79,4	
12	Budget withdrawals	236,8	252,8	286,0	301,7
13	Repayment of the budget loans	82,3	128,4	120,9	88,7
14	Incomes from the sale of the financial assets of state	2,9			
15	Expenditures	11176,4	9217,9	9798,2	10219,7
16	% to GDP	22,5	16,5	16,1	15,6
17	% to the previous year	131,5	81,5	106,3	104,3
18	Deficit	-1547,9	-639,6	-608,0	-653,5
19	% to GDP	-3,1	-1,1	-1,0	-1,0