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ANALYSIS OF KAZAKHSTAN'S EXTERNAL DEBT

The research illustrates a review of the foreign debt structure, dynamics, and risks of Kazakhstan. The research provides an estimate of the public sector foreign debt, private sector foreign debt, intercompany debt, and quasi-public sector obligations.

The study explores sectoral characteristics of foreign debt, including the liabilities of public administration entities, the National Bank, banks, and real economy companies. It confirms that the largest share of the debt structure falls to non-financial institutions and quasi-public businesses. The financial instruments used for attracting foreign debt are studied, and loans and borrowings dominate.

Studies indicate that the primary threats associated with higher debt servicing burden, related to government guarantees of private and quasi-public firms' debts, and volatility of the exchange rate of the domestic currency are revealed.

The analysis is based on the application of system-bibliographic and institutional methods, expert assessments, and comparative analysis, which enable an in-depth examination of the structure of the country's external debt.

The article proposes recommendations to enhance borrowing oversight, increase the transparency of corporate reporting, diversify sources of financing, and develop mechanisms for hedging currency and commodity risks. It highlights the importance of enhancing fiscal discipline and advancing the domestic capital market to support Kazakhstan's long-term fiscal sustainability and macroeconomic resilience.

Keywords: external debt, debt obligations, debt limit, fiscal risks, external borrowing, debt policy, fiscal rules.

Кілт сөздер: сыртқы қарыз, қарыздық міндеттемелер, қарыз шегі, бюджеттік тәуекелдер, сыртқы несиелер, қарыздық саясат, бюджеттік ережелер.

Ключевые слова: внешний долг, долговые обязательства, лимит долга, фискальные риски, внешние займы, долговая политика, бюджетные правила.

JEL Classification: H63

Introduction. External debt is a key economic indicator reflecting a country's financial stability and its ability to meet obligations to foreign creditors. It plays a significant role in the economy by ensuring the inflow of external resources necessary to finance budget deficits, develop infrastructure, and implement strategic projects. However, a high level of external debt may pose certain risks related to debt servicing, dependence on external borrowing, and fluctuations in the global financial environment.

For Kazakhstan, a developing economy heavily reliant on natural resource exports, prudent external debt management plays a vital role in preserving macroeconomic stability and supporting sustainable long-term growth. There have been tremendous shifts in the structure of the country's foreign debt over the recent years, and therefore, there is an imperative for in-depth probing and examination to research intensely associated risks and prospects. For this objective, the aim of the present research is to analyze the structure and dynamics of foreign debt of Kazakhstan and evaluate the most influential factors of debt formation.

The study set the debt growth thresholds based on the external debt covenants established in the Public Finance Management Concept of the Republic of Kazakhstan through 2030.

The findings confirm the hypothesis that Kazakhstan's external debt remains sustainable due to diversification of the sources of financing, development of the non-oil sector, and the accumulation strategy for foreign exchange reserves-even with increasing nominal debt levels and susceptibility to commodity price shocks.

This highlights that the main risk lies in the high share of debt denominated in foreign currency, which can significantly increase the fiscal and corporate burden in the event of tenge depreciation.

This study is based on the application of a system-bibliographic approach, which enabled the review of existing academic literature and methodological frameworks on external debt analysis. Institutional analysis and expert assessment methods were used to examine regulatory documents governing public borrowing and to verify quantitative data on Kazakhstan's current debt policy. Comparative analysis methods allowed for the identification of structural features of Kazakhstan's external debt, assessment of its position, and evaluation of its compliance with debt sustainability criteria.

The data sources include official statistics from the Bureau of National Statistics of ASPR, the National Bank of Kazakhstan, the World Bank, as well as analytical reports and publicly available information from online resources.

Literature Review. A considerable number of academic studies have been devoted to the examination of external debt, each approaching the topic through the lens of how external debt impacts various macroeconomic conditions under different scenarios.

Evidence suggests that higher external debt levels tend to heighten economic vulnerability in the long term by amplifying exposure to external shocks, whereas in the short term, such shocks may temporarily reduce vulnerability. Research indicates that public external debt tends to have a more negative impact on economic stability, whereas private external debt does not show a significant effect [1]. At the same time, economic growth and investment are found to reduce external debt [2], including via macroeconomic linkages [3], [4], where variables like exchange rates, trade flows, and public spending [5], as well as international reserves [6] support its upward trend.

Other studies reveal that in the long run, external debt has a positive effect on unemployment and life expectancy, but a negative impact on net national income [7].

The link between external debt and economic growth reinforces the case for cautious and well-structured debt management, especially in developing countries that face heightened exposure to external shocks [8] and depend on strong institutional frameworks [9].

Despite the existing body of research, there remains a need for in-depth analysis of the structural characteristics and dynamics of external debt, as well as the influence of various factors and debt instruments on borrowing trends. This is especially relevant for assessing compliance with established growth limits in the context of effective public finance management.

Main part. External debt refers to the total financial obligations of the public and private sectors of a country to foreign creditors, denominated in foreign currency. It is used to finance budget deficits, infrastructure projects, and economic support programs. However, it also poses risks to macroeconomic stability. Amid global volatility and a tightening of monetary conditions, the question of debt sustainability gains increased importance, given that scale, compositions, and evolution of external debt influence the balance of payments, the tenge exchange rate, inflationary pressures, and the country's ability to service its obligations.

Kazakhstan's external debt, including intercompany debt, increased in absolute terms from USD 157,1 billion in 2014 to USD 164., billion in 2024 (an increase of 7,6). At the same time, its share of GDP declined from 71,0% in 2014 to 57,6% in 2024 (Figure 1). Although this level is not considered critical by international standards, the nominal growth of external debt raises concerns for Kazakhstan's resource-based economic structure, which remains vulnerable to commodity price volatility.

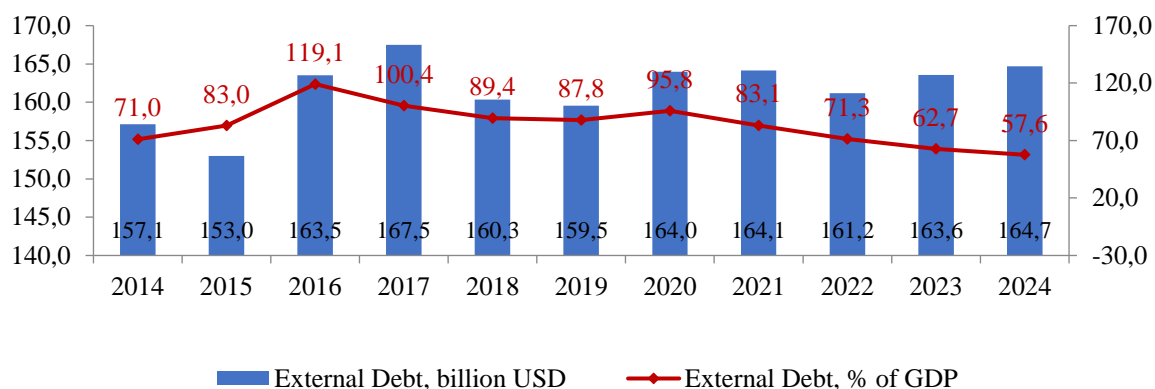


Figure – 1. **External debt of the Republic of Kazakhstan, including intra-company debt, 2014-2024, USD billion / % of GDP**

**compiled based on source [10].*

Kazakhstan's external debt, excluding intercompany liabilities, declined in absolute terms from USD 78,0 billion (35,2% of GDP) in 2014 to USD 73,6 billion (27,3% of GDP) in 2024, representing a 5,6% decrease. However, notable increases were observed during the crisis years of 2016 and 2020.

The largest portion of external debt consists of intercompany liabilities of Kazakhstani residents to affiliated non-residents - primarily parent or subsidiary companies abroad. These are a form of direct foreign investment in the form of debt instruments rather than reinvested earnings. Although often perceived as less risky, such liabilities still represent substantial financial obligations and may pose hidden risks in the event of financial stress among foreign partners.

By sector, general government authorities are among the residents with external debt. Over the past decade, they have accounted for an average of 19% of Kazakhstan's total external debt, reflecting a consistent reliance on external borrowing to support public spending. In terms of GDP, their share stood at 4,5% in 2024. While this figure is not critical, it underscores potential debt burden risks amid unfavorable economic conditions.

The external debt of the National Bank of Kazakhstan accounts for a small portion of the total structure - 2% or 0,9% of GDP in 2024. The banking sector has held around 11% of total external debt over the past ten years (4,3% of GDP).

In terms of maturity, long-term external debt dominates with a 94% share, while short-term debt accounts for just 6%.

Government external debt increased 1.7 times, from USD 8,3 billion in 2014 (3,7% of GDP) to USD 14,0 billion in 2024 (5,4% of GDP), indicating growing public sector obligations to international creditors. In contrast, external debt of state-controlled banks and enterprises - although representing a larger share - decreased from USD 28,0 billion (12,6% of GDP) to USD 15,6 billion (6,0% of GDP), a 1,8-fold reduction over the decade.

The government often acts as a guarantor for private or public sector loans, meaning defaults by borrowers may ultimately affect the national budget. Of concern is the fact that government-guaranteed external debt increased 6,7 times over the last decade - from USD 0,4 billion in 2014 to USD 2,8 billion in 2024.

To ensure long-term fiscal sustainability, Kazakhstan adopted the Public Finance Management Concept until 2030 in 2022 [11]. Under this framework, the external debt of the general government sector, broadly defined, must not exceed 75% of the National Fund's foreign currency assets.

Private sector external debt warrants particular attention due to its significant share in the overall structure. It increased from USD 120,9 billion in 2014 to USD 133,9 billion in 2024 (+10,8%). Although its share of GDP declined from 54,6% to 51,3%, risks remain, especially in crises when government support may be required. Thus, monitoring debt dynamics, foreign exchange exposure, and borrowers' solvency is critical to mitigate fiscal and macroeconomic risks.

Kazakhstan's external debt is categorized by financial instruments, enabling detailed structural analysis. Loans and borrowings constitute the largest share (70,2%), with dependence increasing by 3,6% over the past decade - indicating a reliance on international borrowing. Debt securities account for 11%, having declined by 1,6 times, signaling a shift toward credit-based financing. Trade credits and advances

(6,3%) grew by 21,9%, reflecting enhanced external trade activity. Currency and deposits (1,3%) increased 3,5-fold, showing rising external asset liquidity. Special Drawing Rights (SDRs) – 0,5% - grew 3,9 times, driven by IMF reserve reallocations during global crisis responses.

Nevertheless, vulnerabilities persist - such as nominal debt growth, a high share of intercompany borrowing in foreign currency, dependence on commodity revenues, and hidden fiscal obligations. These factors heighten exposure to currency fluctuations and external shocks, complicating debt management.

Conclusion. The analysis shows that Kazakhstan's external debt remains generally sustainable, with its share of GDP declining and within established limits. However, for long-term fiscal and macroeconomic stability, more advanced borrowing strategies and risk mitigation are needed. Among the main challenges are exchange rate fluctuations, the tightening of global financial conditions, and the persistent need to finance budget deficits – factors that place significant pressure on public finances.

To reduce these risks, diversification of funding sources, development of the domestic capital market, and strengthening of supervision over private and quasi-government borrowing is essential. There should be enhanced transparency of corporate reporting, introduction of hedging products for currency and commodity exposures, and stricter intercompany loan policies. Strengthening fiscal discipline and efficiency of public financial management is essential to lower the debt burden, increase investor confidence, and improve long-term economic sustainability.

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ҚАЗАҚСТАННЫҢ СЫРТҚЫ ҚАРЫЗЫН ТАЛДАУ

Аңдатпа

Мақалада Қазақстанның сыртқы қарызының құрылымы, серпіні және тәуекелдері жан-жақты талданған. Мемлекеттік және жекеменшік сектордың сыртқы қарызына, соның ішінде фирмааралық берешек пен квазимемлекеттік сектордың міндеттемелеріне баға берілген.

Сыртқы қарыздың секторлық ерекшеліктері зерттелген, атап айтқанда: мемлекеттік басқару органдарының, Ұлттық Банктің, банк секторы мен нақты экономика секторындағы кәсіпорындардың міндеттемелері. Қарыз құрылымында ең үлкен үлесті қаржы емес ұйымдар мен квазимемлекеттік компаниялар иеленетіні анықталған. Сыртқы қарыз тартудың қаржылық құралдары талданған, олардың ішінде кредиттер мен қарыздар басым.

Жекеменшік және квазимемлекеттік компаниялардың міндеттемелеріне мемлекеттік кепілдіктер берілуімен, сондай-ақ ұлттық валюта бағамының ауытқуымен байланысты қарызды қызмет көрсету құнының өсу тәуекелдері анықталған.

Зерттеу жүйелі библиографиялық және институционалдық талдау әдістерін, сараптамалық бағалау мен салыстыру тәсілдерін қолдану арқылы жүргізілді, бұл елдің сыртқы қарыз құрылымын терең зерделеуге мүмкіндік берді.

Қарыз алу процесіне бақылауды күшейту, корпоративтік есептіліктің ашықтығын арттыру, қаржыландыру көздерін әртараптандыру және валюталық әрі шикізаттық тәуекелдерді хеджирлеу тетіктерін әзірлеу бойынша ұсынымдар әзірленді. Қазақстанның ұзақмерзімді қаржылық орнықтылығы мен макроэкономикалық тұрақтылығын қамтамасыз ету үшін фискалдық тәртіпті нығайту және ішкі капитал нарығын дамыту қажеттілігі атап өтілді.

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АНАЛИЗ ВНЕШНЕГО ДОЛГА КАЗАХСТАНА

Аннотация

В статье проведен комплексный анализ структуры, динамики и рисков внешнего долга Казахстана. Представлена оценка внешнего долга государственного и частного сектора, включая межфирменную задолженность и обязательства квазигосударственного сектора.

Изучены секторальные особенности внешнего долга, включая обязательства органов государственного управления, Национального банка, банковского сектора и предприятий реального сектора экономики. Выявлено, что наибольшую долю в структуре долга занимают нефинансовые организации и квазигосударственные компании.

Проанализированы финансовые инструменты привлечения внешнего долга, среди которых преобладают кредиты и займы. Выявлены риски роста стоимости обслуживания долга, связанные с государственными гарантиями по обязательствам частных и квазигосударственных компаний, а также с колебаниями курса национальной валюты.

Исследование основывается на применении методов системно-библиографического и институционального анализа, экспертной оценки, сравнения и сопоставления, позволяющих углубленно изучить структуру внешнего долга страны.

Разработаны рекомендации по усилению контроля за заимствованиями, повышению прозрачности корпоративной отчетности, диверсификации источников финансирования и разработке механизмов хеджирования валютных и сырьевых рисков. Подчеркнута необходимость укрепления фискальной дисциплины и развития внутреннего рынка капитала для обеспечения долгосрочной финансовой устойчивости и макроэкономической стабильности Казахстана.

