Kazakhstan’s economic freedom score is 71.1, making its economy the 34th freest in the 2021 Index. Its overall score has increased by 1.5 points, primarily because of an improvement in fiscal health. Kazakhstan is ranked 8th among 40 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

For the first time since the beginning of its Index scoring in 1998, Kazakhstan’s economy has joined the ranks of the mostly free. To remain there and to achieve its goal of eventual diversification away from reliance on hydrocarbon production, the government will need to identify and remedy weaknesses in government integrity, investment freedom, business freedom, and financial freedom.

**IMPACT OF COVID-19:** As of December 1, 2020, 2,434 deaths had been attributed to the pandemic in Kazakhstan, and the economy was forecast to contract by 2.7 percent for the year.

**BACKGROUND:** A vast semiarid steppe, Kazakhstan was once the second-largest Soviet republic behind Russia. President Nursultan Nazarbayev, whose rule lasted nearly 30 years, resigned in March 2019. Kassym-Jomart Tokayev won the snap presidential election in June 2019. Over the past several years, Kazakhstan has been transitioning from the Cyrillic alphabet to the Latin alphabet. Oil production is booming, primarily because of a nearly $37 billion expansion of the Tengiz oil field. Kazakhstan’s vast hydrocarbon and mineral reserves, especially in the Caspian Basin, form the backbone of its economy. The country is the world’s largest producer of uranium and has a large agricultural sector that features livestock and grain.
Although property rights generally are not protected consistently, the World Bank’s Doing Business report ranks Kazakhstan 25th out of 190 countries for ease of property registration. In recent years, the government has expropriated the properties of numerous Protestant churches. The judicial system is subject to political influence. There are allegations of corruption in nearly every economic sector, including extractive industries, infrastructure projects, state procurement, and the banking sector.

The flat personal income tax rate is 10 percent, and the standard corporate tax rate is 20 percent. Other taxes include a value-added tax. The overall tax burden equals 11.7 percent of total domestic income. Government spending has amounted to 21.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.8 percent of GDP. Public debt is equivalent to 20.2 percent of GDP.

Companies can now register for the value-added tax at the time of incorporation. Bankruptcy proceedings now require a vote by all creditors on any rehabilitation plan. The law does not limit the ability of employers to dismiss workers for economic reasons. The government subsidizes a wide range of economic sectors, including agriculture, energy, and transportation.

Kazakhstan has 10 preferential trade agreements in force. The trade-weighted average tariff rate is 5.2 percent, and 35 nontariff measures are in effect. Foreign investment in some sectors is restricted, and state-owned enterprises distort the economy. The financial sector is relatively stable but subject to state influence. About 70 percent of adults have access to an account with a formal banking institution. Nonperforming loans are a problem.