



Trip Notes

Uzbekistan & Kazakhstan

September 2026

Aktia

Summary

- We organized a research trip to Kazakhstan and Uzbekistan in early fall. This time around we were joined by several European pension funds on our trip to Astana and Tashkent.
- As always, we met with local authorities, such as the central bank, ministry of finance, multinational organisations such as the IMF, EBRD, World Bank, local investors, commercial banks and foreign embassies.
- Both Kazakhstan and Uzbekistan benefit from structural reforms, a strong investment cycle and deepening regional cooperation. At the same time, inflation, the state's prominent role in the economy and an expansionary fiscal stance remain key issues to monitor.
- In Kazakhstan, investors' attention is focused particularly on controlling inflation and diversifying the economy beyond the oil sector. In Uzbekistan, the core investment case continues to rest on broad-based reforms, privatization and capital-market development.
- We came back from the trip with a feeling that our investment theses were largely confirmed, both countries have ample buffers to withstand further shocks, the ability to navigate challenging geopolitical realities and a strategy and willingness for further institutional reforms.



Astana, Kazakhstan.

Overview

Kazakhstan continues to offer an attractive combination of stable growth, high local rates and economic diversification. The key risks relate to sticky inflation, public-sector stimulus and institutional uncertainties. The current real interest rate remains high, at 6%. Even if inflation does not fall to the central bank's 5% target, a decline to for example 8% would already be supportive for government bonds and the currency.

From a credit-risk perspective, the country is very strong: the central government is in a net creditor position, and the net international investment position is also positive. Gross government debt is also low relative to the size of the economy. Off-budget stimulus is, of course, a concerning development, but at the current pace it would probably need to continue for perhaps ten years before credit risk deteriorated meaningfully.

Although economic diversification was discussed on the ground, Kazakhstan should still currently be viewed as an oil exporter. Other risks include the concentration of oil exports through the CPC pipeline, partly mitigated by US production partners Chevron and Exxon, as well as the geopolitically unpredictable regional environment.

Uzbekistan continues to stand out as one of the most interesting reform stories in emerging markets. Strong growth, declining inflation, responsible fiscal policy and an active privatization programme support a positive medium-term investment view, although implementation risks around reforms should continue to be monitored carefully.

The country is also supported by low debt levels, very good relations with international development institutions and the IMF, a willingness to learn from other countries' mistakes, a government that reacts quickly and pre-emptively to problems, the saving of proceeds from gold exports in a fund amounting to around 15% of GDP, and still-high real interest rates.



Astana, Kazakhstan.

Uzbekistan

The reform story remains compelling

All international institutions we met emphasized Uzbekistan’s position as one of the region’s most significant reformers. Economic reforms have continued in the energy sector, the banking sector and capital markets. The state’s share of the economy has declined significantly in recent years, and the privatization programme remains a key policy priority. Key reform areas include the liberalization of energy-sector pricing, development of the banking sector, privatization programmes and deepening of capital markets. The approach is gradual rather than shock-based, which has helped preserve social stability while maintaining reform momentum. The main risks are execution capacity, residual influence of the old guard, weak SOE and state-bank balance sheets, and key-person risk around the president. Still, compared with most frontier peers, the direction and ownership of reforms remain unusually strong.

Growth remains very strong

Growth is broad-based, driven by investment, domestic demand, services, tourism and manufacturing. Several counterparts noted that official growth forecasts may prove too conservative. Labour markets, remittances from Uzbeks working abroad and strong infrastructure investment are also supporting economic development.

Inflation is declining gradually

Although the liberalization of energy pricing continues to push prices higher, inflation is clearly slowing. The authorities together with multilateral organisations assessed the

outlook for price stability as favourable over the coming years. The combination of rapid economic growth and slowing inflation was viewed as particularly interesting, supported by the expansion of production capacity. The central bank should eventually have room to cut rates as inflation slows.

Reclassification of the soum to floating

The soum has become more credible as a market currency, with the IMF now treating the regime as floating, although gold-related operations still matter for liquidity and FX supply. Strong gold prices, remittances, export revenues and ample reserves — heavily gold-weighted and covering well over a year of imports — provide a substantial external buffer. The current account deficit largely reflects capital-goods imports linked to investment rather than a consumption boom, which makes it less concerning. On valuation, the available evidence points to an undervalued currency, but convertibility, repatriation mechanics and market depth remain practical constraints for foreign investors.

	2027F	2026F	2025	2024	2023	2012 - 2022
Real GDP (% annual percent change)	6.5%	7.8%	7.7%	6.7%	6.3%	6.4%
Inflation (% annual percent change)	5.7%	6.9%	8.8%	9.6%	10.0%	11.9%
Overall Fiscal Balance (% of GDP)	-1.5%	-1.2%	-1.6%	-2.1%	-3.8%	0.1%
Government Debt (% of GDP)	26.4%	27.6%	28.6%	30.9%	30.7%	16.3%
Current Account (% of GDP)	-4.6%	-5.1%	-3.9%	-4.7%	-7.3%	-1.4%
Import Cover	4.5*	3.8	3.7	2.5	2.1	16.0

*Latest value that exists for Import Cover
Sources: Aktia, IMF and Macrobond

Uzbekistan

Fiscal policy is prudent

The Ministry of Finance emphasized conservative budgeting, debt limits and the importance of fiscal discipline. Public debt remains low relative to GDP, and the authorities aim to avoid expenditure policy driven by commodity-price fluctuations.

Gold continues to play a significant role in the economy and in currency dynamics, but the authorities stressed that the objective is broad-based economic diversification. Strong reserves also support external stability.

Capital-market development is progressing

Reforms in deepening and developing local capital markets are progressing. The EBRD, IMF, World Bank and the authorities are actively cooperating on the development of new capital-market legislation. These reforms have several objectives, like increasing foreign investor access to the market, developing local-currency financing opportunities, expanding the bond market and strengthening the role of the private sector.

Successful privatization could act as a significant catalyst for the development of the country's capital markets and for growth in foreign investment. The UzNIF fund managed by Franklin Templeton provides an interesting example of Uzbekistan's privatization programme. The objective is to improve the governance, efficiency and transparency of state-owned enterprises ahead of potential listings or strategic partnerships. The companies in UzNIF's portfolio are typically companies with stable cash flows, like utilities, which often form the base of functioning capital markets, increasing the importance of successful privatisations and listings.

Our View

We remain very constructive on the investment case in Uzbekistan. While it remains one of our largest investments in our Frontier strategy, we also have a significant weight in our hard currency and local currency strategies in the country. Our investment thesis is supported by high real growth, a continuing reform drive and improving credit ratings, together with a robust sovereign balance sheet.



Tashkent, Uzbekistan.

Kazakhstan

Growth remains stable

Economic growth remains currently robust, driven in particular by construction, trade, logistics and manufacturing. Slower growth in the oil sector is being offset by non-oil growth of around 5%, supporting the view that the economy is gradually becoming more diversified and the structure of the growth is healthier than before. Most institutions we met assessed medium-term growth potential at around 4.5–5%. Manufacturing, chemicals, transport infrastructure, logistics and IT were highlighted as strategic growth sectors. The Middle Corridor transport route should continue supporting logistics and infrastructure investments. The medium-term challenge is to move the growth model away from state-financed construction and commodity cycles toward private-sector productivity gains.

Inflation remains the key macro risk

Inflation is being sustained particularly by increases in energy tariffs, VAT hikes, strong domestic demand and Russian spillovers. In addition, state-led investment programmes through quasi-public institutions (Samruk-Kazyna and Baiterek) are maintaining demand pressure in the economy. Coordinating fiscal and monetary policy remains a challenge, as in many other countries. Based on our discussions, inflation is expected to remain around 9–11% during the year. The National Bank was, however, seen as having strengthened its independence and as being committed to containing inflation. Reaching around 8% next year could be a realistic expectation, so disinflation may proceed more slowly than expected.

Inflation remains the main macro vulnerability. Headline inflation has eased from the 2025

peak but is still closer to double digits and well above the National Bank of Kazakhstan's 5% target, with expectations not fully anchored. Monetary policy is therefore likely to stay cautious, with the exchange rate pass-through channel still material and asymmetric: depreciation feeds relatively quickly into prices, while appreciation is less powerful in bringing inflation down.

The tenge is less of a simple oil proxy than often assumed. Oil prices, National Fund operations, mandatory foreign-currency sales by quasi-sovereigns, gold-related flows and portfolio demand for local bonds all shape the balance of supply and demand. High nominal and real rates have supported local-currency assets, while non-resident participation has improved, but the currency still behaves increasingly like a conventional emerging-market currency, sensitive to global risk appetite and imported inflation.

	2027F	2026F	2025	2024	2023	2012 - 2022
Real GDP (% annual percent change)	4.9%	4.4%	6.5%	5.0%	5.1%	3.1%
Inflation (% annual percent change)	8.2%	10.3%	11.4%	8.7%	14.5%	7.9%
Overall Fiscal Balance (% of GDP)	-2.3%	-1.0%	-3.1%	-3.4%	-1.4%	-1.2%
Government Debt (% of GDP)	25.1%	23.8%	24.3%	24.4%	23.0%	19.6%
Current Account (% of GDP)	-0.7%	0.5%	-4.1%	-2.3%	-3.2%	-1.9%
Import Cover	17.6*	11.0	11.5	12.5	6.7	11.6

*Latest value that exists for Import Cover
Sources: Aktia, IMF and Macrobond

Kazakhstan

The state's role in the economy remains significant

The sovereign wealth fund Samruk-Kazyna and the development bank Baiterek remain key financiers of investment and growth. Public-sector-supported investment programmes are expected to continue in the coming years. Although the authorities aim to make investment less inflationary, economic growth still relies significantly on public capital. There is also a risk that investment is allocated inefficiently, for example into construction and sectors where the country does not have a natural comparative advantage.

Several counterparts viewed developments under President Tokayev positively. Governance has been reformed and efforts have been made to reduce corruption-related problems. From the perspective of foreign direct investment, however, the key concerns remain, such as regulatory unpredictability, protection of property rights, enforcement of arbitration decisions and possible state intervention in individual corporate disputes.

Banking sector in good shape

The banking sector appears strong overall with low corporate non-performing loan ratios and stable profitability. The authorities have also taken measures to curb household indebtedness. Growing foreign investor demand for government bonds and a strong local-currency deposit base support financial-system stability. The strengthening of the tenge has been supported by a strong current account, high commodity export revenues and growing foreign investor interest in local rates markets. In addition, high interest rates and official mechanisms that increase foreign-exchange supply have supported the currency, despite still-elevated inflation.

Our View

We are also very constructive on Kazakhstan. Our investments into Kazakh government bonds and FX-forwards in tenge have been one of our top three largest investments in the Frontier strategy for years already. It is also one of the largest overweights in our Local Currency strategy, supported by a fortress like sovereign balance sheet, a very strong external position and high real rates. We have a small position in our hard currency fund, where the driver is more tight valuation than fundamental concerns.



Astana, Kazakhstan.

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