

News digest for

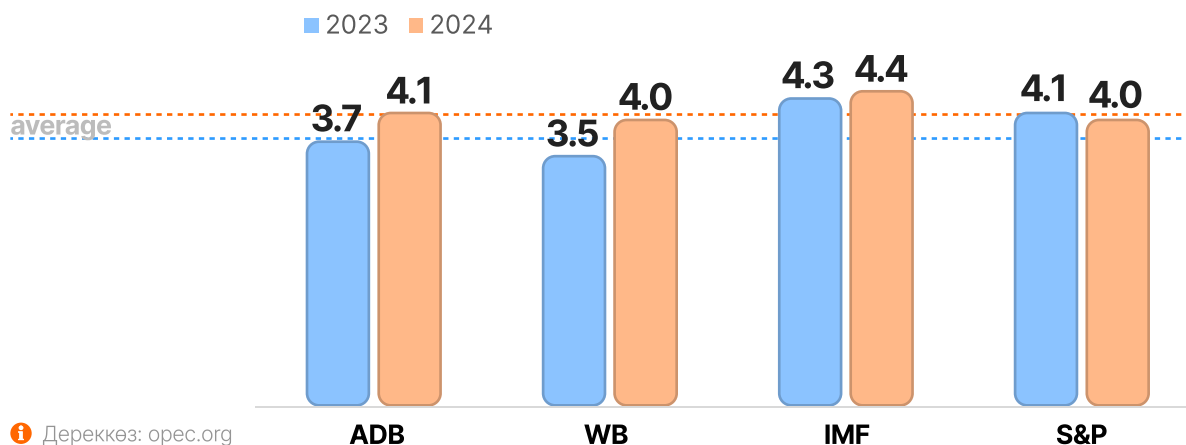
04/03/2023-04/09/2023



ADB: Kazakhstan's economic growth will accelerate in 2023 and 2024, but risks remain

Source: <https://kapital.kz/economic/114451/abr-rost-ekonomiki-kazahstana-uskorit-sya-v-2023-i-2024-godakh-no-riski-sokhranyayut-sya.html>

MFI outlooks for economic growth, %



Дереккөз: opec.org



Aizhan Alibekova

Analyst

“In March-April 2023, all major international financial organizations decided to revise their outlooks on the main macroeconomic indicators for most countries, including Kazakhstan. The ADB's current outlooks for GDP growth correspond to the average level of IFO estimates, the most optimistic in this regard is the IMF, which expects GDP growth of 4.3% by the end of 2023 and 4.4% by the end of 2024.

If we evaluate their outlooks retrospectively, the closest to the result of economic growth of 3.2% in 2022 was the World Bank with its forecast of 3% and the IMF's 2.5-2.8%, while the ADB outlooks were too optimistic and most strongly divorced from the actual result – 4.3%. An interesting thing is that their estimates almost coincide concerning the prospects for 2023. And in general, the range of IFOs' outlooks and their volatility has significantly narrowed, this may be a sign of gradual stabilization of the global macroeconomic situation.

It should be noted that Jusan Analytics outlooks for GDP growth of 2.5-2.8% by the end of 2022 coincided with the expectations of the IMF and we underestimated the actual growth of the domestic economy only due to the unexpected sharp growth of the construction sector from 4.3% by the end of 11 months to 9.4% by the end of 2022.”

Financial sector as of 04/07/2023



Sunggat Rysbek

Analyst

“Concerns about the worsening of the banking crisis in the United States have decreased slightly over the past week. On the agenda is another critical issue for the banking sector – **a drop in sales for residential and commercial real estate**. Sales of apartment buildings in the 1st quarter of 2023 amounted to \$ 14 billion, which is a decrease of 74%. Such a drop is considered a record and is comparable to the volume during the mid-mortgage crisis in 2009.

Goldman Sachs analysts state that small and medium-sized US banks collectively have 80% of commercial real estate lending. Moreover, these banks tighten lending standards as the base rate rises. **Fixed-rate loans are immune to rate increases, so banks cannot use them to offset rising financing costs**. The risk of insolvency for this type of lending will worsen the problems of small and medium-sized banks. Borrowers can refinance their current loans, but this increases the risk of default of the borrower, which leads to big losses.

The US Labor Market and the recession

New statistics on the US Labor Market elevate fears of the beginning of a recession. Statistics on job openings of American employers (JOLTS) show that their number in February was below forecasts (9.9 million jobs versus 10.4 million).

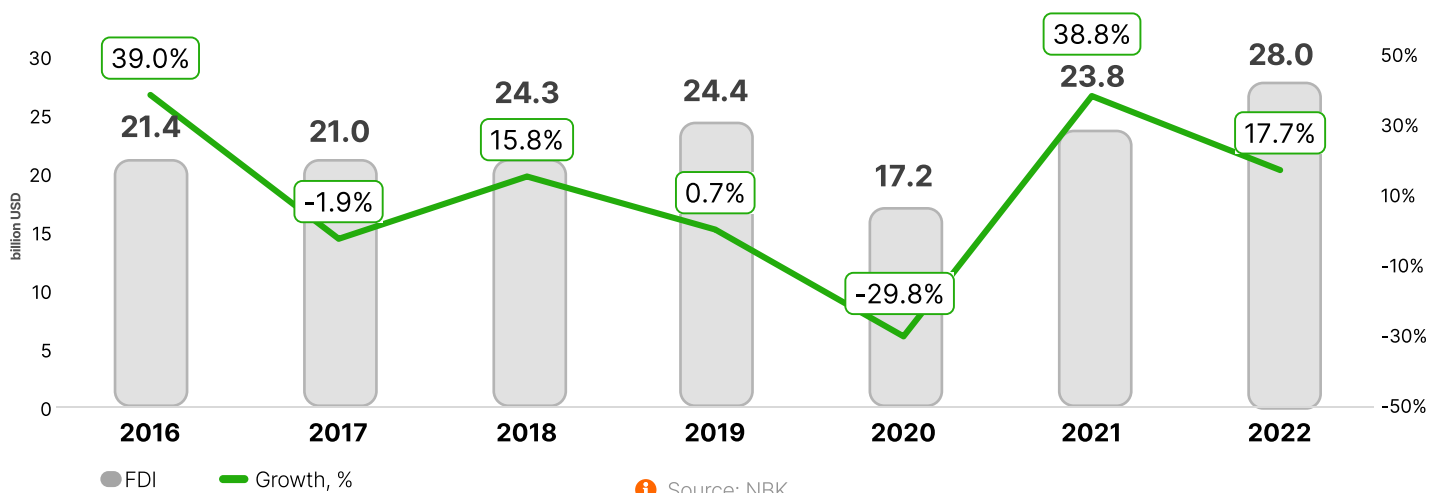
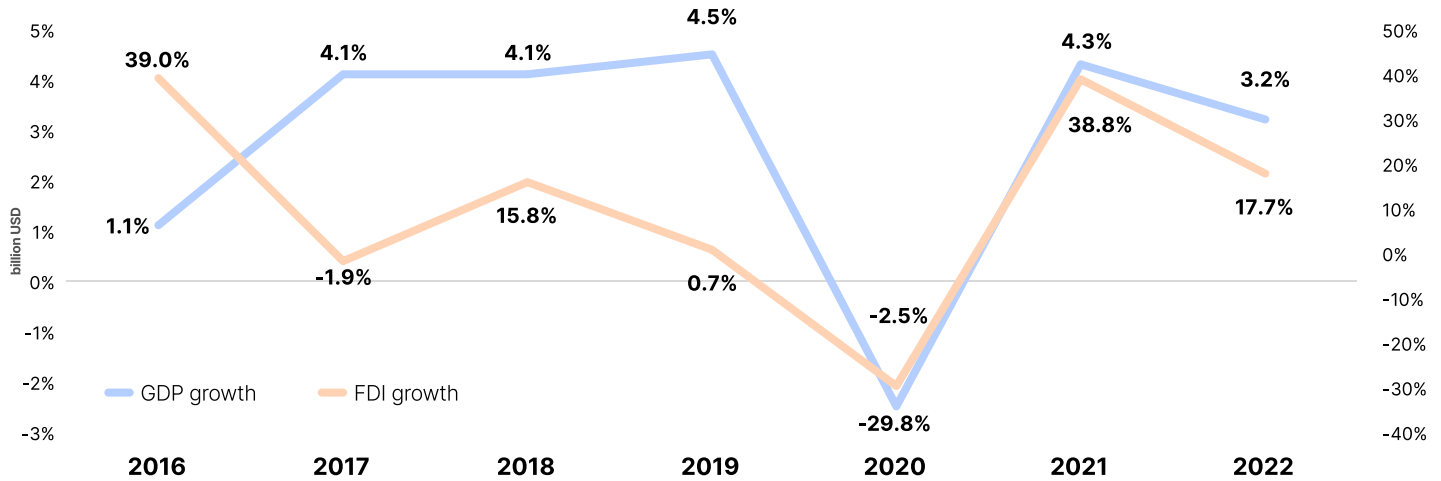
On Wednesday, April 5, was released data on the number of jobs created by ADP – 145 thousand, while it was expected in the range of 200 thousand.

Then data on the applications for unemployment benefits was released. The figures during the week amounted to 228 thousand, while 200 thousand were expected.

In total, the statistics on the Labor Market in the United States turned out to be extremely negative, which increases fears of a recession beginning with high inflation. At the same time, the Fed's representatives declare the need to raise the key rate. The Fed's key rate increase has already led to a crisis of confidence in the banking sector. It increases fears and possible issues in the real estate market, which has already led to the global financial crisis. However, given the timely response of regulators to emerging problems, we do not expect a global deterioration of the economic situation in the world.”

Gross FDI inflow to Kazakhstan increased by 17.7% in 2022

Source: <https://kapital.kz/economic/114493/valovyy-pritok-pii-v-kazakhstan-v-2022-godu-vyros-na-17-7.html>



Source: NBK



Klara Seidakhmetova

Analyst

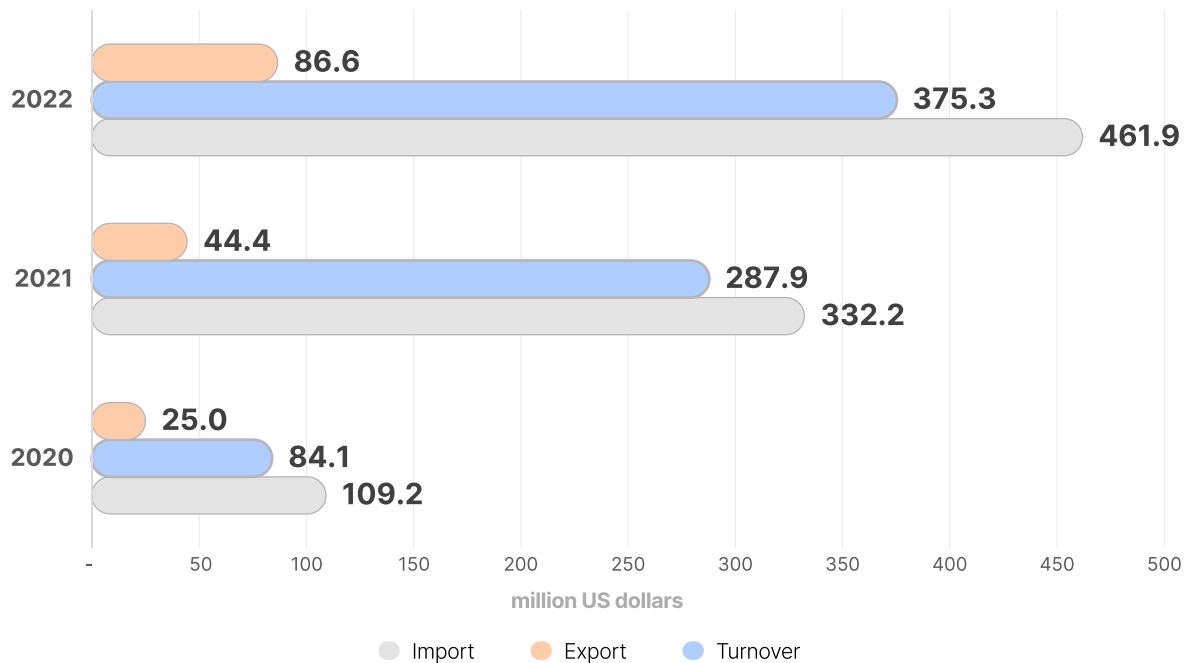
“The gross inflow of foreign investments increased by 17.7% and amounted to \$ 28 billion or 12.7% of GDP by the end of 2022. The most of investments - 63.4% were directed to manufacturing, 43.4% of which went to the mining sector. About 20% of investments were received by the trade sector. And less than 5% of investments were directed to the construction and transportation industries.

By region, most of them were sent to Atyrau region (29.5%) and Almaty city (27.0%). About 8% of investments were received by East Kazakhstan region and Astana city.

In our opinion, a recent revision of the S&P Global Ratings outlook from "negative" to "stable" on Kazakhstan's sovereign credit rating will have a positive impact on Kazakhstan's investment attractiveness this year and will increase the inflow of FDI, thereby supporting its growth at a good level.”

Plus 15% for the year: Kazakhstan plans to increase trade turnover with Azerbaijan

Source: <https://ru.sputnik.kz/20230405/plyus-15-za-god-kazakhstan-planiruet-velichit-tovarooborot-s-azerbaydzhanom--33611257.html>



Source: State Revenue Committee of the Ministry of Finance, BNS of the Agency for Strategic Planning and Reforms



Klara Seidakhmetova

Analyst

"In early April, Kazakhstan's trade and economic mission carried out work in Azerbaijan: the Kazakh-Azerbaijani Business Council was held in Baku.

According to the Vice Minister of Trade and Integration of Kazakhstan Kairat Torebayev, the mutual trade turnover between the states does not correspond to the potential of both countries. Kazakhstan and Azerbaijan plan to increase mutual trade turnover by 15% this year. It should be noted that the turnover has grown significantly in recent years, and following the data it amounted to almost 462 million dollars in 2022, which is 40% higher than in 2021.

Moreover, a Meeting between the Presidents of Kazakhstan and Azerbaijan was held recently, where they agreed to increase the trade turnover between the republics almost twice shortly – up to \$ 1 billion.

The key export goods of Kazakhstan to Azerbaijan are wheat, oil and petroleum products, ferrous metal products, fertilizers, rice, vegetables and chocolate.

And Azerbaijan exports sugar, propylene polymers, pipes, water, nuts, fruits, pumps, packaging bags and insulated wires to our country."

Guidance for the main market indicators on 04/10/2023



📉 S&P 500 (neutral)

The S&P 500 Index hasn't almost changed over the past week (-0.1%) and stopped at 4105 p. Thus, a benchmark slowed down a little after bouncing up from the 200-day moving average and the support line. It may rise to 4,200 or 4,300 points in the short term. However, it should be noted that it is in a wide corridor of 3600-4300 pp in the long term, and we do not expect it to exit yet.

Now the focus of investors is shifting towards the US Inflation Report for March, which will be published on April 12, as well as statistics on retail sales and production, expected on April 14. However, experts focus on the starting corporate reports season, which traditionally begins with the publication of bank reports. Thus, there are concerns that the quarterly reports of banks in the conditions of outflows from the system may once again put banking problems in the foreground.

📈 Gold (up)

For the 6th week in a row, gold has shown a noticeable increase (+2%) over the past week and closed at \$2,026 per ounce. Thus, after a short consolidation near the level of 1970 dollars, the "yellow metal" continued to grow. Although there is still a chance that it is adjusted downward from this level, the trend remains bullish in the long term. The next target for gold is the historical maximum of \$2,090.

Meanwhile, the picture for gold is similar to the stocks but with some differences. Thus, the asset is supported by a generally weakening global economy, problems in the crypto industry, turbulence in the banking sector, unresolved geopolitical risks, and even the US debt ceiling issue. On the other hand, Central Banks of developed countries struggling with inflation are playing against it. And the market has come to a no-win situation after rising above \$ 2,000 per ounce.

📉 Brent (down)

Brent crude oil closed at around \$ 85.1 per barrel at the end of the week, showing an increase of 6.6% over the week. Thus, the "black gold" accelerated its upward movement and can now rise to the level of \$ 90. However, this growth is corrective, and the long-term trend is bearish while oil is trading below the \$ 90 level. The main target for oil is the range of \$ 60-65 per barrel so far.

Meanwhile, despite the prospect of a faster slowdown in the global economy and a decline in demand for basic raw materials, we do not rule out the scenario of further growth in oil prices as before. And the latest OPEC+ announcement on April 2 "to reduce production by 1.15 million b/d from May to the end of this year" vividly reminded us that, unlike other basic raw materials, oil has strong support as a cartel. And Russia, which has shown during the year of sanctions that it is not inclined to give short-term answers to the West on its restrictions, still has tools to influence market quotations.

Finally, we should mention the ongoing weakening of expectations for tightening monetary policies of developed countries' Central banks and the recovery of the Chinese economy as bullish factors.

Guidance for the main market indicators on 04/10/2023



▲ Uranium (up)

Uranium showed an up-tick (+1.5%) over the past week and closed at \$ 51.1. In general, it was consolidated between 46 and 52 dollars for a long time. And it is possible to re-reduce uranium to its lower limit in the short term. Despite this, bullish is a long-term trend, and the growth targets are \$ 60 and \$73.

We repeat that uranium continues to be considered as an intermediate link in the global strategy to move away from the carbon economy towards a green future but the picture is spoiled by the risks of recession and still weak oil prices. At the same time, the technological process of long-term construction of nuclear power plants in the world remains a clear obstacle to short-term growth. And locally, we see that individual producers and, especially, Kazatomprom are in no hurry to increase output in response to rising uranium prices and spur prices to further growth by participating in investment raw materials funds.

▲ USD/RUB (up)

The USD/RUB pair has once again increased in price (+3.3%) over the past week, it is for the 5th week in a row and closed at 80.5 rubles. Thus, the pair continued to grow after consolidating above the 75 rubles mark and is rapidly approaching its next target of 86 rubles. At the same time, we do not see anything supernatural in the continued weakening of the ruble (since mid-December). Last year, on May 15, we released a big analysis on the ruble and tenge exchange rates, where we outlined outlooks for the dynamics of the two currencies in the short and long term, and everything corresponding to it so far. There is a gradual stabilization of Russia's export-import flows with a negative impact on the current account."

Auhors: Aizhan Alibekova, Klara Seidakhmetova, Sunggat Rysbek

Disclaimer:

Jusan Analytics is an analytical structural division of "Jusan Bank" JSC.

This work is for informational purposes only and is not an offer or attempt to provide report, business, financial, investment, legal, tax or other professional advice or services by Jusan Analytics. The publication is based on information that we consider reliable and obtained from dependable open sources, but we do not confirm that all the information provided is absolutely accurate.

We are not responsible for the readers' use of the information that is contained in the work to make his independent financial decisions. "Jusan Bank" JSC represented by the Jusan Analytics team does not undertake to regularly update the information contained in the publication or correct possible inaccuracies. At the same time, the information in the work is not exhaustive and may be changed at any time without prior notice.

The information published in the work is available for personal use, but is not intended for commercial distribution and cannot be reproduced, transmitted or published, in its entirety or in sections, without the prior written permission of Jusan Analytics.

**Please, contact Jusan Analytics
for issues on the use of the material:**

6th floor, block B, building 36, Al-Farabi avenue,
A25D5F7, Almaty city, the Republic of Kazakhstan.
analytics@jusan.kz