

Leading indicator of economy

9 months 2022

A leading indicator, acting as a proxy indicator of GDP - a short-term economic indicator is calculated to determine the state of the economy in Kazakhstan. *The short-term economic indicator is calculated based on the real growth rate of 6 industries, which account for over 60% of GDP: agriculture, industry, construction, trade, transport and communications.*

The growth of the short-term economic indicator continues to slow down from +3.7 in the first 8 months of 2022 to +3.5% for 9 months. A decrease in growth rates is observed in 4 out of 6 sectors of the economy: industry, construction, trade, transport and warehousing.

The slowdown affected manufacturing and mining in the industry sector. The latter remained at the level of last year due to problems in the oil and gas industry and metallurgy. Oil production declined due to repairs at Kashagan and Tengiz, while metal production sank due to problems with the supply of iron ores to Russia.

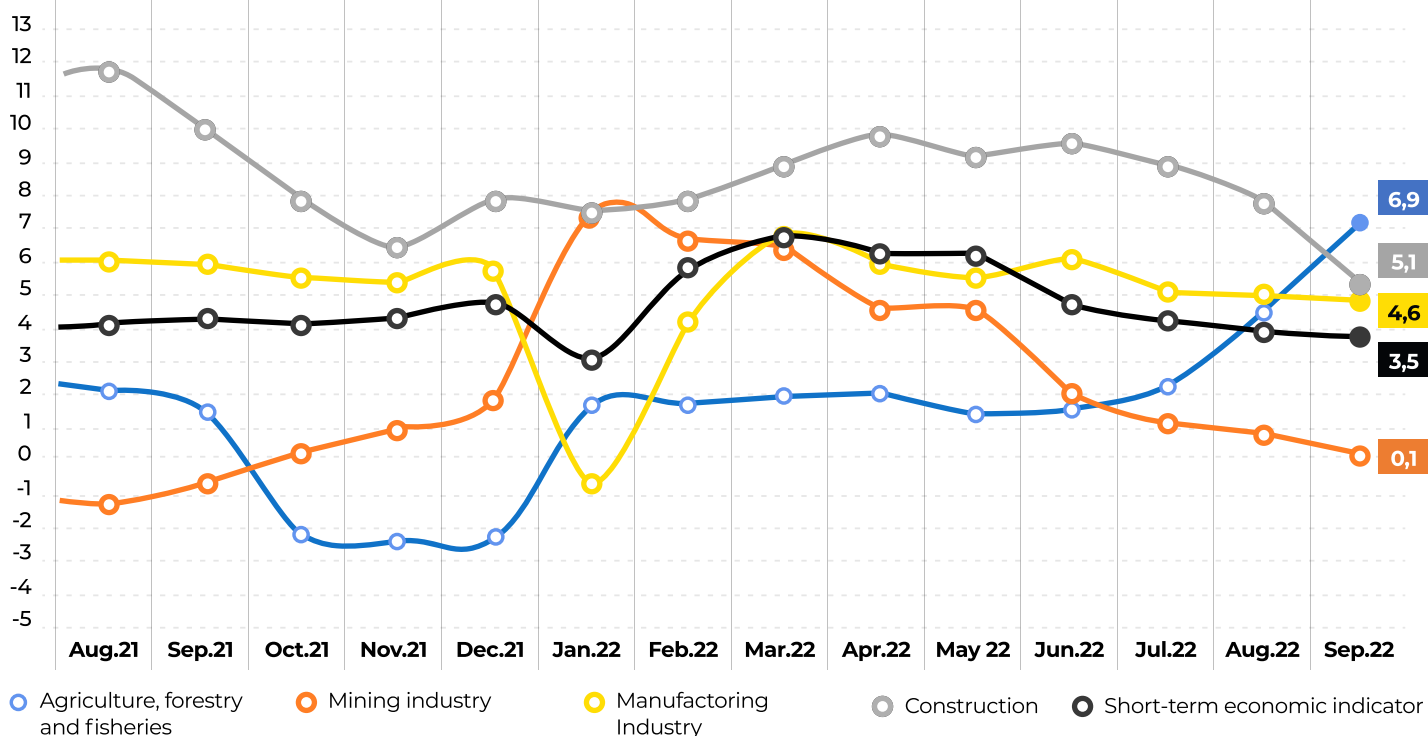
In our opinion, the slowdown in construction is due to the hikes for building materials, a decrease in investment in housing construction, and the completion of major government projects.

At the same time, the issues of the real sector also affect the service sector, where there is a decline in trade, transport and warehousing. The observed weakening of domestic trade growth from +5.2% to +4.3% is probably due to both rising food prices (+22.2% YoY in September) and the fading away of the positive shock of trade with the Russian Federation. Although food sales are growing in monetary terms, they are declining in physical volumes. And on the contrary, in wholesale trade there is an increase in sales of food products, which may indicate a reorientation of the trade market more to the wholesale segment.

The Short-Term Economic Indicator change in percentage to the corresponding period of the previous year	2019	2020	2021	2022
January	2,9	4,4	-5,8	▼ 3,0
January-February	3,6	4,9	-4,0	▲ 5,5
January-March	4,2	4,3	-1,8	▲ 6,5
January-April	4,1	1,2	1,2	▲ 6,0
January-May	3,7	-0,5	2,0	▲ 5,9
January-June	4,3	-1,0	2,9	▼ 4,5
January-July	4,4	-2,7	3,7	▼ 4,0
January-August	4,8	-2,9	3,9	▼ 3,7
January-September	4,7	-2,5	4,1	▼ 3,5
January-October	4,7	-2,8	3,9	
January-November	4,7	-2,6	4,1	
January-December	5,0	-2,4	4,5	

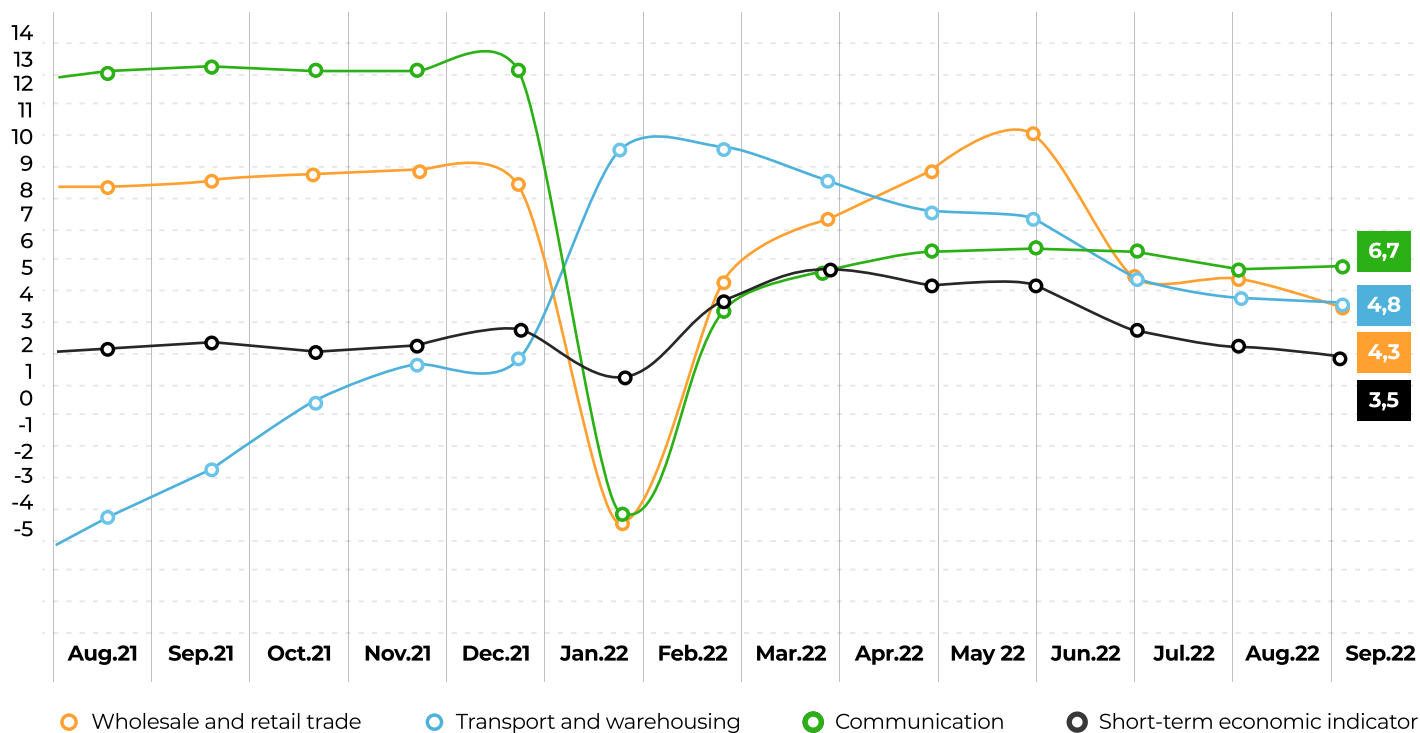
Source: BNS of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, Jusan Analytics calculations

Cumulative dynamics of changes in the short-term economic indicator and industries included in the goods production sector



Source: BNS of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, Jusan Analytics calculations

Кумулятивная динамика изменения КЭИ и отраслей, входящих в сектор производства услуг



Source: BNS of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, Jusan Analytics calculations

Regional development

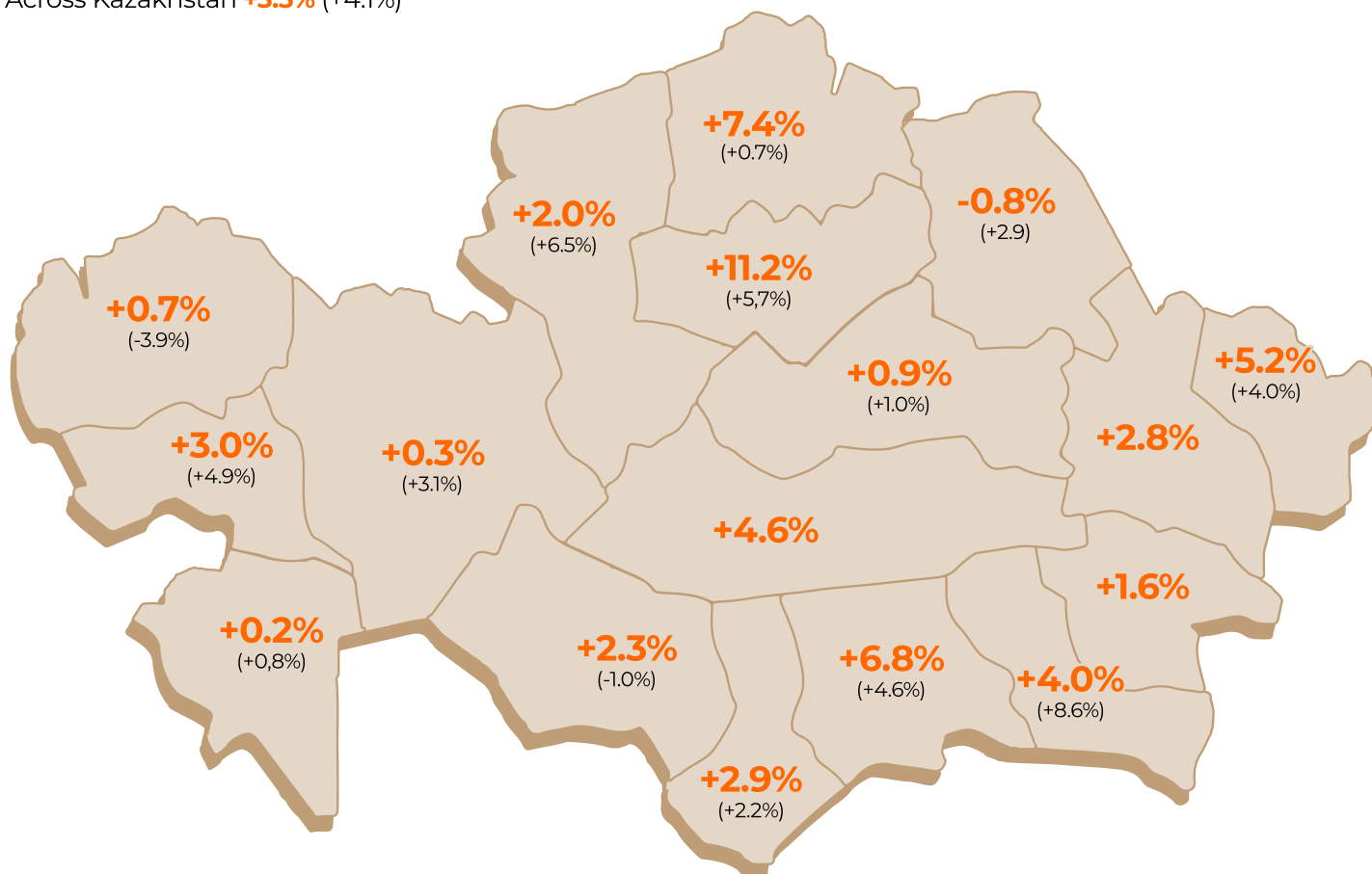
The **greatest economic growth** is observed in Shymkent (+10.7%), Astana (+8.0%), Akmola (+11.2%) and North Kazakhstan regions (+6.4%). The most growing industry in Shymkent is construction, communications, transport and warehousing are growing significantly in Astana, and agriculture in North Kazakhstan.

The **decline in the economy** was observed only in **Pavlodar region** (-0.8%). The economic downturn here is due to a decrease in industrial production (ore output recession) and the preservation of the communications industry at the level of last year.

If we look at the development of economic sectors by regions, agriculture is growing the most in Kostanay region (+19.9%). The growth of the industrial sector is noted in Zhambyl region, where the special economic zone "Taraz Chemical Park" is developing. The construction industry is growing dynamically in Kyzylorda region, and trade is growing in Zhetysu region.

The short-term economic indicator growth by regions for 9 months of 2022

Across Kazakhstan **+3.5%** (+4.1%)*



*data for 9 months of 2021 are shown in parentheses

Source: BNS of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan

Almaty **+5.0%** (+9.0%)
 Astana **+8.0%** (+9.8%)
 Shymkent **+10.7%** (+6.1%)

The short-term economic indicator and main sectors of the economy by regions

for 9 months of 2022

Abai region Short-term economic indicator: 2.8% Agriculture: 3.1% Industry: 8.9% Construction: -23.0% Internal trade: -14.3% Transport and warehousing: 0.4% Communication: 7.5%	Akmola region Short-term economic indicator: 11.2% Agriculture: 16.5% Industry: 8.1% Construction: 26.9% Internal trade: 2.8% Transport and warehousing: 5.1% Communication: 0.2%	Aktobe region Short-term economic indicator: 0.3% Agriculture: 5.8% Industry: 1.8% Construction: 3.6% Internal trade: -13.5% Transport and warehousing: 3.1% Communication: 4.2%
Almaty region Short-term economic indicator: 4.0% Agriculture: 0.3% Industry: 6.2% Construction: 14.5% Internal trade: -2.2% Transport and warehousing: 0.2% Communication: -3.3%	Atyrau region Short-term economic indicator: 3.0% Agriculture: 1.5% Industry: 0.2% Construction: 11.4% Internal trade: 14.0% Transport and warehousing: 3.9% Communication: 4.5%	West Kazakhstan region Short-term economic indicator: 0.7% Agriculture: 2.6% Industry: 0.8% Construction: 0.2% Internal trade: -1.7% Transport and warehousing: -0.3% Communication: 0.7%
Zhambyl region Short-term economic indicator: 6.8% Agriculture: 5.5% Industry: 12.3% Construction: 8.7% Internal trade: 4.6% Transport and warehousing: 0.8% Communication: 1.6%	Zhetysu region Short-term economic indicator: +1.6% Agriculture: 0.6% Industry: -4.7% Construction: 4.5% Internal trade: 23.2% Transport and warehousing: 1.0% Communication: 5.6%	Karaganda region Short-term economic indicator: 0.9% Agriculture: 0.2% Industry: 1.2% Construction: -10.7% Internal trade: 5.2% Transport and warehousing: 0.7% Communication: -2.8%
Kostanay region Short-term economic indicator: 2.0% Agriculture: 19.9% Industry: -3.5% Construction: 8.3% Internal trade: 5.2% Transport and warehousing: 0.1% Communication: -5.9%	Kyzylorda region Short-term economic indicator: 2.3% Agriculture: 3.1% Industry: -1.5% Construction: 35.1% Internal trade: 2.3% Transport and warehousing: 0.0% Communication: -0.6%	Mangystau region Short-term economic indicator: 0.2% Agriculture: 14.8% Industry: 1.5% Construction: -34.7% Internal trade: 23.1% Transport and warehousing: 8.7% Communication: 10.5%
Pavlodar region Short-term economic indicator: -0.8% Agriculture: 6.5% Industry: -2.6% Construction: 6.4% Internal trade: 1.9% Transport and warehousing: 0.1% Communication: 0.0%	North Kazakhstan region Short-term economic indicator: 7.4% Agriculture: 12.2% Industry: 1.3% Construction: 11.0% Internal trade: 0.7% Transport and warehousing: 0.1% Communication: -4.8%	Turkestan region Short-term economic indicator: 1.1% Agriculture: 1.1% Industry: -2.6% Construction: 11.7% Internal trade: 10.9% Transport and warehousing: 10.1% Communication: 8.9%
Ulytau region Short-term economic indicator: 4.6% Agriculture: -0.2% Industry: 5.3% Construction: 10.4% Internal trade: -17.9% Transport and warehousing: 1.9% Communication: -1.4%	East Kazakhstan region Short-term economic indicator: 5.2% Agriculture: 4.9% Industry: 5.0% Construction: 4.8% Internal trade: 9.9% Transport and warehousing: -0.4% Communication: -4.4%	Astana Short-term economic indicator: 8.0% Agriculture: 0.3% Industry: 1.7% Construction: 3.9% Internal trade: 8.5% Transport and warehousing: 20.1% Communication: 15.4%
Almaty Short-term economic indicator: 5.0% Agriculture: -0.6% Industry: 9.0% Construction: 5.5% Internal trade: 2.7% Transport and warehousing: 7.7% Communication: 6.8%	Shymkent Short-term economic indicator: 10.7% Agriculture: -8.9% Industry: 6.7% Construction: 33.8% Internal trade: 12.9% Transport and warehousing: 7.9% Communication: 4.6%	

Risks and prospects

The slowdown in economic growth is due to a **rather strong decline in cyclical sectors**, in the real sector particularly: construction and mining. And at the same time, the decline in the service sector, in our opinion, is due both to the elimination of a positive shock in trade with the Russian Federation and re-export, as well as to an increased inflationary background (*inflation for September - 17.7%*).

The increased inflationary background has an additional impact on the slowdown of cyclical sectors through a reduction in the consumption of durable goods (primarily cars and housing). At the same time, we believe that the ongoing decline in trade is partly explained by the situation last year, when there was a factor of deferred post-quarantine demand. Therefore, we assume that the **main problems are focused on the industrial sector**, especially the mining industry.

Minister of Energy Bolat Akchulakov said that Kashagan and CPC would return to normal operation only by October 15. And the situation on metals remains unclear. This means **that there will most likely be a decline in industrial production next month**. Without increasing fiscal boost and oil production to get raw material revenues into the economy, we can expect a certain cooling in the manufacturing sector, which is already showing a decline and where the increase in prices continues.

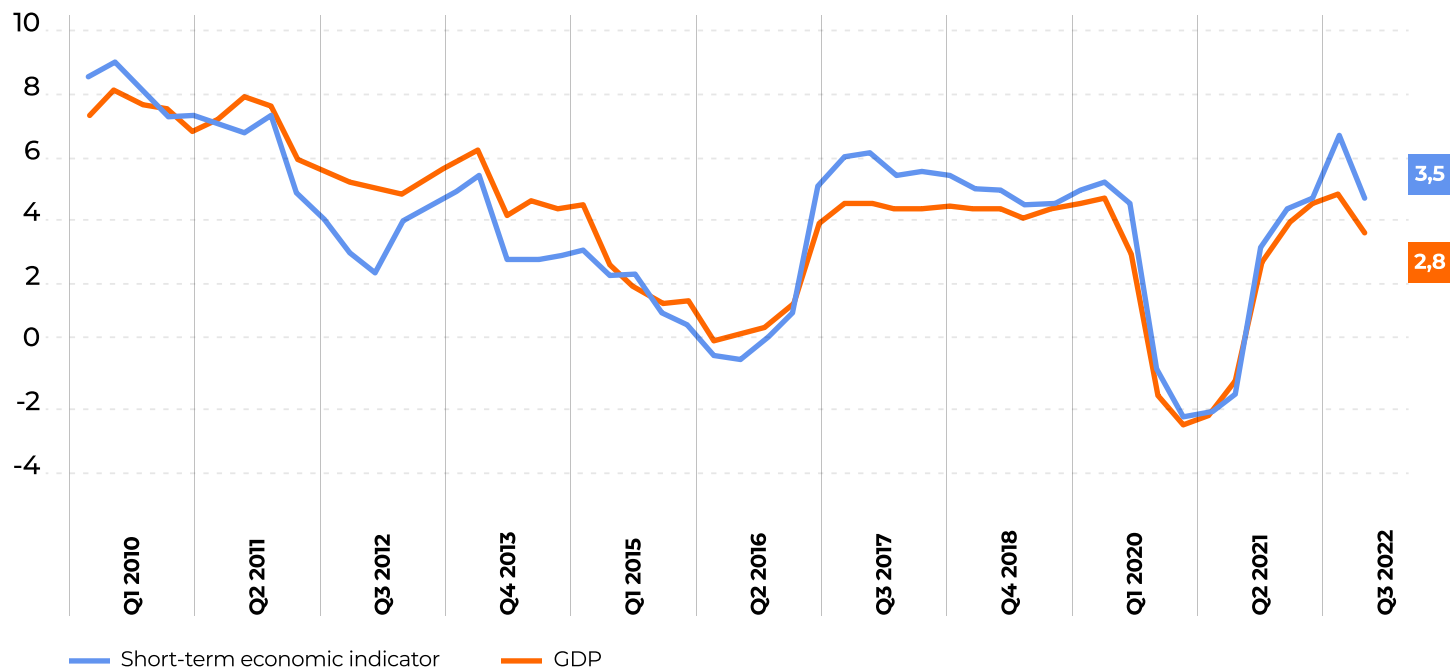
The construction segment deserves special attention, the cooling of which, in our opinion, is associated with **its return to its potential level** compared to previous years, when there was a clear overheating in the industry (2020-2021).

And the growing agricultural industry is associated with the seasonal harvest period, so we expect a cooling of gross output by the end of the year, which, all other things being equal, will have a downward impact on subsequent GDP growth.

Thus, our economy is highly vulnerable to global economic conditions, for example, commodity prices. The possibilities of government incentives and the implementation of construction projects are limited by the pro-inflationary background, further growth of which may lead to an even greater shift in consumption and a decline in the manufacturing segment and construction.

As a result, we expect the economy to grow at the level of 2.4%-2.8% by the end of the year.

Cumulative dynamics of changes in the short-term economic indicator and GDP



Source: BNS of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, Jusan Analytics calculations



Auhor: Klara Seidakhmetova (K.Seidakhmetova@jusan.kz)

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.

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

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



JUSAN ANALYTICS

