

News digest

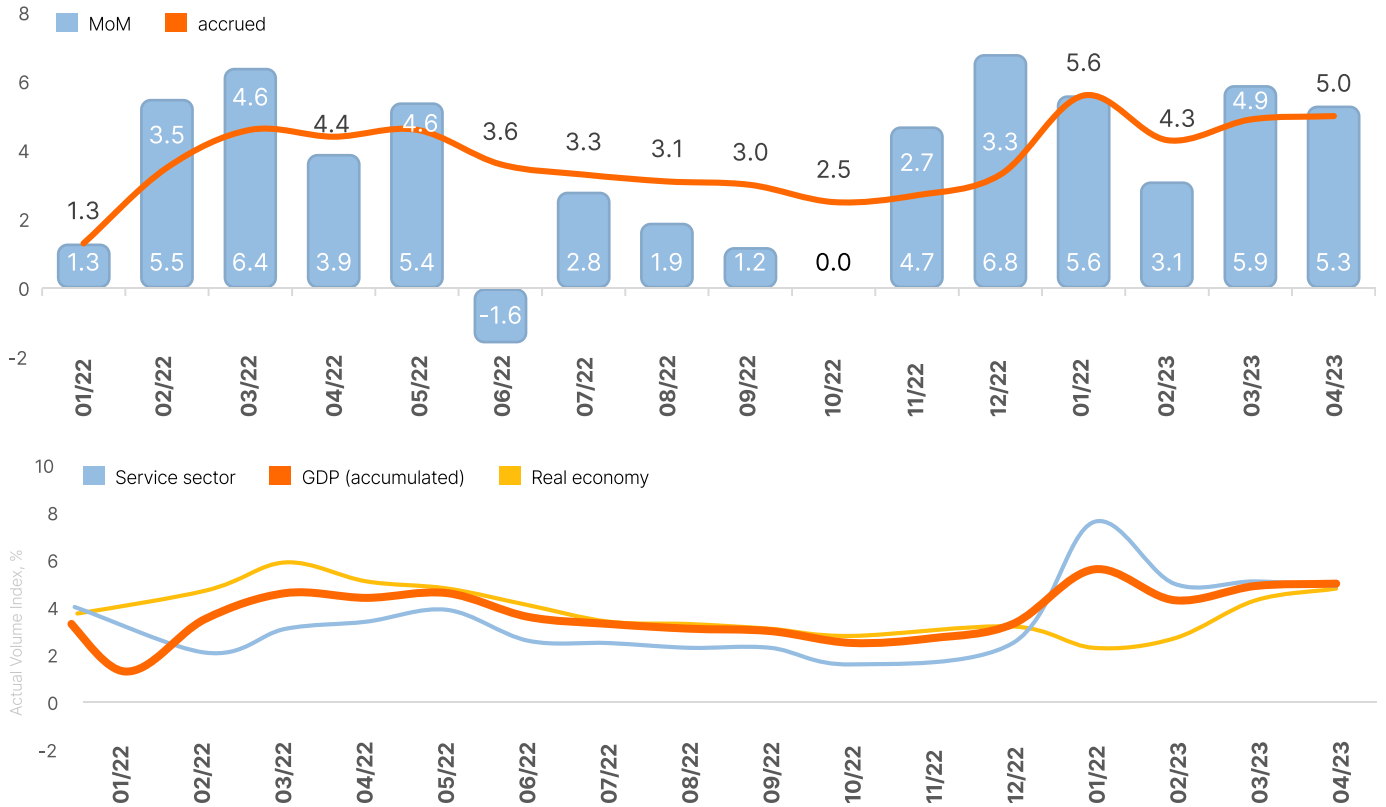
from 01 to 14 may 2023



Kazakhstan's economy has grown by 5%

Source: <https://primeminister.kz/ru/news/ekonomika-kazakhstanana-vyrosla-na-5-24086>

GDP growth, %



Source: BNS of the Agency for Strategic Planning and Reforms, primeminister.kz, Jusan Analytics calculations



Klara Seidakhmetova

Analyst

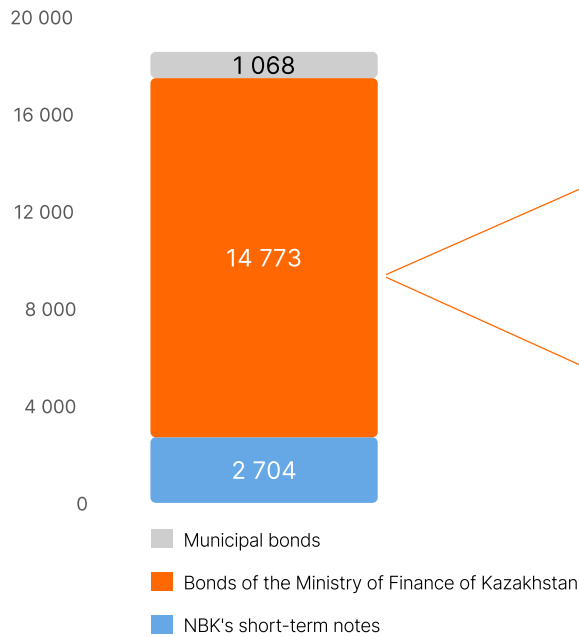
“The results of the socio-economic development of the country for 4 months of 2023 were presented at a recent Government Session. Economic growth was 5%: the real economy accelerated to 4.8%, and according to data for the 1st quarter, the service sector decreased from 5.1% to 4.9%. The main contribution to this economic growth was made by the recovery of the mining industry from 0.2% to 2.0% as a result of an increase in the production of other minerals, oil and gas. Also, high growth rates remain in the construction industry, trade and communications despite a slight slowdown. This is facilitated by investments in fixed assets, the growth of which accelerated back to 18% after the decline. A significant increase in investment is observed in agriculture, which for the first time since 2019 shows such good growth rates for the first 4 months.

So far, we maintain our expectations for economic growth at the end of the year at the level of 4.0-4.5%. High investment activity, gradual reduction of price pressure, reduction of uncertainty on the external sector and implementation of the Government's plans for further diversification of the economy and creation of new jobs will positively impact the economic growth.”

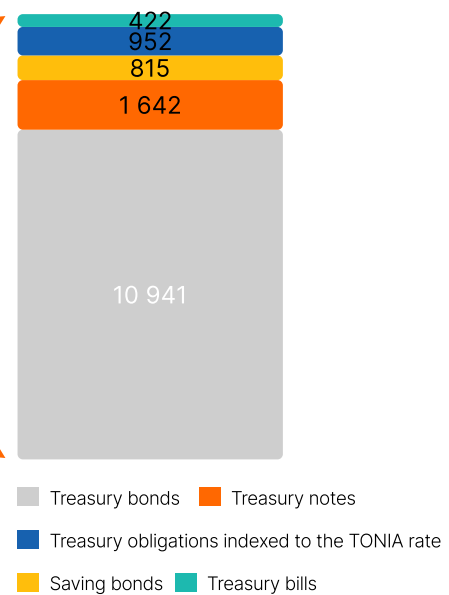
Demand for government bonds is growing

Source: <https://www.nationalbank.kz/ru/structuresecurities/struktura-valyuty-gcb-v-obrashchenii>

Structure of government bonds denominated in national currency in circulation, in billion tenge



Structure of the Central Bank of the Ministry of Finance of the Republic of Kazakhstan



Source: NBK



Sunggat Rysbek

Analyst

“The volume of government bonds increased by 332 billion tenge and amounted to 18.5 trillion tenge in March. The structure of the government bond is as follows:

- NBK's short-term notes are 3 %
- Bonds of the Central Bank of the Ministry of Finance of the Republic of Kazakhstan are 80%
- Municipal bonds is 6%

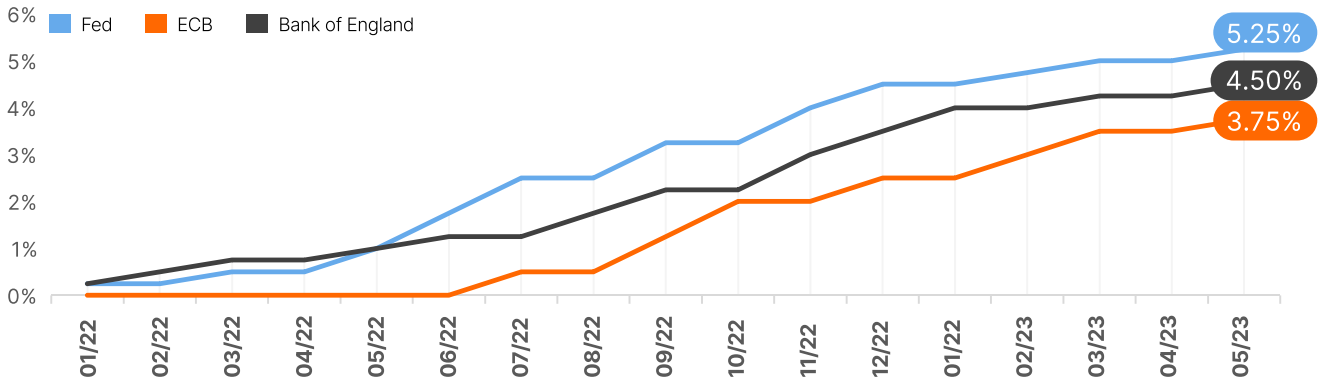
Financial market participants are showing an increased interest in these investment instruments because of the expectations for further preservation of the base rate. There is increased interest in short- and medium-term bonds. The volume of the treasury bills in circulation for the month increased by 22%. There is also an increase in treasury notes (+6%) and treasury obligations indexed to the TONIA rate (+4%).

High rates on short- and medium-term treasury obligations stimulate professional financial market participants to purchase these instruments. Also, high-interest rates and a decrease in the inflation rate stimulate the inflow of foreign funds. The inflow of foreign investors into the government bonds of Kazakhstan increased by 126 billion tenge”



Leading central banks have raised key rates

Dynamics of key rates of the Fed, ECB and Bank of England



Source: investing.com



Sunggat Rysbek

Analyst

"The US Federal Reserve decided to further tighten monetary conditions and raised the key rate by 25 bps for the tenth time to 5.25% on May 3. Market participants expected such a decision, however, the regulator noted a possible slowdown in the current policy of raising rates in its statement. It is noteworthy that the regulator assesses the banking system as reliable and stable. At the same time, 3 regional banks have gone bankrupt over the past 3 months, and the rate hike has once again shaken up the banking sector, so Pacific Western Bank shares fell by 58% in a flash. Previously, the regulator made a decision based on the inflation growth factor. And now, the situation in the banking segment and the tightening of credit conditions will also be considered in subsequent decisions.

Following the Fed, the ECB raised the rate by 50 bps from 3% to 3.5% on May 4. In a press release, the regulator said that inflation remains high for a long period despite the slowdown. At the same time, the regulator also notes the stability of the eurozone banking system. The report also indicates that the regulator is entering the final stage of the tightening cycle, but the next decision will still depend on the inflation growth rate.

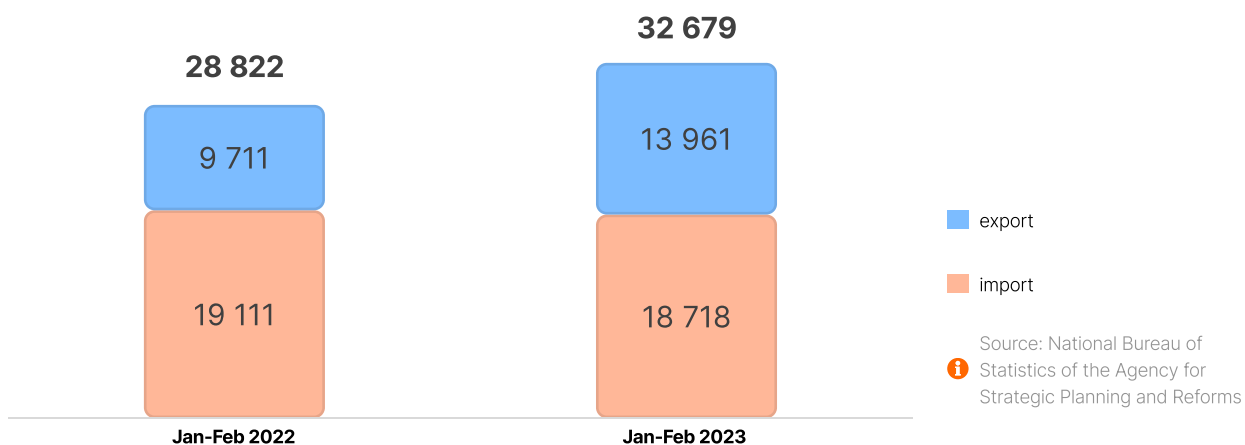
On May 11, the Bank of England decided to raise the key rate for the twelfth time in a row. So the rate increased from 4.25% to 4.5%. The decision was also due to an increase in the rate of inflation. Unlike other regulators, the Bank of England did not mention the possible end of the tightening cycle.

Thus, all 3 leading Central Banks continued the cycle of tightening monetary conditions. However, given the aggravation of banking shocks and the delayed effect of previous increases, at least 2 Central banks in the statement indicate the possible end of the increase cycle. Regulators are more likely to keep the rate and begin a cycle of gradual decline at the next meetings if the economic situation persists or improves."

Foreign trade turnover of Kazakhstan (January-March 2023)

Source: <https://www.stat.gov.kz/ru/industries/economy/foreign-market/publications/40491/>

The volume of trade turnover of Kazakhstan, million US dollars



Ayat Suraganov

Analyst

“The Bureau of National Statistics has published data on the foreign trade turnover of Kazakhstan for January-March 2023. And according to the data, Kazakhstan's foreign trade turnover in the 1st quarter of 2023 amounted to \$32.7 billion and increased by 13.4% compared to the same period last year. Including exports – \$18.7 billion (-2.1%), imports – \$14.0 billion (+43.8%).

The largest increase in 3 months of this year was recorded in exports of such goods as mineral fertilizers (150%), ferrous metal products (113%), and zinc ores (197%). A reduction in exports was observed for such goods as aluminium (-75%), unwrought zinc (-48%), iron ores (-47%) and natural gas (-42%).

Exports to the EAEU countries increased significantly (by \$762 million or 42%), Italy (by \$801 million or 25%), China (by \$115 million or 5%) and France (by \$65 million or 10%).

The high growth in imports was due to an increase in imports of clothing (231%), pipes (+165%), cars (+146%), oil and petroleum products (+113%), as well as telephones (+75%).

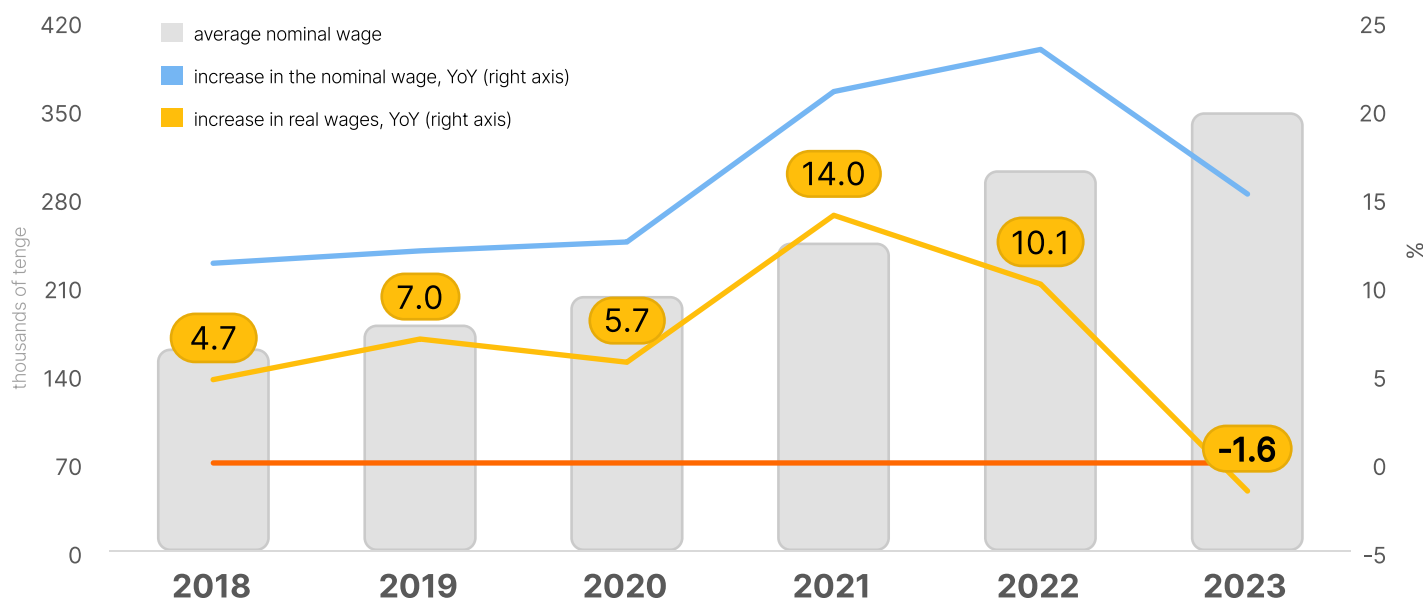
The greatest increase among import partners: China (an increase of \$1,184 million or 56%), Germany (by \$379 million or 118%), the United States (by \$344 million or 117%), Turkey (\$294 million by 124%), Korea (by \$216 million or 68%), Vietnam (\$206 million by 318%) and Japan (\$194 million by 130%).

Read more in our periodic work on foreign trade, which will soon be published on the website.”

The salary of Kazakhstan citizens has increased by almost 90% in five years

Source :<https://ism.kz/pyat-let-kak-menyalas-zarplata-kazahstancsev-infografika>

Dynamics of changes in average wages¹



Source: BNS, Jusan Analytics calculations



Aizhan Alibekova

Analyst

“Wages in nominal value increased by more than 2 times (+117%) from April 2018 to April 2023. And in real tenge (minus accumulated inflation), wages have increased by 57% over the same 5 years.

According to the results of the last 12 months, the growth of the real wage level shows a negative trend (-1.6%) due to the double-digit inflation observed during this period. The "indexation" of social benefits and allowances, as well as wages in some sectors of the economy, which took place at the beginning of the year, smoothed out the negative consequences of a sharp reduction in purchasing power in the short term. However, budget expenditures have not solved the structural problem of reducing disposable income.

The weakness of effective demand is actively manifested in the deterioration of the quality and volume of the consumer basket, households' savings sentiment is shifting, and activity in the markets of durable goods (especially in the real estate market) is falling.

The continuing cost increase of living and negative price expectations discourage or even restrict consumers from expensive purchases and investments. At the same time, the former expands social inequality and contributes to the growth of tension. And according to our expectations, the decline in consumer demand will bring a disinflationary effect to the price environment as a whole, but at the same time, it will underestimate the positive output gap.”

¹ the level of the average monthly wages in April 2018-2023

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