Leading indicator of economy

11 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 short-term economic indicator growth demonstrated recovering dynamics and amounted to 3.2% **over the 11 months of 2022**. The recovery in growth rates is noticed in the services sector, while the goods sector continues its slowdown. There is still observing cooling in the construction and industrial sectors. **A good recovery has taken place in the trade sector**. And stable growth is observed in agriculture and communications.

The industrial sector is stagnating: the mining industry remains in the negative zone with a slight improvement (from -1% in 10 months to -0.9% now), and the growth of the manufacturing industry is declined from 4.3% to 4.2%. The mining sector remains problematic: crude oil (-2.2%), natural gas (- 1.4%), iron ores (-20.2%) and other minerals (-8.9%). There is a slight decrease in the manufacturing sector that is due to a slowdown in the growth of tobacco production (from 12.7% to 9.8%), light (from 7.8% to 6.9%) and metallurgical (from 4.4% to 3.9% of industries.

The growth rate in the construction industry is cooling due to a decrease in the growth of construction of non-residential buildings.

At the same time, a significant growth boost occurred in the trade sector, where retail trade increased from 1.4% to 2.0% and wholesale from 5.3% to 6.0%. However, the growth of the food trade is cooling, which, in our opinion, is due to the growing inflationary pressure and the consumer purchasing power (food inflation in November +24.1%).

the transport and warehousing industry remained almost at the same level due to a drop in cargo transportation by 3.1% and a decrease in the growth rate of cargo turnover to 1.8%.

And due to a good harvest this year growth in the agricultural sector reached 8.5%. Whereas, the growth was +7.6% in the telecommunications and data trans market: Internet services continue to grow in Almaty and Astana cities.

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	▼	3,1
January-November	4,7	-2,6	4,1	▲	3,2
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

Regional development

Shymkent (+11.3%), Astana (+7.9%), Akmola (+13.8%) and North Kazakhstan regions (+6.9%) remain the **economically growing regions** this year.

The construction sector provided the most growth in Shymkent city and Akmola region, communications, transport and warehousing sectors in Astana city, and the agriculture sector in North Kazakhstan region.

The economy is shrinking in three regions: **Pavlodar** (-0.1%), **West Kazakhstan** (-0.2%) and **Atyrau** (-0.6%). The economic downturn here is due to a decrease in the production of copper ores (Pavlodar) and oil (Atyrau), as well as a decrease in trade (West Kazakhstan).
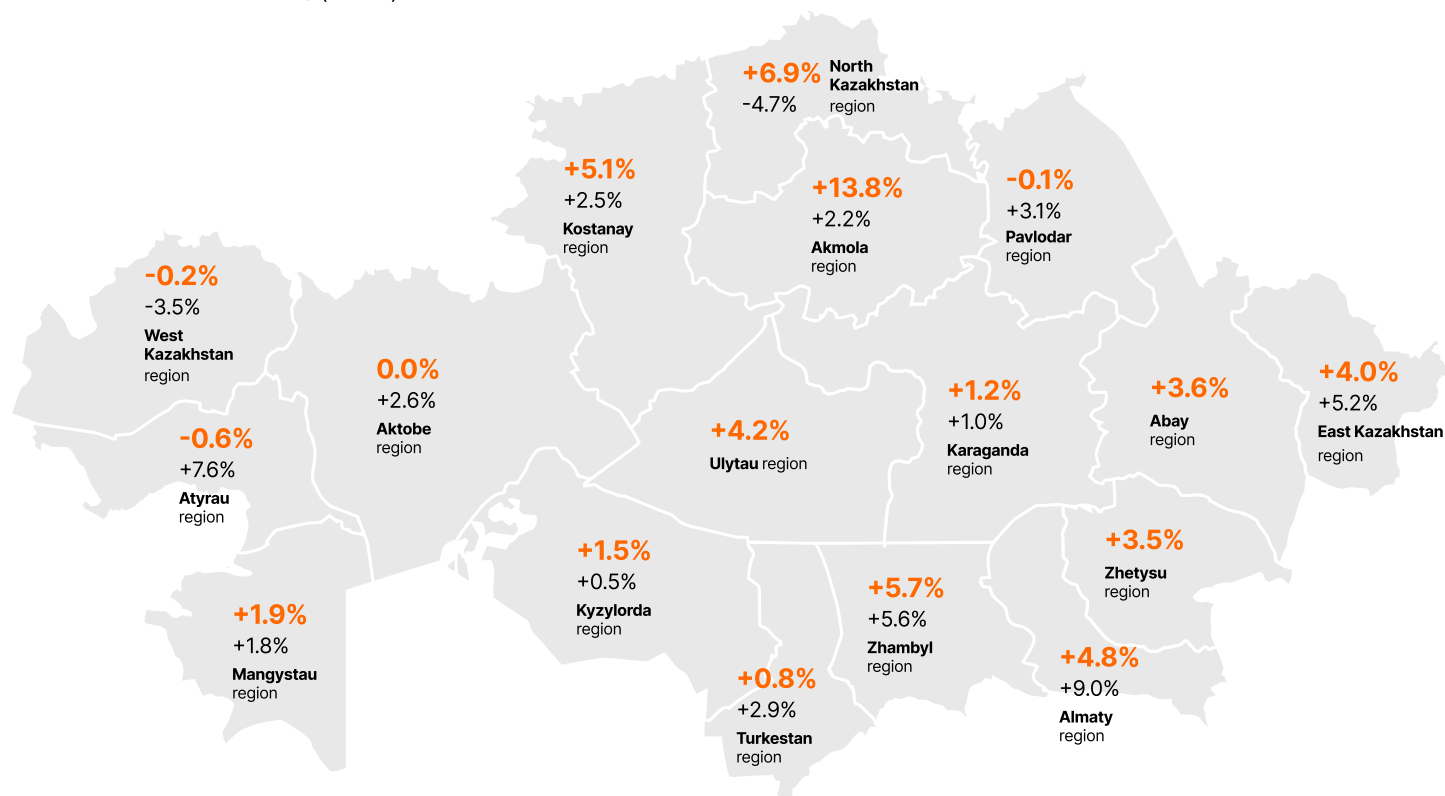
Agriculture is developing most in the Kostanay region (+45.1%) if we consider the development of economic sectors by regions.

The growth of the industrial sector is noted in Zhambyl region due to the growth of sugar and sausage production. Construction, as noted, is growing most in Shymkent city, and communications, transport and warehousing in Astana city.

At the same time, the largest increase in trade occurs in the Zhetysu region.

The short-term economic indicator growth by regions for 11 months of 2022

Across Kazakhstan **+3.2%** (+4.1%)*

+6.9% North Kazakhstan region
-4.7%

+5.1% Kostanay region
+2.5%

+13.8% Akmola region
+2.2%

-0.1% Pavlodar region
+3.1%

-0.2% West Kazakhstan region
-3.5%

0.0% Aktobe region
+2.6%

-0.6% Atyrau region
+7.6%

+4.2% Ulytau region

+1.2% Karaganda region
+1.0%

+3.6% Abay region

+4.0% East Kazakhstan region
+5.2%

+1.5% Kyzylorda region
+0.5%

+1.9% Mangystau region
+1.8%

+5.7% Zhambyl region
+5.6%

+3.5% Zhetysu region

+4.8% Almaty region
+9.0%

+0.8% Turkestan region
+2.9%

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

*data for 10 months of 2021 are shown in parentheses

Astana city **+6.2%** (+8.7%)
Almaty city **+7.9%** (+9.5%)
Shymkent city **+11.3%** (+7.1%)

Risks and prospects

The acceleration of the short-term economic indicator **occurred for the first time since April this year** thanks to a rich harvest, the development of the communications industry and the recovery of the trade industry.

Good weather this year **allowed us to harvest a record wheat harvest over the past 10 years**, which as a result made the agricultural industry the fastest growing.

The trade industry is growing due to the increased demand for non-food products and the accelerated development of the wholesale segment. This is due to the many installment programs in November this year and the restoration of the CPC. **We believe that this sector will continue to grow** by the upcoming December holidays and the growing demand for goods and services from the population.

Even though the **manufacturing industry is showing good growth this year** due to the development of mechanical engineering, food, chemical industry, tobacco products and beverages, the production of the goods sector remains quite ambiguous. **There are some issues in industries that are completely dependent on incentives**: mining and construction.
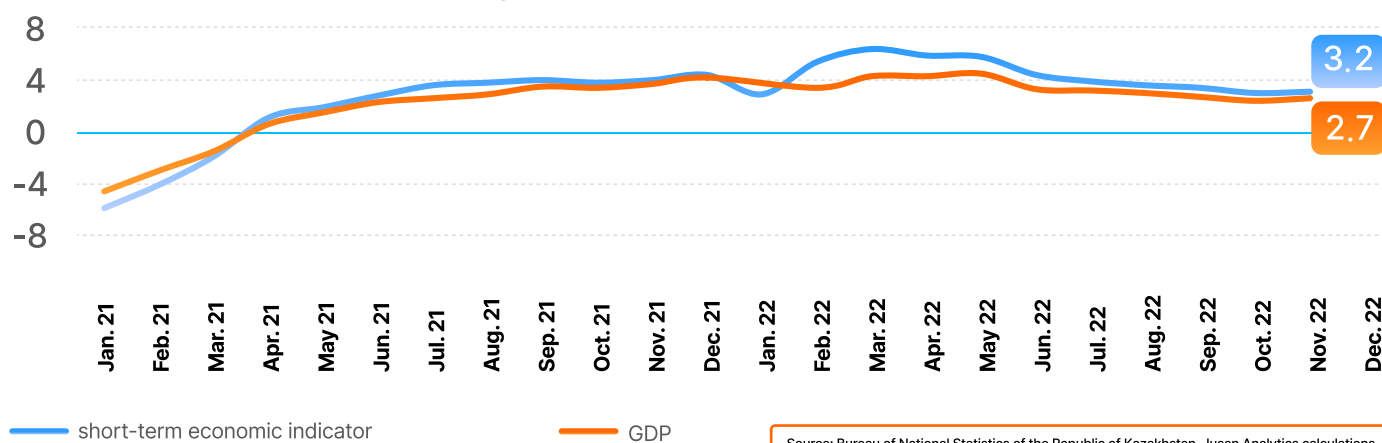
After the completion of repair work at Kashagan, there is still a slight positive effect on the mining industry: the decline in oil and natural gas production decreased by 0.3% and 0.1%, respectively, and the decline in iron ore production continues to deepen

The slowdown in the development of the construction industry will continue due to the rise in cost and the absence of previously existing incentive measures against the background of accelerating inflation, which in November amounted to 19.6%, and increasing pressure in supply chains.
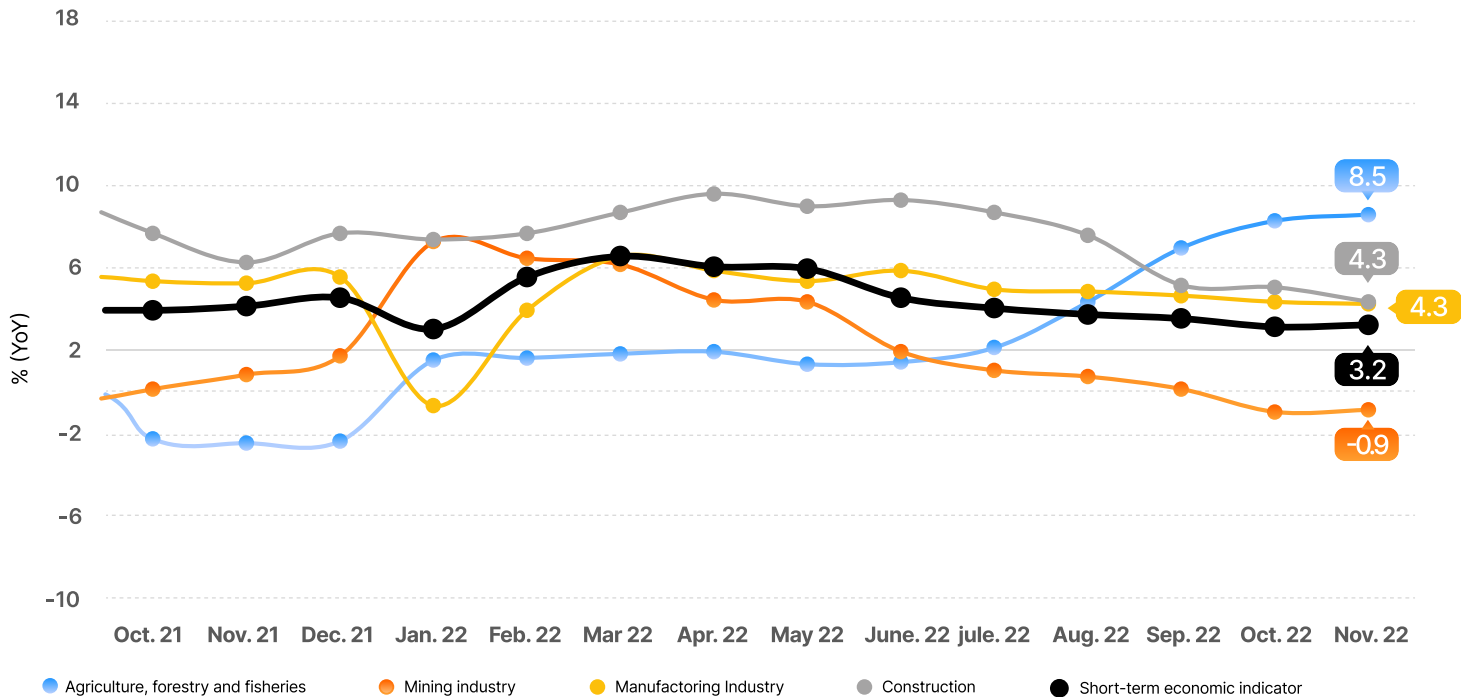
Thus, **economic growth is observed close enough to its potential level**, determined by basic conditions and factors, which gives more pluses than minuses in terms of a proinflationary background. At the same time, this level of economic development has a restraining effect on further growth and price response.

And as a result, we have decided to slightly revise the range of our forecast values for annual economic growth **at the level of 2.4%-2.8%.**

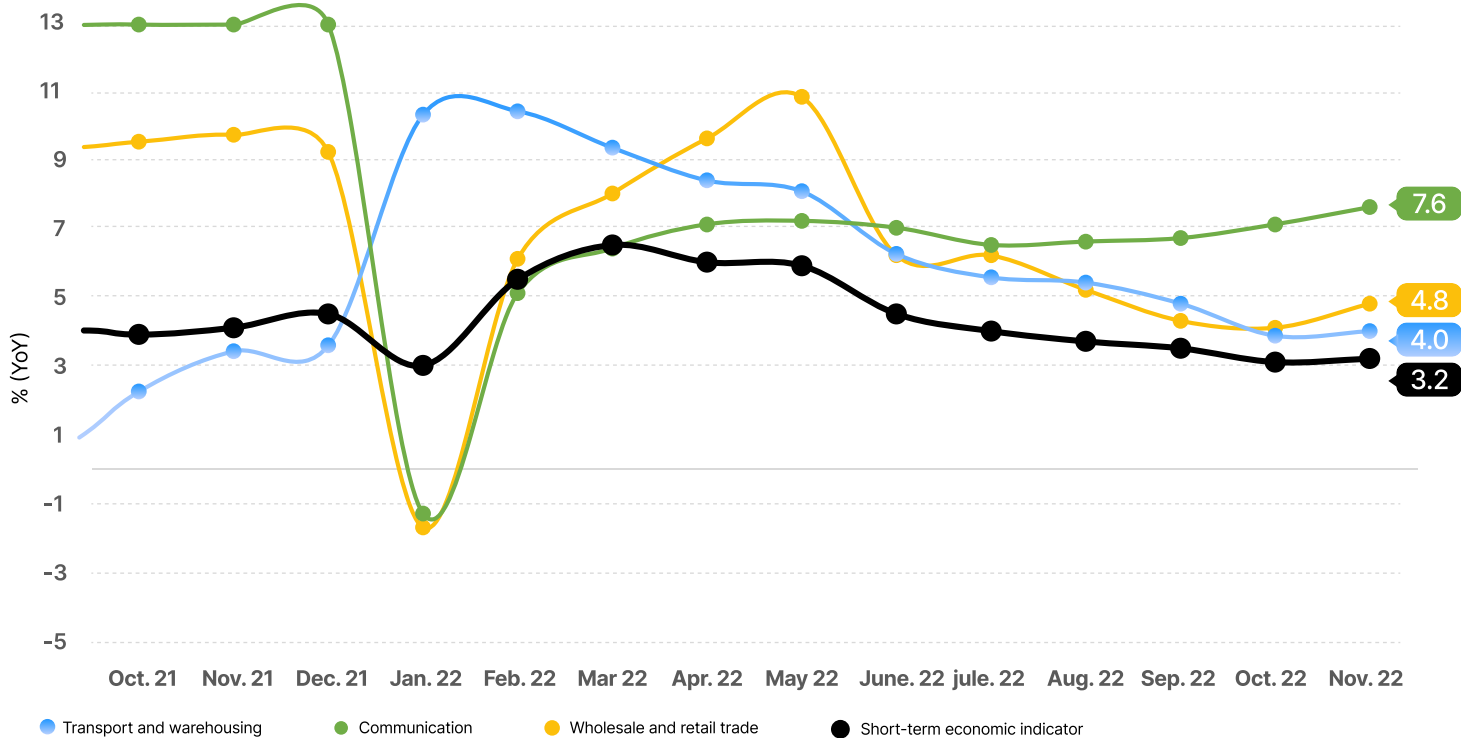## Cumulative dynamics of changes in the short-term economic indicator and GDP

— short-term economic indicator   — GDP

Source: Bureau of National Statistics of the Republic of Kazakhstan, Jusan Analytics calculations

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

% (YoY)

Legend:
- Agriculture, forestry and fisheries (blue)
- Mining industry (orange)
- Manufactoring Industry (yellow)
- Construction (grey)
- Short-term economic indicator (black)

X-axis: Oct. 21, Nov. 21, Dec. 21, Jan. 22, Feb. 22, Mar 22, Apr. 22, May 22, June. 22, jule. 22, Aug. 22, Sep. 22, Oct. 22, Nov. 22

End values: 8.5, 4.3, 4.3, 3.2, -0.9

Cumulative dynamics of changes in the short-t

% (YoY)

Legend:
- Transport and warehousing (blue)
- Communication (green)
- Wholesale and retail trade (yellow)
- Short-term economic indicator (black)

X-axis: Oct. 21, Nov. 21, Dec. 21, Jan. 22, Feb. 22, Mar 22, Apr. 22, May 22, June. 22, jule. 22, Aug. 22, Sep. 22, Oct. 22, Nov. 22

End values: 7.6, 4.8, 4.0, 3.2

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

for 11 months of 2022

Abai region — Short-term economic indicator:: 3.6%

Sector	Value
Agriculture:	0.1%
Industry:	9.8%
Construction:	-12.1%
Internal trade:	-13.5%
Transport and warehousing:	0.5%
Communication:	9.8%

Akmola region — Short-term economic indicator:: 13.8%

Sector	Value
Agriculture:	21.3%
Industry:	10.6%
Construction:	31.7%
Internal trade:	3.4%
Transport and warehousing:	2.1%
Communication:	1.0%

Aktobe region — Short-term economic indicator:: 3.6%

Sector	Value
Agriculture:	6.2%
Industry:	1.7%
Construction:	4.1%
Internal trade:	-15.4%
Transport and warehousing:	3.2%
Communication:	5.2%

Almaty region — Short-term economic indicator:: 4.8%

Sector	Value
Agriculture:	
Industry:	
Construction:	
Internal trade:	
Transport and warehousing:	
Communication:	

Atyrau region — Short-term economic indicator:: -0.6%

Sector	Value
Agriculture:	0.8%
Industry:	-2.3%
Construction:	8.3%
Internal trade:	1.2%
Transport and warehousing:	2.8%
Communication:	6.2%

West Kazakhstan region — Short-term economic indicator:: -0.2%

Sector	Value
Agriculture:	8.3%
Industry:	-1.3%
Construction:	2.2%
Internal trade:	2.4%
Transport and warehousing:	0.6%
Communication:	4.3%

Zhambyl region — Short-term economic indicator:: 5.7%

Sector	Value
Agriculture:	6.1%
Industry:	10.6%
Construction:	1.6%
Internal trade:	4.1%
Transport and warehousing:	1.0%
Communication:	1.9%

Zhetysu region — Short-term economic indicator:: 3.5%

Sector	Value
Agriculture:	1.1%
Industry:	-2.1%
Construction:	11.7%
Internal trade:	24.7%
Transport and warehousing:	1.1%
Communication:	8.0%

Karaganda region — Short-term economic indicator:: 1.2%

Sector	Value
Agriculture:	2.0%
Industry:	1.2%
Construction:	-10.4%
Internal trade:	7.2%
Transport and warehousing:	0.3%
Communication:	-2.3%

Kostanay region — Short-term economic indicator:: 5.1%

Sector	Value
Agriculture:	45.1%
Industry:	-5.1%
Construction:	5.1%
Internal trade:	6.6%
Transport and warehousing:	1.2%
Communication:	-5.0%

Kyzylorda region — Short-term economic indicator:: 1.5%

Sector	Value
Agriculture:	0.3%
Industry:	-1.1%
Construction:	21.1%
Internal trade:	2.3%
Transport and warehousing:	1.0%
Communication:	-0.9%

Mangystau region — Short-term economic indicator:: 1.9%

Sector	Value
Agriculture:	11.2%
Industry:	2.5%
Construction:	-27.7%
Internal trade:	22.1%
Transport and warehousing:	11.9%
Communication:	11.0%

Pavlodar region — Short-term economic indicator:: -0.1%

Sector	Value
Agriculture:	0.3%
Industry:	-0.7%
Construction:	2.8%
Internal trade:	2.1%
Transport and warehousing:	0.4%
Communication:	1.1%

North Kazakhstan region — Short-term economic indicator:: 6.9%

Sector	Value
Agriculture:	11.6%
Industry:	3.4%
Construction:	3.1%
Internal trade:	0.5%
Transport and warehousing:	0.4%
Communication:	-4.0%

Turkestan region — Short-term economic indicator:: 0.8%

Sector	Value
Agriculture:	1.2%
Industry:	-4.5%
Construction:	2.0%
Internal trade:	10.6%
Transport and warehousing:	7.0%
Communication:	9.3%

Ulytau region — Short-term economic indicator:: 4.2%

Sector	Value
Agriculture:	-1.4%
Industry:	4.7%
Construction:	16.3%
Internal trade:	-15.8%
Transport and warehousing:	0.0%
Communication:	1.1%

East Kazakhstan region — Short-term economic indicator:: 4.0%

Sector	Value
Agriculture:	0.5%
Industry:	3.3%
Construction:	10.4%
Internal trade:	9.9%
Transport and warehousing:	1.5%
Communication:	-4.8%

Astana city — Short-term economic indicator:: 7.9%

Sector	Value
Agriculture:	-0.4%
Industry:	1.0%
Construction:	0.5%
Internal trade:	10.5%
Transport and warehousing:	18.1%
Communication:	17.7%

Almaty city — Short-term economic indicator:: 6.2%

Sector	Value
Agriculture:	-18.4%
Industry:	10.3%
Construction:	1.2%
Internal trade:	5.6%
Transport and warehousing:	5.1%
Communication:	7.0%

Shymkent city — Short-term economic indicator:: 11.3%

Sector	Value
Agriculture:	-9.5%
Industry:	6.0%
Construction:	31.1%
Internal trade:	15.4%
Transport and warehousing:	8.5%
Communication:	5.4%

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