results of 2022 and expectations for 2023

Leading indicator of economy

Risks and prospects of economic development in 2023

The short-term economic indicator in December last year continued to show growing dynamics after a long decline from April to October 2022. The increasing trend in growth rates by the end of the year was due to a leap in the construction industry, stable development of the communication and agriculture industries throughout the year, as well as the recovery of the trade industry.

As a result, economic growth in 2022 was at the level of 3.1%, which exceeded our forecasts.

The main risks that may harm the socio-economic development of countries and cause stagflationary processes this year will be:
- deterioration of the geopolitical situation with new sanction rollouts, which may increase pressure on supply chains;
- oil price volatility;
- pro-inflationary pressure, both internal and external;
- increased household inflation expectations;
- prolonged tightening of monetary measures by the world's Central Banks.

And under these circumstances, the Government has developed plans for the coming year to stimulate the growth of production and investment, introduce innovations in production, as well as increase employment rate.

Thus, we believe that the main drivers of economic development in 2023 will be:
- ongoing financial promotion through government programs;
- growth of fixed asset formation;
- the resumption of mining industry development by the full restoration of CPC operations and the growth of oil production by the large FGP/WPMP closeout at Tengiz field;
- development of the construction industry and trade.

The growth of exports of processed goods in 2022 also supported the development of the country's economy. At the same time, the positive effect of the record growth in export earnings will have a stimulating effect this year mainly.

And a s a result, we expect that the growth of our economy in 2023 will be at the level of 3.5%-4.0%.

Cumulative dynamics of changes in the short-term economic indicator and GDP
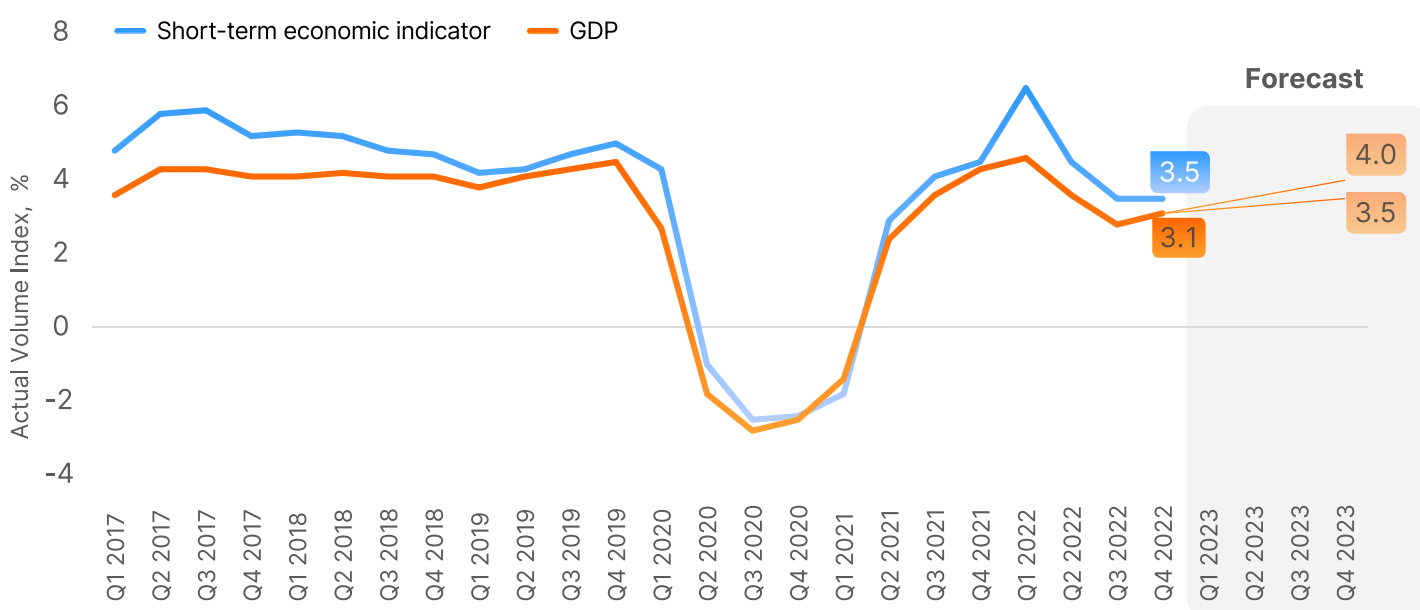
Source: Bureau of National Statistics of the Republic of Kazakhstan, Jusan Analytics calculations

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, communication, transport and warehousing.

The short-term economic indicator growth by the end of 2022 amounted to 3.5%. The growth rate of the short-term economic indicator showed good recovery dynamics in December (+5.1%).

Agriculture, construction and communications contributed the most to economic growth in 2022. At the same time, the industry sector had the most negative impact. Thus, there was some recovery in both the services and goods production sectors by the end of the year.

The agricultural sector grew by a record 9.1% hence one of the highest grain harvests in the last decade, which occurred by the increased state financing of harvesting operations and increased availability of agricultural machinery through leasing.

Despite the hike in prime cost, the **construction industry showed an impressive increase by the end of the year and grew by 9.4%**. Construction of residential buildings in 2022 increased by 13.7%, non-residential by 21.7% and structures by 9.7%. And we believe that this growth is due to the launch of major construction projects, the completion of repairs and prolonged financial promotion.

Industry became a struggling sector last year. Due to repairs at large deposits, multiple CPC shutdowns and a decrease in the supply of ferrous metals to Russia, the mining industry has been slowing down since April and decreased by 1% by the end of the year. Also during the year, oil production decreased by 1.9%, natural gas by 1%, iron ores by 20.6% and other minerals by 7.6%.

The slowing-down dynamics were noticed in the manufacturing industry, the growth rate of which decreased to 3.4% by the end of the year.

The cooling was observed in tobacco (from 9.8% according to data for 11 months to 7.9%), textile (from 8.1% to 5.3%), and metallurgical production (from 3.9% to 1.9%). In comparison with 2021, the production of furniture (-10.7%), pharmaceutical (-10.3%) and dairy (-7.1%) products also decreased.

In the service sector, **good growth was seen in the communication market (+8.0%)**. This is due to the faster development of Internet services versus the slowdown of telephone services. Due to a cargo transportation drop of 2.8% and a slowdown in the growth rate of cargo turnover to 1.0%, the transport and warehousing industry has remained at the same level in recent months.

After slowing down in the summer-autumn period, trade continued its growth this month and **grew by 5.0% at the end of the year**. The growth rate of retail trade was 2.1%, and wholesale - 6.3%. The past year has changed trends within the industry under price pressure in the economy, where there was not only a reorientation of the food market to the wholesale segment but a reduction in demand for them also. At the same time, the demand for non-food products was backed by many installment programs and the growth of retail lending.

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	▲	3.5

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

Results of 2022: Regional development

The most developing regions in 2022 were **Akmola** (+15.3%) and **North Kazakhstan regions** (+7.7%), **Shymkent** (+10.7%) and **Astana cities** (+9.0%).

The construction industry ensured the growth of Akmola region and Shymkent city, the growth in Astana city was observed due to the significant development of the communication, transport and warehousing sectors, and in North Kazakhstan region – due to the agriculture sector.

The economic slowdown was noted only in Aktobe region by -0.5%. The economic downturn here is due to a decrease in wholesale and retail trade by 18.9%.
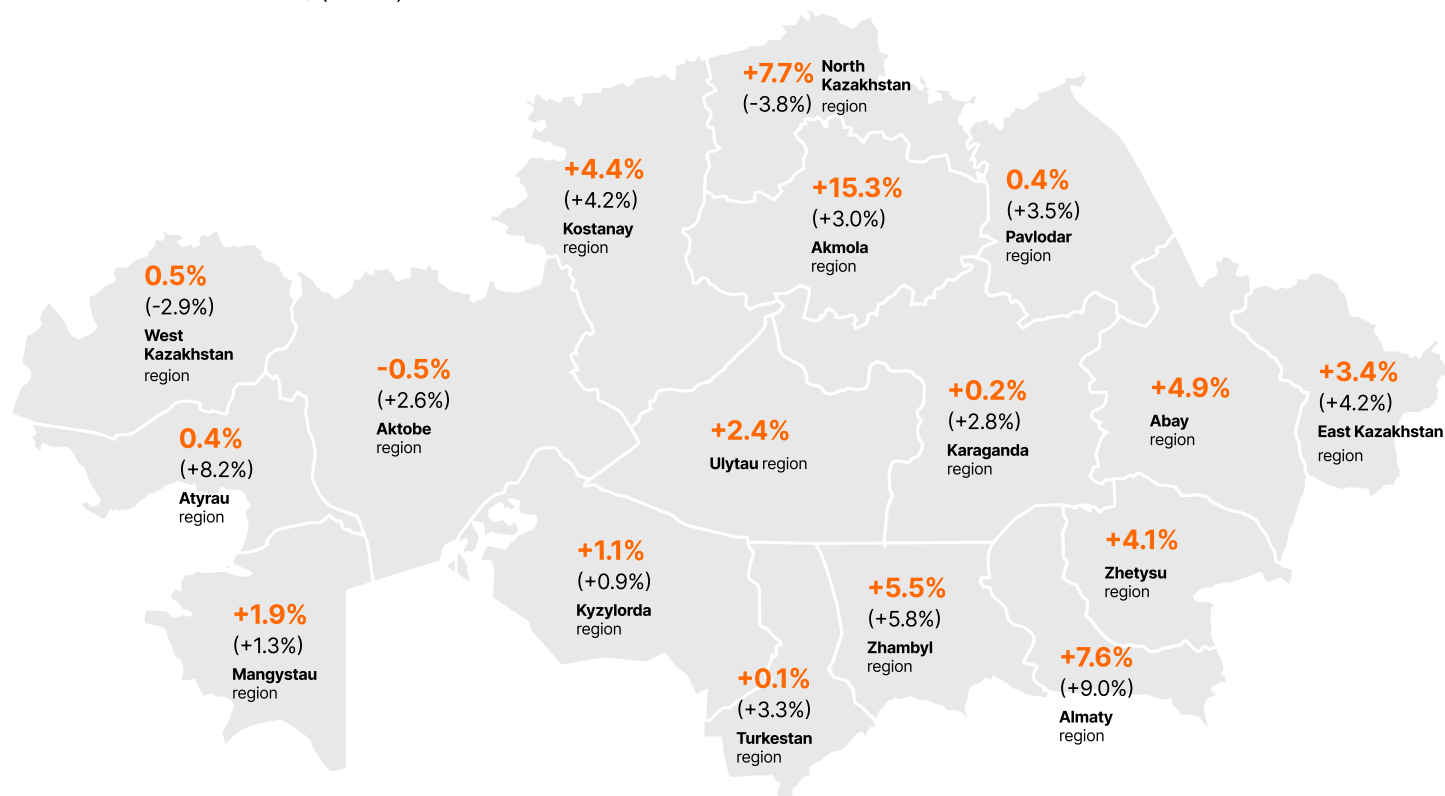
If we consider the development of economic sectors by regions, then agriculture is developing most in Kostanay region (+47.2%).

The industrial sector growth is noted in Akmola region due to an increase in the production of gold-bearing ores and concentrates. Construction, as noted, is growing the most in Shymkent and Akmola regions. The communication, transport and warehousing industries showed the greatest growth in Astana city.

The largest increase in trade is taken place in Zhetysu region.

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

Across Kazakhstan **+3.5%** (+4.5%)*

+7.7% (-3.8%) **North Kazakhstan** region

+4.4% (+4.2%) **Kostanay** region

+15.3% (+3.0%) **Akmola** region

0.4% (+3.5%) **Pavlodar** region

0.5% (-2.9%) **West Kazakhstan** region

-0.5% (+2.6%) **Aktobe** region

0.4% (+8.2%) **Atyrau** region

+2.4% **Ulytau** region

+0.2% (+2.8%) **Karaganda** region

+4.9% **Abay** region

+3.4% (+4.2%) **East Kazakhstan** region

+1.1% (+0.9%) **Kyzylorda** region

+1.9% (+1.3%) **Mangystau** region

+5.5% (+5.8%) **Zhambyl** region

+4.1% **Zhetysu** region

+0.1% (+3.3%) **Turkestan** region

+7.6% (+9.0%) **Almaty** region

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

*data for 12 months of 2021 are shown in parentheses

Astana city **+6.7%** (+8.6%)
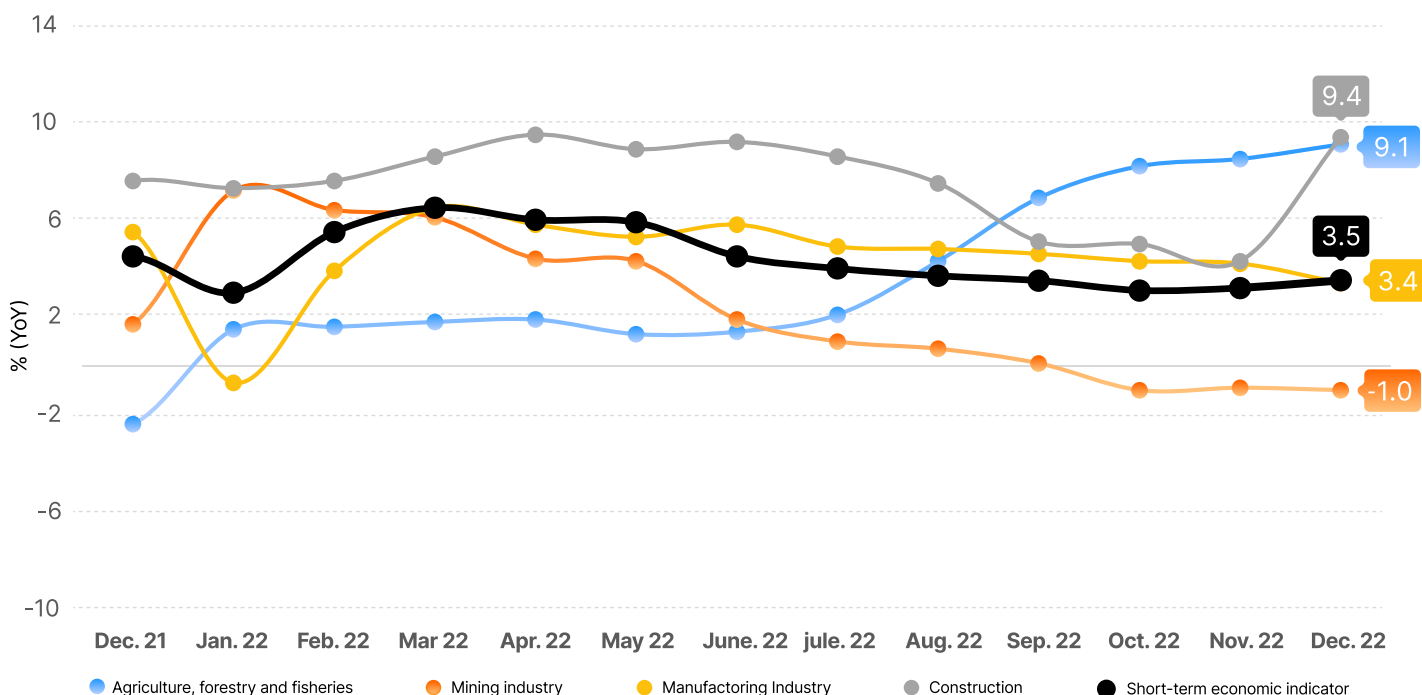Almaty city **+9.0%** (+8.4%)
Shymkent city **+10.7%** (+7.8%)

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

Source: BNS of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, Jusan Analytics calculations
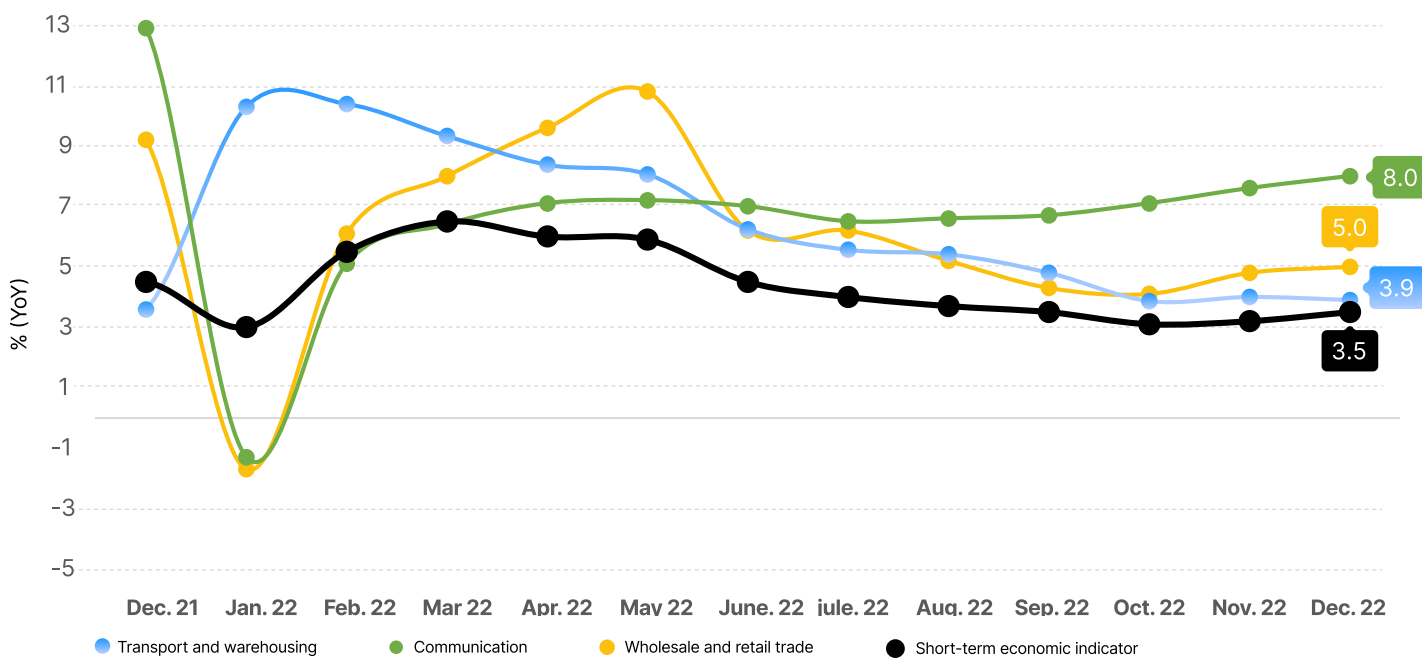
for 12 months 2022

Abai region — Short-term economic indicator: 4.9%

Sector	Value
Agriculture:	-1.5%
Industry:	9.7%
Construction:	8.8%
Internal trade:	-12.4%
Transport and warehousing:	0.6%
Communication:	10.9%

Akmola region — Short-term economic indicator: 15.3%

Sector	Value
Agriculture:	21.6%
Industry:	13.4%
Construction:	36.8%
Internal trade:	2.3%
Transport and warehousing:	1.4%
Communication:	2.2%

Aktobe region — Short-term economic indicator: -0.5%

Sector	Value
Agriculture:	6.6%
Industry:	1.5%
Construction:	7.7%
Internal trade:	-18.9%
Transport and warehousing:	3.0%
Communication:	5.7%

Almaty region — Short-term economic indicator: 7.6%

Sector	Value
Agriculture:	0.1%
Industry:	8.9%
Construction:	28.4%
Internal trade:	8.4%
Transport and warehousing:	0.6%
Communication:	-2.1%

Atyrau region — Short-term economic indicator: 0.4%

Sector	Value
Agriculture:	1.8%
Industry:	-2.1%
Construction:	18.4%
Internal trade:	0.9%
Transport and warehousing:	2.9%
Communication:	7.3%

West Kazakhstan region — Short-term economic indicator: 0.5%

Sector	Value
Agriculture:	13.2%
Industry:	-1.0%
Construction:	5.7%
Internal trade:	0.3%
Transport and warehousing:	1.1%
Communication:	5.3%

Zhambyl region — Short-term economic indicator: 5.5%

Sector	Value
Agriculture:	7.5%
Industry:	10.2%
Construction:	1.0%
Internal trade:	2.0%
Transport and warehousing:	0.5%
Communication:	2.7%

Zhetysu region — Short-term economic indicator: 4.1%

Sector	Value
Agriculture:	2.4%
Industry:	1.3%
Construction:	4.3%
Internal trade:	30.4%
Transport and warehousing:	0.0%
Communication:	8.9%

Karaganda region — Short-term economic indicator: 0.2%

Sector	Value
Agriculture:	1.8%
Industry:	-0.7%
Construction:	-5.6%
Internal trade:	8.9%
Transport and warehousing:	0.7%
Communication:	-2.0%

Kostanay region — Short-term economic indicator: 4.4%

Sector	Value
Agriculture:	47.2%
Industry:	-5.5%
Construction:	3.4%
Internal trade:	4.3%
Transport and warehousing:	1.6%
Communication:	-4.2%

Kyzylorda region — Short-term economic indicator:: 1.1%

Sector	Value
Agriculture:	1.8%
Industry:	-1.8%
Construction:	16.6%
Internal trade:	2.3%
Transport and warehousing:	-1.1%
Communication:	1.1%

Mangystau region — Short-term economic indicator: 1.9%

Sector	Value
Agriculture:	10.7%
Industry:	1.9%
Construction:	-21.3%
Internal trade:	23.1%
Transport and warehousing:	12.3%
Communication:	11.1%

Pavlodar region — Short-term economic indicator: 0.4%

Sector	Value
Agriculture:	0.8%
Industry:	-0.5%
Construction:	7.6%
Internal trade:	1.6%
Transport and warehousing:	1.0%
Communication:	1.6%

North Kazakhstan region — Short-term economic indicator: 7.7%

Sector	Value
Agriculture:	12.2%
Industry:	4.0%
Construction:	10.8%
Internal trade:	1.0%
Transport and warehousing:	1.0%
Communication:	-3.1%

Turkestan region — Short-term economic indicator: 0.1%

Sector	Value
Agriculture:	0.7%
Industry:	-6.3%
Construction:	4.6%
Internal trade:	9.8%
Transport and warehousing:	5.0%
Communication:	10.2%

Ulytau region — Short-term economic indicator: 2.4%

Sector	Value
Agriculture:	-0.7%
Industry:	2.7%
Construction:	9.5%
Internal trade:	-12.9%
Transport and warehousing:	0.1%
Communication:	2.4%

East Kazakhstan region — Short-term economic indicator: 3.4%

Sector	Value
Agriculture:	3.0%
Industry:	1.7%
Construction:	11.3%
Internal trade:	10.4%
Transport and warehousing:	2.2%
Communication:	-4.6%

Astana city — Short-term economic indicator: 9.0%

Sector	Value
Agriculture:	-0.4%
Industry:	1.8%
Construction:	7.4%
Internal trade:	10.7%
Transport and warehousing:	17.8%
Communication:	18.7%

Almaty city — Short-term economic indicator: 6.7%

Sector	Value
Agriculture:	-19.0%
Industry:	9.6%
Construction:	6.3%
Internal trade:	6.2%
Transport and warehousing:	4.7%
Communication:	7.1%

Shymkent city — Short-term economic indicator: 10.7%

Sector	Value
Agriculture:	-9.5%
Industry:	5.9%
Construction:	35.5%
Internal trade:	13.3%
Transport and warehousing:	9.5%
Communication:	5.9%

Leading indicator of economy

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

Legend: Agriculture, forestry and fisheries · Mining industry · Manufacturing Industry · Construction · Short-term economic indicator

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 services sector

Legend: Transport and warehousing · Communication · Wholesale and retail trade · Short-term economic indicator

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

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Disclaimer:
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