

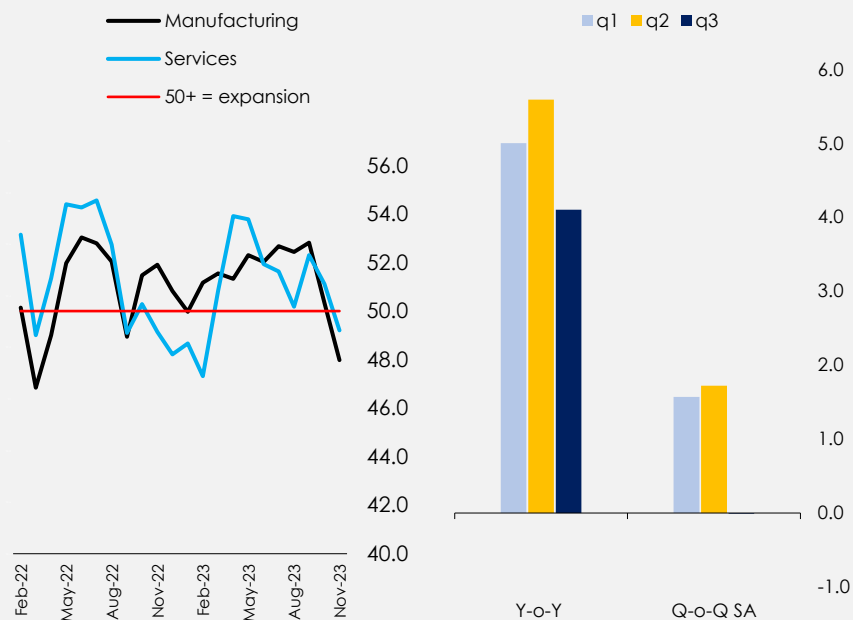
Kazakhstan Monthly Update, December 2023

Purchasing Managers' Index,

manufacturing, services, 50+ = expansion on prior month

Key highlights from business activity

- The PMI survey data for manufacturing entered the contractionary territory, falling below the growth threshold of 50, decreasing to 48 points in Dec. from 50.3 points in Oct. This softening in activity is supported by high-frequency data for manufacturing activity, which decreased to 2.8% yoy in Q3 from a robust 5.4% growth in Q1.
- The PMI for services also declined to 49.2. PMI for both sectors indicate weakening activity due likely to the growing impact of still elevated inflation, sluggish growth in real incomes, and tight monetary policy.
- While real GDP growth of 4.9% in Jan.-Sep. outpaced the growth observed in 2022, quarterly data shows a deceleration in growth. In Q3, real GDP grew at an estimated 4.1% yoy, marking a drop from the robust 5.6% expansion seen in Q2. The slowdown was also evident in the quarter-over-quarter performance with GDP stagnating in Q3 relative to the previous quarter.

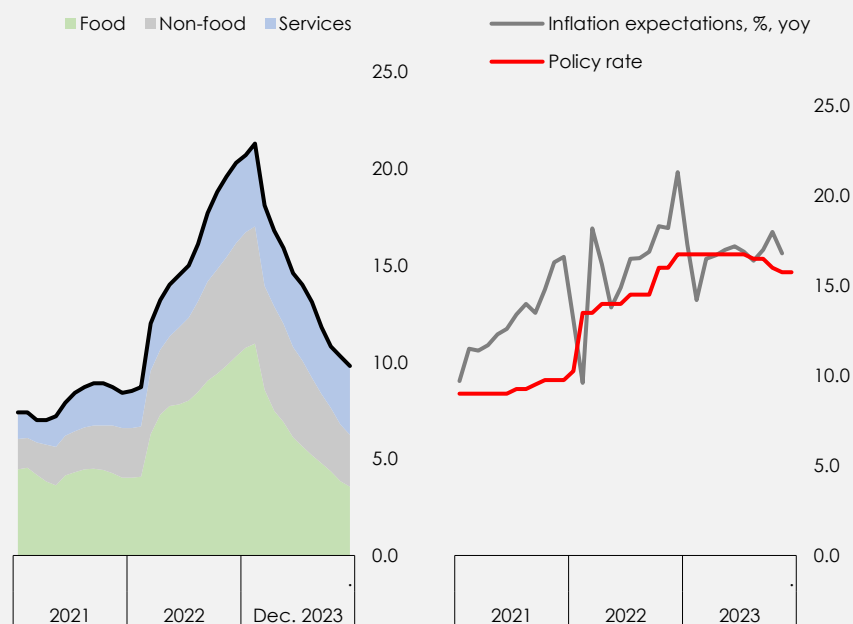


Source: S&P Global Purchasing Managers Survey

Inflation slows further to lowest rate in over a year and monetary policy eases

- Inflation eased to the lowest rate in over a year in Dec. as food price growth continued to decline, slowing to 9.8% from October's 10.3%, marking the tenth consecutive monthly decline. Annual food prices also decelerated to 8.5% in Dec. (9.2% in Nov.), driven by slowing prices for dairy products and declining sugar prices.
- Month-on-month changes in inflation align with historical average rates for Dec. As the impacts of earlier cost pressures from wages and imported input prices continue to fade, inflation is expected to further moderate.
- Despite a steady decline in headline inflation, expectations for the next 12 months remained elevated at 16.8% in Nov., well above the actual reading. Nevertheless, the NBK eased its policy stance by cutting the policy rate by 100 basis points to 15.75% in late Nov.

Consumer price inflation, yoy, percentage point

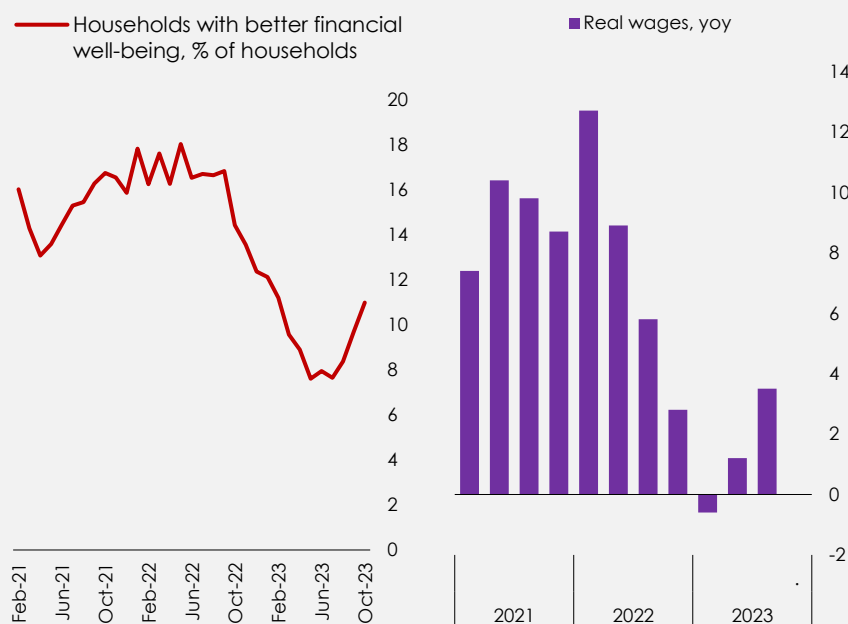


Source: Bureau of National Statistics, Inflation expectations published by National Bank of Kazakhstan

Financial wellbeing improves, as inflation diminishes

- Falling inflation is easing financial hardships for low-income earners. According to the Listening to Kazakhstan (L2K) survey, the percentage of households experiencing improved financial wellbeing has seen a steep increase, climbing from its trough of 7.6% in Jun. 2023 to a 11% in Oct. 2023.
- Meanwhile, due to the high inflation the gap between affluent and less well-off households widened, as the proportion of households self-assessing as poor has remained elevated at 21.5% in Oct. of the total surveyed population, up from 20.9% in Jan. 2023.
- From Jan. 2021 to Oct. 2023, the government raised the statutory minimum wage by 65% to an equivalent of US\$150 per month. Although the minimum wage adjustment partly shielded low-pay workers from inflation, the two broadly offset one another, resulting in meager 0.9% yoy growth in aggregate wages during 9M.

Household wellbeing, % of total

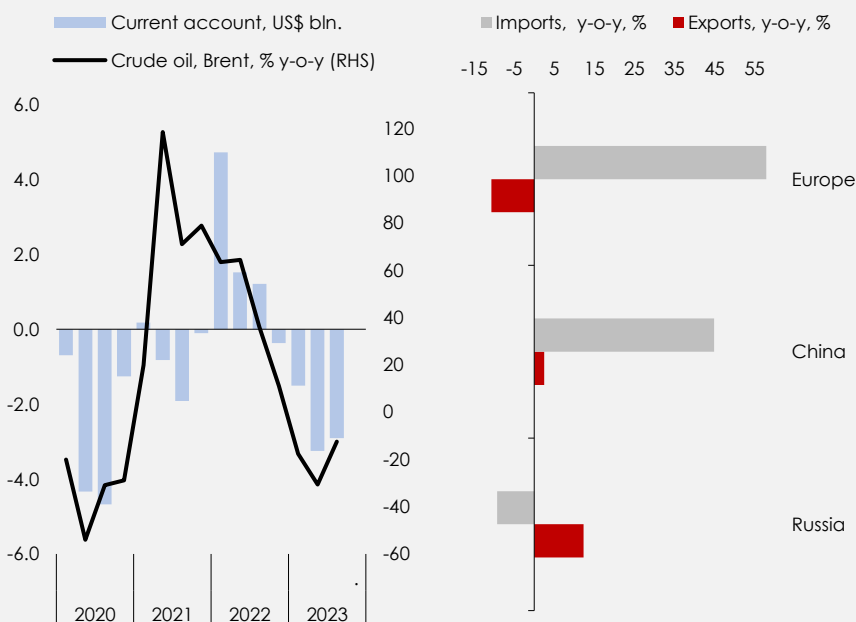


Source: Listening to Kazakhstan survey results, 3-month-MA

Current account turns into deficit as oil prices decline

- In 9M 2023, the current account is estimated to have registered a deficit of US\$7.6 billion, marking a reversal from the surplus of US\$7.7 billion recorded over 9M 2022.
- In 9M merchandise exports of goods declined by 8.9% y-o-y, largely due to a 20% plunge in oil prices. Concurrently, imports surged by 26.5% during the same period due to strong domestic demand for final and intermediate goods and increased exports to Russia.
- Trade patterns change since the Russia's war. Imports from Kazakhstan's key trading partners, Europe and China, grew by 60% and 45% y-o-y respectively in 9M 2023. Simultaneously, Kazakhstan's exports to Russia picked up by 12.3% y-o-y, while imports from Russia fell by 9.2%.

External account, billion U.S. Dollars



Source: Haver Analytics, Bureau of National Statistics, staff estimates