

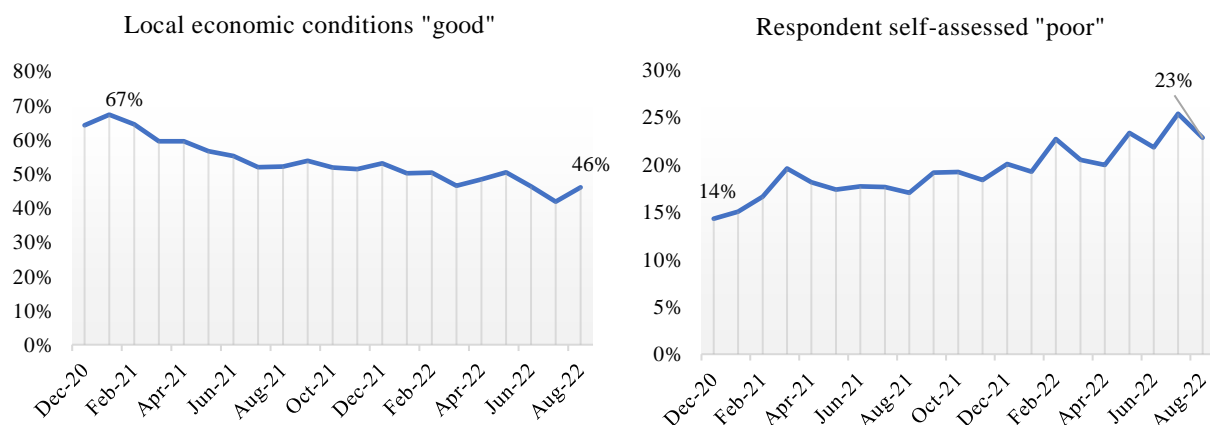
Listening to Kazakhstan

Update on the Social and Economic Wellbeing for August 2022

Kazakhstan's economic and social outlook was checked by heightened risks in the second quarter of 2022 – the war in Ukraine, international sanctions against Russia, the COVID-19 pandemic, quickly rising prices, and slowing of global growth combined to greatly increase uncertainty. Domestic inflation dominated among the concerns reported in the Listening to Kazakhstan survey, as the official consumer price index peaked above a 15 percent (annualized) in June 2022, the highest level since 2008. Subjective views on current local economic conditions deteriorated to the lowest levels yet measured, while more than a quarter of respondents classified themselves as poor in July. But despite the immediate challenges, two-thirds of respondents remained optimistic about the country's long-term economic prospects and a similar share said they believe the country is on the right track with respect to reforms. Cases of improved perceptions of the government's support to the vulnerable – including the poor, the elderly, persons with disabilities, and children – were especially strongly linked to a respondent graduating from poverty and becoming more upbeat about the country's direction on reform.

Economic conditions

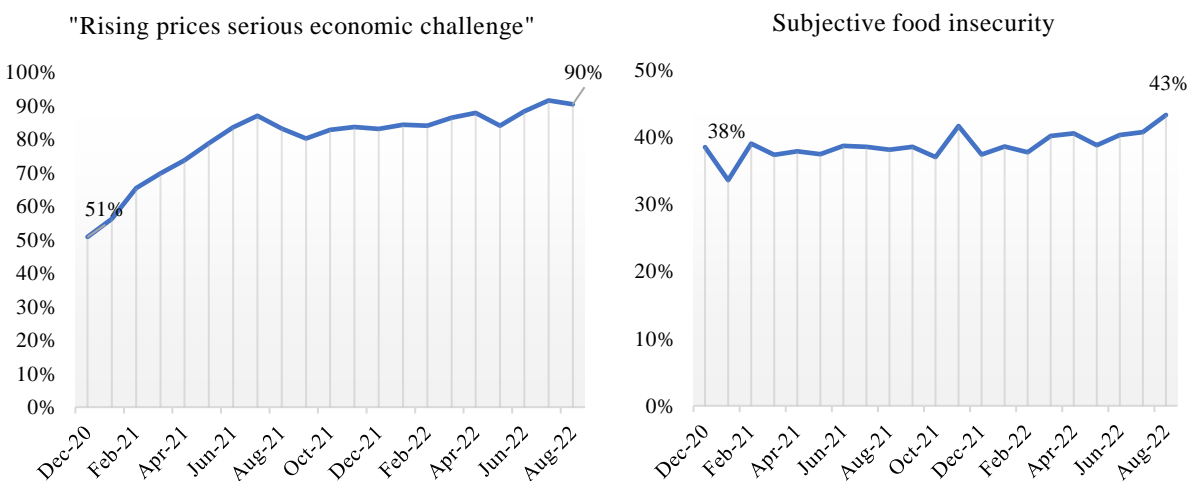
Concerns about local economic conditions remained high in Kazakhstan in the second quarter of the year. Less than half of the respondents said that the economic conditions in their local area were good, in July reaching the lowest rate recorded since the beginning of the survey in December 2020. The worsening economic outlook was especially pronounced among low-income households and respondents over the age of 65. Moreover, an increasing share of respondents described their household as poor, reaching its peak in July 2022 at more than a quarter of all respondents. Nonetheless, around two-thirds of the respondents were still optimistic about the country's long-term economic trends, suggesting that most concerns about deteriorating conditions are expected to be short-term in nature.



Rising prices have consistently topped the list as the most pressing economic issue throughout 2022, with 92 percent of respondents listing it among their most serious concerns in July 2022, and as the official inflation rate peaked above 15 percent on an annualized basis. Fewer than half of respondents listed issues such as income or jobs. The concerns over rising prices were highest in urban areas and were

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especially prevalent among households with multiple children, and elderly respondents. About 43 percent of households reported they were not able to buy enough food for some days. That rate slowly rose in the second quarter, with 2 out of 5 households reporting at least a day of food insecurity by August. There were striking differences between big cities and the rest of the country – subjective food insecurity was significantly higher in towns and rural areas (45 percent) compared to big cities (38 percent) and among low-income households (51 percent for the bottom 40 compared to 27 percent for upper 60) and among elderly respondents (56 percent).

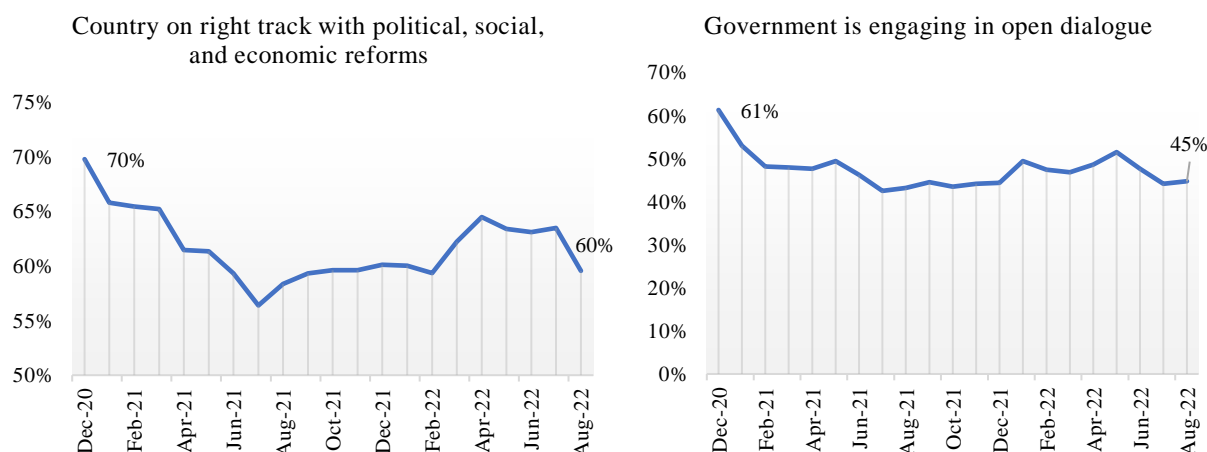


Views on the labor market were mixed in the second quarter, with slightly more respondents saying it was a good time to find a job or start a business than at the same time in 2021. But worries about job security and potential job losses edged higher, reaching 54 percent of respondents in June. Low-income households and parents with young children were particularly worried about their employment security, with 64 and 63 percent reporting elevated concerns, respectively. About half of respondents said that it was a good time to start a business, and about 40 percent agreed it was good time to find a job in their local area.

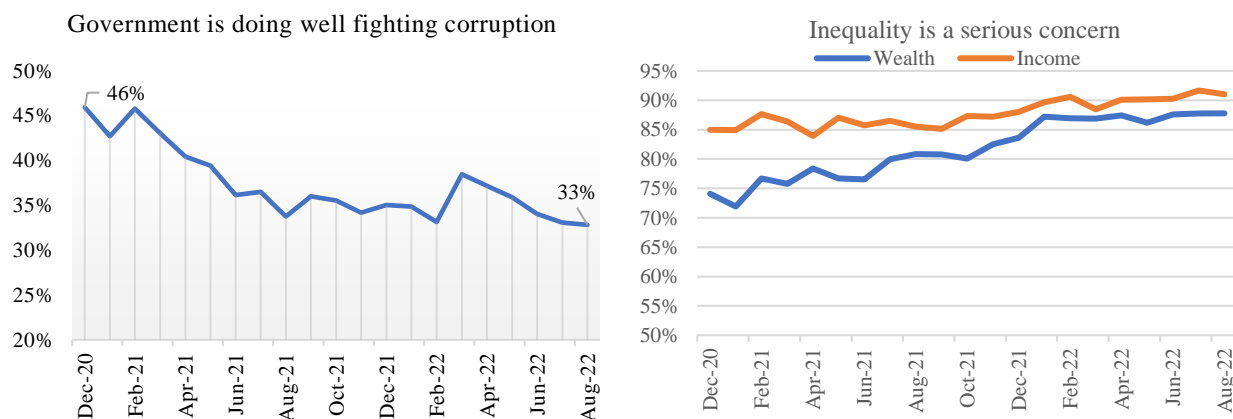


Government policies

Support for ongoing political, social, and economic reforms rose from 59 percent in February 2022 to 65 percent in April, led by young respondents (79 percent), residents in big cities (67 percent) and high-income households (66 percent). But support retreated in the second quarter to reach 60 percent in August. In June, the share respondents satisfied with the government’s dialogue with citizens fell below the 50 percent threshold. Although the citizens voted in early June in favor of a new constitution which aims to give more power to parliament, this did not coincide with durable or significant increases in public’s views on the reform agenda and citizen engagement.



Concerns about the concentration of wealth and income inequality have remained high throughout the life of the survey – the share of respondents voicing concerns about the former has never dropped below 72 percent, and the latter never below 84 percent. Concerns about inequality have also steadily risen over time, and in the second quarter of 2022 reached their highest levels yet recorded. Around 90 percent of respondents said that income inequality was a serious concern for the country in August 2022. About 88 percent of respondents said wealth inequality was a serious challenge in August 2022, up by almost 10 percentage points compared to the same time the year before. Respondents’ trust in fighting corruption declined in the second quarter after a significant improvement in the first three months of the year.

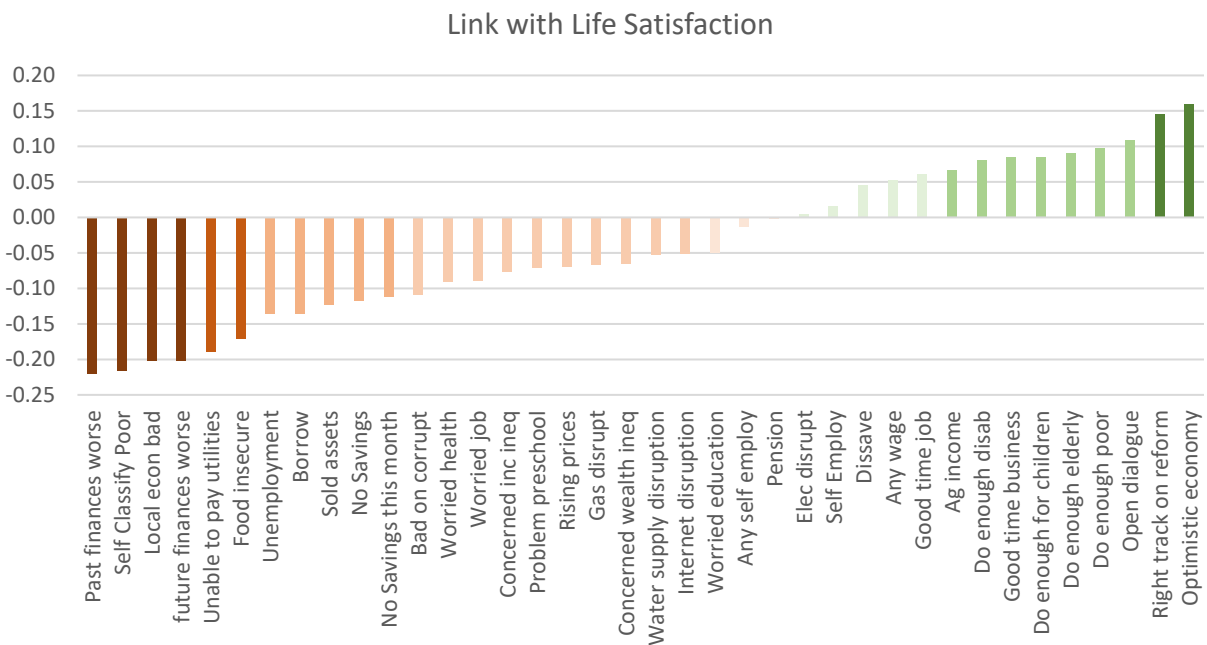


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Drivers of Changing Satisfaction

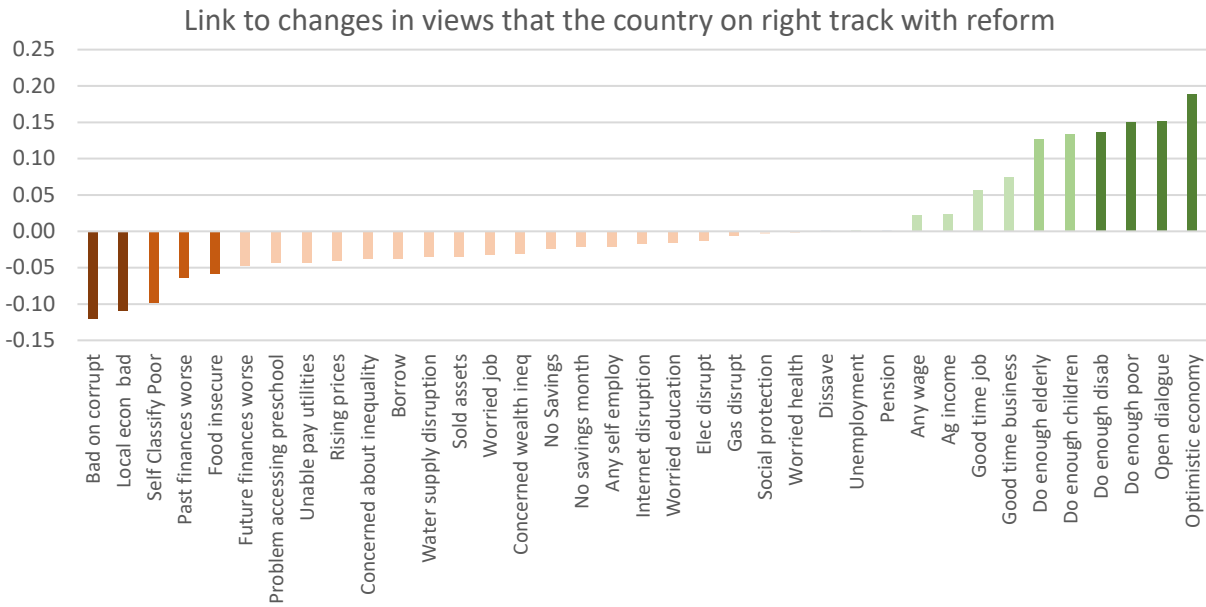
What drives changes in satisfaction in Kazakhstan? Because the Listening to Kazakhstan survey interviews the same respondents every month, comparing responses from one round to the next can reveal a person’s changing personal and family circumstances. A change in reported satisfaction is particularly informative, as this usually happens together with other aspects of a person’s life and outlook. Comparing the timing of these changes highlights potential links from a respondent’s views and living conditions to summary measures of wellbeing such as reported satisfaction – whether it is improving, staying the same, or deteriorating.

Focusing first on changing levels of personal life satisfaction, very strong linkages are immediately apparent with economic conditions. Rising life satisfaction is highly associated with rising optimism about the economy and falling life satisfaction with a deteriorating financial situation and poor economic outlook in a respondent’s local community. Newly classifying a household member as unemployed, classifying the household as poor, and the start of difficulties paying for basic needs (such as public utilities) are all firmly linked with reduced life satisfaction. These relationships are clear in reverse as well – finding a job, exiting from self-assessed poverty, and increased ability to pay for basic needs are all strongly associated with rising life satisfaction. Finally, the findings reveal a clearly positive relationship between life satisfaction and a respondent’s assessments of the government’s performance. Improving one’s view on the country’s direction, belief that the government is engaging in an open dialogue with citizens, and more upbeat assessments of the government’s performance caring for the poor, the elderly, children, and people living with disabilities all tend to rise together with life satisfaction.

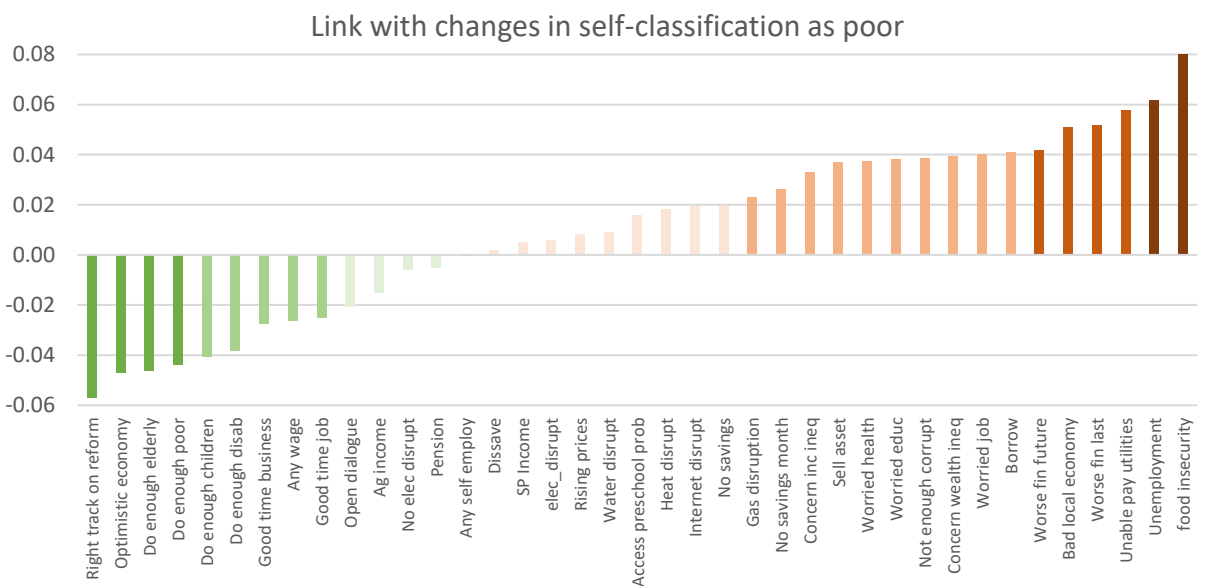


The reported associations between satisfaction and potential contributing drivers presented in this brief are calculated using a panel regression method that controls for individual fixed effects. The results are best understood as individual changes, i.e., the change in the person’s response to an explanatory variable that is associated with a change in that person’s level of reported satisfaction. This approach controls for potential time invariant factors that could affect the reported relationship. While the results do not by themselves establish a causal relationship, they provide a profile of views and issues that tend to change at the same time.

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Several factors take on greater prominence when focusing on satisfaction with reforms. There is an especially strong link with corruption perceptions – the results reveal a strong tendency for respondents to downgrade their assessment of reforms when views on government progress in dealing with corruption turn negative. This is the single largest magnitude negative relation, with views of poor performance on corruption corresponding to a 12 percent decline in saying the country is on the right track with reform. Conversely, respondents are much more likely to decide reforms are on-track when the opinions about the government’s open engagement in dialogue improve. As with broad measures of life satisfaction, a respondent’s sense of the government maintaining an open dialogue with the public and addressing their concerns is among the largest magnitude links. Notable but of somewhat smaller magnitudes include negative associations with concerns of inequality, poor public service quality, and the reliability of utilities. Despite their smaller size, the frequency of such concerns is very high (as many as 90 percent of respondents say that inequality is a serious concern for the country) which suggests these concerns are likely also significant drivers of dissatisfaction.

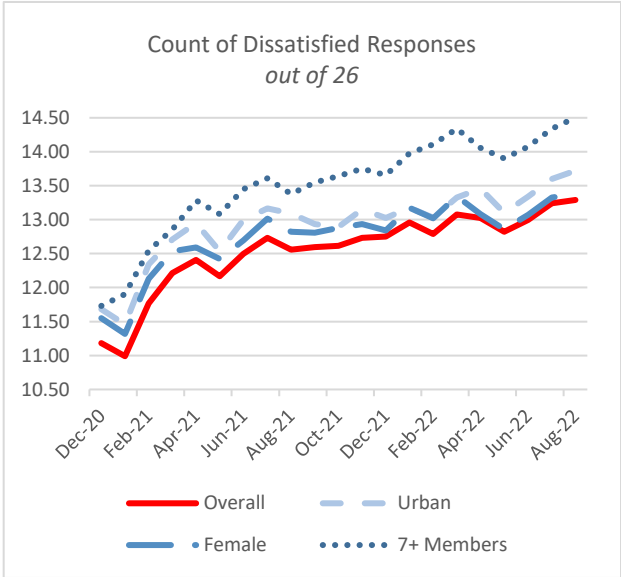


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Economic conditions are also strongly associated with shifting perceptions of reform performance. This includes both general perceptions – for instance, rising optimism about economic conditions is strongly linked to improved perceptions that the country is on the right track – but also local circumstances, such as the ease of finding a job or starting a business. When respondents report more challenging economic circumstances – especially worse local economic conditions, falling into poverty, and the beginnings of food insecurity – respondents are between 7 and 10 percent less likely to say that the country is on the right track with reforms.

Finally, improving perceptions of performance on support to the poor, children, elderly, and persons with disabilities are all highly associated with more positive assessments on the country’s reform direction. Taken together, these relationships suggest that respondents often consider strong economic growth and accessible social programs as key features of the country being on “the right track with reform.”

In August 2022 about 23 percent of respondents classified their family as living in poverty. But this self-classification was rarely long-term. Instead, the survey results highlight that poverty status fluctuates remarkably over time depending on a family’s circumstances. Over the course of the L2Kaz survey, more than 40 percent of respondents said they were living in poverty at least once, and only about 5 percent were “chronically poor” defined as classifying themselves as poor in every interview. What are the drivers of falling into and exiting poverty? Going from an assessment that one’s family is not poor to living in poverty a month later is strongly associated with material deprivation, such as food insecurity and an inability to pay for other basic needs. A range of economic factors, such as lower income, job loss, and deteriorating finances are also highly associated with classifying oneself as poor. Exiting poverty is linked to a range of positive measures of wellbeing, an optimistic economic outlook, and warmer assessments of the government’s performance. In addition to more often believing the country is on the right track, exiting poverty is strongly linked to more positive assessments that the government is doing enough for vulnerable groups (including poor people, children, the elderly, and persons with disability). Trends in reporting levels of satisfaction over the course of the survey deteriorated most in urban areas, among women, and especially for large households with many members.



These relations point to a potential positive feedback loop for successful public policy. Social support that addresses challenges driving subjective poverty increase optimism about the government’s positive role and may often contribute to rising satisfaction across a range of wellbeing measures.