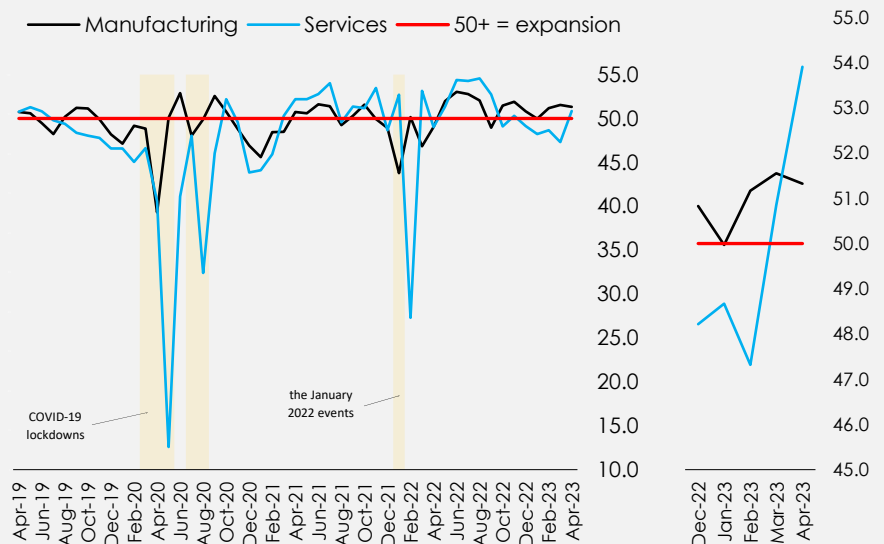


Kazakhstan Monthly Update, June 2023

PMI, manufacturing, services, 50+ = expansion on prior month

Economic activity turned positive

- In April, business conditions in Kazakhstan showed improvement as indicated by the composite output PMI at 53.3, surpassing the average levels recorded in 2021-22. This upswing was driven by an increase in the PMI indexes for both manufacturing and services, which remain broadly above their long-run averages. This growth trend has been buoyed by a continued improvement in confidence as inflation eases.
- Despite still-high inflation and rising interest rates, consumer spending has remained robust. In March, retail sales increased by 11.3% yoy, indicating that both the manufacturing and services sectors have been well-supported. Capital investment also grew by 16.1% yoy in Q1.
- The government has reported a preliminary annual expansion of 4.9% in real GDP during Q1, primarily driven by the robust growth exhibited in the manufacturing and services sectors.

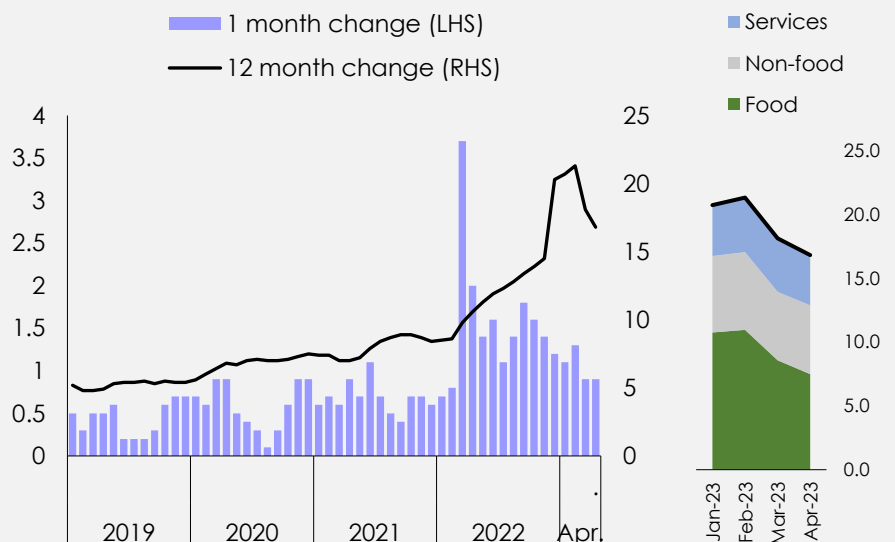


Source: S&P Global Purchasing Managers Survey

High consumer price inflation eases somewhat

- In April, inflation demonstrated a sustained decline for the second consecutive month, reaching 16.8% y-o-y, down from 20.7% in January and 18.1% in March. The drop was driven by a decrease in the annual rate of change for food prices, which fell from 25.7% in January to 17.9% in April, as well as a decline in services prices from 14.2% to 13.7%. Non-food product prices have little change.
- However, this trend does not mean prices are coming down, only that they are rising less quickly. Food prices continue to rise at near-record rates as likely to go up over the coming months. The recent increase in gasoline and diesel fuel prices by 11% and 20%, respectively, has resulted in higher energy costs, which may continue to exert upward pressure on staple prices.

Consumer price inflation, yoy, percentage point

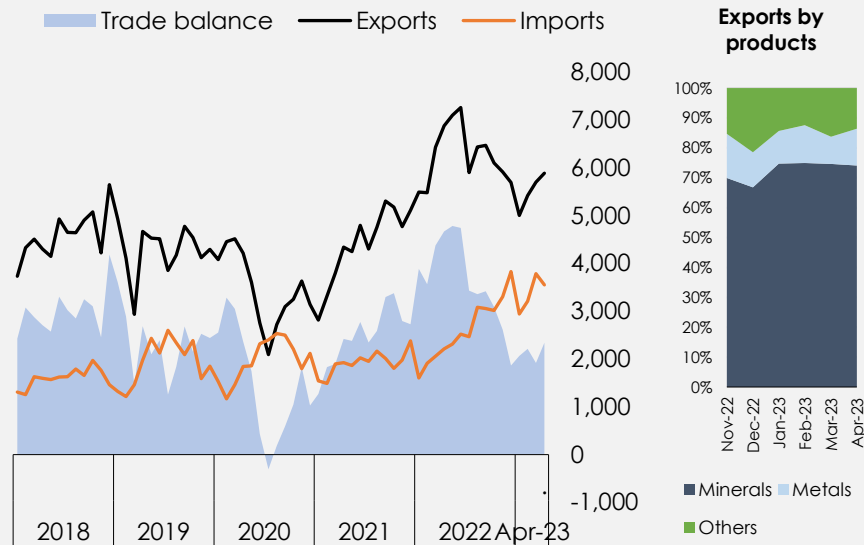


Source: Bureau of National Statistics, National Bank of Kazakhstan.

Trade balance shrinks driven by surging imports and declining exports

- In Jan-Apr. the balance of trade deteriorated but remained positive. This was primarily driven by a surge in imports across multiple products. The country's exports declined by 9.3% yoy due in large part to fall in global oil and metal prices, while goods imports surged by 73% yoy driven mainly by machinery and equipment (+92.4%) and industrial products (+41.5%).
- Consequently, the trade balance nearly halved in size within the first four months of the year, reflecting the significant changes in import and export dynamics.
- Raw materials, particularly minerals and metals, form a significant portion of exports. Specifically, in Jan-Apr., oil and gas accounted for 74.6% of total goods exports, while metal and metal products accounted for 11.2%.

External Trade, million US Dollars

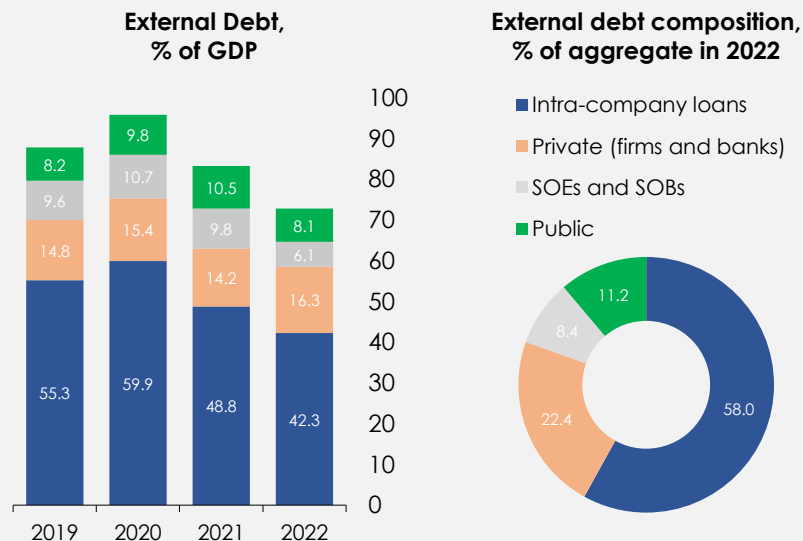


Source: Ministry of Finance, Haver analytics

External debt on a downward trajectory

- The latest data released by the central bank shows that the total external debt as a percentage of GDP stood at an estimated 72.8% at end 2022, which is a significant decline from the level of 95.8% hit during the pandemic year 2021.
- The overall risk associated with Kazakhstan's external debt appears to be low, as the majority of external debt is concentrated in long-dated capital investments in the mining sector, making it less vulnerable to a sudden worsening of external conditions.
- The data indicates that 58% of the external debt, equivalent to 42.3% of GDP, is attributed to FDI-linked inter-company loans in the oil and gas sector. Private sector liabilities, which include corporations and commercial banks, make up 22.3% of the total external debt or 16.3% of the GDP.
- The external debt of the public sector, which includes the government and central bank, and state-owned enterprises hold the rest at 19.6% of the total or 14.2% of the GDP in 2022.

External debt, %



Source: National Bank, staff calculations