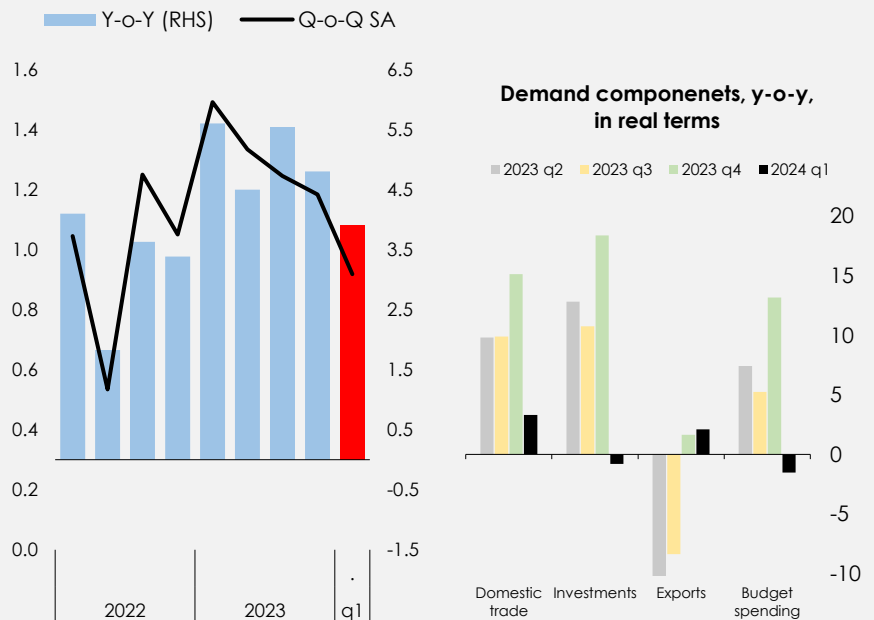


## Kazakhstan Monthly Update, April 2024

### Economic activity slows down

- Real GDP growth slowed to 3.9 percent in Q1 of 2024 year-on-year and 0.9 percent quarter-on-quarter seasonally adjusted, following strong advances in the second half of 2023. The slower growth rate was largely attributable to drag from investments and fiscal spending, whereas household demand and exports continued to increase, although with a weakened momentum.
- Consumer spending, as proxied by real domestic trade, increased by 3.3 percent y-o-y in Q1, down from a 15.1 percent gain in Q4 (propped up mostly by strong borrowing and recovery in real incomes). The decline in fixed investment (0.8 percent due to fall in FDI into mining and weaker residential investment) and government spending (1.5 percent) at the state and local level, both in real terms, likely dragged down growth, while export growth of 2.1 percent in Q1 helped keep GDP positive on the quarter.

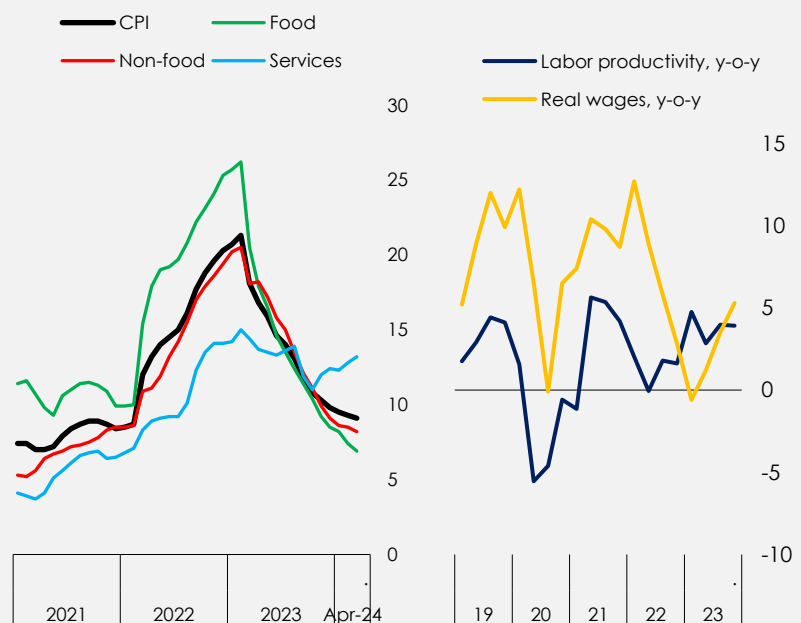


Source: Bureau of National Statistics, Haver Analytics, staff estimates

### Inflation slows but still remains well above the target

- Headline inflation fell from 9.1 percent in March to 8.7 percent in April, y-o-y. Food and non-food goods prices have continued sliding from earlier peaks, but services inflation is increasing, and now stands at 13.5 percent y-o-y.
- Services prices have risen almost half the rate of goods, and firms are usually slow to adjust prices as quickly. Sector prices are likely catching up to reflect the broader increase in costs, for instance for labor, across the economy.
- Real wages, a major cost for both goods and services production, rose by 5.3 percent y-o-y in Q4 2023, outpacing productivity growth of 3.9 percent. This suggests inflation may be more persistent and slower to subside.
- The central bank kept monetary policy tight with the policy rate unchanged at 14.75 percent in its mid-April decision. This policy is likely to remain in place until price pressures diminish more significantly.

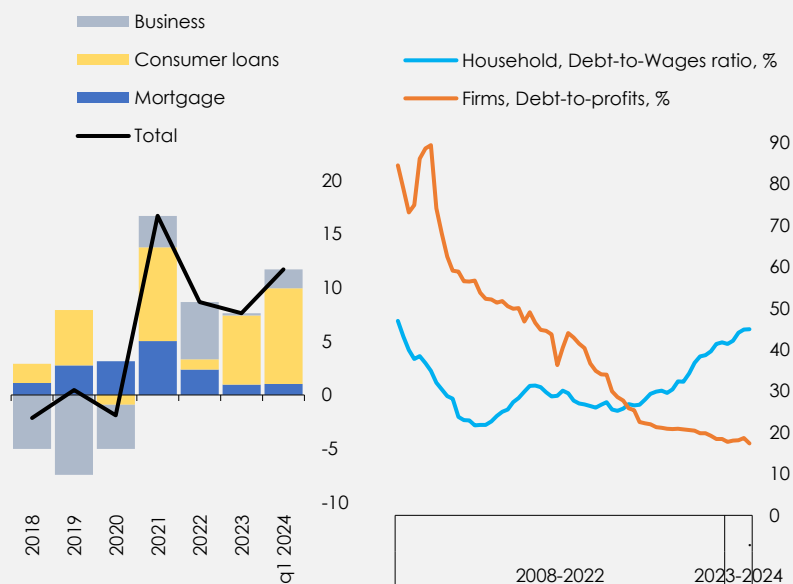
### Consumer price inflation, yoy, percentage point



## Bank lending growth continues to be strong

- Household loan growth continued to be robust, while credit demand from firms remains subdued. Consumer credit grew by 25.2 percent y-o-y in real terms in April, and mortgages increased 5.5 percent, constituting nearly 85 percent of total credit growth during this period. Credit to firms grew at a meager 3.9 percent y-o-y in April.
- Despite a low NPLs ratio of 3.0 percent in February, a surge in retail lending has pushed up household debt exposure. In Q1 2024, the household credit-to-wages ratio has climbed to 45 percent - level last observed in the lead-up to the 2008-2009 financial crisis.
- While these trends might not necessarily signal an imminent financial crisis, the situation warrants close monitoring. Unlike the situation preceding the 2008-09 crisis, banking sector balance sheets are currently much healthier. However, easy access to consumer loans through digital platforms, often at rates at least twice as high as inflation, raises concerns about potential credit risks.

## Credit to the economy

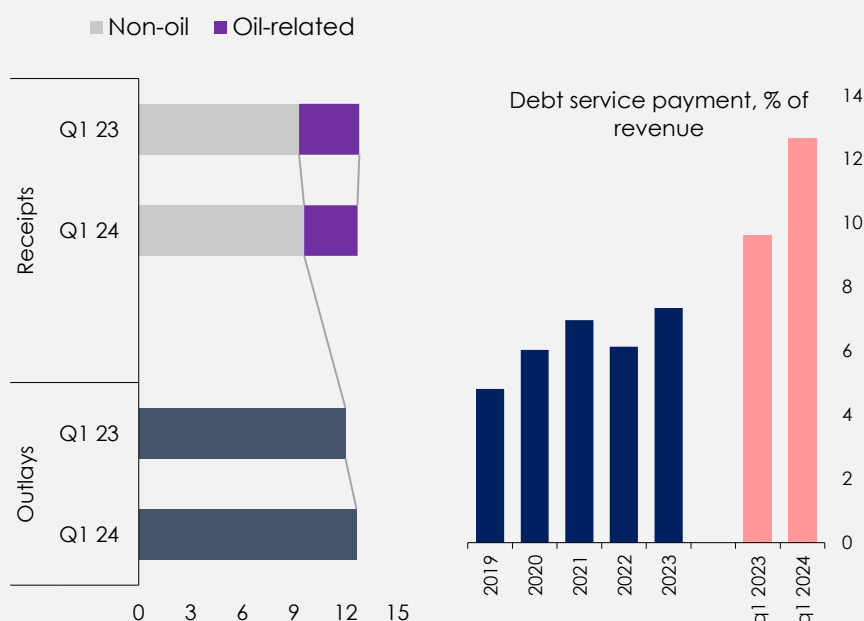


Source: National Bank, staff calculations

## Budget spending increases driven by surge in debt service costs

- Total government revenue in Q1 2024 is estimated to have declined only slightly, by 0.9 percent y-o-y, reaching \$12.7 bln. due to unchanged global oil prices and steady domestic crude production. Non-oil receipts, at \$9.6 bln., rose by 3.1 percent y-o-y, driven by increases in income taxes (+48.4%), social tax (+45.6%), and excise tax (+5.4%).
- Government spending is estimated at \$12.6 bln. in Q1 2024, up by 5.1 percent compared to Q1 2023. Notable changes include rising debt servicing costs, which surged from \$1.2 bln. in Q1 2023 to \$1.6 bln. in Q1 2024 (up by 30.6 percent).
- This resulted in a decline in the fiscal surplus, which fell from an estimated \$0.8 bln. to near zero.

## Fiscal outturn, billion U.S. Dollars



Source: Ministry of Finance, staff calculations

Note: The consolidated budget comprises the state and local governments, and the Oil Fund