

# Quarterly Macroeconomic Survey

Experts survey results  
Q1 2021





## Important note

We are conducting our fourth quarterly survey on macroeconomic indicators among leading and distinguished economists (including economists with expertise in central banks) and professors of Macroeconomics, representatives of international development institutions, commercial banks, brokerage companies to obtain a balanced and harmonized view of the most significant factors for the economy of Kazakhstan.

The survey is focussed on projections of macroeconomic indicators in the horizon from 1 to 5 years, including:

- the BRENT oil price
- USD/KZT, USD/RUB, RUB/KZT exchange rates
- inflation in Kazakhstan
- NBRK base rate

We are aware that disclosing the identity of experts may affect the quality of the responses. In order to have unbiased responses, the survey was conducted in a confidential manner. The names and positions of the respondents were disclosed only if formal permission was obtained from the respondents.





**Natalya Lim**  
Partner, PwC Kazakhstan

*‘At the moment of hardship and trials, we keenly feel that the most important thing in life is truth. As Marcus Aurelius put it, “Speaking the truth is more a matter of habit than will.”*



# Introduction

We have been living in a 'new normality' for almost a year now. People in all countries continue to adapt, redefine their habits and values, learn new things and say goodbye to the old lifestyle. The companies have already begun manufacturing vaccines, but their quantity is still insufficient. It is important to emphasize that the vaccines should be available to as many people as possible, regardless of the welfare of the country, if humankind wants to arrive at an effective solution to this problem. The vaccination process has started. Governments will continue with their policy of preventive measures to close/restrict borders and impose a lockdown regime for some time.

Any crisis has its beginning and end, therefore the economic growth prospects will increase in the future, when there is a high level of certainty. However, every crisis is associated with the consequences. Some consequences may require immediate actions, while others require rigorous planning. In the long term, if structural changes in people's lifestyles become the 'new normal', then humankind will revise all forms of consumption, which in turn will adjust global demand, and this transformation will require more rapid technological changes.

The economy of Kazakhstan will depend, to a large extent on the clarity of the Government's activities and decisiveness in relation to certain measures, including relations with partner countries (Central Asia, USA, Russia, China).

We would like to offer you the fourth issue of the Quarterly Macroeconomic Review for Q1 2021. The categories of survey participant remain the same - the distinguished economists, finance experts, representatives of the scientific community of Kazakhstan, who shared their insights on important macroeconomic indicators of the country: inflation, the NBRK base rate, USD/KZT, USD/RUB, RUB/KZT exchange rates, oil prices.

We assume that the responses of many experts are consistent with your expectations.

Best regards,  
Natalya Lim



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## Survey overview and objectives

18 experts took part in the survey. The majority of the interviewed respondents provided us with detailed comments when answering the questions that formed the pillar of the narrative part of this report.

In order to have the complete and balanced picture, experts from various areas were involved. Among our respondents are leading and distinguished economists, professors of Macroeconomics, representatives of international financial institutions, commercial banks, brokerage companies.

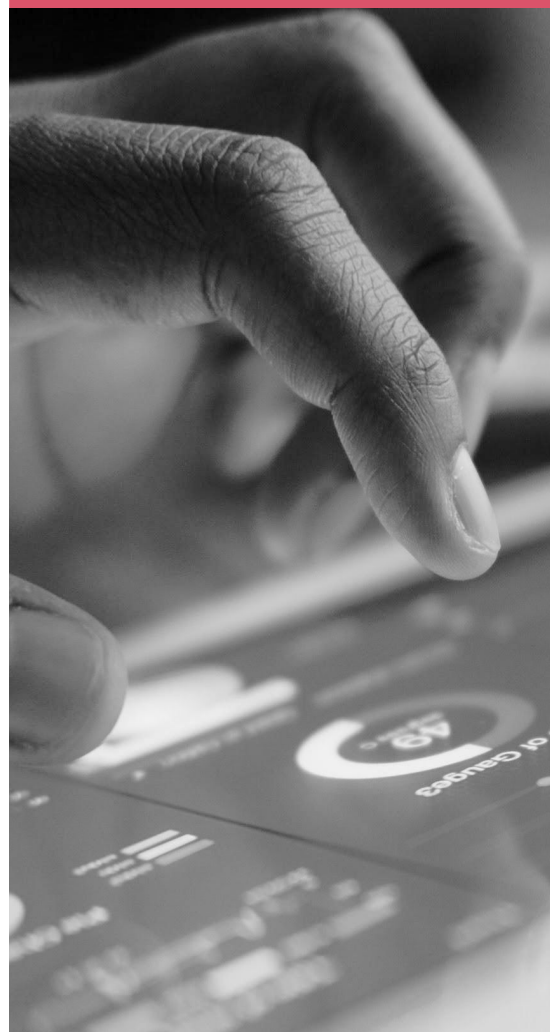
The experts were asked to answer questions related to the impact of exogenous factors, including COVID-19, on the economy of Kazakhstan. In addition, the respondents were interviewed regarding the forecast expectations for the price of BRENT oil, the exchange rate of USD/KZT, USD/RUB, RUB/KZT, inflation in Kazakhstan and the base rate of the National Bank of the Republic of Kazakhstan within one to five years time frame. This time horizon was selected in order to obtain forecasts for the medium term.

The survey results reflect the forecasts of key macroeconomic indicators, which often form the core of the financial and economic models of companies (including commercial banks and investors). These forecasts are often used by economic departments to compare and level the baseline values used in their calculations.

Drawing such comparisons on an ongoing basis can improve the quality of the models used and facilitate a more flexible response to dynamic changes in the economic environment. In our practice, we have faced situations when calculation models, despite the level of their granularity and elaboration, did not provide the business with the necessary insights to make decisions that could preserve the company's capital.

Through the survey, we hope to provide readers with a structured, systematized and regularly updated block of data on macroeconomic indicators, based on the best expert estimates of the market. The survey was conducted in February 2021.

*‘Drawing such comparisons on an ongoing basis can improve the quality of the models used and facilitate a more flexible response to dynamic changes in the economic environment.’*





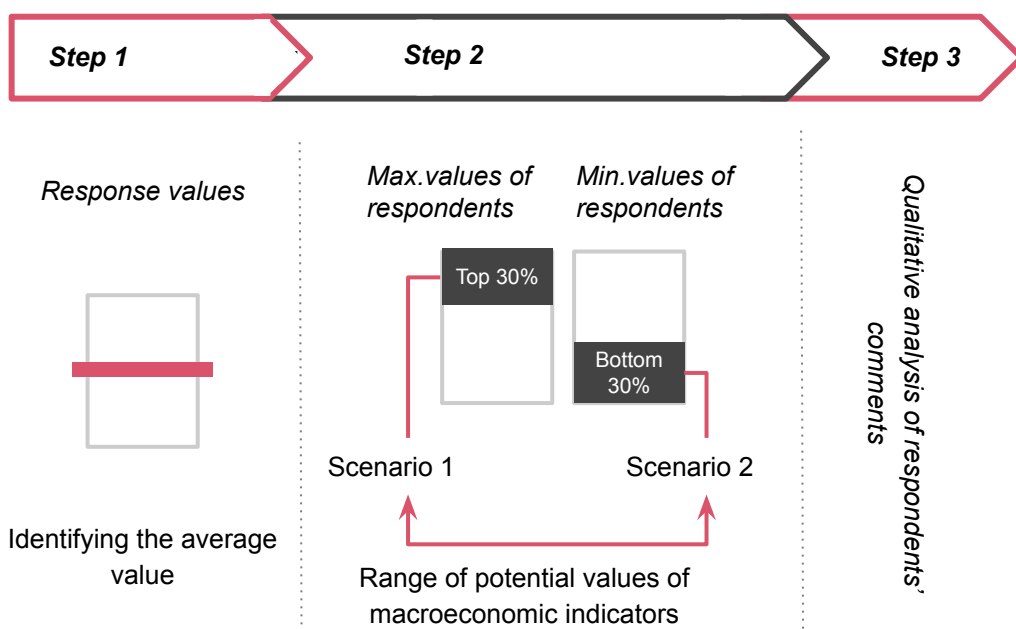
## Approach to the analysis of the survey results

The analysis of respondents' answers to many questions revealed quite significant dissents, which is expected where studies involve experts of different areas (economists, traders, scientists, bankers) who have access to different sources of information.

Consolidation of the opinions covering the most of professional participants of the financial market, and scientific experts and leading economists of Kazakhstan allows predicting some development scenarios for the economy of Kazakhstan.

For this purpose, PwC Kazakhstan asked respondents to provide where appropriate their vision in terms of minimum and maximum values (oil prices, currency rates, inflation) and applied several approaches to analyze the results.

In addition to the typical averaging of all answers, we have also used the upper 30% in the maximum and the lower 30% in the minimum range responses to determine the best case and the worst case scenarios.





# Key findings

## I Economic recovery

### U-shaped scenario

Page 9

78% of respondents expect a U-shaped recovery scenario

## II Oil prices

### Not higher than USD 55/barrel

Page 13

89% of respondents do not expect oil prices to rise above USD 55/barrel during the year

## III Exchange rates

### KZT/USD 415-440

Page 18

50% of respondents expect the maximum value of the US dollar exchange rate to be at the level of KZT 415-440 during the year

## IV Inflation (CPI)

### Not higher than 7.5 %

Page 26

More than 60% of respondents expect the average inflation rate not to rise above 7.5% level during the year

## V NBRK base rate

### Less than or equal to 9%

Page 28

95% of respondents expect the NBRK base rate to be less than or equal to 9% during the year



I

# COVID-19: Kazakhstan economy recovery scenarios



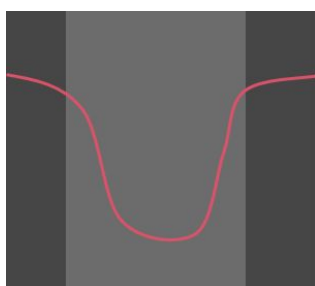
# I Scenarios of economic recovery

Which pathway, do you think, will Kazakhstan's economy follow in the next two years after COVID-19 pandemic?

Percentage of respondents expecting a U -, V -, L -, W - scenario to develop

**78%**

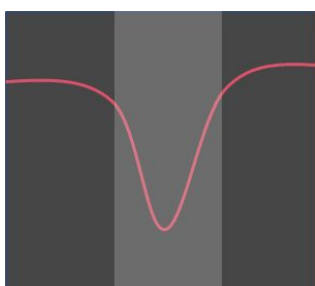
**U-shaped scenario**



*U-shaped scenario (a slightly longer period of poor economic performance followed by the recovery)*

**17%**

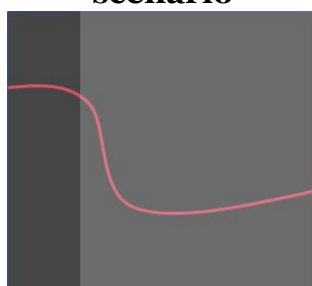
**V-shaped scenario**



*V-shaped scenario (a rapid decline as well as the similarly rapid recovery)*

**5%**

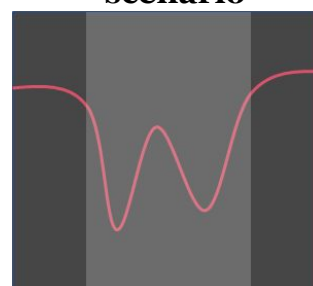
**L-shaped scenario**



*L-shaped scenario (a sharp downturn followed by the depression that will prevent the economy from recovering to pre-crisis levels)*

**0%**

**W-shaped scenario**



*W-shaped scenario (a sharp downturn, a rapid recovery, followed by another decline, and subsequent recovery)*

“

*An epidemic, in general, is characterised as a temporary shock that is not permanent. It will reduce the level of economic activity, modify its structure, but not the growth prospects.*

- **Sabit Khakimzhanov**

Director of the Department - Research and Analysis Center, NBRK



“

*In general, after a month and a half of 2021, the global economy is displaying the characteristics of a V-shaped recovery from the pandemic shock. This is suggested by both the economic growth data for the final quarter of the previous year and the current operational indicators of business performance indices. However, the economic backdrop is diverging across countries, and is primarily determined by the local epidemiological situation associated with COVID-19, as well as the sustainability of health systems to new possible surges in the number of cases in each country. At the same time, further recovery of economic activity in the world and the achievement of steady positive growth rates will depend on the speed and efficiency of the started vaccination of the population.*

- **Olzhas Tuleuov**

Advisor to the Chairman of the National Bank of Kazakhstan





*Government support and successful vaccination programme will contribute to rapid recovery.*

- **Gennady Rau**  
**ADB Economist**

Despite a gradual introduction of vaccination in several countries, the world continues to combat the spread of the COVID-19 virus. Some countries still keep their borders completely closed. A majority of countries has been following a strict lockdown policy, while others have already gradually begun to ease quarantine measures and bet back to the previous pace of life.

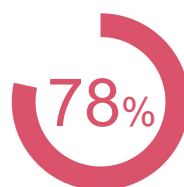
### Baseline scenario of economic recovery

There has been a high level of uncertainty about the process of economic development in the future across the world. However, reports of successful tests of a COVID-19 vaccine from major pharmaceutical manufacturers such as Pfizer, Moderna, BioNTech, AstraZeneca reinforce confidence in a rapid economic recovery.

According to our experts, 78% of the respondents surveyed assume that the recovery of the Kazakh economy will follow a U-shaped pathway, as respondents anticipate the impact of COVID-19 on the country's economy to reduce. Respondents however mentioned that the recovery of economic activity will largely depend on the effective implementation of the COVID-19 vaccination campaign in Kazakhstan.

Almost a year after the global outbreak of the coronavirus crisis, the development according to the U-shaped scenario becomes more and more probable and obvious. We are learning to live with the coronavirus, adapting to new conditions. Different industries, segments of the economy are evolving demonstrating different trends. Overall, there is a slow recovery in business activity.

Also, the respondents emphasized that economic recovery is inevitable in the medium term. Though it will not be observed in all industries and not everyone will be able to quickly return to their common level of economic stability. **'Traditional service industry, hospitality business, office centres will experience the effects of the crisis for a longer period due to irreversible technological trends accelerated by the pandemic'** noted Eric Livny, the EBRD economist.



of respondents expecting U-shaped recovery pathway.

Kairat Mynbaev, one of the survey experts shared his view on the economic recovery: **'Budget and the financial system leaks continue to occur, so I anticipate a scenario, which is not provided for in the questionnaire - a prolonged economic downturn accompanied by a financial turmoil of an unprecedented scale'**.

### Alternative scenario of economic recovery

Regarding the expectations for the second, most probable scenario of economic recovery, opinions of the surveyed respondents were equally distributed between the L and U - 28%, V and W - 22% pathways.



of respondents expecting L-shaped recovery pathway.

“

*Scenarios for 2021-2022 are much less dependent on the epidemic. Vaccinations and less stringent, however, still effective draconian measures will allow the economy to rebuild and recover. However, this is the best-case scenario.*

- **Sabit Khakimzhanov**

“

*The L-shaped scenario is possible if pandemic persists (virus mutation, etc.) and the restrictions on international trade and tourism remain.*

- **Eric Livny**  
EBRD Economist





# BRENT crude oil price forecasts

## II Oil price

What would be the price of Brent oil per barrel (in US dollars), in your opinion, in the next periods?

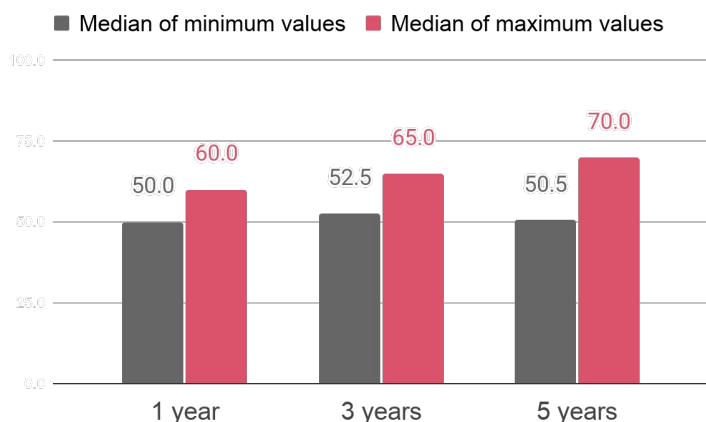
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Covid pandemic will hold back the global economic growth for a long time. Getting the world vaccinated is not as easy as vaccinating the population of the leading countries. In addition, alternative energy sources will adversely affect the demand for oil products.

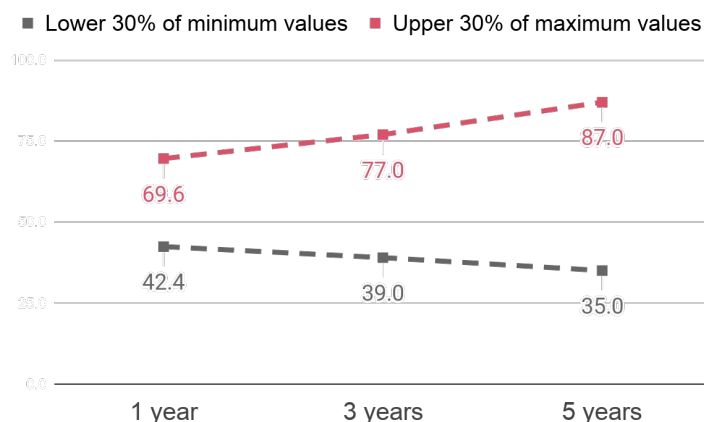
- **Kairat Mynbaev**

Professor of Economics, Satbayev University

### Projected oil price



### Upper and lower bounds of the projected oil price



Note: price in US dollars per barrel.

Source: PwC Kazakhstan Macroeconomic Survey, Q1 2021



## II Oil price

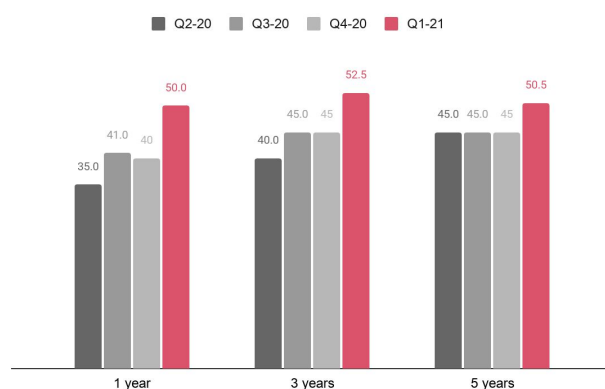
In the survey for the first quarter of 2021, the range of expected minimum and maximum values for projected oil prices decreased in the horizon of 1 year and 3 years, while it increased in the 5-year horizon. In the one-year period, the average delta decreased to USD 10, while in the three-year horizon it changed to USD 12.5, accordingly. In the projection period of five years, responses reflect an increase in delta to USD 19.5.

At the same time, concerns persist among the respondents regarding the negative trend in the oil market, which may be related both to the risks of increasing production by OPEC+ countries after the termination of the contract, and the slowdown in the global economic recovery.

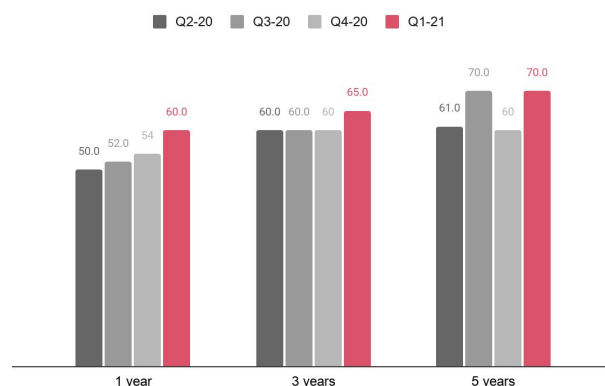
When comparing data by quarters, the participants' responses indicated growth trends in short-term periods. In the one-year horizon, we can observe a slow increase in the medians of the maximum values and a sharp increase in the medians of the minimum values. On the contrary, responses related to long-term periods indicate a different picture and we can observe both price stagnation and price ups-and-downs.

Overall, based on the responses for the first quarter of 2021, we can notice a trend towards an increase in prices in all projection periods.

### Change in minimum median values of oil prices by quarters



### Change in maximum median values of oil prices by quarters



“

*I would expect a US dollar devaluation, and consequently, an increase in the prices of assets where prices are denominated in dollar equivalent (gold, oil and other resources).*

- **Eric Livny**  
EBRD Economist



“

*The minimum price levels most probably have remained in history. The two fundamental factors that impact the price of oil are: supply and demand. We will observe a recovery in oil demand over the next two years, by active immunization of the population and the recovery of the world economy. In terms of supply, there is now an artificial shortage on the market owing to the actions of OPEC+ and the plans of the coalition countries indicate that the production ceiling will also be maintained.*

- **Arman Bistibekov**

“

*The performance of obligations under the terms of the agreement on limiting the crude oil production by the OPEC+ countries and the drawdown on crude inventories provide significant support to oil quotations at the current time. Medium-term price growth prospects are favourable. However, we should not forget the risks associated with outbreaks of Covid-19 in Europe and the United States and mixed vaccination outcomes.*

- **Marzhan Melanich**

Director of the Analytical Department  
Centras Securities JSC

“

*Demand will remain steadily weakened. Supply remains flexible. Therefore, prices will remain in a quite narrow range, same as in the past five years.*

- **Sabit Khakimzhanov**

Director of the Department-  
Research and Analysis Center, NBRK

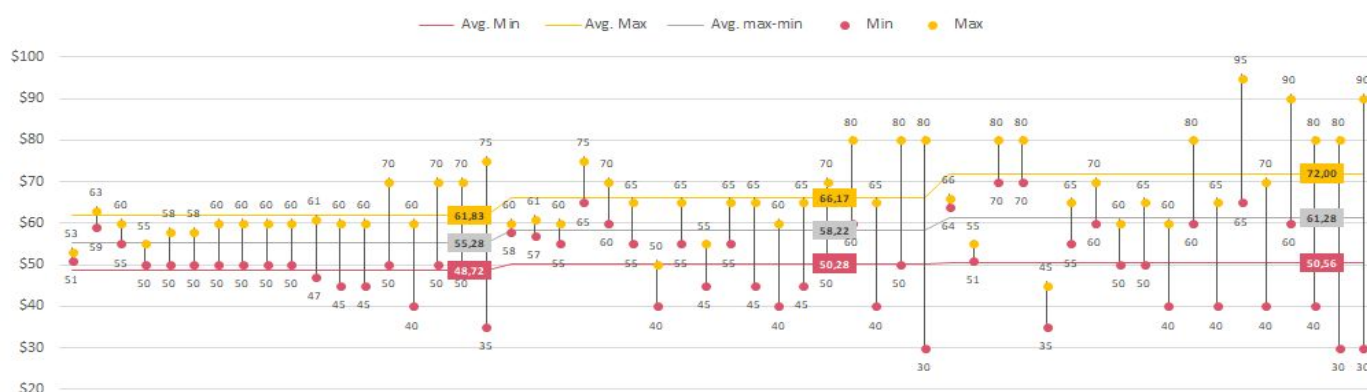
The OPEC's monthly report published in February this year, indicates that the historical drop in oil demand to 9.7 barrels per day (on a year-on-year basis) because of the COVID-19 pandemic, had been shocking for the long-established relationship between oil demand and global economic growth. The fall in demand was particularly driven by the transport and aviation sectors, which constitute about 50% of total demand.

Experts note that the results of the global vaccination, the renewed demand for travel and movement in general, will have a significant impact on the recovery in demand for oil products. A slower recovery in the transportation sector could have a less positive impact on oil demand growth in 2021. In addition, the ongoing COVID-19 pandemic challenging the unemployment rates, trade restrictions, and the rate of vaccination will continue to cause a greater degree of uncertainty in the market.

On average, in the first quarter of 2021, the forecast for oil prices in the one-year horizon increased by 15% compared to the results of the fourth quarter of 2020. Respondents assume that the price per barrel would be in the range of USD 49-62. However, in the horizon of 3 and 5 years, respondents do not expect oil prices to grow by more than 4-5% compared to the previous period.

As in the surveys of previous periods, there is a certain degree of uncertainty in the opinions of the respondents in the long term. In the forecasted oil prices, there is an increase in delta between minimum and maximum values.

### The spread of the minimum and maximum values of oil prices



Within 1 year

Within 3 years

Within 5 years

Avg. min value - **USD 48.72**  
Avg. max value - **USD 61.83**  
Avg. min - max value- **USD 13.11**

Avg. min value - **USD 50.28**  
Avg. max value - **USD 66.17**  
Avg. min - max value - **USD 15.89**

Avg. min value - **USD 50.56**  
Avg. max value- **USD 72.00**  
Avg. min - max value- **USD 21.44**

Source: PwC Kazakhstan Macroeconomic Survey, Q1 2021





III

# Currency exchange rate forecasts

### III Exchange rates - USD/KZT

What expectations for the dynamics of the exchange rate of the US Dollar against the Kazakhstani Tenge, in your opinion, are the most probable for the following periods?

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Generally, the dollar should devalue against the currencies of most of the world's fast-growing economies. The dollar devaluation against tenge will depend on the growth rates of the economy of Kazakhstan, the investment attractiveness of the Central Asian region, as a whole, and particularly of Kazakhstan.

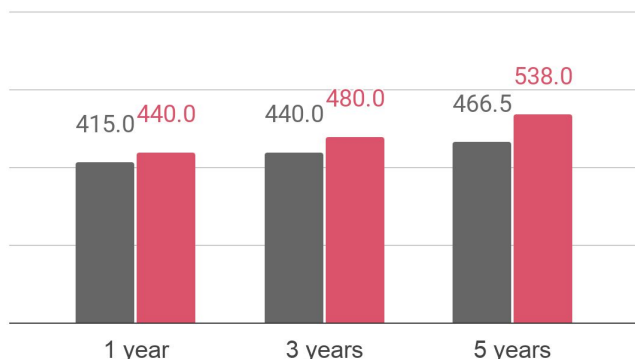
- Eric Livny  
EBRD Economist

In line with the updated data for the first quarter of 2021, in the one-year horizon, respondents do not expect further weakening of the tenge against the US dollar. On the contrary, the respondents generally have become more optimistic, the median of the minimum values decreased by 5 tenge, and the maximum values remained almost at the same level.

At the same time, respondents' answers related to three- and five-year horizons still reflect a tendency to a slight weakening of the tenge against the US dollar, the median of the minimum values in 5 years increased by 1.39%, the median of the maximum values increased by 7.6%. **'The major factor determining the dynamics of the exchange rate weakening is the inflation differential'** notes Sabit Khakimzhanov.

#### Forecast exchange rate USD/KZT

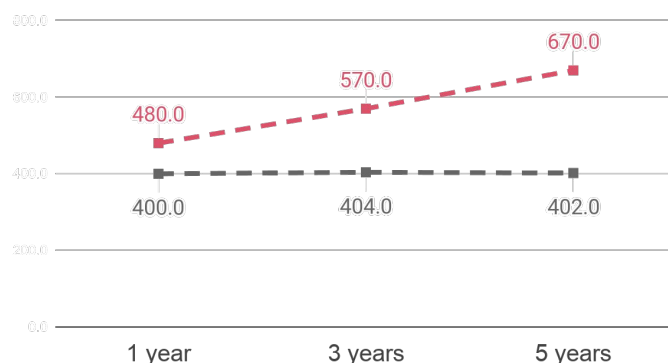
■ Median of minimum values ■ Median of maximum values



Source: PwC Kazakhstan Macroeconomic Survey, Q1 2021

#### Upper and lower bounds of the USD/KZT exchange rate

■ Lower 30% of minimum values ■ Upper 30% of maximum values





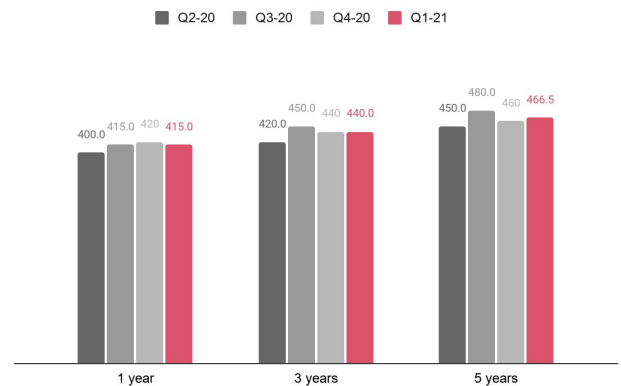
### III Exchange rates - USD/KZT

It strikes the attention that the spread of values between the upper and lower bounds in the 5-year horizon expanded in the first quarter from KZT 402-670 per US dollar. When in the fourth quarter the range was KZT 430-626 per US dollar for a similar period, which indicates an increase in uncertainty in the long term relative to the USD/KZT exchange rate.

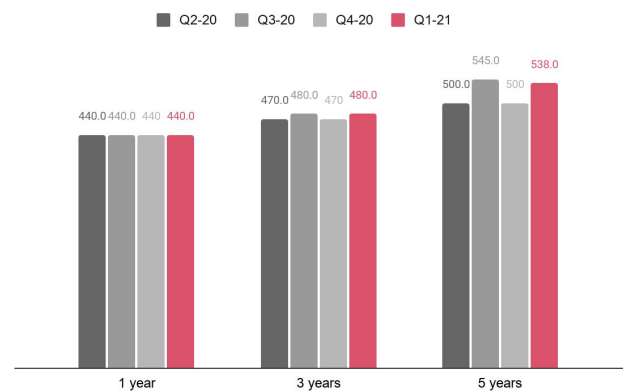
In general, the comparative analysis has shown that respondents predict a weakening of the tenge in the long term. At the same time, it can be noted that the responses in the one-year horizon have a small spread between the values and remain relatively stable. While as the time period broadens, the respondents' answer show higher volatility and increased spread between the values.

In line with the recent observations, there has been a strengthening in the USD/KZT currency pair over the past three months. One of the reasons that influenced the tenge exchange rate was the increase in oil prices. The major reason for the price increase was not only the harsh weather conditions in the United States, but also the recent decrease in oil production by OPEC countries, the growing optimism of some countries due to the start of vaccination and the step-by-step recovery of the world economy from the COVID-19 pandemic.

**Change in the minimum median values of the USD/KZT exchange rate by quarters**



**Change in the maximum median values of the USD/KZT exchange rate by quarters**



Source: PwC Kazakhstan Macroeconomic Survey, Q1 2021

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*I think that 2022 will be a crucial year for Kazakhstan. Anything that has not worked previously or was swept under the carpet will give its effect. The country will most likely have to resort to external loans.*

- **Kairat Mynbaev**

Professor of Economics, Satbayev University

### III Exchange rates - RUB/KZT

What expectations for the dynamics of the exchange rate of the Russian ruble against the Kazakhstani Tenge, in your opinion, are the most probable for the next periods?

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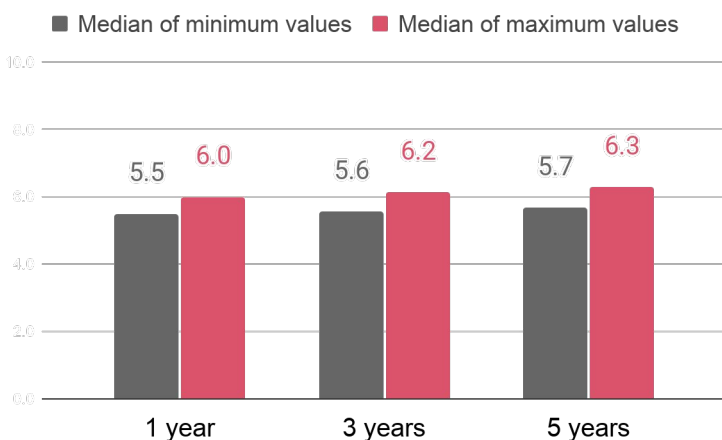
*I think that the long-term trend of the creeping devaluation of the Kazakhstani Tenge against the Russian ruble is likely to continue in the medium term.*

- **Eric Livny**  
EBRD Economist

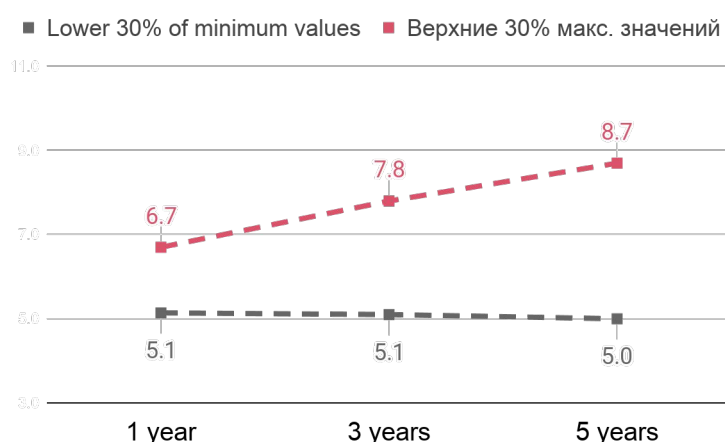
# 5 tenge/ruble

The maximum strengthening of the tenge against the ruble in the one-year horizon forecasted by the respondents, is 5 tenge per ruble, while the maximum expected depreciation of the tenge is expected at 7 tenge per ruble.

Forecast exchange rate RUB/KZT



Upper and lower bounds of the RUB/KZT exchange rates



Source: PwC Kazakhstan Macroeconomic Survey, Q1 2021



### III Exchange rates - RUB/KZT

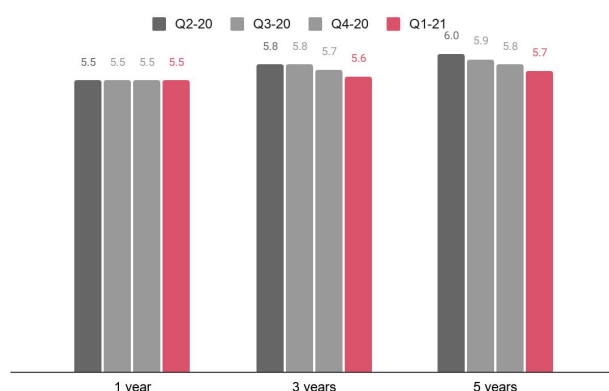
The respondents' projections for the RUB/KZT exchange rate remain practically at the same level. The difference in projection expectations for the first quarter compared to the previous one do not exceed 0.5 KZT. It is notable that, in this survey as in the previous one, experts forecast stronger positions of the tenge against the ruble. Sabit Khakimzhanov, one of the survey experts, shared his view on what can affect the RUB/KZT exchange rate, **'Weakening will be observed as the inflation differential accumulates'**.

The Russian ruble has a direct impact on the tenge, since there are no borders between countries, despite the incommensurable importance of Russia's share in Kazakhstan's foreign trade turnover.

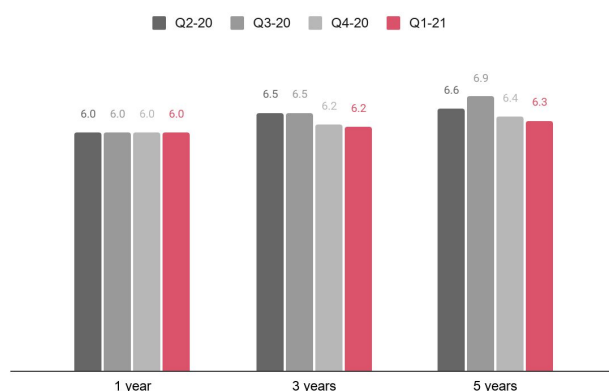
In view of this, it can be expected that the medium-term equilibrium exchange rate for the RUB/KZT pair may be close to the current values. This is also evidenced by the answers of the respondents. In the one-year horizon, for the fourth quarter in succession, the value of the minimum median RUB/KZT rate remains at the level of 5.5 tenge per ruble, the maximum is 6.0 tenge per ruble.

On the right hand side a comparative analysis of the responses for the last four report issues is presented. Compared to the responses of the Q4 2020, in the current survey the results decreased by 0.2-0.3 tenge per ruble in the minimum value, and by 0.3 tenge per ruble in the maximum value, accordingly.

*Change in the minimum median values of the RUB/KZT exchange rate by quarters*



*Change in maximum median values of RUB/KZT exchange rate by quarters*



Source: PwC Kazakhstan Macroeconomic Survey, Q1 2021

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*The ruble exchange rate in tenge indicates the strength of the two economies and the import-export between Russia and Kazakhstan. Our economy is faltering steadily in absolute terms and relative to the Russian economy. Therefore, the ruble exchange rate in tenge will increase.*

- **Kairat Mynbaev**

Professor of Economics, Satbayev University



### III Exchange rates - USD/RUB

What expectations in terms of the dynamics of the US Dollar against the Russian ruble, in your opinion, are the most probable for the next periods?

As in the case of the USD/KZT exchange rate, for the USD/RUB pair, experts forecast a higher level of depreciation of the Russian currency in future periods. Compared to the results of the survey for the previous quarter, the expected range of the USD/RUB rate by respondents decreased from 72-80 rubles per US dollar to 70-79 in the one-year horizon.

After 3 years, in the fourth quarter, the respondents expected the rate of 72.0-80.0 rubles per US dollar, in the current one 72.0-82.0. In the five-year horizon, experts in the previous survey forecasted the rate at 74.5-85.0, and in this one - 73.5-85.0. The strongest position of the ruble in 5 years is expected to be around 62 rubles per US dollar, and the weakest position to be around 96.5 rubles per US dollar.

Arman Bistibekov, one of the survey experts shared with us his view on what is affecting the USD/RUB exchange rate at the moment: **'Currently, the Russian ruble does not have significant potential for strengthening, due to the current budget rule, as well as political risks caused by the change of the US president and the strengthening of the sanctions rhetoric'.**

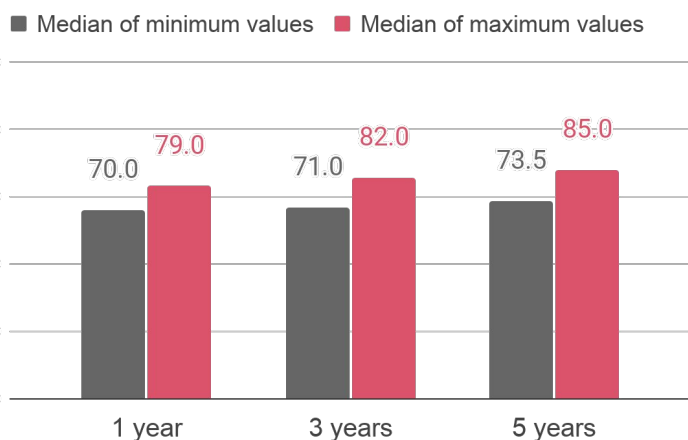
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*The Russian economy is more resilient than ours. The ruble to US dollar exchange rate will increase, but more slowly than the tenge to US dollar rate. In the case of Russia, the two opposing factors that play a role are: Russia's leadership in the Eurasian Union and its lagging behind developed countries.*

- **Kairat Mynbaev**

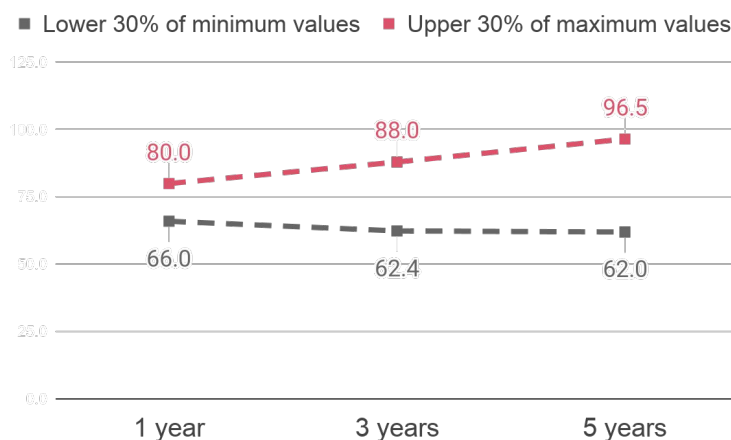
Professor of Economics, Satbayev University

#### Forecast exchange rate USD/RUB



Source: PwC Kazakhstan Macroeconomic Survey, Q1 2021

#### Upper and lower bounds of the USD/RUB exchange rates

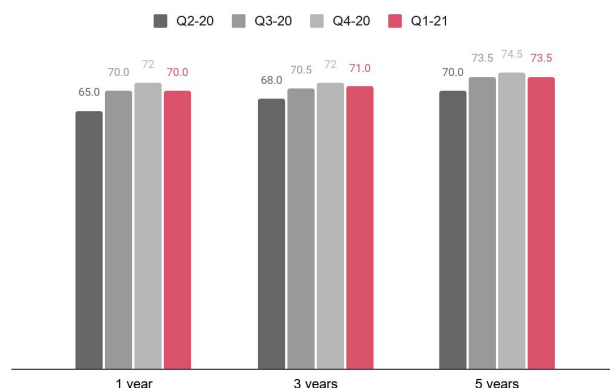


### III Exchange rates - USD/RUB

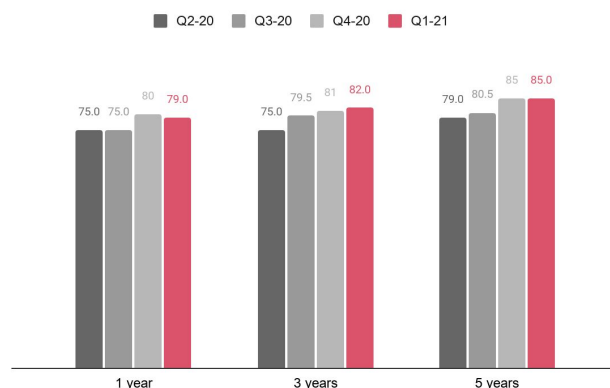
In general, when comparing responses for previous quarters, respondents forecast a weakening of the ruble in the long run. At the same time, it can be noted that the respondents' forecasts for the last two quarters regarding the exchange rate of the pair dollar/ruble remain practically unchanged. The difference in forecast expectations for the first quarter of 2021 compared to the previous one is not greater than 1 ruble.

For the Russian and global economies, there continues to be uncertainty regarding the long-term structural impact of the coronavirus pandemic. Against the backdrop of the recent increase in inflation indicators, the Central Bank of the Russian Federation decided to keep the key interest rate unchanged at 4.25% per annum and announced the end of the key rate decrease cycle.

#### Change in the minimum median values of the USD/RUB rate by quarters



#### Change in the maximum median values of the USD/RUB rate by quarters



Source: PwC Kazakhstan Macroeconomic Survey, Q1 2021

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*In the long run, the US dollar should depreciate against the currencies of developing countries due to lower interest rates in the USA and unprecedented amounts of injecting the US currency into the global economy.*

**- Eric Livny**  
EBRD Economist





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*It has become apparent that in the long run, the key factor for the USD/RUB pair will be not only the price dynamics of hydrocarbon feed, but also the optimal balance of the country risk premium with the nominal level of the key interest rate in Russia. In turn, the value of the risk premium presented by investors to ruble assets will directly reflect the sanctions rhetoric of Western countries towards the Russian Federation, and thus create a short-term volatility shock of the USD/RUB exchange rate. Moreover, in technical and methodological terms, it becomes difficult to conduct a long-term assessment of the likelihood of tightening or weakening of the sanctions factor. As a result, the uncertainty will limit the capability of USD/RUB strengthening to or below the range of 60-65 rubles per US dollar, even with more positive oil price dynamics.*

**- Olzhas Tuleuov**

Advisor to the Chairman of the National Bank of Kazakhstan





IV

# Inflation and the NBRK base rate forecasts



## IV Consumer price index

What expectations towards inflation rates (in particular, the consumer price index - CPI) in Kazakhstan, in your opinion, are the most likely for the next periods?

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*It seems that the demand is suppressed, however, we should not forget about the hidden and accumulated inflation overhang, mainly in utilities. It would be better if tariffs were not be understated compromising the quality and reliability of infrastructure.*

- **Sabit Khakimzhanov**

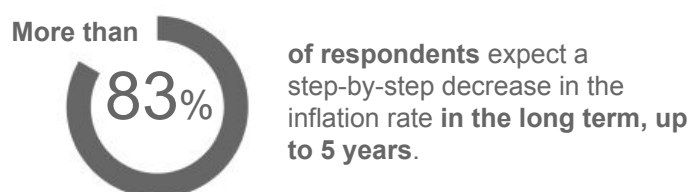
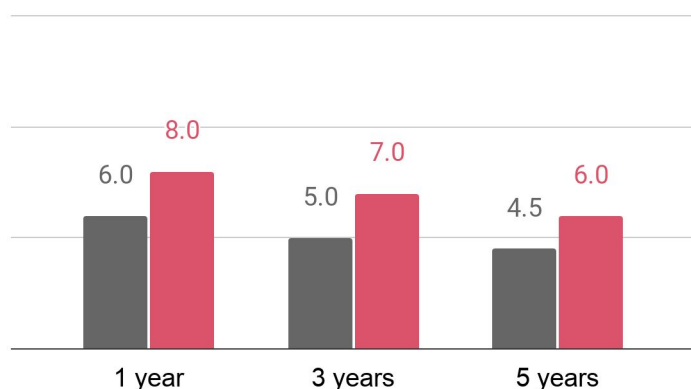
Director of the Department - Research and Analysis Center, NBRK

According to the National Bank of the Republic of Kazakhstan as a results of the 2020 year end, inflation rate was at the level of 7.5%, still exceeding the upper level of the corridor (the target range is 4-6%). According to statistics data\* published in December 2020, in the structure of inflation the prices for food products in annual terms increased by 11.3%, non-food products - by 5.5%, paid services - by 4.2%.



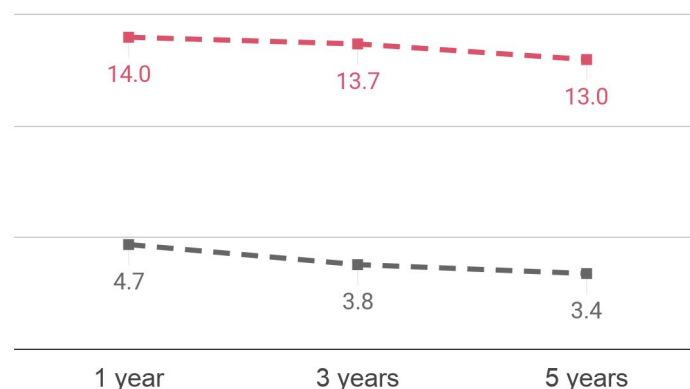
Forecasted CPI level

■ Median of minimum values ■ Median of maximum values



Upper and lower bounds of the CPI forecast

■ Lower 30% of minimum values ■ Upper 30% of maximum values



Source: PwC Kazakhstan Macroeconomic Survey, Q1 2021

\* Research of the National Bank of the Republic of Kazakhstan on the financial market situation

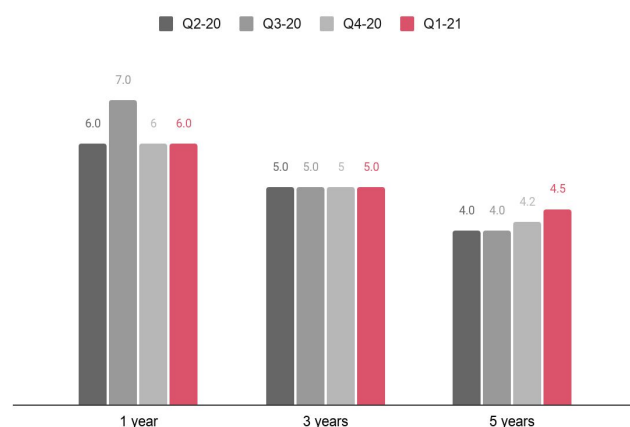
## IV Consumer price index

In the course of the study, the survey findings revealed that in the one-year horizon, more than 60% of respondents expect inflation to decrease below the current level. These findings indicate a completely different picture and are more optimistic compared to the previous quarter, where more than 44% of experts projected an increase in inflation.

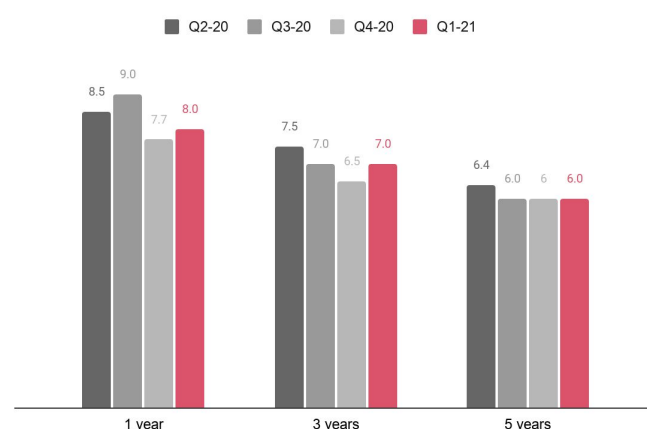
The respondent's positive attitude can be explained by the fact that for several consecutive months the inflation rate has been stabilizing in Kazakhstan. This trend was triggered by suppressed cumulative demand, declining real incomes and a slow recovery in business activity. Although the attitude of the respondents has changed due to the easing of restrictive measures and the improvement in business activity in general, further inflation growth is not ruled out. In turn, high inflationary expectations are driven by the following factors: continued uncertainty about vaccination results, price control for a number of services and goods, volatility of the tenge exchange rate and a negative trade balance.

It should be noted that the respondents' long-term projections have also become more positive. More than 83% of experts (in Q4 - more than 66%) expect a gradual decrease in the inflation rate in the next 3-5 years.

Change in minimum median CPI values by quarters



Change in the maximum median values of the CPI rate by quarters



Source: PwC Kazakhstan Macroeconomic Survey, Q1 2021

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*In the next twelve months, we should expect a slowdown in inflation due to the weak demand for goods and services by the population. The inflation rate will increase in the event of a massive injection of money into the economy through raising public sector pays, pension benefits and other payments to vulnerable segments of the population. Injection of 'easy' money into the banking system will not have a similar effect on demand and will not have value.*

**- Eric Livny**  
EBRD Economist



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*Apart from the latent accumulated inflation in regulated goods and services, the unsatisfied demand of the population caused by quarantine measures will put pressure on the inflation.*

- **Arman Bistibekov**

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*Currently, the official statistics is different from the actual data. The inflation rate has already exceeded 10%. The situation in the future may worsen, primarily due to the deteriorating balance of payments and the dropping tenge rate.*

- **Kairat Mynbaev**

Professor of Economics Satbayev University



## IV NBRK base rate

What expectations towards the base rate of the NBRK, in your opinion, are the most probable for the next periods?

The National Bank of the Republic of Kazakhstan keeps the base rate at the level of 9% while maintaining the interest rate corridor  $\pm 2$  p.p. The initial decision to keep the base rate at the same level, while narrowing the corridor by  $\pm 0.5$  p.p. was adopted in December 2020. This decision was driven by the fundamental instability in the oil market, high and poorly anchored inflationary expectations, with the continuing uncertainty associated with the epidemiological situation in the country and the world, as well as with the terms of large-scale vaccination.

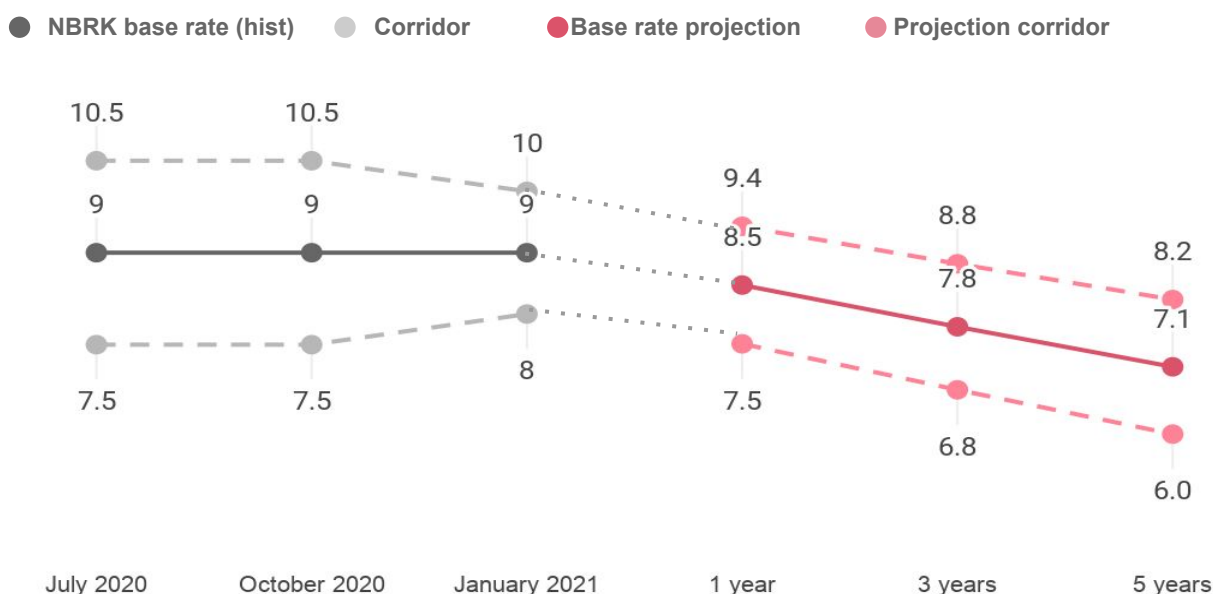
At present, the economic recovery in the world is moderate and uncertain because of the partial vaccination of the world population, as well as the emergence of new mutations of the coronavirus and a new wave of the disease.

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*During the last meeting, the regulator kept the rate at the same level due to high inflationary expectations. We believe inflation is likely to remain at or above the level of 2020 amid high global uncertainty because of the pandemic.*

- **Marzhan Melanich**

Director of the Analytical Department  
Centras Securities JSC



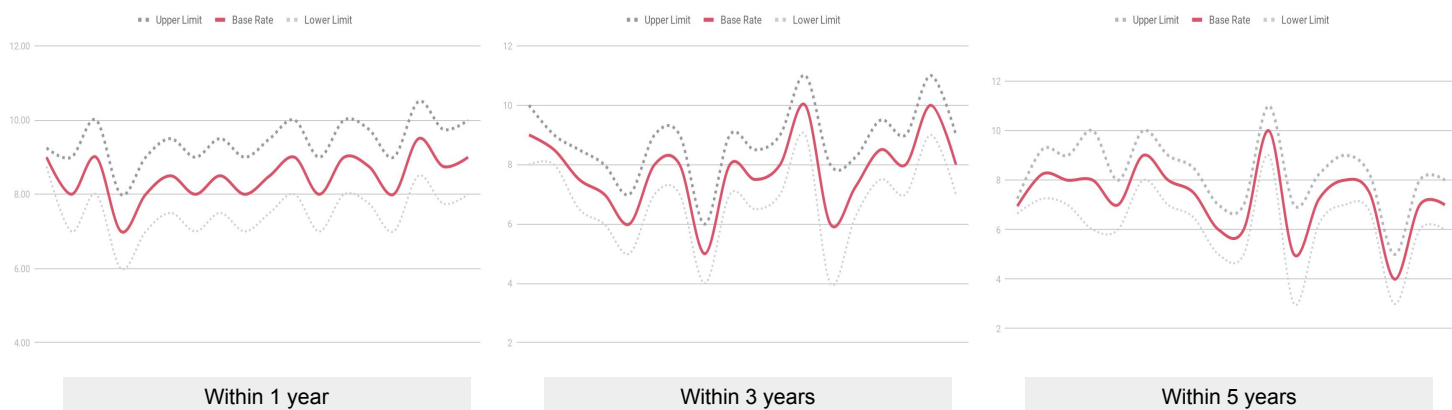
Source: PwC Kazakhstan Macroeconomic Survey, Q1 2021 (projection values)  
NBRK (historical values)



## IV NBRK base rate

Due to a new surge in incidence, many governments are forced to introduce new restrictive measures. Increasing geopolitical risks, high volatility in the oil market, which is associated with the uncertainty of the recovery in global demand and the continued uncertainty of the future development of the economy, limit the potential for a base rate decrease.

### The spread of minimum and maximum values of the base rate



Source: PwC Kazakhstan Macroeconomic Survey, Q1 2021

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*The Central Bank will lower the base rate proceeding from the low inflation indicators and a desire to have a positive impact on the economic growth.*

- **Eric Livny**  
EBRD Economist

According to the findings of the survey, most experts forecast a continuation of the downward trend in the key rate, by an average of 0.5 p.p. over the next year. The expert expectations regarding the minimum movement in the base rate can be justified and supported by the uncertainty associated with coronavirus infection in the country and the world.

Respondents suggest that NBRK is limited in its capability to decrease the base rate owing to a lack of a Budgetary Rule in the country. Arman Bistibekov also notes: **'The level of the Base Rate is closely related to the level of inflation. So far, inflationary expectations of market participants do not enable the regulator to actively reduce the rate'.**

In the three-year horizon, considering the decrease in inflationary risks, experts expect the base rate to decrease to 7.8% with an interest rate corridor of +/- 1 pp. It is projected that in 5 years the NBRK base rate will reach its minimum level and will constitute 7.1%.





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*The rate will decrease as inflation decreases and fiscal discipline strengthens.*

- **Sabit Khakimzhanov**

Director of the Department-  
Research and Analysis Center, NBRK

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*The NBRK base rate will not decrease substantially. The expectation of a high rate is included in the rate on many securities and loans, as well as deposit rates.*

- **Kairat Mynbaev**

Professor of Economics Satbayev University



# Acknowledgments

The world and economic situation are changing faster than we could have expected. Post-COVID-19 pandemic recovery will take a long time and will require in-depth study and innovative solutions to overcome the crisis and stabilize the economy.

We would like to thank each participant for their time spent for our online survey and their detailed comments. We hope that our joint efforts will contribute to a deeper understanding of the current processes and events in the economy of Kazakhstan.



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