strategy&

Part of the PwC network

Macroeconomic review

**Expert Survey Results
for 1H 2024 and market overview**

pwc

![pwc logo]

This publication was developed in collaboration between the PwC and Strategy&, PwC's global strategy consulting business. Our purpose is to build trust in society and solve important problems.

Strategy& is a global strategy consulting business uniquely positioned to help deliver your best future: one that is built on differentiation from the inside out and tailored exactly to you. As Part of PwC, we build winning systems at the heart of growth daily. We combined our powerful foresight with this tangible know-how, technology, and scale to help you create a better, more transformative strategy from day one. As the only at-scale strategy business part of a global professional services network, we embed our strategy capabilities with frontline teams to show you where you need to go, the choices you'll need to make to get there, and how to get it right.
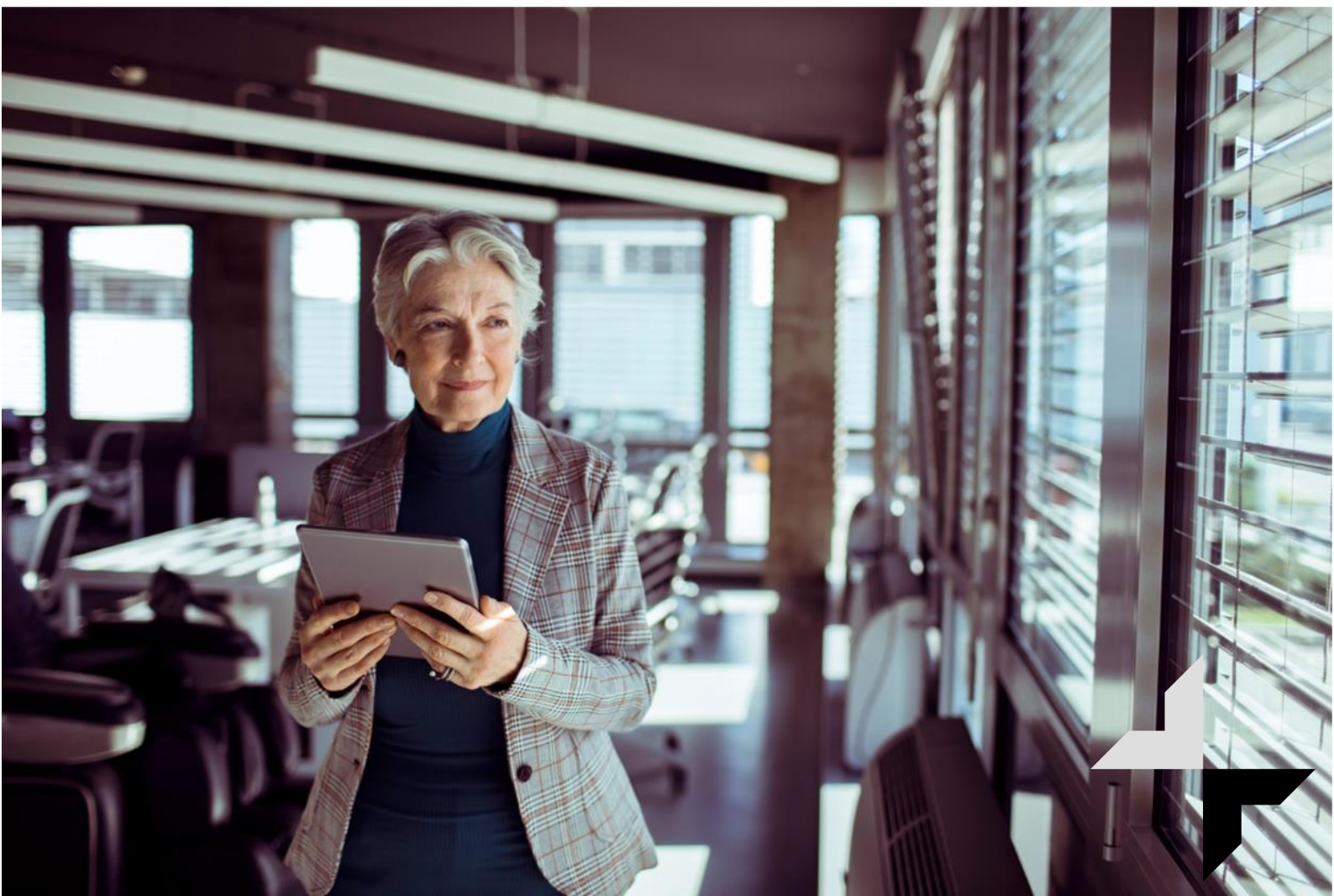
pwc.com

Introduction

We are conducting our thirteenth quarterly survey on macroeconomic indicators among leading recognized economists (including economists with experience in central banks) and macroeconomic professors, representatives of international development institutes, commercial banks, trading firms to receive a weighted and concerted view of the factors most important for the economy of Kazakhstan.

This survey is dedicated to the forecast of macroeconomic indicators in horizons of 1 to 5 years, including:

- Price of Brent oil
- USD/KZT, USD/RUB, RUB/KZT exchange rates
- Inflation in Kazakhstan
- NBRK's base rate

We understand that the fact of disclosing the identity of the experts can affect the quality of answers. To maximize objectivity of the opinions, this survey was conducted confidentially. The names and positions of the respondents were disclosed only if a formal permission was received from them.

The survey of respondents was conducted in July 2024. All projected values and the text material presented in the report for the first half of 2024 reflect the macroeconomic situation in Kazakhstan and in the world, taking into account the events that occurred in January – June 2024.

Introduction

We offer you the thirteenth issue of a regular macroeconomic analysis for the first half of 2024. In this issue, you will find a lot of interesting things about inflation, real income of the population, statistics of changes in USD/KZT and RUB/KZT exchange rates, the base rate and the oil price. I would like to sincerely thank all our experts who constantly share with us their opinions over several years. With our work we would like to present to all the readers an independent, professional and objective view of the real macroeconomic situation in Kazakhstan.

The respondents to the survey are the same – recognized economists, financiers, and representatives of the scientific community of Kazakhstan.

Sincere regards,
Natalya Lim

Natalya Lim

Partner of Strategy& and Advisory
Leader of Eurasia region

*Once I overheard **"Hello, my painfully familiar rake, it's been a while since I last stepped on you."** It turned out to be a quote from the book "The Key of Yellow Metal" by Max Frei. Of course, Max Frei is a pseudonym, but this phrase clearly describes what is happening now in the economy. So, we will either lower our expectations or change reality for the better...*

Contents

Survey Overview and Objectives

14 experts have participated in this survey. Some of the surveyed respondents have given us extensive commentaries which became the basis of the narrative of this report.

In order to receive the most complete and weighted picture, we engaged experts from various sectors. Our respondents included leading recognized economists, macroeconomics professors, representatives of international financial institutions, commercial banks and trading firms.

The experts were offered to answer questions regarding the impact of geopolitical, exogenous factors on the economy of Kazakhstan. In addition, the respondents were surveyed regarding projected expectations of the price of Brent oil, USD/KZT, USD/RUB, RUB/KZT exchange rates, inflation in Kazakhstan and the base rate of the National Bank of the Republic of Kazakhstan in the horizons of one to five years. This horizon was chosen in order to obtain projections in the midterm perspective.
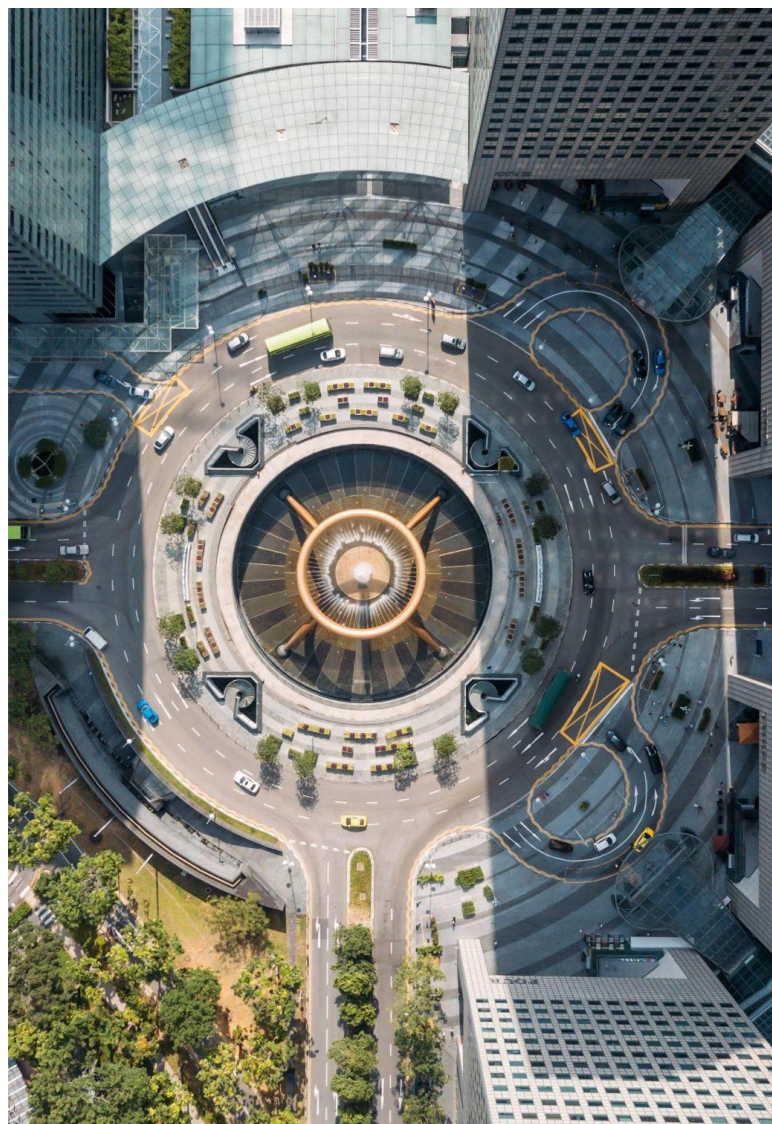
The results of the survey are projections of key macroeconomic indicators which are often the basis of financial/economic models of the companies (including commercial banks and investors). These projections are often used by economic departments for comparing and adjusting of input values used in their calculations.

Such comparisons on a regular basis can improve the quality of used models and facilitate a more flexible response to dynamic changes in the economic environment.

In our practice, we encountered situations when the calculation models, despite the level of their detail and elaboration, did not provide a business with necessary insights to make decisions, which could preserve the capital of the company.

In this survey, we are hoping to provide the readers with a structured, systematic and regularly updated array of data on macroeconomic indicators based on the best expert estimates in the market. The survey of respondents was conducted in July 2024.

Our Approach to Analyzing Survey Results

During the analysis of the responses of the respondents, quite significant divergences in opinions on many questions were identified, which is expected in a research where experts represent various sectors (economists, traders, scientists, bankers, financiers) and accordingly have access to various sources of information. The consolidation of the opinions covering the majority of professional participants of the financial market and scientific experts and leading economists of Kazakhstan allows us to forecast several scenarios of development of the economy of Kazakhstan. For these purposes, we asked the respondents to present their vision within the range of minimum and maximum for the questions where it would be pertinent (oil prices, exchange rates, inflation), and used several approaches to the analysis of the obtained results. In addition to the standard averaging of all answers, we also took the top 30% in maximum answers and low 30% in minimum answers in order to identify the most optimistic and most pessimistic scenarios of development.

Stage 1	Stage 2	Stage 3

Respondents' answers

Maximum Values   Minimum Values

Upper 30%

Lower 30%

Scenario 1   Scenario 2

Determining the average value

Range of potential values of macroeconomic indicators

Qualitative analysis of the respondents' comments
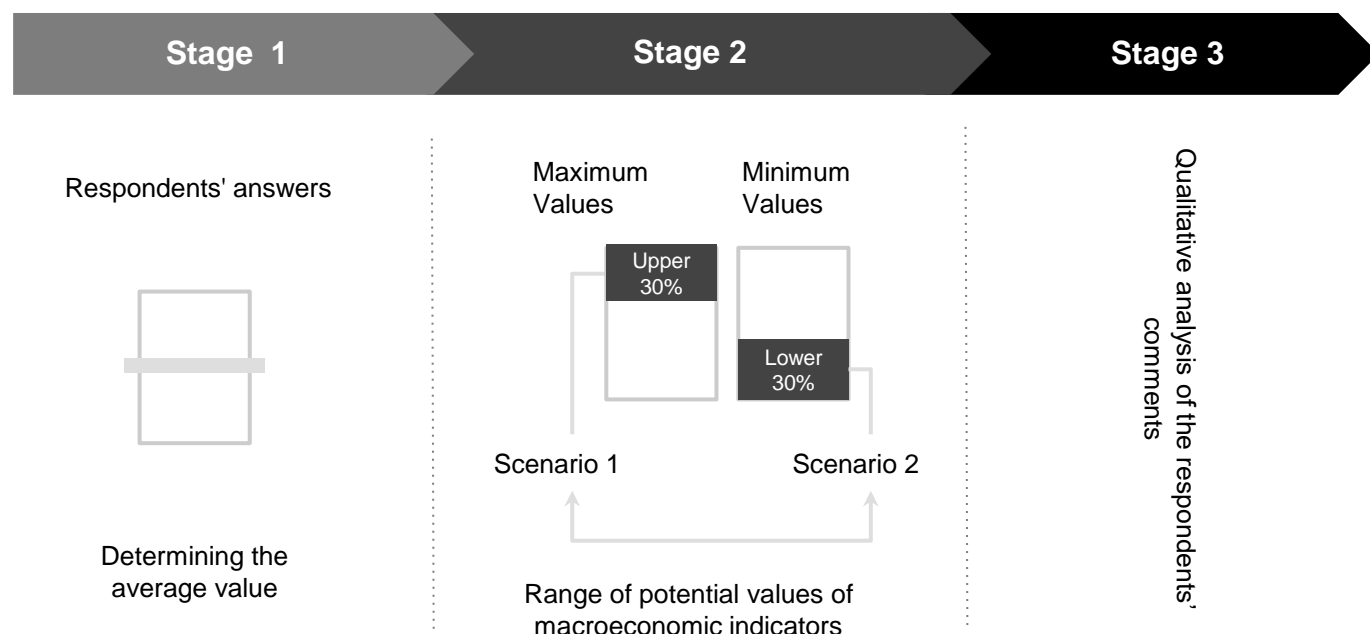
Key Findings:

Kazakhstan's economy

Page 9

"Growth" stage

50% of respondents believe that Kazakhstan's economy is growing

Oil prices

Page 12

Not less than $90 per barrel

92% of respondents expect the price of Brent oil
in the next 12 months to be not less than $90 per barrel

Exchange rates

Page 14

Not less than 490

67% of respondents expect the rate of the USD/KZT currency pair
to be not less than 490 in the next 12 months

Inflation (CPI)

Page 21

Over 8.4%

67% of respondents expect the inflation to be over 8.4%
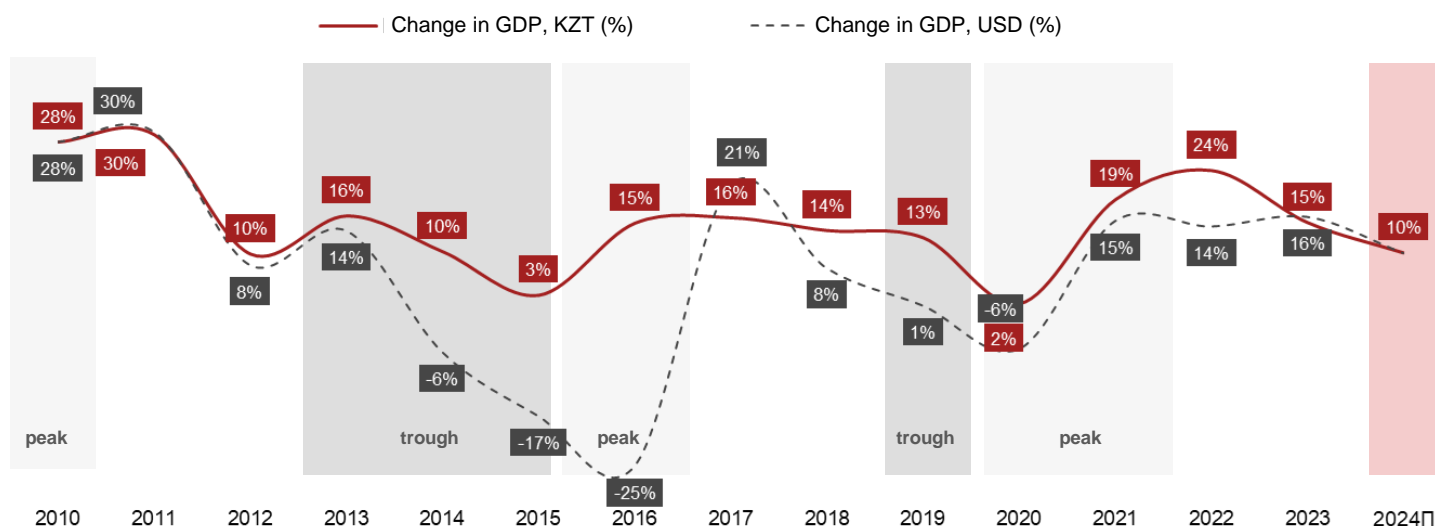in the next 12 months

NBRK base rate

Page 23

Less than 14.25%

100% of respondents expect the NBRK's base rate to be less than 14.25%
in the next 12 months

Economy and Investment Climate of Kazakhstan

**Graph 1.** Changes in GDP using the production method in KZT and USD (%)

Source: Macroeconomic survey by Strategy&, Part of the PwC network, for 1st half of 2024, based on data from stat.gov.kz

In the first quarter of 2024, Kazakhstan's GDP reached 26 trillion tenge, marking a 10% increase in nominal terms compared to the same period last year (January-March 2023). Although this growth is positive, it represents a slowdown from the 20% growth observed in the same period in 2022. This deceleration may suggest that economic growth is becoming less stable. The slowdown has been partly due to the impact of flooding, which has hindered the development of key sectors such as trade, transportation, and logistics. Between January and March 2024, the GDP structure changed slightly: the share of goods production decreased by 0.4 pp, while the share of services production increased by 2.3 pp, reaching 35.0% and 58.0%, respectively. The sectors with the highest growth were "Other Types of Services" (30.0%), "Arts, Entertainment, and Recreation" (26.6%), and "Supply of Electricity, Gas, Steam, Hot Water, and Air Conditioning" (24.2%).*

The Short-Term Economic Indicator (STEI) rose by 3.9% from January to June 2024 compared to the same period in 2023. However, this is lower than the 5.6% growth recorded in the same period in 2022. The Business Activity Index, monitored by the National Bank, has been in positive territory for five consecutive months.**

Most experts (50%) believe Kazakhstan's economy is growing, 25% think it is in recession, and only 17% believe it is at its peak. Experts forecast a slower GDP growth rate of 10% for Kazakhstan by the end of 2024. They consider China (33%), the USA (25%), and Brazil (25%) to be the most important countries for Kazakhstan's economic growth prospects this year.

Graph 2. Factors affecting changes in the economy of Kazakhstan (% of respondents)
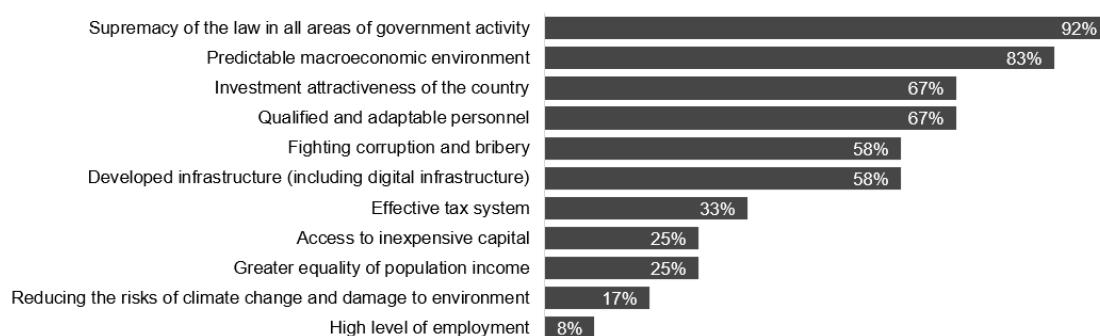
Source: Macroeconomic survey by Strategy&, Part of the PwC network, for 1st half of 2024

* Current data of stat.gov.kz
** NBRK

Dialogue with experts

Which main factors, in your opinion, had the most significant impact on the economy of Kazakhstan in the first half of 2024?

"

High oil prices create the impression that our economy is thriving.

-   *Kairat Mynbayev*
Professor, KBTU

"

Significant tax shortfalls. Large withdrawals from the National Fund. Maintaining an inefficient budget structure.

-   *Almas Chukin*
Partner, Visor Kazakhstan

"

As before, the primary factor remains the war. The multifaceted nature of this factor is reflected across various sectors, often in completely unexpected areas.

-   *Olzhas Junussov*

"

In my opinion, the main factors that had the most significant impact on Kazakhstan's economy in the first half of 2024 are as follows:

- Global price trends for oil and other commodities, as Kazakhstan relies heavily on exporting these goods, and their prices can significantly affect the country's revenues.

- Geopolitical events, such as global conflicts, sanctions, and trade policies, which can negatively impact the country's economy.

- Domestic economic reforms and government measures aimed at stimulating investment and developing various sectors of the economy, which could positively influence economic growth.

- Inflation and the overall economic stability of the country, which can significantly affect the economic situation in Kazakhstan.

- International trade relations and cooperation agreements with other countries, which can impact the export and import of goods, thereby influencing the country's economy.

-   *Nurlan Smagulov*

"

Significant transfers from the National Fund and stagnation in oil production.

-   *Anonymous*

Dialogue with experts

Which main factors, in your opinion, had the most significant impact on the economy of Kazakhstan in the first half of 2024?

"

Since our economy is predominantly resource-based, the mining and industrial sectors have the greatest impact. In addition to these sectors, the dynamics of GDP are also shaped by the trade sector.

-       *Anonymous*

"

Withdrawals from the National Fund had the greatest impact on the economy.

-       *Anonymous*

II – Brent Crude Oil Price Forecasts

Graph 3. Change in Brent crude oil price, USD per barrel

Source: Refinitiv

In the first half of 2024, the global oil market showed significant fluctuations driven by a multitude of interconnected factors. Oil traded within a range of $75.9 to $91.2 per barrel. The average price of Brent crude oil was $83.4 per barrel in the first half of 2024, which is 4.4% higher than the same period of the previous year ($79.9 per barrel). Key factors influencing oil prices included geopolitical events, OPEC+ strategies on production cuts, and overall economic conditions.

In the first quarter, Brent crude oil prices consistently rose, peaking at around $90 per barrel. This trend, observed in early April, was primarily driven by escalating geopolitical tensions in the Middle East, particularly between Israel and Iran. Additionally, disruptions in Russian refineries due to the conflict between Russia and Ukraine heightened market concerns. The ongoing OPEC+ production cuts, aimed at reducing supply and supporting prices amid fears of slowing global economic growth and oil demand, also added pressure to the oil market.*

In the second quarter, oil prices remained relatively stable, averaging around $85 per barrel. However, on June 4th, prices sharply dropped to a six-month low of $76 per barrel following an OPEC+ meeting, where the group announced a gradual phasing out of voluntary cuts amounting to 2.2 million barrels per day starting from the fourth quarter of 2024. Later, as market participants adjusted their expectations considering current stock levels and OPEC+ indications of cuts being conditional on market conditions, oil prices recovered, reaching $88 per barrel.**

Throughout the half-year period, global oil supply dynamics were shaped by contrasting trends between OPEC+ and non-OPEC producers. While OPEC+ countries maintained production cuts, non-OPEC countries, particularly the USA, Brazil, Guyana, and Canada, continued to increase their production. This divergence helped partially offset the impact of OPEC+ cuts on global supply levels.*

According to the IEA report, global oil demand continues to decline. Growth in the second quarter of 2024 slowed to 710 thousand barrels per day compared to the same period last year, marking the slowest increase since the fourth quarter of 2022. A key factor in the demand reduction could be decreased consumption in China, as the country's post-pandemic recovery has concluded. Global demand growth in 2024 and 2025 is expected to average slightly below 1 million barrels per day due to weak economic growth, as well as increasing efficiency and electrification of vehicles.*

Graph 4. Demand, supply and balance of the NGL market (liquid hydrocarbons), million bpd
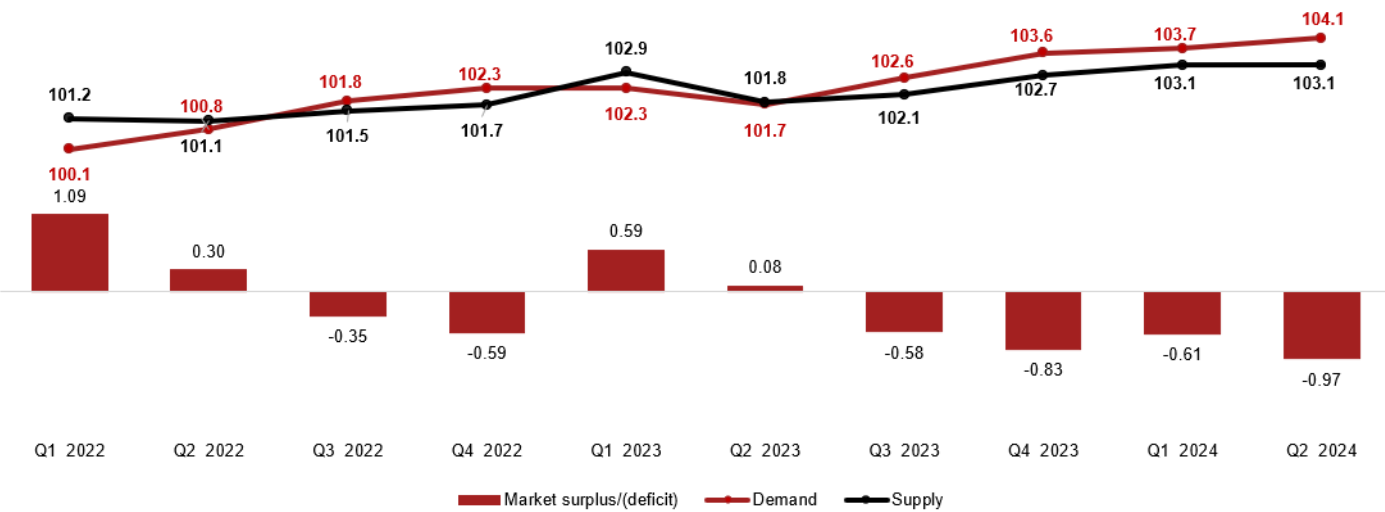

Source: Short-Term Energy Outlook of EIA, July 2024

In the forecasts of the respondents for the first half of 2024, there is a decrease in the range of oil prices with increased lower bounds and decreased upper bounds across all projected periods. In the perspective of one year, the median of minimum price forecasts has risen from $70.0 to $75.0 per barrel, while the upper bound has decreased from $92.5 to $90.0 per barrel. In the horizon of three and five years, the median minimum values have increased from $60 to $65 and from $50 to $60 per barrel, respectively. Meanwhile, the median maximum values have decreased from $100 to $90 and from $90 to $85 per barrel, respectively.

Experts believe that geopolitical tensions and OPEC+ decisions will have the most significant impact on oil prices (28%). The second most influential factor will be market supply and demand dynamics (21%). Additionally, decisions regarding the release of oil from strategic reserves will also impact the market, though to a lesser extent (10%).

What price in US dollars per barrel of Brent oil can turn out, in your opinion, in the viewed forecast periods?

Graph 5. Forecast oil price in US dollars per barrel
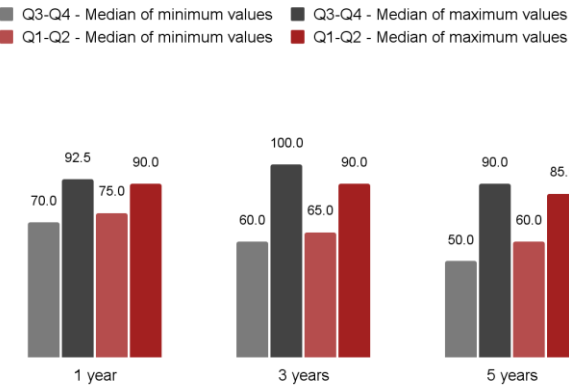
Graph 6. Bounds of forecasts of the oil price in US dollars per barrel
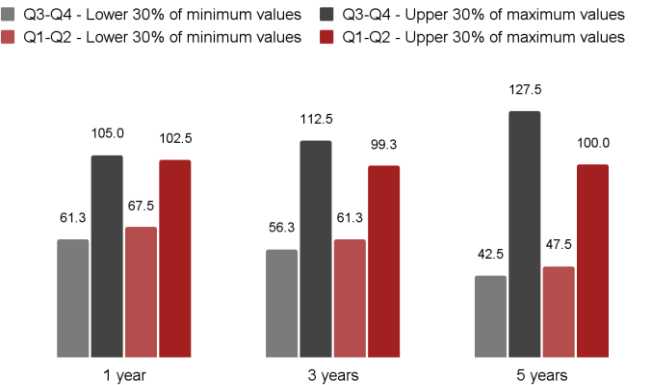
Source: Macroeconomic survey by Strategy&, Part of the PwC network, for 1st half of 2024

III – Exchange Rate Forecasts

Graph 7. Movements in the US dollar index (DXY) at the close of trading

Source: Macroeconomic survey by Strategy&, Part of the PwC network, for 1st half of 2024, based on Bloomberg data

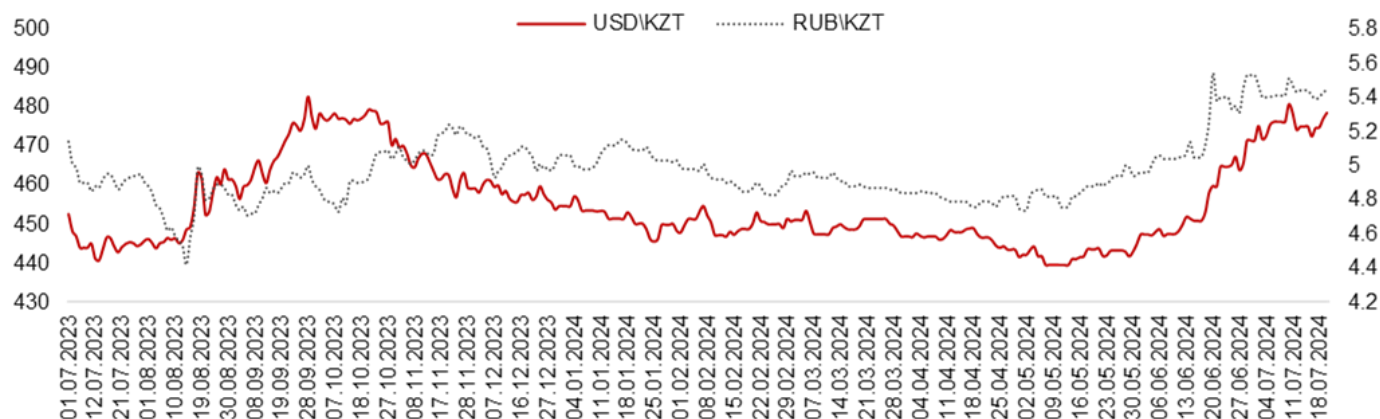During the first half of 2024, the U.S. Dollar Index (DXY) experienced fluctuations under the influence of global markets and changing investor expectations. Over the I quarter of 2024 the DXY index increased by 3.1% compared to the value in the end of the IV quarter of 2023, reaching 104.6 points. The strengthening of the U.S. dollar was driven by GDP growth, expansion in the manufacturing and service sectors, low unemployment rate, and expectations of a base rate increase by the Federal Reserve.

The U.S. dollar continued to strengthen in the II quarter, with the index reaching 105.9 points, an increase of 1.3% compared to the previous quarter. The U.S. economy demonstrated resilience due to high corporate earnings and a stable labor market.

Graph 8. Movements in forex currency pairs for the period of July 1, 2023 – July 18, 2024

Source: Macroeconomic survey by Strategy&, Part of the PwC network, for 1st half of 2024, based on NBRK data

In the first quarter of 2024, the exchange rate of the tenge against the U.S. dollar ranged from 445.43 to 457.06, while the tenge to Russian rouble exchange rate ranged from 4.83 to 5.15. In the second quarter, the tenge exhibited greater volatility: the exchange rate against the dollar ranged from 439.40 to 471.46, and against the rouble from 4.74 to 5.54.

In the first half of 2024, several factors influenced the USD/KZT currency pair. One key factor was expectations regarding changes in the U.S. Federal Reserve's interest rates. At the beginning of the year, the market anticipated rate cuts, but strong U.S. economic figures, such as retail sales and comments from Federal Reserve officials, supported the dollar and contributed to its strengthening against the tenge. Additionally, the rise in oil prices early in the year temporarily strengthened the tenge. Overall, global economic and political events, such as sanctions and market instability, also impacted the USD/KZT currency pair.

The fluctuations in the tenge exchange rate in the first half of 2024 were primarily influenced by internal factors rather than external ones. One significant factor was the reduction in transfers from Kazakhstan's National Fund.

Table 1. Statistical indicators on currency pairs USD/KZT and RUB/KZT for the second half of 2023 – the first half of 2024

	USD/KZT				RUB/KZT			
	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Minimum	440.55	453.64	445.43	439.4	4.42	4.78	4.83	4.74
Maximum	482.77	479.40	457.06	471.46	5.14	5.24	5.15	5.54
Mean	455.11	466.08	450.36	447.70	4.84	5.02	4.97	4.95
% change in mean	+ 1.4%	+ 2.4%	- 3.4%	- 0.6%	- 12.6%	+ 3.7%	- 1.0%	- 0.4%

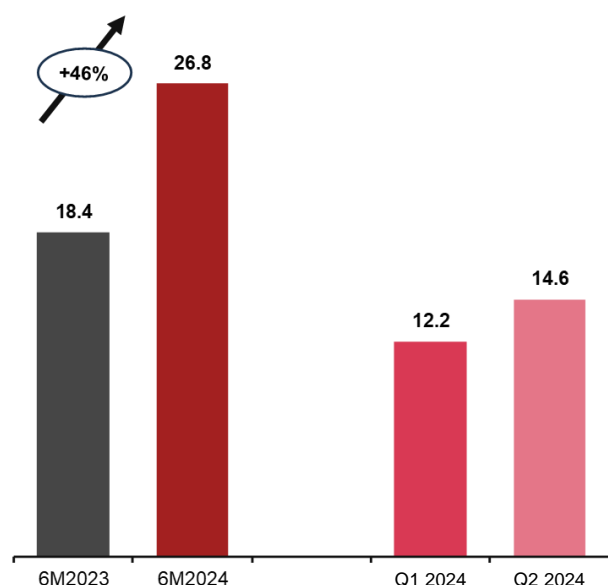*Source: Macroeconomic survey by Strategy&, Part of the PwC network, for 1st half of 2024, based on NBRK data*

Based on the results for the first quarter of 2024, on average the market exchange rates were as follows:
- 450.36 tenge per US dollar, tenge strengthened against USD by 3.4% from the fourth quarter of 2023;
- 4.97 tenge per Russian rouble, tenge strengthened against rouble by 1% from the fourth quarter of 2023.

Based on the results for the second quarter of 2024, on average the market exchange rates were as follows:
- 447.70 tenge per US dollar, tenge strengthened against USD by 0.6% from the first quarter of 2024;
- 4.95 tenge per Russian rouble, tenge strengthened against rouble by 0.4% from the first quarter of 2024.

Graph 9. Movements in the volume of trading in US dollars for 6M2024, billion units

Graph 10. Movements in the volume of trading in Russian roubles for 6M2024, billion units
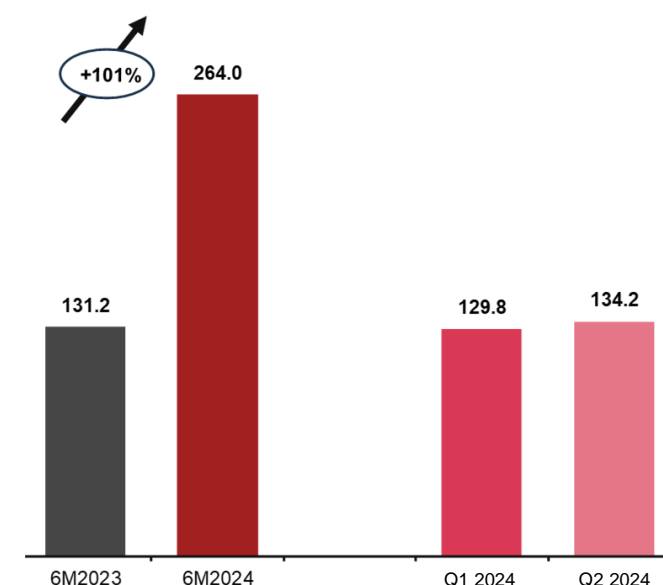
Source: Macroeconomic survey by Strategy&, Part of the PwC network for the first half of 2024, based on KASE data

According to the Kazakhstan Stock Exchange (KASE), the volume of foreign currency trading in the first half of 2024 totaled 15.7 trillion tenge, reflecting a 27% increase compared to the same period in 2023 (12.3 trillion tenge). Trading volumes were 7.7 trillion tenge in Q1 2024 and 8 trillion tenge in Q2 2024.

In the first half of 2024, the USD/KZT currency pair accounted for 76.6% of the total trading volume in the foreign exchange market, up 9.4 pp compared to the same period last year. The RUB/KZT currency pair also saw an increase, rising by 2.3 pp to 8.4% for the first half of 2024. The most significant growth in trading volume share during the analyzed period was observed for the USD/CNY currency pair, which increased from 1.6% in 6M 2023 to 11.1% in 6M 2024.

III Exchange Rate Forecasts: USD/KZT

During the first half of 2024, the tenge exchange rate against the dollar demonstrated a variety of trends. Based on average quarterly values from February to May, there was a trend of strengthening for the tenge against the US dollar. However, in June, the tenge weakened again by 3% compared to May 2024.

In the first quarter of 2024, the market exchange rate averaged 450.27 tenge per US dollar, strengthening by 3.4% compared to the fourth quarter of 2023. The exchange rate volatility was observed within the range of 445.43 to 457.06 tenge per US dollar.

At the beginning of January, the exchange rate was 454.56 tenge per US dollar. Despite some fluctuations, it appreciated by 1.7% by the end of the quarter, reaching 446.78 tenge per US dollar. The tenge's strengthening in the first quarter was driven by factors such as the quarterly tax period and regular conversions of transfers to the budget. Additionally, favorable external economic conditions, particularly the rise in oil prices, contributed to the strengthening of the tenge.

In the second quarter, the average exchange rate was 447.73 tenge per US dollar, marking a 0.6% appreciation from the previous quarter. The exchange rate volatility during this period ranged from 439.40 to 471.46 tenge per US dollar, with initial strengthening followed by weakening in June.

At the beginning of June, the exchange rate was 447.25 tenge per US dollar, but by the end of the month, the tenge had weakened by 5%, reaching 471.46 tenge per dollar. One of the key reasons for the tenge's depreciation at the end of the second quarter was the reduction in transfer volumes from Kazakhstan's National Fund. In June, foreign currency sales amounted to 420 million US dollars, almost half of the 800 million US dollars sold in May. Meanwhile, to maintain the foreign currency share of pension assets of the Unified National Pension Fund (ENPF) at 30%, the National Bank continued purchasing foreign currency in the exchange market, spending 293 million US dollars. As a result, net foreign currency sales totaled 127 million US dollars compared to 300 million US dollars in the previous month.* Additionally, the tenge's weakening was influenced by the demand for foreign currency from Kazakhstani companies for import contract settlements and external debt repayment/servicing, as well as a decline in foreign investor risk appetite.

Information notices on the currency market by NBRK

Table 2. Statistical indicators on USD/KZT currency pair for January – June 2024

|	January	February	March	April	May	June
Minimum	445.43	446.72	446.78	441.44	439.40	446.89
Maximum	457.06	454.59	453.35	448.89	444.79	471.46
Mean	451.46	449.75	449.57	446.29	441.87	455.24
% change in mean	- 1.4%	+ 0.8%	- 0.8%	- 1.2%	+ 0.6%	+ 5.4%

Source: Macroeconomic survey by Strategy&, Part of the PwC network, for 1st half of 2024, based on NBRK data

What USD/KZT rate, in your opinion, is most probable for the viewed forecast periods?
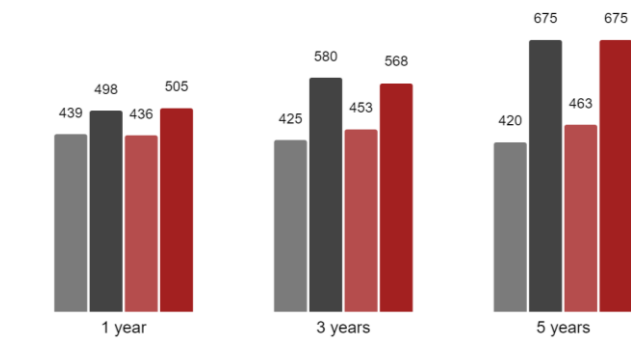
Graph 11. Forecast USD/KZT rate

- Q3-Q4 - Median of minimum values
- Q3-Q4 - Median of maximum values
- Q1-Q2 - Median of minimum values
- Q1-Q2 - Median of maximum values
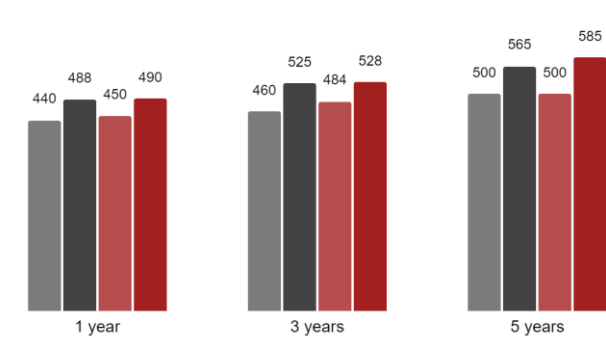
Graph 12. Bounds of USD/KZT forecasts

- Q3-Q4 - Lower 30% of minimum values
- Q3-Q4 - Upper 30% of maximum values
- Q1-Q2 - Lower 30% of minimum values
- Q1-Q2 - Upper 30% of maximum values

Source: Macroeconomic survey by Strategy&, Part of the PwC network, for 1st half of 2024

The results of the expert survey for the first half of 2024 compared to the results for the second half of 2023 show that respondents expect the tenge to weaken against the US dollar in all forecast periods. The median values of the minimum forecast rates increased to 450 tenge (by 2%) in the one-year horizon and to 484 tenge (by 5%) in the three-year horizon, while the median of the minimum values in the five-year horizon remained at the level of 500 tenge per US dollar. The medians of the maximum values also show a trend towards the weakening of the tenge: in the one-year and three-year horizons, the values increased by less than 1% to 490 and 528 tenge, respectively, and in the five-year horizon, the median increased by 4% to 585 tenge per US dollar.

The forecast values of the lower and upper boundaries for the USD/KZT currency pair show multidirectional dynamics. In the one-year horizon, the lower bound of forecasts decreased by less than 1% to 436 tenge per US dollar, while in the three- and five-year horizon, the lower bound increased by 7% and 10% to 453 and 463 tenge, respectively. The upper bound of the forecast exchange rate increased by about 1% (to 505) in the one-year horizon, while in the three-year horizon the upper bound decreased by 2% to 568 tenge per US dollar. In the horizon of five years, the value remained at the level of 675 tenge per US dollar.

Forecasts of median values for the first half of 2024 assume the exchange rate of the tenge against the US dollar in the range of 450-490 tenge in the one-year horizon, 484-528 tenge in the three-year horizon and 500-585 tenge in the five-year horizon.

III Exchange Rate Forecasts: RUB/KZT

In the first half of 2024, the tenge exchange rate against the Russian rouble showed a gradual trend of strengthening: in terms of quarterly average values, the tenge strengthened by 1.0% in the first quarter and by 0.4% in the second quarter. Despite the general trend of strengthening the tenge against the Russian rouble, the tenge began to weaken in May. The RUB/KZT exchange rate fluctuated between 4.74 and 5.54 in the first half of 2024.

In the first quarter of 2024, the average market rate was at the level of 4.97 tenge per Russian rouble, and the exchange rate range was 4.83–5.15 tenge. In the second quarter of 2024, the average market rate was at the level of 4.95 tenge per Russian rouble. Throughout the period, the exchange rate was quite volatile, ranging from 4.74 to 5.54 tenge per Russian rouble. At the beginning of the quarter, the tenge continued its appreciation trend, declining by 2% to 4.81 tenge per Russian rouble by the end of April. However, a reverse trend was observed in May-June, with the tenge weakening and reaching an average value of 5.19 tenge per Russian rouble in May amid the broader weakening of the tenge against foreign currencies.

Table 3. Statistical indicators on the RUB/KZT currency pair for January – July 2024

|	January	February	March	April	May	June
Minimum	4.98	4.83	4.84	4.75	4.74	4.96
Maximum	5.15	5.01	4.97	4.85	5.00	5.54
Mean	5.06	4.91	4.90	4.81	4.86	5.19
% change on monthly results	- 0.6%	- 1.8%	- 2.6%	- 1.9%	+ 4.4%	+ 11.5%

Source: Macroeconomic survey by Strategy&, Part of the PwC network, for 1st half of 2024, based on NBRK data

What KZT/RUB exchange rate, in your opinion, could be most probable for the forecast periods under review?

Graph 13. Forecast RUB/KZT rate
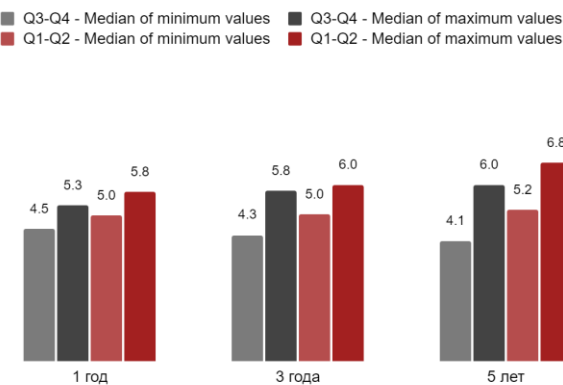
Graph 14. Bounds of RUB/KZT forecasts
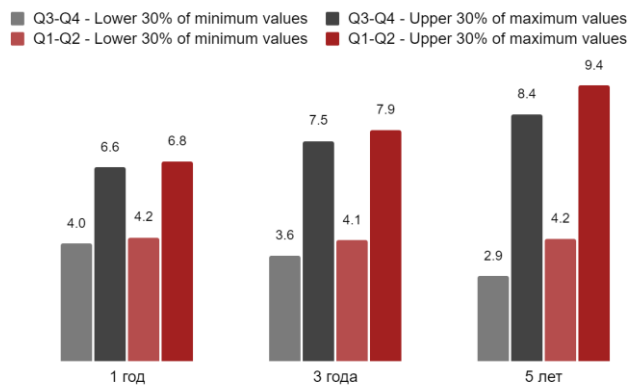
Source: Macroeconomic survey by Strategy&, Part of the PwC network, for 1st half of 2024

Expert forecasts for the RUB/KZT currency pair in the first half of 2024 became more pessimistic compared to the second half of 2023. The medians of the minimum values for the one-year and three-year horizons increased by 11% and 16%, respectively, reaching the same level of 5.0 tenge per Russian ruble. In the five-year forecast, the median of the minimum values rose by 27% to 5.2 tenge. The medians of the maximum values increased by 9%, 3%, and 13% to 5.8, 6.0, and 6.8 tenge in the short-term, medium-term, and long-term forecasts, respectively.

Dialogue with experts

How has Kazakhstan's trade balance changed, and what significant trends do you observe in exports and imports?

"

Dependence on Russian imports has increased, including meat and milk. Production of various types of meat has decreased by an average of a quarter. We are no longer even self-sufficient in agriculture.

-   Kairat Mynbayev
Professor, KBTU

"

Increase in exports and re-exports to the Russian Federation. Growth in imports across all areas, including those driven by re-exports.

-   Almas Chukin
Partner, Visor Kazakhstan

"

The impact of the war—directly and/or indirectly—results in the loss of entire markets, and demand for exports declines in price or volume. Raw materials and components continue to become more expensive.

-   Olzhas Junussov

"

Here's a professional English translation of your text:For the first quarter of 2024 (as half-year data is not yet available), Kazakhstan's trade balance remains positive. The trade balance surplus amounted to USD 6.0 billion, an increase of 16.6% compared to the same period last year, primarily due to the sharper decline in imports and favorable prices for exported goods. Exports of goods decreased by 0.7% to USD 19.0 billion. Imports of goods fell by 7.2% to USD 13.0 billion.

Thus, despite a slight decline in exports, Kazakhstan continues to maintain a positive trade balance.

-   Nurdaulet Aidosov

"

Firstly, it is worth noting a significant increase in export volumes, primarily driven by commodities from the raw materials sector, such as oil, natural gas, uranium, and metals. One of the most notable trends in Kazakhstan's exports is the expansion of trade with the Asia-Pacific region, including China, South Korea, and Japan. Kazakhstan is also increasing its export volumes to European countries and CIS countries.

Regarding imports, Kazakhstan has become more dependent on importing goods and services such as machinery and equipment, chemical products, food, and clothing. However, there has also been a recent increase in imports of goods from high-tech industries, which can be considered positive in terms of economic diversification.

Overall, it can be said that in recent years, Kazakhstan has been actively developing its trade relations with various countries, striving to diversify its exports and imports, which has generally had a favorable impact on the country's trade balance.

-   Nurlan Smagulov

Dialogue with experts

How has Kazakhstan's trade balance changed, and what significant trends do you observe in exports and imports?

"

There is a decline in the volumes and growth rates of both exports and imports. Exports are significantly affected by global prices and the country's logistical capabilities, which are likely exerting pressure at the moment. Imports are heavily influenced by the tenge exchange rate against foreign currencies. In any case, the trade balance remains positive for now.

-    *Anonymous*

"

The gap between imports and exports is widening due to the growth in imports. Therefore, the current account deficit is expected to continue expanding.

* The current account is a component of the balance of payments that records current transactions, including the export and import of goods, the export and import of services, income earned by residents abroad, and income earned by non-residents within Kazakhstan.

-    *Anonymous*

IV – Consumer Price Index

Graph 15. Trends in the annual inflation by months, %
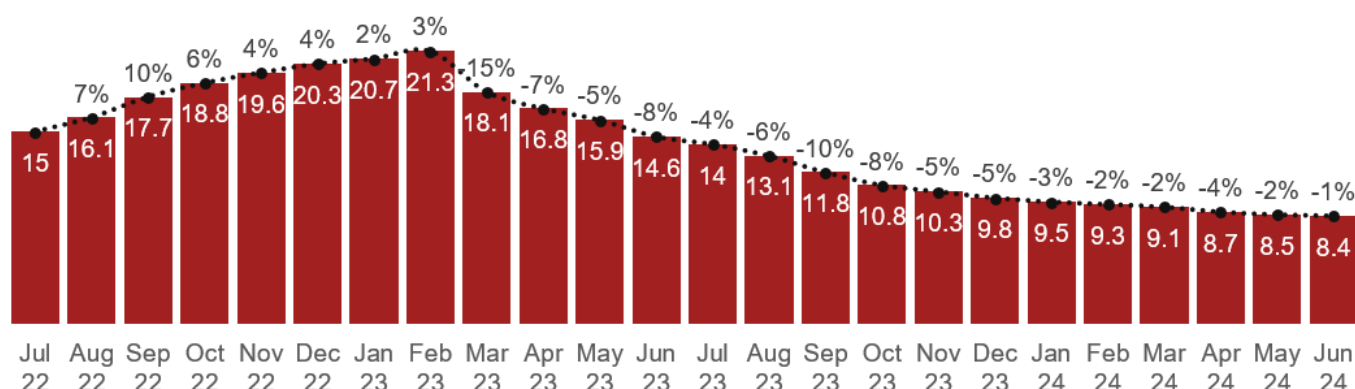
Source: Macroeconomic survey by Strategy&, Part of the PwC network, for 1st half of 2024, based on data from stat.gov.kz

The inflation rate has been steadily declining for sixteen months. As of the end of June, inflation reached 8.4%, the lowest level in the past two years—the last time inflation was at this level was in January 2022.

The decrease in inflation in Kazakhstan in the first half of 2024 was driven by a combination of tight monetary policy, the high base effect, improvements in the global economy, and the relative stability of the national currency. These factors collectively helped to curb price growth and stabilize the economy.

According to the last report dated 12 July 2024 of NBRK on the monetary policy, the main contribution to the slowdown in price growth comes from lower food inflation and reduced implementation rates of tariff reforms. However, within the annual inflation structure, prices for paid services continue to show the most significant increase, driven by the "Tariff for Investment" program and the rising cost of market services.*

Results from a survey of experts for Q1–Q2 2024, compared to Q3–Q4 2023, showed different trends in the maximum and minimum boundaries of median inflation values across all forecast periods. Over the one, three, and five-year horizons, respondents expect the median maximum values to increase by 0.2 percentage points, 0.5 percentage points, and 1.0 percentage points, respectively. For the median minimum values, no change is expected in the one and five-year horizons, while a slight increase of 0.5 percentage points is expected over the three-year horizon.

Over the one-year horizon, the lower bound of forecasts rose by 0.6 percentage points, while the upper bound decreased by 2.0 percentage points. Notably, in the three-year horizon, the lower bound of respondents' expectations increased slightly by 0.1 percentage points, while the upper bound decreased by 1.8 percentage points. A similar trend is observed in the five-year horizon, where the lower bound increased by 0.5 percentage points and the upper bound decreased by 1.3 percentage points.

Which indicators of inflation (in particular, consumer price index – CPI) in Kazakhstan, in your opinion, are the most probable for the forecast periods under review?
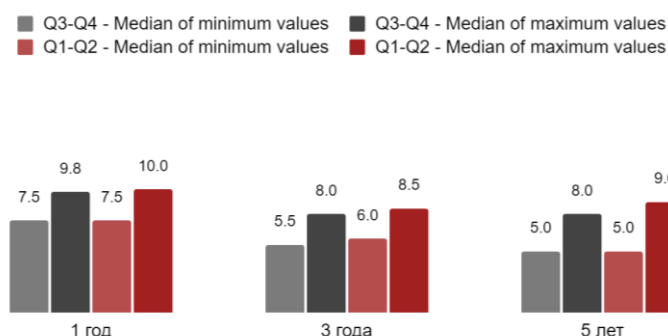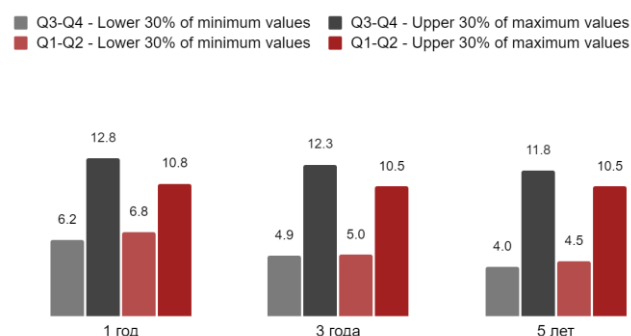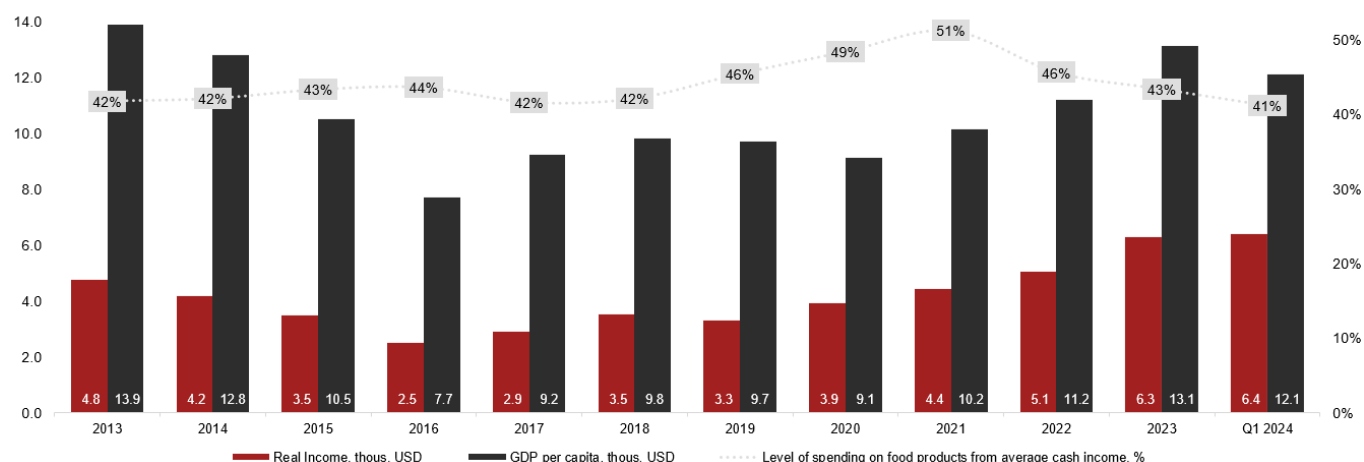
Figure 15. Forecast CPI level, %

Figure 16. Bounds of CPI forecasts, %

Source: Macroeconomic survey by Strategy&, Part of the PwC network, for 1st half of 2024
*NBRK

Figure 17. Indicator of real wealth of population

Real Income, thous. USD | GDP per capita, thous. USD | Level of spending on food products from average cash income, %

Source: Macroeconomic survey by Strategy&, Part of the PwC network, for 1st half of 2024, based on data from stat.gov.kz

In Q1 2024, the average monthly median salary* reached 252 thousand tenge, which is 12% higher than the figure for the same period in 2023 (224 thousand tenge). The highest growth in average monthly salaries compared to the corresponding quarter of 2023 was observed in the financial and insurance sectors—up by 29.7% (781 thousand tenge), real estate operations—up by 23% (288 thousand tenge), and information and communication—up by 21% (655 thousand tenge). Some sectors experienced a decline in average monthly salaries compared to the corresponding quarter of 2023: administrative and support services decreased by 2.6% (348 thousand tenge), and accommodation and food services decreased by 1.3% (334 thousand tenge).*

The sector with the highest average monthly salary is mining and quarrying (864 thousand tenge), while the lowest is in agriculture, forestry, and fishing (212 thousand tenge).

Amid the slowdown in inflation growth rates in the first half of 2024, the real annual income of the population reached USD 6,400, which is 13% higher than the value for the same period of the previous year (USD 5,600). According to data from the BNS** sample survey on employment for the first quarter of 2024, 9.2 million people were employed across various sectors of the Kazakhstani economy, of which 7 million people (76.2%) were employed, and 2.2 million (23.8%) were self-employed. Compared to the same period in 2023, total employment increased by 134.6 thousand people, mainly due to an increase in salaried employees (by 81 thousand people) and self-employed workers (by 54.5 thousand people).
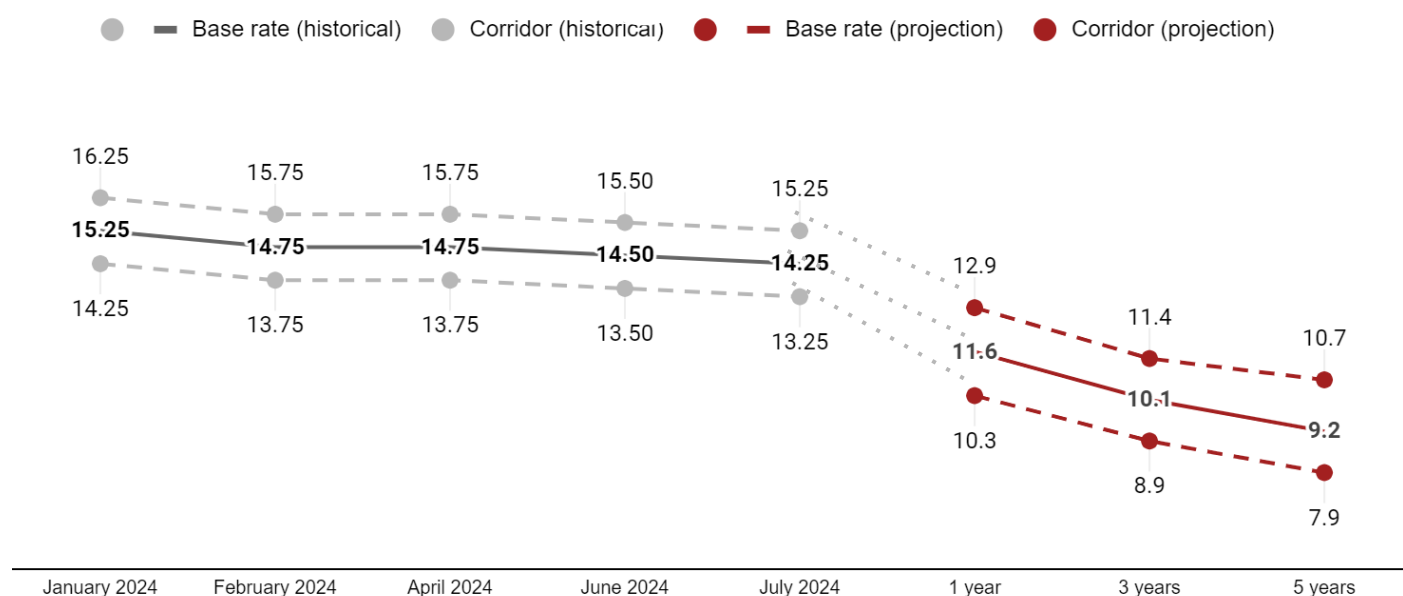
*Analysis based on data from stat.gov.kz
** Key labor market indicators in the Republic of Kazakhstan, stat.gov.kz

IV – NBRK Base Rate

What base rate of NBRK, in your opinion, is most probable in the perspective of the next periods?

Figure 18. Actual and forecast level and base rate corridor, %

Legend: ● ▬ Base rate (historical)   ● Corridor (historical)   ● ▬ Base rate (projection)   ● Corridor (projection)

	January 2024	February 2024	April 2024	June 2024	July 2024	1 year	3 years	5 years
Corridor upper	16.25	15.75	15.75	15.50	15.25	12.9	11.4	10.7
Base rate	15.25	14.75	14.75	14.50	14.25	11.6	10.1	9.2
Corridor lower	14.25	13.75	13.75	13.50	13.25	10.3	8.9	7.9

Source: Macroeconomic survey by Strategy&, Part of the PwC network, for 1st half of 2024, based on NBRK data

In the first half of 2024, the National Bank of the Republic of Kazakhstan (NBRK) maintained the base rate within the range of 14.50% - 15.25%. This range is lower than the corresponding period in 2023 when the NBRK kept the rate at 16.75%. At the latest meeting on July 12, 2024*, the NBRK, considering observed inflation trends and the balance of risks, decided to lower the base rate to 14.25%.

Inflation has significantly decreased compared to the high levels of the previous year. In Kazakhstan, the inflation rate fell from 9.5% in January (January 2023 - 20.3%) to 8.4% in June (June 2023 - 14.6%), with a target inflation rate of 5.0%. The current level is the lowest recorded in the past two years.

In his statement, NBRK Chairman Suleimenov T.M. noted, "The external inflationary environment is becoming less favorable due to global food price dynamics and accelerating inflation in Russia. External monetary conditions remain tight."**

NBRK's decisions regarding the base rate from January to June 2024 were influenced by a combination of factors: decreasing inflation, the need to support economic growth in the wake of natural disasters, external economic conditions, and government fiscal measures. Severe floods in March 2024 had a significant economic impact, disrupting various sectors and requiring government intervention. The cautious easing of monetary policy aimed to balance these factors, ensuring economic stability and resilience under challenging conditions. The floods highlighted the economy's vulnerability to natural disasters and the need for coordinated fiscal and monetary policy measures.

Survey results for the first half of 2024 indicate that experts expect a reduction in the base rate from its current level of 14.25%. Over the next year, respondents forecast a base rate of 11.6%, which is 0.5 percentage points lower than expert expectations in the previous report for the second half of 2023.

Dialogue with experts

In your opinion, how has the investment climate in Kazakhstan changed? What significant developments have you observed in the area of foreign and domestic investments in Kazakhstan?

"

There have been no significant events in the area of foreign investments, only tentative first steps.

- *Kairat Mynbayev*
Professor, KBTU

"

Overall, the climate has worsened. High and inconvenient taxes on the mining industry are hindering foreign investments. Legal uncertainty remains high. Lawsuits related to Kashagan and other major projects do not inspire optimism

- *Almas Chukin*
Partner, Visor Kazakhstan

"

The most significant factor in the field of investments could be the thoughtless discussions about canceling tax benefits for AIFC residents, particularly the dividend tax.

If the constitutional law (!) is repealed or amended, foreign investments will be significantly reduced.

- *Olzhas Junussov*

"

In 2024, Kazakhstan's investment climate continues to attract attention. Here are some key points:

Last year, Kazakhstan attracted a record $28 billion in foreign direct investments, with one-third of this amount coming from the Netherlands, the U.S., and Switzerland. In 2023, Kazakhstan made a significant breakthrough in attracting investments to the manufacturing sector, which helped increase the sector's share of total investments to 20%. The President signed a decree to enhance the effectiveness of investment promotion efforts by expanding the powers of the Investment Headquarters. They are now authorized to develop temporary regulatory acts that are mandatory for central and local authorities to implement. These changes contribute to sustainable economic growth and make Kazakhstan more attractive to foreign investors.

- *Nurdaulet Aidosov*

"

There has been no improvement, partly due to the uncertainty surrounding changes in legislation (for example, in the Tax Code).

- *Anonymous*

"

In our view, the investment climate in Kazakhstan is improving due to a certain degree of clarity in political and economic policy. Additionally, the sanctions imposed on Russia and Kazakhstan's neutral geopolitical position are also positively influencing the investment climate.

- *Anonymous*

strategy&

Part of the PwC network

Annex to the macroeconomic review

Summary table of indicators

&

Summary Table of Indicators

Section	Indicator	Period	Q3 – Q4 2022	Q1 – Q2 2023	Q3 – Q4 2023	Q1 – Q2 2024
Oil Price	in the medians of minimum values	1 year	77.5	70.0	70.0	75.0
		3 years	62.5	66.0	60.0	65.0
		5 years	50.0	61.0	50.0	60.0
	in the medians of maximum values	1 year	101.3	90.0	92.5	90.0
		3 years	100.0	85.0	100.0	90.0
		5 years	90.0	88.0	90.0	85.0
	lower 30% of minimum values	1 year	60.1	62.7	61.3	67.5
		3 years	51.9	51.7	56.3	61.3
		5 years	40.7	41.3	42.5	47.5
	upper 30% of maximum values	1 year	119.4	100.0	105.0	102.5
		3 years	110.9	98.3	112.5	99.3
		5 years	114.8	105.0	127.5	100.0
USD/KZT rate	in the medians of minimum values	1 year	455.0	450.0	440.0	450.0
		3 years	482.5	478.0	460.0	483.5
		5 years	518.5	509.0	500.0	500.0
	in the medians of maximum values	1 year	495.0	470.0	487.5	490.0
		3 years	550.0	500.0	525.0	527.5
		5 years	605.0	580.0	565.0	585.0
	lower 30% of minimum values	1 year	432.5	426.7	438.8	436.3
		3 years	434.0	445.0	425.0	452.5
		5 years	433.8	467.7	420.0	462.5
	upper 30% of maximum values	1 year	532.0	496.7	497.5	505.0
		3 years	632.3	560.0	580.0	567.5
		5 years	801.5	666.7	675.0	675.0
RUB/KZT rate	In the medians of minimum values	1 year	5.9	4.5	4.5	5.0
		3 years	5.0	4.3	4.3	5.0
		5 years	4.8	4.7	4.1	5.2
	in the medians of maximum values	1 year	8.0	5.5	5.3	5.8
		3 years	7.4	6.0	5.8	6.0
		5 years	7.5	6.0	6.0	6.8
	lower 30% of minimum values	1 year	4.9	3.7	4.0	4.2
		3 years	4.0	3.6	3.6	4.1
		5 years	3.5	3.4	2.9	4.2
	upper 30% of maximum values	1 year	9.5	7.5	6.6	6.8
		3 years	9.9	7.7	7.5	7.9
		5 years	10.3	8.7	8.4	9.4

Summary Table of Indicators

Section	Indicator	Period	Q3 – Q4 2022	Q1 – Q2 2023	Q3 – Q4 2023	Q1 – Q2 2024
USD/RUB rate	in the medians of minimum values	1 year	65.0	85.0	85.0	84.0
		3 years	71.3	87.5	90.0	94.0
		5 years	78.0	85.0	94.5	95.0
	in the medians of maximum values	1 year	78.8	100.0	100.0	99.0
		3 years	95.0	110.0	120.0	117.5
		5 years	107.5	120.0	145.0	140.0
	lower 30% of minimum values	1 year	46.9	72.7	77.0	75.0
		3 years	52.6	73.3	80.0	75.3
		5 years	53.8	63.3	77.5	66.7
	upper 30% of maximum values	1 year	99.4	116.7	115.0	123.3
		3 years	111.3	131.7	140.0	153.3
		5 years	135.1	163.3	175.0	266.7
Expectations on CPI	In the medians of minimum values	1 year	11.3	10.0	7.5	7.3
		3 years	8.3	8.0	5.5	6.0
		5 years	7.5	6.0	5.0	5.0
	in the medians of maximum values	1 year	15.3	14.0	9.8	9.5
		3 years	12.0	12.0	8.0	8.0
		5 years	11.0	10.0	8.0	8.5
	lower 30% of minimum values	1 year	8.6	7.6	6.2	6.8
		3 years	5.3	4.8	4.9	4.9
		5 years	4.7	4.9	4.0	4.3
	upper 30% of maximum values	1 year	19.8	16.3	12.8	11.0
		3 years	17.9	15.3	12.3	10.0
		5 years	17.8	16.0	11.8	10.0
Expectations on the base rate	Base rate	1 year	13.8	13.5	12.1	11.5
		3 years	11.5	10.9	10.4	10.3
		5 years	9.6	8.5	8.8	9.3
	Corridor	1 year	1.6	1.1	1.3	1.4
		3 years	1.4	1.3	1.2	1.3
		5 years	1.8	2.1	1.3	1.7

Acknowledgements

Survey Authors

The following people worked on the report:
Natalya Lim, Janel Chadiarova,
Assel Sakenkyzy

Contacts:

Natalya Lim
Partner of Strategy& and
Advisory Leader of Eurasia Region
natalya.lim@pwc.com

Please forward your questions regarding the research and inquiries to:

Janel Chadiarova
Consulting services
janel.chadiarova@pwc.com

Assel Sakenkyzy
Consulting services
assel.sakenkyzy@pwc.com

Please forward mass media requests to:

Yuliya Yerlykina
Marketing and external relations
yuliya.i.yerlykina@pwc.com

Almaty
"AFD" Business center, building A,
4 floor, Al-Farabi Ave., 34, Almaty,
Kazakhstan, A25D5F6
T: +7 (727) 330 32 00

Astana
Q2 Business center, 4 floor
Kabanbay Batyr Ave., 15/1,
Esil district, Nur-Sultan, Kazakhstan,
Z05M6H9
T: +7 (7172) 55 07 07

Atyrau
"River Palace" Hotel, 2 floor,
office 10, Aiteke bi St., 55
Atyrau, Kazakhstan, 060011
T: +7 (7122) 76 30 00