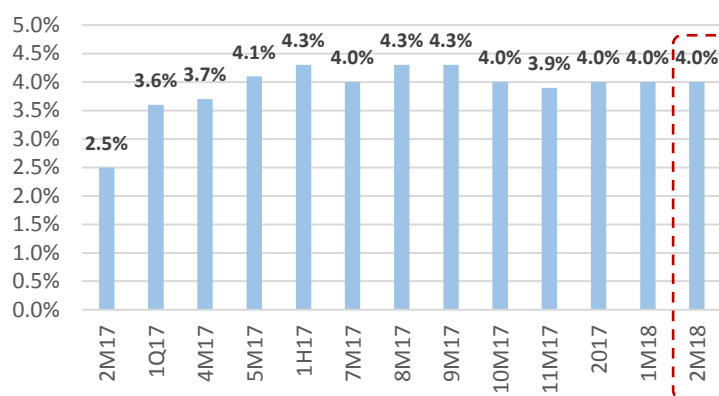


## Macroeconomic Updates: Kazakhstan's 2M18 GDP growth stood at 4%

### Overview of GDP growth in 2M18

According to preliminary estimates, Kazakhstan's 2M18 GDP growth amounted to 4% YoY, maintaining the growth momentum from 2017. Trade (7.0%), manufacturing (6.1%), mining (5.5%) and transportation (4.4%) have been the primary growth contributors, with overall industrial production expanding by 5.6%. Meanwhile, short-term economic indicator, which is a gauge for change in production indexes of base industries, rose by 5.2% YoY.

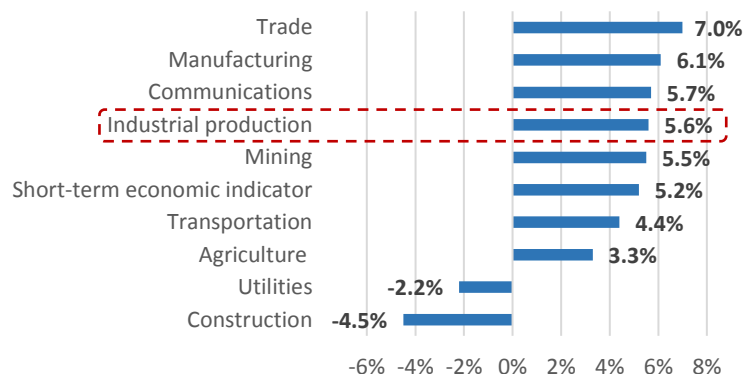
GDP growth (2M17 – 2M18)



Source: Committee on Statistics, Samruk-Kazyna

Information and communications sector recorded a growth rate of 5.7% YoY in 2M18. Overall trade rose by 7.0%, with retail and wholesale trade gaining 4.1% and 8.6% respectively. Agriculture sector output grew by 3.3%, driven by the increase in livestock (3.4%), while crops production and agriculture-related services remained unchanged. Construction sector contracted by 4.5% YoY, compared to 14.9% decline in 1M18, primarily attributable to seasonal factors and high-base effect.

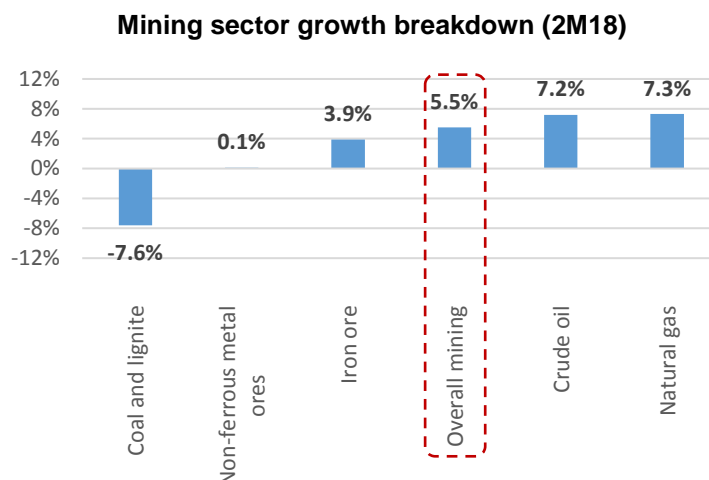
YoY growth by sectors (2M18)



Source: Committee on Statistics, Samruk-Kazyna

### Sectorial growth review

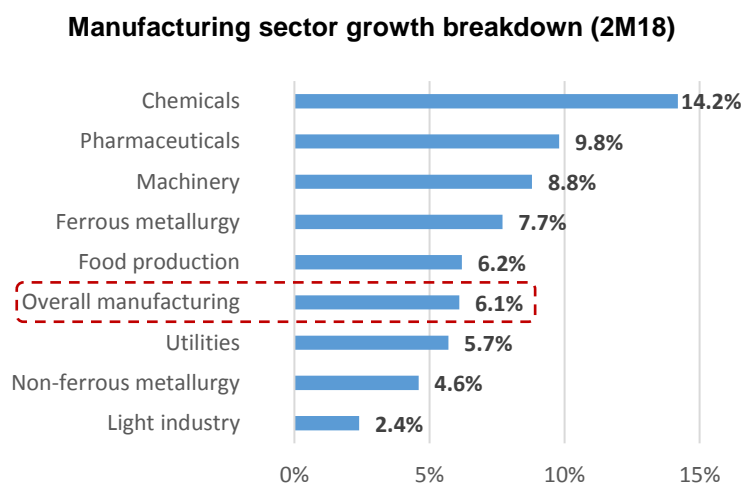
On mining front, crude oil output gained 7.2% YoY in 2M18, underpinned by increase in oil prices and positive dynamics in Kashagan output, while natural gas production increased by 7.3%. Coal and lignite production declined by 7.6%, compared to 12.9% YoY decrease in 1M18. Iron ore output rose by 3.9% in 2M18, accelerating from 3.8% reading in 1M18, while the growth of non-ferrous metal ores production stood at 0.1%, resulting in overall mining sector growth of 5.5%.



Source: Committee on Statistics, Samruk-Kazyna

On manufacturing, pharmaceuticals production increased by 9.8% in 2M18, while light industry gained 2.4%, driven by the growth in textile (1.3%) and clothing (6.3%). Chemical industry rose by 14.2%, spearheading overall manufacturing sector growth, while metallurgy sector increased by 6.0%, with ferrous and non-ferrous subsectors gaining 7.7% and 4.6% respectively. Machinery output growth stood at 8.8%, with electronics production (67.7%), computers (53.6%) and automobiles (91.8%) being primary contributors to machinery output increase.

Utilities growth stood at 5.7% in 2M18. Electricity production rose by 9%, while gas supply and air conditioning increased by 0.4% YoY and 2.6% YoY respectively. Water supply and sanitation declined by 2.2%.

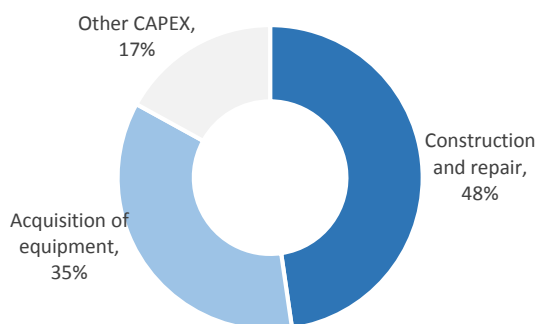


Source: Committee on Statistics, Samruk-Kazyna

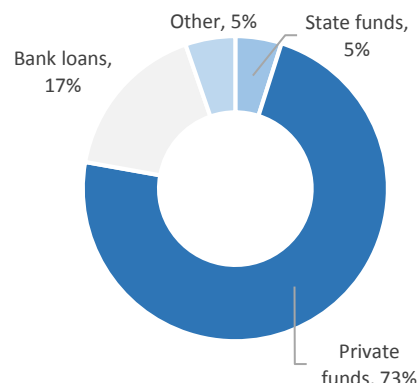
### Fixed-asset investments

Fixed-asset investments rose by 54.4% YoY in 2M18, reaching KZT1,187bln. Construction contributed 47.7% to the total fixed-asset investments, while acquisition of equipment and other CAPEX accounted for 35.3% and 17% respectively.

**Fixed-asset investment breakdown by type (2M18)**



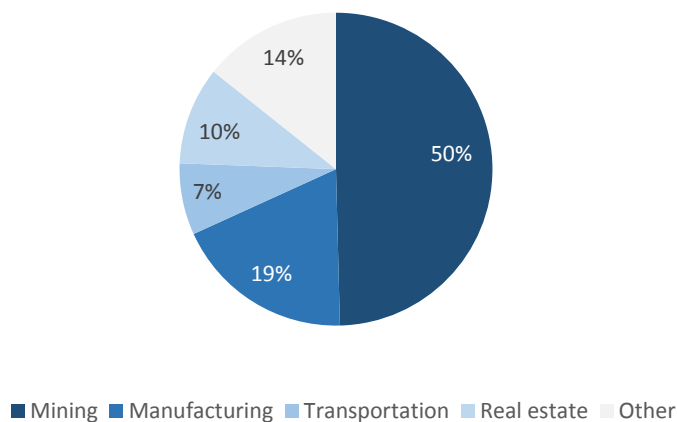
**Fixed-asset investment breakdown by funding source (2M18)**



Source: Committee on Statistics, Samruk-Kazyna

On financing sources, private sector funds constituted approximately 72.9% of overall financing, while state funding represented 4.9%. Bank loans and other sources accounted for 16.9% and 5.3% respectively.

**Primary beneficiaries of fixed-asset investments (2M18)**

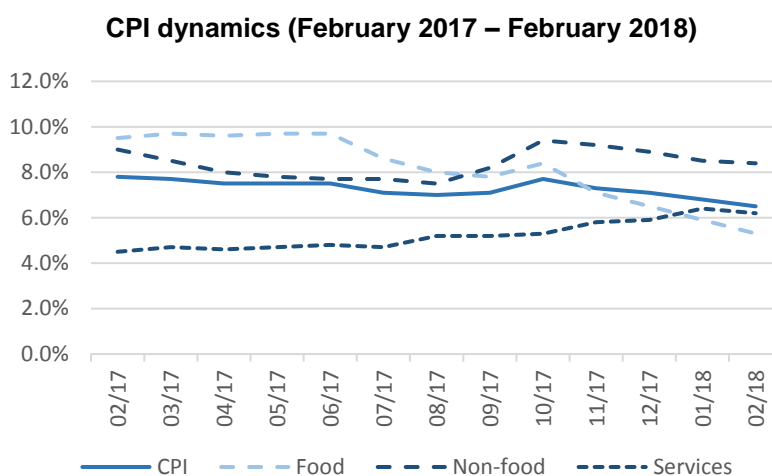


Source: Committee on Statistics, Samruk-Kazyna

Mining sector has been a primary recipient of fixed-asset investments in 2M18, receiving approximately 49.6%. Manufacturing sector accounted for 18.6%, while transportation and real estate constituted 7.4% and 10.1% respectively. Other sectors received the remaining 14.3%.

### Inflation

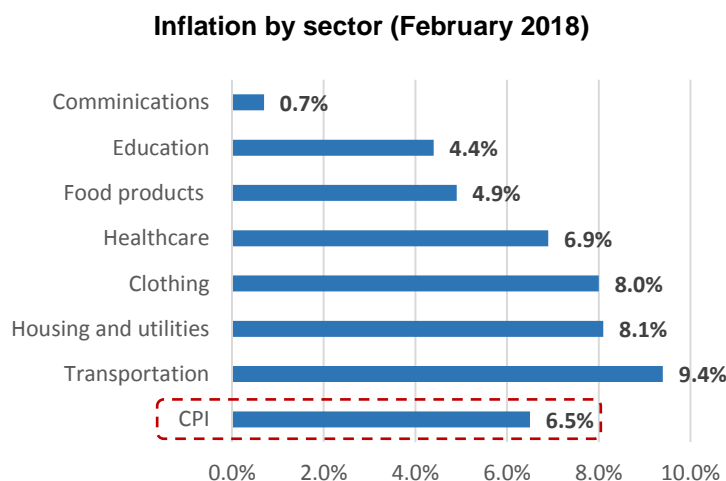
In February 2018, Kazakhstan's CPI rose by 6.5% YoY compared to 6.8% YoY in January 2018 and 7.1% YoY in December 2017. Consumer prices growth was mainly driven by non-food items, which increased by 8.4% YoY in February. Food product prices gained 5.3% YoY, decelerating from January reading of 5.9%, while services prices rose by 6.2% (January 2018: 6.4% YoY). On monthly basis, CPI growth stood at 0.7%, compared to 0.6% reading in the previous month, while food and non-food prices gained 0.8% and 0.5% MoM respectively.



Source: Committee on Statistics, Samruk-Kazyna

On food products, meat (8.5% YoY), fish (8.2% YoY) and dairy products (9.1% YoY) have been the primary contributors to food inflation, while prices for sugar (-18.8% YoY) and eggs (-12.9% YoY) negatively affected food CPI growth.

On non-food and services front, clothing prices rose by 8% YoY in February 2018, while communications, education and healthcare recorded 0.7%, 4.4% and 6.9% price increase respectively. Automobile prices gained 7.7% YoY while gasoline and diesel fuel rose by 14.1% and 31.5% respectively.

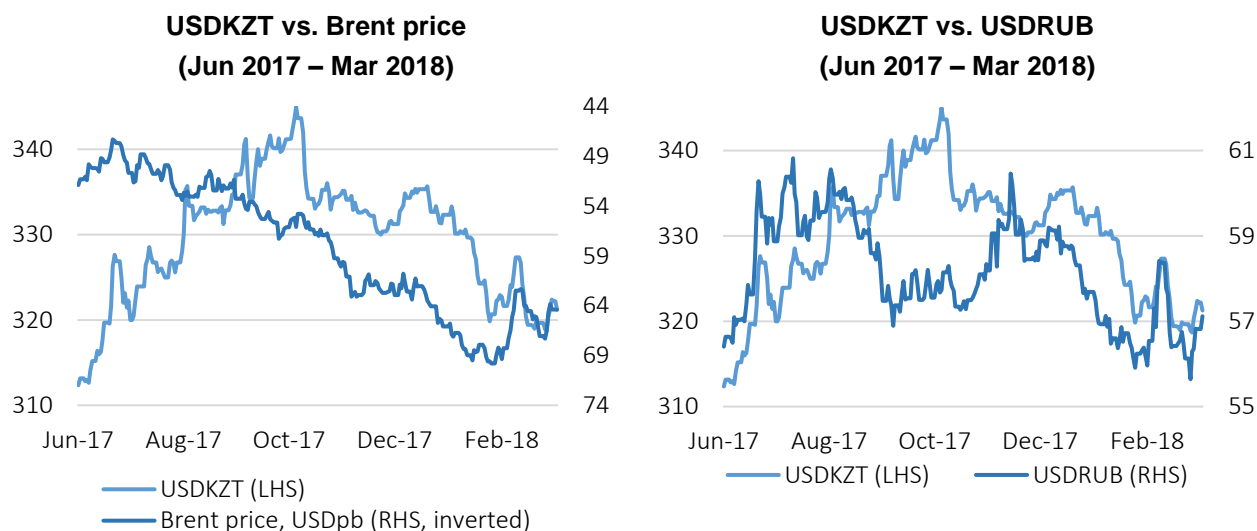


Source: Committee on Statistics, Samruk-Kazyna

## Macroeconomic Updates – GDP growth in 2M18

### Exchange rate

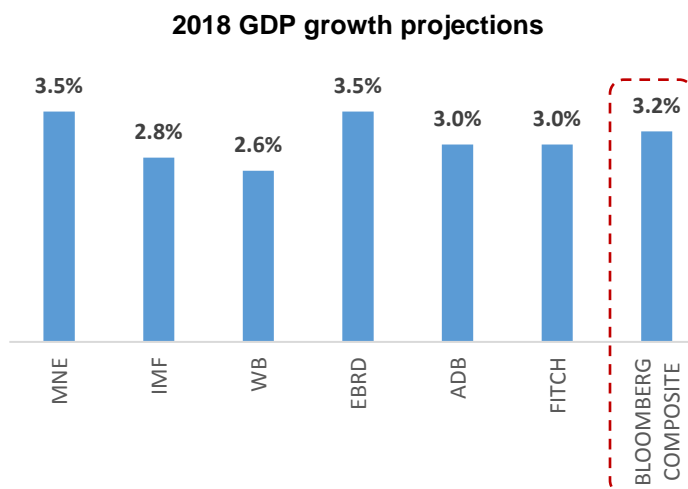
In 2M18, USDKZT exchange rate averaged at 324.52, compared to 326.66 average exchange rate in 1M18. Tenge appreciation was supported by positive growth dynamics and recovery in global oil prices. As at 28 February 2018, USDKZT closed at 320.45, strengthening from February 2018 low of 327.56. **The tenge is expected to remain stable in 2018, barring external factors potentially affecting the local currency.** As at 13 March 2018, USDKZT closed at 321.05, an increase of 3.17% year-to-date.



Source: Bloomberg, NBK, Samruk-Kazyna

### 2018 outlook

Looking forward, **economic expansion is expected to sustain between 3.5% and 4.0% in 2018** as (1) oil production continues to increase driven by Kashagan, (2) commodity markets rebalance on the back of growing global demand, (3) continued infrastructure development produces a multiplier effect on the economy, and (4) stronger growth among Kazakhstan's key trading partners facilitates trade and investment flows.



Source: Multilateral organizations, Bloomberg, Samruk-Kazyna

**For 2018-2022, GDP growth is forecasted to average at 3.7% per annum.** As traditional sectors of Kazakhstan's economy reach their full growth potential, alternative sectors such as transportation, construction and manufacturing will emerge as drivers of future growth. This will require measures to stimulate productivity growth across all sectors of the economy.

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