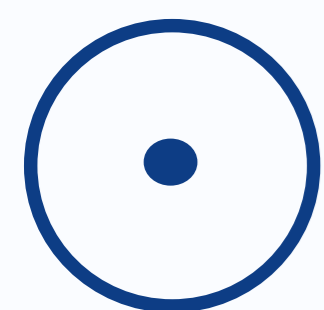


AERC Applied Economics Research Centre

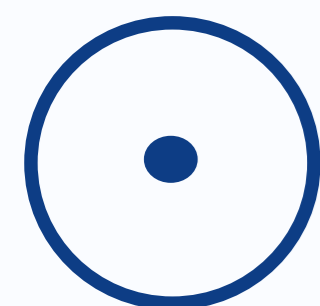
Kazakhstan Macroeconomic Outlook: April 2020

Presented by John White, Marketing Head

Panelist of **FOCUSECONOMICS**



Presents an updated Kazakhstan's macroeconomic forecasts for 2020 considering both external and internal economic environment.



ACCORDING TO AERC FORECASTS:

Real GDP will fall by 4.9%

Nominal GDP will fall to USD 160 billion

Annual average consumer inflation rate accelerates to 8.1%

Current account of the balance of payments: USD 13.8 billion

State Budget Deficit 2.5 trillion KZT

QUARTERLY KAZAKHSTAN MACROECONOMIC OUTLOOK (KMO)



KAZAKHSTAN'S ECONOMIC GROWTH AS OF 1ST QUARTER 2020

This year, according to estimates of the world's largest banks and the IMF, the global economy against the background of the "Great Quarantine" will demonstrate the strongest drop in the real activity due to changed internal and external market conditions.

Forecasts for Kazakhstan's economic growth in 2020:

MNE RK	-0.9%
IMF	-2.5%
S&P	-3.0%
ADB	-1.2%
World Bank	-0.8%

The forecasts presented by AERC based on two significant factors that have become known recently:

- Participation in the expanded OPEC+ agreement
- Falling global economy



3% DROP IN THE GLOBAL ECONOMY



STABILIZATION OF THE ANNUAL AVERAGE OIL PRICE OF ABOUT \$37 PER BARREL



A REDUCTION IN THE DOMESTIC OIL AND GAS CONDENSATE PRODUCTION TO 76.2 MILLION TONS

MAIN PREREQUISITES



USD/KZT EXCHANGE RATE AND INFLATION FORECAST

Figure 1. Exchange rate USDKZT

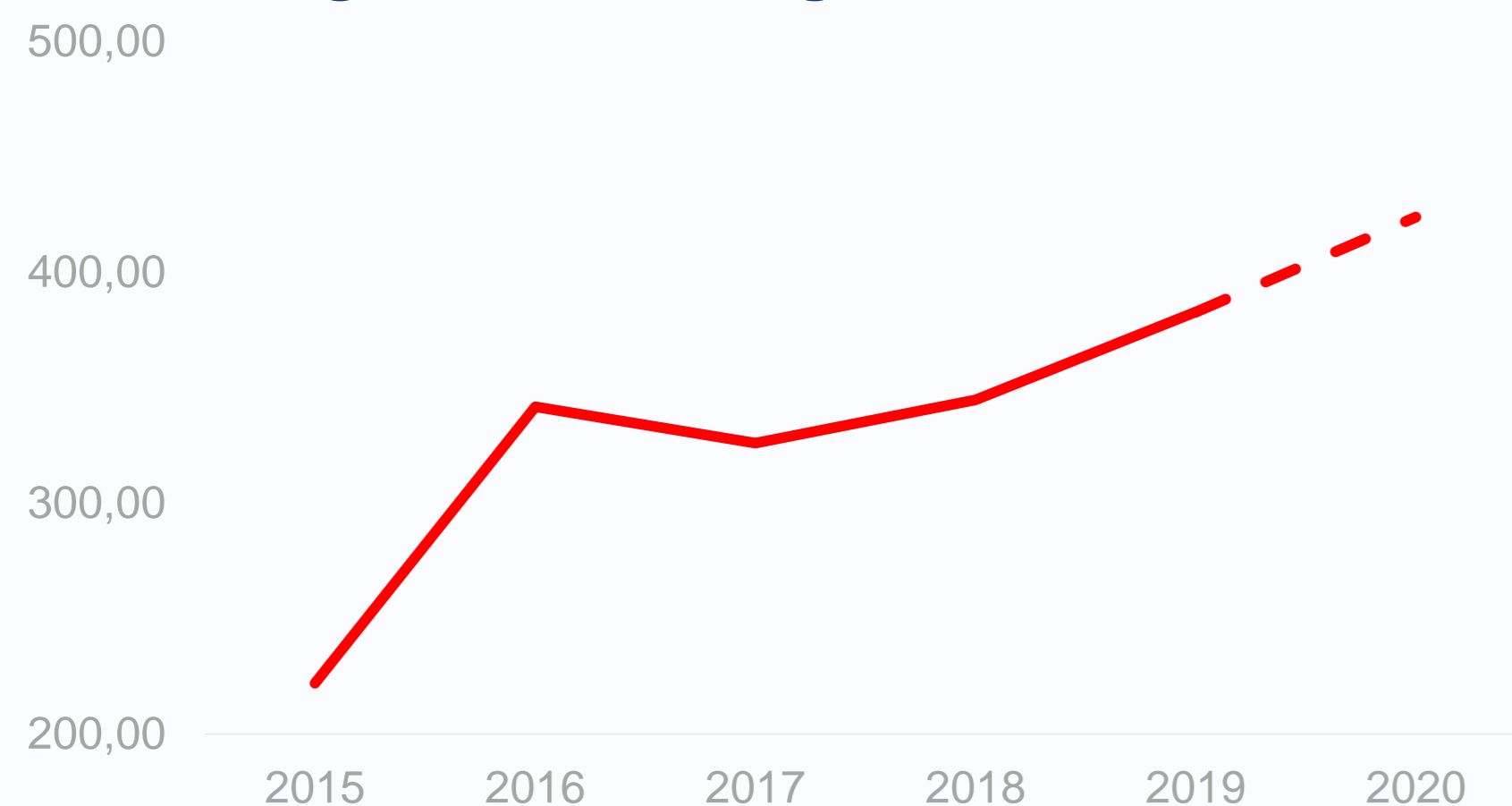
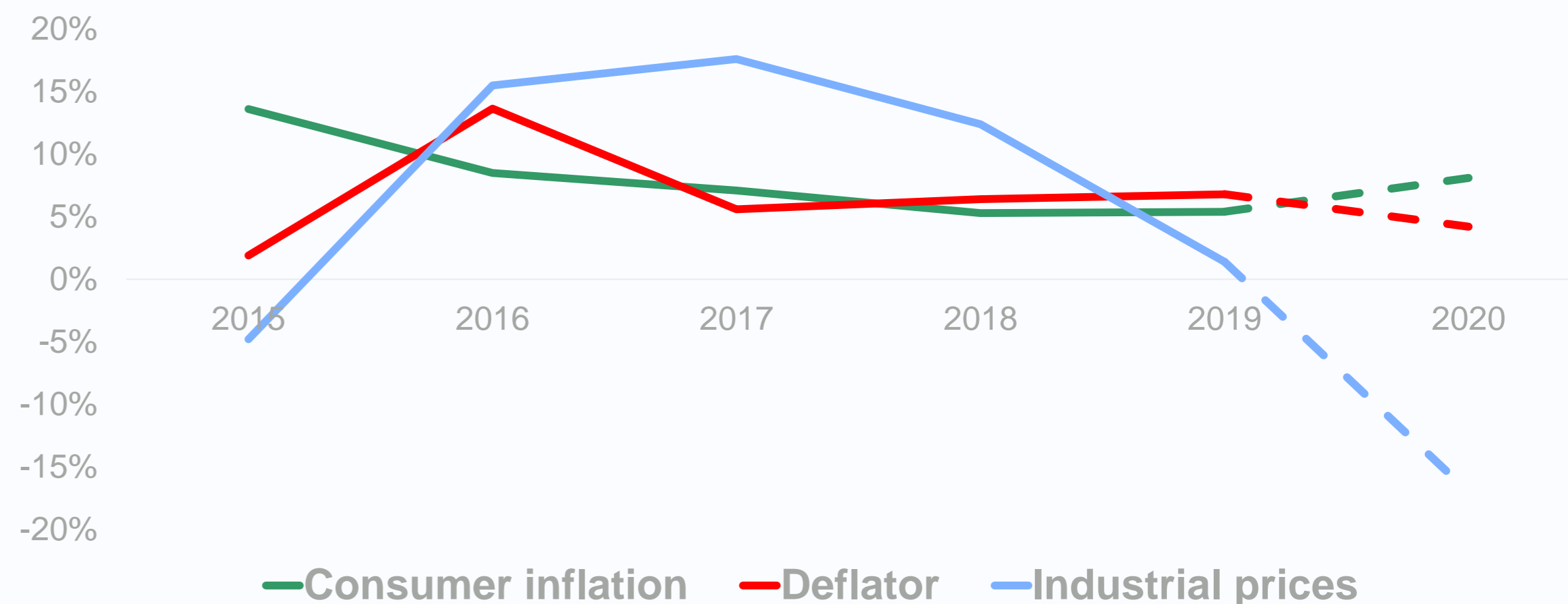


Figure 2. Annual average consumer inflation



- The USD/KZT exchange rate will average about **424 units in 2020**, which will be **11% higher than in 2019** (Figure 1).
- The final GDP deflator in 2020 is projected by the AERC to be 4.2% against last year's 6.8% (Figure 2).
- The level of **annual average consumer inflation** will accelerate to 8.1% (Figure 2)



FORECAST OF AGGREGATE DEMAND, ECONOMIC GROWTH AND NOMINAL GDP

1

Household final consumption expenditure in Kazakhstan in 2020 will show a fall of 1.2% after last year's growth of 6.0%

2

The growth of gross fixed capital formation will be in the negative zone at the level of -1.4% for the first time since 2009

3

The volume of real exports of goods and services will demonstrate a decrease of 36.3% this year

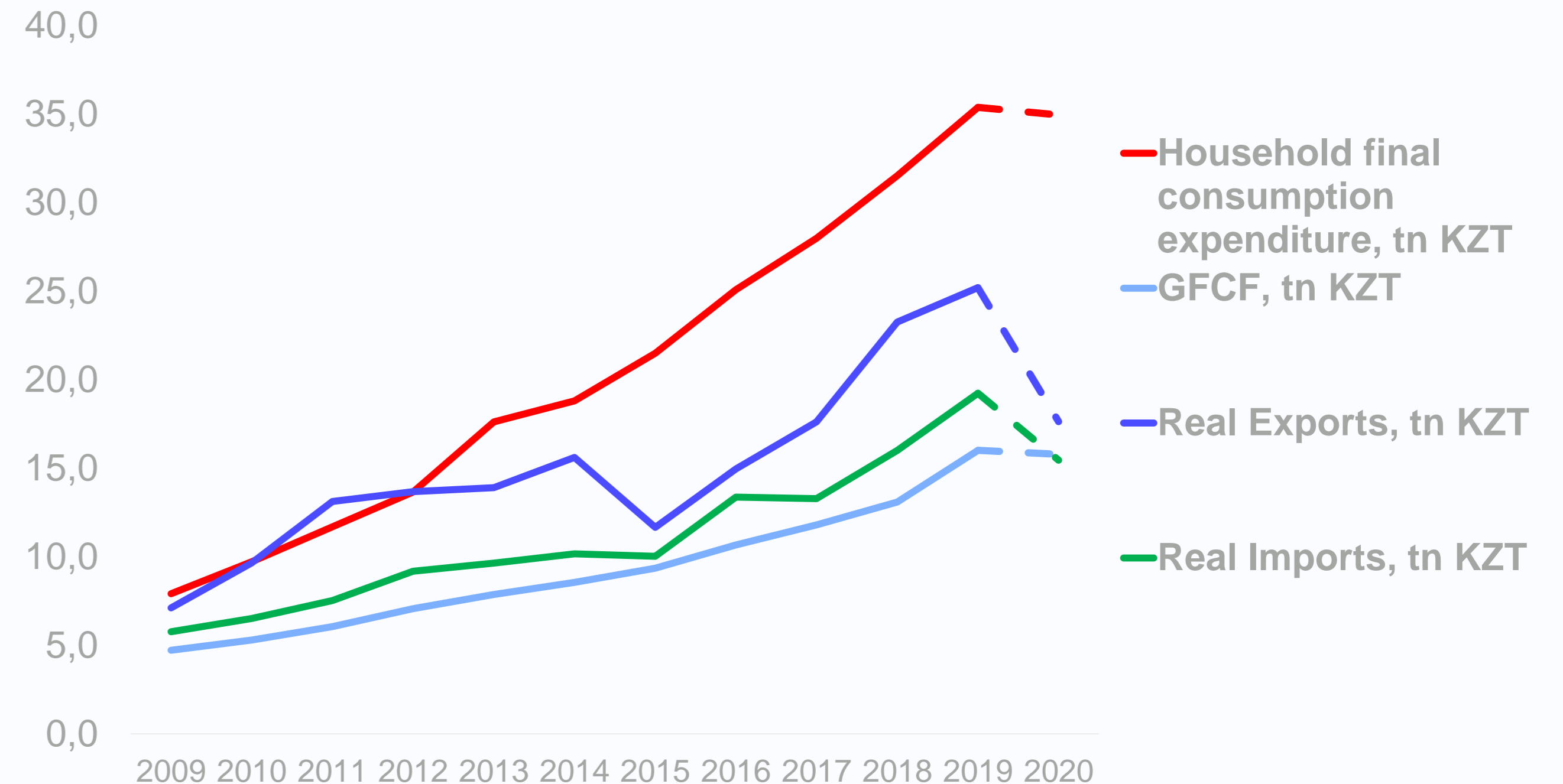
4

The real volume of imports to Kazakhstan will decline to 19.6%

5

As result a decreasing in Aggregate Demand

Economic growth of the GDP components





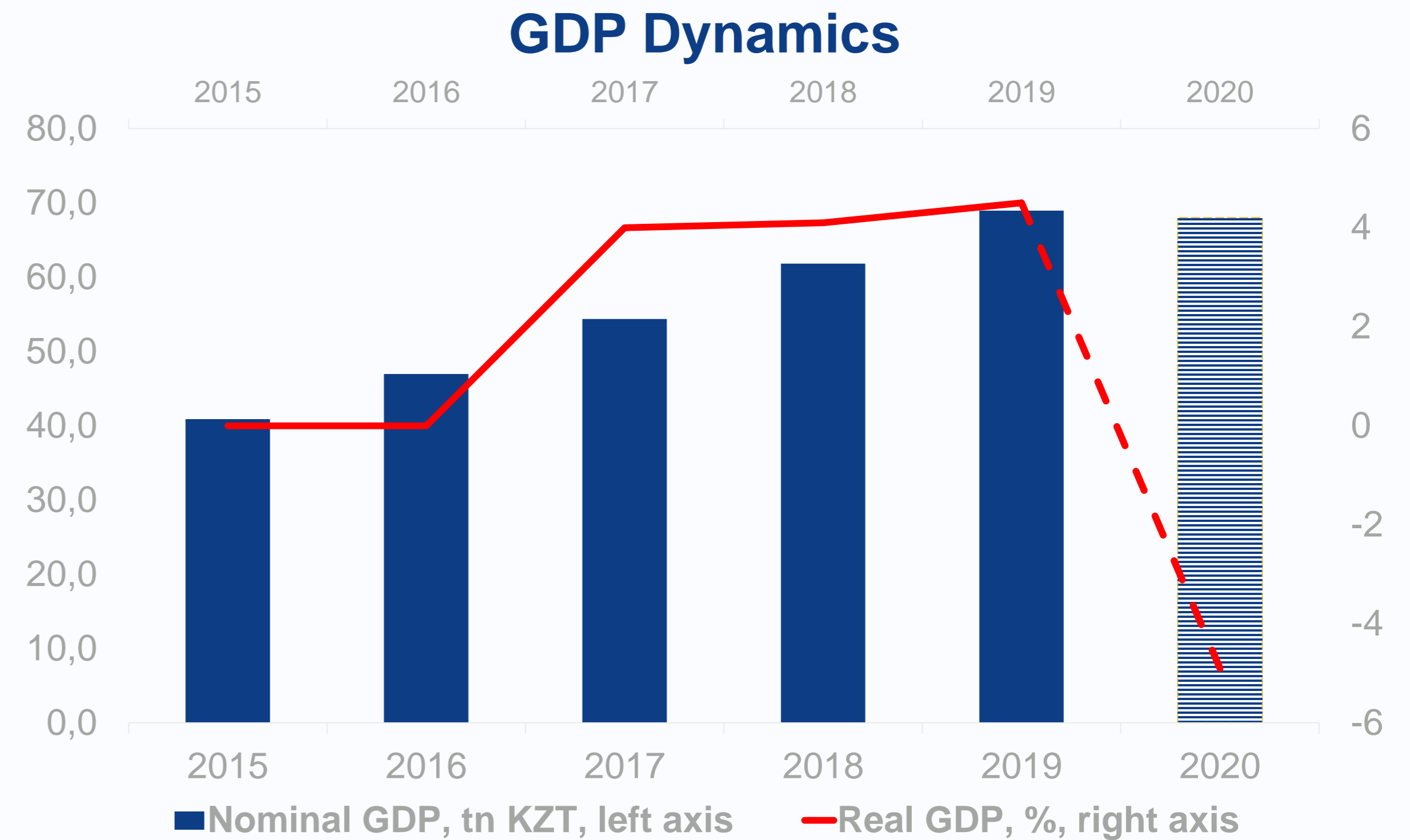
FORECAST OF AGGREGATE DEMAND, ECONOMIC GROWTH AND NOMINAL GDP

6

The **real GDP** of Kazakhstan is projected to fall by 4.9% this year – the lowest figure since 1995

7

The **nominal GDP** of Kazakhstan will amount to KZT 68,025 billion or USD 160 billion by the end of 2020, which is USD 20 billion less than last year





Forecast of Current Account of the Balance of Payments Parameters

1

AERC forecast: the trade balance of Kazakhstan may become negative for the first time this year at the level of –419 million US dollars

Cause: reduction in the value of exports of goods

Consequence: If export of goods fall from last year's \$57.8 billion to \$23.9 billion → nominal import of goods will fall from \$38.7 billion to \$24.3 billion

2

AERC forecast: balance of services will narrow to -1.4 billion US dollars

Cause: decline in exports of services to \$6.8 billion and imports of services to \$8.3 billion

3

AERC forecast: reduction in the amount of income payable to foreign investors from last year's \$23.2 billion to \$11.8 billion

Cause: the fall in prices and oil production



Forecast of Current Account of the Balance of Payments Parameters



EVIDENCE BASED SOLUTION

4

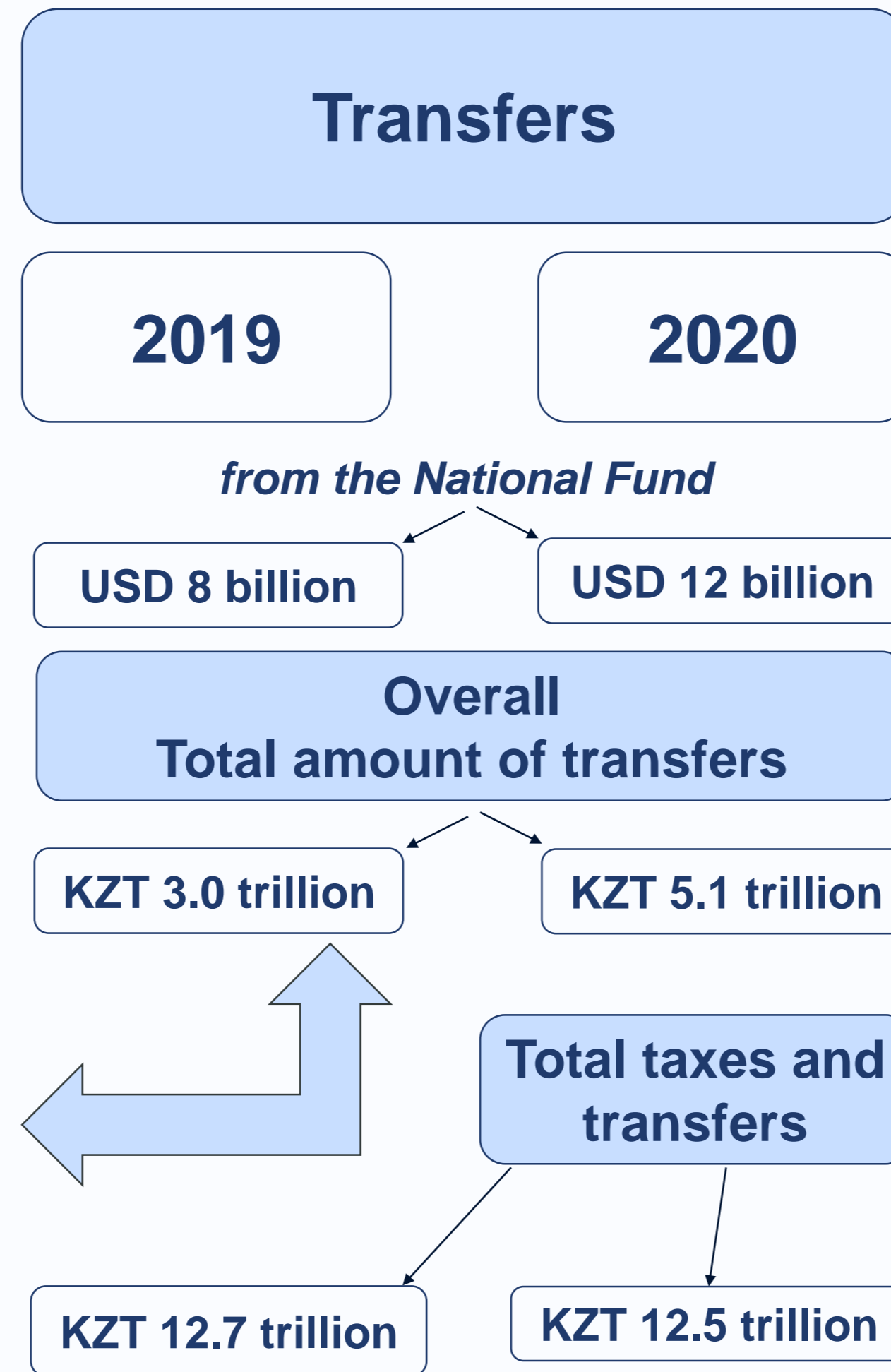
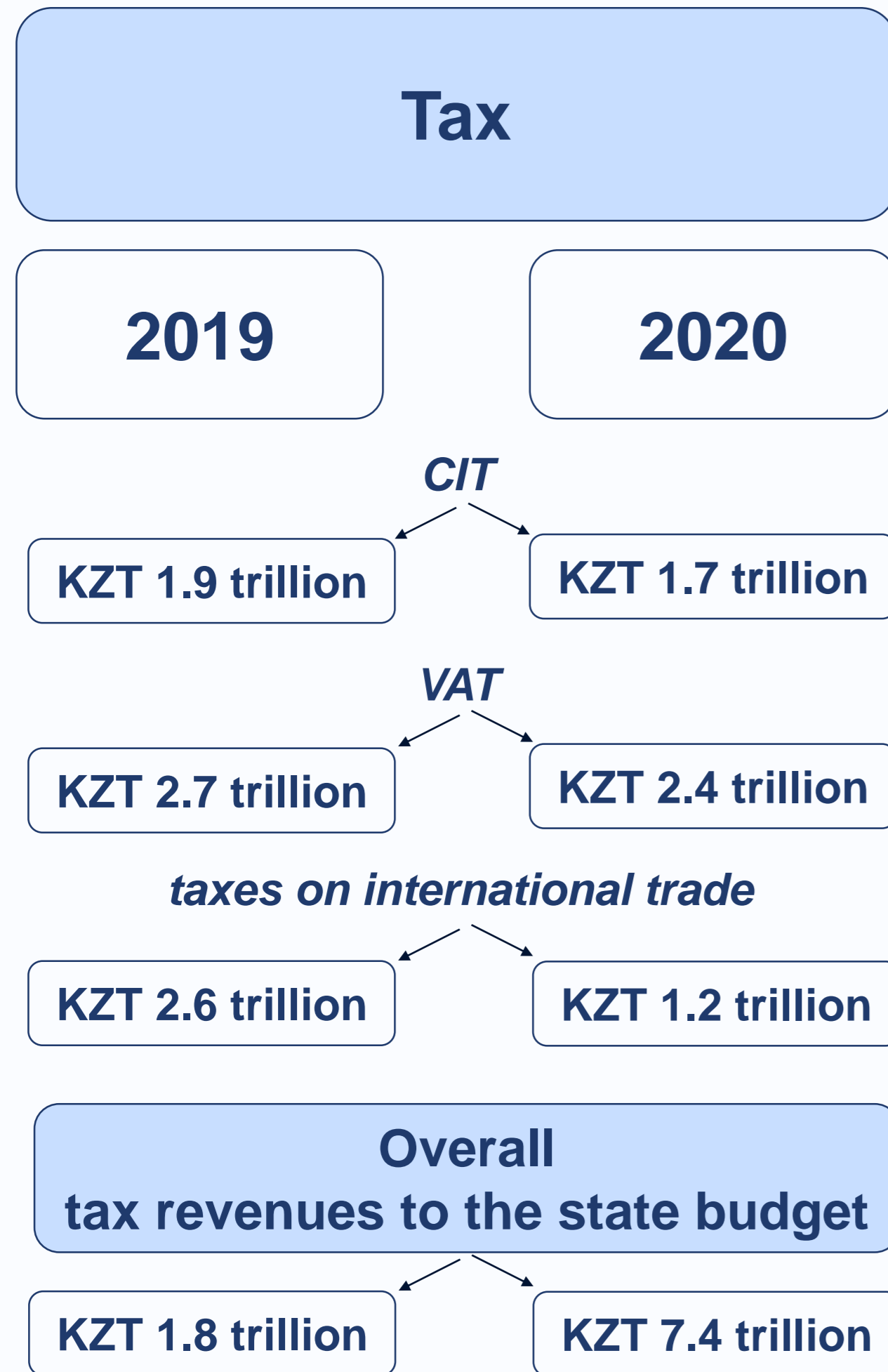
AERC forecast: decrease in the income receivable from external investments of Kazakhstan from \$2.4 billion to \$1.3 billion

Cause: falling interest rates and the value of securities in the world

Consequence: balance will grow from –20.8 billion to –12.1 billion US dollars, thus having a positive impact on the final current account

Conclusion: assuming a noticeable fall in the trade balance, the current account balance will be a record negative USD 13.8 billion or –8.6% of GDP

Forecast of the State Budget Parameters



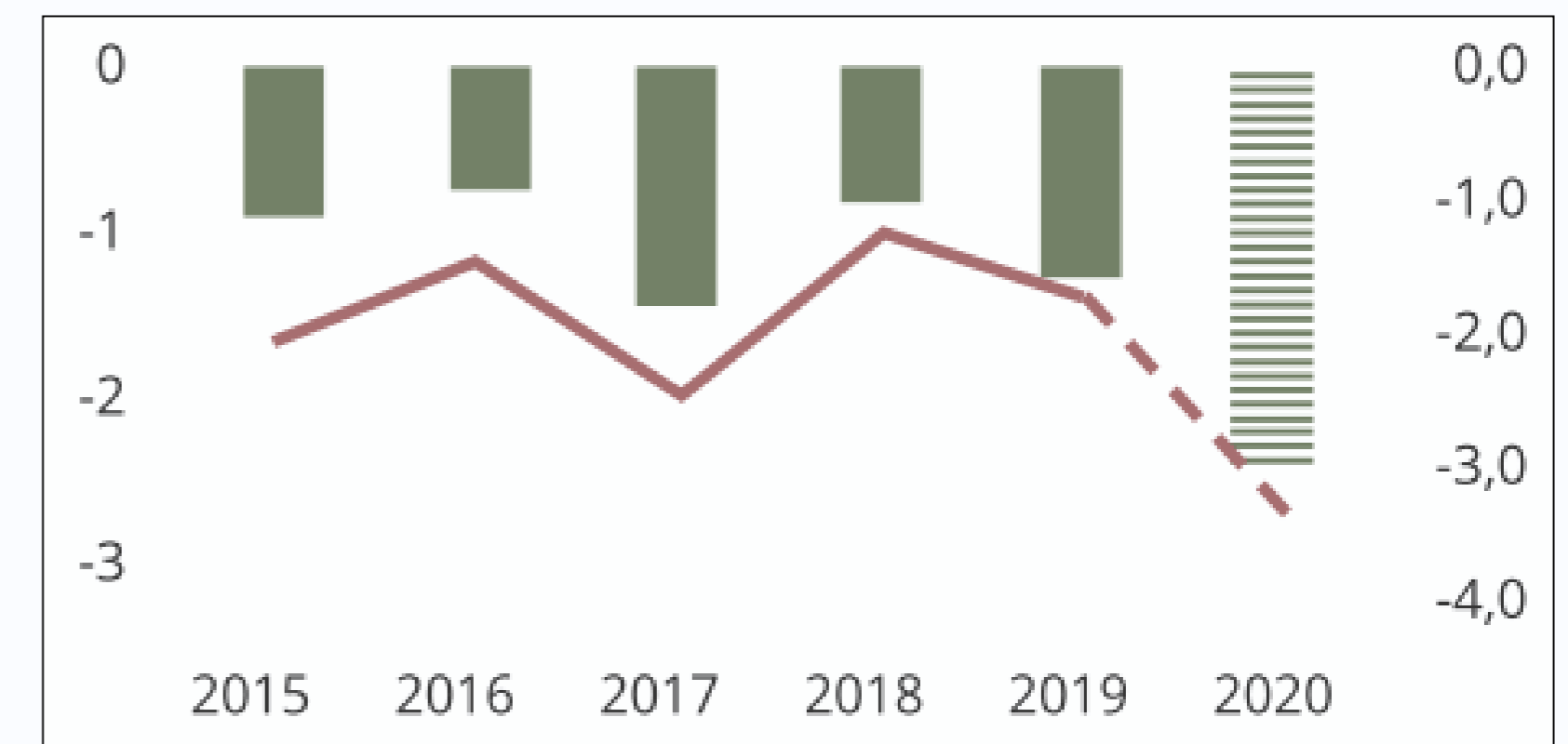
State budget expenditures

increase to KZT 15 trillion in 2020 (11% higher than in 2019)

State budget deficit

will amount to KZT 2.5 trillion or 3.7% of GDP in 2020

Dynamics of the State Budget Deficit



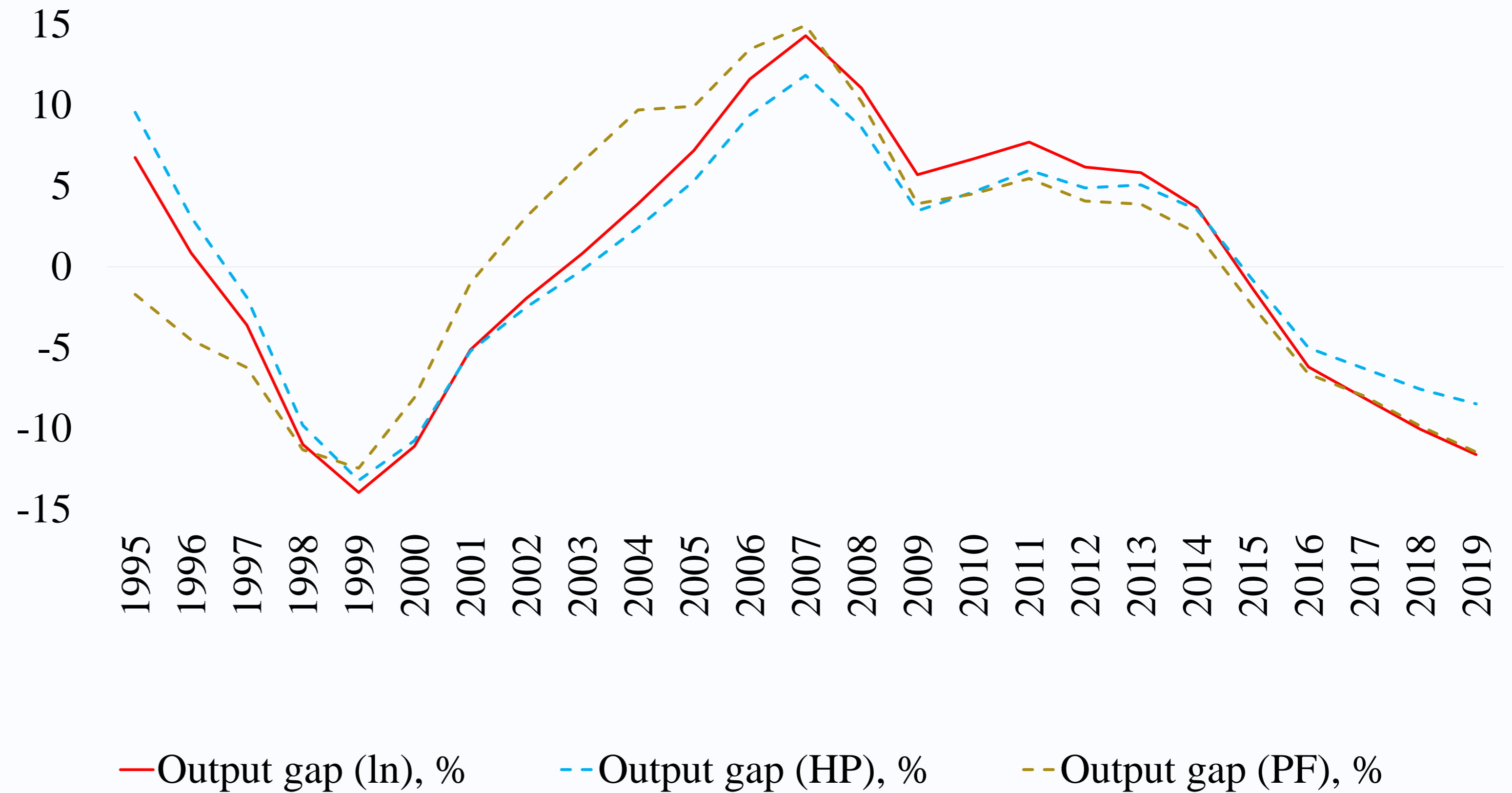
■ in KZT trillion, left axis
 — in % of GDP, right axis

Source: MF RK, AERC



GDP gap in Kazakhstan's economy

● APPLIED
● ECONOMICS
● RESEARCH
● CENTRE
EVIDENCE BASED SOLUTION

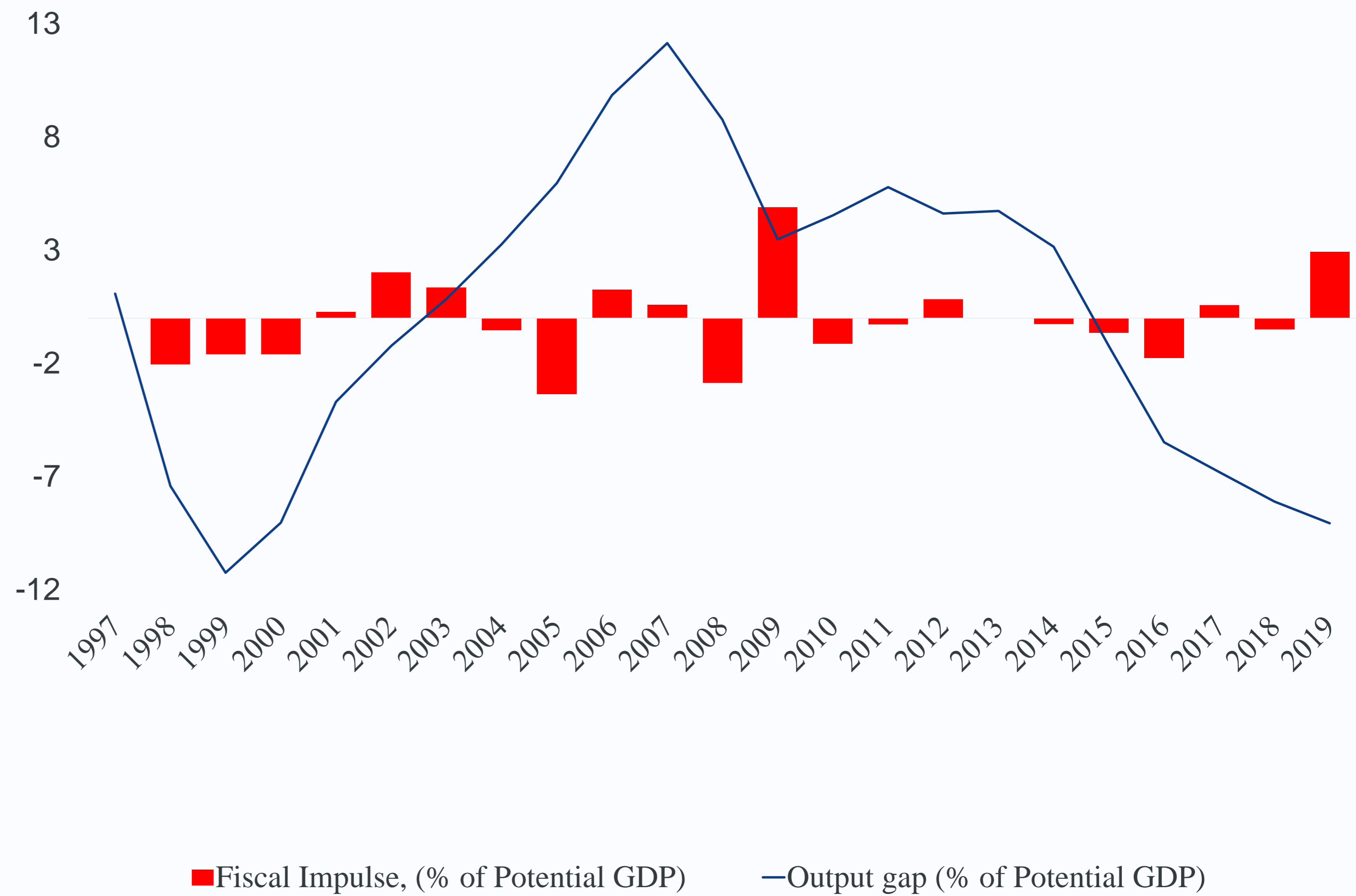




Kazakhstan's government fiscal policy

- APPLIED
- ECONOMICS
- RESEARCH
- CENTRE

EVIDENCE BASED SOLUTION



● APPLIED
● ● ECONOMICS
● ● ● RESEARCH
● ● ● ● CENTRE

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