

# STEI in January–August 2019 made 4.8% yoy

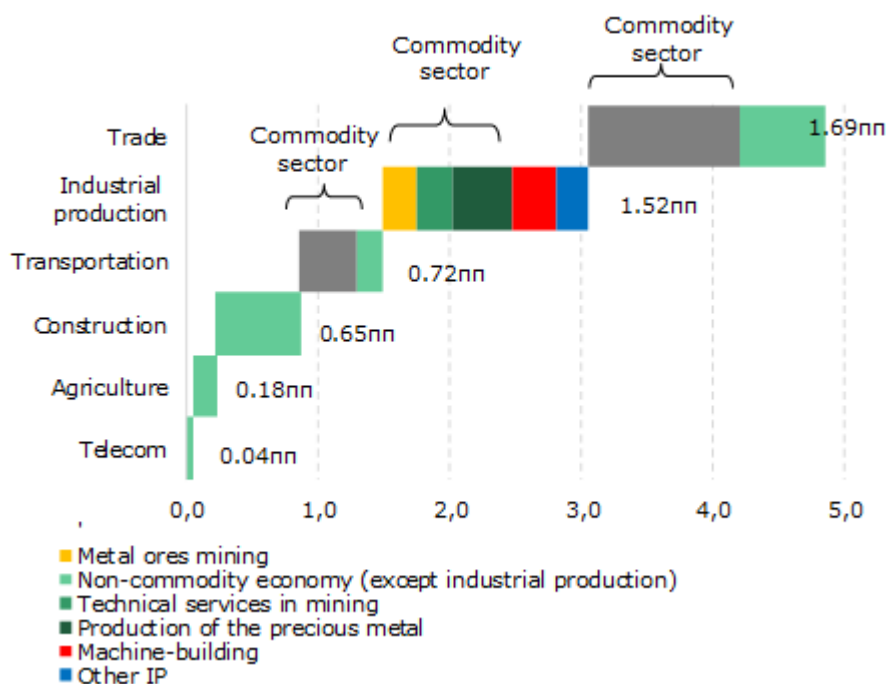
Dmitriy Sheikin — September 18, 2019

In January-August 2019, the STEI reached 4.8% yoy, which is lower than in 2017 (5.8% yoy) and higher than that in 2018 (4.5% yoy) for the same period.

Since the beginning of the year, domestic trade (wholesale and retail) that grew 7.6% yoy (+2.9% yoy 8M2017, +5.8% yoy 8M2018), transportation by 5.5% yoy (+4.7% 8M2017, +4.8% yoy 8M2018) and agriculture by 3.6% yoy (+1,9% 8M2017, +2.4% yoy 8M2018) contributed the most to the STEI. Industrial production grew by 3.2% yoy which is significantly lower comparing to 8M2017 (+8.5% yoy) and 8M2018 (+4.7% yoy). Since the beginning of the year, the growth rate in construction sector remains the highest compared to other components of STEI with 11.8% yoy (+0.1% yoy 8M2017, +0.8% yoy 8M2018). Telecommunication sector in January-August of this year made 2.6% yoy (+2.9% yoy 8M2017, +4.5% yoy 8M2018).

In January-July 2019, industrial output grew 3.2% yoy and amounted to T19,052 bn in current prices. According to our estimation, industrial production contributed 1.52pp and shared 47.3% of growth.

**Fig.1. STEI in January-August 2019**



The growth dynamics of the mining industry and quarrying amounted to 3.1%. Growth was recorded in the metal ores mining (+17.9% yoy) and technical services in the mining industry (+19.2% yoy). The growth rate of crude oil production in January-August 2019 was at the level of -0.4% yoy (+6.1% yoy in January-August 2018), and natural gas at 1.8% yoy (+5.9% yoy in January-August 2018).

According to the CS MNE, crude oil and natural gas output in January-August 2019 accounted for 59 787 thousand tons (59 980 thousand tons in January-August 2018). According to our calculations, crude oil and natural gas contribution to STEI in January-August 2019 is amounted to -0.06pp.

Output rate in manufacturing sector in the reporting period of 2019 made 3.3% yoy (+4.8% yoy in January-August 2018).

For eight months of the current year, the most noticeable increase in production was observed in the light industry sector of 17.4% yoy (+1.6% yoy in 8M2018), in the beverage industry 15.2% yoy (-0,8% yoy 8M2018), textile products 22.3% yoy (+2.1% yoy 8M2018), manufacture of basic pharmaceutical products 13.8% (-2.5% yoy 8M2018). The most significant

increase in production volumes was observed in the automotive industry 56.5% yoy (+50.1% yoy 8M2018).

In general, the machine-building industry showed an increase in production volumes of 18.0% yoy (+13.8% yoy on 8M2018) for the eight months of this year. The increase in production of the metallurgical industry amounted to 1.7% (+4.1% yoy on 8M2018) due to ferrous metallurgy production cuts by 5.3% yoy (+4.8% yoy 8M2018) and an increase in the production of basic precious and non-ferrous metals by 7.8% yoy (+3.5% yoy 8M2018).

Domestic trade made 7.6% yoy in January-August 2019 with retail sales of 5.5% yoy (+6.5 % yoy in January-July 2018), and wholesale 8.5% yoy (+5.4% yoy in January-August 2018). According to our calculations, trade contributed to the STEI 1.69pp in January-August 2019.

Transportation made a 0.72pp contribution in the STEI in January-August 2019 and amounted to 5.5% yoy (4.8% yoy January-August 2018).

Gross output of agriculture in January-August 2019 made 3.6% yoy (+2.4% yoy in January-August 2018). Contribution of agriculture to the STEI in January-August 2019 amounted to 0.18pp.

Construction sector growth in January-July 2019 was 11.8% yoy (+0.8% yoy January-August 2018). The contribution of construction to the STEI in the analyzed period was 0.65pp.

Telecommunication contributed the least to the STEI and made 0.04pp in January-August of the current year, evidencing the growth rate of 3.4% yoy (+5.2% yoy January-August 2018).

Fixed assets investments in January-August 2019, according to the preliminary data of the CS MNE, grew by 10.7% yoy (+21.4% yoy 8M2018). In nominal terms, investments in fixed assets reached T7,361bn within the analyzed period.

### **Our opinion**

Over the eight months of this year, the economy of the republic, according to the STEI matric, significantly accelerated to 4.8% yoy, demonstrating the best growth rate for the third month in a row. According to the statement of the Minister of National Economy, R. Dalenov, the country's GDP for the eight months of this year made 4.3% yoy (for the first half of the year it grew 4.1% yoy). Over the 8 months of this year, the economy is still being boosted by the high growth rates of domestic trade (+ 7.6% yoy), transport (+ 5.5% yoy) and industry (+3.2). Industrial production showed the second best result of the increase in production for the current year (+ 3.2% yoy in 3M2019). The acceleration of industrial production growth is due to a reduction in the negative dynamics of growth in oil and natural gas production (-0.3% yoy), output of iron ore production in the positive growth zone (+ 2.2% yoy) and accelerating dynamics non-ferrous metal ore production growth (+ 17.9% yoy). The record growth in construction volumes at 11.8% yoy continues to increase its contribution to economic growth from 0.24pp in January-March to 0.65pp in January-August.

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Research	Department	Telephone	E-mail
Stanislav Chuyev	Head		<a href="mailto:s.chuyev@halykfinance.kz">s.chuyev@halykfinance.kz</a>
Assan Kurmanbekov	Macroeconomics		<a href="mailto:a.kurmanbekov@halykfinance.kz">a.kurmanbekov@halykfinance.kz</a>
Dmitriy Sheikin	Macroeconomics		<a href="mailto:d.sheikin@halykfinance.kz">d.sheikin@halykfinance.kz</a>
Zhansaya Kantayeva	Fixed income		<a href="mailto:zh.kantayeva@halykfinance.kz">zh.kantayeva@halykfinance.kz</a>
Madina Meterkulova	Equity		<a href="mailto:m.meterkulova@halykfinance.kz">m.meterkulova@halykfinance.kz</a>
Vladislav Benberin	Equity		<a href="mailto:v.benberin@halykfinance.kz">v.benberin@halykfinance.kz</a>

Sales	Department	Telephone	E-mail
Mariya Pan	Head		<a href="mailto:m.pan@halykfinance.kz">m.pan@halykfinance.kz</a>
Aizhan Moldakhmetova	Institutional		<a href="mailto:a.moldakhmetova@halykfinance.kz">a.moldakhmetova@halykfinance.kz</a>
Asel Baizhanova	Institutional		<a href="mailto:a.baizhanova@halykfinance.kz">a.baizhanova@halykfinance.kz</a>
Zhanna Nuralina	Retail		<a href="mailto:zh.nuralina@halykfinance.kz">zh.nuralina@halykfinance.kz</a>
Shynar Zhakanova	Retail		<a href="mailto:sh.zhakanova@halykfinance.kz">sh.zhakanova@halykfinance.kz</a>
Aliya Abdumazhitova	Retail		<a href="mailto:a.abdumazhitova@halykfinance.kz">a.abdumazhitova@halykfinance.kz</a>
Alya Mukhametzhanova	Retail		<a href="mailto:a.mukhametzhanova@halykfinance.kz">a.mukhametzhanova@halykfinance.kz</a>

### Halyk Finance

Abay av. 109 «B», 5th fl.  
 Almaty, Kazakhstan, A05A1B4  
 Tel: +7 727 331 59 77  
[www.halykfinance.kz](http://www.halykfinance.kz)

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