

STEI in January–July 2019 made 4.4% yoy

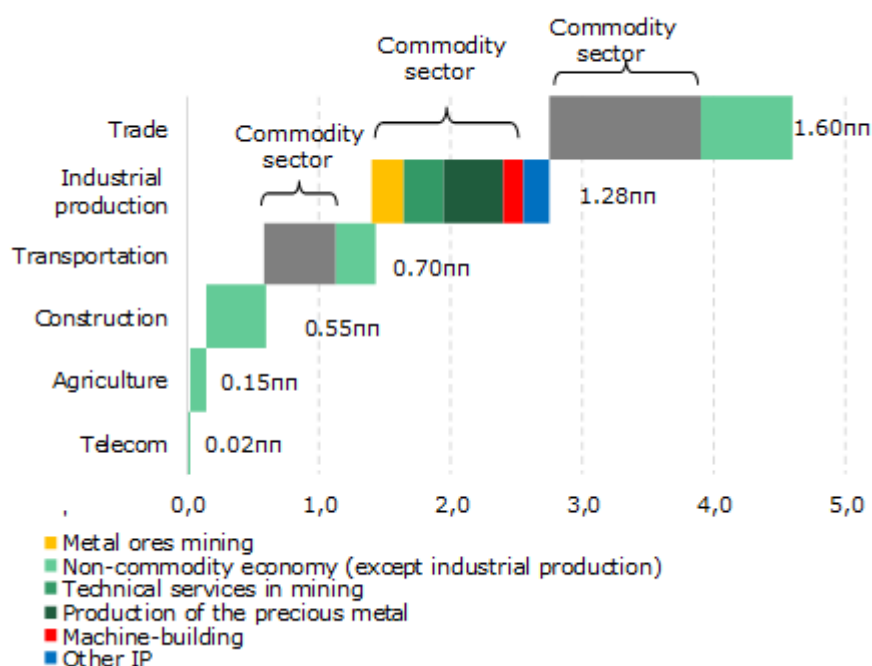
Dmitriy Sheikin — August 16, 2019

In January–July 2019, the STEI reached 4.4% yoy, which is lower than in 2017 (5.5% yoy) and in 2018 (4.9% yoy) for the same period. According to our estimates, commodity sector's contribution to the STEI, including transportation and sales of commodity sector products was 3.26pp, which is about 74% growth.

Since the beginning of the year, domestic trade (wholesale and retail) that grew 7.5% yoy (+2.9% yoy 7M2017, +6.1% yoy 7M2018), transportation by 5.4% yoy (+4.4% 7M2017, +4.9% yoy 7M2018) and agriculture, forestry and fishing by 3.5% yoy (+2.7% 7M2017, +4.0% yoy 7M2018) contributed the most to the STEI. Industrial production grew by 2.7% yoy which is significantly lower comparing to 7M2017 (+7.7% yoy) and 7M2018 (+5.1% yoy). Since the beginning of the year, the growth rate in construction sector remains the highest compared to other components of STEI with 11.5% yoy (+0.7% yoy 7M2017, +1.3% yoy 7M2018). Telecommunication sector in January–July of this year made 2.6% yoy (+2.7% yoy 7M2017, +5.2% yoy 7M2018).

According to the Committee on Statistics of the Ministry of National Economy of Kazakhstan (the CS MNE), in January–July 2019, the volume of industrial output grew 2.7% yoy and amounted to T16.703 bn in current prices. According to our estimation, industrial production contributed 1.30pp and shared 48.2% of growth.

Fig.1. STEI in January–June 2019



The growth dynamics of the mining industry and quarrying amounted to 2.4%.

Positive growth dynamics was recorded in the metal ores mining (+17.2% yoy) and technical services in the mining industry (+21.4% yoy). The growth rate of crude oil production in January–July 2019 was at the level of -1.3% yoy (+6.1% yoy in January–July 2018), and natural gas at 0.9% yoy (+6.4% yoy in January–July 2018).

According to the CS MNE, crude oil and natural gas output in January–July 2019 accounted for 52 242 thousand tons (52 938 thousand tons in January–July 2018). According to our calculations, crude oil and natural gas contribution to STEI in January–July 2019 is amounted to -0.26pp.

Output rate in manufacturing sector in the reporting period of 2019 made 3.2% yoy (+4.9% yoy in January–July 2018).

For the seven months of the current year, the most noticeable increase in production was observed in the light industry sector of 14.3% yoy (+1.5% yoy on 7M2018), in the beverage industry 15.1% yoy (-0,9% yoy 7M2018), textile products 18.3% yoy (+2.0% yoy 7M2018), manufacture of basic pharmaceutical products 18.0% (-1.6% yoy 7M2018). The most significant increase in production volumes was observed in the automotive industry 50.6% yoy (+58.5% yoy 7M2018) and in the manufacture of other vehicles 35.7% yoy (+4.6% yoy 7M2018). In general, the machine-building industry showed an increase in production volumes of 17.7% yoy (+16.0% yoy on 7M2018) for the seven months of this year.

The increase in production volumes of the metallurgical industry amounted to 1.6% (+3.6% yoy on 7M2018) due to ferrous metallurgy production cuts by 6.0% yoy (+4.8% yoy 7M2018) and an increase in the production of basic precious and non-ferrous metals by 8.1% yoy (+2.6% yoy 7M2018).

Domestic trade made 7.5% yoy in January-July 2019 with retail sales of 5.4% yoy (+5.6% yoy in January-July 2018), and wholesale 8.3% yoy (+6.2% yoy in January-July 2018). According to our calculations, trade contributed to the STEI 1.59pp in January-July 2019. According to our current estimate, the share of commodity sector in domestic trade (including wholesale and retail trade in oil and oil products, metals and products from them) is at least 70% of the total.

Transportation made a 0.71pp contribution in the STEI in January-July 2019 and amounted to 5.4% yoy (4.9% yoy January-July 2018). Positive dynamics of freight turnover was in air transportation (12.5% yoy), in automobile transportation (5.5% yoy). Railroad freight made 2.5% yoy. The sea transport in January-June of the year amounted to 74.7% yoy vs the same period of last year. In transportation by pipelines, freight turnover reduced by 0.6% yoy. Transportation of commodity sector products by all modes of transport, according to our estimates, is at least 75% of the total cargo transportation.

Gross output of agriculture, forestry and fishing in January-July 2019 made 3.5% yoy (+4.0% yoy in January-July 2018). Cattle breeding output increased by 3.5% yoy while crop production increased by 4.4% yoy. Contribution of agriculture to the STEI in January-July 2019 amounted to 0.15pp.

Construction sector growth in January-July 2019 was 11.5% yoy (1.3% yoy January-July 2018). The contribution of construction to the STEI in the analyzed period was 0.61pp.

Telecommunication contributed the least to the STEI and made 0.03pp in January-July of the current year, evidencing the growth rate of 2.6% yoy (+5.2% yoy January-July 2018).

Fixed assets investments in January-July 2019, according to the preliminary data of the CS MNE, grew by 11.3% yoy (+23.7% yoy 7M2018). In nominal terms, investments in fixed assets reached T6.2348bn within the analyzed period.

Our opinion

According to the STEI, for the seven months of the current year the economy of Kazakhstan showed growth of 4.4% yoy (the best growth value). According to preliminary data, the country's GDP for the seven months of this year also amounted to 4.2% yoy (for the six months, growth was 4.1% yoy). Significant dynamics in the construction industry which in the first 7 months of this year reached 11.5% yoy due to an increase in housing construction and the construction of engineering facilities (roads, railways, tunnels, bridges, etc.), facilities for mining and manufacturing industries provides substantial growth support. The transport industry in January-July this year showed the best value of 5.4% yoy. Domestic trade reached a growth rate of 7.5% in seven months of this year. A slight increase is also observed in industrial production to 2.7% yoy. However, this is not the best result, since in January-March 2019 the growth in industrial production made 3.2%. Negative volumes of extraction of crude oil, iron ore and coal contribute to such results of industrial production growth.

© 2021 Halyk Finance, a subsidiary of Halyk Bank.

For contact details see the information on Halyk Finance website www.halykfinance.kz or contact Halyk Finance office. All rights reserved. This document and/or information has been prepared by and, except as otherwise specified herein, is communicated by Halyk Finance. This document is for information purposes only. Opinions and views expressed in this document do not necessarily represent the opinions and views held by Halyk Finance, or other subsidiaries of Halyk Bank. The differences of opinion stem from different assumptions, sources information, criteria and methodology of valuation. Information and opinions expressed herein are subject to change without notice; and neither Halyk Finance, or Halyk Bank, or any of its subsidiaries or affiliates are under any obligation to keep them current. This document is not an offer or an invitation to engage in investment activity. It cannot be relied upon as a representation that any particular transaction necessarily could have been or can be effected at the stated price. This document does not constitute an advertisement or an offer of securities, or related financial instruments. Descriptions of any company or companies or their securities or the markets or developments mentioned herein are not intended to be complete. Views and opinions expressed in this document cannot substitute for the exercise of own judgment and do not attempt to meet the specific investment objectives, financial situation or particular needs of any specific investor. The information and opinions herein have been arrived at based on information obtained from sources believed to be reliable and in good faith. Such sources have not been independently verified; information is provided on an 'as is' basis and no representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness, reliability, merchantability or fitness for a particular purpose of such information and opinions, except with respect to information concerning Halyk Finance and its affiliates.

The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. Foreign-currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or the price of, or income derived from, the investment. Halyk Finance and its affiliates, directors, representatives, employees, or clients may have or have had interests in issuers described herein. Halyk Finance may have or have had long or short positions in any of the securities or other financial instruments mentioned herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale, of any such securities or other financial instruments at any time, as principal or agent. Halyk Finance and its affiliates may act or may have acted as market maker in the securities or other financial instruments described herein, or in securities underlying or related to such securities. Employees of Halyk Finance or its affiliates may serve or have served as officers or directors of the said companies. Halyk Finance and its affiliates may have or have had a relationship with or have provided investment banking, capital markets, advisory, investment management, and/or other financial services to the relevant companies. Halyk Finance relies on information barriers to avoid the appearance of conflict of interests within Halyk Finance or in its relations with clients, other issuers, and external investors.

The information herein is not intended for distribution to the public and may not be reproduced, redistributed or published, in whole or in part, for any purpose without the written permission of Halyk Finance. Neither Halyk Finance nor any of its affiliates accepts any liability whatsoever for the actions of third parties in this respect. This information may not be used to create any financial instruments or products or any indices. Neither Halyk Finance, nor its affiliates, nor their directors, representatives, or employees accept any liability for any direct or consequential loss or damage arising out of the use of any information herein.

© 2021 All rights reserved

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

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

Halyk Finance

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

Bloomberg

HLFN

Thomson Reuters

Halyk Finance

Factset

Halyk Finance

Capital IQ

Halyk Finance