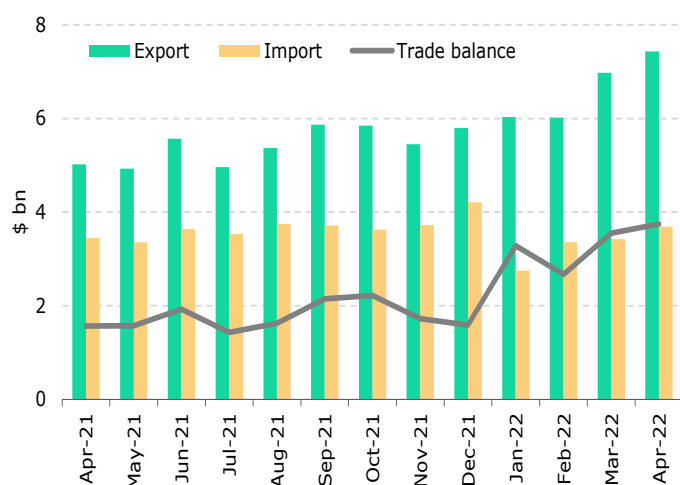


June 17, 2022

The terms of foreign trade were favorable for Kazakhstan at the beginning of this year. Exports of goods in January-April increased by 60% yoy to \$26.5bn, while imports grew by only 13.7% yoy to \$13.2 bn. As a result, the foreign trade surplus for 4M2022 was at \$13.2 bn, demonstrating the maximum figure since 2014. A significant surplus of foreign trade at the beginning of this year, along with the acceleration of economic growth, contributed to the strengthening of the national currency due to an increase in the inflow of foreign exchange earnings into the country. We expect that the strengthening of the tenge and further stabilization of the economy will stimulate an increase in imports and, as a result, will lead to a reduction in the trade surplus in the coming months of this year.

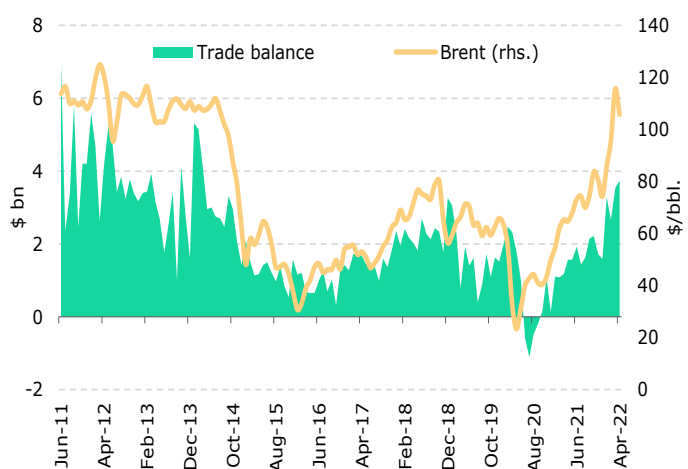
According to the Bureau of National Statistics of the Republic of Kazakhstan, exports of goods in January-April increased by 60% yoy to \$26.5 billion, while in monthly terms, continuous growth in exports has been observed for the fifth month in a row. In turn, import volumes increased by only 13.7% yoy to \$13.2 billion. As a result, the trade surplus for the four months of this year reached \$13.2 billion compared to \$4.9 billion in the same period in 2021.

Fig. 1. Trade balance of RK



Source: BNS

Fig. 2. Trade balance and oil prices



Source: BNS, Bloomberg

The growth of Kazakhstani exports in 4M2022 was supported by significantly increased oil prices, which rose by 63% yoy to \$101 per barrel on average in 4M2022. Accordingly, oil revenue in the first 4 months of this year increased by 2 times compared to the same period last year and amounted to \$15.5 billion (58.5% in the total export structure). At the same time, trade in hydrocarbons provided 76% of the total increase in exports (\$7.5 billion out of \$9.9 billion).

In addition to the oil market, a favorable price environment has developed in other commodity markets. Thus, prices for aluminum in April increased by 22% yoy, for zinc – by 33% yoy, and for nickel – by 70% yoy.

A significant increase in exports over 4M2022 was observed to European countries – by 65% yoy (\$11.8 billion) and to other non-CIS countries – by 133% yoy (\$7 billion), which in general provided more than 70% of Kazakhstan's external supplies. Exports to China in 4M2022 increased by 29% yoy to \$3.6 bn, while its share in the total structure of Kazakhstani exports decreased to 14% compared to 17% in 4M2021. (16% in 2021).

Against the backdrop of high growth rates of exports to European countries and China, deliveries to the Russian Federation increased only by 2.8% yoy, and to other CIS countries – by 24.3% yoy. Export volumes to the Russian Federation have been progressively declining since the beginning of the year from \$554 million in January to \$491 million in April. As a result, the share of exports to the Russian Federation in the total structure of Kazakhstani exports has decreased from 11% to 8% since the beginning of this year.

Fig. 3. External trade of RK

USD mn	Jan-Apr22	Jan-Apr21	Change, abs.	Change % yoy	Share, % Jan-Apr22	2021	Share, % 2021
External trade turnover	39 678	28 180	11 498	40.8	-	101 513	-
Europe	13 699	9 083	4 615	50.8	35	31 531	31
China	6 527	5 153	1 375	26.7	16	18 195	18
RF	7 189	6 783	405	6.0	18	24 243	24
Other CIS countries	2 906	2 377	529	22.3	7	8 566	8
Other countries	9 357	4 784	4 573	95.6	24	18 979	19
Export	26 460	16 555	9 905	59.8	-	60 340	-
Europe	11 799	7 150	4 648	65.0	45	25 239	42
China	3 617	2 805	812	29.0	14	9 874	16
RF	2 097	2 039	58	2.8	8	6 917	11
Other CIS countries	1 917	1 543	375	24.3	7	5 479	9
Other countries	7 030	3 018	4 012	132.9	27	12 831	21
Import	13 218	11 625	1 593	13.7	-	41 174	-
Europe	1 900	1 933	-33	-1.7	14	6 292	15
China	2 911	2 348	563	24.0	22	8 322	20
RF	5 092	4 745	348	7.3	39	17 326	42
Other CIS countries	989	834	154	18.5	7	3 087	7
Other countries	2 327	1 766	561	31.8	18	6 148	15
Trade balance	13 241	4 929	8 312	168.6	-	19 166	-

Source: BNS

Imports of goods in 4M2022 increased by 13.7% yoy to \$13.2 bn and were noticeably lower to exports. Imports from China increased by 24% yoy (\$2.9 bn), from other non-CIS countries – by 31.8% yoy (\$2.3 bn). Imports from European countries decreased by 1.7% yoy, which was probably affected by problems with logistics through the Russian Federation. Import of goods from Russia in April this year increased by 8.7% mom, and in general for the first 4 months of this year it grew by 7.3% yoy. Against the background of such subdued growth, the share of imports from the Russian Federation in the total import structure decreased to 39% from 41% in 4M2021 (42% in 2021).

The expansion of the foreign trade surplus was facilitated by the dynamic growth of exports with a more restrained growth rate of imports. Heightened geopolitical risks and accelerating global inflation against the backdrop of supply shortages and logistics problems support high prices for products exported by Kazakhstan, the export price index for 4M2022 increased by 47.7% yoy. In turn, the January events and the sharp depreciation of the tenge in February-March affected the import of goods. In addition, the increase in the price of imported products also has an impact, on the growth of the price index which for 4 months of the current year amounted to 12.4% yoy. At the same time, imports from neighboring countries rose in price by 19.2% yoy, and from non-CIS countries – by 5.8% yoy.

Our opinion

A significant surplus in foreign trade at the beginning of this year, along with accelerated economic growth, contributed to the strengthening of the national currency exchange rate due to increased export earnings to the country and the sale of export earnings of quasi-public sector companies. Thus, in April the tenge exchange rate strengthened to 453.3 per 1 US dollar from 497.2 per 1 dollar in March. However, further strengthening of the tenge, given its return to the levels of the beginning of the year, will be held back by a gradual recovery in domestic demand for the currency to pay for imports. Thus, economic growth against the backdrop of a stronger national currency will stimulate the expansion of imports, which will lead to a reduction in the trade surplus in the next months of this year.

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