



# **FOREIGN TRADE OF THE REPUBLIC OF KAZAKHSTAN**

*January-May 2022*

**July 2022**

# СОДЕРЖАНИЕ

**05** [Foreign trade structure](#)

**10** [Trade terms](#)

**12** [Trade indices and ratings](#)

**13** [Threats and risks](#)

**14** [Prospects and trends](#)



# Main conclusions



Kazakhstan's trading volume turnover in January-May 2022 increased by 53.6% compared to the same period last year



Amid positive market conditions, export revenues from energy resources have been recovering since 2021. Thus, the price of Brent crude oil is more than \$ 100 per barrel



Italy has become the leader in the import of Kazakhstan products, and its share in the export structure of Kazakhstan is 18.4%



In 5 months of 2022, Kazakhstan exported mineral resources worth \$ 23.2 billion, which is 81.3% more than in 5 months of 2021 (12.8 billion)



Machinery, equipment, vehicles, and appliances were imported to Kazakhstan for a total of \$5.1 billion (4.1 billion for 5 months of 2021)



By regions, the most was exported from Atyrau – 13.6 billion dollars, imported to Almaty – 5.1 billion

# Main conclusions



The Russian Federation remains the main trading partner of Kazakhstan: imports – 6.6 billion dollars, exports - 2.7 billion



The growth of world raw material prices are not able to compensate for the rise in the price of finished goods purchased by Kazakhstan



The change in the real exchange rate (REP) did not affect the trade turnover of Kazakhstan with Russia, while a sharp decline in the REEP may have a delayed effect on the trade volume and terms



Kazakhstan still has significant barriers to export, the basket is poorly diversified, and the structure of export products is dominated by goods of downstream activities



There is a threat of suspension of the main route of oil exports to Europe – the Caspian Pipeline Consortium



In the future China, India, Turkey, and Central Asian countries can become stable sources of imports and markets for the export of goods and services

We can see a recovery in Kazakhstan's foreign trade after the recession in 2015-2016

### Foreign trade structure

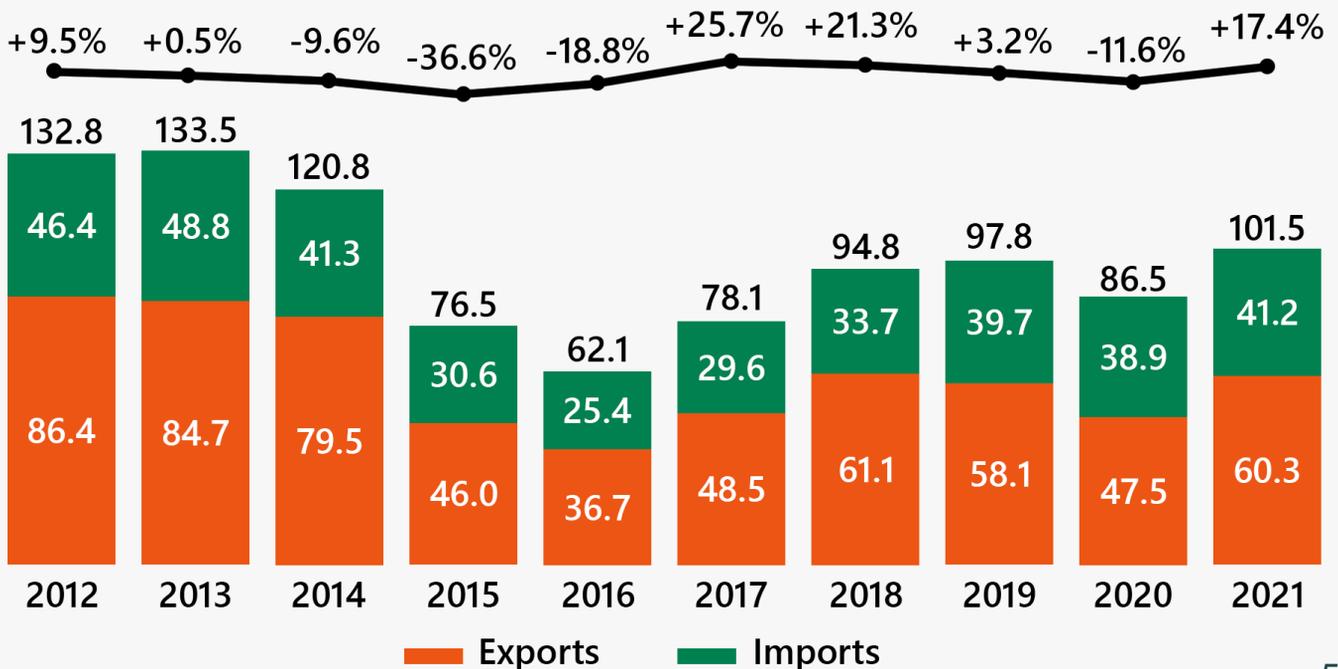
The volume of Kazakhstan's goods turnover in 2021 **increased by 17.4%** compared to the previous year, and for the first time in the last 8 years has exceeded the threshold of **\$ 100 billion**. There has been a positive trend in the goods turnover volume since 2016, except for 2020 (the COVID-19 pandemic).

But the volume of foreign trade is still less than in the 2012-2014 period. The main factor in the reduction of trade turnover and, to a greater extent,

exports is the **downward trend in the world commodity markets**. Thus, Brent crude oil (our main export commodity) fell below \$ 50 per barrel in 2015.

Amid positive market conditions, starting from 2021, **export revenues from energy resources are recovering**.

**Dynamics of Kazakhstan's trade turnover over the past 10 years, billion dollars**



Source: BNS, State Revenue Committee of the Republic of Kazakhstan

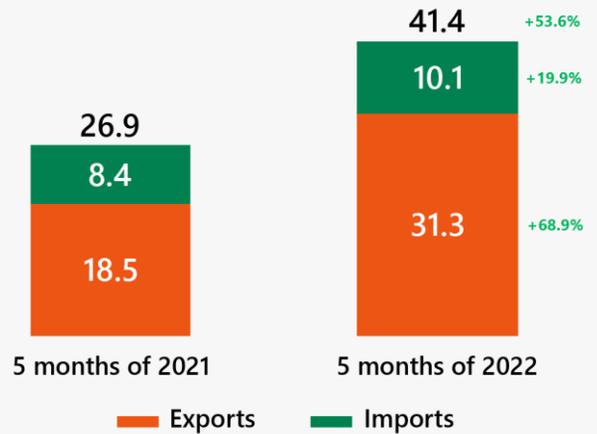
A significant increase in supplies to China, the EU, and Central Asia was recorded

For January-May 2022, Kazakhstan's foreign trade **increased by 53.6%** compared to the same period last year (exports – by 68.9%, imports – by 19.9%). This growth is due to **high prices in the oil and gas market and an increase in exports.**

Imports have increased coincidentally due to the steady dynamics in the real sector.

For 5 months of this year, **Italy** became the leader in the imports of Kazakhstan products, running ahead of China. Its share in the export structure of the Republic of Kazakhstan is **18.4%**. And the share of European countries in Kazakhstan's total exports was 52.8%.

**Foreign trade (without the EAEU) for January-May 2022, billion dollars**



Source: BNS, SRCommittee of the Republic of Kazakhstan

**Imports from China** traditionally prevail among other countries (**36.6%**). In general, the structure of Kazakhstan's imports from non-CIS countries has not undergone significant changes.

**Top 10 partner countries for January-May 2022, billion dollars**

EXPORTS			IMPORTS				
		share			share		
	ITALY	5.76	18.4%		CHINA	3.70	36.6%
	CHINA	5.11	16.4%		GERMANY	0.63	6.3%
	NETHERLANDS	2.49	8.0%		REPUBLIC OF KOREA	0.60	5.9%
	TURKEY	2.12	6.8%		USA	0.52	5.2%
	REPUBLIC OF KOREA	1.74	5.6%		TURKEY	0.48	4.7%
	UZBEKISTAN	1.37	4.4%		UZBEKISTAN	0.43	4.3%
	SPAIN	1.17	3.7%		ITALY	0.35	3.4%
	FRANCE	1.15	3.7%		JAPAN	0.33	3.2%
	ROMANIA	0.89	2.9%		FRANCE	0.29	2.8%
	GREECE	0.88	2.8%		TAJIKISTAN	0.24	2.3%
	OTHER COUNTRIES	8.57	27.4%		OTHER COUNTRIES	2.55	25.2%
		<b>31.26</b>	<b>100%</b>			<b>10.11</b>	<b>100%</b>

Source: BNS, State Revenue Committee of the Republic of Kazakhstan

## Kazakhstan mainly exports raw materials, and imports products of the upstream activities\*

The basket of Kazakhstan's export products is quite diverse: 71 types of products were exported for January-May 2022.

However, the main income is concentrated in **fuel and energy goods and metals** (69.2% and 13.7%, respectively).

A wide range of import commodity nomenclature is preserved. Most of all were imported: **medicines** (worth \$ 610 million), **vehicles** (481 million), **mobile phones** (454 million), **computers** (390 million), **clothing** (343 million), **spare parts and components** (300 million).

### The structure of trade turnover by main commodity groups for January-May 2022, million dollars, the share of the total in %

Commodity groups	Exports		Imports	
 Products of animal and vegetable origin, prepared food fills	1 954.0	6.3%	913.8	9.0%
 Mineral products	23 178.8	74.2%	373.2	3.7%
 <i>including:</i> Fuel and energy products	21 629.9	69.2%	69.5	0.7%
 Products of chemical and related industries	992.3	3.2%	1 963.1	19.4%
 Leather raw materials, wool and other clothing made from animals	3.4	0.0%	27.9	0.3%
 Wood, pulp and paper products	7.4	0.0%	93.8	0.9%
 Textiles and textile products	40.2	0.1%	441.5	4.4%
 Footwear, headwear and smallware	0.3	0.0%	112.9	1.1%
 Building materials	7.1	0.0%	133.2	1.3%
 Metals and articles made of them	4 291.3	13.7%	686.3	6.8%
 Machinery, equipment, vehicles, and tools	451.7	1.4%	5 106.1	50.5%
 Other products	330.0	1.1%	253.9	2.5%
<b>TOTAL</b>	<b>31 256.4</b>	<b>100%</b>	<b>10 105.7</b>	<b>100%</b>

Source: BNS, State Revenue Committee of the Republic of Kazakhstan

\* Upstream activity is finished goods as a result of high-level processing with more complex production technology.

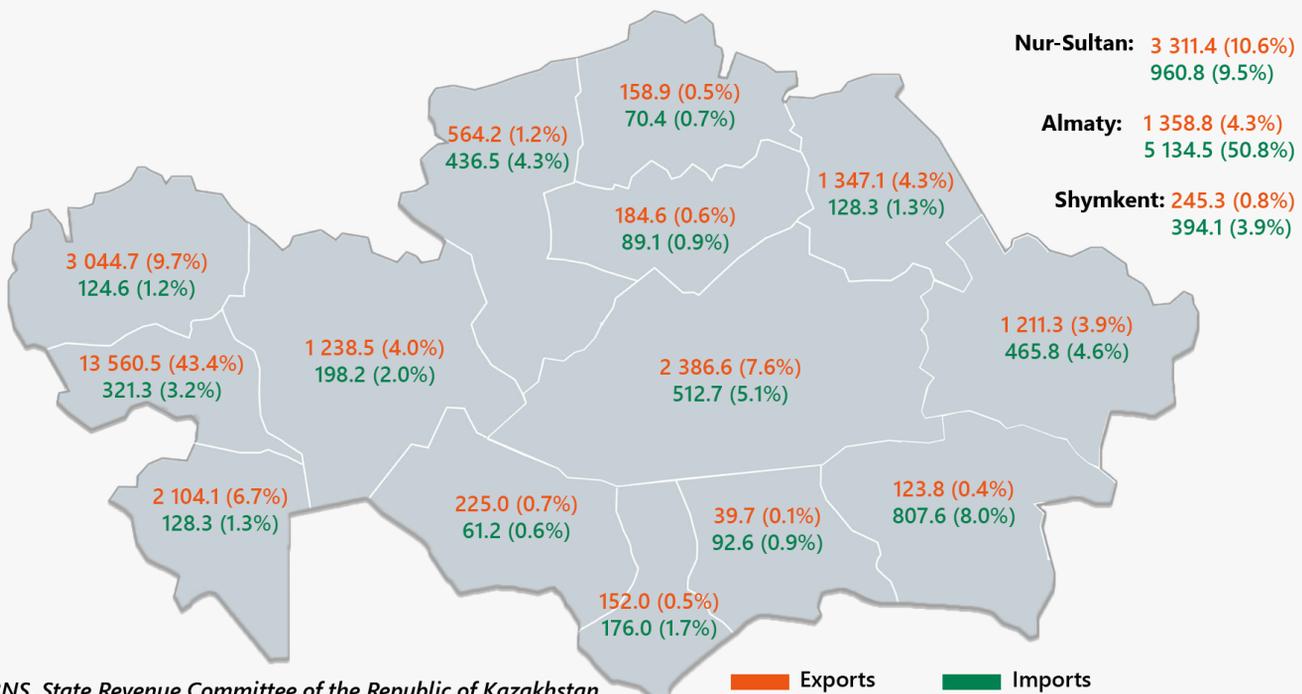
Main exporters are: Atyrau, Nur-Sultan and West Kazakhstan region  
 Main importers are: Almaty, Nur-Sultan and Almaty region

By regions of Kazakhstan, **West Kazakhstan** is the leader in terms of trade turnover: in January-May 2022, trade turnover amounted to **50.2%** (exports – 63.8%, imports - 7.7%).

Most of the goods were imported to **Almaty, Nur-Sultan cities, and Almaty region** (50.8%, 9.5% and 8.0%, respectively).

**Atyrau exports have almost doubled** (by 91.8%) compared to last year and amounted to \$ 13,560.5 million.

**Exports and imports by regions of Kazakhstan in January-May 2022, million dollars (% share of total exports/imports)**



Source: BNS, State Revenue Committee of the Republic of Kazakhstan

*Imports from the Russian Federation*

**6 574.5**  
million dollars

*Exports to the Russian Federation*

**2 668.7**  
million dollars

**Exports to the EEC countries**

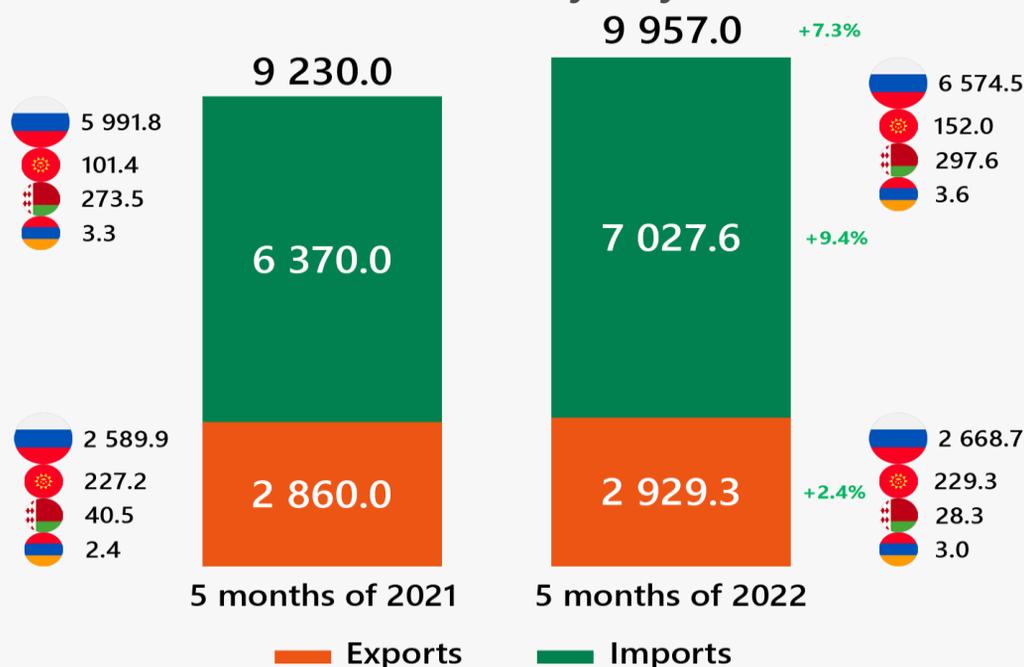
amounted to only **8.6%** of the total volume. In 5 months of 2022, exports increased by only 2.4%, mainly due to exports to the Russian Federation (\$ 2.7 billion).

If oil predominates in the export of intermediate goods to non-CIS countries, then exports to the EEC countries consist of ferrous ores and non-ferrous metals, primary metallurgical products, and wheat flour.

**Imports** are more diversified regionally. **41%** of the total imports are accounted for by the EAEU countries, of which 38.4% – are by the Russian Federation. **Russia is still the main trading partner of Kazakhstan:** imports of goods from the Russian Federation have increased by 9.7% and amounted to \$ 6.6 billion.

Trade with the EAEU countries has a negative balance. Supplies of raw materials to this group of countries do not compensate for purchases of finished goods from them.

**Mutual trade with the EAEU for January-May 2022, million dollars**



Source: BNS, State Revenue Committee of the Republic of Kazakhstan

The deterioration of the trade terms reflects the rapid growth of import prices relative to the growth of export prices

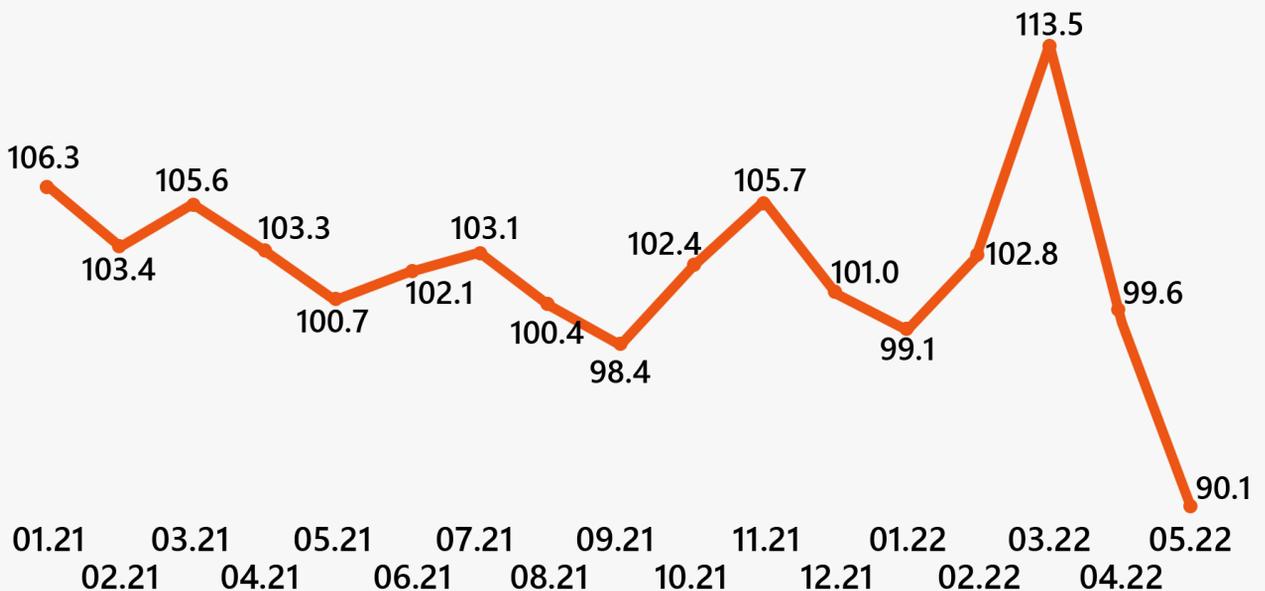
**Trade terms**

**The average weighted index of the trade terms of the Republic of Kazakhstan** for January-May 2022 **has deteriorated** relative to the same period last year, **falling by 2.9 p.p.** However, since the beginning of the year, the index has been characterized by high volatility: in March it reached a record high of 113.5%, and in May it dropped to 90.1%. This is due to sharp changes in energy resource prices and the exchange rate of the national currency.

The deterioration of the trade terms reflects the rapid growth of import prices relative to the growth of export prices. The growth of world raw material prices is not able to compensate for the rise in the price of finished goods purchased by Kazakhstan.

If the physical volumes of the supplied raw materials are capable of forming a positive trade balance, then the trade terms indicate a decrease in the efficiency of Kazakhstan's foreign trade in April-May 2022.

**Terms of Trade Index, %**



Source: BNS data, Jusan Analytics calculation

**REP\***
**REEP\*\***  
88.7
74.2  
 Average for January-May 2022

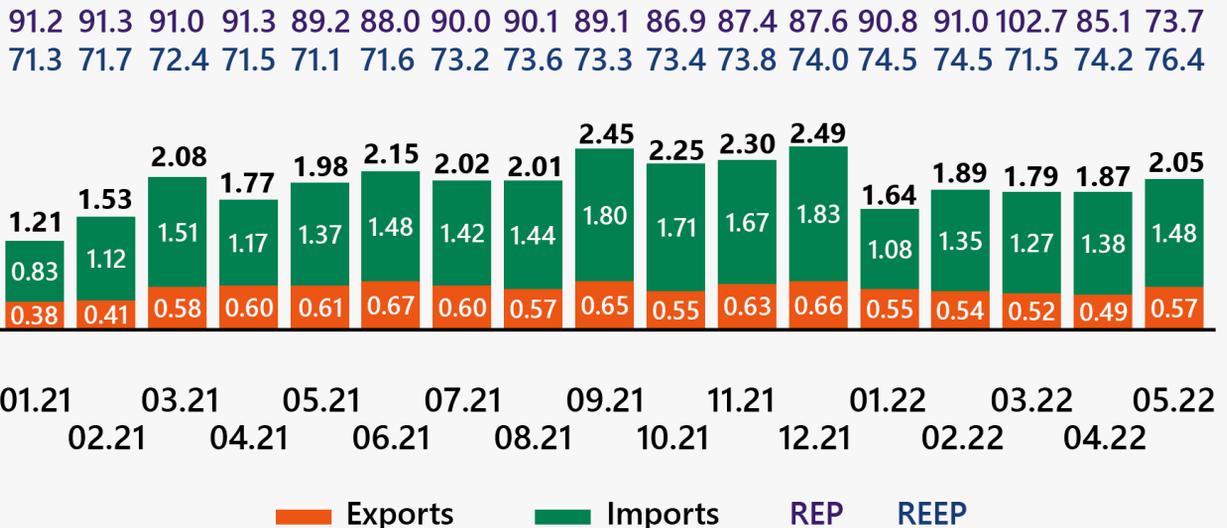
The change in the nominal exchange rate of the ruble to tenge, taking into account changes in consumer prices (REP), **was not a determining factor** in bilateral trade between Russia and Kazakhstan.

Relative to the previous period, the volume of trade for the first 5 months of 2022 decreased. Most likely, due to seasonality and the geopolitical situation in general.

In March, the REEP rose sharply to 102.7% and then fell to 76.4% in May. During the same period, the volume of mutual trade has been continuing to grow.

The decline in the REEP shows that the **tenge is getting cheaper relative to the currency composite**, which means that domestic manufacturers are experiencing more favorable competitive conditions in the domestic and foreign markets. However, it is premature to talk about this yet, and REP may have a delayed effect.

**Kazakhstan's trade turnover with Russia, REP tenge/ruble, REEP, billion dollars, %**



Source: BNS data, the National Bank of the Republic of Kazakhstan, Jusan Analytics calculation

\* REP - Real Exchange Rate Index

\*\* REEP - Real Effective Exchange Rate Index

2.12

PMR (Product Market Regulation) Ranking

64

Index of Economic Freedom

87

Economic complexity Index

## Trade indices and ratings

In international trade rankings, Kazakhstan occupies a relatively weak position against the developed countries.

The overall Product Market Regulation ranking in Kazakhstan was 2.12 (OECD average - 1.38), according to **“Barriers to domestic and foreign markets entry”** component–

1.48 (OECD average – 1.16).

According to the Indices of **Economic Freedom** and **Economic Complexity** of the production structure, Kazakhstan ranks **64th** and **87th**, respectively. This means that there are certain barriers to export in Kazakhstan, the composite is poorly diversified, and the structure of export products is dominated by goods of downstream activities\*.

## Trade indices and rankings of Kazakhstan in 2021

Names	
Exports of goods and services, <i>billion dollars</i>	51.7
Exports of goods and services, <i>% of GDP</i>	30.2%
Imports of goods and services, <i>billion dollars (prices of 2010)</i>	44.5
Imports of goods and services, <i>% of GDP</i>	26.0%
Current account balance, <i>% of GDP</i>	-3.8
Overall PMR, 2018	2.12
<i>“Barriers to domestic and foreign markets entry”</i>	1,48
Index of Economic Freedom	64.4 (ranking - 64)
<i>Trade Freedom</i>	75.4
Economic complexity Index	-0.19 (ranking - 87)

Source: BNS, The World Bank data, OECD, The Heritage Foundation

\* Downstream activities are goods that are characterized by low technological complexity, and ease of processing, most of which are as intermediate products for subsequent production

There is a threat of suspension of the main route of oil exports to Europe – the Caspian Pipeline Consortium

## Threats and risks

In the context of the regionalization of the world economy, as well as the volatility of the external economic conditions and foreign policy environment, Kazakhstan's trade is subject to many risks:

- **Supply chain disruption**

As a result of the COVID-19 pandemic, logistics supply chains have been seriously disrupted. The situation has worsened against the background of the conflict between Russia and Ukraine. And for Kazakhstan, there is a threat of suspension of the main route of oil exports to Europe – the Caspian Pipeline Consortium.

- **Volatility of energy resources prices**

Since oil and gas are the main export items of the country, the situation on world markets directly affects the trade balance of Kazakhstan.

- **The threat of being slapped with secondary sanctions**

Exporting companies from the Republic of Kazakhstan may be secondary sanctioned due to cooperation with companies from the sanctions list, or by actively re-exporting sanctioned goods to the Russian Federation.

*Other risks:*

- **High transportation costs**
- **High cost of raw materials**
- **Invisible economy**
- **Unfair competition**
- **Outdated production technologies**



The terms of trade within the EAEU and the WTO are changing significantly

## Prospects and trends

Despite the constantly changing global situation, Kazakhstan has all the conditions for using its rich raw material base to expand and diversify foreign trade. Raw materials prices are likely to stay unstable in the future, but the demand for natural resource exports in the medium term will be an important factor in the growth of Kazakhstan's economy.

Using the flow from raw materials, Kazakhstan needs to expand the export products and increase the share of products of midstream and upstream activity, as well as expand and open new markets.

After the COVID-19 pandemic, countries began to move away from the idea of globalization and pay more attention to regional associations. For Kazakhstan, closer cooperation with its closest neighbors can serve as a new point of growth. In the future, China, India, Turkey, and Central Asian countries can become stable sources of imports and markets for the export of goods and services.

There are structural changes in terms of trade. Kazakhstan's trade policy is changing within the framework of the EAEU and the WTO.



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