TECHNICAL ASSISTANCE REPORT

REPUBLIC OF KAZAKHSTAN

Report on National Accounts Mission,
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PREPARED BY

Levan Gogoberishvili

Authoring Department:

IMF Statistics Department

CCAMTAC

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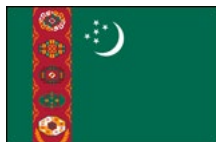
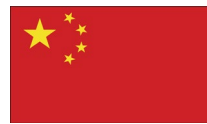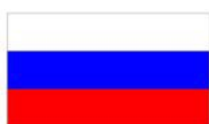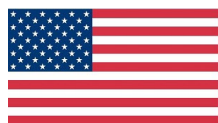|				
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Acronyms

ADB	Asian Development Bank
BNS	Bureau of National Statistics under the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan
CCAMTAC	Caucasus, Central Asia, and Mongolia Regional Capacity Development Center
GDPE	GDP by Expenditure
GDPP	GDP by Production
GFCF	Gross Fixed Capital Formation
GFS	Government Finance Statistics
GVA	Gross Value Added
NACE Rev.2	European Classification of Economic Activities
NAD	National Accounts Department
NPISH	Non-profit Institutions Serving Households
SUT	Supply and Use Tables
TA	Technical Assistance

Summary of Mission Outcomes and Priority Recommendations

1.   **A technical assistance (TA) mission of the Caucasus, Central Asia, and Mongolia Regional Capacity Development Center (CCAMTAC) visited Astana during November 6–17, 2023.** The mission assisted the Bureau of National Statistics (BNS) under the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan in developing quarterly national accounts.

2.   **The mission reviewed existing large statistical discrepancies between GDP by production (GDPP) and GDP by expenditure (GDPE).** The BNS includes the statistical discrepancy as a separate row when publishing preliminary estimates of annual GDP. In addition, the annual supply and use tables (SUT) are published after t+11 months, in which the discrepancy is removed via the supply-use balancing process. To date, the BNS does not adjust the annual GDP estimates after the publication of SUT. As a result, two different values of nominal GDP are published on the BNS website. The mission recommended that the BNS introduces an additional revision date and after t+11 months to revise national accounts data, which should be fully aligned with the SUT.

3.   **The mission and BNS staff prepared the GDP release schedule that will take effect after the release of discrete quarterly GDP.** Currently, GDP estimates for the previous cumulative periods are not adjusted after the publication of GDP for the new cumulative period. Among other important changes, the new data release schedule includes an additional adjustment of annual GDP, whereby national accounts data will be fully aligned with the annual SUT.

4.   **The mission reviewed the status of implementation of recommendations made by previous TA missions.** Most of the recommendations have already been implemented, but there are some areas that require further progress. Recommendations concerning the improvement of data sources are still ongoing. The mission noted that it is important to carry out a detailed analysis of the currently used statistical questionnaires. The mission and BNS management agreed that the next CCAMTAC TA mission will be conducted in February 2024, which will help the BNS improve its data sources. The mission will review all existing statistical questionnaires in detail and, if necessary, will make recommendations for their adjustments. Another CCAMTAC TA mission will be conducted in April 2024 to assist the BNS in preparing the discrete time series of quarterly GDP for publication.

5.   **The mission overlapped with the Article IV mission of the IMF's Middle East and Central Asia Department (MCD).** During a joint meeting at the Ministry of Finance, BNS representatives confirmed that the discrete time series of quarterly GDP will be released in the second quarter of 2024. The chain-linked time series of quarterly GDP will start from the first quarter of 2010.

6.   **To support the development of national accounts, the mission recommended a detailed action plan with the following priority recommendations:**

TABLE 1   Priority Recommendations

Target Date	Priority Recommendation*	Responsible Institutions	Status of Implementation as of June 2024
May 2024	*Approve the new data release calendar.*	**BNS**	**Ongoing**

Target Date	Priority Recommendation*	Responsible Institutions	Status of Implementation as of June 2024
May 2024	*Publish a quarterly GDP press release.*	**BNS**	**Ongoing**
May 2024	*Publish discrete time series of quarterly GDP.*	**BNS**	**Ongoing**

7.   **Further details on the priority recommendations and the related actions/milestones can be found in the action plan under Detailed Technical Assessment and Recommendations.**

Detailed Technical Assessment and Recommendations

Priority	Action/Milestone	Target Completion Date	Status of Implementation as of June 2024
	Outcome: Quarterly GDP estimates are based on discrete source data		
H	Carry out logical control of the opening and closing stocks of inventories.	June 2023	Complete
H	Clarify priorities for the compilation of detailed regional GDP.	June 2023	Complete
H	Update estimates of cultivated biological resources.	June 2023	Ongoing
H	Compile quarterly SUT at the section level of NACE Rev.2 for the quarters with large statistical discrepancies between GDPP and GDPE.	September 2023	Ongoing
H	Estimate annual military expenditures and include relevant capital items in GFCF.	September 2023	Ongoing
H	Identify the least reliable indicators and adjust them to reduce the statistical discrepancy.	October 2023	Ongoing
H	Compile time series of volume indices	October 2023	Ongoing
H	Adjust data on exports and imports of goods to ensure compliance with the balance of payments data.	November 2023	Ongoing
M	Develop additional data sources on final consumption expenditure of NPISH and update the existing estimates	November 2023	Complete
H	Ensure consistency between the SUT and other published national accounts data.	December 2023	Ongoing
H	Review all enterprises whose main activity in the business register is trade and assess whether this is correct. In case if the given enterprise does not report purchases of goods for resale, adjust the main activity.	February 2024	Ongoing
H	Collect more detailed information on trade margins.	February 2024	Ongoing
M	Develop specific questionnaires to observe corporations that provide other financial services.	February 2023	Ongoing
H	Remove the "other inventories" column from the survey questionnaire.	February 2023	Ongoing
H	Replace the column "goods for trade" with "goods for resale" in the survey questionnaire.	February 2023	Ongoing

Priority	Action/Milestone	Target Completion Date	Status of Implementation as of June 2024
H	Implement the perpetual inventory method for compiling consumption of fixed capital.	February 2023	Ongoing
H	Change the existing methodology for estimating N6.	March 2024	Ongoing
H	Increase the number of NAD employees that are involved in the SUT compilation.	March 2024	Ongoing
H	Increase the number of NAD employees that are involved in the compilation of regional GDP.	March 2024	Ongoing
M	In consultation with main users of national accounts data, select the format of quarterly GDP press release.	April 2024	Ongoing
H	Implement seasonal adjustment software	April 2024	Ongoing
H	Approve the new data release calendar.	May 2024	Ongoing
H	Publish a quarterly GDP press release.	May 2024	Ongoing
H	Publish discrete time series of quarterly GDP.	May 2024	Ongoing
H	Adjust the annual GDP after t+11 months to ensure consistency between the annual GDP and SUT.	December 2024	Ongoing

H – High; M – Medium

A.   QUARTERLY GDP ON A DISCRETE BASIS

8.   Following the previous TA mission's recommendations, the BNS compiled quarterly time series of GDPP and GDPE starting from the first quarter of 2010. The current mission noted that the working files are technically correct and the received preliminary data may be published on the BNS website after some adjustments. These adjustments may cover GDP estimates compiled by all three methods (production, expenditure, income). Since the improvement of the quality of statistical data is a continuous process, it is important that the BNS sets a closing date for the current major revision after which any further changes will be reflected in the next major revision of the national accounts. According to the common international practice, the major revision of national accounts is carried out once in every five years. The mission and BNS staff agreed that the adjustments made up until end of February 2024 will be reflected in the quarterly GDP estimates, which will be published in May 2024. Post-February adjustments will be considered in the next major revision of national accounts, which will be conducted in 2029.

9.   Quarterly GDPP estimates may be adjusted considering adjusted volume indices obtained from BNS sectoral departments. Following the previous TA mission's recommendations, the BNS Industrial Statistics Department implemented benchmarking and the annual overlap technique in the compilation of industrial production indices, which will affect the quarterly GDP estimates at both current and previous year's prices. Implementation of the same methods is ongoing in the other sectoral departments of BNS. Trade output may also be revised soon, which would affect the quarterly GDP estimates at current prices.

10.   Quarterly GDPE estimates may be adjusted due to upcoming changes in gross fixed capital formation and final consumption expenditure of private non-profit institutions serving households (NPISH). The BNS plans to adjust the estimates of cultivated biological resources, which will be compiled in accordance with best international practice. In addition, the BNS will adjust final consumption expenditure of NPISH based on the results of 2022 NPISH survey.

11. **The mission and BNS staff also discussed the compilation of quarterly GDP using the income approach and identified several issues that need to be improved before the release of quarterly GDP.** Quarterly GDP by income is also compiled at the two-digit level of the European classification of economic activities (NACE Rev.2). For some economic activities components of GDP by income, such as net taxes on production and net operating surplus/mixed income, take negative values. While net taxes may in practice sometimes take a negative value due to high levels of subsidies, net operating surplus/mixed income at the macro level can only theoretically be negative. The mission identified the causes of negative values and gave recommendations for their elimination.

12. **The mission noted that the compilation of consumption of fixed capital is not in line with international best practice.** The BNS compiles consumption of fixed capital as a certain percentage of gross value added, while net operating surplus/mixed income is treated as a residual between GDPP and the sum of other GDP by income components. Consumption of fixed capital compiled in this way is often overestimated, leading to negative net operating surplus/mixed income values. The next mission will help the BNS to implement the perpetual inventory method, which is considered as best international practice for compiling consumption of fixed capital.

13. **The mission also compared the annual estimates of GDP by income with the corresponding components in the annual SUT.** The comparison revealed significant discrepancies by each component of GDP by income. The mission noted that this is not acceptable because the adjusted estimates of the annual GDP by income must fully correspond to the annual SUT.

Recommended Actions:

▪ Compile time series of volume indices.

▪ Ensure consistency between the SUT and other published national accounts data.

▪ Implement the perpetual inventory method for compiling consumption of fixed capital.

▪ Publish discrete time series of quarterly GDP.

B.   DATA RELEASE CALENDAR

14. **The mission and BNS staff discussed the release schedule for national accounts data. The BNS currently publishes cumulative estimates of GDP.** After the publication of the new cumulative period, the data for the previous cumulative period are not revised. For example, after GDP estimates for January-July are published, GDP estimates for January-June do not change. This affects the quality of data for previous cumulative periods, and also gives users the wrong impression that the data for the previous cumulative periods do not need to be adjusted. As a result, GDP estimates are revised only once, during the annual adjustment.

15. **After the annual adjustment carried out in July, the BNS compiles the annual SUT in November of the same year, in which the existing statistical discrepancy is allocated to some GDP components when balancing supply and use.** As a result, gross value added (GVA) estimates differ from GVA by income estimates published in July. The annual SUTs are published on the BNS website, where the adjusted GDP has already been published in July. However, the annual GDP is not revised again, and as a result, two different GDP estimates are published on the website. The mission noted that after the publication of the annual SUT, it is necessary to revise the other tables of the national accounts and bring all the GDP components into compliance with the annual SUT.

16. **The mission and BNS staff agreed that an additional adjustment of the annual GDP will be added to the data dissemination calendar.** In December of the following year, the revised

national accounts data will be published, which will be in full compliance with the annual SUT. The annual adjustment will also change the quarterly GDP estimates of the same year.

17. **Publication of quarterly GDP significantly increases the number of GDP revisions.** As a result of benchmarking, data for the previous quarters are adjusted after the publication of each new quarter. This increases the quality of national accounts data, but users of national accounts data are not used to frequent revisions of GDP. Therefore, press releases prepared by the BNS should clearly explain these changes.

18. **The mission and BNS staff discussed the international practice of preparing quarterly GDP press releases.** As an example, the press releases of three countries (Georgia, Germany, USA) were discussed, which conceptually differ from each other. In the Georgian press release of quarterly GDP, the data are presented without seasonal adjustment. In the US press release, the quarterly GDP data is presented only with seasonal adjustment. The German press release provides both original and seasonally adjusted estimates of quarterly GDP. The mission noted that prior to the preparation of Kazakhstan's press release, the main users should be consulted and based on their choice, an appropriate option should be prepared.

19. **The BNS cooperates with the Asian Development Bank (ADB) on seasonal adjustment of GDP.** Within the scope of this cooperation, the ADB expert provides TA to implement the seasonal adjustment software JDemetra+. Seasonally adjusted quarterly GDP will be ready for publication in May 2024. Considering the preferences of users, these data may be included in the press release.

Recommended Actions:

- Adjust the annual GDP after t+11 months to ensure consistency between the annual GDP and SUT.

- Approve the new data release calendar.

- In consultation with main users of national accounts data, select the format of quarterly GDP press release.

- Implement seasonal adjustment software.

- Publish a quarterly GDP press release.

C.   OTHER IMPORTANT ISSUES

Data Sources

20. **The mission reviewed the status of implementation of the previous TA mission's recommendations.** Most of the recommendations have already been implemented, but there are some areas that require further progress. In particular, the recommendations related to changes in statistical questionnaires to collect data on purchases of goods intended for resale. It is also important to collect precise stock values of inventories.

21. **Data on purchases of goods intended for resale will significantly improve the compilation of GVA for trade services.** Currently, the BNS compiles output of trade by multiplying the total trade turnover by the trade margin, although the trade margin is an expert estimate. In all statistical questionnaires in which data on the trade sector is being collected, a new line should be introduced to collect the expenditure on purchasing goods intended for resale.

22. **Stock values of inventories will be more reliable after improving the statistical questionnaires.** The BNS currently uses "other inventories" in the questionnaires, which cannot be

precisely divided by types of inventories. Since the stocks of "other inventories" are quite large, its precise distribution will significantly improve the quality of data on changes in inventories.

23. **The mission noted that it is important to conduct a detailed analysis of the currently used questionnaires.** In addition to the two issues mentioned above, the questionnaires may also contain other shortcomings that affect the quality of the data sources. The mission and BNS management agreed that the next TA mission will be conducted in February 2024, which will help the BNS improve its data sources. The mission will review all existing statistical questionnaires in detail and, if necessary, will make recommendations for their improvement.

Regional GDP

24. **During the previous CCAMTAC TA mission, working files for the compilation of quarterly regional GDP were prepared.** Thirteen working files in MS Excel provide for a detailed compilation of quarterly GDP by each region. During the current mission, the remaining problematic issues were discussed. The mission and the BNS staff have put together a control mechanism so that the sum of regional GVA at all levels equals the total GVA for each industry. Since Kazakhstan's regional GDP is compiled at the double-digit level, this process is time-consuming. BNS staff will continue this work after the mission. The next CCAMTAC TA mission in February 2024 will review progress in this area**.**

25. **The mission and BNS staff discussed the international practice of disseminating regional GDP and reviewed regional GDP press releases of other countries.** As an example, the US release calendar of regional GDP was discussed, and a detailed analysis of the US regional GDP press releases was conducted. The mission and BNS staff agreed that some ideas from these press releases will be considered when preparing the quarterly GDP press release for Kazakhstan.

Sectorization of Institutional Units

26. **The BNS plans to improve the compilation of institutional sector accounts.** For this purpose, it is important to classify each institutional unit into an appropriate institutional sector of the economy. The mission overlapped with the CCAMTAC TA mission on government finance statistics (GFS). At the joint meeting, the GFS expert noted that the precise classification of the government sector is also important for the compilation of GFS. The national accounts data should be fully consistent with the GFS.

27. **During the mission, BNS staff presented the sectorization work that has been done so far.** During sectorization, the so-called 50 percent rule is used, which means that if the turnover of an institutional unit is less than 50 percent of operating expenses, then the institutional unit is included in the government sector otherwise it is classified as a public non-financial corporation. The GFS expert noted that the BNS has made significant progress in this area, which will soon in improve the GFS data.

Recommended Actions:

- Remove the "other inventories" column from the survey questionnaire.

- Replace the column "goods for trade" with "goods for resale" in the survey questionnaire.

- Increase the number of NAD employees that are involved in the compilation of regional GDP.

D.   OFFICIALS MET DURING THE MISSION

Name	Institution	Position
Mr. Zhasser Jarkinbayev	BNS	Acting Head of BNS

Name	Institution	Position
Mr. Aset Nakipbekov	BNS	Director of National Accounts Department (NAD)
Ms. Assel Torgautova	BNS	Deputy Director of NAD
Ms. Alina Beisebekova	BNS	Head of Division, NAD
Ms. Togzhan Bekturova	BNS	Head of Division, NAD
Ms. Zaure Zhunussova	BNS	Chief expert, NAD
Mr. Gabiden Torebekov	BNS	Chief expert, NAD
Ms. Aigerim Isabekova	BNS	Chief expert, NAD
Ms. Indira Baimuratova	BNS	Chief expert, NAD
Ms. Zhanna Suleymenova	BNS	Chief expert, NAD
Ms. Ivana Jablonska	CCAMTAC	GFS Resident Advisor
Ms. Irina Dubinina	IMF	Short-term Expert on GFS