

MODERN TRENDS IN KZ RETAIL BUSINESS

Retail market in Kazakhstan

In 2018, Kazakhstan's GDP reached 58.8 trillion tenge, of which 16% is retail business. In 2018, Kazakhstan witnessed the tendency for modern trade development. Consequently, this analysis was carried out in order to show how trends affected the retail business. In 2018, according to the data of National Statistical Committee of the Republic of Kazakhstan retail turnover was 549,657 tenge per capita. Moreover, the average growth rate recorded 7.2% per year in period between 2009-2018. Correspondingly, the growth rate in the groceries goods field reached 5.5%, and

non-groceries goods – 8.2%.

However, in 2018 the indicators were significantly different. The growth of groceries goods field increased up to 6.6%, non-groceries – 5.2% and the total growth in retail business reached 5.7%. According to analysis in 2019, there was anticipated trend of steady rise. Thus, the growth rates in January reached 4.4%, and during next six months this indicator increased till 5.4%. However, these indicators were lower than for the same period last year. Last year growth rate recorded 5.7%. At the same time, a gradual increase was identified in groceries goods and non-groceries goods

up to 5.8%, and 5.3% respectively. Based on the results of these six months, it was concluded that retail business growth indicators are in advance of the economy as a whole.

Regional growth

In 2018, the overall retail growth rate in Kazakhstan was 13%. Thus, 2018 top five leaders in terms of growth, in monetary term are:

- 1) North Kazakhstan Region -18.8%
- 2) Atyrau Region – 17.5%
- 3) South Kazakhstan Region – 17.3%
- 4) Shymkent – 16.4%
- 5) Almaty – 16%

Despite the dramatic rise of these regions in 2018, the leader of market share was Almaty, with an indicator of 28.4%. The top three also included such cities as Nur-Sultan and East Kazakhstan Region with indicators of 11.4% and 8.9% respectively.

In the period of 2013-2018, the average annual growth rate was 14%. Therefore, top five growth leaders, in monetary terms, for this period are:

- 1) Nur-Sultan – 18%
- 2) Jambyl Region – 17.1%
- 3) South Kazakhstan Region – 16.4%
- 4) Mangystau Region – 15.8%
- 5) Akmola Region – 15.5%

Grocery retail market

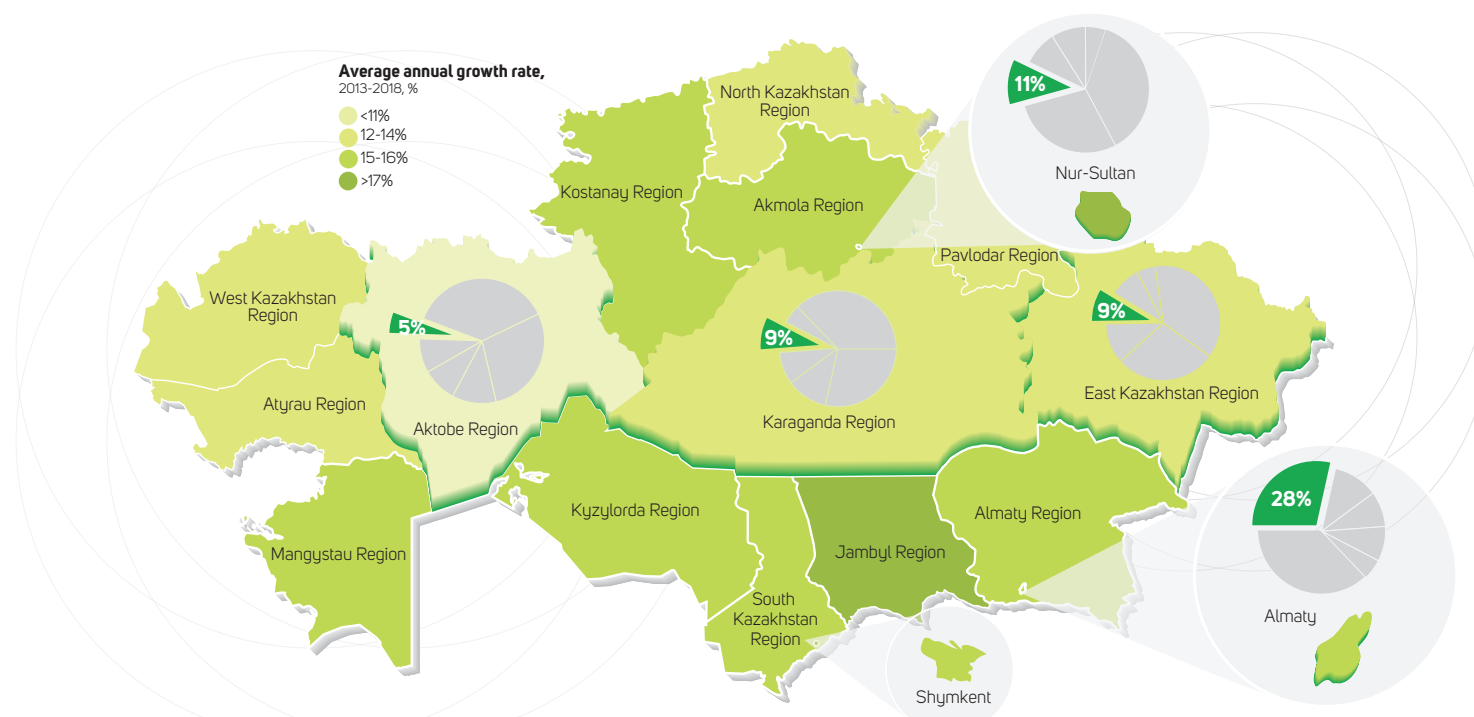
The grocery retail business in Kazakhstan is divided into two main types: modern trade and traditional trade. Apparently, the main trend over the past five years was an increase in the share of modern trade. Since 2013 the share of modern trade has slightly raised by 14%. Today market share of modern trade is 31%. It is anticipated that the average annual growth rate over the next five years will reach 6%.

In 2018, completely new formats in the grocery retail business field began to form in Kazakhstan. Therefore, one of the largest grocery retailers

Metro Cash & Carry signed a memorandum of cooperation with Technodom company. So the last greed to open their household appliances selling departments in Metro shopping centers. Thus, both players are planning to increase their market shares. Last year, convenience stores were the most dynamic distribution channels, showing sales growth of 107%. As result of last year, the market structure was as follows:

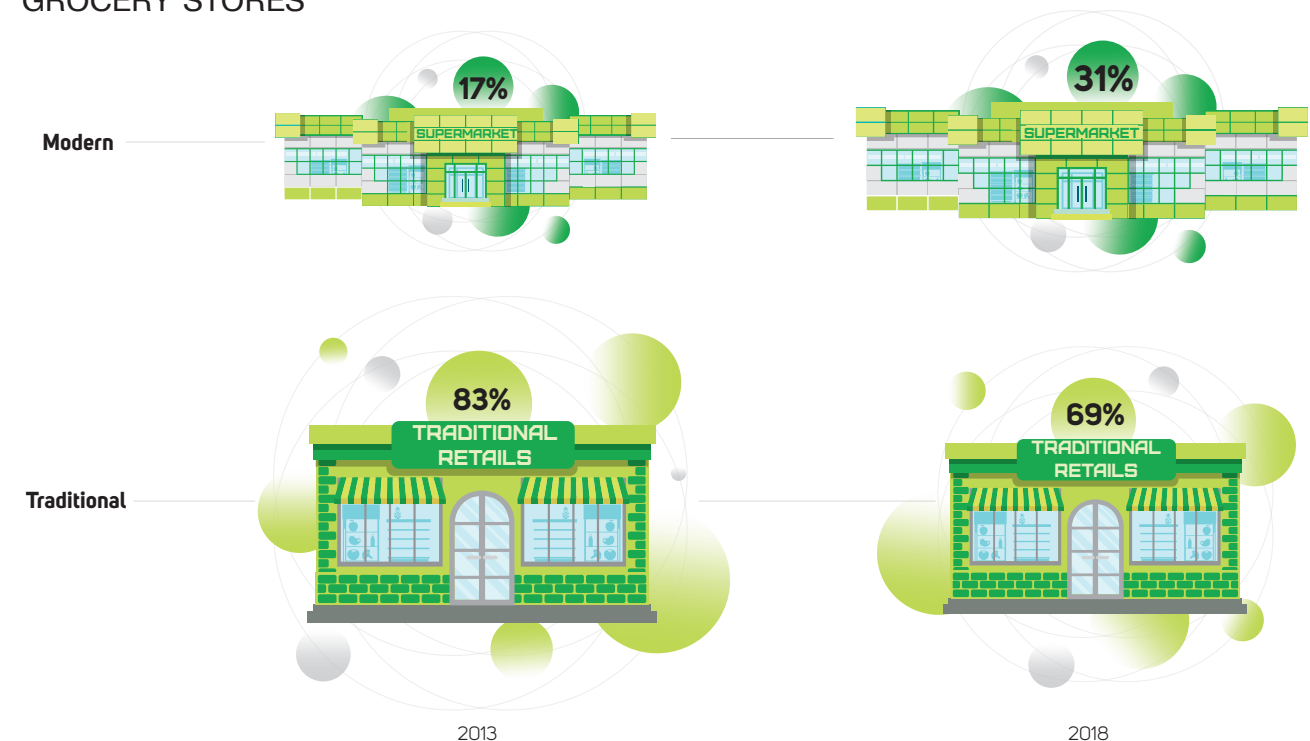
Over the past five years the top 5 players have increased market share from 25.5 to 43.5%. In fact, at the end of 2018, the total trading area of grocery retailers

TOP-5 REGIONS BY RETAIL TRADE IN 2018, % OUT OF TOTAL



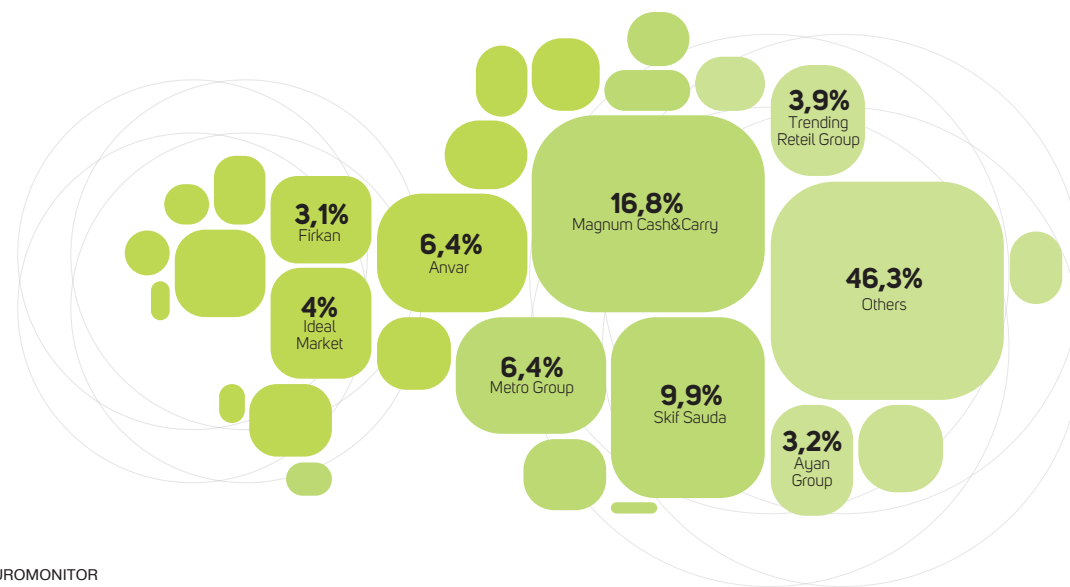
SOURCE: MINISTRY OF NATIONAL ECONOMY OF THE REPUBLIC OF KAZAKHSTAN STATISTICS COMMITTEE

GROCERY STORES



SOURCE: EUROMONITOR

GROCERY COMPANIES IN KAZAKHSTAN, % SHARE OF THE MARKET IN 2018



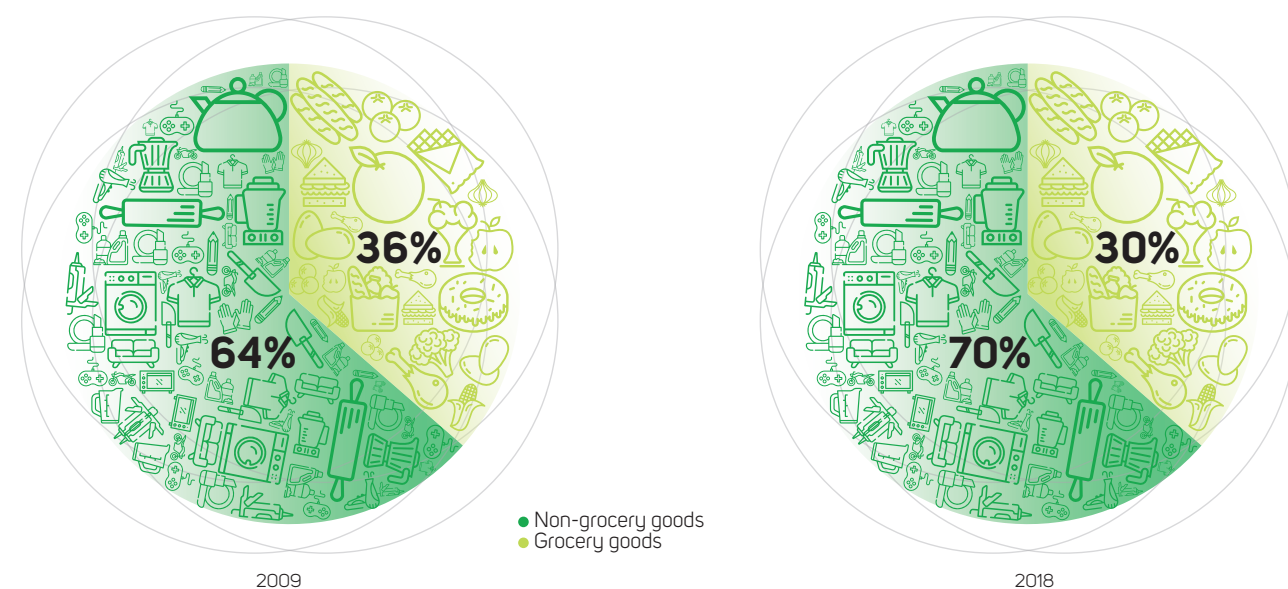
SOURCE: EUROMONITOR

expanded till 689 thousand square meters. Apparently, over the last five years it increased till 10.9%. Moreover, it is predicted that over the next five years the total rise will be up to 5.6%. Indeed, by the end of 2018, , Magnum

Cash&Carry had the largest retail space – 125.7 thousand sq.m. Second place was by Skiff Sauda – 95.2 thousand sq.m. Thus, these companies combine 30% of all retail market share. In 2018, the total number modern trade stores were 2,353.

Moreover, in the next five years, it is forecasted a sleep rise up to 2,633. At the same time, it was amounted 325 super - markets in total. In 2018, Kazakhstan had developed a tendency to build a large number of stores located within walking

RETAIL MARKET STRUCTURE



SOURCE: MINISTRY OF NATIONAL ECONOMY OF THE REPUBLIC OF KAZAKHSTAN STATISTICS COMMITTEE

distance away from home. This trend is worth nothing among such well-known retailers as Magnum and Ramstore. The main reason for this trend was the busy lifestyle of people, in a particular such big cities like Almaty and Nur-Sultan.

Grocery goods vs Non-grocery goods

In 2018, grocery goods contained 30% of the total retail business, and on other side non-grocery goods were 70%. In fact, the share of sales of non-grocery goods has increased by 6% comparing with 2009. After analyzing the structure of retail business for certain categories of goods over the last ten years, it is worth nothing that the share of the majority of grocery goods in total had been reduced. After comparison

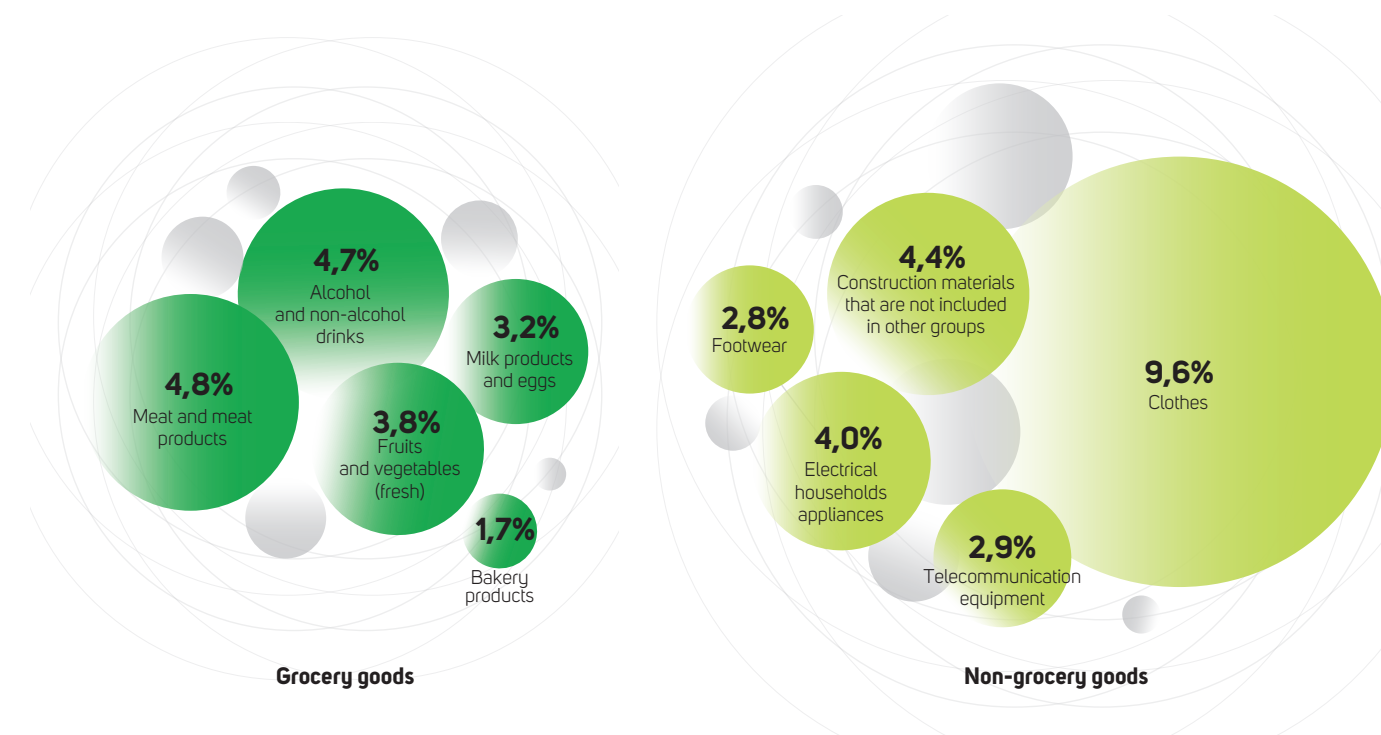
of indicators in 2009 with indicator in 2018, it was recorded that growth was only recognized in the sale of fresh fruits and vegetables.

However, in non-grocery goods, the situation is fundamentally different. Eventually majority of non-grocery goods categories were presented a growth in the total. Only exceptions were pharmaceutical products, computers and software, cleaning products.

In conclusion, today the retail business is at the stage of active development. The main trend of the grocery retail market consists that large chains are going to remove traditional trade stores by opening «Express» style stores. Therefore, it is anticipated that in the next five years the share of modern trade stores will reach 41.5%.

An analytical review was prepared by Baker Tilly Qazaqstan Advisory as part of a research of leading retail trends of retail business in Kazakhstan, which is one of the main financial institution of Republic of Kazakhstan.

TOP-5 RETAIL COMMODITY GROUPS IN 2018, % SHARE OUT OF TOTAL



SOURCE: MINISTRY OF NATIONAL ECONOMY OF THE REPUBLIC OF KAZAKHSTAN STATISTICS COMMITTEE