

Recovery to the old normal or to a new normal? The role of services?

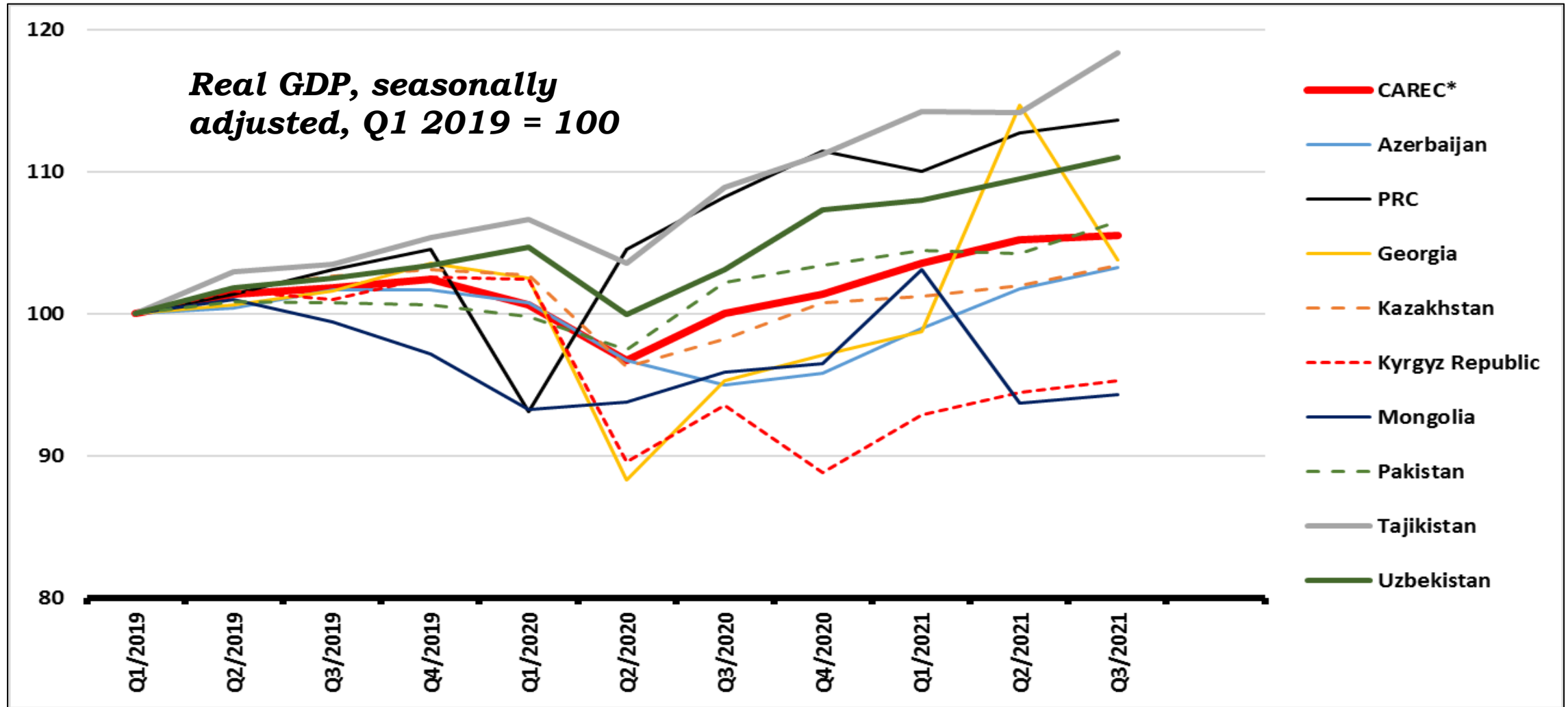
CAREC Chai, 17 December 2021

Hans Holzacker,

Chief economist CAREC Institute



Recovery has lifted real GDP above 2019 levels in most CAREC economies.

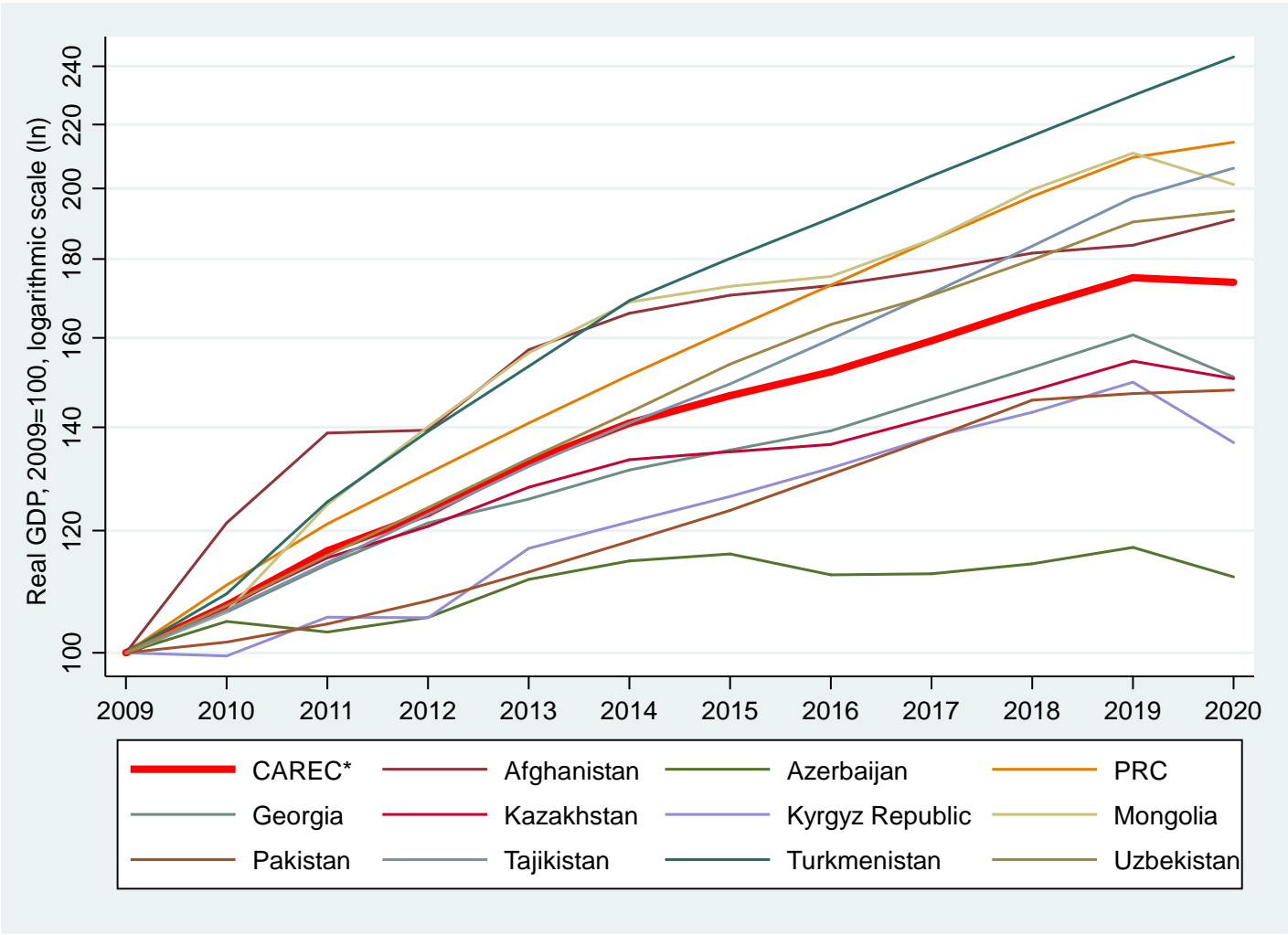


* Simple CAREC average

Source: CEIC, national statistics agencies. CI estimates

So back to normal? A slower normal? A services-driven one?

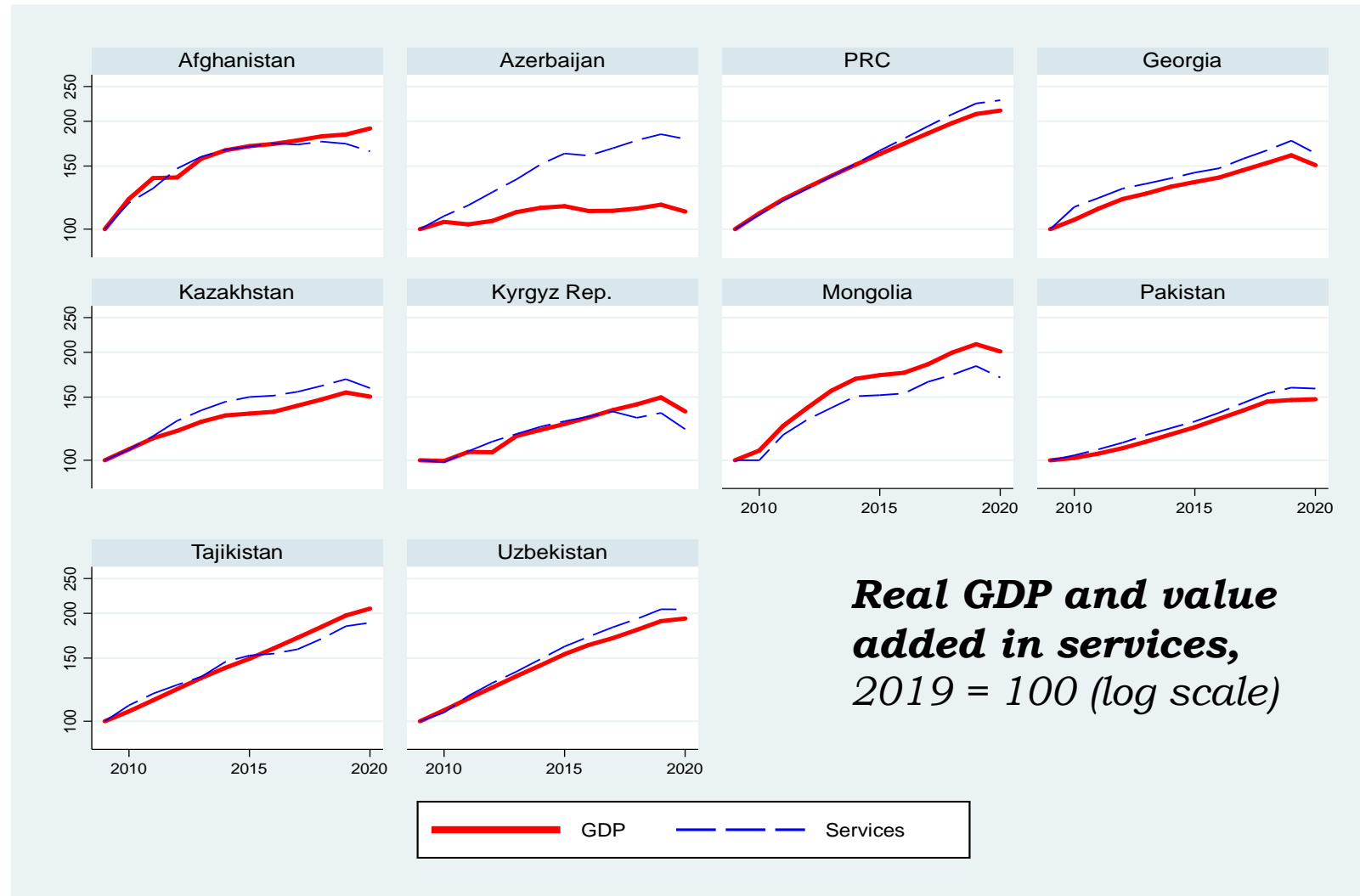
Stylized facts: #1: In most economies growth has slowed.



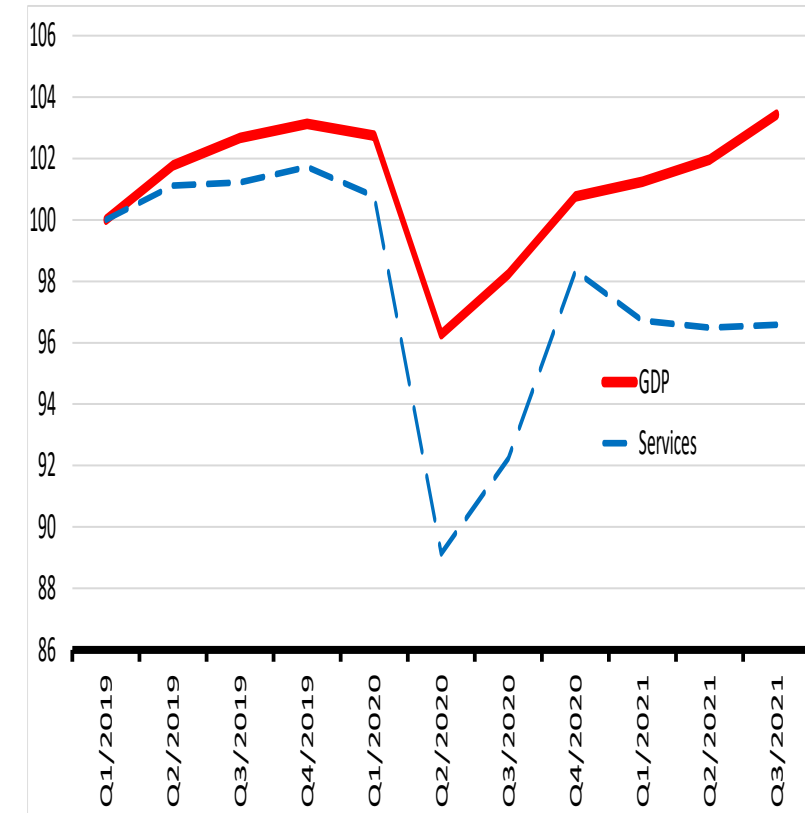
| | % yoy | |
|--------------|-----------|-----------|
| | 2010-2014 | 2015-2019 |
| Afghanistan | 6.2 | 1.9 |
| Azerbaijan | 2.8 | 0.4 |
| PRC | 8.6 | 6.7 |
| Georgia | 5.4 | 4.0 |
| Kazakhstan | 5.8 | 2.5 |
| Kyrgyz Rep. | 4.0 | 4.3 |
| Mongolia | 10.4 | 3.9 |
| Pakistan | 3.4 | 4.5 |
| Tajikistan | 7.1 | 6.9 |
| Turkmenistan | 11.0 | 6.3 |
| Uzbekistan | 7.4 | 5.8 |

* Simple CAREC average
 Source: CEIC, national statistics agencies. CI estimates

Stylized fact #2: In most CAREC economies services grew faster than GDP (but were especially hit by COVID-19).

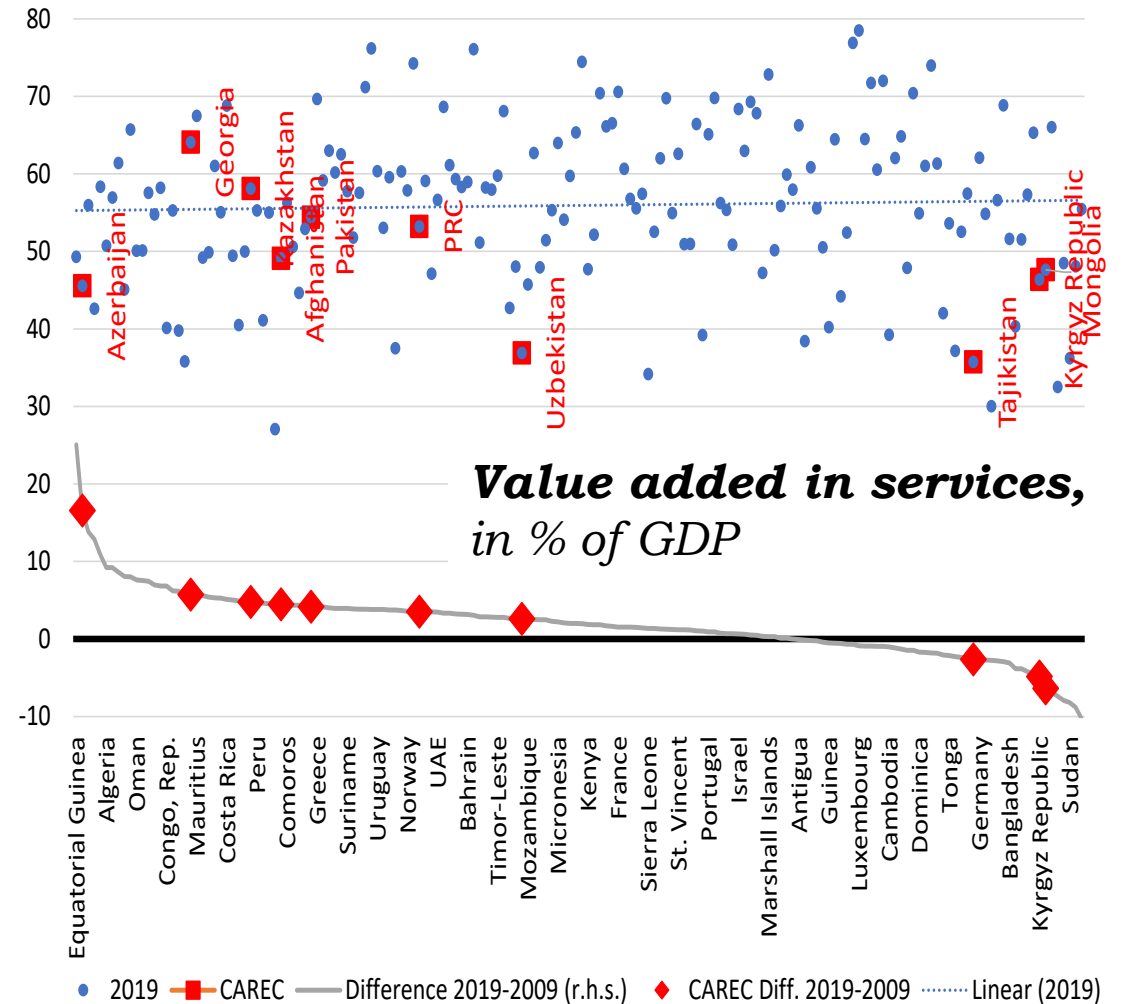
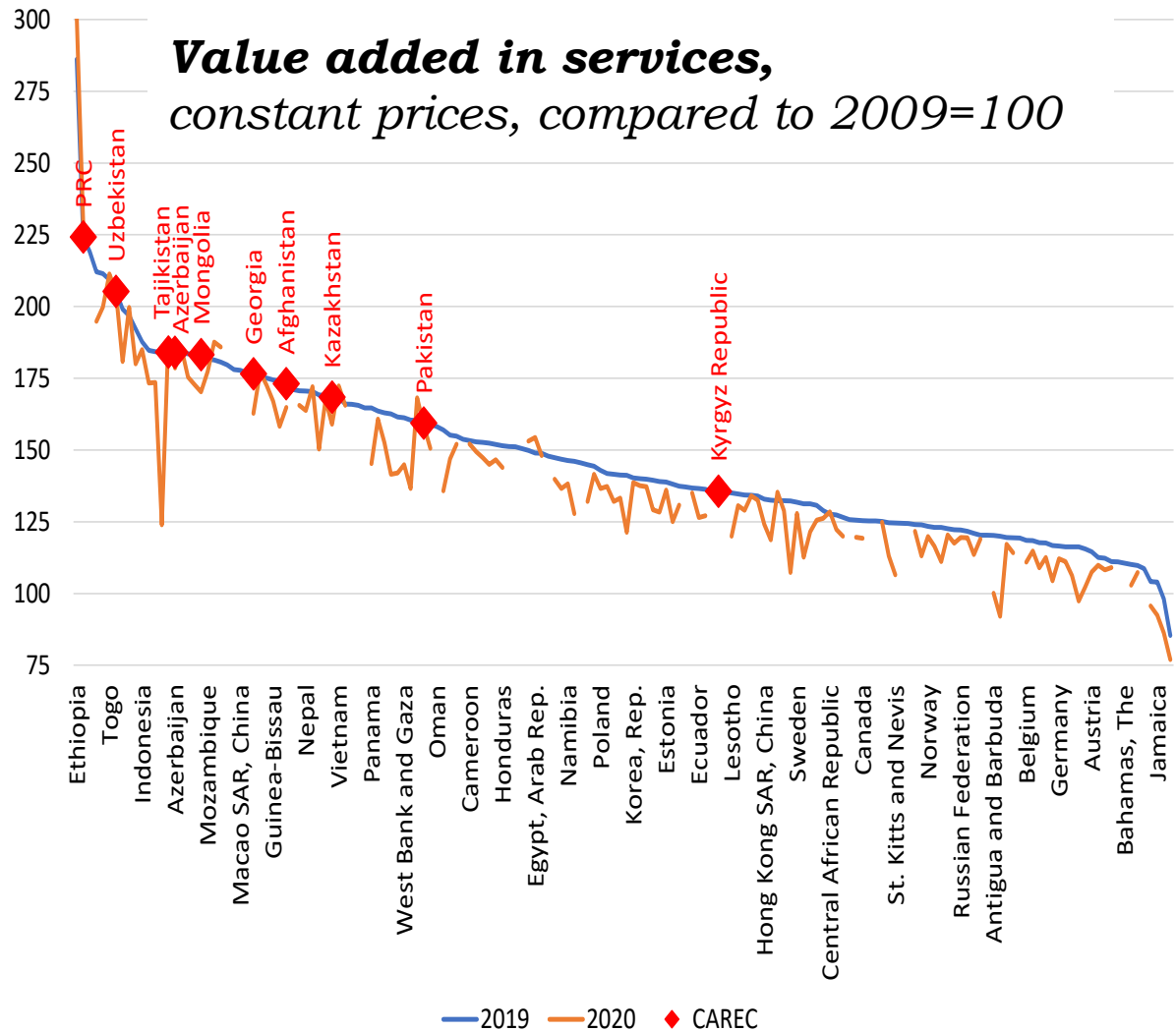


Kazakhstan, Q1 2019 = 100, sa



Source: CEIC, national statistics agencies, CI estimates

CAREC services were among the fastest growing globally since 2009, although from various shares in GDP.



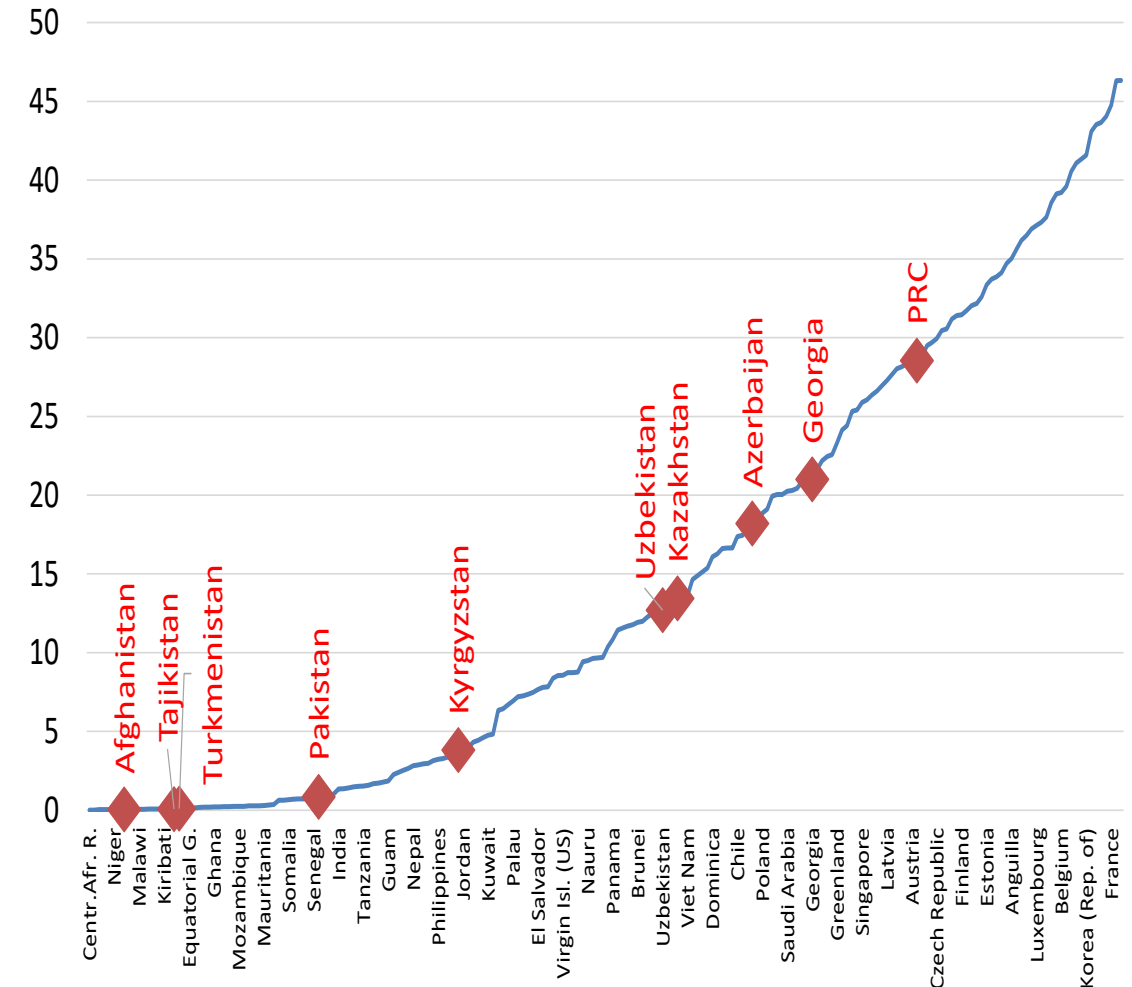
Source: WB, national statistics agencies. CI estimates

What is “services”? What impact will digitalization have?

| Kazakhstan NACE (final draft) | in % of GDP | | |
|--|-------------|-------------|-------------|
| | 2010 | 2019 | 2020 |
| Services | 51.7 | 55.6 | 56.0 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 13.0 | 17.0 | 17.2 |
| Real estate activities | 8.6 | 7.5 | 7.2 |
| Transportation and storage | 8.0 | 8.0 | 6.8 |
| Professional, scientific and technical activities | 3.9 | 4.4 | 4.1 |
| Education | 3.2 | 2.7 | 3.6 |
| Financial and insurance activities | 3.6 | 3.2 | 3.4 |
| Human health and social work activities | 1.7 | 1.9 | 2.6 |
| Other service activities | 0.9 | 3.0 | 2.5 |
| Information and communication | 3.1 | 2.0 | 2.4 |
| Administrative and support service activities | 1.9 | 2.3 | 2.3 |
| Public administration and defence; compulsory social security | 2.1 | 1.7 | 1.9 |
| Accommodation and food service activities | 1.0 | 1.1 | 1.0 |
| Arts, entertainment and recreation | 0.6 | 0.7 | 0.9 |
| Activities of households as employers | 0.1 | 0.1 | 0.1 |

Source: <https://stat.gov.kz/official/industry/11/statistic/8>

Fixed-broadband subscriptions per 100 inhabitants



Source: <https://www.itu.int>, chart by the author

How does e-commerce impact employment and value-added in trade? And what is the future of other services?

| Employment (Kazakhstan) | thousands persons | | | |
|--|-------------------|--------------|--------------|---------------|
| | 2010 | 2019 | 2020 | 2020 |
| Total number of persons employed in the economy | 8,114 | 8,781 | 8,732 | 100.0% |
| Services | 4,278 | 5,866 | 5,837 | 66.8% |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 1,224 | 1,431 | 1,421 | 16.3% |
| Education | 816 | 1,109 | 1,109 | 12.7% |
| Transportation and storage | 512 | 638 | 618 | 7.1% |
| Human health and social work activities | 370 | 503 | 512 | 5.9% |
| Public administration and defence; compulsory social security | 377 | 495 | 489 | 5.6% |
| Other service activities | 114 | 296 | 307 | 3.5% |
| Administrative and support service activities | 167 | 292 | 286 | 3.3% |
| Professional, scientific and technical activities | 149 | 256 | 255 | 2.9% |
| Accommodation and food service activities | 105 | 197 | 194 | 2.2% |
| Financial and insurance activities | 105 | 190 | 189 | 2.2% |
| Information and communication | 109 | 162 | 160 | 1.8% |
| Real estate activities | 139 | 154 | 158 | 1.8% |
| Arts, entertainment and recreation | 90 | 142 | 138 | 1.6% |

Source: <https://stat.gov.kz/official/industry/25/statistic/>

Emerging and redundant job roles (Consumer)

Role identified as being in high demand or increasingly redundant within their organization, ordered by frequency

EMERGING

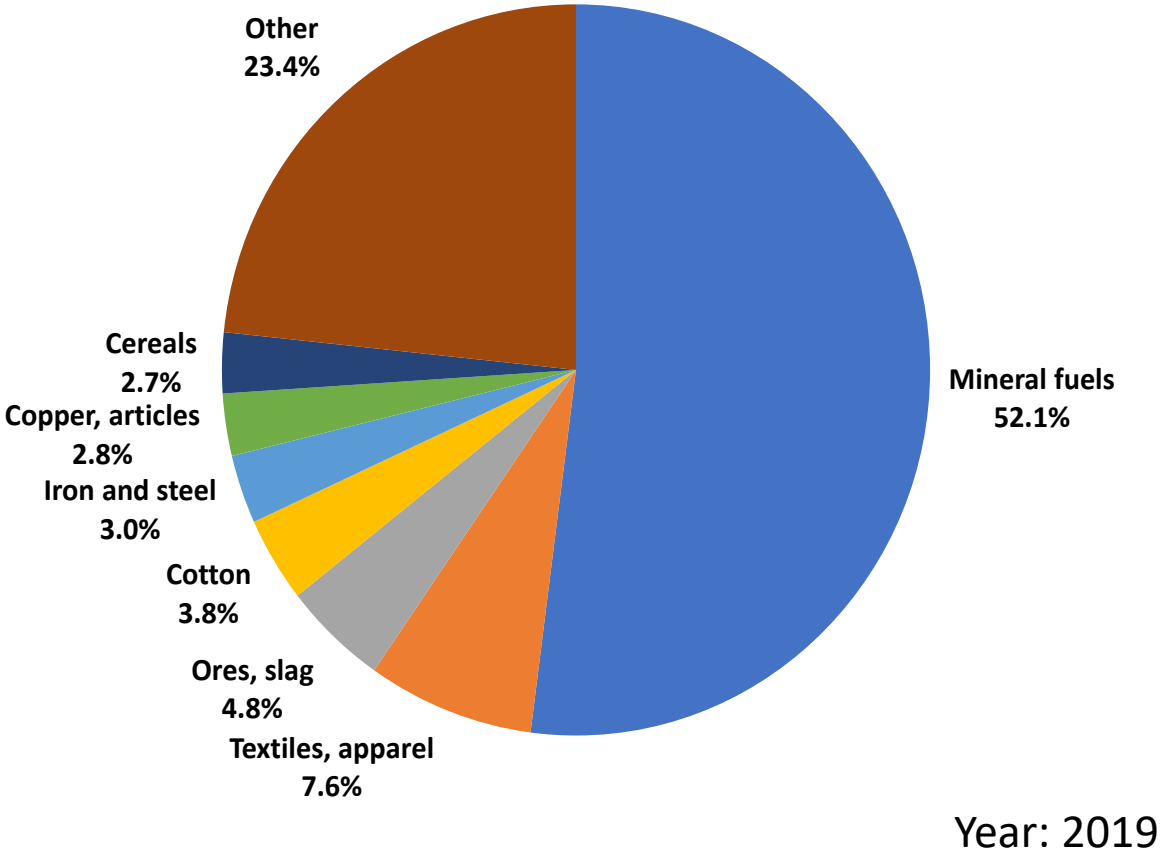
| | |
|-----|--|
| 1. | Data Analysts and Scientists |
| 2. | Big Data Specialists |
| 3. | AI and Machine Learning Specialists |
| 4. | Process Automation Specialists |
| 5. | Food Processing and Related Trades Workers |
| 6. | Organizational Development Specialists |
| 7. | Management and Organisation Analysts |
| 8. | Database and Network Professionals |
| 9. | Business Development Professionals |
| 10. | Assembly and Factory Workers |

REDUNDANT

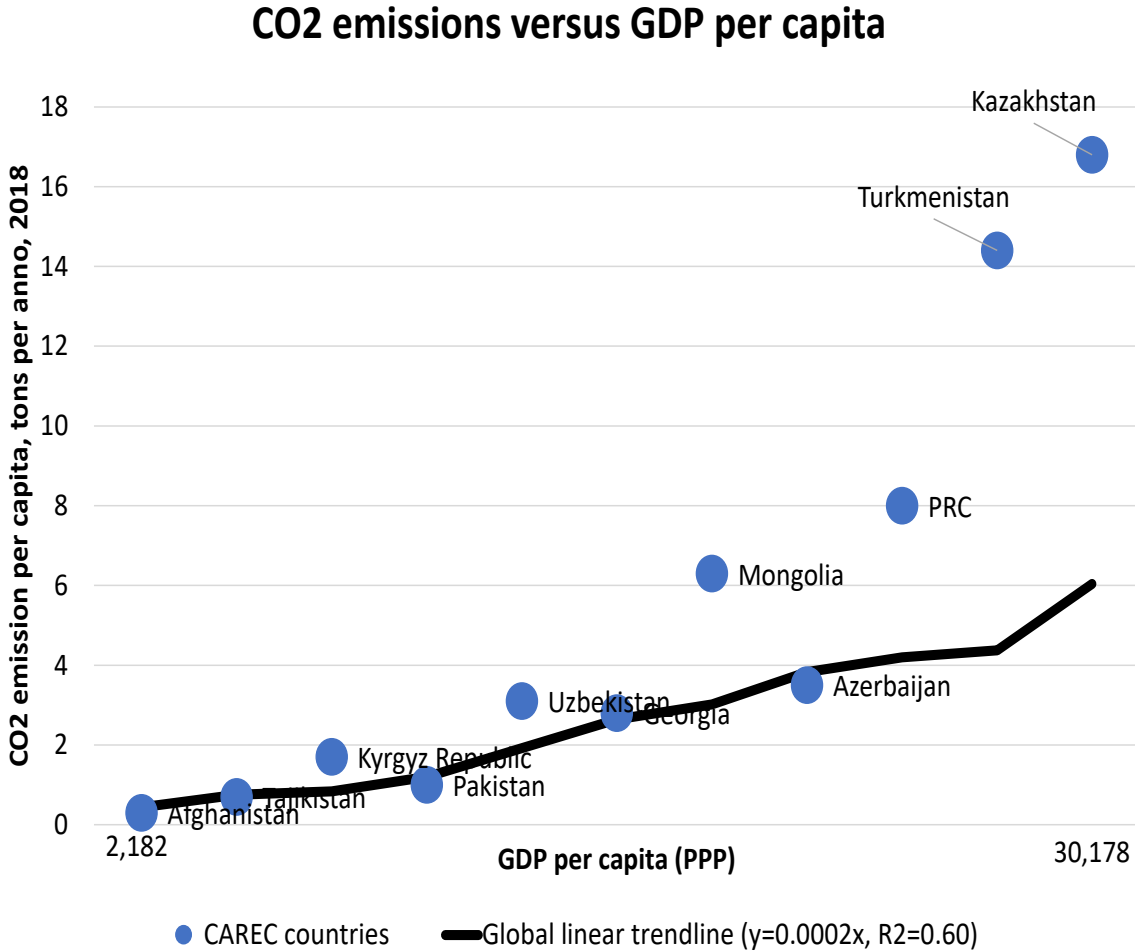
| | |
|-----|--|
| 1. | Data Entry Clerks |
| 2. | Administrative and Executive Secretaries |
| 3. | Accounting, Bookkeeping and Payroll Clerks |
| 4. | Accountants and Auditors |
| 5. | Mechanics and Machinery Repairers |
| 6. | Sales Representatives, Wholesale and Manufacturing, Technic... |
| 7. | Material-Recording and Stock-Keeping Clerks |
| 8. | Door-To-Door Sales Workers, News and Street Vendors, and R... |
| 9. | Client Information and Customer Service Workers |
| 10. | Assembly and Factory Workers |

Source: https://www3.weforum.org/docs/WEF_Future_of_Jobs_2020.pdf 7

CAREC(ex PRC) exports are highly vulnerable to price fluctuations and decarbonization. Better to go for services?



Source: TradeMap, chart by the author



Source: Emissions Database for Global Atmospheric Research (EDGAR), national statistics agencies, calculations and chart by the author

Some concluding questions (Chai allows philosophy)

- Will GDP growth, digitalization and other technological change induce a **further shift towards services in the CAREC region**? If so to which type of services? Or will the opposite take place thanks to new comparative advantages in agriculture and industry? *(My quick guess would be some further shift to services, but along with fundamental changes in agriculture and industry.)*
- To what extent will **e-commerce** and **enhanced connectivity** increase **competition and** to what extent **cooperation** between CAREC(excluding the PRC) companies **with companies from outside the region**? What will be the **effect on employment in trade and logistics**? **(No barakholka anymore?)** *(My quick guess would be a much larger role for external players, but trade still an important domestic employer and goods forwarding the more.)*
- What will be the net effect on GDP growth in the CAREC region from the accelerated technological change brought about by digitalization and decarbonization? **A slower new normal or a re-acceleration**? *(My quick guess would be slower growth for a decade or so.)*

Looking forward to a fruitful discussion!



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