

Analysis of the retail e-commerce market in the Republic of Kazakhstan

October 2023



Important note

Strategy&, Part of the PwC network, together with the Digital Kazakhstan Association (“DKA”) presents the results of the study “Analysis of the retail e-commerce market*” in the Republic of Kazakhstan” for 6 months of 2023. Data analysis was conducted by the Data & Analytics team, comprising data analysts, data engineers and consultants with industry expertise.

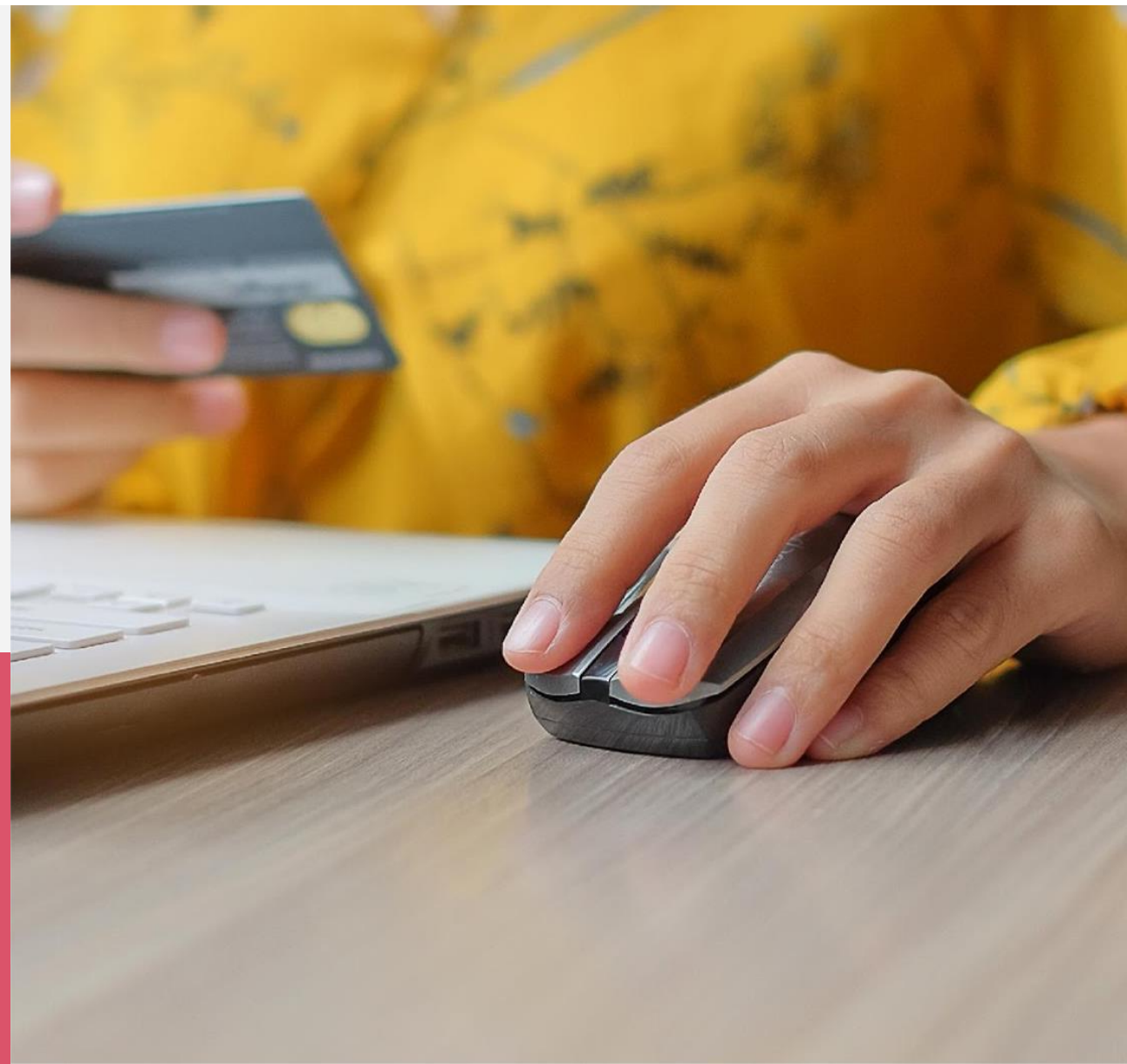
The major representatives of the e-commerce market in Kazakhstan took part in the study: Mechta.kz, Kaspi.kz, Halyk Market and other respondents who wished to remain anonymous.

The results of the study reflect:

- Overview of the retail e-commerce market for 6M2023
- Sales volumes and number of transactions
- Average spend and changes in average spend



* The definition of retail e-commerce includes business activities related only to the online sale of goods to individuals with delivery or pickup from stores and points of issue. The following categories are excluded from the calculations: the sale of railway and air tickets, food delivery, ad sites, coupon services, utility and other payments, as well as other categories not related to the sale of goods to individuals.



Introduction



Natalya Lim

Strategy & Partner and
Eurasia Advisory Leader

The retail e-commerce market in Kazakhstan is pursuing a path of significant growth over the past few years, despite the turbulent developments of 2022, peak values of annual inflation, declining purchasing power and rising costs of living overall at the global level. In the first half of 2023 market size amounted to KZT 896 billion, which is already more than 66% of the market size for the whole year of 2022. Taking into account data for the previous periods and the seasonal pattern of market dynamics, it can be assumed that in the second half of 2023 the market size will be even greater.

In addition to government support in increasing the level of digitalization in the country as a whole and developing the e-retail commerce market, the main factor in market growth in 2023 may be the emergence of new large marketplaces.

Sales volume for 6M2023 increased by 79% compared to the corresponding period of the previous year, while the number of transactions increased by 87% reaching 36 million, resulting in a 4% decrease in the average spend in Tenge. It is also interesting to note that the decrease in the average spend in Tenge in the first half of 2023 compared to the previous half of the year was 13%, which was a record six-month decrease in the average spend for the entire reviewed period (2019-2023). It may be assumed that financial instability amid high inflation, geopolitical risks, the energy crisis and the cost of living crisis in general could affect the behavioral patterns of consumers, people focused on purchasing essential goods and replacing goods with cheaper alternatives.

We express our sincere acknowledgements to all participants in the study. We would like to point out that while we did not obtain permission from all of the respondent companies to disclose their names, our study included data that we believe represents 85% of the retail e-commerce market in Kazakhstan.

Sincerely yours,

Natalya Lim

Overview and objectives of the study

Representatives of retail e-commerce in Kazakhstan took part in the survey. Some participants in the study provided us with detailed comments that were included in the content of the study.

In order to obtain the most complete and balanced picture, the largest market players from the e-retail sector and second-tier banks were involved. Among our respondents are Mechta.kz, Kaspi.kz, Halyk Market, and other respondents who wished to remain anonymous.

The study analyzed data for 6 months of 2023. The experts were asked to answer questions regarding the total volume and number of online sales. To accurately determine the average monthly USD/KZT exchange rate, the data of the National Bank of the Republic of Kazakhstan were used. Data on growth and value of inflation were taken from the National Bureau of Statistics of the Republic of Kazakhstan.

In addition, respondents were asked to share their opinion on the development of the retail e-commerce market in 2023, trends, barriers, and changes in consumer behavior that affected business development.

Our analysis of the retail e-commerce market in the Republic of Kazakhstan is published on a regular basis, 2 times a year. We analyze the data for six months, which gives our readers the opportunity to familiarize themselves with the movements in the presented indicators in more detail and learn the opinion of the market players.

Data analysis was conducted by the Data & Analytics team, comprising data analysts, data engineers and consultants with industrial expertise.

The team has expertise in conducting different kinds of analytical research in various areas of the economy, involving relevant industry experts. Our team also prepares and issues the following regular reports:

- [Kazakhstan macroeconomic review](#)
- [Analysis of the payment market in Kazakhstan](#)
- [Analysis of changes in prices in Kazakhstan](#)

Additionally, we have developed a Retail Ecommerce Dashboard, where you can see data with additional breakdowns and compare them interactively for different periods using filters to obtain different perspectives based on aggregated data from the current analysis, data from other public analyses by PwC and public information.

In case you are interested in accessing the Retail Ecommerce Dashboard, please contact Marina Kim (marina.k.kim@pwc.com) or Viktoriya Gorlanova (viktoriya.gorlanova@pwc.com).

The survey for this report was conducted in August 2023.



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Research methodology

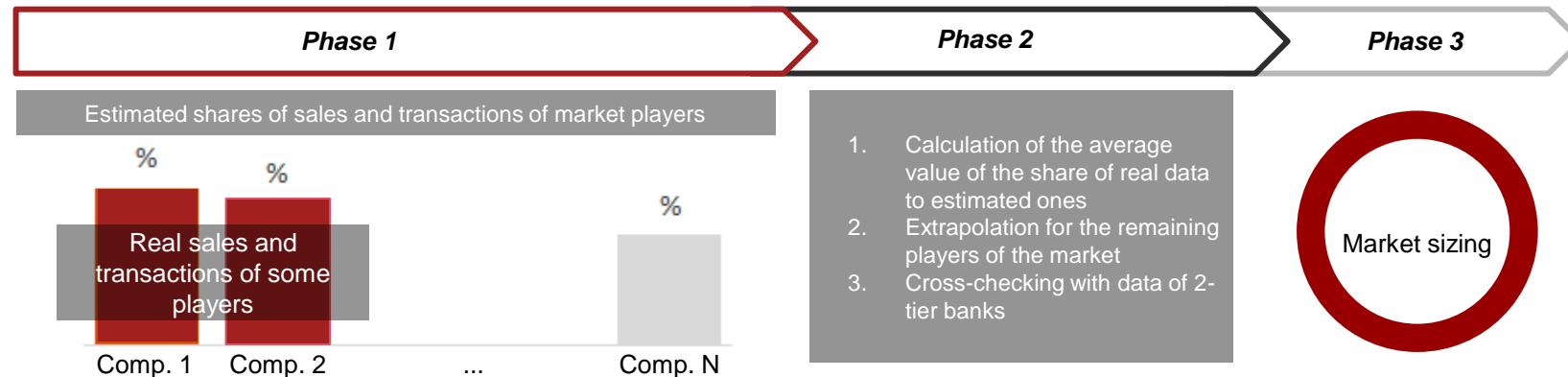
The market volume has been calculated on the basis of data provided by the key e-commerce players, DKA, as well as some second-tier banks of the Republic of Kazakhstan.

The definition of "electronic commerce" includes entrepreneurial activity associated only with the online sale of goods to individuals with delivery or pickup from stores and pickup points. The following categories are excluded from the calculations: the sale of railway and air tickets, food delivery, ad sites, coupon services, utility and other payments, as well as other categories not related to the sale of goods to individuals. DKA provided estimated sales data for the largest e-commerce retail players.

Several major players in the e-commerce retail sector provided real data on sales volume and number of transactions.

Further, the shares of the ratio of real data of companies to the estimated data of DKA were determined. The average of the shares is then used to extrapolate data for each player in the retail e-commerce sector.

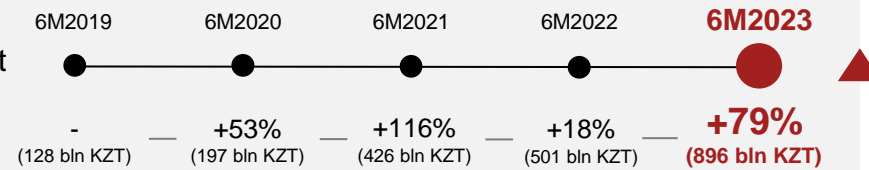
The figures are then cross-checked with aggregated data from some of the second-tier banks that participated in the study. In case of discrepancies, the shares are adjusted and, as a result, the volume of the retail e-commerce market is derived.



Key findings

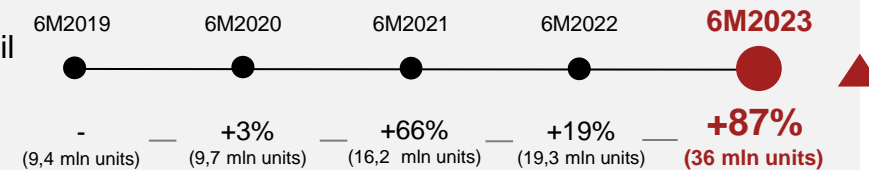
01

Retail e-commerce market size



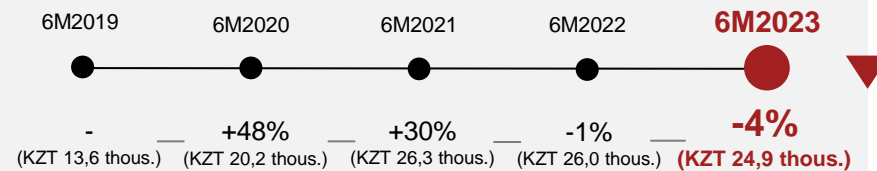
02

Number of completed retail e-commerce transactions



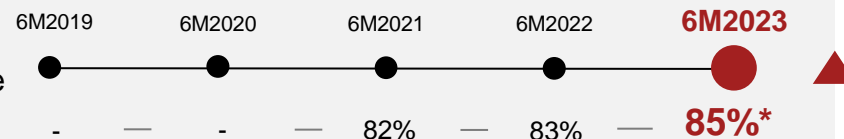
03

Average spend amount



04

Share of marketplace sales from total retail e-commerce sales in Kazakhstan

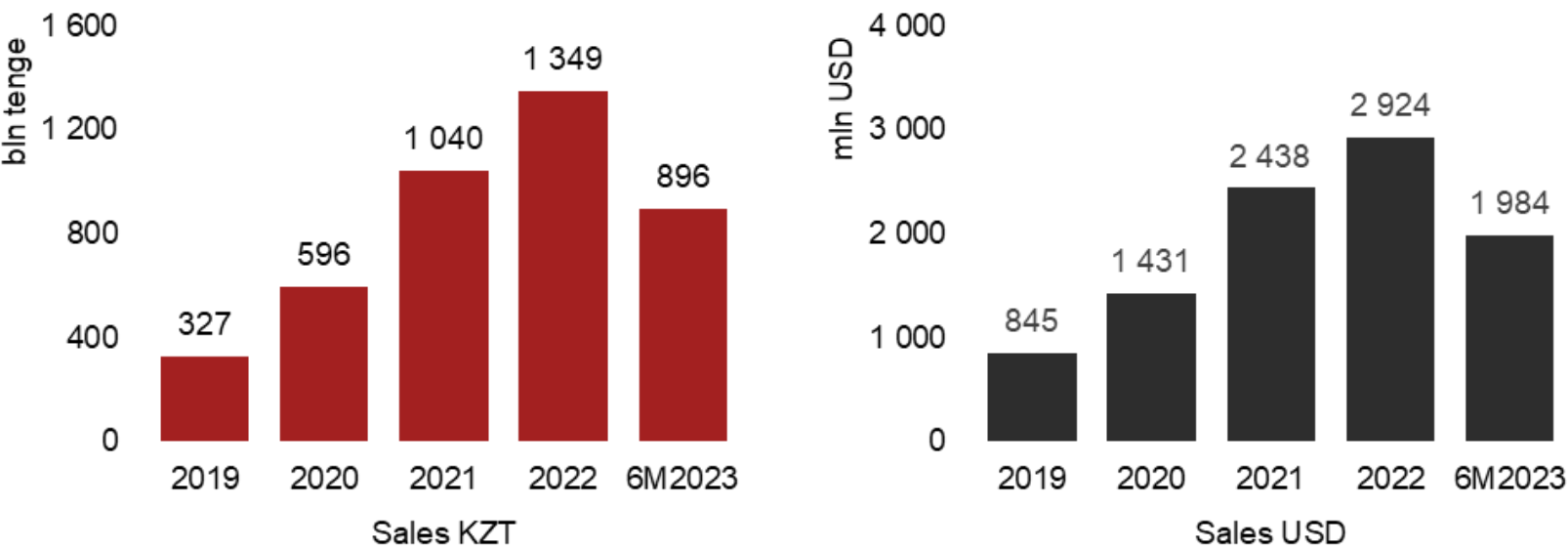




01

Retail e-commerce market 6M2023

Total sales for 2019, 2020, 2021, 2022 and 6M2023



Source: analysis of the retail e-commerce market in RK

The retail e-commerce market for 6M2023 in Kazakhstan is growing at a considerable pace. In the first half of 2023 alone, the amount of online sales amounted to more than 66% of the total sales for the entire 2022, reaching KZT 896 billion, which is up 6% from the previous half-year (2H2022 – KZT 848 billion).

Despite the slowdown of market growth observed in previous periods, market growth in 6M2023 has been much greater than in the same period of 2022. Thus, the market grew by 79% or KZT 395 billion in 6M2023 compared to 6M2022, while in 6M2022 the growth was only 18% or KZT 75 billion.

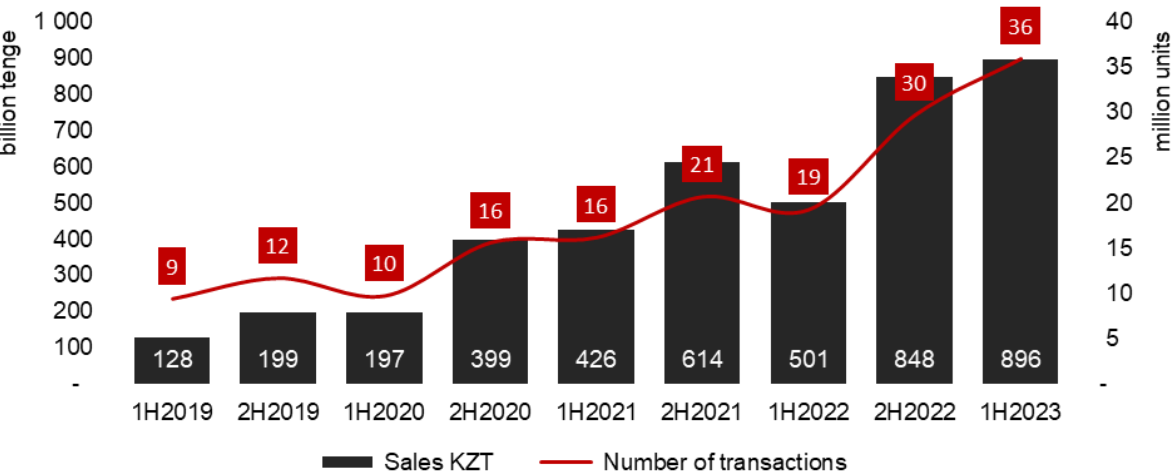
Market growth is influenced by many factors, including government support in increasing the level of digitalization and developing the retail e-commerce market on the one hand, and the established consumer habits of buying goods online on the other hand. In addition, in 2023 we can observe an increase in sales from major international marketplaces such as Pinduoduo, Taobao, Trendyol which would potentially provide an opportunity to sell goods made in Kazakhstan.

KZT **896** billion

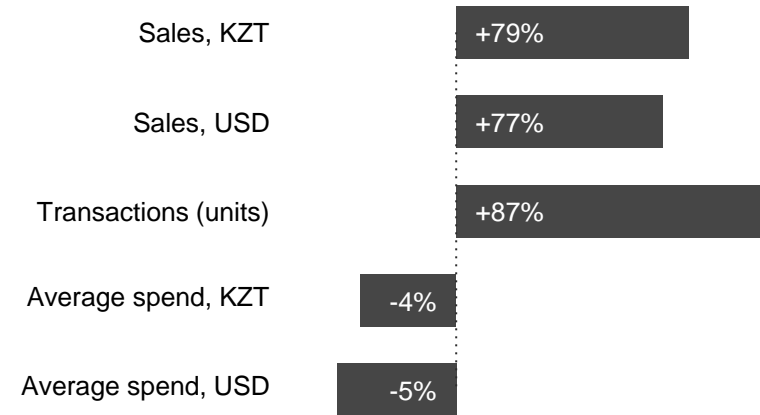
was the size of the retail ecommerce market in Kazakhstan in the first half of 2023



Dynamics of changes in sales volume and number of transactions for the periods



Changes in key indicators in the first half of 2023 compared to the first half of 2022



Source: analysis of the retail e-commerce market in RK

by **87%**

number of transactions increased in the first half of 2023 compared to the same period in 2022

While analyzing the values of sales volume and the number of transactions by half-years, we can observe a similar trend in changes in these two indicators. In the first half of 2023, the number of transactions increased by 21% from 30 to 36 million units compared to the previous half of the year, while the amount of sales increased by 6% from KZT 848 to KZT 896 billion in the same period.

This dynamics entailed a significant decrease in the average spend in Tenge by KZT 3,6 thousand or 13% during the 1H2023 relative to 2H2022, which was the most significant six-month decrease in the average spend in Tenge for the entire reviewed period.

The penetration of e-commerce retail in general retail continues to grow, reaching 12% in 2023 (in 2022 - 8.2%)*. The share of sales from marketplaces in the first half of 2023 accounted for 85% compared to 83% in 2022. The annual increase in sales from marketplaces was 83%, while sales from online stores increased by 59%. **

* Retail sales volume to calculate retail e-commerce market penetration is taken from stat.gov.kz

** Specified based on the new inputs from the data supplier



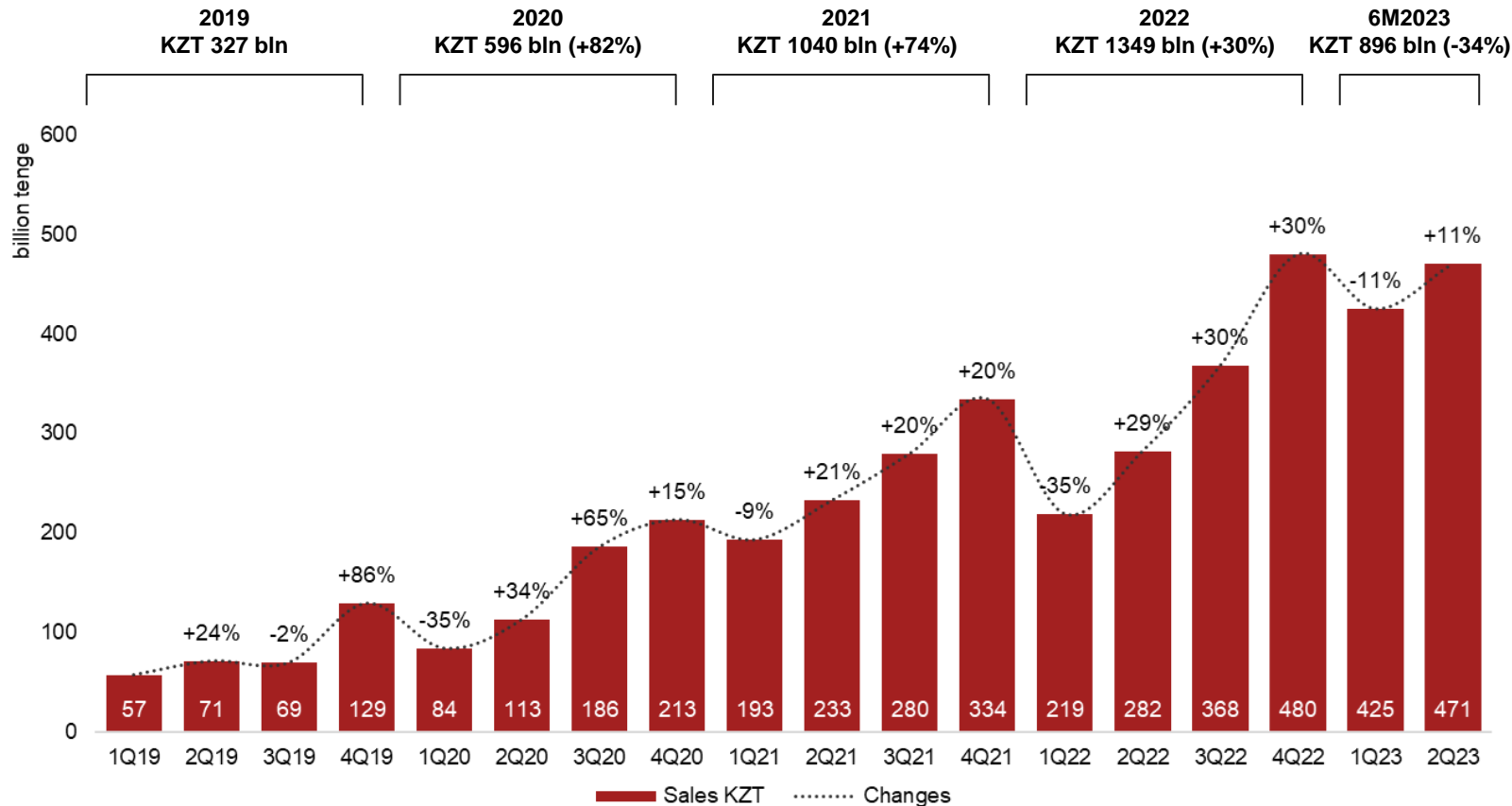
02

Sales volumes in the retail e-commerce market

Sales volumes in the first half of 2023 in Kazakhstan increased significantly by 79%, reaching an impressive KZT 896 billion, an increase of KZT 395 billion compared to 6M2022.

The 11% quarterly decline in sales turnover in 1Q2023 should be analyzed taking into account several factors, including natural seasonal variations - market indicators go down after the holiday period. There was a decrease in sales volume up to KZT 425 billion, which is nevertheless 94% higher than the value of the same period in 1Q2022, where there was a decrease of 35% after the holiday period. However, it would also be necessary to take into account changes in the purchasing power of the population. Despite the growth of average salaries by 19,3% in 1Q2023 compared to 1Q2022, the high level of inflation actually reduced real purchasing power, which could affect the decline in sales volumes.

Change in sales dynamics by quarters



Source: analysis of the retail e-commerce market in RK

by **11%**

sales decreased in 1Q2023
compared to the previous
quarter

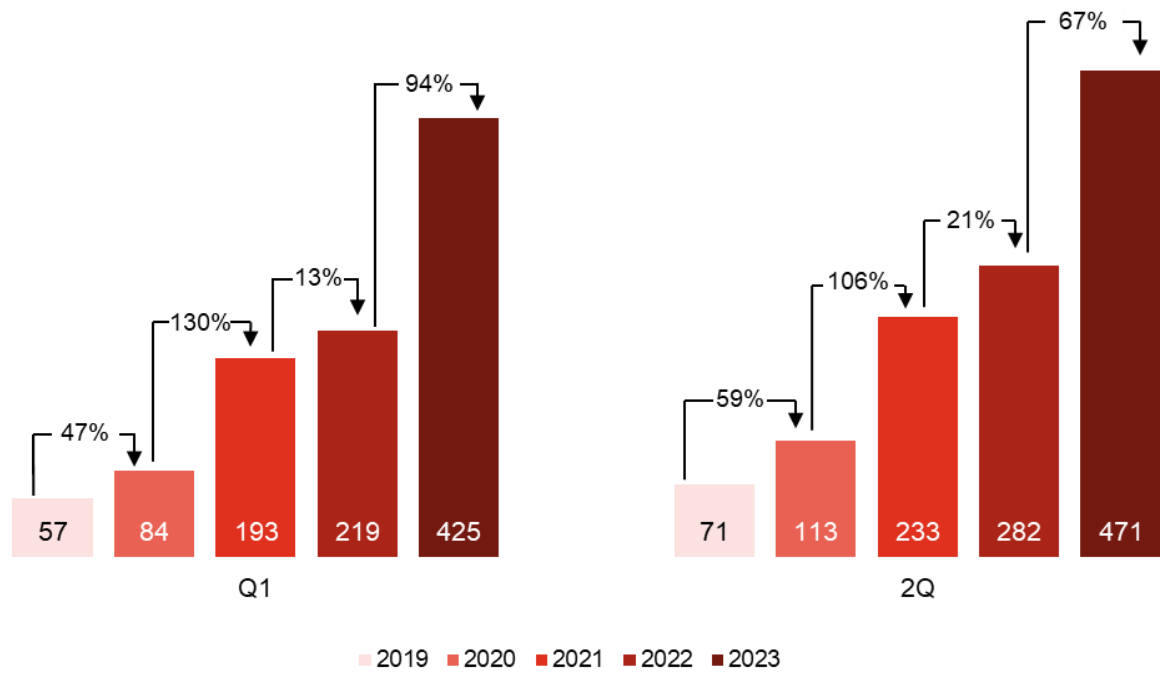


In spite of the fact that there has been a slowdown in the growth rate of the retail e-commerce market during previous periods, the analysis of annual changes in the first and second quarters of 2023 shows a significant increase of 94% and 67%, accordingly.

Such unexpected market dynamics could have been influenced by many factors, including the peak value of inflation in 1Q2023, the emergence of major international marketplaces, the simplification of the process of registering new merchants on marketplaces, as well as the low base of the last year, when sales volumes in the first quarter grew by only 13% over the year.

Interestingly, the sales volumes in 1Q and 2Q2023 are 1,9 and 1,7 times higher than last year's values in the same periods, accordingly.

Annual movements in sales volume in KZT by quarters and in comparison in 2019, 2020, 2021, 2022, and 2023



by 94%

sales volume increased in 1Q2023 compared to the same period in 2022





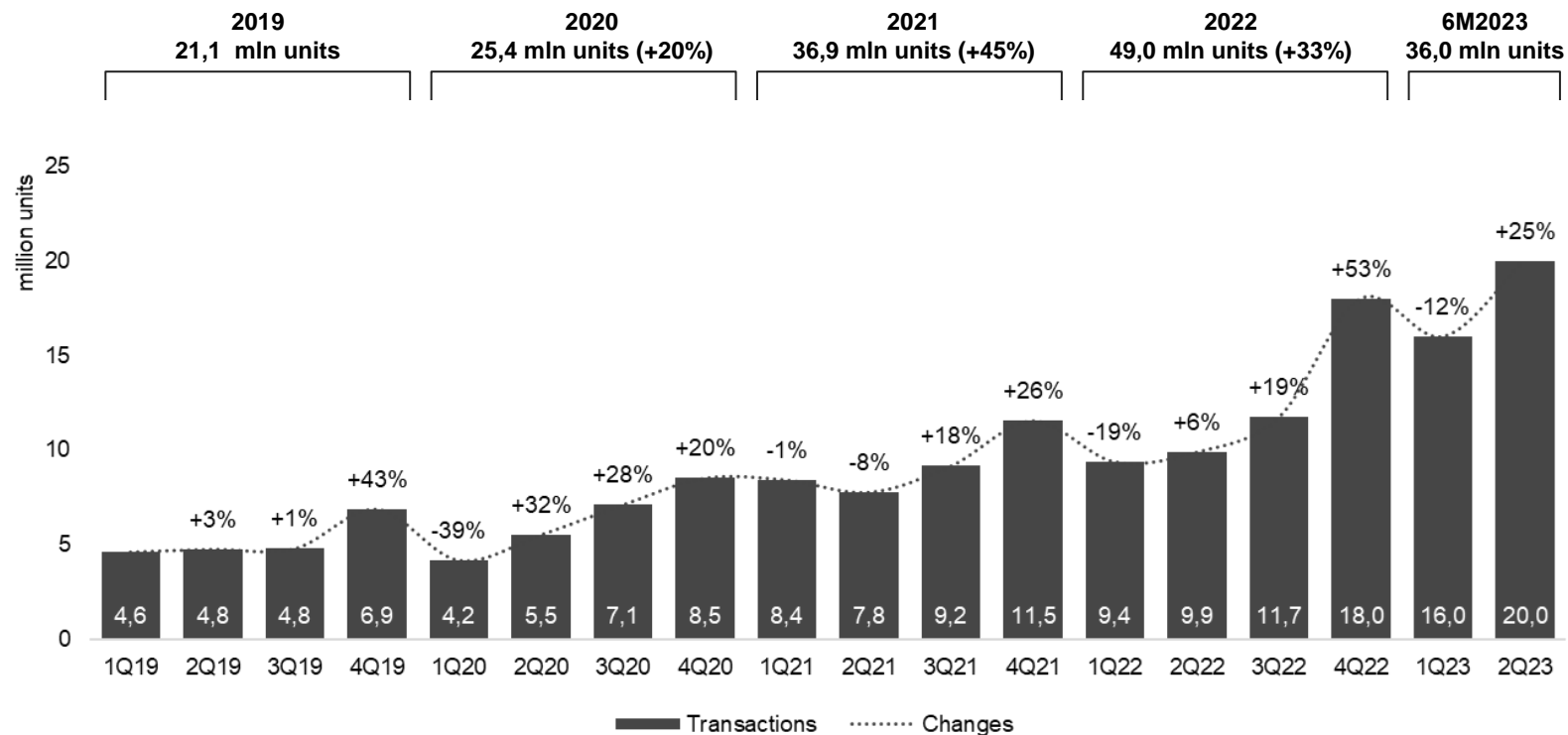
03

Number of transactions in the retail e-commerce market

by **25%**

number of transactions increased in 2Q2023 compared to the previous quarter

Change in the number of transactions dynamics by quarters

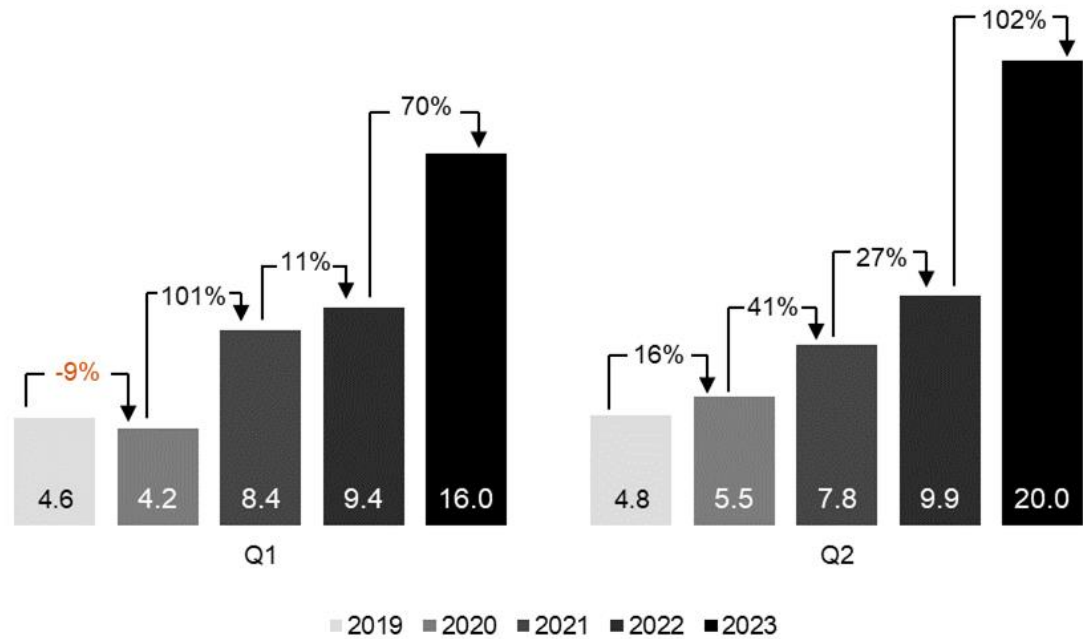


Source: analysis of the retail e-commerce market in RK

There was an increase in the total number of transactions up to 36,0 million units in the first half of 2023, which is 87% higher than the value of the first half of 2022 and 40% higher than the value of the previous half of the year. Thus, the number of transactions for the first half of 2023 was already more than 73% of the value of the entire 2022 and almost reached the value of 2021.

When comparing the dynamics of changes in the number of transactions and sales volume in 1Q2023, we can notice similar dynamics of these two indicators. In 1Q2023, sales fell by 11% compared to the previous quarter, and the number of transactions fell by 12%. In 2Q2023, there was a more significant difference in trends, the number of transactions increased by 25%, while sales increased by only 11%, which resulted in a further decrease in the average spend in Tenge.

Annual changes in number of transactions by quarters and comparing 2019, 2020, 2021, 2022, and 2023



Source: analysis of the retail e-commerce market in RK

When analyzing the annual changes in the number of transactions by quarter, we can notice that the growth in the number of transactions increased significantly by 70% and 102% in 1Q and 2Q2023, amounting to 16,0 and 20,0 million transactions, accordingly. It is worth mentioning that the annual increase in 2Q2023 became 5-year maximum, and the number of transactions was the maximum value for the entire period under review.

Taking into account the great difference in the trend in changes in sales volume and the number of transactions in 2Q2023, we can observe a decrease in the amount of the average spend in Tenge by 12%. As a result, consumers continued to make online purchases more often but for smaller amounts.

This significant increase in the number of transactions is influenced by many factors, such as planning of new logistics facilities, an increase in active local suppliers, the entry of new players, the development of more convenient online payment methods, the development of business models of players in the retail e-commerce market, including improved delivery methods, and a decrease in the minimum ordering limit, expanding the product rang.

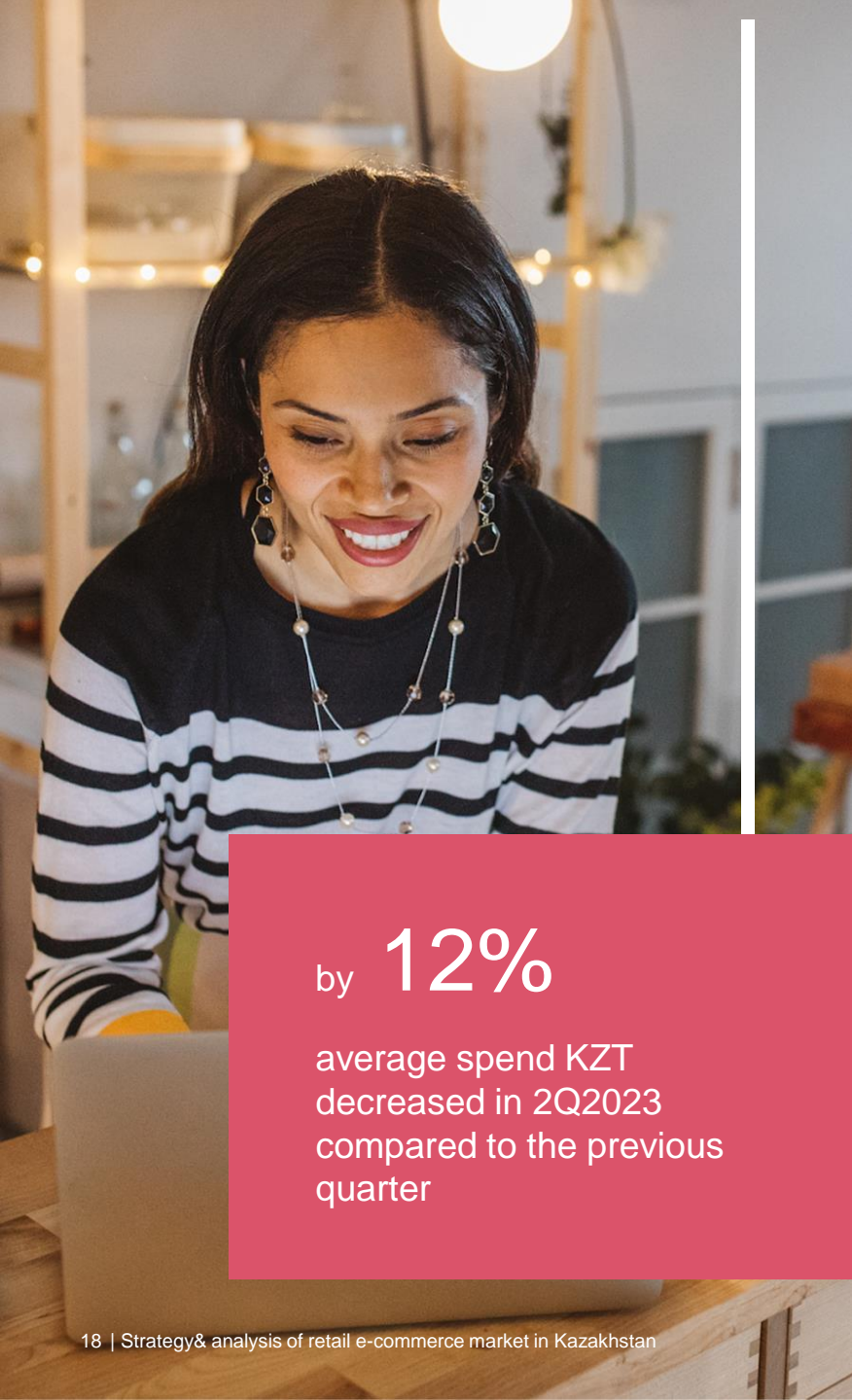
In addition, a striking growth in the number of transactions may be influenced by changes in the methods of processing data on online orders by individual market players. For example, one online order can be counted as several transactions depending on the accounting methodology of market participants.

by **102%**
number of transactions increased
in 2Q2023 compared to 2Q2022



04

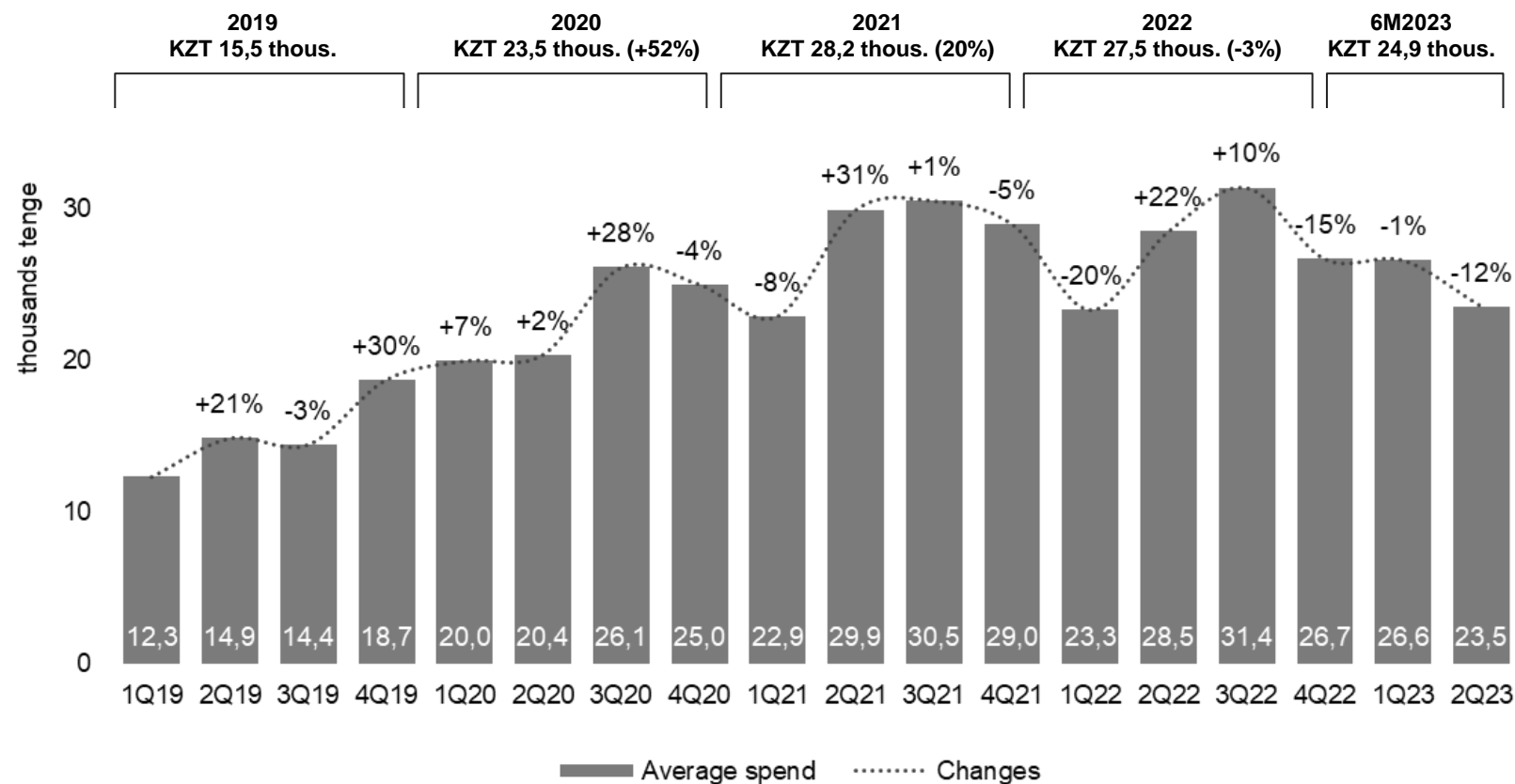
Average spend in the retail e-commerce market



by **12%**

average spend KZT
decreased in 2Q2023
compared to the previous
quarter

Change in average spend KZT dynamics by quarters



Source: analysis of the retail e-commerce market in RK

The average spend for 6M2023 was KZT 24,9 thousand, which is 4% lower than in the same period last year and 13% lower than the previous half of the year. Quarterly decline in the average spend amounted to 1% and 12% in 1Q and 2Q2023, accordingly.

On the one hand, persistent high inflation and the weakening of the national currency led to a further decline in consumer activity. On the other hand, the decrease in the average spend may be due to the seasonal pattern of market indicators - consumers make more significant online purchases in the second half of the year, taking into account preparations for the new academic year, the holiday period, promotions and various marketing campaigns.

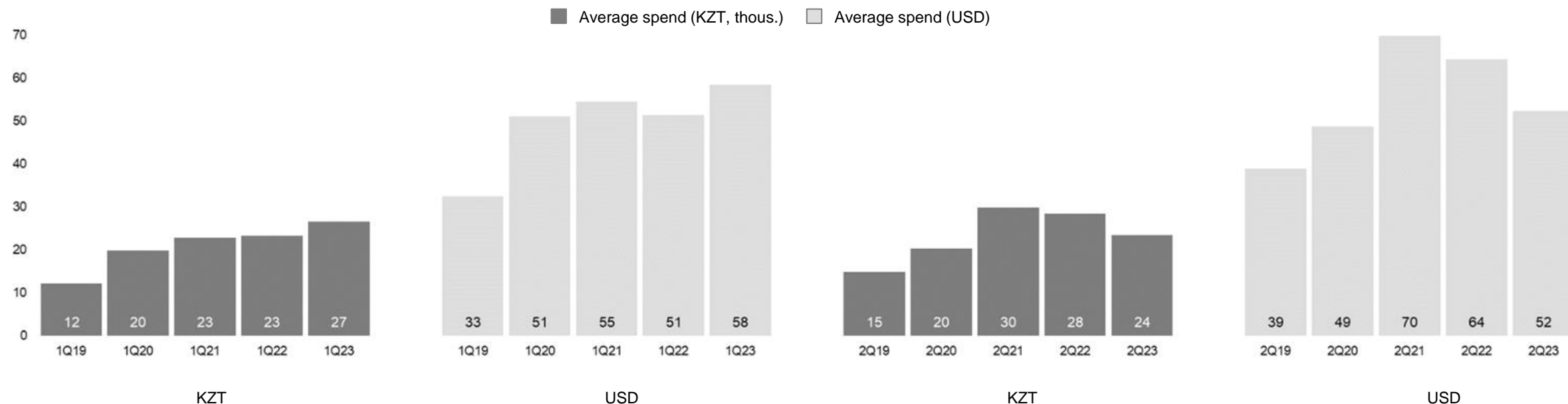
by **19%**

amount of average spend in USD
decreased in 2Q2023 compared to
2Q2022

Analysis of annual changes in average spend in each quarter reveals an interesting dynamics. In 1Q2023, there was an annual increase in the average spend in KZT and USD by 14%. In 2Q2023, there was a decrease in the average spend in KZT and in USD by 17% and 19%, accordingly. This is due to a slight increase in sales volume and a huge increase in the number of transactions in these periods. It is also worth noting that the highest value of the weighted average exchange rate of the USD/KZT currency pair was in January (462,61 Tenge per US Dollar), and the lowest value of average exchange rate of 446,60 Tenge per US Dollar in May 2023.

Additional analysis of the average spend by type of online platform, as well as local and international players, revealed interesting trends. For example, over the period 12M2022, the average transaction amount from online stores exceeded the average purchase amount from marketplaces by almost 17%, while in 2021 the opposite trend was observed. The average transaction amount from local platforms in 2022 exceeded the average purchase amount from international platforms by almost 5 times.

Annual changes in average spend in KZT (thous.) and USD by quarters and comparing 2019, 2020, 2021, 2022, and 2023

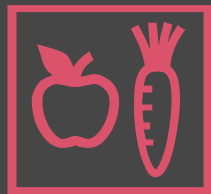


Source: analysis of the retail e-commerce market in RK

Thank you

We would like to express our gratitude to each participant of our study for their time, opinion and invaluable assistance in shaping the results.

We hope that the result of our joint efforts will contribute to a deeper understanding of the current processes in the development of e-commerce and in changing consumer behavior taking place in Kazakhstan.



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Notes
