Economic Newsletter on Kazakhstan

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The Economic Section of the Embassy of the Kingdom of the Netherlands in Kazakhstan intends to distribute this newsletter as widely as possible among Dutch institutions, companies and persons from the Netherlands. The newsletter summarises economic news from various Kazakhstani and foreign publications and aims to provide accurate information. However, the Embassy cannot be held responsible for any mistakes or omissions in the bulletin.
MACRO-ECONOMICS & FINANCE
IMF assesses the state of Kazakhstan’s economy
The International Monetary Fund has forecast a decline in Kazakhstan’s GDP by 2.5% in 2020. According to the forecast published in the April IMF report, in 2020 the real GDP of Kazakhstan will decrease by 2.5%. However, already in 2021, growth is expected at 4.1%. Consumer prices in the country will increase by 6.9% in 2020 and 6.8% in 2021. Unemployment will grow by 7.8% this year and by 5.8% in 2021. In 2019, this indicator was 4.8%.
Meanwhile, according to the forecast, the global economy will shrink this year by 3%, but will grow by 5.8% next year. The report notes that this is much worse than the financial crisis of 2008-2009.
“Under such a basic scenario, assuming that the pandemic will end in the second half of 2020 and that efforts to contain it can be gradually abandoned, the global economy will grow by 5.8% in 2021,” the fund said.
The negative economic consequences due to coronavirus depend on many factors that overlap. Therefore, it is difficult to predict the extent of supply disruptions, the consequences of a sharp tightening of conditions in the global financial market, shifts in established spending patterns, behavioral changes (such as avoiding shopping centres and public transportation by the population), consequences for consumer confidence, and volatility in commodity prices.
Also, according to the IMF forecast, the average cost of oil will be $34.8 per barrel in 2020 and $36.4 per barrel in 2021, LS reported.

Foreign investment in Kazakhstan reaches $350 billion over 20 years
The largest amount of foreign investment was in the subsoil industry of Kazakhstan in 2019 accounting for 56.3%, the press service of National Company Kazakh Invest told New Europe on April 9.
“The mining industry attracted a record foreign investment of $13,586 million; $3.5 billion was invested in manufacturing, $3 billion in trade, $1.1 billion in transportation and warehousing, and more than $1 billion in financial and insurance activities. In turn, investors directed 50% more funds into the production of food, drinks and tobacco products,” Kazakh Invest said.
According to Kazakh Invest, the five countries with the largest foreign direct investment in 2019 remained unchanged.
“Investors from the Netherlands made the most investments in the economy of Kazakhstan with $7.3 billion (with a share of 30.2%). Investors from the United States with $5.5 billion (23.0%), Switzerland with $2.2 billion are in second and third places, respectively. Chinese investors pushed investors from Russia and took fourth place with $1.7 billion (7.0%), Russia closed the top five with $1.4 billion (5.8%),” the company said.
Kazakh Invest experts noted the positive dynamics of foreign direct investment inflows from Belarus and France. At the end of 2019, Belarusian investors increased their investment by 50% from $59 million to $87 million, and French investors by 17% from $916 million to $1.1 billion.
In turn, a decline in activity was demonstrated by investment flows from Belgium, Canada, Luxembourg, Germany and India. Compared to $2.1 billion in 2018, these countries accounted for only $1.6 billion in 2019.
According to the National Bank of Kazakhstan, over the years of independence, the total gross inflow of foreign direct investment into the economy of Kazakhstan amounted to about $350 billion, while at the end of 2019, the gross inflow of foreign direct investment to Kazakhstan amounted to $24.1 billion against $24.3 billion in 2018 year, New Europe reported.
Kazakhstan’s public debt is close to 18 trillion tenge
The state debt of Kazakhstan amounted to almost 18 trillion tenge. As of the beginning of April 2020, the national debt amounted to 17.7 trillion tenge, 25.5% of GDP. In 2019, it exceeded 15.7 trillion tenge. Thus, over the year, liabilities increased by 12.7%, or by 2 trillion tenge.
The structure of the public debt is as follows:
- government borrowing amounted to 14.1 trillion tenge, 80% of the total. Of these, domestic accounted for 7.4 trillion tenge or 53%, external for 6.6 trillion tenge or 47%;
- domestic debt of the National Bank at a discounted value amounted to 3.4 trillion tenge;
- debt portfolio of local executive bodies to 190.3 billion tenge.
The department also added that payments for servicing government obligations for the first quarter of this year reached 214.1 billion tenge.
“By maturity, medium-term liabilities account for 667.1 billion tenge and long-term for 13.4 trillion tenge. Debt in fixed interest rates account for 74%, indexed for inflation for 9% and floating for 17%. In Q1, the inflow of domestic loans through the issuance of government securities amounted to 510.3 billion tenge. 98% are long-term government securities and 2% medium-term government securities. The inflow of external loans reached 10 billion tenge,” the Finance Ministry concluded. Kazakhstan will borrow $3 billion from foreign markets to save the budget. And also about how the country's external debt has changed over the year, according to LS.

Savings in the National Fund of Kazakhstan decrease
As of April 1, 2020, the gold and foreign currency reserves of Kazakhstan reached almost $30 billion. They grew by 10.8% on-year. For comparison, as of April 1, 2019, gold and foreign currency reserves amounted to just over $27 billion.
The assets of the National Fund fell over this period by 5.1% to $57.4 billion. The deputy Chairman of the National Bank Aliya Moldabekova explained this for two reasons.
“Firstly, due to the fall in the stock market, the market revaluation of assets decreased by $1.9 billion. In March, the stock index decreased by 13%, and over the entire I quarter by almost 25%. Secondly, transfers from the National Fund to the budget last month amounted to 341 billion tenge. For this, the National Bank converted $872.7 million of foreign currency assets in the foreign exchange market,” she explained.
At the beginning of 2020, the National Fund received 2.2 times less funds than in the same period of 2019. This year the Fund will receive less than 1.6 trillion tenge from the oil sector.
It is planned to increase the transfer from the National Fund by 2 trillion tenge for anti-crisis measures during the emergency. As a result, the total amount of support will reach 4.8 trillion tenge.
As for the international reserves as a whole, they showed a slight drop by 0.1% on-year to $87.4 billion, LS reported.

EAEU zeroes import duties on several food and medical products
The decision of the Council of the Eurasian Economic Commission (EEC) to expand the list of goods exempt from import duties and simplify the requirements for certificates of origin comes into force on April 18, 2020.
It was reported earlier that the list included a number of agricultural and food products (potatoes, onions, garlic, cabbage, carrots, peppers, rye, rice, buckwheat, juices and prepared foods for baby food), medicine and medical supplies (endoscopes, non-contact thermometers, disposable pipettes, mobile disinfection units). The preference will be valid from April 1 to June 30, 2020.
In addition, the list of goods used to manufacture medicine, as well as medical supplies has been expanded (it includes thermal bags, films for sealing bottles, medical freezers),
the import of which is carried out duty-free from March 16 to September 30, 2020, provided that the intended purpose is confirmed, TASS reported.

**National Bank and government of Kazakhstan prepare plan for economic recovery after May 11**

The Government and the National Bank will prepare a comprehensive plan to restore the country’s economic growth. This was announced by President Tokaev. “By May 11, the Government and the National Bank will prepare a comprehensive plan for the restoration of economic growth, including support for the most affected sectors. Our country is entering a qualitatively new phase of its development. In fact, we will live in a new reality. Therefore, we have to carry out a large-scale, in-depth transformation of the economy and public administration system,” he stressed. Tokaev also spoke about the support of small and medium-sized businesses in Kazakhstan. “More than 1.6 million citizens and 11.5 thousand SMEs received a deferral of payments of loans totalling more than 360 billion tenge. Today this sector is in a difficult position. If we do not help it survive, the country’s economy cannot restore. More than 700 thousand companies and individual entrepreneurs are covered by tax incentive measures, which will allow them to save about 1 trillion tenge,” he concluded.

**Kazakhstan’s international reserves decrease in March by 2.7%**

The international reserves of Kazakhstan, including the gross reserves of the National Bank and the National Fund, amounted to $87.429 billion as of March 2020, the National Bank said. As of the end of February 2020, Kazakhstan’s international reserves amounted to $89.887 billion. Thus, in March, Kazakhstan’s international reserves decreased by 2.7%. The gross international reserves of the National Bank amounted to $29.967 billion, with an increase by 0.26% on-month. The assets of the National Fund amounted to $57.462 billion, with a decrease by 4.23% on-month. Net international reserves of the National Bank increased by 0.27%, to $29.485 billion. Assets in foreign currency amounted to $10.298 billion, with an increase by 7.42% on-month. Assets in gold decreased by 3.11% on-month, to $19.669 billion, In Business reported.

**Kazakhstan fears exhaustion of National Fund over 4 years**

Kazakhstan proposes to develop restrictions on the use of funds of the National Fund. The MP Amanzhon Zhamalov recalled that the price of oil went into a negative value for the first time in history. Given the increase in budget expenditures, the non-oil deficit in 2020 will increase to 7.5 trillion tenge. “According to estimates, the National Fund’s revenues will fall from 3.3 trillion tenge to 1 trillion tenge. The transfer from the National Fund to the budget will grow from 2.7 trillion tenge to 4.8 trillion tenge,” he said. Therefore, the deputy suggested developing amendments to the concept of the formation and use of the National Fund’s funds, aimed at limiting the use of its funds and their savings.

“Maintaining low oil prices, government subsidies for business activity, increasing new tax benefits for businesses will lead to significant losses for the budget. Attracting external loans will further aggravate the situation. In general, an increase in transfer from the National Fund is inevitable in the coming years. According to preliminary estimates, up to $15 billion at this rate of seizure, the assets of the National Fund can be exhausted in less than three to four years,” Zhamalov said. Therefore, to maintain it, it is now necessary to seriously limit the growth of budget expenditures. Social expenses make up only 55% of the budget, the rest is aimed at
maintaining the state apparatus and other non-social expenses, he concluded, according to LS.

**Eurasian Bank in Kazakhstan recapitalises for more than 4 billion tenge**
The sole shareholder of the Eurasian Bank, the Eurasian Finance Company has contributed 4,000,002,436.40 tenge to the bank’s capital. Thus, the bank fulfilled its obligations under the program to increase financial stability and reduce risks in the banking sector of Kazakhstan, the press service of the financial institute said.

“The increase in capital was carried out in a larger volume than previously envisaged by the bank’s shareholder based on the results of the independent asset valuation in February 2020,” the report said.
The bank was capitalised on April 16 through the acquisition of 612,314 ordinary declared shares of the bank by Eurasian Finance Company under the right of pre-emptive purchase. The transaction and the procedure for the placement of shares were approved by the Board of Directors of the bank on March 27 and April 10, 2020, Kapital reported.

**ENERGY & NATURAL RESOURCES**

**Kazakhstan revenues from oil and gas export decrease by $393.2 million**
In January-February 2020, the foreign trade turnover of Kazakhstan amounted to $13.7 billion, which is 4.4% lower than the figure for the same period in 2019 at $14.4 billion, with reference to the Association of Financiers of Kazakhstan.

Income from export of goods decreased to $9.1 billion by $0.8 billion, while import costs rose to $4.7 billion by $0.2 billion. Against this background, the trade surplus decreased to $4.4 billion against 5.4 in January-February last year, 1 billion dollar less.
The main drop in cash receipts from export of goods in absolute terms is still attributable to combustible minerals, comprising 60% of the total decline. In particular, revenues from oil exports fell by $254.9 million, from gas sales by $138.3 million. The physical volumes of exports of these goods decreased by 2.7% and 14.6%, respectively.

In the country structure, the main drop in purchases of Kazakhstani oil is observed in France by $496.6 million, and Spain by 410.7 million. If earlier their total share in the import of black gold was 21.6%, now it has decreased to 6.7%. The International Monetary Fund last week substantially revised the forecast for the growth of the economies of these countries in 2020 to -7.2% and -8% from 1.3% and 1.6% in January, respectively. The IMF expects a decrease in Italy’s gross domestic product by 9.1% against a 0.5% increase in the January forecast. Nevertheless, the above decrease slightly offset a significant increase in Kazakhstani oil exports to India by 375.4 million dollar, and the Netherlands by 212.1 million dollar.

In turn, the increase in imports to the country is mainly due to large volumes of purchases of natural gas with an increase of $125.7 million, and telephones by 49.4 million, which were mainly carried out in Russia at 83% of the total, and China at 61% of the total.

In January-February, Russia, China and the USA became the top 3 exporters for the country, accounting for 63.6% of all imported goods into the country. The volume of Russian imports to Kazakhstan amounted to $2 billion, or 42.7% of all imported products with an increase of 2.1%, followed by China at $789.7 million, or 16.9%, 0.9% more, and the United States at $181.4 million, or 3.9%, 0.7% less.

Thus, a slowdown in the export of goods by 8.3% with a simultaneous increase in imports by 4.2%, negatively affected the country's trade balance, which has traditionally been surplus. In the reporting period, the trade surplus of Kazakhstan decreased by 19% and amounted to 4.4 billion dollar. Earlier, the National Bank of Kazakhstan stated that a potential economic recession in the partner countries of Kazakhstan increases the risk of a decrease in demand for Kazakhstan’s exports and, accordingly, a deterioration in the current account of the balance of payments, Azattyq reported.
Kazakhstan close to deal with Big Oil to cut output 22%
Kazakhstan is close to a deal with the big international oil companies that operate at its Tengiz and Kashagan oilfields to cut output by 22% from May to help the country meet commitments to a global supply pact, sources familiar with the matter said.
OPEC and allies including Russia and Kazakhstan have agreed to a record cut in output to reduce an unprecedented global supply glut as lockdowns to tackle the coronavirus pandemic ravage demand.
Kazakhstan has agreed to cut 390,000 barrels per day of its output to roughly 1.3 million barrels per day, the state’s energy ministry has said.
The central Asian country plans to reduce its overall oil output by 22-23% from the average level of production in the first quarter, and has asked oil producers to cut output accordingly, two sources familiar with the details said.
Tengizchevroil (TCO), which operates the Tengiz field and is led by U.S. oil group Chevron, and the Kashagan field, operated by the North Caspian Operating Company (NCOC), have not been asked to take part in previous output curbing deals.
But this time the size of the cuts are impossible to achieve without the participation of foreign investors.
The two sources said both projects were close to agreeing to the reductions in output. Kazakhstan’s energy ministry declined to comment.
Chevron, which speaks for TCO, said it was “focused on safe and reliable operations and continues to produce according to the business plan approved by the company’s shareholders.”
NCOC said it “strictly adheres to the North Caspian Sea Product Sharing Agreement and any applicable laws”.
Combined production of the Tengiz and Kashagan fields was nearly 900,000 barrels per day in 2019, accounting for more than a half of Kazakhstan’s oil output.
The fields supply all of their oil to the CPC pipeline and export it as CPC Blend crude. That means the production cuts will have a direct impact on CPC Blend exports in May, the sources said.
The preliminary May loading plan for CPC Blend was set at 5.73 million tons. Traders expect this to be revised much lower.
The Kashagan consortium includes Eni, ExxonMobil, CNPC, Royal Dutch Shell, Total, Inpex and Kazakh state energy firm KazMunayGas.
TCO is owned by Chevron, ExxonMobil, Russia’s LUKOIL and KazMunayGas.

Caspian Pipeline Consortium exports 16.9 million tons of oil
The Caspian Pipeline Consortium exported 16.937 million tons of oil in January-March 2020, which is 4.7% more than in the corresponding period of 2019. In March this year, oil exports amounted to 6.45 million tons compared to 5.671 million tons in the corresponding month last year.
In 2019, the volume of oil exported by the Caspian Pipeline Consortium amounted to 63.256 million tons, which is 3.55% more than in 2018 at 61.084 million tons.
The Caspian Pipeline Consortium was established for the construction of the pipeline and the export of Kazakhstani oil in transit through the territory of Russia. CPC owns the Tengiz-Novorossiysk pipeline with a total length of 1,511 km, which connects the fields of western Kazakhstan with the Black Sea coast, Azattyq Rýhy reported.

China slashes Saudi oil imports in favour of Russia, Kazakhstan
Shipments of Russian and Kazakh crude oil to China increased more than 30% in March compared to a year earlier while Saudi imports of the commodity sank, according to Chinese customs data.
As crumbling demand for crude and lack of storage space have been wreaking havoc on the oil market, China has been boosting oil exports in a move seen as taking advantage of record low oil prices. Covid-19 has severely cut the demand of one of the top global
importers, but in March China purchased 9.68 million barrels per day, that is 4.5% more than it did during the same period in 2019.

Russia and Saudi Arabia supplied almost equal amounts of oil to the country last month, with shipments standing at 7.02 million tons (1.66 million barrels per day) and 7.21 million tons (1.7 million barrels per day) respectively. However, the data released by the General Administration of Customs shows that purchases from Riyadh fell 1.6%, while Russian crude imports rose 31%, according to Reuters’ calculations.

The increased imports come as the Chinese economy is slowly getting back to normal, with most enterprises resuming operations after weeks-long quarantine. China became the first country to be hit by the deadly virus at the end of last year. Since then the outbreak shifted from Asia to Europe and the US, which has become the new epicenter of the epidemic.

The pandemic has sapped global demand for crude which might fall by around 30 percent, according to some gruesome estimates. As both onshore and offshore storage facilities have been running out of space, oil prices tumbled to record lows, with WTI futures for May delivery entering negative territory. Prices for the international benchmark Brent also fell to multi-year lows.

In a bid to help the market rebound, the Organization of the Petroleum Exporting Countries (OPEC), as well as allied producers led by Russia and including Kazakhstan, agreed on historic output cuts earlier this month. Starting in May, the signatories will have to slash production by 9.7 million barrels per day. However, many fear that the cuts came too late and will be not enough to ramp up the prices as demand will not rebound any time soon, Russia Today reported.

Kazakh-Chinese JV to produce oil and gas steel pipes
A new plant in Almaty in southern Kazakhstan will produce 100,000 tonnes of large-diameter steel pipes annually, Kazakhstan’s Ministry of Industry and Infrastructure Development said on April 8.

“The project will be launched in the second quarter of 2020 in the industrial zone of Alatau district of Almaty. The total area of the construction site is 18.3 hectares. The construction of a high-tech plant will make it possible to ensure import substitution of pipe products imported into Kazakhstan by 70%,” ministry said.

For implementation this project, a Kazakhstan-China joint venture, Asia Steel Pipe Corporation, was established as part of the integrated strategic cooperation program in the oil and gas industry between two oil companies – KazMunayGas and CNPC.

The amount of investment is more than 33 billion tenge ($1/437.12 tenge). The project is included in the list of key projects between Kazakhstan and China under the One Belt, One Way programme, the ministry said, adding that expansion of production to 150,000 tons is expected in the future.

These welded pipes will be used for transporting oil, gas, water and oil products, as well as for use in mining, construction, chemical industry, and energy, New Europe reported.

EBRD considers loan for Kazakh pipeline operator Kaztransgas
The European Bank for Reconstruction and Development (EBRD) is considering plans to extend the equivalent of €244 million (approximately $264 million) in loans to two units of Kazakh gas pipeline operator Kaztransgas.

Reuters quoted the bank as saying that the local-currency loans will ‘support the company during the economic downturn and Covid-19 outbreak’, provided the loan is approved at the proposed 27 May review.

KazTransGas is the national operator of Kazakhstan. It operates both domestic pipelines shipping natural gas across the nation and export routes linking Kazakh, Uzbek, and Turkmen gas fields to Chinese and Russian consumers.

KazTransGas also sells Kazakh gas to Chinese buyers, with the biggest being China’s state-owned oil and gas firm PetroChina.
The Chinese firm declared a force majeure last month due to the coronavirus (Covid-19) pandemic. It reduced purchases of Kazakh gas by up to a quarter due to the current market conditions.

In 2017, KazTransGas started exporting domestic gas to China with the launch of Kazakhstan gas from the Beineu-Bozoy-Shymkent gas pipeline to the transnational Central Asia-China gas pipeline.

The 2,798 km-long Kazakhstan-China pipeline is China’s first direct oil import pipeline from Central Asia.

It transports crude oil from oil fields located in western Kazakhstan to the Dushanzi refinery located in the Xinjiang Province of China. The 813 mm diameter pipeline has a capacity of ten million tons per annum, Hydrocarbons Technology reported.

Kazakhstan’s subsoil exploration sector hopes to attract 50 billion tenge in private investment

Kazakhstan has adopted a new Code on Subsoil. Thus, the Australian model for issuing licenses has been introduced in the country, according to the press service of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan.

Currently, Kazakhstan has the potential to conduct geological exploration on an area of 1.2 million square kilometers. This, in turn, will attract qualified personnel and technologies. In this regard, the expected effect of attracting private investment will amount to more than 50 billion tenge.

Within the period of 2014-2018, the total amount of foreign investment in this direction amounted to 122 billion tenge. The main part was invested by Russian investors in Zholymbet, Aksu, Bestube, Suzdalskoye, Sentash, Karabulak deposits, the December and Kokbori. Investors from Germany, China, Canada, Great Britain, Belgium, Israel, Korea, Lebanon, Turkey, Switzerland, Serbia, the Netherlands, the United Arab Emirates, Australia, Cyprus, Luxembourg, Oman, and the United States were also attracted, Kazinform reported.

Metallurgy project in Kazakhstan with Chinese investment postponed for 2 years

Due to the state of emergency in Kazakhstan, the timing of the project with Chinese investment in Almaty region was revised. The administration of the Enbekshikazakh district reported that the start of construction of a tungsten ore processing and concentration plant was postponed to the III quarter of 2020.

“In connection with the spread of coronavirus, the company faced with the problem of attracting foreign labour. In this regard, the start of production was postponed to 2022,” the administration explained.

The cost of the project varies from $250 million to $280 million. After the start of the plant, 350 jobs will be created.

The project will be implemented in the Bogutinsky massif of the Sogeti rural district. Construction work was planned to begin in the second quarter of this year. The investor is the foreign partner of Zhetisu Tungsten Jiaxin International Resources Investment Limited, from China.

The total reserves of tungsten trioxide in Kazakhstan are estimated at 2 million tons. To date, 12 deposits have been explored in the republic. The Boguta field, located in the Enbekshikazakh region, is one of the largest, LS reported.

TRANSPORT & COMMUNICATIONS

Air Astana postpones IPO

IPO of Air Astana is likely to be delayed until 2021. This was announced by Managing Director for Logistics and International Cooperation Samruk-Kazyna Kanat Alpysbaev. He
explained that in connection with the current state of the market, entering an IPO in 2020 is not possible.

“Now that the markets and quotes of companies in the world have fallen so much, there’s no point in going public IPO. I think this year it will be impossible. We will probably consider 2021 in the presence of supply and demand,” Alpysbaev said.

The speaker added that, first of all, Samruk Kazyna will look at the restoration of markets and their development, and then a decision will be made on the placement of a company. The IPO of Kazakhtelecom, Air Astana, KazMunayGas and was supposed to be held at the end of 2020, LS reported.

Over 27 thousand kilometre of local network roads to be repaired before 2025
Over 27 thousand kilometre of local network roads is planned to be repaired by 2025, as announced by the Chairman of the Committee for Roads under the Ministry of Industry and Infrastructure Development Sairanbek Barmakov.

This year 259 billion tenge have been allocated for the repair of local roads. Barmakov informed that by 2025 it is planned to repair more than 27 thousand km of local roads with the length of 70.9 thousand km. According to his words, this year, 86 billion tenge has been allocated for the repair and maintenance of roads of national significance, Kazinform reported.

Xinjiang sees rise in China-Europe freight trains across Kazakhstan in the first quarter of 2020
The customs of the city of Urumqi, capital of Northwest China’s Xinjiang Uygur autonomous region, said Wednesday that the number of China-Europe freight trains they handled continued to rise in the first quarter.

Urumqi Customs supervised a total of 1,482 China-Europe freight trains from January to March, up 7.39% year-on-year. Together they had carried over 1.02 million tons of cargo, up 45.09% from the corresponding period of the previous year.

The customs said the China-Europe cargo train services have become an important logistics channel to ensure smooth trade as air, sea and road transportation have been severely affected by the novel coronavirus epidemic.

The customs have rolled out a slew of measures including reducing the declaration cost and optimizing the inspection of imports to raise the customs clearance efficiency.

Sitting in the core area of the Silk Road Economic Belt, Xinjiang has become an important international logistics hub. About 70% of all China-Europe freight trains in China pass through Xinjiang, Xinhua reported.

Kazakhstan estimates possible airline losses in 2020
Kazakhstan airlines may suffer losses in the amount of 300 billion tenge by the end of this year. According to the Minister of Industry and Infrastructure Development, Beibut Atamkulov, due to the coronavirus pandemic, the implementation of internal 100% and international 98% has been suspended.

“According to forecasts of aviation representatives, the loss of operating income in the industry may amount to about 300 billion tenge by the end of 2020,” he said. Despite the current situation, there are positive aspects for the first quarter of this year.

“The number of passengers carried over the reporting period amounted to 1.7 million people, which is 5.2% more than the same period in 2019. This year we plan to launch a new international airport in Turkestan and a passenger terminal in Shymkent. We’ll begin the reconstruction of the runway of the Urdzhar Airport,” Atamkulov continued.

In the event funding is allocated, reconstruction of two more take-off and landing airports in the cities of Ust-Kamenogorsk and Usharal will be launched, he added.

In general, in the next 5 years, the department plans to build 13 airfields.
Earlier it was reported that Kazakh airlines lost 235 billion tenge due to coronavirus. It became known that the authorities decided to provide a number of tax benefits to airlines, LS reported.

**AGRICULTURE**

**Agriculture of Kazakhstan grows by 2.5% in the first quarter of 2020**

The other day, a Government meeting was held, where they announced the results of the development of the country’s social and economic life. Coronavirus has made global adjustments to life, there has been an international recession. However, in Kazakhstan, industries such as industry and agriculture are afloat in almost all regions.

The economy of all countries of the world is in a difficult situation. International financial institutions note the emerging global recession, low activity in business circles. All this happens in connection with protective measures against coronavirus infection.

There is a decline in the situation on basic commodities.

As for Kazakhstan, there is an increase in the main sectors of the economy. Positive growth was noted in construction by almost 12%, in industry by almost 6%, as well as in agriculture by 2.5%.

The largest increase in industry was noted in Kostanay and Akmola regions. Growth is observed in 15 regions of the country.

In agriculture, there is almost universal growth. The best results were shown by Kostanay, Aktobe, Karaganda, Akmola regions, as well as North Kazakhstan and East Kazakhstan regions.

In order to reduce the negative consequences, the country has taken measures, including support for small and medium-sized businesses and the agro-industrial complex, according to Kazakh Zerno.

**Kazakh Ministry of Agriculture extends terms of veterinary certificates from Russia**

The Ministry of Agriculture has extended the use of bilateral veterinary certificates of the Russia - the third country format for the import of goods subject to veterinary inspection in Kazakhstan.

“Due to the unfavourable epidemiological situation of coronavirus infection in the world, and, accordingly, the difficulty in negotiating the approval of veterinary certificates at the request of third countries, for certain types of goods, the Ministry of Agriculture of Kazakhstan extends the use of bilateral veterinary certificates until January 1, 2021 of the Russia - the third country format for the import of goods subject to veterinary control into the territory of Kazakhstan,” the Vice Minister reported.

In total, 231 veterinary certificates are valid when importing agricultural products to Kazakhstan.

In accordance with the Decision of the Customs Union Commission dated April 7, 2011, on Forms of Unified Veterinary Certificates for Controlled Goods from Third Countries Imported into the Customs Territory of the Eurasian Economic Union, veterinary certificates are the same when importing agricultural products to the EAEU member states.

Their list is published both on the website of the Eurasian Economic Commission and on the website of the Ministry of Agriculture of Kazakhstan.

In addition to the uniform forms of VC of the EAEU-third country format, there are 29 veterinary certificates agreed by the EAEU with the European Commission, Spain, Canada, USA, Brazil, Australia, Tunisia, Japan, Turkey, Czech Republic, Iran, Israel, China.

“It should be recalled that in accordance with the Order of the Minister of Agriculture of Kazakhstan dated December 9, 2014, when importing agricultural goods from non-members of the EAEU, the importer submits an application for permission to import.
Then, if it meets the requirements of the EAEU, an import permit is issued that is valid during the calendar year,” the Vice Minister explained. Further, the importer receives a third veterinary certificate and imports products into Kazakhstan. When importing agricultural products from the EAEU member states, permission is not required, only a veterinary certificate for agricultural products is required, depending on its type, Kazakh Zerno reported.

Ministry of Agriculture presents list of products prohibited for export from Kazakhstan

The Ministry of Agriculture of Kazakhstan issued a statement explaining in detail which goods are banned for the period of emergency. On April 2, an order was prepared by the head of the Ministry of Agriculture together with the Ministry of Trade of Kazakhstan on some issues of the export of certain goods from the territory of Kazakhstan, which is valid until September 1 of this year. This document details the categories of products that cannot be exported and that are subject to quotas.

A complete ban was imposed on the export of buckwheat, white sugar, potatoes, fresh and chilled onion vegetables, crushed and uncrushed sunflower seeds, sunflower oil and buckwheat. Export quotas apply to carrots, turnips, beets, fresh and chilled vegetables from the genus Brassica, wheat and wheat-rye flour, as well as common wheat and meslin. The Ministry of Agriculture explains that a ban was not imposed on the export of cabbage to the EAEU countries, which means that the issuance of certificates is carried out in accordance with the regulations stipulated by law. At the moment, applications for 10,000 tons of cabbage have been filed in the country. The Ministry will review monthly quantitative restrictions on the export of products from the country, as well as the volume of guaranteed supplies of food products to the domestic market. These indicators depend on the volume of production, consumption and stocks of products, proposals of administrations and representatives of associations involved in the production and processing of food, Kazakh Zerno reported.

Kazakhstan allocates 237.5 billion tenge for the construction of wholesale distribution centres

Kazakhstan plans to create a national distribution network consisting of a single complex of wholesale distribution centres. 20 centres are promised to be built by 2022. Their cost will be 237.5 billion tenge, the Minister of Trade and Integration Bakhyt Sultanov said at a government meeting.

“Every year from February to May, when last year’s harvest is already depleted and the delivery of a new one from neighboring countries begins, we observe high price volatility. This, in turn, has a negative effect on inflation. The reason for the need to create a system for storing and selling products manufactured in the country is associated with the high costs of manufacturers,” Bakhyt Sultanov said. In Kazakhstan there is not enough quality infrastructure for long-term storage, which, in turn, increases the costs of the agricultural producer.

“For an urgent and at the same time systematic solution to existing problems, it is proposed to create a national distribution network consisting of a single complex of wholesale distribution centres. This ecosystem will create a separate economic cluster, which will bring the producer closer to the consumer, and also join the trade infrastructure of the republic, forming a single mechanism,” Bakhyt Sultanov explained. The head of the department is confident that the distribution centre will become the centre of the system, which will offer specialized services, from storage and processing to distribution and marketing of products. This infrastructure will make it possible to build efficient transport and logistics channels for key areas of product supply. There will also
be export-import operations in the EAEU, Central Asia and China, which will expand the sales markets.
The deficit of vegetable stores in the country is about 70%, and in some regions this figure reaches 90%.
“This leads to large losses of products and the inability to store them for a long period. For example, the loss of vegetables and fruits is about 19%, meat and dairy products at 5%. This means that all expenses incurred by the entrepreneur due to losses fall on the final cost of the products,” Bakhyt Sultanov said.
There are currently 750 trading markets in the country, 51% of them are non-stationary. Moreover, virtually none of the markets meets modern requirements.
“In addition, in the existing markets there is no information system for tracking goods flows. Moreover, the mechanism of producers’ access to the shelves creates the basis for distorted pricing, unfair trade margins and unjustified price increases in certain periods. The excitement during the introduction of quarantine in our cities clearly exposed these problems,” the minister said.
The creation of a distribution system is proposed to be implemented in three stages. At the first stage, it is planned to build 5 wholesale distribution centres in Pavlodar, Almaty and Turkestan regions.
“We would like to store the autumn harvest of the current year at facilities with a total capacity of 600 thousand tons. This determines the use of the budget mechanism,” Bakhyt Sultanov specified.
In the next two stages, given the limited capabilities of the national budget and the scale of wholesale distribution centres, an effective way to attract investment is to use the PPP mechanism.
“The total cost of the project is 237.5 billion tenge. Creating a distribution system will attract and provide jobs for about 10.5 thousand specialists, including 4.2 thousand for the construction period, 6.3 thousand specialists for operation of facilities,” he said.
The department has already developed mechanisms for the full commissioning of capacities in the total volume of 4.8 million tons per year by 2022, Kapital reported.

Kazakhstan plants spring grains on nearly 0.5 million hectares
The Ministry of Agriculture of Kazakhstan started publishing the operational data on the rates of the spring crops planting campaign in the country. To date, 5 oblasts of the country already started planting spring spiked grain crops (without corn and rice). As of the reporting date, farmers planted the crops throughout the areas of 437.7 thousand ha, or 63.3% of the plan in the regions (691.5 thousand ha).
At the same time, two oblasts even exceeded the planned indicators for the planting works of spring grains: as of April 22, the Jambyl province planted the crops throughout 215.4 thousand ha (105.2%), and the Turkistan province 64.5 thousand ha (102.2%). In addition, the Kyzylorda province planted grains throughout 4.4 thousand ha (89.8%), the Almaty province 139.2 thousand ha (53.7%), and the West Kazakhstan province 14.2 thousand ha (8.9%).
Also, 4 oblasts already planted corn for grain throughout 18.6 thousand ha (12.6% of the plan), and 5 oblasts planted oilseeds throughout 129.2 thousand ha (32.2%).
By comparison, as of April 20, Russian farmers planted spring agricultural crops throughout the areas of 7.9 million ha, or 15.2% of the forecast (on the same date in 2019 5.2 million ha), declared the Ministry of Agriculture of the Russian Federation.
In particular, farmers planted spring grains throughout 4.8 million ha, or 16.6% of the forecasted areas (in 2019 3.2 million ha), including spring wheat on 912.5 thousand ha, or 7.5% of the forecast, spring barley on 2.4 million ha, or 30.7%, corn for grain on 657.5 thousand ha, or 24.1%, and rice on 0.4 thousand ha (0.2%). At the same time, Russian farmers planted sunflower seed throughout 1.3 million ha, or 15.9% of the forecasted areas, spring rapeseed on 118.3 thousand ha, or 9.1%, and soybeans on 83.5 thousand ha, or 2.6%.
As of the reporting date, Russia planted sugar beet throughout 574.3 thousand ha, or 60.8% of the plan.

In addition, farmers provided additional fertilizing of winter crops throughout 13.9 million ha, or 75.7% of the planted areas (in 2019 12 million ha), APK Inform reported.

**Kazakhstan directs over 220 billion tenge to irrigation of land**

Kazakhstan is actively working to restore land irrigation. The Ministry of Ecology, Geology and Natural Resources reported how much money is allocated for this, LS reported. Currently, loans from development banks account for 134.3 billion tenge, for financing from the national budget at 86.7 billion tenge. In total, it is about 221 billion tenge. The main investments are made as part of the state program for the development of the agricultural sector for 2017-2021. During this time it is necessary to restore the irrigation infrastructure of 610 thousand hectares. From 2017 to 2019, it was possible to do this on 146 thousand ha, including 66 thousand ha in 2019.

“At the first stage, to restore the infrastructure of irrigated lands on 128.0 thousand hectares, borrowed funds from the international financial organisations of the Islamic Development Bank, European Bank for Reconstruction and Development were attracted,” the Ministry of Environment said.

From 2017 to 2024, irrigation and drainage in the Almaty and Turkestan regions with a total irrigation area of 136.8 thousand ha were restored with IDB borrowed funds. 35.4 thousand ha in Almaty region, 101 thousand ha in Turkestan region. The total project cost is 53.2 billion tenge. Of these, 48.3 billion tenge from the IDB, 4.9 billion tenge from the national budget.

At the expense of funds raised from the EBRD, the reconstruction of water management and irrigation and drainage systems in the Aktobe, Zhambyl and South Kazakhstan regions with a total suspended area of irrigation of 92.7 thousand hectares is being carried out. Including 15.9 thousand hectares of Aktobe region, 51 thousand hectares of Zhambyl region and 25.7 thousand hectares of the Turkestan region. The project is also being implemented from 2017 to 2024. The total project cost is 60.9 billion tenge. Of these, 53.9 billion tenge from the EBRD and 7 billion tenge from the national budget.

“At the second stage, the Asian Development Bank is considering the issue of restoring the infrastructure of irrigated lands in the East Kazakhstan, Zhambyl, Karaganda and Kyzylorda regions with a total area of 171 thousand hectares,” the ministry added.

With the assistance of the International Bank for Reconstruction and Development, it is planned to improve water availability and the condition of irrigated lands in the basins of the transboundary rivers Syr Darya, Talas, Shu and Ili. In the period from 2015 to 2022, 106.9 billion tenge will be allocated to the project. Of these, the share of the IBRD loan is 32.1 billion tenge or 30%, co-financing from the national budget is 74.8 billion tenge or 70%.

The project provides for the reconstruction of worn-out irrigation and drainage systems on 105.1 thousand ha. Including 12.4 thousand ha in the Almaty region, 15.2 thousand ha in the Zhambyl region, and 62.4 thousand ha in the Turkestan region and the Kyzylorda region at 15.1 thousand ha.

Previously, the Ministry of Agriculture was inspired by income from irrigated lands and predicted that the gross production of 3 million hectares would amount to 3.7 trillion tenge per year. This forecast was voiced by LS in the Ministry of Agriculture.

**New meat processing plant appears in Kazakhstan with Chinese investment**

This year Kazakhstan is expected to launch another meat factory. The project cost is about 5 billion tenge. According to the Ministry of Agriculture, the capacity of the enterprise will be 20 thousand tons of meat per year.

“A high-tech meat processing complex is being built in Akmola region, near Nur-Sultan. The project cost is estimated at 4.7 billion tenge,” the Ministry of Agriculture emphasised.
It is planned that the facility will be commissioned this year. The project has already been implemented by 80%.

To date, the construction of the meat processing complex has been completed. Work is underway to lay the water supply and domestic sewage. The Ministry of Agriculture did not specify how many Kazakhstanis would be employed at the enterprise. This project is being implemented by Chinese investors. However, information about its value was not announced.

Earlier it was reported that a similar project will also be implemented in Almaty region. Thus, the construction of a meat processing plant with American investments is expected in the region. The project is estimated at $300 million. The company plans to create about 20 thousand jobs, LS reported.

Fish processing factory appears in Kazakhstan

This year, it is planned to launch a fish processing plant and a workshop for the production of plastic boats for 160 million tenge in Kyzylorda region. This was reported in the regional department of industrial and innovative development.

Initially, the company was supposed to launch in 2018, then it was postponed to 2019. However, the project was never launched. This is due to the fact that the work on connecting electricity has not been completed.

“The launch date of the project was postponed to June 2020. Its cost is 160 million tenge,” the government agency added.

The implementation of this project takes place in three stages. In particular, this year the start of a filleting workshop is expected, in 2022–2023 of a slugging workshop, in 2023–2024 of the production of plastic boats.

“During the implementation of the second and third stages, additional investments may be attracted,” the administration summed up.

70% of the finished product will be directed to the domestic market, 30% to the external, LS reported.

Export of fresh eggs from Kazakhstan in the winter months falls by a critical 57.5%

In Kazakhstan, 1.19 billion eggs were produced over 3 months, 6.9% less compared to the first quarter of last year.

Among the regions, the leaders in production were Almaty region at 243.9 million eggs, Akmola region at 203.9 million eggs, and Karaganda region at 154.5 million eggs. The decline in production was recorded in 11 of the 17 regions of the country. Kazakhstanis should be wary of rising egg prices after the state of emergency is lifted. This is due to rising feed prices and the abolition of subsidies. The decision to reduce state support in the Ministry of Agriculture was made in December last year, and businessmen do not see any other way out of this situation, except for the rise in price of eggs. During quarantine, the cost of eggs has not yet increased.

In 2019, all egg-producing poultry farms, and there are 37 in Kazakhstan, received 11 billion tenge, that is, 3 tenge for one egg produced. In 2020, poultry farmers will not receive this money.

In January-March 2020, the average egg yield per hen was 54 eggs. In January-March last year, the average yield was 58 eggs.

In January-February 2020, Kazakhstani companies secured the demand for eggs by 97.4%. The export of eggs by Kazakhstani companies decreased over the year by a critical 57.5%. In March 2020, in the shops and bazaars of the country, the average price of a dozen eggs reached 298.15 tenge. The annual rise in price amounted to 10.7%.

Among residents of large cities, a dozen eggs cost the most to Almaty residents at 367 tenge, residents of Nur-Sultan at 348 tenge, and Aktau residents at 345 tenge, Energyprom reported.
Kazakhstan to be fully provided with domestic apples by 2024

The area of apple orchards increased from 31.6 thousand hectares in 2015 to 35.2 thousand hectares in 2019. According to the ministry, this indicator was increased by 11.4%.

The volume of production since 2015 increased by 46.4% and amounted to 216.1 thousand tons in 2019 against 147.6 thousand tons in 2015.

The ministry also shared data on productivity, which increased from 57.2 q/ha to 70.0 q/ha. This year it is planned to collect about 250 thousand tons of apples.

“Thus, the availability of domestically produced fruit has increased from 46% to 67.5%. Given the pace, it is planned to meet the republic’s need for apples by 80% by 2021, and to completely close the need by 2024,” the Ministry of Agriculture expects.

Apple orchards were created in Turkestan, Almaty and Zhambyl regions. This year Kazakhstan is implementing 17 projects for laying gardens on an area of about 1.5 thousand hectares. Due to them, 1.5 thousand people will be employed. However, the Ministry of Agriculture was not informed how much investment was directed to these projects, LS reported.

WATER SECTOR

Kazakhstan spends over 100 billion tenge on water supply in 2020

About 111.1 billion tenge will be allocated from the national budget for water supply and sanitation projects in 2020. This was reported by the Ministry of Industry and Infrastructure Development. 315 projects will be implemented through financing.

“As a result of the allocation of 111.1 billion tenge, it is planned to provide up to 97.5% of the urban population or 10.53 million people with drinking water. In rural areas up to 87.7% or 6.84 million people. Wastewater treatment coverage in cities will make up 74.9%,” the MIID explained.

Currently, 92.6% of Kazakhstani have access to drinking water. By 2025, it is planned to increase the figure to 100%.

National funds are the main part of investments in this industry. Within the Nurly Zher state program for 2020-2025, it is planned to attract private capital by increasing the investment attractiveness of the sector. In addition, it is planned to introduce service agreements between administrations and natural monopolies with the formation of key performance indicators for the latter. An alternative is the transfer of the entire complex for the provision of services to management, including through the PPP mechanism and others. There are also projects funded by international financial organisations. Water shortage in Mangystau region can double, LS reported.
CONTACTS

Embassy of the Kingdom of the Netherlands

62, Kosmonavtov Str.
Chubary mcrd, 3rd floor
010000 Astana
T: +7 7172 555450
ast@minbuza.nl

Embassy Office in Almaty

41, Kazybek Bi Str.
050010 Almaty
T: +7 727 2503773
alm-ea@minbuza.nl

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If you would like to be added to our mailing list or if you wish to unsubscribe, or if you have any comments or suggestions regarding the Newsletter, please contact:

Ms. Zulfira Sadykjanova
tel.: +7 (727) 2503773
e-mail: zulfira.sadykjanova@minbuza.nl / alm-ea@minbuza.nl

Ms. Roza Zainutdinova
tel.: +7 (727) 2503773
e-mail: roza.zainutdinova@minbuza.nl / alm-ea@minbuza.nl

Mr. Medgat Olzhayev
tel.: +7 (7172) 555450
e-mail: medgat.olzhayev@minbuza.nl / alm-ea@minbuza.nl

Please mention your company and contact details.