



Koninkrijk der Nederlanden

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.

ANNOUNCEMENT

Agro Fact-finding Mission to Aktobe Region on 4-5 October 2016

The Netherlands Embassy is pleased to announce its plans to organize an agro fact-finding mission to Aktobe Region, which is tentatively scheduled to take place on 4-5 October 2016.

The mission will focus on such sectors as vegetables growing (both protected and open ground), greenhouses, cool storages, seeds, dairy and poultry farming.

The main aim of the visit is to get acquainted with the current developments and priorities in the agricultural sector of Aktobe Region, identify new business opportunities for Dutch companies in agriculture and establish contacts with domestic agribusinesses (farmers and agricultural companies) in Aktobe Region.

The mission will include two full days consisting of the following activities:

- Meeting with Deputy Akim of Aktobe Oblast Mr. Mukhtar Dzhumagazyev to discuss current development and priorities of the region in the field of agriculture and identify business opportunities for Dutch companies;
- Business-forum/Meeting of Dutch companies with local agribusinesses (presentations by Dutch companies, Q&A session, exchange of contacts);
- Site visits to local agricultural companies (depending on profiles of Dutch companies participating in the mission).

If you represent a Dutch company active in one of the above-mentioned fields and are interested in joining the fact-finding mission to Aktobe, please express your interest by sending an email at ALM-EA@minbuza.nl before 10 September 2016.

MACRO-ECONOMICS & FINANCE

Economic growth over the first half of 2016

According to Minister of the National Economy, Kanat Bishimbayev, the economy grew by 0.1% in the first half of 2016, compared to negative 0.1% in the first quarter. In accordance with our estimates based on a stated data, a seasonally adjusted GDP growth in the second quarter totaled 1.1% quarter-on-quarter, after a 2.9% quarter-on-quarter contraction in the first quarter.

Despite the low value of short-term economic indicator (covers >60% of GDP), which came in at -0.7% year-on-year in the first six months of 2016, the minister said, "Applying the manufacturing method of GDP calculation the positive growth in the economy in the first half is ensured by the growth in the service sector, which is not included in the short-term economic indicator and by the increase in tax revenue".

Positive dynamics in sectors closely tied to the government budget such as education, public administration, etc. resulted in an overall growth in the service sector of 0.1%.

Besides, net tax revenue in real terms grew by 1.0%, due to the increase in VAT, excise and customs duties receipts.

The main negative factor constraining economic recovery is low price for hydrocarbons. In the first quarter of the year, GDP contracted by 0.1% year-on-year, as oil prices slumped to its lowest.

Thus, the Brent price dropped from \$52/barrel on average in 2015, to \$34.4/barrel in the first quarter of 2016, considerably recovering subsequently to \$41/barrel in April-June.

In addition to the low oil prices, the level of oil extraction fell by 3.6% year-on-year in the first quarter, according to Halyk Finance.

World Bank forecasts slow recovery for Kazakh economy

The World Bank is forecasting a slow recovery for Kazakhstan economy, the bank's report called — Kazakhstan: A Long Road to Recovery, published on July 22 said.

“Growth is projected to recover gradually over the medium-term, but the economy will continue to face substantial headwinds,” the report said.

Under the baseline scenario, GDP growth is expected to remain near zero in 2016, before rising to 1.9% in 2017 and 3.7% in 2018, as production commences at the Kashagan oilfield and global oil prices rebound. The reported says renewed consumer and investor confidence will support the recovery of non-oil sectors, and inflation should ease to an average of 6-8% per year.

Meanwhile, both fiscal and external conditions are expected to improve.

However, this medium-term outlook is subject to significant downside risks, including risks to the health of the financial sector, sluggish global growth, and the potential for a deeper or more protracted recession in Russia, a further slowdown in China, continued instability in global oil markets. New production delays are also possible at the Kashagan oilfield, according to the WB.

The baseline scenario rests on the assumption oil prices will average around \$41 per barrel in 2016, then rise to \$50 in 2017 and reach \$53.3 in 2018.

Kazakhstan’s GDP growth slowed from 4.1% in 2014 to 1.2 percent in 2015, and the economy contracted by an estimated 0.2% during the first five months of 2016, according to the WB, Trend reports.

Fitch forecasts Kazakhstan’s GDP decline in 2016

Fitch Ratings forecasts that Kazakhstan’s real GDP will decrease 1% in 2016 compared to 1.2%-growth in 2015 and 4.3%-growth in 2014.

GDP growth will be resumed in Kazakhstan in the nearest years and will reach 2% in 2017 and 3% in 2018, according to Fitch’s forecasts published in its ‘Emerging Europe Sovereign Credit’ overview.

According to Fitch, inflation, which was 15.7% in March 2016 – the highest index for the last seven years – will drop to 10% by late 2016 as the exchange rate corridor is being reduced.

Fitch rated Kazakhstan at BBB level with a stable outlook, Trend.az reports.

ADB decreases economic forecast for Central Asia

Continued soft commodity prices and the Russian recession have further dampened the growth outlook for Central Asia, with the earlier 2016 forecast of 2.1% trimmed to 1.7%, and 2017 cut to 2.7% from 2.8%, the ADB said in a press release, citing the bank’s updated report – the Asian Development Outlook.

The slump in revenues from hydrocarbon exports are affecting fiscal consolidation efforts in Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan, while lower remittances, particularly from Russia, continue to hurt domestic consumption in the subregion.

The report now projects inflation for developing Asia to come in at 2.8% for 2016 and 3.0% for 2017—a 0.3 percentage point rise for each year from the previous forecasts.

The rise is due largely to a recovery in oil and food prices. Oil prices rebounded from early-year lows and food prices rose nearly 9% in June 2016 from the year earlier, marking the fifth consecutive month the index has risen in value.

The government of Uzbekistan forecasts GDP growth at 7.8% in 2016. Last year, it was 8%. ADB has been operating in Uzbekistan since 1995. The portfolio of joint projects with ADB makes \$13 billion, Akipress reports.

Kazakh foreign debt reportedly rises to \$153.99 billion over January-March 2016

Kazakhstan’s foreign debt jumped by \$531.5 million to \$153,987.8 million in January-March 2016.

As the Kazakh economy is experiencing a recession the ratio of foreign debt, GDP is growing: to 92.3% in March 2016 from 83.2% at the end of 2015, according to Finprom.

The ratio of the National Oil Fund's assets to short-term foreign debt stood at 120.4% in March, whereas, according to international standards (Guidotti-Greenspan rule), the ratio should be no less than 100%.

Kazakhstan is maintaining sufficient reserves to service cumulative foreign debt.

Gross foreign debt grew over the given period as a result of an increase in interfirm debt, which in reality covers direct investment operations in the form of loans foreign companies issue to their subsidiaries or branches operating in the country. In the first quarter of 2016, cumulative interfirm debt reached \$82.84 billion (53.8% of the country's total debt), increasing by \$1.003 billion.

With interfirm debt excluded, Kazakhstan's foreign debt fell by \$471.2 million to \$71,145.6 million, Akipress reports.

International investors continue putting money into Kazakhstan's oil, gas industry

Despite the low oil prices, the lion's share in the foreign investments made in Kazakh economy accounts for the oil and gas production and geological exploration, read a message from the National Bank of Kazakhstan.

Direct foreign investments into Kazakhstan's oil and gas production stood at \$958.4 million in January-March 2016. Investments into geological exploration and survey totaled \$1.51 billion.

During this period, foreign investments into metal ore production in the country totalled \$137.5 million.

The foreign investments into Kazakhstan's processing industry was \$509 million over the first quarter of 2016, while \$522 million was invested in the metallurgical industry and the manufacture of fabricated metal products, other than machinery and equipment.

Foreign investments in Kazakhstan's construction sector stood at \$97.1 million in the first quarter of 2016.

FDI in the transportation and warehousing in the country totaled \$198.9 million.

\$200 million of foreign investments went into transportation via pipelines and \$416.4 million was invested into communications.

Foreign investments into financial and insurance activities stood at \$69.5 million during the first quarter of 2016.

Overall, around \$4.28 billion was put into Kazakhstan's economy over the first quarter of 2016, compared to \$4.37 billion during the same period of 2015, Trend reports.

Consumer inflation hit 17.3% year-on-year in June 2016

According to the Committee on Statistics, CPI inflation in Kazakhstan slowed to 0.4% month-on-month in June 2016.

The 12-month inflation rate increased to 17.3%. According to Halyk Finance's estimates, seasonally adjusted prices rose 0.8% month-on-month, accelerating slightly from 0.7% in May 2016.

In June 2016, food inflation accelerated to 0.7% month-on-month and 1.1% month-on-month.

Price inflation for cereals remained high and accelerated for prices of bread and bakery products. High inflation is observed for fresh fruits and vegetables, while deflation in prices of eggs and dairy products continued.

Non-food inflation totaled 0.5% month-on-month and 1.0% month-on-month, seasonally adjusted.

Accelerated seasonally adjusted non-food inflation is related to continuing growth of imported goods prices, clothing and footwear in particular. Nevertheless, slowing inflation rate has been observed for household appliances.

Inflation for services fell to 0.1% month-on-month and 0.5% month-on-month seasonally adjusted in June 2016, stemming from decelerated price growth for household maintenance and utilities, medical services, transportation and telecom services.

A decrease in tariffs has been observed for hot water and sewage system.

UNDP to help create a green economy in Kazakhstan

The UNDP will provide assistance for the introduction of a green economy through the implementation of projects in Kazakhstan, UNDP Deputy Resident Representative in Kazakhstan, Munkhtuya Altangerel revealed at a press conference at the Central Communications Service on 20 July.

“Since 1993 we’ve implemented over 190 projects in various areas worth approximately \$200 million,” Ms Altangerel said.

She noted the UNDP recently adopted the Partnership Framework for Development, Kazakhstan for 2016-2020.

“It is safe to say that over 50% of our new projects will be focused on a green economy,” Ms Altangerel noted.

She added that pilot projects have been created for energy efficiency in the housing and public utilities sector in the cities of Karaganda, Astana, Kyzylorda and Aktau, Kazinform reports.

EXPO-2017

At least 94 nations to take part in Expo-2017

Ninety four countries have officially confirmed they will participate in the International Expo-2017 Specialized Exhibition, to be held in Astana, NC Astana Expo-2017 said on July 25.

As many as 56 countries have already signed contracts on their participation. Such contracts were signed by Italia and South Korea, for example.

The World’s Fair Expo has been held ever since 1851. Expo will take place Kazakhstan for the first time in 2017.

The event will have the theme – Future Energy, and will last from June 10 until September 10.

Astana Expo-2017 JSC is the organizer of Expo-2017. The company has already started to sell tickets for the exhibition.

Kazakhstan plans for more than 100 countries will take part, according to Trend.

Eurasian Economic Union

Eurasian Economic Union exempts Kazakhstan from customs duties on titanium oxide imports

Kazakhstan will be exempted from customs duties on titanium oxide imports starting September 1 until August 31, 2021. The decision was taken at a meeting of the Eurasian Economic Commission (EEC), a news statement from the prime minister reports.

The EEC board members discussed custom and tariff regulation issues, related to the decrease of custom import rates on certain types of goods.

As per the request of Kazakh enterprises it was decided to release titanium oxide from customs duty, which is to be imported to the country from September 1. This measure will reduce the production costs and improve the competitiveness of domestic producers of titanium products.

It was decided at the meeting to reduce import duties for vehicles containing electric motors, as well as for certain types of vehicle components, which operate on natural gas instead of petrol. For Kazakhstan, these measures are a priority task to be fulfilled in the framework of the transition to a green economy.

A detailed plan of action to implement a “single window” mechanism in foreign economic activity was approved at the meeting. This is an effective tool to optimise business processes reduce costs for entrepreneurs in their export-import operations, according to the Astana Times.

Kazakhstan urges Russia to remove obstacles for Ukraine goods headed for Kazakhstan

Kazakhstan has asked Russia to loosen its ban on the transit of Ukrainian goods headed for Kazakhstan. The restrictions were imposed by the Kremlin in January 2016, Deputy

Chairwoman of the Atameken National Chamber of Entrepreneurs, Dana Zhunusova said on July 8.

Astana has sent an official request to Moscow asking to allow the transit of certain 'strategic' commodities. These are specifically industrial goods the Kazakh manufacturing sector depends on, Zhunusova said.

Zhunusova noted Kazakhstan "must use the potential of the seaport for the transit of cargo from Ukraine to Kazakhstan."

"We previously brought up alternative transit routes such as the Black and the Caspian seaports. While these routes are not exactly smooth, they have very high promise and potential," Zhunusova stressed.

Commenting on the Ukrainian cargo meant for Kazakhstan that is being held up in Russia, Zhunusova noted that information on transit trucks and wagons that are stuck in Russia changes hourly.

"According to recent information from KazATO and entrepreneurs, more than 20 vehicles and 80 wagons carrying goods to Kazakhstan are now waiting in Smolensk. Russian customs authorities are sending back the vehicles and wagons that arrived in Smolensk after the 30th of June," Atamaken said.

Atameken officially appealed to the State Revenue Committee of Kazakhstan asking for assistance in the passage of the vehicles and wagons that arrived in Smolensk before the new decree went into effect.

As part of inter-agency cooperation, the Russian Federal Customs Service has informed Kazakhstani customs authorities that the 25 vehicles that arrived in Smolensk prior to July 1, were already registered and moved to Kazakhstan.

Deputy Chairman of the Board at NCE said all vehicles and wagons that arrived in Smolensk on the night from June 30 to July 1 of this year are being inspected for import duties. A decision will be made according to the results of the inspection, according to Akipress.

BANKING

National Bank explains latest fall in tenge

The recent decrease in world oil prices and the Russian ruble rates has once again provoked a fall in the Kazakh national currency, the tenge, according to Deputy Director at the National Bank's Monetary Operations Department, Adil Mukhamedzhanov, the bank reported July 26.

Moreover the exchange rate for the tenge has been influenced by some internal factors over the past few months, such as expectations of market participants, the movement of budgetary funds, tax payment 'periods' and de-dollarization, Muhamedzhanov said.

The exchange rate amounted to 351 tenge per US dollar at the July 26 afternoon trading session on the Kazakhstan Stock Exchange, compared to 344 tenge at the July 25 afternoon trading session.

Kazakh media reported that rate for the tenge at exchange offices in the cities of Astana and Almaty fell to 360 tenge per dollar, according to Trend.

New changes to the base rate

On June 11, the National Bank of Kazakhstan for the second time this year reduced the base rate by 2% from 15% to 13% while keeping the interest rate corridor at $\pm 1\%$.

The last interest rate reduction took place on May 5, 2016, while the all-time high-interest rate of 17% rose in February of the same year.

In May, the central bank also reduced the base rate by 2%, however, the regulator decided to narrow the corridor to $\pm 1\%$ from $\pm 2\%$. As a result, the liquidity withdrawal rate fell only by 1%.

The decision to reduce the base rate was grounded on the positive dynamic of external factors, the stability of currency market, the liquidity surplus, and drop of inflation expectations, which theoretically should fall into the target corridor of 6-8% by the end of the year.

Kazkommertsbank to buy Belarusian bank

Kazkommertsbank plans to purchase 50% of the ordinary shares in the Belarusian BTA Bank.

Kazakhstan's antimonopoly committee has granted permission for the deal, Kazakh Economy Ministry said on July 22.

The purchase should be completed within one year from the date of issuance of the permit.

Belarusian BTA Bank will transfer its shares to Kazkommertsbank as part of a debt repayment plan.

BTA Bank, which has offices in the Belarusian cities of Minsk, Brest, Mogilev, Vitebsk and Gomel, is a subsidiary of Kazakh BTA Bank, according to Trend.

Shinhan Bank Kazakhstan to finance women's entrepreneurship

The Council of Businesswomen of the Chamber of Entrepreneurs of Almaty and Shinhan Bank Kazakhstan (a subsidiary of Shinhan Bank of South Korea) have agreed to build cooperation, the Atameken National Chamber of Entrepreneurs reported on July 11.

The European Bank for Reconstruction and Development will provide \$20 million to Shinhan Bank Kazakhstan under a loan agreement to support micro, small and medium enterprises.

Out of that amount, \$5 million in tenge equivalent will be on-lent to female entrepreneurs. In addition, entrepreneurs will be provided with technical support and access to know-how.

"During the first Kazakh-Korean forum we reached an agreement on cooperation with the leadership of Shinhan Bank of Kazakhstan on the implementation of this program. The main objective of the partnership will be to promote the development of entrepreneurship among women by providing them with access to financial resources and advice. The loan will be granted at a rate of 15%, which is very important. Currently, commercial banks finance businesses at higher rates, from 21 to 28%," said Deputy Chairperson of the Council of Businesswomen of the Chamber of Entrepreneurs of Almaty Akerkin Eralieva.

During the Kazakh-Korean Cooperation Forum it was noted that in 2015 the trade turnover between Kazakhstan and the Republic of Korea amounted to \$1.5 billion.

South Korean businessmen are among the top ten investors in Kazakhstan's economy, including its priority sectors such as mechanical engineering, electronics and pharmaceuticals. The total investments currently exceed \$4 billion, according to the Times of Central Asia.

ENERGY & NATURAL RESOURCES

EIA raises forecast on Kazakh oil output

The US Energy Information Administration (EIA) has raised its forecast for Kazakhstan's 2016 and 2017 oil output in its short-term energy outlook for July 2016.

The new forecast has been upped to 1.69 million barrels per day, compared to 1.68 million barrels per day in the EIA energy outlook for June.

Meanwhile, the forecast for 2017 was raised to 1.72 million barrels per day, compared to 1.7 million barrels per day in the previous report.

Kazakh oil output totaled 1.73 million barrels per day in 2015, according to the EIA.

The EIA says the oil output in Kazakhstan was 1.69 million barrels per day in the first quarter of 2016, and 1.67 million barrels per day in the second quarter of 2016.

Oil output in the country is expected at 1.7 million barrels per day in the third quarter of 2016, and 1.68 million barrels per day in the fourth quarter of 2016.

The EIA expects oil output will be 1.68 million barrels per day in the first quarter and second quarter of 2017, 1.73 million barrels per day in the third quarter of 2017, and 1.79 million barrels per day in the fourth quarter of 2017.

Kazakhstan's proven oil reserves stood at 30 billion barrels in early 2015, according to BP Statistical Review of World Energy, Trend reports.

OPEC expects drop in Kazakh 2017 oil production

Oil output in Kazakhstan is expected to fall in 2017, according to the OPEC Monthly Oil Market Report July 2016.

"In the Caspian, the Kashagan offshore field in Kazakhstan is expected to finally start its oil production by the optimistic date of mid-2017," said the report. "Even with the Kashagan start-up in 2017, however, a decline of 30,000 barrels per day is expected for next year."

Kazakhstan's oil supply is expected to decrease by 40,000 tons per day over the previous year to average 1.56 million barrels per day in 2016, unchanged from the previous monthly oil market report.

OPEC said the oil production in Kazakhstan dropped by 30,000 barrels per day in 2015 and averaged 1.6 million barrels per day.

The country's proven oil reserves stood at 30 billion barrels as of early 2016, according to BP. Kazakhstan's largest oil fields are Tengiz, Karachaganak and Kashagan, Trend reports.

Tengizchevroil announces final investment decision for Tengiz oil expansion project

Fluor Corporation announced on 13 July that Tengizchevroil LLP (TCO) has sanctioned KPJV, a joint venture between Fluor, Kazakh Institute of Oil and Gas JSC, Engineering Company KAZGIPRONEFTETTRANS LLP, and WorleyParsons, to provide detailed engineering, procurement and construction management support services for the Future Growth Project—Wellhead Pressure Management Project. The joint venture is working as part of an integrated team with Tengizchevroil on the project that is the next expansion of the Tengiz oil field in western Kazakhstan. Fluor plans to book its share of the contract value in the third quarter of 2016.

The front-end engineering design (FEED) and engineering, procurement and construction management activities phase of this expansion project was awarded by Tengizchevroil to KPJV in 2011. The FEED is complete and detailed engineering is well underway. The project team is also engaged in long-lead procurement and early construction works for key project infrastructure at the Tengiz site.

"We are grateful to be able to continue our long-standing relationship with TCO and our joint venture partners for this prestigious and strategically important project to Kazakhstan," said David Seaton, chairman and chief executive officer of Fluor. "The integrated team will work to increase the capital efficiency of the project and enhance execution plans for successful commissioning and safe and efficient startup of the facilities. With the full participation of our Kazakhstan partners, we will create an engineering legacy in Kazakhstan, as well as wide-ranging opportunities for the local workforce and local supply chain, thereby developing sustainable benefits for the region."

The project engineering is being executed by Fluor and its joint venture partners in Farnborough, UK, with support from its engineering centers in Atyrau and Almaty, Kazakhstan; New Delhi, India; and Houston, as well as its integrated construction site in Tengiz.

The Future Growth Project will use sour gas injection technology, successfully proven during TCO's expansion project in 2008, to maximize Tengiz production capacity to approximately 39 million tons-of-oil-per-year. While the Future Growth Project will increase production, the Wellhead Pressure Management Project will keep the existing Tengiz plants full by lowering the flowing wellhead pressure and boosting the pressure to Tengiz's six processing trains.

During peak construction, the project is expected to employ approximately 20,000 construction workers. First oil is planned for 2022.

Fluor began working in Kazakhstan in 1982 and at Tengiz in 1997 on a condensate stabilization project. Since then, Fluor has performed ongoing work in Kazakhstan on numerous additional projects prior to the current expansion project, Your Oil and Gas News reports.

KazMunaiGas opens legal case against Romania

Kazakhstan's state oil company says it has initiated legal proceedings against Romania after prosecutors froze its shares in the country's largest oil refinery.

KazMunaiGas (KMG) said it had submitted a "notice of investment dispute," to the Romanian government, the first step in a legal process that could lead to international arbitration.

KMG agreed in April to sell a 51% stake in KazMunaiGas International, the subsidiary that owns the Petromidia refinery in Romania, to CEFC, a private Chinese company, for \$680 million.

Romanian organized crime prosecutors in May named KazMunaiGas as a party in a probe into tax evasion, money laundering, and fraud connected to the 2000 privatization of the refinery and froze its assets.

The statement didn't say what effect the probe could have on the sale, the Associated Press reports.

For more news on Kazakhstan's energy sector, please see our **Special Energy Issue**, which is available on a monthly basis at the Embassy's website:

<http://kazakhstan.nlembassy.org/>.

MINERAL RESOURCES

Expected cost of Kazakh copper mine project down by \$100 million

KAZ Minerals company reduced the cost of the expected Aktogay copper mine project in Kazakhstan by \$100 million to \$2.2 billion, the company reported.

"The project has benefitted from the experience gained at Bozshakol [mine project] and from the use of local contractors following the 2015 tenge devaluation," said the company's message.

The lowered budget for the project results in revised capital expenditure guidance for 2016 of \$230 million and 2017 of \$350 million.

The final payment of \$300 million to the project's principal construction contractor remains deferred to 2018, after the project is completed.

The Aktogay project in the East of Kazakhstan is the group's second copper mining asset under construction. Aktogay commenced production of copper cathode from oxide ore in December 2015, and the production of copper in concentrate from sulfide ore is expected to begin in 2017.

The sulfide concentrator will have an annual ore processing capacity of 25 million tons when fully ramped up.

The deposit has a mine life of more than 50 years with average copper grades of 0.33% (sulfide) and 0.37% (oxide). Aktogay is competitively positioned on the global cost curve and will produce an average of 90,000 tons of copper cathode equivalent from sulfide ore and 15,000 tons of copper cathode from oxide ore per year over the first 10 years of operations.

KAZ Minerals is a high growth copper company focused on large scale, low cost, open pit mining in Kazakhstan.

It operates four mines and three concentrators in the East Region of Kazakhstan, the Bozymchak copper-gold mine in Kyrgyzstan, the Bozshakol open pit copper mine in the Pavlodar region of Kazakhstan and the oxide phase of the Aktogay project, according to Trend.

China's Silk Road Fund eyes joint bid for Kazakh Vasilkovskoye mine

China's state-backed Silk Road Fund, a \$40-billion pool established to invest in countries along the ancient Silk Road trade routes in Central Asia, has entered talks for a joint bidding for Glencore Plc's gold mine in Kazakhstan.

The fund has teamed up with China National Gold Group Corp. on a possible joint offer for the Vasilkovskoye mine, which insider sources say could fetch around \$2 billion, according to a report from China Daily published on 8 July.

The group is currently in discussions with Glencore, although there is still no certainty of who will emerge victorious in the bidding, the report said.

According to its official website, the Silk Road Fund was established in 2014 with the official backing from China's sovereign wealth fund, the state-owned Export-Import Bank of China and policy lender China Development Bank Corp.

The Beijing-based fund is joined by Chinese gold producers Shandong Gold Mining Co. and Zijin Mining Group Co. as potential bidders for the asset, people familiar with the matter said in June.

China has seen an estimated \$9.6 billion worth of mining acquisitions this year as commodity prices begin to bounce back, a 36% increase compared to the same period the previous year, according to data compiled by Bloomberg.

"Chinese miners are competing to secure gold assets, because there's a consensus that domestic demand will far outstrip local supply due to fast-growing investment demand," Wang Rong, an analyst at Guotai Junan Futures Co., told China Daily in a phone interview on 7 July. "The valuation of gold assets might still have potential to rise given the bullish outlook in the bullion market now."

The talks come after China Molybdenum Co. announced in May that it has agreed to buy a controlling stake in Freeport-McMoRan Inc.'s copper mine in the Democratic Republic of Congo for \$2.65 billion, following a \$1.5-billion deal in April for Anglo-American Plc.'s niobium and phosphate business.

China National Gold also said in April that it has plans to purchase Eldorado Gold Corp.'s Jinfeng gold mine in Guizhou Province for \$300 million, according to <http://en.yibada.com>.

TRANSPORT & COMMUNICATIONS

Russia won't leave Kazakhstan's Baikonur

Russia has no plans to leave the Baikonur Space Center in Kazakhstan, Russian Deputy Prime Minister Dmitry Rogozin has said.

"I see it as a goal of our joint work to preserve and expand the Baikonur Space Center's potential, to provide people living in the city of Baikonur -- regardless of their ethnic identity or citizenship, with comfortable conditions to work and live," he said.

"Baikonur must go on. It has big future. It is a big joint project for our two countries. Regardless of the fact Russia is building and has practically completed the construction of the Vostochny Spaceport in the Amur region, Baikonur will still be very important for us."

Rogozin called on people to refrain from speculation that Russia is leaving Baikonur.

"Russia is not leaving Baikonur. It is a joint project, which has been confirmed by our presidents. We have discussed it and confirmed it once again," he stressed.

He added the concept for the long-term development of the Baikonur Space Center will be ready before the end of the year, according to Akipress.

Kazakhstan constructing spacecraft assembly and testing complex

Kazakhstan is building a spacecraft assembly and testing complex, to be opened in Astana in early 2018, Marat Nurguzhin, director of the Kazakh National Space company, Kazakhstan Garysh Sapary, said.

The facility will make it possible to carry out all types of tests on spacecraft on the same site, thereby reducing possible transportation losses.

The entire cycle of spacecraft assembly from conception to launch will be conducted at the complex.

The produced space crafts will be delivered to Baikonur Space Center, from which they will be launched into space.

It is planned that Astana assembly and testing complex will assemble first space crafts by 2021.

Kazakhstan's Sarysh Sapary is implementing the spacecraft complex project together with Airbus Defense and Space (division of Airbus Group responsible for defense and aerospace products and services), according to Trend.

Air Astana records \$6.6 million loss in the first half of 2016

Air Astana recorded a net loss of \$6.6 million, and an operating profit of \$0.975 million, for the first half of 2016.

Operating revenue fell by 30% to \$275 million, driven by a significant devaluation of the Kazakh Tenge compared to the first half of 2015, and by weaker regional travel markets in the wake of commodity price falls. Passenger numbers fell by 7% to 1.69 million.

Peter Foster, Air Astana President and CEO commented as follows: "The macro-economic environment has been and continues to be extremely challenging for all airlines operating in the region. However we have been able to compensate to a large extent for a steep drop in revenue, particularly on domestic routes, by further reducing unit cost and by substantially increasing international transit traffic between Europe and Asia. The interim result is therefore better than expected under the circumstances. Prospects for the rest of the year remain uncertain, however there are signs that regional economies are adjusting to structurally lower commodity prices. Further development of transit business over our Astana and Almaty hubs continues to be a priority."

Air Astana recently launched flights between Almaty and Tehran, and will take delivery of its first Airbus 320 NEO later this year.

Air Astana commenced scheduled flight operations on 15th May 2002 and currently operates a network of over 60 international and domestic routes from hubs in Almaty and Astana. Air Astana's fleet of 30 aircraft includes Boeing 767-300ER, Boeing 757-200, Airbus A320 family and Embraer E-190 types.

Air Astana is a joint venture between Kazakhstan's national wealth fund, Samruk Kazyna, and BAE Systems from the UK, with respective shares of 51% and 49%, according to Aviation Tribune.

China-Kazakhstan freight rail route opens

The first freight train service connecting northern China's Inner Mongolia Autonomous Region with Kazakhstan was launched on 27 July.

The first train was loaded with building materials and other commodities. It left Jiuyuan Logistics Park in Baotou City on 27 July. The 4,332-km trip to Astana will take eight days.

On its return journey, the train will carry goods including mineral resources, according to a Hohhot Railway Bureau official.

Hohhot Railway Bureau built the logistics park, which features special platforms and storehouses for freight, at a cost of \$195 million.

"The new rail service, which follows the ancient Silk Road trade route, will support the regional export market," said Lu Zhi, vice mayor of Baotou, Akipress reports.

Kazakhstan plans to launch assembly of high-speed locomotives

The Kazakh electric locomotive assembly plant – Elektrovoz Kurastyru Zauyty) will launch the production of high-speed passenger locomotives in autumn 2016, said a news statement from Kazakhstan Railways (Kazakhstan Temir Zholy).

The high-speed locomotives will be able to reach 200 kilometers per hour.

One such locomotive - KZ4AT, designed by the French Alstom - was successfully tested on the Kiik-Moyynty railway.

Alstom Managing Director for the southern cluster of the CIS, Bernard Pellet said the use of high-speed locomotives opens up new prospects to turn Kazakhstan into a center for the transportation corridor linking Europe, Far East, Asia and Russia through the new Silk Road.

Currently, the maximum speed of passenger trains in Kazakhstan is 140 kilometers per hour, according to Trend.

Kazakhstan discusses One Belt, One Road initiative with China

First Deputy Prime Minister, Bakhytzhan Sagintayev has met with Zhang Gaoli, vice premier of China and a member of the Politburo Standing Committee of the Communist Party of China, in Beijing on July 12, a news statement from the Kazakh PM reports.

The meeting took place on the eve of Kazakh President Nursultan Nazarbayev's visit to China and his participation in the G20 Summit in Hangzhou in early September, www.pm.kz reports.

Sagintayev and Zhang Gaoli discussed the implementation of projects under the Nurly Zhol new economic policy and Xi Jinping's One Belt, One Road initiative to open up new prospects for mutually beneficial partnership.

To achieve their bilateral trade objectives - \$40 billion up to 2020, the first deputy prime minister proposed developing a joint action plan to diversify trade and economic cooperation, and eliminate trade barriers.

The talks touched upon innovative cooperation, large-scale transport projects, the energy sector and agriculture.

Sagintayev also plans to visit Xi'an to hold talks with Secretary of the Party Committee of the Shaanxi Province, Lowe Tsintszyan, with Chinese businesspeople, to learn about the operation of advanced technology centers, aerospace development, biopharmaceuticals, and agriculture, Akipress reports.

South Korean consortium picks up Kazakhstan highway deal

A South Korean consortium is in line for a \$75 million loan from the Asian Infrastructure Investment Bank (AIIB) for a project in Kazakhstan.

The \$900 million project around the city of Almaty will see development of a 66 km highway with eight intersections and 21 bridges, according to a report in the Korea Herald.

The consortium consists of Korea Expressway and SK Engineering and Construction (SK E&C), noted a report by the Korean news agency Pulse.

Other banks that will provide loans to the consortium are Islamic Development Bank, International Finance Corporation as well as European Bank for Reconstruction and Development (EBRD).

Almaty is Kazakhstan's largest city and has a population of around 1.5 million people. It is in the foothills of the Trans-Ili Alatau mountains and was the capital city until 1997. It remains Kazakhstan's trading and cultural hub while the capital is now Astana, according to World Highways.

Kazakh car manufacturing falls by over 60%

Kazakhstan's car manufacturing has fallen by 62.2% over the first half of 2016, compared to the same period of 2015. Output stood at 2,980 automobiles, the Kazakh Statistics Committee reports.

This is while minibus production fell by 23.7% and stood at 71 minibuses during the period.

During the period, truck manufacturing rose 16.6% to 718 trucks.

Three large car plants - AZIA AVTO, SaryarkaAvtoProm and Agromashholding – are now operating in the country. The plants manufacture Kia, Chevrolet, Skoda, Hyundai, SsangYong, Peugeot model cars along with other brands.

Kazakhstan produced 12,450 cars and 1,660 trucks in 2015.

Meanwhile, the demand for new cars continued to decline in 2016, according to the Association of Kazakhstan Auto Business.

Official dealers sold 17,990 cars in January-May 2016, or 59.4 percent less than in the same period of 2015.

Sales by official dealers plummeted 40.4% in 2015 compared to 2014, and stood at 97,450 cars, according to Trend.

Kazakhstan plans to export cars to Russia and Central Asia

Kazakhstan plans to manufacture no less than 200 thousand motor vehicles by 2025. It will also export them to Russia and Central Asian states, Novosti-Kazakhstan reports, citing Minister for Investment and Development, Zhenis Kasymbek.

“In the automobile industry, we plan to produce no less than 200 thousand vehicles by 2025 and achieve 50% production localization within the next 3-4 years. We will also start automobile exports to Russia and Central Asia,” Kasymbek said at a meeting dealing with the results achieved by the national industrialization plan over the first half of 2016. The meeting was held in Astana on July 1.

The minister added that automobile exports would start this year.

He added that by 2020, production and exports must grow to 22% and 19%, respectively.

This will require around 4.5 trillion tenge in investments in processing industries main capital.

“We plan to obtain around four tenge of private investment per each tenge of state-budget funds,” he said.

It was reported earlier that Kazakhstan’s automobile industry showed its first signs of recovery in January-May of this year.

According to the KazAutoProm union of automotive enterprises, in January-May 2016, Kazakhstan manufactured 2,636 motor vehicles.

“Kazakhstan’s automobile industry was among the industries that have suffered the largest losses due to volatility on the currency market and the worsening macroeconomic background in 2014 and 2015,” the union’s press statement said.

KazAutoProm said the expansion of budget car models by domestic car-makers will help recover Kazakhstan’s automobile production in the second half of this year, the Times of Central Asia reports.

Kazakh telecoms’ income up in the first quarter of 2016

Kazakhstan’s small, medium and large telecommunication companies had a total income of 270 billion Kazakh tenge (338 tenge per US dollar) in the first quarter of 2016, or 34 billion tenge more than in the first quarter of 2015, said the Finprom.kz analytical center on July 4.

The lion’s share of the growth came from small telecommunication enterprises, the income of which rose 26 billion tenge, versus an increase of seven billion tenge in the income for medium-sized and large companies.

In the first quarter of 2016, expenditures by large and medium enterprises rose 14 billion tenge compared to the first quarter of 2015.

Meanwhile, expenditures of the small enterprises rose by 27 billion tenge in the mentioned period.

The profitability of large telecommunication companies’ sales was 16% in the first quarter of 2016, as compared to 19% in the first quarter of 2015.

Profitability of small enterprises’ sales decreased from 14% to 7% in the reporting period, Trend reports.

AGRICULTURE

Kazakhstan to create a new agricultural investment fund

Kazakhstan's KazAgro national agricultural holding will set up an Agricultural Investment Fund by the end of 2016 designed to intensify the attraction of direct investments into the country's agriculture sector.

"The new fund is being created entirely by KazAgro," Managing Financial Director at KazAgro Banu Ergalieva told a press conference on July 21, the Atameken National Chamber of Entrepreneurs of Kazakhstan reports.

According to Ergalieva, the initial capitalization of the fund will be \$50 million, and is expected to finally reach \$300 million. "It will be a mix of funds, we expect to use both public funds and borrowed funds," she said.

Ergalieva said that currently, KazAgro is considering around 20 projects, adding that by the experience of the Kazakh-Hungarian Investment Fund, a pilot project of KazAgro, its management company considered 100 projects over a period of six months, out of which three projects are now at the selection stage.

The goal of the new Agricultural Investment Fund will be developing existing agriculture projects which are currently experiencing a shortage of resources, as well as funding new projects in the areas of animal husbandry, poultry farming, fish farming, and dairy production. Projects will include primary production, processing, logistics, storage, supply of equipment, and trade.

Ergalieva also spoke on the risks to Kazakhstan's agricultural sector, such as underdeveloped marketing and logistics infrastructure and underdeveloped instruments for hedging the sector's risks.

However, she said that the potential of the Kazakh agriculture sector is high, and the conditions created for agribusiness cover the risks, the Times of Central Asia reports.

Kazakhstan harvests 304.5 thousand tons of grain

The South Kazakhstan Oblast continues harvesting its grain crops.

According to the regional agricultural authorities, farmers have harvested around 149.6 thousand hectares, or 16.7% of the planned planted areas as of July 14.

To date, farmers harvested 304.5 thousand tons of grain, as opposed to 160.6 thousand tons during the same time of last year.

The average yield was 2.04 tons per hectare, the Ministry of Agriculture reports.

In particular, farmers in the Almaty Oblast harvested 5 thousand hectares of grain, in the Zhambyl Oblast – 71.5 thousand hectares, the Kyzylorda Oblast – 3.2 thousand hectares, and the South Kazakhstan Oblast – 69.9 thousand hectares, according to Akipress.

RETAIL SECTOR

H&M to enter Kazakh market

Hennes & Mauritz AB (H&M), Swedish retail clothing company, plans to open its first store in Kazakhstan, along with Iceland, in 2017, according to Reuters.

Presumably the new stores will open in autumn of next year. The cities, locations and their number are yet to be announced.

Earlier in the beginning of the year, it was announced that H&M is holding negotiations with the Almaty Shopping Mall.

The Swedish company usually enters the landmark shopping centre of the capital of the new market very fast and aggressively, and then quickly opens its stores in regional centres, according to Director General of Friendly Avia Support Consulting Company and Retail.net editor Alexander Lanetsky, who gave an interview to forbes.kz in February this year, concerning the negotiations of the company with local shopping malls.

He also noted that Kazakhstan's market could attract the international brand with its stability and relatively high incomes, adding that the current economic situation in

Kazakhstan is unlikely to force the company to revise its plans, since H&M is one of the brands that planned its entry to the markets during the economic crisis.

“Although the drop in oil prices and other macro-economic indicators were shocking the Kazakh market whole year, it is nothing compared to other countries’ problems – for example, Russia or especially Ukraine. In addition, despite the situation that has developed in the Russian Federation, the Swedish company is doing very well in the Russian market, the brand is very successful,” he said, adding that last year H&M opened two new stores in Russia and launched its online shop.

H&M is one of the largest clothing retail chains in the world. Founded in 1947, the brand exists in 61 countries and has more than 3,700 stores worldwide.

The company ranked second largest global clothing retailer after Inditex, which is based in Spain. The third largest global clothing retailer is Gap Inc., based in the United States.

“We offer fashion and quality at the best price in a more sustainable way,” says H&M’s website, the Astana Times reports.

EXHIBITIONS IN KAZAKHSTAN (September 2016)



KazBuild

International Exhibition Construction and Interiors,
Windows, Doors and Facades, Ceramics and Stone
5 – 8 September 2016, Almaty

Organizer: Iteca

www.kazbuild.kz



Interiors 2016

Kazakhstan International Interiors and
Finishing Materials Exhibition
5 – 8 September 2016, Almaty

Organizer: Iteca

www.kazbuild.kz



Aqua-Therm Almaty

Kazakhstan International Exhibition for Heating,
Ventilation, Water Supply and Swimming Pool Equipment
5 – 8 September 2016, Almaty

Organizer: Iteca

www.aquatherm-almaty.com



MiningWorld Central Asia

Central Asian International Mining and Processing of
Metals and Minerals Exhibition

14 – 16 September 2016, Almaty

Organizer: Iteca

www.miningworld.kz



Metaltech Central Asia

Central Asian International Metallurgy, Metal-Working
and Machinery Construction Exhibition

14 – 16 September 2016, Almaty

Organizer: Iteca

www.kazmet.iteca.kz



Kazcomak

Kazakhstan International Exhibition on Heavy
Construction

14 – 16 September 2016, Almaty

Organizer: Iteca

www.kazcomak.kz



Astana Leisure

International Tourism Exhibition

29 September – 1 October 2016, Astana

Organizer: Iteca

www.leisure.kz

Exhibitions dates are subject to change. For a complete overview and more information on exhibitions in Kazakhstan, please visit:

www.iteca.kz
www.tntexpo.kz

www.astana-expo.kz
www.atakentexpo.kz

www.expocentralasia.com
<http://10times.com/>

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