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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

Kazakh economy shows growth in first half of 2016

Kazakhstan's GDP grew by 0.1% year-on-year to 19,354.4 billion tenge (€50.5 billion) in the first six months of 2016, the State Statistics Committee said on August 19 as it released preliminary figures.

The Kazakh economy is experiencing one of its toughest years in over a decade as a result of low oil prices, the ongoing recession in Russia and slowing demand from China. GDP growth eased sharply to 1.2% last year from 4.3% in 2014. Growth is expected to further ease to between 0% and 1% in 2016 depending on the average price of oil.

The low price of oil makes production unprofitable at some ageing Kazakh oil fields, driving output down and badly affecting the oil-based economy.

The GDP growth in the first half of 2016 reflected a 2.7% year-on-year increase in the agriculture sector to 480 billion tenge and a 6.6% year-on-year hike in the construction sector to 983 billion tenge. Industry fell by 1.8% to 5.37 trillion tenge. Gross added value decreased by 0.1% to 18.12 trillion tenge.

Production of goods accounted for 35.4% of the country's GDP, or 6.84 trillion tenge, and services for 58.2%, or 11.82 trillion tenge. Taxes on products were responsible for 6.4% of GDP, increasing by 3.5% year-on-year to 1.24 trillion tenge.

The agriculture sector accounted for 2.5% of GDP, industry for 27.8% and construction for 5.1%, according to BNE IntelliNews.

Consumer inflation hit 17.7% year-on-year in July 2016

Consumer inflation accelerated to 0.5% month-on-month in July 2016, 12-month inflation rate reached 17.7% influenced by the low basis effect of last year.

According to Halyk Finance's assessment, the seasonally-adjusted prices in July rose by 1.0% month-on-month, accelerating slightly from 0.9% month-on-month in June.

According to the Statistics Committee, consumer inflation accelerated to 0.5% month-on-month in July 2016. 12-month inflation rate reached 17.7%, influenced by the low basis effect of last year.

In the first six months of the year, prices and tariffs on consumer goods and services rose by 5.2%, including: for food items by 5.6%, for no-food by 5.2%, services by 4.7%, corresponding figures in the same period of last year stood at 3.9%, 3.6%, 3.5% and 4.6%.

As per Halyk's assessment, the seasonally-adjusted prices in July rose by 1.0% month-on-month accelerating slightly from 0.9% month-on-month in June.

Food inflation slowed to 0.5% month-on-month but remains high excluding seasonal factors 1.2% month-on-month in July 2016.

High inflation observed for cereals, prices growth has accelerated for sugar (sugar prices on the world market for the whole year increased by 55.9%) bread and bakery products.

Inflation for fresh fruit and vegetables weakened insignificantly. Slightly decreased prices for meat and vegetables.

Non-food inflation was 0.4% month-on-month and 0.5% month-on-month in July 2016. Seasonally adjusted growth of prices of non-food items is associated with the continued increase in the prices of imported goods, in particular, for clothing and shoes. However, there has been a slight slowdown in prices for household goods and appliances.

Price increases for services amounted to 0.6% month-on-month and 0.7% month-on-month due to the growth of tariffs on housing services, transport and communications.

Tariffs for postal services shrank somewhat.

Against a backdrop of a slow deceleration of consumer inflation assisted by declining world prices for grain, soy and meat, Halyk Finance expects 12-month inflation to fall below 12% by the beginning of the fourth quarter as a result of the fading out of low base effect, and to less than 8% by the end of the year.

After the prompt base rate decrease by 2pp to 13% in July, and heightened volatility in the oil market at the end of last month as Brent price dipped at a moment below \$43 a barrel, and the tenge to US dollar weakened by more than 10 tenge, Halyk believes the

base rate will remain unchanged in the near future. The decision on the rate will be announced by the NBK in mid-August, according to Halyk Finance.

DBK and Almex to attract foreign investment into Kazakh economy

The Development Bank of Kazakhstan and Almex Holding Group have signed an agreement to cooperate in co-financing projects and to bring foreign investments into the Kazakh economy.

The document was signed by the Chairman of the Board of DBK Bolat Zhamishev and the Chairman of the Board of Almex Mazhit Yessenbayev, the Atameken National Chamber of Entrepreneurs of Kazakhstan reported on July 28.

“Cooperation between Development Bank of Kazakhstan and the country's largest private financial holding company will direct a synergy of competence accumulated by Almex in equity financing and by DBK in the provision of long-term financing at the development of non-oil economy, implementation of capital-intensive projects in the manufacturing sector, including food production,” Chairman of the Board at the Kazakh central bank, Bolat Zhamishev said.

“The development of public-private partnership with the largest state financial institution, such as the Development Bank of Kazakhstan, which invests in major projects and has gained experience in conducting detailed assessment of projects and further effective monitoring of their implementation, will be a great help for the implementation of investment projects in various industries and sectors of the country's economy,” said Almex Chairman Mazhit Yessenbayev, added that “this experience will be attractive for other private financial institutions intending to invest in the real economy”.

The parties agreed to establish a joint working group to search for and select projects for joint development, define financing mechanisms including direct investments or loans, and monitor the results of cooperation.

Almex is a financial holding company which carries out investment activities in the financial market and provides through its subsidiary JSC Halyk Bank of Kazakhstan banking services to corporate and retail customers in Kazakhstan, Russia, and Kyrgyzstan.

The Development Bank of Kazakhstan (DBK) is a National Institute of Development for modernization and development of the non-extractive and infrastructure sectors of the economy.

The DBK is part of the Baiterek National Holding, according to the Times of Central Asia.

Eurasian Economic Union agricultural output rose 2.7% in the first half of 2016

Agricultural production in all member states of the Eurasian Economic Union rose in January-June 2016 by 2.7% compared to the same period of last year, according to the official website of the Eurasian Economic Commission.

The greatest growth has been observed in Armenia and Belarus at 3.3%, Kazakhstan — 2.7%, Kyrgyzstan — 2.9% and Russia — 2.6%.

The commission forecasts a growth in the production of poultry and pork of 14% and 9%, respectively, in 2017, according to Akipress.

Tajikistan not ready to join Eurasian Economic Union

The government of Tajikistan is studying Kyrgyzstan's experience with the benefits and costs from joining the Eurasian Economic Union. The country has not yet made a final decision to join, Deputy Minister of Economic Development and Trade of Tajikistan, Umed Davlatzod stated on August 2 at a press conference.

“This issue is under the consideration of the government of Tajikistan, but no decision has been taken yet as of today,” he said.

Davlatzod added the Tajik administration has settled many economic decisions corresponding the principle of the EEU with the union's member states based on bilateral agreements.

“These concern the import of energy resources. In this case, the question arises as to whether a reason exists to join this organization or not,” he said, according to Akipress.

Eurasian Economic Union-Vietnam free trade agreement to become active on October 5

The Eurasian Economic Union and Vietnam free trade agreement will become active on October 5, the Eurasian Economic Commission said.

All ratification procedures are now complete, EEC Minister Veronika Nikishina said.

Starting from October 5, reduced customs duties will apply to most of goods being traded by the EEU countries, she said.

Kyrgyzstan ratified the deal on June 2, 2016.

The Eurasian Economic Union and Vietnam signed a free trade agreement (FTA) on May 29, 2015 in Kazakhstan.

This was the first such deal with foreign countries for the EEU, which unites Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan.

The agreement will give the EEU access to a 90-million person market, as well as the opportunity to enter the markets of other ASEAN countries and the Asian region as a whole.

The agreement not only covers preferential regimes, but also managing intellectual property rights and a number of other areas.

By signing the FTA, trade between the EEU member states and Vietnam is expected to grow to \$10 billion by 2020 from the current \$4 billion in 2015.

The EEU is designed to ensure the free movement of goods, services, capital and a workforce within the Union, Akipress reports.

BANKING

Kazakh central bank gross national reserves total \$30.5 billion

The gross international reserves of the National Bank of Kazakhstan reached \$30.5 billion – thereby remaining at the previous month’s level, Chairman of the National Bank of Kazakhstan, Daniyar Akishev told the press.

Since the beginning of the year, gross international reserves rose 9.4%.

The country’s international reserves, including those of the National Bank and the National Fund assets were estimated at \$95.2 billion.

Since the beginning of the year, the country’s international reserves increased by 4.2%, Akishev said, according to Akipress.

Bank loans up in Kazakhstan economy over the first half of 2016

In June 2016, the total volume of loans issued by the banking sector into the Kazakh economy reached 12.5 trillion tenge.

However, despite a remarkable fall in new loans in January 2016 the total volume of new loans was up by 6.8% year-on-year over the first six months of 2016, Ranking.kz reports.

The January fall was caused by, above all, restrictions the National Bank imposed on the release of liquidity to commercial banks to stabilize the exchange rate on the tenge. As a result, to fulfil capital adequacy requirements, banks wound down their loan programs, reducing new loans by 53% compared to December 2015.

The cost of loans increased by 1.5 percentage points on average to 15.1% per year. At the same time, banks were less willing to issue new loans in June, too: the share of new loans fell from 7.2% in June 2015 to 6.6% in June 2016.

Loans became more expensive for companies operating in all sectors of the economy, with the highest interest rates recorded on loans to IT and telecom companies (16.4% on average).

Despite the falling oil prices banks continued to consider mining companies as reliable borrowers, offering them loans at 10.7% per annum.

New loans were increasingly attracted to the processing sector. Banks were also traditionally less willing to loan the agricultural sector: the share of new loans accounted for a meager 2.3% of the total loans issued, the Times of Central Asia reports.

Kazakhstan holds rates after inflation risks ‘strengthened’

Kazakhstan’s central bank kept its key interest rate unchanged after an unexpected cut last month as a surge in prices kept inflation at its fastest since 2008.

The base rate, set as the new benchmark after the central bank abandoned its currency peg a year ago, was kept at 13%, policy makers in Almaty said in a statement. Seven of eight economists surveyed by Bloomberg forecast no change, with one seeing a decrease to 12.5%.

“The inflationary risks induced by oil prices, the main terms-of-trade determinant for Kazakhstan, have strengthened,” the central bank said in the statement.

“A further reduction of the base rate will be based on the dynamics of actual inflation, its deviation from the forecast and target parameters, on inflation expectations, as well as the currency preferences of the population and the market.”

While the Central Asian economy is at risk of its first contraction since 1998, the central bank is taking a pause after annual price growth jumped to 17.7% in July, more than double this year’s target.

“Moderate” inflation expectations among households, an economic downswing and slower price growth among Kazakhstan’s major trading partners bode well for a drop in the cost index, according to central bank Governor Daniyar Akishev.

The central bank also said it maintained its rate corridor at plus or minus one percentage point. The overnight deposit and lending standing facility rates form a band around the new benchmark.

“We see the positive developments with inflation, market functioning and the de-dollarization processes in Kazakhstan,” Oleg Kouzmin, economist for Russia and the Commonwealth of Independent States at Renaissance Capital in Moscow who predicted no rate change, said before the decision. “The central bank would follow a gradual easing path to cement the positive developments.”

After adopting a free-floating exchange rate in August 2015, the central bank lifted its new benchmark to as high as 17% this year to halt outflows before reducing it by a cumulative 4 percentage points in May and July.

While the tenge has recouped some of last year’s losses as oil prices rebounded, the appreciation has done little to curtail inflation. The world’s second-worst performer in 2015 with a loss of about 50% against the dollar, the Kazakh currency has appreciated almost 12% since its drop to a record in late January.

Although the rate cut to 13 percent decreased the cost of financing for lenders, it also opened the possibility for “a part of tenge resources to flow to the currency market,” Akishev said August 4. Under these conditions, the exchange rate is set to stay at its current level unless oil prices drop below \$35 a barrel and the Russian ruble depreciates to 70 against the dollar, he said.

“Inflation has stabilized and will continue falling in the coming months,” Dmitry Polevoy, chief economist for Russia and the Commonwealth of Independent States at ING Groep NV in Moscow who forecasts the benchmark will drop to 10% by year-end, said before the decision. “De-dollarization is underway with no significant risks to the tenge, in our view, even if oil prices fall further,” Kazinform reports.

Kazakh microfinance organizations enhance loan portfolio quality

Kazakh microfinance organizations decreased the percentage of non-performing loans in their portfolios from 7 percent to 6 percent over the first quarter of 2016, Ranking.kz said in a report on August 1.

Meanwhile, the loan portfolio of Kazakh banks is deteriorating - the volume of non-performing loans jumped from 7% to 8% during the first quarter of 2016 to 8.5% at the end of May.

Retail loans amount to 97% of the loan portfolio of Kazakh microfinance organizations.

The quality of retail loans issued by microfinance organizations is much better than the quality of retail loans issued by banks with 6% overdue loans against 10% overdue loans at the end of May.

The largest Kazakh microfinance organization is KMF. It issued 40% of all microfinance organizations' loans during the period.

The quality of KMF's loan portfolio is quite high, with a mere 1.9% of loans to borrowers being overdue, Trend reports.

Kazakh banks reduce funding of economy

Kazakh banks reduced economy funding by 1.7% since the beginning of 2016, the country's National bank reported.

The volume of credits issued in June rose by 0.2% compared to May to 12.46 trillion tenge.

The volume of credits in national currency increased by 0.7% to almost 8.16 trillion in June (2.9% decrease since the beginning of 2016).

The volume of loans in foreign currency decreased by 0.6% to 4.3 trillion in June (0.6% growth since the beginning of 2016). The share of loans in tenge hit 65.5% in June compared to 66.3% in December 2015 and 65.2% in May 2016.

The volume of loans to legal entities increased by 0.2% to 8.46 trillion tenge in June (0.5% decline in January-June), to individuals rose by 0.3% to 3.99 trillion tenge (4.1% decline in January-June). The share of loans to individuals in the reporting month remained unchanged compared to the previous month at 32%. At the beginning of 2016 the share of loans to individuals was at 32.9%.

Lending to small businesses increased by 0.4% to 2.72 trillion tenge in June 2016 and 32% since the beginning of 2016.

An average interest rate on loans issued in national currency to legal entities amounted to 16.3% in June compared to 16.5% in May. An average interest rate on loans issued in national currency to individuals hit 19% in June compared to 18.2% in May, according to Trend.

ENERGY & NATURAL RESOURCES

Kazakh oil production down

Oil and gas condensate production in Kazakhstan, which is the largest oil producer of the Central Asian region, decreased by 3.6 percent to 38.8 million tons in the first half of 2016 as compared to the same period in 2015, Energyprom.kz reports.

The volume of oil production in the country amounted to 32.97 million tons in the reported period, recording a decrease of 2.4% as compared to 2015. Production of gas condensate faced a decrease of 9.9% to 5.8 million tons.

Overall volume of oil and gas condensate extraction totaled 6.4 million tons in June 2016, which saw a growth of 0.3 as against the rate fixed in the same period of 2015. Some 5.3 million tons of the overall volume fell to a share of oil, facing a decrease of 1.3%, while the volume of gas condensate stood at 1.1 million tons recording an increase of 8.6%.

Oil production in Kazakhstan fell by 30,000 barrels per day to average 1.6 million barrels per day in 2015, according to OPEC. Output is expected to reach 1.5 million barrels in the third and fourth quarters of 2016.

Proven oil reserves in Kazakhstan as of early 2016 stood at 30 billion barrels, according to BP Statistical Review of World Energy.

The largest oil fields of the country are Kashagan, Tengiz, and Karachaganak.

Kashagan, located in the north of the Caspian Sea, possesses geological reserves, which are estimated at 4.8 billion tons of oil. The total oil reserves amount to 38 billion barrels, and some 10 billion out of them are recoverable reserves.

Tengiz field, located in the Western Kazakhstan is one of the world's deepest producing super giant fields.

The project's license area includes the Tengiz field and the Korolevskoye field, which is smaller, but has significant reserves. Recoverable reserves of the Tengiz and Korolevskoye fields are estimated between 750 million to 1.1 billion tons of oil.

The Karachaganak field's oil and liquid condensates are estimated at around 1.2 billion tons. About 18% of its produced oil is extracted from this field.

Kazakhstan serves as key transit route for oil and gas from the smaller nations of Central Asia, maintaining a key role in the region's future energy landscape, according to Azernews.

Russia, Kazakhstan to develop new hydrocarbon field in Caspian Sea

The Russian government has granted a license to the Tsentralnaya oil and gas company for exploration and production at the Tsentralnaya geological structure in the Caspian Sea, a government website says.

Tsentralnaya is owned by KazMunaiGas (50%), and Russia's Gazprom and LUKoil (25% each).

The company was granted the right to use the field for 25 years, including up to seven years of geological survey.

Once the geological survey is completed, the company will be allowed to work on the field in line with the existing tax code or sign a production sharing agreement with Russian government.

A large oil, gas and condensate field was discovered in the Tsentralnaya structure in 2008. The field's C1 and C2 reserves are estimated at 20.2 and 149 million tons of fuel equivalent, respectively, according to Trend.

KNOC in talks with Kazakhstan to drop oil field project

State-owned Korea National Oil Corp (KNOC) is in talks with the Kazakhstan government to pull out of an oil field project due to disappointing exploration results, a KNOC spokesman said.

KNOC heads a Korean consortium which holds 27 per cent of Kazakhstan's Zhambyl oil block on the coast of the Caspian Sea. The group has invested a total of about \$250 million on acquiring the stake and exploration since 2008.

"After discovering less oil reserves than expected, we are in discussions with our Kazakhstan counterpart to drop out of the oil field project," the spokesman said.

KNOC is currently waiting for approval from Kazakhstan's government to finalise its pullout, he added.

According to its website, KNOC and its Korean consortium owns a 27% stake in the Zhambyl block, with the remainder owned by Kazakhstan's national oil company KazMunaiGas. KNOC holds a 9.45% interest in the joint operation for the oil field.

KNOC's spokesman said the consortium would abandon its stake if the talks were finalised, having initially acquired it for \$85 million.

Korea, Asia's fourth-largest economy, imports almost all of its oil and gas and has engaged in overseas exploration and production projects since 2008 in a bid to secure its fuel needs.

In recent years, the country's state-run energy firms have been come under pressure over loss making overseas assets, prompting them to sell some of their overseas projects as part of a broad debt-cutting and restructuring plan, the Indian Express reports.

Consortium to transport Tengiz modules via Caspian Sea

A consortium led by Blue Water Shipping has won another contract with TCO in Kazakhstan to provide transport and logistics services in the Caspian Sea.

Blue Water and partner Kazmortransflot (KMTF) will be responsible for transporting 75 modules and cargo weighing up to 1,600 tons on the Caspian Sea from Kuryk to the port of Prorva close to the Tengiz oil field onshore in Kazakhstan.

While Blue Water is in charge of transportation and project management, KMTF will supply and operate three specially designed module carrying vessels (MCVs).

The new vessels, which will be built by Vard in Romania, will be 113 m (371 ft) long and 21 m (69 ft) wide and will be owned and operated by KMTF, with Topaz Energy and Marine providing technical management.

Tengizchevroil LLP is a Kazakhstani partnership exploring, developing, producing and marketing crude oil, LPG, dry gas and sulfur. Partners are: Chevron Overseas Co., 50%; KazMunayGas NC JSC, 20%; ExxonMobil Kazakhstan Ventures, 25%; and LUKARCO, 5%, Offshore Mag reports.

EBRD plans \$26 million solar loan for Kazakhstan

The European funding bank is considering releasing the funds to ACME Cleantech Solutions Pvt Ltd, an Indian developer eyeing a 29 MW solar farm in the country.

The European Bank for Reconstruction and Development (EBRD) is planning to release financing of \$26 million to Indian solar developer ACME Cleantech Solutions for the development of a 29 MW solar PV plant in Kazakhstan.

Worth an estimated \$51 million in total, the EBRD loan would meet half of the development costs, with ACME footing the remainder of the bills.

The proposed Kulan solar power plant is to be located in Kazakhstan's Zhambyl region, in the southern portion of the country.

According to the EBRD, the 29 MWp installation would become one of the largest in the country, and add to Kazakhstan's growing clean energy portfolio. The fossil fuel-rich country has set a target of 3% renewable penetration by 2020, with areas of the north set to see solar and wind supplant the more traditional, carbon-intensive power generation sources.

The EBRD was previously involved in plans to develop solar in the country, co-financing in June last year a 50 MW solar project to the tune of \$78 million, according to PV Magazine.

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/>.

Kaz Minerals posts positive results for the first half of 2016

Kaz Minerals' positive production results for the first half of 2016 that were published earlier have significantly affected the company's financial performance.

Due to the development of new projects (Bozshakol and Aktogay), the production of copper increased by 43% to 52.6 thousand tons.

According to the press release issued on August 18, during first half of 2016, the company increased its operating profit to \$68 million, which is \$53 million higher than during similar period in 2015.

Despite the fact that the copper price for the year fell by 21% (copper represents 82% of gross revenue), due to increased production volumes and lower total cash costs of production, the company managed to increase its EBITDA margin by \$27 million compared to the first half of 2016.

Based on the data presented in the press release, effective cost control and a significant depreciation of the national currency have made a positive impact on the cost of

production.

In the first half of 2016, the total cash cost of production fell by 34%.

Thus, total cash costs fell to 178 US cents per pound, compared to 270 US cents per pound in the first half of 2015.

Also, during the first half of 2016, net cash cost of production in the Eastern region and Bozymchak dropped from 121 to 72 US cents per pound in the same period.

Sustaining capital expenditures were limited in the first half by \$22 million.

The planned annual capital expenditures to maintain production in 2016 at the enterprises of the Eastern region and Bozymchak dropped by \$10 million to \$60-70 million.

In total, the company's capital expenditures for expansion in 2016 will be approximately \$525 million, \$270 million of which will be spent to complete the Bozshakol construction, \$230 million - for the Aktogai project (budget is reduced by \$50 million), \$20 million in the Eastern region and \$5 million to study the Koksai copper field.

Due to production expansion and effective management during the construction and the launch of new projects, despite the relatively low prices for raw materials, the company was able to show positive financial results for the first half of 2016. This, in Halyk's opinion, could have a positive impact on the company's share price.

Halyk provides research coverage on Kaz Minerals Plc shares. Its recommendation and target price are currently under review, Halyk Finance reports.

Polymetal completes acquisition of Kazakh Komarovskoye deposit

On August 2, Polymetal International Plc announced the completion of the acquisition of Orion Minerals LLP -- the holding company for the Komarovskoye Gold Deposit in Kazakhstan, from Kazzinc LTD, a subsidiary of Glencore Plc.

Polymetal says the acquisition was completed on August 1, 2016, following the receipt of all required regulatory approvals.

The incremental production is planned to start in the fourth quarter of 2016, Reuters reports.

Kazakhstan's coal output dropped 6.1% in the first half of 2016

Kazakhstan produced a total of 45 million tons of coal and coal concentrate over the first half of 2016, which was 6.1% down year-on-year, according to EnergyProm.

Only the production of lignite rose 12.1% year-on-year to 1.6 million tons, while the output of bituminous coal fell 5.5% and coal concentrate was down 17%.

All three key coal-producing regions slashed production: Pavlodar Oblast by 5.4% to 27.6 million tons, Karaganda Oblast by 6.4% to 15.5 million tons and East Kazakhstan Oblast by 11.6% to 1.9 million tons.

The Almaty Oblast alone increased its output by 12.2% to 23,900 tons.

The value of coal produced jumped 6.7% to 90.8 billion tenge as the fall in output was offset by an increase in price and the depreciation of the tenge.

Value increased mostly in the Pavlodar Oblast -- by 5.1 billion tenge or 12.4% to 46.6 billion tenge.

The price of coal stood at 9,500 tenge (around \$26) per ton on the domestic consumer market at the end of heating season in April 2016, for a 9.2% increase in annual terms.

The highest coal price was found in Uralsk (13,000 tenge per ton) and the lowest in Pavlodar (6,600 tenge per ton).

At the same time, the sharpest increase in prices was observed in the Pavlodar Oblast -- 36.1% year-on-year, Akipress reports.

Kazakhstan starts construction of Low Enriched Uranium bank

Kazakhstan started construction of Low Enriched Uranium (LEU) bank, Novosti-Kazakhstan quoted deputy head of Kazakhs Energy Ministry's Atomic Committee Timur Zhantikin as saying.

Kazakhstan and the IAEA signed an agreement to set up the IAEA Low Enriched Uranium bank in Oskemen, Eastern Kazakhstan in August 2015.

Zhantikin noted that the IAEA Low Enriched Uranium bank will be located in a separate building at the Ulba Metallurgical Plant. The bank will be launched in the second half of 2017, he said.

According to the IAEA, Low Enriched Uranium bank in Kazakhstan will be a physical reserve of up to 90 tons of low enriched uranium, sufficient to run a 1,000 MWe light-water reactor.

Such a reactor can power a big city for three years. The plant has been handling and storing nuclear material, including LEU, safely and securely for more than 60 years.

The establishment and operation of the IAEA Low Enriched Uranium Bank is fully funded through \$150 million of voluntary contributions from the Nuclear Threat Initiative, the United States, the European Union, the United Arab Emirates, Kuwait, Norway and Kazakhstan, according to Trend.az.

TRANSPORT & COMMUNICATIONS

Kazakhstan and China to boost rail cargo transportation

At the meeting of the Kazakhstan-China Border Railroads Commission held in Astana last week, Chairman of Kazakhstan Temir Zholy (KTZ), Askar Mamin, and the Chief of Urumchi Railway Shan' Liczyun expressed the readiness to increase the container shipment volumes along the China-Europe-China route through Kazakhstan, and agreed on the volume of cargo transportation through the Kazakh-Chinese railway border in 2017 to reach 11.5 million tons, a press release from KTZ said.

The parties intend to work together to increase the cargo flows by improving the quality of services and organization of straight-through trains on the routes China-Kazakhstan-Europe-China and China-Kazakhstan-Central Asia-China and the development of new transportation projects.

In recent years, both sides have carried out extensive work to develop the international transportation and increase the capacity of the Dostyk and Alashankou rail stations, and increase the cargo traffic along the Altynkol-Khorgos rail line.

In 2015, the volume of cargo transportation between Kazakhstan and China totaled 7.089 million tons. In the first seven months of 2016, 4.495 million tons of cargo was transported through the railway border Dostyk-Alashankou and Altynkol-Khorgos, 127 thousand tons more than in the same period of 2015. It is planned to transport up to 9 million tons of cargo by the end of this year, 23% more than last year.

During the seven months of this year, 554 container trains passed along the China-Europe-China route through Kazakhstan, 2.5-fold more compared with the same period of 2015, according to the Times of Central Asia.

ADB to provide \$240 million to help Kazakhstan modernize transport

The Asian Development Bank (ADB) has approved a \$240.3 million loan to assist Kazakhstan to modernize its transportation system, a statement from ADB said on August 29.

The improved transport connectivity will help increase trade links between Kazakhstan and East Asia, the Caspian Sea region, and further to Europe.

"Improved connectivity and mobility will play a catalytic role in the sustainable social and economic development of the country, open new opportunities for trade and investment, and support poverty reduction by raising local living standards," said Zheng Wu, a Senior Transport Specialist with ADB's Central and West Asia Regional Department.

The project will reconstruct and upgrade about 299 km of a deteriorated section of the Aktobe-Makat road in the western part of the country, and introduce a modern transport information system to increase road traffic safety and logistics effectiveness. It will also

establish fast transportation links connecting Astana and Aktobe with the major oil and mineral-rich city of Atyrau, and the country's only international commercial seaport in Aktau.

The road is part of the Trans-Caspian Sea Transit Corridor Baku–Astrakhan–Atyrau–Aktobe–Aktau–Turkmen border, which connects Kazakhstan with Azerbaijan and Europe in the West, with the Russian Federation in the North, and with Turkmenistan in the South. It also links to the Central Asia Regional Economic Cooperation (CAREC) Corridor 1b at Aktobe and Corridor 6a at Makat, providing further access to the People's Republic of China and Southeast Asia.

Kazakhstan, rich in natural resources such as oil, gas, and metal, has huge potential for economic development but infrastructure constraints result in significant travel time and cost, and hinder access to foreign markets. A recent study estimated that transport costs account for 8%–11% of the final cost of goods—almost double the cost for most industrialized countries.

The decline of global oil prices since 2014 and lower external demand has encouraged the government to create a favorable environment for business-driven regional economic development. The priorities are modernizing the transport system to increase the flow of freight through the country, improving domestic transport links of strategic importance and regional impact, connecting the capital Astana and other urban centers, and developing infrastructure centers in regions.

ADB, based in Manila, is dedicated to reducing poverty in Asia and the Pacific through inclusive economic growth, environmentally sustainable growth, and regional integration. Established in 1966, ADB in December 2016 will mark 50 years of development partnership in the region. It is owned by 67 members – 48 from the region. In 2015, ADB assistance totaled \$27.2 billion, including cofinancing of \$10.7 billion, Akipress reports.

Tajikistan–Kyrgyzstan–Kazakhstan–Russia transit corridor provides Kyrgyzstan access to Western China–Western Europe highway

The development of the Tajikistan–Kyrgyzstan–Kazakhstan–Russia will open up a route for Kyrgyzstan to the Western China–Western Europe highway, Kyrgyz Deputy Minister of Transport and Roads, Yerkin Osoyev says, Tazabek reports.

“If Kazakhstan repairs its section of the Tajikistan–Kyrgyzstan–Kazakhstan–Russia transit corridor from the Karkyra checkpoint to the junction with the Almaty Transit Corridor – the Khorgos road and switching the Karkyra Checkpoint to a 24 hour a day operation, the capacity of the road will increase by many times, especially for cargo transport,” Okoyev said during a government meeting.

He noted Kazakhstan plans a major overhaul of this road section.

The 13 km Kyrgyz section of the road from the Karkyra Checkpoint is made of gravel, he pointed out.

He added that Kyrgyzstan is currently implementing the first phase of the World Bank program to establish cross-border links between the Osh and Batken regions of Kyrgyzstan and the Sughd region of Tajikistan.

The second phase of the WB program is being implemented in Tajikistan, with work to improve roads linking Tajikistan with Kyrgyzstan are now ongoing, he said.

“The completion of all three phases of the program makes it possible to create a transit corridor linking Kyrgyzstan and Tajikistan in the south and Kazakhstan in the north with access through Kazakhstan to the Western China–Western Europe highway,” he added, according to Akipress.

EBRD provides \$18.8 million to purchase 92 buses for Kyzylorda city

Fifty clean, modern and accessible buses arrived August 4 in the city of Kyzylorda, raising the quality of local transport for thousands of citizens in this major regional centre in southern Kazakhstan, EBRD said in press release.

This is the first delivery of buses under an EBRD project that will ultimately finance a total of 92 new buses and reform the city's public transport system.

The buses were unveiled in a ceremony in Kyzylorda attended by the Akim of Kyzylorda Oblast, Krymbek Kusherbayev, and Janet Heckman, EBRD Director for Kazakhstan.

The EBRD has already financed projects with similar type of buses in Almaty, Kazakhstan's largest city.

In Kyzylorda, the EBRD has financed, or expressed interest in financing, a wide range of public utilities, from water and wastewater to district heating, solid waste, street lighting and transport. "Close cooperation with the authorities on vital upgrades – combined with reform – is a model we use for regional development here in Kyzylorda and in other cities in Kazakhstan," said Ekaterina Miroshnik, EBRD Director for Infrastructure in Russia and Central Asia.

The loan of up to \$18.8 million to Avtobusnyi Park Kyzylorda, a municipal public transport company, owned by JSC "NK "SPK "Baikonur", was provided not only for purchasing the 92 "green" buses that run on compressed natural gas (CNG) but for depot workshop equipment and public transport service planning, including an electronic monitoring system.

To date, the EBRD has invested over €6.5 billion in various sectors of Kazakhstan's economy, Akipress reports.

AGRICULTURE

Kazakhstan lifts quarantine after anthrax outbreak

Kazakhstan's health authorities have lifted the quarantine that was put into place after an anthrax outbreak, Deputy Chairman of the Committee for Veterinary Control and Supervision of the Ministry of Agriculture, Tursyn Kabduldjanov says.

"The situation is stable in the country. The quarantine was removed in all three regions – Karaganda, East Kazakhstan, Pavlodar oblasts," he said.

Sixteen anthrax cases were recorded in the Almaty, East Kazakhstan and Pavlodar oblasts from June 8 to July 8, Akipress reports.

Kazakhstan exported over 8 million tons of grain during 2015-2016

Kazakhstan exported 8,368,700 tons of grain during the 2015-2016 marketing year, the Ministry of Agriculture says.

In the 2016-2017 marketing year, which began on July 1, Kazakhstan exported 667,600 tons of grain.

The grain marketing year begins on July 1 and ends June 30, according to Akipress.

Kazakhstan suspends Russian cattle imports over Anthrax outbreak

Kazakhstan has suspended cattle imports from Russia amid concerns over an anthrax outbreak in northwestern Siberia.

The Kazakh Agriculture Ministry says the imports have been suspended as of August 3.

Russian officials say the anthrax outbreak in Yamalo-Nenets region has killed a 12-year-old boy, and more than 20 local residents have been diagnosed with the bacterial disease.

The outbreak, which officials say was fueled by a heat wave, has killed more than 2,300 reindeer in recent days in the remote region 2,000 kilometers northeast of Moscow, where indigenous nomadic people traditionally herd reindeer.

In June, an anthrax outbreak in Kazakhstan's Qaraghandy and East Kazakhstan regions killed two village residents, according to RFE/RL.

Moratorium on Latest Land Code changes could be extended to December 31, 2021

The land reform commission has proposed extending the moratorium on amendments to the land code for five years. The proposal has been sent to Parliament for consideration.

“By announcing the moratorium on the sale of agricultural lands to private ownership and on their lease to foreigners, the Land Code of 2003 will come into force again. It should be noted that according to this law, a provision of land for rent lasts up to 49 years. Secondly, in the course of the commission we came to the conclusion that the existing mechanism and procedure for the provision of agricultural land for rent have to be improved and refined. The commission has developed its proposals in this regard,” said Deputy Prime Minister and Minister of Agriculture Askar Myrzakhmetov.

The commission has also proposed strengthening control over the rational use of land by introducing a continuous monitoring (annually for the first five years of the lease, every three years during subsequent periods on irrigated arable land and every five years on rain-fed land).

Commission members recommended providing a separate and detailed regulation in the land code of the procedure for granting agricultural land. They also proposed including representatives of community councils and associations in a tender commission on the land provision. Moreover, the suggestion includes determining the term of the lease, depending on the volume of investments, in accordance with the business plan.

The commission offered to develop and approve a model agreement with the refinement and increased obligations of land users and their responsibilities and to strengthen requirements for the rational use of agricultural lands.

One of the most debated topics among the people in Kazakhstan is limiting the size of rented land. In this regard, the commission proposed setting a maximum size of agricultural land for leasing.

Tightening requirements for the provision of agricultural land in the border areas is among the proposals that will be sent to Kazakh President Nursultan Nazarbayev.

Four meetings in the capital and four meetings with the population of Akmola, Almaty, Atyrau and Kyzylorda regions have been held since the commission was formed in May. It was created to help explain the land code to the population, work on reaching a common understanding of its priorities and calm public sentiment over land code changes that sparked sporadic rallies in April and May, Astana Times reports.

Many Kazakh milk producers secretly using powdered milk

The Kazakh Agriculture Ministry has said it has conducted inspections on the country's dairy plants to estimate the level of potential milk purchases. The ministry said the move was being taken to maximize the use of existing capacities.

The ministry found that many dairy plants are not marking the finished product as powdered milk. The plants are selling the reconstituted product at the same price as natural milk.

As a result, the ministry said the Consumer Rights Protection Committee must strengthen its control over the technical requirements for the production of dairy products.

“In fact, 93 out of 152 companies are ready to purchase milk from smallholders in the volume of 380,000 tons. 59 enterprises are not interested in buying natural products, because their production is based on the use of powdered milk,” the Ministry reports.

The Ministry of Agriculture says it is now taking measures to boost the production of agricultural products through private farms, Akipress 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/>

CONTACTS

Embassy of the Kingdom of the Netherlands

62, Kosmonavtov Str.
Chubary mcrd, 3rd floor
010000 Astana
T: +7 7172 555450
F: +7 7172 555474
ast@minbuza.nl

Embassy Office in Almaty

103, Nauryzbai Batyr Str.
050022 Almaty
T: +7 727 2503773
F: +7 727 2503772
alm@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

Ms. Lyazzat Tursynbayeva
tel.: +7 (7172) 555450
e-mail: lyazzat.tursynbayeva@minbuza.nl / alm-ea@minbuza.nl
Please mention your company and contact details.