



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

Seminar and Trade Mission on the Greenhouse Sector in Kazakhstan in the framework of the EXPO-2017, 5-7 September 2017 (Astana and Taldykorgan)

The Netherlands Ministry of Economic Affairs is pleased to announce an upcoming **Seminar and Trade Mission on the Greenhouse Sector** in Kazakhstan in the framework of the EXPO-2017. Both events are prepared and organized in close cooperation with the Netherlands Embassy and its Office in Kazakhstan (Astana respectively Almaty) and the Dutch Agricultural Counsellor in Moscow and will be held in the period **5 - 7 September 2017**. Director International Agribusiness, Mr. Michiel van Erkel, of the Ministry of Economic Affairs, will be the head of this series of greenhouse events in Kazakhstan.

The first part of the programme starts on the 5th of September in the EXPO-capital Astana, where the Seminar on the Dutch greenhouse value chain will be organized. Several Dutch guest speakers will give presentations on topics of interest taking into account the latest sector and market developments in the greenhouse industry in Kazakhstan. The same day and next morning meetings are foreseen with representatives of the Kazakh Ministry of Agriculture and Financial Institutes like KazAgroFinance, Agrarian Credit Corporation as well the World Bank (IFC) and the EBRD.

The second part of the programme, the Trade Mission on the Greenhouse sector, is foreseen on the 6th and 7th of September in Taldykorgan (Almaty region), well-known for its horticulture. The Trade Mission will include the following activities:

Meeting with local authorities (Akim or deputy Akim of Almaty region) to discuss current developments in horticulture;

Meetings with local growers and agribusinesses in Taldykorgan in combination with presentations by the Dutch participating companies followed by an informal matchmaking.

If your company is active in the greenhouse sector such areas as seeds, young plants, flower bulbs, greenhouse construction, substrate, floor and screen systems, climate control and ventilation, lighting, biological control agents, cooling and cold storage, sorting, grading and packing, processing and sales and distribution, horticultural consultancy and is interested in joining the Seminar and Trade Mission in Kazakhstan, please express your interest by sending an email at ALM-EA@minbuza.nl.

MACRO-ECONOMICS & FINANCE

World Bank improves the outlook on Kazakhstan's economy growth in 2017

According to a published report, the real GDP growth of the country in 2017 will be at 2.4% (in previous report on global economic prospects, the World Bank forecasted a growth at the level of 2.2%). Given the gradual recovery in oil prices and additional oil production at the Kashagan field, which more than compensates for the decline in traditional oil output, export revenues will increase and positively affect the current account and the budget balance. The World Bank also notes that agriculture is an important sector for increasing employment and reducing poverty in the country.

According to the forecast of the World Bank, average world oil prices will increase by 29% compared to the previous year in 2017, to \$55 per barrel. This projected increase is due to an increased demand for oil, a decrease in oil reserves and a recent agreement on the level of production between OPEC and the non-OPEC oil-producing countries.

According to the organization, the market will decline in 2017, especially in the second half of the year, which will help to reduce large surplus stocks. It is forecasted, that prices will rise to \$60 per barrel in 2018, provided the market is balanced and there are no additional OPEC restrictions on supplies.

In the medium term, it is expected that the growth of Kazakh economy will gradually recover, but remain below the levels of 2014 (when the economy was hit by a sharp

decline in oil prices). According to the Bank's forecasts, the real level of GDP growth will fluctuate around 3% in 2017-2019 (in the previous report, the World Bank estimated the economic growth in 2018-2019 at 3.7-4.0%, respectively).

Currently, according to the World Bank, the level of oil prices necessary to achieve a consolidated budget balanced position, are about double of the current oil price, \$55 per barrel. As a result, net fiscal assets (NF assets - Government debt) decrease even more, thus adversely affecting medium-term fiscal sustainability, if the Government continues to maintain a non-oil deficit at a high level. The Bank estimates that the net financial assets may be completely depleted (the assets of the National Fund will be equal to the total government debt) by 2020, if the Government maintains a non-oil deficit at about 9% of GDP in 2018-2020.

According to the World Bank, the agriculture sector is extremely important for food security and poverty reduction, as almost one-fifth of the working-age population works in this sector.

IMF expects Kazakhstan's oil GDP to grow in 2017, 2018

Kazakhstan's oil GDP will grow by 3.9% in 2017 and by 6.3 percent in 2018, according to the International Monetary Fund's (IMF) updated Regional Economic Outlook for the Middle East and Central Asia.

In the previous three years (2016, 2015 and 2014), Kazakhstan's oil GDP was declining, according to the IMF. In 2016, the decrease in Kazakhstan's oil GDP amounted to 1.2%, the IMF said.

Kazakhstan's non-oil GDP will grow 2% in 2017 and 2.5 percent in 2018, according to the IMF's outlook.

In 2016, the growth in Kazakhstan's non-oil GDP amounted to 1.8%. In the previous years, Kazakhstan's non-oil GDP was growing at a faster pace.

Real GDP growth in Kazakhstan is projected at 2.5% in 2017 and 3.4% in 2018.

Kazakhstan's real GDP grew 1.1% in 2016.

Consumer price inflation in Kazakhstan is projected at 8% in 2017 and 7.2% in 2018.

In 2016, consumer price inflation in Kazakhstan was 14.6%.

The inflation rate in Kazakhstan hit 2.7% in January- April 2017, Statistics Committee under the Ministry of National Economy of Kazakhstan said in a message.

Food prices have increased by 3.8%, non-food items' prices and paid services' prices have gone up by 2.1% since early 2017.

Kazakhstan's inflation rate over the 12 months ended April 2017 amounted to 7.7%.

In April 2017, the inflation rate was 0.5%. The Kazakh National Bank forecasts inflation rate in the country to hit 6.5-7% in 2017, Trend reported.

EBRD gave positive forecast to Kazakhstan's economy

The European Bank for Reconstruction and Development (EBRD) published a forecast for economic growth in Kazakhstan for 2018, Kazpravda.kz reports.

According to this forecast, GDP growth will be 3.5%. At the same time, the bank confirmed the previous forecast of 2.4% economic growth of Kazakhstan for 2017.

According to EBRD Director for Kazakhstan Agris Preimanis, the economy of Kazakhstan is recovering well after the slowdown caused by external shocks and has created a good base for further growth through the reform process. Now the key task is to continue structural reforms, so that the republic could take full advantage of the improvement of the external economic situation and factors such as improving of the transport and other links through the Belt and the Road initiatives.

Preimanis also chaired a roundtable in the framework of the EBRD's Annual Meeting on Investment Opportunities in Kazakhstan, with participation of Finance Minister Bakyt Sultanov (who is also a member of the EBRD Board of Governors from Kazakhstan) and other officials of Kazakhstan.

The round table, Agris Preymanis added, attracted a lot of interest among the delegates of the meeting and potential investors, especially in connection with the improvement of investment opportunities in Kazakhstan, Kazakhstanskaya Pravda reported.

EXPO-2017

11 more hotels to be opened in Astana ahead of EXPO 2017

Eleven more hotels will be opened in Astana ahead of the EXPO 2017, media center of Astana administration says.

According to Deputy Director of LLP Astana Convention Center Askar Adambekov, there are 180 hotels and 45 hostels in Astana today. 11 more new hotels and 400 hostels will be opened additionally ahead of the EXPO 2017.

Adambekov explained that hostels are comfortable enough and are widely used in Europe and other developed countries for their low prices.

"In 2016, we established the Association of Hostels of Kazakhstan and agreed that the cost of accommodation there will not exceed 5,000 tenge. In his words, hostels will accommodate as many as 3,000 people during the EXPO. This type of accommodation gains popularity not only in Astana, but also in Almaty, Aktobe and other cities of Kazakhstan," he added.

Up to 340,000 EXPO guests to use Astana bus service daily

Up to 340,000 passengers will use a shuttle bus service and an ordinary bus service to get to the EXPO town in Astana daily, Kazinform correspondent reports.

To this end, seven new shuttle bus routes operated by 167 new buses will be launched in Astana on May 27.

The most popular tourist destinations and public gathering places, including EXPO town, shopping centers, railway stations and the airport, will be served by shuttle and ordinary buses. Car owners may opt to leave their cars in 14 free parking lots and take a bus.

Bekmyrza Igenberdinov, head of the Passenger Transport Office of Astana city, said that each shuttle bus will make eight stops along its route and up to 340,000 people will be able to use bus service to get to the EXPO town daily, Kazinform reported.

Astana will daily host 20 000 arrivals for EXPO

Roman Sklyar, vice minister for Investments and Development (MID) of the RK assumes that about 20 000 visitors will arrive daily in Astana during EXPO-2017, Kazpravda.kz reports.

In general, more than 2.4 million visitors are expected, mostly from the country's regions. For the tourists, new airport, railway and two bus terminals will be put into operation.

The main load is expected on railway transport, so from June 1, the number of trains at two Astana stations will increase from 44 to 58, suburban trains as well.

As known, JSC Passenger Transport has purchased tickets for EXPO to enable an up to 45% discount to the passengers at booking. And if a ticket for EXPO is booked on the high-speed Tulpar-Talgo train, it will be free of charge.

From June 1, long-distance bus routes will be more than doubled - from 53 to 118. Transportation of the guests will be provided by 400 buses daily. The additional buses will be arriving at new bus terminals, and the existing bus station Saparzhai will serve the current routes.

Air Astana has launched 19 additional flights, and there are also reserve aircraft to be used if need arises.

On all the six entrances to the city, transport posts will be established to control the flow of visitors coming on private vehicles.

New train on Samarkand — Astana route to be launched due to EXPO 2017

A new train from Samarkand to Astana is expected to be launched next month, the passenger transportation managing company Uzzheldorpass reported.

The new train will be operating in summer period once a week due to the international exhibition EXPO 2017 in Astana, the company said.

The train will leave Samarkand at 8:20 am on Fridays and arrive in Astana at 5:22 pm and back from Astana at 7:16 pm on Sundays.

EXPO 2017 will begin its work in Astana on June 10 and end on September 10, according to AKIpress.

**Eurasian
Economic
Union**

Three more obstacles for trade in EEU to be eliminated

Three more restrictions in the Eurasian Economic Union that prevent the free movement of goods and services in the domestic market will be removed, the press service of the EEC reported.

In particular, in Belarus, in addition to the requirements of the technical regulations of the EEU, the sanitary and hygienic examination procedure not provided by the Union Agreement has been introduced.

It is mandatory for food products, children's products, perfumes and cosmetics, oral hygiene products, building materials and raw materials, household appliances, automotive components.

Another barrier in Kazakhstan is the non-conformity of the EEU right to purchase from the budget funds of drugs, vaccines and other immunobiological drugs within the framework of the program of guaranteed free medical care.

With such purchases, preferential conditions for participation in competitive procedures are provided to national suppliers. Representatives of Kazakhstan will remove this barrier by July 1.

In addition, the lack of uniform rules for the collection of a security deposit in the sale of alcohol products is considered to be the limitation.

It is used in all participating countries, with the exception of Armenia. In Russia it is higher for foreign suppliers than for domestic ones. In Belarus and Kazakhstan, only foreign sellers are charged, in Kyrgyzstan only from suppliers from the EEU countries. This creates discriminatory conditions for exporters.

The new Customs Code of the EEU will enter into force on January 1, 2018. The decision was made on April 28 at the Council of the Eurasian Economic Commission, in which the Deputy Prime Ministers of the governments of the member states of the EEU took part.

Vice Prime Minister of Kyrgyzstan Oleg Pankratov drew the attention of the members to the fact that among the key issues of the meeting discussion of the draft Treaty on the provision of pensions for workers of the EEU countries.

"Adoption of this document in 2017 is one of the priorities of the EEC activities. Thus, we are forming for all citizens of the countries of the union one more factor of confidence in their future," he said.

The Council of the EEC decided to synchronize the procedures for ratifying the Customs Code of the Eurasian Economic Union. This will allow it to enter into force on January 1, 2018.

As a result of the discussion, it was decided to continue work on the formation of rules and norms that ensure the calculation of pensions, as well as the procedure for exporting pension obligations and recording the length of service in another state of the union.

Simultaneously with the Code, priority decisions will be made on regulation of the activities of authorized economic operators, rules for the movement of goods by individuals, according to 24.kg.

BANKING

Kazakhstan's external debt up \$0.7 billion

According to the National Bank of Kazakhstan, the country's external debt as of December 31, 2016, stood at \$163.8 billion.

It fell by \$1.4 billion in the fourth quarter of 2016. In the structure of Kazakhstan's external debt, public sector's debt was recorded at 7.9% or \$12.9 billion; banking sector's

at 4.4% or \$7.2 billion; other sectors' debt unrelated to direct investments made 32.0% or \$52.5 billion; intercompany loans made the remaining 55.7% or \$91.3 billion. According to the National Bank, in 2016 the country's external debt increased by \$0.7 billion, mainly due to borrowing from the World Bank Group aimed at maintaining the competitiveness of Kazakh economy, building roads and other institutional projects. External debt of Kazakhstan's banking sector decreased by \$0.8 billion, mainly due to repayment and repurchase of Eurobonds of this sector by residents. External liabilities of other sectors, including intercompany loans, increased by \$10.5 billion, mainly due to investments in extractive industries projects. National Bank's data suggests that the external debt to GDP ratio in 2016 was 122.5% compared to 83.2% as of December 31, 2015. The ratio has changed due to the growth of external debt and the decline in GDP. The public sector's external debt including state-controlled entities was recorded at 26.8% of GDP, compared to 17.7% at the end of 2015.

Kazakh banking sector observes decrease in profit

Kazakhstan's banking sector observes decrease in profit. One bank only earned more than 42% of all the second-tier banks' income, Kazinform learnt from ranking.kz. In January-March 2017, the consolidated income of all Kazakhstani banks made 82.4 billion tenge that is 14.1% less compared to the Q1 2016. Giant banks are turning into the main beneficiaries now. Thus, in Q1 2016, two banks earned 48.7% of the total income of the country's second-tier banks. This year, one bank only received 42.4% of the consolidated net income. 28 out of 33 second-tier banks made a profit in Q1 2017, while 15 of them raised their profit compared to January-March 2016. Halyk Bank received the biggest profit in Q1 2017 – 34.9 billion tenge that is 42.4% of the total income of the country's second-tier banks. In the same period in 2016, the bank ranked the 2nd with its 15.1 billion tenge income (15.7%). Kazkommertsbank's profit in January-March 2017 comprised KZT6.9 billion that is 78.2% less than in 2016 (31.7 billion tenge). The profit of City Bank in Q1 2017 fell by 17.8% and made 6.6 billion tenge only.

Kazakh banks look for strength through consolidation

A deal to bring together Kazakhstan's two biggest lenders is set to close in July, in a major step to contain the crisis in the country's banking sector, the Financial Times reports. Policymakers hope the deal will be the first of a slew of mergers to strengthen the sector through consolidation and provide much-needed support to balance sheets saddled with bad loans. Kazakhstan's banking industry is a risk for the central Asian economy, according to analysts, with dozens of lenders struggling with non-performing loans that stem from the 2008 financial crisis and the fallout from the 2014 collapse in oil prices. Halyk Bank, the country's largest lender by assets, expects to finalise a deal to buy rival Kazkommertsbank in July, its chief executive told the FT. "Due diligence is almost completed. We are quite close to closing the deal, if certain questions that have arisen are answered," said Umut Shayakhmetova. "We still are having talks on the final structure of the deal, to make sure there is no negative impact on Halyk . . . I would expect these to be overcome, and we will reach a solution." A completed deal, which would bring together two shareholders with close links to Kazakhstan's strongman president Nursultan Nazarbayev, would see Halyk control 37% of the country's banking market, almost four times more than its next challenger. The final niggles holding up the deal are understood to involve the exact procedure for a \$7.5 billion government bailout and ring-fencing in a state-run "bad bank" for BTA, a troubled lender bought by Kazkommertsbank in 2014 that Halyk has said will not be part of any purchase.

Non-performing loans account for 12% of the \$80 billion worth of assets held by Kazakh banks, according to official data, while rating agency Moody's has said more than a third of the loans issued by the banks it rated in the country are problematic.

The country's central bank has called for consolidation in the sector and for healthier lenders to support those with the hardest-hit balance sheets, in an initiative supported by a recent IMF assessment of the country.

Ms. Shayakhmetova, who admits the size of the post-deal bank will saddle her with "huge personal and institutional responsibility" given its systemic importance, told the FT in an interview in her Almaty office that the initial purchase will see Kazkommertsbank exist as a subsidiary of Halyk, but that full merger of the two banks would be considered as a future possibility.

Halyk, which has suspended dividend payments for 2015 and 2016, will fund the deal with its own cash. It will also raise an undisclosed amount from a deal to sell 60 per cent of one of its subsidiaries, Altyn Bank, to China's Citic Bank. Ms Shayakhmetova said this deal would also close in July.

Citic's control of the lender will mean Altyn would become the first bank in Kazakhstan to be able to conduct direct currency exchange between Kazakh tenge and Chinese renminbi, pending approvals from Chinese regulators.

Ms Shayakhmetova cautioned that Halyk's purchase of Kazkommertsbank would not represent a quick fix for Kazakhstan's banking malaise and that more consolidation was necessary to stabilise the market.

"There are more banks that need additional capital and cleaning up of assets. But the size of those banks is smaller [than Kazkommertsbank]," she said. "There will be many, many more. This could be the biggest deal in the sector, but definitely not the last."

In the past few months, four other Kazakh banks have announced merger talks. A full merger between Tsesnabank and BankCenterCredit would create the country's second-largest lender after Halyk-Kazkommertsbank, while Capital Bank and Tengri Bank, two smaller lenders, have also signed a memorandum of intention regarding a merger.

Ms. Shayakhmetova said she was aware of another set of merger talks that had not yet been made public, without providing any details.

"Finally there has been a decision to start cleaning up the sector," said Aidan Karibzhanov, general director of Almaty-based investment house Visor Holding. "There are plenty of smaller Kazakh banks that are in a similar situation to Kazkommertsbank... The policy being pursued by the central bank to encourage them to merge is the correct one."

Kazakhstan has about 34 banks, which analysts say is unsustainable. Still, that is significantly better than in the late 1990s, when the country had close to 200 lenders.

Previously, it was very fancy to have a bank. If you were an oligarch, you should have your own bank. People did not understand the banking business and how much capital you needed," said Ms. Shayakhmetova. "Today, many realise that it is not easy."

RBK and Qazaq Banki negotiating merger

Shareholders of JSC Bank RBK and JSC Qazaq Banki are negotiating a merger and are expected to sign a Memorandum of Understanding on it. The key provisions of the MoU have been agreed with the National Bank of the Republic of Kazakhstan, Kazpravda.kz reports with reference to the press service of the Bank RBK.

The decision to merge is motivated by the shareholders' wish to use new business opportunities amid the changing economic conjuncture. As expected, the banks' merger will entail a synergistic effect, which, on the one hand, will significantly improve the profitability of the business, including by reducing costs, and on the other –it will expand the bank's lending opportunities. The merger will be carried out in close interaction with the RK National Bank.

Bank RBK JSC is known to have sufficient capital, good portfolios of assets and liabilities, adequate size of provisions, and it has been demonstrating sustainable profitability over a long period of time.

The bank was assigned long-term and short-term counterparty credit rating “B- / C” and national scale credit rating “kzB +” by the Standard & Poor’s.

As of May 1, 2017, the bank's assets are 945.9 billion tenge, loan portfolio - 747.6 billion tenge, customer accounts - 674.8 billion tenge, including deposits of individuals - 186 billion tenge.

The bank has branches in Astana, Almaty, Aktau, Aktobe, Atyrau, Karaganda, Pavlodar, Ust-Kamenogorsk, Shymkent, Semey and Ekibastuz.

JSC “Qazaq Banki” is one of the most dynamically developing banks on the market. As of May 1, 2017, the bank's assets are 427 billion tenge, including the loan portfolio - 329 billion tenge. Its liabilities are 387 billion tenge, own capital - 40 billion tenge, including the authorized capital - 33 billion tenge. The financial result in the 4 months of 2017 has formed at 602 million tenge.

The bank has branches in Astana, Aktobe, Almaty, Atyrau, Karaganda, Kaskelen, Taraz, Shymkent, Kazakhstanskaya Pravda reported.

ENERGY & NATURAL RESOURCES

Kazakhstan backs OPEC's decision to cut oil output, expresses mid-term reservations

Kazakhstan welcomes and backs OPEC and non-OPEC members in their decision to extend oil output cuts agreement to keep suitable market prices, according to a statement of the Kazakh Ministry of Energy, Kazinform reports.

“On May 25, the participants of the meeting in Vienna agreed to extend the existing agreement as per which daily oil output across the world will be at 1.8 million barrels. The agreement was prolonged for 9 months beginning from the second half of 2017. Kazakhstan intends to continue performing its obligations as per the existing quota of 20,000 barrels per day. In November 2017, the terms of the agreement may be revised with the consideration of the global oil market conjuncture,” the statement reads.

As the Ministry of Energy informed, Kazakhstan fulfills its obligations assumed earlier before the OPEC.

Oil output in the country makes in average 1,673 million per day. In May-June some decline in oil production is expected, but the country hopes to fully perform its commitments.

While Kazakhstan would continue to fulfill its obligations within the framework of the OPEC deal, it may revise the details of the obligations in November, the Kazakh Energy Ministry said, according to Vestnik Kavkaza.

“Kazakhstan support the decision by the OPEC and other oil producers to extend the oil cuts accord,” the Kazakh Energy Ministry said.

The ministry added that “Kazakhstan is planning to continue adhering to its obligations under the existing quota on production reduction at the level of 20,000 barrels per day. At the same time it is possible to revise the details of the obligations taking into consideration the situation on the global oil market”.

The statement added that Astana would meet its obligations and would reduce its output in May and in June.

The parties to the Vienna deal on oil production cuts agreed to extend the agreement for nine months until April 2018.

IMF predicts modest rise in Kazakh oil output

The International Monetary Fund (IMF) forecasts oil production in Kazakhstan to increase to 1.69 million barrels per day in 2017.

In 2016, 1.62 million barrels of oil were daily produced in Kazakhstan, said the IMF's updated Regional Economic Outlook for the Middle East and Central Asia, trend.az reports.

Oil production in Kazakhstan will grow to 1.79 million barrels per day in 2018, according to the IMF forecast.

The IMF also forecasts the export of oil from Kazakhstan to reach 1.38 million barrels per day in 2017 and 1.49 million barrels per day in 2018.

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

Tengiz, Karachaganak and Kashagan are the largest oil fields in Kazakhstan, Kazinform reported.

Kazakh Energy Minister announces forecast of oil production at large fields

The Minister of Energy of Kazakhstan Kanat Bozumbayev named the forecasted volumes of oil production at the three large deposits of Kazakhstan in 2017, Kazinform reports.

"This year it is planned to produce about 5 million tons of oil and 3.1 billion cubic meters of natural gas at Kashagan. In 4 months of this year, 2.2 million tons of oil have already been extracted here," the Minister said, reporting at the public council of the Ministry.

Meanwhile, according to him, at Karachaganak in 2017, it is planned to produce 11.8 million tons of oil and 18 billion cubic meters of natural gas. In four months of 2017, 4.3 million tons of liquid hydrocarbons were produced, which is 12 percent more than last year.

"At Tengiz it is planned to produce 27.5 million tons of oil and 4.5 billion cubic meters of natural gas. In four months of this year, 9.7 million of oil was extracted there, which is 100% more compared to the same period of 2016," he concluded.

Kazakhstan expects \$180 million cash flow from Kashagan in 2017

Kazakhstan will get 180 million in cash flow from Kashagan oil field in 2017, Kazakhstan Today news agency quoted Dauren Karabayev, executive vice president and financial director of KazMunaiGas oil and gas company, one of the shareholders of the project.

"According to the preliminary estimates, Samruk-Kazyna National Fund and KazMunaiGas will jointly receive about 180 million in net cash flow from investment in Kashagan in 2017," Karabayev said.

He noted that the project partners already have positive cash flow from Kashagan, as oil production at the field is increasing.

According to Karabayev, currently oil production at Kashagan hits 180,000 barrels per day. By the end of the year it is expected to increase to 370,000 barrels per day, he said.

Oil production at Kashagan was launched in autumn 2016 and Kazakhstan plans to produce 8.9 million tons of oil and 5.6 billion cubic meters of gas from this field in 2017. It is planned to increase production to 13 million tons of oil and 9 billion cubic meters of gas per year in subsequent years, Trend reports.

Kashagan continues progress, output increase

The Kashagan field situated in the Kazakhstan sector of the Caspian Sea has produced three million tons of oil, Kazinform reports.

"Kashagan offshore field continues oil production as planned since it was resumed. It has just now reached 3 million tons. It is expected that the field will have produced 8m tons by year end," President of the Kazakhstan Association of Petroleum Geologists Baltabek Kuandykov advised.

Recall that the field production resumed in September last year. Presently, the production rate has reached 200,000 barrels a day. 1 million tons of oil were produced this January, and 2 million tons shortly before Nauryz Holiday. It is planned to start reinjection of associated sulfur dioxide gas into the reservoir as a part of the first phase of Kashagan field development. After that, the offshore oil production rate will reach 370,000 barrels a day. It is expected that the oil flow rate can increase up to 1.5 million barrels a day at the peak of oilfield development, Kazinform reported.

**MINERAL
RESOURCES**

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:
<https://www.netherlandsandyou.nl/your-country-and-the-netherlands/kazakhstan>.

Uranium prices: Kazakhstan and China deepen ties

Kazakhstan and China have set up a joint venture under which Kazakhstan will start producing nuclear fuel for Chinese power plants through 2019, according to Reuters. The joint venture between Kazakh state nuclear company Kazatomprom and China's CGNPC aims to produce ready-to-use fuel assemblies. During the first stage of the joint venture, about 200 tons of nuclear fuel will be produced, per year, using technologies and equipment supplied by France's Areva using enriched uranium from either China or Russia.

The joint venture, Ulba-FA, is now building on land at the Ulba plant, Kazakhstan's main uranium processing factory. Kazakhstan is the world's top uranium producer and holds about 12% of the world's uranium resources. In 2016, the country produced 39% of the world's uranium. In early 2017, it announced a significant cut in uranium production, due to the state of the market.

Although Kazakhstan is a major exporter of uranium it has no enrichment facilities. The country mostly exports uranium as triuranium octoxide or pellets, both of which require further processing before they can be used by power plants.

While Kazakhstan is a major uranium supplier, China is a major consumer. Mainland China has 36 nuclear power reactors in operation, 21 under construction, and more about to start construction. China has a goal of doubling nuclear capacity to at least 58 GWe by 2020-21, then up to 150 GWe by 2030, and much more by 2050. The expansion comes as the country plans to curb its use of coal for electricity generation due to the pollution generated from burning coal, Economic Calendar reported.

Kazakhstan: metal exports up in the first quarter of 2017

In January-March the volume of foreign trade in Kazakhstan amounted to \$16.8 billion, up by 24.2% year-on-year.

Exports increased by 30%, to \$10.8 billion, and imports – by 15.1%, to \$6 billion.

Copper ore exports to China and Russia increased almost 3-fold (from \$67 million to \$182 million); coal – 2.4-fold, to \$146 million to Russia, Ukraine and Finland; iron ore – 1.6-fold, to \$134 million to Russia and China; zinc ore – 2-fold, to \$53 million to Russia, Uzbekistan and China.

Ferroalloys exports grew by 49%, to \$486.4 million to China, Japan, Russia, Korea and USA; rolled metal – 1.8-fold, to \$344 million to Russia and Uzbekistan; zinc – by 72%, to \$194 million to China, Turkey and Vietnam; copper – by 17%, to \$533 million to China, UAE and UK; aluminum – by 31%, to \$99 million to Greece, Italy and Turkey; iron rods – almost doubled, to \$17 million ton Russia, Tajikistan and Belarus, KazWorld reported.

Mining starts at new Kazakhstan chrome deposit

Ferrochrome producer Eurasian Resources Group (ERG) has started mining a new chrome deposit with mineable reserves of more than three-million tons.

Located within the site of Kazakhstan's 10th Anniversary of Independence mine, in Khromtau, the deposit is expected to produce 300 000 t/y of ore. ERG-owned Donskoy Ore Mining and Processing Plant has already extracted the first 3 500 t of ore.

Donskoy Ore Mining and Processing Plant director Maral Bekeyev said on Wednesday that the experience gained during pilot operations at the deposit would stand the company in good stead when it developed the second-stage of the mine.

The miner aims to produce at a rate of six-million tons a year, using the cut-and-fill technique.

"This technique is used for rock pressure control whereby mined rock is replaced with

filling material. It enables safer and more efficient stopping under a stronger artificial roof.”

10th Anniversary of Independence mine head Alexander Emrakov added that the mining technique would help to reduce waste dumping and atmospheric emissions, Mining Weekly reported.

TRANSPORT & COMMUNICATIONS

New Silk Road: China takes 49% cut of Khorgos Gateway

It's now official: China's COSCO Shipping and the Port of Lianyungang have signed on to take a 49% cut of Kazakhstan's epic Khorgos Gateway dry port. The deal was signed at the Belt and Road summit in Beijing on May 15 for an undisclosed amount.

Khorgos Gateway sits within the broader Khorgos Eastern Gate SEZ — a massive 600-hectare development area that is strategically positioned in Kazakhstan right on the border with China. Not long ago, the place was about as remote as it gets — being just a tick or two from the Eurasian Pole of Inaccessibility, the farthest point on earth from an ocean.

So why would the world's largest marine logistics operator have any interest in a place that literally couldn't be farther from the sea? The answer is found in the New Silk Road — the pell mell network of various international trade pacts, customs blocs, political endeavors, and mega-projects that are headlined by China's Belt and Road initiative. The linking up of major players in China's shipping industry with the Kazakh dry port shows the developing synergy between Kazakhstan's Nurly Zhol infrastructure building program with China's Silk Road Economic Belt.

Khorgos Gateway has successfully positioned itself as the central station of the New Silk Road. Sitting right at the heart of an emerging network of trans-Eurasian rail lines, which directly connect 27 cities in China with 11 cities in Europe, goods flow in from China to be consolidated and transshipped to destinations all over the Eurasian landmass. After just one year of full-fledged operation, the port is already handling over 1/5 of their 2020 goal of 500,000 TEU per year, and with COSCO and the Port of Lianyungang in the mix, cargo volumes are expected to receive a massive boost.

This deal signifies a monumental next step for Khorgos Gateway, as without investment from an array of international players, the emerging ports and SEZs of the New Silk Road are little more than skeletons of infrastructure. Such investment is what makes these places really come alive.

The Port of Lianyungang is one of the starting points of the central corridor of the overland Silk Road between China and Europe. A rail line and the emerging Western Europe-Western China highway — which will extend all the way to St. Petersburg, Russia when completed — move in tandem all the way across China and directly link in with Khorgos Gateway before moving on to Europe beyond. It is one of the larger seaports in the world, moving 200 million tons of cargo and 5 million containers per year. KTZ Express, the Kazakh logistics empire, also operates a terminal there.

While COSCO is the one of the world's shipping giants, with over 1,100 ships sailing the seas, moving over 1.6 million containers each year between 254 ports in 79 countries. As a state-owned enterprise, the company has been a very active player in China's Belt and Road initiative — Chinese President Xi Jinping's signature foreign policy endeavor — with major holdings up and down its various land and sea routes -- including Greece's Piraeus port. This January, COSCO received a \$26.1 billion chit from China Development Bank to further invest in Belt and Road projects.

Watch for DP World, the Dubai shipping giant who currently advises at the Khorgos Eastern Gate SEZ, to finally make good on their long-touted promise to become actual investors in the zone.

In other words, watch for this once obscure shipping hub in the heart of Eurasia to not only come alive but thrive.

Construction of Almaty – Cholpon-Ata road to start in 2018

Construction of the Almaty – Cholpon-Ata road will start in 2018, Minister of Transport and Roads Jamshitbek Kalilov told Tazabek.

According to him, residents of the largest city in Kazakhstan, Almaty, now enter Kyrgyzstan's territory via Kemin. "It is planned to build new road through Kastek Pass, and Kazakhstanis will be able to enter Kyrgyzstan via Mikhailovka village. Kyrgyzstan has to construct 3 km road and 2 bridges from our side," said Minister Kalilov.

Kazakhstan has started designing construction of Almaty – Cholpon-Ata road, Kalilov said. "They have already prepared a feasibility study of the project, and are going to start development of design and estimate documentation for the construction. We, for our part, will finish designing of the construction in our side. We will design 2 bridges and roads with intersection and junction to Bishkek-Naryn-Torugart road, which will make 92 km together," Jamshitbek Kalilov said.

According to Minister Kalilov, Kyrgyzstan will start construction of 3 km road as soon as Kazakhstan starts construction of the road on their side.

"The project costs \$3 billion for Kyrgyzstan. The distance between cities will reduce by 140 km. This project is economically profitable," Minister Kalilov said, AKIpress reported.

Kazakhstan highways rebuilding programme increased

Kazakhstan has increased the budget used for upgrading highways and building new links in a bid to improve the country's transport network. The Kazakhstan Government boosted the investment in the highway system for 2016 by 35% over the previous year, reaching close to \$852 million. The country's road development programme saw 3,200 km of routes being rebuilt and improved. Due to the heavy investment in road maintenance and upgrades the percentage of links rates as being in good condition rose from 44% to 46% of the network, a total distance of 19,600km in all.

Kazakhstan's car industry shows robust growth

Kazakhstan's car industry has demonstrated a robust growth in the first four months of 2017, Kazinform reported.

5050 vehicles worth 28.9 billion were produced in Kazakhstan in January-April 2017. Car production increased 3.5fold compared to the analogous period of 2016.

3,859 vehicles have been sold since the beginning of the year that is 37.2% more than last year.

AZIA AVTO JSC remains the biggest car producer in Kazakhstan after selling 2,820 cars (73%) this year. Car sales of SaryarkaAvtoProm LLP reached 662 vehicles making it the second biggest car producer in the country.

Lada, KIA, Hyundai, Chevrolet and JAC have proved to be the five most popular car brands in Kazakhstan in the 1Q of 2017.

Kazakhstan Temir Zholy to boost freight transportation to Europe from Singapore, Korea and Japan

Kazakhstan Temir Zholy national company is going to increase the volumes of freights transit from the states of South East Asia to Europe, said Kanat Alpysbayev, KTZ chairman.

"We are working on increase of transport flow from the states of South-Eastern Asia – Singapore, Korea, Japan. The transportations are mainly conducted by sea transport from there. For instance, freights from Japan go to Europe through Russia and Finland, we have resources to work on," he said.

As an example he referred to the agreement with Uz-Daewoo company for transportation of spare parts from South Korea through Far East ports.

“Their freights go to Lianyungan port (China) where there is Kazakshtani-Chinese logistics terminal, and from there through Kazakhstan to Uzbekistan by railways,” he said. He said Lianyungan terminal can become the hub of consolidation of small ports from South East Asia.

Aktau sea port to be privatized

Kazakhstan’s Aktau International Sea Port on the Caspian Sea will be privatised in 2017, Kazakhstan Temir Zholy National Company, which owns the port said in a message.

It is envisaged by the Privatisation Programme initiated by Kazakh President Nursultan Nazarbayev.

Moreover, it is planned to sell several regional airports managed by Kazakhstan Temir Zholy until the yearend.

In total 21 assets of the company are planned for privatisation in 2017.

In 2016 Kazakhstan Temir Zholy sold 11 assets totaling 24 billion tenge.

The Aktau Sea Port located on the east coast of the Caspian Sea at the intersection of several international transport corridors transfers dry cargo, crude oil and oil products in the direction of Iran, Turkey, Russia, Azerbaijan, Turkmenistan, and vice versa 12 months a year and 24 hours a day, trend.az reports.

Within the privatisation programme, Kazakhstan will transfer such large state-owned companies as Kazakhstan Temir Zholy railway company, KazMunaiGas oil and gas company, Kazatomprom atomic company, Samruk-Energy, Kazpost, Air Astana, Kazgeology, Kazmortransflot Maritime Shipping Company, Atyrau Refinery, Pavlodar Petrochemical Plant, and PetroKazakhstan Oil Products and etc. to a competitive environment.

AGRICULTURE

Kazakhstan gets FMD free status, now able to export agricultural products to WTO countries

An official ceremony of awarding a certificate of conferring on Kazakhstan the status of a zone free from foot and mouth disease took place in Paris on May 25, Kazakhstan’s First Deputy Agriculture Minister Kairat Aytuganov said, the official website of the Prime Minister of Kazakhstan reported.

Delegates of the International Epizootic Bureau from 180 countries who took part in the meeting of the Bureau’s General Assembly unanimously voted for the assignment of this status. This became possible as a result of purposeful work on prevention and strict adherence to the FMD control strategy in accordance with international requirements, Aytuganov said.

In the post-Soviet space, Belarus and Ukraine are historically safe from foot and mouth disease. Russia since 2016 has the status of a country that has certain regions of well-being for foot and mouth disease. The rest of the CIS countries do not currently have this status.

“The presence of this status enables our country to export to the WTO member countries products of animal and vegetable origin that will enable to realize the export potential of the agro-industrial complex and positively affect the development of foreign trade activity of domestic entrepreneurs,” Aytuganov emphasized.

He also said that the authorized body of China on veterinary medicine (AQSAQ) in September last year lifted import restrictions on foot and mouth disease in 9 regions of Kazakhstan. The Veterinary Control Committee of the Ministry of Agriculture of Kazakhstan will continue to work with the Chinese side to remove the restriction from the five remaining regions on the basis of the newly received status.

Due to the received status the countries of the Persian Gulf, Iran and Israel are now ready to coordinate with Kazakhstan the permission to import livestock products from the entire territory of Kazakhstan, KazWorld reported.

Uzbeks invest in greenhouse construction in Kazakhstan

Kazakh and Uzbek parties have invested 1 billion tenge in greenhouse construction in the city of Aksu located in the Pavlodar region of Kazakhstan.

Currently, installation works are underway at the enterprise.

“This is a big greenhouse with an area of 3.5 acres. The facility will grow tomatoes, getting heat from a local power plant. A Dutch technology will be used at the enterprise. Investments amount to about 1 billion tenge,” Deputy Governor of the Pavlodar region, Baurzhan Kassenov, said at a briefing.

According to him, investors intend only to provide the Pavlodar market with vegetables, but also to arrange delivery to other regions of Kazakhstan and areas bordering with the Russian Federation, according to Russian Construction.

EBRD finances irrigation in 3 regions of Kazakhstan

The EBRD is joining a strategic programme to significantly upgrade irrigation systems in Kazakhstan with a \$180 million financing package. Loan agreements were signed during the Bank’s Annual Meeting in Cyprus by EBRD First Vice President, Phil Bennett, and the Minister of Economic Affairs and Budget Planning of Kazakhstan, Bakhyt Sultanov.

The government of Kazakhstan is adding a \$21.4 million grant from the state budget to the project, which covers the regions of Aktobe, Zhambyl and South Kazakhstan. The funds will be lent to the national water operator Kazvodkhoz.

The EBRD is also working with the authorities on a tariff reform that will help Kazvodkhoz make the new irrigation systems financially sustainable in the long term.

Kazakhstan’s arid climate and geography, which is mainly steppe and desert, mean that any rural development, including rural agriculture, is impossible without irrigation and water services. At present, water and irrigation systems in Kazakhstan are not only highly inefficient but they have been in decline since the country’s independence at the end of 1991.

Old canals lead to high levels of water loss. As a result, some areas which had previously been suitable for agriculture are affected by desertification.

Only 55% of Kazakhstan’s developed areas have access to the country’s water network and two-thirds of all water is used for irrigation. Climate change is forecast to worsen this situation by altering precipitation patterns and reducing water availability in many parts of the country, especially the south.

The EBRD loan and government funds will finance new water connections and water meters, and facilitate the use of modern drip-irrigation technologies. These improvements will result in huge water-efficiency savings - at least 180 million cubic metres of water saved per year - which will make water supplies and irrigation systems more able to cope with changing climate conditions and increasing water stress. According to preliminary estimates, such water access can help create up to 40,000 rural jobs across Kazakhstan.

The project falls under the EBRD’s Green Economy Transition approach. Under this strategic direction the Bank aims to increase the share of its green financing to up to 40% of the EBRD’s annual investment volume by 2020.

Phil Bennett said during the loan signing: “Green and resilient are two of the qualities of a modern economy, according to the EBRD’s new transition concept. Providing sustainable and climate-resilient irrigation to rural areas in Kazakhstan will allow some of those places quite literally to blossom and create tens of thousands of jobs, including in small and medium-sized businesses. I am proud that we are involved in this vitally important programme with both our financial and policy engagement.”

Minister Sultanov commented that the project will increase the efficiency of irrigation systems, which will improve the quality and supply of water for irrigation in the Aktobe, Zhambyl and Southern Kazakhstan regions. This will benefit the social and economic situation in those regions, he said. He also stressed that the EBRD remains one of the main strategic partners of Kazakhstan, and the signing of these loan agreements is yet another proof of good understanding and increased cooperation between the parties.

The EBRD is one of Kazakhstan's international partners who support the strategy to modernise irrigation systems in the vast but sparsely populated country. In 2016 the Islamic Development Bank signed a loan for \$160 million and the World Bank signed a loan of \$103 million in 2013 for irrigation projects which also cover the Almaty and Kyzylorda regions.

To date, the EBRD has invested over \$7.5 billion in various sectors of Kazakhstan's economy, with a focus on diversification away from oil and gas.

RETAIL SECTOR

Carrefour hypermarket closes in Kazakhstan

The Carrefour hypermarket in Almaty, Kazakhstan is closing, announcement on hypermarket's Facebook page Carrefour Kazakhstan said.

Carrefour is a French multinational retailer headquartered in Boulogne Billancourt, France, in the Hauts-de-Seine Department near Paris. It is one of the largest hypermarket chains in the world (with close to 1,600 hypermarkets at the end of 2015). Carrefour operates in more than 30 countries, in Europe, the Americas, Asia and Africa.

The hypermarket was located in Almaty's Grand Park Mall and offered more than 30,000 items, including fresh produce and groceries, home appliances, sporting goods and leisure equipment, and textile products.

The hypermarket worked with more than 500 suppliers from Almaty and 20 suppliers from different regions of Kazakhstan, including 130 local manufacturers, producers and farmers, AKIpress reported.

EXHIBITIONS IN KAZAKHSTAN (June-September 2017)



Furniture and Interior, Architecture and Design, Timber and Woodworking

14 – 17 June 2017, Almaty

Organizer: Atakent-Expo

www.atakentexpo.kz



EXPO 2017 “Future Energy”

International Specialized Exhibition

10 June – 10 October 2017, Astana

Organizer: Astana EXPO-2017

www.expo2017astana.com



Mining Week Kazakhstan

International Exhibition for Mining and Exploration, Mineral and Coal Processing and Metallurgical Technologies

27 – 29 June 2017, Karaganda

Organizer: TNT Productions

www.tntexpo.kz



AGRIANIMALS.KZ

International Cattle Breeding and Poultry Exhibition

28 – 30 June 2017, Astana

Organizer: MBK ExpoArna

www.abexpo.kz



Astana Zdorovie

Kazakhstan International Exhibition on Healthcare

23 – 25 August 2017, Astana

Organizer: Iteca

www.astanazdorovie.kz



KazBuild

International Exhibition Construction and Interiors, Windows, Doors and Facades, Ceramics and Stone

5 – 8 September 2017, Almaty

Organizer: Iteca

www.kazbuild.kz



Interiors

Kazakhstan International Interiors and Finishing Materials Exhibition

5 – 8 September 2017, Almaty

Organizer: Iteca

www.kazbuild.kz



Aqua-Therm Almaty

Kazakhstan International Exhibition for Heating, Ventilation, Water Supply and Swimming Pool Equipment

5 – 8 September 2017, Almaty

Organizer: Iteca

www.aquatherm-almaty.com

cosmobeauté
Kazakhstan

Cosmobeauté Kazakhstan

Kazakhstan International Beauty and Aesthetic Medicine Exhibition

7 – 9 September 2017, Almaty

Organizer: Iteca

www.beauty.kz



Kazenergy Eurasian Forum

8 – 9 September 2017, Astana

Organizer: Kazenergy Association

www.kazenergyforum.com



MiningWorld Central Asia

Central Asian International Mining and Processing of Metals and Minerals Exhibition

20 – 22 September 2017, Almaty

Organizer: Iteca

www.miningworld.kz



Metaltech Central Asia

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

20 – 22 September 2017, Almaty

Organizer: Iteca

www.kazmet.iteca.kz



Kazcomak

Kazakhstan International Exhibition on Heavy Construction

20 – 22 September 2017, Almaty

Organizer: Iteca

www.kazcomak.kz



AgroProm Shymkent

South Kazakhstan International Equipment and Technology in the Food Industry Exhibition

21 – 22 September 2017, Shymkent

www.agropromexpo.kz



Astana Leisure

International Tourism Exhibition

27 – 29 September 2017, 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.astana-expo.kz

www.expocentralasia.com

www.tntexpo.kz

www.atakentexpo.kz

<http://10times.com/>

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