

## Kazakhstan: Market Profile

### Major Economic Indicators

	2015	2016	2017 (forecast)
Population (million)	17.7	17.9	18.2
GDP (US\$ billion)	184	134	N.A.
GDP Per Capita (US\$)	10,430	7,500	N.A.
Real GDP Growth (%)	1.2	1.0	2.5
Inflation (%)	6.6	14.6	7.7 (Jan-Jun)
Unemployment (%)	5.0	5.0	4.9 (Jun)
Exports (goods, US\$ billion)	46	40	19 (Jan-May)
Growth (%)	-43	-20	+38
Imports (goods, US\$ billion)	30	25	11
Growth (%)	-27	-18	+17 (Jan-May)
Reference Exchange Rate: US\$1: 332.39 Tenge (KZT) on 10 Aug 2017			

Source: IMF, the Agency of Statistics of the Republic of Kazakhstan

- Growth of the Kazakh economy is expected to accelerate to 2.5% in 2017 from 1.0% in 2016, owing mainly to higher oil prices, better farmland utilisation and higher agricultural labour productivity. The non-oil economy is also projected to expand, aided by gradually improving investor sentiment and consumer confidence that underpin domestic demand. As the inflationary effect of currency depreciation following the institution of a freely floating exchange rate since 20 August 2015 fades, the purchasing power of the Kazakh population is also improving, not to mention the expected tourism boom demand led by the hosting of *Expo 2017* (10/6-10/9) in the capital city Astana.
- Kazakhstan is an important world energy supplier due to its significant reserves of oil, natural gas and coal. It is estimated that proven reserves in Kazakhstan account for some 3% of world oil reserves, 1% of world gas reserves and 4% of the world coal reserve. It is also endowed with some other mineral deposits like chrome, lead, tungsten, copper, zinc, iron and gold.
- Other than the energy sector, processing of metals and steel production are the leading industries of the country. Coupled with other smaller manufacturing sectors like production of machines, chemicals and food and beverages, industries account for about one-third of GDP. Construction, which is highly dependent on the performance of the energy sector, contributes to some 6% of GDP. The rest of the economy comprises the agricultural sector, as well as an extensive but mostly small-scale service sectors, including wholesale/retail trade, real estate, finance and insurance.
- Under the "State Programme of Accelerated Industrial and Innovative Development (SPAIID)", there have been various measures to facilitate growth of the non-raw materials industries via technological innovation and development of small and medium-sized enterprises, primarily by facilitating development of the chemical and light industries, and upgrading the agricultural and food processing sectors. These are aimed at reducing the country's reliance on energy and mineral resources



sectors. To improve its transport infrastructure, Kazakhstan also has plans to invest substantially in the next 10 years to strengthen its transport links connecting Russia, China and the Gulf States, including a planned (not yet confirmed) high-speed railway stretching some 7,000km between Moscow and Beijing.

- To further improve business environment and attract [FDI](#), the government has launched an annual US\$3 billion stimulus package for 2015-17, as part of the Bright Path five year economic plan, with investment priorities including transport and logistics, utility networks and energy infrastructure. Meanwhile, the government is devoted to greatly reduce the time required to register a business (to one hour), and paperwork needed for customs procedures and other business operations (by 60%), and extended and expanded its visa-free entry scheme for citizens of a number of countries in order to boost tourism and foreign investment. More information on investment environment and regulations can be found at the [Invest in Kazakhstan](#).
- Situated in central Asia, deep in the Eurasian continent, Kazakhstan occupies an area of some 2,724,900 sq km, being the 9th largest country of the world. It is also the biggest landlocked country, bordering Russia, China, Turkmenistan, Uzbekistan and Kyrgyzstan, as well as the Aral Sea and the Caspian Sea. It has a low density of population, with only 6 persons per 1 sq km.
- Kazakhstan's economy is the largest in central Asia, and is ranked the second largest in the CIS after Russia. Its per-capita GDP of US\$7,500 in 2016 was second only to that of Russia (around US\$8,900), but by far higher than the third largest CIS economy Ukraine (around US\$2,200).
- In order to overcome the economic handicaps of being a landlocked country, Kazakhstan is committed to boosting its connectivity with its neighbours and further integrating itself with the global economy. After 20 years of negotiation, Kazakhstan was officially accepted as the 162nd [WTO](#) member on 30 November 2015. Not only does *WTO* accession limit the country's average tariffs on goods to 6.1% (tariffs on agricultural imports would be limited to an average of 7.6% and non-agricultural goods to 5.9%) from 8.6% in 2014, but it also removes the 49% foreign equity cap on foreign investment in the telecommunications sector. The branching limitation on foreign banks and insurance companies will also be lifted five years after the date of accession.
- The *Customs Union* (which became the *Eurasian Economic Union (EAEU)* as of 1 January 2015) between Kazakhstan, Russia and Belarus came into existence in 2010, and customs borders among the three countries were removed on 1 July 2011. Since then, a [free-trade zone](#) has come into operation, and the three countries have adopted unified import and export duties against trade with other countries, although exceptions still remain for certain sectors like pharmaceuticals, plastics and transport equipment. Armenia joined the Union on 2 January 2015, while Kyrgyzstan officially became the fifth member on 12 August 2015.
- Yet China is currently the third largest trading partner of Kazakhstan (accounting for some 11.5%/14.6% of Kazakh's exports/imports in 2016; behind only Russia and Italy), and Kazakhstan is China's second largest trading partner in the CIS region after Russia. There are several joint investment projects that have facilitated trade between the two countries. As an important strategic partner in the construction of China's Silk Road Economic Belt and the 21st Century Maritime Silk Road (the [Belt and Road Initiative, BRI](#)), Kazakhstan, being also a founding member of *Asia Infrastructure Investment Bank (AIIB)*, has been the biggest recipient of Chinese FDI in the former Soviet Union, receiving a total of US\$22 billion in investment from 1991-2013. As of the end of 2015, China's total stock of FDI to Kazakhstan exceeded US\$5 billion, up from US\$276 million in 2006. Investment from Hong



Kong, though, is far from significant.

- Following the visit of the Chinese Premier Li Keqiang in December 2014, a new package of economic deals totalling US\$14 billion was unveiled. Further at the January 2015 Kazakh-China investment forum, officials announced that Kazakhstan would launch more than 20 joint projects with Chinese companies in the near future, focusing on priority sectors in the Kazakh manufacturing industry, such as mining, oil and gas, construction, chemical and light industry, and transport. In March 2015, the two countries signed a series of cooperation agreements worth of US\$23.6 billion, on closer co-operations in various sectors such as railway, electricity, nuclear energy and agriculture.
- One example is the oil-and-gas development project in Aktyubinsk region of Kazakhstan. Certain oil pipelines have been built to allow direct oil exports to China, including the pipeline running from Kazakhstan's Caspian shore to Xinjiang of China. Major participants in the projects include the *China National Petroleum Corporation* and the Kazakh oil company *KazMunayGas*.
- *Kazakhmys Plc*, Kazakhstan's largest copper miner and manufacturer of copper products, has been listed in the *Hong Kong Stock Exchange* by way of secondary listing since June 2011 (primary listing in London). As the first Kazakh company listed in Hong Kong, *Kazakhmys Plc* opened a regional office in Hong Kong in 2012, when its marketing and logistics department was relocated to Hong Kong from London. In a similar move, *KTZ Express*, a subsidiary of *Kazakhstan Railways*, opened a Hong Kong office in 2014.

### Hong Kong's Trade with Kazakhstan



- Hong Kong's total exports to Kazakhstan soared by 111% to US\$47 million in the first half of 2017, after a 14% growth to US\$71 million in 2016. Major export items in January-June 2017 included telecommunications equipment and parts (shared 70% of the total), computers (10%), fresh or dried fruit and nuts (3%) and semi-conductors, electronic valves & tubes (2%), lighting fixtures & fittings (2%) and watches and clocks (2%).
- On the other hand, Hong Kong's imports from Kazakhstan slid by 54% to US\$1 million in the first half of 2017, after a 82% decline to US\$6 million in 2016. Major import items in January-June 2017 included telecommunications equipment and parts (shared 74% of the total), aircraft & associated equipment; spacecraft; and parts (8%), crude animal materials (7%) and watches and clocks (7%).

Related information: [Kazakhstan infographics](#)

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