High-level Regional Policy Dialogue on
"Asia-Pacific economies after the global financial crisis: Lessons learnt, challenges for building resilience, and issues for global reform"

6-8 September 2011, Manila, Philippines

Jointly organized by
UNESCAP and BANGKO SENTRAL NG PILIPINAS

Country Experiences 3: Net Energy Exporters

Presentation

Global Financial Crisis: Impact on Kazakhstan, Lessons from the Past, Current Challenges

by
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COUNTRY EXPERIENCES: 
Net Energy Exporters

High-Level Regional Policy Dialogue: 
Asia Pacific Economies after the Global Financial Crisis

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Chairman of Executive Board
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PRESENTATION OUTLINE

- Global Financial Crisis: Impact on Kazakhstan
  - Crises of 1998 and 2008
- Lessons from the Past
  - Economic policies
- Current Challenges
  - Inflation
Crisis of 1998

- Impact of Russian default on Kazakh economy
- Kazakhstan’s experience
- In 2001, after the crisis, the National Fund was established

Crisis of 2008

Effects on Kazakhstan’s Financial Sector

- Capital movements away from the banking sector
- Brakes on access to international loan facilities
- Accumulation of external debt by banks
- Revenue drops as a result of lower commodity market prices
- Reduction of gold and forex reserves at the National Bank
Crisis of 2008
Monetary policy

- Sharp deterioration of the balance of payments demanded the devaluation of national currency – Tenge
- Further support of Tenge could brought to full depletion of foreign exchange reserves
- Main trade partners of Kazakhstan devalued their currencies
- Domestic producers and exporters needed support of their competitiveness

Tenge Devaluation and Maintenance of the Exchange Rate Stability

Resource: the National Bank of Kazakhstan
Measures to Stimulate Economic Growth

A Joint (the Government, the National Bank, the Financial Supervisory Agency) Two-Year Action Plan for stabilizing of the economy and financial system:

Funding (USD 10bln.) has come from the National Oil Fund

- Provision of public support to the top four banks;
- Steps to aid the completion of suspended residential construction projects;
- Financial assistance to the SME and agricultural sectors;
- Increased public investment in the industrial sector.

Systematically Important Banks

- Halykbank
- Kazkommertsbank
- BTA bank
- Alliance Bank
Anti-Crisis Program
5 vectors:

- $4 \text{ bln.} – \text{Banking system}
- $3 \text{ bln.} – \text{Real estate sector}
- $1 \text{ bln.} – \text{SMEs}
- $1 \text{ bln.} – \text{Innovative-industrial projects}
- $1 \text{ bln.} – \text{Agro-cultural sector}

Results 1

Resource: the National Bank of Kazakhstan
Consolidation of the Financial Sector Supervision and Regulation System

- Implementation of the counter-cyclicality principle in regulation (for financial leverage, owner's capital, reserves and liquidity, and reserve requirements)
- The gradual increase in minimum size of a capital, especially for banks
- Strengthening of the risk control of “systematically important” financial institutions, considering their impact on the other financial organizations, markets and instruments
The main goals of financial sector development in post-crisis period

- Financial sector stability
- Creating conditions to prevent effect of instability factors and negative events which were detected during the last financial crisis
- Stimulation of investment activity
- Restoration of trust and confidence in the financial sector by both investors and consumers of financial services
- Financial resources mobilization in the post-crisis period
- Consolidation of the financial sector supervision and regulation system
- Regulation of the systemic risks

Accelerated Industrial-Innovative Development

Increase by 2015:

- GDP by 50% of the 2008th GDP
- Productivity in manufacturing industry by no less than 1.5 times
- Share of the manufacturing industry in the structure of GDP to 12.5%
- Share of non-raw materials exports in the total volume of exports to 40%
- Share of innovative enterprises in the number of active enterprises to 10%

Decrease by 2015:

- Energy intensity of GDP by no less than 10% of the 2008th
Accelerated Industrial-Innovative Development

In general, for implementation of program of Accelerated Industrial-Innovative Development necessary to attract investment totaling over $ 60 billion.

For current time, more than 300 projects identified sources of funding in the amount of $35 billion;

Advantages of the Republic of Kazakhstan:

 Favorable tax treatment (in 2009 CIT rate is reduced from 30 to 20%, and by 2011 will be 15%, VAT rate reduced from 13 to 12%)

Significant reserves of natural resources;

Low rates on major components of production cost (electricity, gas, railway transportation); in conclusion we should note that with relatively low wages, we have highly educated and skilled workforce.

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Kazakhstan’s External Trade in the First Halves of 2010/’11 (in million US dollar)

<table>
<thead>
<tr>
<th>period</th>
<th>H1-2010</th>
<th>H1-2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>exports</td>
<td>29579.8</td>
<td>44916.3</td>
</tr>
<tr>
<td>imports</td>
<td>12959.7</td>
<td>16642.7</td>
</tr>
<tr>
<td>trade surplus</td>
<td>16620.1</td>
<td>28273.6</td>
</tr>
</tbody>
</table>

source: State Statistics Agency of Kazakhstan
### Kazakhstan’s Leading External Trade Partners in the First Half of 2011 (in percentages of total trade value)

<table>
<thead>
<tr>
<th>country</th>
<th>share in exports</th>
<th>country</th>
<th>share in imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>16.1%</td>
<td>Russia</td>
<td>42.9%</td>
</tr>
<tr>
<td>China</td>
<td>15.5%</td>
<td>China</td>
<td>12.1%</td>
</tr>
<tr>
<td>Russia</td>
<td>9.1%</td>
<td>Ukraine</td>
<td>5.1%</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>8.9%</td>
<td>Germany</td>
<td>4.9%</td>
</tr>
<tr>
<td>France</td>
<td>5.9%</td>
<td>USA</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

*source: State Statistics Agency of Kazakhstan*

### Inflation Forecast for 2011

**Resource:** the National Bank of Kazakhstan
Inflation Factors

External factors:
- World oil prices
- Prices for metals
- Wheat prices
- Global inflation

Internal factors:
- Costs of the state budget on salaries
- Transfers to individuals
- Unit costs for labor
V ASTANA ECONOMIC FORUM
22-24 May, 2012

- More than 5000 delegates from 80 countries
- Investment agreements (over $2.5 billion)
- Astana Club of Nobel laureates
- Recommendations to the leaders of the G20 countries

THANK YOU!

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