

**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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September 2011

COUNTRY EXPERIENCES: Net Energy Exporters

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

By
MURAT KARIMSAKOV
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*



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Crisis of 1998

- *Asian crisis of 1997-1998*
- *Impact of Russian default on Kazakh economy*
- *Kazakhstan's experience*
- *In 2001, after the crisis, the National Fund was established*

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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*

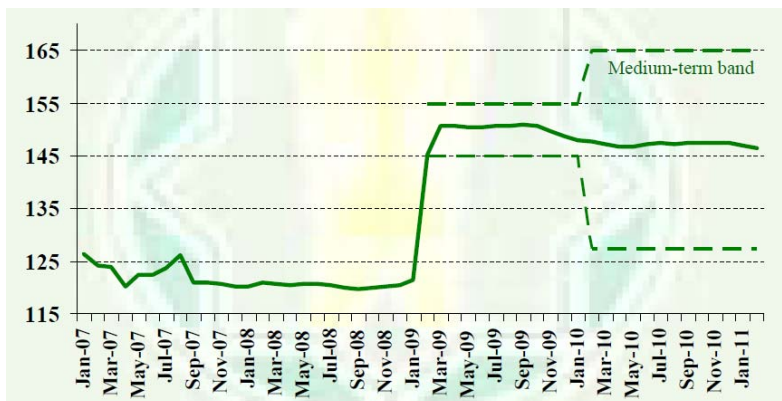
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Crisis of 2008 Monetary policy

- 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

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Tenge Devaluation and Maintenance of the Exchange Rate Stability



Resource: the National Bank of Kazakhstan

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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.*

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Systematically Important Banks

- Halykbank*
- Kazkommertsbank*
- BTA bank*
- Alliance Bank*

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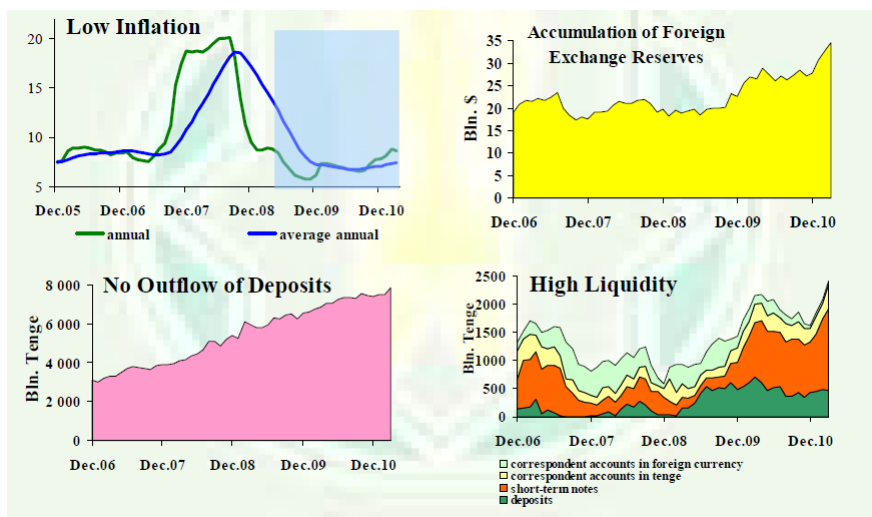
Anti-Crisis Program

5 vectors:

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

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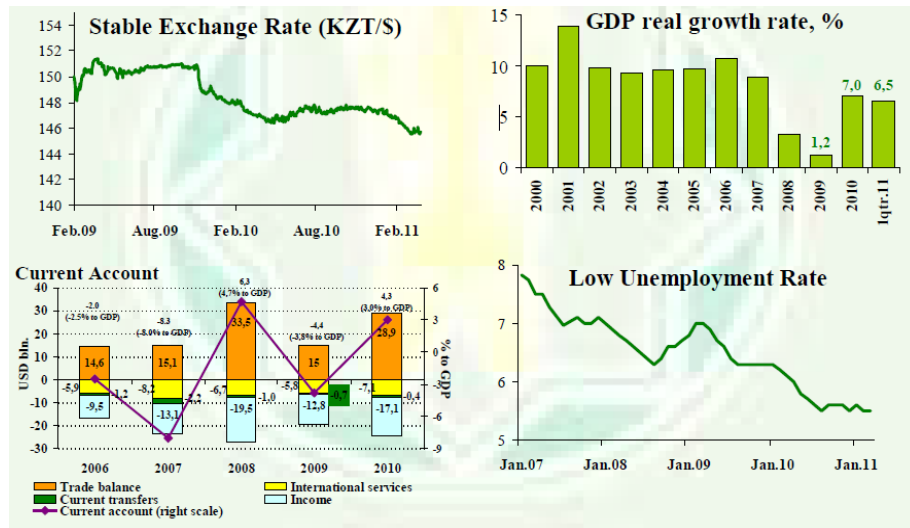
Results 1



Resource: the National Bank of Kazakhstan

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Results 2



Resource: the National Bank of Kazakhstan

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Consolidation of the Financial Sector Supervision and Regulation System

- *Implementation of the counter-cyclicity 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*

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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*

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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*

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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)

<i>period</i>	<i>H1-2010</i>	<i>H1-2011</i>
<i>exports</i>	<i>29579.8</i>	<i>44916.3</i>
<i>imports</i>	<i>12959.7</i>	<i>16642.7</i>
<i>trade surplus</i>	<i>16620.1</i>	<i>28273.6</i>

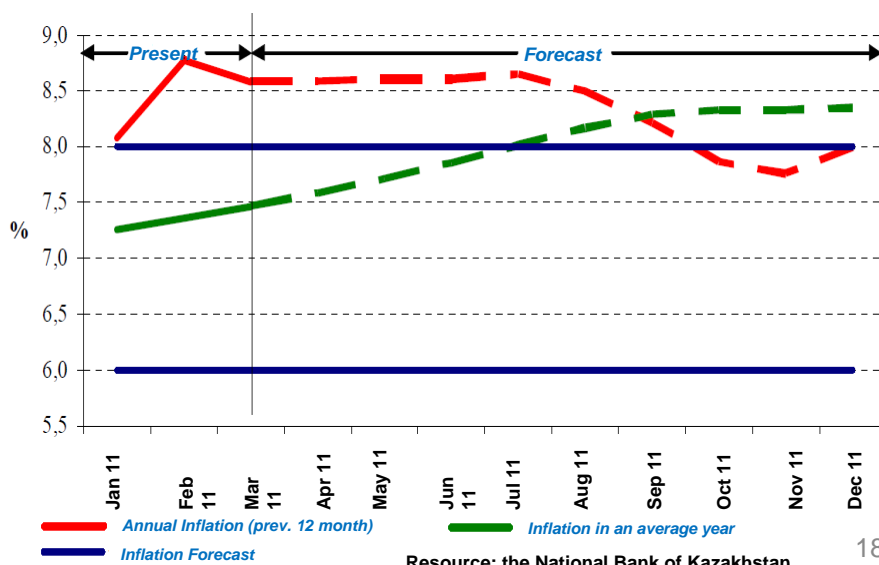
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source: State Statistics Agency of Kazakhstan

Kazakhstan's Leading External Trade Partners in the First Half of 2011 (in percentages of total trade value)

country	share in exports	country	share in imports
Italy	16.1%	Russia	42.9%
China	15.5%	China	12.1%
Russia	9.1%	Ukraine	5.1%
The Netherlands	8.9%	Germany	4.9%
France	5.9%	USA	4.0%

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source: State Statistics Agency of Kazakhstan

Inflation Forecast for 2011



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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*

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V ASTANA ECONOMIC FORUM 22-24 May, 2012

ASTANA ECONOMIC FORUM
is an annual dialogue platform
for discussions and solutions of
global problems.



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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

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THANK YOU!



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