



## Leather industry in Kazakhstan Sector teaser

November 2020



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# Leather industry teaser



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# Leather industry teaser

## Industry overview



- In this teaser, we will be considering the full leather industry cycle in Kazakhstan, from hide treatment to the finished product (natural leather footwear). The leather product industry has seen average annual growth of 2.87% in the last 5 years (2015-2019). Footwear production in Kazakhstan does not meet domestic demand. In 2019, domestic products accounted for 3.6% of the market, which has led to a need to import large quantities of footwear (35,251 pairs in 2019).
- Globally there has been a growth in the production of leather items. China led the leather production industry in 2019, producing leather goods of US\$ 266 billion, which is four times higher than in Trinidad and Tobago, the world's second largest leather producer.
- The above index for Kazakhstan was US\$ 30.3 million in 2019. Irrespective of the rich raw materials base, domestic production in Kazakhstan remains underdeveloped and the country depends greatly on imports. In 2019, leather item imports into Kazakhstan exceeded 2018 levels by 38% or US\$ 76.3 million. China was the main exporter to Kazakhstan with a 56% share of imports. The second and third largest importers are Russia and Italy, with 15% and 8% shares, respectively.
- The sector is noted for its relatively low capital intensity and is one of the fastest growing and most attractive markets. Given the current status of the sector and strong support from the government, the leather industry has great potential in Kazakhstan.



### Geographical location

Kazakhstan is located close to the following leading global consumer markets:

- China with leather item imports in 2019 of up to US\$ 3 986 million;
- Russia with leather item imports in 2019 of up to US\$ 964 million; and Central Asia whose imports amounted to US\$ 39.8 million in 2019.



### Resource base adequacy

- Kazakhstan's ample resource base annually produces over 10 million untreated hides every year. However, domestic companies treat less than 3% of raw materials. 20% of products are processed at preparation organisations, while over 77% of untreated hides are exported as raw materials.
- Previously, in 2016 and 2017, a lack of raw materials for leather companies led to a ban on the export of cattle hides. To supply domestic processing businesses with raw materials and ensure production capacity, in August 2019, Kazakhstan introduced a new five-year ban on cattle hide export by road from Kazakhstan. However, this ban has not resulted in increases in the domestic leather business activity. Nevertheless, given the current state support and provided the illegal export of raw materials is duly controlled and monitored, the hide processing sector has the potential to develop.



### State support

The government adopts systematic measures to develop and support the processing industry. The conditions created by the State help reduce the financial and tax burden for local producers, increasing their competitiveness. Changes have been made to the "Birlik" lending programme, which provides financing to create and develop milk, hide and wool receiving points, factoring in an anchor cooperation. Furthermore, a number of programmes, such as the "2025 Business Road Map", "SIIDP 2020-2025" and "Saving Simple Things", which stipulate measures to supply raw materials to enterprises, increase Kazakhstan content, economic stimulation measures and systematic support measures.

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## Description of products and production standards

### Finished leather classification



#### Shoe leather



Clothing and haberdashery (for sewing clothes, hats, gloves, bags, wallets, etc.)



Saddlery (for human and equestrian equipment)



Technical (for mechanisms)

Leather is a natural material made from the skins of domestic or wild animals using specialized equipment. Leather production is a stage-by-stage production of various types of leather from raw materials - raw animal skins.

Raw materials used in the production of leather:

- cattle skins;
- MRS skins;
- pig skins;
- camel skins.

Modern technologies of leather production consist of several stages. The main stages of leather production:

- ashening;
- fleshing;
- ash removal;
- flushing.

Currently, in the Republic of Kazakhstan, leather production is regulated by the following standards:

- State standard 338-81 Chrome leather for shoe upper. Determination of grade.
- State standard 382-91 Sorted leather raw materials for industrial processing. Technical conditions.
- State standard 427-75 Measuring metal rulers. Technical conditions.
- State standard 938.0-75 Leather. Acceptance rules. Sampling methods.
- State standard 938.1-67 Leather. Method for determination of moisture content.
- State standard 938.3-77 Leather. Method for determination of chromium oxide content.
- State standard 938.5-68 Leather. Method for determining the content of substances extractable by organic solvents.
- State standard 938.11-69 Leather. Tensile test method.
- State standard 938.12-70 Leather. Method for preparing samples for physical and mechanical tests.
- State standard 938.13-70 Leather. Method for determining the mass and linear dimensions of samples.
- State standard 938.14-70 Leather. Sample conditioning method.
- State standard 938.15-70 Leather. Method for determination of sample thickness and leather thickness at a standard point.
- State standard 938.27-76 Leather. Test method for shrinkage of the front surface of soft leather.
- State standard 938.29-77 Leather. Test method for color fastness of leathers to dry and wet friction.
- State standard 938.30-78 Leather. Test methods for fragility and fragility.
- State standard 1023-91 Leather. Marking, packaging, transportation and storage.
- State standard 3123-78 Leather production. Terms and Definitions.
- State standard 13868-74 Chrome leather for shoe upper. Method for determining the resistance of a coating to multiple bending.

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# Overview of the global raw materials market



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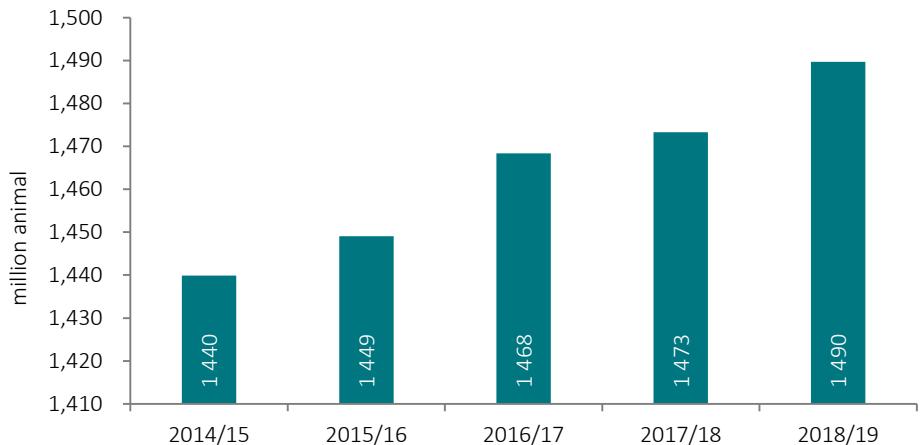




# Overview of the global raw materials market

## Cattle, sheep and goat population

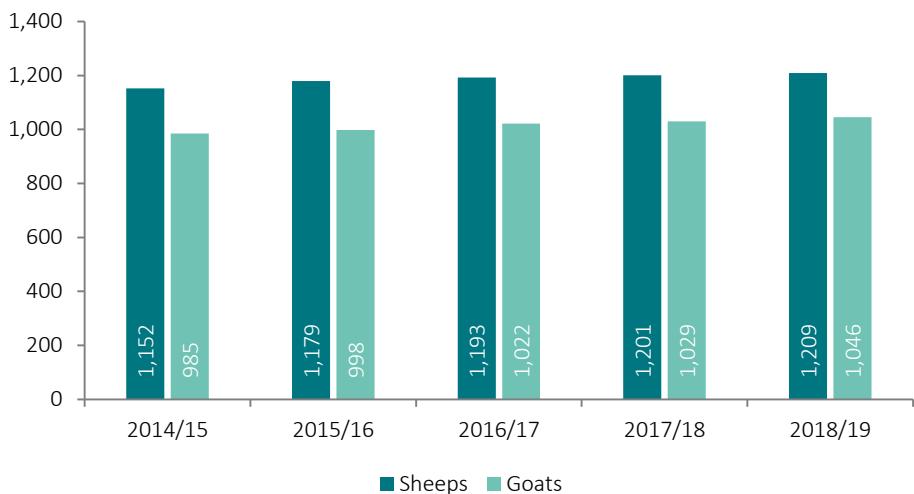
Global cattle stock



The total global cattle population has been growing over the last five years, reaching 1,490 million in 2018/19, with average annual CAGR growth of 0.9% between 2014/15 and 2018/19.

Cattle dominate the global livestock market accounting for 31% of all livestock. Sheep farming accounts for 25% and goat farming – 22%. Pig and horse farming are the next largest with 20% and 1% respectively.

Global goat and sheep stock



Sheep and goat breeding follows cattle breeding in terms of numbers. Meat goats and sheep are held by businesses widely represented in Asia, the Middle East and Africa.

The analysis period has seen a growth in sheep and goat numbers across the world. The sheep population was 1,209 million in 2018/19, with average annual growth of 1.2% in the last 5 years.

Goat stock CAGR in 2014/15-2018/19 amounted to 1.5%, while the population reached 1,046 million in 2018/19.

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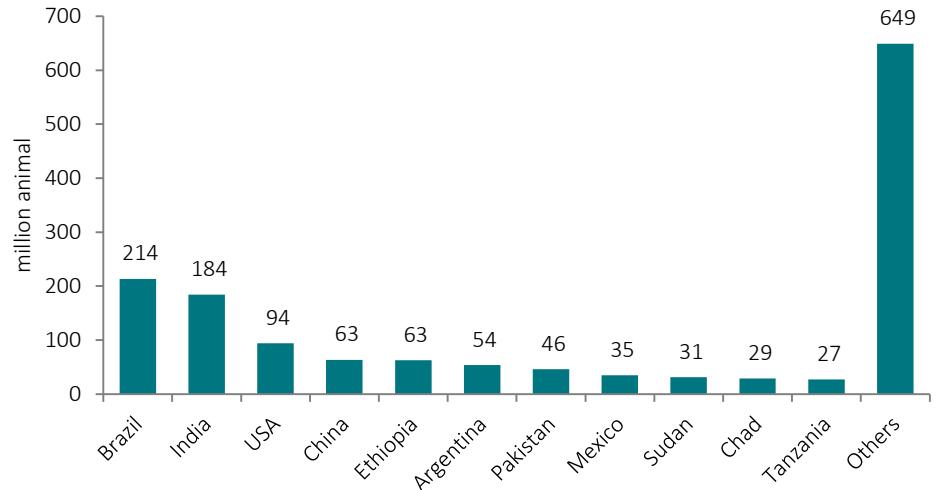




# Overview of the global raw materials market

## Cattle population, imports and exports

Cattle population by country in 2018/19



The global leader in cattle management is Brazil, followed by India, the USA, China, Ethiopia, Argentina and Pakistan. Despite having the second largest number of cattle, India is not a producer of cattle products because cows are considered sacred.

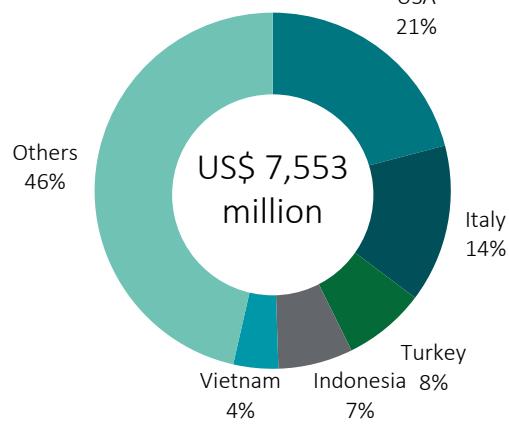
The largest cattle exporters are France (US\$ 1,497 million), Australia (US\$ 1,039 million), Canada (US\$ 919 million), Spain (US\$ 311 million) and Brazil (US\$ 310 million).

The USA (667 thousand tonnes), Italy (444 thousand tonnes), Turkey (254 thousand tonnes), Indonesia (221 thousand tonnes) and Vietnam (127 thousand tonnes) were the largest cattle importers in 2019.

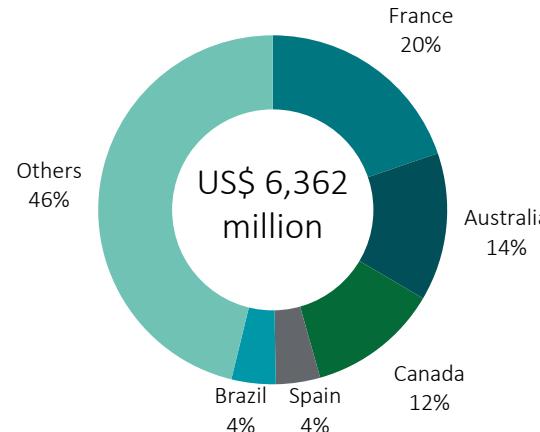
Source: EMIS, ITC

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Structure of global cattle imports by country in 2019



Structure of global cattle exports by country in 2019



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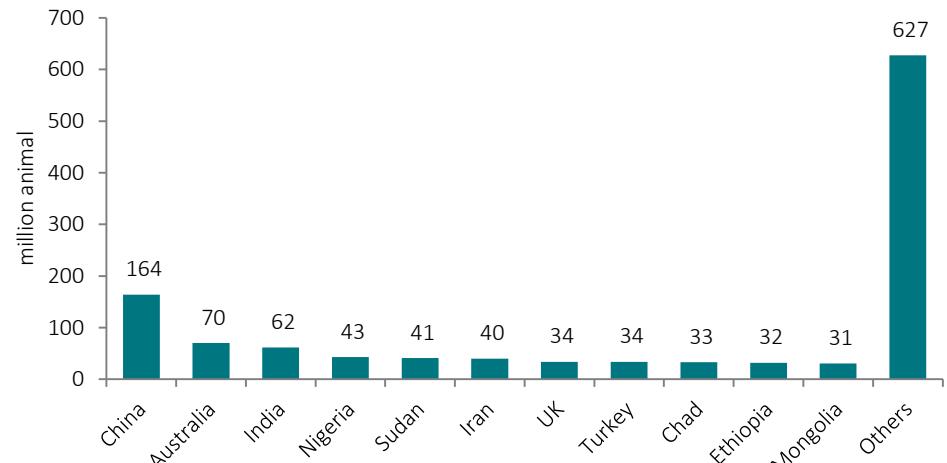




# Overview of the global raw materials market

## Sheep population, imports and exports

Sheep population by country in 2018/19



According to FAO stat, at the start of 2019, China was recognised as having the highest sheep population - over 164 million. The next highest population was in Australia with 70 million, and then India (62 million). The fourth and fifth highest largest sheep populations are in Nigeria and Sudan, with 43 and 41 million animals, respectively.

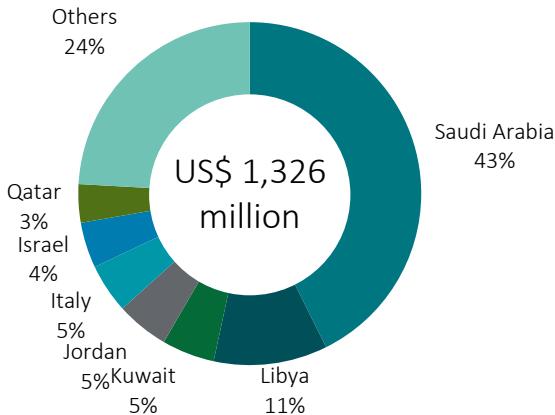
Sudan is the largest sheep exporter (US\$ 433 million), followed by Romania (US\$ 257 million), Spain (US\$ 167 million), Australia (US\$ 99 million) and Portugal (US\$ 58 million).

The largest live sheep importer in 2019 was Saudi Arabia, accounting for US\$ 566 million or 40% of global imports. The second largest was Libya (US\$ 142 million), followed by Kuwait (US\$ 66 million) and Jordan (US\$ 65.8 million). The share of all remaining countries is insignificant.

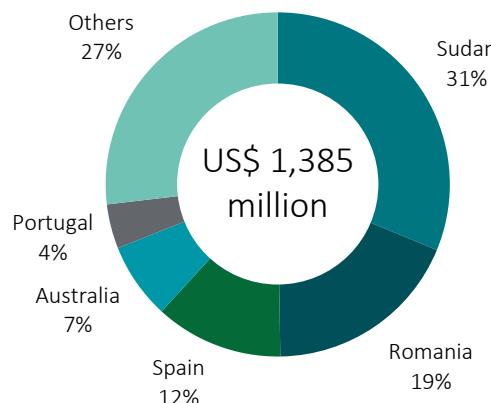
Source: UN Food and Agriculture Organisation, UN comtrade database, ITC

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Structure of global sheep imports by country in 2019



Structure of global sheep exports by country in 2019



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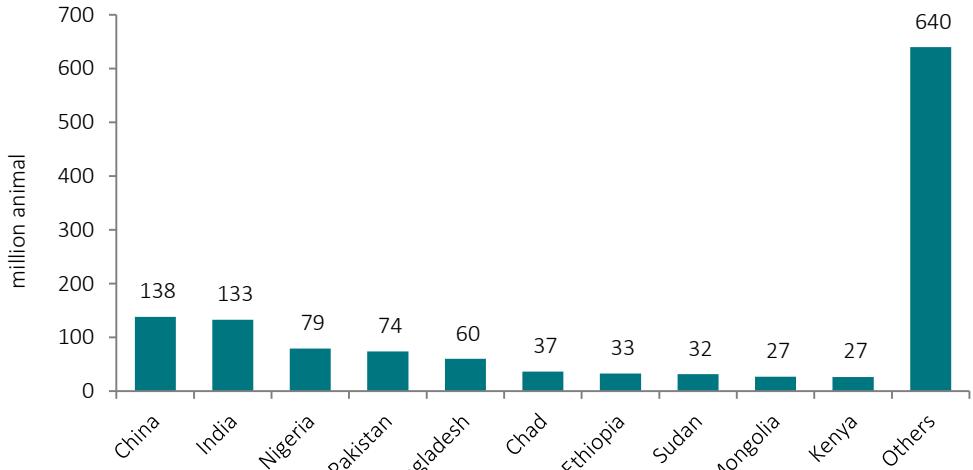




# Overview of the global raw materials market

## Goat population, imports and exports

Goat population by country in 2018/19

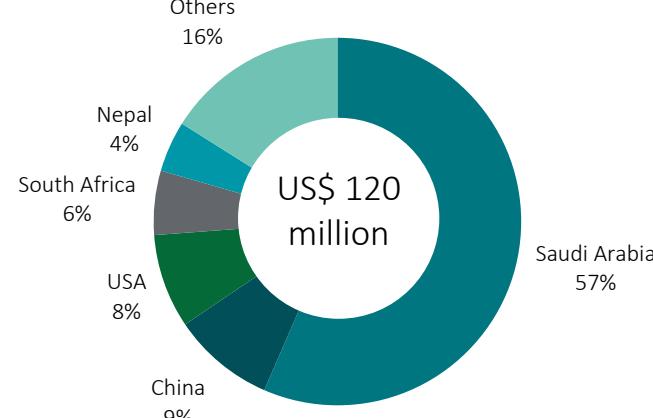


China registered the highest goat population in 2018/19 (138 million), followed by India (133 million) and Nigeria (79 million). Many African countries are recognised as goat breeding leaders.

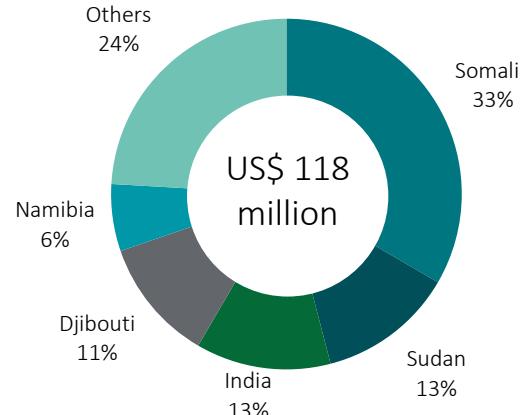
The largest exporters of live goats are Somalia (US\$ 39 million), Sudan (US\$ 14.8 million), India (US\$ 14.7 million), Djibouti (US\$ 13.4 million) and Namibia (US\$ 7.3 million).

The largest importers are Saudi Arabia (US\$ 68 million), China (US\$ 11 million), the UAE (US\$ 10 million), South Africa (US\$ 6.8 million) and Nepal (US\$ 5.4 million).

Structure of global goat imports by country in 2019



Structure of global goat exports by country in 2019



Source: UN Food and Agriculture Organisation, UN comtrade database

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## Imports and exports of untreated hides

Changes in the global export and import of untreated hides



According to the International Trade Centre, imports and exports of untreated hides and leather fell between 2015 and 2019. Global leather production grew during the analysis period: hides and leather were treated domestically.

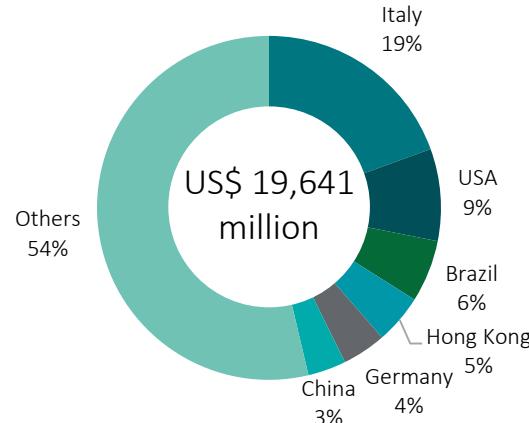
In 2019, the largest importers of untreated hides were China (US\$ 3,634 million), Italy (US\$ 2,422 million), Vietnam (US\$ 1,413 million), Hong Kong (US\$ 1,009 million) and Mexico (US\$ 807 million).

The largest exporters of untreated hides are Italy (US\$ 3,732 million), the USA (US\$ 1,768 million), Brazil (US\$ 1,178 million), Hong Kong (US\$ 982 million), Germany (US\$ 786 million) and China (US\$ 589 million). The share of all remaining countries is insignificant - 54%.

Structure of the global import of untreated hides by country in 2019



Structure of the global export of untreated hides by country in 2019



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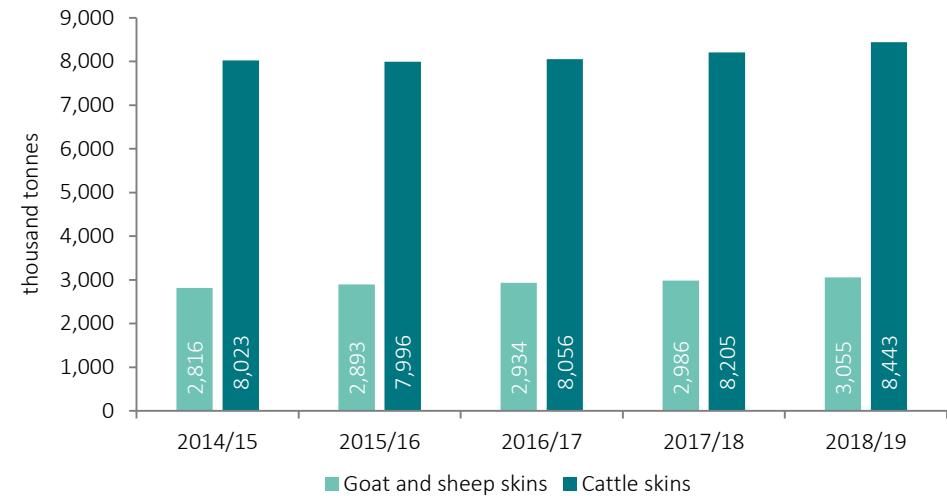




# Overview of the global leather industry

## Cattle, goat and sheep production

Global cattle, goat and sheep hide production



The analysis period has seen growth in global cattle, goat and sheep hide production. Cattle hide production in 2018/19 amounted to 8,443 thousand tonnes with CAGR at 1.3% in the last 5 years. In the same period, goat and sheep hide production grew annually by 2.1% to 3,055 thousand tonnes in 2018/19.

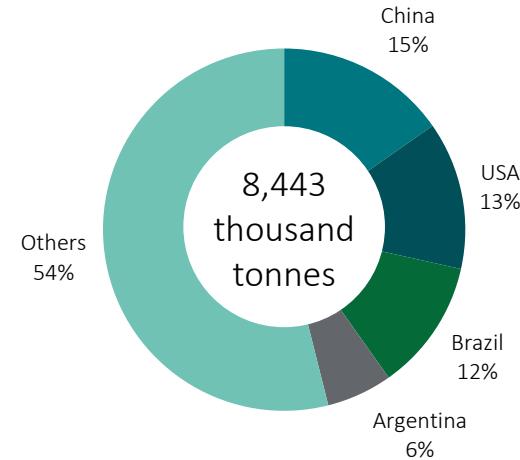
China is the leading global cattle hide producer (1,266 thousand tonnes), followed by the USA (1,097 thousand tonnes), Brazil (1,013 thousand tonnes) and Argentina (506 thousand tonnes), all of which make up the top six in terms of cattle populations.

China is also the largest producer of goat and sheep hides (1,008 thousand tonnes), followed by Australia (183 thousand tonnes), India (122 thousand tonnes), Pakistan (121 thousand tonnes) and New Zealand (92 thousand tonnes).

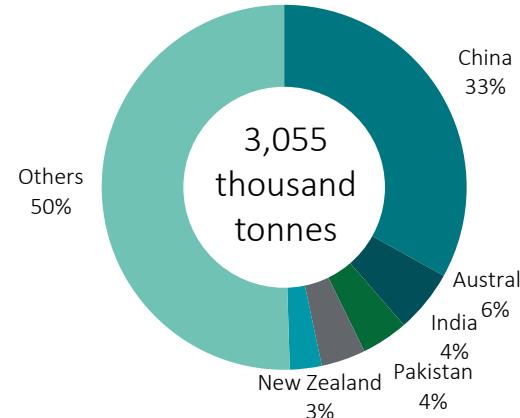
Source: UN Food and Agriculture Organisation, UN comtrade database

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Structure of global cattle hide production by country in 2018/19



Structure of global goat and sheep hide production by country in 2018/19



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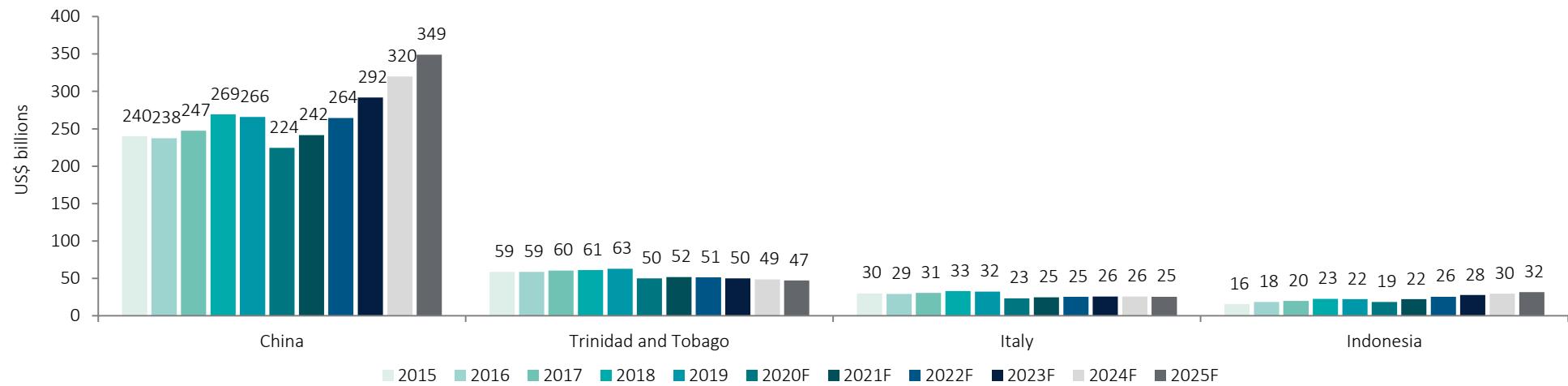




# Overview of the global leather industry

## Leather item production

Gross leather item production by country, US\$ billions



China is the leading producer of leather items, in 2019, producing leather items of US\$ 266 billion, which is four times higher than the figure for Trinidad and Tobago, the next largest leather item producer.

China saw slight growth in leather item production in 2015-2019. However, according to EMIS forecasts, production will decline in 2020 due to COVID-19 related stagnation. The forecast period should see a sharp and steady growth in leather item output, with annual average growth in 2020-2025F reaching 9.2%.

Despite insignificant growth in the last five years, during the forecast period Trinidad and Tobago will experience a reduction in leather item production.

Italy is the third largest leather item producer and will also experience slight reductions in production during the forecast period.

In Indonesia, leather item production reached US\$ 22 billion in 2020-2025, with growth set to continue, and CAGR at 11.3%.

The countries with the fastest growing leather industries, such as South Korea, Taiwan, China, Indonesia and Vietnam have all dealt with insufficient raw materials and been forced to import hides to manufacture bags and other accessories.

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## Leather item imports and exports

Global changes in leather item imports and exports



Leather item imports and exports will grow with CAGR at 3.9% and 4.3%, respectively.

Major leather item importers include the USA (US\$ 13,263 million), Japan (US\$ 6,632 million), France (US\$ 4,974 million), Hong Kong (US\$ 4,974 million), Germany (US\$ 4,969 million), Italy (US\$ 4,145 million) and China (US\$ 4,132 million), which account for nearly 52% of total exports. The shares of all other countries are insignificant.

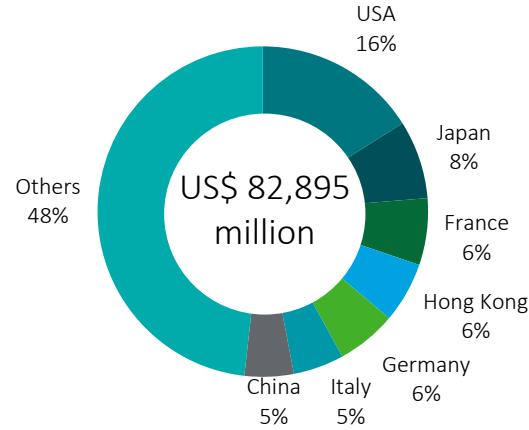
Leather items are popular in high-income countries. Demand for leather items is primarily determined by income levels and fashion, while fashion, specifically, affects the changing demand for various types of leather.

Major leather item exporters include China (US\$ 29,285 million), Italy (US\$ 12,424 million), France (US\$ 9,762 million), Vietnam (US\$ 4,437 million) and Hong Kong (US\$ 4,437 million).

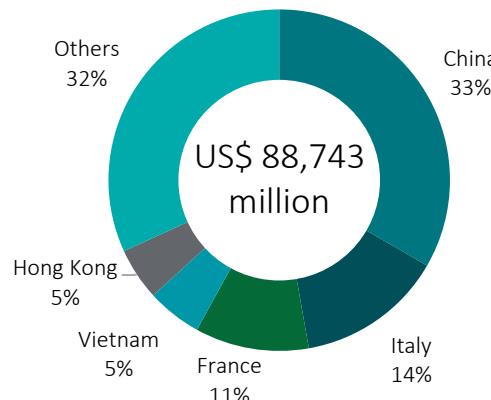
Source: UN comtrade database

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Structure of the global import of leather items by country in 2019



Structure of the global export of leather items by country in 2019



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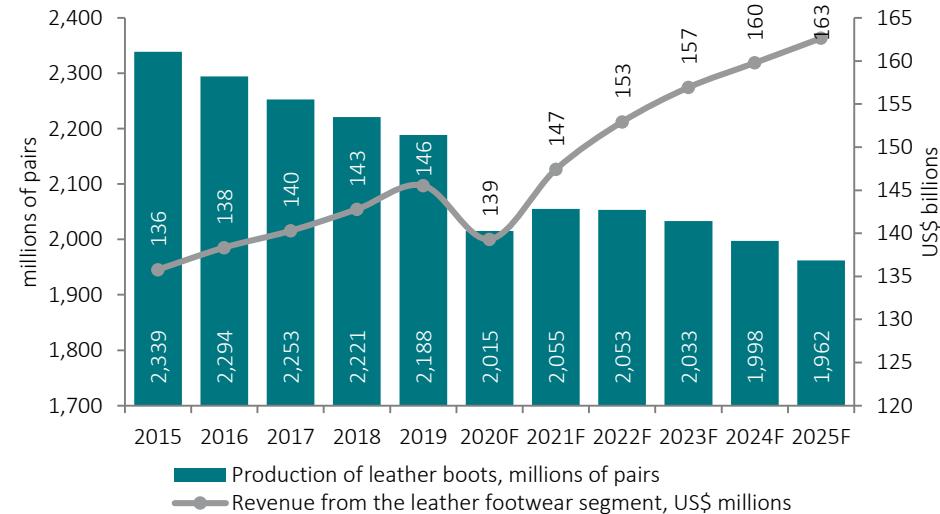




# Overview of the global leather industry

## Leather footwear production

Changes in global leather footwear production

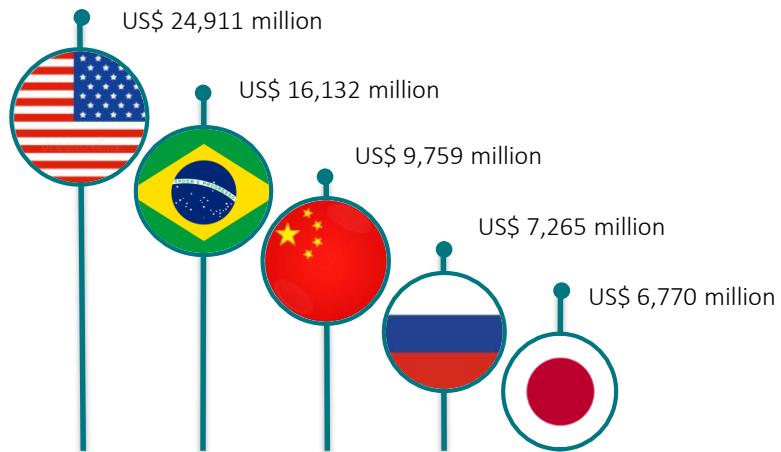


In addition to natural leather, synthetic substitutes are becoming more and more popular as they are far cheaper. The market has seen a decline in the production of natural leather footwear, which is set to continue.

Until 2015, footwear made up the majority of the leather accessory market, but in the last five years, its market coverage has declined due to an increase in demand for light leather in luggage and handbags.

Despite the production decline, revenue has actually grown in the leather footwear sector. The trend testifies to the growth in prices for leather footwear for the review period.

Top five leather footwear producers



The footwear industry, among other light industry sectors, has moved most from developed countries to developing countries. The leaders in footwear manufacture, after the USA, are Brazil and China. Developed countries, such as Italy and the USA continue to manufacture expensive leather footwear, requiring a lot of work. The largest consumer and exporter of this type of footwear is Italy.

Neighboring Kazakhstan, Russia is the fourth largest footwear producer in the world. The Russian leather sector and its 41 leather factories (as opposed to 70 during the Soviet era) was inherited from the Soviet era.

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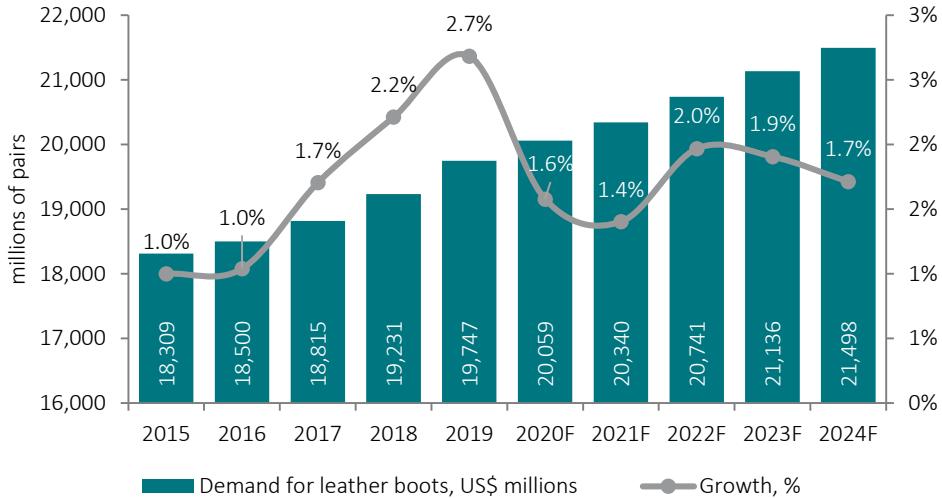




# Overview of the global leather industry

## Production and changes in leather footwear prices

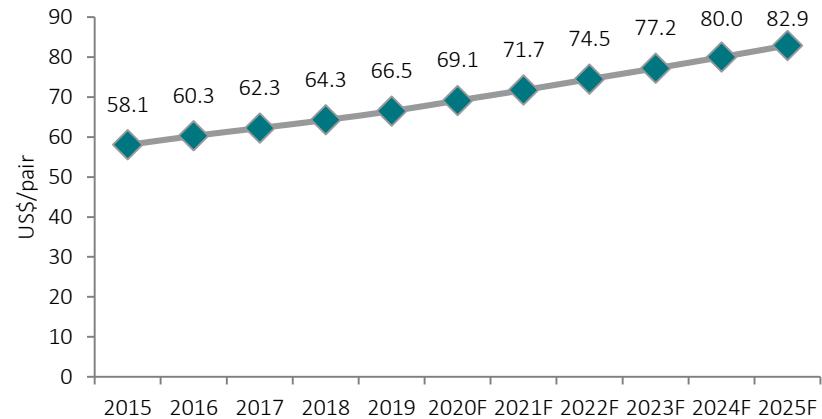
**Global demand for leather boots**



Leather boots account for no more than 10% of the overall boot market. Leather boot consumption and production in monetary terms is growing, but in physical terms it fell during the analysis period.

The most noticeable trend on the international footwear market in the last decade has been the sharp growth in the popularity of textile footwear. Today, textile footwear accounts for nearly 33% of all footwear sold, while in 2010, that figure was only 14.6%.

**Changes in global prices for leather footwear**



The price for leather footwear is 3-5 times higher than for textile footwear or footwear made from artificial materials.

The price for leather footwear has been growing solidly since 2015, with CAGR at 3.5%. In 2019, a pair of leather shows cost US\$ 66.5 on average, while in 2025 that price is expected to reach US\$ 82.9 (CAGR 3.7%).

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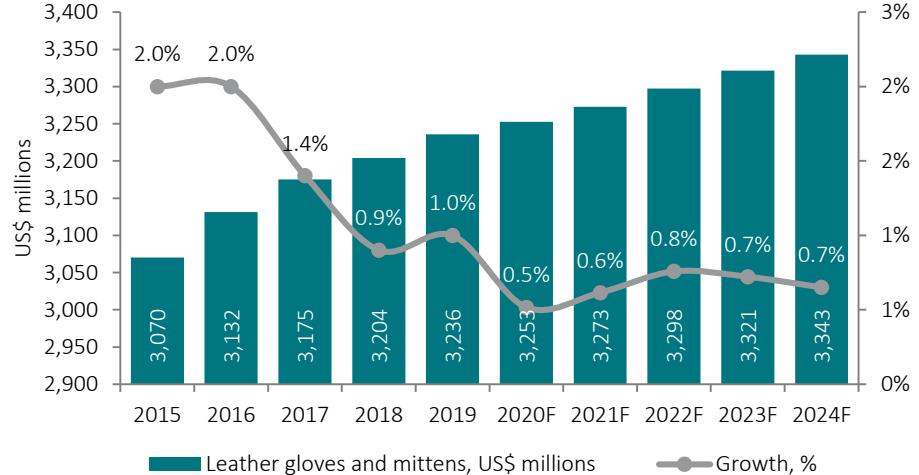
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## Leather accessory production

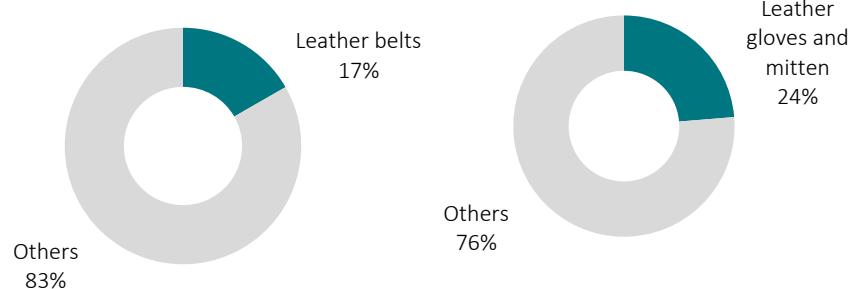
**Global demand for leather belts**



**Global demand for leather gloves and mittens**



**Market share of leather belts and gloves in 2019**



Source: EMIS

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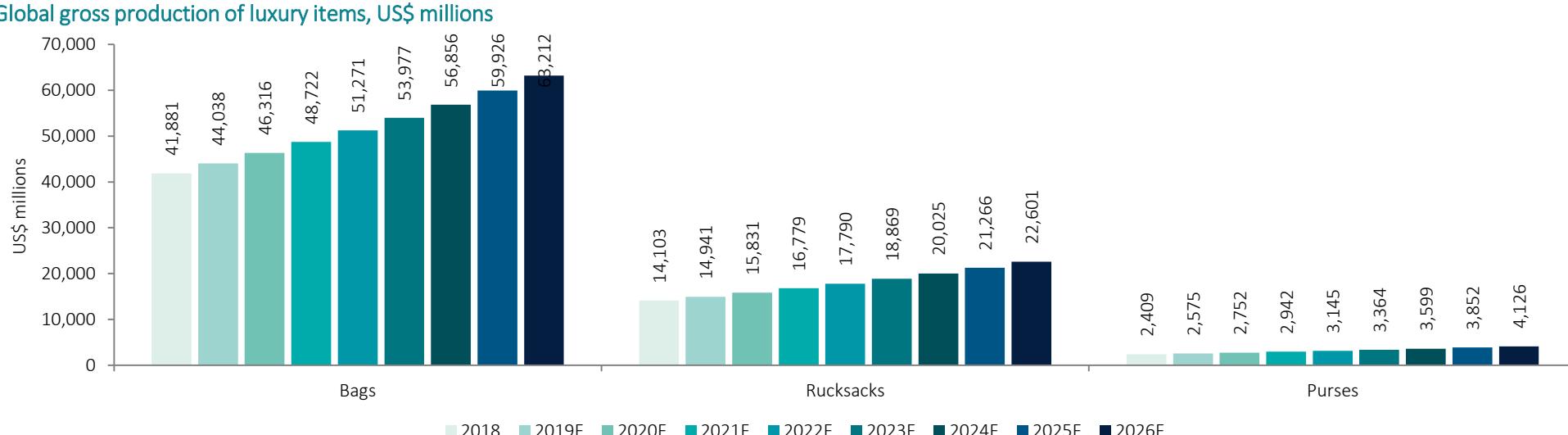
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The majority of luxury accessories are made from natural leather.

According to Allied Market Research, the global luxury accessory market was valued at US\$ 58,393 million in 2018, and is forecast to grow to US\$ 89,939 million by 2026. In this respect, CAGR for the forecast period will be 5.6% per year.

The bag segment is the largest, accounting for US\$ 41,881 million in 2018 and is forecast to reach US\$ 63,212 million by 2026, with CAGR of 5.3% during the forecast period. The bag segment accounts for approximately 79.8% of the market.

Analysts believe that by 2026, the purse segment will be worth US\$ 4,126 million, with CAGR of 7.0% in 2018-2026.

In 2018, Europe accounted for nearly 35% of the branded bag market. Developing countries, especially in the Asia-Pacific region, such as India, China, Indonesia and the Philippines, are spending more and more on luxury items due to rising disposable income.

Hong Kong consumers aged 30-49 have the highest disposable income and, consequently, are the largest buyers of luxury items. Together with Hong Kong, analysts are forecasting a growth in the consumption of luxury items in India, where the expectation is that the increase in disposable income, growth in the number of working women and the sharp increase in accessibility will stimulate growth in the luxury items market.





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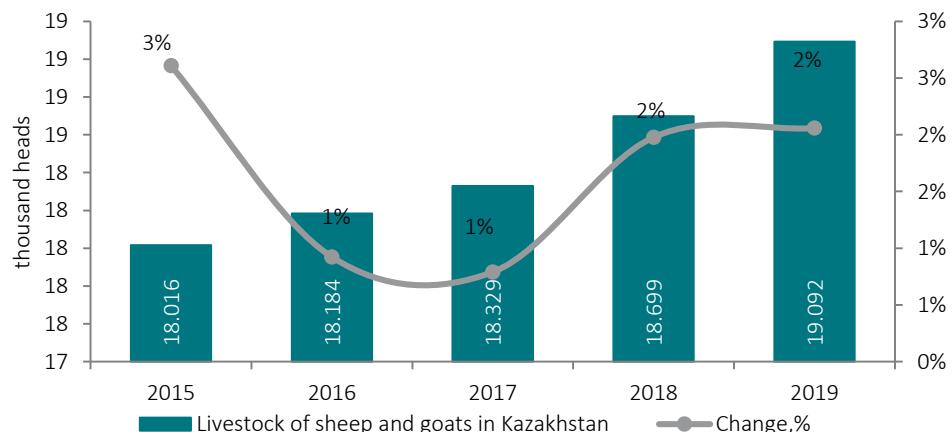
# Overview of the Kazakhstan raw materials market



## Sheep and goat population in Kazakhstan

- At the end of 2019, the sheep and goat population in Kazakhstan was 19,092 thousand, with the majority of animals found in the south of the country, East-Kazakhstan, West-Kazakhstan and Aktobe Oblasts.
- The majority of sheep and goats are owned by individuals - 58%, with the remaining 42% owned by various agricultural holdings.
- In the last five years, average annual growth in the sheep and goat population was 1.46%, with the highest growth rates in North-Kazakhstan, West-Kazakhstan, Kostanai and Dzhambul Oblasts.
- Annually, Kazakhstan sends 340 thousand live weight tonnes of sheep and goats for slaughter. The average lamb population in Kazakhstan in 2019 was 88 lambs per 100 ewes. The figure has remained relatively stable in the last five years.

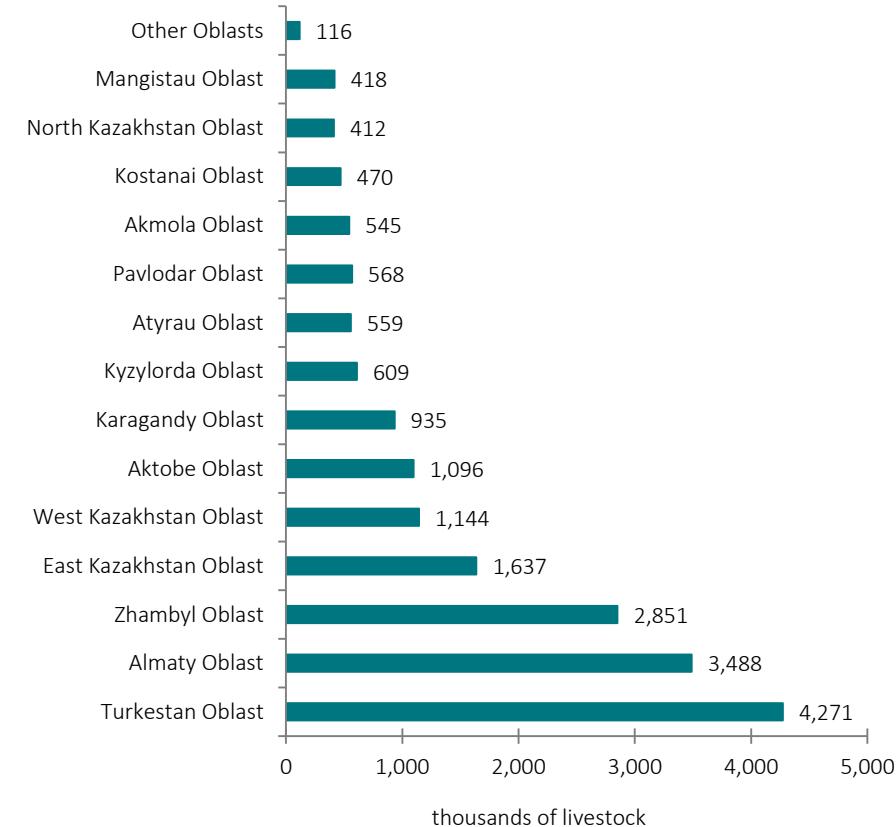
## Changes in the sheep and goat population growth rate in Kazakhstan



Source: Kazakhstan Statistics Committee

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## Sheep and goat populations in Kazakhstan in 2019, by region



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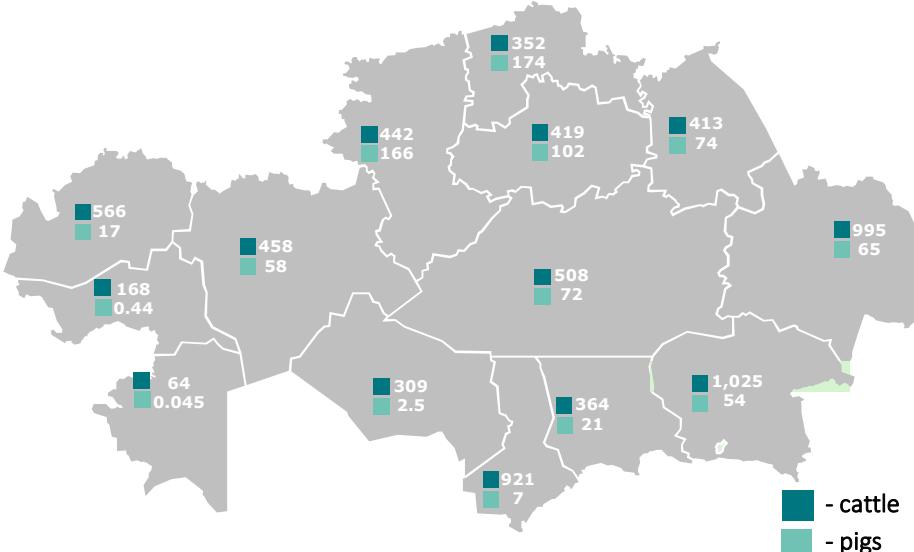


# Overview of the Kazakhstan raw materials market



- Total cattle numbers have grown dynamically in recent years, with an annual average in the last five years of 3.29%. Leaders in terms of growth during that period were Mangistau, Almaty, West-Kazakhstan and Dzhambul Oblasts.
- The average calf crop in Kazakhstan in 2019 was 77 per 100 cows.
- According to the OECD, the average annual growth in beef and veal production and consumption in Kazakhstan is 0.69% and 1.61%, respectively.

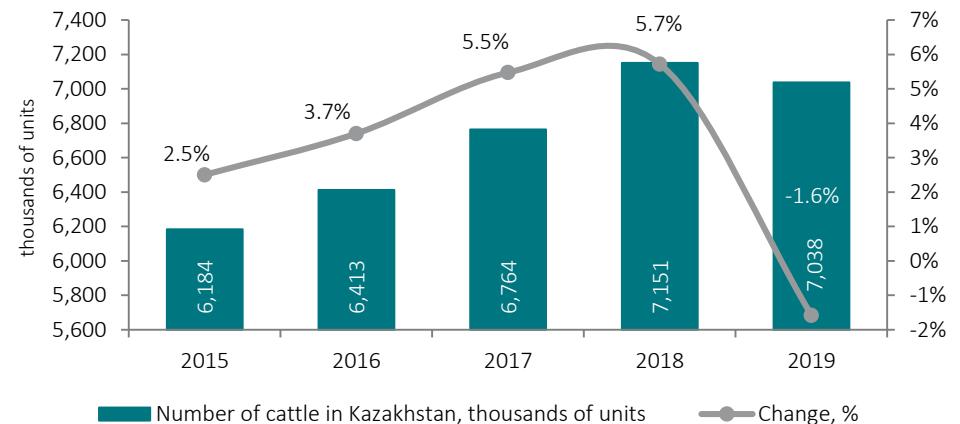
Cattle and pig numbers in Kazakhstan, thousands



Source: Kazakhstan Statistics Committee

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Growth changes in cattle numbers in Kazakhstan



Pig numbers and ownership by oblast, thousands

The total pig population in Kazakhstan is 822 thousand. Akmola, Kostanai and North-Kazakhstan Oblasts are the most developed in terms of animal breeding in Kazakhstan.

The leading pig farming oblasts are as above, as well as Almaty and Karaganda Oblasts. In 2014–2016, the number of pigs slaughtered in live weight terms fell by 3%.

On average, pig slaughtering in live weight terms amounted to 134 thousand tonnes in 2018, while the total slaughter volume increased by 28.2% or 38 thousand tonnes compared to the same period in 2017. However, in 2019, pig slaughtering levels fell by 8.4% to 122.8 thousand tonnes.

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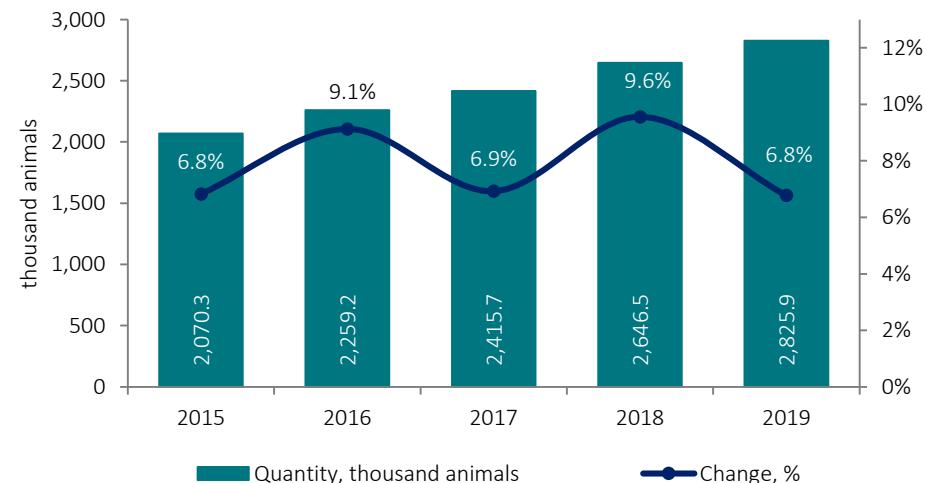
# Overview of the Kazakhstan raw materials market



## Horse population in Kazakhstan

- At the end of 2019, the horse population in Kazakhstan was 2,826 thousand. A large part of that number were in East-Kazakhstan, Almaty, Karaganda and Turkestan Oblasts. Likewise, West-Kazakhstan, Akmola and Pavlodar Oblasts may also be treated as major horse population areas.
- The average annual growth in the horse population was 8.09% in 2015-2019, with no declines in numbers recorded during the analysis period.
- The rapid growth in numbers can be explained by active government support, which includes subsidies to purchase thoroughbred stud horses, cheaper production costs for mare's milk, and cheaper purchase and preparation costs for breeding stock feed.

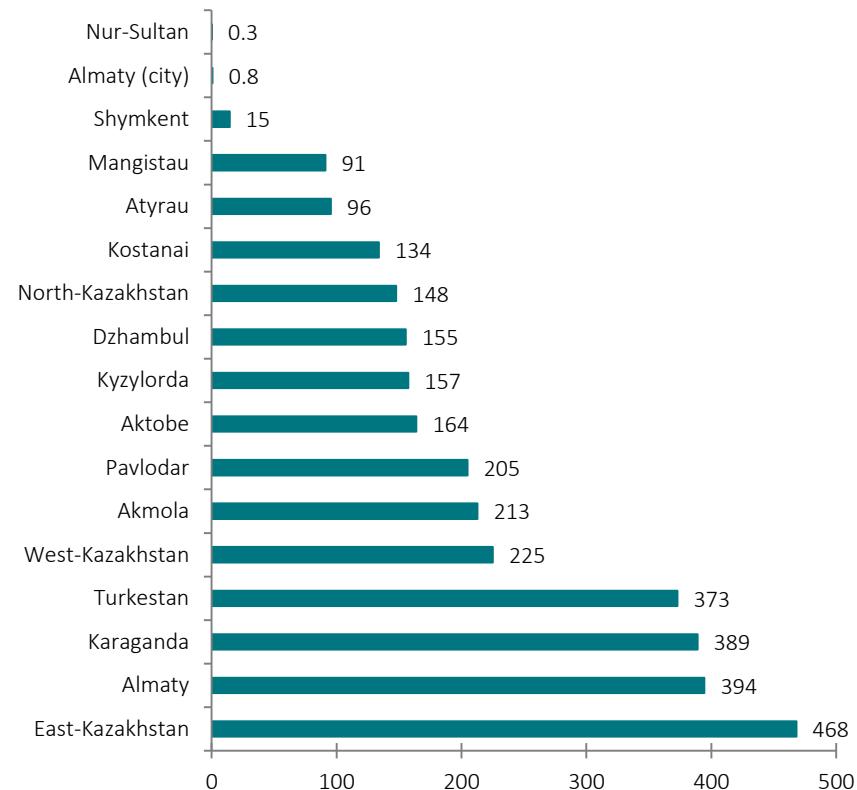
## Changes in the growth of the horse population in Kazakhstan



Source: Kazakhstan Statistics Committee

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## Horse population in Kazakhstan as at 1 August 2020, by region, thousand heads



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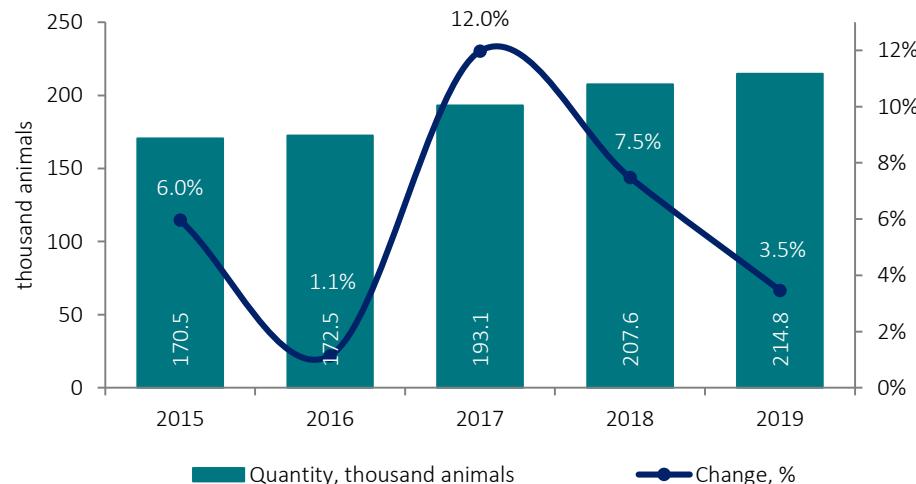
# Overview of the Kazakhstan raw materials market



## Camel population in Kazakhstan

- At the end of 2019, the camel population in Kazakhstan was 214.8 thousand, with the majority focused in Mangistau, Kyzylorda, Turkestan and Atyrau Oblasts. Aktobe, Almaty and Dzhambul also have relatively large camel populations. The average annual growth in the camel population was 5.94% in 2015-2019.
- The rapid rise in the camel population was caused by the popularity of fermented camel's milk – shubat, which is valued for its high probiotic content.
- Kazakhstan has no major camel hide treatment businesses. Given the high added value of camel hides, camel breeding may become one of the most attractive areas for camel farming in Kazakhstan.

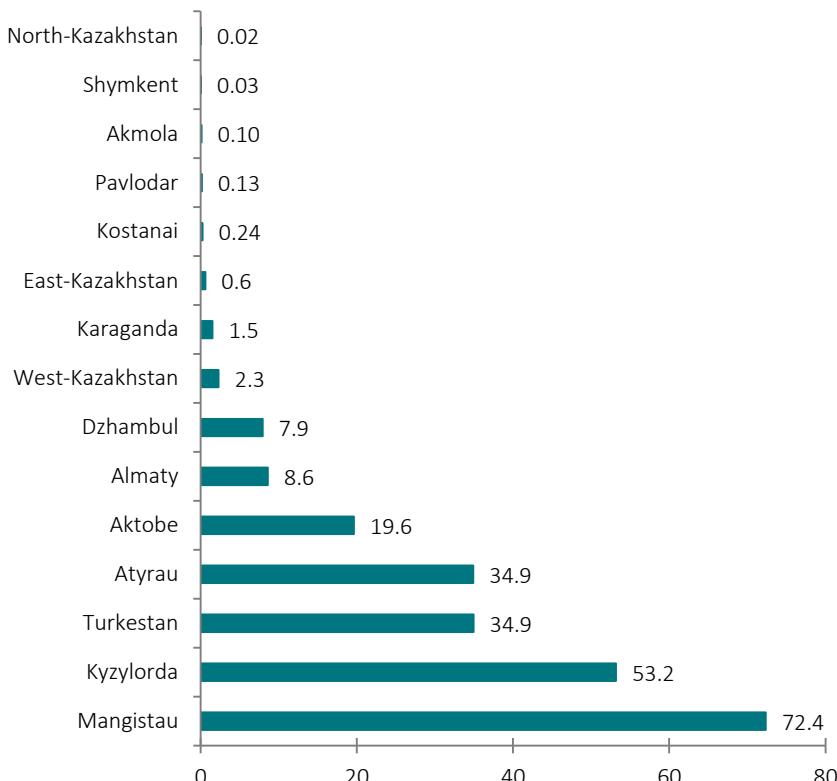
## Changes in camel population growth in Kazakhstan



Source: Kazakhstan Statistics Committee

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## Camel population in Kazakhstan as at 1 August 2020, by region, thousand heads



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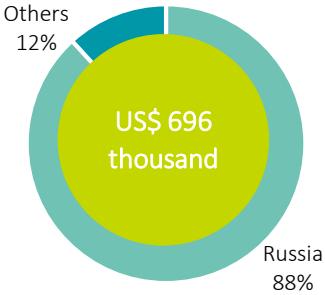


# Overview of the Kazakhstan raw materials market

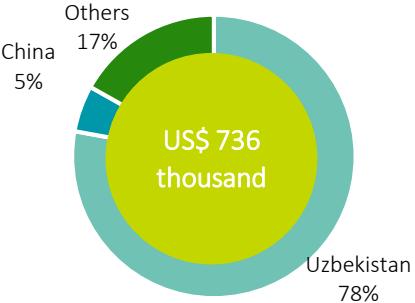
## Raw material imports and exports

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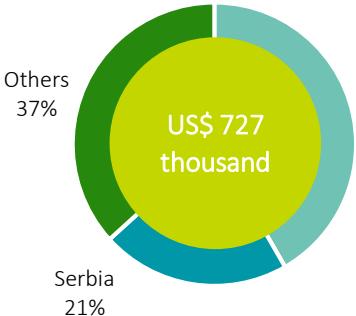
**Horses**  
Import structure in Kazakhstan in 2019, %



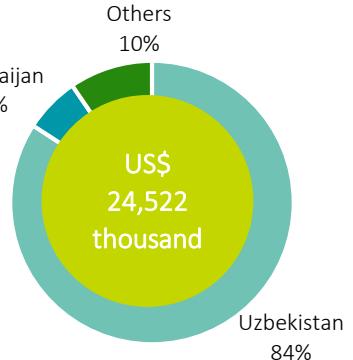
Export structure in Kazakhstan in 2019, %



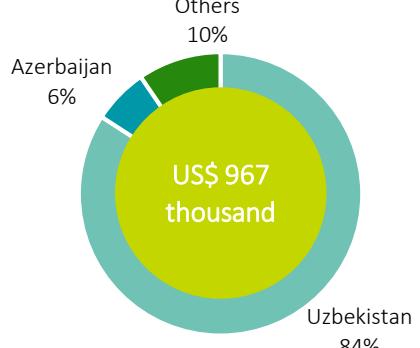
**Sheep and goats**  
Import structure in Kazakhstan in 2019, %



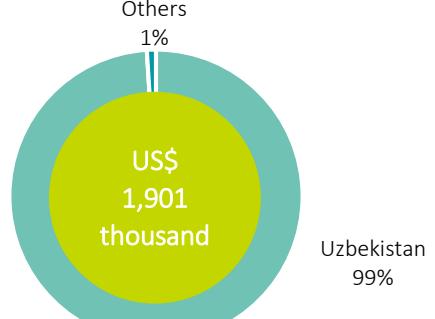
Export structure in Kazakhstan in 2019, %



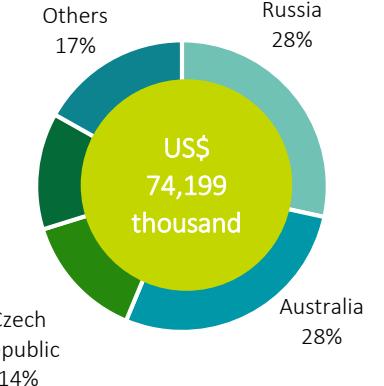
**Pigs**  
Import structure in Kazakhstan in 2019, %



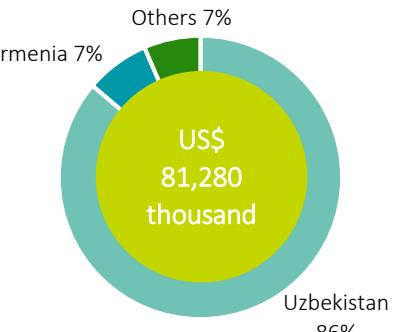
Export structure in Kazakhstan in 2019, %



**Camels**  
Import structure in Kazakhstan in 2019, %



**Cattle**  
Export structure in Kazakhstan in 2019, %



Source: TradeMap.org

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# Overview of the Kazakhstan leather industry



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# Human capital

## Labor force in the Republic of Kazakhstan

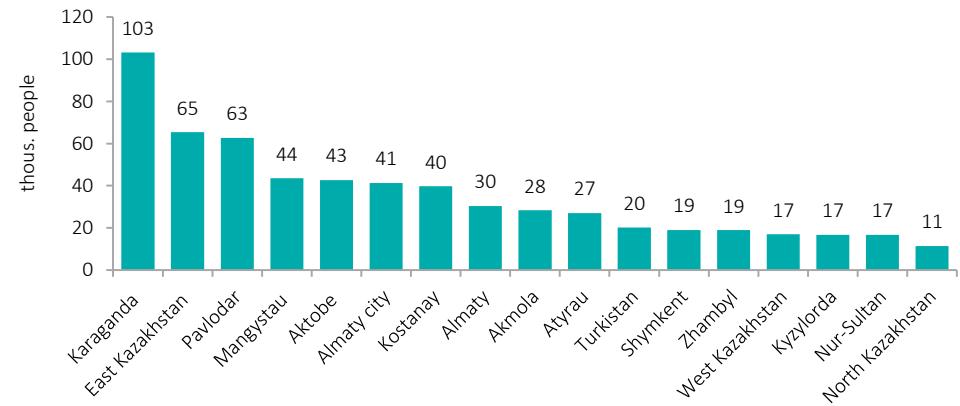


In 2019

in 2024

The labor force of the Republic of Kazakhstan at the age of 15 + is 9.2 million people (47% of the total). According to EIU forecasts, this figure will reach 9.7 million people by 2024.

## The actual number of industrial workers in the context of the III quarter, 2020

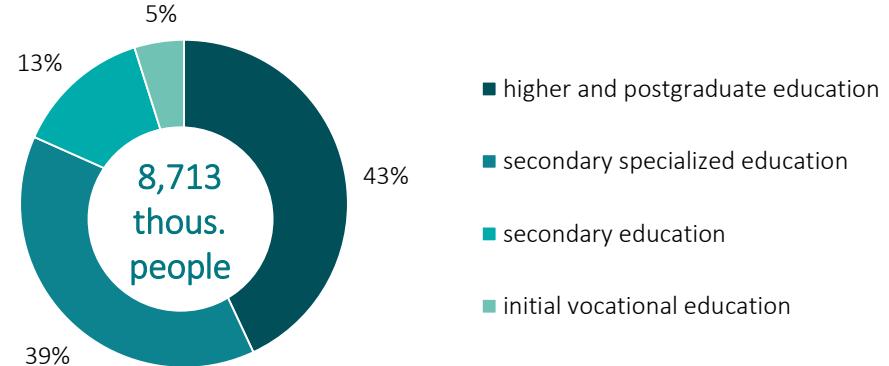


The largest share of industrial workers is recorded in the industrial regions of the country, namely: Karaganda Oblast – 17%, East Kazakhstan Oblast – 11% and Pavlodar Oblast – 10% of the total number of industrial workers.

Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan, EIU

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## Distribution of the employed population by level of education as of the III quarter, 2020



## The employed population by professions as of the III quarter, 2020

Name	Number, people	Share, %
Professionals	2,015,122	23%
Unskilled workers	1,518,492	17%
Service and sales workers	1,168,139	13%
Production equipment operators, assemblers and drivers	894,105	10%
Workers in industry, construction, transport and other related occupations	793,253	9%
Technicians and other auxiliary professional personnel	692,450	8%
Leaders and civil servants	580,040	7%
Farmers and workers in agriculture, forestry, fish farming and fishing	484,855	6%
Administration employees	470,544	5%
Workers not included in other groups	96,145	1%
<b>Total</b>	<b>8,713,145</b>	<b>100%</b>

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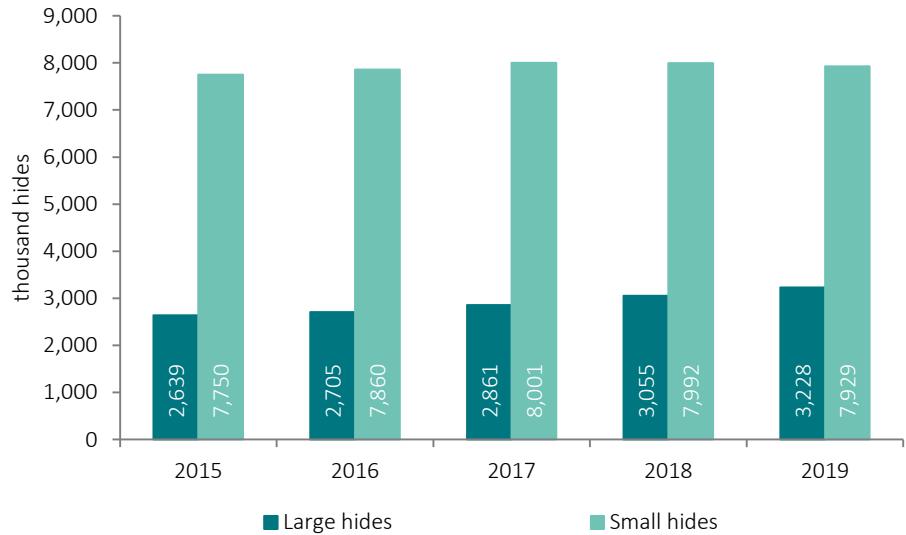




# Overview of the Kazakhstan leather industry

## Hide production

**Hide production\***



Large hides include those from adult cattle, horses, pigs and camels. Small hides include those from young cattle, horses, camels, pigs, sheep and goats. Hide production has remained unchanged, and in 2019, Kazakhstan produced 3,228 thousand large hides and 7,929 thousand small hides.

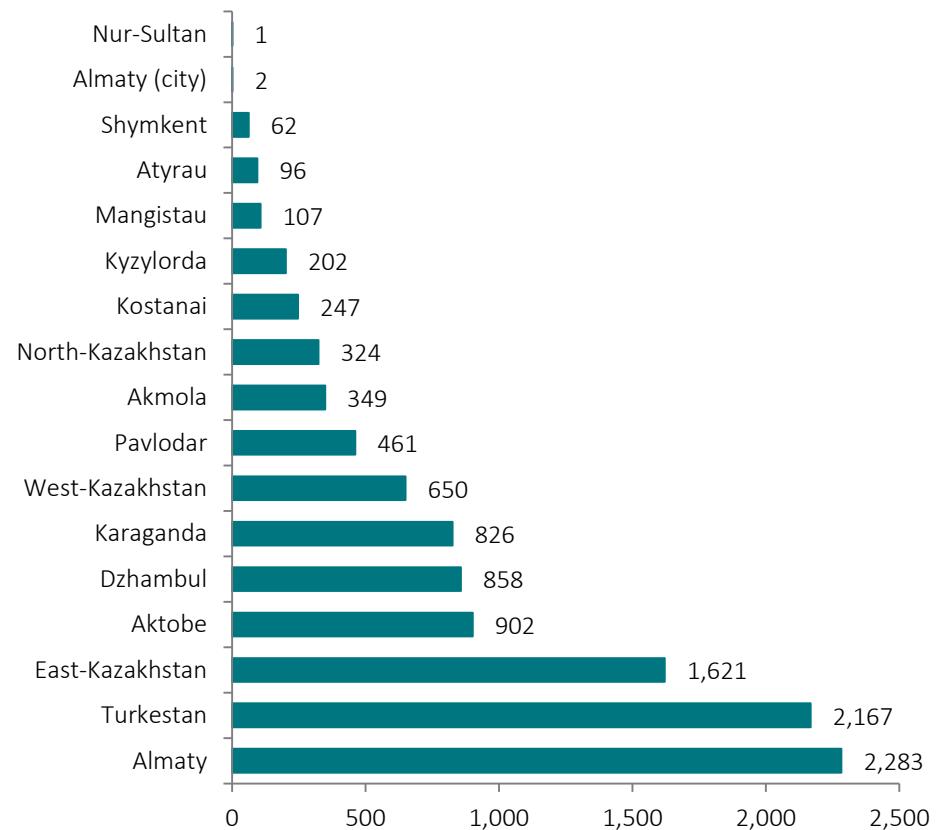
Almaty, Turkestan and East-Kazakhstan Oblast are the leading hide producers in Kazakhstan, along with Aktobe, Dzhambul and Karaganda Oblasts.

\* small hides ( $300-700 \text{ cm}^2$ ), large hides ( $>1,200 \text{ cm}^2$ )

Source: Kazakhstan Statistics Committee

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**Production of the hides of all cattle species, by region, in 2019, thousand units**



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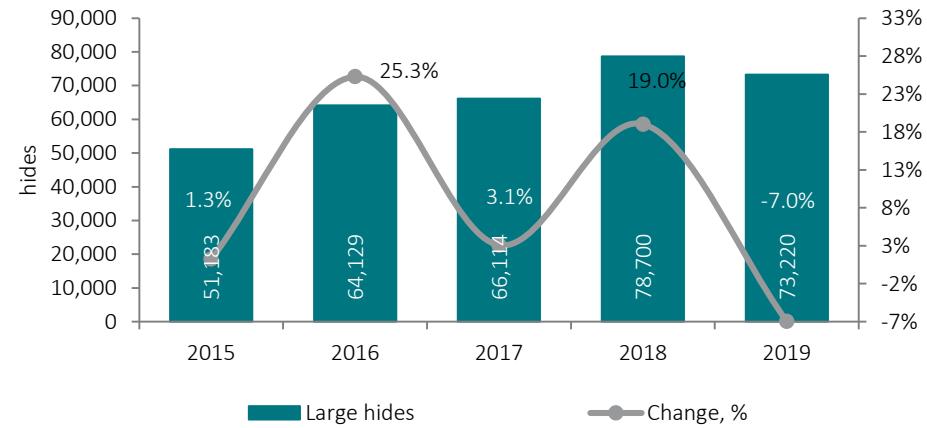




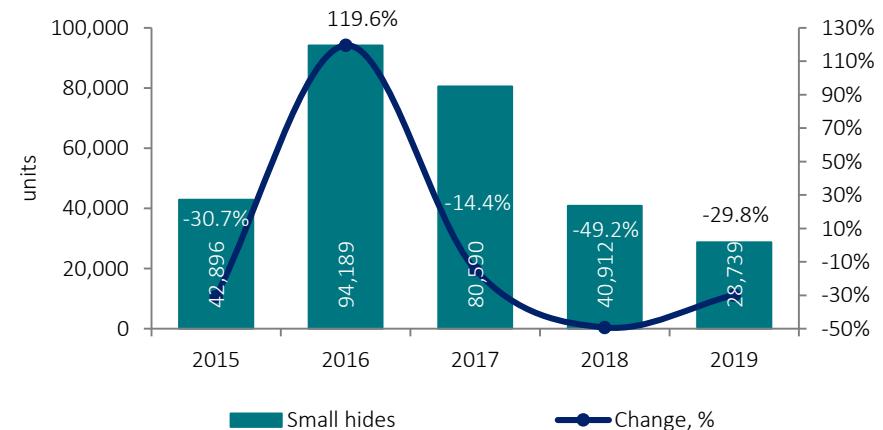
# Overview of the Kazakhstan leather industry

## Domestic hide sales

Sales of large hides



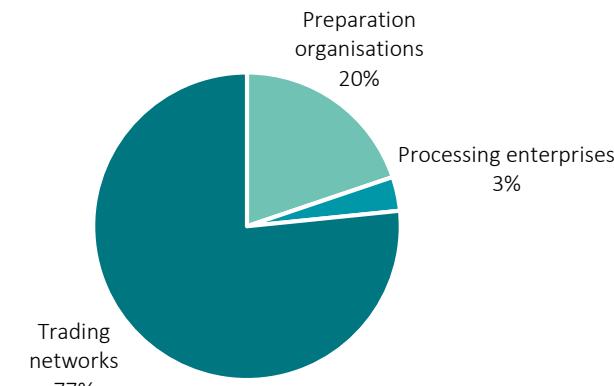
Sales of small hides



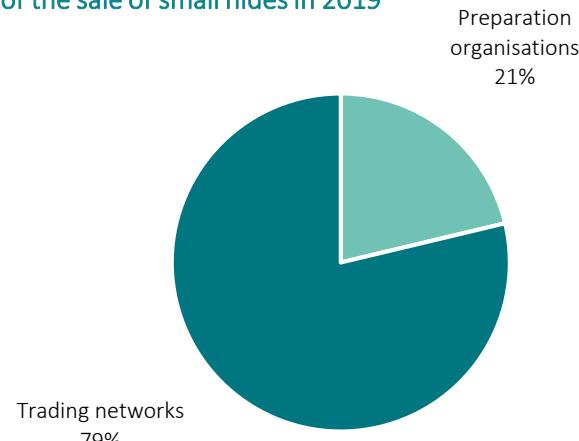
Source: Kazakhstan Statistics Committee

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Structure of the sale of large hides in 2019



Structure of the sale of small hides in 2019



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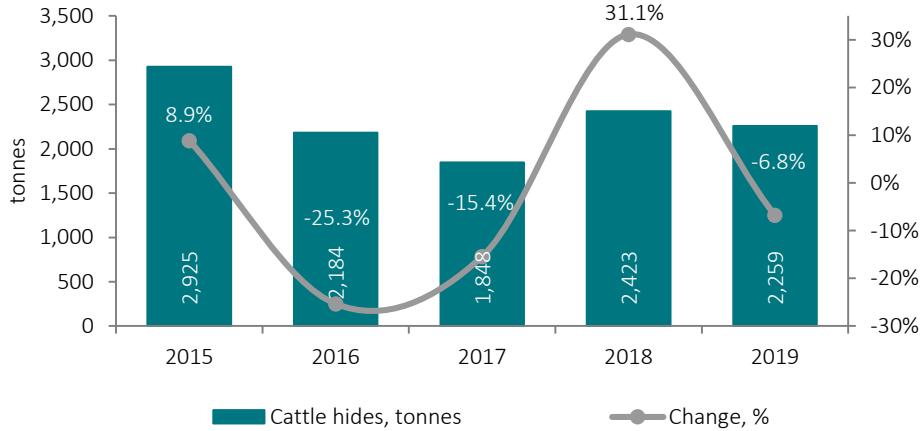




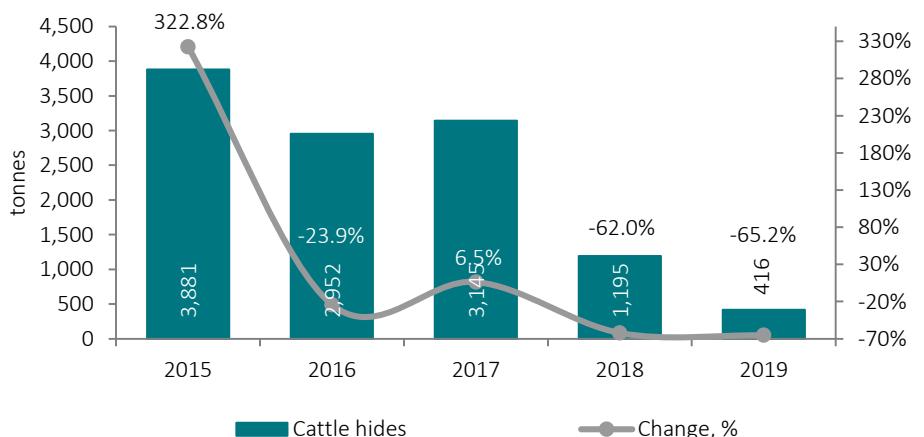
# Overview of the Kazakhstan leather industry

## Changes in hide exports and imports

Changes in hide exports



Changes in hide imports



Source: Kazakhstan Statistics Committee

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Structure of cattle hide exports



Structure of cattle hide imports



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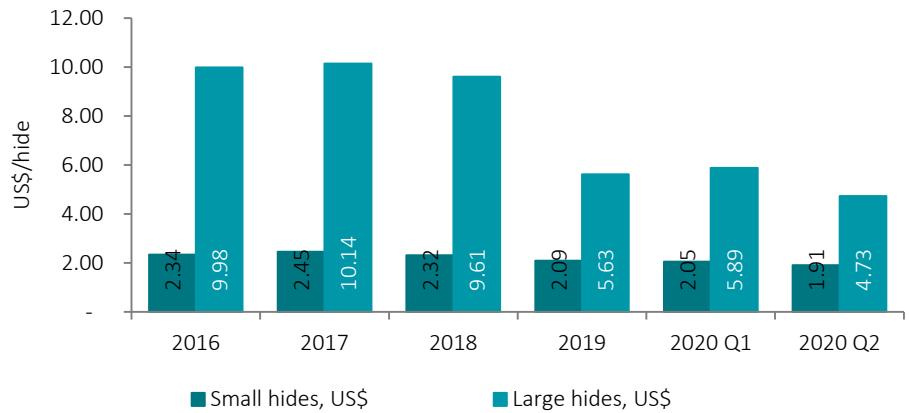




# Overview of the Kazakhstan leather industry

## Comparison with competitors in foreign and local markets

### Changes in hide prices in Kazakhstan



- No price changes were recorded for small hides during the analysis period. According to the Kazakhstan Statistics Committee, the price per hide remained at KZT 800.
- However, prices for large hides in 2019 fell, fluctuating between KZT 1,300 and 3,400 per hide.
- Despite the price advantage over Russia and China regarding raw hides, domestic production is not of the proper quality compared to imported products, which makes it less attractive. Concerning the prices on leather shoes, the prices of Kazakhstani manufacturers are higher than in Russia and China, which also reduces the competitiveness of domestic products.
- Therefore, the growth potential for the domestic market of hides is to reduce the share of exports of raw hides in order to increase the share of processed products with a higher added value.

Source: Kazakhstan Statistics Committee

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### Hide prices in various countries

Country	Product	Price
US\$/hide		
Kazakhstan	Small cattle hide	2.09
Russia	Small cattle hide	3.06
Russia	Large cattle hide	5.8
Kazakhstan	Large cattle hide	5.6
China	Large cattle hide	12.2
Kyrgyzstan	Large cattle hide	1.6

### Leather footwear prices in various countries

Country	Product	Price
US\$/pair		
Kazakhstan	Footwear	21.11
Russia	Footwear	20.34
China	Footwear	12.0

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# Overview of the Kazakhstan leather industry

## State regulation of tariffs

### Export duties on leather products

There are export customs duty rates in Kazakhstan for:



Untreated hides of cattle or equines, sheep or lambs:

- in the amount of **200-400 euros** per tonne (until 2019 and 2020), depending on the type of product in relation to those countries that are not EAEU member states and countries with which bilateral and multilateral free trade agreements were concluded in 2011.
- in the amount of **20%**, but **not less than 200 euros** per tonne, and also 200 euros per tonne (until 2019-2020) for those countries with which there are bilateral and multilateral free trade agreements concluded in 2011, depending on from the type of product.



Wool, not carded or combed, waste wool, animal hair

- in the amount of **10%**, but not less than **50 euros** per 1 ton.

Within the EAEU Kazakhstan applies the Unified System of Tariff Preferences in relation to developing and least developed countries, which consists in reducing:

- by 25% of the import customs duty rate for certain goods originating from developing countries;
- import customs duty of up to 0% for certain goods originating from least developed countries.

Today, leather production is one of the most potential areas of light industry in our country and one of the few who fully work on domestic raw materials. The advantage of domestic raw materials is their low cost in comparison with European manufacturers, which makes it possible to produce a quality product at an affordable price. In addition, the import of raw materials is limited by veterinary rules, the specifics of goods during transportation and export bans imposed in many countries of raw materials.

It is important to stress that the Ministry of Agriculture of Kazakhstan, with the support of industry associations and National Chamber of Entrepreneurs Atameken, initiated in the government the nullification of the export customs duty rate for unprocessed animal skins. Recently, an interdepartmental commission supported this proposal. In 2019, 3.2 million skins were produced, of which only 500 thousand (17%) were processed, 134.5 thousand (4.2%) were exported and 2.5 million (79%) were left without processing. Under these conditions, farmers simply had to throw away their skins and lose profit, which is about 14.0 billion tenge per year.

Earlier, the Ministry of Industry and Infrastructure Development, in order to develop leather production, introduced a ban on the export of cattle skins from the territory of Kazakhstan: from October 2016 to April 2017, from March 10, 2019 to September 10, 2019. Also, for more than 10 years, the export customs duty on unprocessed hides has been in effect, which, depending on the importing country, ranges from 200 to 500 euros per tonne.

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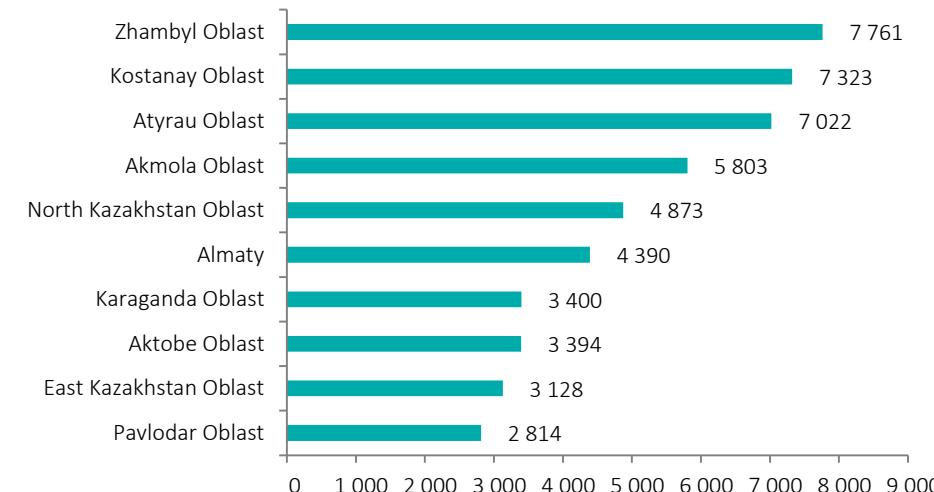




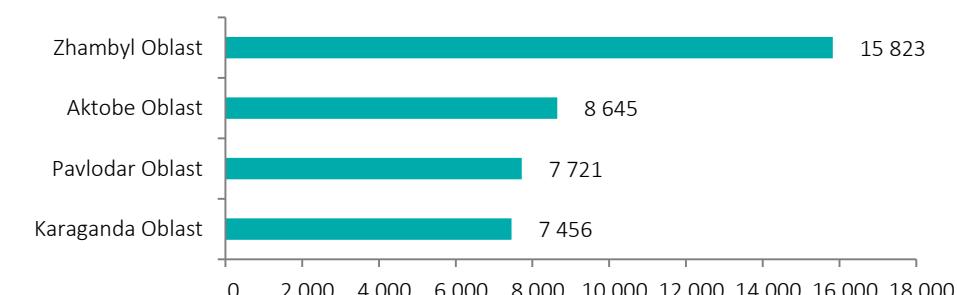
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## State regulation of tariffs for utilities

**Price per Gcal of heat energy in the regions of Kazakhstan in November 2020, tenge**



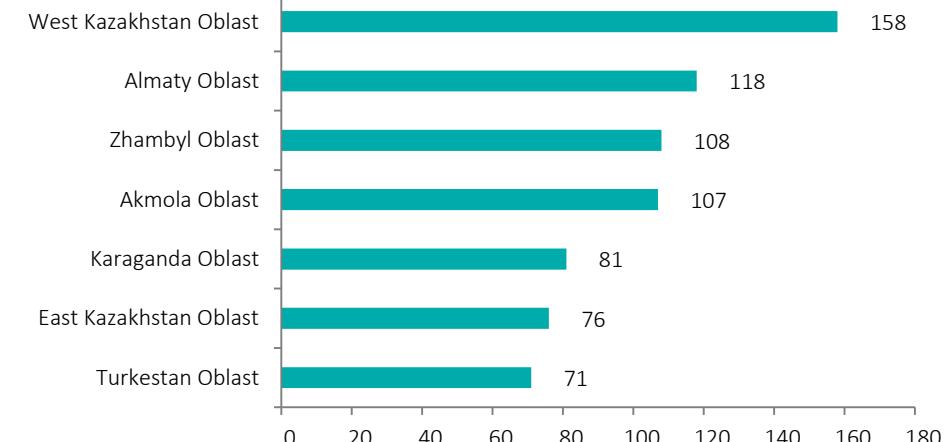
**Price per thousand kWh of electricity in the regions of Kazakhstan in November 2020, tenge**



Source : Kazakhstan Statistics Committee

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**Price per cubic meter of cold water in the regions of Kazakhstan in November 2020, tenge**



- In Kazakhstan, there is a state policy of tariff setting in the spheres of natural monopolies, and the state regulation of prices and control over the observance of pricing procedures and obligations of the subjects of the socially significant market are implemented. Utilities belong to the sphere of tariff regulation.
- As of November 2020, the price for heat energy in Kazakhstan averaged 4,991 tenge per Gcal.
- In November 2020, the price for electricity in the country averaged 9,911 tenge per thousand kWh, and the price for cold water averaged 103 tenge per cubic meter.

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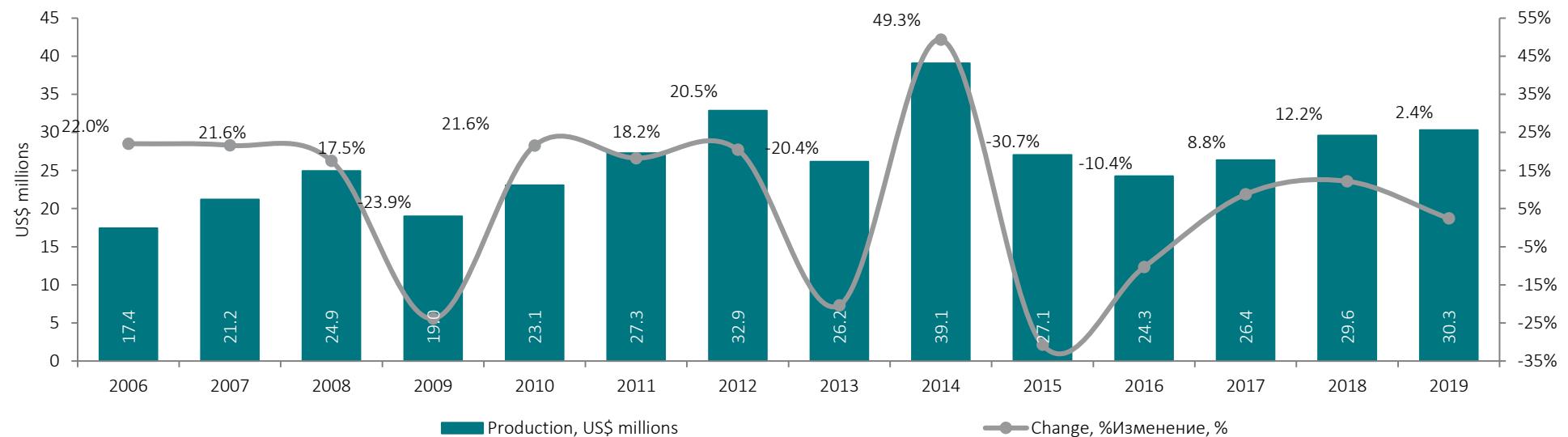




# Overview of the Kazakhstan leather industry

## Changes in leather item production in Kazakhstan

Changes in the production of leather and related products in Kazakhstan



- Over the last decade, light industry in Kazakhstan has grown in real terms 1.5 times. In 2019, domestic light industry production grew by 13.5% compared to 2018 to US\$ 294.5 million.
- Leather and related products make up the smallest part of light industry in Kazakhstan – 10.3%.
- On the whole, leather production has been growing over the last 5 years (2015-2019) – average annual growth amounted to 2.87%.

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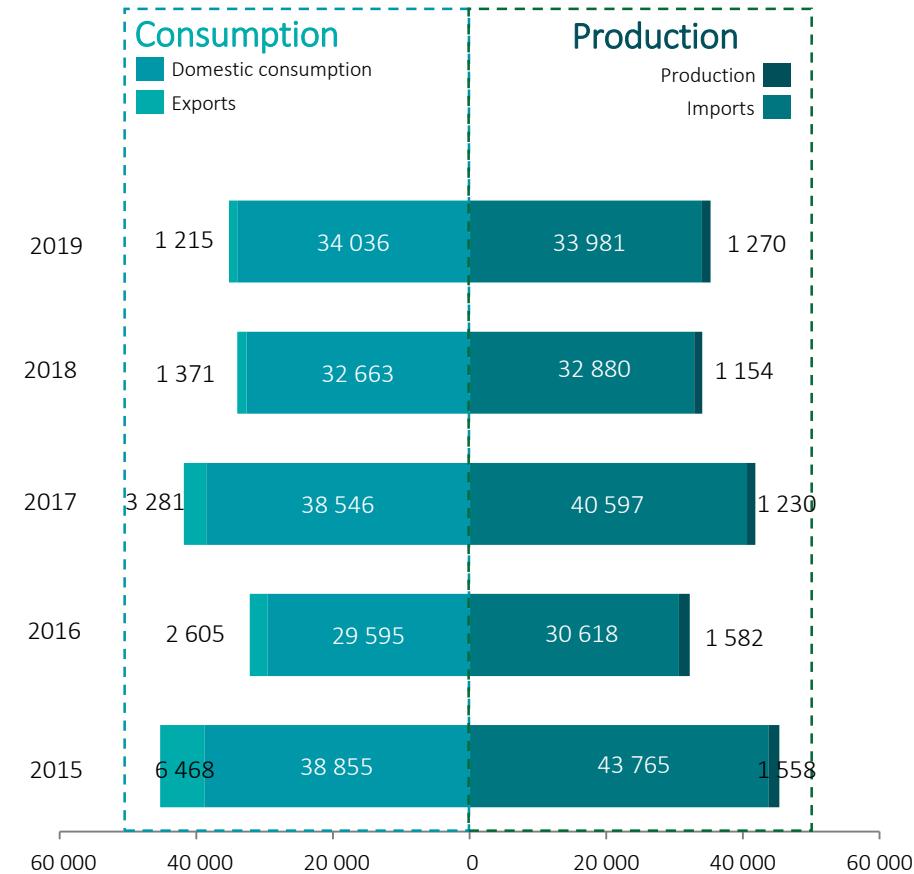




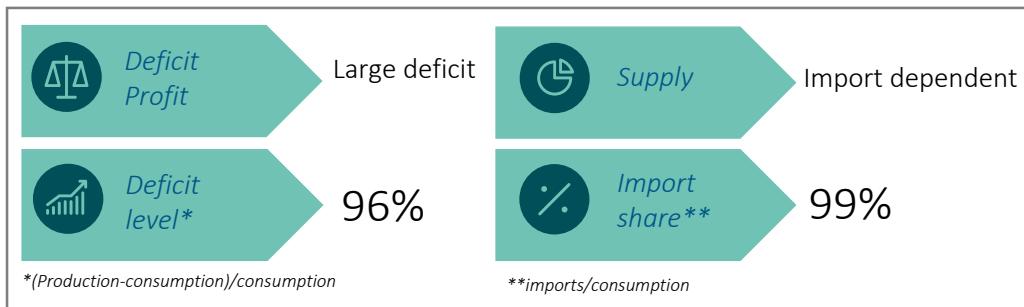
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## Footwear production

Changes in resources and footwear use (except for sports, protective and orthopaedic footwear)



Key indicators



- Footwear production in Kazakhstan does not cover domestic demand. In 2019, domestic products met only 3.6% of market needs.
- When production figures are low, the country imports large volumes of footwear. In 2019, a total of 33,981 pairs of shoes were imported. Despite this, footwear imports in Kazakhstan are declining. The peak was recorded in 2015 at 43,765 thousand pairs.
- Despite the poor performance of the Kazakhstan footwear sector, growth during the analysis period was not dynamic. As such, the average annual footwear growth rate was -4.97%.

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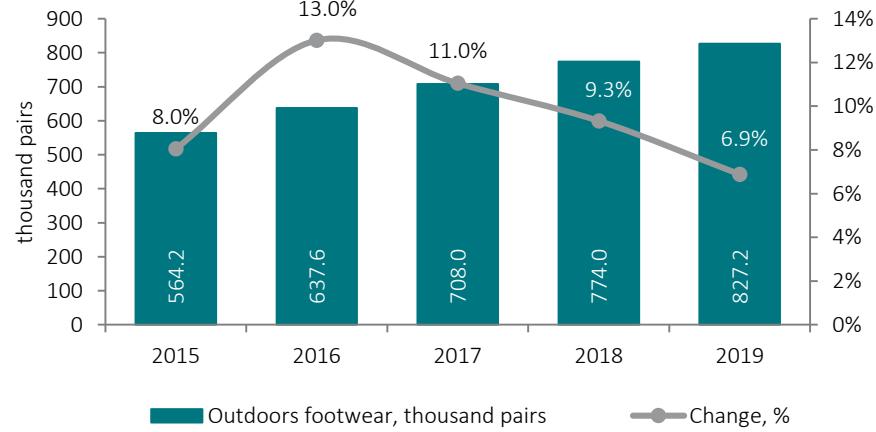




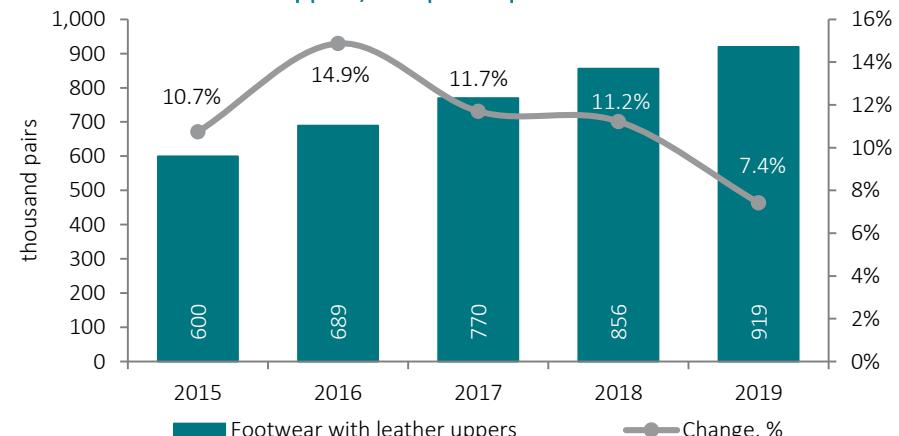
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## Footwear production

Outdoors footwear production (boots and shoes), thousand pairs



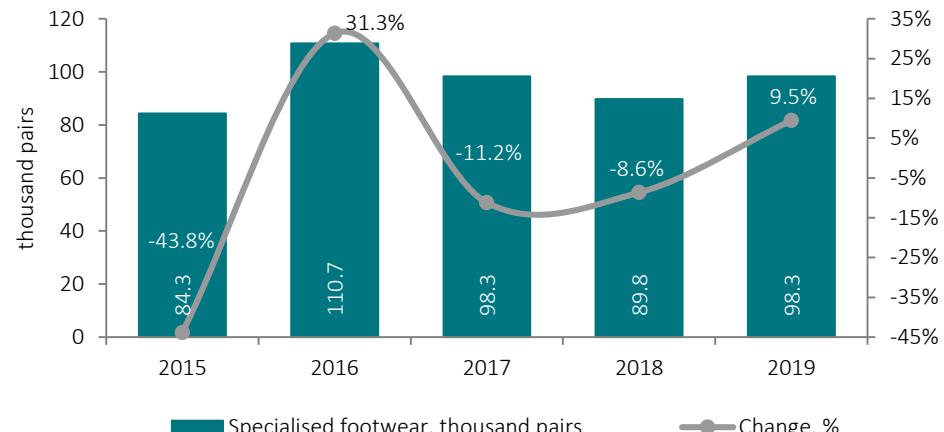
Footwear with leather uppers, except for sports shoes



Source: Kazakhstan Statistics Committee

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Production of specialised footwear, thousand pairs



Despite the slowdown in outdoors footwear production (boots and shoes), figures remain high. Production for the analysis period was highest in 2019, reaching 827 thousand pairs. CAGR in 2015-2019 amounted to 10.04%.

On the whole, in 2019, leather product output increased by 7.7% compared to 2018. Production of footwear with leather uppers (except for sports shoes) has grown, with CAGR for 2015-2019 at 11.3%.

Specialised footwear production was at its highest for the analysis period in 2016, reaching 111 thousand pairs. Despite the decline in 2017-2018, in 2019, the growth rate was 9.5%. CAGR in 2015-2019 was 3.92%.

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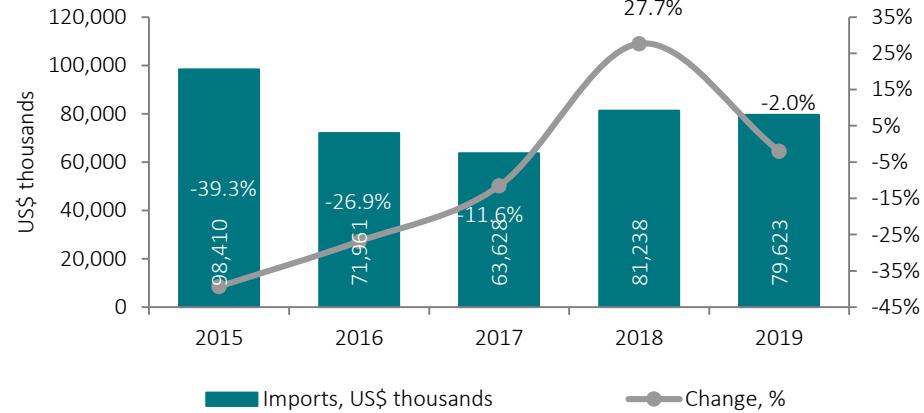




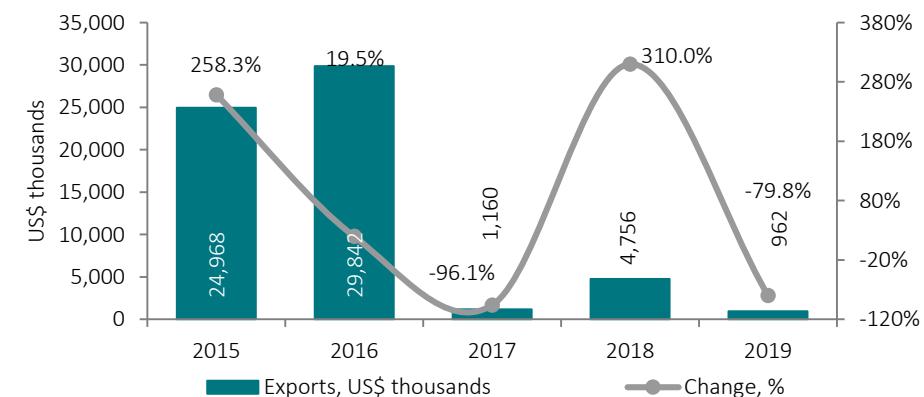
# Overview of the Kazakhstan leather industry

## Structure of the international trade in leather footwear

Changes in the import of footwear with a rubber or plastic sole, natural or composite leather and with a natural leather upper



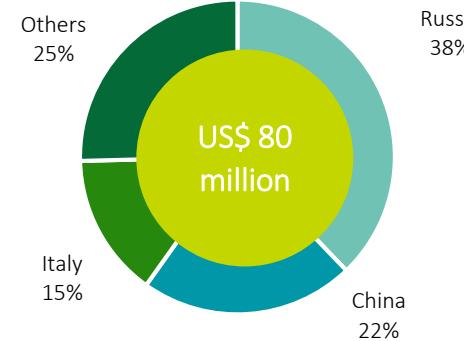
Changes in the export of footwear with a rubber or plastic sole, natural or composite leather and with a natural leather upper



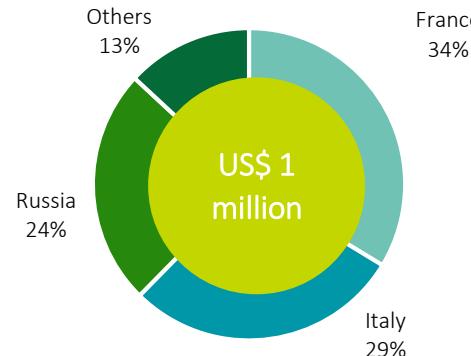
Source: Trademap, Kazakhstan Statistics Committee, Deloitte analysis

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Import structure



Export structure



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# Overview of the Kazakhstan leather industry

## Structure of the international trade in leather items

Changes in leather item imports



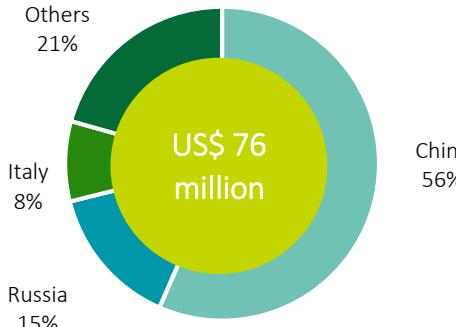
Changes in leather item exports



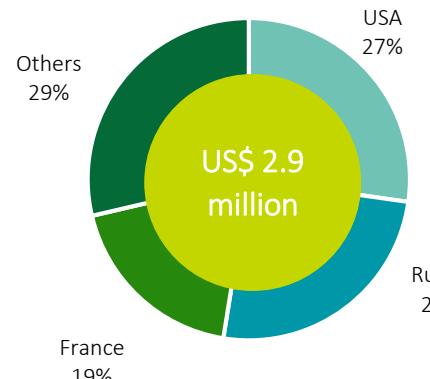
Source: Trademap, Kazakhstan Statistics Committee, Deloitte analysis

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Import structure



Export structure



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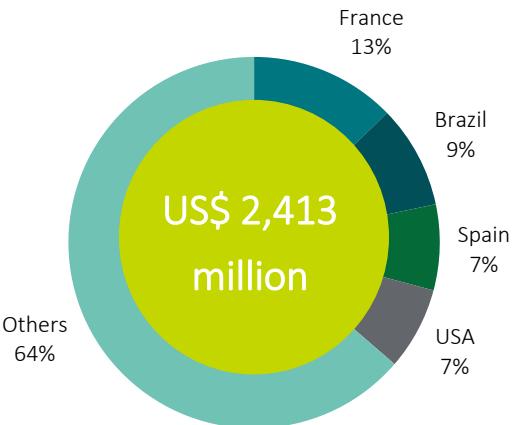


# Overview of the Kazakhstan leather industry

## Potential sales markets for untreated hides: Italy and China



Structure of the import of untreated hides into Italy, by country



Italy is the second largest importer of untreated hides after China and the third largest leather item producer: production raw materials are imported from France (13%), Brazil (9%), Spain (7%), the USA (7%) and others.

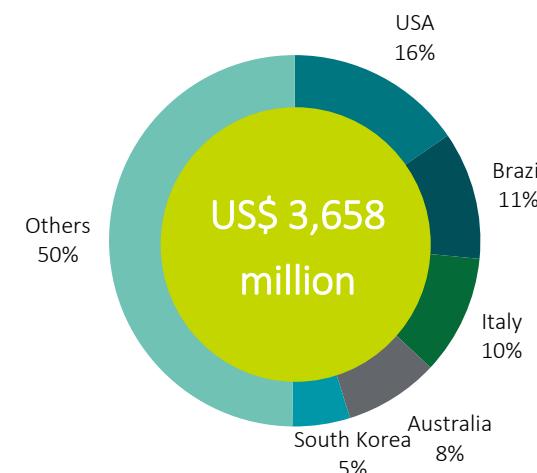
Due to Brazil and the USA's distance from Italy, Kazakhstan is ideally placed to win a share of untreated hides exported to Italy.

Source: Trademap

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Structure of the import of untreated hides into China, by country



China is the leading importer of untreated hides, importing them from the USA (16%), Brazil (11%), Italy (10%), Australia (8%) and South Korea (5%).

In 2019, Kazakhstan supplied untreated hides to China to a value of US\$ 6 million. China's proximity opens a potential opportunity to increase exports in that direction.

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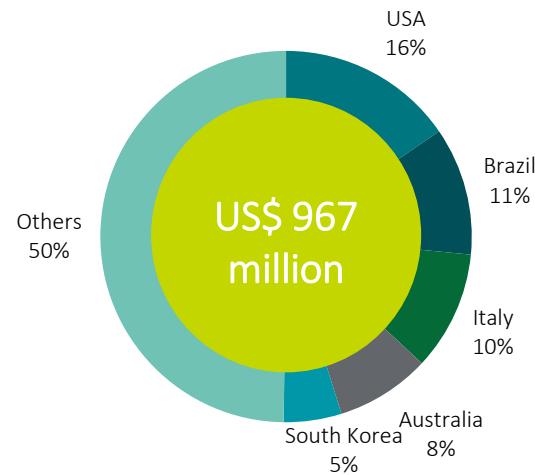


# Overview of the Kazakhstan leather industry

## Potential sales markets for untreated hides: Hong Kong and Vietnam



Structure of the import of untreated hides into Hong Kong, by country



Hong Kong is one of the leading importers of untreated hides as leather industry capacity exceeds its reserves of raw materials.

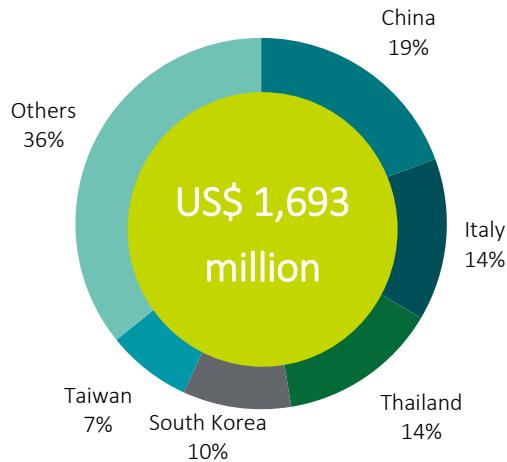
Kazakhstan's favourable geographical location has a favourable impact on the supply of untreated hides to Hong Kong and its market share in Italy, Argentina and India (34% in total).

Source: Trademap

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Structure of the import of untreated hides into Vietnam, by country



Vietnam imports untreated hides from China (19%), Italy (14%), Thailand (14%), South Korea (10%) and Taiwan (7%).

Vietnam is the third largest importer of untreated hides, and has the potential to be a destination for high-quality hides from Kazakhstan. Also, it should be noted that in 2016 the EAEU and Vietnam signed an agreement on a free trade zone.

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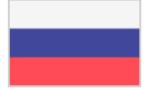
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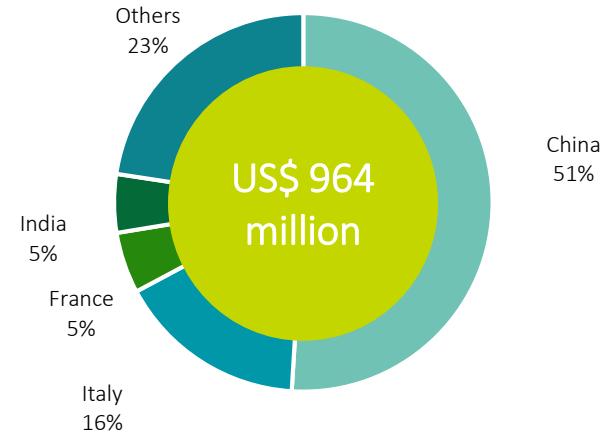


# Overview of the Kazakhstan leather industry

## Potential sales markets for leather items: Russia and China



Structure of the import of leather items to Russia, by country



China is the largest exporter of leather items to Russia, accounting for 51% of imports in 2019. Other major leather item supplier include Italy, France and India, whose combined share is 26%.

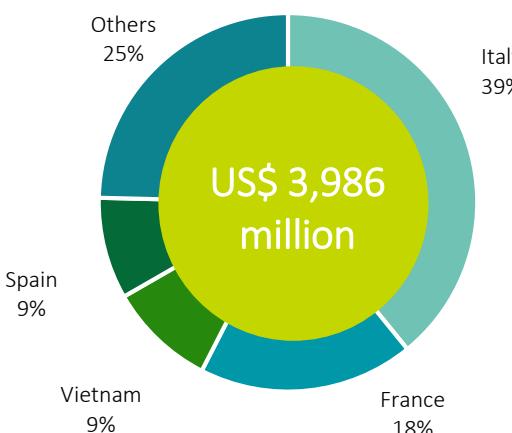
Russia's distance from Italy, France and India means Kazakhstan has an advantage in finding an export market niche. Moreover, along with geographic proximity, EAEU membership gives Kazakhstan an advantage when choosing suppliers.

Source: Trademap

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Structure of the import of leather items to China, by country



Italy, France, Vietnam and Spain are the largest suppliers of leather items to China, accounting for 39%, 18%, 9% and 9% in 2019. The USA, South Korea, the Philippines, India and Indonesia also supply leather items to China.

Kazakhstan's geographical advantage over its competitors favours the development of the Kazakhstan export of leather items to China.

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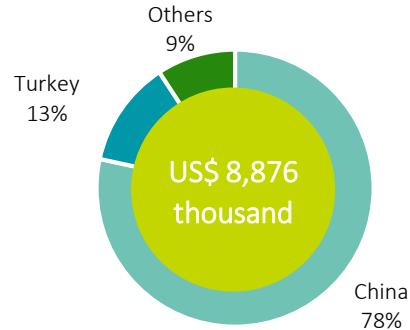


# Overview of the Kazakhstan leather industry

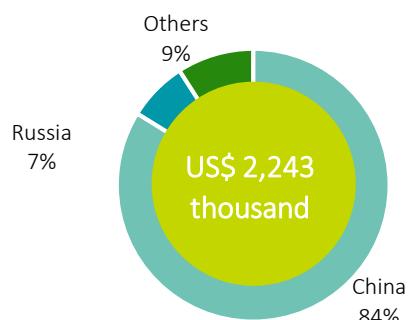
## Potential sales markets for leather items: Central Asia



Structure of the import of leather items to Uzbekistan, by country



Structure of the import of leather items to Tajikistan, by country

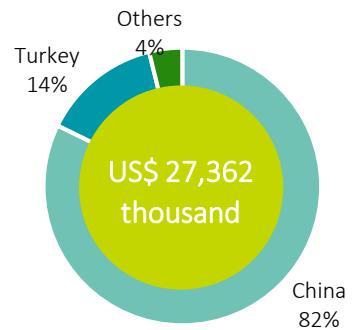


Source: Trademap

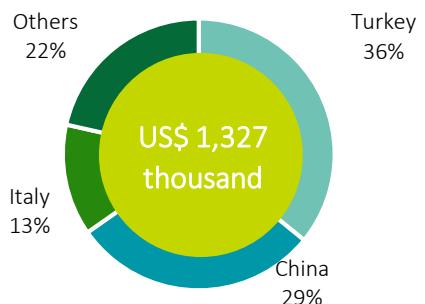
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Structure of the import of leather items to Kyrgyzstan, by country



Structure of the import of leather items to Turkmenistan, by country



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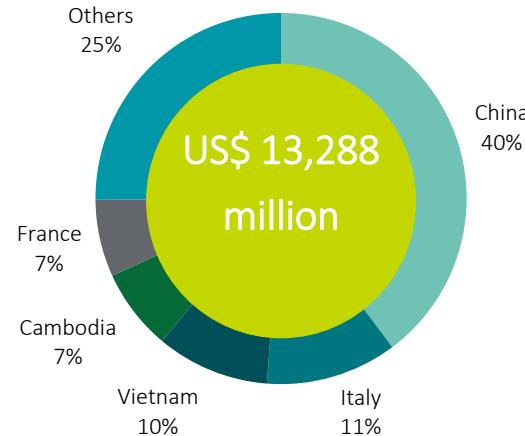


# Overview of the Kazakhstan leather industry

## Potential sales markets for leather items: USA and France



Structure of the import of leather items to the USA, by country



The USA is a major importer of leather items from Kazakhstan. According to Trade Map, the USA imports a large part of its leather items from China (40%), Italy (11%), Vietnam (10%) and others.

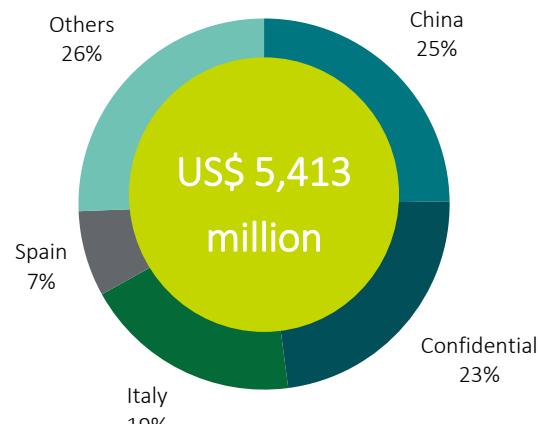
Thanks to its high-quality and inexpensive raw materials, Kazakhstan has the potential to increase sales and its leather export share to the USA.

Source: Trademap

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Structure of the import of leather items to France, by country



France is one of the destinations for Kazakhstan leather item exports. According to Trade Map data, France imports a fairly large volume of leather goods from India and Vietnam (8.7%), while Kazakhstan has the potential to occupy this niche, offering similar quality standards and a range of products supplied.

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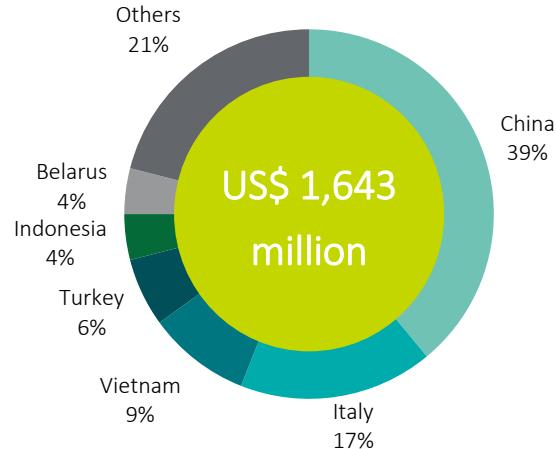


# Overview of the Kazakhstan leather industry

## Potential sales markets for leather footwear



Structure of the import of leather footwear to Russia, by country



Russia is a leading importer of leather footwear from Kazakhstan. According to Trade Map, Russia imports a large part of its leather footwear from China (39%), Italy (17%) and Vietnam (9%).

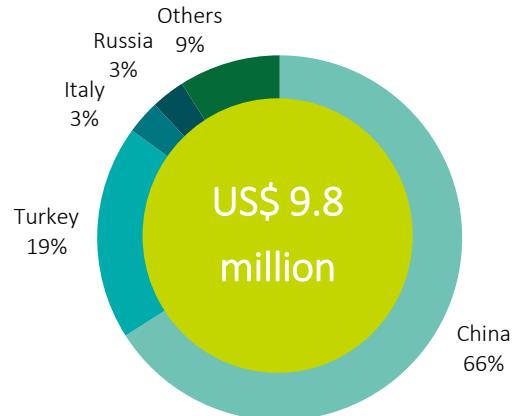
Thanks to its high-quality and inexpensive raw materials and advantageous geographical location, Kazakhstan has the potential to increase sales and leather footwear exports to Russia.

Source: Trademap

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Structure of the import of leather footwear into Kyrgyzstan, by country



Kyrgyzstan is also one of the destinations for leather footwear exports, despite its export share being insignificant. According to Trade Map, Kyrgyzstan imports a large part of its leather items from China (66%), as well as Turkey (19%) and Italy (3%), while Kazakhstan has a more advantageous geographical location. For this reason, Kazakhstan has the potential to increase sales to Kyrgyzstan. Moreover, despite the geographical proximity, membership in the EAEU gives Kazakhstan an advantage when choosing suppliers.

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# Overview of the Kazakhstan leather industry

## Potential competitors: producers of treated hides

### Producers

Company	Overview	Address
<b>Kazakhstan</b>		
Mech-Contract-A LLP	The company finishes hides and sells chemical for hide finishing from Germany, Italy and Spain	Almaty
Semipalatinsk Leather and Fur Plant LLP	The plant produces "Wetblue" chrome-tanned leather and leather for footwear uppers: yuft and chrome footwear, chrome "Crust" footwear, leather with a "Bycuse" polyurethane coating and others	Semei
Semipalatinsk Leather Plant LLP	Leather item production	Semei
Yrys-Bakhyt LLP	Main products – unpadded leather, sheepskin, bridle leather, "Wetblue" and "Crust" products, footwear leather and clothing leather	Dzhambul Oblast
Turan-Skin LLP	The Turan Leather Plant owns 6.6 thousand m <sup>2</sup> of warehouse space	Shymkent
POSH-Runo LLP	Processing capacity is up to 700 large and 2,500 small cattle hides per shift	Uralsk
ALMATY TANNERY LLP	Production capacity for processing raw materials into "Wetblue" chrome-tanned leather products is 2,500 tonnes of cattle, producing 5 million square feet of goods. The workshop operates 17 drums with capacity of 12 tonnes each	Almaty Oblast
<b>China</b>		
Guangdong Tannery Limited	The company owns three large leather enterprises in China that produce quality cow hides purchased domestically and overseas, with maximum production capacity of 30,000,000 square feet of hides	Hong Kong, China
Fengan Leather	Fengan produces natural leather and split leather. It owns two plants	Fujian, China
<b>Russia</b>		
Ryzan Leather Plant	Enterprise production capacity is up to 4,000 tonnes of raw materials per month	Ryazan, Russia
Verkhnevolskii Leather Plant	The plant's current production potential means it accounts for up to 40% of the Russian leather raw materials processing market	Ostashkov, Russia
<b>Brazil</b>		
Agro Latina Ltd.	Daily production – 3,000 hides	Rio Grande do Sul, Brazil

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# Overview of the Kazakhstan leather industry

## Potential competitors: footwear producers

Company	Overview	Plants and production bases	
<b>Kazakhstan</b>			Industry overview
Zhamal-Ai	Special protective footwear; footwear for security structures	1 plant in Almaty	Description of products and production standards
Alpamys	Leather footwear production	1 plant in Kostanai	Overview of the global raw materials market
Zhetysu	Specialised footwear for all industries	1 plant in Almaty	Overview of the global leather industry
Gekko	Footwear production	1 plant in Almaty	Overview of the Kazakhstan raw materials market
Marko-Kazakhstan	Leading footwear producer	1 plant in Almaty	<a href="#">Overview of the Kazakhstan leather industry</a>
Tarazkohobuv	Major producer of leather goods and leather footwear	1 plant in Taraz	State support
Samhat	Footwear production for military and security structures	1 plant in Maksimovka village	Conclusions and recommendations
<b>Russia</b>			Appendices
Yunicel	Leather footwear production	3 footwear factories in Chelyabinsk, Zlatoustye and Orenburg	
Kotofei	Children's footwear	4 plants: JSC Yegryevsk-obuv in Yegorovsk, OJSC KurskObuv in Kursk, OJSC Surana in Zaraisk, JSC Obuvprom in Syzran	
RALF RINGER	Leather footwear production	3 plants in Moscow, Vladimir and Zaraisk, an internet store and over 150 stores in Moscow, St. Petersburg and others	
Forio	Household footwear made from natural materials	1 plant in Kaluzhka Oblast, Mosalsk	
Vostok-Service	Specialised leather footwear	15 clothing and 4 footwear factories	
Technoavia	Specialised footwear	9 clothing and 1 footwear plant in Moscow	
MODERAM	Specialised footwear	4 footwear plants in St. Petersburg, Bataisk, Gomel and Bobruisk	
<b>China</b>			
Belle International Holdings Limited	Ladies' footwear	5 production plants in Shenzhen, Dungan, Jianhu, Zigong and Suzhou; 13 thousand stores in China and 164 in Hong Kong and Macao	
Daphne International Holdings Limited	Footwear production	Subsidiaries include AEE International Ltd, Cheng Lin Shuyang Shoes Co. Ltd. and Daphne Korea Co. Ltd.	
Zhejiang Aokang Shoes Co. Ltd.	Leather footwear production	3 production depots	
Spider King	Leather footwear production	11 plants in China	
<b>Other countries</b>			
Bata (India)	Footwear production	Bata India – major retail trading and leading footwear producer in India	
Grendene group (Brazil)	Footwear production	One of the largest footwear producers in Brazil	

Source: вебсайты компаний, открытые Sources

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# State support

## Support for the industry on the Entrepreneur Code platform

**Investment project**  
creation of new industries or expansion of the existing ones

**Priority investment project**  
an investment project worth at least US\$ 14.5 million for priority activities

**Special investment project**  
-an investment project implemented by the special economic zone participant/free warehouse owner  
- a project on industrial assembly of motor vehicles

The Entrepreneurial Code of Kazakhstan defines the legal, economic and social conditions and guarantees that ensure freedom of entrepreneurship in the country, as well as mechanisms to protect the interests of investors. The production of [furniture \(office and studio, kitchen\)](#), [production of mattresses and other furniture](#) is included in the list of priority investment projects.

### Investment preferences in Kazakhstan

- Exemption from customs duties
- State in-kind grants
- Investment subsidies
- VAT exemption on import
- Income tax exemption
- Land tax exemption
- Property tax exemption
- Unhindered attraction of foreign labor

#### Investment project



#### Priority investment project



#### Special investment project



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# State support

## Support for the industry through the Economy of Simple Things Program

- The goal of the Economy of Simple Things Program is to saturate the domestic market with domestic goods, raise the competitiveness of the manufacturing industry, and, above all, release a wide range of consumer goods.
- The credit facility is made available to business projects implemented in priority sectors of the economy in accordance with the approved list of goods for credit financing of priority projects, which includes the food industry. Within the Program framework, the state subsidizes the interest rate on a bank loan through banks.
- The Project operator is AO Damu. According to operator's data, 171 projects were subsidized for a loan of KZT 64.5 billion in 2019 (the amount of subsidies paid was KZT 1.1 billion). In 2020, 169 projects were subsidized for a loan amount of KZT 95 billion (the amount of subsidies paid amounted to KZT 2.7 billion).
- According to Atameken National Chamber of Entrepreneurs, the approved projects include the production of consumer goods such as clothing (jackets, suits, blouses, shoes, overalls, etc.), food products (pasta, bakery products, meat and sausages, dairy products, confectionery, etc.), chemicals (fertilizers) and building materials (bricks, cement), as well as service facilities (construction of kindergartens, preschool institutions, sanatoriums, hotels, rehabilitation centers, recreational compounds).

### Program conditions

<b>Participants</b>	private business entities (small, medium and large business)
<b>Loan interest rate</b>	15% per annum
<b>Subsidy size</b>	up to 9% of the nominal interest rate
<b>Purpose of projects</b>	investments and replenishment of working capital; replenishment of working capital is allowed on a renewable basis
<b>Maximum amount for one borrower</b>	unlimited
<b>Subsidy period</b>	for investments - 10 years, without further prolongation of the subsidy period to replenish working capital - 3 years, without further prolongation of the subsidy period
<b>Loan refinancing</b>	not provided
<b>Active loans</b>	loans issued by banks after the entry into force of the governmental resolution dated 11 December 2018 No. 820 are allowed

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# State support

## Support for the industry within the Business Roadmap 2025 Program framework

- The Business Roadmap 2025 Program for business support and development aims to meet the goal of the public message of the President of Kazakhstan "Kazakhstan-2050 Strategy: a new political course of the established state" dated 14 December 2012. The program implements instruments of state support in the form of subsidies for part of the interest rate on loans / financial leasing agreements and loan guarantee agreements.
- The program provides for the issuance of state grants and training for entrepreneurs aimed at supporting and developing small and medium-sized businesses in Kazakhstan.
- The objectives of the Program are to ensure sustainable and balanced growth of regional entrepreneurship, as well as to maintain existing and create new permanent jobs.
- The program provides 3 directions:
  - Support for new business initiatives of entrepreneurs in monotowns, small towns and rural settlements
  - Industry support for entrepreneurs operating in priority sectors of the economy
  - Non-financial measures to support entrepreneurship
- KZT 421 billion is allocated for the implementation of the program until 2025.

### Program conditions

#### Participants

Entrepreneurs / entities involved in industrial and innovative activities implementing and (or) planning to implement their own projects in priority sectors of the economy

#### Loan rate

up to 14% per annum

#### Purpose of the projects

Investments, replenishment of working capital, refinancing; replenishment of working capital is allowed on a renewable basis

#### Guarantee amount

up to 1 billion tenge, up to 50% guarantee coverage

#### Loan amount

up to 7 billion KZT

#### Subsidy period

up to 5 years

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# State support

## Support for the industry under the State Program for Industrial and Innovative Development 2020-2025

- The goal of this Program is the development of Kazakhstan's competitive manufacturing industry in the domestic and foreign markets (Decree # 1050 of the Government of Kazakhstan dated 31 December 2019). During the Program implementation period, the major focus is made on the realization of key export-oriented projects.
- Baiterek National Managing Holding JSC is one of the main operators implementing the Program objectives such as increase in production volumes and expansion of the range of processed goods in demand in the domestic and foreign markets, as well as technological development and digitalization of manufacturing industries.
- In particular, Baiterek has acted as an operator of all repayable financial support measures through subsidiaries, and its powers include raising funds from external and internal debt and capital markets to provide preferential loans to manufacturers.

### Project financing and lease financing within the Program framework

- Lending through financial institutions will continue with interbank lending schemes through Development Bank of Kazakhstan JSC and Damu JSC Entrepreneurship Development Fund.
- Long-term financing through Development Bank of Kazakhstan JSC is practised by mixing 50/50 budget funds and commercial funds for a period of 7-10 years, with a rate of no more than 11% for the end borrower, with the company's own participation of at least 20% of the project amount..
- Subsidizing of the interest rate on loans issued by financial institutions and guaranteeing of loan obligations is provided with a nominal interest rate not exceeding 15% per annum, pursuant to Decree No. 820 of the Government of Kazakhstan dated 11 December 2018 (the operator is Damu Entrepreneurship Development Fund JSC).

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### Financing under the Program, KZT million

Index	2020	2021	2022	2023	2024	2025
National budget	146,065.3	215,725.1	107,896.4	107,863.5	101,996.9	101,249.9
<b>Total</b>	<b>146,065.3</b>	<b>215,725.1</b>	<b>107,896.4</b>	<b>107,863.5</b>	<b>101,996.9</b>	<b>101,249.9</b>

Source: official website of the Prime Minister of the Republic of Kazakhstan

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# State support measures

## Industrial enterprises support

- QazIndustry is a single coordinator providing assistance to industrial enterprises at all stages - from technological solutions and new production lines to certification, export and implementation of digital technologies.
- The entity provides gratuitous financial measures of state support for Kazakhstan producers. These include innovative grants for the commercialization of technologies, technological development of enterprises and industries, as well as reimbursement of certain types of costs to enterprises aimed at increasing labor efficiency and promoting exports.

Support for businesses is provided by means of:

Reimbursement of part of the costs to the entities involved in industrial and innovative activities to promote domestic processed goods in the foreign market



40% Large business

50% Medium-size business

60% Small business

Reimbursement of part of the costs to the entities involved in industrial and innovative activities to increase labor efficiency and the development of territorial clusters



Source: adilet zan

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# Special economic zones

- Special economic zone (SEZ) is a part of Kazakhstan territory, where a special legal regime operates and infrastructure facilities are provided to enable priority activities.
- As per Order No. 142 of Kazakhstan's Minister for Investments and Development dated 27 February 2018, production of other non-metallic mineral products is included in the list of priority activities in the context of special economic zones. In particular, the production of furniture is included in the list of priority activities of the SEZ: "Astana – New City" and SEZ "Kyzylzhar"
- According to the Tax Code of Kazakhstan, SEZ participants are exempted from paying:



## The following are also provided:

- Land plot for 10 years
- Hiring foreign labor under a simplified scheme

To receive tax benefits, a SEZ participant must simultaneously meet the following conditions:

**01**

Be registered as a taxpayer at the place of location with the tax authority on the SEZ territory

**02**

Have no structural divisions outside the SEZ territory

**03**

At least 90% of the total annual income is income to be received from the sale of goods of own production / services (in priority areas for the selected SEZ)

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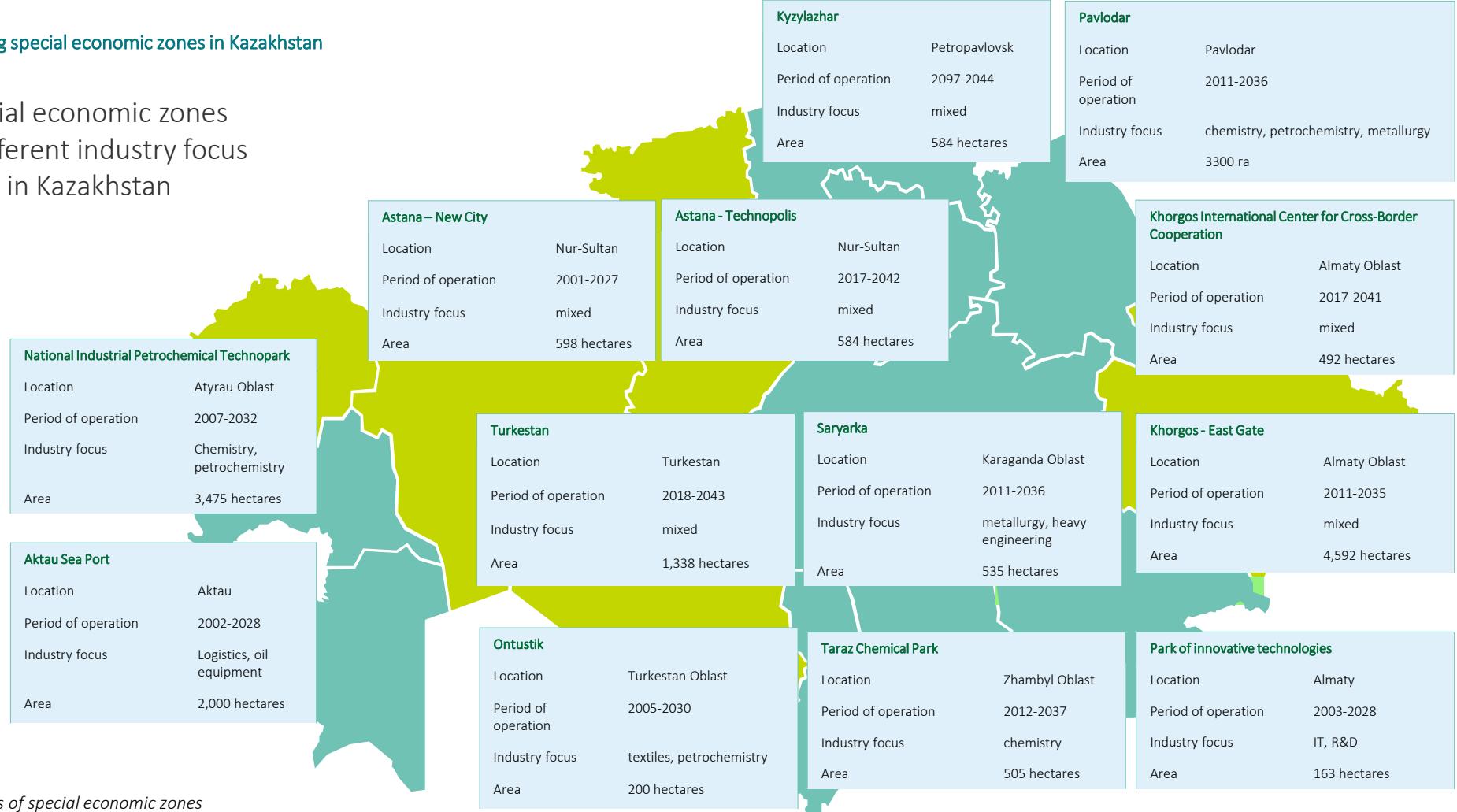


# Special economic zones



## Functioning special economic zones in Kazakhstan

13 special economic zones with different industry focus operate in Kazakhstan



Source: sites of special economic zones

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# Conclusions and recommendations

## Competitive advantages of the leather product sector

### Rich source of raw materials

- Kazakhstan possesses its own significant raw materials base in the form of an approximate sheep and goat population of 19 million. In the last five years, the average annual growth in sheep and goat populations was 1.46%.
- The total cattle population has grown significantly in recent years. Average annual growth in the last five years was 3.29%.
- At the end of 2019, the horse population in Kazakhstan was 2,826 thousand. The average annual horse population growth rate was 8.09% in 2015-2019.

### Attractive investment climate:

- Light industry is a priority sector for economic development in Kazakhstan.
- Economic concessions have been created as part of the following programmes to reduce the financial burden on enterprises:
  - Saving Simple Things
  - 2025 Business Road Map
  - SIIDP 2020-2025
- Significant tax and customs concessions apply to SEZ and Free Warehouse operations as part of contracts concluded within the framework of the Kazakhstan Entrepreneurial Code.

### Advantageous geographical location and export potential

- Kazakhstan is located close to leading global consumer markets such as China (leather item imports in 2019 amounted to US\$ 3,986 million), Russia (leather item imports in 2019 – US\$ 964 million) and Central Asia.

### Access to human resources

- 2015-2019 saw growth in the economically active population of Kazakhstan.
- The economically active population of Kazakhstan over 15 years of age at the end of 2019 was 9.2 million, which is 47% of the total population of Kazakhstan.
- According to EIU forecasts, this figure will reach 9.7 million by 2024

### Local market growth potential

- Decrease in the share of export of unprocessed hides by ensuring the sale of products in the local market, thereby increasing the workload of domestic light industry enterprises;
- Decrease in the number of supervisory veterinary services, simplification and partial digitalization of bureaucratic procedures associated with obtaining veterinary certificates;
- Increase in the share of products with higher added value in the export structure (processed hides, leather, leather goods).

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# List of abbreviations

<b>JSC</b>	Joint stock company
<b>US\$</b>	US Dollar
<b>m<sup>2</sup></b>	square metre
<b>n/a</b>	not applicable
<b>LLC</b>	Limited liability company
<b>Kazakhstan</b>	Republic of Kazakhstan
<b>LLP</b>	Limited liability partnership
<b>CAGR</b>	compound annual growth rate
<b>COVID-19</b>	Corona Virus Disease 2019
<b>EIU</b>	The Economist Intelligence unit

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