



## Construction materials market Industry teaser

August 2020



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# Summary



- According to the Kazakhstan General Classification of economic activities (further “OKED NK RK 03-2019” or “OKED”), the construction materials industry is classified as “production of other non-metallic mineral products.” In accordance with OKED, the construction materials industry consists of 8 main segments including different types of building materials.
- The construction materials industry in Kazakhstan provides 1% of the country's GDP and about 5% of the manufacturing industry volumes. It occupies the 5<sup>th</sup> place among sub-sectors, behind the metallurgical industry, food production, mechanical engineering and the production of petroleum products.
- Over the past five years, the construction materials industry has shown positive dynamics with 5% annual growth; it reached KAT 587 billion in 2019. About 80% of the production of construction materials is concentrated in 9 regions of the country, mainly in Shymkent (12%), Nur-Sultan (11%), Karaganda Oblast (11%) and East Kazakhstan Oblast (9%).
- Over 1,000 enterprises in almost all regions of the country produce building materials. In 2010-2018, the number of operating enterprises for the production of construction materials rapidly increased by an average of 3% annually. However, enterprises are segmented unevenly in terms of types of construction materials. Some 757 companies (about 70%) are engaged in the production of gypsum, concrete and cement products.
- The construction materials industry has a huge potential for further development. The availability of a sufficient raw material base and governmental support against the backdrop of growing demand for building materials are key prerequisites for increasing the growth of production capacities of Kazakhstan enterprises so that to reduce import dependence, as well as build up export potential.

## Construction industry growth

- Over the past five years, the construction industry in Kazakhstan has almost doubled and reached KZT 3.8 trillion in 2019. According to the Marketline forecast, in 2021-2023 the industry is expected to grow at a CAGR of 8.4%.
- The increase in demand for real estate is provided by population growth (in 2019 - 18.4 million people, in 2022 - 19.2 million). Also, the impetus for an increase in demand for real estate is provided by state programs in the field of construction and measures of state support.

## Availability of a raw material base

- Kazakhstan possesses rich reserves of raw materials for the production of construction materials. Over 400 deposits of nonmetallic materials have been identified in Kazakhstan: 13 chalk deposits (136.14 million tonnes), 90 clay deposits (1.3 million m<sup>3</sup>); explored reserves of glass sands in Kazakhstan exceed 40 million tonnes, and reserves of limestone suitable for glass industry are estimated at 15 million tonnes.
- Extraction of other minerals or raw materials in 2014-2019 increased by 68%. However, half of the existing deposits in the country are underdeveloped.

## Import substitution / export potential

- Currently, Kazakhstan remains dependent on imports for some types of building materials. Kazakhstan imports the entire of volume of sheet glass, ceramic tiles and slabs, mineral and silicate wool, roofing and facing products. The key suppliers of construction materials to the country are Russia (51%) and China (23%).
- As to gypsum, clay bricks and refractory products, the current domestic production capacity is able to cover 60-85% of domestic demand. Domestic production of ready-mixed concrete, cement and mortars fully satisfies consumption, so there is an unrealized potential for further increasing production volumes for export.

## Governmental support

- Production of non-metallic mineral products is included in the list of priority sectors of the national economy, which are provided with measures of state support within the framework of the State Program for Industrial and Innovative Development 2020-2025, the Entrepreneurial Code and the programs such as *Economy of Simple Things* and *Roadmap 2025*, as well as within the special economic zone framework.

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# Classification of construction materials

Varieties of construction materials as per OKED NK RK 03-2019



- According to OKED, the construction materials industry comprises 8 main segments.
- Each segment includes different types of construction materials.



## 1<sup>st</sup> group

Glass and glassware

- Production of sheet glass
- Forming and processing of sheet glass
- Production of hollow glass products
- Production of fiberglass
- Production and processing of other glass products

## 2<sup>nd</sup> group

Refractory products

- Production of refractory mortar, concrete, etc.
- Production of refractory ceramic products
- Production of refractory products containing magnesite, dolomite or chromite

## 3<sup>rd</sup> group

Clay building materials

- Production of ceramic coatings and slabs
- Production of bricks, tiles and other building products from baked clay

## 4<sup>th</sup> group

Porcelain and ceramic products

- Manufacture of ceramic household and decorative products
- Production of ceramic hygienic sanitary equipment
- Production of ceramic electrical insulators and insulating fittings
- Manufacture of other technical ceramic articles

## 5<sup>th</sup> group

Cement, lime and plaster

- Production of cement including clinkers
- Production of lime and stucco

## 6<sup>th</sup> group

Products made of concrete, cement and plaster

- Manufacture of concrete construction products
- Manufacture of plaster products
- Production of concrete
- Production of dry concrete mixes
- Manufacture of articles from asbestos cement and fiber cement

## 7<sup>th</sup> group

Cutting, processing and finishing of stone

- Cutting, shaping and processing stone for construction purposes in cemeteries, roads, roofing, etc.
- Manufacture of stone fittings

## 8<sup>th</sup> group

Abrasive products and other non-metallic mineral products

- production of mineral-based insulating materials: slag wool and similar mineral wool; layered vermiculite, expanded clay and similar heat insulating materials or soundproofing materials
- production of silicon, grinding or polishing stones or artificial abrasive materials, etc.

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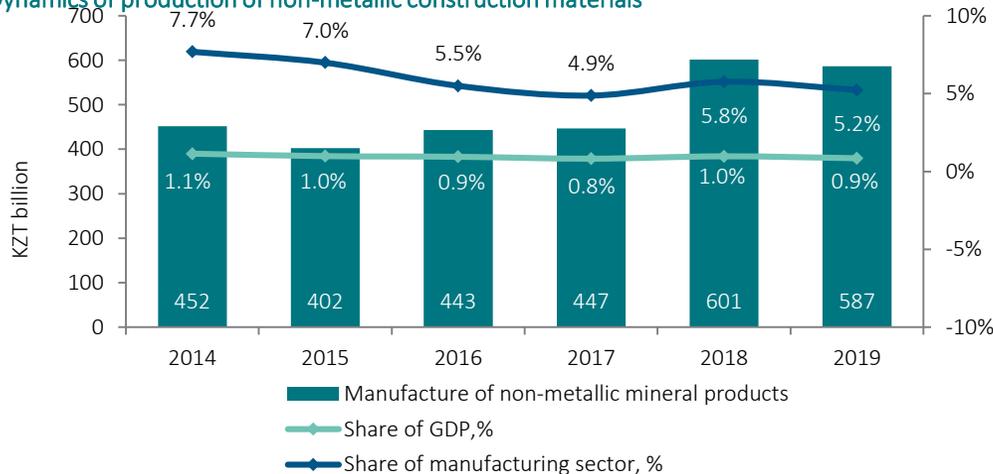


# Manufacture of non-metallic mineral products

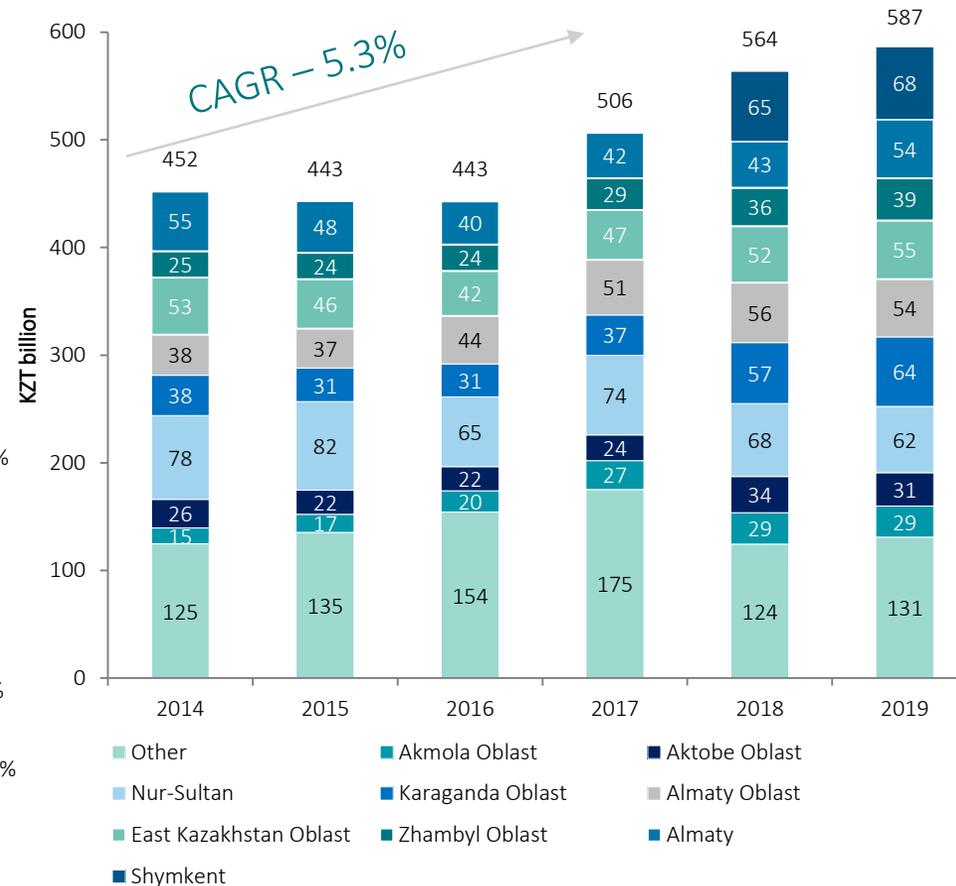


- The construction materials industry in Kazakhstan provides about 1% of the country's GDP, about 5% of the manufacturing industry and ranks 5th among the sub-sectors, behind the metallurgical industry, food production, mechanical engineering and the production of petroleum products.
- Over the past 10 years, the construction materials market has more than tripled from KZT 183 billion in 2009 to KZT 587 billion in 2019 (an average CAGR of 12%).
- About 80% of construction materials production is concentrated in 9 regions of the country, mainly in Shymkent (12%), Nur-Sultan (11%), Karaganda Oblast (11%) and East Kazakhstan Oblast (9%).
- In the context of regions, over the past five years the highest average annual growth was observed in Akmola Oblast (CAGR of 14%), Karaganda Oblast (11%) and Zhambyl Oblast (10%).

Dynamics of production of non-metallic construction materials



Structure of production of building materials by region



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Source: Kazakhstan Statistics Committee

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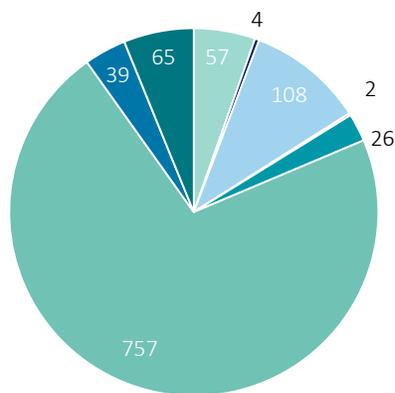
# Construction materials enterprises



- About 1,000 enterprises in almost all regions of the country manufacture building materials. However, most of the enterprises are located in Akmola Oblast (35%), Almaty Oblast (14%) and the city of Nur-Sultan (10%), which is explained by the dynamics of real estate construction in Almaty and Nur-Sultan.
- Over 2010-2018, the number of operating enterprises for the production of construction materials was rapidly increasing by an average of 3% annually. However, in terms of types of construction materials, enterprises are segmented unevenly. About 757 companies (about 70%) are engaged in the production of gypsum, concrete and cement products. Over 100 enterprises (10%) produce building materials from clay. The smallest number of companies is engaged in the production of refractory (4 units) and ceramic products (2 units).
- At the end of 2019, the largest production volumes were reported in Shymkent, Karaganda Oblast and East Kazakhstan.

## Number of construction materials enterprises by segment

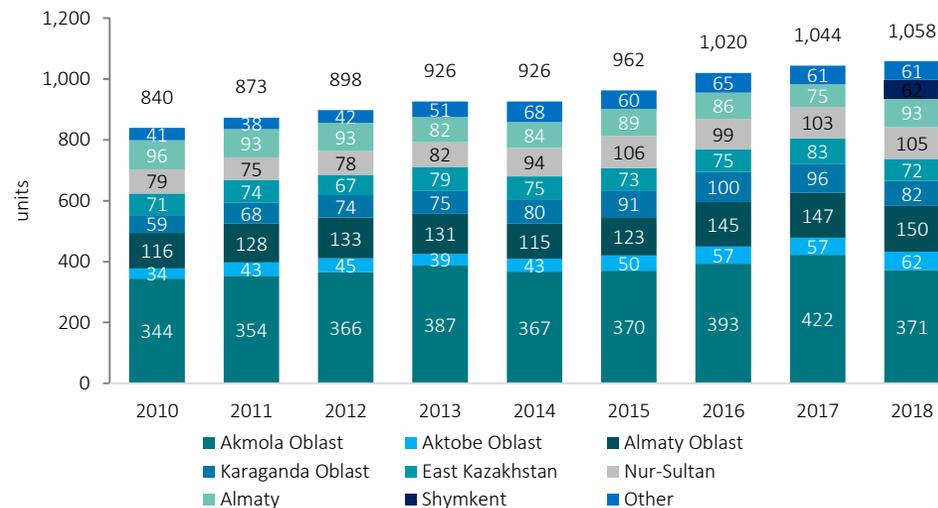
- Glass and glassware
- Refractory products
- Clay building materials
- Other porcelain and ceramic products
- Cement, lime and plaster
- Products made of concrete, cement and plaster
- Cutting, processing and finishing of stone
- Abrasive products and other non-metallic mineral products



Source: Kazakhstan Statistics Committee

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## Number of construction materials enterprises by region



## Large producing regions of Kazakhstan



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# Kazakhstani enterprises for the production of construction materials



## Kazakhstani enterprises for the production of construction materials

Company	Products
<b>Aktobe Oblast</b>	
VIBROSTOWN	Concrete articles
SVEMA plus LLP	Sand blocks and facing bricks
Koktas-Aktobe JSC	Silicate bricks
Stroidetal LLP	Reinforced concrete products
Zavod ZhBI-25 LLP	Concrete and reinforced concrete structures
Brick Factory LLP	Bricks
Basalt LLP	Mineral insulating materials
Temirbeton LLP	Concrete articles
LLP Silicate-A	Mineral insulating materials
<b>Karaganda Oblast</b>	
Karaganda Building Materials Plant Ltd.	Bricks, tiles and other
Avalan LLP	Concrete blocks
Autoban LLP	Thermal insulation materials
Vibroblock LLP	Concrete products, bricks, cinder blocks, stones, facing slabs
LLP ZhBI-Logistics	Reinforced concrete and ready-mixed concrete
Karaganda Beton LLP	Concrete articles
<b>East Kazakhstan Oblast</b>	
Almix LLP	Dry concrete mixes
LLP Semipalatinsk plant of asbestos-cement products	Cement, etc.
LLP Vostok-Universal	Mineral insulating materials

Company	Products
<b>Nur-Sultan, Akmola Oblast</b>	
Stroiconstruction JSC	
Astana Concrete Plant Maksat LLP	Concrete and reinforced concrete structures
PSK Titan LLP	
Alliance MTS LLP	Wall blocks
Ecotone+ JSC	
Brick Factory #1 LLP	Silicate bricks
Stroyservice United Construction Corporation LLP	
ABK-Beton Plant LLP	Ready-mix concrete
Center Beton Company LLP	
<b>City of Almaty and Almaty Oblast</b>	
Knauf Gips Kapchagai LLP	Mineral insulating materials
BASF Central Asia LLP	Concrete, stucco and cement products
Central Asia Construction LLP	
Temirbeton LLP	Concrete articles
Alina Group LLP	Wide range of construction materials
<b>Shymkent</b>	
Asia Ceramic LLP	Ceramic coatings and slabs
Zerde-Ceramica LLP	
Shymkentcement JSC	
Standard Cement LLP	
Sas-Tobe Technologies LLP	
Tulkubas Lime Plant LLP	Concrete and reinforced concrete structures
Otystik-Kurylys-Service LLP	
Stroi Yug Group LLP	
ZhBI-S LLP	

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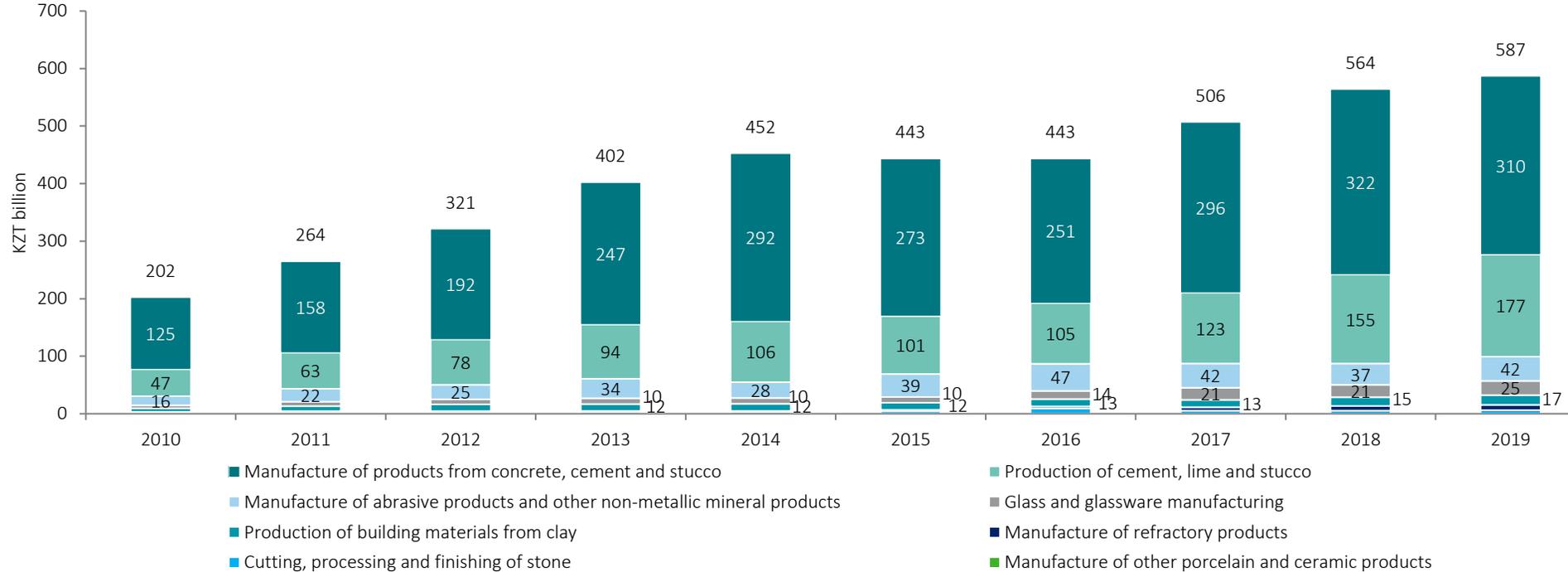
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# Production of construction materials in Kazakhstan



Structure of production of non-metallic products



- In 2019, the production of non-metallic mineral products in value terms reached KZT 587 billion. About 80% of production (or KZT 487 billion) is represented by the production of cement, concrete, gypsum (30%) and their products (53%).
- It should be noted that domestic production of these materials, with the exception of gypsum and its products, covers almost 99% of domestic demand. In turn, for gypsum and plaster products, Kazakhstan is moderately import-dependent and about 30-40% of volumes come from abroad.

- The remaining 20% of production (or KZT 100 billion) includes the production of abrasive products and other non-metallic mineral products (7%), glass and glassware (4%), clay building materials (3%), refractory products (2%) and stone processing (1%).
- The current production capacity does not cover the demand for the above building materials. As a result, the share of imports in domestic consumption for some types reaches 100% (for example, sheet glass).

Source: Kazakhstan Statistics Committee

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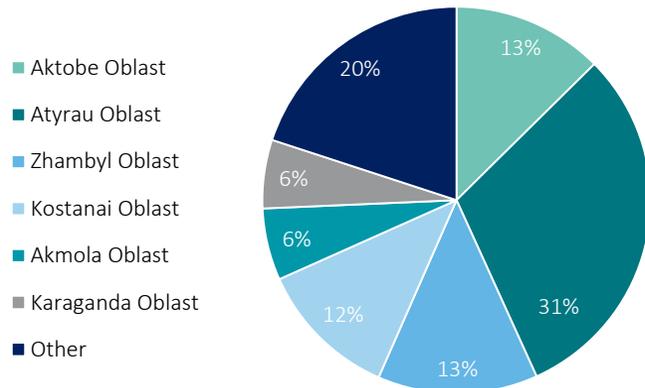


# Availability of raw materials



- The construction materials industry in Kazakhstan consumes over 20 types of mineral raw materials. Kazakhstan possesses rich reserves of raw materials for the production of building materials.
- About 400 deposits of nonmetallic materials have been identified in Kazakhstan, including 13 deposits of chalk (136.1 million tonnes) and 90 deposits of clay (1.3 million m<sup>3</sup>); the explored reserves of glass sands in Kazakhstan exceed 40 million tonnes, and the reserves of limestone suitable for the glass industry are estimated at 15 million tonnes.
- In general, over the past five years, the extraction of other minerals has increased by 68%. Major shares in the structure belong to the extraction of mineral raw materials (53%), gravel and sand minerals (27%), and asbestos ore (10%). About 80% of raw materials for the construction industry are mined in 6 regions of the country.
- However, half of the existing fields in the country are underdeveloped. Meanwhile, refractory bricks and glass for processing are imported.

## Extraction of other minerals by region

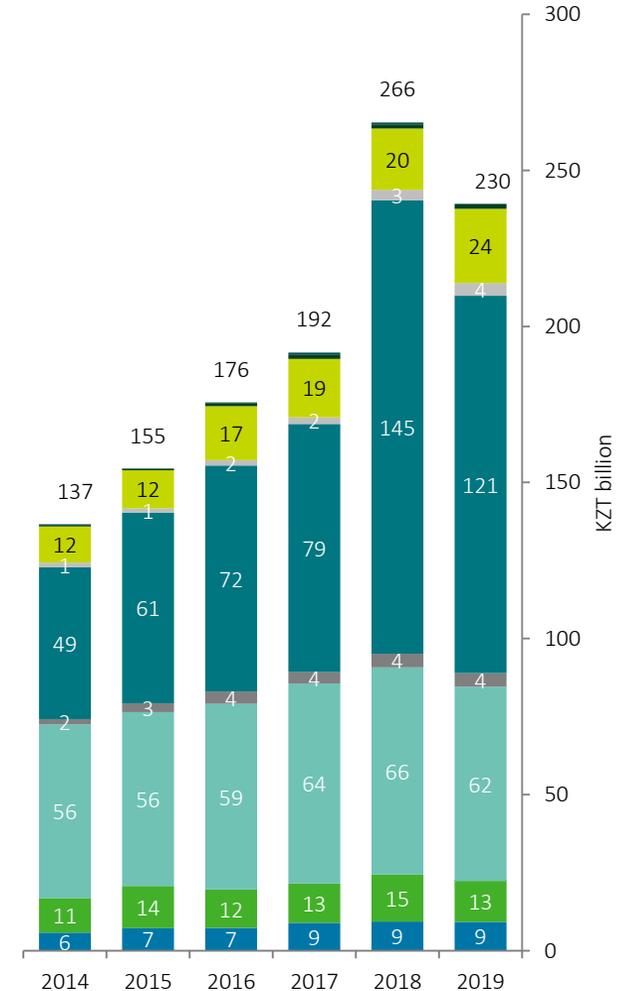


Source: Kazakhstan Statistics Committee

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## Extraction of other minerals

- Extraction of raw materials for the glass industry
- Mining and beneficiation of non-metallic ores
- Mining of asbestos ore
- Salt mining
- Extraction of mineral raw materials for chemical industry
- Extraction of clay and kaolin
- Development of gravel and sand pits
- Shale mining
- Extraction of limestone, gypsum and chalk
- Extraction of finishing and building stone



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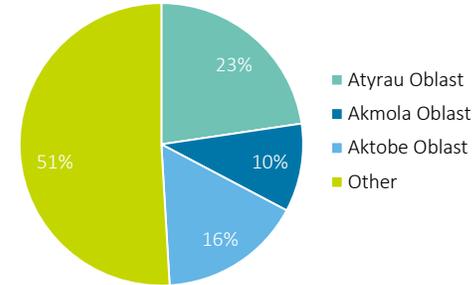
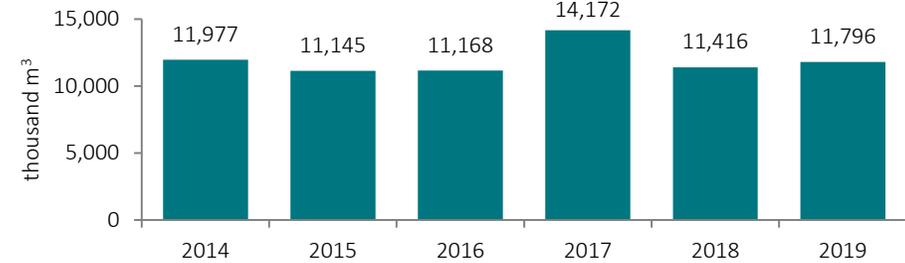


# Availability of raw materials: production in physical terms and imports



The bordering countries, Russia and China, dominate in the import of raw materials.

## Natural sands

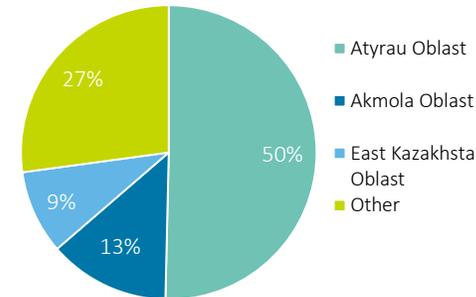
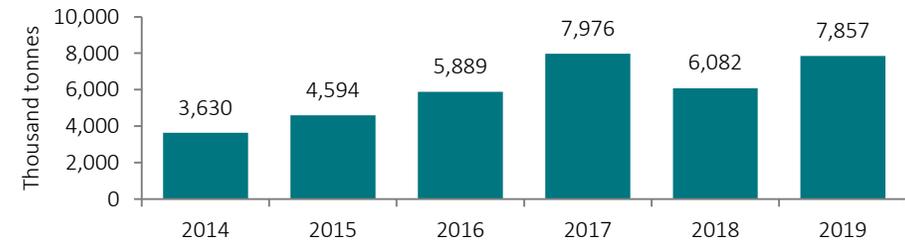


## Imports in 2019

+ 18,543 tonnes

Russia – 95%

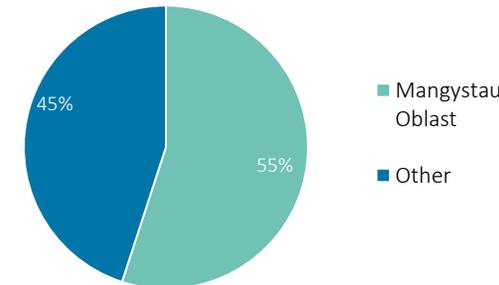
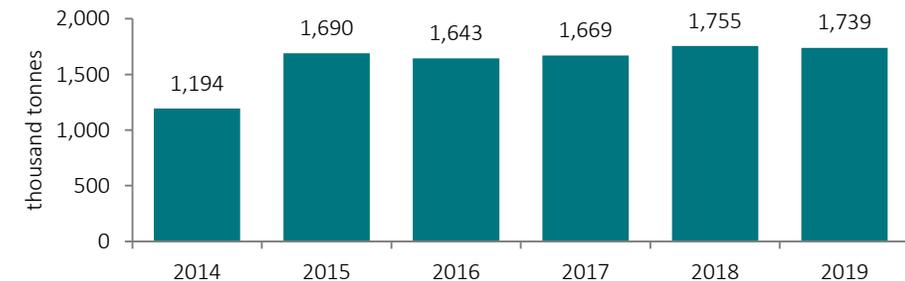
## Clays and kaolin



+ 31,785 tonnes

Russia – 85%

## Chalk and raw dolomite



+ 20,119 tonnes

Russia – 55%

Source: Kazakhstan Statistics Committee

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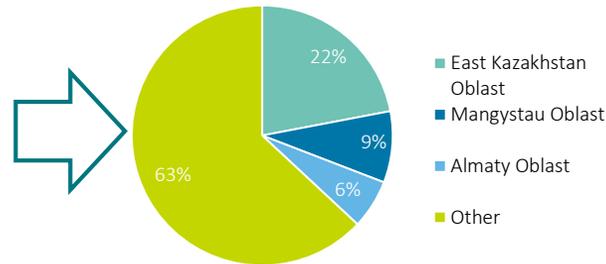
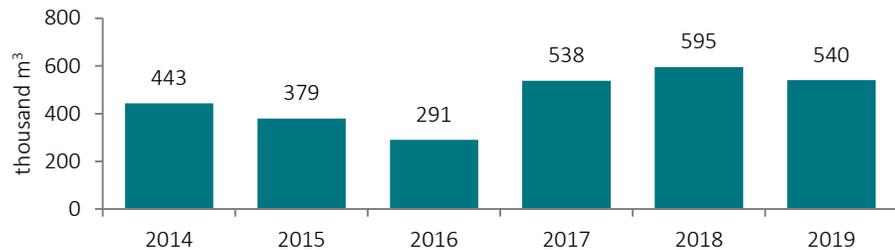
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# Availability of raw materials: production in physical terms and imports



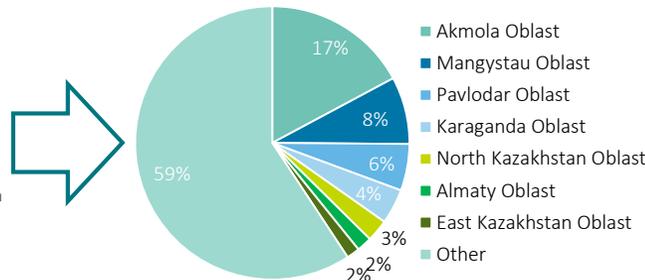
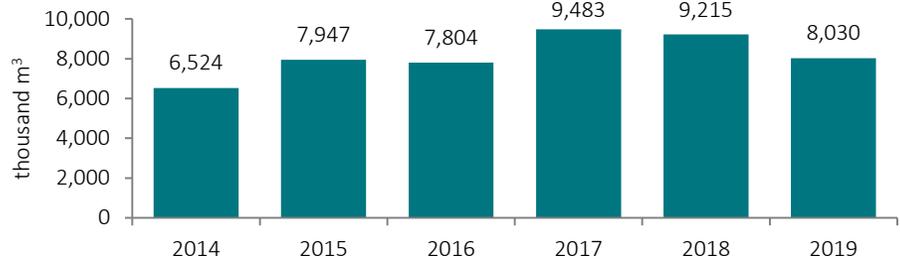
## Other marble and limestone stone for monuments, decoration or construction



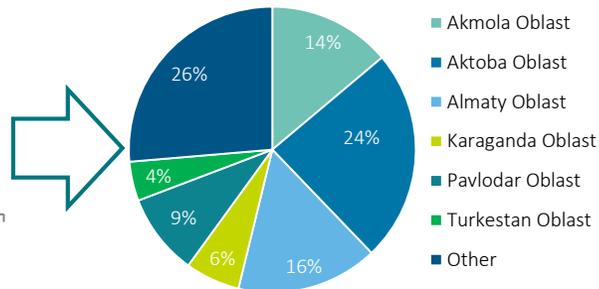
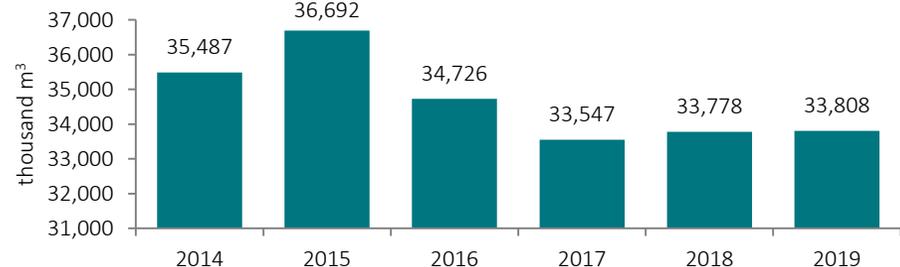
## Imports in 2019



## Granite, sandstone and other stone for monuments, decoration or construction



## Gravel, crushed stone, pebbles and flint



Source: Kazakhstan Statistics Committee

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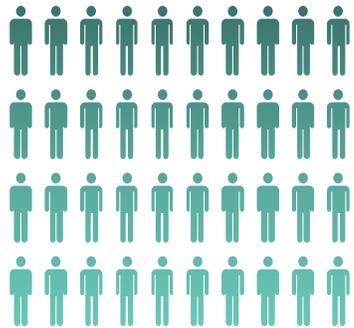
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# Human capital



## Number of employees in the construction materials industry

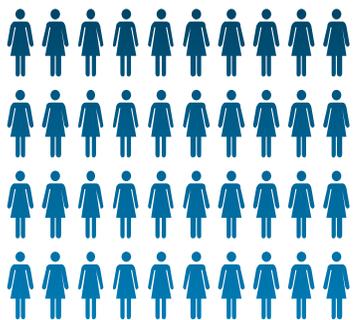


28.4  
thousand people

4.6%  
share in the industry

There are over 1,000 enterprises operating in the sector, with 28 thousand people employed, which is 4.6% of the total number of industrial workers.

## Labour force in Kazakhstan



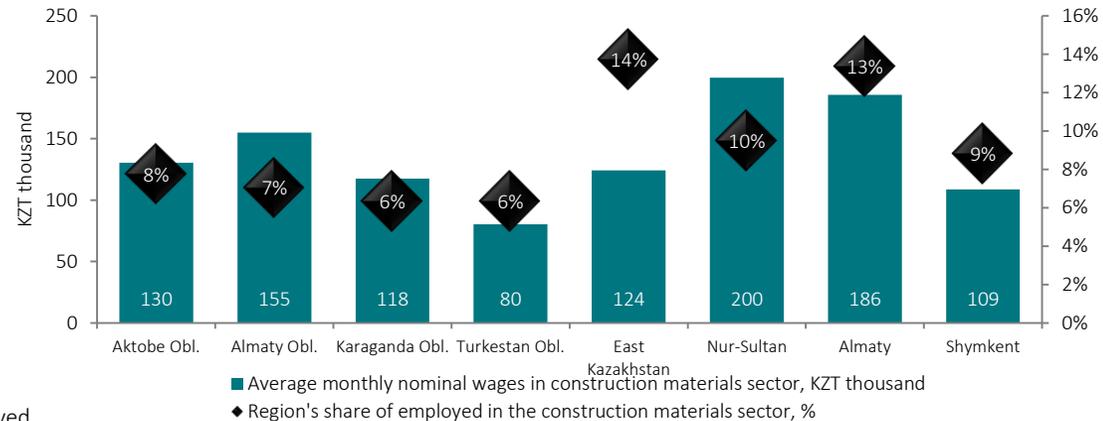
9.2  
million people  
in 2019

9.7  
million people  
in 2024

The labor force in 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.

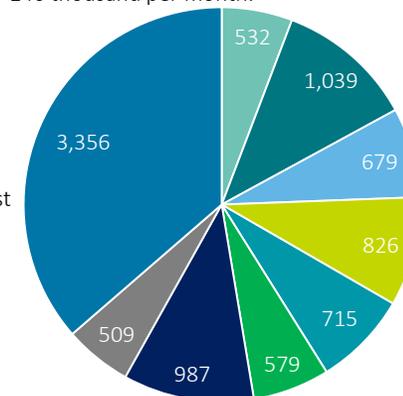
Source: Kazakhstan Statistics Committee

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In the regional context, the largest share of personnel in the industry is registered in East Kazakhstan Oblast and the cities of Nur-Sultan, Almaty and Shymkent. The weighted average nominal wage in this industry is KZT 140 thousand per month.

- Zhambyl Oblast
- Almaty Oblast
- Karaganda Oblast
- Turkestan Oblast
- East Kazakhstan Oblast
- Nur-Sultan
- Almaty
- Kostanai Oblast
- Other



- In terms of regions, the largest part of the working-age population lives in Almaty Oblast, Turkestan Oblast, Karaganda Oblast, the city of Almaty and East Kazakhstan Oblast.

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# Import of other non-metallic mineral products



## Import structure of non-metallic products in 2019



- Kazakhstan has a significant deficit in the production of non-metallic mineral products or building materials, which is covered by a significant volume of imports. The high level of imports, in turn, negatively affects the country's trade balance, putting pressure on the national currency, as well as on economic activity within the country.
- In 2019, imports of construction materials exceeded exports by almost 5.4 times:
  - Import – US\$ 810 million
  - Export – US\$ 150 million
- The main supplier of non-metallic building materials to Kazakhstan is Russia. It supplied products for a total amount of about US\$ 413 million in 2019, which is 51% of total imports to Kazakhstan. Russia is followed by China, which accounted for about 23% of imports in 2019..
- The domestic market demand for floor coverings, ceramic tiles, certain types of thermal insulation and roofing materials, glass and glassware, as well as plastic pipes is covered by imports. About 40% (US\$ 332 million) of the total value of imports of construction materials falls under the category of “ceramic articles”.



Import of other non-metallic mineral products in 2019

US\$ 810 mln

Russia - 51%



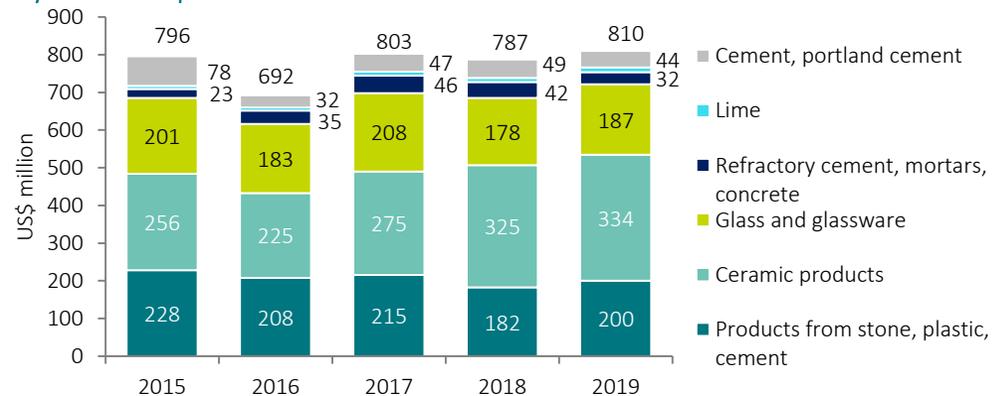
China - 23%



Other - 26%



## Dynamics of import of construction materials



Source: Kazakhstan Statistics Committee

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# Export of other non-metallic mineral products



## Export structure of non-metallic products in 2019



- The share of exports of building materials is low - about 10% of production volumes. In 2019, the export of Kazakhstani construction materials in value terms amounted to US\$ 150 million, which is 5 times less than the volume of imports. The main export destinations of construction materials from Kazakhstan are Uzbekistan - 41%, Russia - 29% and Kyrgyzstan - 17%.
- In exports to Russia, polyethylene pipes, Portland cement and plastic films prevail. Uzbekistan mainly imports cement and plaster products, prefabricated building structures, and Kyrgyzstan - plaster products.
- In general, 57% of exports are cement products. The main buyer of Kazakhstani cement is Uzbekistan with imports worth about US\$ 60 million.
- Over 2015-2019, exports of Kazakhstan construction materials was increasing by an average of 53% per annum, from US\$ 28 million in 2015 to US\$ 150 million in 2019.



Export of other non-metallic mineral products in 2019

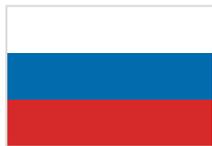
US\$ 150 mln

Uzbekistan - 41%

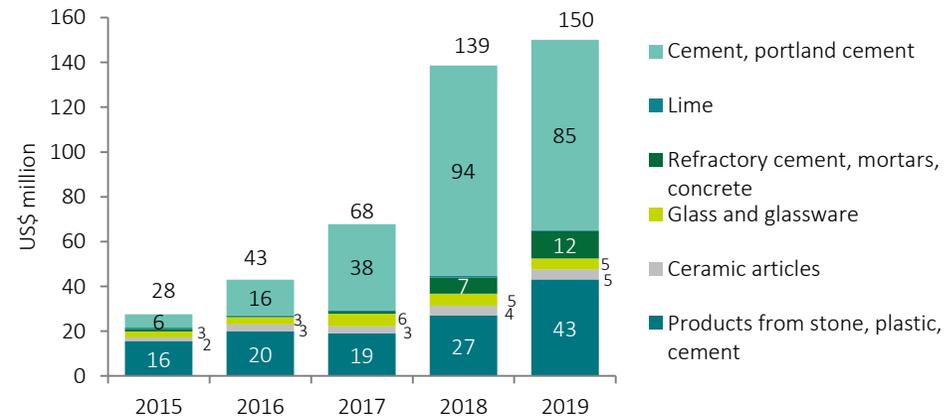
Russia - 29%

Kyrgyzstan - 17%

Other - 13%



## Dynamics of export of building materials



Source: Kazakhstan Statistics Committee

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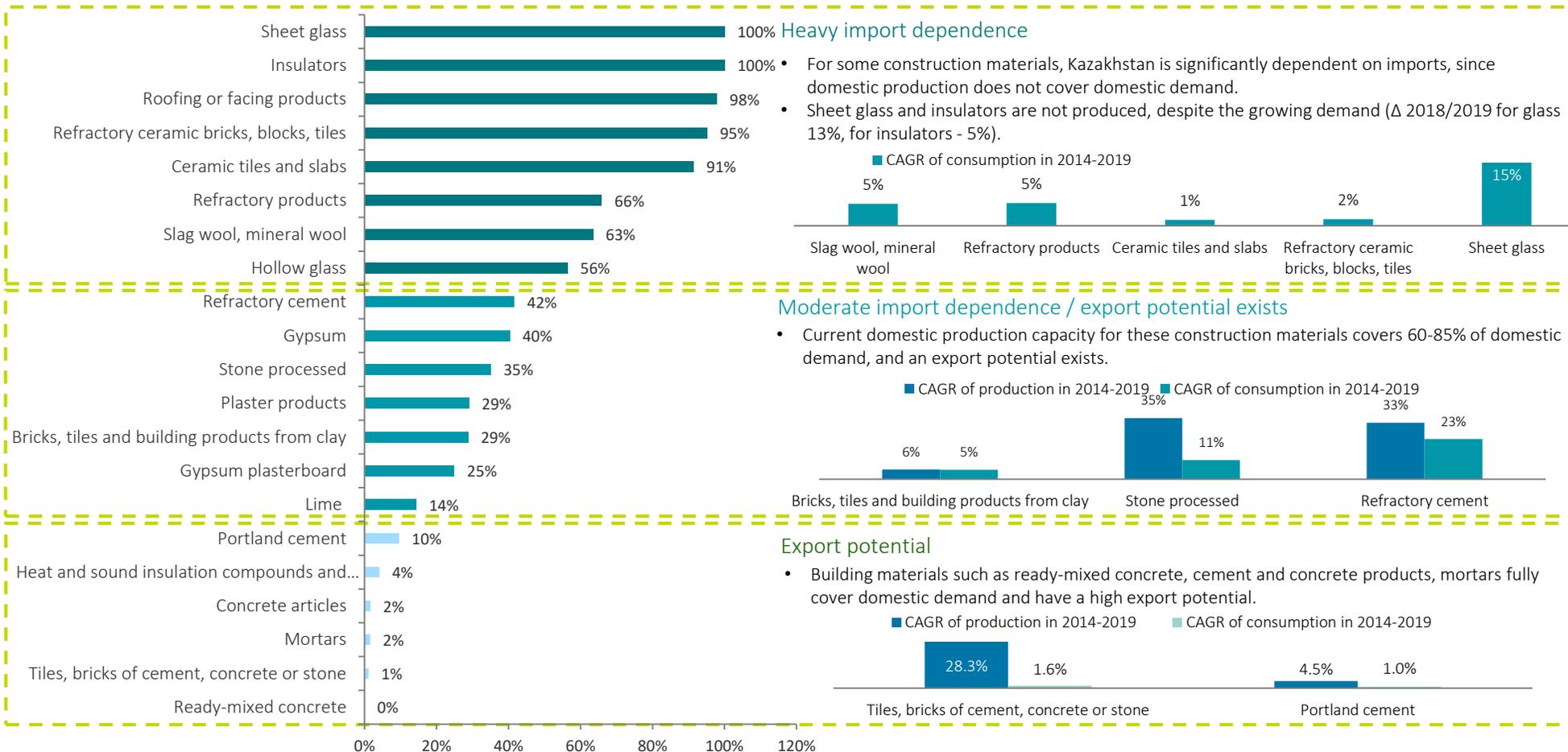
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# Shortage of construction materials in the domestic market



The share of imports in domestic consumption in 2019



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# Balance of production and consumption



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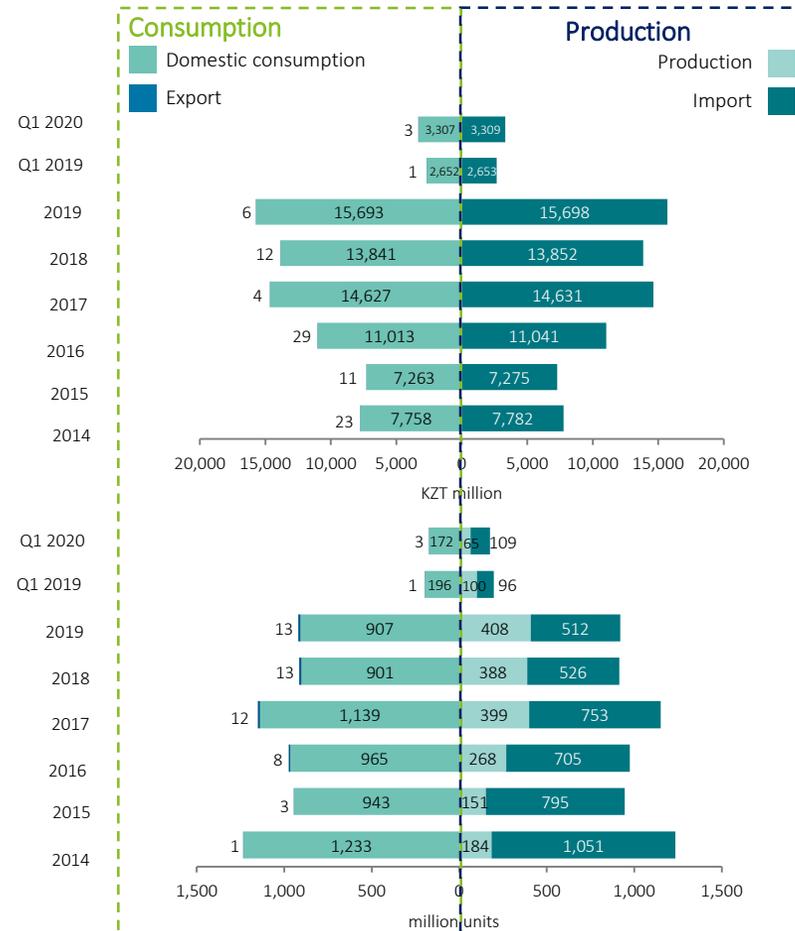
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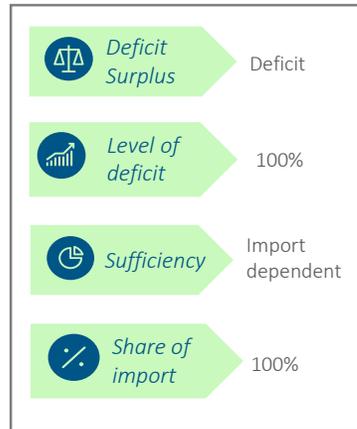
# Sheet glass and hollow glass



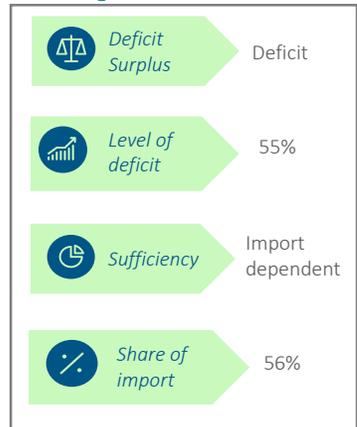
## Resources and use



## Sheet glass



## Hollow glass



- In 2017-2018 the volume of sheet glass production in value terms amounted to KZT 455 thousand annually, in 2019 it reached KZT 780 thousand. Almost 100% of all demand is met by imports. Overall, over the past five years, glass consumption has shown a weighted average annual growth rate (CAGR) of 15%.
- Russia and China accounted for 55% and 20% respectively in the structure of imports in 2019. Over the past five years, sheet glass has been imported into the country for the value of KZT 70 billion.
- Kazakhstan is **dependent on imports** of sheet glass, since almost all domestic consumption in the country is satisfied by imports.
- Unlike the sheet glass, the country's production of hollow glass is developed and covers an average of 45% of domestic demand. The share of imports was about 55% in 2019. Historically, production volumes in physical terms reached 400 million units. (in 2017). It is important to note that the domestic demand has declined by 26% over the past five years.
- Due to the expansion of domestic production, coupled with falling demand, imports decreased significantly: the volume of imports in 2014 amounted to 1,051 million units against 512 million units in 2019.
- In 2014-2019, hollow glass exports were increasing annually by an average of 55%. In 2019, Kazakhstan manufacturers exported 13 million units of hollow glass (1 million units in 2014). About 80% of finished products are exported to Russia and Kyrgyzstan
- As to hollow glass, Kazakhstan is also **import dependent**.

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Source: Kazakhstan Statistics Committee

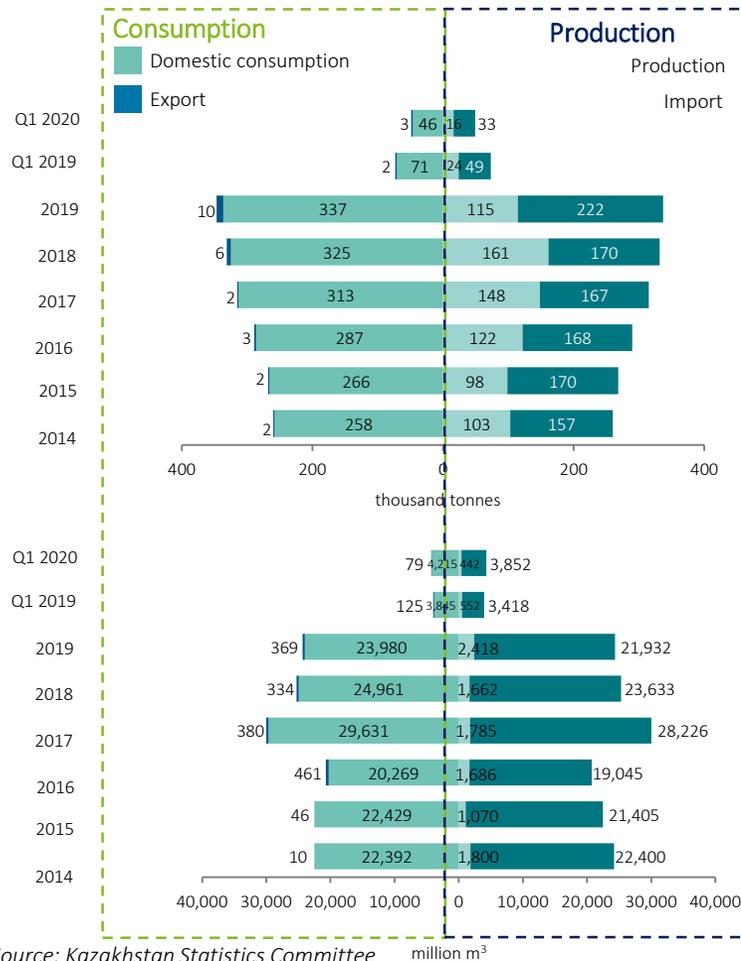
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# Refractory products and ceramic tiles



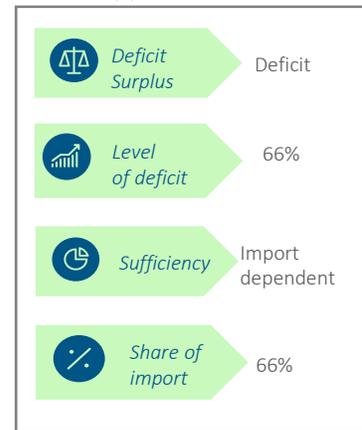
## Resources and use



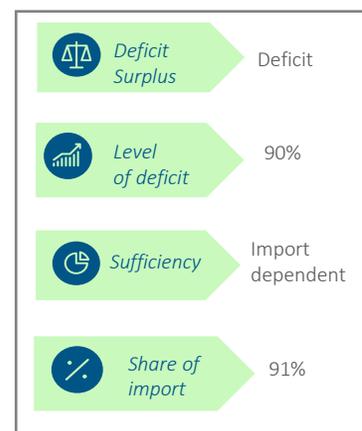
Source: Kazakhstan Statistics Committee

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## Refractory products



## Ceramic tiles



- The group of refractory products includes bricks, blocks, cement, slabs, as well as other products made from fire-resistant materials.
- An upward trend has been observed in the production of refractory products over the past five years. In 2019, production increased by 12% compared to 2014 and amounted to 115 thousand tonnes. The peak of production was reported in 2018 (161 thousand tonnes). It should be noted that domestic production covers about 40% of domestic consumption, while the share of imports averages 60%.
- The structure of imports by country in 2019 was as follows: Russia - 44%; China - 28%; Germany - 12%; Austria - 8%.
- For refractory products, Kazakhstan is **dependent on imports**, since over 60% of consumption is covered by imports. It should also be noted that in 2014-2019 the export of these products increased 4 times and reached 10 thousand tonnes (the share of Russia is 95%).
- Over 2014-2019, production of ceramic tiles in Kazakhstan was growing with an annual CAGR of 5%. The level of consumption of ceramic tiles in the country is going up annually with a weighted average growth rate of 2%. A significant increase was observed in 2017 (by 46% to 29,631 million m<sup>3</sup>) followed by a 16% decline.
- The volume of imports changed similarly to the dynamics of domestic consumption. Import covers about 94% of the domestic demand for ceramic slabs. Together, Russia and China account for 80% of all imports of these products.
- The volume of imports changed similarly to the dynamics of domestic consumption. Import covers about 94% of the domestic demand for ceramic slabs. Together, Russia and China account for 80% of all imports of these products.
- In 2016, the export of ceramic tiles increased more than 30 times and reached 380 million m<sup>3</sup> vs 10 million m<sup>3</sup> in 2014. About 98% of finished products in 2019 were supplied to the CIS countries (of which 43% to Russia and 39% to Kyrgyzstan).
- Based on the results of the analysis, it can be concluded that Kazakhstan is **dependent on imports of ceramic tiles**, since more than 90% of demand is met by imports.

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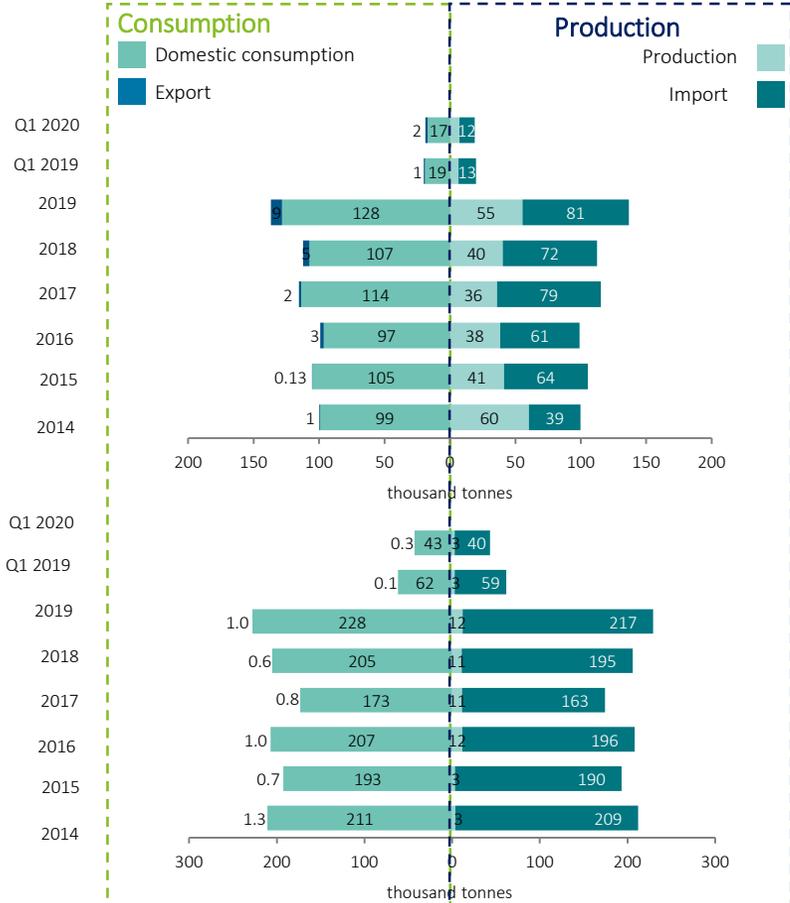
Abbreviations



# Mineral wool, ceramic refractory bricks, blocks, tiles



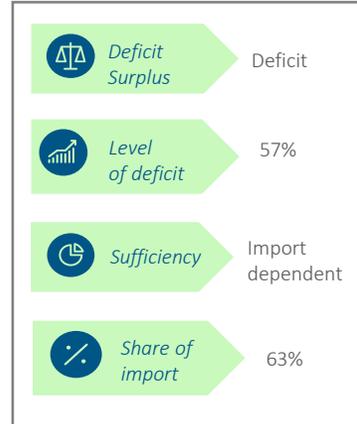
## Resources and use



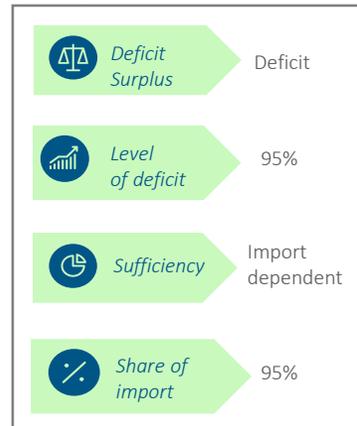
Source: Kazakhstan Statistics Committee

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## Mineral wool



## Refractory ceramic bricks, blocks, tiles



- There was a decrease in the domestic production of slag wool and other mineral wool in the country in 2015-2018. In 2019, production volume (55 thousand tonnes) increased by 37% compared to the previous year, however, it is still 8% lower than in 2014.
- In terms of regions, large producers are localized mainly in East Kazakhstan Oblast - 52%; Pavlodar Oblast - 12%; Aktobe Oblast (2%) and Almaty Oblast (2%).
- The level of consumption of this material in the country is growing annually with a CAGR of 6%. Over the past five years, the consumption has increased by 30% and reached 128 thousand tonnes.
- In general, Kazakhstan is dependent on imports of construction wool, since over 60% of demand is met by imports, mainly from Russia (98% of total imports).
- In 2014-2019, the production of ceramic refractory bricks in Kazakhstan was growing with an average CAGR of 30%. Since 2016, production volume averages 11-12 thousand tonnes per year.
- The consumption level grows annually with a CAGR of 2%. Over 2014-2019, the domestic demand varied from 173 thousand to 228 thousand tonnes. About 96% of the demand is satisfied by imports, mainly from Russia (55%) and China (20%).
- During the period under review, the export of these products did not undergo significant changes and averaged 1,000 tonnes per year.
- We note that the country is **dependent on imports** of ceramic refractory bricks, blocks, slabs and other similar materials.

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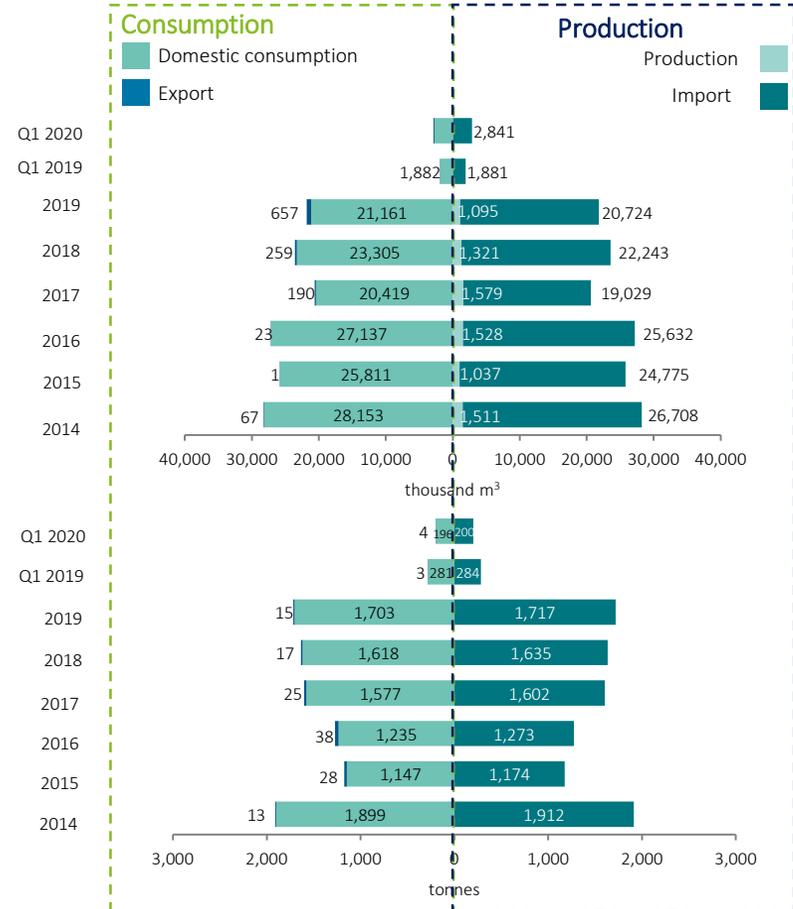




# Roofing or cladding products made of asphalt or materials

## Electrical insulators and ceramic insulating fittings

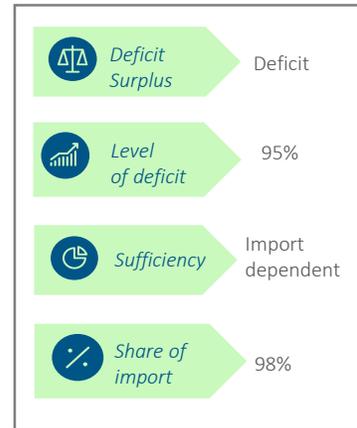
### Resources and use



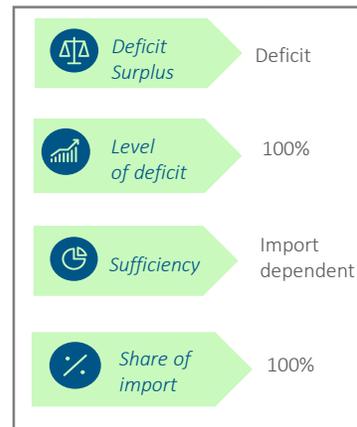
Source: Kazakhstan Statistics Committee

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### Roofing or cladding products



### Electrical insulators, fittings



- In 2014-2019, Kazakhstan produced an average of about 1,300 thousand m<sup>3</sup> of asphalt lining per year. The largest production volume was recorded in Pavlodar Oblast (85%). The rest of the production is distributed between oblasts such as Aktobe, Karaganda and North Kazakhstan.
- The volume of consumption of this material in the country for the entire period demonstrates a negative CAGR of 5%. So, over the past five years, domestic consumption has decreased down to 21 thousand tonnes in 2019 as a result of changes in construction standards.
- In general, Kazakhstan is **dependent on imports** of roofing and facing materials, as about 98% of domestic consumption is covered by imports, mainly from China (80%).
- There is no production of insulators and ceramic insulating fittings in the country. For this type of materials, the country completely relies on imports.
- The domestic demand for these materials is relatively stable and averages 1,500 tonnes per year.
- It is important to note that an insignificant part of these materials is re-exported. In 2014-2019, the average annual level of export of insulators was 23 tonnes per year.
- Based on the results of the analysis, it was revealed that Kazakhstan is **dependent on imports** on insulators and ceramic fittings: there are no manufacturers in the country.

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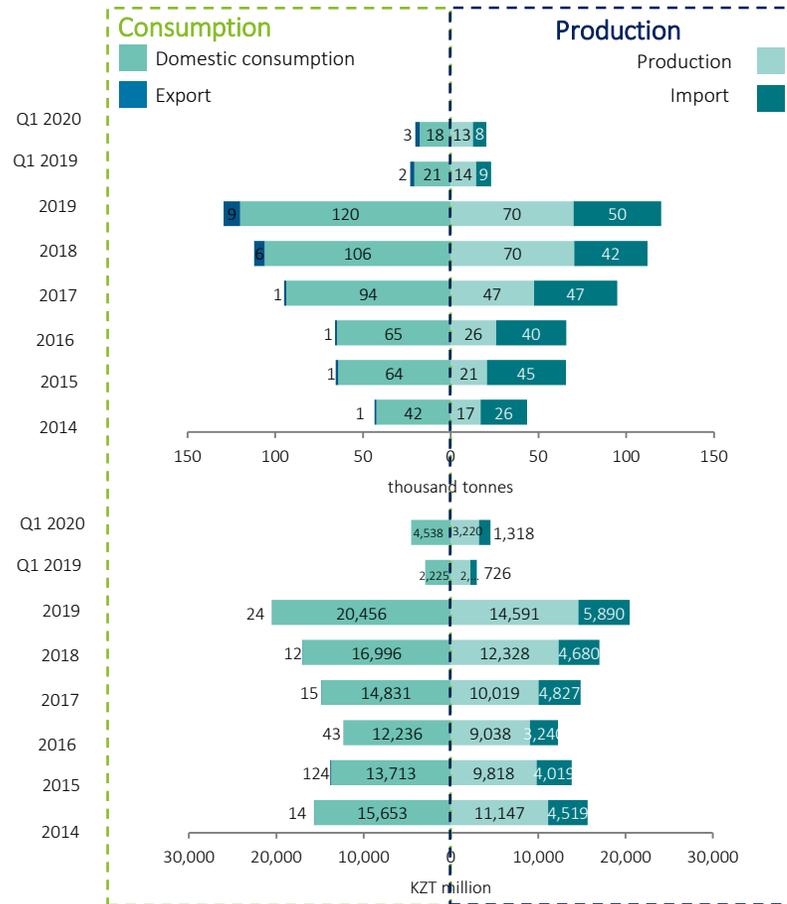




# Refractory cements, building mortars, concrete and compositions

## Bricks, tiles and construction products from fired clay

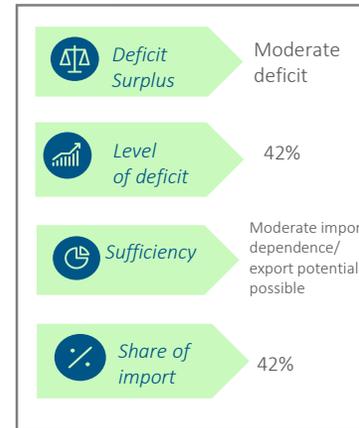
### Resources and use



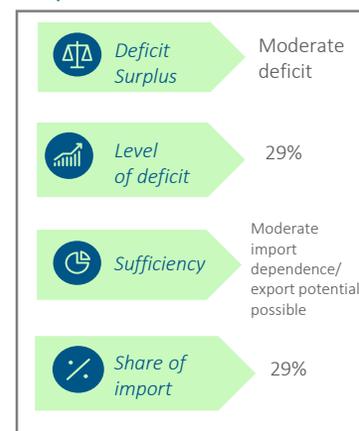
Source: Kazakhstan Statistics Committee

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### Refractory cement



### Clay bricks and tiles



- Over the past 5 years, positive growth has been observed in Kazakhstan's sector of refractory cement, concrete and similar compositions. Compared to 2014, domestic production increased 4 times and amounted to 70 thousand tonnes. However, it should be noted that domestic production only covers 40-50% of consumption.
- Most of these products come from Russia, China and Germany, the aggregate share of which is over 80%. However, the growth in imports is significantly lower than the growth in domestic production. In 2018-2019, imports remained at the level of 50 thousand tonnes.
- At the same time, a small part of the above construction materials is exported, mainly to Russia (8,964 tonnes in 2019).
- Kazakhstan is moderately dependent on imports of refractory cement, since the share of imports in domestic consumption reaches 42%. Kazakhstan has an unrealized export potential in this category.
- Over the period of 2014-2019, production of clay products increased by 31% in Kazakhstan, except the recessions in 2015-2016. In general, over the past five years, the country produced this product for the value of KZT 67 billion.
- Domestic production capacities cover over 70% of domestic demand. The share of imports over the past five years averaged 28%. In 2014-2019, imports increased slightly in value terms from KZT 4.5 billion to KZT 5.9 billion.
- Exports of clay products fluctuated significantly during the period, with a maximum value of KZT 124 million in 2016 and a minimum of KZT 12 million in 2018. Still, in general, exports in 2019 increased by 75% compared to 2014 and reached KZT 24 million.
- Kazakhstan has a moderate deficit of clay products with good export potential.

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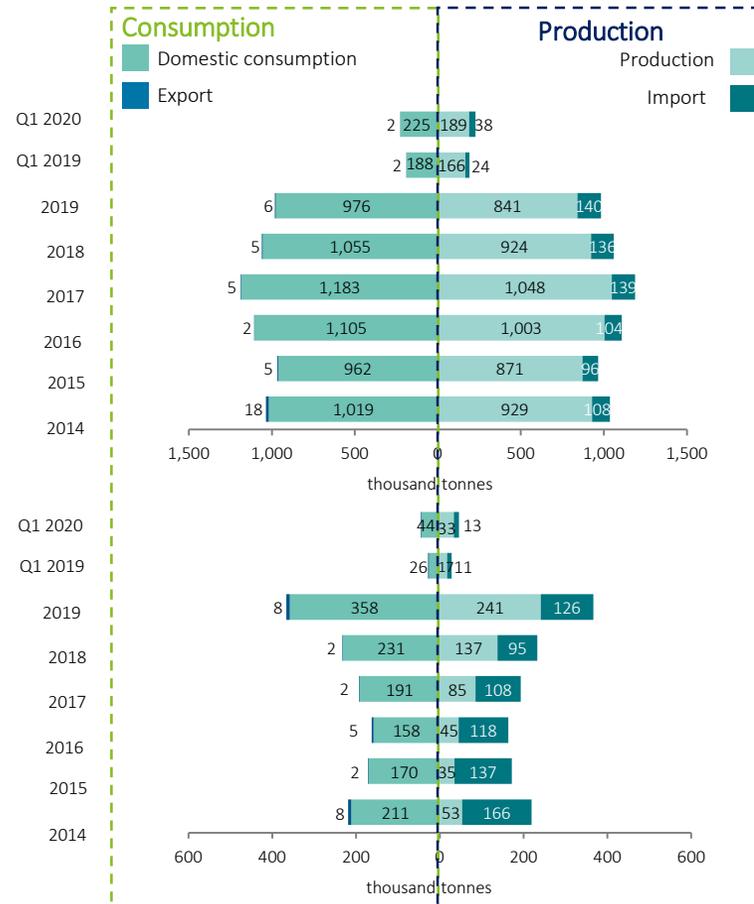




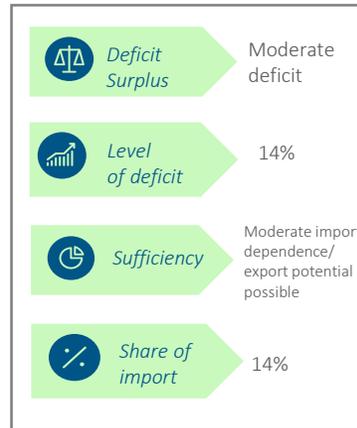
# Slaked lime, quicklime and hydraulic lime

## Processed stone products for monuments, decoration and construction

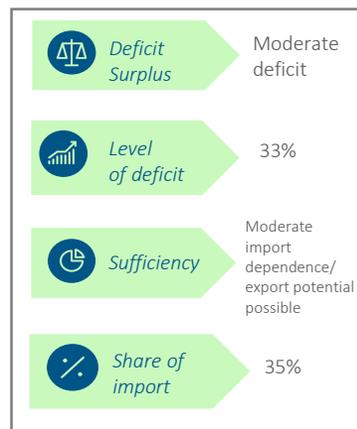
### Resources and use



### Lime



### Processed stone products



- The domestic production satisfies about 86% of the demand for lime. In 2019, the country produced 841 thousand tonnes and consumed 976 thousand tonnes of lime.
- Among the country regions, large manufacturers of these products in 2019 were Karaganda Oblast (425 thousand tonnes), Aktobe Oblast (176 thousand tonnes) and Pavlodar Oblast (79 thousand tonnes).
- Over the past five years, Kazakhstan has reduced exports by 65% to the level of 6 thousand tonnes from 18 thousand tonnes in 2014. The structure of exports of these products consists of two countries - Kyrgyzstan (3.5 thousand tonnes) and the Russia (2.6 thousand tonnes).
- In 2014-2019, import of cement also decreased by 30% to 140 thousand tonnes. In 2019, imports were distributed between Russia (46%), Uzbekistan (45%) and the Netherlands (8%).
- In general, lime production has a **good export potential**, however, in recent years, the export volume has been gradually decreasing due to a decrease in domestic production, while imports grow.
- Over 2014-2019, Kazakhstan's production of building stones was increasing with a CAGR of 37%. The highest growth rate was observed in 2017, when the production volume reached 85 thousand tonnes. In 2019, the production reached 241 thousand tonnes. At the same time, the share of domestic production in domestic consumption increased from 25% in 2014 to 67% in 2019.
- The local consumption of this material for the entire period has demonstrated growth with a CAGR of 11%, despite the decline in demand in 2015-2016.
- In 2019, the share of import in consumption was 35%. At the same time, imports decreased by 24% over 2014-2019, from 166 thousand tonnes in 2014 to 126 thousand tonnes in 2019.
- Lime exports were showing an ambiguous trend of change over the past five years: while the minimum level (3 thousand tonnes) was observed in 2015-2018, the peak at 8 thousand tonnes was reached in 2014 and 2019.
- Based on 2019 results, Kazakhstan is **moderately dependent on imports** of building stones, since about 35% of consumption in the country is satisfied by imports.

Source: Kazakhstan Statistics Committee

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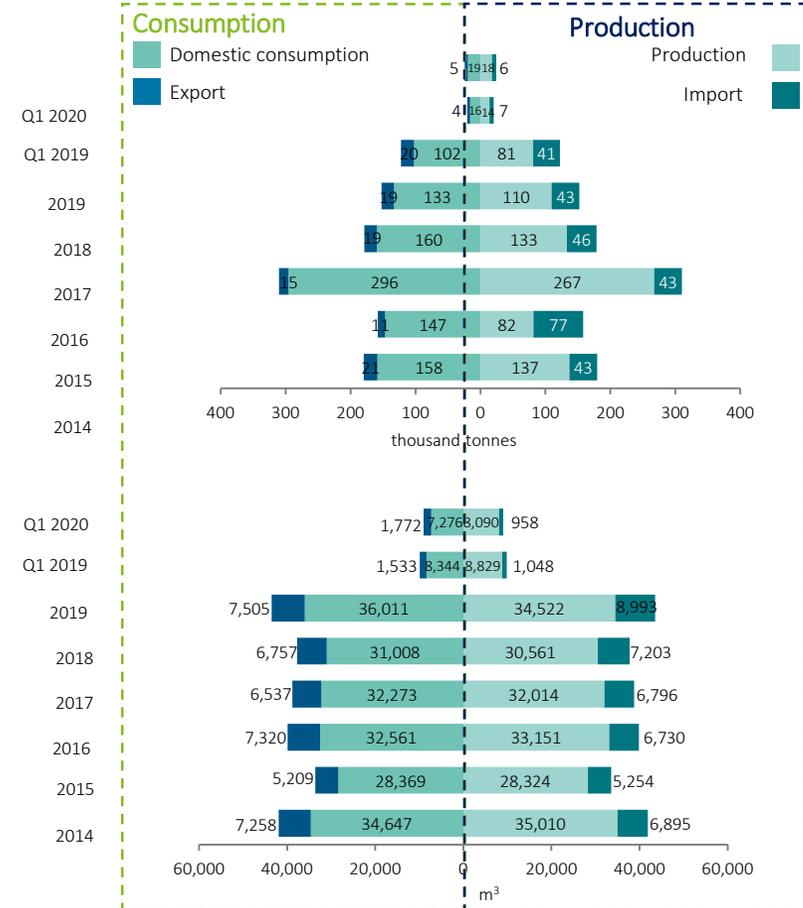
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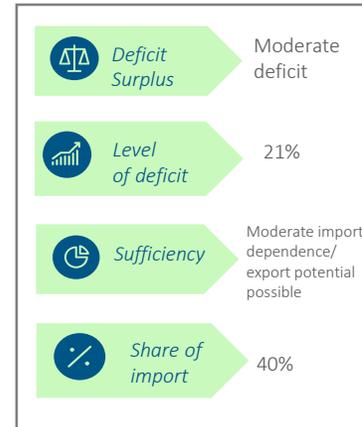
# Gypsum and plasterboard



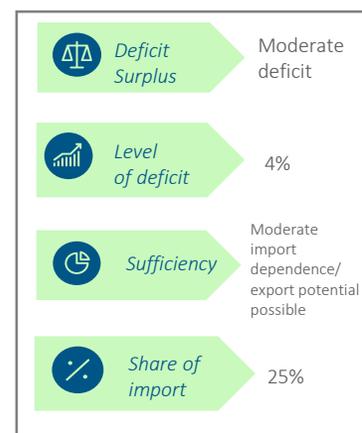
## Resources and use



## Gypsum



## Plasterboard



- About 80% of domestic demand for gypsum is covered by Kazakhstani producers, the rest is imported. At the same time, the domestic production of gypsum decreased by 33% in 2019 compared to 2018. Over the past five years, the domestic consumption decreased by 24% to 102 thousand tonnes in 2019.
- According to the Kazakhstan Statistics Committee, the number of enterprises producing gypsum and its products is decreasing annually. In 2018, there were about 7 companies. The largest are Knauf (factories of Knauf Gips Kapchagai LLP and Isi Gips Inder LLP), KraftGips LLP (an affiliated company of Zhambylgis JSC) and Alina Group of Companies.
- Share of import of gypsum in domestic consumption is 40%. Russia is a major exporter of gypsum to the country with a 90% share in 2019. In turn, Kazakhstan exports gypsum to Kyrgyzstan, over the past five years, about 18 thousand tonnes were supplied annually.
- In general, Kazakhstan has **export potential** for gypsum and plaster products.
- There is a moderate deficit in the production of plasterboard in the country. Production volumes and domestic demand are generally on the same level, with the exception of 2018-2019.
- Import only satisfies 25% of the demand, while the bulk is covered by the local production.
- Production of plasterboard has a **high export potential**, since the deficit is only 4% and the available capacity can successfully meet domestic demand.

Source: Kazakhstan Statistics Committee

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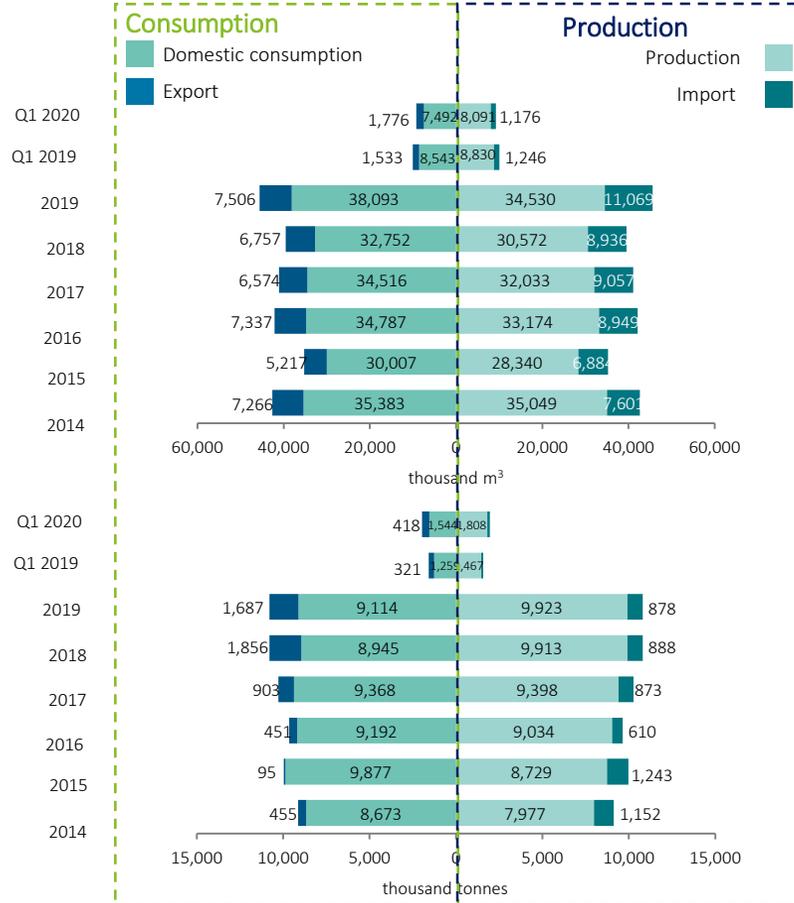
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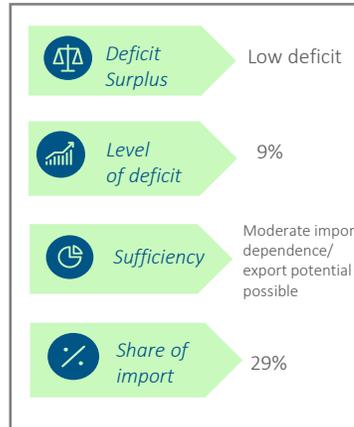
# Plaster products for construction purposes and Portland cement



## Resources and use



## Plaster products



## Portland cement



- Over the past five years, the production of plaster products has not changed a lot maintaining a stable volume at 35 million m<sup>3</sup>. In general, this volume of production satisfies domestic demand, the rest is exported exclusively to Kyrgyzstan. In 2014-2019, exports averaged 7 million m<sup>3</sup> annually. Over the past five years, domestic consumption has increased to 38 million m<sup>3</sup>.
- Import of gypsum over the past five years has been stable at 8 million m<sup>3</sup> per year. Large importers of plaster products in 2019 were Russia and Uzbekistan with an aggregate share of 98%.
- Since the domestic production of plaster products almost completely covers domestic demand, the country has a **high export potential** for gypsum.
- In 2018-2019, there was a surplus in Portland cement: domestic cement production completely satisfied domestic demand. In 2019, the country produced 9.9 million tonnes of cement, with a consumption of 9.1 million tonnes.
- In the context of regions, large producers are East Kazakhstan Oblast (32%), Turkestan Oblast (23%), Karaganda Oblast (19%) and Zhambyl Oblast (14%).
- Production of cement has a **high export potential**. Over the past five years, production has increased by 15%, and exports have grown 4 times and reached 1.7 million tonnes. Kazakhstan exports the largest volume of finished products to Uzbekistan (1,048 thousand tonnes) and Russia (254 thousand tonnes).
- In 2014-2019, cement imports have shrunk to 0.9 million tonnes (by 29%). Share of import in domestic consumption is 10%. Large suppliers are Russia (454 thousand tonnes) and Iran (378 thousand tonnes).

Source: Kazakhstan Statistics Committee

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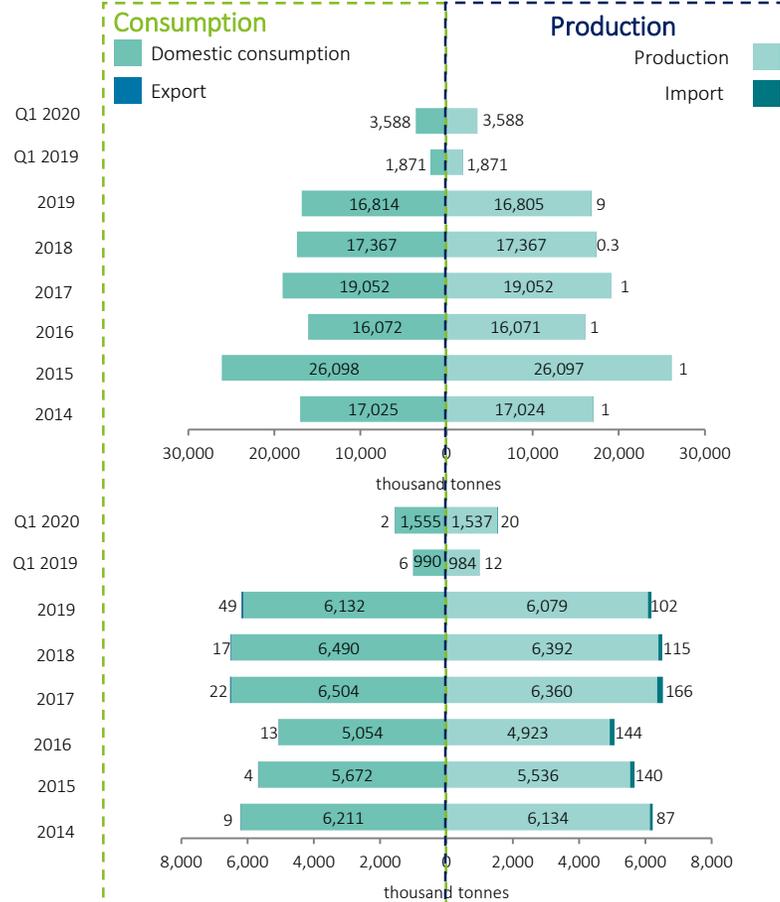
Abbreviations



# Ready-mixed concrete and concrete products for construction purposes



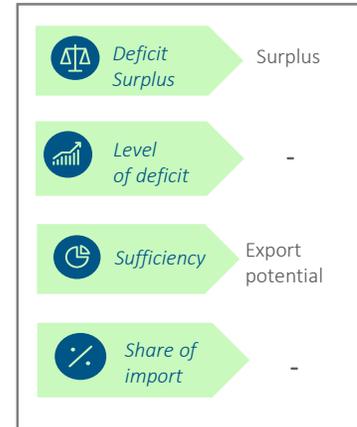
## Resources and use



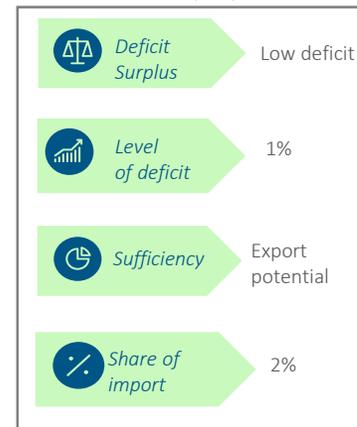
Source: Kazakhstan Statistics Committee

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## Ready-mixed concrete



## Concrete products for construction purposes



- Domestic production of ready-mixed concrete fully covers the domestic demand of the country. In 2019, 16.8 million tonnes of concrete were produced in Kazakhstan, and the same amount was consumed. In general, over the past five years, production and consumption volumes have decreased by 5%.
- The largest volume of cement is produced in East Kazakhstan Oblast, which accounts for 49% of the total production in 2019. A large branch of Almix LLP (production of dry concrete mixtures, part of Alina Group) operates in East Kazakhstan. There are over 100 concrete producers in the country. The largest ones are Standard Cement LLP, ZhBi-S LLP, Maqsat Astana Concrete Plant LLP, PSK Titan LLP, ABK-Beton Plant LLP, Center Beton Company LLP.
- It should be noted that Kazakhstan does not export ready-mixed concrete. Since the domestic production of ready-mixed concrete fully covers domestic demand and there is no import, the country has a **high export potential** as to this product.
- Taking into account the specifics of the product, about 99% of the domestic demand for concrete products is covered by domestic production. In 2019, the country produced 6.0 million tonnes of concrete products with domestic consumption of 6.1 million tonnes.
- Aktobe Oblast is the leader in the production of concrete products with a share of 60%. It is followed by Turkestan Oblast (12%), Almaty Oblast (10%) and Karaganda Oblast (9%).
- In general, the export of concrete products from Kazakhstan has **good potential**, but its current volumes are insignificant. In 2019, the products were delivered to the CIS countries: Uzbekistan - 28 thousand tonnes, Kyrgyzstan - 11 thousand tonnes and Russia - 9 thousand tonnes.

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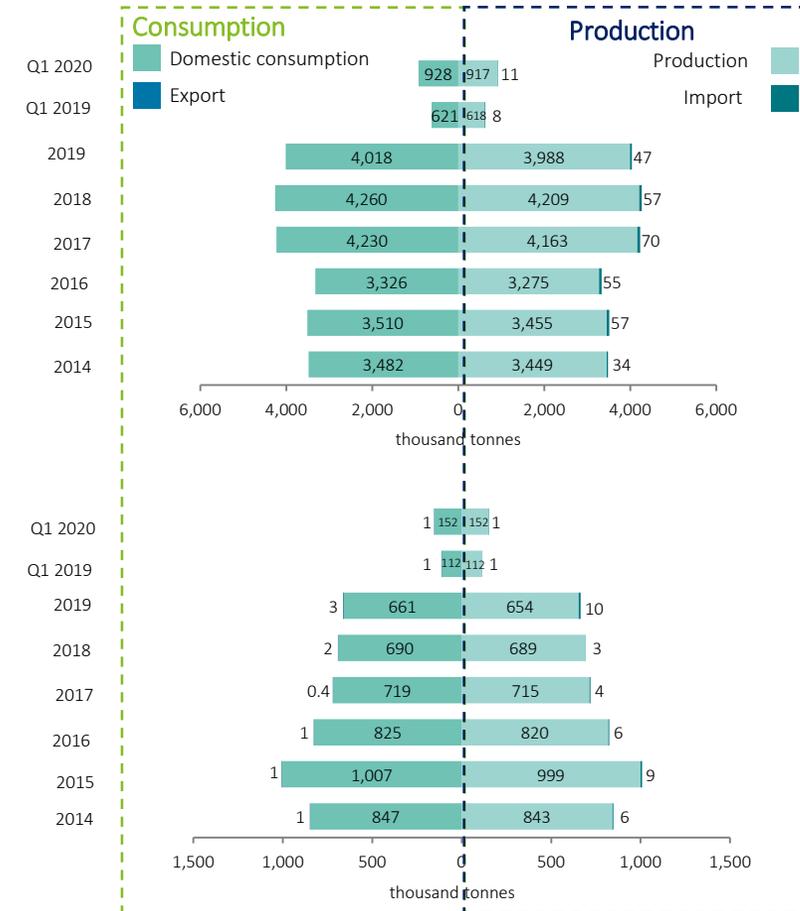
Abbreviations



# Tiles, bricks and similar articles of cement, concrete or stone Mortars

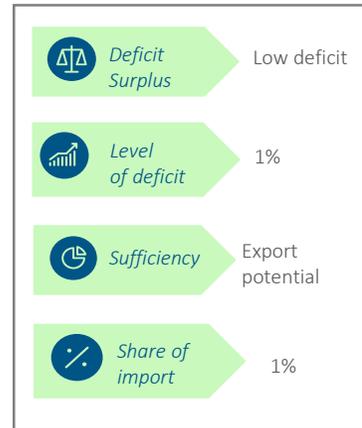


## Resources and use



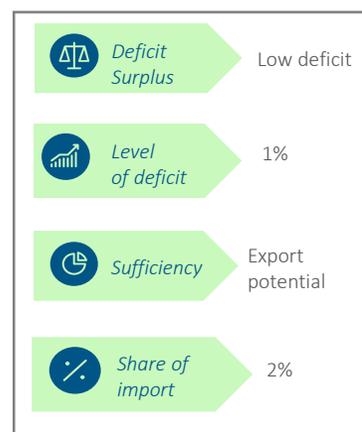
Source: Kazakhstan Statistics Committee

## Cement, concrete or stone articles



- Domestic production of tiles, slabs, bricks and products made of cement, concrete or artificial stone covers 99% of the domestic demand. In 2019, the country produced 3.99 million tonnes of finished products, while the consumption reached 4.0 million tonnes.
- The major manufacturers are located in Aktobe Oblast (23%), East Kazakhstan Oblast (10%), Nur-Sultan (15%) and Karaganda Oblast (7%).
- Production of slabs and bricks made of cement, concrete or stone has a high unrealized **export potential**.
- Imports of these products look insignificant – 47 thousand tonnes in 2019.
- Taking into account the specifics of the product group the domestic production of mortars demonstrates a surplus and meets 99% of demand. However, local producers are limited to the domestic market and export insignificant volumes. In 2019, exports amounted to 3 thousand tonnes.
- The city of Almaty is the leader in the production of mortars, with a share of 43% in the market. It is followed by Nur-Sultan (16%), East Kazakhstan Oblast (15%), Aktobe Oblast (10%) and Almaty Oblast (8%).
- In 2014-2019, import volumes were insignificant, about 10 thousand tonnes in 2019.
- These products have the **potential to be exported** to nearby countries.

## Mortars



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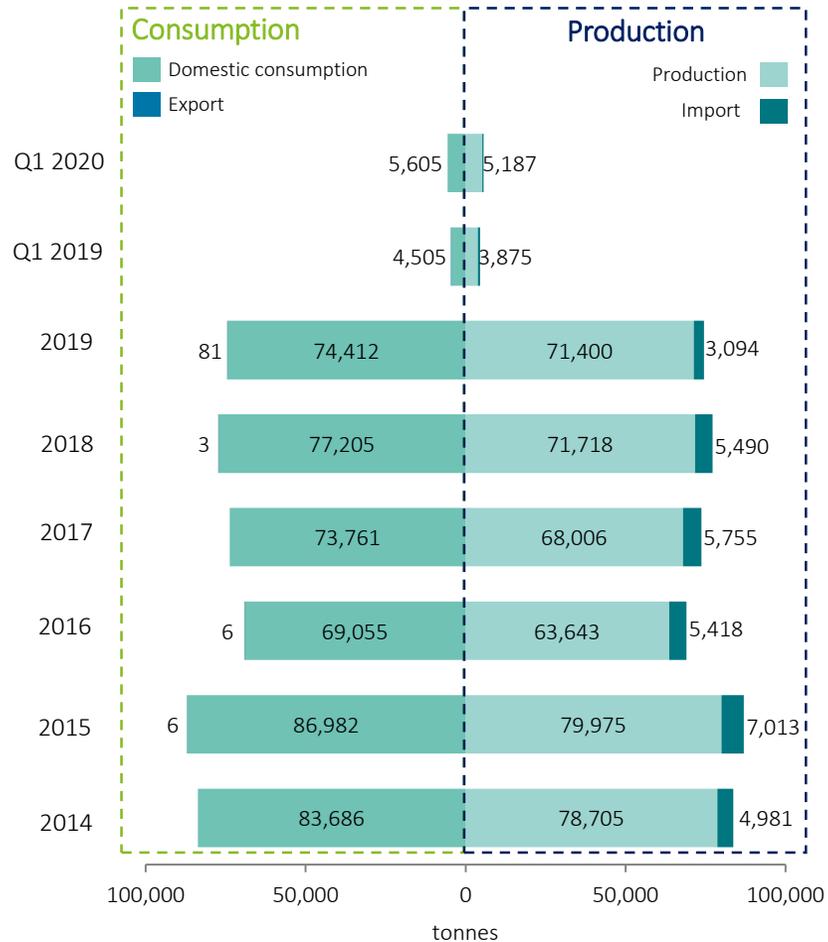
Abbreviations



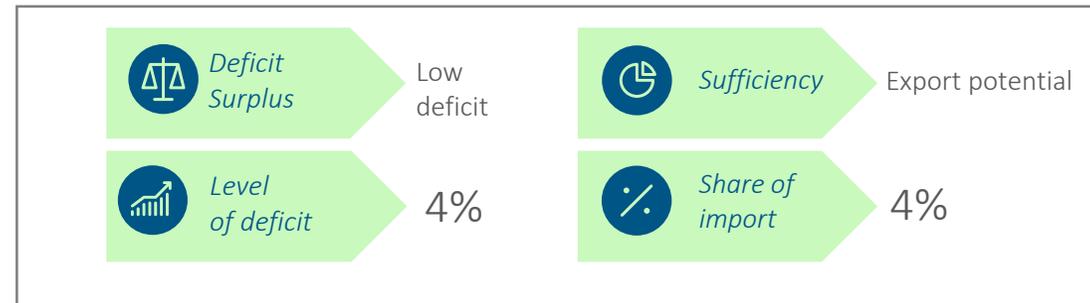
# Mixtures and products from mineral heat-insulating and sound-insulating materials



## Resources and use



## Key indicators



- In 2014-2019, the production of insulating mineral mixtures and articles in Kazakhstan was relatively stable at the level of 72 thousand tonnes per year. Production is concentrated mainly in Almaty Oblast (59%) and Aktobe Oblast (34%).
- In 2019, Kazakhstan was independent of external supplies of insulating mineral mixtures and articles, since the existing Kazakhstan's facilities meet the domestic demand and imports are within 4% of consumption.
- Exports are insignificant (81 tonnes in 2019), and an unrealized export potential exists for this category of building materials.

Source: Kazakhstan Statistics Committee

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# General macroeconomic overview



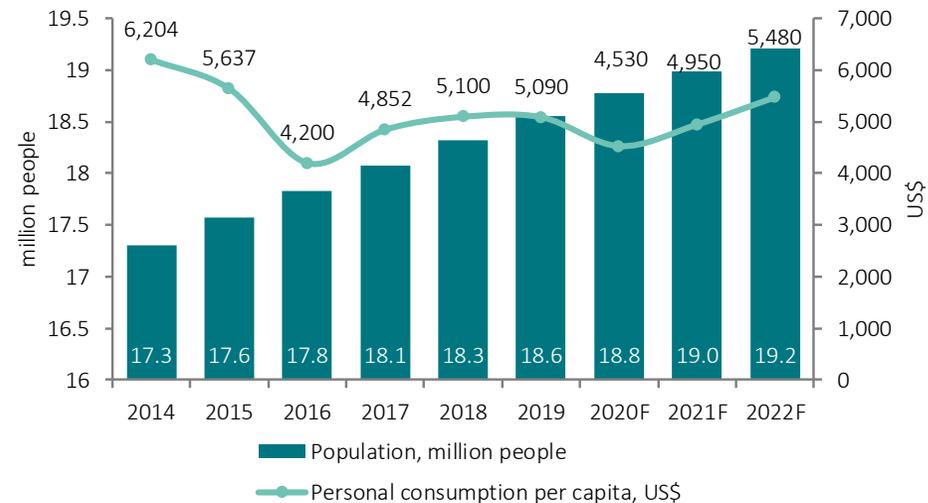
- The real estate sector is dependent on the general condition of the country's economy and the general level of population incomes. Economic growth usually gives a boost to construction activities and infrastructure development.
- Signs of economic recovery have been observed in Kazakhstan since 2016. At the end of 2019, the GDP of Kazakhstan grew by 68% compared to 2016. Macroeconomic forecasts indicate a positive trend in the long term.
- At the same time, lower interest rates on loans stimulate consumption and investment in the country. Over the period from 2016 to 2019, the average loan rate was decreasing on average by 0.2% per year.

- Stable growth in population and average per capita income is driving demand growth in the consumer sectors of the economy, as well as the construction and real estate sectors. On average, the projected annual growth of real incomes of the population is about 1% and the annual population growth is 1.2% .
- According to the EIU, the average monthly wage in Kazakhstan was US\$ 744 in 2019. Average pay will grow at an accelerated rate of 11.7% per year (CAGR in 2020-2024). Growth in the economically active population and further increases in average wages are expected to boost consumption.

Forecast of Kazakhstan's GDP and borrowing rates for 2015-2022



Dynamics and forecast of the population and the real level of consumption



Source: EIU, National Bank of Kazakhstan

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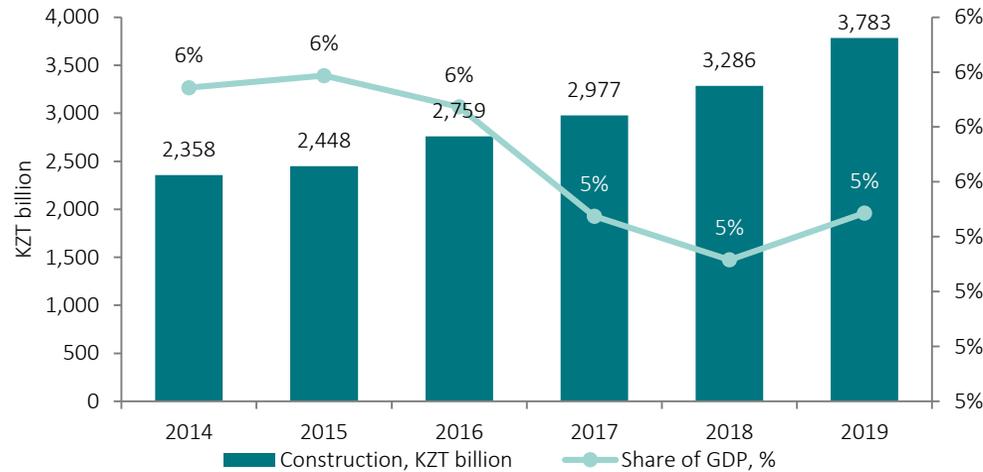
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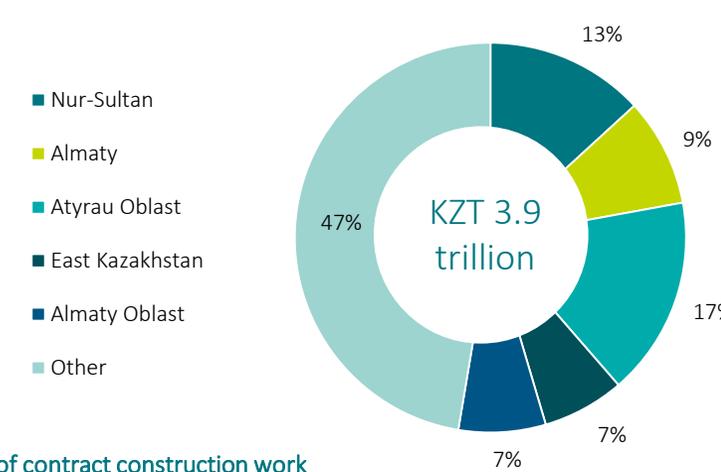
# Construction industry



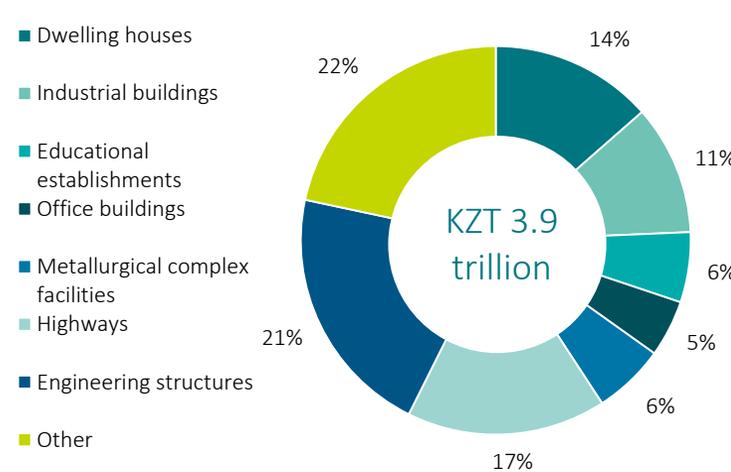
Share of the construction industry in GDP



Completed construction by region



Types of contract construction work



- The past five years saw a positive dynamics of growth in the construction industry, which reached KZT 3.8 trillion by 2019 (doubled indicator of 2014). The share of the construction industry in the structure of GDP is 5-6%. According to the Marketline forecast, the construction industry in Kazakhstan will grow at an average annual rate of 8.4% in 2021-2023.
- The number of construction companies in the country is growing every year. In 2019, their number reached 40 thousand vs 25 thousand in 2000. Speaking of the regions, construction enterprises are mainly concentrated in Nur-Sultan (9.6 thousand units or 24%), Almaty (6.6 thousand units or 16%), Shymkent (2.5 thousand units) and Karaganda Oblast (3 thousand units).
- The cities of Nur-Sultan and Almaty, as well as Atyrau Oblast are leading in terms of the volume of completed construction work. In terms of construction project types, the largest share belongs to the construction of dwelling and industrial buildings, highways and engineering communications (such as water and gas supply).

Source: Kazakhstan Statistics Committee

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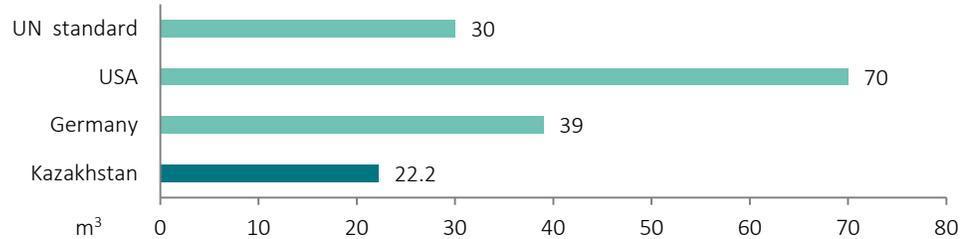
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# Construction industry



## Provision of the population with housing



## Total area of new buildings commissioned, thousand m³

Index	2014	2015	2016	2017	2018	2019	CAGR
Residential houses	7,143	8,594	10,097	10,637	12,122	12,715	12%
Industrial buildings and warehouses	561	803	609	881	956	964	11%
Retail facilities	668	537	648	708	769	578	-3%
Educational buildings	247	220	315	610	185	209	-3%
Offices	245	209	262	372	335	258	1%
Other	2,647	2,312	2,213	2,625	2,320	2,676	0%
<b>Total</b>	<b>11,511</b>	<b>12,675</b>	<b>14,143</b>	<b>15,834</b>	<b>16,688</b>	<b>17,399</b>	<b>9%</b>

## Number of construction projects put into operation

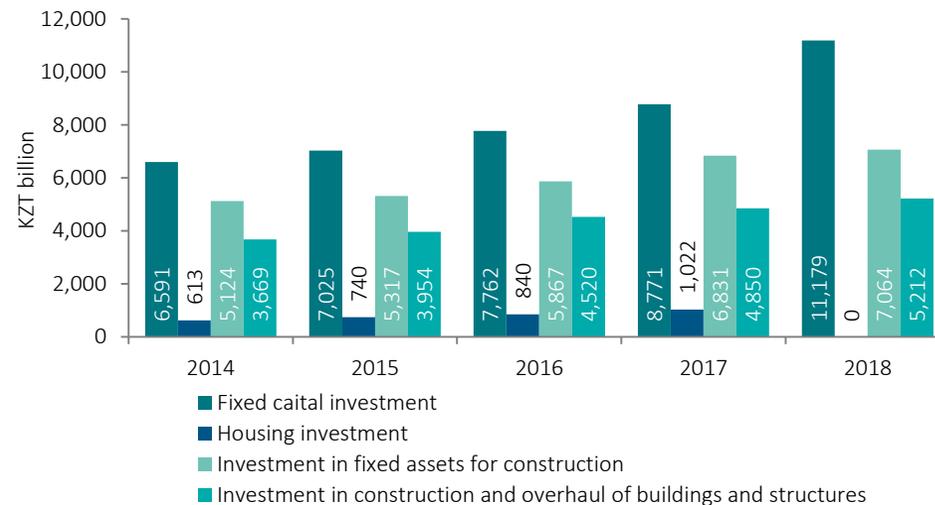
Index	2014	2015	2016	2017	2018
Residential	28,115	34,437	39,283	31,841	38,612
Non-residential	5,096	4,964	4,553	5,678	5,434
Educational institutions	218	235	169	164	193
Healthcare	183	77	74	64	53

Source: Kazakhstan Statistics Committee

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- The increase in demand in the construction industry is driven by population growth. Over the past five years, the population has increased by 7% to 18.4 million people. Despite the upward trend of the number of commissioned projects and the growth of investments in the construction sector, what remains at a low level is the provision of the population with housing, hospital beds (a decrease from 68.3 beds per 10 thousand people in 2013 to 53.5 beds in 2018) and student places (3-shift education arrangements). For instance, the per capita housing provision was 21 m<sup>2</sup> in 2014 and 22 m<sup>2</sup> in 2019. This indicator does not reach the UN-approved standard of 30 m<sup>2</sup>.
- The increase in demand for residential real estate is facilitated by various government programs, such as Nurdy Zher, which involves subsidizing of developers and potential new tenants.

## Fixed capital investments



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# Governmental support for the housing construction industry



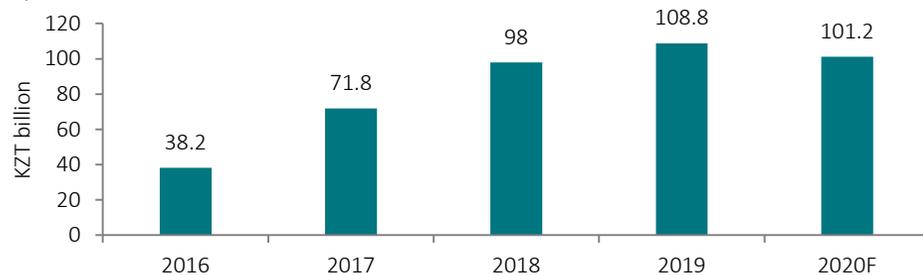
## Nurly Zher State Program

- The government of Kazakhstan approved the Nurly Zher State Program of housing-and-municipal development for 2020-2025 (Decree No. 1054 dated 31 December 2019). Baiterek Development JSC is assigned as its sole financial operator.
- Within the Program framework, the country provides for a number of specific measures aimed at supporting the construction industry.

## Repurchase of securities of local executive bodies

Baiterek Development JSC provides financing for the construction of housing on credit by buying out government securities from local executive bodies, and the akimats are given the opportunity to purchase finished housing from private developers. Local authorities finance the construction and sale of housing on credit at fixed prices for 1 m<sup>3</sup>: up to KZT 180 thousand in Nur-Sultan, Almaty, Shymkent, Atyrau, Aktau, and up to KZT 140 thousand in other regions. Since 2016, bonds of local executive bodies have been redeemed for the value of KZT 316.8 billion.

## Repurchase of securities of local executive bodies



Besides, Baiterek JSC provides support to the construction sector through:

- Direct financing of housing investment projects
- Financing of socially oriented\* investment projects
- Conditional financing of housing investment projects

Source: Baiterek JSC, Damu JSC

## Subsidizing the interest rate on credits to developers

The operator is Damu JSC. Since May 2017 (when the measure was launched) it has subsidized, for the period of up to 3 years, the amounts up to:

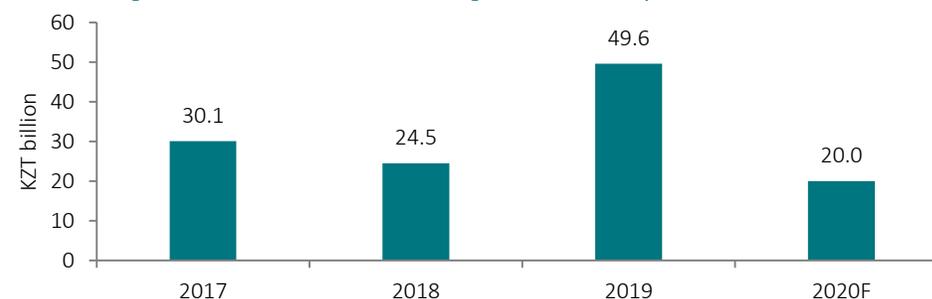
- 7% per annum on loans to private developers
- 14.25% per annum on loans issued by second tier banks

At the same time, when receiving a credit subsidized in the framework of housing construction project, a private developer is obliged to offer at least 50% of the constructed housing to the investors of Housing Construction Savings Bank JSC at fixed selling price for 1 m<sup>2</sup>.

- up to 40 KZT 260 thousand in Nur-Sultan, Almaty and their suburbs
- up to 40 KZT 220 thousand in other regions

To date, Damu JSC has signed contracts for a total amount of KZT 104.28 billion.

## Contracts signed in the framework of subsidizing credits to developers



\* Socially oriented projects include projects related to the construction of educational, social and cultural, healthcare and other urban facilities, recreational facilities, as well as other social infrastructure facilities in cities.

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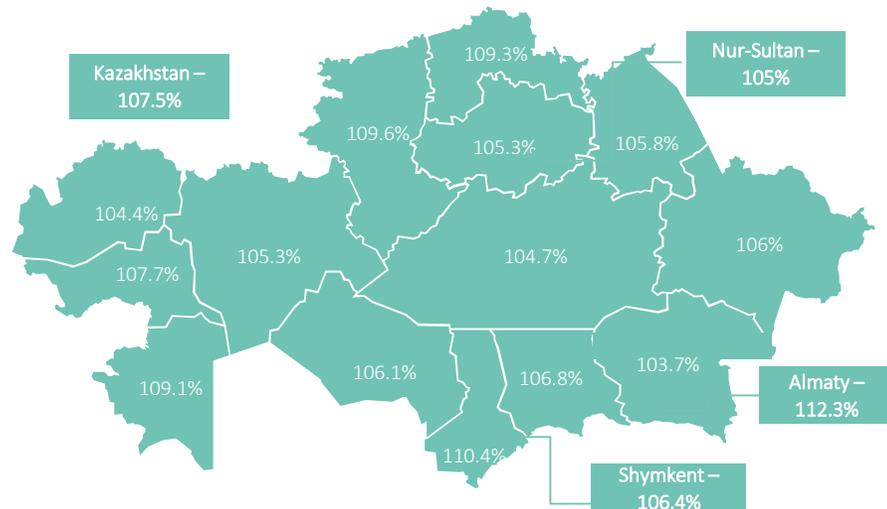
# Price setting in the construction materials market



## Rising prices for construction materials

- In 2019, the production of construction materials increased to KZT 587 billion from KZT 564 billion in 2018. At the same time, there was a decline in the production of ready-mixed concrete, gypsum, mortars, lime, which are the main materials in construction.
- According to the Kazakhstan Statistics Committee and zakon.kz, the reduction in production volumes led to an increase in prices for some materials. The prices of ready-mixed concrete have significantly increased: the price reached KZT 5.7 thousand per tonne in September 2019, with the price index of 109.4% against September 2018. Prices for Portland cement and other cements increased from KZT 21 thousand per tonne in 2018 to KZT 24.4 thousand in 2019. In general, the index of wholesale prices for construction materials was 101.3% (September 2019 to September 2018).

## Price index for construction materials purchased by the population for maintenance, from September 2018 to September 2019



Source: Kazakhstan Statistics Committee, zakon.kz

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## State regulation of pricing in the construction materials market

- Since 2015, the country has introduced an estimate and regulatory framework based on the use of the resource method for determining the estimated cost of construction. This method was introduced, since the country **does not have an up-to-date estimate and regulatory framework** containing norms and prices that allow to determine, with high reliability, the cost of work performed using new materials and technologies by region.
- For the purpose of establishing estimate standards, an official request for a price is sent to suppliers of construction materials or services in a given region. After that, using mathematical formulas, the weighted average value of the price is derived, taking into account the enterprises' volume of sales.
- Despite the obvious advantages of the resource method, this method does not fully take into account the volatility in world economic markets, trends in the construction materials market, the progress in technologies and innovations in the construction industry.
- The creation of a unified register of suppliers of construction materials and services would make it possible to structure the pricing process on the basis of a unified directory of all building materials, manufacturers and suppliers, which would ensure the transparency and reliability of the data.

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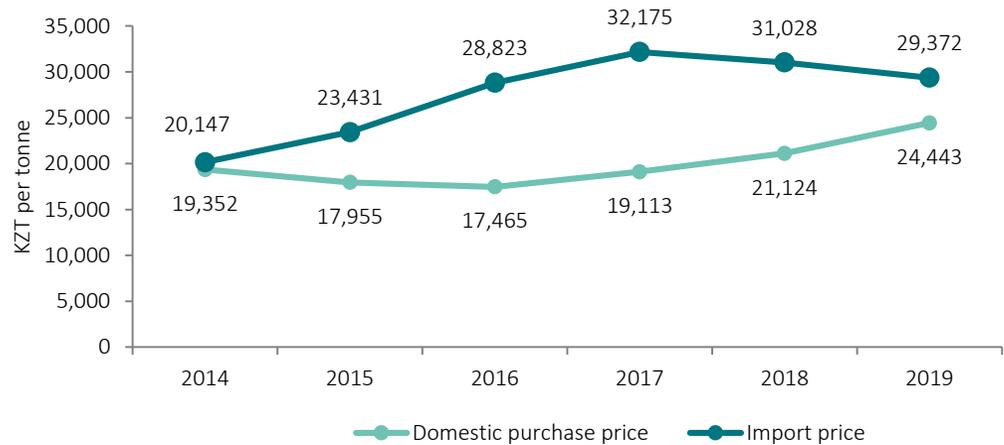
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# Portland cement



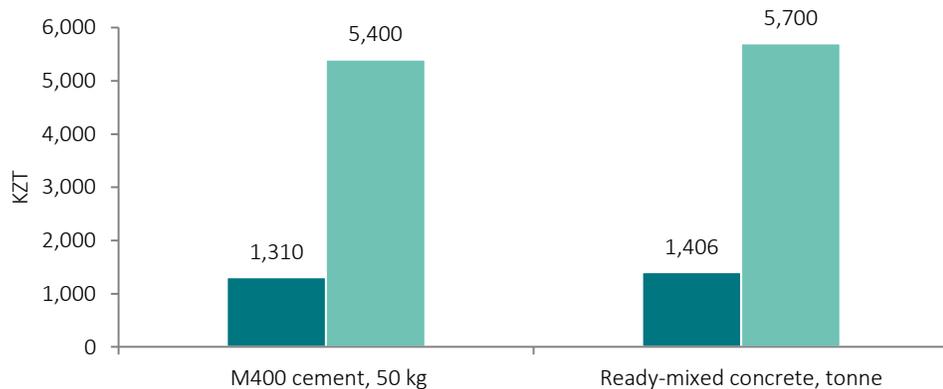
## Price of Portland cement



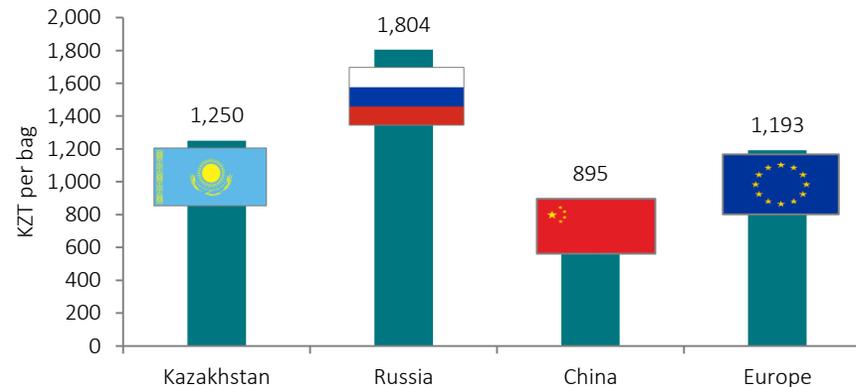
- According to the Kazakhstan Statistics Committee, the price of domestic Portland cement was steadily increasing by 5% annually in the period of 2014-2019 and reached KZT 24,443 per tonne in 2019. The price of imported Portland cement was growing on average by 8% and amounted to KZT 29,372 per tonne in 2019.
- The average retail price for M400 cement increased from KZT 1.3 thousand to KZT 1.4 thousand per 50 kg (Industrial Production Index - 108.3%). Prices for ready-mixed concrete also increased significantly - up to KZT 5.7 thousand per tonne in 2019 (Industrial Production Index - 109.4%).
- Comparative analysis of average prices for Portland cement (prices are presented in KZT per 50-kg bag)\*:
  - Kazakhstan – 1,250
  - Russia – 1,804
  - China – 895
  - Europe – 1,193

\*To compare prices in the markets of the above countries, offers for the sale of these products on public resources were analyzed.

## Prices for M400 cement (KZT per 50-kg bag) and ready-mixed concrete (KZT per tonne)



## Comparative analysis of prices for Portland cement



Source: Kazakhstan Statistics Committee

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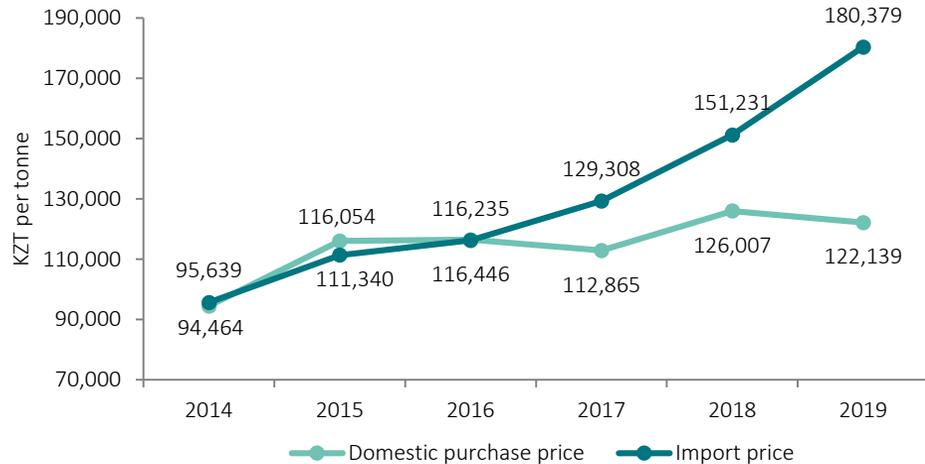
Abbreviations



# Slag wool and mineral wool, mixes



## Slag wool and mineral wool



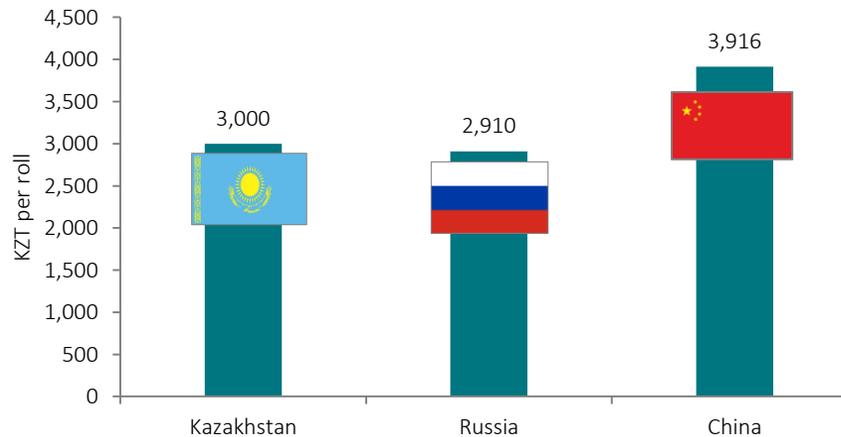
- According to the Kazakhstan Statistics Committee, the dynamics of prices for imported mineral wool was increasing by an average of 15% annually in 2014-2019 and amounted to KZT 180 thousand per tonne in 2019.
- The average annual increase in prices for mineral wool in the domestic market was 6%. It should be noted that the price of imported mineral wool in 2019 was 47.7% higher than that of locally produced mineral wool.
- Average prices for mineral wool (KZT per roll): Kazakhstan - 3,000; Russia - 2,910; China - 3,916.\*
- In 2019, the price index for construction mixes and emulsion paints was 106.5% and 107.9% respectively. The price of one 50-kg bag of dry construction mix was KZT 1,406, and the price of 1 kg of paint was KZT 575.

\* To compare prices in the markets of the above countries, offers for the sale of these products on public resources were analyzed.

## Prices for dry building mixes and water-based paints, KZT per unit



## Comparative analysis of prices for mineral wool



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Source: Kazakhstan Statistics Committee

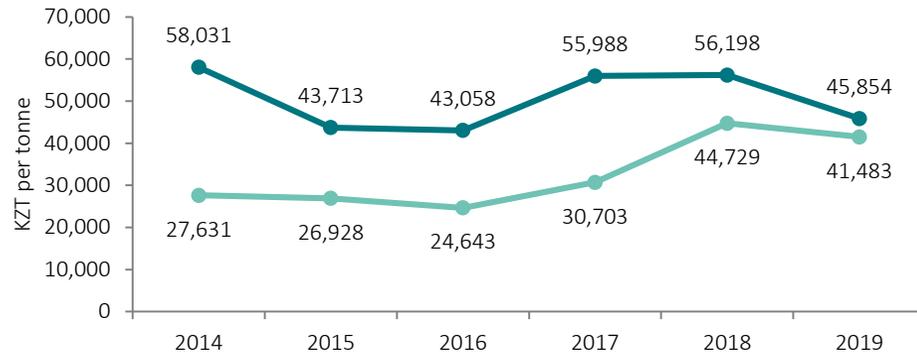
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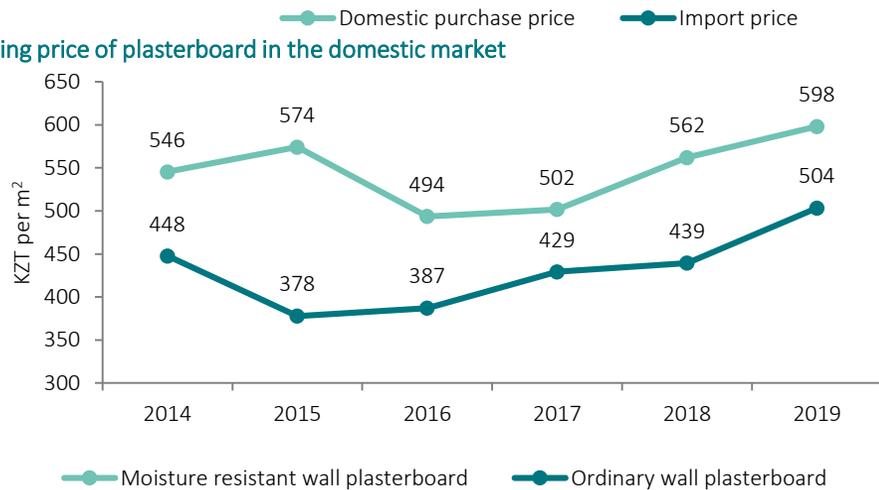
# Gypsum and plasterboard



## Selling price of gypsum on the domestic market



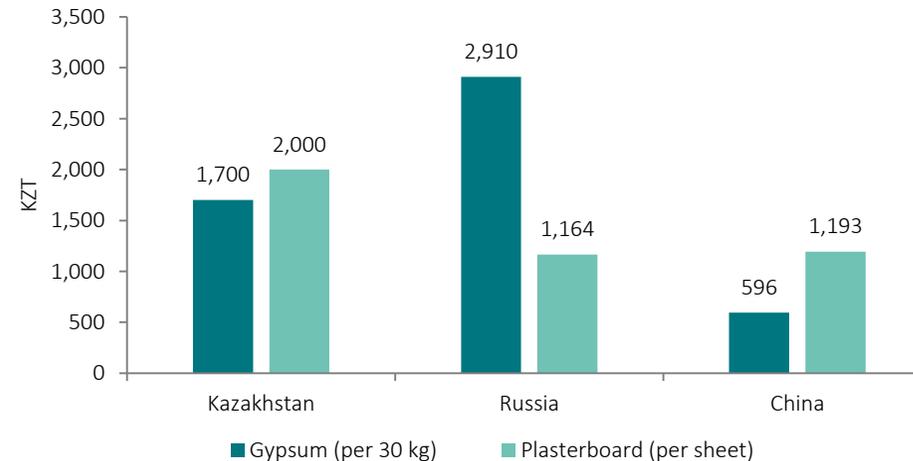
## Selling price of plasterboard in the domestic market



- According to the Kazakhstan Statistics Committee, the dynamics of prices per tonne of imported gypsum in the period from 2014 to 2016 decreased by 26% from KZT 58,031 to KZT 43,058. However, it was growing from 2017 and reached a peak of KZT 56,198 in 2018.
- The price of gypsum in the domestic market is significantly lower than import prices (by 25% on average). In 2014-2019, the local price was growing by an average of 10% annually and reached KZT 41,483 per tonne of products in 2019.
- Provided below are the average prices for gypsum and plasterboard in Kazakhstan and border countries, for comparison\*:
  - Kazakhstan – KZT 1,700 per 30 kg of gypsum; KZT 2,000 per plasterboard sheet;
  - Russia – KZT 2,910 per 30 kg of gypsum; KZT 1,164 per plasterboard sheet;
  - China – KZT 19,878 per 30 kg of gypsum; KZT 1,193 per plasterboard sheet.

\*To compare prices in the markets of the above countries, offers for the sale of these products on public resources were analyzed.

## Comparative analysis of prices for gypsum and plasterboard



Source: Kazakhstan Statistics Committee

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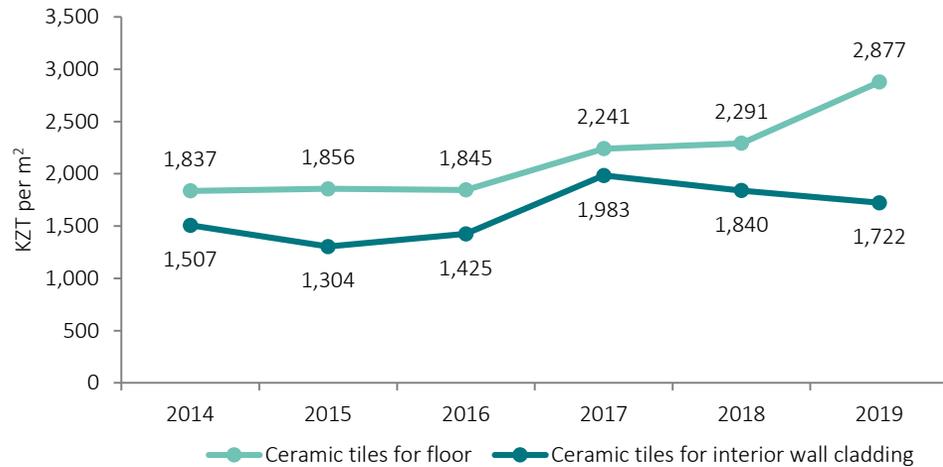
Abbreviations



# Floor tiles, wall tiles



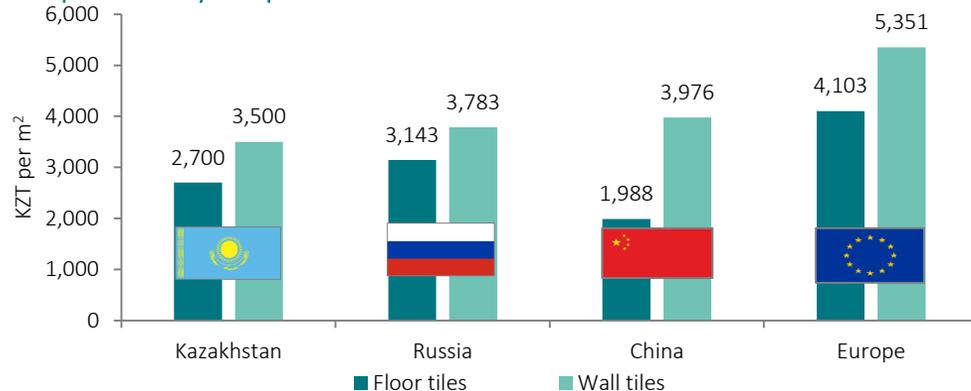
## Dynamics of price of tiles



- According to the Kazakhstan Statistics Committee, in the period from 2014 to 2019, the price of ceramic floor tiles was annually growing by an average of 10% and amounted to KZT 2,877/m<sup>2</sup> in 2019. The same dynamics was observed as to ceramic tiles for interior wall cladding - the price for this type of product was increasing on average by 4% annually and was as much as KZT 1,736/m<sup>2</sup> in 2019.
- Provided below are the average prices of ceramic tiles for flooring and interior wall cladding (per 1 m<sup>2</sup>) by country, for comparison\*:
  - Kazakhstan (floor tiles, wall tiles) – KZT 2,700; KZT 3,500
  - Russia (floor tiles, wall tiles) – KZT 3,143, KZT 3,783
  - China (floor tiles, wall tiles) – KZT 1,988, KZT 3,976
  - Europe (floor tiles, wall tiles) – KZT 4,103, KZT 5,351

\*To compare prices in the markets of the above countries, offers for the sale of these products on public resources were analyzed..

## Comparative analysis of prices for floor and wall tiles



Source: Kazakhstan Statistics Committee

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# Bricks



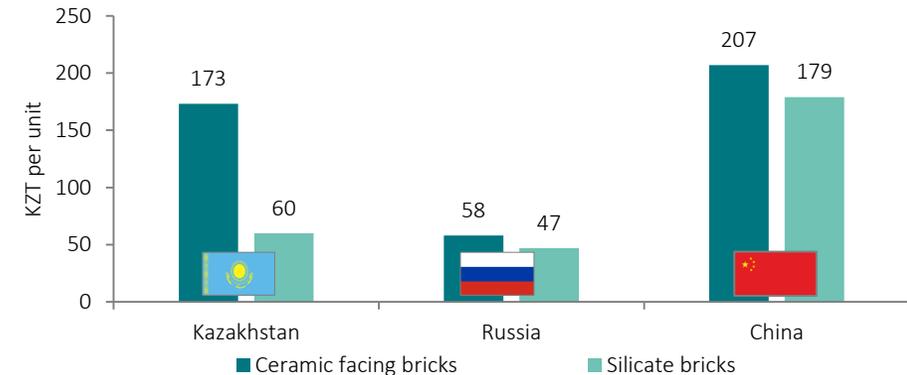
## Dynamics of prices for facing bricks and silicate bricks



- According to the Kazakhstan Statistics Committee, in the period from 2014 to 2017, the price of facing ceramic bricks decreased by 35% from KZT 28,597/m<sup>3</sup> to KZT 18,887/m<sup>3</sup>. However, in 2018 it increased by 73% to KZT 32,632. In mid-2020, the price decreased to KZT 28 617.
- The price of silicate bricks remained almost unchanged in 2014-2020.
- The average prices per unit of ceramic facing bricks and silicate bricks for comparison are as follows\*:
  - Kazakhstan – KZT 173 ; KZT 60
  - Russia – KZT 58; KZT 47
  - China – KZT 207, KZT 179

\*To compare prices in the markets of the above countries, offers for the sale of these products on public resources were analyzed..

## Comparative analysis of brick prices



Source: Kazakhstan Statistics Committee

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# 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 **non-metallic mineral products** is included in the list of priority investment projects (*see the next page*).

## Investment preferences in Kazakhstan

	Investment project	Priority investment project	Special investment project
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		✓	✓

Source: Entrepreneur Code of Kazakhstan

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# List of priority activities for investment projects (including priority investment projects), special investment projects

## Production of other non-metallic mineral products

Group	Class
Glass and glassware production	Production of sheet glass
	Forming and processing of sheet glass
	Production of hollow glass products
	Production of fiberglass
	Production and processing of other glass products
Production of refractory articles	Production of refractory articles
Production of building materials from clay	Production of ceramic coatings and slabs
	Production of bricks, tiles and other building products from baked clay
Production of other porcelain and ceramic products	Production of ceramic household and decorative products
	Production of ceramic hygienic sanitary equipment
	Production of ceramic electrical insulators and insulating fittings
	Manufacture of other technical ceramic articles
	Manufacture of other ceramic articles
Production of cement, lime and stucco	Production of cement including clinkers
	Production of lime and stucco
Production of concrete, cement and gypsum products for construction purposes	Production of concrete construction products
	Manufacture of plaster products for construction purposes
	Production of ready-mixed concrete
	Production of dry concrete mixes
	Manufacture of articles from asbestos cement and fiber cement
Cutting, processing and finishing of stone	Production of other products from concrete, stucco and cement
	Cutting, processing and finishing of stone
Production of abrasive products and other non-metallic mineral products	Production of abrasive articles
	Production of other non-metallic mineral products not included in other groups

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# 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 Damu JSC. According to the Ministry of National Economy, since the start of the Program as at 9 September 2019, 209 projects have been approved for the amount of KZT 139.6 billion. Out of 209 approved projects, 154 received loans for expansion and modernization, and 55 are startups.
- 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

Participants	private business entities (small, medium and large business)
Loan interest rate	15% per annum
Subsidy size	up to 9% of the nominal interest rate
Purpose of projects	investments and replenishment of working capital; replenishment of working capital is allowed on a renewable basis
Maximum amount for one borrower	unlimited
Subsidy period	for investments - 10 years, without further prolongation of the subsidy period to replenish working capital - 3 years, without further prolongation of the subsidy period
Loan refinancing	not provided
Active loans	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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# 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.

## 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>

## Project financing and lease financing within the Program framework

- 1) Lending through financial institutions will continue with interbank lending schemes through Development Bank of Kazakhstan JSC and Damu JSC Entrepreneurship Development Fund.
- 2) 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.
- 3) Long-term lease financing for equipment renewal is provided by DBK-Leasing JSC to entities involved in industrial and innovative activities implementing and (or) planning to implement their own projects in priority sectors of the economy.
- 4) 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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# 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 4 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
  - Reducing currency risks of entrepreneurs
  - 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
Subsidy size	Base rate of the National Bank + 5%, of which 6% is paid by the entrepreneur, and the difference is subsidized by the state
Purpose of projects	Purchase of fixed assets; Replenishment of working capital; Refinancing; Purchasing a franchise
Maximum amount for one borrower	KZT 7 billion
Subsidy period	5 years, replenishment of working capital – 3 years

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

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Construction materials market – industry teaser

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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 construction materials is included in the list of priority activities of the following SEZ:
  - Astana – New City
  - Aktau Sea Port
  - Saryarka
  - Khorgos - East Gate
  - Pavlodar
  - Taraz Chemical Park
  - Astana-Technopolis
  - TURKISTAN
- 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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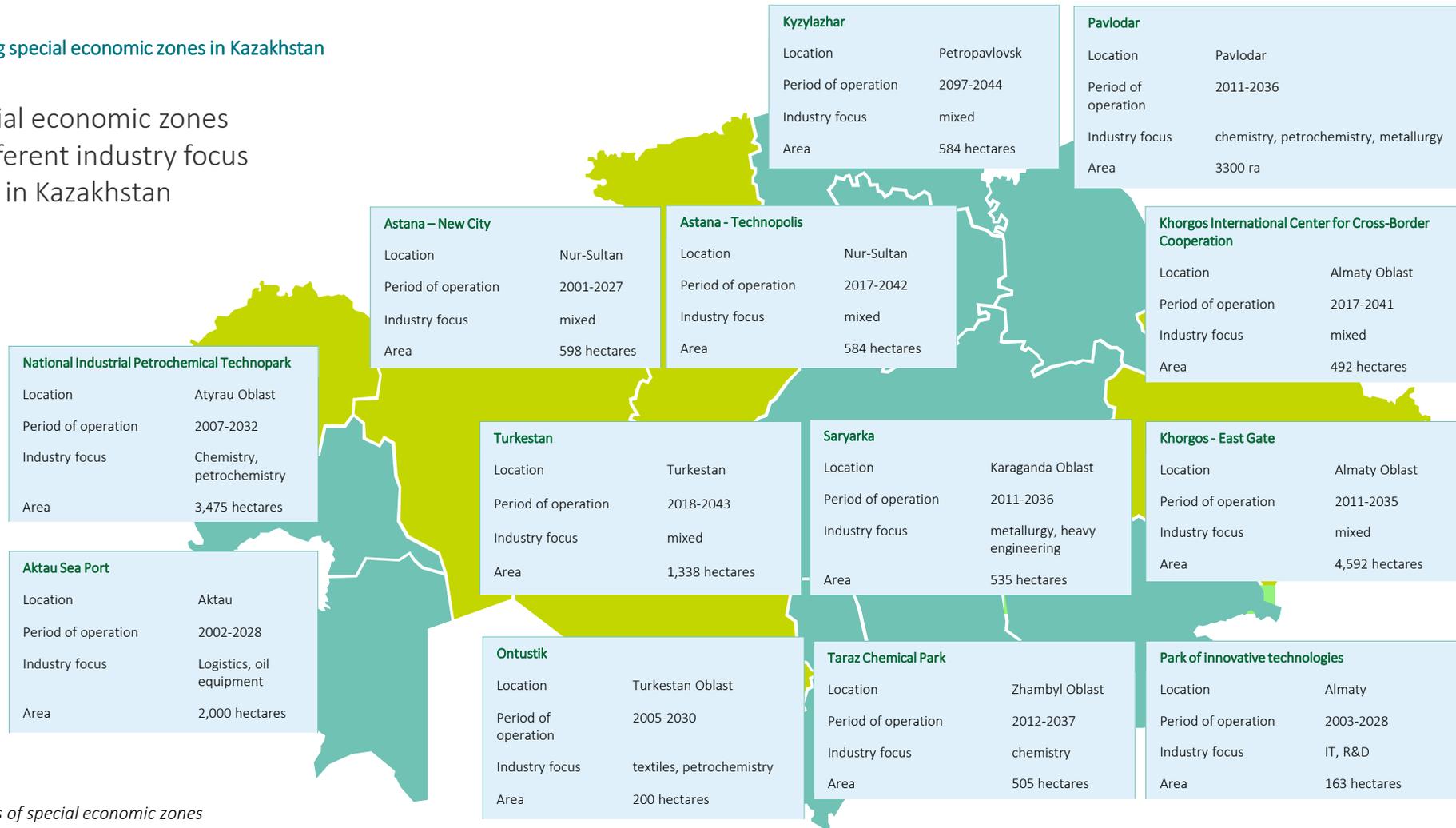


# Special economic zones



## 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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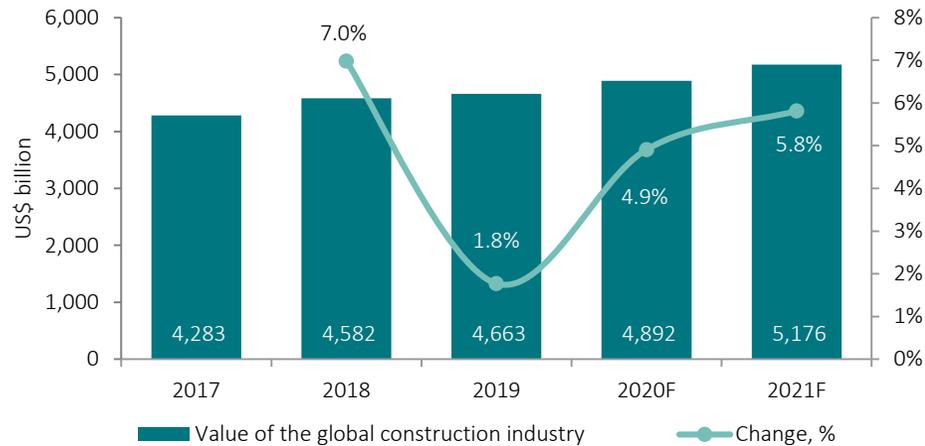
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# Construction materials market volume

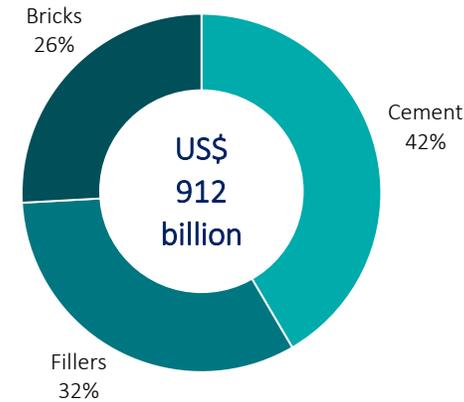


Dynamics of the value of the global construction industry, US\$ billion



- According to Fitch Solutions forecasts, the market size of the global construction industry in 2019 amounted to US\$ 4,663 billion, which is 1.8% more than in 2018. This indicator is expected to reach US\$ 5,176 billion in 2021, of which 52.6% or US\$ 2,725 billion will go to emerging economies.
- Based on Marketline data, about 32.3% of the value of the global construction industry in 2018 was in the Asia-Pacific region, 31.4% in the USA and 30.3% in Europe.
- Growth in construction projects worldwide will lead to an increased demand for construction materials.

Market value structure by types of building materials



- According to MarketLine research, the construction materials market is divided into three main segments: cement, fillers and bricks. The cement segment includes hydraulic cement (such as Portland cement) but excludes hard concrete. Fillers include sand, gravel, crushed stone and stones used in construction, but exclude industrial sand (used to make glass, etc.). The brick segment includes building blocks and pipes made of fired clay or concrete.
- The cement segment accounted for 42% of the market volume in 2017 or US\$ 379 billion, fillers - 32% or US\$ 297 billion, and bricks - 26% or US\$ 236 billion.
- It is worth saying that the countries of the Asia-Pacific region accounted for about 80% of the value of the global construction materials market in 2017, which was facilitated by demand from the industry of China and other Asian developing countries, as well as rapidly growing urbanization. Meantime, Europe only accounted for 7.3% and the USA for 5.1%.

Source: Fitch Solutions, Global Construction Materials report by MarketLine

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# World export of construction materials



Export of construction materials in 2019 by country, US\$ billion

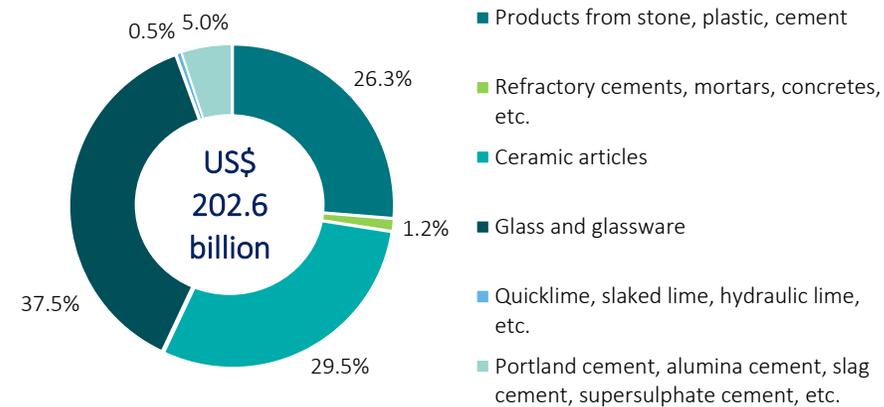


- Exports of construction materials\* amounted to US\$ 202.2 billion in 2019.
- As shown on the graph above, China is the leader in exports, it accounts for 27.4% of world exports or US\$ 55.6 billion.
- Also, the top three countries-exporters of construction materials included Germany and the USA, with exports for the value of US\$ 17.1 billion (8.4%) and US\$ 12.1 billion (6%) respectively.

\*Product groups were taken as a basis with the following codes of Import and Export Commodity Classification:  
 68 - Products made of stone, plastic, cement  
 69 - Ceramic products  
 70 - Glass and glassware  
 2522 - Quicklime, slaked and hydraulic lime, etc.  
 2523 - Portland cement, alumina cement, slag cement, supersulfate cement, etc.  
 3816 - Refractory cements, mortars, concretes and similar compositions

Source: Trademap.org

Structure of export by type of construction materials in 2019, %



- Glass and glassware constitute the major part of the exported construction materials, worth US\$ 75.9 billion or 37.5% of total exports.
- Products made of stone, plastic and cement accounted for 26.3% of total exports (US\$ 53 billion) and ceramic products - 29.5% (US\$ 59.8 billion).
- Goods of category 2522 (quicklime, slaked lime, hydraulic lime, etc.) were exported for the value of about US\$ 1 billion, or 0.5% of total exports.
- Goods of category 2523 (Portland cement, alumina cement, slag cement, supersulfate cement, etc.) were exported for the value of US\$ 10.2 billion or 5%; category 3816 products (refractory cements, mortars, concretes and similar compositions) – for the value of US\$ 2.4 billion or about 1.2% of total exports.

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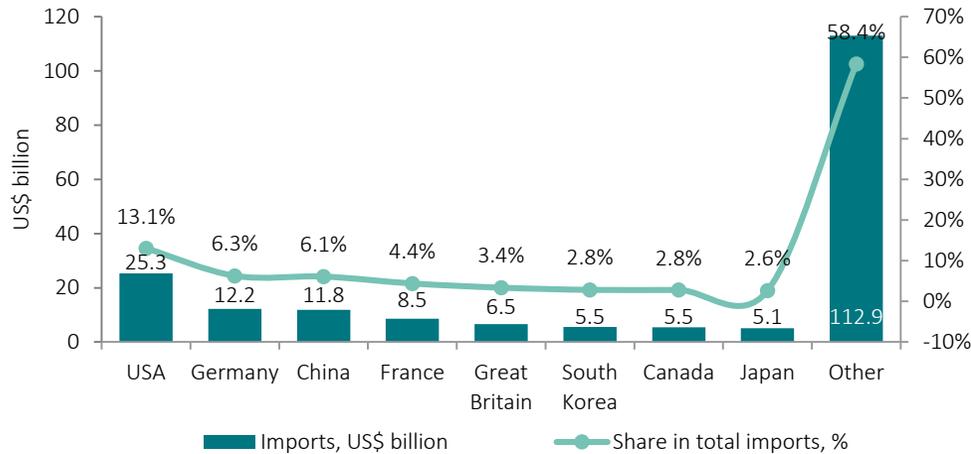
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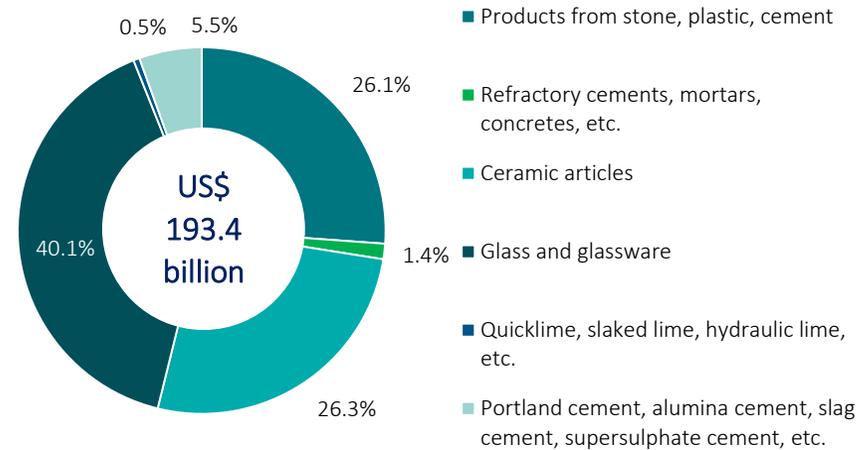
# World import of construction materials



Import of construction materials in 2019 by country, US\$ billion



Structure of import by type of construction materials in 2019, %



- Imports of construction materials\* amounted to US\$ 193.4 billion in 2019.
- As shown on the graph above, the USA is a leading importer of construction materials, it accounts for 13.1% of total world imports or US\$ 25.3 billion.
- Also, the top three countries-importers of construction materials included Germany and China, with imports for the value of US\$ 12.2 billion (6.3%) and US\$ 11.8 billion (6.1%) respectively.

\*Product groups were taken as a basis with the following codes of Import and Export Commodity Classification:  
 68 - Products made of stone, plastic, cement  
 69 - Ceramic products  
 70 - Glass and glassware  
 2522 - Quicklime, slaked and hydraulic lime, etc.  
 2523 - Portland cement, alumina cement, slag cement, supersulfate cement, etc.  
 3816 - Refractory cements, mortars, concretes and similar compositions

- Glass and glassware constitute the major part of the imports of construction materials, worth US\$ 77.5 billion or 40.1% of total imports.
- Products made of stone, plastic and cement accounted for 26.1% of total imports (US\$ 50.6 billion) and ceramic products - 26.3% (US\$ 51 billion).
- Goods of category 2522 (quicklime, slaked lime, hydraulic lime, etc.) were imported for the value of about US\$ 1 billion, or 0.5% of total imports.
- Goods of category 2523 (Portland cement, alumina cement, slag cement, supersulfate cement, etc.) were imported for the value of US\$ 10.6 billion or 5.5%; category 3816 products (refractory cements, mortars, concretes and similar compositions) – for the value of US\$ 2.6 billion or about 1.4% of total imports.

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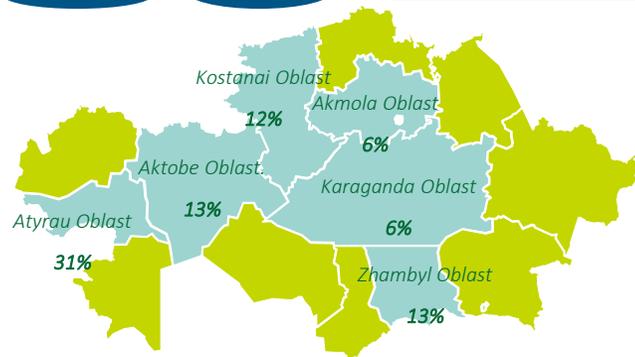
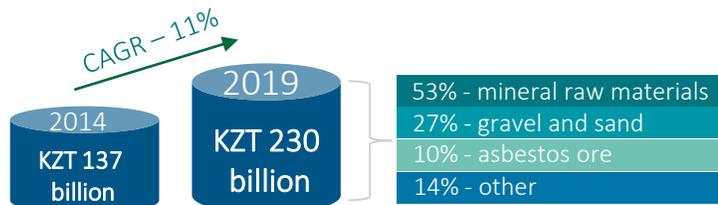
# Competitive advantages of the construction industry



## 01 Availability of a raw material base

- More than 20 types of mineral raw materials are used in the production of construction materials.
- Over the past five years, the average annual growth of production of other minerals amounted to 11% and the production volume in monetary terms reached KZT 230 billion in 2019.
- In physical terms, over the period of 2014-2019, almost all segments of mineral production showed a growth or a stable level:
  - Clays and kaolin – 3.6 million tonnes (2014) --> 7.9 million tonnes (2019)
  - Natural sands – 11.9 million m<sup>3</sup> (2014) --> 11.8 million m<sup>3</sup> (2019)
  - Marble and stone – 4.4 million m<sup>3</sup> (2014) --> 5.4 million m<sup>3</sup> (2019)
  - Chalk and dolomite – 1.2 million tonnes (2014) --> 1.7 million tonnes (2019)
  - Granite and sandstone – 6.5 million m<sup>3</sup> (2014) --> 8.0 million m<sup>3</sup> (2019)

- Kazakhstan possesses rich reserves of raw materials to be used in construction materials industry. Over 400 deposits of nonmetallic materials have been identified in Kazakhstan:
  - 13 chalk deposits with reserves of 136 million tonnes for the production of cement and lime
  - 90 clay deposits with reserves of 1.3 million m<sup>3</sup> for the production of refractory bricks (they are imported in the country)
  - Glass sands and limestones with reserves of 40 million tonnes and 15 million tonnes, respectively, for the production of glass (Kazakhstan is 100% dependent on the import of these products)
  - Deposits of carbonate and siliceous raw materials with reserves of about 3 billion tonnes for the production of cement and lime
- However, these deposits are not fully exploited.
- Kazakhstan is dependent on imports of some types of construction materials (glass, refractory products, roofing and facing products, etc.). Besides, exports of construction materials from Kazakhstan are insignificant. In 2019, the share of exports of construction materials (KZT 58 billion) amounted to 10% of the volume produced (KZT 587 billion) in the country.



**80%** of raw materials for the construction industry are mined in 6 regions of the country

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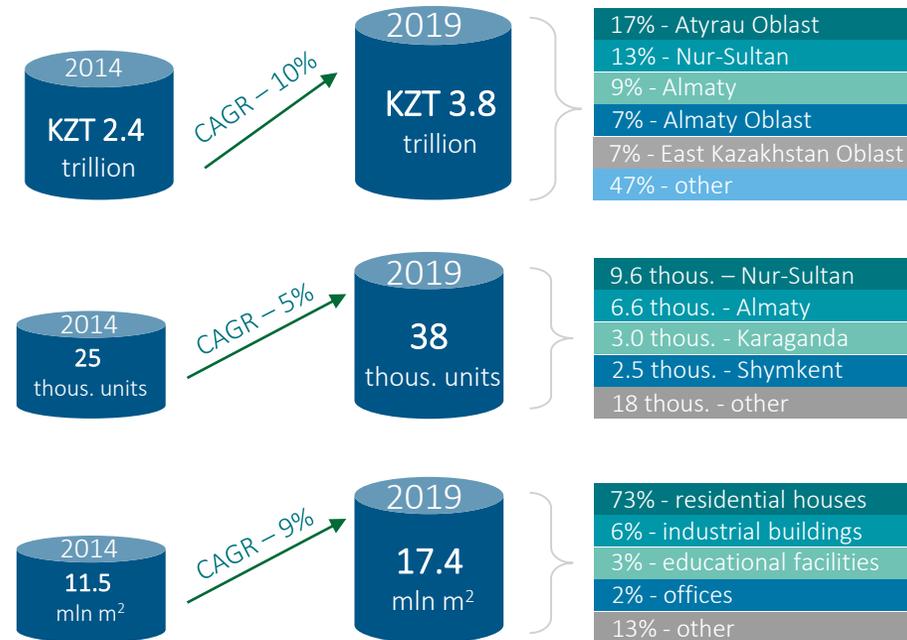


# Competitive advantages of the construction industry



## 02 Growth in construction industry

- In 2014-2019, the average annual growth rate of the construction industry in Kazakhstan amounted to 10% and the sector reached KZT 3.8 trillion in 2019. According to the Marketline forecast, CAGR for the construction industry in Kazakhstan will be 8.4% in 2021-2023.
- Over the past five years, the number of construction companies has increased by 52% from 25 thousand in 2014 up to 38 thousand units in 2019.
- The total area of commissioned new buildings in 2014-2019 increased by 51% and amounted to 17.4 million m<sup>2</sup> in 2019. The share of residential buildings is over 70%.



### Drivers of the construction industry growth

#### Population growth



#### Nurly-Zher State Program

- financing the construction of credit housing
- increasing the availability of mortgage lending
- promotion of construction by private developers
- support for shared-equity construction

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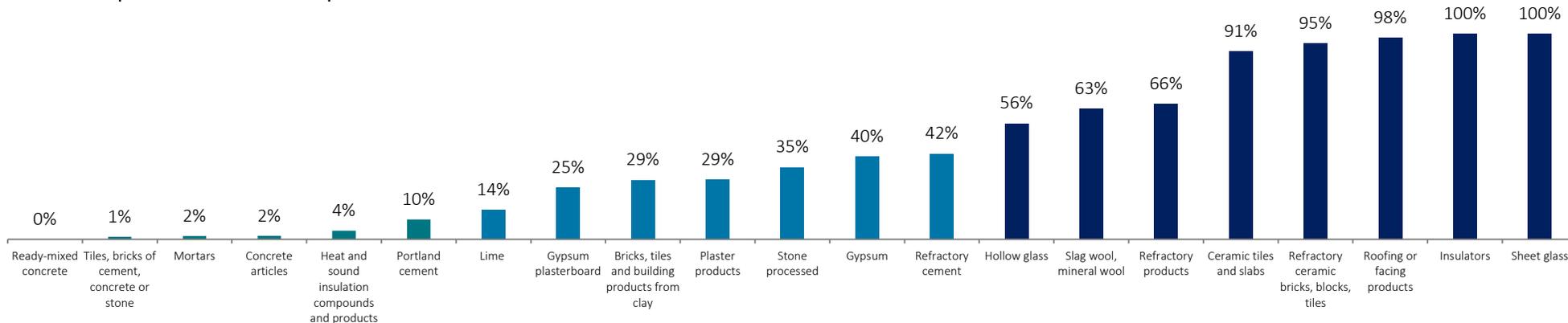


# Competitive advantages of the construction industry



## 03 Import substitution and export potential

Share of import in domestic consumption



### Export potential

Production of ready-mixed concrete, cement and mortars fully satisfies domestic consumption.

### Moderate import dependence /export potential exists

Domestic production of gypsum, clay bricks, refractory products, etc. is able to cover 60 -85% of the domestic demand.

### Import dependence

At present, the country remains dependent on imports of some types of construction materials. Thus, Kazakhstan imports sheet glass, ceramic tiles and slabs, mineral and silicate wool, roofing and facing products.

In 2019, imports of construction materials exceeded exports by 5.4 times:

- Import – US\$ 810 million
- Export – US\$ 150 million

The main suppliers of non-metallic construction materials to Kazakhstan are Russia (51%) and China (23%).

- Kazakhstan has the necessary resources of raw materials for further increase in production volumes for export purposes.
- Today, about 10% of the construction materials produced in the country are exported. Despite small volumes, exports in 2015-2019. increased 5 times and reached US\$ 150 million.
- Large consumers of construction materials of local production are Uzbekistan (41%), Russia (29%) and Kyrgyzstan (17%).

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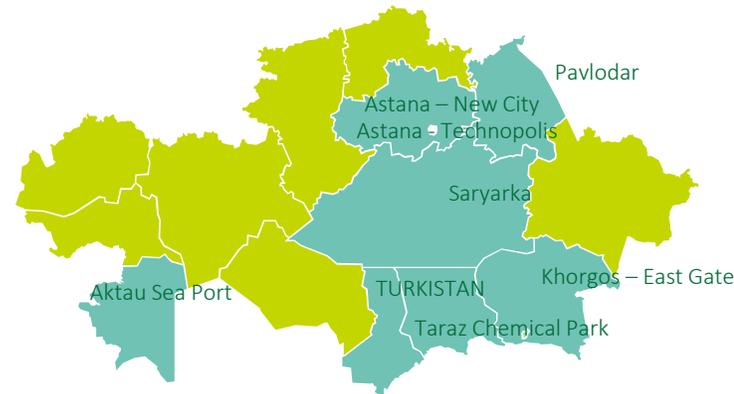
## 04 Governmental support



### Types of government support:

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

Production of construction materials is included in the list of priority activities of the following special economic zones:



### Types of government support to SEZ participants:

- Exemption from payment:
  - CIT, VAT, customs duties, land tax, property tax
- Land plot with ready-made infrastructure
- Simplified scheme of foreign labour employment

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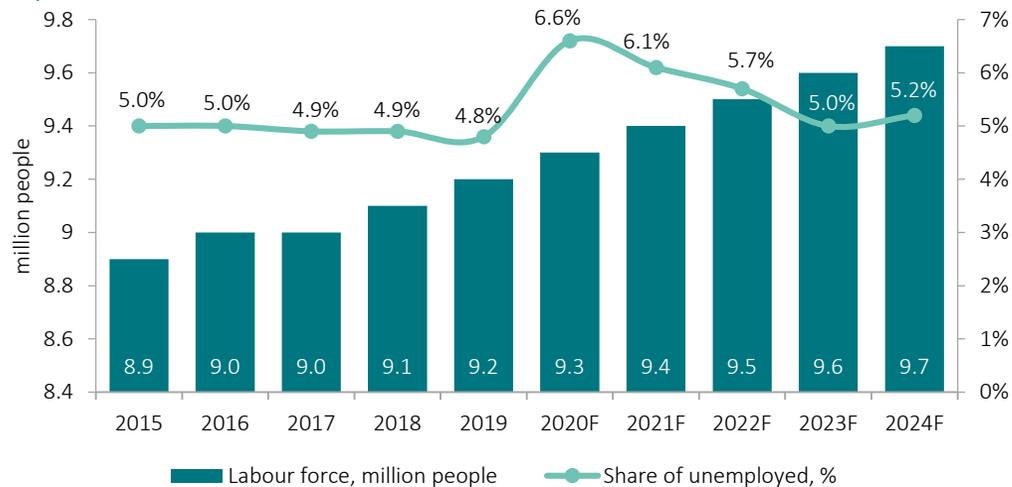
# Competitive advantages of the construction industry



## 05 Access to labour resources

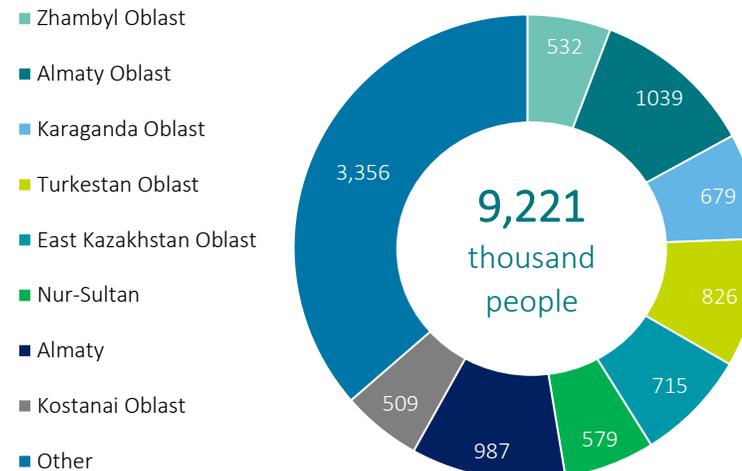
- The period of 2015-2019 saw an increase in the economically active population of the country.
- In 2019, the economically active population of Kazakhstan at the age of 15 + reached 9.2 million people, or 47% of the total population.
- According to EIU forecasts, this indicator will be as much as 9.7 million people by 2024.

Dynamics of labour market in Kazakhstan



- Over 60% of the working-age population of Kazakhstan reside in 8 regions of the country.

Economically active population in Kazakhstan, thousand people



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# Abbreviations

<b>Bln</b>	billion
<b>CAGR</b>	compound annual growth rate
<b>EIU</b>	Economics Intelligence Unit
<b>F</b>	forecast (in tables or graphs)
<b>GDP</b>	gross domestic product
<b>KZT</b>	tenge, national currency of Kazakhstan
<b>JSC</b>	Joint Stock Company
<b>mln</b>	million
<b>LLP</b>	Limited Liability Partnership
<b>Q</b>	quarter
<b>OKED NK RK 03-2019</b> or <b>OKED</b>	the Kazakhstan General Classification of Economic Activities
<b>SEZ</b>	special economic zone



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