

The background features a light gray field with a series of thin, curved, overlapping lines that create a sense of motion and depth. A solid red rectangular box is positioned in the upper right area, containing white text.

B&R country - Kazakhstan

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Overview of Kazakhstan

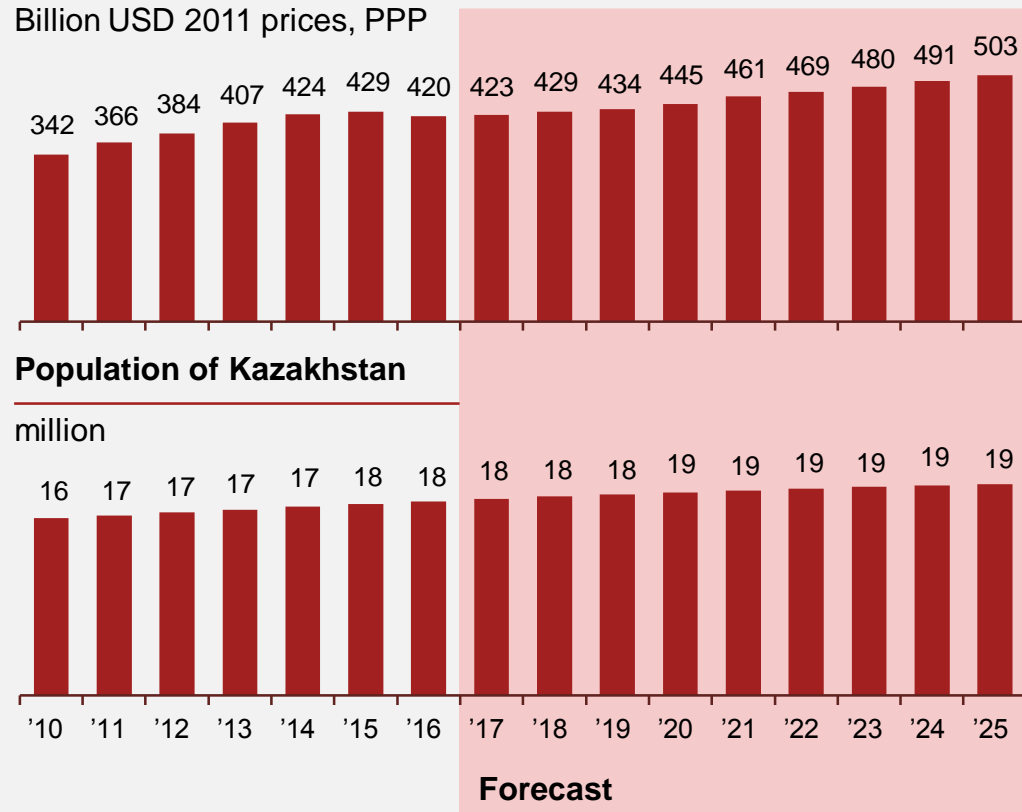
Highlights:

- 25 k USD per capita
- 18 million people
- 70 million people in Central Asia

Real GDP per capita PPP is expected to stay about 25k USD per capita

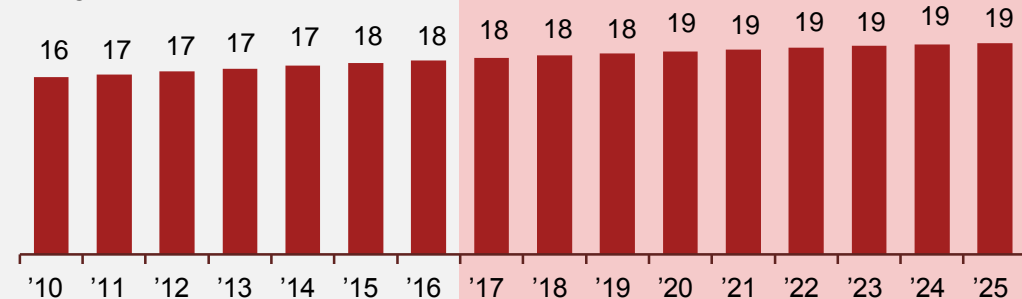
GDP of Kazakhstan

Billion USD 2011 prices, PPP



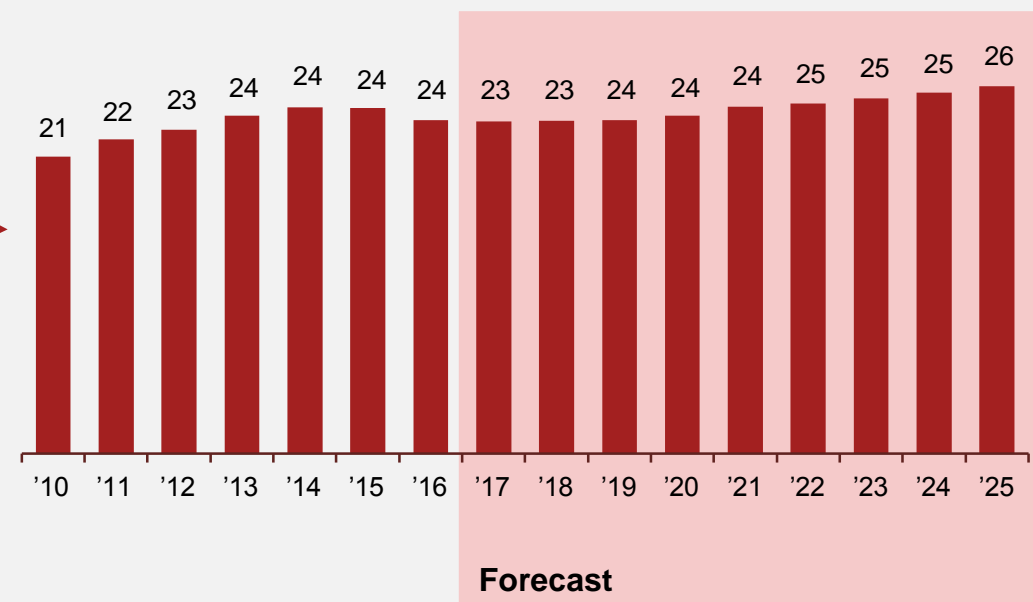
Population of Kazakhstan

million



GDP per Capita

Thousand USD 2011 price, PPP



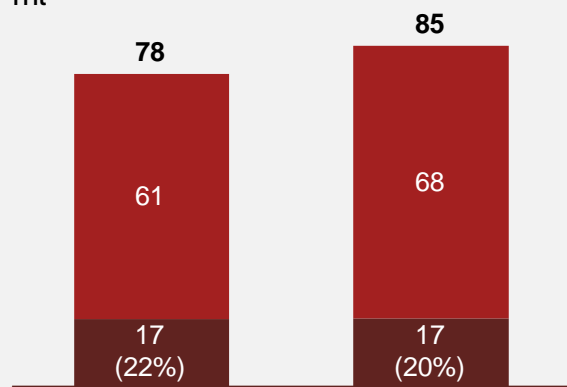
Source: stat.gov.kz, University of Denver

The key growth driver of eCommerce spend is Oil revenues

Performance

Crude Oil Production and Refining

mt



- **Oil prices** recovered from early 2016 lows and have stabilized around \$50/barrel
- **Future Growth Project** and other large-scale projects were announced in 2016
- **State-owned downstream and petrochem** projects lagged due to mismanagement

Policy

Helpful

- **Energy Ministry** announced its plans to max up crude production before fossil fuels become obsolete
- **Effort on behalf of both Gov't and SK** to reduce oil losses
- **Small-scale refineries** have received the permission to operate and scale up
- **Retail petroleum-product** prices were deregulated
- Discussions of **sovereign guarantee** to investors into petrochem projects
- **Digitalization**

But:

- **Privatization of the Big 3 refineries** was announced in early 2016 and then postponed
- **Privatization of KMG** mulled to be delayed by another year into 2020

Outlook

- Key focus: Tengizchevroil, Kashagan, KPO
- Similar-scale oil projects likely if:
 - Discovery of new oil reserves
 - Cooperation among large players in North Caspian
- Demand for smaller-size technologies:
 - Oil transportation
 - Refineries
 - Add-on petrochemical solutions
- Large-scale 'simple' solutions to reduce losses and pilferage
- Limited modernization efforts at refineries

Due to its smaller size, Kazakhstan cannot influence prices, but its Government is taking steps to improve the production levels and value-add processing

Source: TCO, KPO, NCOC, Ministry of Energy of Kazakhstan

By 2050 Kazakhstan strives to become one of the 30 most developed countries

Membership in following organisations will result in:



Within region (182.7 mln people)

- Free movement of labour
- No custom duties, free customs declaration, customs control
- Free movement of goods, services, capital



- Advices in public governance, fiscal affairs
- Increase of competitiveness and business climate
- Projects in education, health, employment and social inclusion



World Trade Organization (WTO)

- Increased transparency
- Decreased customs tariffs (from 10.6% to 6.1%)
- Increased trade quality standards
- Liberalisation of financial and communication services
- Increase of KZ export

Source: Ministry of Economy, Ministry of Finance

The Central Asia

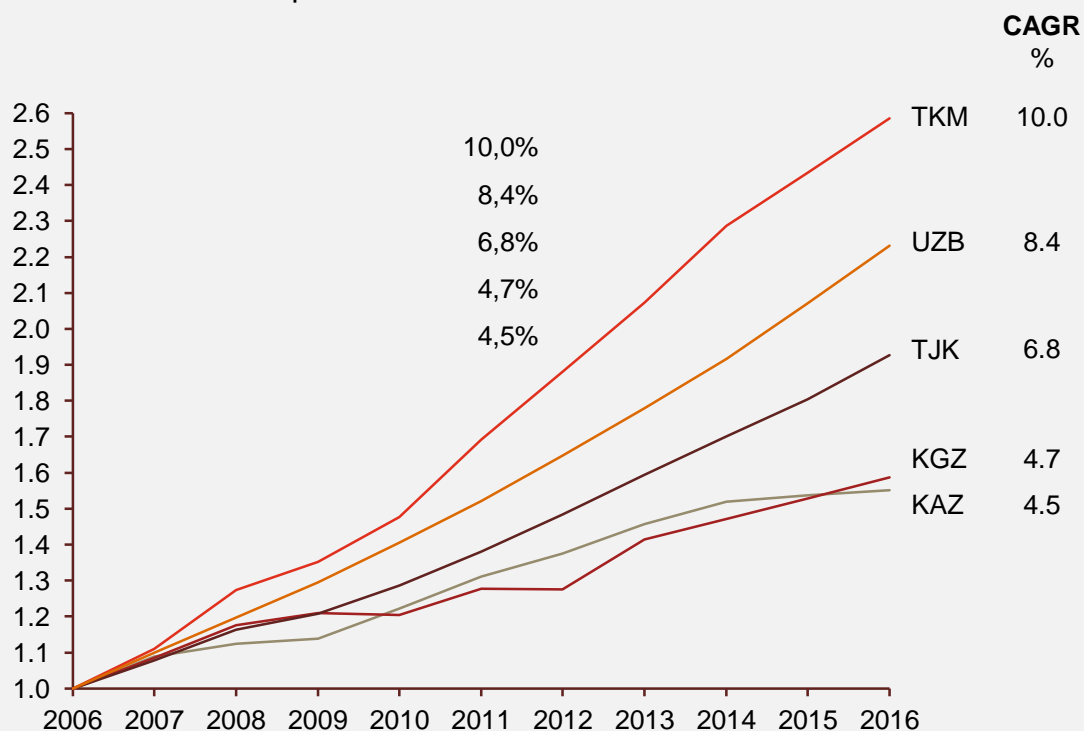


Source: World Bank

Real GDP in the greater Central Asia is growing, internet penetration is uneven

Real GDP growth in 2006-2016

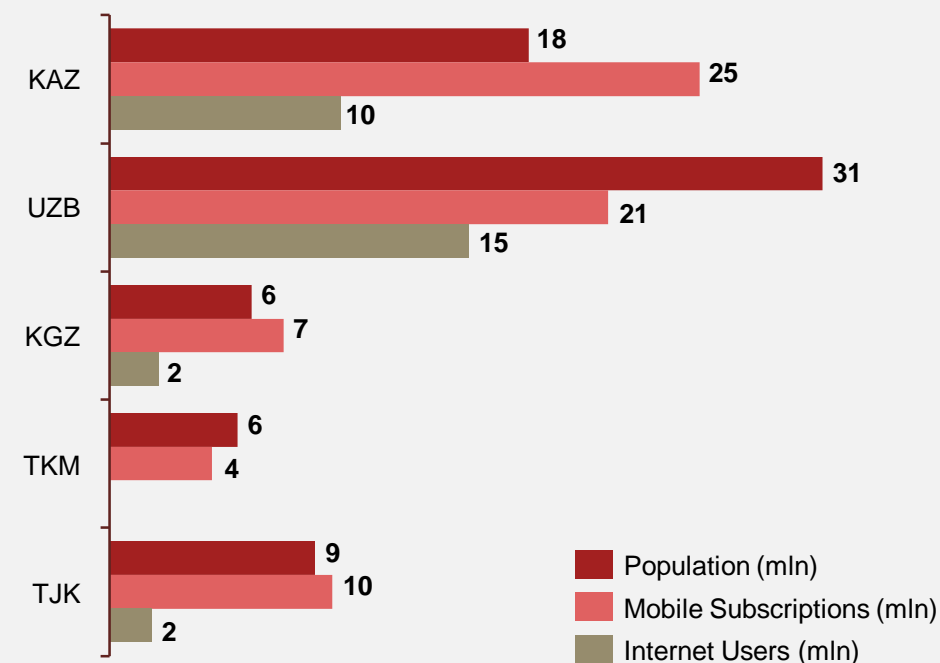
billion USD in 2010 prices



Source: internetworldstats.com, wearesocial.com

Population, mobile and internet penetration, 2016

Million people



- Multiple mobile subscriptions per person causes larger number of number of mobile subscriptions than population
- Thus, we assume full coverage of mobile users in KAZ, KGZ, TJK

A background image showing a hand with pink nail polish holding a silver pen, poised to write on a document. The document features faint line graphs and bar charts. A semi-transparent red rectangle is overlaid on the left side of the image, containing the title and highlights.

Size of eCommerce Market in Kazakhstan

Highlights:

- 1 billion USD in 2016
- 2 billion USD by 2020

Current eCommerce market is around 1 billion USD

1 bln USD

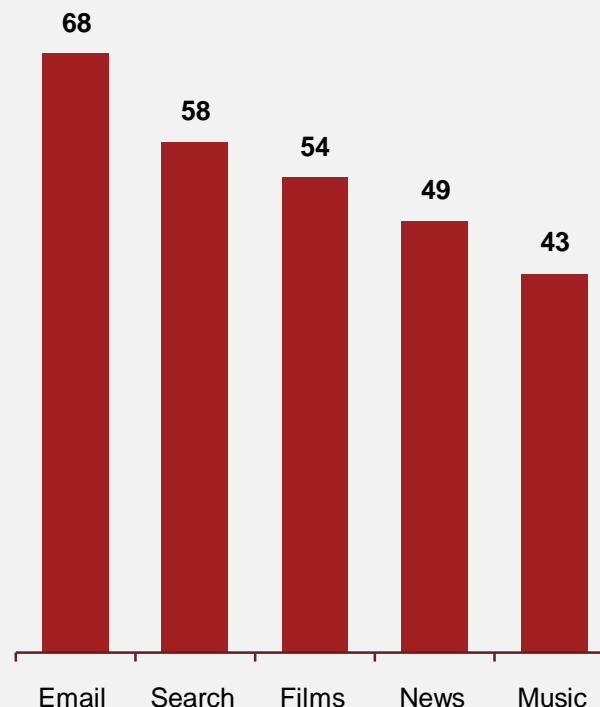
KZ e-Commerce market in 2016

Inferred from comparison of:

- Official stats
- Survey of Entrepreneurs by the National Chamber
- Tax filings
- Analytical reports

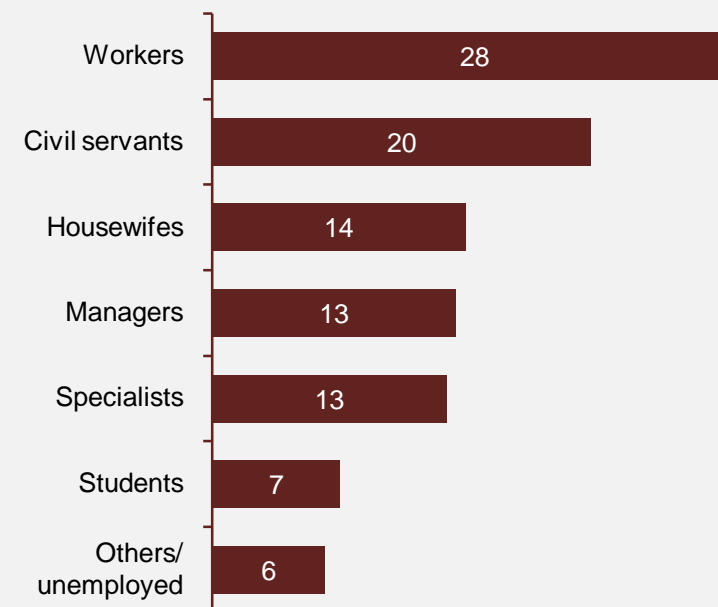
Most popular uses

% of users



Occupation profile

% of users

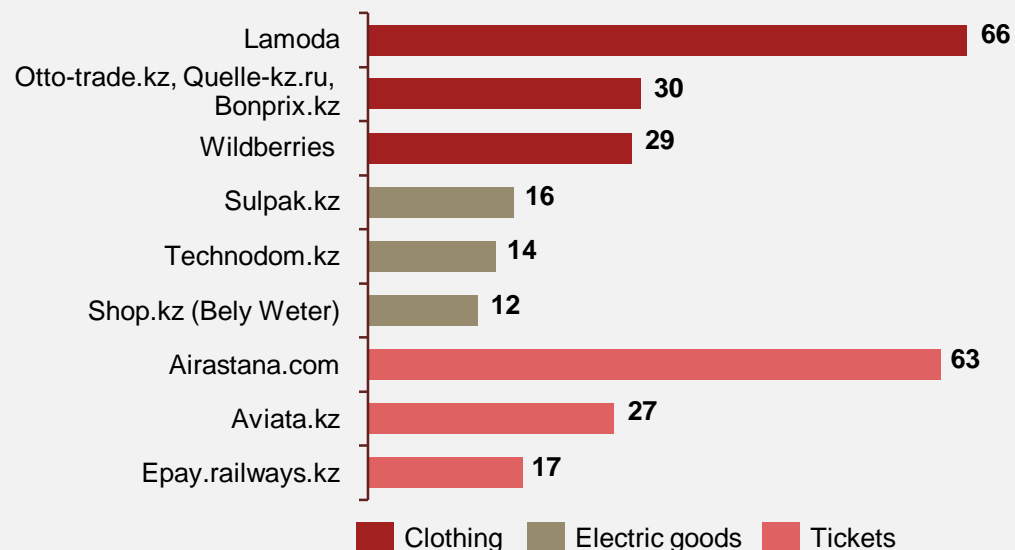


Source: National Chamber of Entrepreneurs, Satu.kz, Forbes.kz

Top e-Commerce retail and service companies

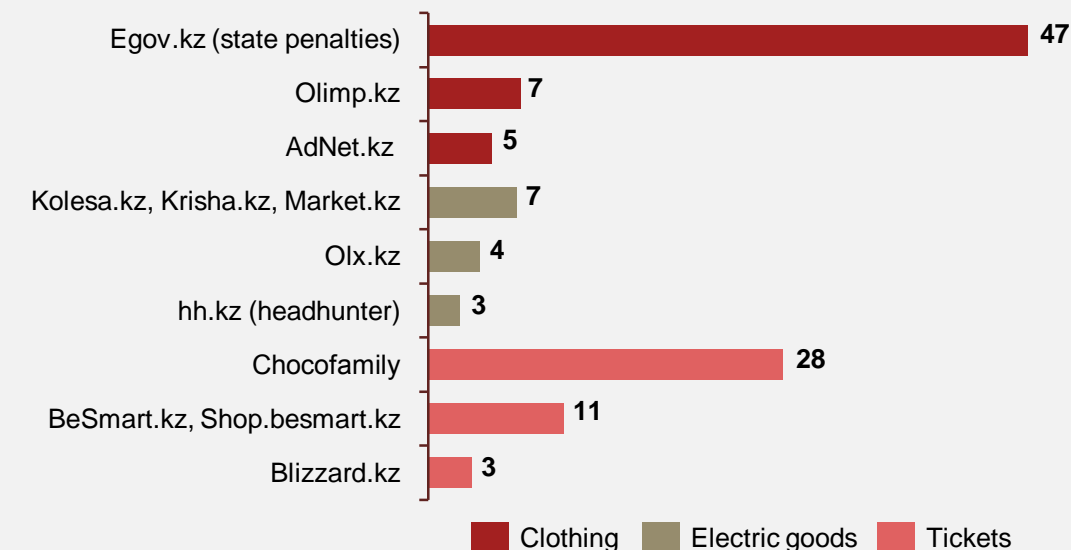
Online retail — Revenue 2015

Million USD



Online services — Revenue 2015

Million USD



Source: Forbes.kz

PwC

KZ eCommerce market is expected to grow due to following factors

Internet penetration is expected to grow

Network Readiness Index

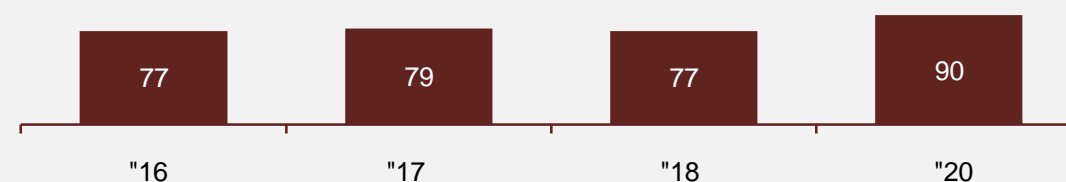
7 - max



Consumer sentiment is expected to stay stable

Consumer Confidence Index

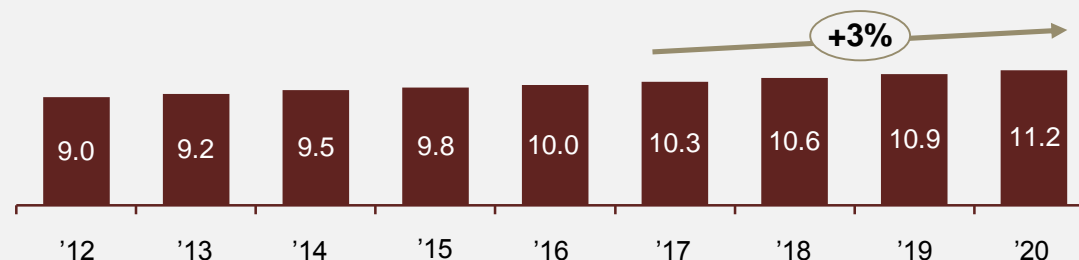
100 - max



Number of internet users will grow by 3%

Internet Users

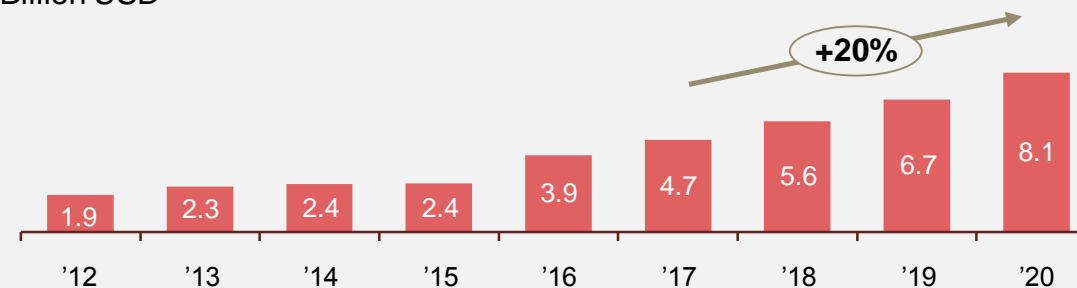
Million people



Internet payments will grow by 20 %

Internet payments

Billion USD

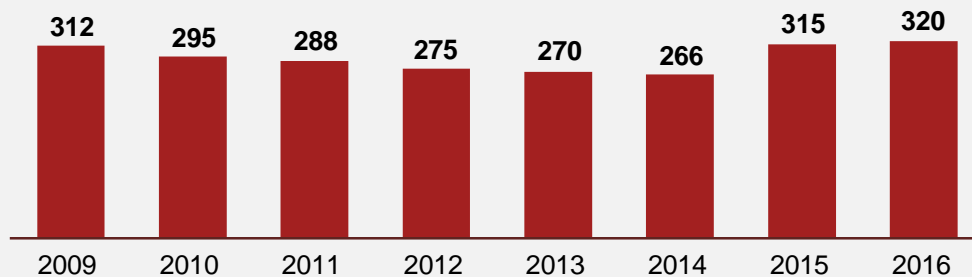


Source: tradingeconomics.com, wef.com, worldbank.com

Mail is becoming replaced by parcels as key source of revenue for Kazpost

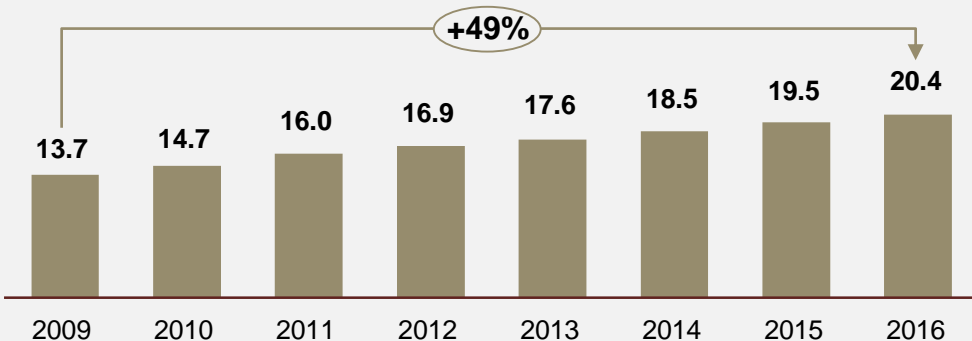
Mail volume, 2009-2016

In millions



Parcel volume, 2009-2016

In millions



Source: Forbes.kz

Comments

- Since 2009, parcel business has grown with reliable stability; mail business has declined before recovering
- Growth in parcels due to **E-commerce**;
- **Physical volumes** grow (CAGR 6%) but **average revenue per parcel** has declined;
- **Electronic payments** outpace traditional payment business

Kazpost estimates growth of E-Commerce
to exceed **2 bln USD** by 2020



Network readiness

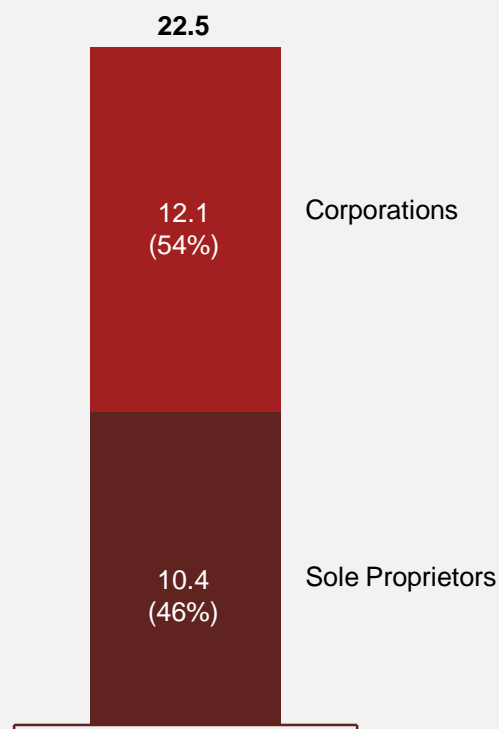
Highlights:

- Only Almaty and Astana are well connected
- Roads are poor, railways ok
- No broadband yet in rural areas

Retail Trade 2016 above 20 billion USD, but concentrated in two largest cities

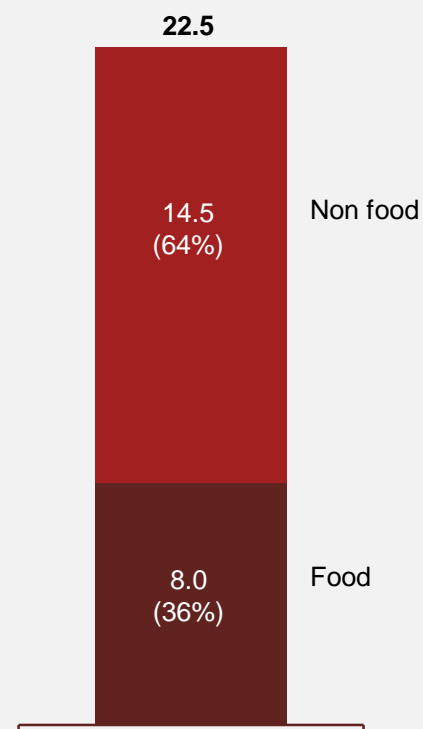
By type of traders

Billion USD



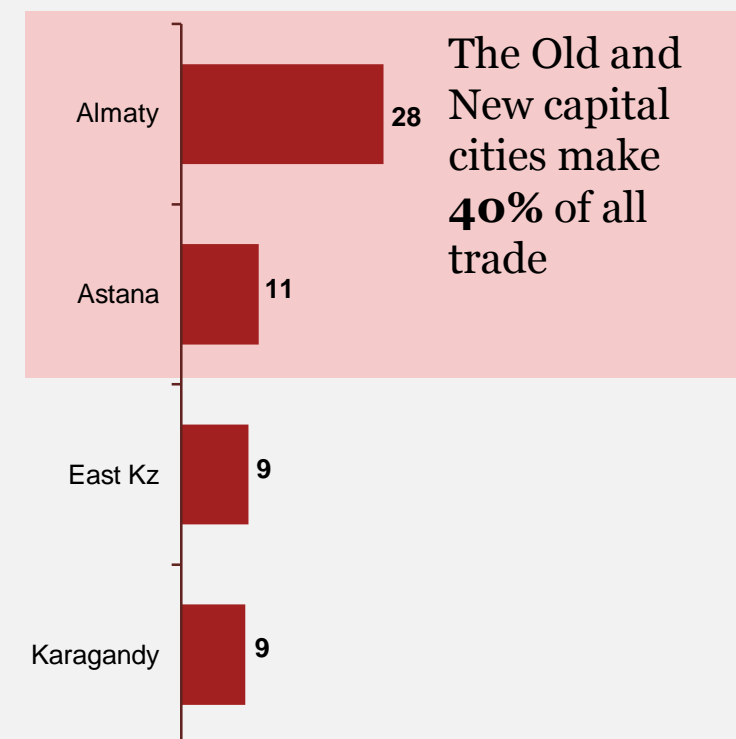
By type of goods

Billion USD



Largest retail regions

%

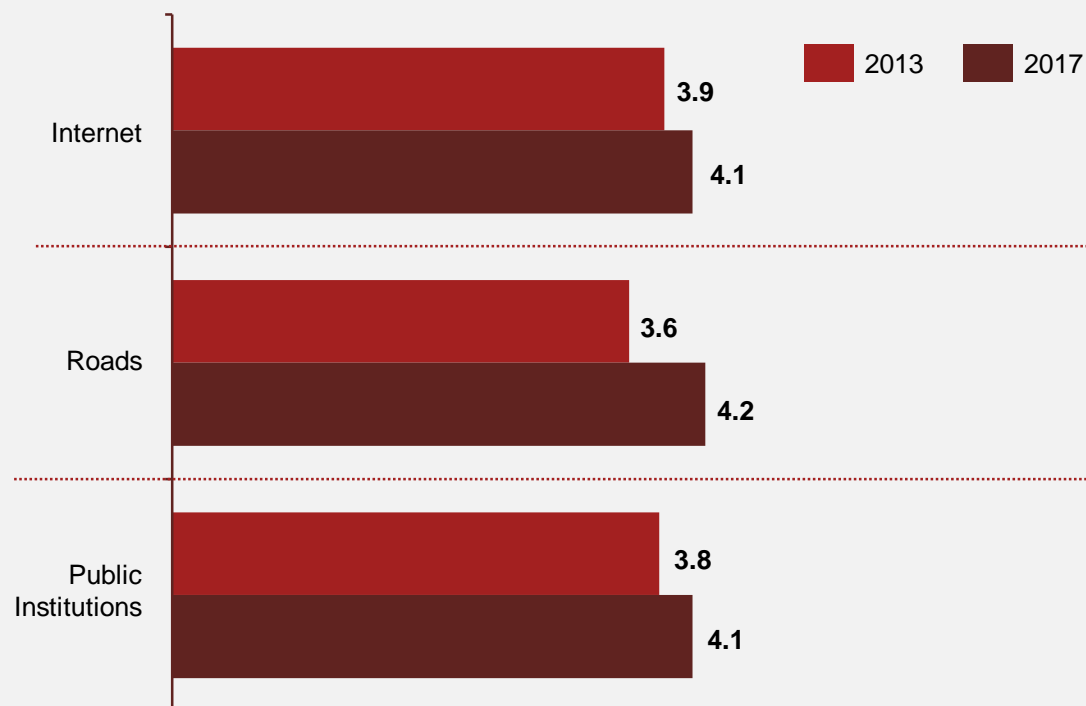


Source: stat.gov.kz

The rest of the country is not entirely ready for eCommerce

Global Competitiveness Index

7- max



Comment

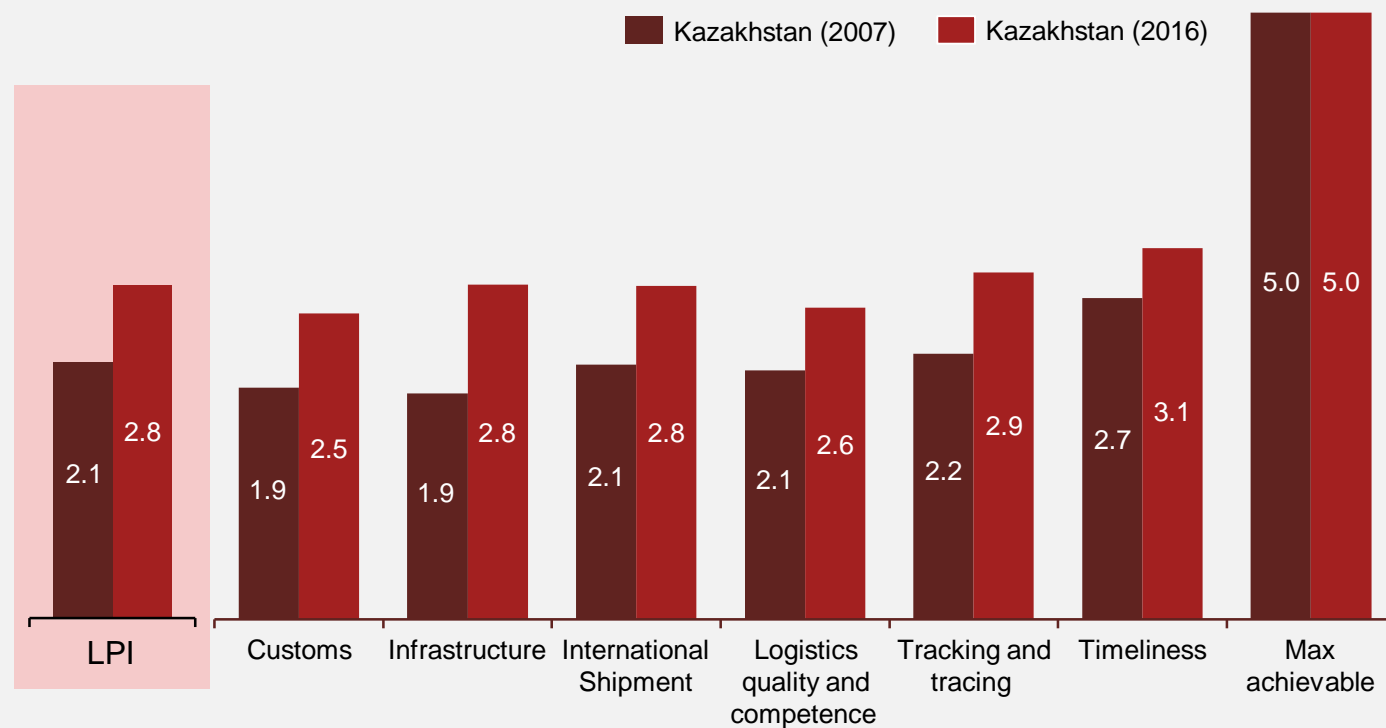
- ChinaTelecom is partnering with KazakTelecom to extend broadband in villages
 - 4G coverage is being extended to smaller cities
-
- There is development in railroad infrastructure, it is at par with global peers
 - Automotive roads are poor. KZ roads rank 108th out of 138 states
 - ADB, EBRD and WB are sponsoring major road renovation
-
- There are significant improvements in online identification and proof of purchase, and electronic signature
 - Astana International Finance Center is also covering the legal infrastructure for eCommerce

Source: World Bank, internetworldstats.com, wearesocial.com

Logistics developing, but weak relative to maximum achievable

Logistics Performance Index

5- max



Source: World Bank

Current logistics system consists of 88,400 km of roadways; 14,205 km of railways; 3,900 km of waterways; and up to 61,000 km of air routes.

Road and rail systems carry nearly 90% of its total cargo load.

There are certain developments of roads, but slow and weak relative to benchmark

30%

Increase of Logistic
Performance Index
in 10 years

... and the Government is addressing it through investment and institutional reform

Government initiative “Digital Kazakhstan”

Channels	Actions	Agencies
Logistics	Reduce delivery times of goods	Kazpost
Ecommerce	Creation of e-commerce and Fulfillment centers	Kazpost, Ministry of Energy, Ministry of Finance, NPP
	Review regulation of ecommerce (including indirect budget financing)	Ministry of Energy, Chamber of Entrepreneurs
Eco-system	Remote ID and verification	National Bank, Ministry for IT, Ministry of Justice, MIA, Ministry of Finance, AFK, banks
	Online sale of insurance	National bank

Astana International Financial Centre (extrajudicial body)

- Create unified electronic platform, on basis of Chinese cross-border e-commerce platform “Jumore” (Zhejiang «Jumore» E-Commerce Co. Ltd)
 - Integrated transport infrastructure, customs and postal services
 - Support in finances, logistics, Big Data, Technology, Consultancy and certification
- Practice of English Law, international arbitration, taxation exemptions, simplified visa and control regimes

Source: Government of Kazakhstan

A large, modern glass skyscraper with multiple floors and a curved facade, reflecting the sky and surrounding environment. The building is situated in an urban area with a parking lot in front and a road in the foreground. The sky is blue with some clouds.

The interest

China's big players already demonstrate interest in the sectors relevant to eCommerce in Kazakhstan

Recent interest by Chinese companies in Kazakhstan: Kerry logistics

- Kerry Logistics is a large Chinese transportation and logistics company
- In 2017, Kerry Logistics completed acquisition of one of the largest logistics company in Kazakhstan and neighbouring countries
- The opportunity was enhanced as the Target had gone through a turmoil caused by devaluation and hostile economic environment, and that allowed attractive valuations
- PwC Conducted a robust analysis of the company and helped the client to build solid negotiation position:
 - valuation;
 - secure protection against risks
- Our client was able to renegotiate terms substantially to own benefit and proceed to deal closing

Source: Kerry Logistics



“We are very excited about this joint venture, part of our strategy to take advantage of the Belt and Road Initiative. The new partnership will provide new options and cost-efficient multimodal solutions to access to the strongest network in Asia.”

William Ma, Group Managing Director of Kerry Logistics

Recent interest by Chinese companies in Kazakhstan: China Telecom

Case

- Currently, the broadband penetration is very low in rural areas
- Speed of internet in rural areas is 30 times slower than in cities
- 6700 villages
- Almost a million households



Source: Kazakhtelecom, China telecom

Agreement



- A new partnership between China Telecom and Kazakhstan's largest telecoms firm JSC Kazakhtelecom
- Helping high-capacity route from Hong Kong to Europe
- Fiber optics connections

Results

- Increased connectivity of rural areas
- New options for setting eCommerce links between producers and consumers in remote areas and trade centers



Contact

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