

MORE INVESTMENT IN THE KAZAKHSTAN LIGHT INDUSTRY Special Economic Zone (SEZ) Ontustik becomes important Sector Center



Almaty (GTAI) - Although the Kazakhstan textile industry is far away from the production figures in earlier Soviet times, increases have been achieved in recent years. Against the general trend, imports of textile machinery have grown strongly in 2015. The lack of skilled workers and the small domestic market has a negative effect on the development of the sector. The Special Economic Zone (SEZ) Ontustik in

Shymkent could become an important center of the light industry.



The textile, clothing and leather goods industry used to be one of the most important economic sectors in Kazakhstan. After the collapse of the Soviet Union, these three sectors, identified as light industry in the country, have however lost much of its importance. In 2015 they contributed only 1.2% of the total output of the manufacturing sector. Compared to 2008 (0.9%), the proportion rose at last slightly again.

Hand in hand with the devaluation the output of the industry, measured in USD, pointed significantly down. The overall output amounted to USD 320 million in 2015. In reality in 2014 (+ 4.0%) and in 2015 (+ 3.4%) a production growth could be achieved.



Development of production in the light industry (USD millions) ¹⁾

	2013	2014	2015	Change 2015/14 ²⁾
Manufacturing, thereunder	38,471	33,999	25,936	0.2
. Light industry, thereof	427	353	320	3.4
..Textile industry	208	148	155	0.5
..Clothing industry	193	166	136	6.1
..Leather goods industry	27	39	29	3.1

¹⁾ Change at the respective annual exchange rate; ²⁾ real change in %

Source: Agency for Statistics, Astana

Investments in the light industry rise

Gross fixed investments in the light industry show an upward trend in recent years. According to the Kazakhstan Statistics Agency the investments grew from 2012 to 2015 from USD 18.5 million to USD 45.6 million. A role hereby played the support of modernization projects by government subsidies.



Gross fixed investments in the light industry (USD millions) ^{*)}

	2013	2014	2015
Manufacturing, thereunder	4,514.9	4,065.8	3,491.8
. Light industry, thereof	32.6	23.0	21.7
..Textile industry	4.6	4.1	23.2
..Clothing industry	0.4	11.3	0.8

^{*)} Change at the respective annual exchange rate

Source: Agency for Statistics, Astana

The recent increase in investments is reflected in imports of machinery and equipment for the sector. Against the general trend the import of textile machinery (HS positions 8444-8453, without 8450) increased nominally by 28.3% to USD 35.2 million in 2015. However, one reason for the strong growth are the weak prior years (2013: USD 40.3 million; 2014: USD 27.5 million) also. The imports however develop well above the level of 2010 and 2011 with average imports totaling nearly USD 16 million. Most important supplier of textile machinery is the PR of China. According to the Federal Statistical Office exports from Germany numbered to EUR 4.3 million in 2015, (2014: EUR 4.4 million).

The light industry suffers less from the economic crisis than other sectors

Currently the Kazakhstan economy is suffering from the slump in commodity prices and the consumers had to endure enormous losses in their purchasing power due to the devaluation. The light industry however is less affected by the negative economic situation. An advantage is the price increase of imported textiles and a gain in competitiveness due to the lower wages. Nevertheless - the sector is highly dependent on imports of both machinery and primary products.

According to the latest available information provided by the Bureau of Statistics, the average income in the textile industry in 2014 was 52,800 Tenge (T) per month, equivalent to a value of USD 294. Converted to the current exchange rate however, the amount - excluding wage increases - has shrunk to USD 150.

Hand in hand with the increased purchasing power Kazakhstan's import of textile products had multiplied from 2006 to 2014 from USD 332 million to just under USD 2.1 billion. In 2015 the upward trend was halted. Imports broke nominally by 38.6% to USD 1.3 billion, they came down to a level of 91% of the market volume in 2014 and 2015.

Kazakhstan's import of textile products (USD million) ¹⁾

2006	2008	2010	2012	2014	2015	Change 2015/14 ²⁾
332	429	394	1,458	2,087	1,281	-38.6



¹⁾ HS tariff positions 50 - 67; ²⁾ nominal Change %

Sources: UN Comtrade, Customs Committee of the Republic of Kazakhstan, Eurasian Economic Commission

Market volume for textile products (in Mio. US\$; nominal change in %)

	2014	2015	Change 2015/14
Imports ¹⁾	2,087	1,281	-38.6
Exports ¹⁾	147	186	26.5
Local production ²⁾	353	320	-9.3
Marktvolumen	2,293	1,415	-38.3

¹⁾ HS tariff positions 50 - 67; ²⁾ nominal Change %

Sources: UN Comtrade, Customs Committee of the Republic of Kazakhstan, Eurasian Economic Commission

The light industry offers potential for development

Preconditions for a greater development of the light industry are given in Kazakhstan, but weak points remain. According to information of Lyubov Chudowa, president of the association of the light industry enterprises, these include the great shortage of skilled labor. In addition there are the small size of Kazakhstan's local market and the great distances in the country.

On the other hand the steppe republic has a great potential in the livestock farming sector,



that can provide resources like leather and wool. In addition there is the cultivation of cotton in the territory of South Kazakhstan. Though - on the global scale in these areas Kazakhstan is a small player only.

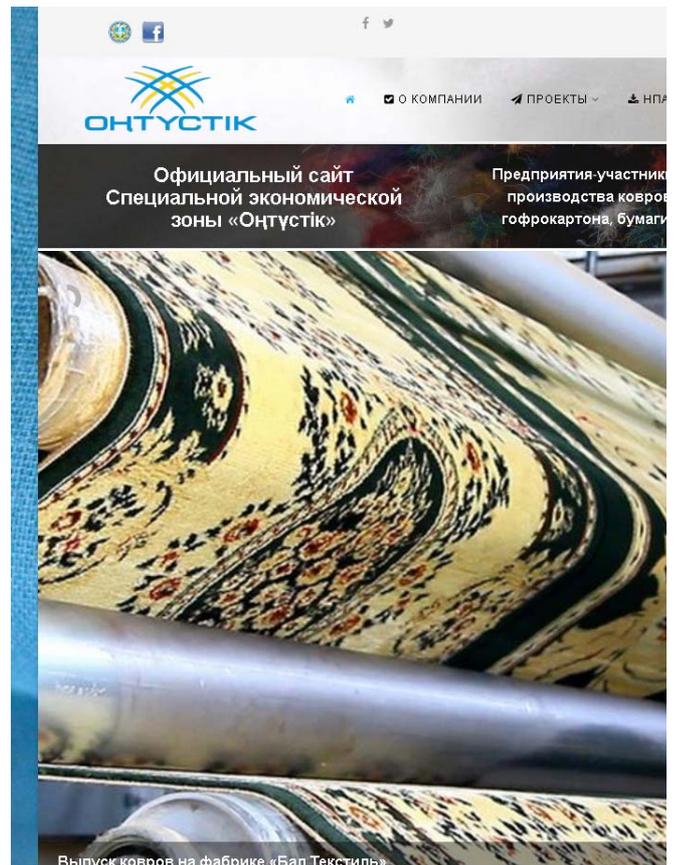
The processing of crude products is still weak. According to information provided by the regional administration of South Kazakhstan, 90% of the in the country produced cotton is being exported. At the same time the sector companies need to import most of their primary products.

SEZ Ontustik in Shymkent

The in 2005 in Shymkent (South Kazakhstan region) founded Special Economic Zone (SEZ) Ontustik, could become an important center of the light industry. Key aspect of the SEZ is presently the light and paper industry.

As in the other SEZs in Kazakhstan for the settled companies a variety of reductions in custom duties and taxes and simplifications for the employment of foreign workers applies. In addition there are tariffs for electricity, water and gas, which are 35% below the local level.

In the SEZ so far eight companies have started to operate, USD 144 million were invested in the buildings. According to the company which runs UK SEZ Ontustik, until 2020 twelve more companies are expected to come. With the establishment of the Eurasian Economic Union the interest of foreign companies in manufacturing settlements has increased. The management of the park aims to expand the profile of SEZ to other areas of the manufacturing sector, such as for example the pharmaceutical industry.



Concentration process in light industry

From 2010 to 2014 the number of sector companies has declined from 565 to 455. An overview of the most important companies is available on the website of the association of light industry enterprises.

Internet addresses

Special Economic Zone Ontustik

Internet: <http://www.sez-ontustik.kz>

Association of Light Industry Enterprises of the Republic of Kazakhstan

Internet: <http://www.aplp.kz>

Source:

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