



CAREC Institute

Quarterly Economic Monitor

**Hans Holzhacker
Kamalbek Karymshakov
Shiliang Lu**

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Disclaimer

The CAREC Institute Quarterly Economic Monitor gives an overview over recent economic developments in the CAREC region, government measures and initiatives for closer cooperation among CAREC countries.

The Monitor is co-authored by Hans Holzhacker, Chief Economist at the CAREC Institute, Kamalbek Karymshakov, Economist at the CAREC Institute, and Shiliang Lu, Research Specialist at the CAREC Institute.

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Central Asia Regional Economic Cooperation (CAREC) Institute
No. 376 Nanchang Road, Urumqi, Xinjiang, the PRC
f: +86-991-8891151
LinkedIn
km@carecinstitute.org
www.carecinstitute.org

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Abbreviations

ADB	Asian Development Bank
CAREC	Central Asia Regional Economic Cooperation
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IMF	International Monetary Fund
M2	Broad money that adds highly liquid accounts to M1
MOU	Memorandum of Understanding
PRC	People's Republic of China
Q1	First quarter
Q2	Second quarter
Q3	Third quarter
Q4	Fourth quarter
qoq	quarter-on-quarter
sa	Seasonally adjusted
VAT	Value added tax
WEF	World Economic Forum
WEO	World Economic Outlook
WHO	World Health Organization
yoy	year-on-year

EDITORIAL

Syed Shakeel Shah, CAREC Institute Director



The COVID-19 pandemic has triggered a multitude of crises. Paramount concern in Q1 2020 was profound human tragedy of large-scale mortalities and morbidities which tested and exposed limits and vulnerabilities of healthcare and welfare systems. An unprecedented economic meltdown devastated businesses and crippled industrial production, primarily attributable to large scale lockdowns. The services sector also experienced a sharp downturn. The loss of consumer confidence plummeted aggregate demand. This left the specter of an unsustainable level of unemployment looming large over a bleak horizon. In the middle of these seismic events, governments found themselves scrambling for policy responses to mitigate some of those impacts to prevent these catastrophes morphing into complete chaos. With global trade nosediving, and commodity prices crashing in Q1 2020, economic doomsday remained a distinct possibility.

The CAREC countries found themselves in the middle of this bewildering landscape. Standard policy recipes that evolved in early days of pandemic included large fiscal packages, monetary easing, increased unemployment benefits and health spending and a cocktail of regulatory and financial support for financing institutions to prevent foreclosures and buildup of non-performing loans. This increased stress on fiscal position of CAREC governments, forcing complete revisions of yearly plans and contingency planning to maintain fiscal balance while containing large scale variation in exchange rates and ensuring availability of supplies, including urgent medical provisions.

In this inaugural issue of CAREC Institute Quarterly Economic Monitor, our Chief Economist Team has compiled available data and worked out quarterly trends to gather a first glimpse of the emerging outlook as the world and the CAREC region learn to live with the pandemic and reliable vaccination

options offer hope and confidence, despite the overhang of the second wave and more virulent new strain.

Our derived datasets present a case for cautious optimism. Seasonally adjusted figures indicate GDP growth of 4.5 % quarter-on-quarter in Q3 2020, up from -2.4 % in Q2, a robust gain of almost 7 percentage points. Similarly, year-on-year growth for Q3 has improved to -2.2 %, from a floor of -6.3 % in Q2. Manufacturing and retail sales have recovered first, while mining and services sectors remain subdued. The PRC leads this recovery, while other countries have also shown signs of recovery. Q3 calculations for year-on-year GDP in this Monitor are broadly consistent with the projections in the latest supplement of Asia Economic Outlook of the Asian Development Bank (December 2020), which has projected a GDP contraction of -2.1 % for the Central Asian region. Signs of recovery are clearly visible.

Another good news is the largely intact macro-economic framework in most of the CAREC countries. Monetary expansion remains moderate, currencies have remained largely stable and weaker demand has actually created more favorable balances of external trade due to larger import contraction. Inflationary trends generally remain within acceptable limits. Downside risks include a FDI dry down, larger fiscal deficits due to the decrease in revenues and higher government expenditures, and resultant higher public debt.

However, pace and extent of recovery will depend, in large part, on CAREC governments' ability to prepare and implement large scale vaccination programs. This is an emerging challenge, as the WEF apprehends that some developing countries might find themselves at the far end of the global queue for vaccines and might need to wait till 2024 to get their requirements fulfilled. This situation warrants a sense of urgency from regional governments. While staying engaged with global initiatives like COVAX of WHO (which has an ambitious target of procuring 2 billion vaccines by 2021), CAREC governments need to engage proactively for regional collaborations. Promising developments in vaccine trials in the PRC and Russia offer alternative options to augment efforts. Meantime, ensuring adequate budgetary buffers and timely access to internationally available financing lines related to vaccination programs, must remain high on the agenda of regional governments. At the same time, alignment of healthcare systems with this extraordinary challenge of implementing vaccination programs of this magnitude in a short time must also remain a concurrent public policy priority.

While presenting this inaugural issue of our new knowledge product, the CAREC Institute would request all stakeholders in the CAREC region and beyond to share their feedback on how to make this product better and more useful.

We take this opportunity to convey season's greetings, and a very happy new year!



FOR ECONOMIC RECOVERY: FULL FOCUS ON COVID-19 VACCINATIONS NOW

The December 2020 issue of the CAREC Institute Quarterly Economic Monitor gives an overview of recent economic developments in the CAREC region, government measures to ease the economic impact of the COVID-19 pandemic, and provides links to media coverage of initiatives for closer cooperation among CAREC countries. It concludes that the economies of the CAREC region have performed better in the third quarter 2020 after deep contraction in the second quarter, but that volatility is not over yet. To finally overcome the pandemic and its economic consequences, successful vaccination campaigns will be crucial. The Economic Monitor therefore also lists vaccines that reached the critical phase 3 of clinical trials and summarizes some basic principles for organizing mass vaccination campaigns. And the Economic Monitor calls on the CAREC countries to use available international multilateral and bilateral support programs for procuring and administering vaccines to alleviate public health concerns and secure a sustainable rebound of the economies of the region.

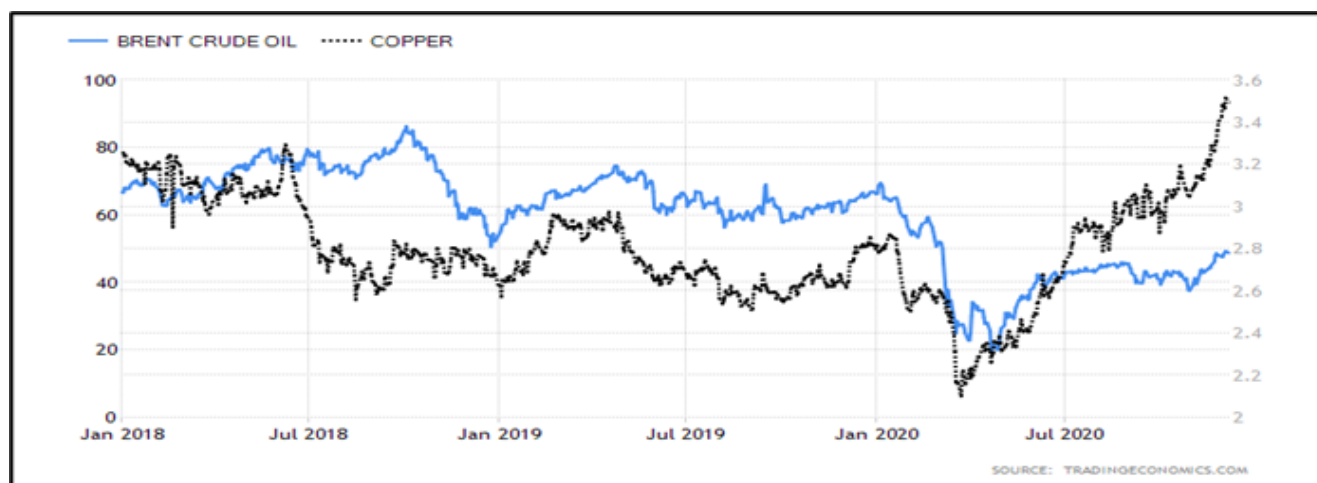
RECENT ECONOMIC DEVELOPMENTS

After a sharp contraction in activity in the first half of 2020, the economies of the CAREC region showed signs of a moderate easing of the downturn in the third quarter. Real GDP contracted on average by an estimated -2.2% year-on-year in Q3 2020 in CAREC after -6.3% in Q2 2020. However, there were large differences among countries and sectors. Most economies saw still severe declines, whereas the PRC was able to return to annual real GDP growth of plus 4.9% in Q3. Uzbekistan recorded an estimated plus 0.8% year-on-year in Q3. The sectors hit most by the pandemic are services and mining. In Q2 2020, growth in household consumption turned strongly negative in most countries of the region. However, retail sales indicate a slight upward path in August and September after the drastic fall in first two quarters. Exports of goods and services and fixed investment contracted even more than consumption in the first half of 2020, with some improvement in the third quarter. A factor somewhat mitigating GDP contraction was that weak domestic demand caused imports of goods and services decline as well. Government spending has been substantially growing in all CAREC countries during the pandemic, providing not only economic relief to businesses and households, but also helping keep up aggregate demand, thus stabilizing the economy.

Monetary and credit expansion has been relatively moderate despite central bank relaxation measures in support of the economy. This has contributed to limit exchange rate pressures. The share of foreign exchange in bank deposits thus has continued to decline, in most countries from high levels though. Easing inflation due to weak demand allowed inflation-adjusted exchange rates to remain relatively stable, thus preserving the region's competitiveness.

The drastic fall of commodity prices in Q1 2020 was associated with a decline in exports of CAREC countries. Oil prices have remained volatile but have recovered to some extent along with prices for other commodities (Figure 1). This supported a partial export recovery in late 2020. As imports contracted even stronger than exports in absolute terms due to weak domestic demand, current account balance improved in a number of CAREC countries, and even declining remittances inflows did not prevent this. However, subdued inflows of foreign direct investment and money outflows to safe havens have caused balance of payment pressures in some CAREC countries.

Figure 1. Commodity prices



Source: TradingEconomics

Government spending has been scaled-up while government revenues have been shrinking due to the contraction of economic activities, and in some countries also because of tax exemptions in support of the economy. As a result, governments are running substantial budget deficits, and public debt is increasing. The level of public debt is still not highly dramatic in several CAREC countries such as Azerbaijan, Kazakhstan or Uzbekistan, and there is still fiscal space, in part because of the existence of sovereign wealth funds. Other CAREC countries are in a more difficult situation. In Pakistan, for example, public debt is likely to reach more than 80% of GDP in 2020. For Afghanistan, substantial donor financing is needed to help cover fiscal and external financing needs.

There might be light at the end of the tunnel. The December 2020 consensus forecast for the global economy and the CAREC region's main trading partners looks relatively optimistic (Table 1). This obviously considers the news about vaccine developments. Recent news about mutations of the COVID-19 virus will hopefully not derail this outlook. Whereas in 2020 negative growth figures prevailed, 2021 figures are foreseen to turn positive from Q2 on. The OECD sees in its December outlook OECD-area growth to resume to 3.5% yoy in Q4 2021 from -3.6% yoy in Q2 2020. And the ADB forecasts in its recent December 2020 Asian Development Outlook Supplement Central Asian growth of 3.8% yoy in 2021, almost unchanged from the 3.9% yoy of the September update.

Table 1. FocusEconomics Consensus Forecast (December 2020, Gross domestic product, % yoy)

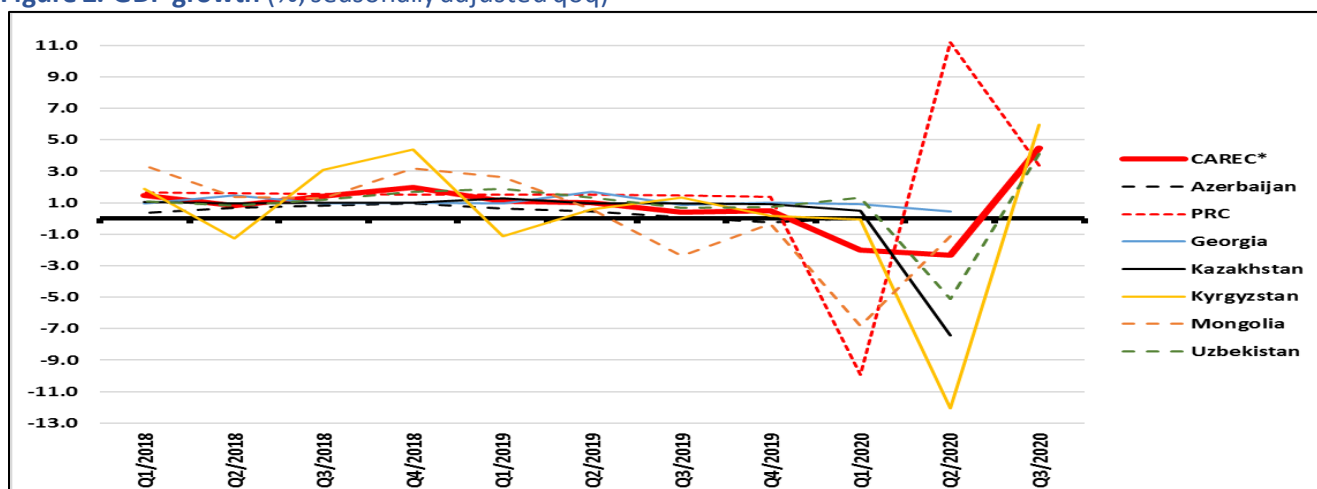
	2019				2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
World	2.7	2.6	2.7	2.6	-1.6	-8.5	-2.9	-2.4	2.0	9.8	4.3	4.4
G7	1.8	1.6	1.8	1.5	-1.2	-11.8	-4.2	-4.5	-1.7	11.1	3.5	4.3
USA	2.3	2.0	2.1	2.3	0.3	-9.0	-2.9	-2.8	-0.9	10.0	3.6	3.4
Japan	0.8	0.9	1.7	-0.7	-1.8	-10.2	-5.8	-3.7	-2.4	6.5	3.5	3.0
Euro Area	1.5	1.3	1.4	1.0	-3.3	-14.8	-4.4	-6.2	-1.5	13.1	3.1	5.6
Russia	0.4	1.1	1.5	2.1	1.6	-8.0	-3.6	-3.7	-1.5	6.1	4.2	4.2
India	5.7	5.2	4.4	4.1	3.1	-23.9	-11.2	-4.1	-2.8	22.7	9.5	5.6
PRC	6.4	6.2	6.0	6.0	-6.8	3.2	4.9	6.2	16.2	7.4	5.4	4.4

Source: <https://focusanalytics.focus-economics.com/focus2021/> (accessed on 30 November 2020)

GDP: moderate recovery of growth in Q3 after a deep slump in Q2

After a sharp contraction of economic activity, CAREC economic growth recovered in Q3. Seasonally adjusted data indicate a real GDP slump by 9.9% sa qoq in the PRC, and in Mongolia by 6.8%, in Q1 2020 (Figure 2). However, after containing the COVID-19 outbreak relatively fast, the PRC's economy rebounded steeply to 12.4% sa qoq already in Q2 and further by 3.4% sa qoq in Q3. In Mongolia, the decline was easing to 1.1% sa qoq in Q2. Kazakhstan, the Kyrgyz Republic, and Uzbekistan were especially strongly affected by the economic outfall of the COVID-19 pandemic in Q2. Growth in these countries was -7.5%, -12.1% and -5.1% sa qoq, respectively. However, in Q3 growth rebounded to 6% and 4.1% sa qoq in the Kyrgyz Republic and Uzbekistan, respectively.

Figure 2. GDP growth (% , seasonally adjusted qoq)

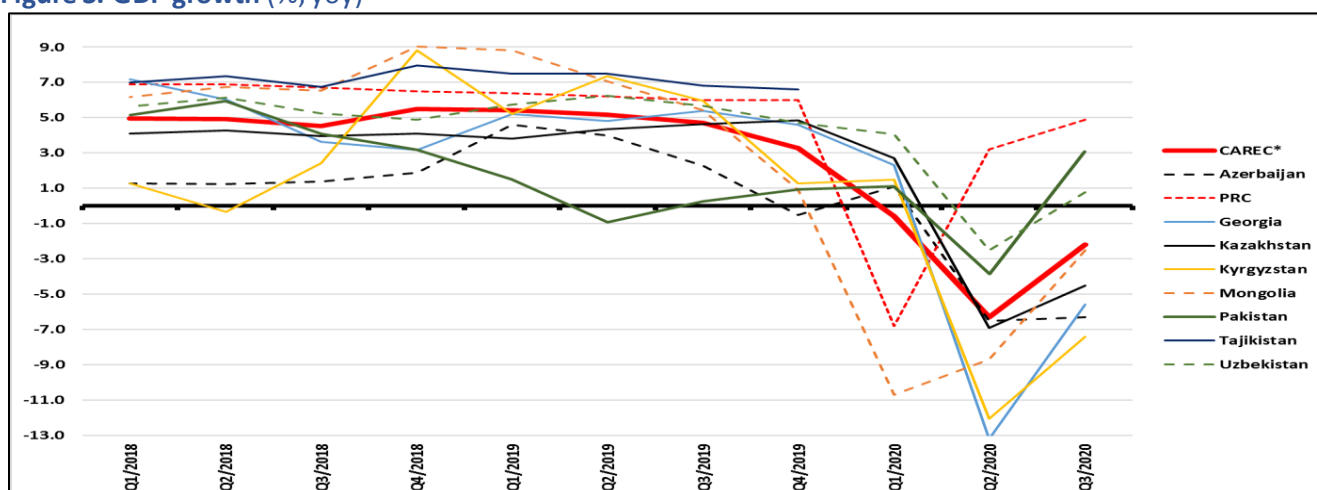


*Refers to the simple average of CAREC countries where data are available.

Source: Tusheng. Authors' calculations.

The quarterly dynamic resulted in annual real GDP growth of minus 2.2% yoy in CAREC on average in Q3 after minus 6.3% yoy in Q2 (Figure 3). However, the trajectory for different countries differs substantially, with the PRC returning to growth of 4.9% yoy in Q3, Pakistan to 3.1%, Uzbekistan to 0.8%, whereas the Kyrgyz Republic's economy still declined by 7.4% yoy (Figure 3, Table 2).

Figure 3. GDP growth (% , yoy)



*Refers to the simple average of CAREC countries where data are available.

Source: Tusheng. Authors' calculations.

Table 2. Real GDP growth (% yoy)*

	2019	Q1/2019	Q2/2019	Q3/2019	Q4/2019	Q1/2020	Q2/2020	Q3/2020
Afghanistan	1.8	-	-	-	-	-	-	-
Azerbaijan	2.2	4.6	4.0	2.3	-0.5	1.1	-6.5	-6.3
PRC	6.1	6.4	6.2	6.0	6.0	-6.8	3.2	4.9
Georgia	5.0	5.2	4.8	5.4	4.6	2.3	-13.2	-5.6
Kazakhstan	4.5	3.8	4.4	4.6	4.9	2.7	-6.9	-4.5
Kyrgyz Republic	4.5	5.2	7.4	6.0	1.3	1.5	-12.1	-7.4
Mongolia	4.9	8.8	7.1	5.4	0.9	-10.7	-8.7	-2.5
Pakistan	5.8	1.5	-0.9	0.2	0.9	1.1	-3.8	3.1
Tajikistan	7.0	7.5	7.5	6.8	6.6	-	-	-
Turkmenistan	-	-	-	-	-	-	-	-
Uzbekistan	5.6	5.7	6.0	5.9	4.7	4.1	-2.5	0.8

* Some countries don't provide quarterly data, but publish only on longer periods, e.g. Jan-Sep; the figures in this table are rough estimates by the authors how these data translate into quarterly numbers.

Source: Tusheng. Authors' calculations based on national statistical office data

Sharpest contraction in services and mining

Growth in agriculture remained positive in the CAREC region on average in 2020 despite the difficulties caused by the COVID-19 pandemic. CAREC countries secured positive growth with the exception of the Kyrgyz Republic, which saw a slight dip in Q2 (Figure 4).

Manufacturing returned to positive growth in Q3, at least as evident for the countries where data are available. On average CAREC growth accelerated from minus 1.3% yoy in Q2 to plus 10.8% yoy in Q3 (Figure 5).

Figure 4. GDP: Agriculture (% yoy)

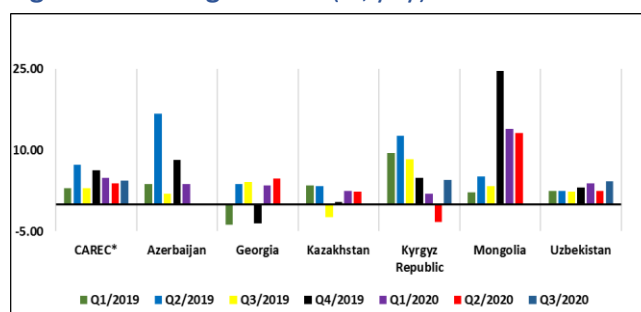


Figure 5. GDP: Manufacturing (% yoy)

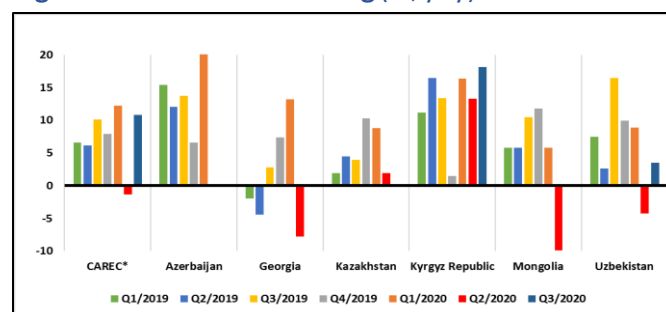


Figure 6. GDP: Mining and Quarrying (% yoy)

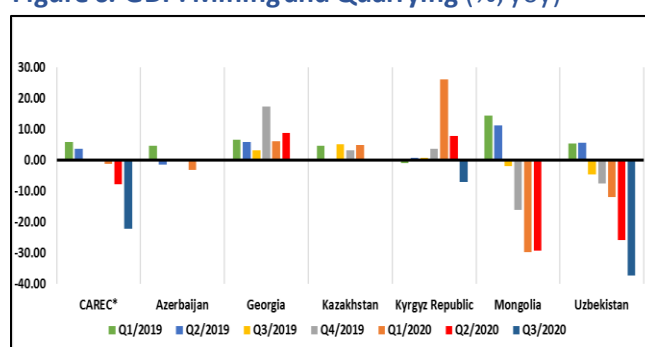
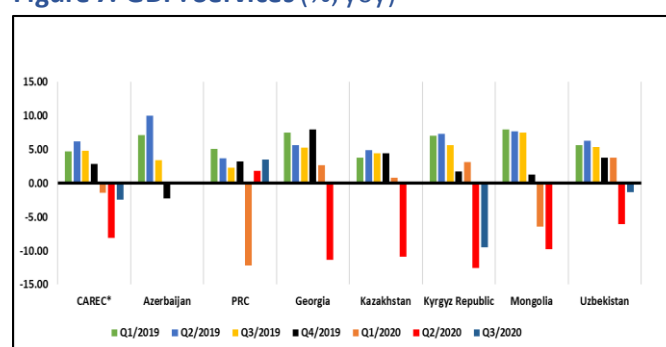


Figure 7. GDP: Services (% yoy)



*Refers to the simple average of CAREC countries where data are available.

Source: Tusheng. Authors' calculations.

However, growth in mining continued to decline in Q3 to staggering average minus 22.1% yoy after minus 7.7% yoy in Q2 (Figure 6). Almost all CAREC countries experienced negative growth rates during the last three quarters. The strongest decline was observed in Mongolia and Uzbekistan, where growth slumped to -29.9% and -25.8% yoy in Q2, respectively. In Uzbekistan, contraction accelerated even to minus 37.1% yoy in Q3.

Services were also severely buffeted by the COVID-19 pandemic. On average, value added in services decreased by 8.1% yoy in Q2 in the CAREC region. Services nosedived by 11.32%, 10.8% and 12.6% yoy, in Georgia, Kazakhstan, and the Kyrgyz Republic, respectively. In Q3, average services growth was still minus 2.4% yoy, with growth in the Kyrgyz Republic and Uzbekistan negative by 9.5% and 1.3% yoy, respectively. In the PRC, services increased already by 3.5% yoy, however (Figure 7).

Investment, exports and consumption down, but government spending up

Average CAREC household consumption decreased by price-adjusted 3.8% yoy in Q2. Georgia, Kazakhstan and Uzbekistan saw a decline by 4.4%, 16.6% and 2.3% yoy in Q2, respectively, whereas household consumption grew by 2.1% and 5.8% yoy in the Kyrgyz Republic and Mongolia (Figure 8).

Gross fixed capital formation turned negative in all CAREC countries in Q2, from plus 0.9% yoy in Q1 to minus 9.7% yoy in Q2. Gross fixed capital formation contracted by as much as 11.5%, 10.0% and 14.3% in Georgia, Mongolia and Uzbekistan, respectively (Figure 9). The PRC's investment in fixed assets (excluding rural households) recovered to 1.8% yoy in Jan-Oct.

Figure 8. GDP: Household final consumption exp. (% yoy)

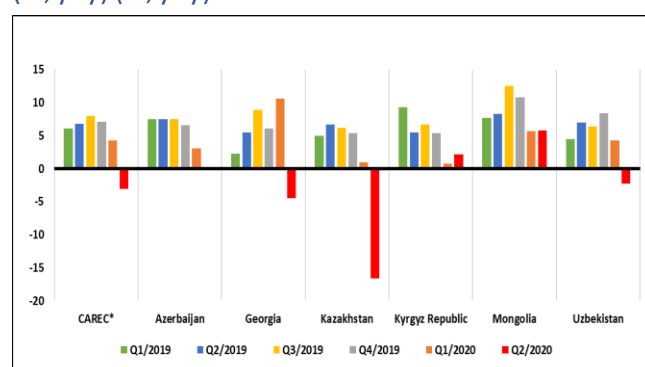


Figure 9. GDP: Gross fixed capital formation (% yoy)

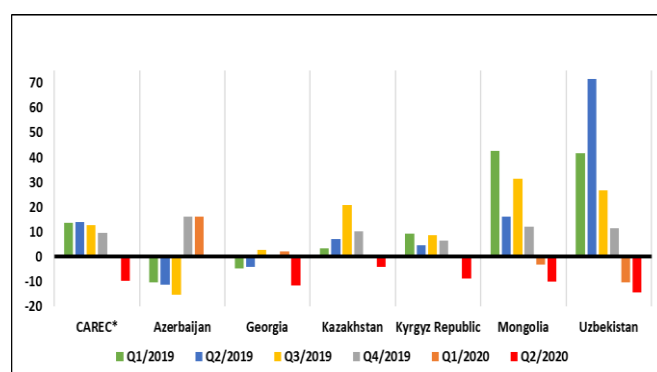


Figure 10: GDP: Export of goods and services (% yoy)

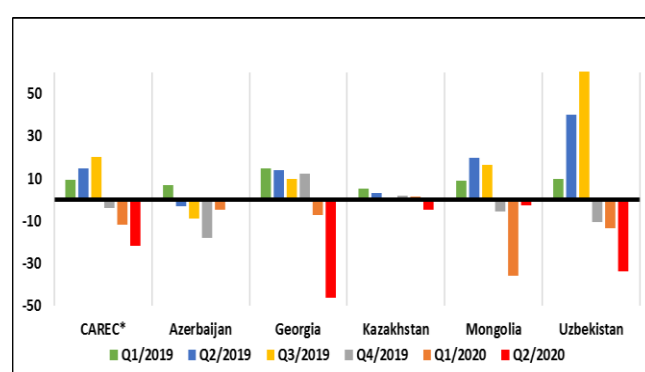
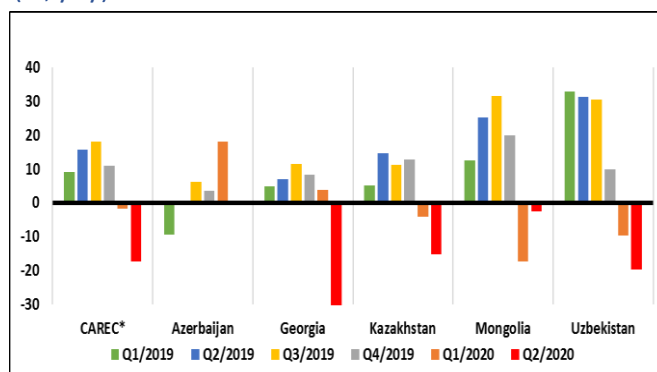


Figure 11: GDP: Import of goods and services (% yoy)



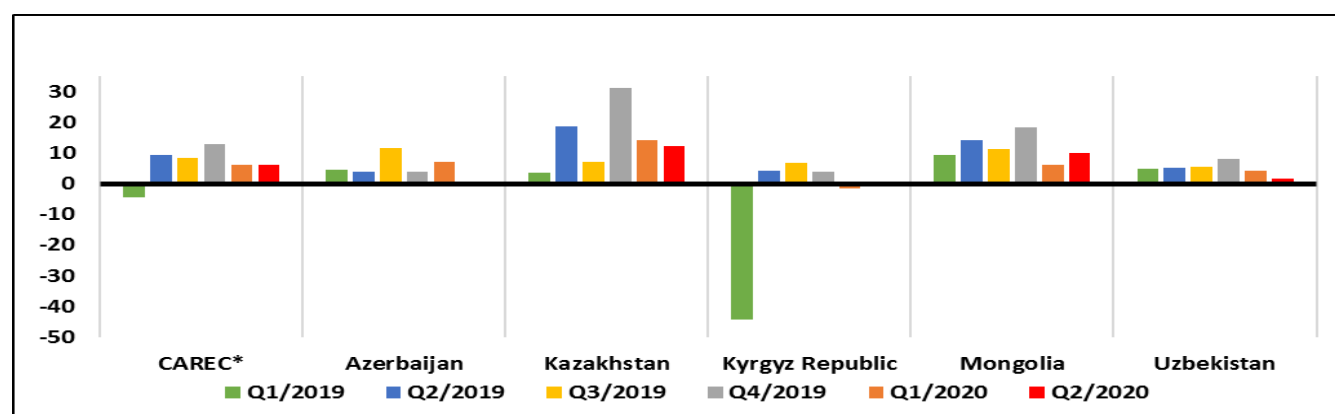
* Refers to the simple average of CAREC countries where data are available.

Source: Tusheng. Authors' calculations.

Exports of goods and services continued a downward path that began already in Q4 2019. Georgia and Uzbekistan saw a decrease as large as 46.1% and 33.9% yoy, respectively, in Q2 2020. The corresponding figures for Kazakhstan and Mongolia are 4.8% and 2.7% yoy (Figure 10).

A mitigating factor for GDP contraction were weak imports of goods and services. Their decrease accelerated from 1.9% in Q1 2020 to 17.25% yoy in Q2. Georgia saw an import decline as strong as 31.5% yoy in Q2, after a 3.7% yoy increase in Q1. Kazakhstan, Mongolia, and Uzbekistan recorded -15.2%, -2.5% and -19.6%, respectively, in Q2 (Figure 11).

Figure 12. GDP: Government final consumption expenditure (% ,yoy)



*Refers to the simple average of CAREC countries where data are available.

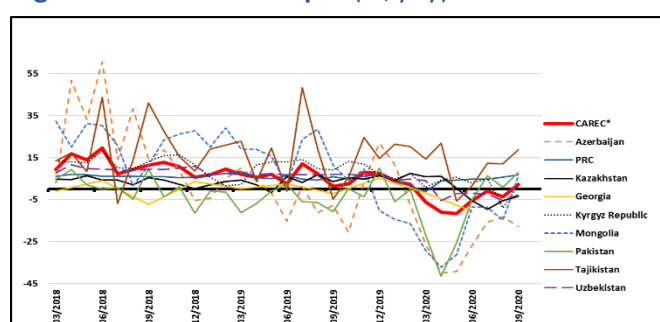
Source: Tusheng. Authors' calculations.

Government spending has by contrast been substantially up in the whole of 2020. In Q2, it rose by 6% yoy on average in CAREC. The highest growth was observed in Kazakhstan and Mongolia at 12% and 10%, respectively. The Kyrgyz Republic and Uzbekistan saw a more moderate growth by 1% and 2%, respectively (Figure 12).

High frequency indicators point to a slight recovery in Q3

Growth in industrial production hesitatingly recovered in the third quarter. After declining to a trough of minus 11.6% yoy in May 2020, industrial output growth reached plus 2.1% yoy in September on average in CAREC (Figure 13). This was possible thanks to the development in Mongolia, Pakistan, the PRC, and Tajikistan where September growth rebounded to 6%, 7.9%, 6.9% and 18.5% yoy, respectively. By contrast, growth was -17.9%, -3.5% and -2.7% yoy in Azerbaijan, Kazakhstan, and Uzbekistan in September.

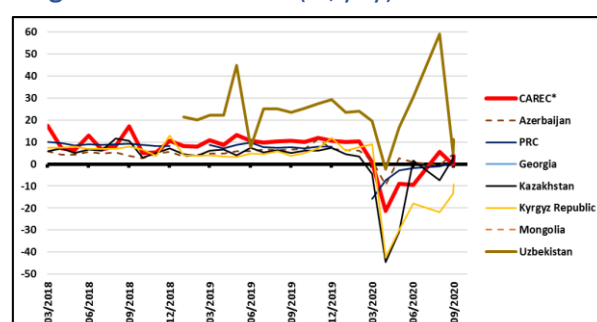
Figure 13. Industrial output (% ,yoy)



*Refers to the simple average of CAREC countries where data are available.

Source: Tusheng. Authors' calculations.

Figure 14. Retail sales (% ,yoy)



Consumption as captured by retail sales was also back on a slight upward path in August and September after the drastic fall in April 2020, judging from countries that publish monthly data. Retail sales decreased by as much as 44.7% yoy in Kazakhstan in April but recovered to plus 11.4% yoy by September. They plunged by 42.5% in the Kyrgyz Republic in April, the fall slowed to -9.3% yoy in September, however. The PRC saw a decrease of 7.5% in April, and a recovery to plus 3.3% in September (Figure 14).

Relatively moderate monetary expansion and preserved trust in local currencies

Growth in money supply has remained relatively moderate in the CAREC region despite relaxation measures by central banks in support of the economy. Broad money (M2) grew less than 15% yoy on average in CAREC, with a slight acceleration in the third quarter. Countries with somewhat stronger expansion were Kazakhstan and the Kyrgyz Republic, Georgia and Mongolia remained below average (Figure 15). Limited broad money growth is the result of subdued loan growth in most CAREC countries because of the uncertain economic environment.

Figure 15. Money supply M2 (% , yoy)

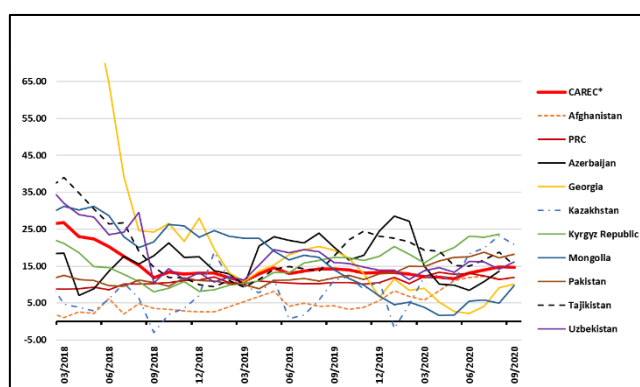
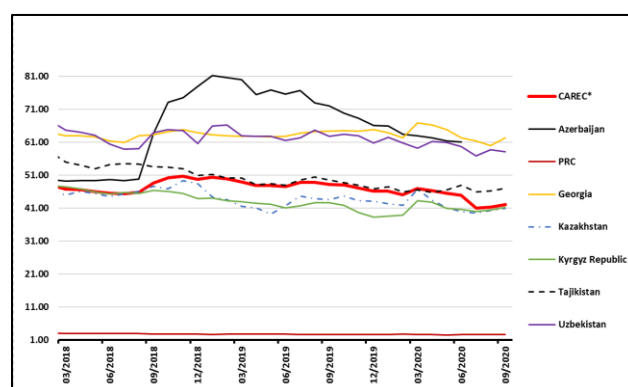


Figure 16. Share of foreign exchange in deposits (%)



*Refers to the simple average of CAREC countries where data are available.

Source: Tusheng. Authors' calculations.

The moderate monetary expansion has helped preserve trust in local currencies. The share of foreign exchange in bank deposits has remained stable or even declined in most CAREC countries, from a high level though except for the PRC (Figure 16).

The share of foreign exchange in loans has continued its previous decline, in part encouraged by corresponding banking regulation.

Slightly improved trade balances due to sharper import than export contraction

The export growth weakening that began in late 2019 accelerated in the first half of 2020 and bottomed out only in May, at -38.5% yoy. Exports decreased especially drastically in Afghanistan, Azerbaijan, Mongolia, Pakistan, and Tajikistan, at -70.7%, -47.4%, -67.1% and -49.8% yoy in June, respectively (Figure 17). However, seasonal adjustment indicates that average CAREC export growth was up again by 31.2% sa qoq in July and recovered further until September. Year-on-year export growth was plus 39% and plus 9.9% in the Kyrgyz Republic and the PRC in September as a result. It remained negative by 34.6% yoy in Kazakhstan though. Higher export prices for commodities have supported a partial export recovery in late 2020.

Subdued economic activity led to a sharp import contraction in 2020. Even though all CAREC countries saw positive import growth in sa terms in May or June, imports still declined by 12.6% and 18.9% yoy, respectively, in June and July (Figure 18).

Figure 17. Export (USD based, FOB, % yoy)

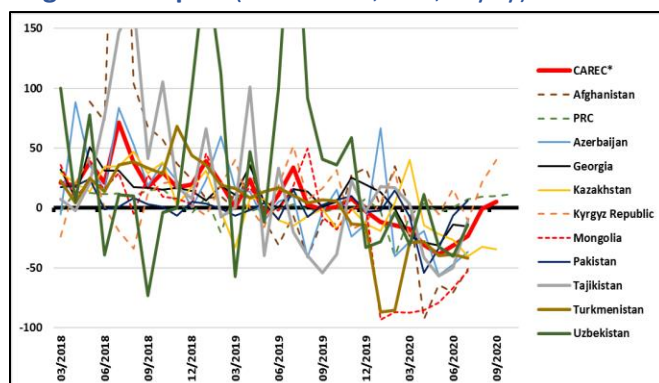


Figure 18. Import (USD based, CIF, % yoy)

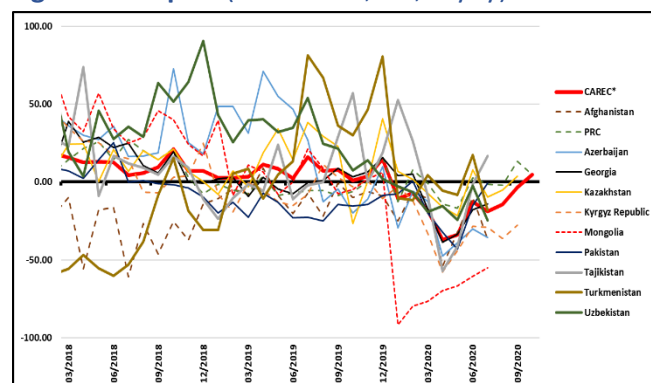
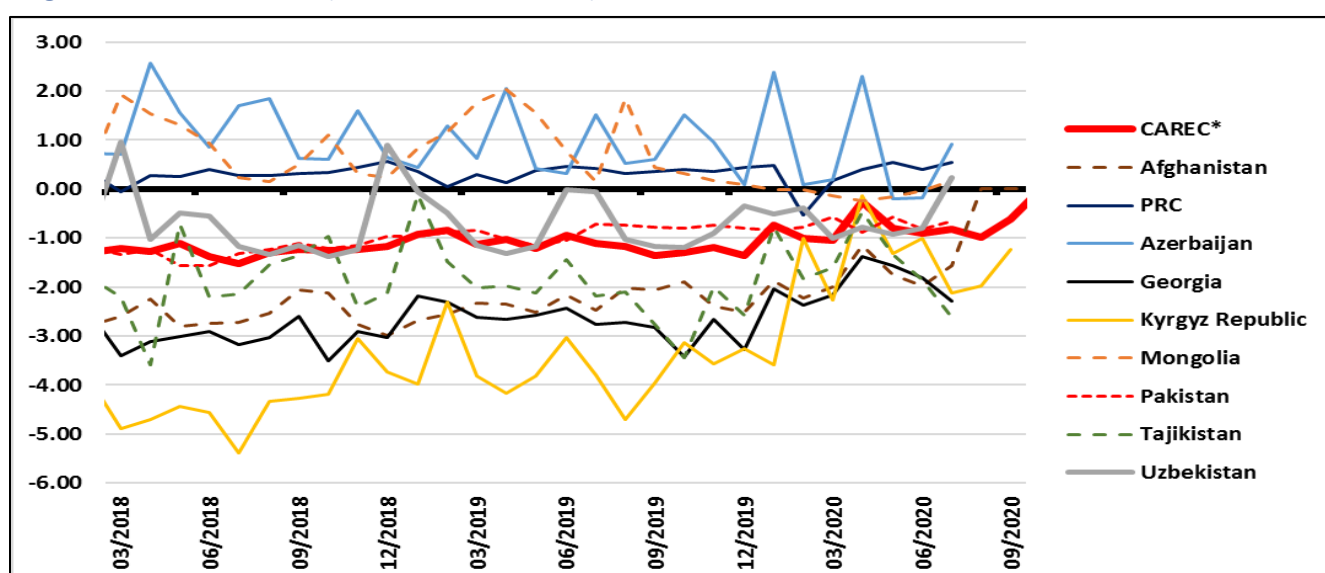


Figure 19. Trade balance (USD based, % of GDP)



* Refers to the simple average of CAREC countries where data are available.

Source: Tusheng. Authors' calculations.

With the impact of the Covid-19 pandemic reducing imports even more in absolute terms than exports, CAREC countries' trade balances have slightly improved. Whereas Georgia, the Kyrgyz Republic, Pakistan, and Tajikistan continued to experience negative trade balances, Azerbaijan, Mongolia, and Uzbekistan saw improvements to plus 0.9%, 0.2% and 0.2% of GDP, respectively in May and June, after negative trade balances before (Figure 19).

Exchange rate facing pressures, but easing inflation keeps real rates stable

Commodity price volatility, trade deficits or capital outflows led exchange rates weaken in most CAREC countries in recent years, and COVID-19 added to exchange rate pressures. However, there has been re-strengthening of the exchange rate in the PRC and Pakistan recently and a leveling off of the weakening in other countries, in part with the help of central bank interventions. Turkmenistan and Azerbaijan have preserved their fixed exchange rate regimes (Figure 20).

Figure 20. Exchange rates (USD/national currency, 1-1-2018=1.00)

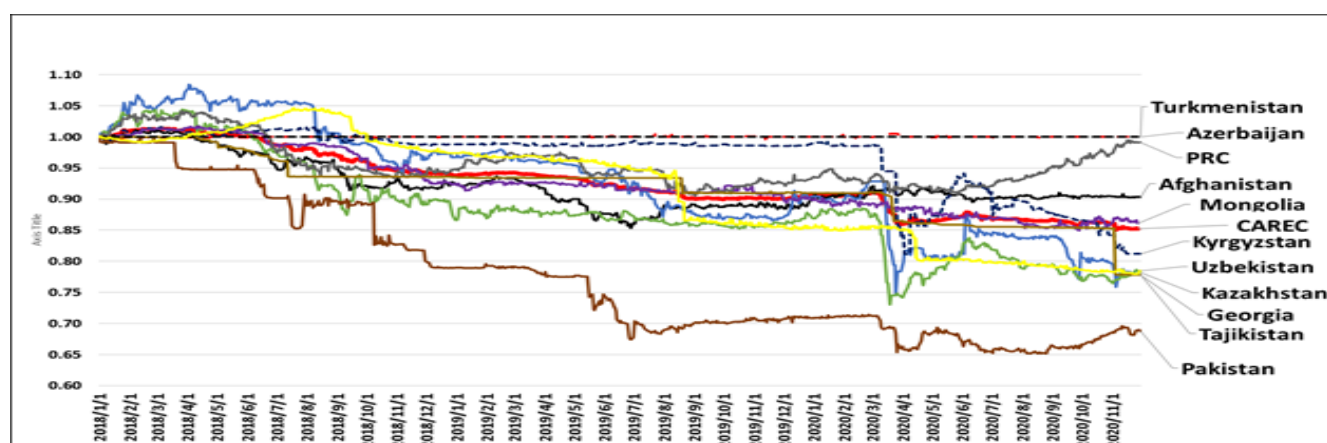


Figure 21. Consumer prices

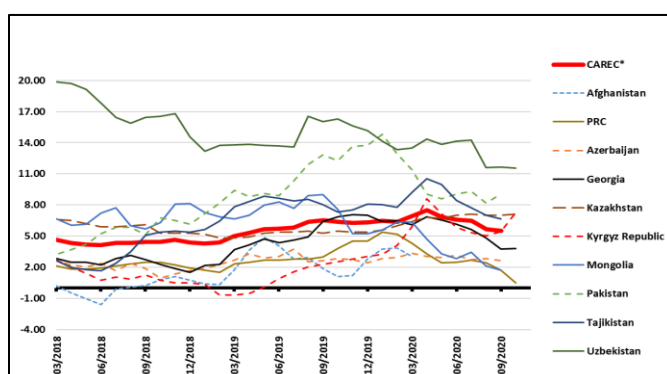
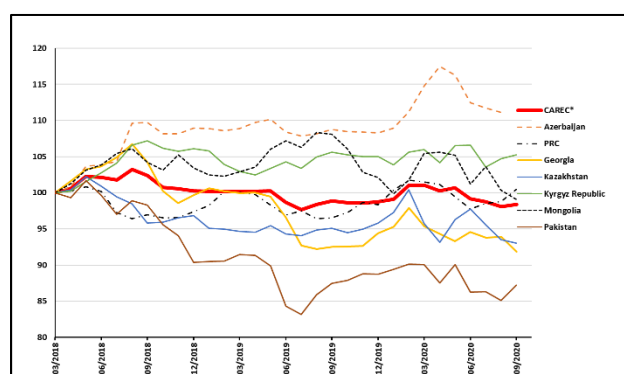


Figure 22. Real effective foreign exchange rate index (% , yoy) (1-3-2018=100)



*Refers to the simple average of CAREC countries where data are available.

Source: Tusheng. Authors' calculations.

Weak consumer demand due to COVID-19 containment measures is reflected in easing inflation since May 2020. Before, the pass-through from exchange rate depreciation had elevated inflation in several CAREC countries. In the PRC and Azerbaijan inflation rates were down to 1.7% and 2.6%, respectively, in September, the lowest in the CAREC region. Higher rates were observed in Uzbekistan, Pakistan, and Kazakhstan at 11.6%, 9%, and 7%, respectively (Figure 21).

Real effective exchange rates (REERs) remained relatively stable in 2018-2020 on average in the CAREC region and have tended to become more competitive since the outbreak of the COVID-19 pandemic (Figure 22). Nominal exchange rate depreciation has not been fully passed on to price increases due to weak domestic demand. The development has however varied strongly among countries. Pakistan's REER has become more competitive since 2018, Azerbaijan's less. In most countries there has been some up-and-down during 2020. REERs are inflation-adjusted, trade-weighted exchange rates. They impact the competitiveness of a country's products.

Current account balances mostly improved, but external debt is rising

Table 3. Current account balances (USD million)

	2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Afghanistan	-1,277	-778	-1,028	-709	-956	-423	
Azerbaijan	1,603	1,459	942	362	646	-48	
PRC	30,074	30,517	40,214	40,531	-33,696	110,168	94,200
Georgia	-246	-170	16	-560	-418	-337	
Kazakhstan	-267	-1,663	-3,172	-2,104	2,822	-1,123	-5,500
Kyrgyz Republic	-294	-274	-202	-328	5	227	
Mongolia	-117	-252	-208	-418	-304	66	19
Pakistan	-1,961	-3,150	-1,492	-540	-652	-286	778
Tajikistan	-138	-114	83	-16	-266	-325	
Uzbekistan	-1,049	-708	-20	-1,584	-917	-1,087	

Source: Tusheng. Authors' calculations.

In most CAREC countries, current account balances improved in Q2 2020 due to subdued imports and lower profits of foreign investors. Even the fall in remittances did not prevent this outcome. Green color in Table 2 means a higher surplus or a lower deficit, red color in italics means the opposite. Only in Uzbekistan, Georgia and Azerbaijan deficits widened from a year earlier. Available Q3 data indicate a large current account deficit in Kazakhstan, but surpluses in Mongolia, Pakistan, and the PRC (Table 3).

Table 4. Net Foreign Direct Investment Flows (USD million)*

	2019				2020	
	Q1	Q2	Q3	Q4	Q1	Q2
Azerbaijan	299	166	446	18	-303	121
Georgia	-104	-243	-151	-366	-226	-126
Kazakhstan	-3,047	-901	-313	-1,448	-1,372	-108
Kyrgyz Republic	101	40	-37	233	-345	-58
Mongolia	-482	-572	-492	-770	-367	-544
Pakistan	-392	-519	-501	-813	-764	-446
Tajikistan	-54	-135	13	-13	-18	4
Uzbekistan	-221	-832	-448	-812	-269	-479

* A "minus" sign indicates inflows, a "plus" sign outflows; "net" is here net flows on the asset side (ODI) minus net flows on the liability side

Source: Tusheng. Authors' calculations.

Net foreign direct investment (FDI) inflows decreased in most CAREC countries in Q2 2020, in Kazakhstan, Mongolia and Tajikistan already in Q1. However, there were lower outflows in Azerbaijan in Q2, and higher inflows in the Kyrgyz Republic than the year before (Table 4).

"Actually utilized" FDI in the PRC, which excludes the financial sector, was at \$ 41.3 billion down 8.4% yoy in Jan-April 2020, according to the Ministry of Commerce, but recovered to \$ 89.0 billion in Jan-August 2020, only 0.3% lower than a year earlier.

Table 5. Gross External Debt

	Q4 2019		Q2 2020	Diff Q2-Q4
	% of GDP	USDmn	USDmn	USDmn
Afghanistan	11	2,325	2,499	174
Azerbaijan	34	16,212		
PRC	19	2,057,280	2,132,414	75,134
Georgia	106	18,627	18,762	135
Kazakhstan	78	158,565	159,813	1,248
Kyrgyz Republic	122	8,420	8,614	194
Mongolia	230	30,702	30,814	112
Pakistan	42	106,890	108,493	1,603
Tajikistan	67	6,517	6,547	30
Uzbekistan	31	24,128	27,183	3,055

Source: Tusheng. Authors' calculations.

Despite reduced financing needs due to lower imports, financing needs for other purposes increased and gross external debt rose in all CAREC countries during the first half of 2020 (Table 5). Most countries experienced an increase of 1%-3% of GDP. Whereas some CAREC countries' external debt exposure is nevertheless still rather moderate, debt is high in others (the ones in italic red in the "% of GDP" column). In case of a substantial worsening of growth prospects or the business climate, high debt might result in massive capital outflows or at least refinancing could become difficult. For unhedged debtors in foreign currency a strong weakening of the exchange rate would substantially impair their debt service capacity.

Increasing government expenditure, decreasing revenue, rising public debt

Subdued economic activities due to the COVID-19 pandemic and government measures to support the economy via tax exemptions are substantially reducing budget revenues. Based on the IMF's October 2020 WEO, government revenue of the countries which constitute the CAREC region are set to decrease on average from 29.9% of GDP in 2019 to 26.4% of GDP in 2020, according to our calculations (Figure 23).

Figure 23. General government revenue (% of GDP)

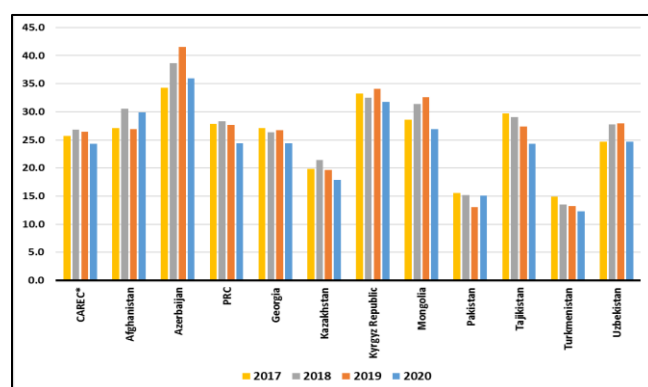


Figure 24. General government expenditure (% of GDP)

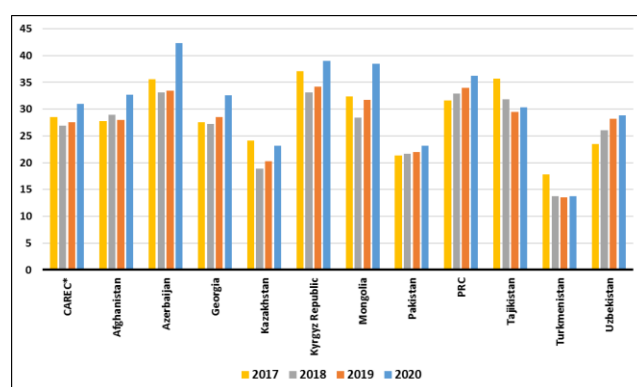
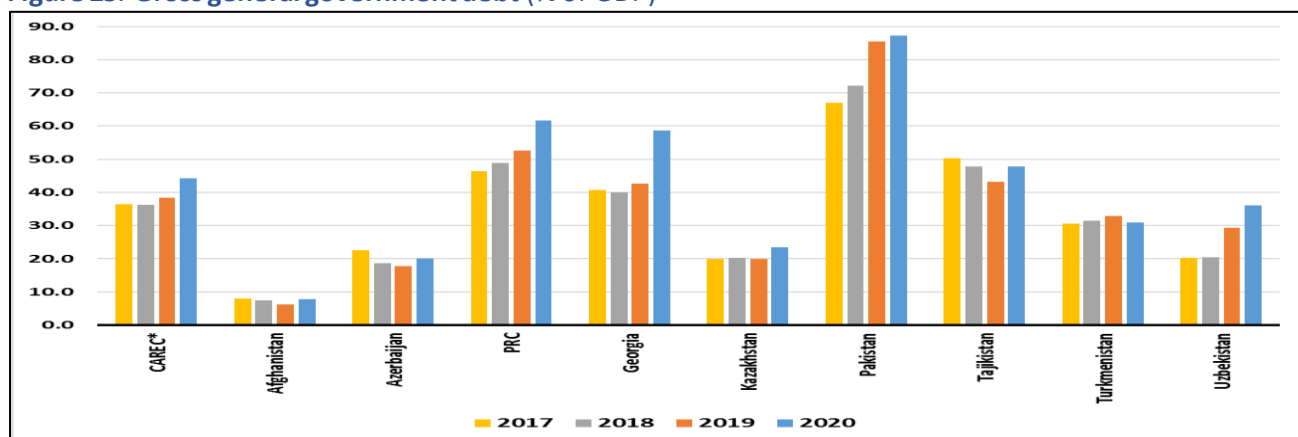


Figure 25. Gross general government debt (% of GDP)



*Refers to the simple average of CAREC countries where data are available.

Note: 2020 data are estimated projections by IMF WEO as of October 2020.

Source: IMF World Economic Outlook Database.

Average government expenditure is expected to increase from 27.6% of GDP in 2019 to 30.9% in 2020, based on the IMF's October 2020 WEO. High increases are expected in Azerbaijan (from 33.4% to 42.3%), the Kyrgyz Republic (from 34.2% to 39%), and in Mongolia (from 31.7% to 38.4%) (Figure 24).

Scaled-up government spending as revenues contract is associated with increasing budget deficits and government debt. Average gross general government debt of CAREC countries is estimated to increase from 38.4% of GDP in 2019 to 44.2% of GDP in 2020 based on IMF forecasts. Countries with the highest expected increase of government debt are Georgia (from 42.6% to 58.7%), the Kyrgyz Republic (from 54.1% to 68.1%), the PRC (from 52.6% to 61.7%), and Uzbekistan (from 29.3% to 36.1%) (Figure 25).

Countries with relatively moderate levels of public debt and with more comfortable fiscal space are Uzbekistan, Turkmenistan, Kazakhstan, and Azerbaijan, the latter three also because they possess sovereign wealth funds on resources of which they can draw. Pakistan and some other countries are in a much more difficult fiscal position though, not least also because a significant part of public debt is owed to external debtors in foreign currency.

CAREC governments' policy measures against COVID-19

The COVID-19 pandemic has severely disrupted economic activities. Governments and the international community reacted by providing sizable economic relief packages to mitigate the social and economic impacts induced by the pandemic. Kazakhstan, for example, provided credit support and encouraged banks and other lenders to grant loan repayment deferrals to eligible borrowers to help SMEs¹; the PRC rolled out a series of policies on tax and fee cuts, cost reduction and convenient financing². Supporting vulnerable people amid the COVID-19 pandemic is another priority for the CAREC countries. Afghanistan, Azerbaijan, and Pakistan government provided cash transfers to low-income households while Mongolia and Georgia further increased allowances for children and pensions for the disabled and elderly³. In the health sector, healthcare workers in the CAREC countries

¹ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#K>

² http://english.www.gov.cn/policies/policywatch/202008/09/content_WS5f2ff56cc6d029c1c26377b9.html

³ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

such as Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan received salary supplements as an incentive to treat COVID-19 patients⁴.

The IMF's COVID-19 tracker gives a good overview of measures taken by countries globally. Table 6 provides a summary for the CAREC region.

Table 6. Key economic responses taken by the CAREC countries (as of 20 November 2020)

	Tax/fee exemptions or deferrals	Monetary policy	Exchange rate
Afghanistan	Tax filing deadline extended for the first quarter by 45 days; electricity and utility bills waived for vulnerable people in Kabul;	Increasing the frequency of Financial Stability Committee meetings; postponing the IFRS-9 implementation to June 2021;	Da Afghanistan Bank remaining focused on achieving price stability in the context of a flexible exchange rate regime;
Azerbaijan	Granting a one-year exemption from land and property tax to selected sectors; 75% and 50% tax exemption for two different types of taxpayers; etc.	Refinancing rate lowered by 25 bps to 6½%; a relaxation of capital requirements and risk weights on mortgage loans; a moratorium on late fees and interest rate penalties; etc.	Conducting scheduled and extraordinary foreign exchange auctions, satisfying all demands for foreign currency at the announced 1.7 AzN/US\$ rate;
PRC	Tax relief and waived social security contributions; etc.	Liquidity injection into the banking system; expansion of re-lending and re-discounting facilities by RMB 1.8 trillion; tolerance for higher NPLs; delay of loan payments; etc.	The exchange rate allowed to adjust flexibly; the reserve requirement on FX forward reduced to zero; etc.
Georgia	Income tax waiver for low-income citizens during 6 months; Additional VAT refunds; touristic enterprises exempt from profits tax; etc.	Policy rate cumulatively reduced by 100 bps since April; policy rate kept at 8%; a new tool for liquidity management launched; etc.	Net USD 820 million foreign exchange sold to prevent disorderly depreciation.
	Tax/fee exemptions or deferrals	Monetary policy	Exchange rate
Kazakhstan	Tax incentives to agriculture and hard-hit sectors; extending tax concessions for vulnerable individuals and businesses;	Base rate cut to 9% in July to support activity; risk weights and capital conservation buffer lowered; list of eligible collaterals expanded; etc.	The NBK intervening in the FX market in late Sep and Oct when the tenge came under pressure;
Kyrgyz Republic	Temporary tax exemptions for SMEs; deferral of tax payments, time-bound exemptions of property and land taxes;	Liquidity ratio lowered; liquidity ratio requirements removed; risk-weights of FX corporate and retail loans reduced from 150% to 100%; etc.	USD 313.4 million of foreign exchange reserves sold so far to prevent disorderly depreciation;
Mongolia	Exemption of rent income tax, customs duty and VAT on certain imported goods through end-June 2021;	Temporary financial forbearance measures extended through the end of 2020; policy rate cut for several rounds;	

⁴ ibidem

	Tax/fee exemptions or deferrals	Monetary policy	Exchange rate
Pakistan	Tax incentives to the construction sector; elimination of import duties on emergency health equipment; electricity bill payments relief (PKR 110 billion); etc.	Existing refinancing facilities extended to Sep or Dec 2020; temporary regulatory measures introduced by SBP to maintain banking system soundness; etc.	
Tajikistan	VAT exemptions on essential imports; time-bound tax holidays and relief to targeted industries and small businesses.	Income tax rate for interest income on domestic currency deposits lowered till end-Dec 2020 by 5%; interest rate on bank deposits lowered from 12% to 6% from July 1 to Dec 31, 2020; etc.	The NBT allowing a one-off 5% depreciation of somoni to adjust the official exchange rate with cash market rate; foreign exchange liquidity provided to banks.
Turkmenistan	Tax relief to support businesses.	Temporary suspension of loan repayments provided to businesses affected by the COVID-19 containment measures.	
Uzbekistan	Payment of property and land taxes postponed; social contributions temporarily reduced; tax declarations for 2019 income taxes delayed; etc.	Deadlines for loan repayments for affected sectors extended by state-owned banks; policy rate reduced by 200 basis points in 2020.	

Source: IMF policy tracker. <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19> (accessed on 30 November 2020).

Table 7 shows the size of packages announced by the CAREC countries as compiled by the ADB. For a number of countries these packages are as high as 15-17% of GDP. The packages are implemented in a variety of forms such as liquidity support, long-term direct lending, equity or income support (Table 8).

Table 7. Total packages announced by the CAREC countries against COVID-19 (as of 16 November 2020)

	AFG	AZE	PRC	GEO	KAZ	KGZ	MON	PAK	TJK	TKM	UZB
Total package (USD mln)	554	1,597	2,369,087	2,418	23,796	500	2,240	16,296	4	1	1,000
% of GDP (2019)	2.9%	3.4%	17.4%	16.4%	15.0%	6.4%	16.6%	7.0%	0.1%	0.0%	1.8%

Source: ADB: COVID-19 Policy database. <https://covid19policy.adb.org/> (accessed on 28 November 2020).

Table 8. Breakdown of the packages of the CAREC countries by measure (USD mln, as of 16 November 2020)

	Liquidity Support	Credit creation	Direct long-term lending	Equity support	Support to income / revenue	International Assistance	No breakdown
Afghanistan					554		
Azerbaijan		294			710	5	588
PRC	427,468	445,065	49,871	28,498	1,406,180	12,004	
Georgia	752	306			1,196		164
Kazakhstan	4,245		873		18,678		
Kyrgyz Republic	327	47	54		72		
Mongolia	118	126	241		1,755		
Pakistan	603	3,282	5,180		7,232		
Tajikistan					4		
Turkmenistan						1	
Uzbekistan					1,000		

Source: ADB: COVID-19 Policy database. <https://covid19policy.adb.org/> (accessed on 28 November 2020).

Continued volatility until vaccines become effective

After a rebound in indicators reflecting the impact of COVID-19 on social and economic activity until September, there has been some new dip in November. Google's "Retail and recreational mobility" (Figure 26) and "Workplaces mobility" (Figure 27) indicators bottomed out in April at -47.5% and -35.8% compared to baseline, respectively, and reached plus 7.1%, and minus 10.8 in September. However, both mobility types renewed their fall in November.

A final recovery will be solid only after mass vaccinations will lift countries out of the COVID-19 crisis. Given the high correlation between the mobility indicators and indicators such as industrial production and retail sales (Figure 28), renewed adverse effects on the economy must be expected as long as infection rates remain volatile and containment measures have to be applied to keep them limited.

Figure 26. Google COVID-19 community mobility

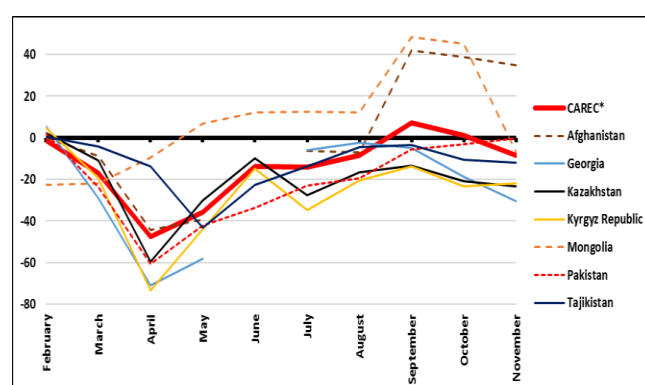


Figure 27. Google COVID-19 community mobility reports: Retail & Recreation reports: Workplaces

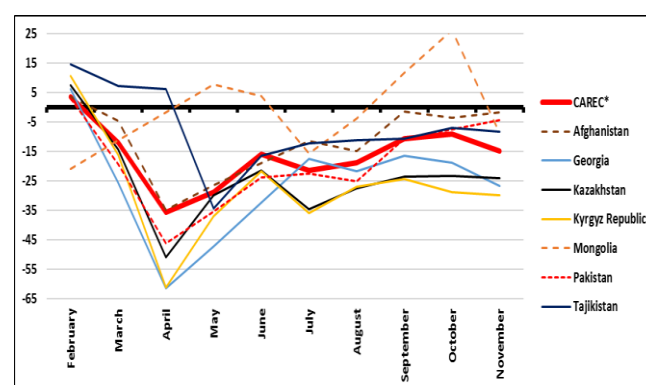
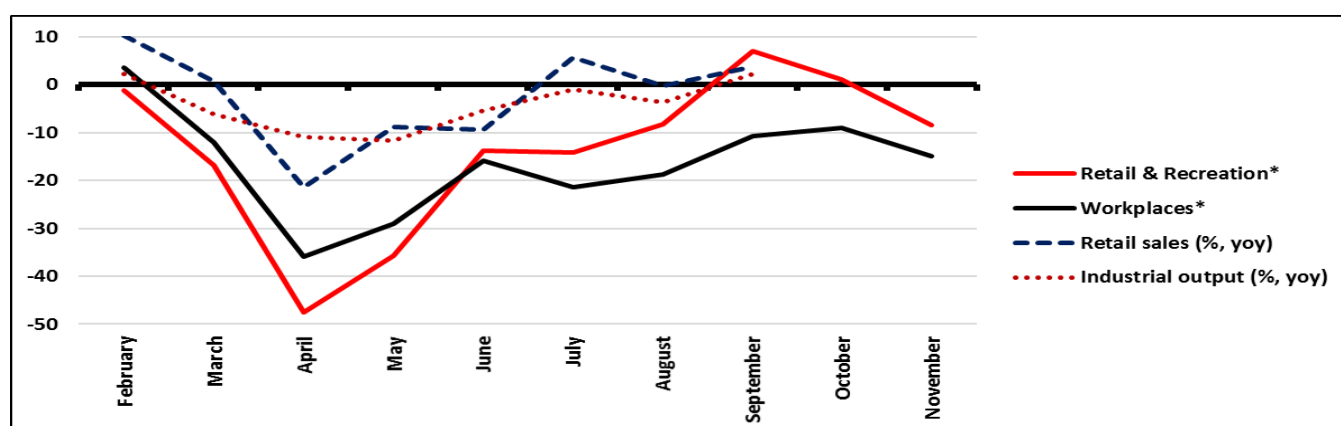


Figure 28. Google mobility reports, retail sales and industrial output in CAREC



Source: "Google COVID-19 Mobility Reports" (accessed on 21 November 2020); Tusheng; Authors' calculations.

TOWARDS RELIEF AND ECONOMIC RECOVERY: VACCINATION

The preceding chapters of the Economic Monitor gave an overview over the economic development in the CAREC region. The main conclusion is that the region all-in-all did not perform too badly, but that the COVID-19 outbreak has caused severe economic disruptions, of course, and that volatility will continue until the pandemic is overcome. The good news is that there is a whole portfolio of vaccines now, which have already or are about to pass the decisive phase 3 of testing (Table 9). Some of the vaccines have found already approval by relevant authorities or will receive approval very soon. Vaccinations all over the globe will begin in early 2021, first for the most exposed and vulnerable parts of the population, and later on a broader scale.

Table 9. DRAFT landscape of COVID-19 candidate vaccines as of 10 December 2020, phase 3 vaccines

COVID-19 Vaccine developer/manufacturer	Number of doses	Timing of doses
Sinovac	2	0,14 days
Wuhan Institute of Biological Products/Sinopharm	2	0,21 days
Beijing Institute of Biological Products/Sinopharm	2	0,21 days
Bharat Biotech	2	0,28 days
University of Oxford/AstraZeneca	2	0,28 days
CanSino Biological Inc./Beijing Institute of Biotechnology	1	n.a.
Gamaleya Research Institute	2	0,21 days
Janssen Pharmaceutical Companies	1,2	0,0,56 days
Novavax	2	0,21 days
Anhui Zhifei Longcom Biopharmaceutical/Institute of Microbiology, Chinese Academy of Sciences	3	0,28,56 days
Moderna/NIAID	2	0,28 days
BioNTech/Fosun Pharma/Pfizer	2	0,21 days
Medicago Inc.	2	n.a.

Source: WHO

Table 10. Key considerations to implement best practice for mass vaccination campaigns

Areas for best practice	Key considerations
Coordination	Establish strong coordination and oversight mechanism to work in conjunction with the COVID-19 task teams along with immunization program partners, civil society organizations, community leaders, international health agencies, and donors.
Planning	Detailed planning should include updated information on target population (such as internal migration, such as shifts from urban to rural sector before/during confinement), best estimates for mask and additional personal protective equipment (PPE) requirements, and adequate measures for both infection prevention and control (IPC) and for waste management.
	Consider additional human and financial resource needs to ensure implementation of a high-quality campaign, considering the implications of physical distancing or specific COVID-19 prevention and control measures.
	Ensure updated standard operating procedures and training on IPC, use of PPE, and any modified vaccination approaches.
Infection, prevention, and control	Activities should be undertaken only if aligned with existing WHO COVID-19 guidance on minimizing transmission.
	Adhere rigorously to IPC good-practices including adequate access to appropriate IPC supplies, such as masks, hand sanitizer or hand washing units with soap and water, to ensure application of standard and transmission-based precautions to protect health workers not only against COVID-19, but also other pathogens potentially transmitted via person-to-person contact or needlestick injuries, as per WHO recommendations.
Vaccination strategies	Tailor strategies to enable the safest, most effective delivery of the vaccination campaign.
	Consider increasing the timeframe and the number of vaccination sites, so that fewer people can be vaccinated per site/ day in line with physical distancing efforts.
	Consider tailored targeted campaigns in high-risk areas and/or high-risk groups.
	Consider decentralizing vaccination sites with mobile and advanced vaccination posts, use empty public or private premises as vaccination sites, such as schools and stadiums. House-to-house vaccination could be considered if adequate human resources, and logistical and IPC capacities are available.
	Use non-traditional or novel operational measures to deliver vaccine. For example, oral cholera vaccine (OCV) is administered using a single-dose vial and is thermostable. It does not require skilled personnel for administration and can be provided through directly observed self-administration, avoiding physical contact between vaccinators and recipients.
Community engagement	Involve community leaders and other trusted community actors in vaccination campaign planning, health message dissemination (for example community radio and social media) on COVID-19 prevention and encourage individuals to seek care if they experience potential symptoms of COVID-19. ^{10, 17}
	Build public trust and confidence in campaign's ability to avoid increasing the risk of COVID-19 infection.
	Work closely with the community to minimize the risk of COVID-19 transmission during the vaccination campaign, for example people with fever and respiratory symptoms should be encouraged to seek health care before getting vaccinated

Source: https://apps.who.int/iris/bitstream/handle/10665/332159/WHO-2019-nCoV-Framework_Mass_Vaccination-2020.1-eng.pdf

While public health actions to suppress transmission and reduce mortality will still have to continue for some time, work towards rolling out safe and effective vaccines in a proper way will be essential for preserving lives and livelihoods and returning to normal life. To organize vaccination campaigns in a proper and effective way will be key for social and economic success in 2021 (and, in all likelihood, 2022 as well). Table 10 summarizes some crucial elements as suggested by the WHO.

Organization, logistics, financing will be highly challenging for the CAREC countries. Fortunately, there are a few multilateral and bilateral international support programs, and the CAREC countries should use them. Mutual CAREC country cooperation and support will also be of high importance to finally overcome the crisis.

COVAX, “the global initiative to ensure rapid and equitable access to COVID-19 vaccines for all countries, regardless of income level,” announced on 18 December 2020 that it has arrangements in place to access nearly two billion doses of COVID-19 vaccine candidates, on behalf of 190 participating economies, enabling participating economies to have access to doses in the first half of 2021. The World Bank approved an envelope of \$12 billion for developing countries to finance the purchase and distribution of COVID-19 vaccines, tests, and treatments for their citizens October 13, 2020. The Asian Development Bank (ADB) has launched a \$9 billion vaccine initiative — the Asia Pacific Vaccine Access Facility (APVAX) in December.

There are other bilateral, regional, and international initiatives aiming equitable provisioning of vaccines. CAREC governments must prioritize vaccination programs which will be unprecedented in scope and complexity, leveraging national, bilateral, regional, and international initiatives to plan, procure, deliver, and monitor a program of this magnitude. Healthcare systems will require complete re-orientation, upscaling outreach, training medical staff and augmentation of facilities as top priority in coming few months. It is expected that successful vaccination programs will not only help turn the tide against pandemic but will also provide a solid basis for sustained recovery and return to growth in 2021.

ANNEX: CAREC COOPERATION INITIATIVES IN THE MEDIA

CAREC governments' cooperation initiatives

Shavkat Mirziyoyev presides over CIS summit

Date: 2020-12-18 Source: Official website of the President of Uzbekistan

On December 18, President of the Republic of Uzbekistan Shavkat Mirziyoyev chaired a videoconference session of the Commonwealth of Independent States (CIS) Council of the Heads of State. He put forward suggestion, which are also for CAREC highly relevant. The President “highlighted the importance of widespread introduction of the practice of green and simplified corridors, the launch of a single platform and the adoption of a roadmap for the development of electronic commerce within the Commonwealth.

Uzbekistan’s President noted the need to elaborate a comprehensive program of industrial cooperation. It is about the creation of joint clusters in the agro-industrial sector, in the field of mechanical engineering, electrical engineering, light and food industries, pharmaceuticals and other priority areas. In the transport communications field, key tasks have been defined as increasing the competitiveness of transport corridors, harmonizing regulations and standards, pursuing an agreed tariff policy and mutual granting of preferences.”

MORE: <https://president.uz/en/lists/view/4024>

Azerbaijan, Mongolia mull bilateral energy cooperation

Date: 2020-12-14 Source: TODAY.AZ

Bilateral relations in the field of energy between Azerbaijan and Mongolia were discussed during the meeting of Azerbaijan Energy Minister Parviz Shahbazov and Mongolia Ambassador to Turkey and Azerbaijan Bold Radvan, the ministry has reported... Additionally, at the meeting, the “Memorandum of Understanding on cooperation in the field of energy between the Azerbaijan Energy Ministry and Mongolia Energy Ministry” was signed.

MORE: <http://www.today.az/news/business/201509.html>

Azerbaijan, Pakistan eye prospects of energy cooperation

Date: 2020-11-23 Source: TODAY.AZ

Azerbaijani Energy Minister Parviz Shahbazov and Pakistan Ambassador to Azerbaijan Bilal Hayee. have discussed prospects for the development of bilateral cooperation between Baku and Islamabad in the energy sector. At their meeting, the parties exchanged views on cooperation between the two countries in various fields. In addition, issues arising from the agreement on energy cooperation between the governments of Azerbaijan and Pakistan were noted. Moreover, the meeting focused on the two countries' investment opportunities in the energy sector.

MORE: <http://www.today.az/news/business/200758.html>

Kyrgyzstan and Uzbekistan plan to create free economic zone in border area

Date: 2020-11-20 Source: 24.kg

A telephone conversation took place between the acting Prime Minister of Kyrgyzstan Artem Novikov and the Deputy Prime Minister of Uzbekistan Sardor Umurzakov. The Information Support Department of the Cabinet of Ministers reported... During the conversation, the sides discussed issues of enhancing trade and economic cooperation, increasing the volume of mutual trade and expanding its range by creating joint projects in the field of industrial cooperation, building trade and logistics centers, a free economic (industrial) zone in the border areas of the two states.

MORE:

https://24.kg/english/173864_Kyrgyzstan_and_Uzbekistan_plan_to_create_free_economic_zone_in_border_area/

Azerbaijan, Georgia sign cargo transportation accord

Date: 2020-11-18 Source: Azernews

The Azerbaijani Railways CJSC and the Georgian Railway JSC have signed a document on bilateral cooperation in the field of cargo transportation, the Azerbaijani Railways company reported on November 17... In addition, he noted that using the possibilities of this route, cargoes from China and Central Asia are transported through Azerbaijan and Georgia to Turkey and back.

MORE: <https://www.azernews.az/business/172842.html>

Kazakhstan and Uzbekistan agree to fulfill joint projects

Date: 2020-11-3 Source: Kazinform

The Kazakh delegation led by Roman Sklyar, Deputy Prime Minister, paid an official visit to Uzbekistan... The parties debated the progress of realization of the agreements achieved and promising directions for mutually beneficial cooperation... Kazakhstan suggested building the interstate branching network of wholesale distribution centres to accumulate farm products in sufficient scale to enter the large trading networks of export markets. The Uzbek PM offered to consider cooperation within the working trade and logistics centre Termez-Mazari-Sharif.

MORE: https://lenta.inform.kz/en/kazakhstan-and-uzbekistan-agree-to-fulfill-joint-projects_a3714160

Azerbaijan, China mull business cooperation

Date: 2020-10-26 Source: Azernews

Azerbaijan's Export and Investment Promotion Foundation under the Ministry of Economy and Chinese Sino-Foreign agency have discussed the development of business cooperation between Azerbaijan and China during an online business meeting held recently... the parties discussed expansion of relations between AZPROMO and Sino-Foreign, as well as export of Azerbaijani products to China.

MORE: <https://www.azernews.az/business/171468.html>

Uzbekistan, China strengthen cooperation

Date: 2020-10-14 Source: Uza

China online business forum "Shanghai – Tashkent: Prospects of e-Commerce" – "Silk Road of e-Commerce" with participation of representatives of state, public and commercial structures of Uzbekistan and China took place on October 13, 2020...Following the event, AEEX and BMB TRADE

GROUP agreed to cooperate in creating e-commerce platforms to expand the export of domestic agricultural products to China.

MORE: <http://uza.uz/en/business/uzbekistan-china-strengthen-cooperation-14-10-2020>

Afghanistan signs four economic cooperation agreements with Turkmenistan

Date: 2020-9-30 Source: Wadsam

Today, Afghanistan and Turkmenistan representatives signed four economic cooperation agreements in the presence of Afghan President Mohammad Ashraf Ghani in the presidential palace.

The agreements include transfer of 500kV electricity from Turkmenistan to Herat, expand telecommunication ties, connect fiber optic networks, and develop Herat gas pipeline phase as part of the TAPI project.

MORE: <https://wadsam.com/afghan-business-news/afghanistan-signs-four-economic-cooperation-agreements-with-turkmenistan/>

Bishkek, Tashkent to cooperate in trade, economic and cultural spheres

Date: 2020-9-23 Source: 24.kg

Bishkek and Tashkent will sign an action plan for implementation of an agreement on cooperation in trade, economic, cultural and humanitarian spheres between the City Hall of the capital of Kyrgyzstan and the khokimiyat of Tashkent city. It was announced at the meeting of the Mayor of Bishkek Aziz Surakmatov with the Ambassador Extraordinary and Plenipotentiary of the Republic of Uzbekistan to Kyrgyzstan Khurshid Mirzakhidov. Press service of the Bishkek City Hall reported.

MORE: https://24.kg/english/166123_Bishkek_Tashkent_to_cooperate_in_trade_economic_and_cultural_spheres/

Pakistan, China to sign development agreement of CPEC SEZ Rashakai today

Date: 2020-9-14 Source: The Nation

Pakistan and China to sign Development Agreement of the First China Pakistan Economic Corridor's (CPEC) Special Economic Zone (SEZ) Rashakai today (Monday). The signing of the Development Agreement of Rashakai SEZ under CPEC would realise the vision of special economic zones' development, ultimately leading to a prosperous and industrial Pakistan, said Board of Investment (BOI) Chairman Atif R. Bokhari.

MORE: <https://nation.com.pk/14-Sep-2020/pakistan-china-to-sign-development-agreement-of-cpec-sez-rashakai-today>

Pakistan, Uzbekistan sign MoU for promotion of bilateral trade affairs

Date: 2020-9-11 Source: The Nation

Pakistan and Uzbekistan signed an MoU for establishment of Joint Working Group on trade and economic affairs to work together for trade enhancement, promotion of inter-governmental projects in different sectors and improvement of connectivity...both sides agreed to start negotiations for a bilateral Early Harvest Plan, proceeding to Preferential Trade Agreement to provide increased market access to each other's products. It was also agreed to have Mutual Recognition Agreements (MRAs) for harmonisation of standards and sanitary and phytosanitary measures. It was also agreed to arrange a business forum for the private sector of both countries.

MORE: <https://nation.com.pk/11-Sep-2020/pak-uzbekistan-sign-mou-for-promotion-of-bilateral-trade-affairs>

Azerbaijan, Uzbekistan mull economic cooperation

Date: 2020-9-4 Source: TODAY.AZ

Azerbaijan and Uzbekistan have discussed development of economic cooperation during the meeting held between head of the Confederation of Entrepreneurs of Azerbaijan Mammad Musayev and Uzbek Ambassador Bahrom Ashrafkhanov on September 3. ... In the first half of 2020, bilateral trade between Uzbekistan and Azerbaijan increased by 77.7 percent, compared to the same period in 2019, to \$47.5 million.

MORE: <http://www.today.az/news/business/196918.html>

Afghanistan, Turkmenistan, & Azerbaijan to form a joint committee to expand trade

Date: 2020-7-4 Source: Wadsam

Proposed by Azerbaijani President Ilham Aliyev, the joint committee will work on regional connectivity, railway development, fiber optics, and transportation and will include ministers of transport and other officials from the three countries. President Ashraf Ghani welcomed the idea of a joint delegation and announced that international partners are ready to cooperate in the expansion of railways in Afghanistan for economic development.

MORE: <https://wadsam.com/afghan-business-news/afghanistan-turkmenistan-azerbaijan-to-form-a-joint-committee-to-expand-trade/>

CAREC cross-border business initiatives

181 Pakistani exhibitors start online business at China-South Asia Online Expo

Date: 2020-12-14 Source: The Nation

Around 181 Pakistani online exhibitors are participating in the everlasting China-South Asia Online Expo 2020 kicked off in Kunming, Yunnan province of China. Among them, there are a lot of Pakistani food companies, which were uncommon in the Kunming expo before, China Economic Net (CEN) reported on Sunday.

MORE: <https://nation.com.pk/14-Dec-2020/181-pakistani-exhibitors-start-online-business-at-china-south-asia-online-expo>

Afghanistan-Pakistan trade barriers removed: Afghan ministry

Date: 2020-11-26 Source: The News

The Afghan Ministry of Industry and Commerce on Wednesday said that “all barriers” in the way of trade relations between Afghanistan and Pakistan have been settled down over the past few weeks. Afghan officials have expressed the hope that with the removal of the obstructions, Afghanistan’s exports to Pakistan will double next year... The volume of trade between Afghanistan and Pakistan has slumped to less than \$1 billion from \$3 billion in the past. Officials in Kabul however raised hope that Afghanistan’s exports to Pakistan will increase by \$400 million next year.

MORE: <https://www.thenews.com.pk/print/749531-afghanistan-pakistan-trade-barriers-removed-afghan-ministry>

Chinese investor to expand his project in Fergana Uzbekistan

Date: 2020-11-24 Source: Uza

Administration of Fergana region hosted a meeting with the founder of Uzbekistan – China JV Fergana Yasin Qurilish Mollari, in Besharyk district... The joint venture specializing in production of cement is capable of producing 2,500 tons of products per day. At the first stage of the project, \$80 million was invested and 300 young people were employed. In 2021, \$120 million will be allocated for the implementation of the second phase of this project. The second stage of the cement plant is planned to be launched in July next year. As a result, the enterprise will produce 2 million tons of products per year, and employ 700 local residents.

MORE: https://uza.uz/en/posts/chinese-investor-to-expand-his-project-in-fergana_705908

Agreements worth \$14 million expected between Pakistani, Chinese industrialists

Date: 2020-11-20 Source: The Nation

Agreements worth \$14 million are expected between Pakistani & Chinese industrialists as a result of 448 matchmaking meetings that took place during the Pakistan Industrial Expo 2020 recently held in the provincial metropolis. ... While Yousaf Fa, CEO Everest International, said that they had started this exhibition in Pakistan to further strengthen the bilateral trade relations and helping the indigenous industries of both sides to grow further.

MORE: <https://nation.com.pk/20-Nov-2020/agreements-worth-dollar-14-million-expected-between-pak-chinese-industrialists>

Uzbekistan-China joint venture in Jizzakh region

Date: 2020-11-19 Source: Uza

China joint venture at Tianshan Industries LLC has been launched in Jizzakh region's Farish district. \$2.5 million foreign direct investments have been attracted for the project on construction of energy-saving limestone plant at Tianshan Industries LLC. The company manufactures 270 tons of products per day for export. The annual export volume is expected to be \$1 million.

MORE: <http://uza.uz/en/posts/uzbekistan-china-joint-venture-in-jizzakh-region>

Pakistan-China working on transportation projects under CPEC in Karachi, Quetta

Date: 2020-11-16 Source: The Nation

Pakistan and China are discussing and working on many other transportation projects under the framework of China Pakistan Economic Corridor (CPEC) in major cities, including Karachi, capital of Sindh province, and Quetta, capital of Balochistan. The CPEC, in its first phase, focuses on infrastructure and energy development, referencing Gwadar Port projects in South-western Pakistan under the Belt and Road Initiative (BRI).

MORE: <https://nation.com.pk/16-Nov-2020/pakistan-china-working-on-transportation-projects-under-cpec-in-karachi-quetta>

Kazakhstan's Trade House to open in Azerbaijan

Date: 2020-9-22 Source: TODAY.AZ

According to the statement, the purpose in opening the trade house is increasing the volume of bilateral trade, expanding investment, trade and economic relations.

At the initial stage, the Kazakh food, agriculture products and consumer goods will be demonstrated in Azerbaijan market, and later the products of light and textile industry.

MORE: <http://www.today.az/news/business/197389.html>

Shanghai-based renewable energy company to expand its biz in Azerbaijan

Date: 2020-9-17 Source: TODAY.AZ

China's Universal Energy company is planning plans to expand its business in Azerbaijan to further support the transition of energy structure, the company official told Trend... "Aiming to become a leading market player in countries along the Belt and Road Initiative, Universal Energy has been active in Kazakhstan market- the buckle of the Initiative, for five years. The company is now one of the largest investors for renewable energy projects in Kazakhstan," the company said.

MORE: <http://www.today.az/news/business/197243.html>

Azerbaijan, China's Alibaba mull cooperation in e-commerce, logistics, Internet techs

Date: 2020-9-2 Source: TODAY.AZ

During the video meeting with representatives of "Alibaba Group" with the participation of Minister of Transport, Communications and High Technologies Ramin Guluzade, discussions were held on the establishment of logistics and relevant warehousing infrastructure in Azerbaijan, opportunities for cooperation in the data centre and "cloud" infrastructure, e-commerce and other areas. Besides, the sides also agreed to establish a working group on cooperation.

MORE: <http://www.today.az/news/business/196821.html>

Afghanistan & Uzbekistan agree to sign 10-year electricity transmission contract

Date: 2020-8-29 Source: Wadsam

"We hope that this historic trip will further enhance political and economic cooperation between the two countries and strengthen our relations in the fields of trade, transport, electricity, and energy." MoFA quoted Kamilov as saying. This comes as Afghanistan is facing power shortage. Citizens in capital Kabul recently expressed outrage over the shortage of power after Tajikistan cut off electricity to meet its domestic needs.

MORE: <https://wadsam.com/afghan-business-news/afghanistan-uzbekistan-agree-to-sign-10-year-electricity-transmission-contract/>

CAREC cross-regional business highlights

China remains Mongolia's biggest trade partner in Jan.-Nov.

Date: 2020-12-14 Source: Xinhua

China remained Mongolia's top export destination in the first 11 months of 2020, taking up 72.3 percent of Mongolia's total exports, the Mongolian National Statistics Office (NSO) said Monday. China also remained the country's top import supplier over the January-November period, accounting for 36.8 percent of Mongolia's total imports, the NSO said in a statement.

MORE: http://www.xinhuanet.com/english/asiapacific/2020-12/14/c_139588973.htm

Uzbekistan to bring annual trade with Afghanistan to \$2 billion within three years

Date: 2020-11-17 Source: Uza

By 2023, it is planned to bring the annual trade turnover between Uzbekistan and Afghanistan to \$2 billion. This is noted in the resolution of the President of Uzbekistan on measures to further enhance and strengthen economic cooperation with Afghanistan.

MORE: <http://uza.uz/en/posts/uzbekistan-to-bring-annual-trade-with-afghanistan-to-2-billion-within-three-years-70997>

Trade between Kyrgyzstan and Kazakhstan decreases by one third in 2020

Date: 2020-11-9 Source: 24.kg

Foreign trade turnover between Kyrgyzstan and Kazakhstan amounted to \$ 471.3 million, decreasing by 30 percent for 8 months of 2020. The National Statistical Committee of Kyrgyzstan presented such data. Exports totaled \$ 170.5 million. This is 26.3 percent less compared to the last year. Import of Kazakhstan's products reached \$ 300.8 million that is 31 percent less than in the past year.

MORE:

<https://24.kg/english/172396> Trade between Kyrgyzstan and Kazakhstan decreases by one third in 2020/

Kazakhstan and Uzbekistan reduce volume of mutual trade by 16.5%

Date: 2020-11-3 Source: UZREPORT

Kazakhstan and Uzbekistan reduced the volume of mutual trade by 16.5% in the first nine months of 2020. Exports to Uzbekistan decreased by 1%, while imports from the neighbouring Republic decreased by 40%. This was announced by the Minister of Trade and Integration of Kazakhstan Bakhyt Sultanov.

MORE: <https://uzreport.news/economy/kazakhstan-and-uzbekistan-reduce-volume-of-mutual-trade-by-165->

China remains top importer, traded products of over \$1884m

Date: 2020-10-16 Source: The Nation

China topped the list of countries from where Pakistan imported different products during the first two months of the current fiscal year (2020-21), followed by United Arab Emirates (UAE) and Singapore. The total imports from China during July-August 2020-21 were recorded at \$1884.801 million against the \$1592.096 million during July-August 2019-21, showing an increase of 18.38% during the period, according to State Bank of Pakistan (SBP).

MORE: <https://nation.com.pk/16-Oct-2020/china-remains-top-importer-traded-products-of-over-dollar-1884m>

Azerbaijan's exports to Kazakhstan up by 14.4 pct in 2020

Date: 2020-9-15 Source: TODAY.AZ

Azerbaijan increased the volume of exports to the Central Asian country of Kazakhstan by 14.4 percent during the first seven months of 2020, Trend has reported.

According to the statement, export of Azerbaijani products to Kazakhstan amounted to \$16.5 million, which is by \$2.08 million more than in the same period of 2019... Meanwhile, import of Kazakh products to Azerbaijan decreased by 3.5 times, from \$144.09 million to \$48.22 million.

MORE: <http://www.today.az/news/business/197181.html>

Trade turnover between Kyrgyzstan and Uzbekistan to be brought to \$ 1 billion

Date: 2020-9-5 Source: 24.kg

Uzbekistan and Kyrgyzstan plan to bring trade turnover to \$ 1 billion. The Ministry of Investment and Foreign Trade of the Republic of Uzbekistan provides such data. Over the past three years, trade between the two countries has grown almost fivefold — to \$ 818.4 million at the end of 2019. Now it needs to be increased in order to overcome the negative impact of the coronavirus pandemic.

MORE: <https://24.kg/english/164224> Trade turnover between Kyrgyzstan and Uzbekistan to be brought to 1 billion/

Mongolia's coal exports to China growing amid COVID-19

Date: 2020-8-27 Source: Montsame

According to an information provided by the Cabinet Secretariat of the Mongolian government yesterday, the coal exports from Mongolia have been growing, beginning from this month, and the number of coal transportation trucks has been increasing. The daily volume of coal transportation freight trucks to cross the border checkpoints to China was usually around 1,800 lately. However, in the recent several days, the number has exceeded 2,000.

As informed by the Cabinet Secretariat, the growth of coal exports to China is thanks to the Mongolian and Chinese governments' joint implementation of the 'Green Gateway' temporary regulation at border crossing points.

MORE: <https://montsame.mn/en/read/234748>

Exports to Afghanistan down 25.46pc in FY2019-20

Date: 2020-8-5 Source: The Nation

Pakistan's exports of goods and services to Afghanistan witnessed decrease of 25.46 percent during the fiscal year (2019-20) as compared to the corresponding period of last year, State Bank of Pakistan (SBP) reported.

The overall exports to Afghanistan were recorded at \$888,913 million during July-June (2019-20) against exports of \$1192,559 million during July-June (2018-19), showing negative growth of 25.46 percent, SBP data revealed.

MORE: <https://nation.com.pk/05-Aug-2020/exports-to-afghanistan-down-25-46pc-in-fy2019-20>

China-Central Asia gas pipeline transports over 19 bln cubic meters in H1

Date: 2020-7-30 Source: Xinhua

The China-Central Asia Gas Pipeline has delivered over 19 billion cubic meters of natural gas to China in the first half of this year, the PetroChina West Pipeline Company said Thursday.

The pipeline runs from the border between Turkmenistan and Uzbekistan, passes through Uzbekistan and Kazakhstan and links up with China's West-to-East Gas Pipeline in Khorgos of Xinjiang Uygur Autonomous Region.

MORE: http://www.xinhuanet.com/english/asiapacific/2020-07/30/c_139251568.htm



**No. 376 Nanchang Road, Urumqi
Xinjiang Uygur Autonomous Region
People's Republic of China
f: +86.991.8891151
km@carecinstitute.org
www.carecinstitute.org**