



**CAREC Institute**

# **Quarterly Economic Monitor**

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## Disclaimer

This seventh issue of the CAREC Institute Quarterly Economic Monitor looks at economic developments in the CAREC region based on latest available GDP, fiscal, monetary, inflation, and external economy data, along with some high-frequency data and discusses several aspects of current and potential future developments.

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## Abbreviations

|          |                                            |
|----------|--------------------------------------------|
| ADB      | Asian Development Bank                     |
| CAREC    | Central Asia Regional Economic Cooperation |
| CIF      | Cost Insurance and Freight                 |
| COVID-19 | Coronavirus disease 2019                   |
| CPI      | Consumer Price Index                       |
| FDI      | Foreign direct investment                  |
| FOB      | Free on Board                              |
| GDP      | Gross Domestic Product                     |
| H1       | First Half (financial or calendar year)    |
| H2       | Second Half (financial or calendar year)   |
| IMF      | International Monetary Fund                |
| PRC      | People's Republic of China                 |
| Q1       | First quarter                              |
| Q2       | Second quarter                             |
| Q3       | Third quarter                              |
| Q4       | Fourth quarter                             |
| QEM      | Quarterly Economic Monitor                 |
| RMB      | Chinese Renminbi                           |
| sa       | seasonally adjusted                        |
| USD      | USA dollar                                 |
| WB       | World Bank                                 |
| WHO      | World Health Organization                  |
| yoy      | year-on-year                               |

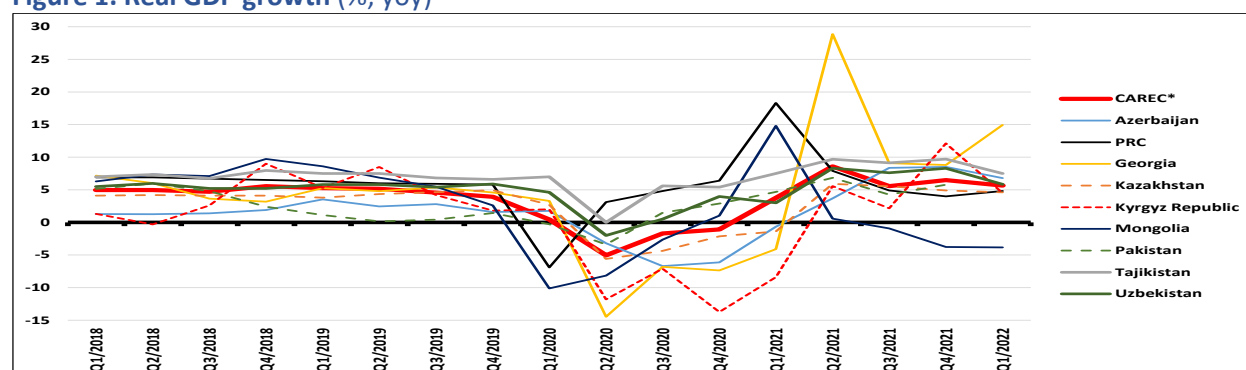
## CONTINUED RECOVERY, BUT A NEW PRODUCTIVITY PUSH IS NEEDED

This Quarterly Economic Monitor discusses basically three themes: a) the recovery and growth prospects, b) the room for maneuver that is left for fiscal and monetary policy to support growth, c) the CAREC regions progress in catching up with the developed economies and the role that the investment to GDP ratio has played for this. The conclusion is that a set of deepened structural policies are needed that increase investment efficiency and accelerate technological change while fostering the development of human capital and labor force skills that are needed for the adoption and running of advanced technologies.

## GDP has been up in 2022, but the outlook points to some slowing for one-half of the CAREC economies in 2023

**Despite some volatility in annual growth, almost all CAREC economies have reached real GDP levels well above those of 2019.** Real GDP<sup>1</sup> growth rates in Q1 2022 remained mostly little changed from the previous two quarters (Figure 1). All economies with data availability except Mongolia have achieved positive yoy growth since Q2 2021. However, the PRC's GDP growth weakened to 0.4% yoy in Q2 2022, because of renewed COVID-19 infections and related containment measures. Except for the Kyrgyz Republic, all CAREC economies exceeded or reached Q4 2019 real GDP levels in Q1 2022 (Figure 2).

Figure 1. Real GDP growth (% , yoy)

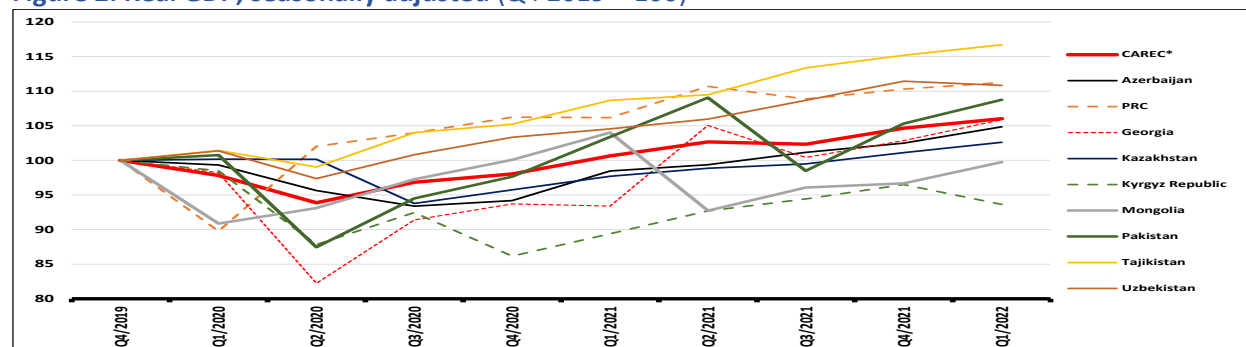


\*Refers to the simple average of CAREC economies where data are available.

Note: Some economies 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 growth rates of separate quarters.

Source: CEIC, national statistical agencies, authors' calculations.

Figure 2. Real GDP, seasonally adjusted (Q4 2019 = 100)



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

Source: CEIC, national statistical agencies, authors' calculations.

<sup>1</sup> "Real GDP" means in economists' speak GDP in national currency at constant prices.

**Table 1. Real GDP growth (% , yoy)**

| Table 1: Real GDP growth (%; yoy) |                |               |      |      |            |                            |       |       |     |      |       |     |     |
|-----------------------------------|----------------|---------------|------|------|------------|----------------------------|-------|-------|-----|------|-------|-----|-----|
|                                   | Average growth |               | 2020 | 2021 | 2022<br>Q1 | 2022F                      | 2023F | 2022F |     |      | 2023F |     |     |
|                                   | 2010-<br>2014  | 2015-<br>2019 |      |      |            | Average ADB,<br>IMF and WB |       | ADB   | IMF | WB   | ADB   | IMF | WB  |
| Afghanistan                       | 6.2            | 1.9           | 3.9  | -2.4 |            |                            |       |       |     |      |       |     |     |
| Azerbaijan                        | 1.8            | 0.8           | -4.2 | 5.6  | 6.8        | 3.1                        | 2.5   | 3.7   | 2.8 | 2.7  | 2.8   | 2.6 | 2.2 |
| PRC                               | 8.6            | 6.7           | 2.2  | 8.1  | 4.8        | 3.9                        | 4.9   | 4.0   | 3.3 | 4.3  | 4.8   | 4.6 | 5.2 |
| Georgia                           | 5.4            | 4.0           | -6.8 | 10.4 | 14.9       | 4.1                        | 5.4   | 3.5   | 3.2 | 5.5  | 5.0   | 5.8 | 5.5 |
| Kazakhstan                        | 5.8            | 2.5           | -2.5 | 4.0  | 4.6        | 2.7                        | 3.9   | 3.2   | 2.9 | 2.0  | 3.9   | 3.9 | 4.0 |
| Kyrgyz<br>Republic                | 4.0            | 4.2           | -8.4 | 3.6  | 4.5        | 0.3                        | 3.6   | 2.0   | 0.9 | -2.0 | 2.5   | 5.0 | 3.4 |
| Mongolia                          | 10.4           | 3.9           | -4.6 | 1.4  | -3.8       | 2.3                        | 6.1   | 2.3   | 2.0 | 2.5  | 5.6   | 7.0 | 5.8 |
| Pakistan*                         | 3.2            | 3.8           | -1.0 | 5.6  | 5.1        | 4.8                        | 4.0   | 4.0   | 6.0 | 4.3  | 4.5   | 3.5 | 4.0 |
| Tajikistan                        | 7.1            | 6.9           | 4.5  | 9.2  | 7.5        | 1.4                        | 3.3   | 2.0   | 2.5 | -0.4 | 3.0   | 3.5 | 3.3 |
| Turkmenistan                      | 11.0           | 6.3           | 5.9  | 6.2  |            | 3.8                        | 4.2   | 6.0   | 1.6 |      | 5.8   | 2.5 |     |
| Uzbekistan                        | 7.4            | 5.8           | 1.9  | 7.4  | 5.8        | 3.9                        | 4.9   | 4.0   | 3.4 | 4.3  | 4.5   | 5.0 | 5.3 |
| CAREC average                     | 6.4            | 4.3           | -0.8 | 5.4  | 5.4        | 3.0                        | 4.3   | 3.5   | 2.9 | 2.6  | 4.2   | 4.3 | 4.3 |

\*Fiscal years 2019/20 and 2020/21.

Note: Brown figures indicate a deceleration compared to 2010-14, dark green figures an acceleration compared to 2010-14, red figures a deceleration compared to 2015-19, green figures an acceleration compared to 2015-19.

Sources: CEIC, national statistical offices, ADB, IMF, WB (June or July 2022 forecasts), authors' calculations based on data from national statistical agencies and news.

**While the COVID-19 recession has been largely overcome in the CAREC region, new challenges darken the growth outlook.** New SARS-CoV-2 virus variants, the war in Ukraine and its global and regional economic consequences such as high inflation and the disruption of global value chains worsen growth prospects. This prompted international financial institutions such as ADB, IMF and WB to forecast lower GDP growth in 2022 and 2023 than in the 2015-2019 period for about one-half of the CAREC economies (Table 1).

**The recent economic challenges come on top of a slowdown in real GDP growth in large parts of the CAREC region already before.** Except for the Kyrgyz Republic and Pakistan, real GDP growth was less in the five years of 2015-2019 than in the five years of 2010-2014 (Table 1).

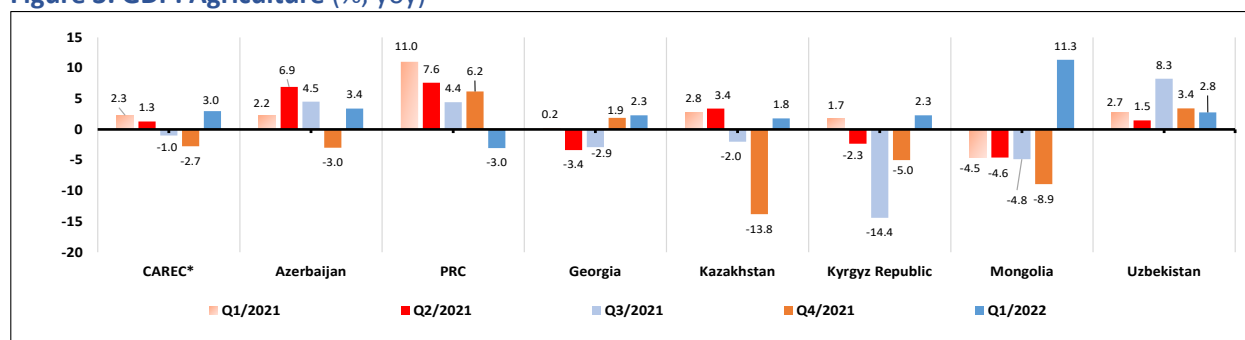
### GDP components: agriculture, manufacturing, and services up, mining still mixed

**Value added generation in agriculture rose in all CAREC economies compared to a year earlier in Q1 2022 except for the PRC.** On average in the CAREC region, value added<sup>2</sup> generated in agriculture was 3.0% higher in Q1 2022 after a contraction by 1.0% yoy and 2.7% yoy, respectively, in Q3 and Q4 2021 (Figure 3). This is a good sign, but the real proof will be data for the 2<sup>nd</sup> and 3<sup>rd</sup> quarters, the main quarters for crops<sup>3</sup>. All CAREC economies reached higher agricultural value added in Q1 2022 than in Q1 2019 (Figure 4).

<sup>2</sup> The Monitor analyses here components of real GDP. All components are looked at in national currency at constant prices.

<sup>3</sup> The FAO forecasts growth in 2022 for the total cereal production of Afghanistan -2.8% yoy, Azerbaijan -1.4%, the PRC +0.4%, Georgia -13.4%, Kazakhstan +11.6%, the Kyrgyz Republic +38.6%, Pakistan -3.7%, Tajikistan -8.1%, Turkmenistan +17.9%, Uzbekistan +6.0%. <https://www.fao.org/3/cc0868en/cc0868en.pdf>

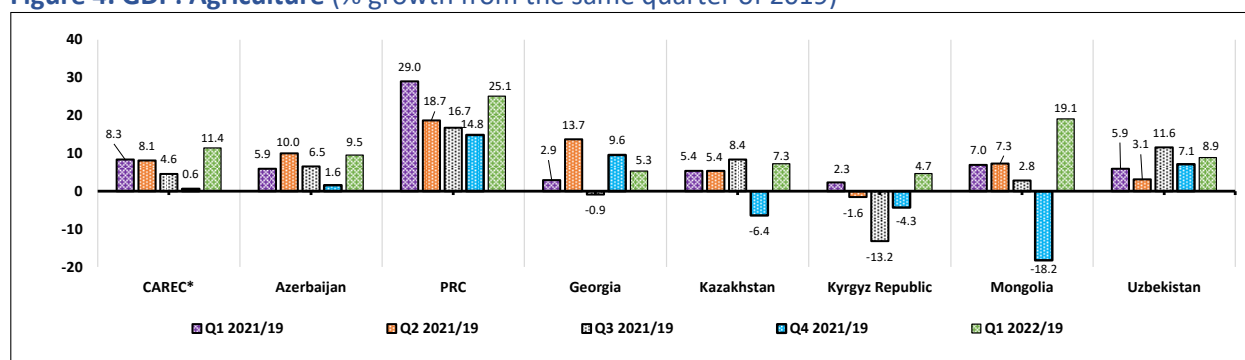
**Figure 3. GDP: Agriculture (% yoy)**



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

Source: CEIC, authors' calculations.

**Figure 4. GDP: Agriculture (% growth from the same quarter of 2019)**

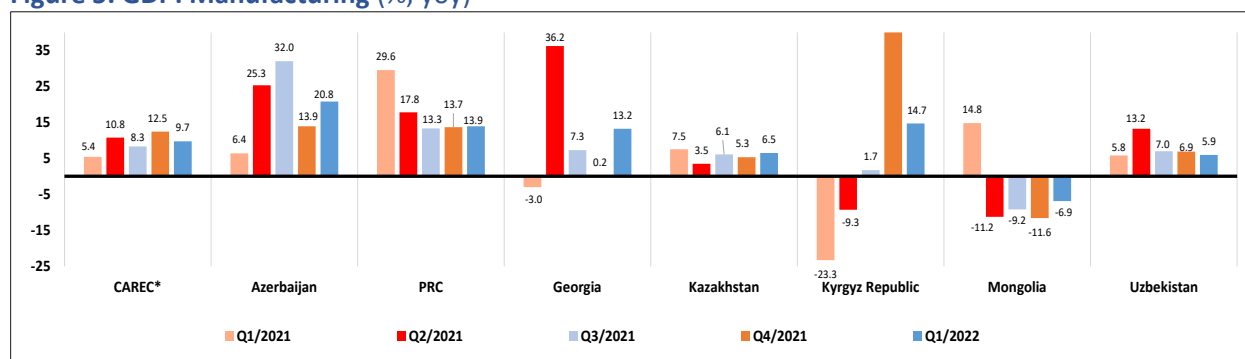


\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

**Manufacturing was also up in all CAREC economies.** Growth in the CAREC region averaged 9.7% yoy in Q1 after 12.5% yoy in Q4 and 8.3% yoy in Q3 2021 (Figure 5). For all CAREC economies with data availability except for the Kyrgyz Republic value added in manufacturing turned out significantly higher in Q1 2022 than in Q1 2019 (Figure 6).

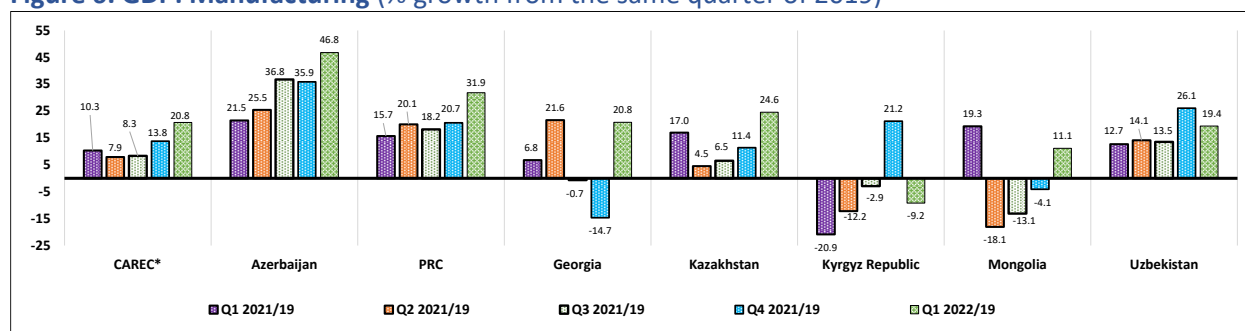
**Figure 5. GDP: Manufacturing (% yoy)**



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

Source: CEIC, authors' calculations.

**Figure 6. GDP: Manufacturing (% growth from the same quarter of 2019)**

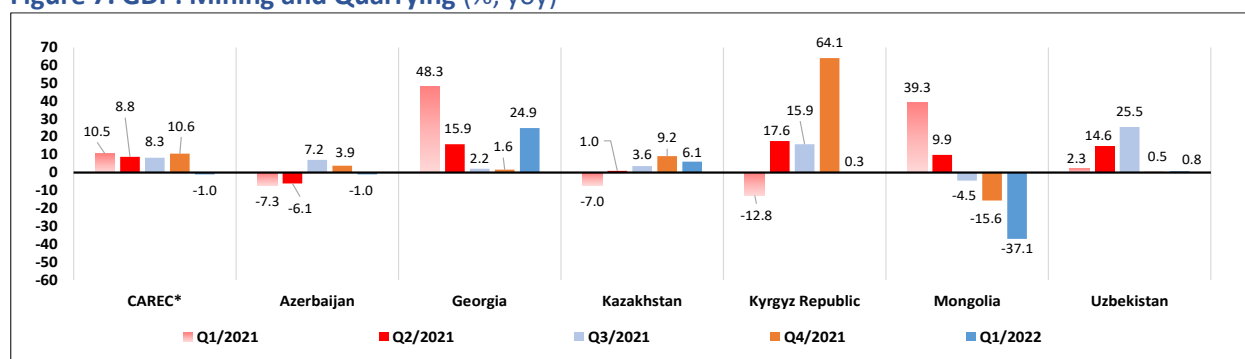


\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

**In mining some volatility remained.** Average CAREC growth in mining fell to minus 1.0% yoy in Q1 2022 from 10.6% yoy in Q4 and 8.3% yoy in Q3 2021 (Figure 7). Growth in Azerbaijan, the Kyrgyz Republic, Mongolia, and Uzbekistan was rather weak in Q1 2022. For Azerbaijan, Mongolia, and Uzbekistan growth was too weak since 2020 to keep value added above 2019 levels in Q1 2022 (Figure 8).

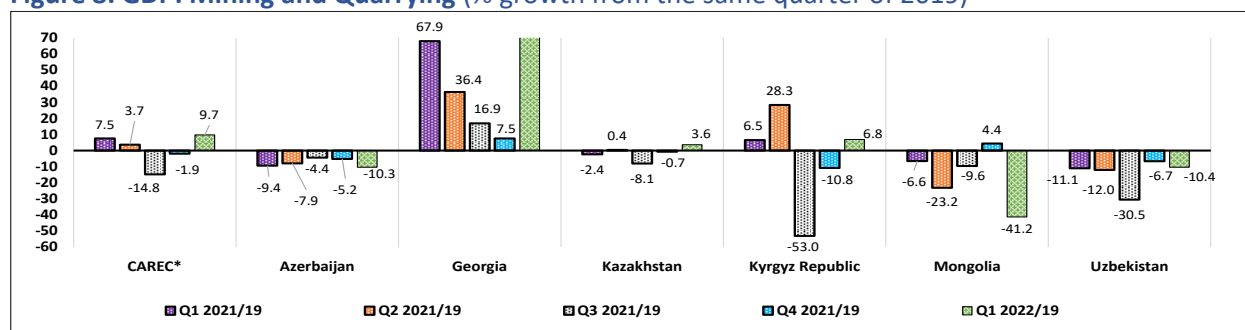
**Figure 7. GDP: Mining and Quarrying (% yoy)**



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

Source: CEIC, authors' calculations.

**Figure 8. GDP: Mining and Quarrying (% growth from the same quarter of 2019)**

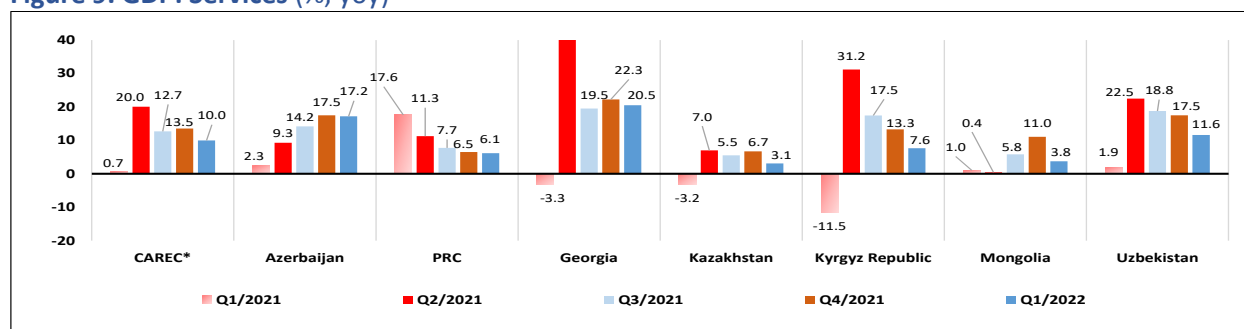


\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

**Services continued their recovery that began in Q2 2021.** Services' value added increased by 10.0% yoy on average in the CAREC region in Q1 2022 following high year-on-year growth rates since Q2 2021 (Figure 9). Growth was insufficient to compensate for previous losses only for the Kyrgyz Republic, leaving value added in services below the 2019 level in Q1 2022 there (Figure 10). Kazakhstan and Mongolia exceeded 2019 levels only marginally, all other CAREC economies exceeded 2019 levels substantially.

Figure 9. GDP: Services (% yoy)

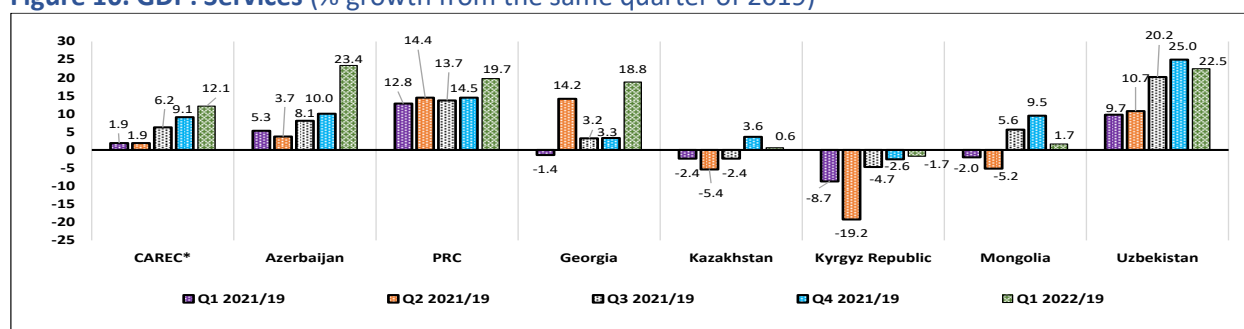


Note: Services here include wholesale and retail trade, repair of motor vehicles and motorcycles, transportation and storage, accommodation and food service activities, and information and communication.

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

Source: CEIC, authors' calculations.

Figure 10. GDP: Services (% growth from the same quarter of 2019)



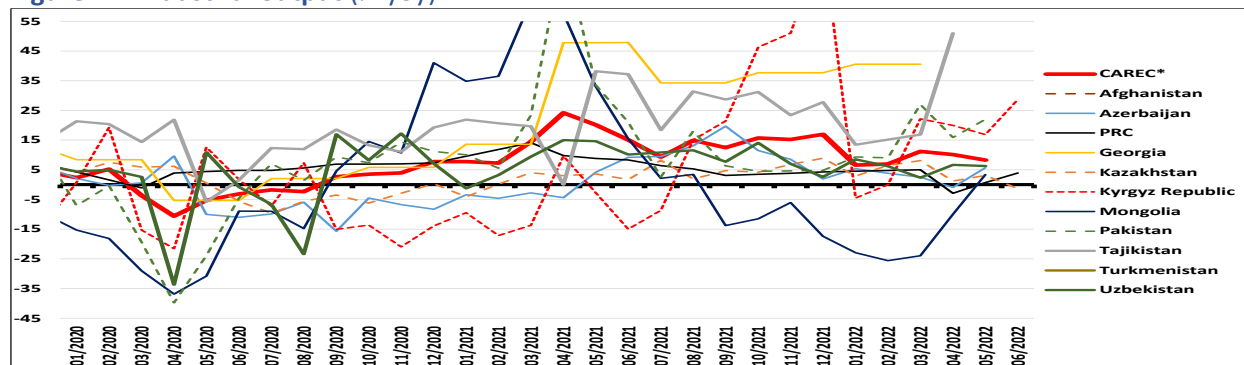
\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

## High frequency indicators: industrial output and retail sales growth moderated in H1 2022

Industrial output was higher in the first half of 2022 than a year earlier, but growth showed some flattening off in a number of CAREC economies<sup>4</sup>. Annual growth remained positive on average in the CAREC region in 2022 but was less than in most of 2021 (Figure 11). The copper and coal miner economies Kyrgyz Republic and Mongolia experienced large swings. As a result, average industrial output of the CAREC economies with sufficient data availability for seasonal adjustment fell below the peak of end-2021 (Figure 12).

Figure 11. Industrial output (% yoy)

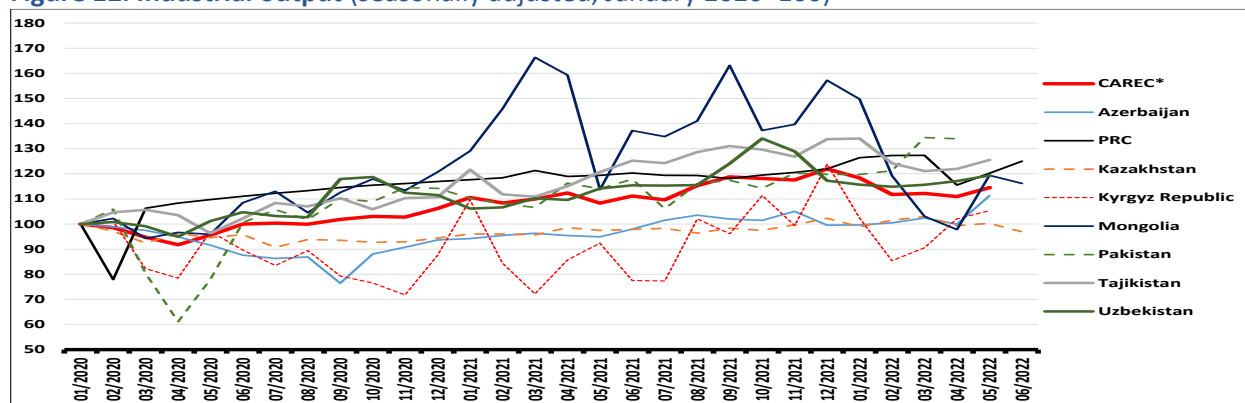


\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, national statistical agencies, authors' calculations.

<sup>4</sup> Industrial output as measured at constant prices

**Figure 12. Industrial output (seasonally adjusted, January 2020=100)**

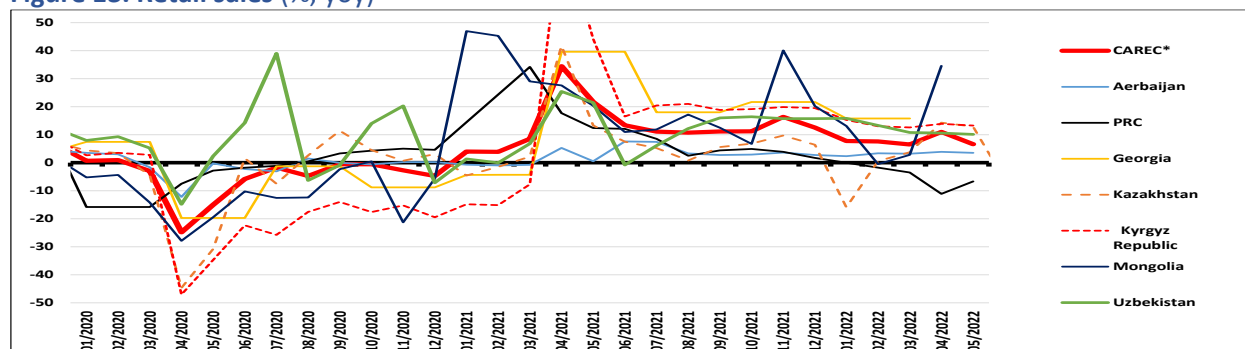


\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

Similarly, retail sales data confirm solid consumption growth in H2 2021 but show a more mixed picture for H1 2022. Year-on-year growth<sup>5</sup> continued into 2022 for most CAREC economies (Figure 13). However, seasonal adjustment reveals that retail sales peaked in Q4 2021 on average in the CAREC region and showed significant volatility in 2022 (Figure 14). In Kazakhstan there was a dip in January 2022 because of the political turbulences there, and in the PRC in March-May because of the resurgence in COVID-19 infections and related containment measures.

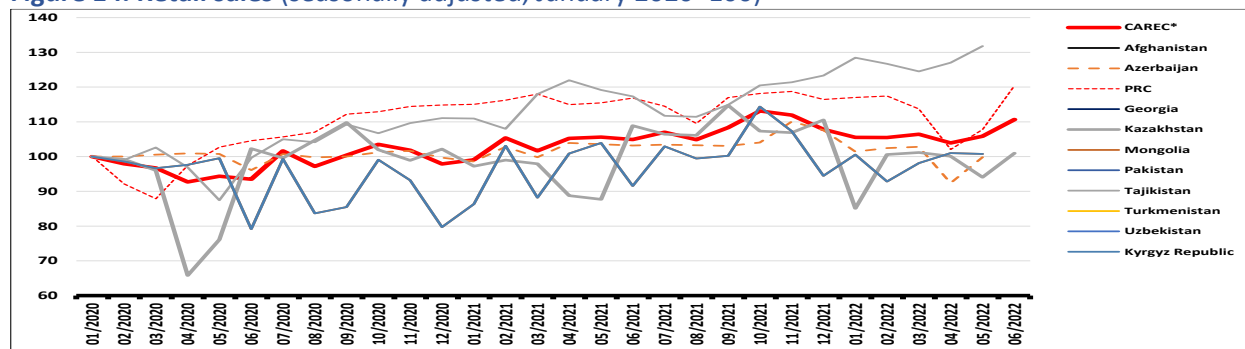
**Figure 13. Retail sales (% yoy)**



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

Source: CEIC, authors' calculations.

**Figure 14. Retail sales (seasonally adjusted, January 2020=100)**



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

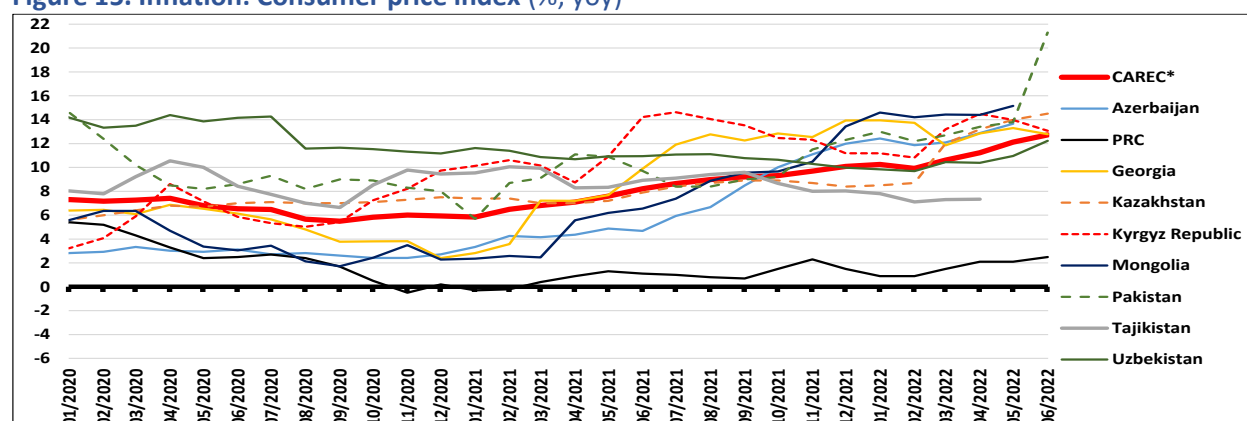
Source: CEIC, authors' calculations.

<sup>5</sup> Retail sales as measured at constant prices.

## Inflation is up

One of the reasons for moderate retail sales is that inflation has been on the rise since early 2021 in most of the CAREC region. After March 2022, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, and Uzbekistan all saw double-digit inflation rates (Figure 15). Even the PRC's inflation rate has begun to climb again, although moderately. In most CAREC economies food prices were major drivers of inflation, but recovering demand, supply chain disruptions and exchange rate volatility caused increases also in prices of other goods.

**Figure 15. Inflation: Consumer price index (% yoy)**

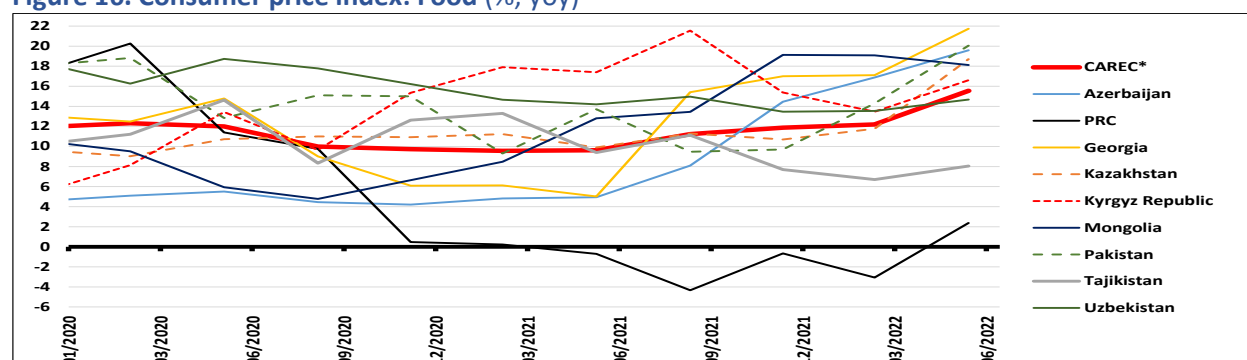


\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC. Authors' calculations.

**Food prices grew generally faster than overall consumer prices.** Prices for food and non-alcoholic beverage rose by 15.5% yoy in June 2022 on average in the CAREC region, the highest since June 2011 (Figure 16). Prices were in Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, and Uzbekistan 19.6%, 21.7%, 18.7%, 16.6%, 18.1%, 20.0%, 8.0%, 14.7% higher than a year earlier. The PRC saw only a 2.5% increase, with pork prices still declining 6.0% yoy after prices rises before because of swine flu and relatively moderate increases for grain and cooking oil of 3.2% yoy and 5.0% yoy, respectively<sup>6</sup>. Low-income households, for which food and fuel account for a high proportion of expenses, are hit disproportionately. The share of food in total expenditures even of an average-income household is as high as 42% in Pakistan, still 22% in the PRC, and in between for other CAREC countries<sup>7</sup>.

**Figure 16. Consumer price index: Food (% yoy)**



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

Source: CEIC. Authors' calculations.

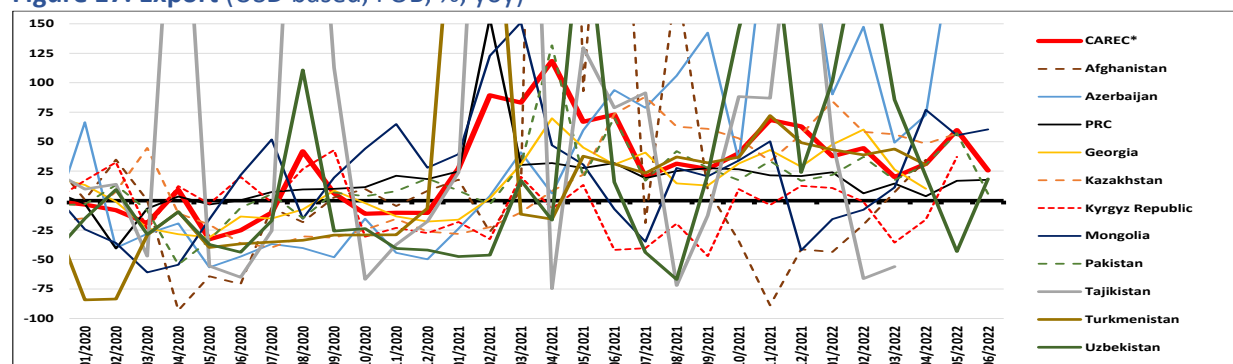
<sup>6</sup> [http://www.stats.gov.cn/english/PressRelease/202207/t20220712\\_1886329.html](http://www.stats.gov.cn/english/PressRelease/202207/t20220712_1886329.html)

<sup>7</sup> <https://ourworldindata.org/grapher/share-of-consumer-expenditure-spent-on-food-vs-gdp-per-capita?tab=table>

## Foreign trade: rising polarization between mineral fuel net importers and net exporters

**Annual export growth continues to be volatile but high on average in the CAREC region, though less so than during the 2021 recovery.** All CAREC economies with the exception of Afghanistan saw rather high yoy growth rates in 2022, although in some cases with months in-between of more moderate growth or even negative readings (Figure 17). All CAREC economies except for Turkmenistan had higher exports in 2022 than in 2019. However, Afghanistan, the Kyrgyz Republic, and Uzbekistan experienced some months of lower exports than in 2019.

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

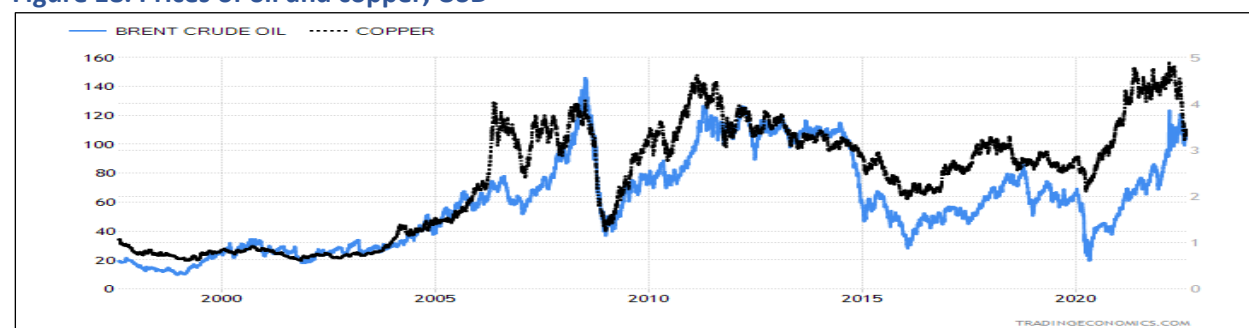


\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

**Since Q2 2022, the strong export performance has been underpinned by high commodity prices.** Prices of crude oil and copper, major export products for the CAREC region, reached levels not seen since a decade, and the same is true for wheat and cotton (Figures 18 and 19). The war in Ukraine has also led to “special effects” for some CAREC economies. Exports of machinery and transport equipment from Kazakhstan to Russia rose by 105% yoy in Jan-May 2022, according to Kazakhstan’s Bureau of National Statistics<sup>8</sup>. A major factor for this was reportedly car re-sales by Kazakhstani private persons to Russian buyers as Russia’s own car production has fallen dramatically<sup>9</sup>. At the same time, Kazakhstan was confronted with a month-long shutdown of the Novorossiysk oil terminal, highly critical for Kazakhstan’s oil exports<sup>10</sup>.

**Figure 18. Prices of oil and copper, USD**



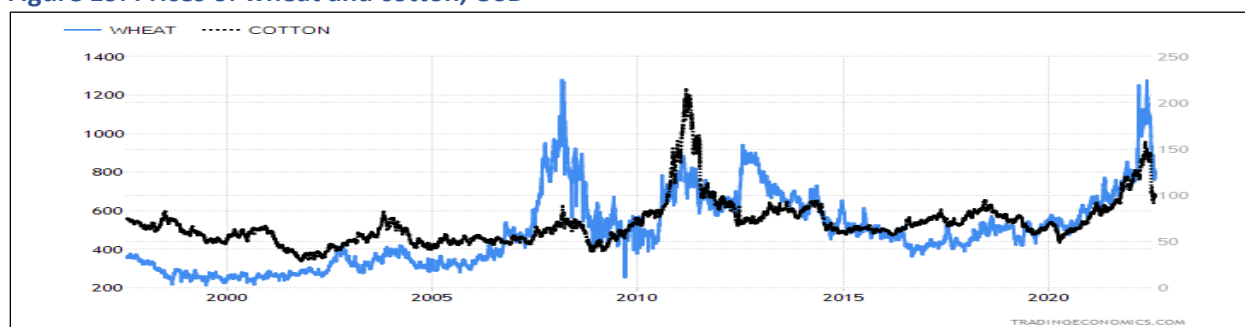
Source: TradingEconomics

<sup>8</sup> <https://www.stat.gov.kz/official/industry/31/statistic/6>

<sup>9</sup> [https://m.forbes.kz/auto/ekspert\\_spros\\_na\\_avtomobili\\_u\\_rossiyan\\_vyisotet\\_kazahstanskiy\\_rynok/](https://m.forbes.kz/auto/ekspert_spros_na_avtomobili_u_rossiyan_vyisotet_kazahstanskiy_rynok/)

<sup>10</sup> <https://astanatimes.com/2022/07/kazakh-government-discusses-measures-to-address-cpc-terminal-month-long-shutdown/>

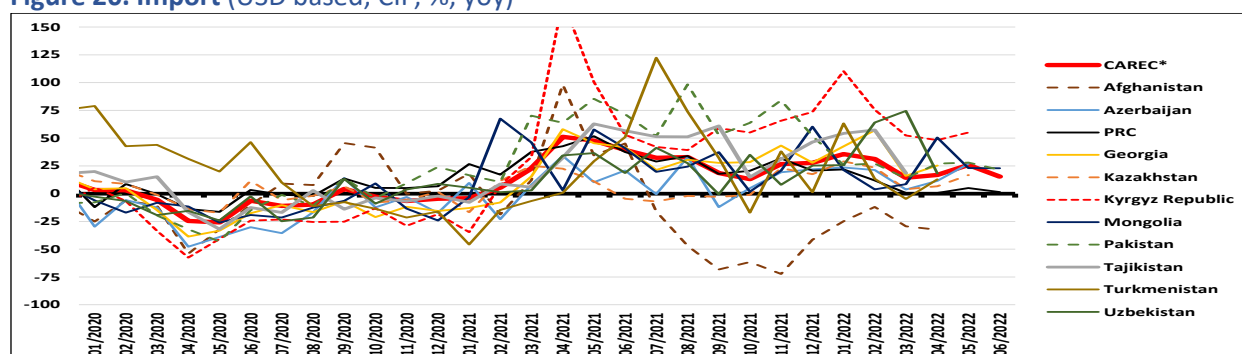
Figure 19. Prices of wheat and cotton, USD



Source: TradingEconomics

**Import growth remained somewhat below export growth for most CAREC economies.** However, import growth for the Kyrgyz Republic remained rather high also in 2022. By contrast, Afghanistan's imports have strongly contracted since July 2021 (Figure 20). The PRC saw some import moderation in Q2 2022 because of lower economic activity, related to the COVID-19. All CAREC economies except for Afghanistan and Azerbaijan had higher imports in 2022 than in 2019.

Figure 20. Import (USD based, CIF, %, yoy)

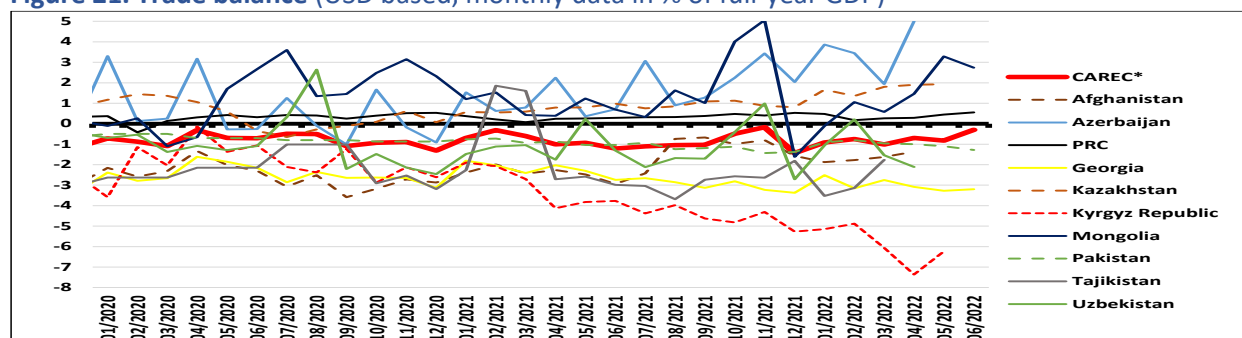


\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

**High mineral fuel prices contributed to a further polarization of trade balances in 2022.** The traditional deficit countries Kyrgyz Republic, Georgia, Tajikistan, and Pakistan, all mineral fuel net importers, remained in deficit or saw it widen (Figure 21). The traditional surplus economies Azerbaijan, PRC, Kazakhstan, and with some volatility Mongolia, remained in surplus. Global commodity price inflation hurts the CAREC region in an uneven way. Whereas companies producing and exporting commodities such as metals, hydrocarbons, and wheat might reap profits from high prices, importing companies suffer from them.

Figure 21. Trade balance (USD based, monthly data in % of full-year GDP)



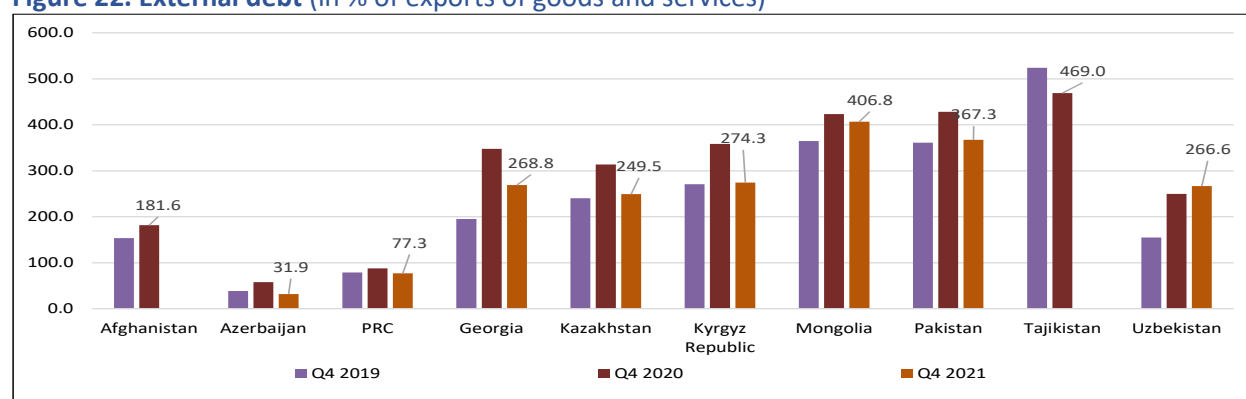
\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

## External debt and foreign exchange reserves: need to be watched in some CAREC economies

**External debt<sup>11</sup> in percent of exports of goods and services fell in 2021 compared to 2020 thanks to higher exports.** However, external debt ratios have been high historically in several CAREC economies (Figure 22). Most CAREC economies would need to spend annual export proceeds of more than two years to pay off their debts. In the case of Mongolia it is four years, and in the case of Pakistan almost four years. Some CAREC countries have substantial debt service obligations and external financing requirements. Pakistan, for example, paid debt service in the equivalent of 34.7% of exports of goods and services in the fiscal year 2020/21 and 42.8% in 2021/22, according to IMF estimates, and has high obligations also going forward<sup>12</sup>. While the actual burden that foreign debt constitutes depends on repayment schedules, interest rates, and the structure of the debt, it is quite clear that the space for further increases in external debt for the highly indebted countries is rather limited. On top, increased global uncertainty and higher interest rates can trigger capital reflows to the developed economies.

**Figure 22. External debt (in % of exports of goods and services)**



Source: CEIC, authors' calculations.

**Foreign exchange reserves in months of goods and services have been on the decline since 2021.** While the fall in the reserves rather reflects increased imports than an actual fall in USD-terms, reserves below the rule of the thumb threshold of three months of imports of goods and services warrants heightened attention by the authorities and lenders<sup>13</sup>. Uzbekistan and the PRC managed to stay well above this threshold (Figure 23)<sup>14</sup>. Kazakhstan and Azerbaijan have additionally sizable foreign assets of their sovereign wealth funds from which they can draw. However, Pakistan fell below the three-months line, and Mongolia, Georgia, and the Kyrgyz Republic are not very much above. Afghanistan's foreign exchange reserves are frozen.

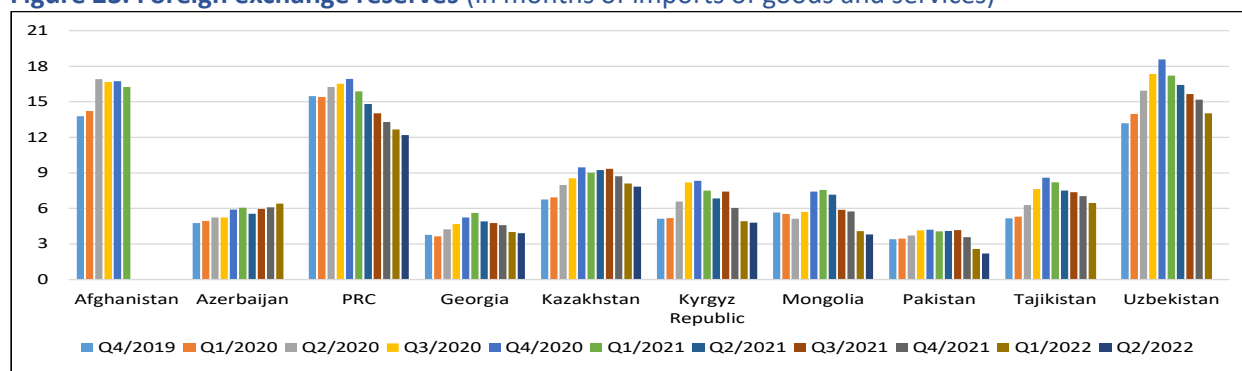
<sup>11</sup> External debt includes public and private sector external debt; this can be in the form of loans from non-residents (including by direct investors to affiliated companies), deposits by non-residents, and portfolio-investment by non-residents.

<sup>12</sup> <https://www.imf.org/en/Publications/CR/Issues/2022/02/04/Pakistan-2021-Article-IV-Consultation-Sixth-Review-Under-the-Extended-Arrangement-Under-the-512715>

<sup>13</sup> Foreign exchange reserves are the buffer that allows to pay for balance of payments items such as imports or debt service.

<sup>14</sup> Also here a more detailed analysis would be required to determine how liquid the reserves actually are and to what extent sufficient in view of potentially upcoming shocks or debt repayment requirements.

**Figure 23. Foreign exchange reserves (in months of imports of goods and services)**



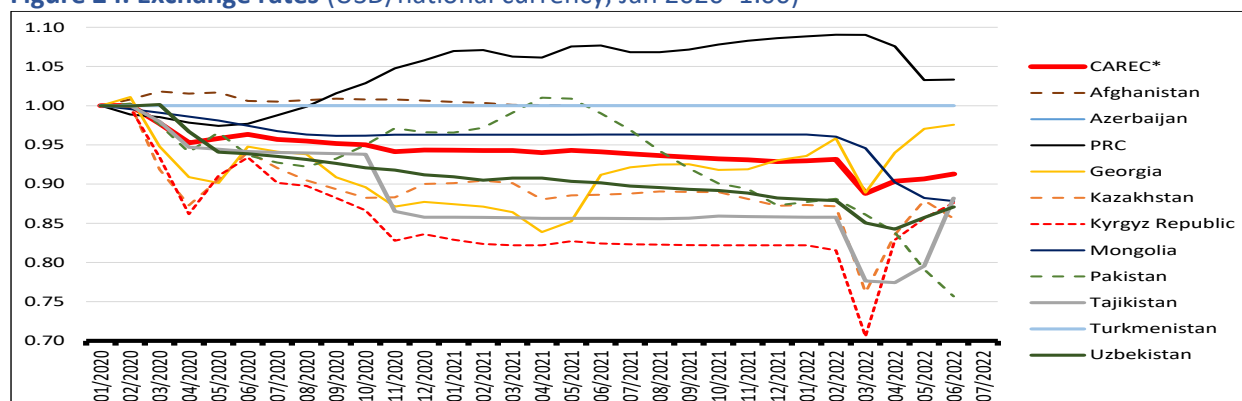
Note: Annual imports of goods and services are calculated as a 4-quarters-moving-average.

Source: CEIC, authors' calculations.

### Currencies: reflecting ruble volatility, in some cases balance of payment issues

**Currencies of the Central Asian countries and Georgia sharply lost value in early 2022 but have recovered since.** After the Russian invasion in Ukraine on 24 February 2022, the exchange rates of the Kyrgyz Republic, Kazakhstan, Tajikistan, and Georgia substantially weakened against the USD, in line with the ruble though not as sharply (Figure 24)<sup>15</sup>. Since mid-March 2022, the currencies re-appreciated after Russia took measures to restrict foreign currency outflows and to support inflows by increasing the obligatory exchange of foreign currency to rubles, leading to ruble appreciation. However, Pakistan's exchange rate continued the weakening that began in mid-2021 related to balance of payment issues, and Mongolia's currency also weakened throughout 2022. After strengthening in the second half of 2020 and in 2021, the Chinese RMB lost some value in mid-2022 because of monetary policy easing.

**Figure 24. Exchange rates (USD/national currency, Jan 2020=1.00)**



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

Source: CEIC, TradingEconomics, authors' calculations.

### Public finances: calls for prudence and higher efficiency

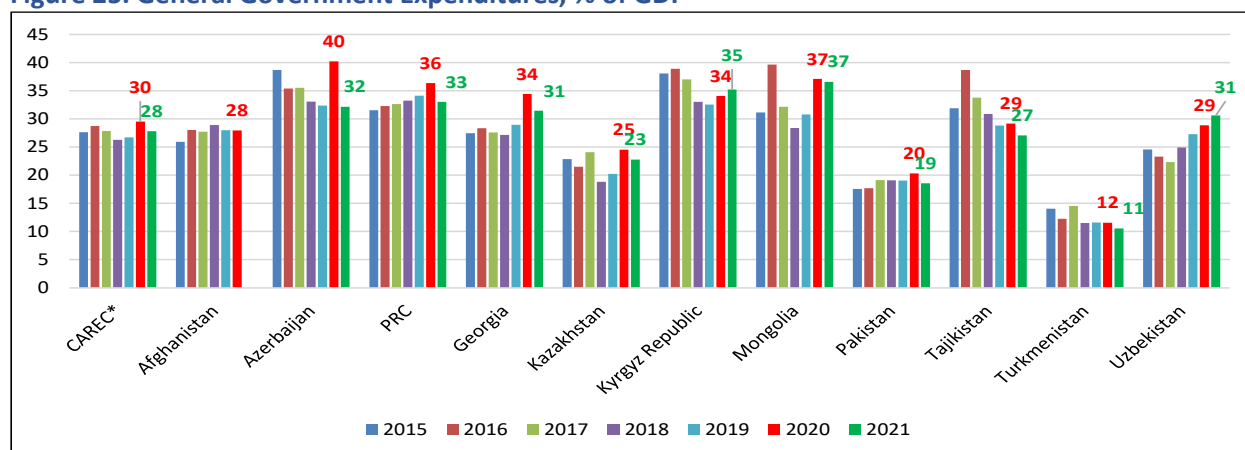
**The COVID-19 pandemic led to a significant deterioration in public finances in 2020, followed by some improvement in 2021.** General government<sup>16</sup> expenditures in % of GDP rose in several CAREC economies in 2020 compared to previous years because of higher spending than GDP growth (Figure 25, Table 2). At the same time, general government revenues fell in most CAREC economies or grew at least less than GDP

<sup>15</sup> Russia is still seen as a very important economic partner for Central Asia, and Russia indeed provided one-third of imports of the region in 2021 and accounted for 13% of exports. The ruble exchange rate therefore has still a strong impact on Central Asian exchange rates.

<sup>16</sup> "General government" includes the central government, local governments, and extrabudgetary funds.

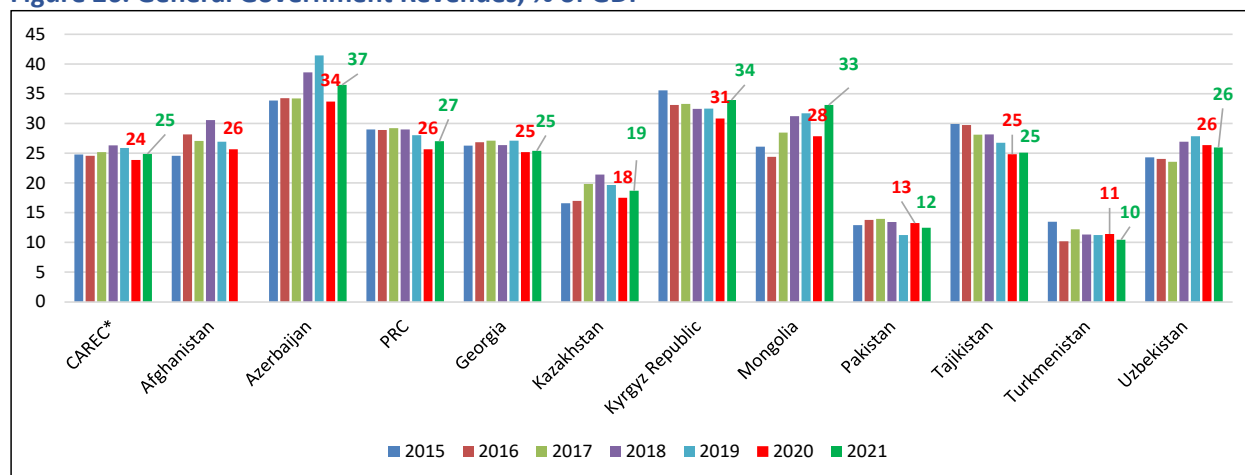
(Figure 26, Table 2). As a result, general government deficits substantially widened in 2020 (Figure 27). In 2021, general government balances re-narrowed, but deficits nevertheless remained sizable in most CAREC economies. Only Azerbaijan was able to reach a surplus.

**Figure 25. General Government Expenditures, % of GDP**



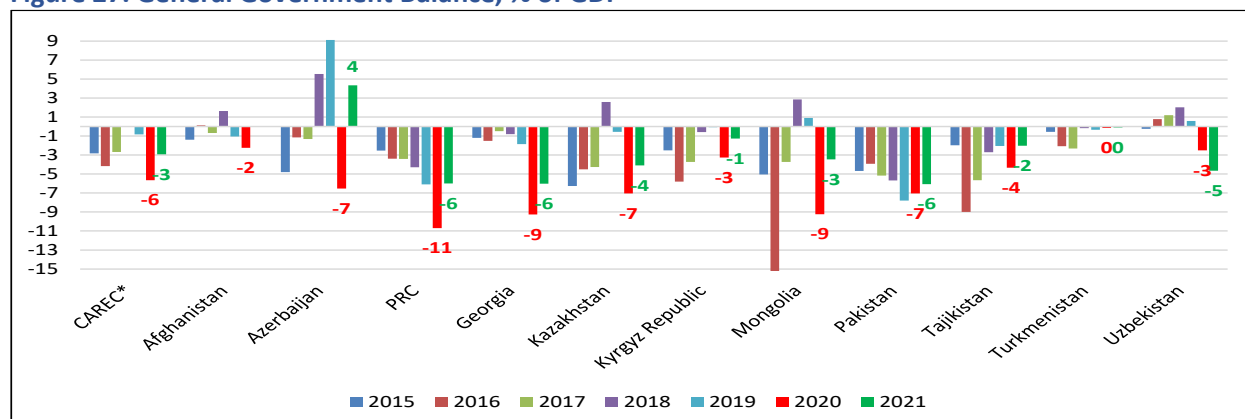
Source: IMF Fiscal Monitor, authors' calculations

**Figure 26. General Government Revenues, % of GDP**



Source: IMF Fiscal Monitor, authors' calculations

**Figure 27. General Government Balance, % of GDP**



Source: IMF Fiscal Monitor, authors' calculations

**Table 2. Estimated constant price growth of general government revenues and expenditures, % yoy**

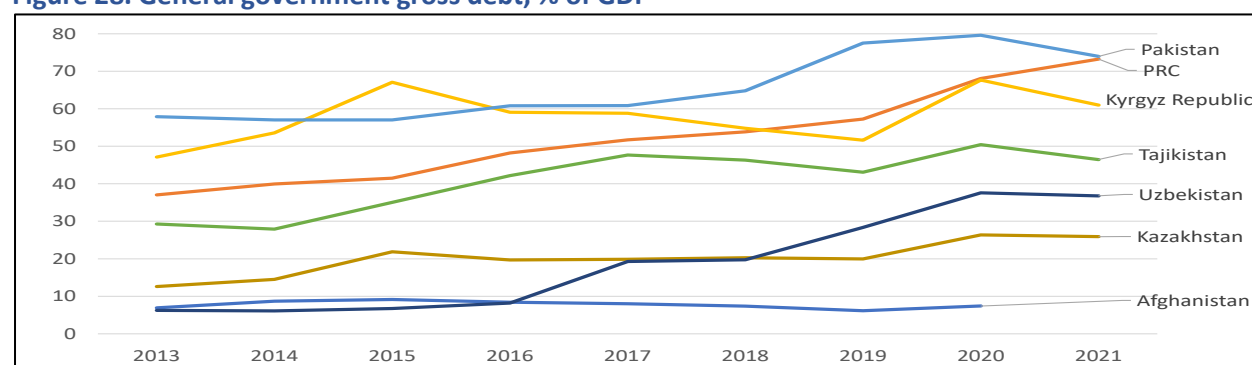
|                 | GDP  |      | Expenditures |      | Revenues |      |
|-----------------|------|------|--------------|------|----------|------|
|                 | 2020 | 2021 | 2020         | 2021 | 2020     | 2021 |
| Afghanistan     | 3.9  | -2.4 | 3.8          |      | 2.7      |      |
| Azerbaijan      | -4.2 | 5.6  | 3.7          | -2.5 | -12.0    | 8.4  |
| PRC             | 2.2  | 8.1  | 4.4          | 4.8  | -0.2     | 9.5  |
| Georgia         | -6.8 | 10.4 | -1.3         | 7.4  | -8.7     | 10.6 |
| Kazakhstan      | -2.5 | 4.0  | 1.8          | 2.3  | -4.7     | 5.2  |
| Kyrgyz Republic | -8.4 | 3.6  | -6.9         | 4.7  | -10.1    | 6.7  |
| Mongolia        | -4.6 | 1.4  | 1.7          | 0.9  | -8.4     | 6.6  |
| Pakistan        | -1.0 | 5.6  | 0.3          | 3.9  | 1.0      | 4.8  |
| Tajikistan      | 4.5  | 9.2  | 4.8          | 7.1  | 2.6      | 9.5  |
| Turkmenistan    | 5.9  | 6.2  | 5.9          | 5.2  | 6.1      | 5.2  |
| Uzbekistan      | 1.9  | 7.4  | 3.5          | 9.2  | 0.4      | 7.0  |

Note: Red figures suggest higher growth of expenditures or lower growth of revenues than real GDP growth, green figures the opposite.

Source: CEIC, IMF Fiscal Monitor, estimates by authors

**Despite substantial budget deficits, general government debt to GDP ratios fell slightly in 2021 in several CAREC economies as nominal GDP grew faster than the denominations of debts<sup>17</sup>.** However, for some economies such as Pakistan, the PRC, and the Kyrgyz Republic debt levels remained above 60% of GDP, which is significant (Figure 28).

**Figure 28. General government gross debt, % of GDP**

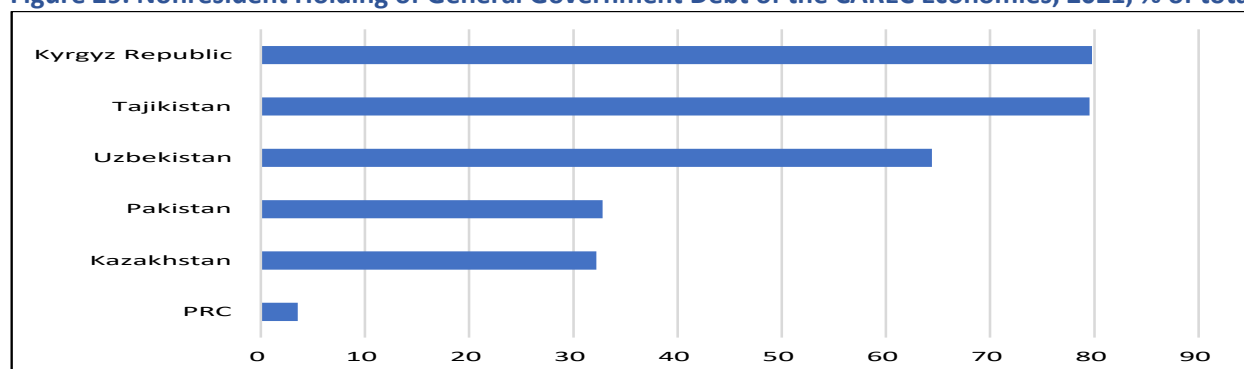


Source: IMF Fiscal Monitor, authors' calculations

**High foreign indebtedness makes refinancing debt more difficult.** How worrisome high debt levels actually are depends on the structure of the debt, repayment schedules, interest to be paid. One important factor is also to whom the debt is owed. Whereas economies with a large share of resident debt can refinance their debt in the worst case by printing money, economies with a high share of non-resident holdings of general government debt don't have such a possibility. In the CAREC region the Kyrgyz Republic and Tajikistan are the ones with the highest share of debt owed to non-residents (Figure 29).

<sup>17</sup> Debts are mostly reported at book values.

**Figure 29. Nonresident Holding of General Government Debt of the CAREC Economies, 2021, % of total**



Source: IMF Fiscal Monitor, authors' calculations

**High public debt levels and continued sizable budget deficits in the CAREC region prompted calls for well-targeted and prudent fiscal policies.** Suggestions on the table reach from reducing spending inefficiencies and the broadening of the tax base via addressing tax avoidance and cutting unnecessary tax incentives to improved taxation of the digital economy to better formalizing the informal economy. On the expenditure side, better focusing and targeting, cutting subsidies etc. are suggested.

### Monetary policy: most CAREC economies had to tighten

**Monetary policy was re-tightened in most CAREC economies in the first half of 2022 to counter inflation and protect exchange rates.** Most central banks raised their policy rates (Figure 30). On average in the CAREC region, policy rates are higher now than any time for more than a decade. Azerbaijan's central bank, for example, announced the fifth consecutive hike of its refinancing rate in March 2020, increasing it by 150 basis points since September 2021 to 7.75% citing 'uncertainties in the global economic and political situation'<sup>18</sup>. The State Bank of Pakistan's monetary policy committee ordered a policy rate hike of 250 basis points to 12.25% in April because of high commodity prices, persistently high inflation, and rupee depreciation, and ordered another hike of 125 basis points to 15% in July as inflation surpassed 20%<sup>19</sup>. Other central banks also raised policy rates and re-tightened prudential banking rules. A notable exception was the People's Bank of China, which wished to support the economy amid renewed COVID containment measures and cut its five-year loan prime rate by 15 basis points to 4.45% in May, referring to a 'complex and severe environment'<sup>20</sup>. Uzbekistan's central bank re-lowered its key rate to 15% in July, the second consecutive move since March, following moves of the Russian central bank<sup>21</sup>.

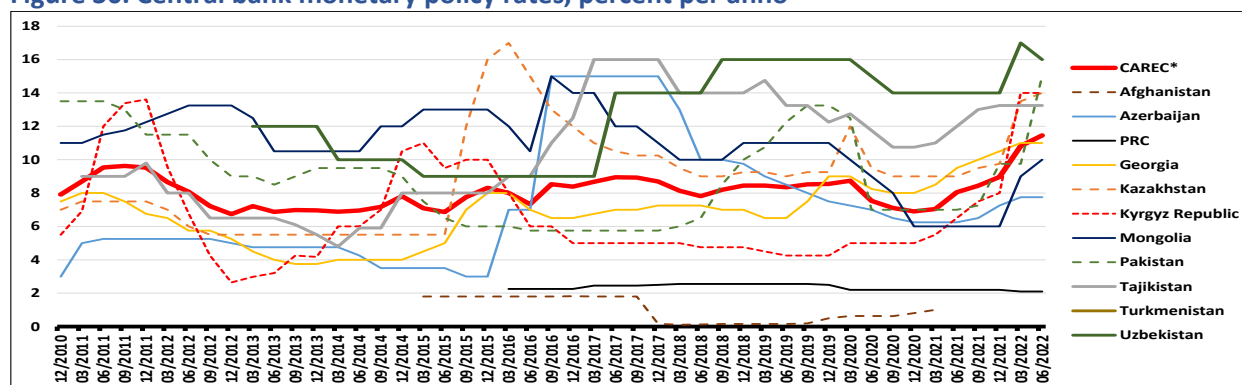
<sup>18</sup> <https://www.centralbanking.com/central-banks/monetary-policy/monetary-policy-decisions/7941601/azerbaijan-continues-gradual-tightening>

<sup>19</sup> <https://www.centralbanking.com/benchmarking/monetary-policy/7946041/pakistan-orders-250bp-hike-at-emergency-meeting>; <https://www.centralbanking.com/central-banks/monetary-policy/monetary-policy-decisions/7950586/pakistan-raises-rates-again-as-inflation-rises-rapidly>

<sup>20</sup> <https://www.centralbanking.com/central-banks/monetary-policy/monetary-policy-decisions/7948101/china-cuts-key-lending-rate>

<sup>21</sup> <https://www.centralbanking.com/central-banks/monetary-policy/monetary-policy-decisions/7951166/uzbekistan-lowers-key-rate-by-100bp>

**Figure 30. Central bank monetary policy rates, percent per anno**

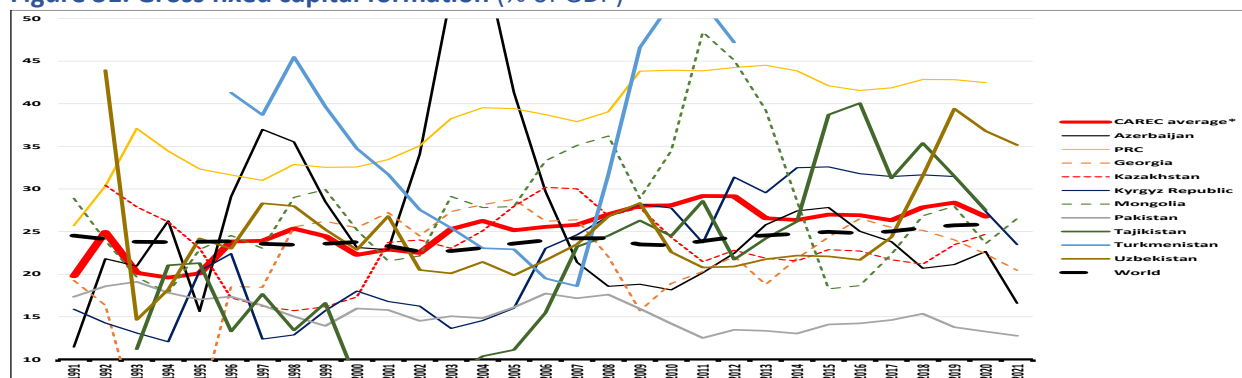


Source: CEIC, authors' calculations

**With limited space for fiscal and monetary policy, structural policies become key**

Given the possibilities for fiscal and monetary policy to support growth are constrained by increased public debt and high inflation, structural policies to enhance productivity are particularly important. Between 2003 and 2013, real GDP growth was underpinned by an increase in investment to GDP ratios in several CAREC economies (Figure 31). Ratios strongly differ between CAREC economies, with the PRC's ratio being the highest and Pakistan's the lowest<sup>22</sup>. Investment was highly volatile in different periods in different CAREC economies. However, on average in the CAREC region the ratio of gross fixed capital formation<sup>23</sup> to GDP significantly rose between 2003 and 2012 and has moved sideward since; this pattern holds also when the PRC and Pakistan are excluded from the CAREC average. Since 2003, the average CAREC investment to GDP ratio has been somewhat higher than the world average.

**Figure 31. Gross fixed capital formation (% of GDP)**



\* Simple CAREC average

Source: World Bank, World Development Indicators, authors' calculations

**Investment is good, highly productive investment is better.** That the CAREC region's investment over GDP has remained above global average has not prevented the CAREC region's catching up process with the developed economies to slow down<sup>24</sup>. The CAREC economies were able to increase their average gross

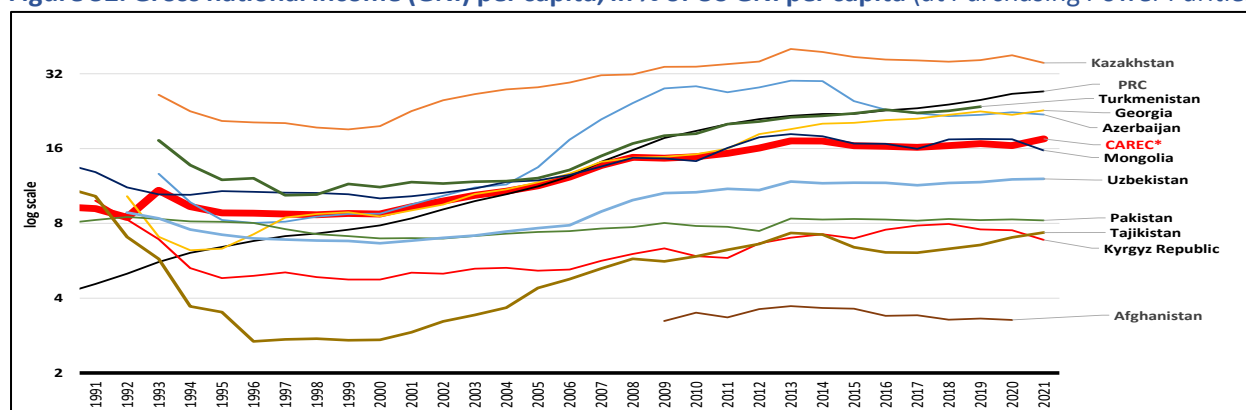
<sup>22</sup> Differences in the fixed investment ratio reflect in part accounting standards, in part the industry structure of a country, but also structural features such as the level of household consumption relative to production. The higher the production of an economy compared to household consumption the more room is for investment or external trade surpluses. The level of investment is important: overinvestment reduces investment efficiency because assets remain underutilized whereas underinvestment leaves labor unproductive. To achieve optimal total factor productivity, the volume of investment must be in line with the needs of the economy at the specific time. The PRC announced some time ago its intention to boost the ratio of consumption to GDP, while Pakistan might wish to increase the ratio of investment to GDP.

<sup>23</sup> "Fixed capital formation" is also called "fixed investment" or "investment in fixed assets".

<sup>24</sup> This indicates that in a broad sense marginal capital productivity has diminished.

national income (GNI) per capita from 8.7% of the US GNI on average in the CAREC region in 2000 to 17.2% in 2013, that is by 8.5 percentage points (Figure 32). Then, between 2013 and 2021 the further increase was only 0.3 percentage points to 17.5%. Easy gains from basic economic reforms, favorable terms of trade, capital inflows, and technology transfer seem to be exhausted to some extent.

**Figure 32. Gross national income (GNI) per capita, in % of US GNI per capita (at Purchasing Power Parities)**



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

Source: World Bank, World Development Indicators, authors' calculations

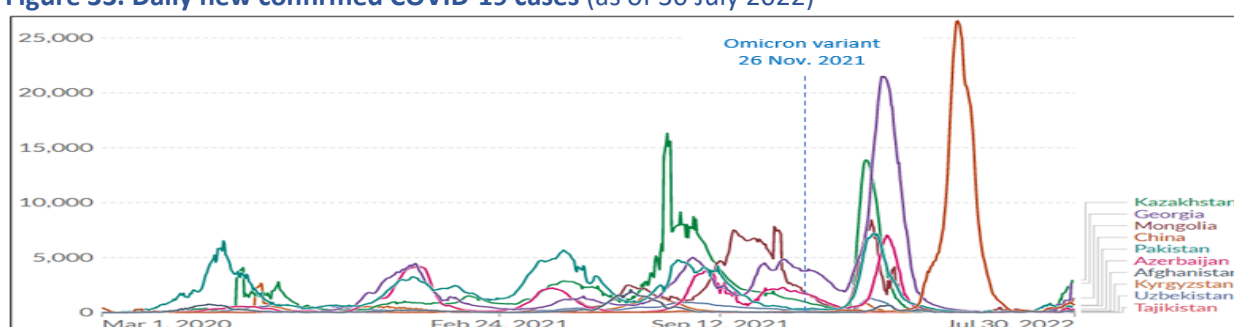
**To be more efficient, investment must be better accompanied now by technological progress<sup>25</sup>.**

“Technological progress” in the broad sense includes technical solutions in the narrow sense, e.g. brought about by digitalization. However, it also includes features such as intensified foreign trade that allows to utilize comparative advantages, technology transfer via FDI, and most importantly institutional frameworks that make operating in the respective economy efficient. Obviously, there is the need of a broad new set of deepened structural reforms of various kinds now, upgraded national innovation systems, proper qualification of the labor force. And this should go along with investment and policies that support the CAREC region’s green transition and adaptation to climate change while securing a just and inclusive development of the CAREC economies and societies.

<sup>25</sup> One way of thinking about this is along the lines of the Cobb-Douglas production function:  $Y = A \cdot L^\beta \cdot K^\alpha$ . Y is the output; A is a constant that is used to show the change in output that is not the result of more input of L (labor) or K (capital);  $\alpha$  is the output elasticity of capital;  $\beta$  is the output elasticity of labor; A is sometimes referred to as “technical knowledge variable” which reflects improvements in technology and human capital. <https://www.sciencedirect.com/topics/engineering/cobb-douglas-production-function>

The number of new COVID-19 cases in most CAREC economies declined to a relatively low level after a ferocious flare-up led by Omicron variant<sup>26</sup> since the beginning of 2022. Owing to the characteristics of stronger transmissibility, immune escape and vaccine breakthrough infection of the variant, more than half of the CAREC economies, namely, Azerbaijan, the PRC, Georgia, Mongolia, Pakistan and Uzbekistan, recorded the largest number of daily new confirmed cases since the outbreak of coronavirus disease in early 2020, at a different magnitude though. Other economies such as Kazakhstan, Afghanistan and the Kyrgyz Republic also saw a significant increase of the new cases during the period. This wave abated drastically from at latest early February 2022 for all economies, except the PRC from mid-April. However, the recent COVID rebound in some economies, particularly in Kazakhstan and Georgia, would probably intensify public concerns. The two economies registered more than 2,000 daily new cases since the end of July 2022 (Figure 33).

Figure 33. Daily new confirmed COVID-19 cases (as of 30 July 2022)

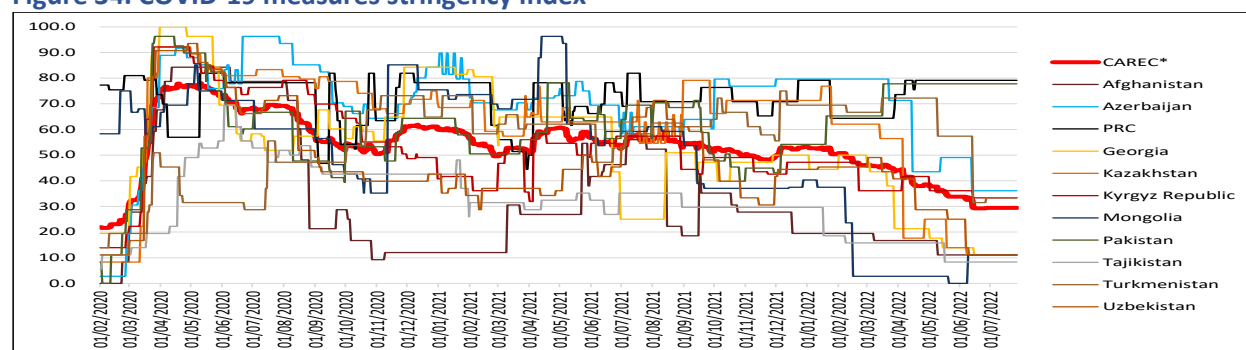


Note: The figure shows a 7-day rolling average. The number of confirmed cases is lower than the actual number of infections due to limited testing.

Source: Our World in Data, Coronavirus (COVID-19) Cases (accessed 1 August 2022)

Like many other countries in the world, the policies to contain the SARS-CoV-2 in the CAREC region continued to loosen. The stringency of the measures in the region on average has dropped to the lowest level since it peaked in mid-April 2020, regardless of high strictness in some economies. Mongolia between late May and early June 2022 eased all the restrictions as measured by nine response indicators. Comparatively, due to its zero-COVID policy, the PRC remained one of the countries with the tightest containment policies in the region, very likely also in the world (Figure 34).

Figure 34. COVID-19 measures stringency index<sup>27</sup>



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

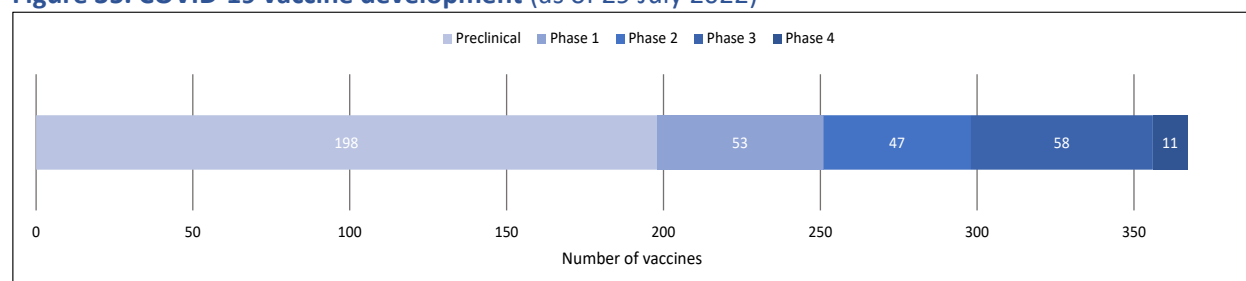
Source: CEIC, Oxford Coronavirus Government Response Tracker, authors' compilation (accessed 28 July 2022)

<sup>26</sup> On 26 November 2021, WHO designated the variant B.1.1.529 a variant of concern, named Omicron, on the advice of WHO's Technical Advisory Group on Virus Evolution (TAG-VE).

<sup>27</sup> The stringency index by the Oxford Coronavirus Government Response Tracker (OxCGRT) project is a composite measure based on nine response indicators, namely, school closures, workplace closures, cancellation of public events, restrictions on public

**The category of the COVID-19 vaccines continued to expand, despite the fact that the efficacy of most vaccines deemed to be less.** From the end of December 2021 till now, four more types of vaccines were included in pre-clinical development and thirty-two in clinical development. Data from WHO suggest that currently there are 198 COVID-19 vaccine candidates in preclinical development and 169 undergoing clinical development. Among them, 69 have moved to or beyond the Phase 3 trials and more than 20 are being used to vaccinate the general public (Figure 35).

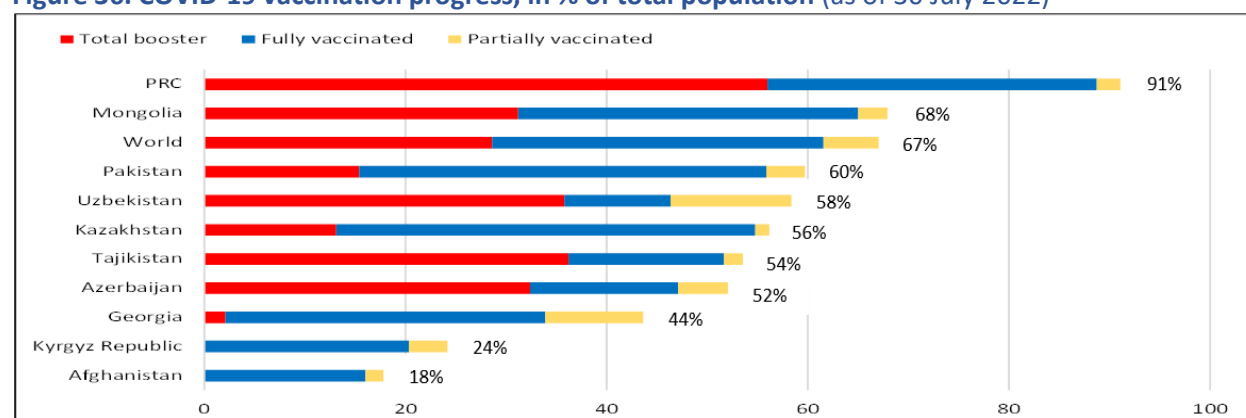
**Figure 35. COVID-19 vaccine development (as of 29 July 2022)**



Source: WHO, The COVID-19 vaccine tracker and landscape, authors' compilation (accessed 1 August 2022)

**There should be still a large room for most CAREC economies to uplift their vaccination rate, particularly in face of continuous mutation of the SARS-CoV-2 virus.** Data from OWID showed that among the CAREC economies only the PRC and Mongolia exceeded the World average level measured by the population with full and partial vaccination protocol. The rest needed to catch up, with some more urgently than others. On the flip side, some CAREC economies have made larger progress in administering boosters. In addition to the PRC and Mongolia, Uzbekistan, Tajikistan and Azerbaijan outstripped the World average level in terms of booster doses administered per 100 people (Figure 36). Also, it should be specially noted that Pakistan and Tajikistan in 2022 made impressive advancement in vaccination campaigns. The total vaccination rate of the two economies increased by nearly 20% compared to that of eight months ago.

**Figure 36. COVID-19 vaccination progress, in % of total population (as of 30 July 2022)**



Note: "Total booster" here refers to doses administered per 100 people beyond those prescribed by the original vaccination protocol.

The compilation is based on the latest available data, not necessarily to the date indicated for all economies.

Source: Our World in Data, Coronavirus (COVID-19) Vaccinations, authors' compilation (accessed 1 August 2022)

gatherings, closures of public transport, stay-at-home requirements, public information campaigns, restrictions on internal movements and international travel controls, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index shows the response level of the strictest subregion. The index simply records the strictness of government policies. It does not measure or imply the appropriateness or effectiveness of a country's response. A higher score does not necessarily mean that a country's response is 'better' than others lower on the index.

## CAREC governments' cooperation initiatives

**Kyrgyzstan, Uzbekistan develop cooperation in the coal mining industry****Date: 2022-7-22**

A Memorandum of Cooperation was signed to develop coal mining between Kyrgyzkomur and Uzbekkumir JSC, in the city of Osh, Kabar News Agency reports. There are 25 coal mining enterprises in Osh region. In 2021, 207,000 tons of coal were mined and 25,000 of them were exported to Uzbekistan. In 2022, it is planned to produce 222,000 tons.

MORE: [https://uza.uz/en/posts/kyrgyzstan-uzbekistan-develop-cooperation-in-the-coal-mining-industry\\_392017](https://uza.uz/en/posts/kyrgyzstan-uzbekistan-develop-cooperation-in-the-coal-mining-industry_392017)

**Source: UzA****Heads of Central Asian countries sign agreement, approve road map****Date: 2022-7-21**

The 4th Consultative Meeting of the Heads of State of Central Asia ended in the Issyk-Kul state residence of the President of Kyrgyzstan. It was attended by the leaders of Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan and Kyrgyzstan — Kassym-Jomart Tokayev, Shavkat Mirziyoyev, Emomali Rahmon, Serdar Berdimuhamedov and Sadyr Japarov. The outcome of the negotiations was the signing of the Treaty of Friendship, Good Neighborliness and Cooperation. The document should lay the foundation for the rapprochement of the countries of the region outside the framework of the EAEU. The five states of the region will be obliged to resolve disputed issues within the framework of the agreement and exclusively through dialogue, including through the creation of appropriate mechanisms for interaction, if necessary. The parties also approved a roadmap for the implementation of the agreement for a period of two years — 2022-2024. The next, 5th Consultative Meeting will be held in the capital of Tajikistan, Dushanbe, in the summer of 2023.

MORE: [https://24.kg/english/240245\\_Heads\\_of\\_Central\\_Asian\\_countries\\_sign\\_agreement\\_approve\\_road\\_map/](https://24.kg/english/240245_Heads_of_Central_Asian_countries_sign_agreement_approve_road_map/)

**Source: 24.kg****Pak, Afghanistan agree to enhance bilateral economic ties****Date: 2022-7-18**

Pakistan and Afghanistan agreed to enhance the economic and trade ties and work on increasing economic integration. As agreed by the Commerce Ministers of Pakistan and Afghanistan in a zoom meeting on July 6, 2022, a delegation led by Sualeh Ahmed Faruqi, Secretary, Ministry of Commerce, Government of Pakistan will visit Kabul from July 18-20, 2022, said a press release issued here on Sunday. It will comprise senior officers from Ministry of Commerce, Federal Board of Revenue (FBR) NLC, Ministry of Interior and Power Division. Bilateral cooperation in the areas of trade, transit, transport facilitation and border facilitation will be discussed during the meetings between Pakistani and Afghan officials in Kabul. Issues being faced by traders in bilateral and transit trade between the two countries will also be discussed during the talks. The meeting is a continuation of an ongoing process of bilateral engagements between Pakistan and Afghanistan in the fields of trade, transit, connectivity and economic cooperation.

MORE: <https://nation.com.pk/2022/07/18/pak-afghanistan-agree-to-enhance-bilateral-economic-ties/>

**Source: The Nation****Memorandums on twinning of Azerbaijani and Georgian cities signed****Date: 2022-7-13**

Azerbaijan's Minister of Economy Mikayil Jabbarov has met with Governor of the Kvemo Kartli region of Georgia Giorgi Dokhturishvili. "During the meeting, we shared our views on the benefits and prospects of successful cooperation between our countries for the development of the economic and trade relations. The Memorandums of Understanding on twinning of the cities of Shamkir-Marneuli, Aghstafa-Gardabani, Goygol-Bolnisi and Dashkasan-Dmanisi were signed within the framework of the visit of Governor of the

Kvemo Kartli region of Georgia Giorgi Dokhturishvili to our country. This is an important contribution to the strengthening and development of our relations,” Minister Jabbarov said on Twitter.

MORE: [https://azertag.az/en/xeber/Memorandums\\_on\\_twinning\\_of\\_Azerbaijani\\_and\\_Georgian\\_cities\\_signed-2213606](https://azertag.az/en/xeber/Memorandums_on_twinning_of_Azerbaijani_and_Georgian_cities_signed-2213606)

Source: Azertac

### **The third “Central Asia – China” Foreign Ministers Meeting ended in Nur-Sultan**

**Date: 2022-6-8**

Today, the Third «Central Asia – China» Meeting of the Ministers of Foreign Affairs was held in Nur-Sultan, Kazakhstan. ... In its course, a constructive and interested multilateral dialogue took place on the progress and prospects of cooperation in this format. Among the topics discussed, special attention was paid to the need to consolidate joint efforts to ensure long-term peace and stability, issues of intensifying trade, economic and investment cooperation, and expanding cultural and humanitarian ties. ... As a result of the meeting, a Joint Statement, a Roadmap for the Development of Regional Cooperation for 2022-2025, an Initiative to Deepen Cooperation between the States of Central Asia and China in the Field of Connectivity, and an Initiative for Cooperation in Ensuring Digital Data Security between China and the Countries of Central Asia were adopted.

MORE: <https://turkmenistan.gov.tm/en/post/63912/third-central-asia-china-foreign-ministers-meeting-ended-nur-sultan>

Source: Turkmenistan: Golden age

### **China, Kazakhstan to jointly build bilateral relations in next golden 30 years**

**Date: 2022-6-8**

China and Kazakhstan have agreed to jointly build bilateral relations in the next golden 30 years, visiting Chinese State Councilor and Foreign Minister Wang Yi said Tuesday. ... The first is to unswervingly enhance strategic mutual trust. ... The second is to unswervingly carry out mutually beneficial cooperation. ... The third is to unswervingly carry forward China-Kazakhstan friendship from generation to generation. ... The fourth is to unswervingly safeguard international fairness and justice.

MORE: <https://english.news.cn/asiapacific/20220608/ceed42965214d1ca6d5cc2dc3ae92d6/c.html>

Source: Xinhua

### **President Tokayev visits Bishkek**

#### **to intensify trade and investments, foster cooperation in water and energy**

**Date: 2022-5-26**

President Kassym-Jomart Tokayev paid an official visit to Kyrgyzstan on May 26. He met with Kyrgyz President Sadyr Japarov and focused on strengthening political dialogue, intensifying trade and investments, and discussing joint efforts in the water and energy sector, reports his press service. ... Tokayev and Japarov reaffirmed their commitment to increasing bilateral trade turnover up to US\$2 billion. In 2021, the two neighbors traded US\$970.8 million, 14 percent more than in 2020. Kazakhstan’s exports increased by 7.6 percent reaching \$625 million and imports grew by 29.2 percent reaching \$345.6 million. In January and March, trade turnover was \$206.3 million, up by 2.9 percent compared to the same period in 2020. Kazakhstan remains one of Kyrgyzstan’s largest investors investing \$1.3 billion since 2005, while Kyrgyz investments into the Kazakh economy reached US\$97.1 million.

MORE: <https://astanatimes.com/2022/05/president-tokayev-visits-bishkek-to-intensify-trade-and-investments-foster-cooperation-in-water-and-energy/>

Source: The Astana Times

### **Construction of China – Kyrgyzstan - Uzbekistan railway to start in autumn**

**Date: 2022-5-21**

The Cabinet of Ministers of Kyrgyzstan approved main directions for the development of railway transport in Kyrgyzstan for 2022-2026. The decision was made at its meeting on Friday. The Cabinet expects that this will not only create conditions for the long-term development and improvement of railway transport and infrastructure, but also ensure an increase in the level and quality of passenger and freight transportation by rail. «Development of the railway industry is one of the priorities of work of the Cabinet of Ministers. In the fall, it is planned to launch the largest project in the history of our independence — construction of

a railway along China — Kyrgyzstan — Uzbekistan route. We need to support this project,» Akylbek Japarov, head of the Cabinet of Ministers, said.

MORE: [https://24.kg/english/234306\\_Construction\\_of\\_China\\_Kyrgyzstan -  
Uzbekistan railway to start in autumn/](https://24.kg/english/234306_Construction_of_China_Kyrgyzstan_-_Uzbekistan_railway_to_start_in_autumn/)

Source: 24.kg

### **Kazakhstan, Uzbekistan keen on expanding trade and industry cooperation**

Date: 2022-5-17

Kazakhstan and Uzbekistan plan to increase trade and economic cooperation and expand joint projects in industry, transport, agriculture, education, water, and energy sectors. Prime Minister of Kazakhstan Alikhan Smailov and Prime Minister of Uzbekistan Abdulla Aripov both agreed to new terms following their May 16 talks. ... The two countries set an ambitious goal for themselves to increase the bilateral trade turnover to \$10 billion in the next five years and to achieve that goal, they have adopted an action plan consisting of 41 measures.

MORE: <https://astanatimes.com/2022/05/kazakhstan-uzbekistan-keen-on-expanding-trade-and-industry-cooperation/>

Source: The Astana Times

### **Uzbekistan, China strengthen cooperation in electrical engineering and innovative technologies**

Date: 2022-5-1

The Embassy of Uzbekistan, together with the Representative Office of the Ministry of Investments and Foreign Trade, the Uzeltechsanoat Association and the China Chamber of Commerce for Import and Export of Machinery and Electronic Products, held a virtual meeting to discuss the prospects for cooperation between relevant agencies and companies. The parties considered issues of interaction in electrical engineering and innovative technologies. The potential for the joint implementation of mutually beneficial production projects was presented. An agreement was reached on signing a Memorandum of Cooperation in creating a mechanism for exchanging information on promising projects and technologies, consulting on attracting investments, developing trade, organizing and holding joint exhibitions, as well as developing proposals for potential partner companies.

MORE: [https://uza.uz/en/posts/uzbekistan-china-strengthen-cooperation-in-electrical-engineering-and-innovative-technologies\\_369270](https://uza.uz/en/posts/uzbekistan-china-strengthen-cooperation-in-electrical-engineering-and-innovative-technologies_369270)

Source: Uza

### **Uzbek-Kyrgyz Development Fund officially opened**

Date: 2022-4-14

Chairman of the Cabinet of Ministers of Kyrgyzstan Akylbek Japarov and the Deputy Prime Minister — Minister of Investments and Foreign Trade of Uzbekistan Sardor Umurzakov took part in the official opening ceremony of the Uzbek-Kyrgyz Development Fund. Press service of the Cabinet reported. Akylbek Japarov noted that Uzbekistan is one of the key trade and economic partners of the country. Kyrgyzstan is ready to take decisive action to increase the volume of trade. Today, projects for the construction of logistics centers near the Kyrgyz-Uzbek border are in the active phase of implementation. Particular attention is paid to the construction and launch of a trade and logistics center in the city of Kyzyl-Kiya, linking Fergana and Batken regions. ... The authorized capital of the Uzbek-Kyrgyz Development Fund is \$50 million. In the future, it will be brought up to \$200 million. The headquarters of the organization is located in Bishkek.

MORE: [https://24.kg/english/230843\\_Uzbek-Kyrgyz\\_Development\\_Fund\\_officially\\_opened/](https://24.kg/english/230843_Uzbek-Kyrgyz_Development_Fund_officially_opened/)

Source: 24.kg

### **Azerbaijan, Kazakhstan discuss logistics cooperation**

Date: 2022-4-13

Kazakhstan Railways JSC and Azerbaijan Railways CJSC have signed an agreement on cooperation in the field of logistics. Prior to the signing ceremony, Chairman of Azerbaijan Railways CJSC Javid Gurbanov met

with Chairman of the Board of Kazakhstan Railways Nurlan Sauranbayev. The sides discussed the further development of multimodal transportation through the Trans-Caspian International Transport Route.

MORE:[https://azertag.az/en/xeber/Azerbaijan\\_Kazakhstan\\_discuss\\_logistics\\_cooperation-2092523](https://azertag.az/en/xeber/Azerbaijan_Kazakhstan_discuss_logistics_cooperation-2092523)

Source: Azertac

### **Composition of Turkmenistan-Azerbaijan Joint Commission approved**

**Date: 2022-4-1**

The composition of the Turkmenistan-Azerbaijan Joint Commission on Transport, Transit and Logistics from the Turkmen party has been approved. The corresponding resolution was signed by President Serdar Berdimuhamedov at a meeting of the country's Cabinet of Ministers. The agreement on the establishment of the Turkmenistan-Azerbaijan Joint Commission was signed in 2018 during the visit of Azerbaijani President Ilham Aliyev to Ashgabat.

MORE:[https://azertag.az/en/xeber/Composition\\_of\\_Turkmenistan\\_Azerbaijan\\_Joint\\_Commission\\_approved-2074976](https://azertag.az/en/xeber/Composition_of_Turkmenistan_Azerbaijan_Joint_Commission_approved-2074976)

Source: Azertac

## **CAREC cross-border business activities**

### **Representative Office of BMB Trade Group opens in China**

**Date: 2022-7-15**

Representative Office of the investment and consulting company BMB Trade Group began its activities at the SCO International Trade Center in Qingdao city of China. This, in turn, will serve to create favorable conditions for closer work with Chinese partners and business entities. BMB Trade Group has been cooperating with Chinese companies, which have a large share in the global economy. Together with Chinese entrepreneurs, the export of dried fruits and leguminous products grown in Uzbekistan, as well as the import of high-tech equipment from China to Uzbekistan, was established. The opening of the BMB Trade Group Representative Office in China creates favorable conditions and opportunities for further development of partnerships in trade and economic areas.

MORE:[https://uza.uz/en/posts/representative-office-of-bmb-trade-group-opens-in-china\\_390050](https://uza.uz/en/posts/representative-office-of-bmb-trade-group-opens-in-china_390050)

Source: Uza

### **More than 10,000 tons of Afghan coal exported to Pakistan every day**

**Date: 2022-7-6**

The Ministry of Mines and Petroleum has said more than ten thousand tons of Afghan coal are exported to Pakistan every day. "Every day, around 10,000 tonnes of coal are exported," said Islmatullah Burhan, a spokesman for the Afghan Ministry of Mines and Petroleum. ... Drivers of trucks have told Tolo News that there was a shortage of trucks due to increase in coal exports to Pakistan. Coal industries have said that the majority of coal comes from Dara-e-Soof of Samangan and Balkhab district of Sar-e-Pul province and exported to Pakistan from Kabul. According to the information of the Ministry of Mines and Petroleum, more than 80 large and small coal mines have been discovered in Afghanistan, and currently the extraction process is ongoing in only 17 mines.

MORE:<https://wadsam.com/afghan-business-news/more-than-10000-tons-of-afghan-coal-exported-to-pakistan-every-day/>

Source: Wadsam

### **Chinese company ready to supply electric buses to Bishkek**

**Date: 2022-6-27**

Chinese company is ready to supply electric buses to Bishkek. Press service of the City Hall of the capital reported. According to the press service, the Agency for Development and Promotion of Investments held a meeting with Amir Group, a representative of Chinese factory that produces electric buses. The City Hall

added that representatives of the company assured of the high-quality assembly of electric buses. In addition, as they are worn out and unusable, the company is ready to pay for their disposal in the future. «The parties discussed ways of mutually beneficial cooperation. As a result, an agreement was reached to provide expanded information on the terms of delivery of electric buses,» the City Hall reported.

MORE:[https://24.kg/english/238236\\_Chinese\\_company\\_ready\\_to\\_supply\\_electric\\_buses\\_to\\_Bishkek/](https://24.kg/english/238236_Chinese_company_ready_to_supply_electric_buses_to_Bishkek/)

Source: 24.kg

### **Uzbekistan, Azerbaijan to launch a silk processing joint venture**

**Date: 2022-6-23**

In recent years, Uzbekistan and Azerbaijan have been promoting many joint initiatives and projects in various fields. In particular, new areas of partnership are opening up in the silk industry of the two countries. On the eve of the state visit of the President of Azerbaijan to Uzbekistan, a business forum was organized by the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan and the Chamber of Commerce and Industry in cooperation with the Ministry of Economy of Azerbaijan and the Investment Promotion Agency. The event was also attended by representatives of the Uzbekipaksanoat Association, who signed several agreements with the fraternal country. Following the talks, it is planned to create an Uzbek-Azerbaijani silk processing enterprise.

MORE:[https://uza.uz/en/posts/uzbekistan-azerbaijan-to-launch-a-silk-processing-joint-venture\\_384047](https://uza.uz/en/posts/uzbekistan-azerbaijan-to-launch-a-silk-processing-joint-venture_384047)

Source: UZA

### **Kyrgyzstan plans to sign agreement on export of electricity with China**

**Date: 2022-6-13**

«We are holding active negotiations at the level of the Cabinet of Ministers in order to sell electricity to China,» the Cabinet Chairman Akylbek Japarov said at the opening of an international multi-sectoral business mission of Russian companies to Kyrgyzstan. According to him, the agreement is planned to be signed during the state visit of President Sadyr Japarov to China. Akylbek Japarov did not say anything about the timing of the visit, noting only that this would happen «as soon as the possibility of visits appears.»

MORE:[https://24.kg/english/236755\\_Kyrgyzstan\\_plans\\_to\\_sign\\_agreement\\_on\\_export\\_of\\_electricity\\_with\\_China/](https://24.kg/english/236755_Kyrgyzstan_plans_to_sign_agreement_on_export_of_electricity_with_China/)

Source: 24.kg

### **Businessmen of Kyrgyzstan and Kazakhstan sign contracts for \$1.5 million**

**Date: 2022-5-30**

Contracts worth more than \$1.5 million were signed during the second meeting of the Kyrgyz-Kazakh Business Council. Press service of the Chamber of Commerce and Industry reported. The event was held with the participation of the co-chairman of the Business Council from the Kyrgyz side, President of the Chamber of Commerce and Industry of the Kyrgyz Republic Marat Sharshekeev, co-chairman of the Business Council from the Kazakh side, Chairman of the Board of the Chamber of International Commerce of Kazakhstan, as well as representatives of large companies from both countries. The parties discussed a number of major investment projects in the field of tourism and light industry, construction of an industrial trade and logistics complex on the Kyrgyz-Kazakh border, construction and commissioning of the first 50 MW solar power plant in Kyrgyzstan, new business formats based on ESG approaches.

MORE:[https://24.kg/english/235132\\_Businessmen\\_of\\_Kyrgyzstan\\_and\\_Kazakhstan\\_sign\\_contracts\\_for\\_15\\_million/](https://24.kg/english/235132_Businessmen_of_Kyrgyzstan_and_Kazakhstan_sign_contracts_for_15_million/)

Source: 24.kg

### **Flour export conditions agreed with 13 factories of China**

**Date: 2022-4-13**

‘Food supply and security – Crop farming’ national farmers’ forum is taking place. At the forum, D.Eson-Erdene, head of Soil, Plant Protection and Seed Variety Department, the Ministry of Food, Agriculture and Light Industry, said, “The government of Mongolia made a decision to issue a soft loan worth MNT400 billion to the agriculture sector within the framework of a comprehensive plan of MNT 10 trillion to protect citizens’ health and recover the economy. A loan worth MNT 100 billion will be provided to crop production and MNT 50 billion for vegetable production will be provided at three percent interest rate for two years.”

“With aims to ensure the stability of the food supply, we worked to increase the harvest. In this frame, soft loans have been disbursed to mill houses and processing factories. In Mongolia, there are factories with the capacity to process a million tons of wheat into flour. Relevant conditions and quarantine requirements for flour export have been agreed with 13 factories of China.”

MORE: <https://montsame.mn/en/read/294629>

Source: Montsame

## CAREC intra-regional economic highlights

### Pakistan rice export to China increases by 10pc

Date: 2022-7-6

Pakistan's export of rice to China crossed \$277.56m in the first five months of FY2021-2022, up 9.73pc year-on-year bases. Pakistan remained one of the major broken rice suppliers to China, according to the official data from the General Administration of Customs of the People's Republic of China (GACC). ... He believes that within a few years Pakistan will become the largest rice exporter to China, CEN reported.

MORE: <https://nation.com.pk/2022/07/06/pakistan-rice-export-to-china-increases-by-10pc/>

Source: The Nation

### Minister of Energy: Trade between Azerbaijan and Kazakhstan increased by more than 6 times

Date: 2022-7-5

“Trade turnover between Azerbaijan and Kazakhstan increased by more than 6 times,” said Azerbaijan's Minister of Energy Parviz Shahbazov. “Trade relations between the two countries are developing dynamically. In the first four months of this year our trade turnover increased by more than 6 times compared to the same period last year and amounted to 215 million dollars,” the minister added.

MORE: [https://azertag.az/en/xeber/Minister\\_of\\_Energy\\_Trade\\_between\\_Azerbaijan\\_and\\_Kazakhstan\\_increased\\_by\\_more\\_than\\_6\\_times-2204996](https://azertag.az/en/xeber/Minister_of_Energy_Trade_between_Azerbaijan_and_Kazakhstan_increased_by_more_than_6_times-2204996)

Source: Azertac

### The trade turnover between Uzbekistan and Turkmenistan increases by 1.2 percent

Date: 2022-6-29

In January-May this year, the trade turnover between Uzbekistan and Turkmenistan increased by 1.2 percent compared to the same period last year and amounted to \$322.6 million. During this period, the volume of imports of products from Turkmenistan to Uzbekistan amounted to \$259.6 million, the volume of exports – \$62.9 million. Thus, from January to May 2022, Turkmenistan entered the top ten largest foreign trade partners of Uzbekistan. In the first five months of this year, China became the largest foreign trade partner of Uzbekistan. The volume of trade turnover between the two countries amounted to \$3.8 billion. In 2021, the trade turnover between Uzbekistan and Turkmenistan amounted to \$881.9 million, which is 61 percent more than in 2020.

MORE: [https://uza.uz/en/posts/the-trade-turnover-between-uzbekistan-and-turkmenistan-increases-by-12-percent\\_385899](https://uza.uz/en/posts/the-trade-turnover-between-uzbekistan-and-turkmenistan-increases-by-12-percent_385899)

Source: Uza

### Trade turnover between Kazakhstan and Kyrgyzstan: Export decreases

Date: 2022-4-20

Trade between Kazakhstan and Kyrgyzstan in January-February 2022 totaled \$ 126 million, which is 6.8 percent higher than during the same period last year. ... According to its data, exports from Kazakhstan to Kyrgyzstan in January-February 2022 totaled \$72.6 million. ... The main goods exported from Kazakhstan to Kyrgyzstan are tobacco products, coal, water (including mineral and sparkling water), unprocessed and semi-processed gold, cars, gas, putties, pasta. However, imports to Kazakhstan from Kyrgyzstan in January-February 2022 increased by 60 percent to \$53.7 million.

MORE: [https://24.kg/english/231509\\_Trade\\_turnover\\_between\\_Kazakhstan\\_and\\_Kyrgyzstan\\_Export\\_decreases/](https://24.kg/english/231509_Trade_turnover_between_Kazakhstan_and_Kyrgyzstan_Export_decreases/)

Source: 24.kg

Note: Text as in the original, shortened by the authors.



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