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CREATING OPPORTUNITIES

Investment Opportunities in Georgia and Kazakhstan

Prepared for Kazakh-Georgian Economic Union
November 2024

Subject: Analysis of Investment Opportunities in Georgia and Kazakhstan

Dear Sir/Madam,

We are pleased to present you our report on assessing the potential investment opportunities in Georgia and Kazakhstan.

The report analyzes the historic growth trajectories and future prospects for both countries, covering all key economic indicators. It also examines state economic priorities, relevant programs, and the role of IFIs in supporting significant development initiatives. Additionally, the report explores the business sector landscape in both countries and pinpoints investment opportunities through local capital markets.

Sincerely yours,

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CONTENT

Summary

This report explores key macroeconomic indicators, the business landscape, capital markets, and IFI operations in Kazakhstan and Georgia, focusing on sectors with strong growth potential and government backing. Each 1-pager provides a concise view of the industry's current state, major developments and prospects, involved agencies, and government plans to enhance sector's investment attractiveness.

ECONOMIC ANALYSES

The analysis examines key economic indicators over the past decade for both countries, including real GDP growth and structure, employment trends, currency and inflation dynamics, and demographic trends, along with information on existing economic linkages between Georgia and Kazakhstan, and forecasts for key economic indicators from 2024 to 2028.

BUSINESS SECTOR ANALYSIS

The business sectors analyzed in this document have been selected in line with those identified in the National Development Plans for 2029–2030 of both Kazakhstan and Georgia, emphasizing areas of strategic importance and growth potential. For Kazakhstan, sectors are categorized as: 1) Established sectors which are instrumental to Kazakhstan's economy, with strong growth and government focus, including Oil and Gas, Metals and Minerals, Energy, and Manufacturing. 2) Emerging sectors, which are sources of Kazakhstan's competitive advantages and are ready to attract investment, including Transport and Logistics, Agro-industrial Complex, Innovation (digital and creative economy), and Tourism. For Georgia, selected sectors reflect their economic importance, growth momentum, and government focus, encompassing Energy, Agriculture, Tourism, Real Estate, ICT, Education, and Transport & Logistics.

CAPITAL MARKETS

Capital markets in Kazakhstan and Georgia are at early development stages, with Kazakhstan showing greater maturity. Kazakhstan has two stock exchanges: KASE (Kazakhstan Stock Exchange) and AIX (Astana International Exchange) - each serving distinct roles and markets. KASE, focused on domestic issuers in traditional sectors, and AIX, an international exchange operating under English law appeals to foreign investors, and local as well as international issuers. Kazakhstan's debt market is particularly robust, ranking 18th globally in annual bond trading volume in 2023. Equity markets are less active, ranking 58th globally. Both KASE and AIX saw an average of 10 new equity listings and 122 new debt listings annually over 2020–23. The private equity market is also relatively more active in Kazakhstan, with $89bn in transaction volume over 2012–23. In contrast, Georgia's equity market is nearly non-existent, with minimal trading activity and few private investment firms, limiting private equity growth. The corporate bond market, though small, has grown significantly, further boosted by the EBRD and EU-backed Capital Market Support (CMS) program. Corporate bond issuances, which averaged just five per year over 2014-21, surged to 29 in 2022-23, driven by the CMS program support. CMS program encouraged Georgian companies to take advantage of its benefits, prompting some to accelerate their planned issuances.

IFI PRESENCE

IFI presence is strong in both countries, with USAID, ADB, World Bank, and EBRD leading investments in government and private sectors. Among the selected IFIs, ADB is the largest investor both in Georgia and Kazakhstan, with US$ 4.9bn and US$ 6.9bn invested, respectively over 2019-23. ADB prioritizes investing in Transport, Finance, and Energy in Kazakhstan, and Transport, Water & Urban Infrastructure, and Finance in Georgia.

Macroeconomic Overview

Georgia and Kazakhstan at a glance

Area: **69,700 sq. km**

Population (2024): **3.7 million**

Life expectancy: **75 years**

Official language**: Georgian**

Currency**: Georgian lari (GEL)**

Area: **2 725,000 sq. km**

Population (2024): **20.1 million**

Life expectancy: 75 **years**

Official language**: Kazakh**

Currency**: Kazakh tenge (KZT)**

Georgia

Nominal GDP 2023: **GEL 80.9bn** (US$ 30.8bn)

Real GDP growth rates:

2019	2020	2021	2022	2023
5.4%	-6.3%	10.6%	11.0%	7.8%

GDP per capita 2023 (PPP): **US$ 25,188**

Average inflation 2023: **2.5%**

Public debt to GDP 2023: **38.9%**

Unemployment rate 2023: **16.4%**

Sovereign credit ratings: **BB/BB/Ba2 (Fitch/S&P/Moody's)**

Economic freedom index 2024: **32nd** out of 176 countries

Corruption Perception Index 2023: **49th** out of 180 countries

Kazakhstan

Nominal GDP 2023: **KZT 119,808bn** (US$ 262.6bn)

Real GDP growth rates:

2019	2020	2021	2022	2023
4.5%	-2.6%	4.1%	3.3%	5.1%

GDP per capita 2023 (PPP): **US$ 39,463**

Average inflation 2023: **14.6%**

Public debt to GDP 2023: **23.0%**

Unemployment rate 2023: **4.8%**

Sovereign credit ratings: **BBB/BBB/Baa1 (Fitch/S&P/Moody's)**

Economic freedom index 2024: **66th** out of 176 countries

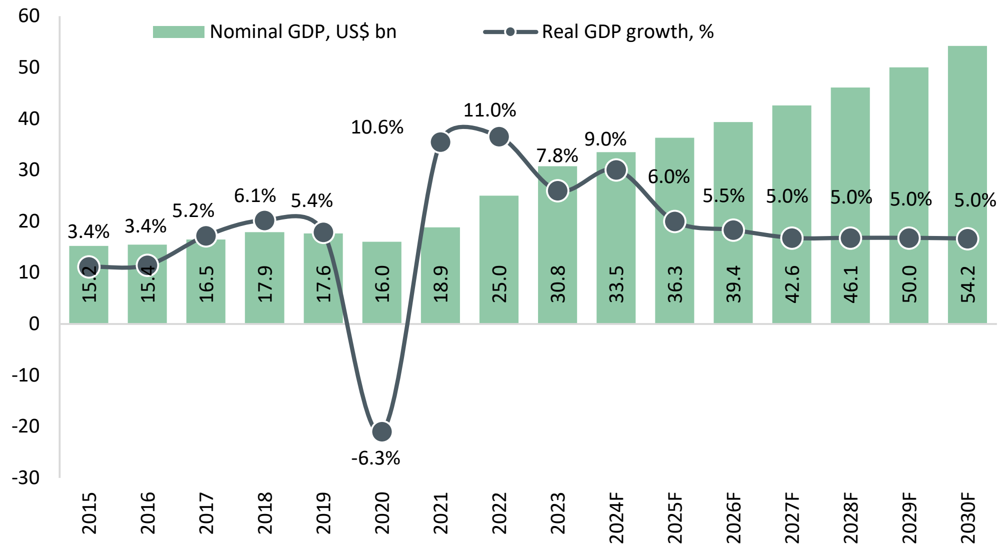
Corruption Perception Index 2023: **93rd** out of 176 countries

Source: Geostat, MoF, IMF, World Bank, Bloomberg, The Heritage Foundation, Transparency International

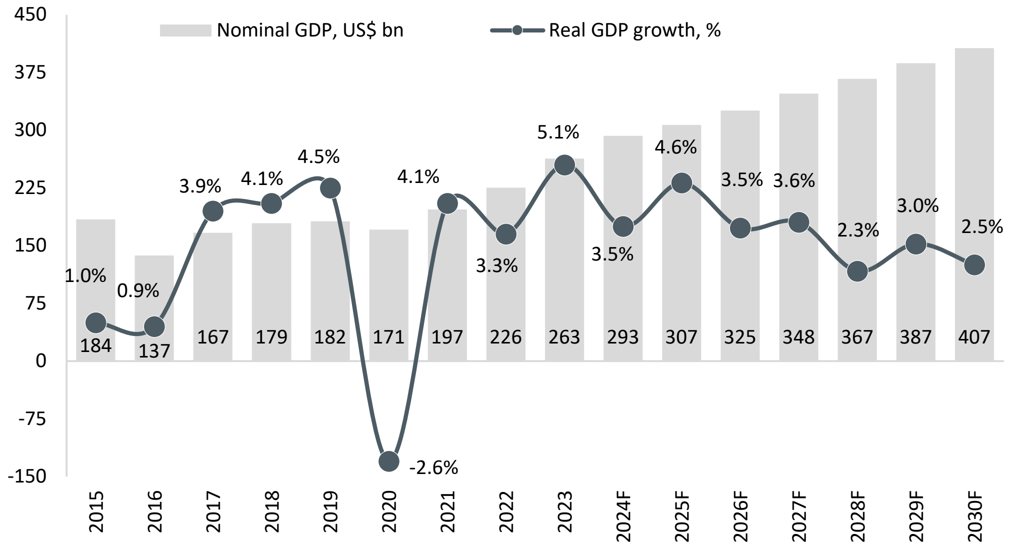
In post-pandemic period from 2021 to 2024, Georgia's economy grew at an average rate of 9.6%, compared to a pre-pandemic growth rate of 4.7% over 2015-19

In post-pandemic period from 2021 to 2024, Kazakhstan's economy grew at an average rate of 4.0%, compared to a pre-pandemic growth rate of 2.9% over 2015-19

GDP growth dynamics and forecasts in Georgia



GDP growth dynamics and forecasts in Kazakhstan



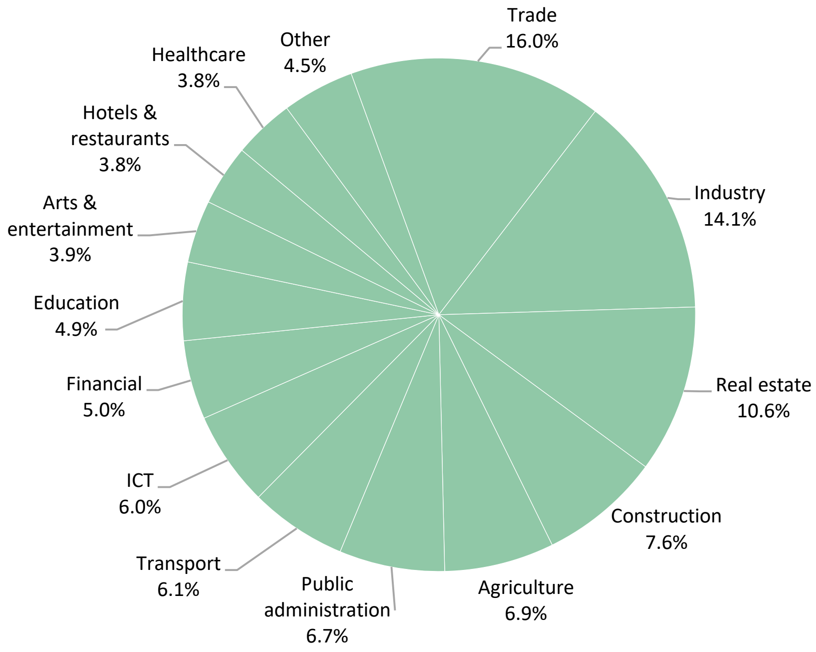
Source: Geostat, KazStat, IMF, Galt & Taggart

Economic structure – Georgia has more diversified economy

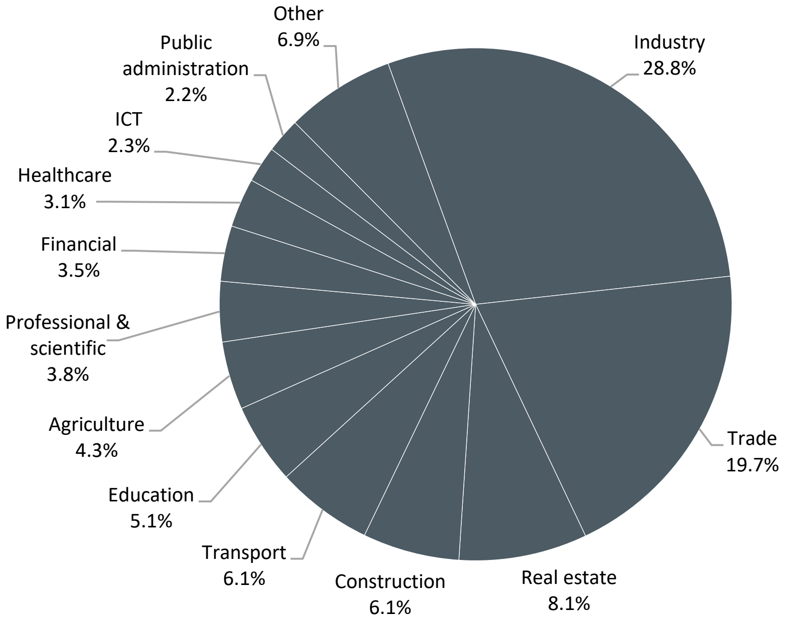
In Georgia, the sources of growth are diversified, ensuring that economic growth does not rely on any single sector

Nearly half of Kazakhstan's GDP is generated from industry and trade, while value added in other sectors is relatively diversified

GDP by sector in Georgia, 2023



GDP by sector in Kazakhstan, 2023



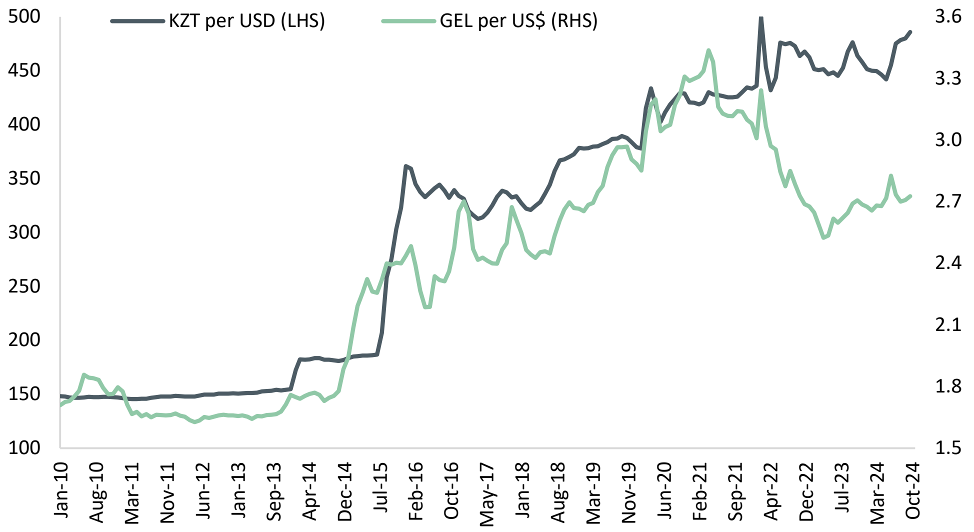
Source: Geostat, KazStat

Georgia has a floating exchange rate regime since 1995

Kazakhstan moved from fixed exchange to floating rate regime since Aug-2015

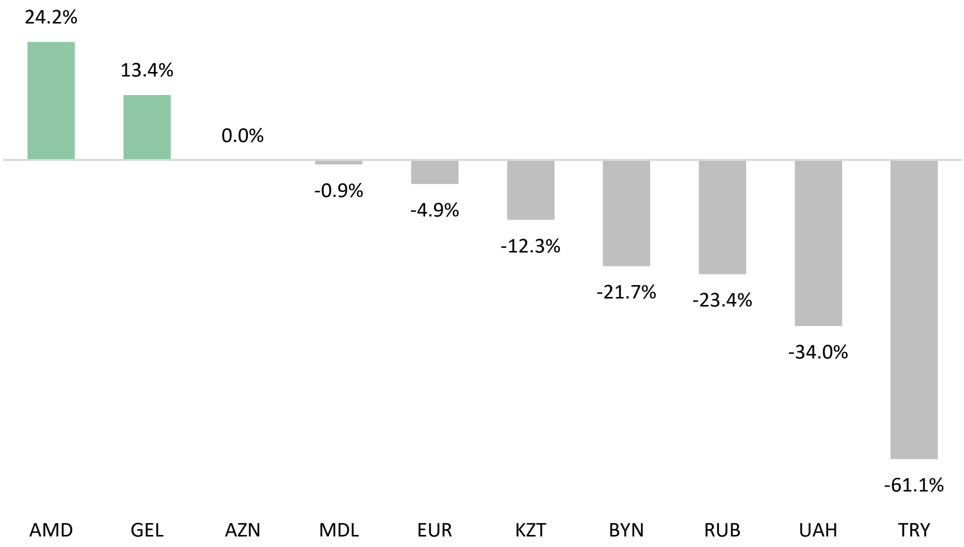
Following the commodity price shock in 2014, both the lari and tenge experienced significant depreciation. However, the lari began to appreciate after April 2022, largely driven by strong foreign exchange inflows. Between 2022 and 11 November 2024, the lari strengthened by 13.4% against the US dollar, while the tenge lost 12.3% of its value

GEL and KZT vs $



Currency appreciation/depreciation vs $

Period 1-Jan-2022 - 11-Nov-2024



Source: NBG, NBK, Bloomberg

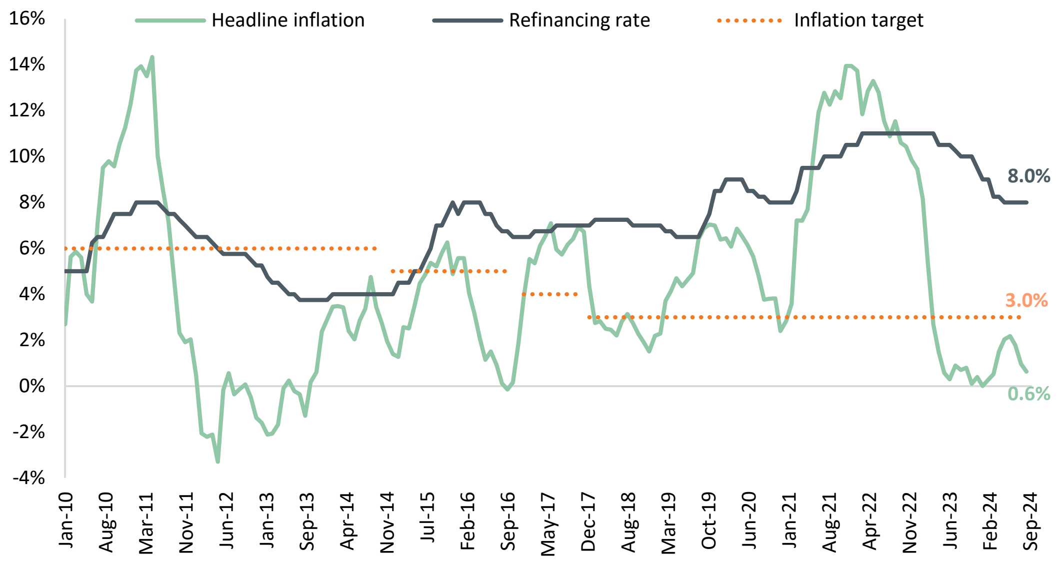
Inflation in Georgia has been volatile in recent years due to significant external shocks. Between 2021 and 2022, the average annual inflation rate was 10.7%, peaking at 13.9% in Dec-21. In response to rising inflation, the NBG raised the policy rate by 3.0ppts to 11.0% between Jan-21 and Apr-22. Since Apr-23, inflation has sharply decelerated and remained below the 3.0% target level throughout 2024. This allowed the NBG to reduce the rate by 3.0ppts to 8.0%.

In 2024, average inflation is expected to be around 1.0%, with medium-term projections approaching the 3.0% target level.

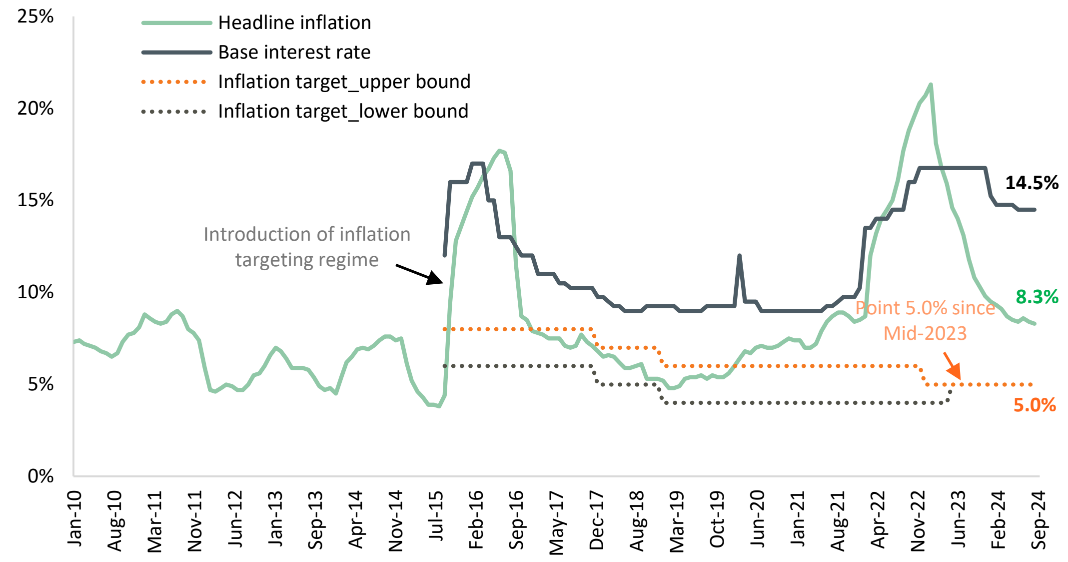
Inflation declined after the introduction of the inflation targeting regime in 2015 and remained close to the NBK's target from 2016 to 2019. It began to rise during the COVID-19 pandemic and accelerated sharply in 2022. In response, the NBK increased the policy rate by 7.75ppts to 16.75% during 2021-2022. Inflation peaked at 21.3% in Feb-23, then started to decline gradually, reaching 8.3% in Sep-24. Consequently, the NBK reduced the rate by 2.25ppts to 14.25% by Jun-24.

Inflation in Kazakhstan is expected to remain above the NBK's 5% target, reaching 8.0% by end-2024, and is projected to gradually approach the target by 2027.

Inflation and refinancing rate in Georgia



Inflation and base interest rate in Kazakhstan



Source: Geostat, NBG

Unemployment – Kazakhstan enjoys lower unemployment and a higher labor participation rates

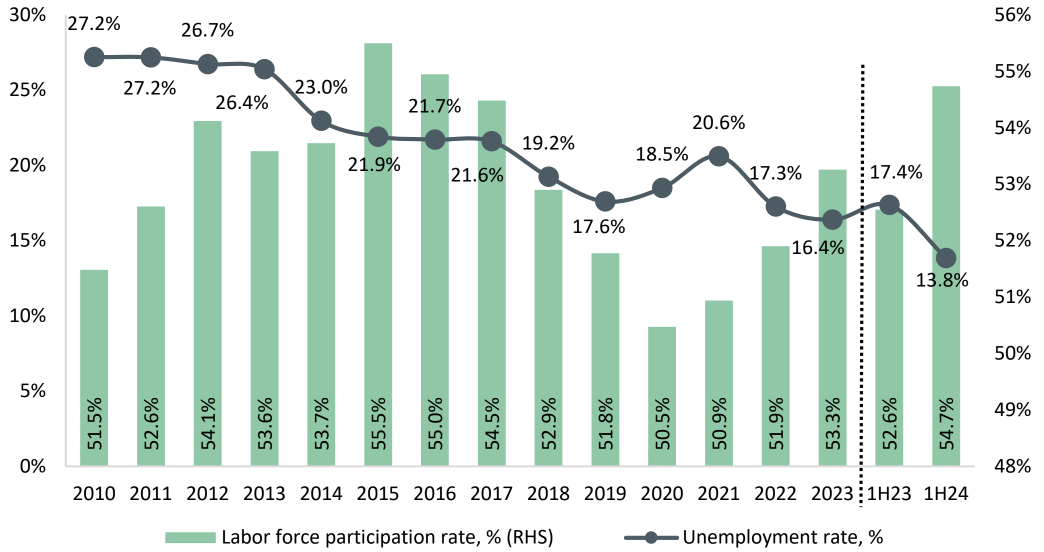
In Georgia, unemployment rate reduced to a historically low level of 13.8% in 1H24 due to strong economic growth, but it remains high by global standards.

The labor participation rate has historically ranged from 52% to 55%

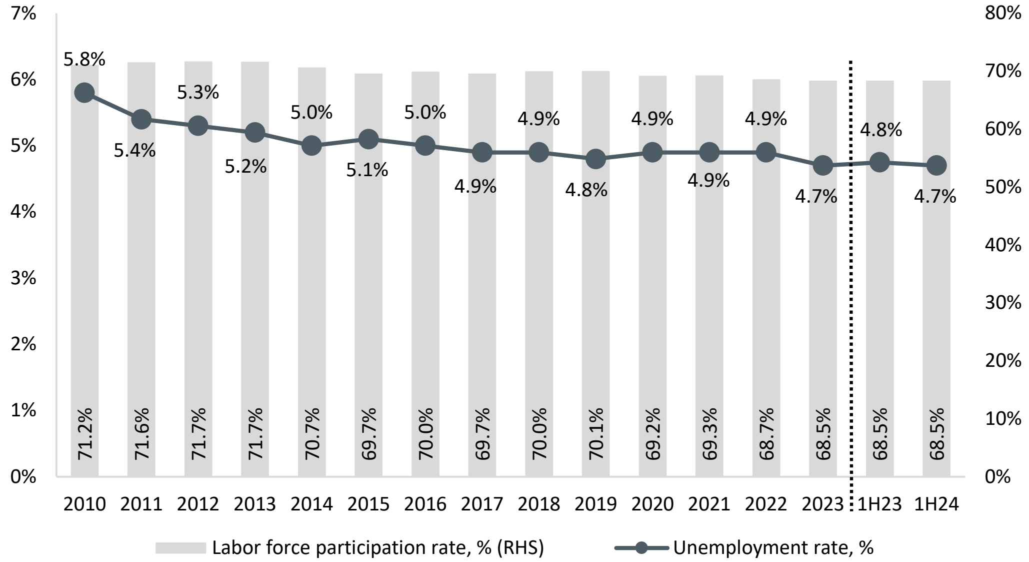
In Kazakhstan, the unemployment rate is low and has been on a decreasing trend, falling from 5.8% in 2010 to 4.7% in 1H24.

The labor participation rate is high and relatively stable

Unemployment and labor force participation rate in Georgia



Unemployment and labor force participation rate in Kazakhstan



Source: Geostat, KazStat

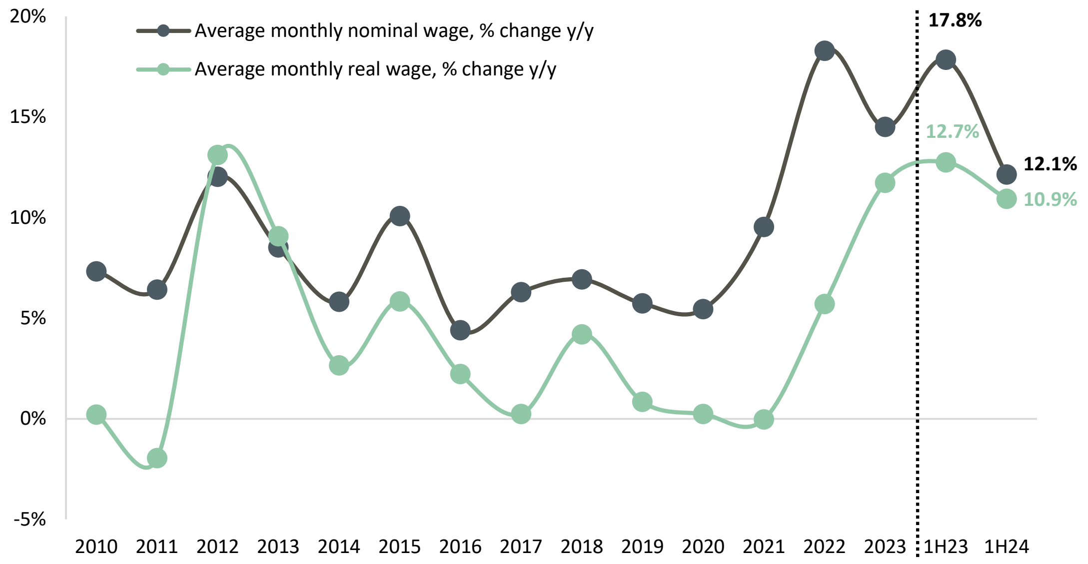
Over 2010-19, nominal wages grew at an average annual rate of 7.4%, while real wages increased by 3.6%. Following the Covid-19 pandemic, wage growth accelerated significantly, with double-digit growth rates reported from 2022 to 1H24.

In the medium term, nominal wages are expected to grow at around 8-10%

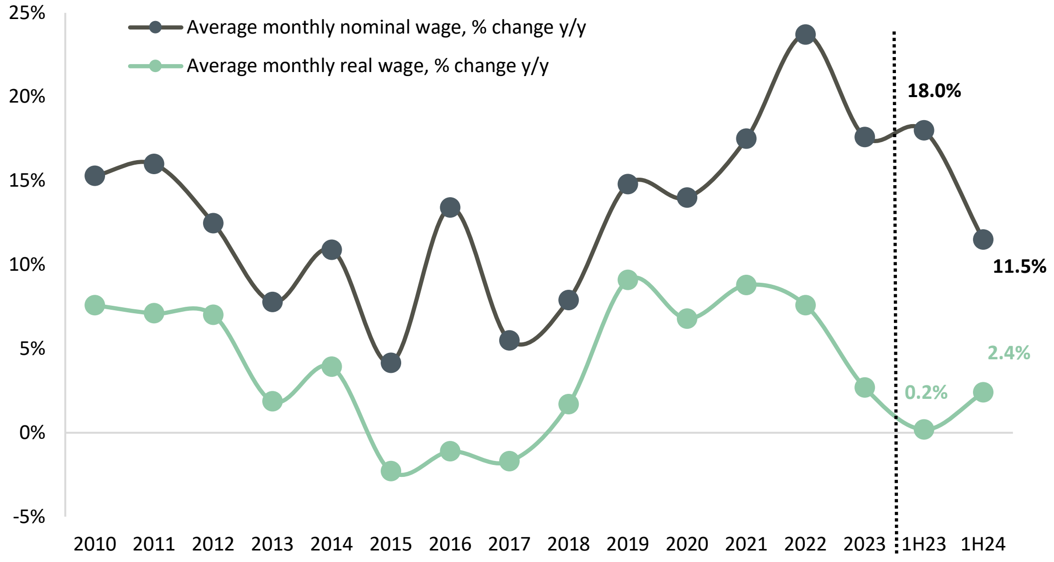
Over 2010-19, nominal wages grew at an average annual rate of 10.8%, while real wages increased by 3.3%. Although nominal wage growth remained in the double digits from 2020 to 1H24, real wage growth was limited due to high inflation.

In the medium term, nominal wages are expected to grow at around 8%

Wages in Georgia



Wages in Kazakhstan

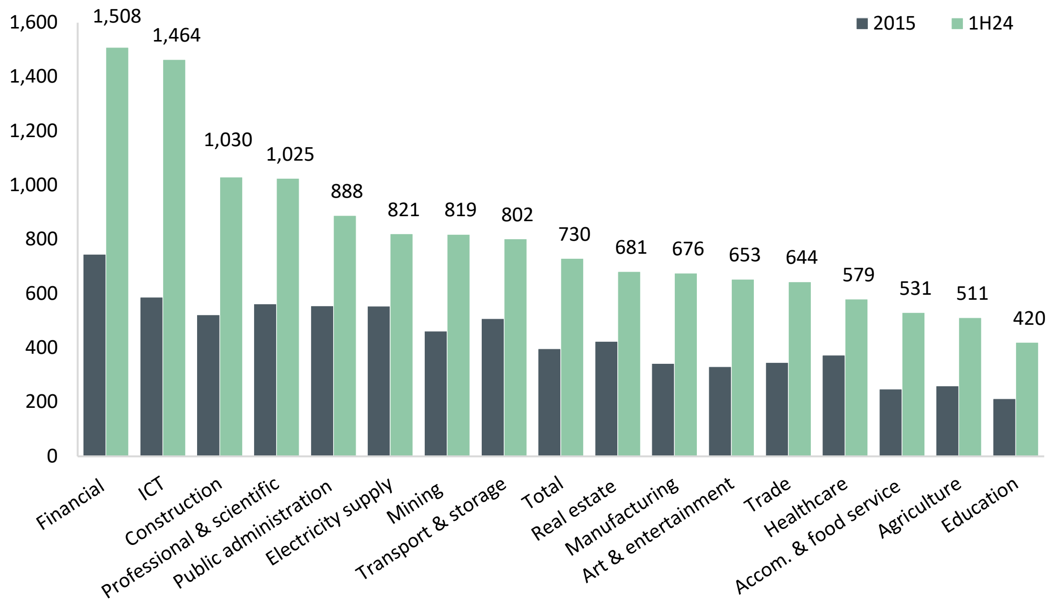


Source: Geostat, KazStat, Galt & Taggart

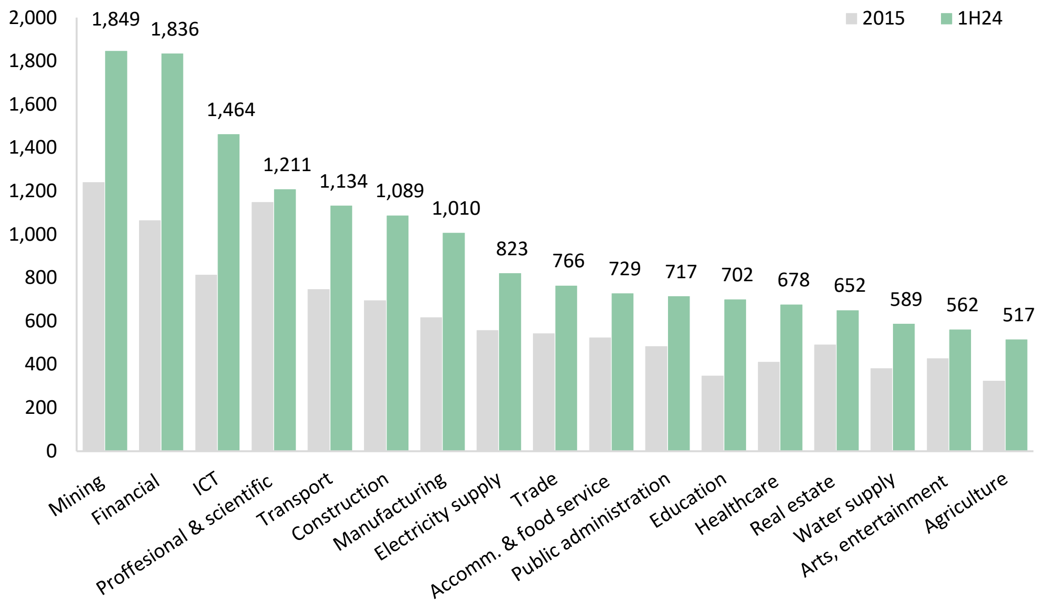
Over the past 10 years, nominal wages in USD have doubled in the highest-paying sectors, including ICT, finance, and construction

Over the past 10 years, nominal wages in USD have significantly increased in the highest-paying sectors, including ICT, finance and mining

Georgia: nominal monthly wages by sector, US$



Kazakhstan: nominal monthly wages by sector, US$



Source: Geostat, NBG, KazStat, NBK

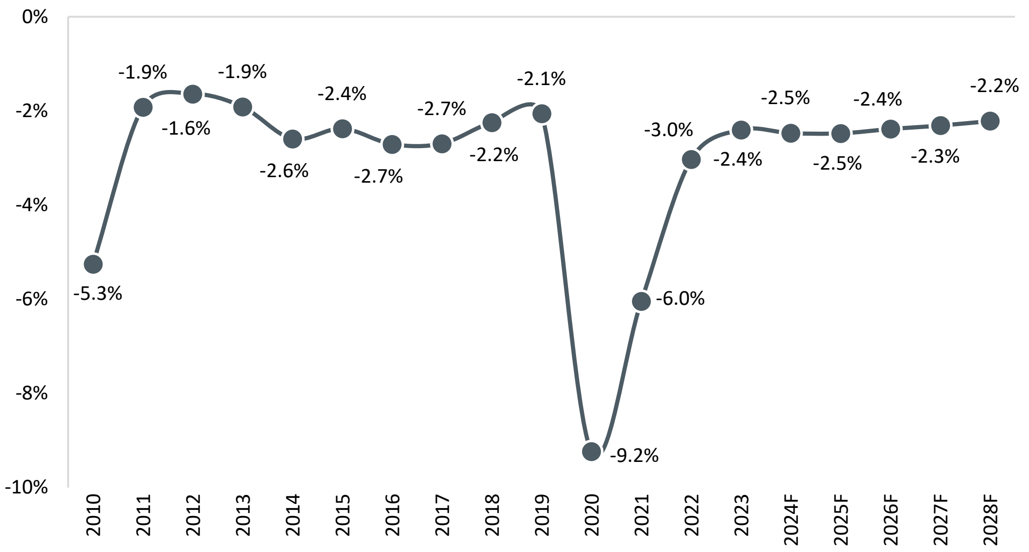
Fiscal balance – needs for deficit reduction emerged in both countries after pandemic

In the pre-pandemic period, Georgia had a sound fiscal policy, maintaining a fiscal deficit below the 3.0% of GDP ceiling. During the Covid-19 pandemic, the deficit widened significantly; however, it quickly returned to a safe level.

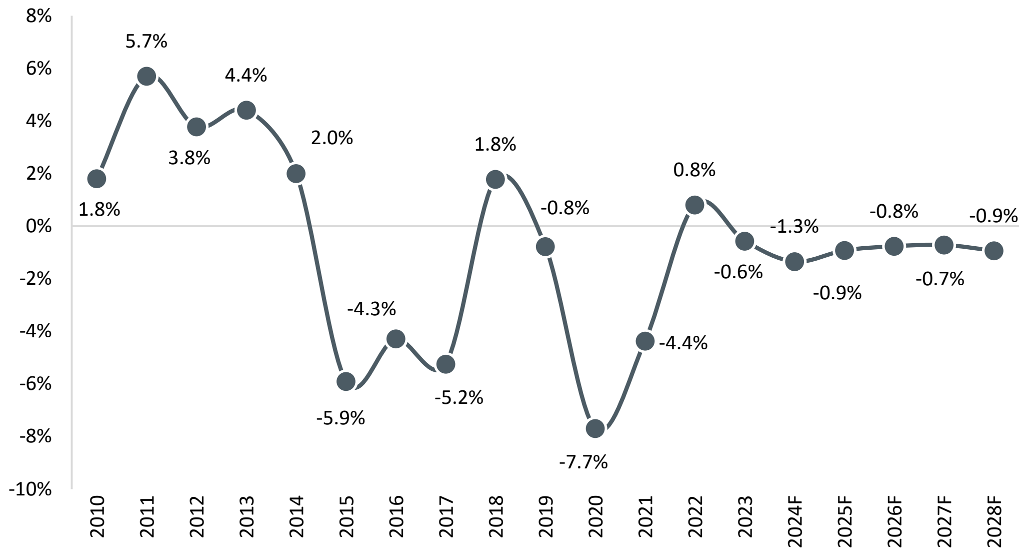
In the medium term, the fiscal deficit is projected to remain below 3.0% of GDP

Kazakhstan's fiscal framework has significantly weakened since the commodity price shock. Between 2015 and 2017, the fiscal deficit averaged 5.1% of GDP, and it further widened during the Covid-19 pandemic, reaching 7.7% of GDP in 2020. Although there have been recent improvements in the fiscal deficit, these have primarily resulted from a heavy reliance on National Fund resources. This over-dependence poses significant concerns and highlights the urgent need for fiscal consolidation in the medium term.

Georgia: fiscal deficit, as % of GDP



Kazakhstan: fiscal deficit, as % of GDP



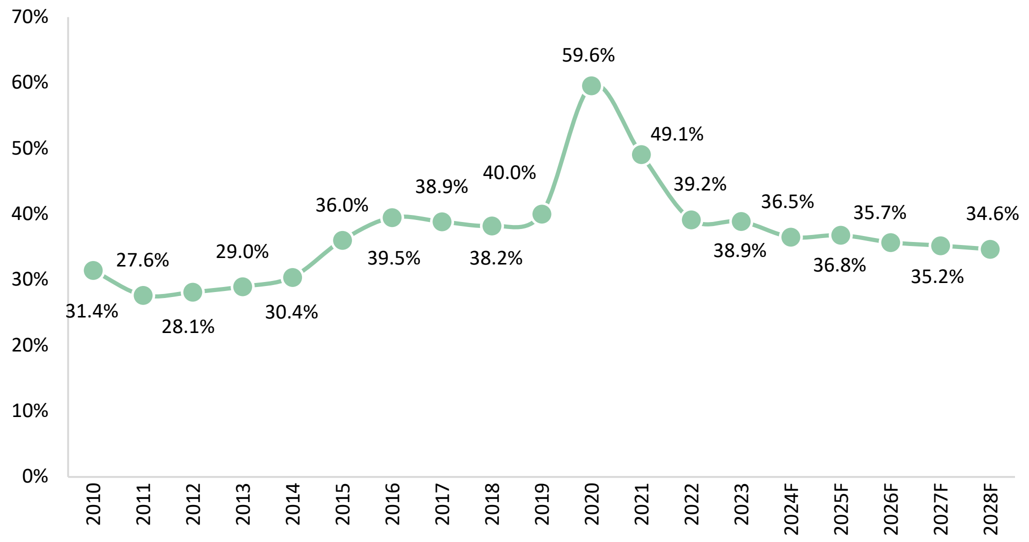
Source: MOF, Geostat, KazStat, IMF

Government debt – Kazakhstan has low government debt than Georgia, but it is on the rise

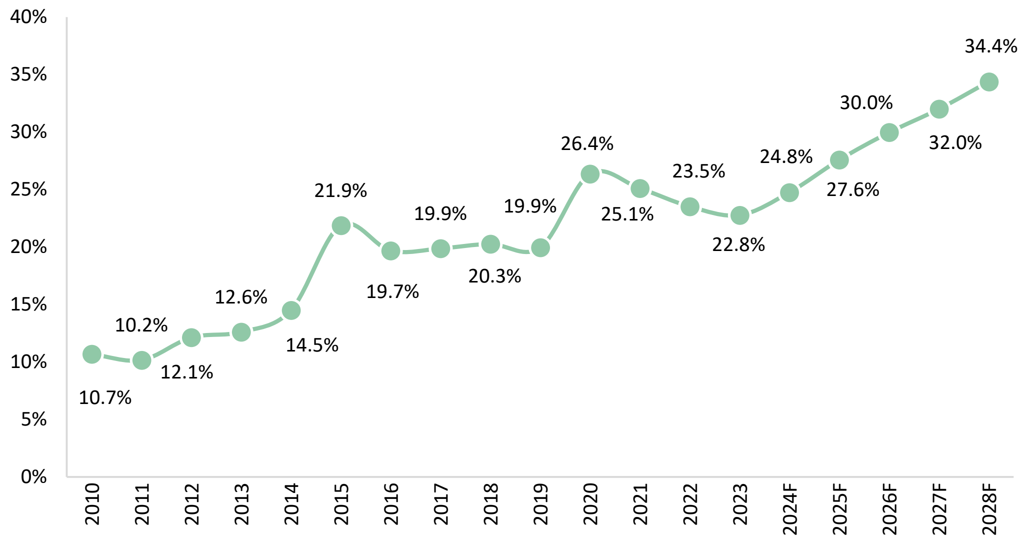
In Georgia, Government debt increased notably since the commodity price shock in 2014, as the GEL depreciated significantly. It reached the critical level in 2020, but then lowered quickly due to strong economic growth and appreciation of the currency. In the medium term, the debt level is projected below 40% of GDP, reaching 34.5% of GDP by 2028

Overall, Kazakhstan maintains a low government debt-to-GDP ratio, largely due to the presence of the National Fund of the Republic of Kazakhstan (NFRK). Prior to the commodity price shock, the debt-to-GDP ratio was below 20%. Following the shock, it rose to a range of 22-26%. In the medium term, government debt is projected to increase, reaching 34.4% of GDP by 2028

Georgia: Government debt, as % of GDP



Kazakhstan: Government debt, as % of GDP



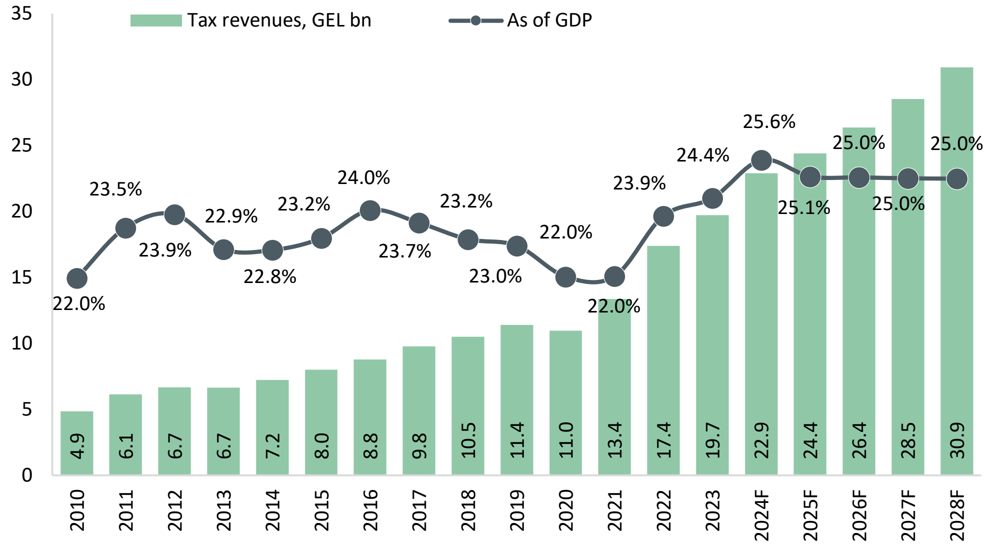
Source: MOF, Geostat, KazStat, IMF

Tax burden – both countries have similar objectives of fostering a conducive business environment through tax reforms and administration improvements

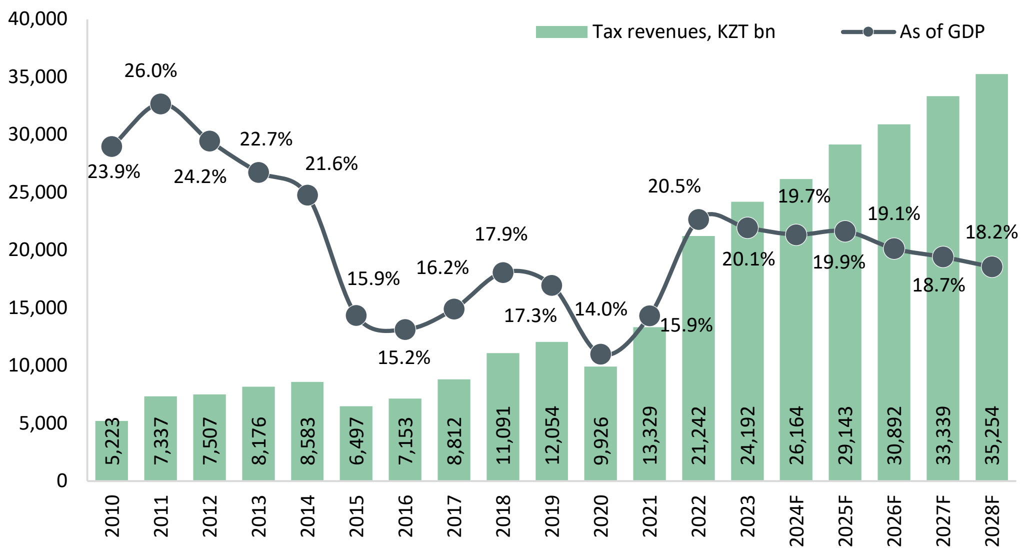
In Georgia, tax policies are designed to be business-friendly, giving the country a reputation for its relatively low tax burden compared to many other countries, particularly in the region. Notably, since 2016, the tax-to-GDP ratio has shown a decreasing trend until 2022, initially caused by the introduction of the Estonian profit tax model. In the medium term, the tax-to-GDP ratio in Georgia is expected to stabilize at around 25%

Kazakhstan is known for having a moderate tax burden compared to many other countries in the region. Before the commodity price shock, the tax-to-GDP ratio ranged between 22% and 26%, but it decreased to an average of 16.1% over the period from 2015 to 2021. Since then, the ratio has increased to approximately 20% due to strengthened tax and customs administration. In the medium term, the tax-to-GDP ratio is expected to be at around 19%

Tax burden in Georgia



Tax burden in Kazakhstan



Source: MOF, Geostat, KazStat, IMF

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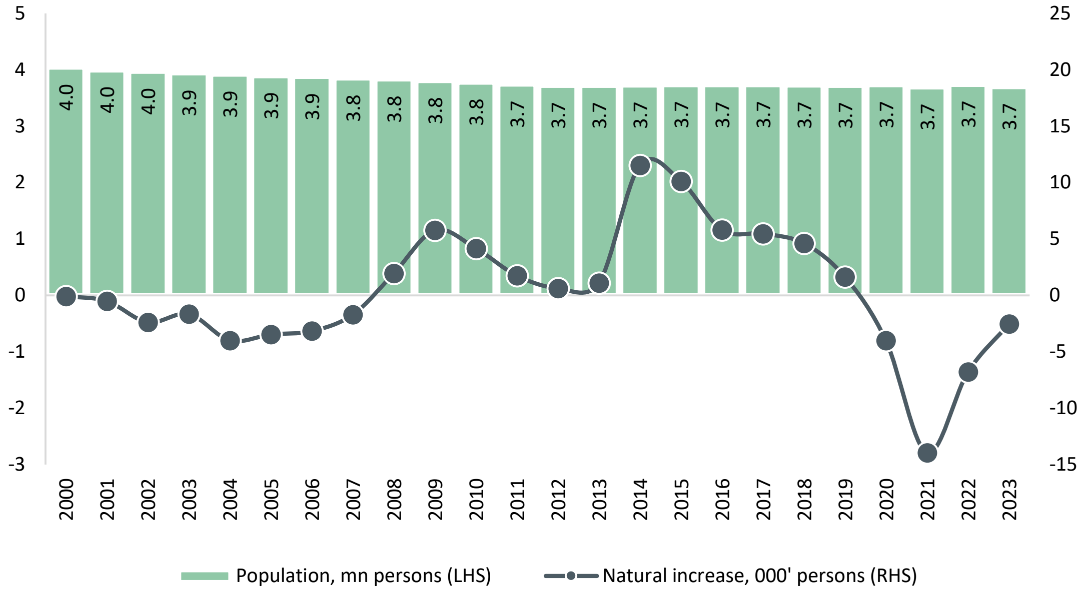
The population of Georgia has declined from 4.0mn in 2000 to 3.7mn in 2023. Notably, positive natural population growth was observed between 2008 and 2019.

Over the next decade, the UN projects that Georgia's population will continue to decrease

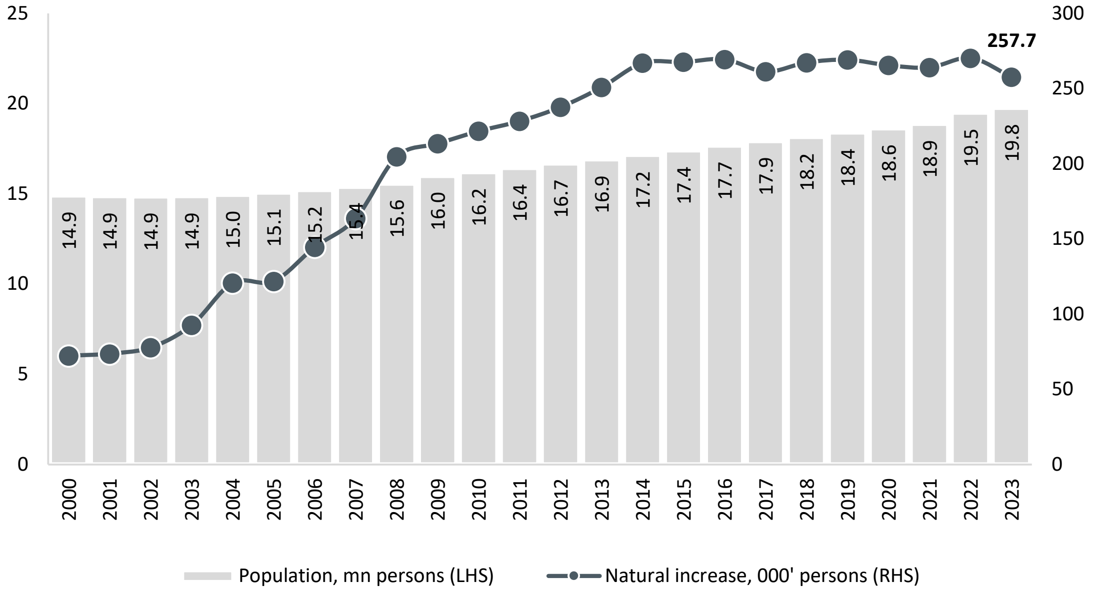
The population of Kazakhstan has increased from 14.9mn in 2000 to 19.8mn in 2023. Notably, natural population growth has shown an upward trend over this time period.

Over the coming decade, the UN projects that Kazakhstan's population will continue to rise, potentially reaching 30mn

Population and its natural growth in Georgia



Population and its natural growth in Kazakhstan



Source: Geostat, KazStat

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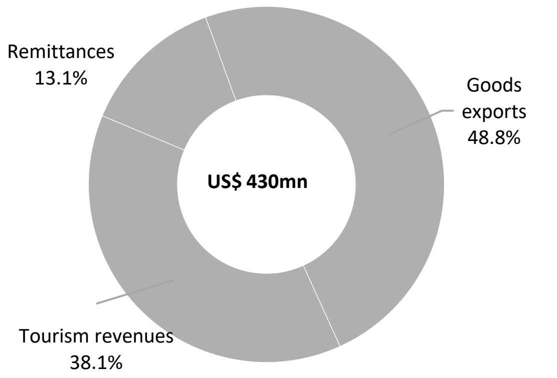
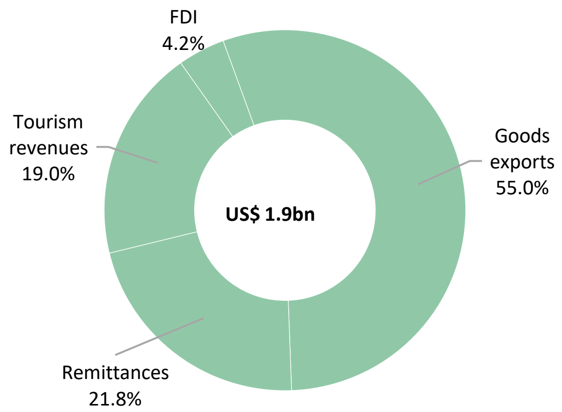
FX inflows from Kazakhstan to Georgia, US$ mn

Pre-pandemic (2017-19)



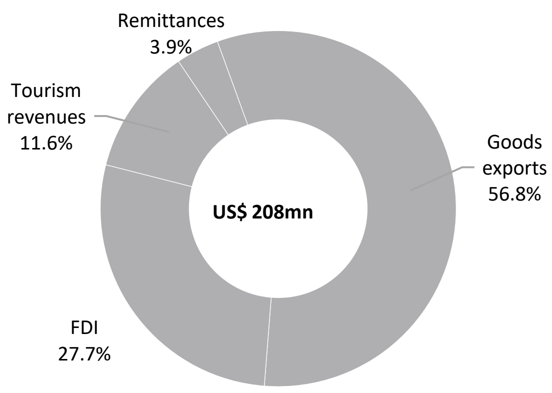
Post-pandemic (2021-23)



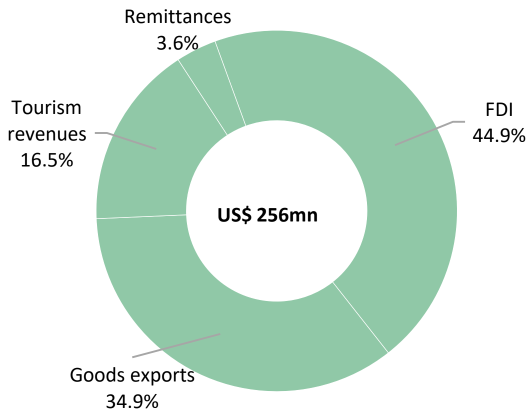
FX inflows from Kazakhstan to Georgia increased 4.4 times to US$ 1.9bn in the post-pandemic period (2021-23) compared to the pre-pandemic period (2017-19). This growth was primarily driven by an increase in goods exports, followed by remittances. Notably, in the post-pandemic period, FDI inflows reached US$ 80mn

FX inflows from Georgia to Kazakhstan, US$ mn

Pre-pandemic (2017-19)



Post-pandemic (2021-23)



FX Inflows from Georgia to Kazakhstan have remained broadly stable in the post-pandemic period compared to the pre-pandemic period.

Source: Geostat, NBG, GNTA, Galt & Taggart's estimate for tourism revenues in both countries

Business Sector Analysis and State Economic Priorities

Kazakhstan

This business sector overview for Kazakhstan offers a focused analysis of the country's key industries, each presented as a one-pager to highlight recent developments, future prospects and government support. Given the limited availability of comprehensive business sector data from official sources, this analysis aligns with the National Development Plan of Kazakhstan, approved on July 30, 2024. The National Development Plan outlines a dual approach: 1) strengthening established industries to capitalize on the country's abundant natural resources, and 2) prioritizing high-potential emerging sectors to reduce over-reliance on traditional industries and mitigate vulnerability to global market fluctuations.

The National Development Plan identifies eight priority industries, categorized into two groups:

- **Established sectors** - Oil and gas, Metals, Energy (with a focus on renewables), and Manufacturing - which are currently vital to Kazakhstan's economy, benefiting from strong government support and growth.
- **Emerging sectors** - Transport and Logistics, Agro-industry, Innovation, and Tourism – expected by the government to drive future sustainable growth and present significant investment opportunities.

The upcoming one-pagers will provide a deeper dive into each of these sectors for further insights.

Georgia

In alignment with Kazakhstan's approach, the business sectors for Georgia have been identified based on their economic importance, growth momentum, and government focus, encompassing Energy (with a focus on renewables), Agriculture, Tourism, Real Estate, ICT, Education, and Transport & Logistics. These sectors not only play a pivotal role in Georgia's current economic and business landscape, but are also integral to its future growth as outlined in the National Development Plan of Georgia for 2030, approved on November 3, 2022.

The one-pagers to follow will provide a deeper look into each of these sectors, offering insights into their current state, challenges, future opportunities and government support.

Current situation overview:

Kazakhstan's heavy reliance on traditional energy sources positions it among the highest carbon emitters relative to GDP globally, with the energy sector responsible for over 75% of the country's GHG emissions. To address this, Kazakhstan has joined the global de-carbonization movement, committing to achieve full carbon neutrality by 2060. Renewable energy development has become a cornerstone of this effort, with significant government support driving growth since 2014. By 2022, Kazakhstan had attracted $2.2bn in renewable energy investments, raising the share of renewables to 4.5% of the country's total electricity supply, though this remains far below the global average of 30% in the same year.

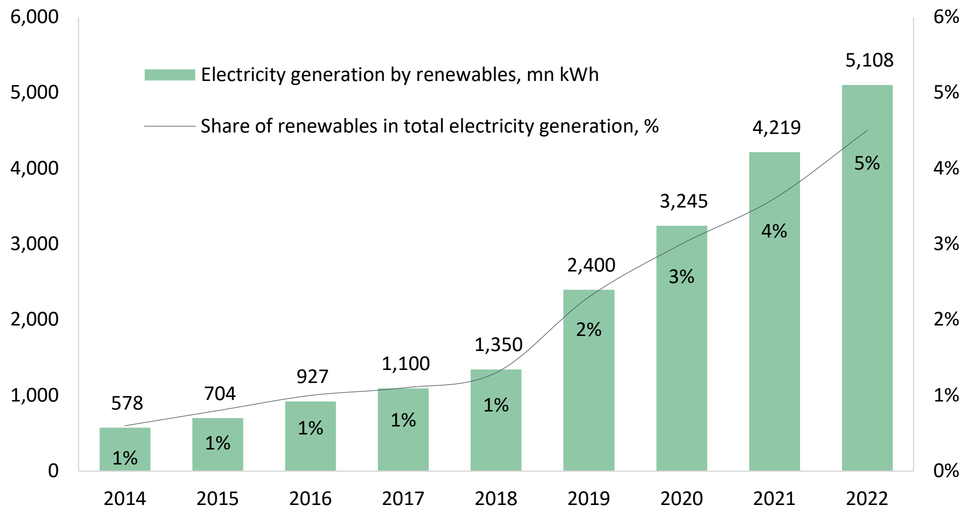
Government's activities to enhance the sector's investment appeal:

- A single buyer system guaranteeing the purchase of all renewable output at auction prices for 20 years with annual tariff indexation linked to currency fluctuations
- Exemptions from electricity transmission service payments
- Prioritized grid connections and reservations of land plots/connection points during auctions
- A range of tax preferences for renewable energy developers
- Transitioning from cost-based to incentive-based tariffs
- Implementing a streamlined permitting process to reduce approval times

Key state programs/agencies supporting the sector development:

- The "Settlement and Financial Center for Support of Renewable Energy Sources," under Ministry of Energy, manages the centralized purchase/sale of renewable energy electricity
- The Carbon Neutrality Strategy 2023 – a national plan outlining the pathway to achieve carbon neutrality by 2060, with renewable energy as a key pillar
- The Kazakh Investment Development Fund finances renewable energy projects, attracting both foreign and local investment

Electricity generation by renewables in Kazakhstan



Estimated renewable energy potential in Kazakhstan


1,000bn kWh/year - Solar energy potential


920bn kWh/year - Wind energy potential


166bn kWh/year - Hydro energy potential


Geothermal waters - 4,3 GW


Biogas – agricultural waste (grain, livestock)

Source: AIFC, KazEnergy

Current situation overview:

Kazakhstan's strategic location between major manufacturing hubs and key sales markets positions it as a vital transport and logistics hub on the Eurasian continent and a key player in the Middle Corridor. However, the transport and logistics sector's contribution to GDP has steadily declined from 9.1% in 2015 to 6.1% in 2023. This can be attributed to several challenges faced by the sector, with infrastructure deterioration/congestion being a critical issue. Although most trade between Asia and Europe relies on maritime routes, and the Middle Corridor has historically played a secondary role in land shipments (given the dominance of the Northern Corridor), recent geopolitical events (Russia-Ukaine war, the Red Sea crisis) have highlighted the need for greater diversification across both maritime and land routes to secure and optimize logistics flows. World Bank forecasts that volumes on the Middle Corridor will triple by 2030, reaching 11mn tones/year, presenting new opportunities for Kazakhstan's transport and logistics sector.

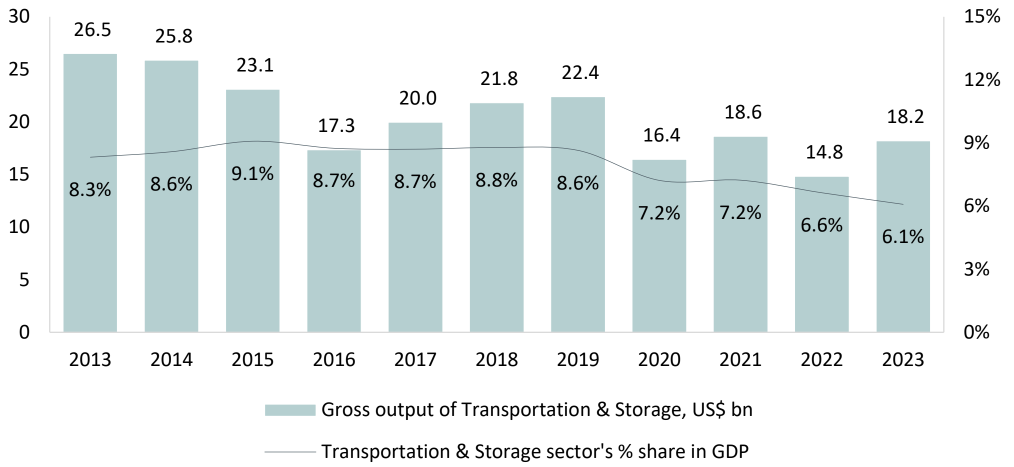
Government's planned activities to enhance the sector's investment appeal:

- Upgrade rail and port capacities with private partnerships. Enhance transport and aircraft fleet through state-backed leasing, incentivize containerized transport
- Increase quality warehouse space to 4mn square meters and develop cross-border logistics hubs with bonded warehouses
- Implement digital tools for streamlined operations
- Decrease government involvement through enhanced private investment – e.g restructure the national carrier, JSC NC KTZ, into separate business units, with eventual privatization

Key state programs/agencies supporting the sector development:

- Ministry of Industry and Infrastructure Development (MIID): playing a central role in the transport sector development
- Nurly Zhol: A state program aimed at developing infrastructure, improving transportation networks, and enhancing the overall logistics framework.

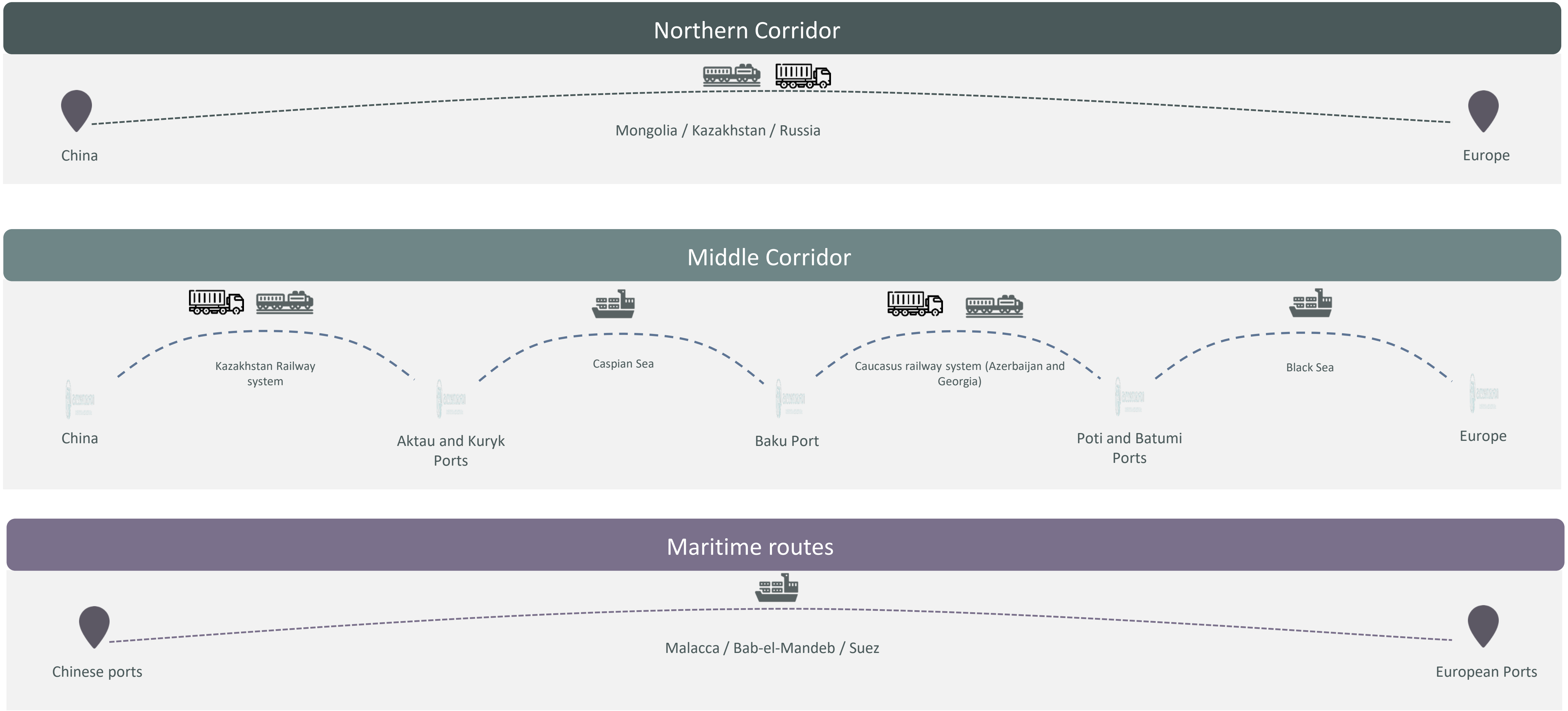
Transportation & Storage Sector in Kazakhstan: % Contribution to GDP and Gross Output in US$ bn



Distribution of value of exports from China by region, 2022

Source: National Statistics Office of Kazakhstan, World Bank, China Railway, Galt and Taggart

While the Middle Corridor offers significant potential as an alternative route, its multimodal nature may continue to position it as a complementary option to the Northern Corridor and maritime routes. However, investments in infrastructure and increasing geopolitical shifts could enhance its competitiveness, paving the way for it to play a more prominent role in the future of Eurasian logistics.

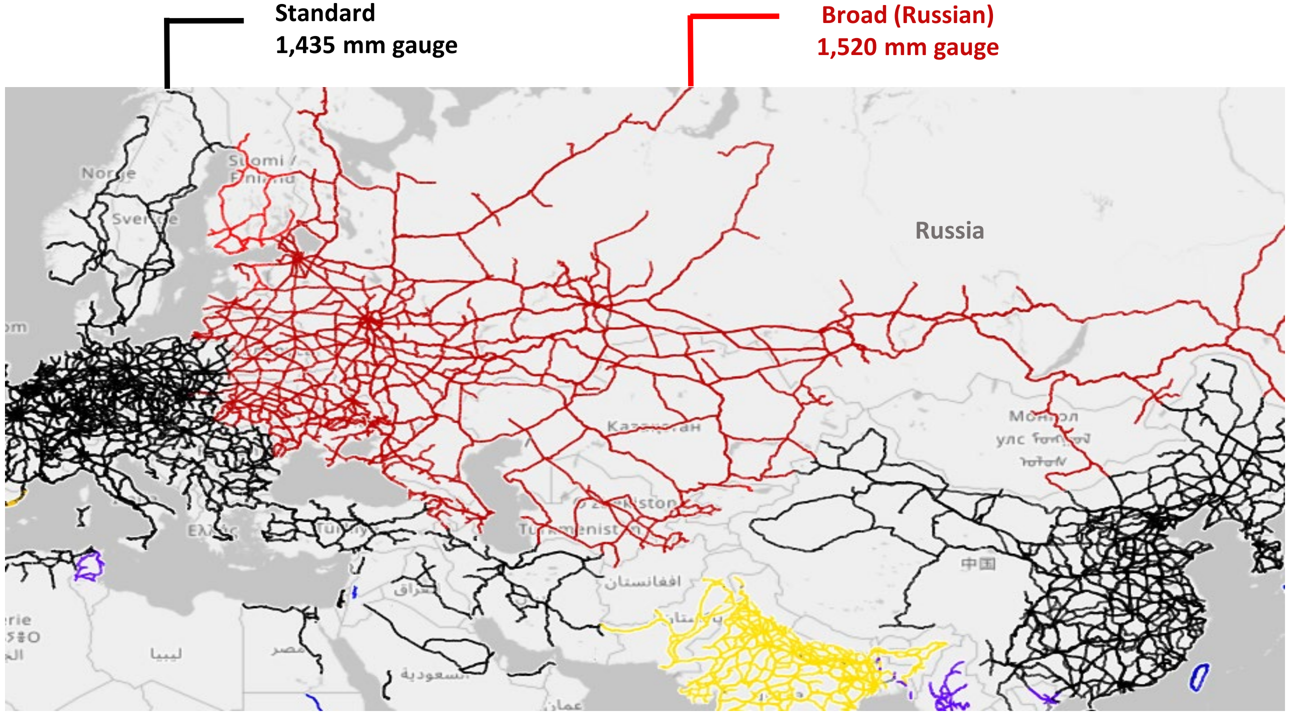


Source: Galt and Taggart

Infrastructure investments would firstly require updates of the locomotive and wagon fleet, as over half of locomotives and 40% of freight cars in Kazakhstan are nearing the end of their lifecycle, with similar challenges in Georgia and Azerbaijan. Procurement is constrained by the reliance on 1520 mm gauge wagons, which limits sourcing to post-Soviet manufacturers. Post-Soviet states operate on a 1520 mm gauge, while China, Iran, Türkiye, and EU countries use a 1435 mm gauge. Moreover, sanctions on Russia and disruptions in Ukrainian production further complicate upgrade process. This opens opportunities for Kazakhstan to localize locomotive and freight car production, reducing dependency on external suppliers.

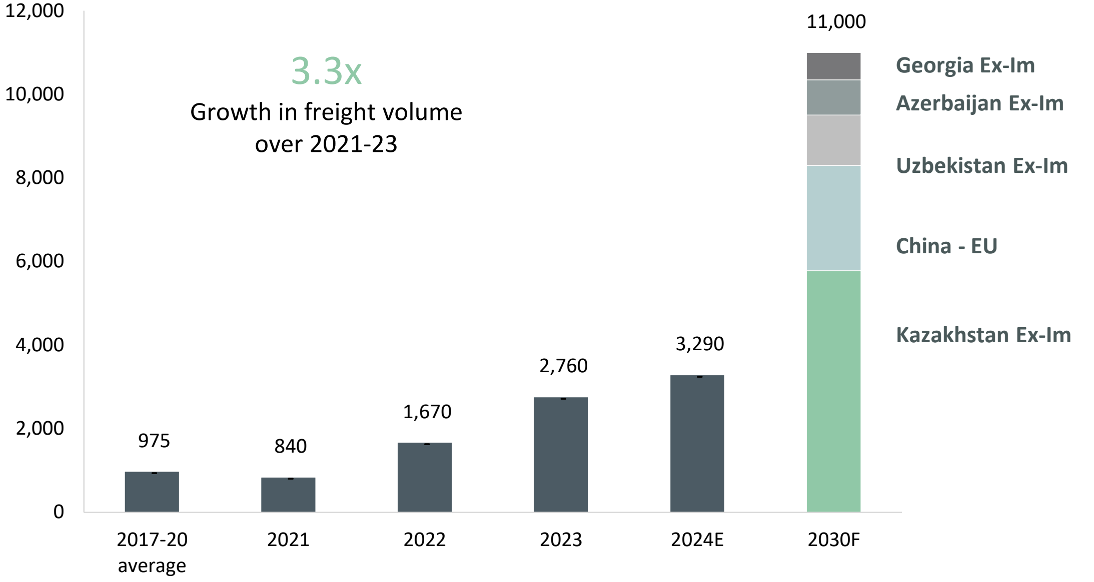
The World Bank forecasts the Middle Corridor volumes will triple by 2030, reaching 11mn tones annually. However, this growth is expected to stem more from the economic expansion of Central Asia and the Caucasus rather than an increase in intercontinental transit. The Middle Corridor is projected to remain predominantly a regional trade route, with intercontinental cargo accounting for less than 40% of its total volumes by 2030. According to the World Bank, Kazakhstan is projected to benefit the most from this growth, handling over half of the freight transported via the Middle Corridor by 2030.

Distribution of rail systems by region



Source: Open Railway Map

Transported freight volume via the Middle Corridor, '000 tones



Source: AIFC, World Bank

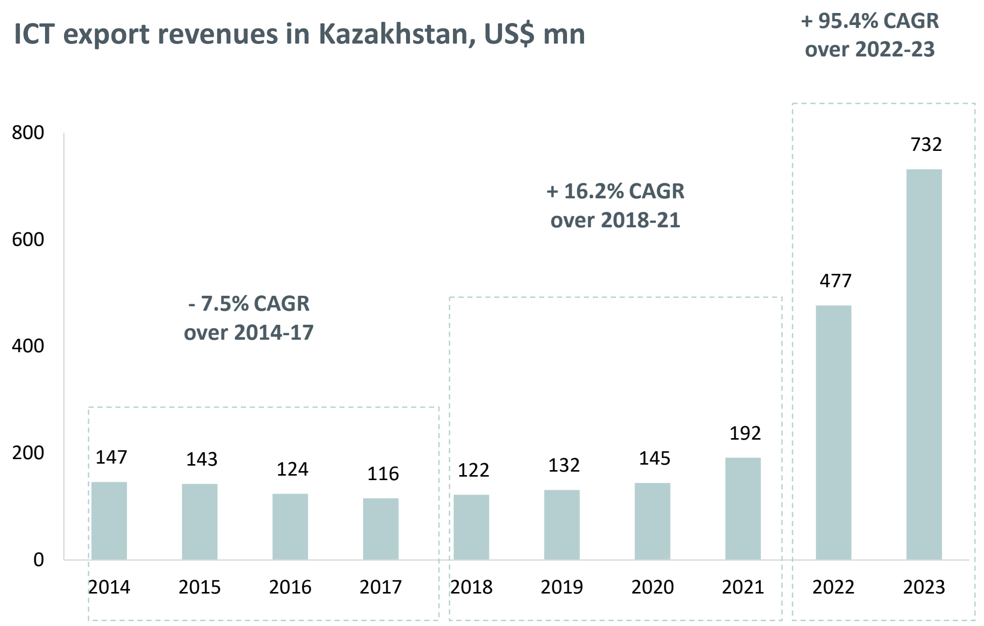
Current situation overview:

Kazakhstan's ICT sector, contributing 2.3% to GDP in 2023, has become a key area of focus for the government in recent years. The "Digital Kazakhstan" initiative, launched in 2017, has been a pivotal driver for the sector growth, because the program revolutionized the country's digital infrastructure, fostering conditions for ICT service development and export growth. The sector's momentum was further boosted by the relocation of Russian and Belarusian IT companies and professionals following the Russia-Ukraine war. As a result, ICT export revenues surged, growing at a 16.2% CAGR over 2018-21, and accelerating to 95.4% CAGR in 2022-2023, reaching $732.4mn in 2023.The government's strategic focus on digital literacy, paired with investments in infrastructure and emerging technologies such as 5G and the Internet of Things (IoT), is setting the stage for Kazakhstan to become a regional leader in technology exports. Currently, Kazakhstan ranks 28th globally in the UN E-Government Development Index, with 8th place (out of 193 countries) for online services quality.

Government's planned activities to enhance the sector's investment appeal:

- Build a national digital financial infrastructure to offer remote financial services, develop blockchain technologies and smart contracts based on the digital tenge platform
- Establish late-stage and reciprocal funds to attract diverse investments
- Enhance transparency with venture deal statistics and annual reports for stakeholders
- Trans-Caspian fiber-optic line, helping the country to establish as a regional digital hub

ICT export revenues in Kazakhstan, US$ mn



Source: Bureau of National Statistics of Kazakhstan

Key state programs/agencies supporting the sector development:

- Astana Hub: A major tech park supporting IT startups with financial resources, venture funding, and a focus on attracting international entrepreneurs
- Innovation Support Programs: Initiatives to attract private investments, support corporate innovation, and co-finance R&D projects to boost Kazakhstan's ICT competitiveness
- Venture Financing: Growing focus on venture capital, with government reforms to attract private investments to support ICT startups and ventures

Current situation overview:

Kazakhstan's manufacturing sector grew at a 16.2% CAGR over 2018-23, up from 12.2% in the previous five years, with output reaching 22.0tn tenge (c. US$48 bn) in 2023. Growth was driven by metallurgy, mechanical engineering, and food production. To reduce import dependency and utilize the country's full potential, Kazakhstan prioritizes the development of:

- Mechanical engineering (automotive and other machinery production and repair)
- Food production
- Chemicals (including agricultural fertilizers, pesticides; and petrochemicals)
- Light industry (textile, clothing and leather products)
- Pharmaceuticals

Mechanical engineering especially receives strong government support through investment incentives, leasing, financial aid, and other targeted programs, resulting in a record US$ 462.4mn in FDI in 2023, up from the average of US$ 203mn over 2018-22, per Kazakh Invest. Automotive manufacturing attracted 39.4% of this FDI in 2023.

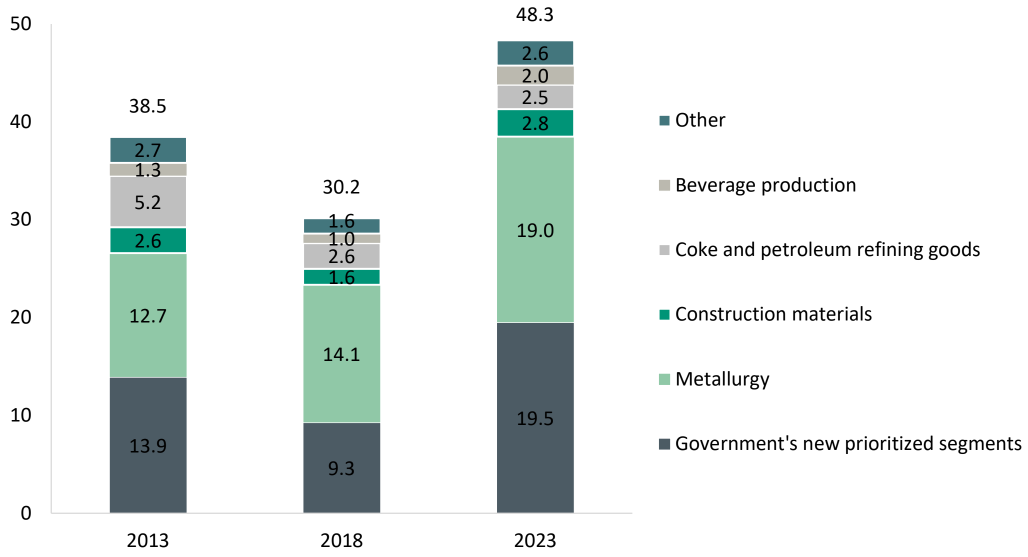
Government's planned activities to enhance the sector's investment appeal:

- Expand special economic zones (SEZs) and industrial zones (IZs)
- Ensure uninterrupted access to key production resources (water, electricity, transport)
- Continue refining investment policies and manufacturing project financing

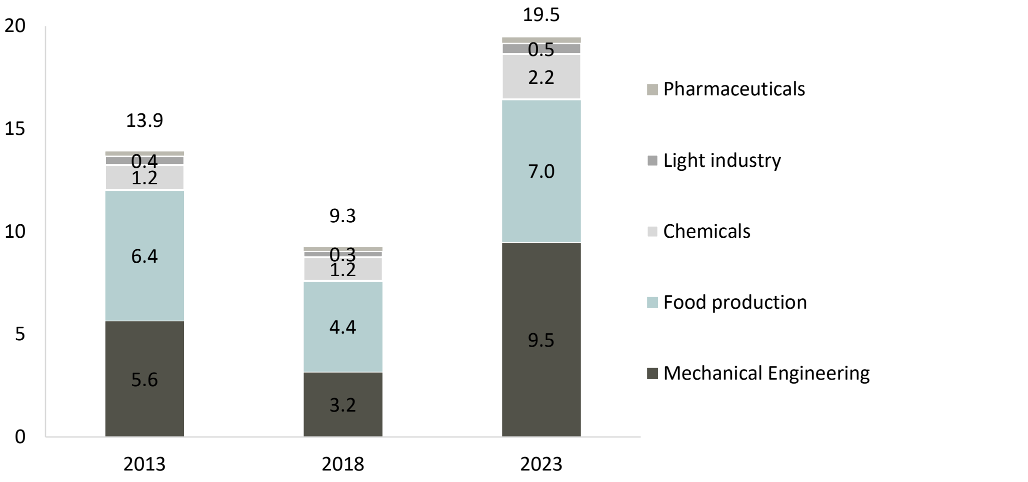
Key state programs/agencies supporting the sector development:

- Industrial Development Fund (IDF)'s key programs: "Manufacturing Industry Development Concept" (2023–2029), lease financing for agricultural and bus machinery
- QazTrade Center for Trade Policy Development - Manages activities within SEZs and IZs, supports promotion of domestically processed goods
- KazakhExport – State Export insurance agency

Total output of manufacturing industry in Kazakhstan, US$ bn



Total output of government's prioritized segments, US$ bn



Source: Bureau of National statistics of Kazakhstan, National Bank of Kazakhstan, Galt and Taggart

Current situation overview:

Kazakhstan's critical minerals exports averaged US$ 5bn annually in 2018-23, accounting for c. 8% of the country's total exports. Kazakhstan ranks among the top globally for reserves in copper (11th), zinc (7th), aluminum (11th), lead (8th), and silver, and holds untapped resources in high-demand metals like lithium, nickel, cobalt, and rare earth metals (REM), essential for clean tech and the booming EV market. Kazakhstan has prioritized expanding these minerals base, as seen in recent rise of exports of nickel, lithium, gold, REM and cobalt, which reached US$ 449mn in 2023 (mostly composed of gold, though rising exports in other metals are also evident). By 2040, global demand is forecast to increase significantly for—copper by 3.6x, lithium 16x, nickel 9.5x, rare earth elements 5.4x, and zinc 2.9x— presenting new opportunities for Kazakhstan.

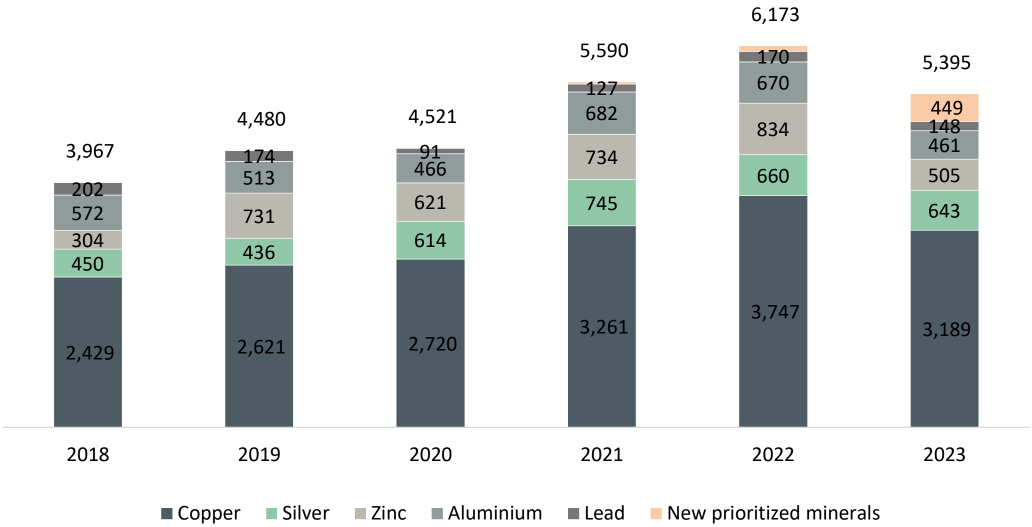
Government's planned activities to enhance the sector's investment appeal:

- Remove barriers for exploration/production licenses
- Study Peru's experience to simplify junior firms listing on local stock exchanges
- Tax deductions for shares in junior companies, co-financing of exploration, VAT exemptions for exploration companies, tax deductions for exploration in underexplored regions
- Possible shift from extraction tax to sales volume or profit-based tax in certain sub-sectors
- Process digitalization and "single window" services to cut license approval time by 50%
- Recognition of its geological reporting standards (KAZRC) by major stock exchanges

Key state programs/agencies supporting the sector development:

- State Program for Industrial and Innovative Development (MIID)
- Geological Exploration Development Program (Committee of Geology and Subsoil Use)
- Kazakh Invest - Investment incentives for mineral extraction
- Kazakhstan Industry and Export Center (QazIndustry) - Research on metal extraction

Kazakhstan's exports of critical minerals, US$ mn



Source: AIFC, Trademap, Galt and Taggart

Note: New prioritized minerals include nickel, lithium, gold, REM and cobalt

Kazakhstan's position in prioritized mineral markets, 2023

	Nickel	Lithium	REM	Gold
Reserves	≈1.5mn tones	≈ 50-100k tones, no large-scale exploration conducted	No large-scale exploration conducted	1,000 tones
% share in global reserves	2%, top 20	≈ 0.2% - 0.4%	N/A	2%, top 14
Exports, US$ mn	9.4	1.3	7.0	431.0
Main export markets & % share in total exports	Germany, 95%	Russia, Latvia, 100%	China, 100%	Kyrgyzstan, Russia, 100%
Top 5 importers globally	China, USA, Germany, South Korea, Japan	South Korea, Japan, USA, China, India	China, Japan, Vietnam, USA, Malaysia	Switzerland, China, UK, India, Türkiye

Source: AIFC, Kazakh Invest, Trademap, Galt and Taggart

Current situation overview:

Kazakhstan, with 214mn hectares of agricultural land (6th largest globally), has strong underutilized potential, yet agriculture contributes only around 4-5% to GDP. The sector primarily exports raw or minimally processed goods, while relying on imports for essential foods. In 2023, agricultural output amounted to 7.6tn tenge (US$ 16.7bn), with 1-2 year crop production (cereals, vegetables, forage crops, cotton, rice, flowers and tobacco) dominating at 95.6% of total output in 2023. Key challenges in the sector include:

- Low crop yields due to soil degradation (75% of agricultural soil estimated as affected), poor crop rotation, low fertilizer use (23% of recommended levels), outdated machinery.
- Infrastructure deficiencies in storage and transport of food products.
- Low labor productivity and wages (34% below the national median).

Notably, strong government support has contributed to steady sector growth since 2016.

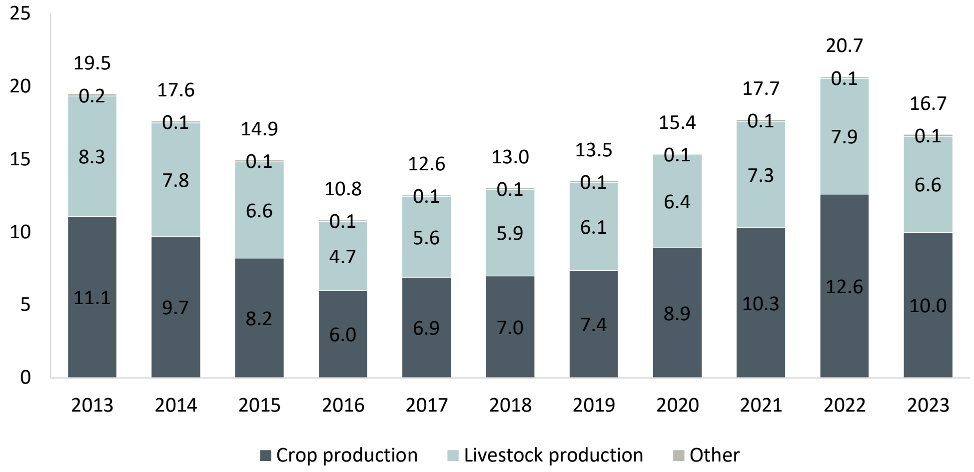
Government's planned activities to enhance the sector's investment appeal:

- Develop a unified state digital platform integrating soil, climate, and crop data for accurate land accounting and better crop, fertilizer, and water management.
- Subsidies for machinery upgrades, irrigation improvements, training on water-saving practices, and input use optimization

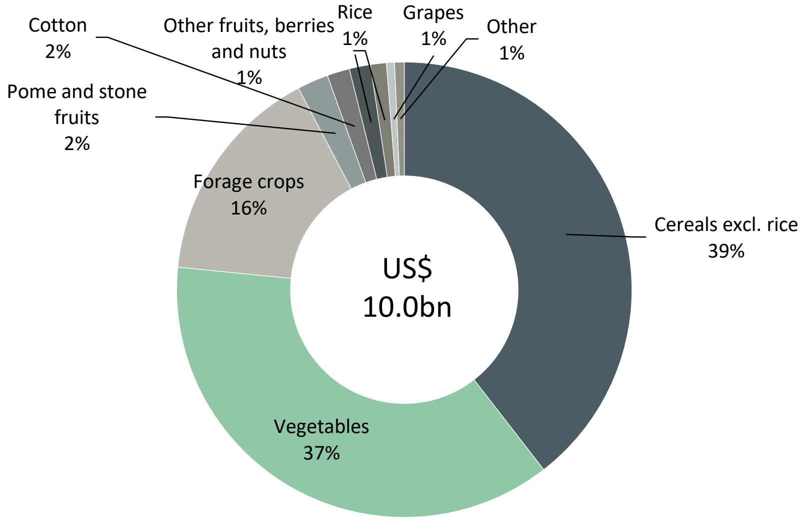
Key state programs/agencies supporting the sector development:

- The Ministry of Agriculture - subsidizes loans for purchasing farm animals/leasing agricultural machinery
- Agrarian Credit Corporation JSC - implements credit programs for agricultural production under the State Agro-Industrial Development Program.
- KazAgroFinance JSC - supports leasing/lending for agricultural machinery renewal

Total output of agricultural industry in Kazakhstan, US$ bn



Output of crop production, 2023



Source: Bureau of National statistics of Kazakhstan, National Bank of Kazakhstan, Galt and Taggart

Note: 2023 crop production was adversely impacted by unfavorable weather conditions

Current situation overview:

In 2023, livestock production output totaled 3.0tn tenge (US$ 6.6bn). Despite consistent growth since 2016 (excluding setbacks from veterinary challenges and adverse weather in 2023), its share in overall agricultural output has declined from 43.8% in 2016 to 39.5% in 2023. The sector faces several structural challenges:

- Low productivity – Milk yield per cow (2.4 tons) and cattle weight (339 kg) lag behind int'l benchmarks, due to limited competitiveness, forage shortages, unstable disease control
- Underutilized Pasture Land: 81mn out of 179mn ha of available pasture is used
- Disease Control: Persistent outbreaks, such as foot-and-mouth disease, hinder productivity
- Agricultural Processing: High export prices for raw materials combined with steep import tariffs on processed goods from neighboring countries discourage local processing
- Insufficient storage facilities for meat, vegetables and logistical challenges
- Underdeveloped Cooperatives: contributing only 1% to total livestock production

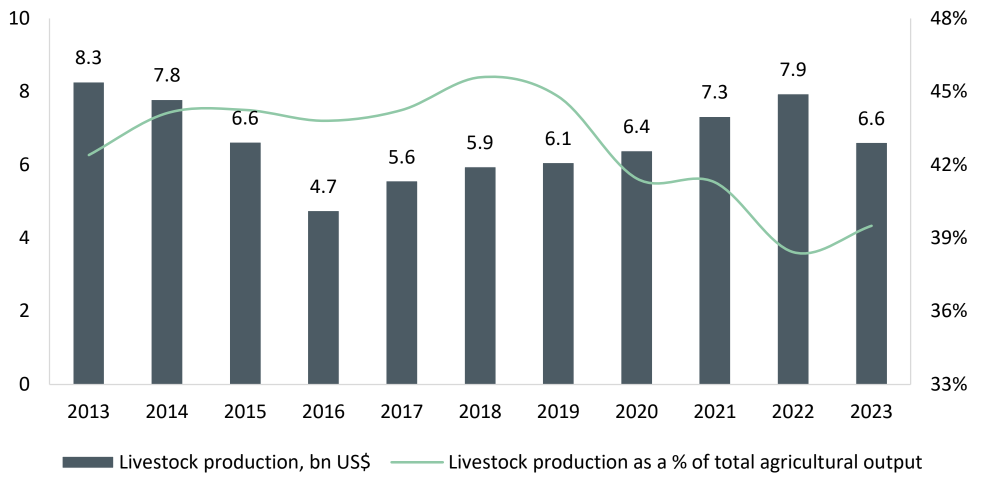
Government's planned activities to enhance the sector's investment appeal:

- Support SME access to capital, technology and shared resources through cooperatives
- Aim for disease-free status and promote local processing
- Expand access to target export markets (China, Gulf) with certifications, trade agreements,
- Add 689.8k tons of storage capacity by 2025, modernize logistics.

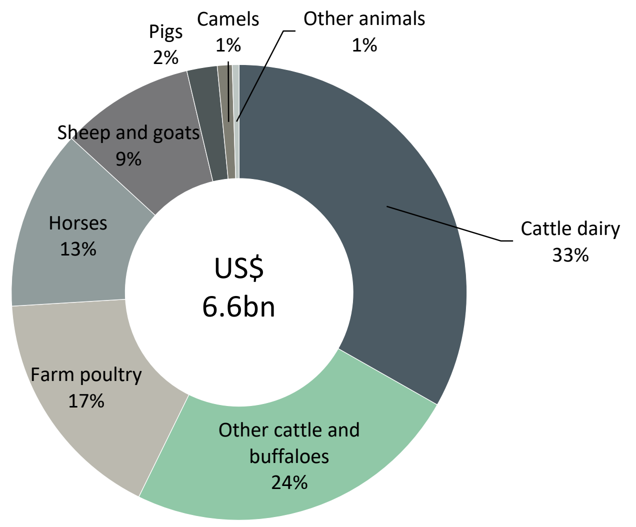
Key state programs/agencies supporting the sector development:

- The Ministry of Agriculture - Subsidizes investment costs/interest rates for agricultural firms
- Sybaga and Altyn Asyk programs focus on cattle and sheep farming
- Kazakhstan Sustainable Livestock Development Program, supported by the World Bank
- State programs/agencies supporting crop production also aid livestock development

Total output of livestock production in Kazakhstan



Output of livestock production, 2023



Source: Bureau of National statistics of Kazakhstan, National Bank of Kazakhstan, Galt and Taggart

Current situation overview:

In 2023, Kazakhstan attracted 1.1mn tourists, a figure significantly lower than nearby countries like Uzbekistan (6.6mn) and Georgia (4.7 mn). Despite tourism's small role in the economy (tourism revenues at 0.9% to GDP in 2023), Kazakhstan has prioritized it for growth, investing in infrastructure, services, marketing, and policy reforms. As a result, Kazakhstan improved its rank in the 2024 Travel and Tourism Development Index, reaching 52nd place, up 28 positions from 2019. In comparison, Georgia ranks 45th and Uzbekistan 78th in the same index. However, challenges remain, including underdeveloped infrastructure, with inadequate roads and limited accommodation options and a skills gap in the tourism workforce. Only 9-12% of hotels in Astana and Almaty were rated 4 or 5 stars based on customer reviews on TripAdvisor and Google (as of 2023). The country's air transport, ground infrastructure, and tourism services still rank poorly in the Travel and Tourism Development Index.

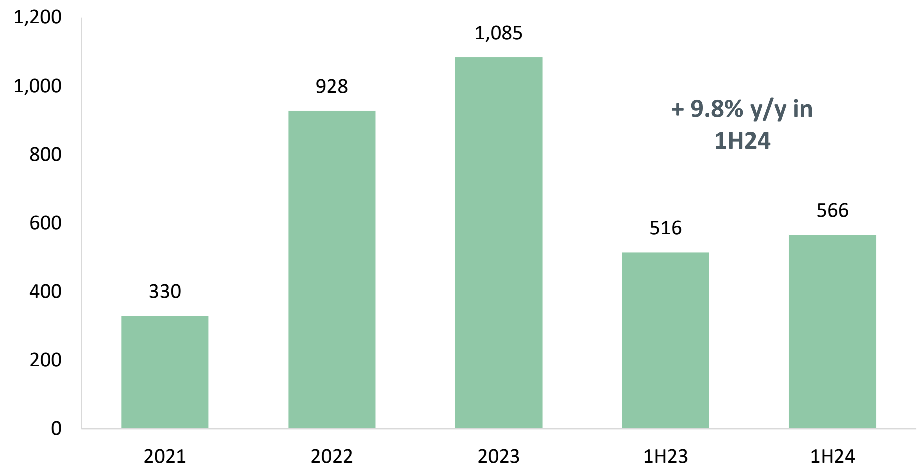
Government's planned activities to enhance the sector's investment appeal:

- Expand tourism infrastructure with a focus on high-potential destinations like Astana, Almaty, Mangistau, Turkestan, and Burabay
- Target 4mn foreign tourists annually by 2029, focusing on China, India, East Asia, and the the Middle East
- Promote tailored marketing campaigns for key markets and boost digital presence on platforms like TripAdvisor, Booking, and social media
- Expand the "open skies" policy and increase low-cost airline routes, with temporary support for high-potential routes.

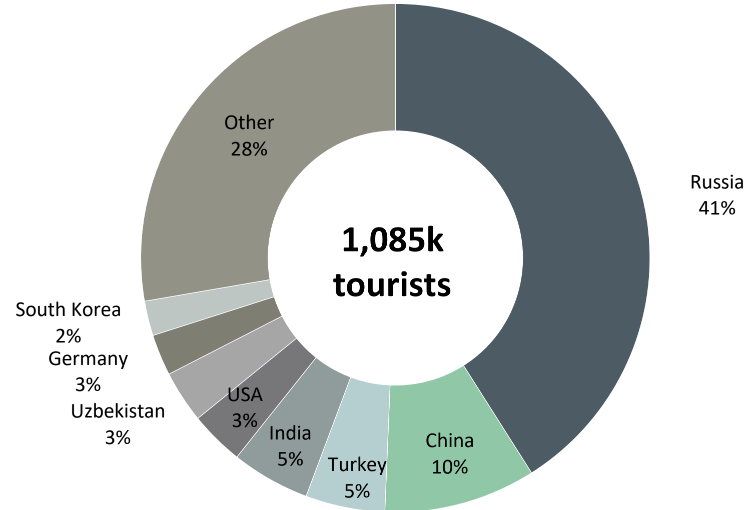
Key state programs/agencies supporting the sector development:

- State Program for Tourism Development (2023-2029) under the Ministry of Culture & Sports
- Visa and Migration Policy Reforms, including the recent Neo Nomad Visa for remote workers
- eQonaq System, a digital platform to automate tourist data and improve migration control

The number of international tourists in Kazakhstan, '000



International tourists by nationality in Kazakhstan, 2023



Source: Bureau of National Statistics of Kazakhstan

Current situation overview:

Kazakhstan's oil and gas sector is a cornerstone of its economy, contributing 16.2% to GDP in 2023, over half of its total exports, and nearly 40% of net investment inflows. In 2023, the country produced 90.0mn tons of oil (crude and condensate) and 59.5bn cubic meters of natural gas, ranking it 17th among global oil producers. Despite its current significance, the sector faces challenges and an anticipated decline in production. S&P Global projects Kazakhstan’s oil production to peak at 104mn tons by 2025, with a slow reduction expected thereafter, leading to roughly 18% decline by 2050 compared to 2023. Several factors contribute to this expected decline.

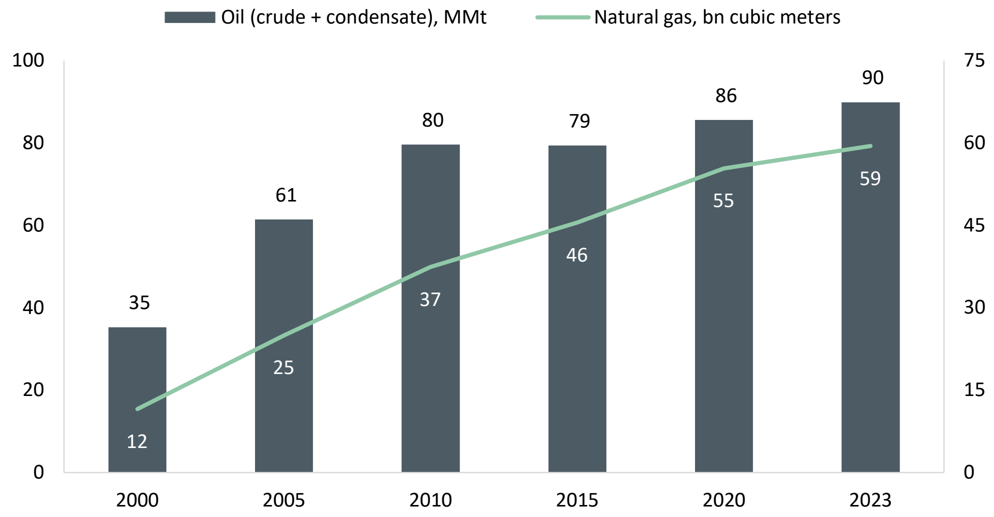
- Maturing major fields like Tengiz and Kashagan. Temporary boosts, such as those from the Tengiz Future Growth Project, will not fully offset long-term production declines.
- Stricter OPEC+ commitments limit output growth, particularly amid oil market volatility.
- Geopolitical risks and reliance on vulnerable routes like the Black Sea and Caspian Pipeline Consortium (CPC, accounting for 80.1% of Kazakhstan’s total crude oil exports) threaten Kazakhstan's export stability.

Key state programs/agencies supporting the sector development:

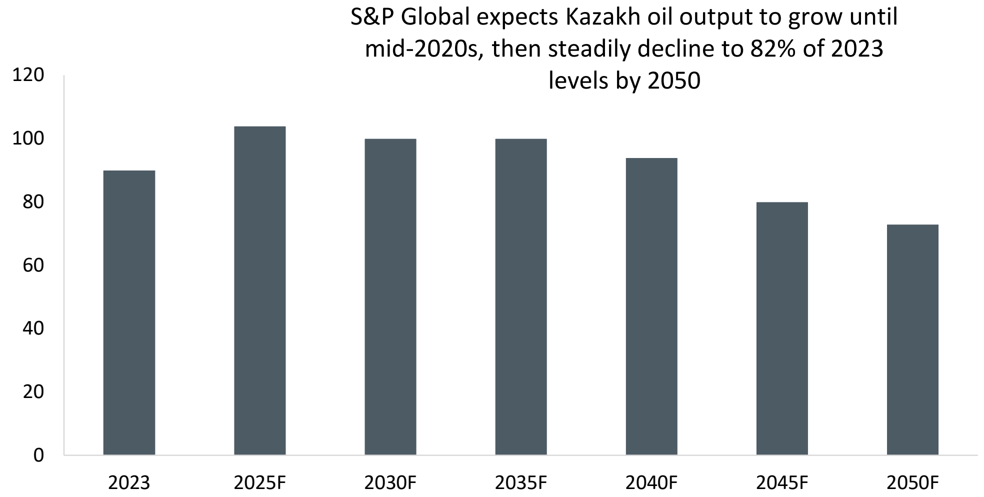
Despite facing challenges, Kazakhstan’s oil and gas sector is expected to remain vital, supported by robust government policies and initiatives. Key programs include:

- Continued developments of the **“Big 3" Oil Projects**: The Tengiz (TCO), Kashagan (NCOC), and Karachaganak (KPO)
- **Export diversification**: While CPC pipeline is expected to remain the chief export route, the diversification of export corridors, especially the trans-Caspian corridor, are prioritized, with expansion plans for Aktau port and potential new pipeline projects (Yeskene-Kuryk oil pipeline, sea terminals on the Kazakh and Azerbaijani coasts)
- Major state-owned agencies include KazMunayGas, KazTransOil, KazTransGas, and the Ministry of Energy supporting the sector's development.

Kazakhstan’s oil and gas production



Kazakhstan's oil (crude + condensate) production outlook to 2050



Source: Kazakhstan’s Bureau of National Statistics, S&P Global

Current Situation Overview:

Georgia's energy sector is increasingly attractive to investors due to rising electricity prices, growing demand, untapped renewable capacity, ongoing reforms, and export potential.

Electricity consumption reached 13.1 TWh in 2023, growing at a CAGR of 3.4% since 2010. Hydro power meets 75% of demand, thermal generation 20% (from imported natural gas), and 5% is imported. However, local generation has not kept pace with demand, increasing import reliance and driving prices up. Despite local demand growth and government support, only 25% of Georgia's renewable potential is utilized. With further development, Georgia could become self-sufficient and boost exports.

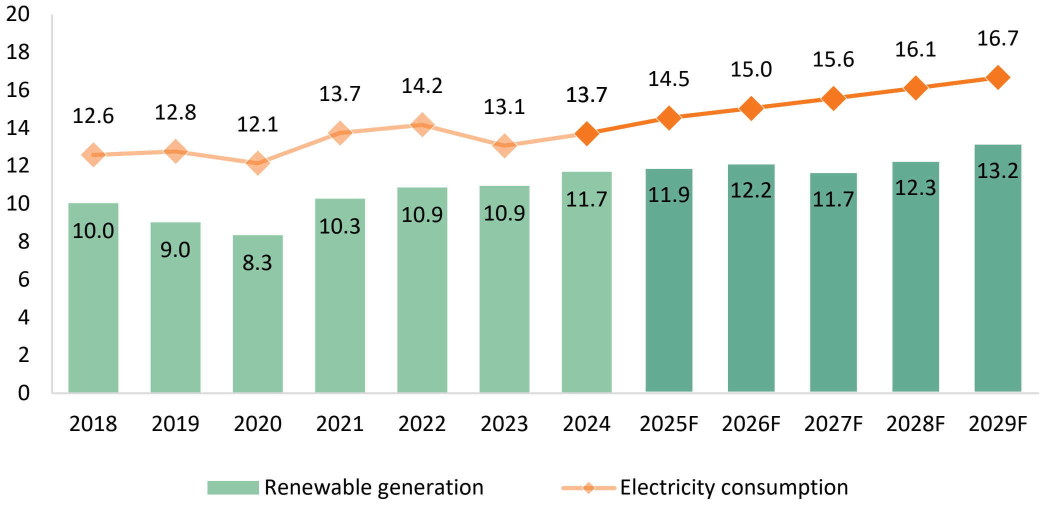
In 2023, the sector achieved record-high exports, driven by a drop in ferroalloy demand, increased thermal generation, and high Turkish electricity prices amid the EU energy crisis. Seasonal mismatches between consumption and renewable generation support summer exports.

Government Initiatives to Enhance Investment Appeal:

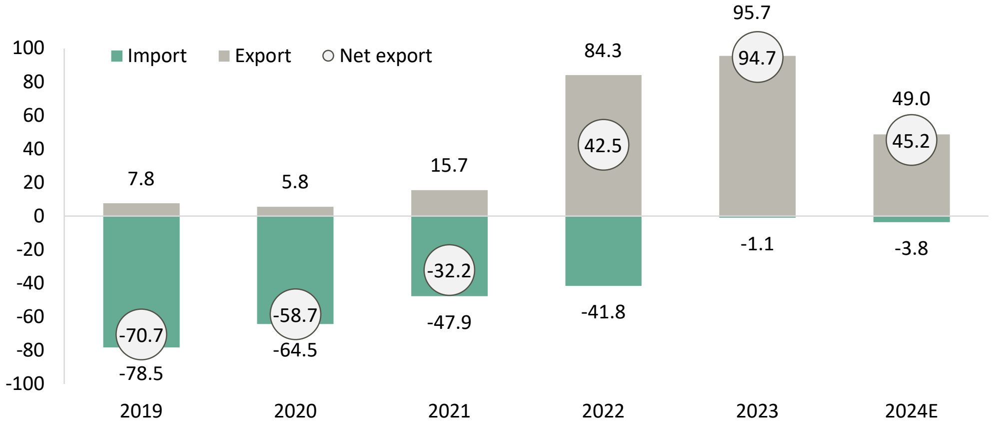
- The Georgian government has supported renewable energy projects since 2008, initially offering guaranteed power purchase agreements (PPAs), later transitioning to Contracts for Difference (CFDs) via open auctions and direct offers. Planned state investments in the domestic grid and interconnections with Turkey and the EU will further support the power plant pipeline and boost export capacity.

- Georgia has been aligning its energy laws with EU standards since 2017. Key reforms include unbundling distribution and supply activities, introducing public service suppliers, increasing wholesale market participation, and launching a day-ahead market. Future changes will reduce settlement periods, introduce an imbalance settlement mechanism, and develop intraday and ancillary services markets.

Electricity demand and renewable generation in Georgia , TWh



Trade balance of electricity in Georgia, US$ mn



Source: GNERC, Geostat, Galt & Taggart

Current situation overview:

Agriculture, though contributing a modest 6.9% to Georgia's GDP in 2023, has always been a key government focus, with GEL 700mn support allocated annually to enhance food security, improve self-sufficiency, and capitalize on export potential.

After stable output averaging US$ 1.9bn over 2018-2021, the sector grew rapidly to US$ 2.8bn in 2023, largely driven by GEL appreciation and inflation in domestic and export markets. Output rose at an 18.3% CAGR in US$ terms and 6.8% in GEL terms over 2021-23.

The sector is highly fragmented, with many small (0.5 ha) plots managed by households, presenting an opportunity to enhance efficiency through increased scale, corporatization, cooperation, and the adoption of modern technologies. Moreover, the limited storage and transportation facilities offer a clear investment opportunity to improve infrastructure and address supply chain inefficiencies, particularly during seasonal peaks.

In the crop production, fruits and nuts provide promising export opportunities due to high self-sufficiency and rising demand from the EU and neighboring countries. The government supports crops with high export potential (e.g., berries and nuts) to diversify export markets.

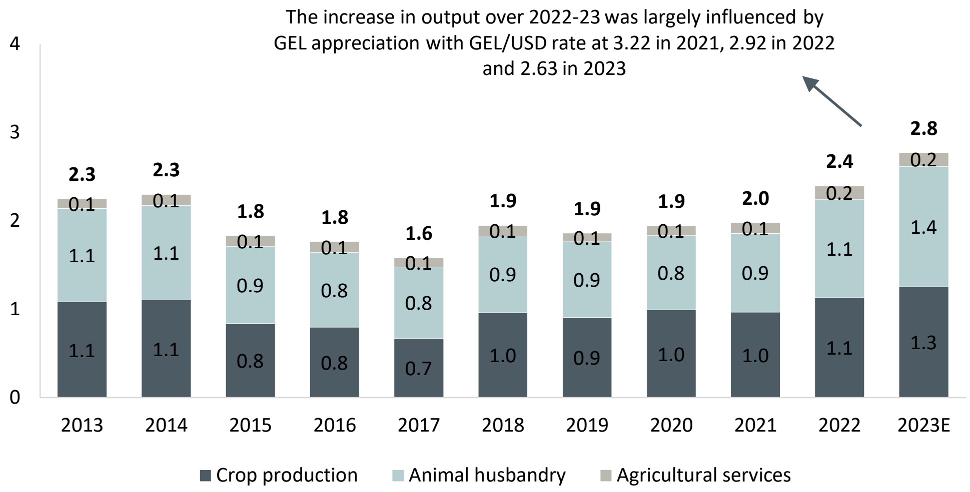
In animal husbandry, local demand is the primary driver, consumption is on the rise but self-sufficiency remains low at 32.3% for poultry and 46.5% for pork in 2023. While dairy production is relatively developed, growing demand continues to outpace supply, driving prices higher and highlighting investment opportunities.

Key state agencies supporting the sector development and planned activities:

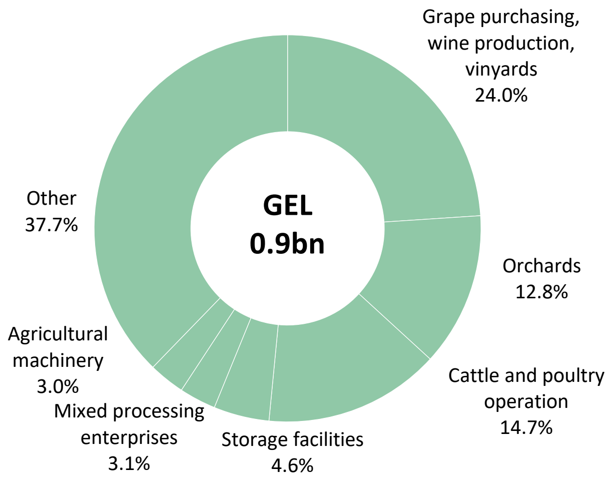
- Ministry of Environmental Protection and Agriculture of Georgia defines key sector priorities and sets budget for technological, infrastructural and financial support programs.

- The Rural Development Agency (RDA) implements over 20 specialized programs with an annual budget of c. GEL 350mn. Its key program, the preferential agro-credit initiative, has allocated GEL 0.9bn to subsidize loan interest rates for investors since 2013, facilitating total investments of GEL 6.1bn.

Total output of agricultural products, bn US$



RDA's spending on agro-credit through interest rate co-financing over 2013-23



Source: RDA, Geostat, FAO, Galt & Taggart

Current situation overview:

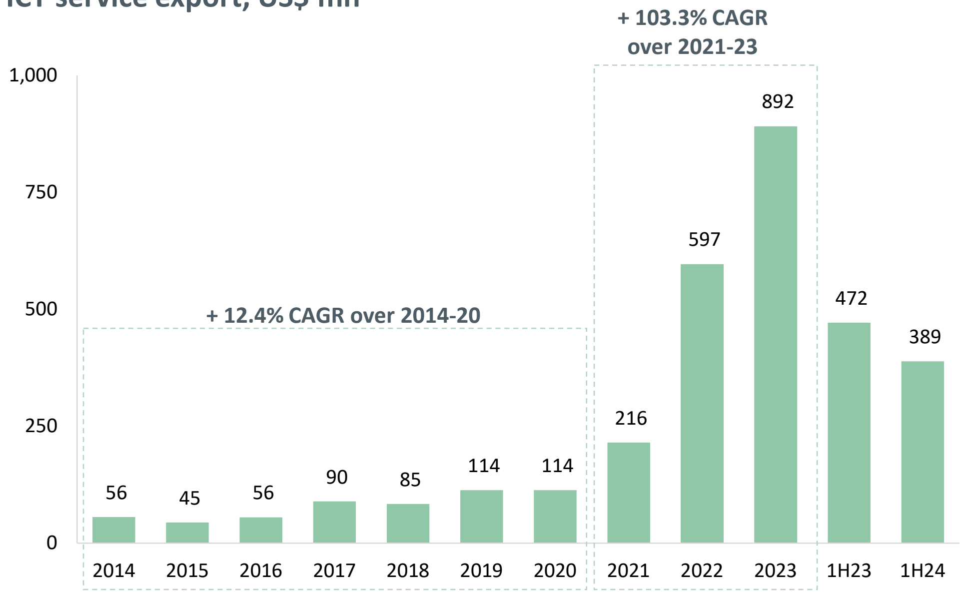
Georgia's ICT sector has emerged as one of the fastest-growing industries since 2021, contributing 6% to GDP in 2023 and becoming the 8th largest economic sector. The growth was initially driven by the tax incentives introduced in 2020, which included preferential rates such as a 5% profit tax on distributed profits (down from 15%), a reduced 5% personal income tax, 0% dividend and property tax. These incentives attracted international companies like Epam, Lineate, and Sweeft Digital among others to establish operations in Georgia. The sector's expansion was further fueled by the relocation of companies and IT professionals in the wake of the Russia-Ukraine war. As a result, ICT service exports grew at a CAGR of 103.3% over 2021-23, reaching $892mn in 2023.

The sector benefits from competitive advantages like low internet and living costs, affordable co-working spaces, a foreigner-friendly environment, and strategic geographic positioning. These factors, combined with rising global demand for IT services and Georgia's integration into international supply chains, suggest potential for continued growth. However, the sector faces challenges, particularly a shortage of skilled professionals and a partial outflow of talent evidenced in the 17.5% y/y decline of service exports observed in 1H24.

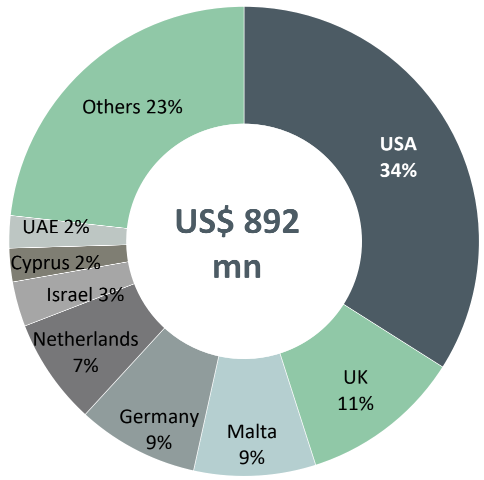
Key state programs/agencies supporting the sector development:

- Tax Incentives for Int'l IT Companies, with a potential to extend on local companies as well
- Programs implemented by Georgia's Innovation and Technology Agency (GITA):
    - GENIE Project with funding from the World Bank and IBRD
    - R&D Company Status accompanied by tax benefits, promotes AI development for Georgian language applications
    - IT training programs and startup grants
- Fintech Ecosystem Development implemented by National Bank of Georgia (NBG)
- Log-in Georgia Project coordinated by the Communications Commission and financed by the European Investment Bank (EIB) and IBRD, aiming to expand affordable broadband access in rural areas.

ICT service export, US$ mn



ICT service export by country, 2023



Source: NBG, Geostat

GALT & TAGGART
CREATING OPPORTUNITIES

Current situation overview:

The higher education sector's revenue grew 19.6% y/y to GEL 1.1bn in 2023, following a 14.8% y/y increase observed in 2022. The revenue growth in 2022-23 was primarily driven by the rising tuition fees and a surge in foreign students. Before 2022, the sector had maintained a steady growth of 8.8% CAGR over 2013-21.

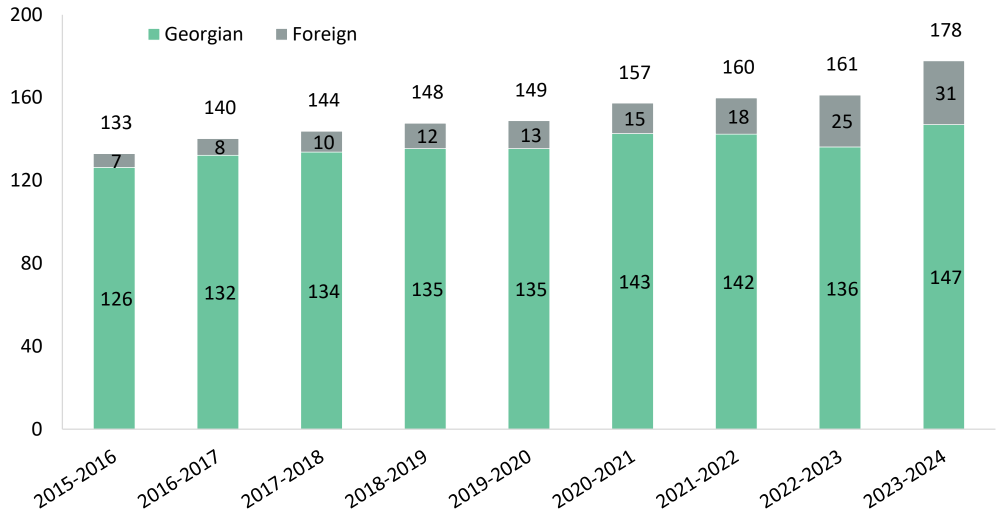
By the 2023/24 academic year, 30.7k foreign students were enrolled in Georgia, with growth accelerating from a 17.5% CAGR over 2015-21 to a remarkable 32.4% CAGR over 2022-23. This surge was largely fueled by the relocation of Indian students from Ukraine and Russia amid the war. While Indian students have been the main growth driver, interest from Middle Eastern countries, especially Jordan, Israel, and Egypt, has also increased in recent years. As a result, foreign students account for 17.3% of total enrollment in Georgia, placing it among global leaders, similar to Switzerland (19.1%) and Czechia (15.6%) in 2023.

Most foreign students (76.2%) enroll in private universities, significantly boosting revenues. Foreign students directly contributed US$ 154mn to the education sector in 2023. Beyond tuition fees, their spending on living expenses and leisure activities raised their total economic contribution to US$ 276mn in 2023, a figure that could reach US$ 420-500 by 2028, according to our estimates.

Government's planned activities to enhance the sector's investment appeal:

- Government spending on education grew at a 12.8% CAGR over 2010-23, reaching GEL 2.9bn or 3.6% of GDP in 2023. The government plans to gradually increase spending to 6% of GDP by 2028.
- Planned initiatives include improving air connectivity, particularly with Asian countries, and introducing 3-year bachelor's and 1-year master's programs by 2025.

Number of students in higher educational institutions by nationality, '000



Effect of foreign students on Georgian economy

	2021	2022	2023	2028F Pessimistic	2028F Optimistic
Number of foreign students	**17,501**	**25,069**	**30,701**	**40,326**	**48,391**
Annual Fee, US$	5,000	5,000	5,000	5,800	5,800
Annual living costs, US$	3,500	3,900	4,000	4,600	4,600
Direct impact, US$ mn	88	125	154	234	280
Indirect impact, US$ mn	61	97	123	187	224
Total impact, US$ mn	**148**	**223**	**276**	**421**	**505**

Source: MoF, MES, Geostat, Galt & Taggart

Current situation overview:

In 9M24, Georgia welcomed 4.0mn tourists, generating US$ 3.5bn in revenues. Tourism has historically been a key economic driver, with tourism revenues reaching 18.7% of GDP in 2019, supported by 29.9% and 32.7% CAGR in tourist numbers and hotel room supply, respectively, over 2015-19. However, the pandemic disrupted this momentum, with tourism revenues to GDP declining to 14.6% in 9M24. Tourist numbers only fully recovered to 2019 levels in 9M24, while hotel room supply almost doubled over 2019-24 due to pre-pandemic investment enthusiasm.

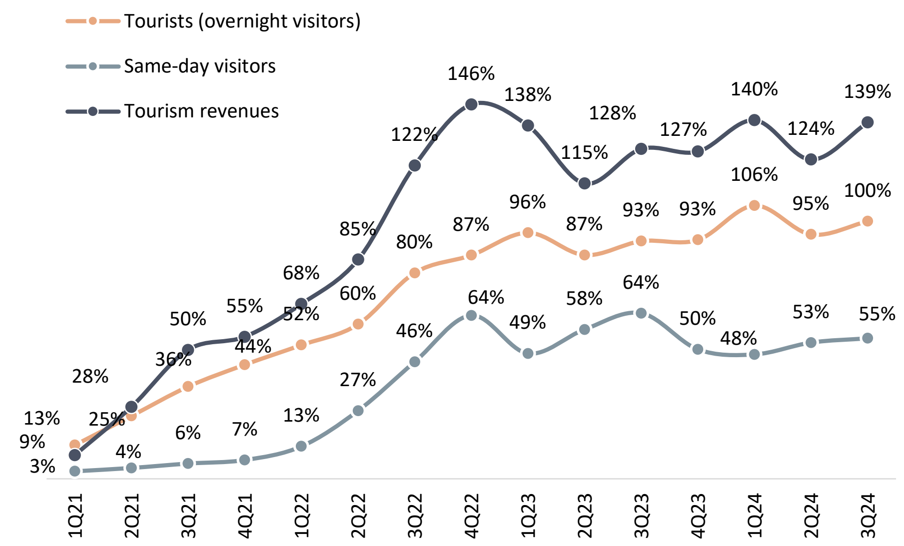
This supply-demand imbalance has limited price growth opportunities for hotels, compounded by rising operating costs from nationwide inflation, which has pressured profitability. Overall, branded hotels in Batumi outperformed those in Tbilisi due to a shift in the visitor mix, driven by high growth in Israeli visitors. Overall, visitor growth in 9M24 was led by non-neighboring markets such as Israel, Iran, Kazakhstan, China, and India, with the latter two benefiting from visa-free travel and increased direct flights. Meanwhile, EU visitors remained below pre-pandemic levels (90% of 2019 in 9M24), hindered by local political instability, which negatively affected hotels in Tbilisi.

Pandemic-induced caution among investors in tourism led to reduced hotel permit issuances and a shrinking pipeline of planned rooms. Chain hotel supply growth is expected to slow down to 8.7% CAGR in Tbilisi and 13.8% in Adjara over 2025-27, which, along with the rapid growth of Asian tourists, will help to improve the supply-demand balance.

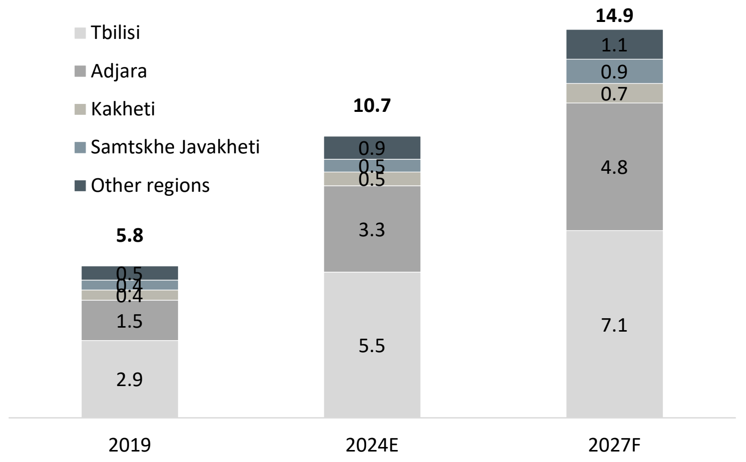
Government's planned activities to enhance the sector's investment appeal:

- Target 13mn int'l visitors and US$ 6.5bn in tourism revenues by 2030 via improved air connectivity with Europe, Middle East, India/China and targeted marketing campaigns
- Large infrastructure development programs under the Ministry of Regional Development & Infrastructure and the Ministry of Economy, focusing on enhancing both domestic and international connectivity. This includes improved road and air networks, as well as the development of a new airport near Vaziani in Tbilisi

Tourism sector recovery, as % of 2019



Chain hotel room supply in Georgia, '000 units



Source: GNTA, Galt & Taggart, NBG

Note: Chain hotels include both local and international brands

Current situation overview:

The transport and logistics sector accounts for 6.2% of Georgia's GDP and is crucial for connecting Europe and Asia via the Middle Corridor of the Trans-Caspian International Transport Route (TITR). The sector saw steady 8.4% CAGR in output over 2012-19, with significant acceleration to 17.0% over 2021-23, driven by shifts in trade routes and disruptions in the global supply chain following the Russia-Ukraine war, which made transit routes through Georgia more appealing.

- **Road Transit** grew 18.6% CAGR over 2021-23, driven by the increased utilization of the North-South corridor, specifically by the trade of Russia with Armenia and Turkey. The share of Russia-Turkey and Russia-Armenia trade in total transit grew from 32% to 46%. Excluding these routes, road transit grew at a more modest 6.0% CAGR over 2021-23.
- **Rail Transit** grew by an impressive 29.9% y/y in 2022, followed by an 11.5% y/y decline in 2023. While the Middle Corridor benefited from the economic growth in the region and re-routed Asia-Europe flows, the impact has faded in 2023.

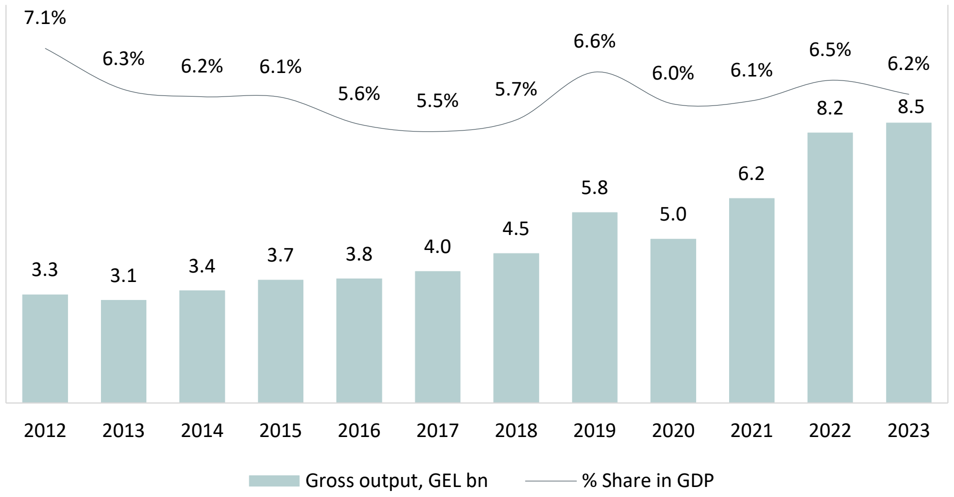
Despite the Middle Corridor's potential, several challenges have limited its effectiveness, leading some shippers to revert back to traditional alternative routes in 2023. These challenges include outdated infrastructure, lengthy transit times, higher costs due to multimodal transfers and significant infrastructure bottlenecks.

The success of the Middle Corridor will depend on coordinated efforts among the countries involved, with a focus on aligning national goals, coordinated planning, and better integration of border management to fully unlock the corridor's potential.

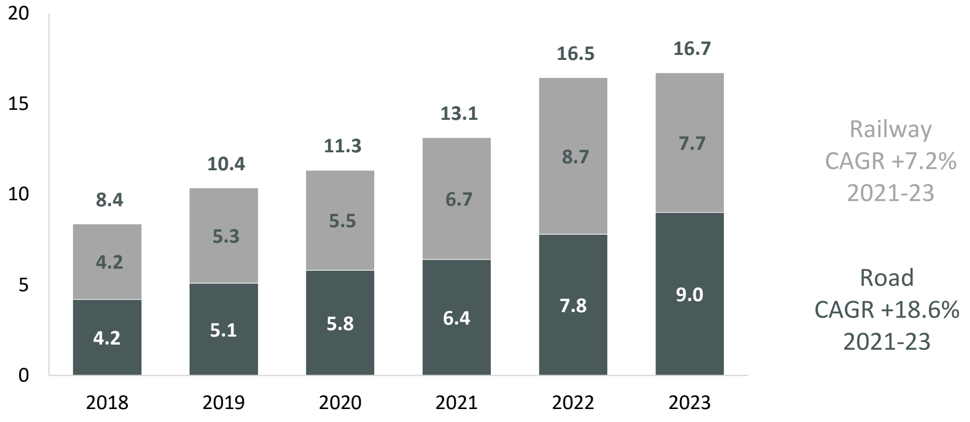
Government's planned activities to enhance the sector's investment appeal:

- Anaklia Deepwater Port Development and road/railway infrastructure connecting to the port
- Improvement of supply chain management and logistics services, customs digitization and modernization, gradual renewal of the railway rolling stock
- Railway modernization project to increase annual throughput capacity from current 27 to 48mn and further to 100mn tons. Finishing East-West highway and modernizing road infrastructure.

Transportation & Storage Sector in Georgia: % contribution to GDP and Gross Output



Transit throughput in Georgia by transportation types, mn tons



Source: Georgian Railway, Revenue Service, Geostat, Galt and Taggart

Current situation overview:

The real estate sector, contributing 10.2% to Georgia's GDP in 2023, has critical role in the economy. Demand for real estate is fueled by rising urbanization, shrinking family size, rising incomes, high rental yields, and limited investment alternatives locally. Foreign investor interest in Georgia's real estate sector is also traditionally high, attracted by high yields compared to many peer countries.

Apartment sales growth was steady before surging in 2022, fueled by an influx of migrants during the Russia-Ukraine war, which drove sales up by 15.9% year-on-year, reaching 43,000 units. While the migrant-driven effect eased in the second half of 2023, sales have remained strong, although they are gradually returning to more normalized patterns following their peak. Key downside risks for demand include the potential for further gradual migrant outflows and ongoing geopolitical tensions.

The surge in migrant-driven demand, coupled with the rising construction costs drove up apartment prices, with primary market prices increasing 47.4% from January 2022 to September 2024, though the pace has slowed considerably in 2024.

Residential real estate permit issuance trends reflect a cooling in supply-side activity, with the living area of permits issued in Tbilisi down 17.8% y/y in 9M24, reducing potential oversupply concerns. Future permit dynamics are expected to reflect the demand strength.

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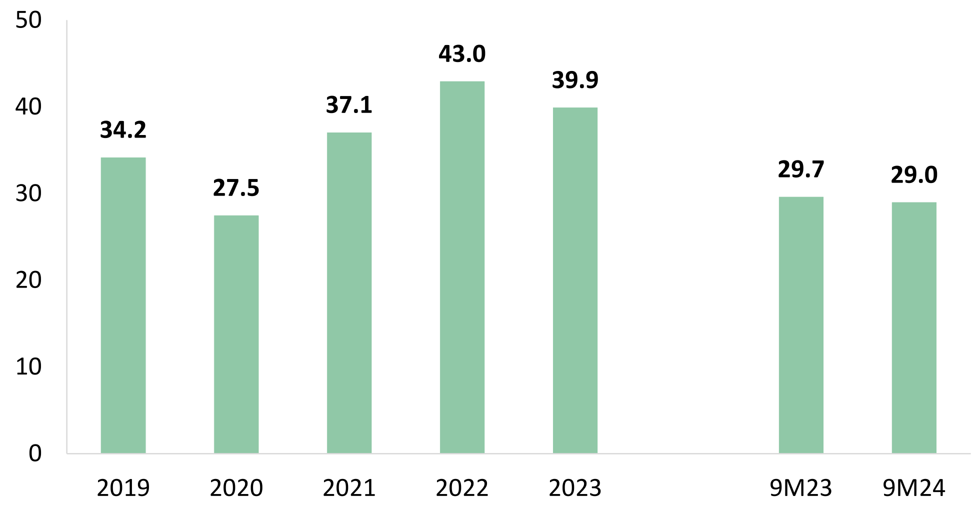
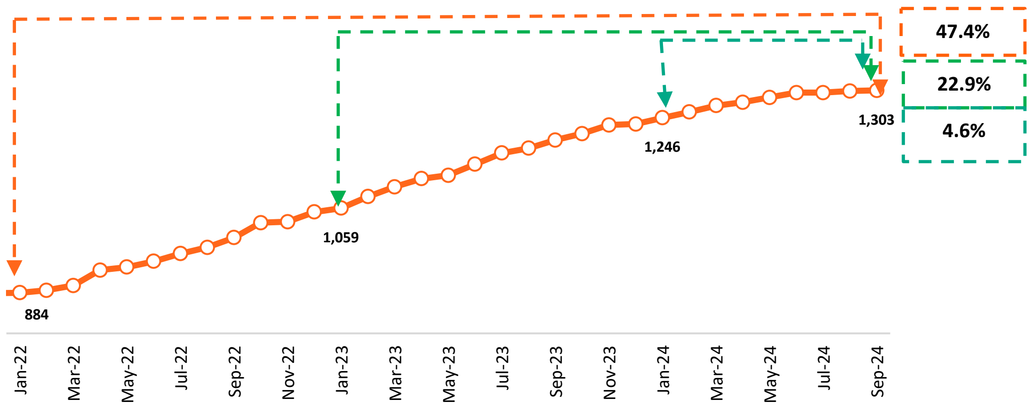
Number of sold apartments in Tbilisi, '000 units



Tbilisi residential real estate price on a primary market, US$/sq.m



Source: Survey of selected systematic developers by Galt and Taggart, NAPR

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Capital Market Overview

General Overview:

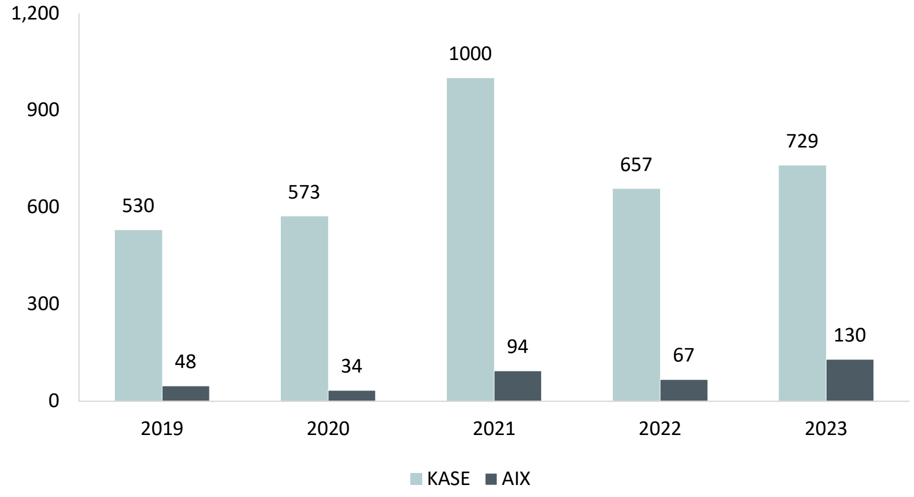
Kazakhstan's capital market is evolving rapidly, becoming one of the most dynamic and promising financial hubs in Central Asia. The country hosts two licensed stock exchanges—KASE (Kazakhstan Stock Exchange) and AIX (Astana International Exchange)—each serving distinct roles and markets.

KASE (Kazakhstan Stock Exchange), established in 1993 in Almaty, is the country's primary exchange for domestic trading. It mainly serves local issuers and specializes in traditional sectors such as finance, energy, industry, materials etc. It has a higher trading volume within Kazakhstan compared to AIX (with equity and corporate bond annual trading volumes being 5.6x and 10.8x higher, respectively in 2023), but has a limited focus on international listings. KASE also has a larger retail investor base, with c. 2.5mn retail investors, compared to AIX's 1.7mn, but primarily serves domestic participants, while AIX focuses on international investors. As of November 2024, KASE's shareholders include the National Bank of Kazakhstan (47%), local banks (21%), retail investors (5%), and other stakeholders (27%).

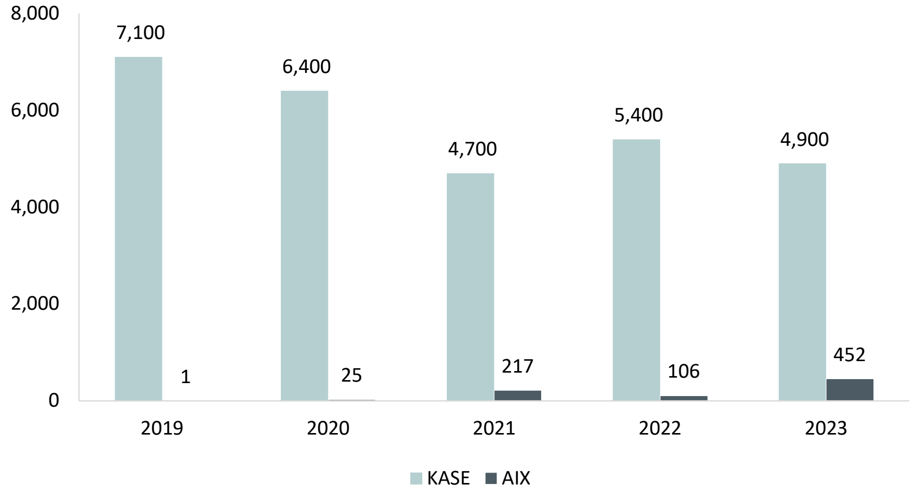
AIX (Astana International Exchange), founded in 2017 in Nur-Sultan, is positioned as an international exchange with a regulatory framework based on English law, making it more attractive to foreign investors. Its focus is on high-tech and emerging industries, aiming to act as a gateway for international companies, particularly those from neighboring countries, to access capital. AIX's shareholders include the AIFC, Shanghai Stock Exchange, Silk Road Fund, and NASDAQ, and it is modeled after financial centers like the Dubai International Financial Center (DIFC). AIX provides a modern, international-facing platform compared to KASE's more local focus.

There are ongoing discussions about the potential merger of KASE and AIX to create a unified, more liquid market platform in Kazakhstan. However the process has been put on hold due to the imposed sanctions on the Moscow Exchange, one of KASE'S current shareholders.

Annual equity volume traded in KASE and AIX, US$ mn



Annual corporate bond volume traded in KASE and AIX, US$ mn



Source: AIFC, KASE

Equity Market Overview

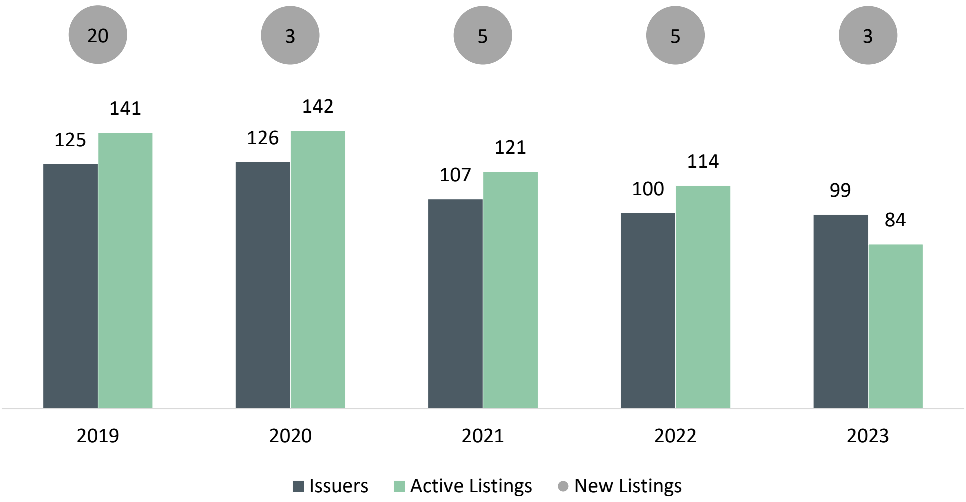
Kazakhstan's equity market ranks 58th globally with an annual trading volume of US$ 0.9bn, compared to the global total of US$ 129.3tn in 2023. While small by international standards, the market plays a significant role in supporting Kazakhstan's economy by providing capital to both domestic and international businesses. Both the KASE and the AIX have seen an average of 10 new listings annually over 2020-23.

The AIX primarily focuses on larger, internationally oriented companies with high growth potential, leading to fewer listings but higher average market capitalization. As of 2023, AIX had 19 active listings, with a market cap of US$ 62.6bn, representing 23.8% of Kazakhstan's GDP. In contrast, KASE with 84 active listings and a market cap of US$ 58.5bn (22.2% of Kazakhstan's GDP), has a more diversified set of listings, including smaller and mid-sized businesses, which results in a lower average market cap per listing.

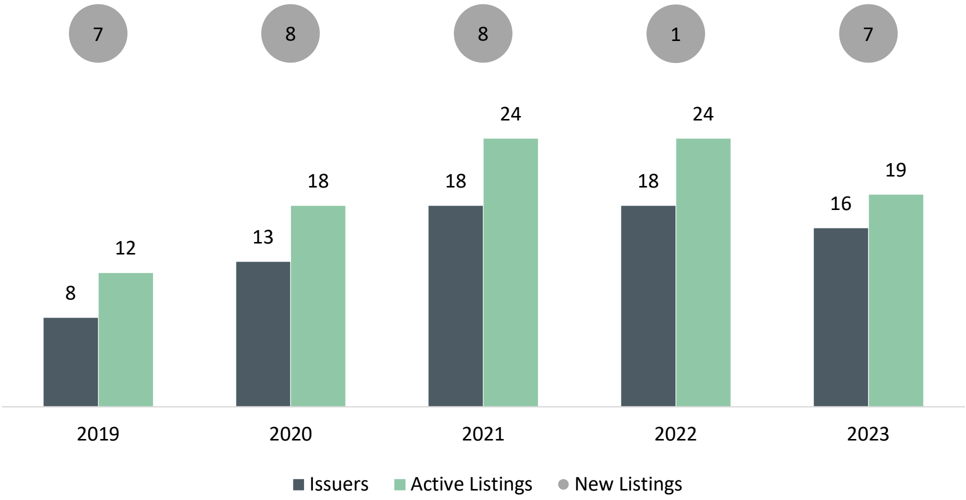
Notably, most of the top companies are cross-listed on both exchanges, including prominent names like:

- Halyk Bank
- Kaspi.kz
- Kazatomprom
- KazMunayGas
- Kazakhtelecom
- KCELL
- KEGOS
- KazTransOil
- annd Bank Center Credit among others

Equity Listings & Issuers on KASE



Equity Listings & Issuers on AIX



Source: AIFC, KASE

Note: The discrepancy between issuers and active listings in 2023 arose because some issuers delisted their shares but remained registered on KASE due to administrative or transitional reasons

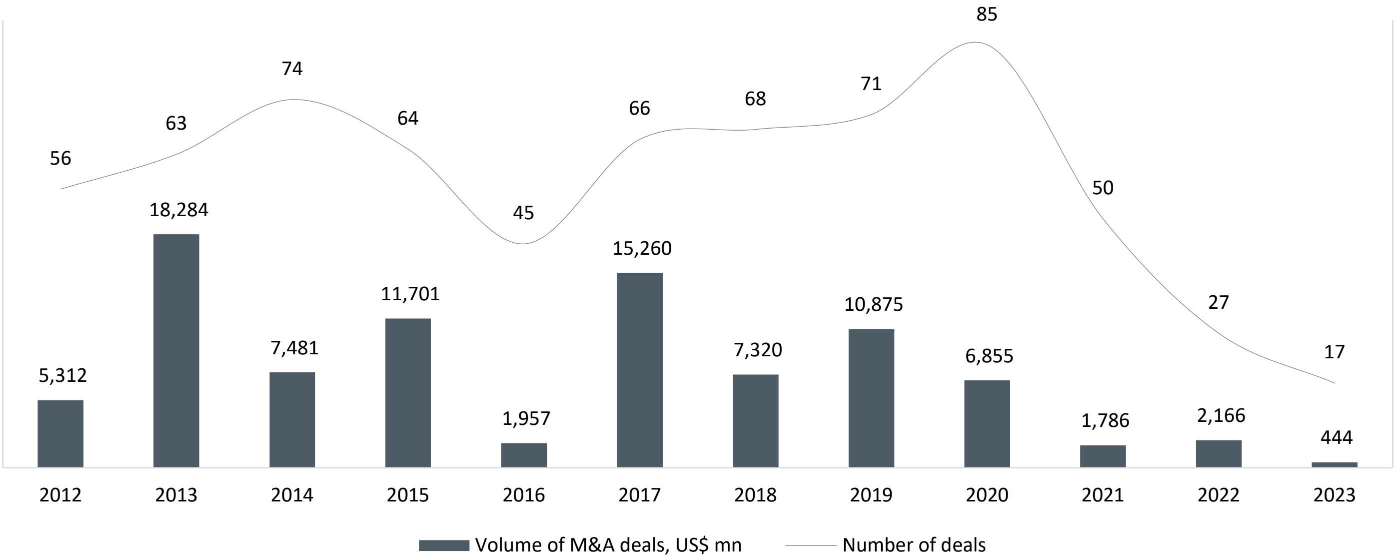
Private Equity Market Overview

Kazakhstan's private equity market is in its early stages of development. Over 2012-23, the total transaction volume in Kazakhstan's private equity market amounted to US$ 89bn, split almost equally between M&A transactions (US$ 49bn) and debt/mezzanine financing transactions (US$ 40bn). During this period, 110 private equity investors were active in Kazakhstan, with approximately half being international funds (IFC, EBRD, ADB among others), 28% from Kazakhstan's private equity, family offices, and business conglomerates (Samruk-Kazyna, Baiterek, KazAgro, QIC etc.), 10% from public/quasi-governmental investors, and 10% from Kazakhstan's venture funds.

M&A activity in Kazakhstan has been heavily concentrated in the financial sector, driven by banking sector consolidation and the fintech boom. However, it should be noted that the financial sector tends to have better transparency and disclosure practices of PE deals compared to other industries, which may skew the analysis.

Exits from private equity investments in Kazakhstan are mainly through strategic sales or management buyouts, as the capital markets are still underdeveloped. Key challenges to private equity market growth include heavy government involvement (with state-owned monopolies in many industries), macroeconomic and regulatory instability, geopolitical risks, and weak capital markets.

The volume and number of M&A deals in the private equity market in Kazakhstan



US$ 89bn — Total value of disclosed equity raising transactions over 2012-2022

US$ 49bn — M & A (equity) transactions over 2012-22

US$ 40bn — Debt/mezzanine financing transactions over 2012-22

Source: Kazakhstan Investment Corporation, Bakertilly

Note: The data was sourced from the S&P Capital IQ system and a survey of market participants conducted by Bakertilly in Oct-Nov 2023. However, it may not fully represent M&A deal sizes in Kazakhstan due to limited data on private company transactions.

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Debt Market Overview

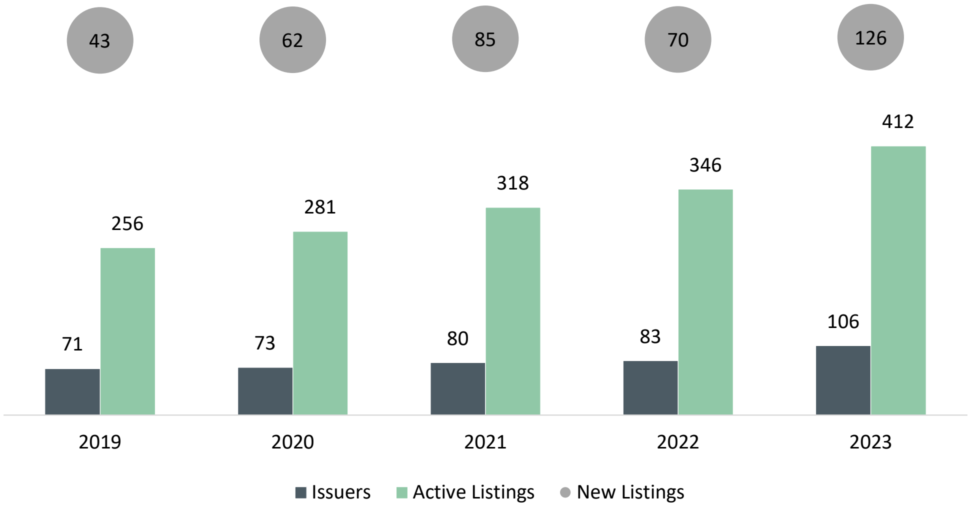
Kazakhstan's debt market is notably more active than its equity market, ranking 18th globally in annual bond trading volume in 2023. In total, debt capital raised on KASE reached US$ 3.3bn, while AIX raised US$ 2bn, with a total of 182 new listings made in 2023.

KASE dominates in corporate bond trading, with a volume of 2.2tn KZT (US$ 4.9bn) in 2023, compared to AIX's US$ 452M. This disparity could partly be explained by the larger volume of debt issued by state-owned enterprises (SOEs) like KazMunayGas and Samruk-Kazyna on KASE. These companies often have substantial debt issuance needs to fund large infrastructure projects and other state-backed initiatives. Their bonds tend to attract more local investors due to the perceived stability and backing by the government. This may be one reason why foreign investor participation in KASE’s corporate bond market remains relatively low at 14% in 2023, though it has increased from 4.8% in 2019.

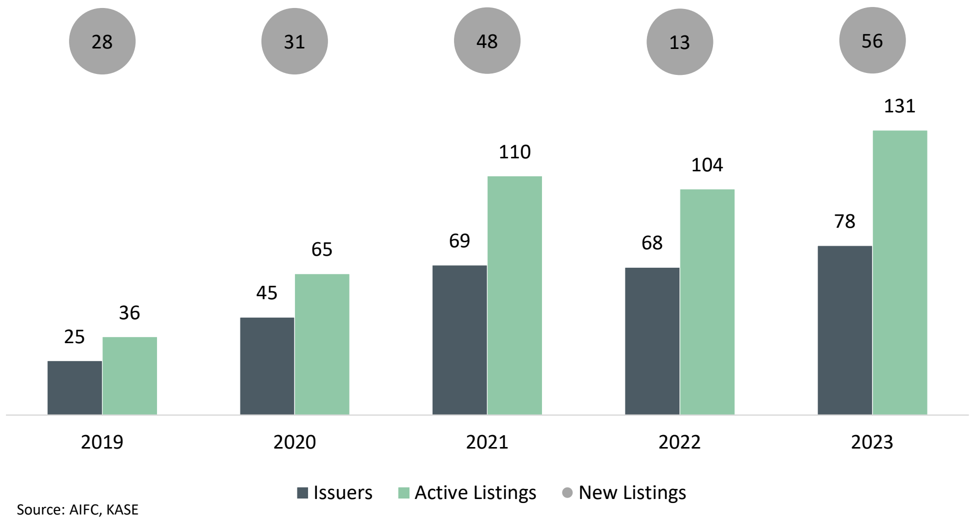
Additionally, KASE plays a crucial role in supporting government-led initiatives like the SME support program in 2023. This program helps small and medium-sized enterprises (SMEs) access capital markets through subsidized coupon rates, simplified listing requirements, and bond guarantees. In 2023, KASE successfully listed the first three SME bond issues under this program:

- BRBAPK LLP: Raised 500mn KZT (US$ 1.1mn) with a 20.5% coupon rate (14.5% subsidized)
- KazWind Energy LLP: Raised 3bn KZT (US$ 6.6mn in "green" bonds at 21.75% coupon (15.75% subsidized)
- Black Biotechnology LLP: Raised 1.5bn KZT (US$ 3.3mn) in "green" bonds at 21.5% coupon (15.5% subsidized)

Bond Listings & Issuers on KASE



Bond Listings & Issuers on AIX



Source: AIFC, KASE

Outstanding FX Public Bonds, excl. sovereign debt as of Nov-24

Issuer	Volume, mn	Coupon rate, %	Date of Issuance	Tenor (years)	YTM	CCY
KazMunayGas National Co JSC	1,500.0	6.375	4/24/2018	30	6.897	USD
KazMunayGas National Co JSC	1,250.0	5.375	4/24/2018	12	5.708	USD
KazMunayGas National Co JSC	1,250.0	5.750	4/19/2017	30	6.85	USD
KazMunayGas National Co JSC	750.0	3.500	10/14/2020	13	5.914	USD
QazaqGaz NC JSC	706.3	4.375	9/26/2017	10	5.85	USD
Development Bank of Kazakhstan JSC	500.0	5.250	10/23/2024	5	5.214	USD
Development Bank of Kazakhstan JSC	500.0	5.500	4/15/2024	3	4.981	USD
Fund of National Welfare Samruk-Kazyna JSC	500.0	2.000	10/28/2021	5	5.228	USD
BTA Bank JSC	496.6	7.200	8/26/2010	15	--	USD
Development Bank of Kazakhstan JSC	325.2	5.750	5/12/2022	3	5.634	USD
Development Bank of Kazakhstan JSC	254.5	2.950	5/6/2021	10	5.415	USD
KazMunayGas National Co JSC	250.1	4.750	4/19/2017	10	5.136	USD
Zhaikmunai LLP	200.0	6.500	9/19/2024	9	6.924	USD
Bolashaq Investments Ltd	165.0	5.000	8/29/2019	14	6.294	USD
Development Bank of Kazakhstan JSC	106.7	6.000	3/23/2006	20	5.072	USD
MFO FREEDOM FINANCE Credit LLP	100.0	6.000	12/21/2021	5	5.741	USD
BTA Bank JSC	99.3	7.200	8/26/2010	15	--	USD
Bolashaq Investments Ltd	70.0	5.000	7/2/2020	13	6.279	USD
Freedom Finance SPC Ltd	66.0	5.500	10/22/2021	5	7.092	USD
Astana-Finance JSC	50.0	--	5/22/2015	13	--	USD
Microfinance Organisation OnlineKazFinance LLP	50.0	10.000	3/18/2024	3	18.471	USD
Bolashaq Investments Ltd	28.0	--	12/15/2021	3	5.679	USD
FRHC Fractional SPC Ltd	26.0	--	2/26/2024	30	7.077	USD
Mobilnyi Mir LLP	25.0	6.000	9/30/2021	5	7.132	USD
Jasyl Energy LLP	20.0	12.500	5/2/2024	3	--	USD
Solva Group Ltd	15.0	10.500	5/27/2024	2	5.868	USD
BRBAPK LLP	10.0	7.500	8/1/2024	5	6.657	USD
R-Finance Microfinance Organisation LLP	10.0	7.000	8/14/2020	5	--	USD
Bolashaq Investments Ltd	10.0	5.000	1/15/2021	12	6.257	USD
FinTechLab MFO LLP	7.0	11.000	1/19/2024	2	5.42	USD
SkyBridge Invest JSC	6.0	9.000	5/31/2024	2	--	USD

Source: Bloomberg

Outstanding FX Public Bonds, excl. sovereign debt as of Nov-24, cont'd

Issuer	Volume, mn	Coupon rate, %	Date of Issuance	Tenor (years)	YTM	CCY
Microfinance organization GoldFinMarket LLP	3.0	11.000	4/6/2023	3	--	USD
Freedom Finance SPC Ltd	2.0	12.000	12/19/2023	5	--	USD
Microfinance organization FinBox LLP	2.0	16.500	1/30/2024	4	--	USD
Microfinance organization GoldFinMarket LLP	2.0	9.000	4/6/2023	2	--	USD
Solva Group Ltd	0.20	12.000	2/20/2024	3	--	USD
BTA Bank JSC	7.17	6.75	8/26/2010	15	--	EUR

Source: Bloomberg

Equity Market Overview:

The equity market in Georgia is almost non-existent, with minimal trading activity and a lack of private investment firms in the country. This creates barriers for private equity growth, particularly in finding viable exit options. Therefore, our analysis primarily focuses on the debt market.

Debt Market Overview:

The corporate bond market in Georgia, while considered the most developed among non-traditional financing options, remains relatively small. Historically, corporate issuances averaged only 5 per year over 2014-21, with an average size of US$ 49.3mn. Issuances have been predominantly FX-denominated, with USD as the preferred currency. The introduction of the Capital Market Support (CMS) program, backed by the EBRD and the EU, has notably boosted the bond market in Georgia. Over 2022–2023, 29 companies issued bonds totaling US$ 683.5mn, with 12 issuers being participants in the CMS program. Moreover, market participation diversified, with companies from 7 different sectors issuing bonds in 2023.

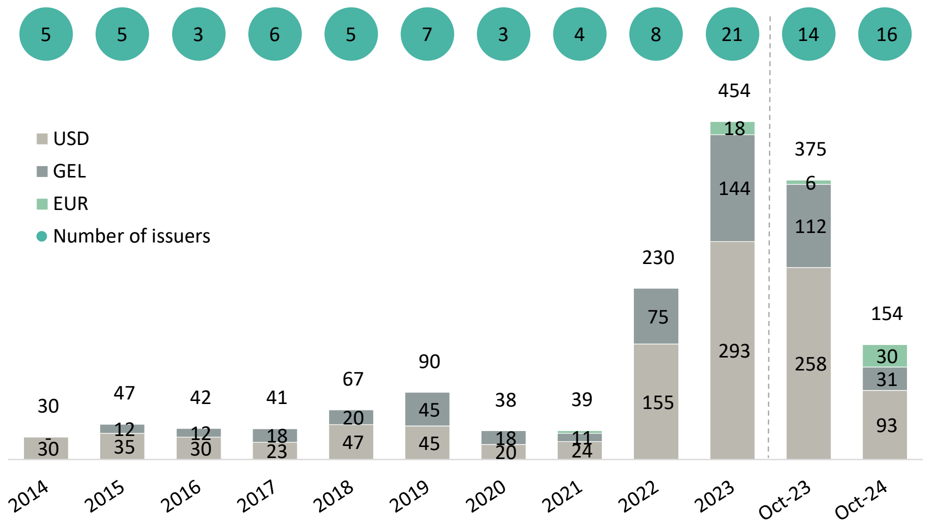
As of Oct-2024, issuance volumes have decreased, but the number of transactions (16) has surpassed the same period last year (14), attributed to:

- Last year's high base driven by the CMS program, which prompted companies to take advantage of its benefits, with some accelerating their planned issuances to capitalize on the opportunity.
- A new CMS program, backed by Enterprise Georgia is active in 2024, but average transaction sizes are smaller compared to several large-scale issuances in 2023 (e.g., USD 150mn by GCAP, USD 50mn by Rico Express, and USD 40mn by TBC Leasing).
- Cautious market sentiment from investors and issuers amid Georgia's political uncertainties.

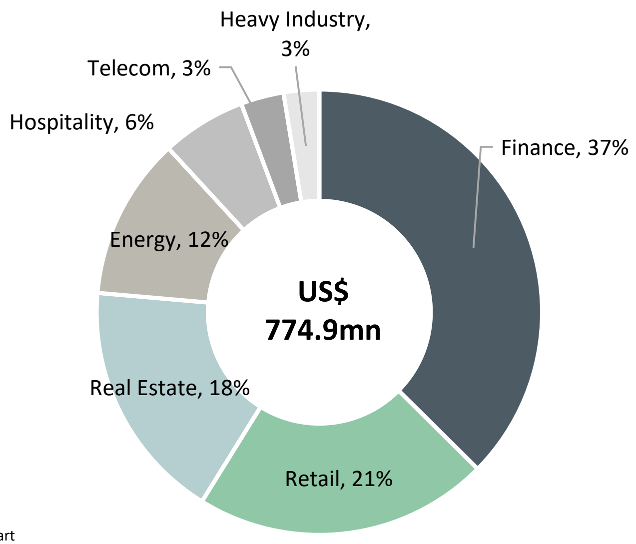
Market Composition

As of Oct-24, 44 corporate public bonds are outstanding, totaling US$ 774.9mn. Finance Sector accounts for 37.4% of the market, represented by the microfinance institutions, TBC Leasing, GCAP, and Basis Bank. Retail Sector contributes 21.4%, with key issuers including Tegeta Motors (Automotive) and Nikora (FMCG).

Local corporate public bond issuance by year, US$ mn



Outstanding corporate public bonds by sector, Oct-24



Source: Galt and Taggart

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CREATING OPPORTUNITIES

Outstanding FX Public Corporate Bonds as of Oct-24

Issuer	CCY	Volume, mn	Coupon rate	Date of Issuance	Tenor (years)
USD					
Georgia Capital	USD	150	8.50%	3-Aug-23	5
GRPO	USD	80	7.00%	12-Oct-22	2
m2	USD	25	8.50%	7-Aug-24	2
Silk Real Estate LLC (SRG)	USD	20	9.00%	13-Apr-23	3
Tegeta Motors LLC	USD	20	8.50%	28-Apr-23	2
Silk Real Estate LLC (SRG)	USD	20	9.25%	14-Sep-23	3
IG Development	USD	20	8.50%	28-Dec-23	2
JSC BasisBank	USD	20	7.00%	7-Aug-24	3
IG Development	USD	20	8.50%	8-Jul-24	2
GeoSteel LLC	USD	15	9.00%	20-Apr-23	2
Austrian Georgian Development	USD	15	9.00%	16-Oct-23	2
Lisi Lake Development	USD	12	6.50%	17-Dec-21	3
Lisi Lake Development	USD	10	8.50%	23-Dec-22	2
Energy Development Georgia	USD	10	8.50%	22-Jun-23	2
JSC MFO EuroCredit	USD	10	9.50%	1-Dec-23	4
Chavchavadze 64B LLC	USD	10	8.75%	22-Aug-24	2
Prime Concrete LLC	USD	8	10.50%	4-Sep-23	4
GeoSteel LLC	USD	5	8.50%	13-Dec-23	2
Tegeta Motors LLC	USD	5	8.50%	28-Jun-24	2
Tegeta Motors LLC	USD	5	8.50%	19-Jul-24	2
MP Development LLC	USD	5	8.75%	24-Jul-24	2
Tegeta Motors LLC	USD	3	8.50%	28-Jun-24	2
Bakhvi Hydro Power	USD	1	9.40%	3-Nov-17	10
EUR					
Tegeta Motors LLC	EUR	11	6.75%	2-May-24	2
Tegeta Motors LLC	EUR	8	6.75%	27-Dec-23	2
Silk Real Estate LLC (SRG)	EUR	8	7.00%	2-Aug-24	1
Tegeta Motors LLC	EUR	6	7.00%	28-Apr-23	2
IG Development	EUR	5	7.00%	16-Jan-24	2
Tegeta Motors LLC	EUR	4	7.00%	5-Dec-23	2
MP Development LLC	EUR	3	7.75%	24-Jul-24	2

Source: Galt and Taggart

IFI Presence

ADB is among the largest investors in Kazakhstan, with US$ 6.9bn invested over 2019-23

Transport, Finance and Energy are the top priority sectors for ADB in Kazakhstan

Over 2019–2023, one-third of ADB's investments in Kazakhstan were directed toward the public sector, aiming to drive policy reforms and provide government support for economic development. A significant portion of this funding, c. US$ 1bn, was allocated to COVID-19 management, with an additional US$ 1bn used for counter-cyclical support.

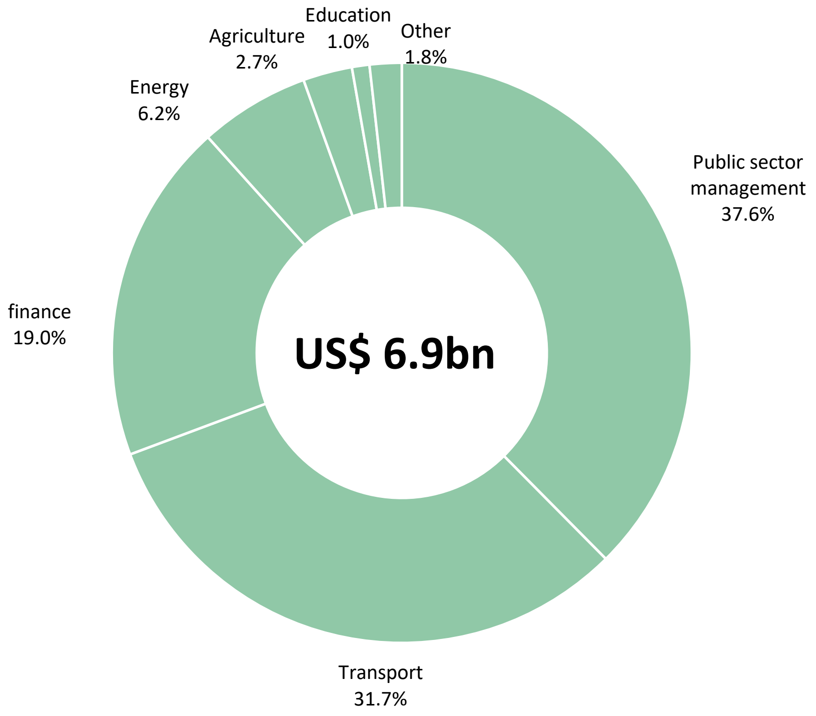
Other than this, there are three priority sectors:

- Transport
- Finance
- Renewable and non-renewable energy

Current ADB operations in Kazakhstan focus on three strategic priorities—addressing the impacts of climate change and decarbonizing the economy, promoting inclusive economic growth, and strengthening governance. Looking ahead, ADB aims to assist Kazakhstan in improving public and social service delivery, advancing structural reforms, decarbonizing the energy and heating sectors, promoting public–private partnerships, and strengthening regional cooperation through the CAREC Program.

To upgrade the road network in central Kazakhstan, ADB is processing a loan to reconstruct a 208-km section between Kyzylorda and Zhezkazgan in Ulytau oblast in 2024.

ADB cumulative investment portfolio in Kazakhstan by sector, 2019-2023



Source: Asian Development Bank

World Bank has invested a total of US$ 3.4bn in Kazakhstan over 2016-24 through IBRD/IFC/MIGA projects

Transport infrastructure is the top priority sector for The World Bank in Kazakhstan

Largest World Bank investment projects in Kazakhstan

2016

The "Kazakhstan Programmatic Development Policy Financing" project, worth US$ 1bn, focused on supporting policy reforms for future economic development.

2021

The "Airport Almaty“ modernization project, worth US$ 0.2bn, included a new terminal to address capacity constraints

2022

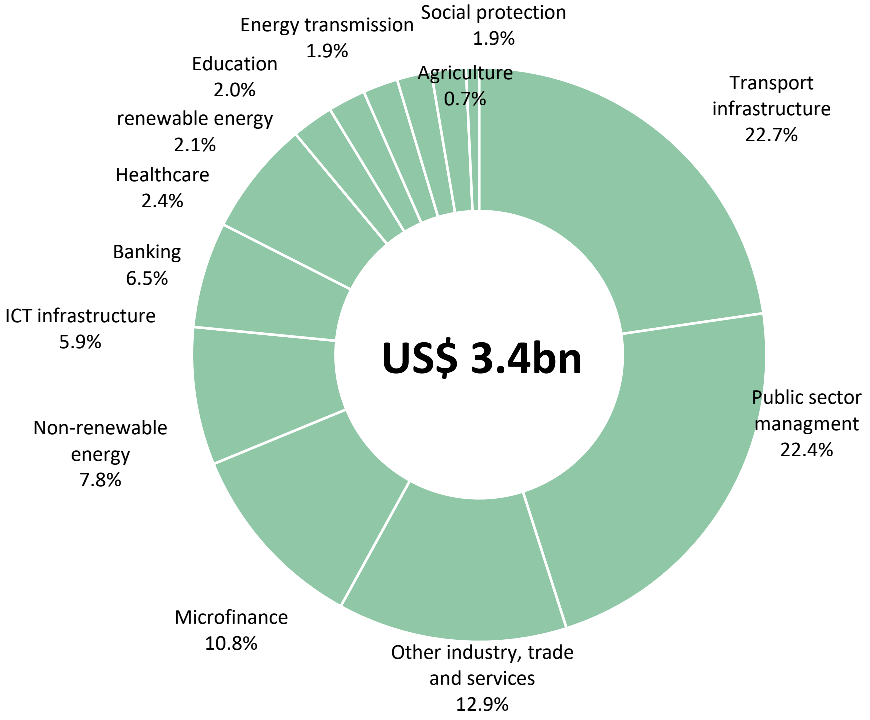
“A Private-Sector Led and More Sustainable Economic Recovery,” a project valued at $0.4bn, primarily funded non-renewable energy (33%), ICT infrastructure (11%), banking (11%), and government initiatives (45%).

2024

“Inclusive and Sustainable Economic Growth”, worth US$ 0.6bn in solar and wind energy (12%), energy transmission infrastructure (11%), non-renewable energy generation (11%), ICT infrastructure (11%), banking (11%) and government funding (22%).

“Kazakhstan Temir Zholy (KTZ)”, worth US$ 0.6bn aimed at improving all facets of the Kazakhstan railway system.

IBRD/IFC/MIGA investments in Kazakhstan by sector, 2016-24



Source: World Bank

Note: Cancelled projects like “Sustainable Livestock Development Program For Results” are not included. The financing values only include amount financed by the World Bank rather than the whole project costs

Over 2020-25 some projects may be approved or in the pipeline but the funds may not be fully disbursed yet

EBRD has invested a total of US$ 3.9bn in Kazakhstan over 2017-23

Over half of EBRD investments in Kazakhstan are for transport and energy sectors

Largest EBRD investment projects in Kazakhstan

2018

"Atyrau Astrakhan Rehabilitation Project", worth US$ 301mn, meant for rehabilitating roads/infrastructure.

2019

Kazakhstan Renewables Framework Phase II," a $336mn project, supporting renewable energy development and grid modernization, including 262 MW of solar capacity and a grid-strengthening initiative.

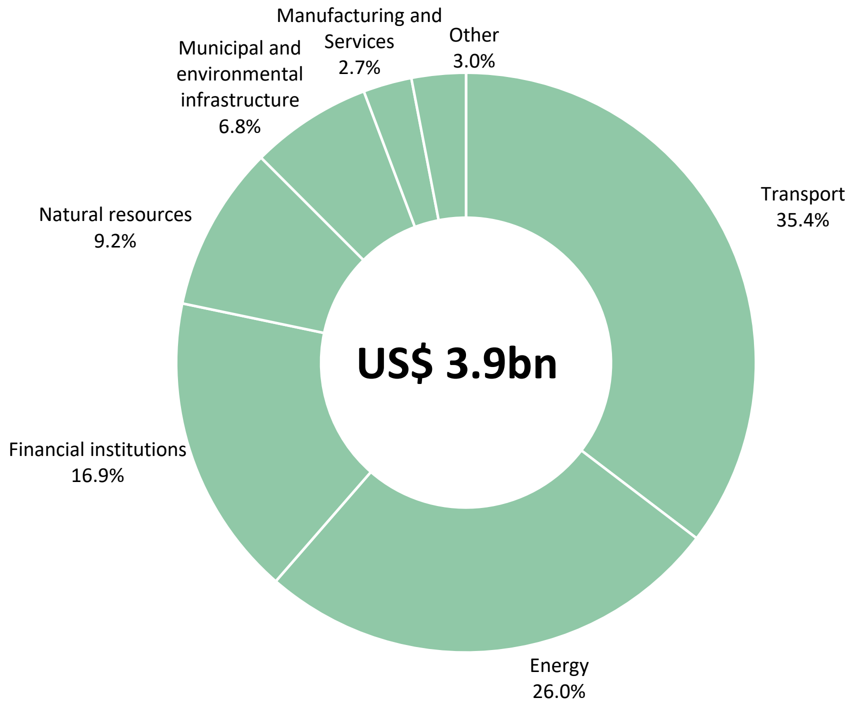
2020

"Kyzylorda-Zhezkazgan Road Reconstruction" and "Almaty Airport Expansion", collectively worth $456mn, enhancing road and airport infrastructure.

2022

"GEFF Kazakhstan II" and "GrCF2 W2 Almaty CHP Modernisation," jointly worth $424mn, target carbon reduction by converting Almaty's 510 MW CHP-2 from coal to gas and financing green energy projects.

EBRD investments in Kazakhstan by sector, 2017-23



Source: EBRD

Note: the data does not include cancelled projects and are stated in their year of approval and not their fiscal year

The financing values also only include amount financed by EBRD rather than whole project cost

GALT & TAGGART
CREATING OPPORTUNITIES

ADB is among the largest investors in Georgia as well, with US$ 4.9bn invested over 2019-23

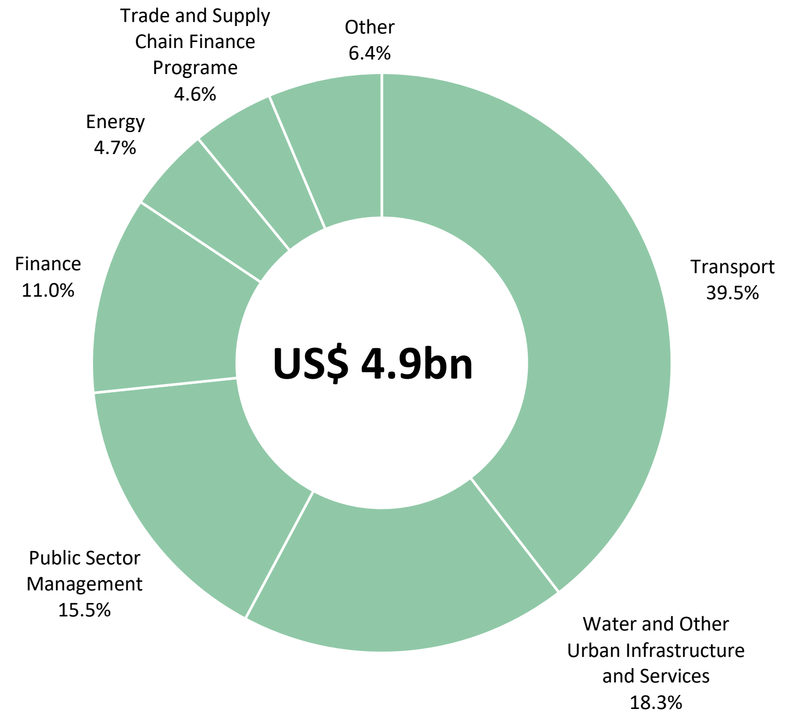
Transport, Water & Urban Infrastructure, Finance and Energy are the top priority sectors for ADB in Georgia

Over 2019-23, over half of ADB's investment went on transport & water and other infrastructure services: Other priority sectors include:

- Finance
- Energy
- Trade and supply chain finance

"Northâ-South Corridor (Kvesheti-Kobi) Road Project", "East-West Highway (Khevi-Ubisa Section) Improvement Project", "East-West Highway (Shorapani-Argveta Section) Improvement Project", "Batumi Bypass Road Project" and "Secondary Road Improvement Project" are relatively recent high-profile investment projects aimed at developing Georgia's road infrastructure, jointly worth US$ 972mn. Over 2024-28, ADB will continue to support Georgia's emerging role as a regional transport and logistics hub by helping the country modernize travel, trade, and tourism infrastructure; and developing livable and investible secondary cities. This includes strategic investments for improving railway networks and the creation of logistics centers supporting container shipments for domestic and intraregional trade. ADB investments will also support renewable energy trade and increased resilience of power supplies and power trade; energy storage and the hydrogen economy; climate-smart irrigation; efficient and sustainable water and sanitation services; and private sector financing for infrastructure and the development of local capital markets.

ADB cumulative investment portfolio in Georgia by sector, 2023



Source: Asian Development Bank

EBRD has invested a total of US$ 2.8bn in Georgia over 2017-23

There has been a noticeable jump in EBRD investments in Georgia in 2024

Largest EBRD infrastructural projects for each year if available and/or the largest project

2017

"Enguri HPP Climate Resilience Upgrade" and "Magticom Telecomms - phase II', jointly worth US$ 83mn, enhance climate resistance of the Enguri HPP and expand regional ICT.

2019

"GrCF2 W2 - Tbilisi Bus extension", North-South Corridor (Kvesheti-Kobi) Road Project" and "Georgia Urban Transport Enhancement Programme", jointly worth US$ 171mn, for road infrastructure. "Power Grid Enhancement Project", worth US$ 101mn, aimed at improving Georgia's power grid

2020

"GOGC: Essential Infrastructure Support", worth US$ 248mn, support future energy sector infrastructure development in Georgia.

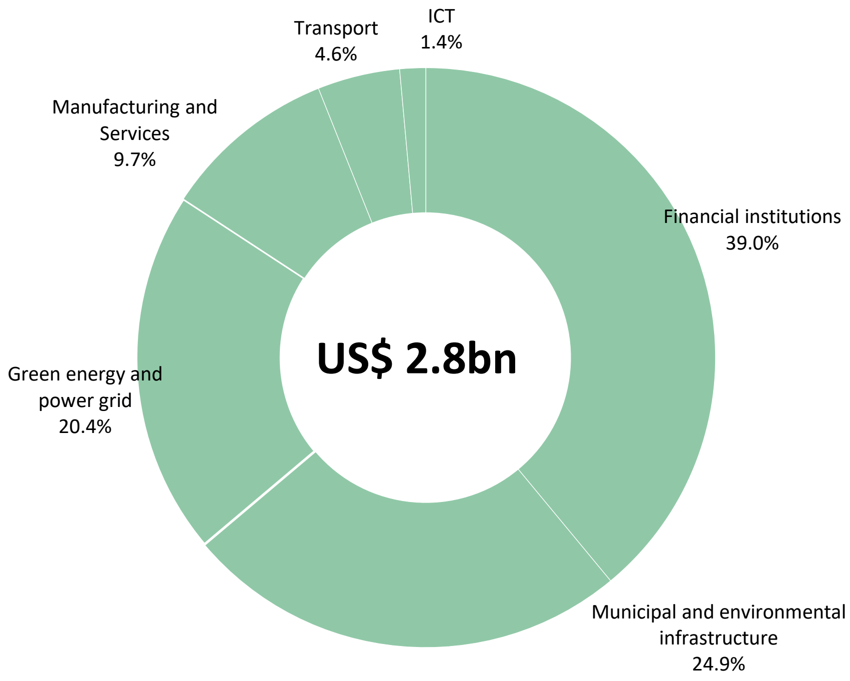
2022

"GrCF2 W1 - Tbilisi Metro Modernisation", worth US$ 53mn, upgrade and rehabilitation of 12 metro stations.

2024

"GrCF2 W2 - Project Medea" (worth US$ 300mn) is a project meant to finance green investments and "Ruisi Wind" (worth US$119mn) is a project meant for building a wind power plant.

EBRD investments in Georgia by sector, 2017-23



Source: EBRD

Note: the data does not include cancelled projects and are stated in their year of approval and not their fiscal year

The financing values only include amount financed by EBRD rather than whole project cost

World Bank has invested a total of US$ 1.6bn in Georgia over 2016-24 through IBRD/IDA projects

Healthcare, Education, Agriculture and Energy have been the top priority sectors for World Bank in Georgia

Largest World Bank infrastructural projects for each year if available and/or the largest project

2018

"East West Highway Corridor Improvement Project Additional Financing", worth US$ 110mn

2019

"Energy Supply Reliability and Financial Recovery" and "Energy Supply Reliability and Financial Recovery Guarantee", jointly worth US$ 131mn, aimed to strengthen energy transmission

2021

"Georgia Relief and Recovery for MSMEs", worth US$ 103mn, aimed at financing SMEs/improving financial infrastructure. "Log-In Georgia", worth US$ 40mn, targeting rural ITC infrastructure

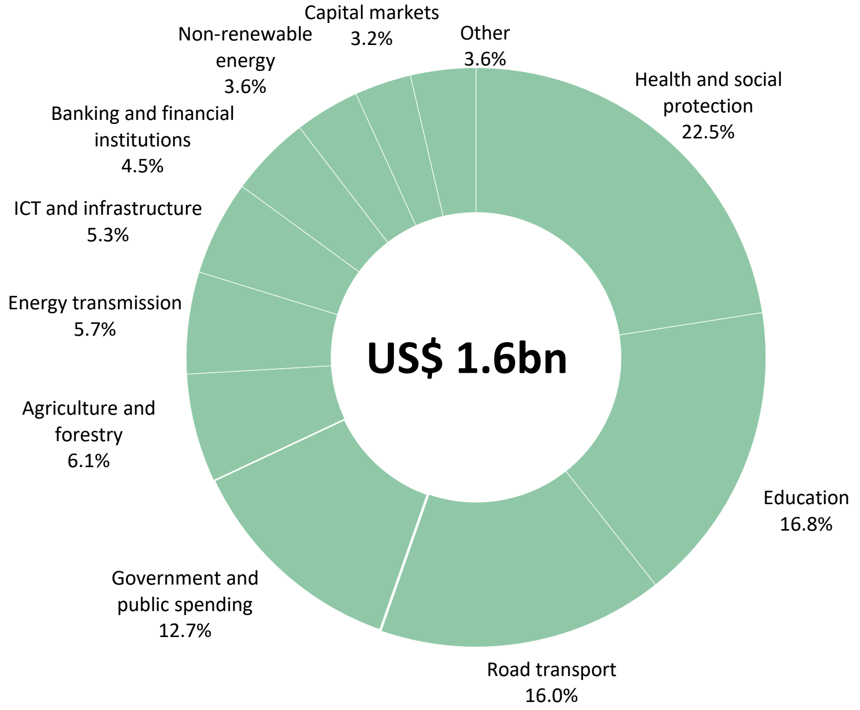
2022

"Georgia Human Capital Program", worth US$ 400mn, to enhance efficiency in education, healthcare/social protection. "Kakheti Connectivity Improvement Project" (US$109mn) focuses on road development.

2023

"Georgia Resilient Agriculture, Irrigation, and Land Project, worth US$ 75mn aimed at developing agriculture

IBRD/IDA investments in Georgia by sector, 2016-24



Source: World Bank

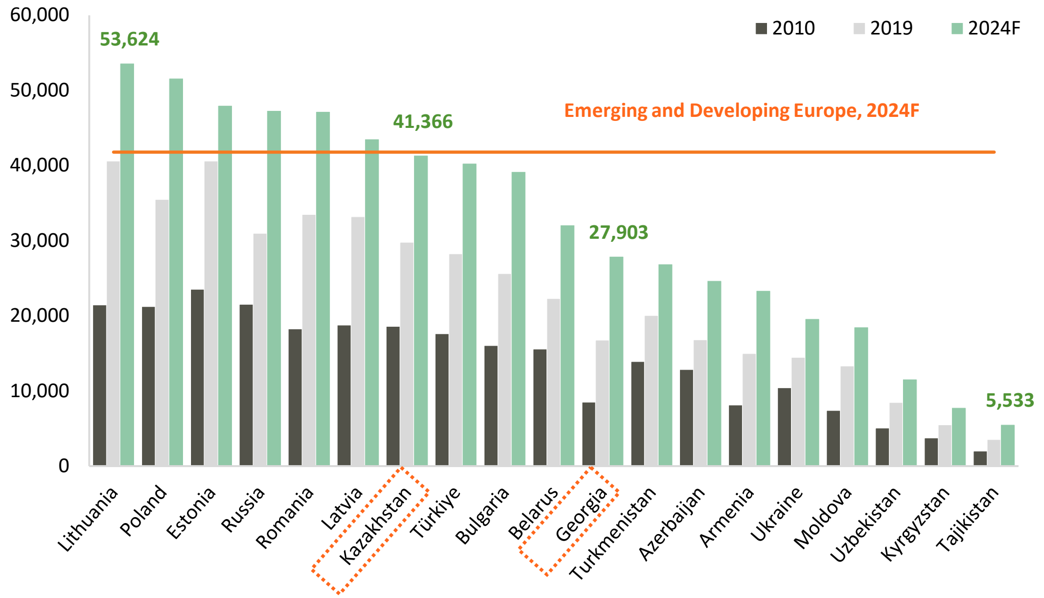
Note: Over 2020-25 some projects may be approved but the funds may not be fully disbursed.

Annexes

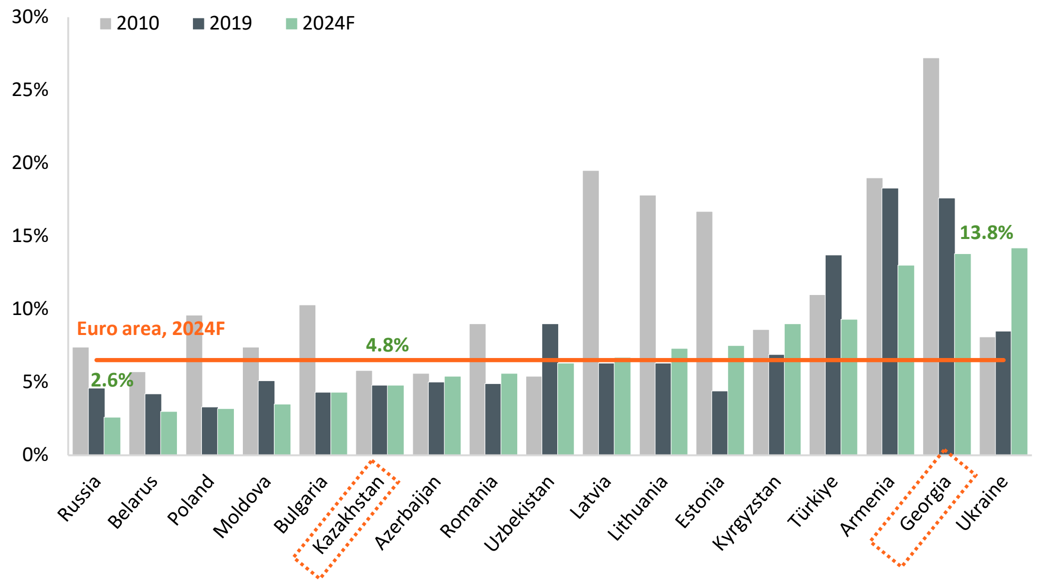
In the last 15 years, Georgia has achieved the most rapid growth in GDP per capita (PPP) in the region, soaring by 3.3x to reach US$ 27,903 in 2024. In contrast, Kazakhstan's GDP per capita doubled during the same period, but it remains on par with that of Emerging and Developing Europe

Among the regional countries, Georgia has one of the highest unemployment rates, despite a significant reduction in recent years. In Kazakhstan, the unemployment rate is lower than that of the Euro area

GDP per capita, US$ (PPP)



Unemployment rate, %



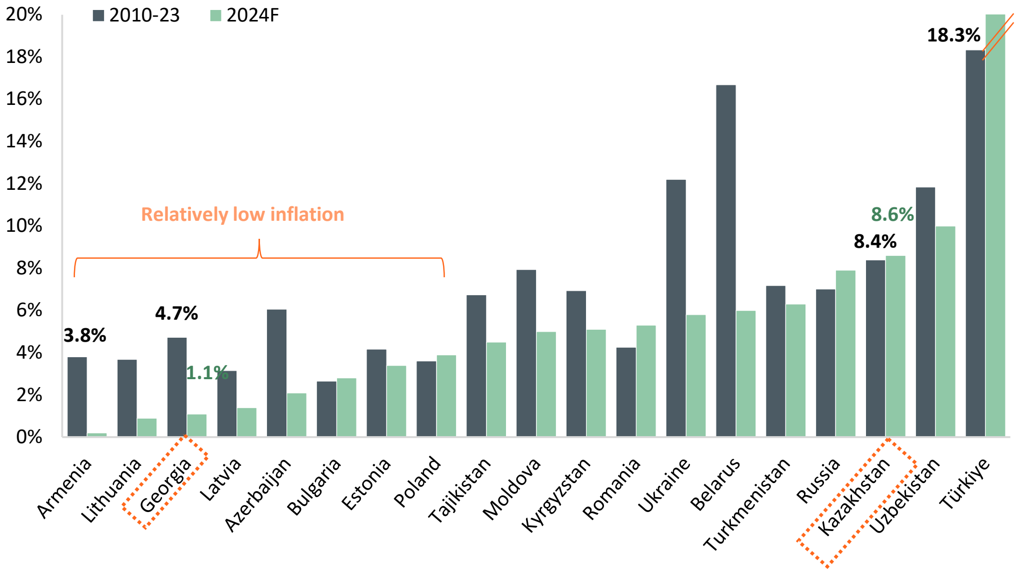
Source: IMF, Galt & Taggart

Comparable Indicators – Georgia maintains lower inflation, whereas Kazakhstan benefits from lower government debt

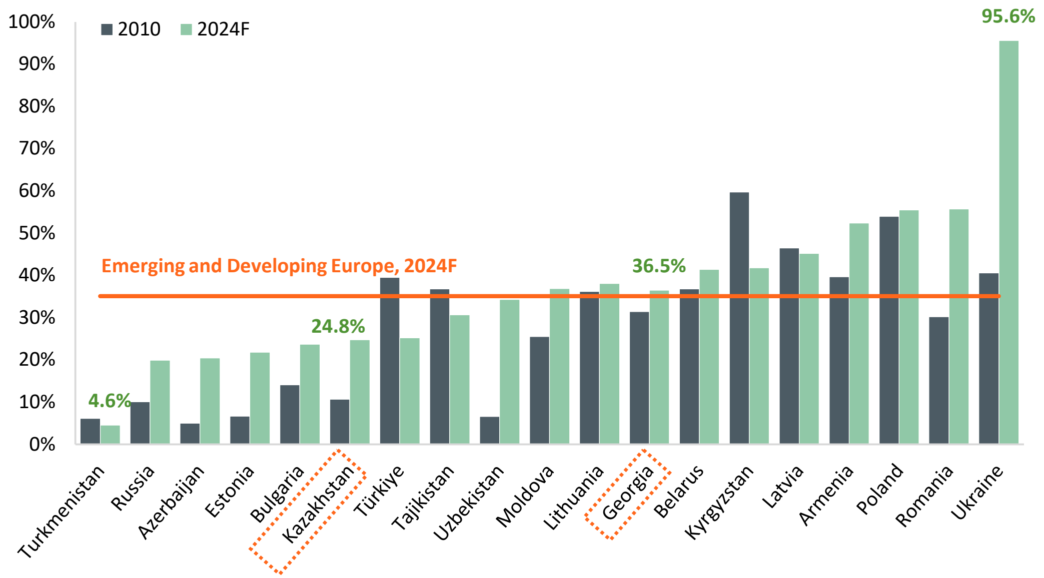
Georgia experiences a relatively lower inflationary environment compared to Central Asian and other regional countries. In 2024, inflation in Georgia is kept below the 3% target, while in Kazakhstan, it exceeds the 5% target level

Georgia experiences a relatively lower inflationary environment compared to Central Asian and other regional countries. In 2024, inflation in Georgia is kept below the 3% target, while in Kazakhstan, it exceeds the 5% target level

Average annual inflation, %



Government debt, % of GDP

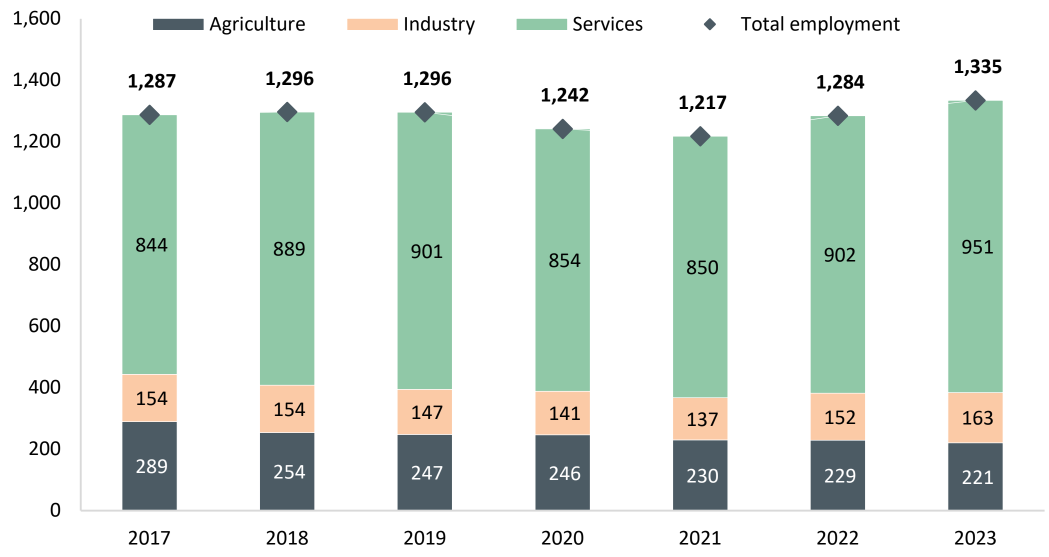


Source: IMF

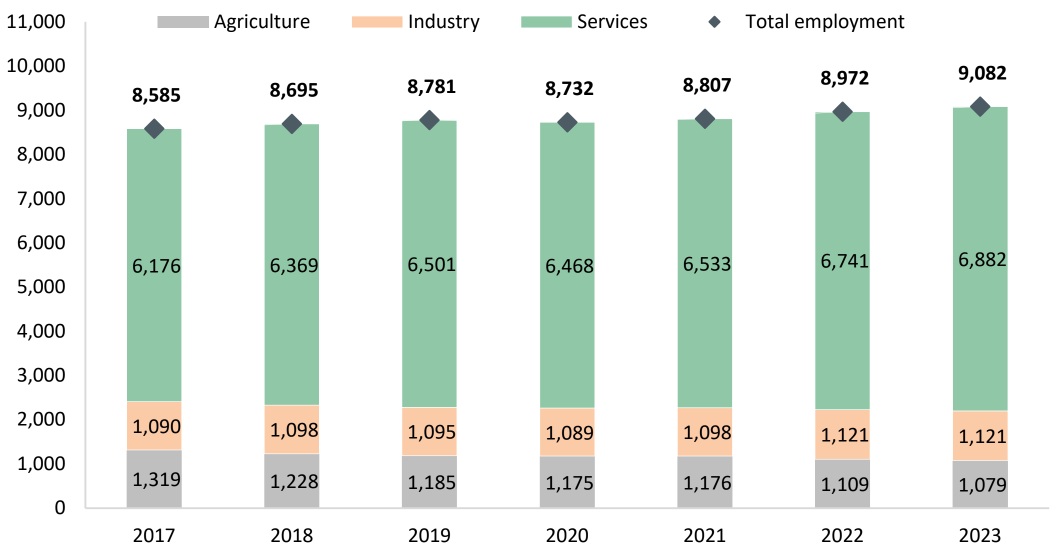
In Georgia, over 2017-23, employment in the service sector rose by 5.7ppts, reaching 71.2% of total employment. In contrast, employment in the agriculture sector fell by 6.0ppts to 16.5% of total employment. Meanwhile, employment in industrial sector remained relatively stable, accounting for 12.2% of total as of 2023

In Kazakhstan, over 2017-23, employment in the service sector increased by 3.8ppts, reaching 76.2% of total employment. In contrast, employment in the agriculture sector decreased by 3.5ppts to 11.3% of total employment. Meanwhile, employment in industrial sector remained relatively stable, accounting for 12.5% of total as of 2023

Employment by sector, 000' people



Employment by sector, 000' people



Source: Geostat, KazStat

Main taxes in Georgia

Personal income tax - 20%

Corporate income tax – 0% and 15% (0% on retained earnings)

VAT – 18%

Excise tax - varies by product

Property tax – up to 1%

Import tax - varies by product

Main taxes in Kazakhstan

Personal income tax - flat 10%

Social tax – 9.5% from 1 January 2018; 11% from 1 January 2025

Corporate income tax – 20%

VAT – 12%

Excise tax - varies by product

Property tax – up to 1.5% for legal entities; up to 2.0% for individuals

Import tax - varies by product

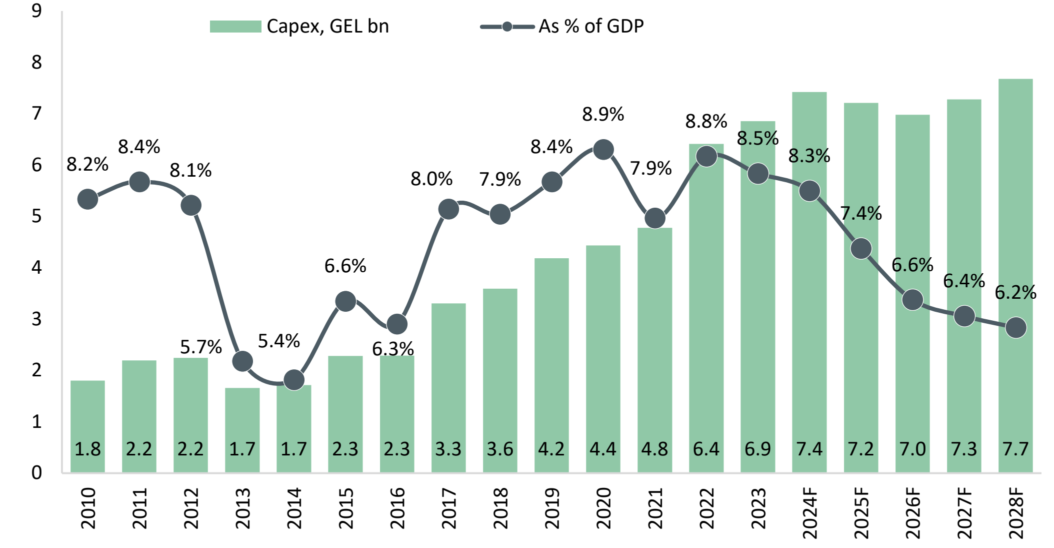
Source: MOF, Geostat, KazStat, IMF

Capex – Georgia outpaces Kazakhstan in government capital expenditure (capex)

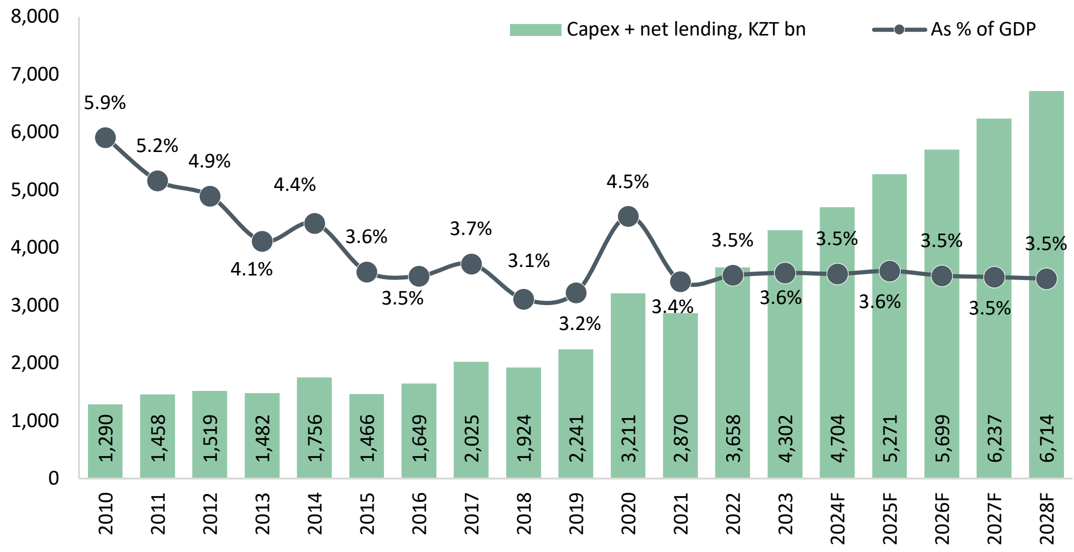
In Georgia, government capital expenditure (capex), largely financed by IFIs, is significantly high, bolstering economic activity. From 2017 to E2024 the average capex accounted for 8.3% of GDP. While the capex-to-GDP ratio is projected to decline in the medium term, it will remain significantly higher than that of comparable economies

In Kazakhstan, government capex-to-GDP has been on a downward trend since 2010, decreasing from 5.9% in that year to 3.2% just before the Covid-19 pandemic. Afterward, the ratio stabilized at approximately 3.5%. In the medium term, the capex is projected to remain around 3.5% of GDP, indicating a consistent level of public investment relative to the size of the economy

Government's capital expenditure in Georgia



Government's capital expenditure in Kazakhstan

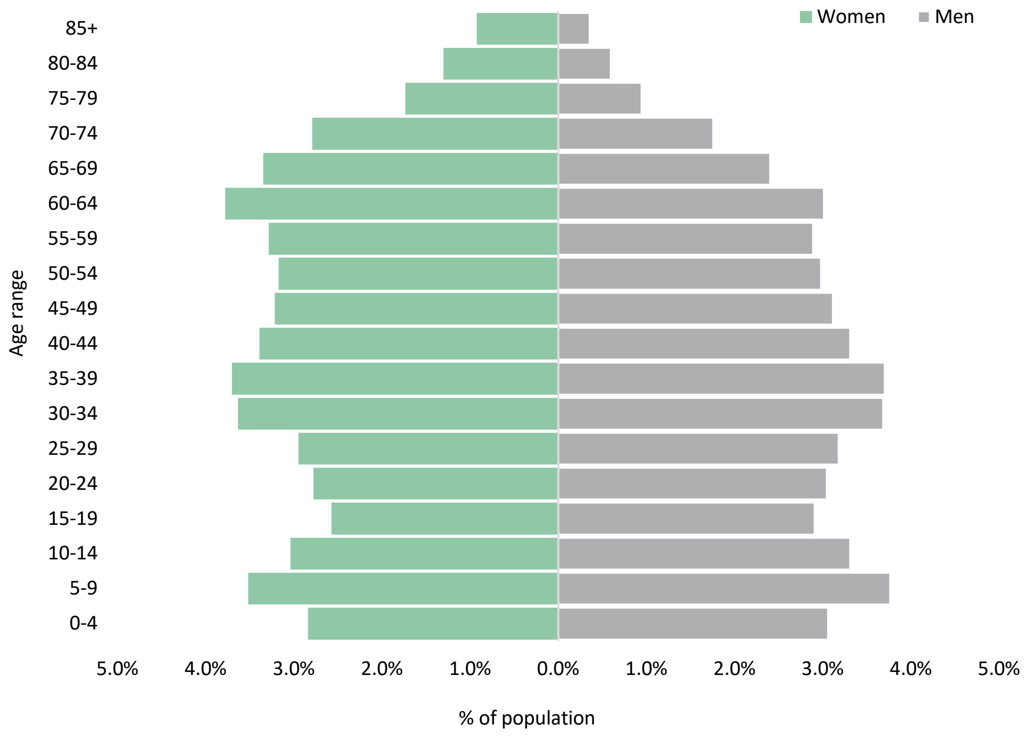


Source: MOF, Geostat, KazStat, IMF

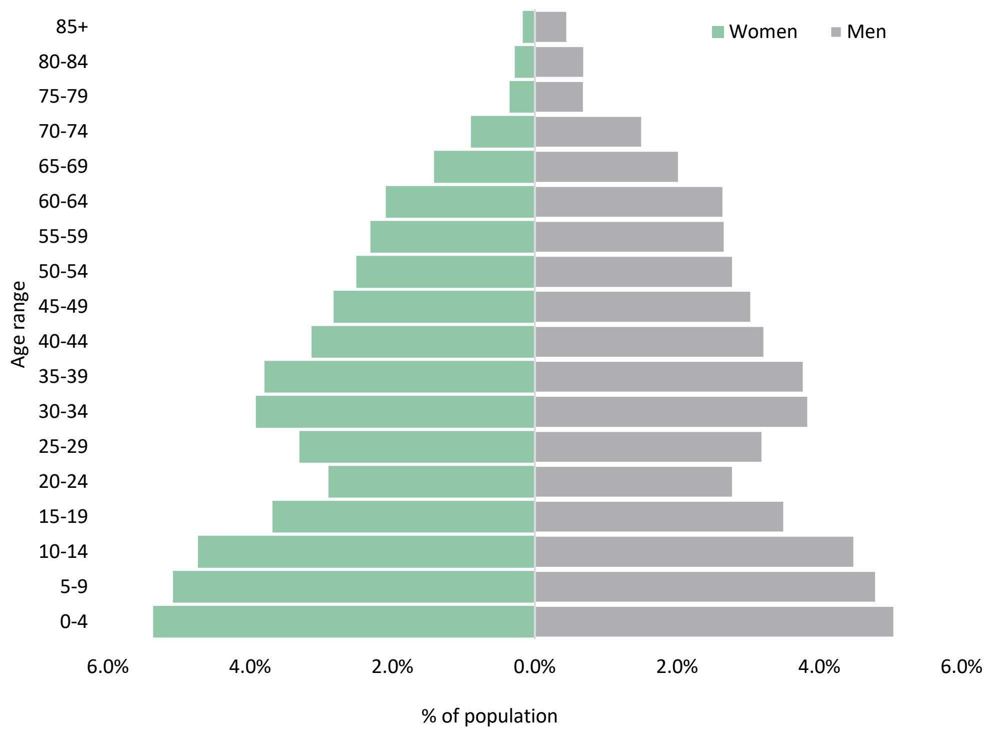
In Georgia, the population aged 0-14 and 15-39 accounted for 19.5% and 32.2% of the total population, respectively, in 2023. Notably, pensioners (women 60+ and men 65+) represented 20% of the total population

In Kazakhstan, the population aged 0-14 and 15-39 accounted for 29.5% and 34.7% of the total population, respectively, in 2023. Notably, pensioners (women 61+ and men 63+) represented 11.4% of the total population

Distribution of population by age in Georgia, 2023



Distribution of population by age in Kazakhstan, 2023

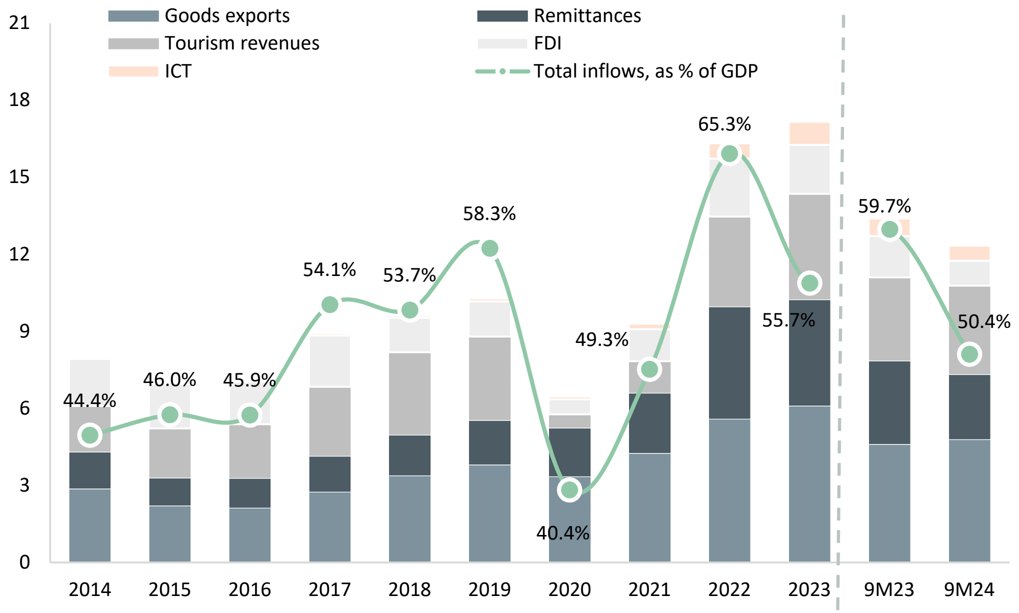


Source: Geostat, KazStat

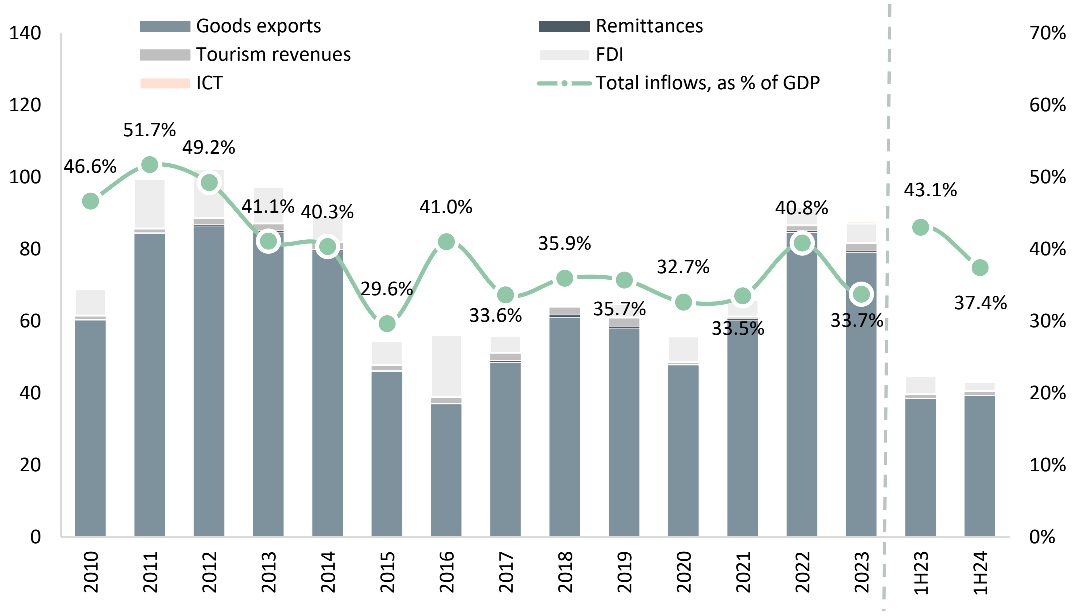
FX inflows in Georgia are diversified and have been increasing, particularly since the onset of the Russia-Ukraine war

In Kazakhstan, goods exports are the dominant source FX inflows, accounting for c.90% of the total. Over the past decade, these inflows have averaged c.35% of GDP

FX inflows in Georgia, US$ bn



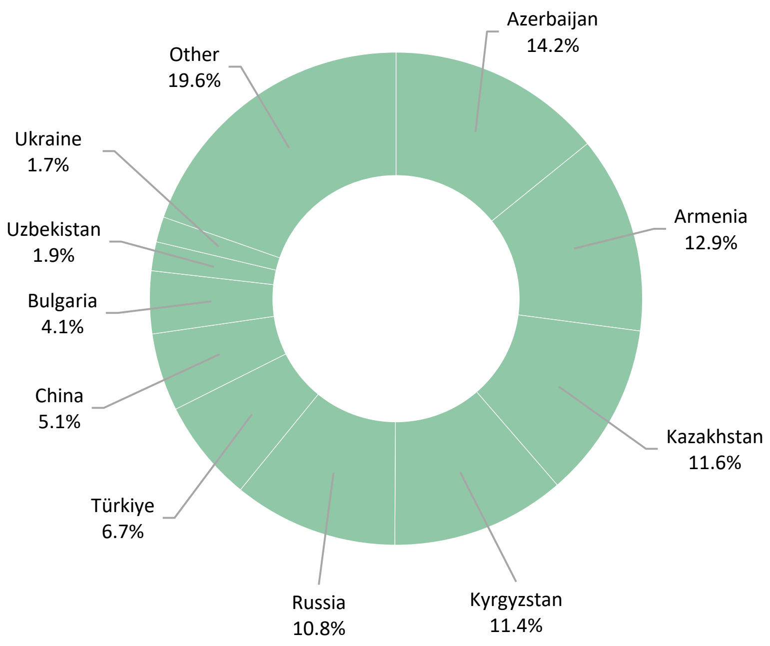
FX inflows in Kazakhstan, US$ bn



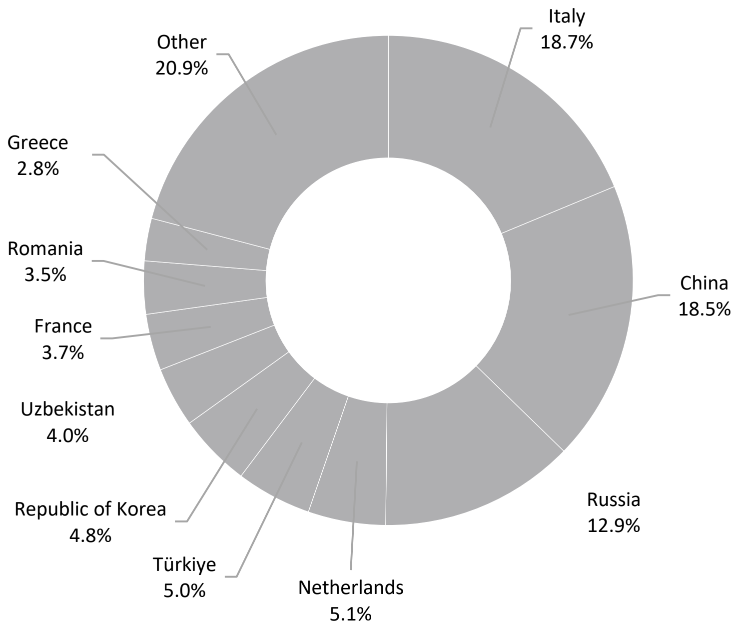
Source: NBG, Geostat, NBK, KazStat

Goods exports by country – Georgia vs. Kazakhstan

Georgia's exports by country in 2023, % of total

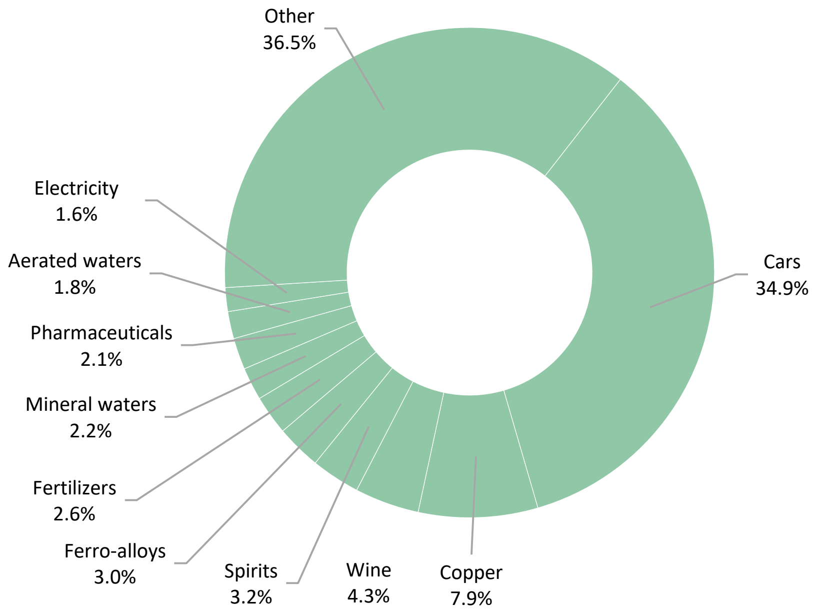


Kazakhstan's exports by country in 2023, % of total

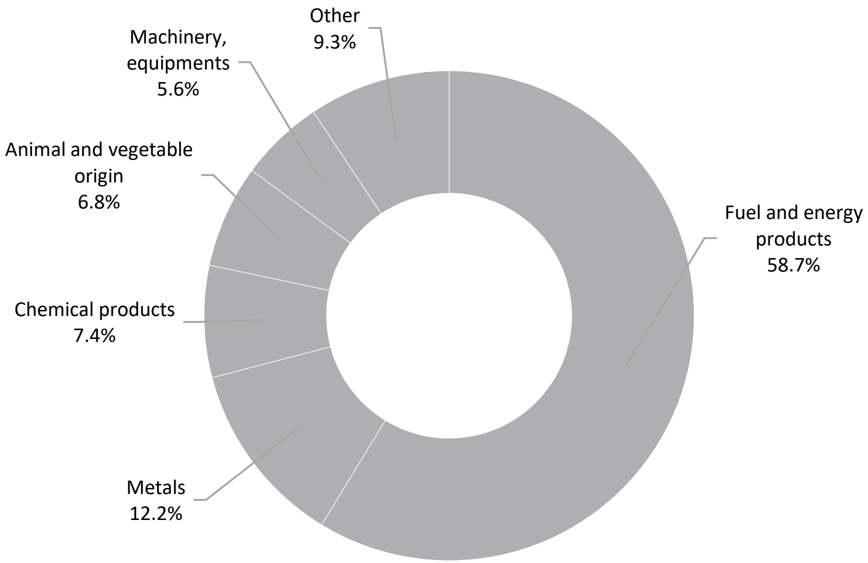


Source: Geostat, KazStat

Georgia's exports by product in 2023, % of total



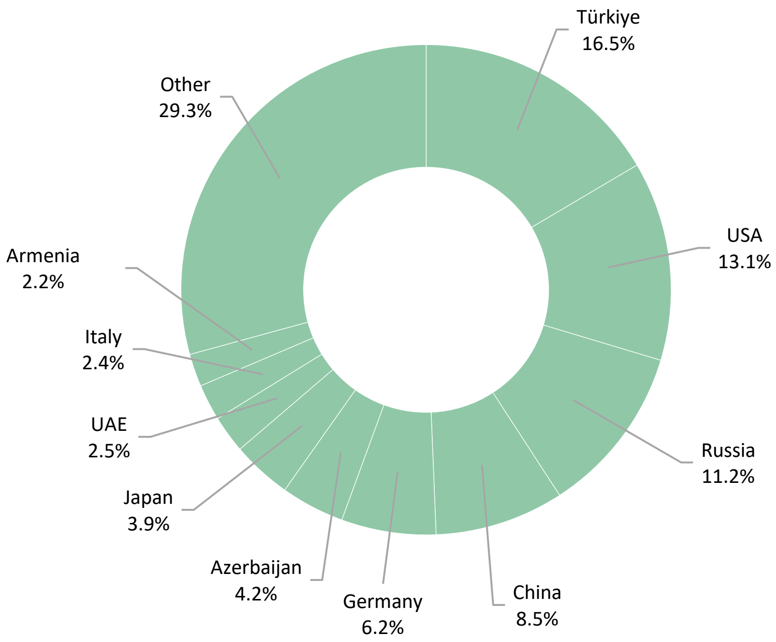
Kazakhstan's exports by product in 2023, % of total



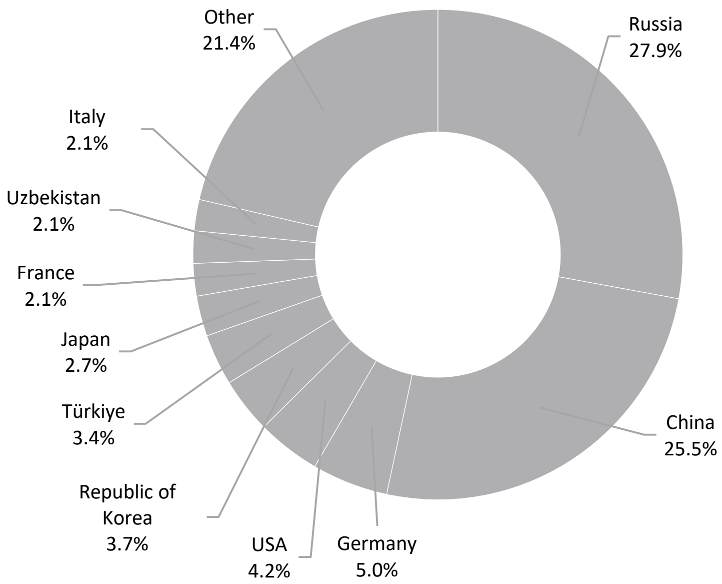
Source: Geostat, KazStat

Goods imports by country – Georgia vs. Kazakhstan

Georgia's imports by country in 2023, % of total



Kazakhstan's imports by country in 2023, % of total



Source: Geostat, KazStat

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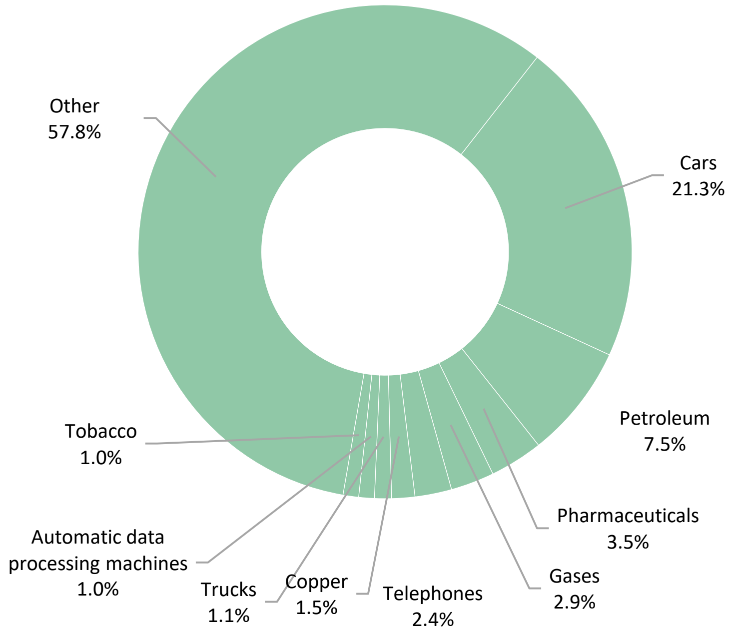
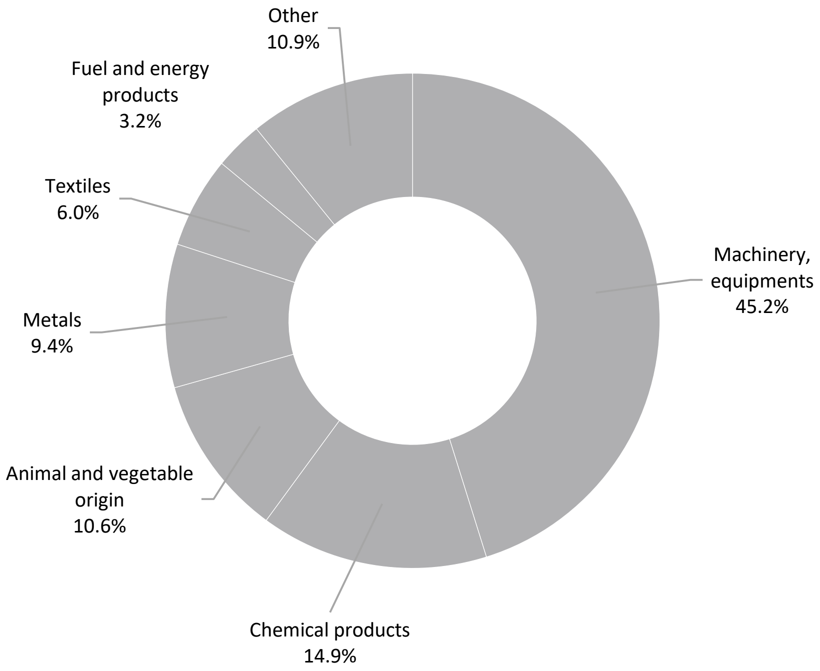
Georgia's imports by product in 2023, % of total



Kazakhstan's imports by product in 2023, % of total



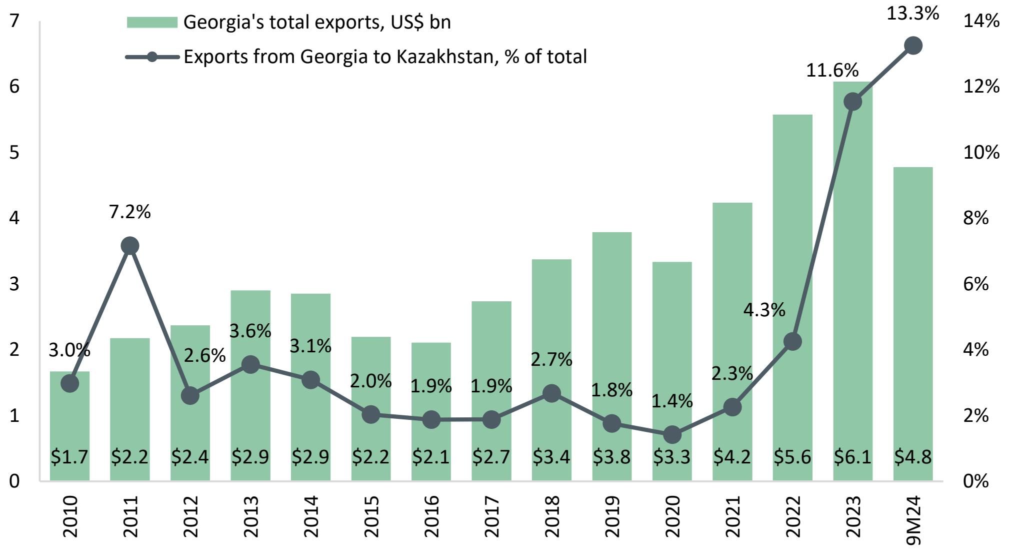
Source: Geostat, KazStat

Goods exports from Georgia to Kazakhstan surged by 195.3% y/y, reaching US$ 703.2mn in 2023. This trend has continued into 2024, Georgia's share of exports to Kazakhstan rising to 11.6% of total in 2023 and further increasing to 13.3% during 9M24, up from just 1.8% in 2019

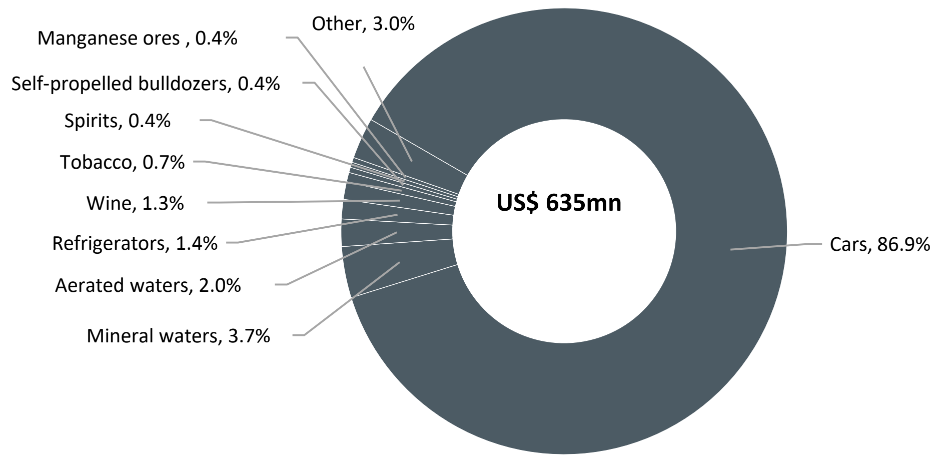
Re-exports of cars from Georgia to Kazakhstan increased by 5.7x y/y to US$ 592mn in 2023. In 9M24, cars re-exports to Kazakhstan rose by 32.9% y/y to US$ 551mn

Car re-exports accounted for 86.9% of total goods exported to Kazakhstan as of 9M24, while other products made only minor contributions

Goods exports from Georgia to Kazakhstan, US$ mn



Georgia’s exports to Kazakhstan by product, 9M24



Source: Geostat, KazStat

Linkages - goods imports from Kazakhstan to Georgia

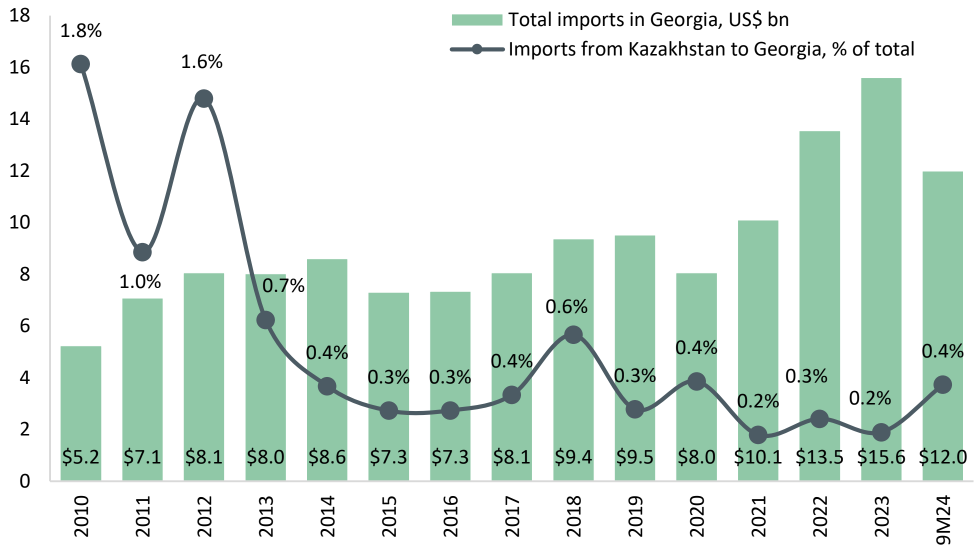
Imports from Kazakhstan to Georgia have consistently remained low, fluctuating between 0.2% and 0.7% from 2013 through 9M24.

In 2023, goods imports from Kazakhstan decreased by 9.5% y/y to US$ 33mn

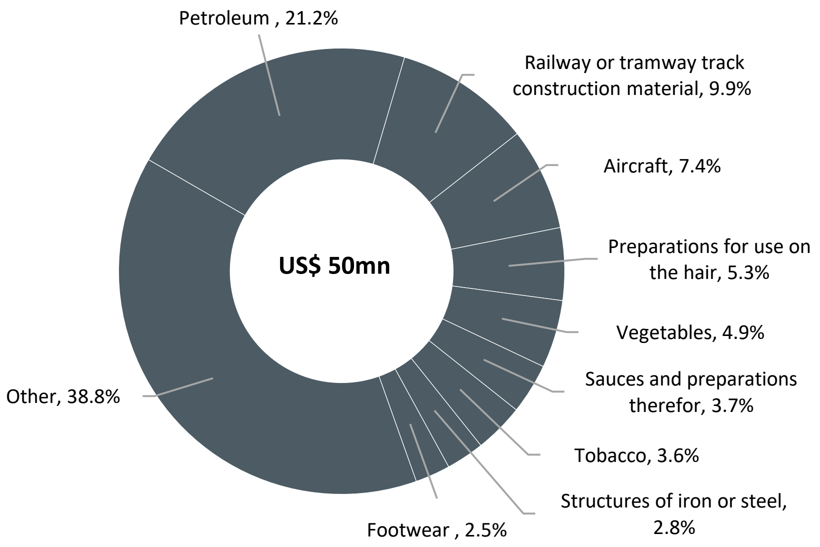
Petroleum is the primary product imported by Georgia, yet its share of total petroleum imports remains low (rising to 1.1% in 9M24 from 0.1% in 2021-23)

Despite the relatively low import value, the diversity of the product mix is greater than that of Georgia's exports to Kazakhstan

Goods imports from Kazakhstan to Georgia, US$ mn



Imports from Kazakhstan to Georgia by product, 9M24



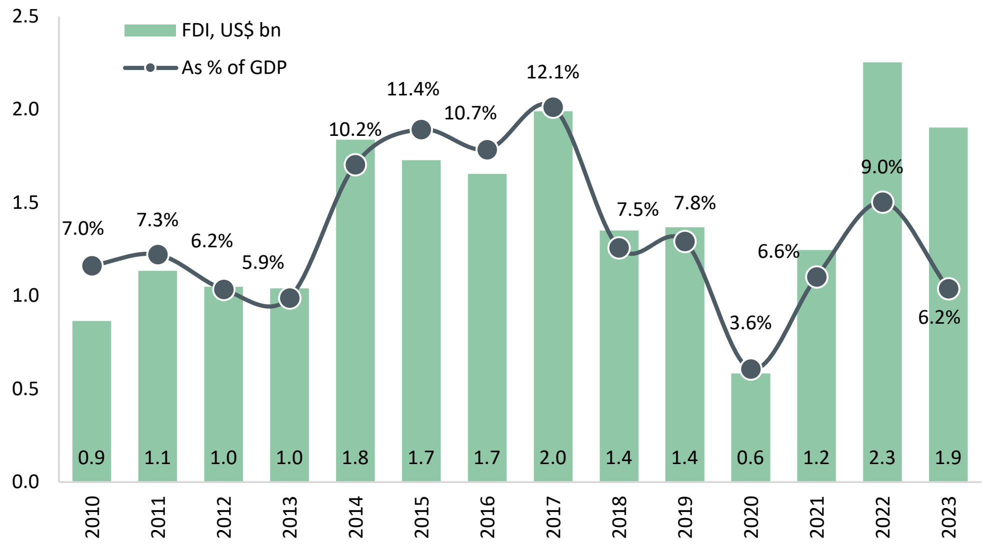
Source: Geostat, KazStat

FDI – Georgia has a higher FDI-to-GDP than Kazakhstan

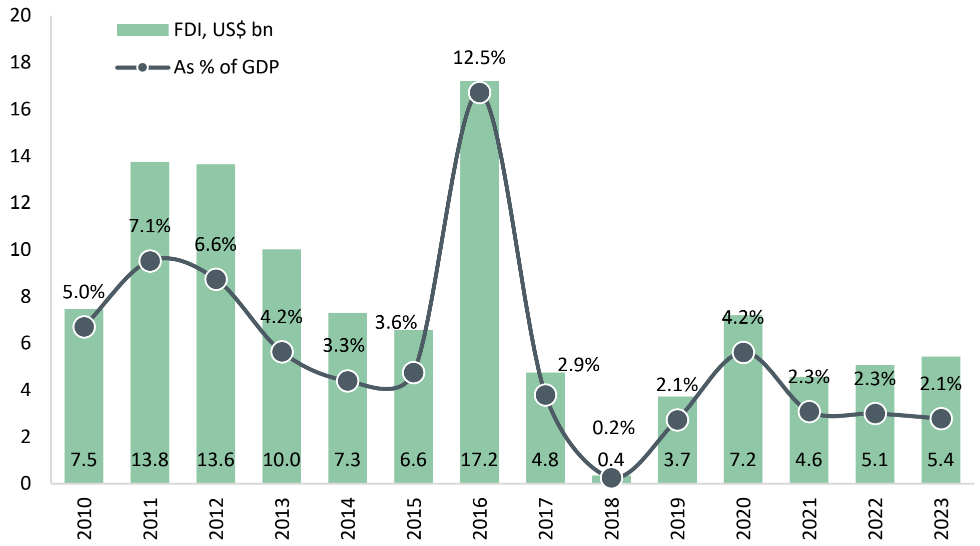
Georgia has attracted significant levels of FDI over the past decade, averaging 8.5% of GDP

In Kazakhstan, FDI has moderated, averaging 2.3% of GDP over 2017-23

Foreign direct investments (FDI) in Georgia



Foreign direct investments (FDI) in Kazakhstan

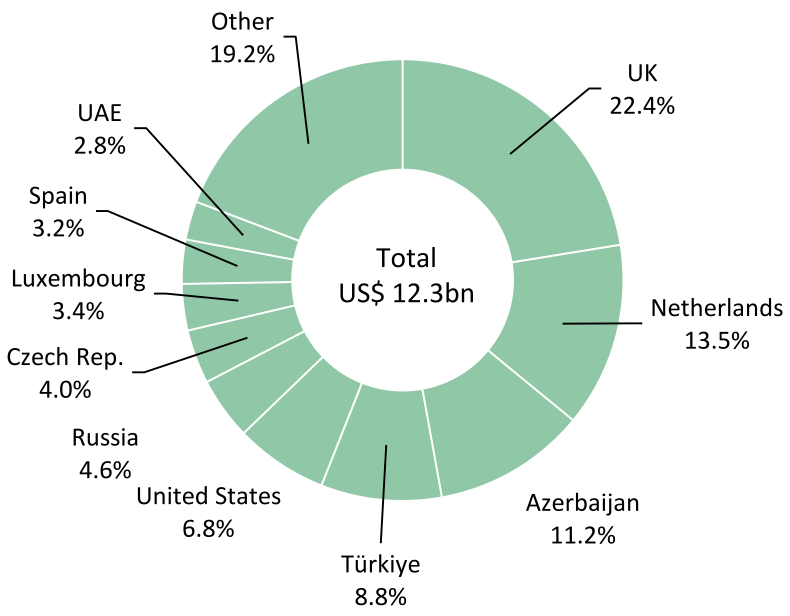


Source: Geostat, KazStat

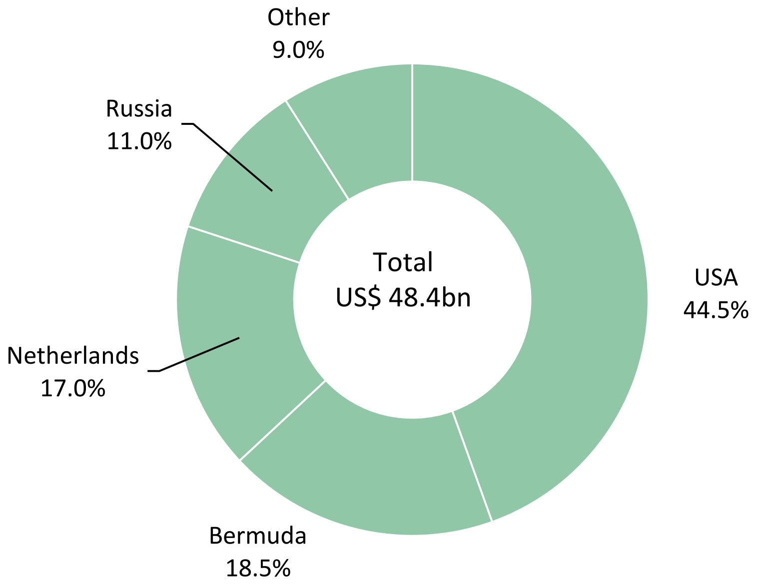
Over 2016-23, the largest share of FDI in Georgia came from the UK, followed by the Netherlands and Azerbaijan

Over 2016-23, the largest share of FDI in Kazakhstan came from the USA, followed by Bermuda and the Netherlands

FDI by country in Georgia over 2016-23, as % of total



FDI by country in Kazakhstan over 2016-23, as % of total

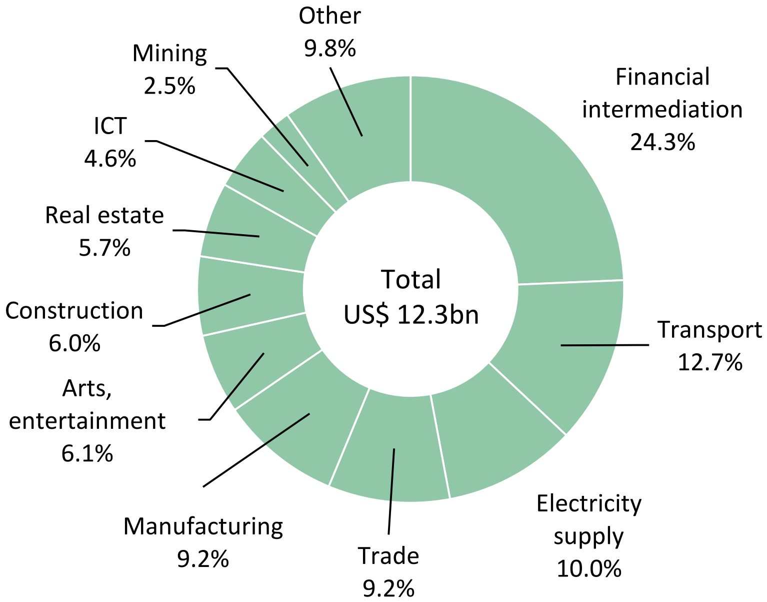


Source: Geostat, KazStat

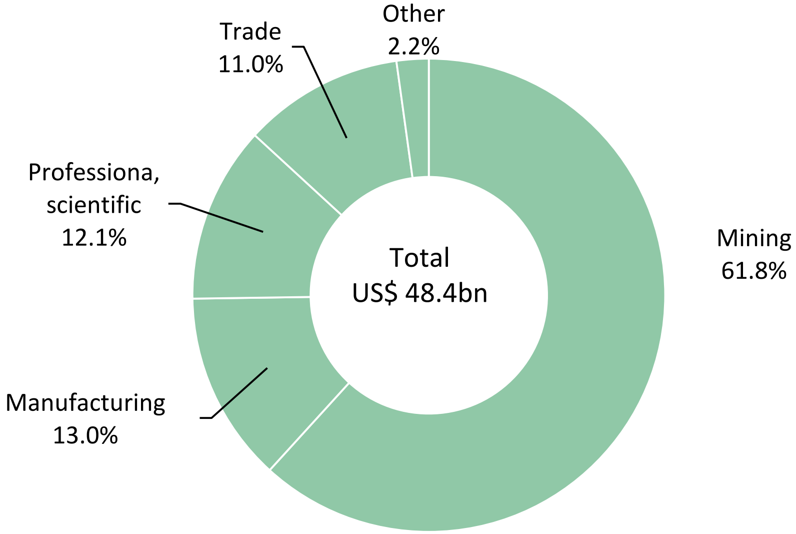
FDI in Georgia is well diversified across economic sectors. Over 2016-23, Georgia attracted FDI worth US$ 12.3bn, with the majority directed toward the financial sector

Over 2016-23, Kazakhstan attracted FDI worth US$ 48.4bn, with 61.8% directed toward the mining sector

FDI by sector in Georgia over 2016-23, as % of total



FDI by sector in Kazakhstan over 2016-23, as % of GDP

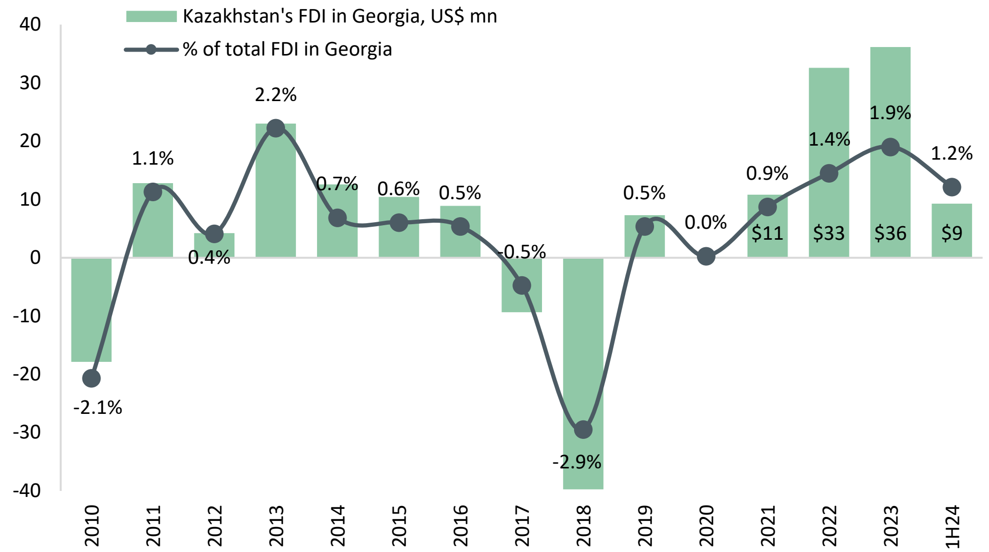


Source: Geostat, KazStat

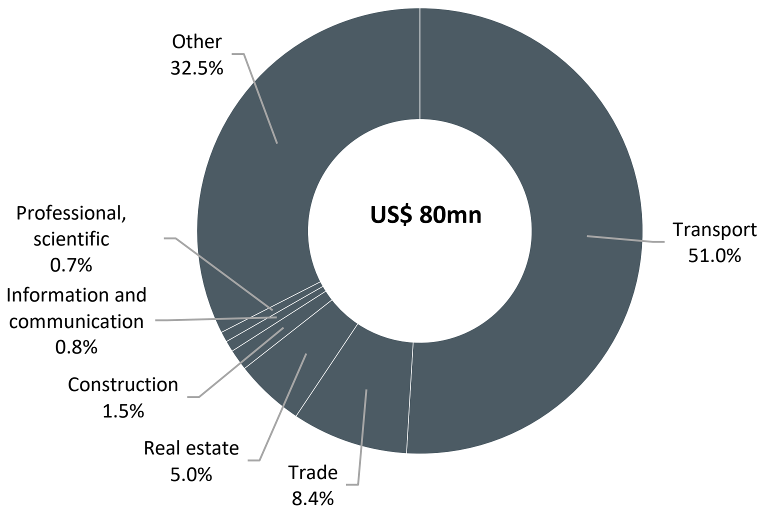
Kazakhstan's FDI in Georgia is comparatively small, yet it exhibits notable fluctuations, with figures varying from negative levels in 2010 and 2018 to a peak of US$ 36.2mn in 2023

Over 201-23, Kazakhstan's investments in Georgia were primarily concentrated in the transport sector, accounting for 51% of total investments, followed by trade at 8.4% and real estate at 5.0%

FDI from Kazakhstan to Georgia



FDI from Kazakhstan to Georgia by sector, 2021-23



Source: Geostat, KazStat

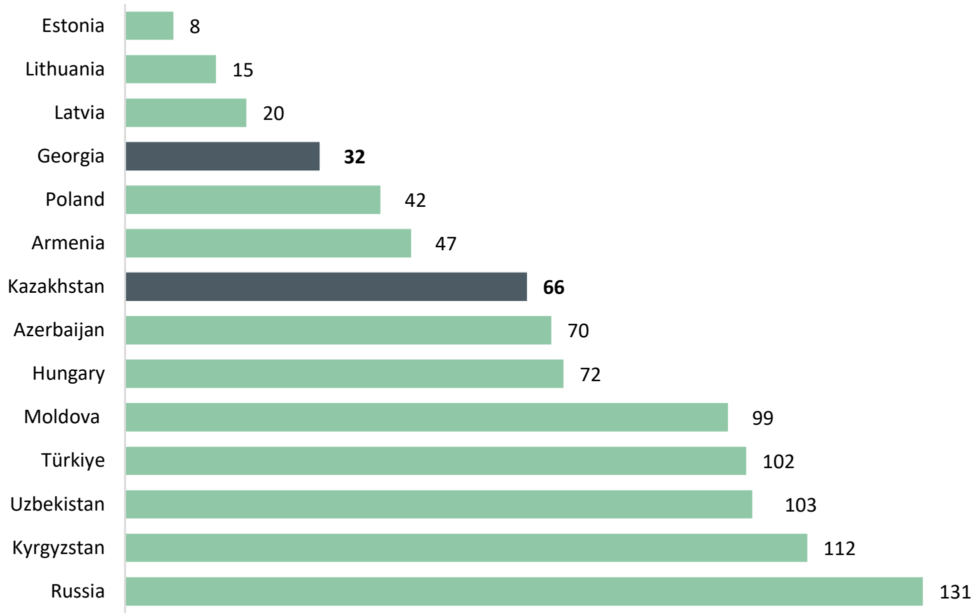
Georgia's 2024 economic freedom score of 68.4 exceeds both world and regional averages, positioning it as the freest economy in the world (32nd out of 176 countries). This score highlights a resilient economy characterized by regulatory efficiency, open markets, and low taxes.

In contrast, Kazakhstan's 2024 economic freedom score of 62.0 reflects a moderately free economy (66th globally). While unchanged from the previous year and above regional averages, Kazakhstan's economic freedom is hindered by weak judicial systems and corruption

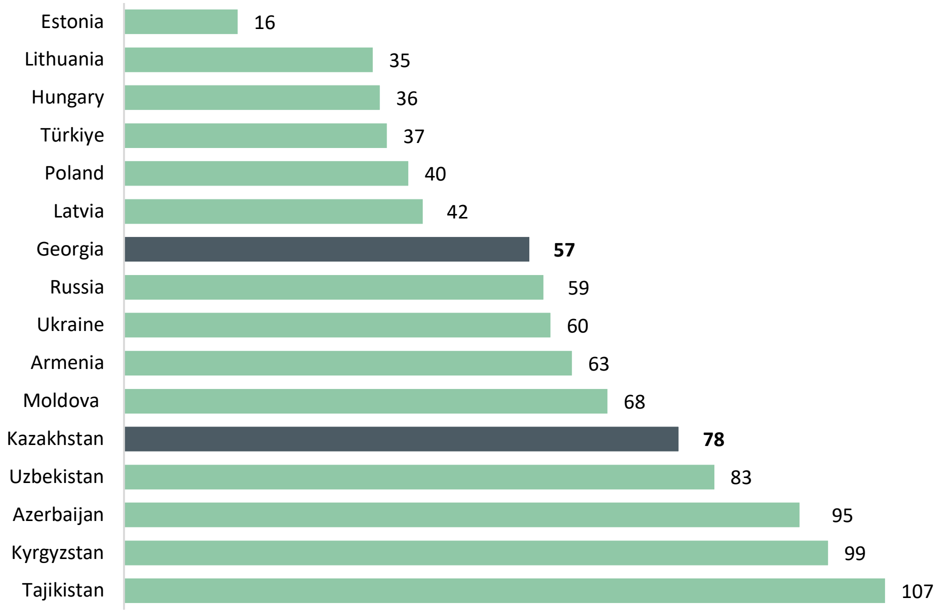
In Global Innovation Index, Georgia ranks 57th out of 133 countries, marking significant improvements and entering the top 60. The country excels in institution, business sophistication, infrastructure, and market access, positively contributing to its innovation landscape.

In Central and Southern Asia, Kazakhstan holds the 78th position, also making it into the top 80. Kazakhstan demonstrates strengths in innovation inputs, particularly in government online services, utility models, e-participation, and entrepreneurship policies and culture

Economic freedom index ranking, 2024



Global innovation index ranking, 2024



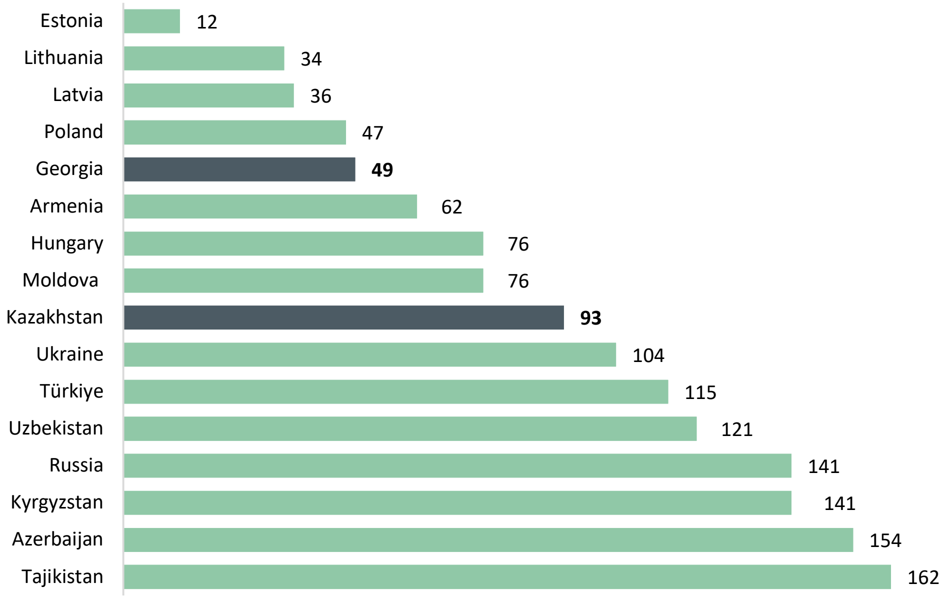
Source: The Heritage Foundation, The World Intellectual Property Organization

Corruption and the risk of business bribery indices

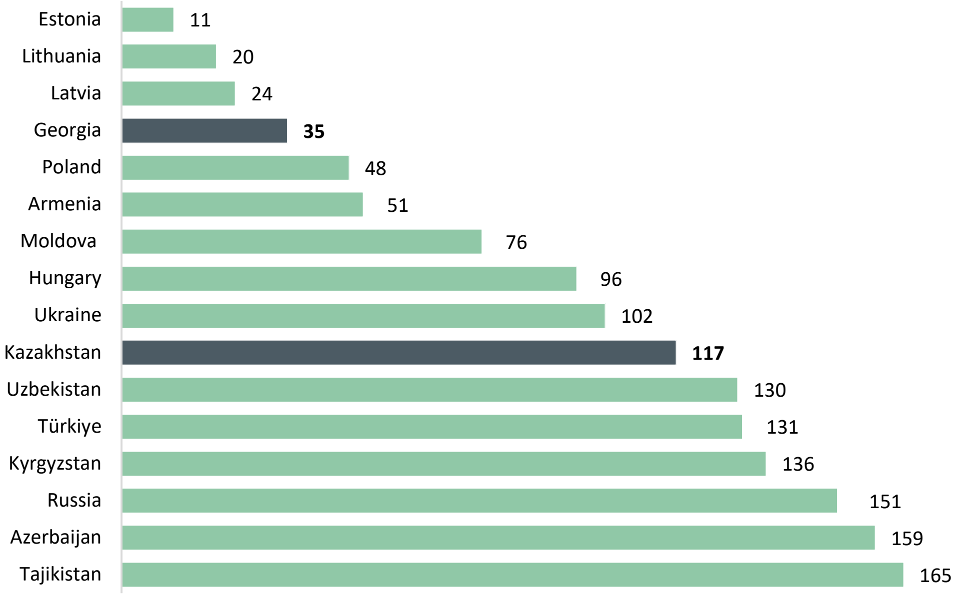
In the 2023 Corruption Perceptions Index, Georgia ranked 49th, while Kazakhstan holds the 93rd position out of 180 countries

In the 2023 Business Risk Index, Georgia ranked 35th, while Kazakhstan holds the 117th position out of 194 countries

Corruption Perception Index, 2023



Business Bribery Risk Index, 2023



Source: Transparency International, Trace International

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