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ҰЛТТЫҚ ЭКОНОМИКАЛАРДЫҢ ҚАЗІРГІ ТЕНДЕНЦИЈАЛАРЫ МЕН
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конкурентоспособных стран мира, в настоящее время являющаяся основным программным документом, определяющим направление развития республики на долгосрочную перспективу. Для ее реализации были поставлены задачи успешной интеграции Казахстана в мировую экономику, модернизации и диверсификации отечественной экономики, дальнейшего развития демократии и трансформации политической системы.

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RISK OF KAZAKHSTAN’S FLOATING EXCHANGE RATE UNDER THE SHADOW OF EPIDEMIC SITUATION TO SINO-KAZAKHSTAN ECONOMIC AND TRADE

Since the outbreak of the new coronavirus, the development of the epidemic has added significant new uncertainties to the economic functioning and social stability of Kazakhstan, from production to transportation, from cost-benefit to balance sheet, the epidemic is affecting every aspect of economic development. This paper will focus on the exchange rate floating as a starting point to discuss what kind of risks Kazakhstan’s exchange rate floating will bring to Sino-Kazakhstan economic and trade relations under the shadow of the new crown epidemic, and how the two countries should respond accordingly.

First, we need to analyse the overall impact of NCP (Novel Coronavirus Pneumonia) on the Kazakh economy.

Affected by the new crown pneumonia epidemic, the drop in oil prices, isolation measures and the depreciation of Tenge have become the “new normal” of the Kazakh economy and a huge challenge that the country and the government must

face. The direct impact of the epidemic on the Kazakh economy is mainly manifested in:

Between January and May 2020, GDP shrank by 1.7 per cent. The oil and gas sector was hardest hit by the outbreak, with crude oil prices falling by the most since 1990s. With the oil and gas sector accounting for about 15 per cent of Kazakhstan's GDP, the fall in oil prices is bound to have a direct impact on the Kazakh economy. Big companies have had to downsize their headquarters, and Kazakhstan's national oil and gas company has been forced to delay its initial public offering. The situation in other sectors was also unsatisfactory and many businesses, particularly in the service sector, were unable to operate during the period of isolation. Beauty Salons and restaurants did not reopen until late May-early June, and rail and air passenger services began to recover after a two-month "shutdown" . In May 2020, Kazakhstan's business environment index stood at -13.7, which is still negative but an improvement over April's index (- 31.6) . This shows that the economy is gradually recovering. But it is hard to be sure how the economy will fare under the "new normal".[1]

The economic consequences of the new crown pneumonia epidemic are the greatest economic hardship that Kazakhstan has experienced in the last 20 years. After a 15 per cent devaluation in April, food product prices rose 10.7 per cent in May. It is expected that the outbreak will lead to a widening of the income gap and an increase in poverty in Kazakhstan. The World Bank has revised its forecast for Kazakhstan's poverty rate from 8.3% to 12.7% . Faced with a severe test, the government of Kazakhstan has adopted a variety of response measures. According to statistics, in the first half of this year, the government of Kazakhstan allocated a total of about \$10 billion to fight the new epidemic of pneumonia, support the development of Industry and Commerce and create jobs, which accounted for 5.7% of Kazakhstan's GDP. In addition, the first quarter of this year foreign direct investment in Kazakhstan net inflow of \$2.5 billion. According to World Bank projections, Kazakhstan's gross domestic product will decline by 3% in 2020 and the 2021 will grow by 2.5% .

Then, looking back at history, we can conclude that Kazakhstan's economy and currency are fragile.

The structure of economy, industry and society determines the vulnerability of Kazakhstan's economy, which is mainly reflected in the substantial depreciation of the exchange rate. Kazakhstan's GDP in 2019 was \$151.214 billion, well ahead of Uzbekistan's \$58.3 billion, Kyrgyzstan's \$8.45 billion and Tajikistan's \$7.9 billion, volatility in the Tenge exchange rate tends to cause other central Asian currencies, such as the Kyrgyzstani SOM, to move in the same direction. But even in a country with such a strong economy in Central Asia, its currency is vulnerable by international standards:

On 15 November 1993, Kazakhstan officially issued the national currency Tenge at an exchange rate of 4.70 Tenge to the United States dollar; by 10 July 2020, over a period of some 26 years and 8 months, the exchange rate had depreciated to 413.42 Tenge to the United States dollar, that's 1/88th of the release date. In this nearly 27-year period, during the seven-year period from 1993 to 1999, Kazakhstan

experienced four years of economic contraction and the remaining three years of real economic growth (in constant local currency terms) was only 0.5% to 2.7% . Accordingly, the Tenge exchange rate depreciated precipitously for several years during this period, depreciating against the United States dollar from 1/10.5 per cent in the first half month of issuance to 64.6% in 1999. Even after the start of the super-bull market in commodities at the beginning of this century in 2002, the Tenge exchange rate against the United States dollar appreciated only to a certain extent between 2003 and 2007(except 2005) and remained stable in 2008, but from the end of 2008 onwards, Tenge exchange rate re-entered the continuous substantial depreciation channel, to this year before the outbreak has appeared three cliff-like depreciation. On 4 February 2009, the Central Bank of Kazakhstan announced that it would no longer maintain the exchange rate of the Tenge against the United States dollar, resulting in a 22.9% depreciation of the Tenge against the United States dollar that year, which fell from 120.79 Tenge to the dollar at the end of 2008 to 148.46 Tenge to the dollar. On 11 February 2014, the Central Bank of Kazakhstan significantly devalued the Tenge by 19.3%, adjusting the benchmark exchange rate of the United States dollar against the Tenge from 1:155.5 the previous day to 1:185(with a range of 3 Tenge up and down) .[2]

On August 20, 2015, just a year and a half after the sharp devaluation in 2014, the Central Bank of Kazakhstan announced the lifting of the band limit on exchange rate fluctuations and the introduction of a floating exchange rate. On the same day, the Tenge fell 3% against the dollar, and the next day it fell 23%. By the end of 2015, the Tenge had depreciated by more than 50%, from 188 Tenge to the dollar on the day before the introduction of the floating exchange rate to around 380 Tenge to the dollar.

Later on, through a certain time line, we need to sum up the impact of the new crown epidemic on the currency of Kazakhstan.

With Kazakhstan's historical record of currency exchange rate movements so fragile, will it again experience a precipitous depreciation this year? In the final analysis, it depends on its economic growth and balance of payments and, more importantly, on the international economic and political environment in which it operates. From the long-wave perspective of the Economic Cycle, in the second half of 2014, the oil price avalanche and the super bull market in primary products ended completely, ending not only the ordinary cycle of the market, but also the high growth stage in the long-wave of the economic cycle, as a result, the world economy has entered a period of low growth, which is likely to last for quite some time (say, 10 years or more) , this has created a highly unfavourable external economic environment for Kazakhstan, whose economic and industrial structure is highly dependent on the primary product sector. We can see that after 2014, Kazakhstan's economic growth rate has slowed markedly overall.[3]

In such a general environment, the outbreak of NCP this year and the resulting plunge in the market for primary products such as oil have brought a new shock to the economy of Kazakhstan, and Kazakhstan's economic growth rate has dropped sharply this year, the local currency depreciated sharply against the dollar. On March 6, the Kazakh Stock Exchange (Kase) announced the midpoint of the Tenge-Dollar

exchange rate at 382.05 to 1. On July 2, the government of Kazakhstan decided to re-impose a 14-day enforced quarantine across the country starting July 5, as a hedge against public panic, it was announced on the same day that the first president and “leader of the nation” - Nursultan Nazarbayev had recovered from pneumonia. Still, the next day (3 July) , the Tenge closed at 406.12 to the dollar, significantly lower than in early March, when the outbreak began. On July 10, the Tenge fell further to 413.42 to the dollar.

In the end, we need to conclude what kind of risks Kazakhstan’s exchange rate fluctuations will bring to Sino-Kazakhstan economic and trade.

Kazakhstan plays an important role in China’s energy import, especially in the import of natural gas through pipelines, the China-Kazakhstan crude oil pipeline and the Central Asia natural gas pipeline are China’s first cross-border crude oil transportation pipeline and cross-border gas transportation pipeline respectively.

The China-Kazakhstan crude oil pipeline was fully operational in May 2006, and as of December 31,2019, it had transported more than 130 million tons of crude oil to China, of which 10.8827 million tons were transported in 2019, equivalent to 5.7% of China’s domestic crude oil production (191.014 million tons) in the same year, in particular, it has been instrumental in ensuring processing demand at large refineries in the West, such as Dushanzi District. If the planned annual capacity of 20 million tons can be realized, the status of China-kazakhstan crude oil pipeline in China’s crude oil supply will be further enhanced. The Central Asia Gas Pipeline went into production in December 2009, and currently the main sources of gas are Turkmenistan and Uzbekistan, as well as Kazakhstan, which began supplying gas in 2017. As of 31 December 2019, the Central Asia Gas Pipeline A, B and C had imported a total of 294.6 billion cubic meters of natural gas, of which more than 47.9 billion cubic meters were transported in 2019. China produced 176.17 billion cubic meters of natural gas in 2019, with imports of pipeline natural gas from Central Asia representing 27 percent of China’s domestic production. At present, imports of piped natural gas from Central Asia cover more than 500 million people in 27 provinces of China and the Hong Kong Special Administrative Region, accounting for about 15% of China’s total domestic gas consumption. At present, the total annual capacity of the Central Asia Natural Gas Pipeline A, B and C is 55 billion cubic meters. After the completion and operation of the D line under construction, the annual capacity can be increased to 85 billion cubic meters.[4]

The impact of the outbreak on Sino-Kazakhstan economic and trade is reflected in the production, transportation, demand and other links of China’s import of Kazakhstan oil and gas products. In the first quarter of this year, the Central Asia gas pipeline sent more than 10.1 billion cubic meters of imported natural gas to China, down 12 percent from the same period last year (11.5 billion cubic meters) . Second, under the impact of the epidemic, if Kazakhstan’s economy, national income decline, the demand for Chinese imports will be reduced accordingly. Third, if the exchange rate of Kazakhstan’s currency were to fall off a cliff again, assets of Chinese-funded enterprises in Kazakhstan denominated in the currency of the host country, assets such as Kazakh currency deposits held by individuals and families of Chinese nationals, and sales contracts denominated in the currency of Kazakhstan will suffer

greater exchange losses, capital-intensive energy companies are particularly exposed to potential exchange rate risks. The Hong Kong listed Kunlun Energy, for example, was once one of the main platforms for oil and gas exploration and development in Kazakhstan, in 2009, when Tenge depreciated by 22.9% against the dollar, sales in Kazakhstan rose by 3.5% and profits plunged by 91.4% as a result of tax changes in Kazakhstan and other factors. In 2015, the company suffered a loss of HK \$1.881 BN as the Central Bank of Kazakhstan switched to a free-floating exchange rate system, which resulted in a substantial depreciation of the Tenge against the US dollar.

Therefore, in the face of the current situation of Kazakhstan's exchange rate fluctuations under the shadow of the new crown epidemic, if China-Kazakhstan economy and trade want to achieve long-term and stable development, it must further promote the construction of related financial infrastructure, maintain development strength, and work together to meet challenges together.

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TRENDS IN RETAILING AND COVID – 19 PANDEMIC

Introduction

The retail plays an important role in the national economy. Its contribution to the GDP creation and proportion of the work force employed in this sector makes it crucial for the government to keep the sector competitive and healthy. In the sector, there are retail stores classified according to EU as micro, small, medium, and large enterprises:

- micro: 1-9 employees, turnover/year not more than 2 million €,
- small: 10 – 50 employees, turnover/year not more than 10 million €,
- medium: 100 – 250 employees, turnover/year not more than 50 million€,
- large: more than 250 employees, turnover/year more than 50 million €.

Retail store unit is the inevitable part of the logistic movement of the products from the producer directly to the final consumer. The essential components of the retail unit are:

- products in the different variants,