



Eurasian Development Bank



EDB Monitoring of Mutual Investments — 2024

Eurasian Region

Report 24/10

Almaty — 2024

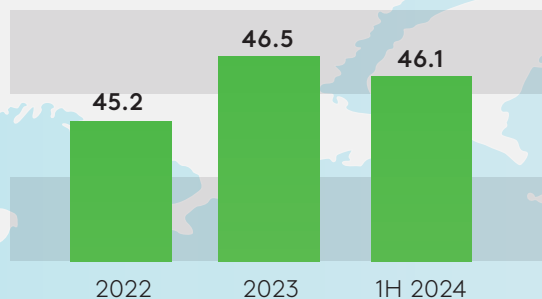
EDB MONITORING OF MUTUAL INVESTMENTS — 2024

EURASIAN REGION

KEY CONCLUSIONS

ANALYTICAL REPORT'24

Mutual direct investment stock of the Eurasian region, \$bn



-\$0.4
bn
vs 2023

Decrease in mutual FDI as at end 1H 2024 — withdrawal of regional investors from a number of large mining projects.

31
+63% vs 2022

Number of **new projects** in 2023, worth a total of around \$2bn (the highest level since 2016)

6.6%
of GDP
+2.6 p.p. vs 2022

Azerbaijan is the region's leader in the ratio of mutual FDI to the country's GDP (as at end 1H 2024). By comparison, Russia's mutual FDI is 4.15% of GDP

57%
+4 p.p. vs 2022

Share of **Kazakhstan, Uzbekistan and Azerbaijan** in total mutual inbound FDI in the region (as at end 1H 2024)

68%
+2 p.p. vs 2022

Private companies are the main investors in the region (as at end 1H 2024)

MANUFACTURING AND AGRO-INDUSTRIAL SECTOR — DRIVERS OF MUTUAL INVESTMENT GROWTH IN THE REGION

+\$1.1
bn
+20% vs 2022

Manufacturing sector made the largest contribution to the growth of mutual investment stock among sectors (as at end 1H 2024)

+\$0.4
bn
+22% vs 2022

Sustainable positive annual growth in the **agro-industrial sector** (as at end 1H 2024)

CENTRAL ASIA — INTENSIVE GROWTH OF INTRA-REGIONAL INVESTMENTS

1.4x
vs 2022

Growth of intra-regional investment stock in **Central Asia** as at end 1H 2024. (For comparison, growth in the Eurasian region was 2%.)

6.8x
vs 2022

Investments from Uzbekistan: the highest growth rate in the region thanks to projects in the manufacturing sector (as at end 1H 2024)

MEDIUM-TERM TRENDS IN MUTUAL INVESTMENTS OF EURASIAN REGION STATES

1. **Greenfield projects** will remain the priority form of new investment.
2. **The manufacturing sector** will be the most attractive for mutual investments.
3. Active growth of new projects will continue in the **agro-industrial sector**.
4. **Uzbekistan** will strengthen its role in mutual investments (as both an exporter and importer of capital).
5. The role of **Central Asia** as a center for attracting mutual investments will increase.



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This report continues the series of publications detailing the findings of a long-standing research project dedicated to monitoring mutual direct investments of the countries of the Eurasian region. The analysis relies on a database maintained by the EDB on the basis of diverse data obtained from publicly available sources. The database is built “from the bottom up”. Its main sources are corporate statements and other primary information. The report contains detailed information on the scope, development, geography, and sectoral structure of mutual direct investments of the countries of the Eurasian region from 2016 through 1H 2024. The analysed geography of the Eurasian region is expanded in this report to include Mongolia.

Keywords: foreign direct investments, mutual investments, investment stock, investment projects, EAEU, Eurasian Economic Union, Central Asia, transnational corporations, FDI structure.

JEL: E22, F15, F21, F23, F36, G31, G34.

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SUMMARY

Box 1. Changes to EDB MMI

The EDB Monitoring of Mutual Investments (EDB MMI) Database is an ongoing research project of the EDB. The database contains detailed information on mutual direct investment stock (hereinafter – mutual investments, mutual FDI) in the Eurasian region.

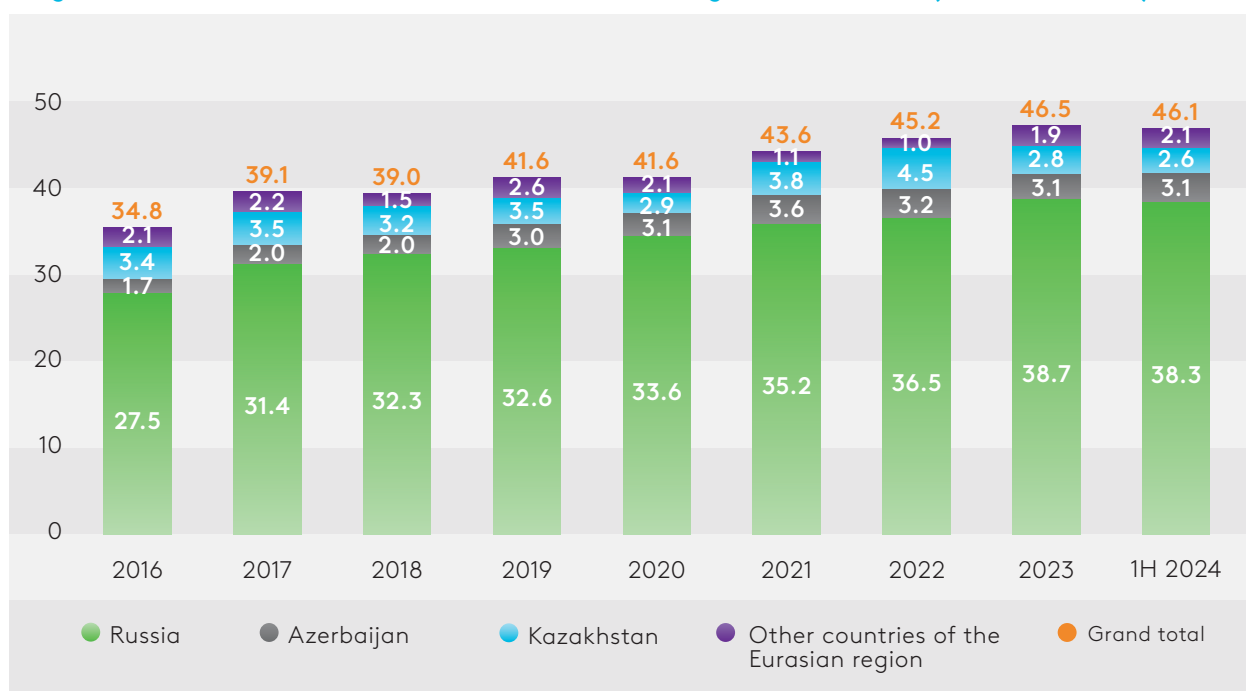
In 2024, the analysed geography of the Eurasian region was extended. The database now includes investment projects involving Mongolia.

Mutual investment stocks for past years (2016–2022) have been reassessed thanks to access to a number of company reports, which take precedence over press releases and media coverage due to their greater reliability.

The reassessment of investment for 2016–2022 has not fundamentally affected the trends or rate of change of indicators. The mutual investment stock in the Eurasian region has been revised downwards for 2022, from \$46.9 billion to \$45.2 billion.

A study on the mutual investments of Eurasian countries with the main trade and investment partners of Eurasian continent (China, Turkey, and Gulf countries) will be published as part of a separate report.

↓ Figure A. Mutual Direct Investment Stock in the Eurasian Region, 2016–1H 2024 (investor countries), \$ billion



Source: EDB MMI Database.

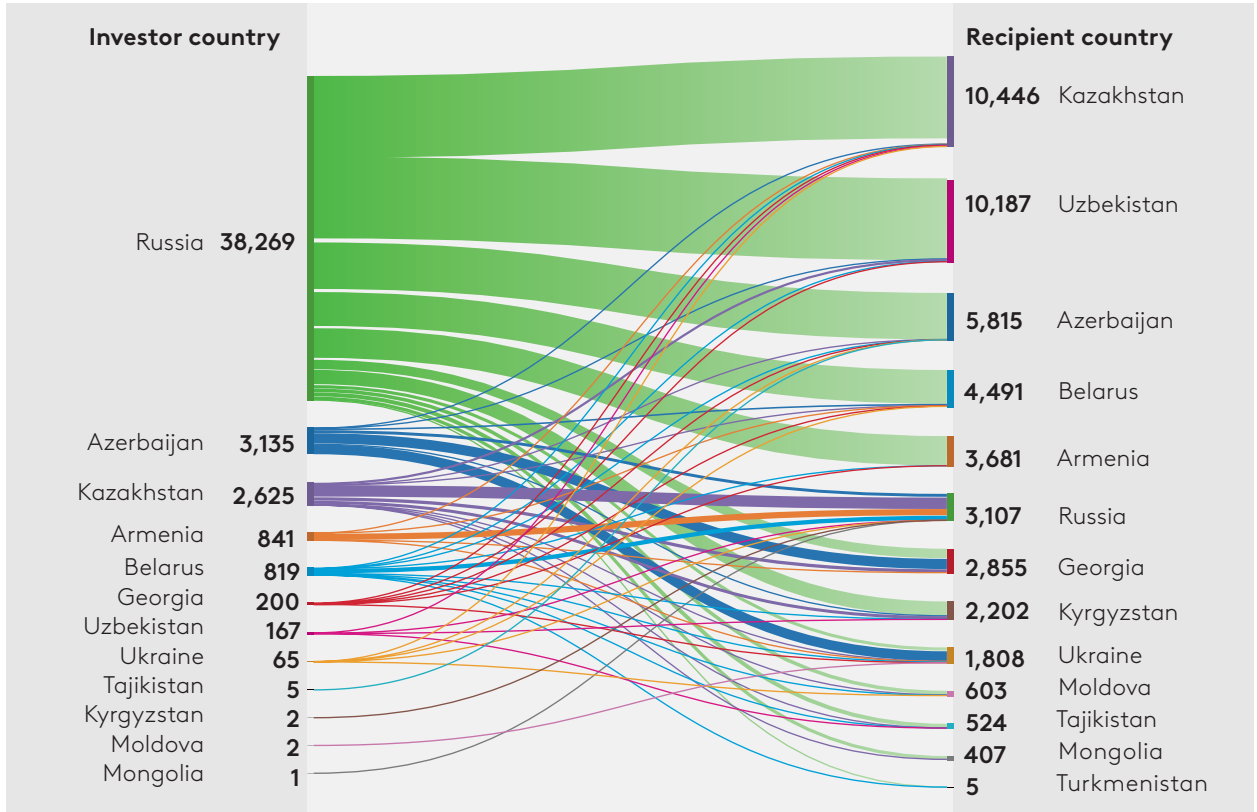
The **total mutual direct investment stock** in Eurasian countries stood at **\$46.1 billion** as at the end of 1H 2024 (Figure A), down 1% from the 2023 level. This is the second decline in the region’s FDI stock since 2018. This development is associated with the withdrawal of investors from a number of major projects, in particular the withdrawal of Russian companies from Polymetal’s metal ore mining projects in Kazakhstan.

In 2023, **31 new investment projects worth \$2 billion** were launched in the Eurasian region – a **record** number in recent years. Of these, the manufacturing sector accounts for 16 projects. The increase in new projects is partly due to the delayed effect of investments previously planned for 2022. The number of new projects (12) in 1H 2024 indicates a potential decrease in 2024 compared to the previous year.

Equity is the **main source of financing** for mutual investments in the region, accounting for **35.4%** of the total mutual FDI stock as at the end of 1H 2024, or \$16.4 billion. Equity combined with debt stands at 41.7% (\$19.2 billion). Debt and budget alone are used to a much lesser extent.

Private companies account for **68%** of mutual FDI in the Eurasian region. The priority recipient of private investments is extractive industries (45%). Fully state-controlled companies accounted for 14.5% of mutual FDI. They have invested predominantly in the transport sector (42% of FDI).

↓ Figure B. Directions of Mutual FDI, by Country, \$ million



Source: EDB MMI Database.

Azerbaijan is the leader in terms of the ratio of funds invested in the countries of the region to national GDP. The ratio stood at 6.6% of GDP as at the end of 1H 2024, up sharply from 4% of GDP in 2022. Azerbaijan is ahead of Russia with 4.15% of GDP.

The three main recipients of investment in the Eurasian region are Kazakhstan, Uzbekistan, and Azerbaijan, at \$10.4 billion (22.6%), \$10.2 billion (22.1%), and \$5.8 billion (12.6%), respectively. Together, these three countries accounted for almost 60% of the total mutual FDI stock at the end of 1H 2024.

Kazakhstan showed record 17% growth (relative to 2022) in mutual FDI inflows in 1H 2024, up to \$10.4 billion. The number of active projects in Kazakhstan is 89 and the average investment per project is \$96 million, slightly higher than the Eurasian region average (\$90 million).

Uzbekistan is the largest mutual investment destination outside the EAEU with more than 22% (\$10.2 billion) of the total mutual FDI stock in the Eurasian region.

Armenia has shown significant growth in its mutual investment stock with a share of 1.8% in the Eurasian region. Its mutual FDI increased from \$62 million in 2022 to \$841 million by the end of 1H 2024, **an increase of more than 13.5 times.** This was facilitated by a major deal by Balchug Capital, an Armenia-based company, which acquired the Metropolis Shopping Mall in Moscow in 2023 for nearly \$700 million (more than 80% of Armenia's total FDI stock in the region). This project was the largest in terms of volume among new deals launched in the Eurasian region in the last two years.

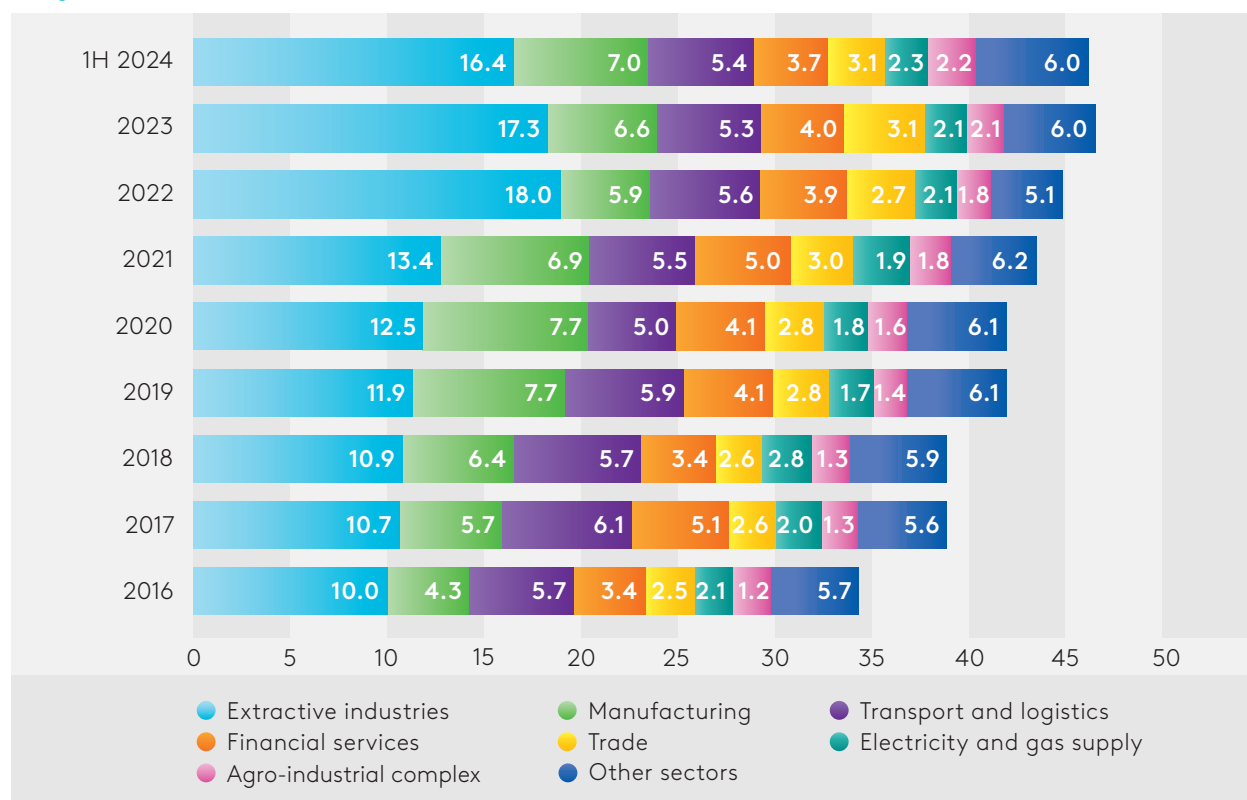
The FDI stock in Mongolia is estimated as at the end of 1H 2024 **at \$407 million.** The Ulaanbaatar Railway Infrastructure Construction and Modernisation Project accounts for the entire amount. Mongolia is an investor in two projects worth around \$1 million.

Investments by Sector

The top three lines in distribution of mutual investment stock by sector as at the end of 1H 2024 were taken by **extractive industries (35.6%), manufacturing (15.2%), and transport and logistics (11.6%).** Together, they account for more than 60% of the total mutual FDI stock. Compared with 2022, of the top three sectors, only manufacturing saw an increase in its investment stock, from \$5.9 billion to \$7.0 billion ([Figure C](#)).

After a significant increase in 2022, mutual FDI in extractive industries declined by 9% in 2023–2024, from \$18 billion to \$16.4 billion. This was mainly due to the withdrawal of Kazakhstan's KazMinerals from the Baimskaya Ore Deposit Development Project in the Russian Far East.

↓ Figure C. Mutual FDI Sectoral Structure, 2016–1H 2024, \$ billion



Source: EDB MMI Database.

Manufacturing has the largest number of projects under implementation – 93 – and its growth momentum over the past year and a half (\$1.1 billion) has been the best among other sectors. The implementation of 20% of these projects started in 2023 – 1H 2024.

Since 2016, the **agro-industrial sector** has shown continuous growth in mutual FDI. The average annual growth rate has been 6.7%. Since 2022, the sector has seen growth of \$0.4 billion (+22%) to \$2.2 billion at the end of 1H 2024.

Since 2023, five new projects have been launched in the **transport and logistics sector** – all exclusively in the warehousing cluster. Almost 80% of new investment (\$133 million) was in the construction of warehouses in Kazakhstan.

Central Asia

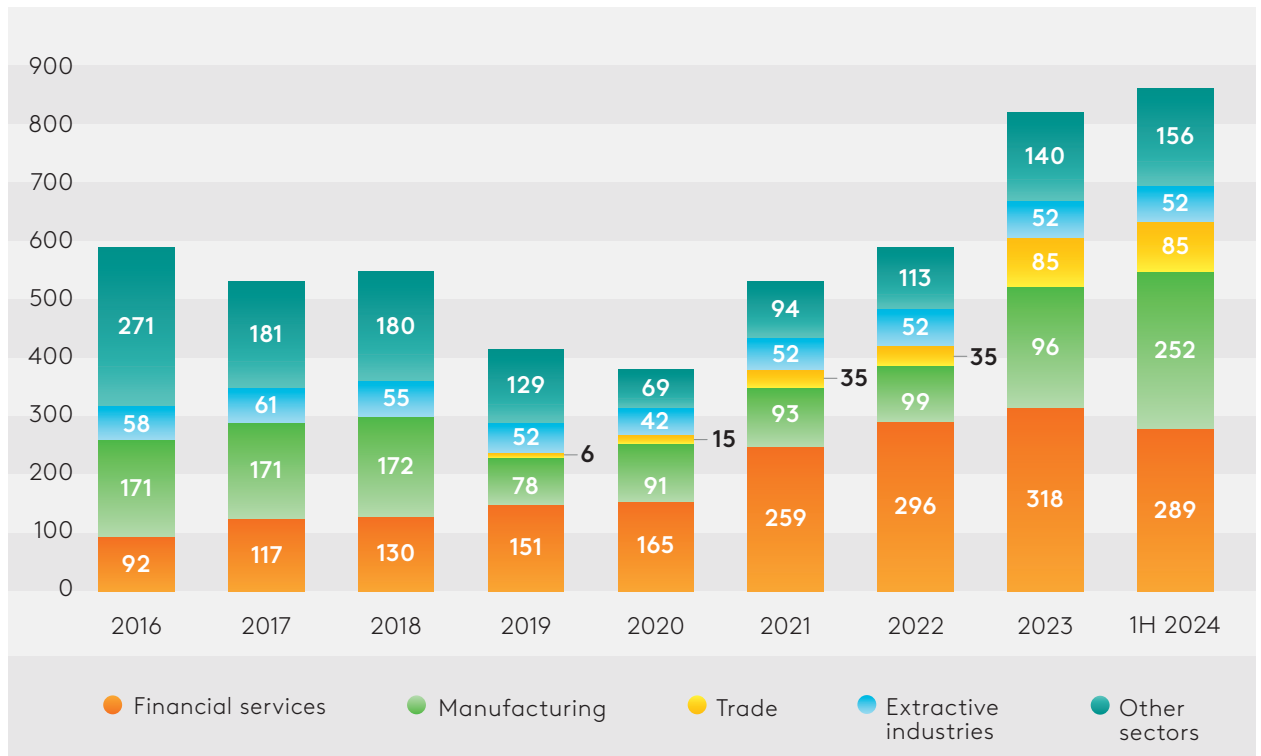
The **share of Central Asian countries** in mutual investment inflows **exceeded 50%**, reaching \$23.4 billion at the end of 1H 2024. Compared to 2022, Central Asia attracted 11% more FDI.

Intra-regional FDI stock in Central Asia **peaked at \$834 million** at the end of 1H 2024, an increase of 40% compared to 2022.

The growing momentum is linked to the launch of new greenfield projects. As at the end of 1H 2024, 25 investment projects were underway in Central Asia, **17 of which**, worth \$479 million, **or 57% of the total, were greenfields.**

Manufacturing in Central Asia shows a high rate of FDI stock growth. It grew by a factor of 2.5 relative to 2022, to \$252 million. In terms of its investment stock and high growth momentum, the manufacturing sector is likely to overtake the financial sector, which saw a slight decline of 2.2% to \$289 million in 1H 2024 compared to 2022 (Figure D).

↓ Figure D. Mutual FDI Stock of Central Asian Countries, by Sector, \$ million



Source: EDB MMI Database.

Kazakhstan has traditionally been the leading investor in Central Asia in terms of intra-regional FDI. It accounted for \$671 million at the end of 1H 2024, or 80% of FDI in the region. More than half of the total stock of Kazakhstan’s investment (55.7%) went to Kyrgyzstan.

Uzbekistan’s importance as an investor country in Central Asia is growing. In 2022–1H 2024, the country’s intra-regional FDI stock increased by a factor of 6.8, from \$24 million to \$164 million. The main recipient of investments by Uzbekistan’s companies is Kazakhstan (77.5%). Investments are in the manufacturing sector, in particular, in the manufacturing of motor vehicles (60%, \$99 million), electrical equipment (29%, \$47 million), and textile products (11%, \$18 million).

Box 2. Medium-Term Trends in Mutual Investments

The Eurasian region will see the following medium-term trends in mutual investments against the backdrop of changes in the composition and geography of value chains and the ongoing development of industrial cooperation:

- 1. The trend towards greenfield projects will continue as the manufacturing sector expands.** A record 21 greenfield projects were launched in 2023, accounting for almost 70% of all new projects.
- 2. The manufacturing sector will be the most attractive for investment in the Eurasian region.** Between 2023 and 1H 2024, it accounted for 20 out of 43 new projects, totalling \$855 million. The likely leaders in mutual FDI growth are motor vehicle manufacturing, the chemical industry, and petroleum refining. These are the sectors that continue to attract significant investment and show steady growth.
- 3. In the agro-industrial sector, the number of projects will continue to grow steadily.** The agro-industrial complex has shown continuous annual growth since 2016, with an average annual rate of 6.7%. Over the past year and a half, the sector has posted growth of 18% to \$2.2 billion. Projects involving the manufacture of food and beverages in the EAEU countries will be particularly attractive for investment.
- 4. The fastest growing country in terms of FDI stock in the Eurasian region will be Uzbekistan,** which will play a significant role in determining trends in investment in the whole of Central Asia. Uzbekistan's FDI stock in Central Asia has grown almost sevenfold in a year and a half, to \$164 million. The country's investment growth is possible in sectors where it has improved its production capacity and competitiveness, particularly in the automotive and textile industries.
- 5. Central Asian countries will increase their share of investment inflows in the Eurasian region.** In Central Asian countries, the mutual FDI stock increased to \$23.4 billion (50.8% of the total) by the end of 1H 2024, up 11% from the 2022 level of \$21.1 billion (46.7%).