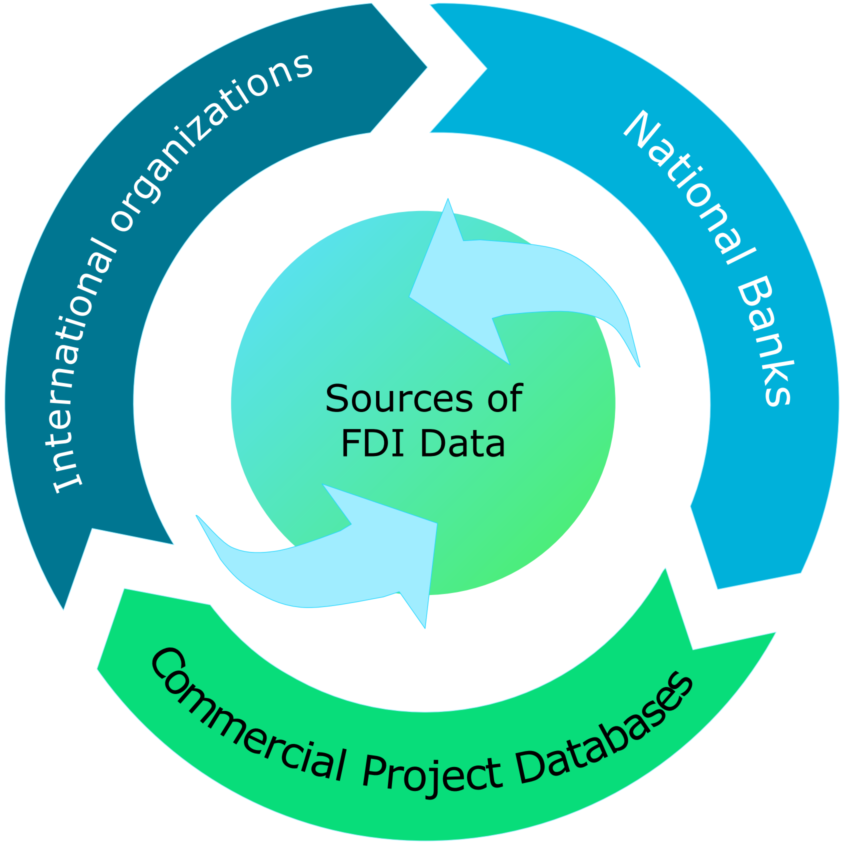
Eurasian Development Bank

EDB Monitoring of Mutual Investments – 2023

Analytical Report

EDB Centre for Integration Studies,
Research Department

Sources of Data on Foreign Direct Investment (FDI)



- **UNCTAD (United Nations Conference on Trade and Development)** – annual publications on global investments, complete with information on (inward/outward) FDI flows and stock in all countries of the world. **UNCTAD has only aggregated country-level information without detailed FDI data.**
- **National (central) banks** have detailed FDI data for their countries. **Official central bank statistics fail to account for investments made through offshore areas.**
- **Commercial project databases** – Financial Times (fDi Markets), Thomson Reuters, Bureau van Dijk, Moody's Analytics (Orbis), etc. **Global coverage, often outdated information on regional projects.**

Mutual Monitoring of Investments (MMI): Aim and Methodology

Mutual monitoring of investments relies on a proprietary project database.

EDB MMI database — intellectual property of the Bank.
The EDB has monitored investment projects since 2012

Unique Methodology	The database is updated and supplemented on an annual basis	Generated "from the bottom up" and **covers investments channelled through offshore areas**	Maintained on the basis of diverse data obtained from publicly available sources
Level of Detail	Information on the scope, development, geographical, and sectoral structure of mutual FDI	**Monitoring of a broad range of parameters** (ownership structure of the investor company, FDI form, etc.)	OKVED-based sectoral classification (to the second digit)
Broad Coverage	1,300+ investment deals in the region	Significant regional projects with values of $1+ million	**Mutual FDI between the countries of the region and China, Turkey, and the Middle East**
Benefits	Advantage in business decision-making	Applied analysis tool. Measurement of integration processes	**Supplements central (national) bank investment statistics**

The key indicator of our research is the amount of mutual direct investment stock (FDI stock).

Research footprint:
12 countries of the Eurasian region – Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan, and Ukraine.

The EDB MMI also covers mutual investments with certain individual countries, including China, Turkey, Iran, as well as the Arab states of the Middle East and North Africa.

Source: EDB.

The EDB MMI is a supplementary tool that can be used to analyze mutual direct investments of the countries of the Eurasian region

Russian Direct Investment Stock in the EAEU Member States in 2021, $ billions

	CBR	EDB MMI
Armenia	1.1	2.8
Belarus	4.2	5.3
Kazakhstan	4.0	11.6
Kyrgyzstan	0.3	0.9
Tajikistan	0.4	0.6
EDB Member States	**10.0**	**21.3**

Source: Bank of Russia, EDB MMI Database.

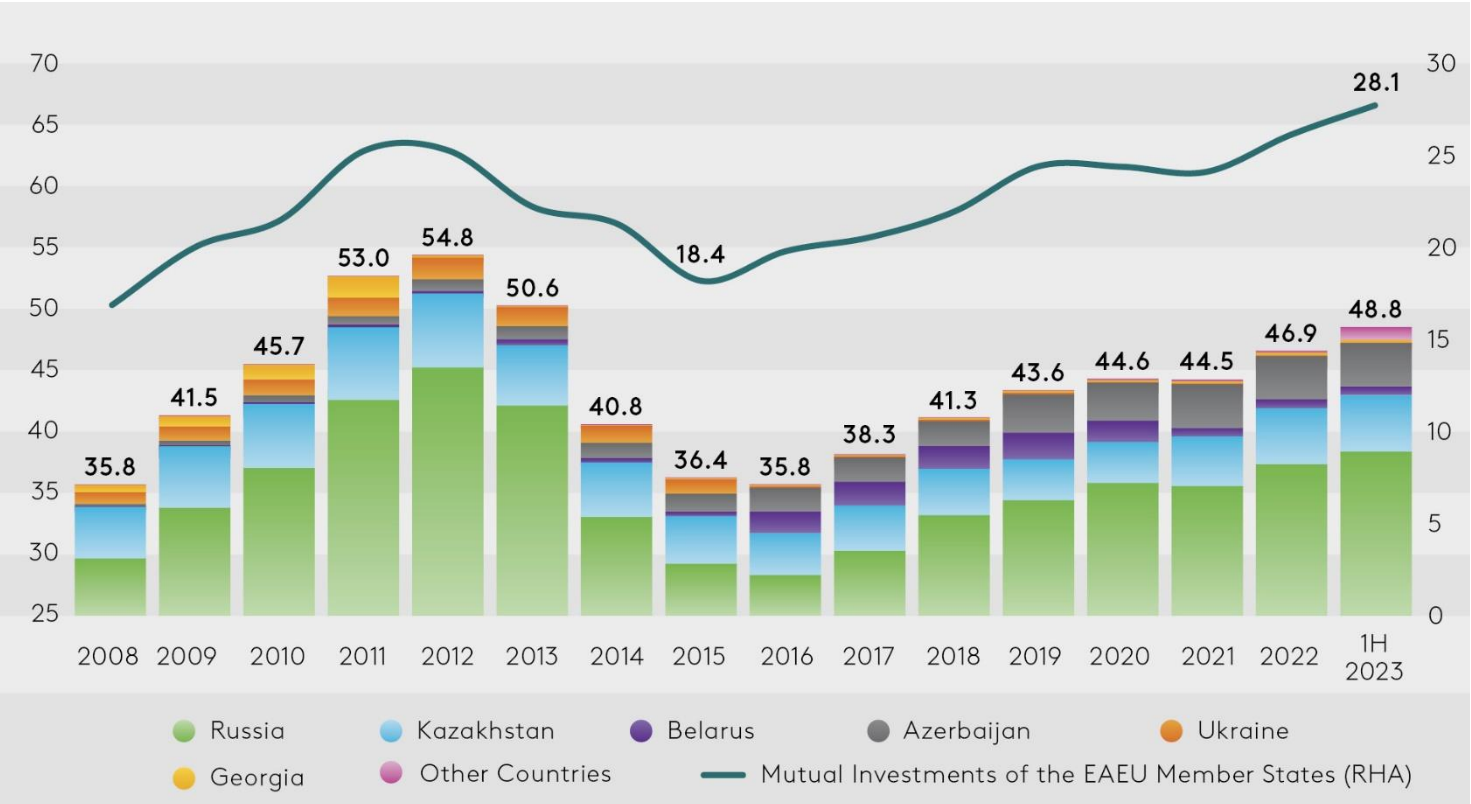
Average difference: >2x.

The EDB MMI does not substitute balance-of-payment data published by central (national) banks. However:

- it is a useful tool for more in-depth analysis of the scope and structure of corporate integration;
- it enables a more precise tracking of the ultimate beneficiaries of investments, including investment flows through offshore areas (in 2021, the share of Cyprus in Russia’s investment stock stood at 36.6% of total inward FDI and 59.8% of total outward FDI).

Mutual Direct Investment Stock of the Countries of the Eurasian Region

Capital Investments of the Countries of the Eurasian Region, $ billions



Source: EDB MMI Database.

1.4x

increase in **Russia**'s investments in the region since 2016 (share of Russian investment projects: 78.9%)

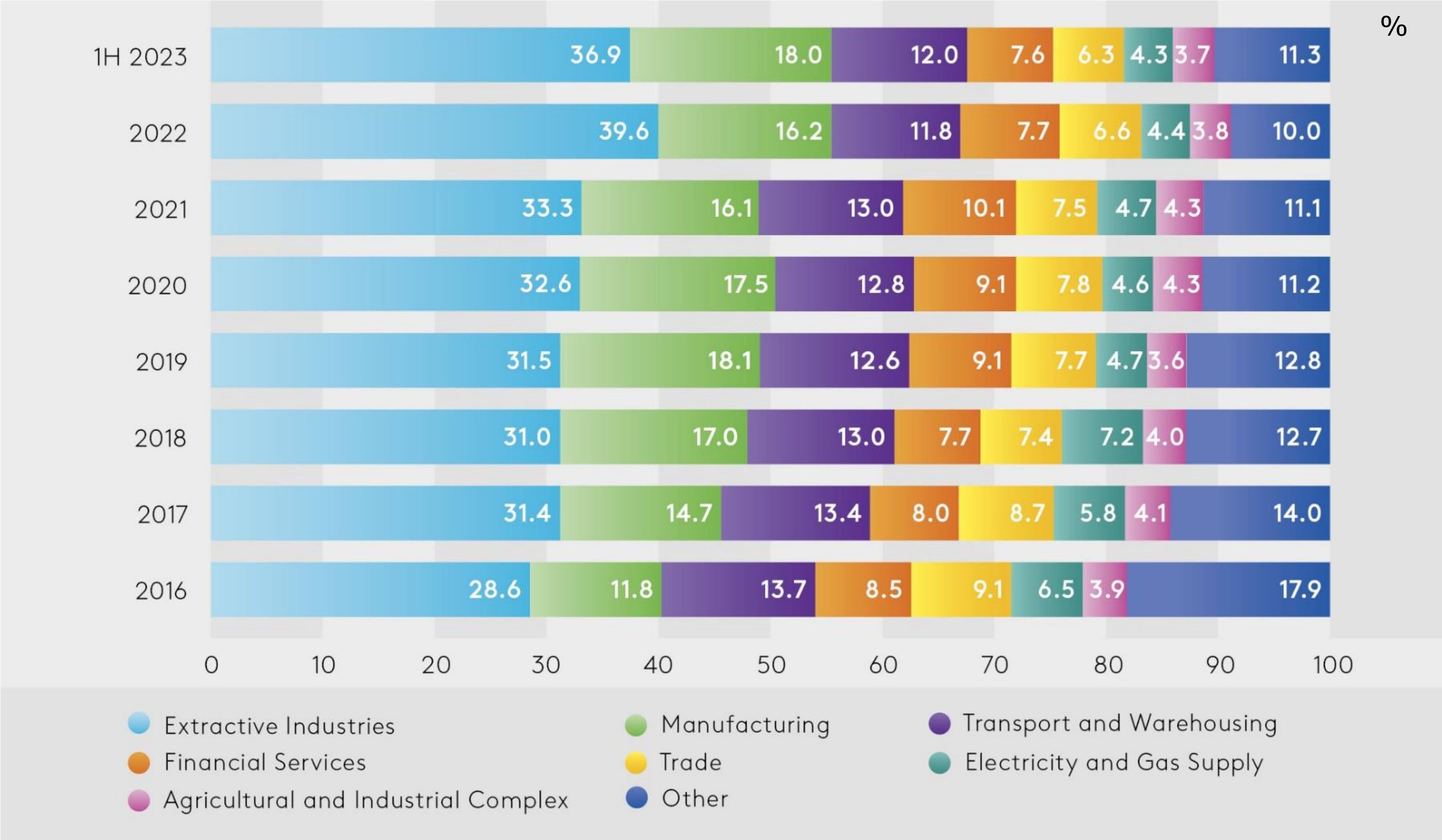
+13.5 p.p.

(from 38.8% to 52.4%) change in the share of five largest investors in total FDI.

57.6%

share of the EAEU member states in mutual direct investments of the countries of the Eurasian region. In 2018 the share was **53.7%**.

Sectoral Structure of Mutual Direct Investments of the Countries of the Eurasian Region



Source: EDB MMI Database.

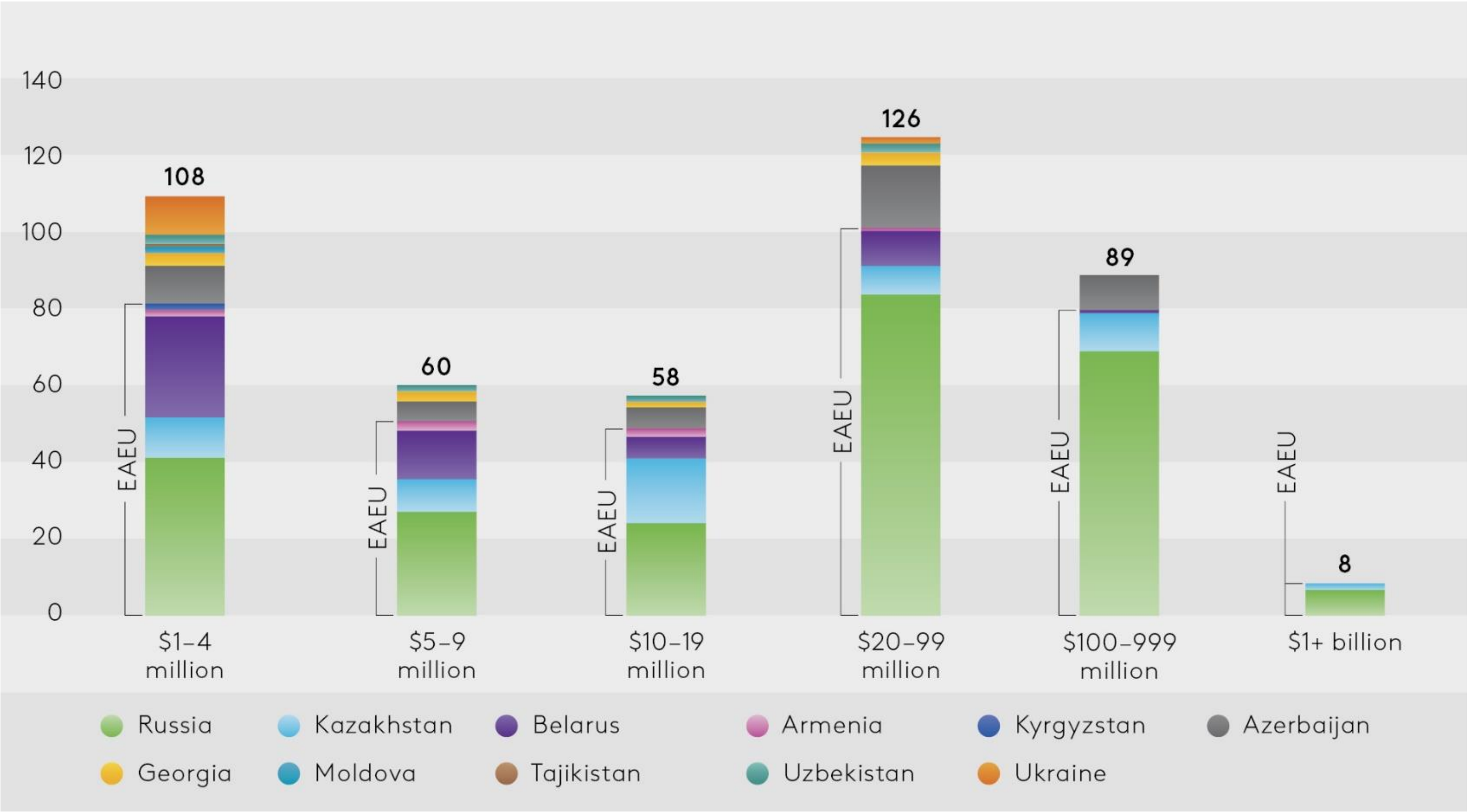
+8 p.p.

(from 29% to 37%) change in the share of mutual FDI in the region’s **Extractive Industries** from 2016 to 1H 2023.

+6 p.p.

(from 12% to 18%) change in the share of **Manufacturing** (chemical industry, manufacture of petrochemical products, construction materials, etc.).

Distribution of the Number of Investment Deals by Capital Intensity as of 1H 2023



Source: EDB MMI Database.

Most projects (126) fall within the **$20–100M** range

Russian investors prioritize **$20M+** projects

$1B+ projects include seven Russia's investment projects and one Kazakhstan's investment project.

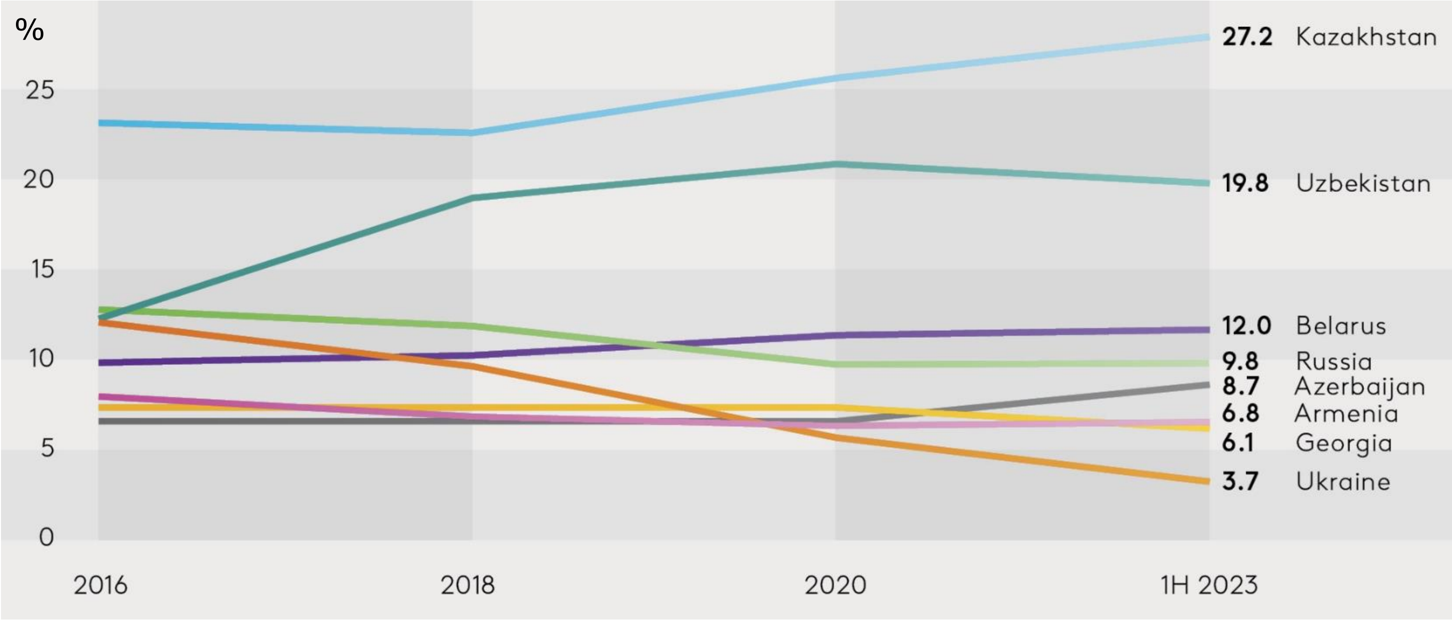
Kazakhstan is the most attractive country for investing in the Eurasian region

+5.5 p.p.

(from 21.7% in 2017 to **27.2%**) change in the share of Kazakhstan as a recipient of mutual FDI in the Eurasian region

1.6x

increase in the value of Russian investments in Kazakhstan since 2016 (total value as of 1H 2023 estimated at **$13.0 billion**)



Source: EDB MMI Database.

Over the Last Seven Years, Mutual FDI Between the Countries of Central Asia Has Been Growing at a Relatively Faster Average Annual Rate of 9.2%

1.8x

increase in mutual investments in Central Asia since 2016 (total value as of 1H 2023 estimated at **$1.1 billion**)

87%

share of direct investments in the region originating from Kazakhstan (until 2018: **100%**, the only investor in the region)

–14.2 p.p.

(from 45.9% in 2020 to **31.7%**) decrease in the share of Extractive Industries in mutual investments. The share of Manufacturing increased by **5.1 p.p.** to 25%, the share of Finance increased by **8.7%** to 22%.

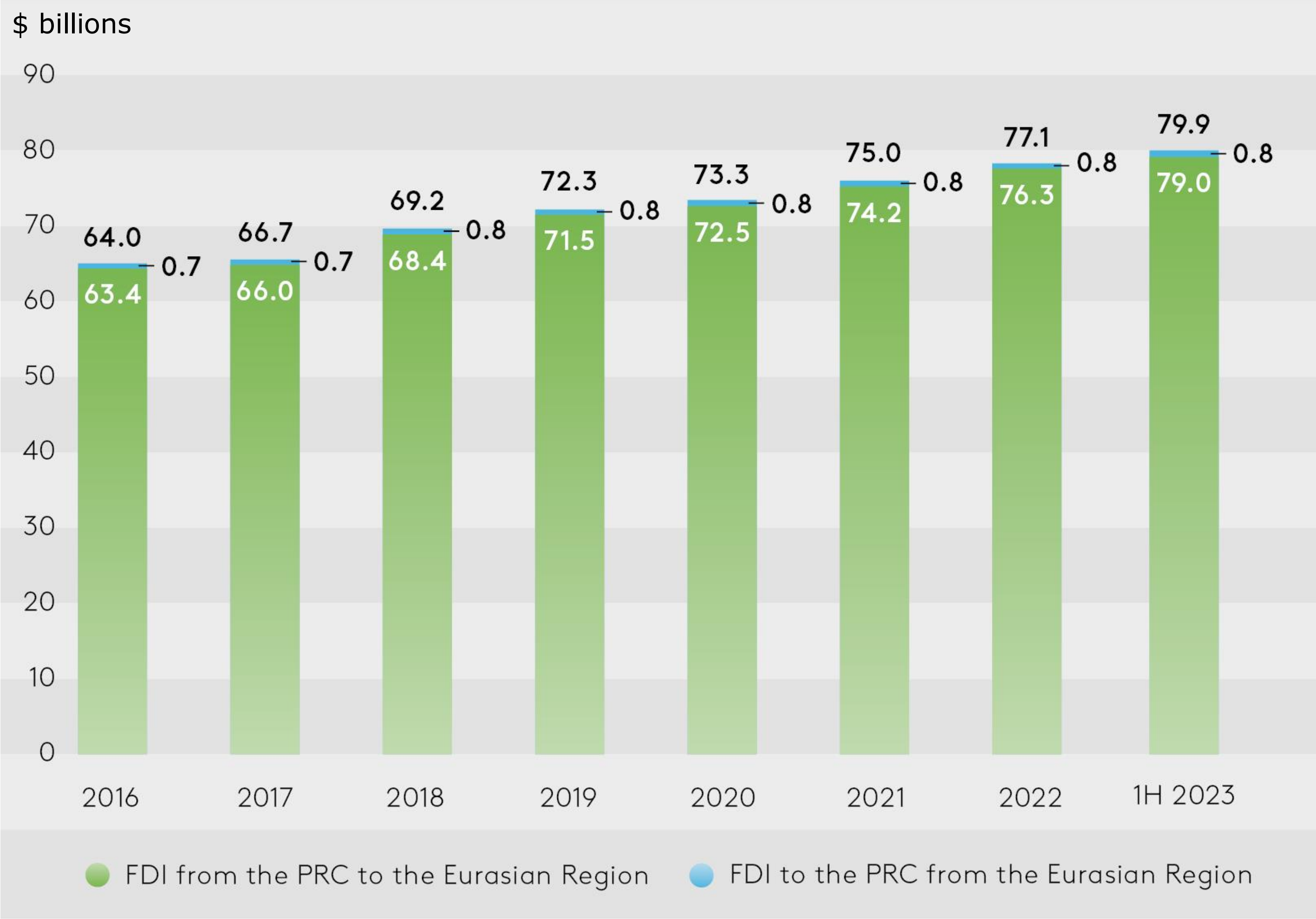
Largest Regional Projects in Central Asia

Investment Target, Project Start Year	Investor	FDI Stock, 1H 2023 (estimate)
Copper and Gold Open-Pit Mine Bozymchak (KR), 2008	KAZ Minerals (RK)	$350 million
Mobile Operator Sky Mobile (KR), 2008	Verny Capital (RK)	$113 million
Tenge Bank (RU), 2019	Halyk Bank (RK)	$105 million
Kant Cement Plant (KR), 2005	United Cement Group (RK)	$63 million
South-Kyrgyz Cement Plant (KR), 2007	Verny Capital (RK)	$53 million
Household Appliances Plant (RK), 2022	Artel (RU)	$52 million
Spinning Mill TPK Alliance (RK), 2020	Alliance Textile (RU)	$46 million

Source: EDB MMI Database.

Mutual Investments with China

178 projects between the countries of the region and China in the EDB MMI database



Source: EDB MMI Database.

+24.7% change in total mutual investment stock between China and the countries of the region vs 2016

52%, or **$41.9 billion** of total mutual FDI stock, are China's investments in Kazakhstan. Russia is in the 2nd position with **25%** (**$19.7 billion**), Turkmenistan – in the 3rd position (**$9.4 billion**).

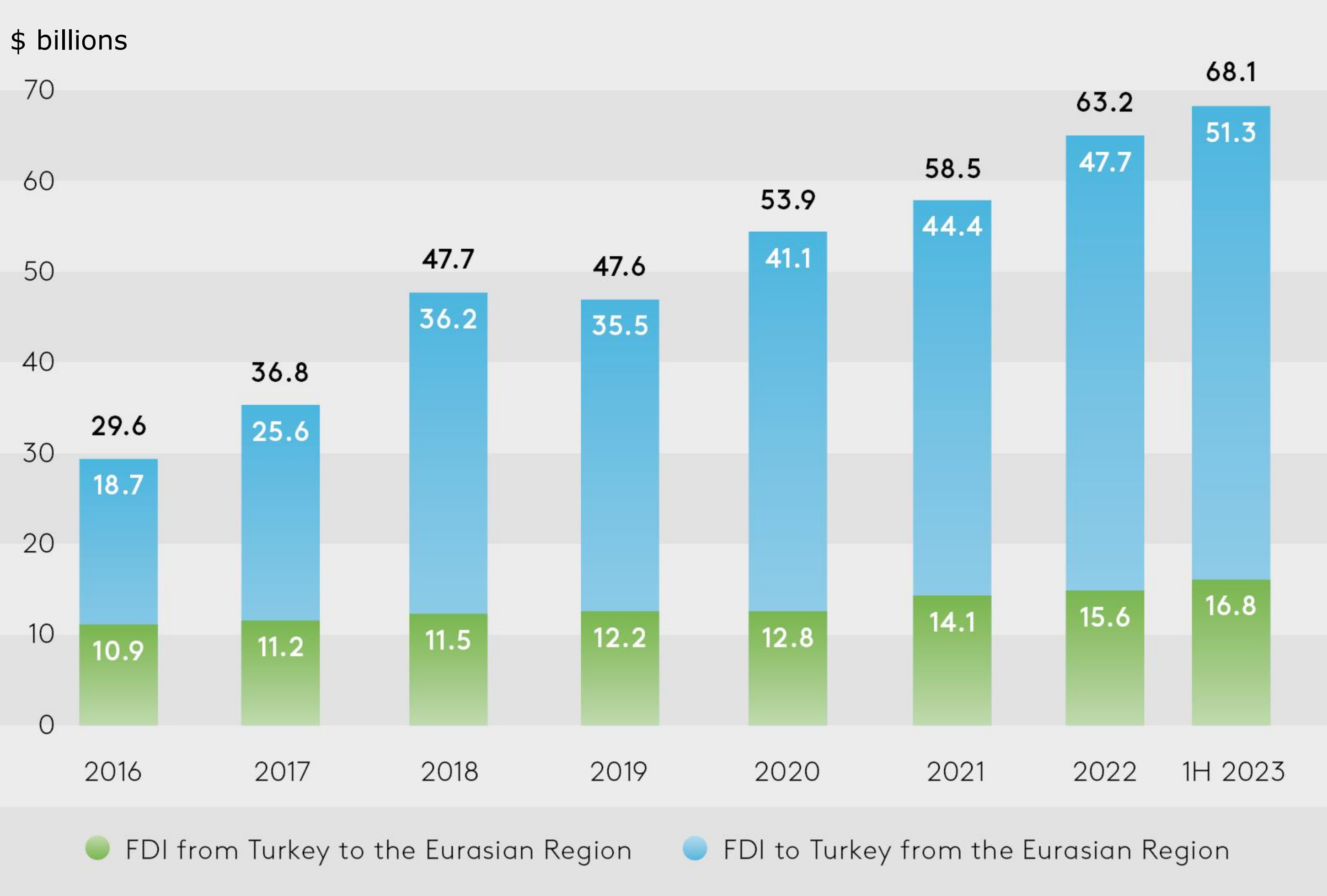
70%: share of Extractive Industries and Pipeline Transport in total investments – bias on investing in extraction of raw materials.

2.3x: ratio of Chinese investments to Russian investments in Central Asia.

3.9%: share of the EAEU in China's outward FDI in 2021. This is less than in 2017 (5.5%).

Mutual Investments with Turkey

181 projects between the countries of the region and Turkey in the EDB MMI database



Source: EDB MMI Database.

13%

average annual increase in mutual FDI stock between the countries of the region and Turkey

Turkish investments cover a **broad range of sectors** (manufacturing, raw materials, AIC, metallurgy, finance).

60% of mutual FDI associated with **Russia** – $40.4 billion (Azerbaijan – 20.5, Kazakhstan – 3.4).

Investments in Turkey originating from the countries of the region are characterized by the **large scale of projects.**

Turkish investors prioritize projects in the EAEU and Central Asia. The share of the EAEU in Turkey's outward investments increased from 1.6% in 2017 to 5.1% in 2022, the share of Central Asia – from 1.3% to 2.6%.

Medium-Term Mutual Investment Trends in the Eurasian Region

1. **«Neighbourhood effect».** The share of the EAEU member states in mutual investments in the Eurasian region will continue to grow.

2. **Dynamic growth in Manufacturing.** Commencement of production of higher added value products in the countries of the region will be main driver of that growth.

3. **Higher attractiveness of the Transport and Logistics sector.** The main contributing factors are the realignment of commodity flows, and the assignment by the countries of Central Asia of a priority status to the projects envisaging development of dry ports infrastructure and creation of logistics and distribution centres.

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Thank you for attention!

Research at the EDB website

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