



## THE ECONOMICS OF DEMOGRAPHICS IN KAZAKHSTAN

Within the field of economics, demographics is a very powerful tool for analysis and forecasting. The application of the economic analysis techniques to demographics can provide us with a wide variety of information for purposes ranging from economic market research to economic policy development. According to the Committee on Statistics of Kazakhstan (Kazstat), in June 2017 the population of the country exceeded 18 million people making it the 65th most populous nation in the world, according to the UN official ranking. Thus, during the first six months of 2017 the population of Kazakhstan increased by 209,086 people, which is a 1.17% increase compared to the same period of 2016. For instance, in 2016, the total population growth equaled 1.31%. It is worth mentioning that for the first time since independence the population of Kazakhstan started to grow only in 1999. The yearly increment of the population since then was constantly growing until its peak in 2015, when the population increased by 254,521 people. The primary reason that stands behind the demographic growth is the high birth rate. Moreover, there are some other objective reasons such as longer life expectancy, the declining death rate, migration, etc. However, the economic effects and implications of the population increase are much more profound and complex.

The immediate effects of any demographics on the economy are felt through the changes in the labor market. According to the Kazstat's latest preliminary statistics on the labor market, in July 2017 the country's total labor force reached 8.952 million people, which is 0.3% higher than 2016, and 3.8% higher than 2010. During 2010-2017, the size of the working age population, which consists of the male population between 15 and 65 and the female population between 15 and 58, has increased by 6.8% reaching 12.926 million people in July 2017. It should be noted that there was a decrease in the growth rates of the labor force, as well as of the working age population, compared to the previous seven-year period of 2003-2010, when the labor force and the working age population increased by 12.5% and 10.6%, respectively. However, it is important to note that the slower growth rates of the labor force and working age population during 2010-2017 were accompanied by the rising number of the population under 15 due to the high birth rates observed since the early 2000s. This rise of the share of dependents that are

still under the working age has caused an increase of the so-called dependency ratio coefficient of demographic load, which is the number of the dependent population per 1,000 working age population, from 557 in 2010 to 666 in 2017. This, nevertheless, can be considered as a positive development for Kazakhstan since the contribution of youth under 15 to this increment was 5.8 times higher than the contribution of the elderly population.

The interlinkage between demographics and economics not only depends on the numbers and proportions of the different population groups but also on the economic behavior of these groups. It is now well known that the working age population on average consumes more goods and services compared to youth and elderly people. Therefore, the working age population can act as a force that drives the consumption demand affecting the business cycles in economy. In fact, the periods of tremendous economic growth in most of the economies tend to begin 15-20 years after the periods of unusually high birth rates when large numbers of youth enter the working age population. For instance, the period of the highest economic growth of Kazakhstan during 2000s was characterized not only by the rising oil prices, but also by a very rapid increase of the working age population when a large number of youth born in the late 1980s just entered the working age. This effect is the basic idea that stands behind the term 'demographic dividend'. The demographic dividend is the economic growth potential that can result from shifts in the population's age structure, mainly when the share of the working age population is larger than the non-working age share. As a result, the ongoing increase of the working age population that results from the high birth rates in 2000s and beyond will allow Kazakhstan to reap demographic dividends during 2020s.

Although the demographic trends in average countrywide terms might seem clear, there are sizable interregional variations. In some northern, central and eastern regions the population is in constant decline, whereas the regions of western and southern Kazakhstan along with the cities of Astana and Almaty experience the high rates of population growth due to both natural increase and migration. These kinds of interregional demographic differences often cause distortions in the regional and local labor markets, contributing to the development of some regions at the expense of others. For instance, according to

the latest statistics, in 2017 about 57.3% of the population of Kazakhstan live in the cities compared to 54.3% in 1999. The total increase of the urban population during 1999-2017 reached 2.214 million people, and only three urban centers, which are Astana, Almaty and Shymkent, accounted for more than 80% of this increase. Moreover, the Almaty, Mangystau and South Kazakhstan regions accounted for more than 90% of the total increase of the rural population in Kazakhstan. These demographic trends are likely to persist in the future leading to the concentration of the economic productive forces around the major urban centers in few regions of the country. Under certain economic conditions, the concentration of productive resources in few areas definitely creates higher labor productivity. On the other hand, inappropriate policy implementation or the absence of regional approaches to policymaking in this sphere can exacerbate adverse effects of urbanization and over-concentration of the population like urban sprawl, inequalities of income distribution, housing market pressure, etc. However, interregional labor imbalances affect the regions that experience net emigration even worse. In this regard, in 2016, the government started to resettle excessive labor resources from the labor-abundant southern regions to the labor-scarce northern regions of the country within the State Employment Roadmap Program providing subsidies to resettling people. While it is too early to evaluate the success of this program, it is clear that appropriate comprehensive approaches to solving such demographic problems will make a measurable difference.

In 2017, the population of Kazakhstan passed an important milestone of 18 million. The official UN demographic projections for Kazakhstan predict a further increase of the population, though at lower rates of natural increase. In 2015, Kazakhstan experienced the maximum natural population increase of over 230 thousand people. Since then, the birth rate has been declining, and it is expected to continue falling until 2025-2030. However, the demographics of Kazakhstan and its current age structure create favorable conditions for the country to reap emerging demographic dividends. Therefore, in order to take the maximum advantage from this situation the government needs to properly calibrate its economic and demographic policies.

## Politics, Foreign Affairs and Security

- During the meeting of the GUAM Council of Foreign Ministers held in New York on the sidelines of the 72nd session of the UN General Assembly, the parties discussed the expansion of cooperation in the areas of trade, transportation, fight against crime, illegal migration and human trafficking. Moreover, the ministerial meetings of the GUAM-U.S. and GUAM-Japan formats were held on the margins of the UN General Assembly session.
- During the CSTO Foreign Ministers meeting held in New York, the parties exchanged opinions on the priority issues on the agenda of the 72nd session of the UN General Assembly and major areas of cooperation between the organization and the UN, primarily, counterterrorism, regional security, and peacemaking missions. It was noted that the parties adopted three joint statements, namely, on Countering International Terrorism, on Ensuring Comprehensive Stability in the World, and on the Situation in Afghanistan and the Threat Posed by the Growing Strength of International Terrorist and Extremist Organizations in its Northern Provinces.
- Ambassador of Kazakhstan to Russia Imanali Tasmagambetov and State Secretary and Deputy Foreign Minister of Russia Grigory Karasin signed a document on ratification of the Protocol of Amendments to the Agreement between the Governments of Kazakhstan and Russia on legal regulation of activities of enterprises, institutions and organizations of the railway transport. The protocol will simplify border crossing for the "Tulpar-Talgo" passenger trains operating the Astana-Uralsk and Almaty-Uralsk routes that will pass through the Russian Sol-Ilets station.
- During his official visit to Ashgabat, Speaker of the Parliament of Azerbaijan Ogtay Assadov discussed with the high-ranking officials of Turkmenistan further prospects of interparliamentary cooperation between the two countries and development of full-scale interstate dialogue.
- During his official visit to Tashkent, Secretary of the Security Council of Russia Nikolay Patrushev discussed with his Uzbek counterpart Viktor Makhmudov further steps to strengthen bilateral cooperation in the sphere of security and migration control. The sides reaffirmed their readiness to further expand cooperation both in the bi-

lateral format and within the framework of the UN, SCO and CIS.

- According to the Russian Ministry of Defense, a modernized Iskander-M missile was successfully launched at the maximum range (480 kilometers) during the Zapad-2017 military exercise, hitting a target in Kazakhstan. The launch was carried out at the Kapustin Yar firing range in southern Russia's Astrakhan region.
- According to the National Security Committee of Kazakhstan, the first stage of the operational-tactical exercise Caspi-Antiterror-2017 under the auspices of the Committee's Counter-Terrorism Center was held at the Karabatan refinery facilities of the Atyrau region. The drill was aimed at enhancing the skills of law enforcers in anti-terrorist operations, as well as eliminating and minimizing consequences of acts of terrorism.

## Economy, Finance and Energy

- President of Azerbaijan's state oil company, SOCAR, Rovnag Abdullayev announced that in January-September 2017 the company had injected 1.4 billion cubic meters of gas into the country's two underground gas storages (Kalmaz and Garadagh). It is noted that the gas volume in these underground gas storage facilities amounts to 2.2 billion cubic meters, while their total capacity allows to store more than 3.5 billion cubic meters of gas.
- According to President of Russia Vladimir Putin, the Russian state-owned energy company Gazprom plans to invest up to 100 billion rubles (\$1.7 billion) in Kyrgyzstan to ensure that 60% of the country's territory is covered by the gas network.
- First Vice-President of SOCAR Khoshbakht Yusifzade reported that in total 435.6 million tons of oil and 136.3 billion cubic meters of associated gas had been produced at the Azeri-Chirag-Gunashli (ACG) block from November 1997 to September 2017. It was also noted that 245 million tons of the total volume of oil produced at ACG accounted for Azerbaijan's profitable oil.
- The Kazakh state-owned railway company Kazakhstan Temir Zholy announced that the company and Uzbekistan Temir Yollari signed an agreement on strategic cooperation and an agreement on the delivery of 5,000 tons of rails from Kazakhstan to Uzbekistan by the end of 2017. It is also reported that the parties agreed to sign

a long-term agreement for the supply of 40,000 tons of rails until 2020.

- Russian Finance Minister Anton Siluanov stated that the government of the country had approved a draft federal budget for the three-year period of 2018-2020. According to the document, the forecasted deficit of the federal budget in 2018 will reach 1.33 trillion rubles (\$23.07 billion) with revenues of 15.18 trillion rubles (\$263.28 billion) and expenditures of 16.51 trillion rubles (\$286.35 billion). The budget deficit in 2019 and 2020 is expected to amount to 867.01 billion rubles (\$15.04 billion) and 960.32 billion rubles (\$16.65 billion), respectively.
- The National Bank of Kazakhstan (NBK) announced that the GDP growth rate was projected to be around 3% in 2017. According to the NBK, in January-June 2017 the GDP in real terms grew by 4.2%, while annual inflation in August 2017 fell to 7% compared to 8.5% in December 2016.

## Society and Culture

- The Asian Development Bank (ADB) announced its plans to provide \$3 billion in assistance to Kazakhstan in 2017-2021 to support the country's ambition to be among the top 30 global economies by 2050. It was noted that the ADB's focus would be on helping the country diversify its economy and achieve inclusive development and sustainable growth.
- According to Deputy Prime Minister of Azerbaijan Ali Hasanov, the World Bank (WB) allocated up to \$170 million for the projects related to internally displaced people and refugees in Azerbaijan since the country joined the WB Group in 1992.
- The Ministry of Health of Kyrgyzstan reported that the level of drug addiction in the country had decreased by 16.1% in January-June 2017. It is noted that during the reporting period, 148 new cases of drug addiction were registered, compared to 174 cases in the same period of 2016.
- The Ministry of Internal Affairs of Russia reported that more than 20,000 people had been evacuated from some 30 buildings, mostly schools, railway terminals, airports and trade centers in Moscow and three other Russian regions, namely, the Moscow and Rostov regions and the Yamal-Nenets Autonomous District, over bomb threat calls. It is noted that there were 27 bomb warnings altogether, but all of them proved to be hoaxes or false alerts.