



Press Release #49

About the Situation in Financial Market in October 2020

November 30, 2020

City of Nur-Sultan

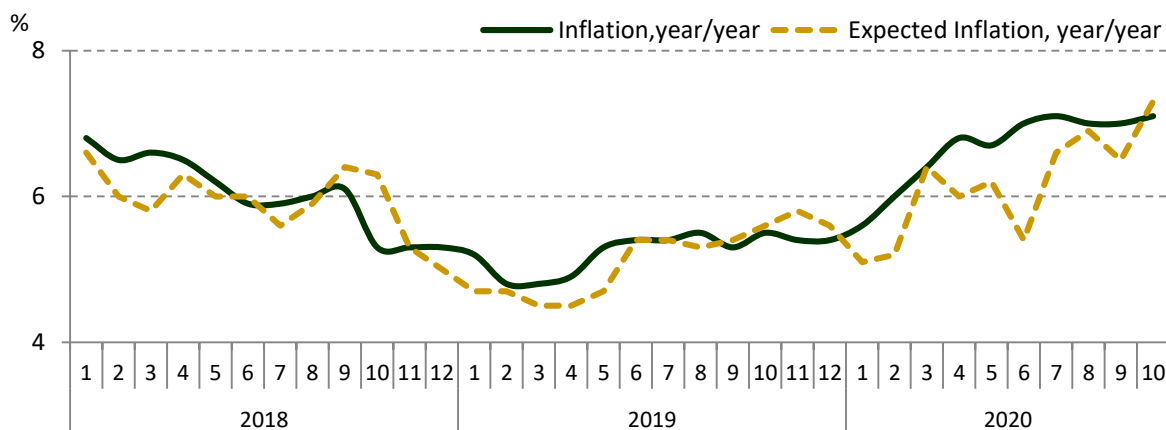
1. Inflation and Inflation Expectations

As per the data of Bureau for National Statistics of Agency for Strategic Planning and Reforms of the Republic of Kazakhstan the inflation rate in October 2020 composed the percentage of 0.6 (In October 2019 it was 0.6 percent as well).

The annual inflation reached the level of 7.1 percent (in December 2019 it was 5.4 percent). In inflation framing the annual food prices increased by 10.7 percent, for non-food products it was by 5.6 percent, for paid services – 3.7 percent.

In October 2020 the quantitative estimation of the expected inflation in a year based on the population questionnaires composed 7.3 percent.

Chart 1. Inflation and Expected Inflation



Sources: Bureau for National Statistics of Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, FusionLab

2. International Reserves and Monetary Aggregates

The gross international reserves of the National Bank for October 2020, as per the preliminary data, decreased by 0.6 percent and composed 33.6 billion US dollars due to the predominant public debts and currency interventions.

With the account of the assets of National Fund in a foreign currency (56.3 billion US dollars), as a whole the international reserves of the country as per the preliminary data by the end of October 2020 composed 89.9 billion US dollars.

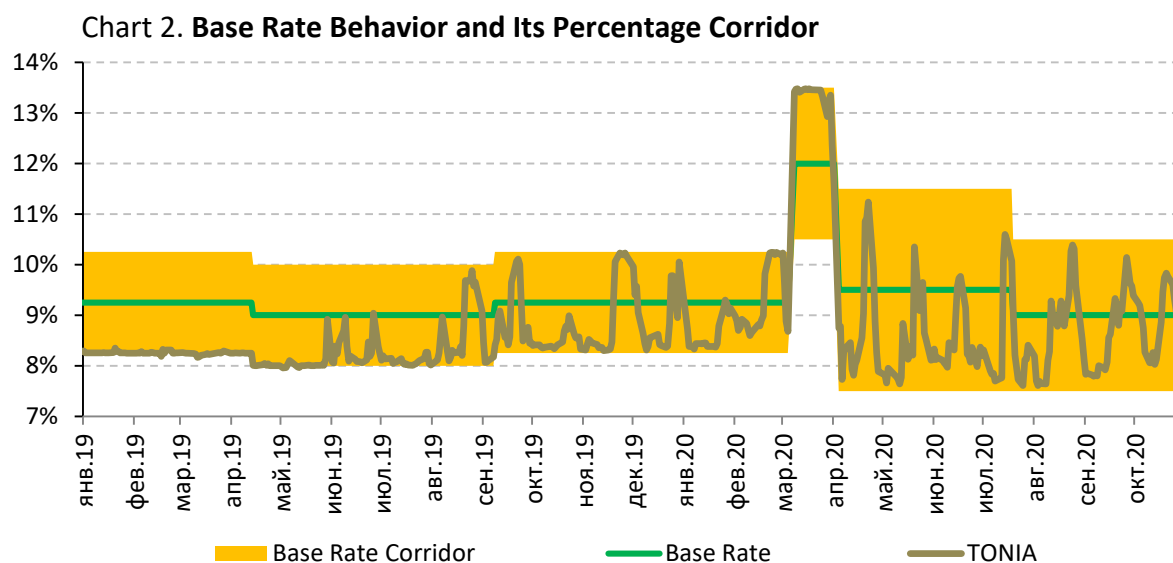
The monetary base in October 2020 increased by 7.1 percent (from the beginning of the year by 40.2 percent) and amounted 9,661.8 billion tenge. The narrow monetary base, i.e. the monetary base without urgent deposits of the second level banks in National Bank increased by 8.1 percent (at the beginning of the year it decreased by 2.1 percent) to 5,317.5 billion tenge.

The money for October 2020 increased by 2.3 percent (from the year beginning it was 16.0 percent) and composed 24,741.9 billion tenge, the cash in circulation decreased by 0.2 percent (from the year beginning it was increased by 21.9 percent) to 2,804.4 billion tenge.

3. Operations of National Bank in the Field of Monetary Policy

On October 26, 2020 National Bank made a decision to maintain the base rate¹ at the level of 9 percent with the percent corridor of +/-1,5 points. The given decision is oriented to maintain the control over the inflation processes behavior with the simultaneous promotion of business activity.

In October 2020 the indicator TONIA², which is found to be the targeted base rate in handling the operations of monetary policy in the financial market, was within the percentage corridor. In October 2020 the weighted factor of TONIA composed 8.99 p.a. (in September 2020 it was 8.59 percent).



Monetary Policy Tools. At the end of October 2020, the negative balance of National Bank operations (the open position of National Bank) in the money market amounted to 3.6 billion tenge.

The volume of the open position of National Bank on REPO operations amounted to 1.3 billion tenge.

The volume of bank deposits in National Bank composed 261.0 billion tenge. The liquidity volume that come through deposit auctions made up 652.8 billion tenge.

The volume of short-term notes in circulation at the end of October 2020 amounted to 2,778.6 billion tenge decreasing by 12.4 percent within a month.

In the course of October 2020 there were 6 auctions held for the general sum of 925.3 billion tenge, including those 4 auctions of 1-month term notes placement for the amount of 700.1 billion tenge (the weighted rate of return of 9.03 percent), 1 auction on the 3-month notes for the sum of 125.2 billion tenge (rate of return of 9.54 percent), 1 auction on the semi-annual short-term notes for the amount of 100.0 billion tenge (rate of return – 9.87 percent).

The volume of short-term notes repayment of National Bank for October 2020 composed the amount of 1,350.7 billion tenge.

The State Security Papers of Ministry of Finance of the Republic of Kazakhstan. In October 2020 Ministry of Finance of the Republic of Kazakhstan made the placement of long-term security papers for the amount of 406.3 billion tenge. As a whole, there were 20 auctions

¹AT the same time at the analogical level (9.00 percent) the official rate of refinancing was retained.

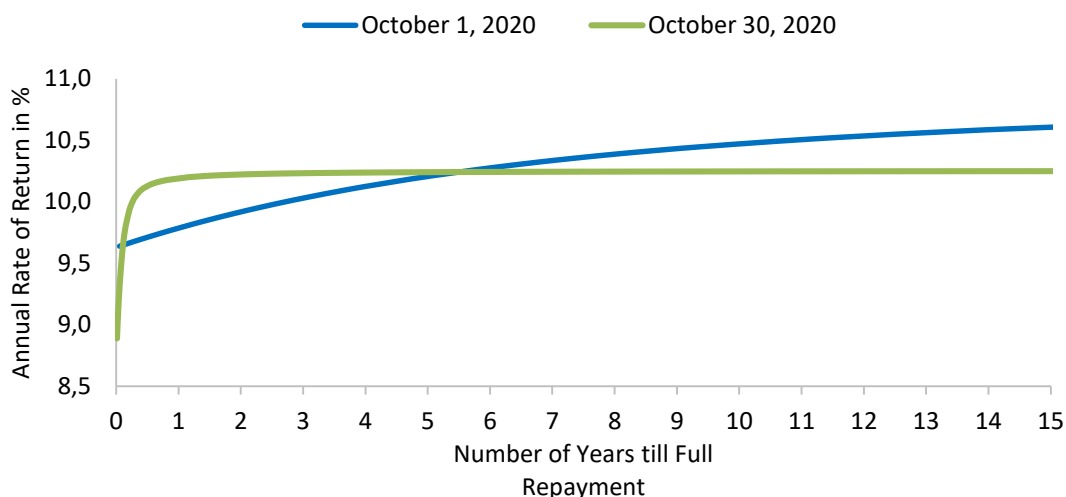
²The weighted percentage rate on REPO deals with the one-day validity, completed at the stock-exchange at the automatic REPO sector with the state security papers.

where the security papers were placed with the terms of repayment from 204 days till 19.3 years. The weighted rate of return made up 9.83 percent to 10.52 p.a.

The volume of security papers of Ministry of Finance of the Republic of Kazakhstan in circulation in October 2020 increased by 6.6 percent and made up 10,82.6 billion tenge.

At the end of October 2020, the curve of the rate of return showed a curved line³ in comparison with the beginning of the current month.

Chart 3. Change in Risk-Free Rate of Return Curve



4. Currency Market

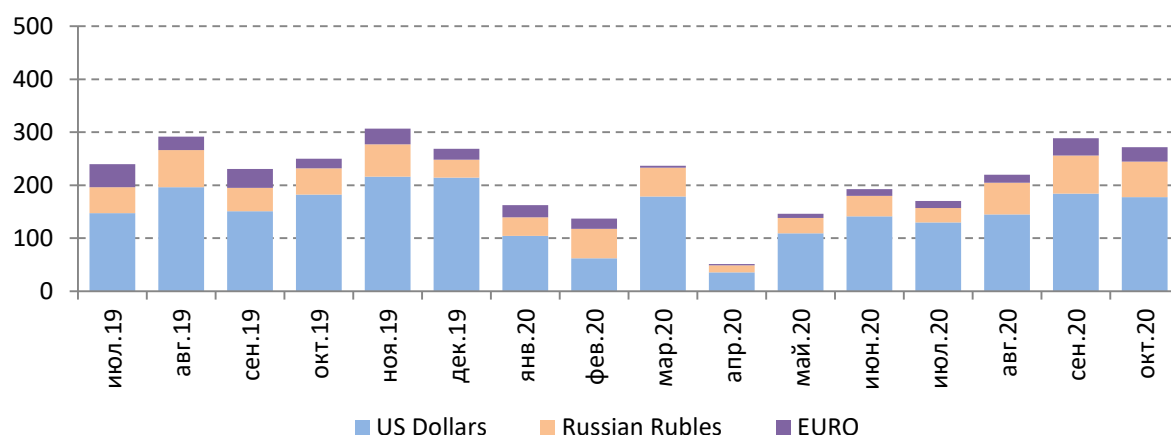
In October 2020 the stock exchange rate of tenge was fluctuating within the range of 427.28 – 432.66 tenge per US dollar. For the end of October 2020, the stock currency rate of tenge to one US dollar made up 432.66 tenge per US dollar, weakening within a month by 0.2 percent.

The general volume of operations on the currency pair of tenge, one US dollar for a month composed 11.5 billion US dollar. It includes the volume of stock bargaining at the Kazakhstan stock exchange in the amount of 2.4 billion US dollars, the volume of extra-stock currency market in the amount of 9.1 billion US dollars. In the general volume of operations at the extra-stock currency market, the share of one affiliated bank composed the amount of 80.6 percent or 7.4 billion US dollars (in September 2020 it was 80.5 percent or 7.3 billion US dollars), which was linked with the hedging of its own capital from the currency risks. These operations are handled within the bank groups and do not influence the relationship of demand with supply or the supply of foreign currencies within the domestic foreign exchange market.

In October 2020 the population was purchasing at the net base the cash in the foreign currency at the amount equivalent to 272.4 billion tenge. In comparison with the previous month these costs decreased by 5.9 percent (in September 2020 it was 289.3 billion tenge), in comparison with the similar period in 2019 (250 billion tenge) the volume of net purchases increased by 8.8 percent. The main volume of costs was tend for the purchases of US dollars: 65.1 percent or 177.3 billion tenge, the Russian rubles in 24.8 percent or 67.5 billion tenge, EURO in 10.0 percent, or 27.3 billion tenge. The currency breakdown the costs for purchasing the US dollar lowered by 3.7 percent (the similar period of time in 2019 it lowered by 2.7 percent), for Russian rubles purchase by 6.3 percent (increase by 35.1 percent year/year) and for EURO purchases it was by 16.1 percent (increase by 1.5 times year/year).

³ For building the rate of return curve the methods for defining the functions of rate of return of the state security papers of the Republic of Kazakhstan are published in the official web-site of the Kazakhstan stock-exchange market.

Chart 4. Behavior of Net Cash Sale of Foreign Currency at the Currency Exchanges, in Billion Tenge



5. Deposit Market

The volume of deposits of residents at the depository organizations by the end of October 2020 amounted to 21.937,5 billion tenge, increasing within a month by 2.6 percent. The deposits of the legal entities increased within a month by 4.1 percent to 11.599,6 billion tenge, deposits of individuals by 1.1 percent reaching the amount of 10.337,9 billion tenge.

The volume of deposits in the national currency increased within a month by 2.8 percent, to 12.980,7 billion tenge, in the foreign currency – by 2.5 percent to 8.956,8 billion tenge. The level of dollarization by the end of October 2020 composed the amount of 40.8 percent (in December 2019 it was 43.1 percent).

The deposits of legal entities at the national currency in October 2020 increased by 3.8 percent reaching 6.876.1 billion tenge, in a foreign currency they increased by 4.6 percent reaching 4.723,5 billion tenge (40.7 percent of deposits of legal entities).

The deposits of individuals in tenge increased by 1.6 percent reaching 6.104,6 billion tenge, in a foreign currency it is by 0.2 percent reaching 4.233,3 billion tenge (40.9 percent of deposits of individuals).

The volume of urgent deposits made up the amount of 14.869,7 billion tenge, increasing by 2.3 percent within a month. In its amount there are deposits in the national currency which composed 8.920,1 billion tenge, in the foreign currency – 5.949,5 billion tenge.

The weighted rate of compensation on the urgent deposits in the national currency for non-bank legal entities amounted to 7.0 percent (in October 2019 it was 7.2 percent), on individuals' deposits it is 9.5 percent (9.2 percent).

6. Loans Market

The volume of granting loans by banks by the end of October 2020 composed the amount of 14.441,3 billion tenge, increasing within a month by 0.7 percent. The volume of granted loans decreased by 0.3 percent reaching 7.283,7 billion tenge, for individuals it increased by 1.6 percent reaching 7.157,7 billion tenge.

The volume of granted loans in the national currency increased by 1.2 percent reaching 12.305,7 billion tenge. Within that, the loans for legal entities granted increased by 0.5 percent, for individuals – by 1.7 percent. The volume of loans in the foreign currency decreased by 2.4 percent reaching 2.135,7 billion tenge. Within that, one can see the loans for legal entities decreasing by 2.2 percent, for individuals it is by 6,6 percent. The share of loans in tenge by the end of October 2020 composed the percentage of 85.2 (in December 2019 it was 83.4 percentage).

The volume of long-term loans within a month increased by 0.7 percent reaching 12.436,9 billion tenge, the volume of short-term loans – by 0.6 percent, i.e. to 2.004,5 billion tenge.

Granting loans to individuals in small businesses in October 2020 increased by 2.9 percent, i.e. 2.297,3 billion tenge (15,9 percent from the general volume of all loans of the economy).

In the sectoral break-down the considerable sum of loans in the economy is given to the branches as industry (the share volume is 13.6 percent), trade (11.5 percent), construction (5.0 percent) and transport (3.4 percent).

In October 2020 the weighted interest rate on loans, given in the national currency to non-bank legal entities, composed 11.8 percent (in October 2019 it was 12.0 percent), to individuals it was 16.9 percent (18.0 percent).

7. Payment Systems

As per November 1, 2020, 17 payment systems are functioning within the territory of the Republic of Kazakhstan, which include the payment systems of National Bank, the system of money transfer, system of payment cards.

For October 2020 via the system of National Bank (Interbank System of Money Transfer and System of Interbank Clearing) there were 4.4 billion transactions for the amount of 42.2 trillion tenge (in comparison with September 2020 the quantity lessened by 5.5 percent, but the sum increased by 4.4 percent). In average, within a day via the mentioned payment cards there were 199.6 thousand transactions for the amount of 1.9 trillion tenge.

For November 1, 2020 the issuance of payment cards was completed by 21 bank and “Kazpost”, JSC in the Republic of Kazakhstan. The general amount of issued and allocated payment cards composed the number of 45.4 billion. Within them, in October of the current year 56.5 percent of the payment cards were used by the cardholders in making non-cash transactions and (or) in the operations on money withdrawal.

In using payment cards, in October 2020 there were 344.2 billion transactions for the amount of 5.5 trillion tenge (in comparison with September 2020 года the quantity of transactions increased by 4.7 percent, and the sum – by 6.8 percent). The share of non-cash payments in the general amount of operations with usage of Kazakhstani payment cards increased in the quantity by 92.7 percent (in September 2020 by 92.4 percent), in the volume – to 71.5 percent (70.8 percent).

8. Pension System

The pension accumulations of depositors (recipients) for November 1, 2020 composed the amount of 12.620,4 billion tenge, increasing within the range of January – October, 2020 by 1.819,9 billion or by 16,85 percent.

Within the range of January – October 2020 there was an increase of the net return from investment of pension assets by 1.107 billion tenge and to 5.440,7 billion tenge for November 1, 2020.

The quantity of individual pension accounts of depositors on the compulsory pension fees (with the account of the individual pension accounts, that do not have pension accumulations) for November 1, 2020 composed 11.0 billion accounts.

The sum of the pension payments for January – October 2020 composed 155.3 billion tenge.

The main share of the general investment portfolio of the United Accumulation Pension Fund for November 1, 2020 comes to the state security papers of the Republic of Kazakhstan and non-state security papers of issuers of the Republic of Kazakhstan (45.5 percent and 26.5 percent from the general volume of pension assets, respectively).

9. Economy's Real Sector Results Monitoring

In order to make a real estimation of the situation on the real economy within the third quarter of 2020 there was an inquiry held within the enterprises in October 2020. The quantity of entities from the main branches of the economy sectors in the monitoring process within the third quarter of 2020 was 276 enterprises.

The results of monitoring show the low paces of the economic activity in the real sector coming from the low demand, the low increase for the “ready products” of the enterprises, increase of the share of enterprises with the critical financial state. Moreover, there is a slow growth in the investment activity, sale profitability, manufacturing volumes, low volume in the granted loans and lowering the interest rates on loans in tenge.

In the third quarter of 2020 there is a gradual renewal of demand for “ready products” in the real sector, the diffuse index increased by 44.9. The increase of index is shown in the services sector and in the sector of goods manufacturing (46.7).

The volumes were also increased, the diffuse index rose from 43.1 to 51.4. Due to the pandemics and quarantine measures, the dynamics of the current year differs from the trends of the past years when the increase in volumes were observed from the second quarter of the year.

There is an inconsiderable growth in the investment activity of enterprises: the share of enterprises that do not finance the fixed assets lowered (up to 32.9 percent), the share of enterprises who financed the fixed assets at their own expense increased (to 67,0 percent) and with the help of bank loans (to 6,6 percent). As before, the majority of enterprises use their own money to finance the fixed and working assets (67.0 and и 84.3 percent, respectively).

In the third quarter of 2020, 17.3 percent of questioned enterprises applied to banks to receive loans, 16.4 percent of enterprises received loans (or 94.8 percent from the general amount of who petitioned for loans). The share of denials in receiving loans composed 0,9 percent from the general number of participants of the inquiry (5,2 percent from the general number of who applied for receiving loans).

In the fourth quarter of 2020, 15,4 percent of respondents were intended to apply for loans. In the manufacturing industry the share of this kind of enterprises composed 20.7 percent, in the mining industry it was 9,6 percent.

As a result of the questionnaires in the third quarter of 2020, for 37,0 percent of enterprises the state of the Kazakhstan economy is the hindrance in handling a business. Other main hindrances in handling a business are the market competition (28.8 percent), insufficient demand (22.3 percent), the level of tax burden (21.1 percent). In this regard, the access to receiving financing (the conditions of the bank loans granting) comes to the sixth position only by its significance (13.1 percent).

The behavior of the composite index of leading indicators, which is the aggregate estimate of enterprises inquiry, showed the achieving the plato and stability of the negative situation in the economy. The composite index of leading indicators stays at the level of 99.0, as it was in the second quarter. In the fourth quarter of 2020 respondents expect some renewals in the economic activity (with the composite leading indicator in 99.4).

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