

## **Azat Uskenbayev, Director for Balance of Payments Department of NBK Commented on the Current Account Balance of Payments**

The National Bank has produced a preliminary assessment of the balance of payments of the Republic of Kazakhstan as the result of the outcomes of 2020. The dynamics of the main flows in the balance of payments was determined by the fall in world oil prices in the first half of the year, the subsequent OPEC + deal, the COVID-19 pandemic and the government's response measures to support the economy.

According to the preliminary estimates, the current account was formed with a deficit of \$5.9 billion, which coincides with the forecasted expectations of the National Bank for 2020.

The main reason for the current account deficit is the decrease in exports of goods due to the fall in oil exports. Compared to 2019, the exports decreased by \$11.3 billion (-19.4%) amounting \$46.9 billion. Over the same period, the imports fell by \$3.9 billion (-9.7%) reaching \$36.2 billion, which is related to the fall in imports of the investment and intermediate goods.

The state of the current account is determined by the balance between the trade balance, on the one hand, and income payable to the foreign investors, on the other. Historically, the balance of payments is characterized by the positive balance of trade, and the balance of income being negative.

In 2020, the negative balance of investment income decreased significantly, which constrained the potential depth of the current account deficit. The dividends and reinvested earnings attributable to the direct investors amounted to \$10.4 billion, which is by 35% less than last year (\$16.0 billion).

Another significant factor is the inflow of the foreign currency into the country from the participants of the Karachaganak Consortium in the amount of \$1.3 billion, received as part of the resolution of the dispute between the Republic of Kazakhstan and the Consortium. The receipt of this compensation payment doubled the surplus of the secondary income (transfers) up to \$2.1 billion.

These positive income trends counterbalanced the negative trade balance in the third quarter of 2020. As a result, compared to 2019, in 2020 there is an improvement by \$1.3 billion seen in the current account balance.

More details: <https://nationalbank.kz/ru/news/platezhnyy-balans-vn-sektora>