



NATIONAL BANK OF KAZAKHSTAN

## PUBLIC INFORMATION NOTICE

### Review of international ratings of the Republic of Kazakhstan

*April 6, 2021*

In February this year, the conference-call meetings held between the National Bank and Kazakhstan government agencies with representatives of the internationally recognized rating agencies Fitch Ratings and S&P Global Ratings. During the conference-calls, financial stability issue, monetary and fiscal policies, anti-crisis implementation measures, as well as balance of payments were discussed by Parties.

Following the conference-calls in February - March the S&P Global Ratings and Fitch Ratings have affirmed Kazakhstan's sovereign rating, and the Moody's has kept its 2019 rating assessment unchanged. Kazakhstan is one of the few countries with a comparable rating that has managed to maintain its ranking positions since the coronavirus pandemic outbreak.

**Fitch Ratings** affirmed the country's sovereign rating at **'BBB' with a 'stable' outlook** on February 19, 2021. In Fitch's view, government debt remains low and external and fiscal buffers have been resilient to shocks caused by the coronavirus pandemic and oil prices drop. According to the agency opinion, the floating tenge exchange rate flexibility regime has played a major role in absorbing the oil price shock in 2020.

The agency has also commented on the significant role of the independent asset quality review (AQR) conducted by the National Bank and the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan to enhance stability of Kazakhstan's banking sector.

**S&P Global Ratings** also affirmed the sovereign rating of Kazakhstan at **'BBB-' with a 'stable' outlook** on March 5, 2021. Analysts noted that Kazakhstan's fiscal and external indicators will remain strong over the next two years.

S&P forecasts the economic growth of Kazakhstan to reach 3.2% in 2021 due to easing quarantine restrictions, oil prices growth, coupled with greater production volumes, as well as economic recovery of the major trading partner countries. The agency predicts a slowdown in inflation rates in 2021 up to 6.5%. S&P also noted a continuing downward trend in the level of bank deposits dollarization, which at the end of 2020 amounted to 37%.

According to analysts' view, the free-floating tenge exchange rate has helped the economy to withstand external pressures arising from the declining oil prices in 2020. The agency noted that the unwind of the National Bank's involvement in economic support programs starting from 2023 confirms the National Bank's adherence to the inflation targeting policy and improves the effectiveness of monetary policy.

**Moody's** published the country report on Kazakhstan on February 16, 2021. The report mentions that the country's sovereign rating affirmed in 2019 at **"Baa3" with a 'positive' outlook** is supported by a low level of public debt, significant foreign currency reserves, strong potential for economic growth and household income, and other factors buffering external shocks.

On March 31, 2021, **Moody's** revised its outlook for the Kazakhstan's banking sector from 'negative' to **'stable'**. The banking sector in Kazakhstan was better rated due to improved and economic

recovery driven operational environment, banks' strong capital ratios and expected decline in the problem loan ratio.

Representatives of three international agencies agree that further diversification of the economy, implementation of the declared state and economic reforms, stronger macroeconomic indicators, entrepreneurship development, and financial stability will help restore and advance Kazakhstani economy position and improve its sovereign rating.

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