



## PRESS RELEASE N6

### Situation on Financial Market in February 2021

31 March 2021

Nur-Sultan City

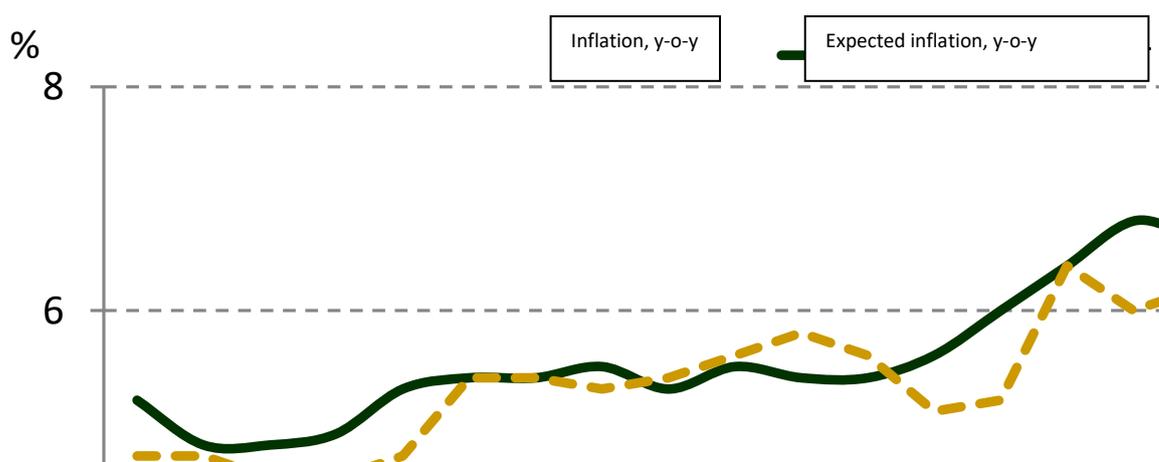
#### 1. Inflation and inflation expectations

Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan reports that in February 2021 inflation made 0.7% (0.6% in February 2020).

Annual inflation totaled 7.4% (7.5% in December 2020). In inflation structure, prices for food products rose by 11.6% year-on-year, prices for non-food products went up by 5.2%, prices for fee-based services grew by 3.9%.

Based on findings of a public inquiry, in February 2021, quantitative estimation of the inflation expected in a year was 6.7%.

Schedule 1. Inflation and expected inflation



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

#### 2. International reserves and monetary aggregates

According to tentative data, gross international reserves of the National Bank in February 2021 shrank by 2.3% and amounted to \$34.7 billion (down by 2.5% year to date).

Reduction in the gold portfolio due to a falling gold price was partially leveled by inflow of funds of second-tier banks to currency correspondent accounts with the National Bank.

According to preliminary data, international reserves of the country on the whole, including assets of the National Fund in foreign currency (\$57.6 billion), totaled \$92.4 billion at the end of February 2021.

Monetary base in February 2021 expanded by 4.3% and reached 9,565.3 billion KZT (2.2% shrinkage from start of the year). Narrow monetary base, i.e. monetary base ignoring fixed-term deposits of second-tier banks with the National Bank shrank by 0.9% down to 4,874.1 billion KZT (4.2% shrinkage year to date).

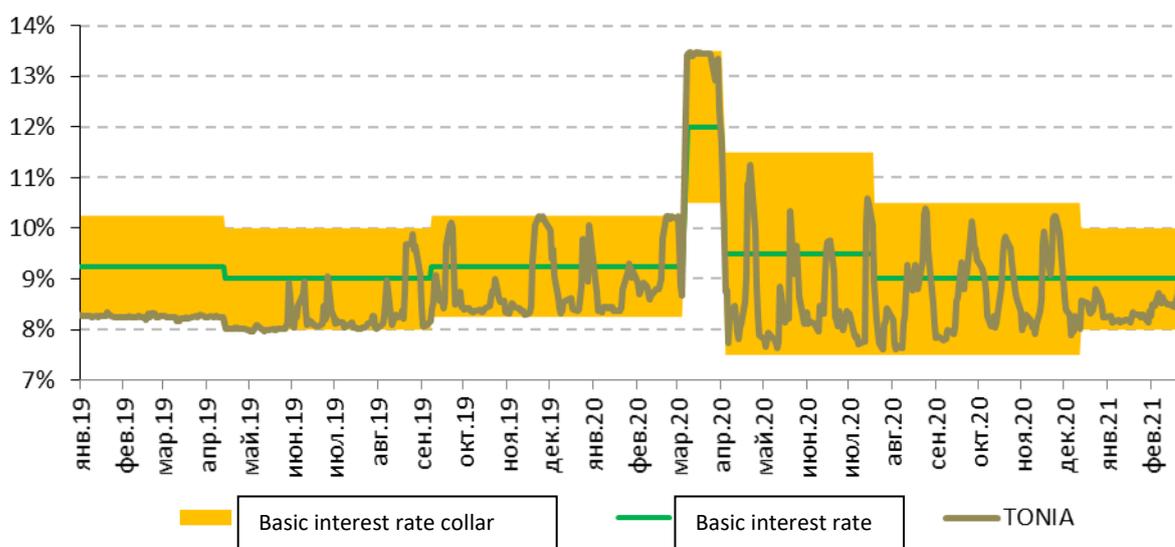
Money supply in February 2021 inched down by 0.4% to 25,293.9 billion KZT (up by 1.5% year to date), cash in circulation rose by 1.1% up to 2,746.7 billion KZT (down by 2.9% year to date).

### 3. Transactions of the National Bank in monetary policy

On March 9, 2021 the National Bank passed decision to keep basic interest rate at 9.0% p.a. with an interest rate collar of +/- 1.0 pct.

In February 2021, TONIA<sup>1</sup> indicator, which is a target interest rate for transactions within monetary policy on the currency market, was formed within the interest rate collar. In February 2021, an average weighted value of TONIA made 8.7% p.a. (8.2% in January 2021).

Schedule 2. Dynamics of basic interest rate and its interest rate collar



**Instruments of monetary policy.** At the end of February 2021, negative balance of NBK transactions (open position of the National Bank) on the currency market totaled 5.0 trillion KZT.

Volume of open position of the National Bank under classic repo transactions made 13.9 billion KZT.

Bank deposits with the National Bank amounted to 375.0 billion KZT. Volume of liquidity withdrawn through deposit tenders was 1,215.1 billion KZT.

Amount of short-term notes in circulation at the end of February 2021 totaled 3,677.5 billion KZT with a 12.3% increase for a month.

In February 2021, 6 tenders were held for a total amount of 2,022.2 billion KZT, including 4 tenders to place 1-month notes worth 1,556.0 billion KZT (average weighted yield is 9.00%), 1 tender for 3-month notes worth 366.2 billion KZT (9.43% yield), 1 tender for 6-month notes for an amount of 100.0 billion KZT (9.22% yield).

Short-term notes of the National Bank in February 2021 were redeemed for an amount of 1,647.9 billion KZT.

### Government securities of the Ministry of Finance of the Republic of Kazakhstan.

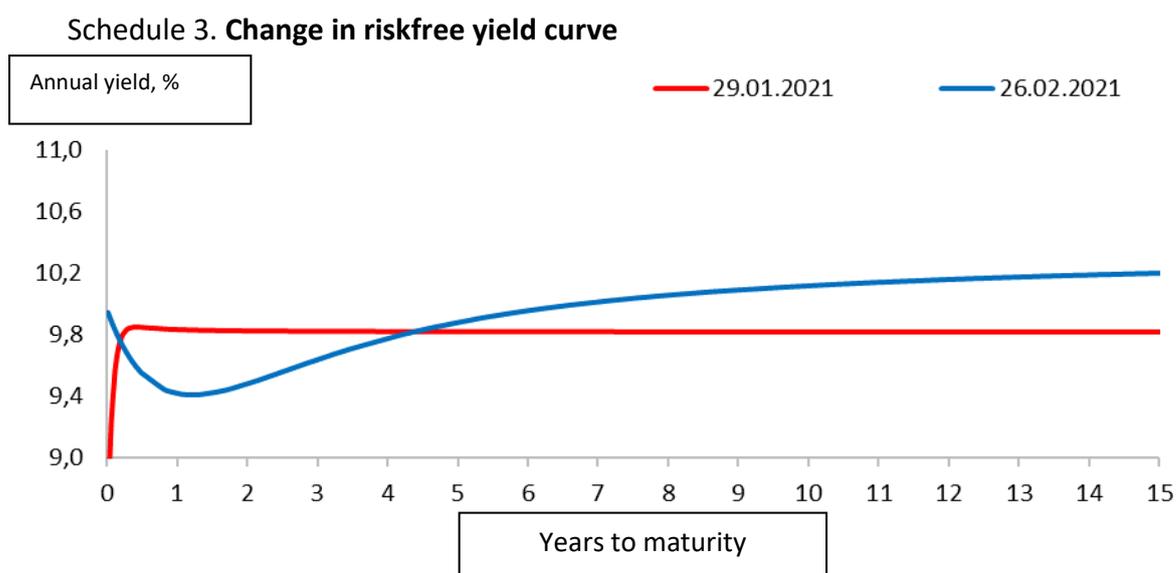
In February 2021 the Ministry of Finance of the Republic of Kazakhstan placed short-term (MEKKAM) and long-term (MEUKAM) government securities for an amount of 238.5

<sup>1</sup> Average weighted value of yield on one-day repo transactions with securities in basket of government securities cutting off 5% of transactions with minimum and maximum yield.

billion KZT. Overall, in February 15 bond issues were placed within which government securities were placed with maturity between 1 year and 13 years. Average weighted yield on them was between 8.99% and 10.12% p.a.

Volume of securities of the Ministry of Finance of the Republic in circulation in February 2021 rose up by 2.3% and totaled 9,975.1 billion KZT<sup>2</sup>.

In late February 2021, the yield curve<sup>3</sup> in a segment above 1 year demonstrated normalization against the background of active participation of the market in purchase of government securities at market rates. Yield on short-term government securities dropped compared to start of the reporting period.



#### 4. Currency market

In February 2021, KZT exchange rate on the stock exchange fluctuated between 414.81 and 424.32 KZT/USD. At the end of February 2021 KZT/USD exchange rate was 417.09 having gained 1.7% for a month.

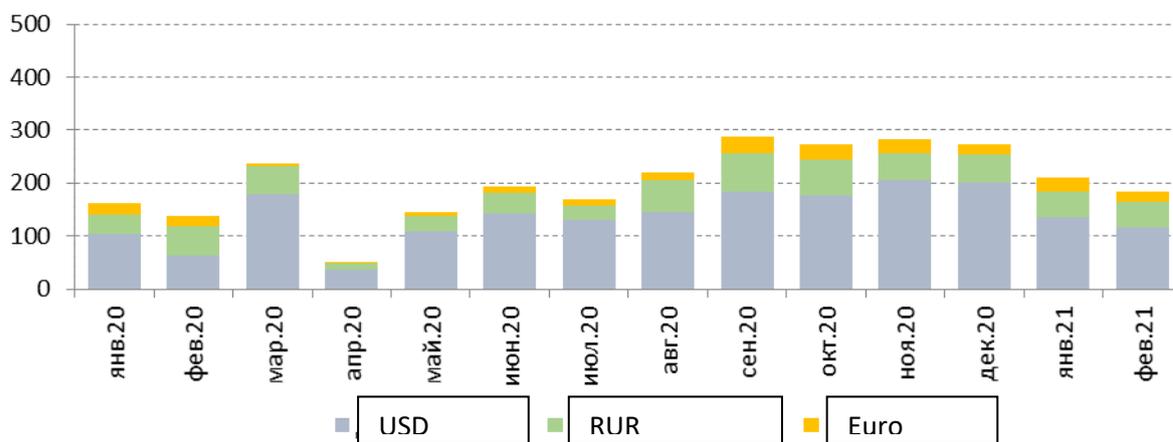
Total volume of transactions with the 'KZT – USD' forex currency pair for the month amounted to \$10.9 billion, including trading volume on the Kazakhstan Stock Exchange of \$2.3 billion, and transactions on OTC currency market of \$8.6 billion. One subsidiary bank accounted for 72.3% of the aggregate volume of the OTC transactions, which is \$6.2 billion (71.7% in January 2021, or \$6.3 billion), this is attributed to its hedging of equity capital against currency risks. These transactions are closed inside the bank group and they do not affect a ratio of demand or offer of foreign currency on the local currency market.

In February 2021 population bought on a net basis foreign currency in cash for an amount equivalent to 184.9 billion KZT. Compared to a previous month, these expenses declined by 11.7% (209.3 billion KZT in January 2021), net purchases soared by 34.9% year-on-year (137.1 billion KZT). The bulk of expenses were directed to buy USD – 62.6% or 115.8 billion KZT, RUR – 25.7% or 47.5 billion KZT, Euro – 11.6% or 21.4 billion KZT. In the breakdown by types of currencies, costs of USD purchases fell by 13.9% for a month (up 1.9 times y-o-y), RUR purchases dropped by 5.4% (down 14.5% y-o-y) and Euro purchases went down by 12.6% (up 9.3% y-o-y).

<sup>2</sup> Outstanding government securities in KZT (ignoring government securities in foreign currency).

<sup>3</sup> In plotting the yield curve we have used a method to determine function of yield on government securities of the Republic of Kazakhstan posted on official website of the Kazakhstan Stock Exchange.

Schedule 4. Dynamics of net sales of cash foreign currency by exchange offices, billion KZT



## 5. Deposit market

Deposits of residents with deposit organizations at the end of February 2021 amounted to 22,547.2 billion KZT, down by 0.6% for a month. Corporate deposits fell by 4.9% for a month down to 11,358.6 billion KZT, retail deposits rose by 4.3% up to 11,188.5 billion KZT.

Volume of deposits in the national currency inched up by 0.8% for a month up to 14,390.7 billion KZT, meanwhile deposits in foreign currency edged down by 3.0% to 8,156.5 billion KZT. Dollarization at the end of February 2021 was 36.2% (37.3% in December 2020).

Corporate deposits in the national currency in February 2021 shrank by 5.4% down to 7,304.3 billion KZT, in foreign currency by 4.0% down to 4,054.4 billion KZT (accounting for 35.7% of corporate deposits).

Retail deposits in KZT grew by 8.2% up to 7,086.4 billion KZT, in foreign currency they declined by 1.9% down to 4,102.2 billion KZT (accounting for 36.7% of the retail deposits).

Fixed-term deposits totaled 15,625.9 billion KZT, down by 1.4% for a month. In their structure deposits in the national currency made 9,845.2 billion KZT, in foreign currency – 5,780.7 billion KZT.

Average weighted interest rate in February 2021 was 7.2% for fixed-term KZT deposits of non-bank legal entities (7.1% in February 2020), and 8.9% for retail deposits (8.9%).

## 6. Credit market

At the end of February 2021, bank loans for economy stood at 14,552.4 billion KZT, down by 0.3% for a month. Corporate loans inched down by 0.1% to 6,986.5 billion KZT, retail loans edged down by 0.4% to 7,565.9 billion KZT.

Loans in the national currency slightly increased by 0.01% for a month up to 12,762.3 billion KZT. In their structure corporate loans rose by 0.7%, retail loans fell by 2.4% down to 1,790.2 billion KZT. Loans in foreign currency diminished by 2.4% down to 1,790.2 billion KZT. In their structure corporate loans grew up by 2.3%, retail loans increased by 5.7%. At the end of February 2021, KZT loans accounted for 87.7% (87.0% in December 2020).

Volume of long-term loans for a month decreased by 0.7% down to 12,426.4 billion KZT, volume of short-term loans grew by 1.9% up to 2,126.0 billion KZT.

SME lending in February 2021 rose by 0.7% to 2,557.8 billion KZT (a 17.6% share of total lending to the economy).

The following sectors have absorbed the bulk of bank loans extended to the economy: industry (13.5% share of the total volume), trade (11.8%), construction (4.2%) and transport (3.2%).

In February 2021, average weighted interest rate on loans issued in the national currency to non-bank legal entities was 11.5% (12.0% in February 2020), and interest rate on retail KZT loans made 18.2% (19.0%).

## **7. Payment systems**

As of March 1, 2021 nineteen payment systems are operated in Kazakhstan, including payment systems of the National Bank, remittance systems, payment card systems.

In February 2021, payment systems of the National Bank (Interbank Remittance System and Interbank Clearing System) recorded 5.1 million transactions for an amount of 58.7 trillion KZT (a 37.0% surge in terms of number and a 5.5% increase by value as compared to January 2021). On the average, the mentioned payment systems recorded 253,600 transactions daily for an amount of 2.9 trillion KZT.

As of March 1, 2021 twenty banks and Kazpost JSC were issuers of payment card in Kazakhstan. Issued and distributed payment cards numbered a total of 50.3 million cards. In February 2021, 54.3% payment cards (27.3 million) were used by holders for cashless transactions and/or cash withdrawal transactions.

Payment cards from Kazakhstan's issuers were used in February 2021 to make 387.8 million transactions worth 5.5 trillion KZT (number of transactions rose by 9% and amount grew by 12% vs. January 2021). Cashless payment transactions accounted for 94.4% (366.2 million) in the total structure of transactions with the use of cards from domestic issuers. Their volume for the same period was 74.2% (4.1 trillion KZT).

In February 2021, total volume of remittances via international remittance systems was 0.2 million remittances worth 65.6 billion KZT. Volume of remittances demonstrated an 11.4% increase from January 2021. In the total volume, remittances outside Kazakhstan accounted for 75.5% of the total number (0.1 million transactions) and 92.4% of the overall amount (60.6 billion KZT) of transactions. Share of local remittances via remittance systems was 24.5% of the total quantity (0.06 million transactions) and 7.6% of the overall amount (5.0 billion KZT). 0.1 million transactions for an amount of 21.6 billion KZT were received from abroad via the international remittance systems.

## **8. Superannuation system**

Pension savings of contributors (beneficiaries) as of March 1, 2021 totaled 12,619.7 billion KZT with a decrease of 293.8 billion KZT or down by 2.27% for January-February 2021.

In January – February 2021 net income from investment of pension assets rose by 218 billion KZT up to 5,771.5 billion KZT as of March 1, 2021.

Number of individual pension accounts of holders of obligatory pension contributions (given individual pension accounts without pension accruals) as of March 1, 2021 totaled 11.0 million accounts.

Pension payments for January-February 2021 amounted to 704 billion KZT.

As of March 1, 2021 government securities of the Republic of Kazakhstan and non-government securities of Kazakhstan's issuers account for a bulk of aggregate investment portfolio of UAPF (44.3% and 25.5% of the total volume of pension assets respectively).

## **9. Monitoring of companies**

Outcomes of monitoring of enterprises in the real sector of economy in Q4 2020 reveal a gradual revival of demand for finished products in the real sector, diffusion index (hereinafter 'DI') rose from 45.1 up to 49.3. Index growth is noted in the service sector (DI=47.2) and commodity producing sector (50.6).

Growing pace of prices for finished products of enterprises also accelerated (DI rose from 53.0 to 57.9). In mining and processing industries DI increased to 55.7 and 60.2 respectively.

Production volumes shrank, DI fell from 51.4 down to 49.4. In Q1 2021 companies in the real sector expect falling production volumes (DI=46.3).

Investment activities of enterprises also slightly decreased: share of enterprises which did not finance fixed assets (down to 36.4%), share of enterprises which financed fixed assets using their own funds (down to 63.9%) and bank loans (down to 5.9%). The majority of companies still use own funds to finance fixed and current assets (63.9% and 83.5% respectively).

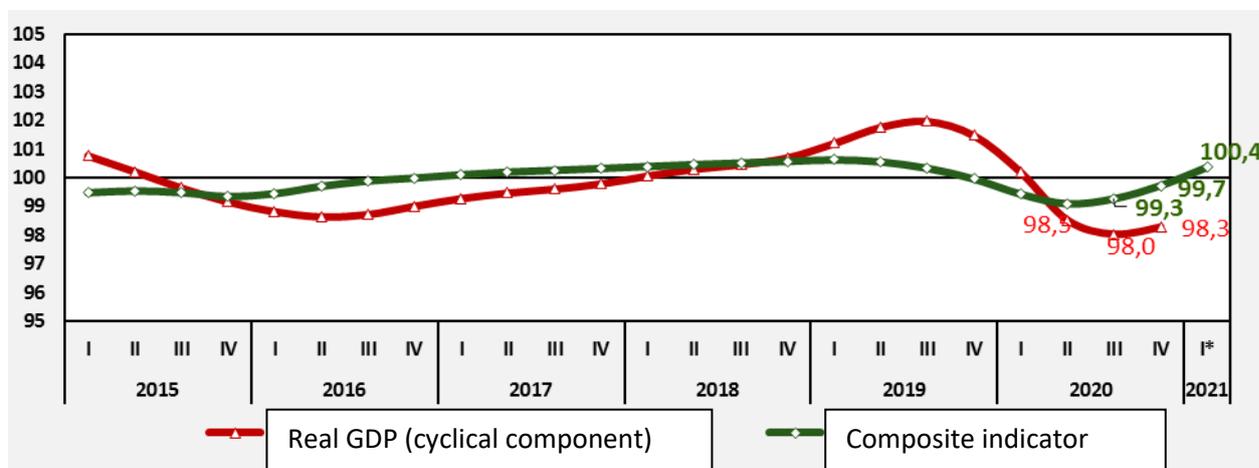
In Q4 2020, 17.0% of polled enterprise sought a loan from a bank, 16.2% enterprises raised a loan (or 95.3% of those seeking a borrowing). Loan denials stood at 0.8% of the total number of the surveyed participants (4.7% of those who sought a loan).

In Q1 2021, 15.8% of interviewed enterprises are determined to request a loan. In processing industry, such enterprises account for 23.6%, in mining – 9.2%.

For 35.1% of the enterprises, economic condition in Kazakhstan hinders business conduct. Other key obstacles for business in Kazakhstan are market competition (29.1%), search for buyers (23.1%), tax burden (22.9%). Along with that, access to financing (terms and conditions of banking lending) still ranks number seven (13.1%).

Dynamics of a composite leading indicator (CLI), an aggregate evaluation of polls of enterprises, demonstrates appearing signs of a gradual start of revival of economic activity in the real sector, thus CLI rose up to 99.7. In Q1 2021 respondents expect a weak growth of economic activities (CLI shifted to a growth area making 100.4).

Schedule 5. **Composite leading indicator**



For more details mass media can contact:

+7 (7172) 77-52-10

e-mail: [press@nationalbank.kz](mailto:press@nationalbank.kz)

[www.nationalbank.kz](http://www.nationalbank.kz)