



NATIONAL BANK OF KAZAKHSTAN

PRESS RELEASE N13

Situation in Financial Market in June 2021

30 July 2021

Nur-Sultan City

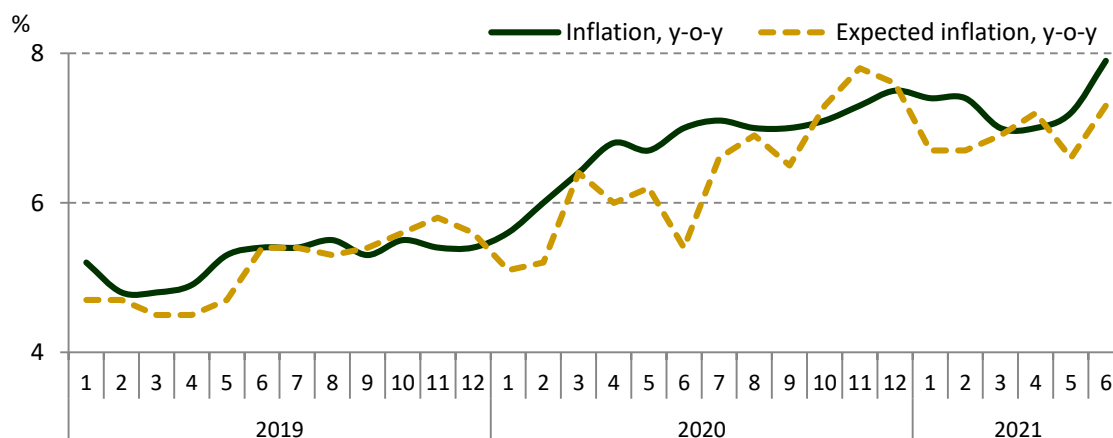
1. Inflation and Inflationary Expectations

National Statistics Bureau of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan reports that in June 2021 inflation was 1.1% (in June 2020 - 0.4%).

Annual inflation made 7.9% (7.5% in December 2020). In the structure of inflation, year-on-year prices for food products rose by 10.6%, non-food products - by 6.9%, paid services - by 5.6%.

In June 2021, a quantitative estimate of inflation expected in a year based on findings of a population survey was 7.3%.

Diagram 1. Inflation and expected inflation



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

2. International reserves and monetary aggregates

Gross international reserves of the National Bank for June 2021 shrank by 3.9% to USD 35.0 billion (down by 1.7% year-to-date).

Decline in the reserves was mainly attributed to a falling gold price due to USD appreciation. Moreover, gold was sold for an amount of USD 1.5 billion at a favorable price within exercise of options previously entered into by the National Bank to hedge a part of the gold portfolio against a its price collapse. Due to sale of unallocated gold within option strategies, assets in freely convertible currency grew.

International reserves of the country as a whole, including assets of the National Fund in foreign currency (USD 57.3 billion), according to preliminary data, at the end of June 2021 amounted to USD 92.4 billion.

Monetary base in June 2021 contracted by 0.5% and made 10,270.1 billion KZT (since the beginning of the year it has expanded by 5.0%). Narrow monetary base, that is, a monetary base

excluding fixed term deposits of second-tier banks with the National Bank, widened by 4.3% to 6,297.0 billion KZT (by 23.8% year-to-date).

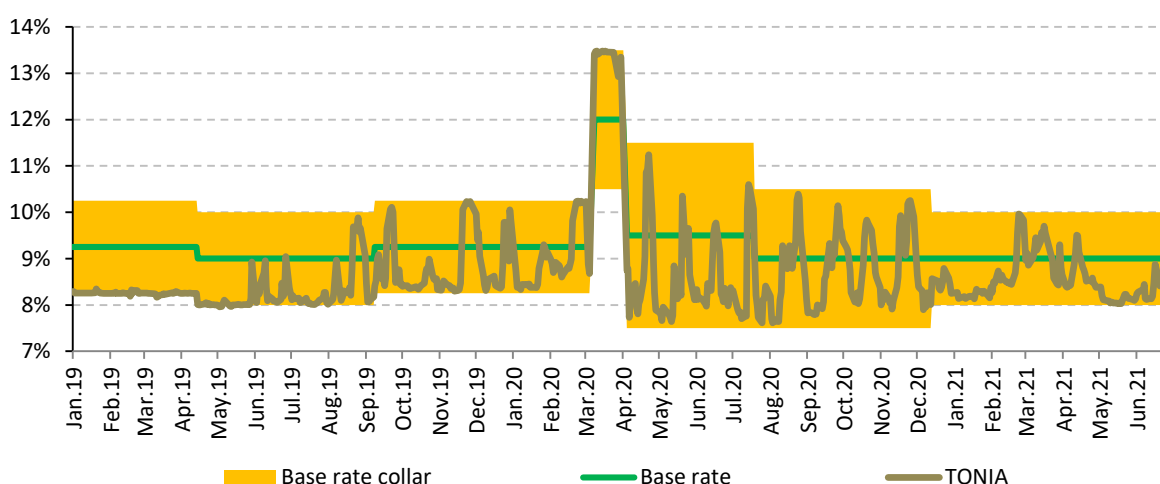
Money supply in June 2021 rose by 2.6% and amounted to 28,161.7 billion KZT (since the beginning of the year an increase of 13.0%), cash in circulation grew by 2.1% to 3,027.2 billion KZT (by 7.0% year-to-date).

3. Operations of the National Bank in monetary policy

On July 26, 2021, the National Bank decided to fix the base rate at **9.25%** per annum with an interest rate corridor of **+/- 1.00 p.p.**

TONIA¹ indicator, which is a target rate when conducting monetary policy operations in the money market, was formed within the interest rate corridor in June 2021. In June 2021, the weighted average value of TONIA was 8.3% per annum (8.1% in May 2021).

Diagram 2. Dynamics of base rate and its collar



Instruments of monetary policy. At the end of June 2021, negative balance of operations of the National Bank (open position of the National Bank) in the money market amounted to 5.4 trillion KZT.

Volume of the National Bank's open position on direct repo transactions totaled 85.7 billion KZT.

Volume of bank deposits with the National Bank made 197.3 billion KZT. Volume of liquidity withdrawn through deposit auctions was 1,688.0 billion KZT.

Volume of short-term notes in circulation at the end of June 2021 amounted to 3,474.7 billion KZT, having increased by 9.5% for a month.

In June 2021, six auctions were held for a total amount of 2,164.0 billion KZT, including four auctions for placement of 1-month notes for an amount of 1,532.6 billion KZT (weighted average yield - 9.00%), one auction for 3-month notes for an amount of 531.4 billion KZT (yield - 9.15%), one auction for six-month notes for an amount of 100 billion KZT (yield - 9.14%).

Volume of repayment of short-term notes of the National Bank in June 2021 amounted to KZT 2,121.4 billion.

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

In June 2021, the Ministry of Finance of the Republic of Kazakhstan placed long-term (MEUKAM) government securities for an amount of 139.2 billion KZT. Overall, 11 bond issues

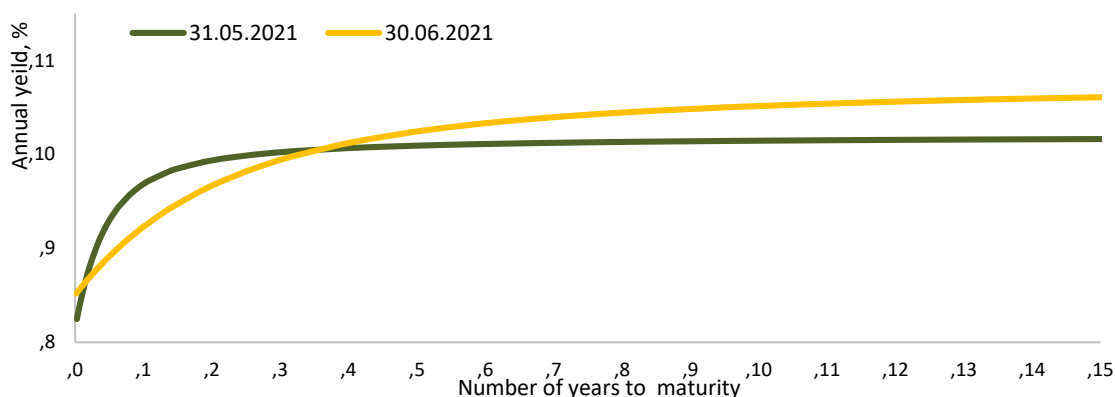
¹ Average weighted value of yield of one-day repo operations with securities from basket of government securities with a 5% cut of transactions with lowest and highest yield.

were placed in June 2021, on which government securities with maturities from 2 to 14 years were placed. Weighted average yield on them ranged from 9.60% to 10.70% per annum.

Volume of securities of the Ministry of Finance of the Republic of Kazakhstan in circulation in June 2021 increased by 1.1% and amounted to 9,994.9 billion KZT².

At the end of June, yield curve³ demonstrated a decrease in the yield in the segment up to 4 years, while in the segment above 4 years there was an increase in yield compared to the level of late May 2021.

Diagram 3. Changes in risk-free yield curve



5. Currency market

In June 2021, KZT exchange rate fluctuated within 425.64 - 428.30 KZT/ USD. At the end of June 2021, exchange rate of KZT against USD made 427.31 KZT/ USD having gained 0.3% for a month.

Total volume of transactions in the KZTZ/USD currency pair for the month totals USD 14.1 billion, including volume of exchange trading on the Kazakhstan Stock Exchange - USD 3.2 billion, volume of operations in the OTC foreign exchange market – USD 11.0 billion. In overall volume of operations in the OTC market, one subsidiary bank accounted for 69.6% or USD 7.6 billion (in May 2021 - 66.3% or USD 5.7 billion), which was due to hedging their equity capital from currency risks. These transactions are carried out within the bank group and do not affect the ratio of demand or supply of foreign currency in the domestic foreign exchange market.

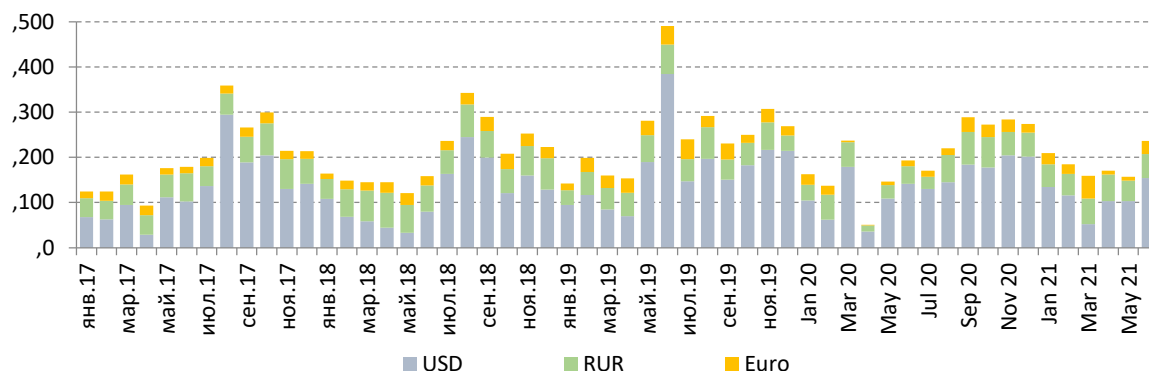
In June 2021, the population bought on a net basis cash foreign currency for an amount equivalent to 237.0 billion KZT. As compared to a previous month, these expenses soared by 50.6% (157.3 billion KZT in May 2021), volume of net purchases rose by 22.5% year-on-year (193.4 billion KZT). The bulk of expenses were directed for purchase of USD - 65.1% or 154.3 billion KZT, Russian rubles - 22.4, or 53.1 billion KZT, Euro - 12.3% or 29.2 billion KZT. By type of

² KZT government securities in circulation (ignoring government securities in foreign currency).

³ Method of determination of yield function of government securities of the Republic of Kazakhstan posted on an official website of the Kazakhstan Stock exchange was used to plot a yield curve.

currency, spending on purchase of USD for the month surged by 49.5% (by 9.0% YoY), purchase of Euro - 3.4 times (2.3 times YoY), purchase of RUR - by 17.0% (by 37.5% YoY).

Diagram 4. **Dynamics of net sales of cash foreign currency by bureaus of exchange, billion KZT**



6. Deposit market

Volume of deposits of residents in depository institutions at the end of June 2021 stood at 25,134.6 billion KZT, up by 2.7% for a month. Corporate deposits for a month grew by 2.0% to 12,936.8 billion KZT, retail deposits rose by 3.3% to 12,197.8 billion KZT.

Volume of deposits in the national currency for a month increased by 2.5% to 15,843.3 billion KZT, in foreign currency - by 3.0% to 9,291.3 billion KZT. Dollarization level at the end of June 2021 was 37.0% (37.3% in December 2020).

Corporate deposits in the national currency in June 2021 inched up 1.4% to 7,874.9 billion KZT, in foreign currency - by 3.1% to 5,061.9 billion KZT (39.1% of corporate deposits).

Retail deposits in KZT increased by 3.6% to 7,968.3 billion KZT, in foreign currency - by 2.9% to 4,229.4 billion KZT (34.7% of retail deposits).

Fixed term deposits amounted to KZT 17,040.1 billion, up by 1.1% for a month. In their structure, deposits in national currency amounted to 10,884.2 billion KZT, in foreign currency totaled 6,155.9 billion KZT.

Weighted average interest rate on fixed term deposits in the national currency of non-bank legal entities in June 2021 amounted to 7.3% (in June 2020 - 7.6%), on retail deposits - 8.6% (9.9%).

7. Credit market

Volume of lending by banks to the economy at the end of June 2021 amounted to 15,721.5 billion KZT, up by 0.5% for a month. Volume of corporate loans shrank by 3.5% down to 7,169.1 billion KZT, volume of retail loans increased by 4.2% down to 8,552.4 billion KZT.

Volume of loans in the national currency edged up by 1.2% for month up to 13,792.7 billion KZT. In their structure, corporate loans fell by 3.3%, and retail loans rose by 4.2%. Volume of loans in foreign currency diminished by 4.2% to 1,928.8 billion KZT. In their structure, corporate loans shrank by 4.1%, and retail loans fell by 10.7%. Loans in the national currency accounted for 87.7% at the end of June 2021 (87.0% in December 2020).

Volume of long-term loans for a month inched up by 0.3% to 13,457.9 billion KZT, volume of short-term loans - by 1.6%, to 2,263.7 billion KZT.

Lending to small businesses in June 2021 fell by 3.6% to 2,724.7 billion KZT (17.3% of the total volume of loans to the economy).

In the sectoral breakdown of the corporate sector, the following sectors account for the bulk of bank loans to the economy: industry (30.1% of the total corporate sector), trade (21.4%), construction (7.1%) and transport (6.0%).

In June 2021, weighted average interest rate on loans issued in national currency to non-bank legal entities made 11.6% (in June 2020 - 11.0%), to individuals - 16.6% (16.9%).

8. Payment systems

As of July 1, 2021, nineteen payment systems operate in the Republic of Kazakhstan, including payment systems of the National Bank, money transfer systems, and payment card systems.

In June 2021, 4.7 million transactions amounting to 68.2 trillion KZT were carried out through payment systems of the National Bank (Interbank Money Transfer System and Interbank Clearing System) (compared to May 2021, a 4.6% increase in number, a 0.4% rise in amount). On average, 214.2 thousand transactions worth 3.8 trillion KZT were made through these payment systems daily.

As of July 1, 2021, 21 banks and Kazpost JSC issued payment cards in the Republic of Kazakhstan. Total number of issued and distributed payment cards amounted to 54.0 million. In May 2021, 48.2% of payment cards (26.1 million) were used for non-cash transactions and/or cash withdrawals.

In June 2021, 533.3 million transactions were carried out for an amount of 8.4 trillion KZT using payment cards of Kazakhstani issuers (compared to May 2021, number of transactions inched up by 0.2%, amount rose by 13.2%). Non-cash payment transactions by number of transactions using payment cards of Kazakhstan's issuers accounted for 95.4% (KZT 508.7 million). Volume of non-cash transactions for the same period accounted for 74.4% (6.2 trillion KZT).

In June 2021, total volume of money sent via international money transfer systems made 0.3 million transfers for an amount of 109.0 billion KZT. Volume of remittances soared by 39.6% from May 2021. In the total volume of transfers, 81.3% of the total number (0.2 million transactions) and 94.4% of the total amount (102.9 billion KZT) of transactions were sent outside Kazakhstan. In Kazakhstan, 18.7% of the total amount (0.1 million transactions) and 5.6% of the total amount (6.1 billion KZT) were remitted through money transfer systems. 0.1 million transactions were received for an amount of 24.9 billion KZT from abroad via international money transfer systems.

9. Pension system

Pension savings of contributors (recipients) as of July 1, 2021 totaled KZT 12,767.8 billion, having shrunk in January-June 2021 by KZT 145.6 billion or by 1.1%.

In January-June 2021, net income from investment of pension assets grew by 751.0 billion KZT to 6,304.6 billion KZT as of July 1, 2021.

Number of individual pension accounts of contributors for compulsory pension contributions (taking into account individual pension accounts that do not have pension savings) as of July 1, 2021 totaled 10.9 million accounts.

Amount of pension payments in January-June 2021 made 1.7 trillion KZT.

As of July 1, 2021 government securities of the Republic of Kazakhstan and non-government securities of issuers of the Republic of Kazakhstan (39.6% and 25.9% of the total volume of pension assets, respectively) account for a bulk of UAPF total investment portfolio.

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