NATIONAL BANK OF KAZAKHSTAN

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The international credit rating agency Fitch Ratings confirmed Kazakhstan's sovereign rating

August 14, 2021

On August 13, 2021 the international credit rating agency Fitch Ratings confirmed the sovereign credit rating of the Republic of Kazakhstan at “BBB”, outlook “stable”.

The Fitch Ratings' analysts note that a considerable buffer in the form of the National Fund's assets and National Bank's reserves allowed the Kazakhstan's economy to remain robust in the face of the coronavirus pandemic and declining oil prices.

Fitch Ratings indicates the stability of the country's external reserves against the 2020 economic shocks amid high income as the result of asset management and rising gold prices. According to the Fitch Ratings' assessment, Kazakhstan's international reserves in the first half of the year amounted to 47% of GDP, which is much higher than the equivalent average indicator of the group of countries with the “BBB” rating.

The agency highlights that the exchange rate flexibility allowed to absorb oil price fluctuations in 2020 and preserve international reserves. The analysts at Fitch Ratings point to the increase in non-residents' participation in local government bonds of the Republic of Kazakhstan in 2021.

The introduction of the new fiscal rule based on the principle of countercyclicality, according to the agency, will contribute to the accumulation of the National Fund's assets and increase in the efficiency of the macroeconomic policy.

According to Fitch Ratings, the current inflation level in the country is higher than the average indicator of "BBB" countries. At the same time, the agency notes that the growing inflation in Kazakhstan is caused by the global rise in prices for food and energy resources, as well as the recovery of domestic consumer demand.

In 2021, the agency's analysts forecast current account deficit of the balance of payments to fall to 0,7% of GDP (3,7% of GDP in 2020) as oil prices rise and OPEC+ production limitations loosen.

Fitch Ratings predicts Kazakhstan's economy to grow at 3,5% in 2021 and 4% in 2022.

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