



NATIONAL BANK OF KAZAKHSTAN

PRESS RELEASE № 18

About situation on financial market in August 2021

September 29, 2021

Nur-Sultan

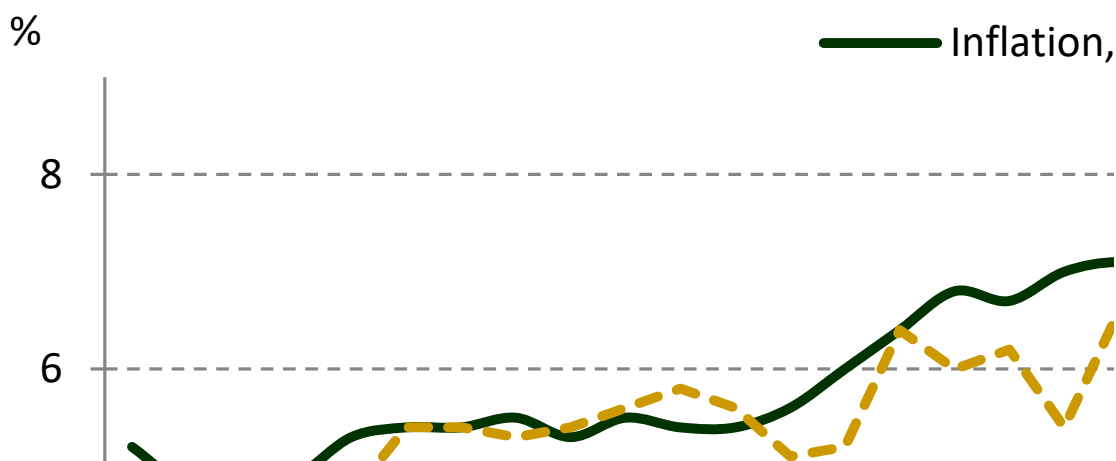
1. Inflation and Inflationary Expectations

Agency for Strategic planning and reforms of the Republic of Kazakhstan Bureau of National statistics reports that in August 2021 inflation was 0.5% (0.1% in August 2020).

Annual inflation made 8.7% (7.5% in December 2020). In the structure of inflation, prices for food products in annual terms rose by 11.4%, non-food products - by 7.3%, paid services - by 6.6%.

In August 2021, a quantitative estimate of inflation expected in a year, based on results of a population survey was 8.8%.

Diagram 1. Inflation and Expected Inflation



Source: Agency for Strategic planning and reforms of the Republic of Kazakhstan Bureau of National statistics, FusionLab

2. International Reserves and Monetary Aggregates

Gross international reserves of the National Bank for August 2021, according to preliminary data, increased by 5.2% and totaled USD 36.8 billion (since the beginning of the year - by 3.3%).

Increase in reserves was due to the growth of assets in freely convertible currency as was receipt of special drawing rights (SDR) from the International Monetary Fund also due to growth of the gold portfolio.

International reserves of the country as a whole, including assets of the National Fund in foreign currency (USD 56.9 billion), according to preliminary data, amounted USD 93.7 billion at the end of August 2021.

Monetary base in August 2021 slightly contracted and totaled 10,298.2 billion KZT (since the beginning of the year it expanded by 5.3%). Narrow monetary base, that is, the monetary base excluding fixed-term deposits of second-tier banks with the National Bank, widened by 3% to 6,300.2 billion KZT (up by 23.8% since the beginning of the year).

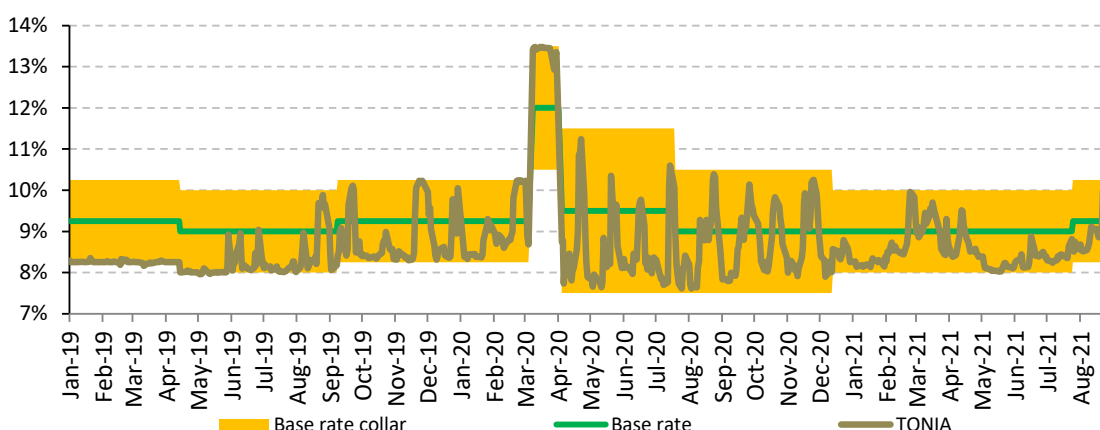
Money supply in August 2021 fell by 0.6% and amounted at 28,056.2 billion KZT (an increase of 12.6% since the beginning of the year), cash in circulation fell by 0.7%, down to 3,014.5 billion KZT (since the beginning of the year increased by 6.6%).

3. Operations of the National Bank in monetary policy

On September 13, 2021, the National Bank decided to set the base rate at **9.50%** per annum with an interest rate corridor of **+/- 1.00 p.p.**

TONIA indicator¹, which is a target rate when conducting monetary policy operations in the money market, was formed within the interest rate corridor in August 2021. In August 2021, the weighted average value of TONIA was 9.1% per annum (in July 2021 - 8.4%).

Diagram 2. Dynamics of the base rate and its collar



Instruments of monetary policy. At the end of August 2021, negative balance of operations of the National Bank (open position of the National Bank) in the money market amounted 4.9 trillion KZT.

Volume of the National Bank's open position on direct repo transactions totaled 33.6 billion KZT.

Volume of the bank deposits with the National Bank made 512.1 billion KZT. Volume of liquidity withdrawn through deposit auctions was 1,233.8 billion KZT.

Volume of short-term notes in circulation at the end of August 2021 amounted to 3,159.8 billion KZT, having contracted by 4.6% for a month.

In August 2021, seven auctions were held for a total amount of 2,007.7 billion KZT, including five auctions for placement of 1-month notes for an amount of 1,615.8 billion KZT (weighted average yield - 9.22%), one auction for 3-month notes for the amount of 292.0 billion KZT (yield - 9.33%), one auction for six-months notes for an amount of 100 billion KZT (yield - 9.44%).

Volume of repayment of short-term notes of the National Bank in August 2021 amounted to 1,979.9 billion KZT.

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

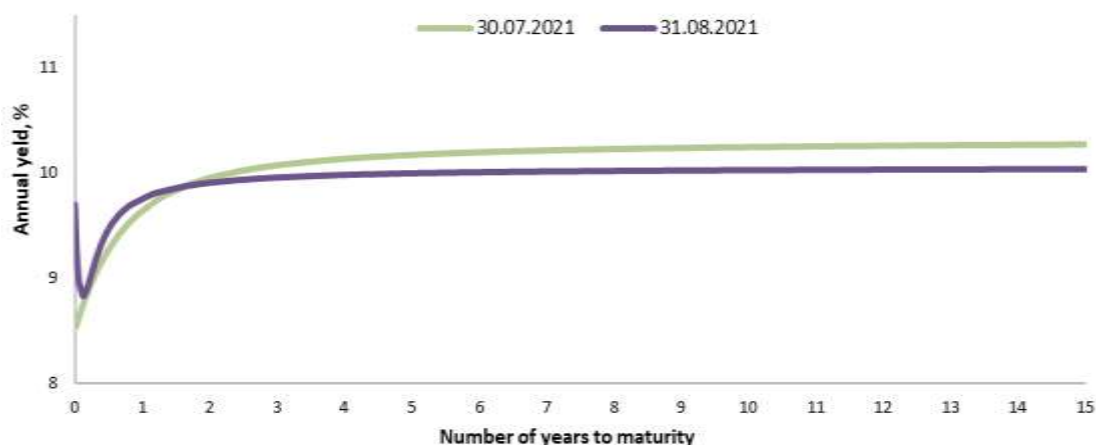
In August 2021, the Ministry of Finance of the Republic of Kazakhstan placed medium-term (MEOKAM) and long-term (MEUKAM) government securities for an amount of 86.9 billion KZT. Overall, 9 bond issues were placed in August 2021, on which government securities with maturities from 4 to 15 years were placed. Weighted average yield on them ranged from 10.36% to 10.78% per annum.

¹ An average weighted value of yield of one-day repo operations with securities from basket of public stock with a 5% cut of transactions with lowest and highest yield.

Volume of securities of the Ministry of Finance of the Republic of Kazakhstan in circulation in August 2021 shrank by 0.4% and amounted 10,169.1 billion KZT².

At the end of August 2021, risk-free yield curve³ fell in the medium and long term. In the short segment, growth of the yield curve is due to growth of rates on 1-day repo at the end of August 2021 against the background of the tax week.

Diagram 3. Changes in risk-free yield curve



5. FX market

In August 2021, KZT exchange rate fluctuated within 423.76 - 427.13 KZT/USD. At the end of August 2021, exchange rate KZT against USD made 425.42 KZT/USD, having slightly weakened by 0.2% for the month.

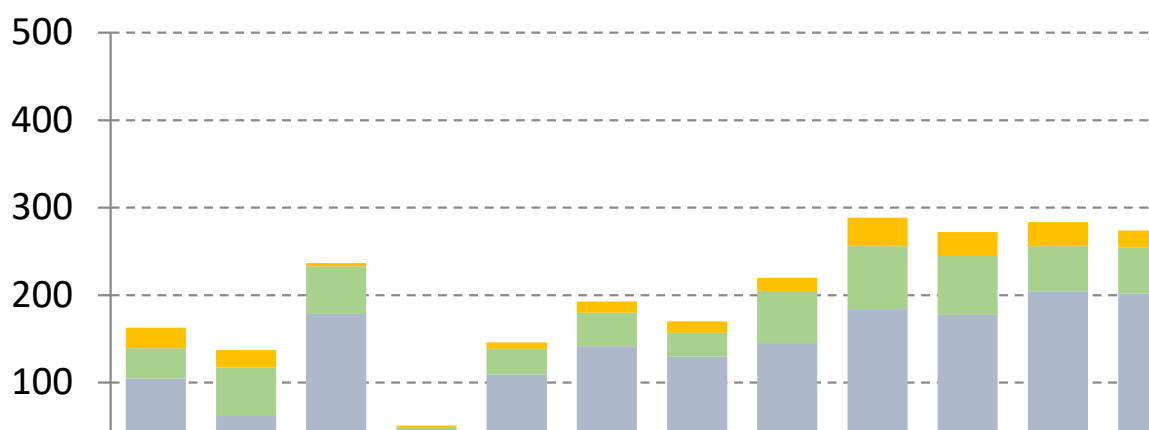
Total volume of transactions in the KZT/USD currency pair for the month totals to USD 12.6 billion, including volume of exchange trading on the Kazakhstan Stock Exchange - USD 2.7 billion, volume of operations on the OTC foreign exchange market - 9.9 billion USD. In overall volume of operations in the OTC market, one subsidiary bank accounted for 68.3% or USD 6.8 billion (63.6% or USD 6.7 billion in July 2021), 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 August 2021, the population bought on a net basis cash foreign currency for an amount equivalent to 242.9 billion KZT. As compared to the previous month, these expenses fell by 8.7% (266.2 billion KZT in July 2021), volume of net purchases rose by 10.1% year-on-year (220.6 KZT billion). The bulk of expenses were directed to purchase of USD - 60.5% or 146.9 billion KZT, Russian rubles - 26.8% or 65.0 billion KZT, Euro - 12.5% or 30.4 billion KZT. By type of currency, spending on purchase of USD for the month shrank by 12.3% (by 1.2% YoY), purchase of Euro - 5.7% (2 times YoY), purchase of RUR - by 1.5% (by 37.5% YoY).

² Outstanding KZT public stock (ignoring public stock in foreign currency).

³ Method of determination of yield function of public stock of the Republic of Kazakhstan posted on an official website of the Kazakhstan Stock Exchange was used to plot a yield curve.

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



6. Deposit market

Volume of residents' deposits in depository institutions at the end of August 2021 stood at 25,041.8 billion KZT, down by 0.6% for a month (21.1% up YoY). Corporate deposits for a month fell by 1.5% to 12,758.5 billion KZT, retail deposits increased by 0.3%, to 12,283.3 billion KZT.

Volume of deposits in the national currency for the month fell by 1.0%, to 15,974.5 billion KZT, in foreign currency to 9,067.3 billion KZT. Dollarization level at the end of August 2021 was 36.2% (37.3% in December 2020).

Corporate deposits in the national currency in August 2021 fell by 2.2% to 7,935.2 billion KZT, in foreign currency - by 0.4% to 4,823.3 billion KZT (37.8% of corporate deposits).

Retail deposits in KZT inched up 0.2% to 8,039.3 billion KZT, in foreign currency - by 0.4% to 4,244.0 billion KZT (34.6% of retail deposits).

Fixed-term deposits amounted to 17,193.7 billion KZT, having decreased by 0.4% for the month. In their structure, deposits in the national currency amounted 11,025.0 billion KZT, in foreign currency - 6,168.7 billion KZT.

Weighted average interest rate on fixed-term deposits in the national currency of non-bank legal entities in August 2021 amounted 7.3% (in August 2020 - 7.2%), on retail deposits - 8.3% (9.8%).

7. Credit market

Volume of bank lending to the economy at the end of August 2021 stood at 16,456.5 billion KZT, which is up by 2.7% for a month (a 15.9% growth y/y). Volume of corporate loans for a month went up by 1.0% up to 7,221.5 billion KZT, retail loans - by 4.2% up to 9,235.0 billion KZT.

Volume of loans in the national currency for the month expanded by 3.2% to 14,560.6 billion KZT. In their structure, corporate loans increased by 1.6%, and retail loans - by 4.2%. Volume of loans in foreign currency shrank by 0.7% down to 1,895.8 billion KZT. In their structure, corporate loans contracted by 0.6%, and retail loans shrank by 5.4%. Loans in the national currency accounted for 88.5% at the end of August 2021 (in December 2020 - 87.0%).

Volume of long-term loans for the month increased by 3.1% up to 14,167.7 billion KZT, volume of short-term loans - by 0.4% to 2,288.7 billion KZT.

Lending to small businesses in August 2021 increased by 2.0% to 2,894.1 billion KZT (40.1% of the total volume of loans to the corporate sector).

In the sectoral breakdown of the corporate sector, the following sectors account for the bulk of bank loans to the economy: industry (32.1% of the total corporate sector), trade (21.1%), construction (7.4%) and transport (5.6%).

In August 2021, weighted average interest rate on loans issued in national currency to non-bank legal entities made 11.6% (11.9% in August 2020), to individuals - 17.2% (17.1%).

8. Payment systems

As of September 1, 2021, 19 payment systems are operated in the Republic of Kazakhstan, including payment systems of the National Bank, money transfer systems, and payment card systems.

In August 2021, 5.5 million transactions amounting to 63.4 trillion KZT were carried out through the payment systems of the National Bank (Interbank Money Transfer System and Interbank Clearing System) (compared to July 2021, a 11.3% rise in number, a 0.5% rise in amount). On average, 260.5 thousand transactions worth 3.0 trillion KZT were made through these payment systems daily.

As of September 1, 2021, 18 banks and Kazpost JSC issued payment cards in the Republic of Kazakhstan. Total number of issued and distributed payment cards amounted 55.7 million. In August 2021, 47.9% of payment cards (26.7 million) were used for non-cash transactions and/or cash withdrawals.

In August 2021, 616.1 million transactions were carried out of an amount of 8.6 trillion KZT using payment cards of Kazakhstani issuers (compared to July 2021, number of transactions increased by 4.7%, amount - by 4.3%). Non-cash payment transactions by number of transactions using payment cards of Kazakhstan's issuers accounted for 96.2% (592.9 million transactions). Volume of non-cash transactions for the same period accounted for 79.4% (6.8 trillion KZT).

In August 2021, total amount of money sent via international money transfer systems made 0.3 million transfers in the amount of 105.4 billion KZT. Volume of remittances rose by 8.4% compared to July 2021. In the total volume of transfers, 94.7% of the total number (0.3 million transactions) and 95.2% of the total amount (100.3 billion KZT) of transactions were sent outside Kazakhstan. In Kazakhstan, 5.3% of the total amount (0.01 million transactions) and 4.8% of the total amount (5.1 billion KZT) were remitted through money transfer systems. 0.1 million transactions were received for an amount of 24.3 billion KZT from abroad via through international money transfer systems.

9. Pension system

Pension savings of contributors (recipients) as of September 1, 2021 totaled 12,945.8 billion KZT, having increased in January-August 2021 by 32.4 billion KZT or by 0.25%.

In January-August 2021, net income from investment of pension assets increased by 938.9 billion KZT to 6,492.5 billion KZT as of September 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 September 1, 2021 totaled 10.9 million accounts.

Amount of pension payments in January-August 2021 totaled 2.0 trillion KZT.

As of September 1, 2021, government securities of the Republic of Kazakhstan and non-government securities of issuers of the Republic of Kazakhstan (39% and 25% of the total volume of pension assets, respectively) account for a bulk of UAPF total investment portfolio.

For more details mass media can contact:

+7 (7172) 775 210

e-mail: press@nationalbank.kz

www.nationalbank.kz