



Press Release N 26

About situation on financial market in October 2021

November 30, 2021

Nur-Sultan City

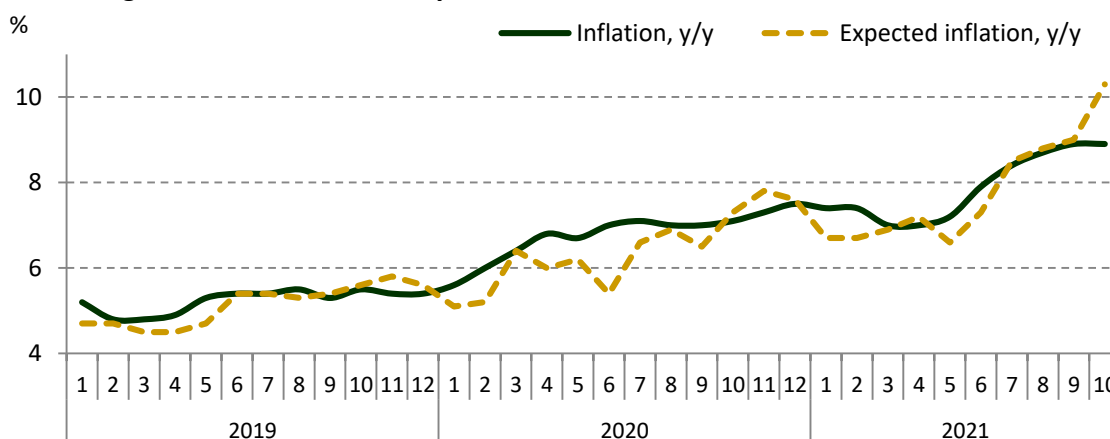
1. Inflation and Inflationary Expectations

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

Annual inflation made 8.9% (7.5% in December 2020). In the structure of inflation, prices for food products in annual terms rose by 11.3%, non-food products— by 7.8%, paid services— by 6.9%.

In October 2021, a quantitative estimate of inflation expected in a year, based on results of a population survey was 10.3%.

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 October 2021, according to preliminary data, inched up by 0.8% and totaled USD 35.8 billion (since the beginning of the year up by 0.5%).

The reserves increased mainly due to gold portfolio against the background of a rising price for the precious metal and gold acquisition within exercise of the pre-emptive right. Assets in freely convertible currency diminished mainly due to shrinking balances on correspondent accounts of second-tier banks.

International reserves of the country as a whole, including assets of the National Fund in foreign currency (USD 55.1 billion), according to preliminary data, amounted to USD 90.9 billion at the end of October 2021.

Monetary base in October 2021 contracted by 2.7% and totaled 10,402.1 billion KZT (since the beginning of the year it expanded by 6.4%). Narrow monetary base, that is, the monetary

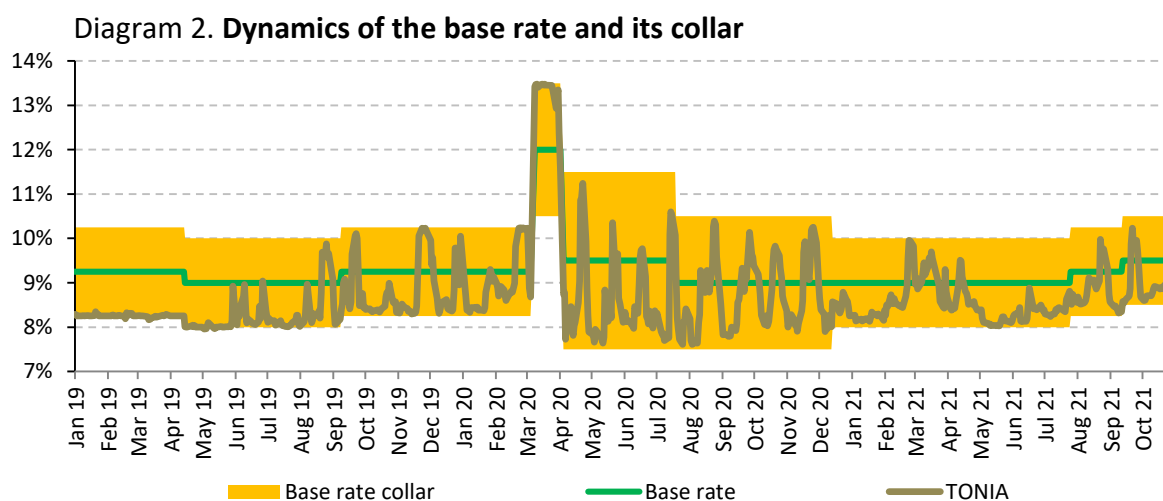
base excluding fixed-term deposits of second-tier banks with the National Bank, grew by 1.1% to 5,878.2 billion KZT (an expansion of 15.5% since the beginning of the year).

Money supply in October 2021 edged up by 0.6% and totaled 29,024.8 billion KZT (an increase of 16.5% since the beginning of the year), cash in circulation expanded by 1.0% up to 3,013.6 billion KZT (a 6.6% growth since the beginning of the year).

3. Operations of the National Bank in Monetary Policy

On October 25, 2021, the National Bank decided to raise the base rate by 0.25 p.p to 9.75% 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 October 2021. In October 2021, the weighted average value of TONIA was 9.1% per annum (in September 2021 – 9.0%).



Instruments of monetary policy. At the end of October 2021, negative balance of operations of the National Bank (open position of the National Bank) in the money market stood at 5.2 trillion KZT.

Volume of the National Bank's open position on direct repo transactions totaled 82.8 billion KZT.

Volume of bank deposits with the National Bank made 246.5 billion KZT. Volume of liquidity withdrawn through deposit auctions was 2,045.8 billion KZT.

Volume of short-term notes in circulation at the end of October 2021 amounted to 2,936.9 billion KZT, having increased by 7.1% for a month.

In October 2021, six auctions were held for a total amount of 1,864.3 billion KZT, including four auctions for placement of 1-month notes for an amount of 1,603.3 billion KZT (weighted average yield - 9.47%), one auction for 3-month notes for an amount of 212.2 billion KZT (yield - 9.59%), one auction for 6-month notes for an amount of 48.8 billion KZT (yield - 9.70%).

Volume of repayment of short-term notes of the National Bank in October 2021 amounted to 1,689.4 billion KZT.

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

In October 2021, the Ministry of Finance of the Republic of Kazakhstan placed medium-term (MEOKAM) and long-term (MEUKAM) government securities for an amount of 198.1 billion KZT. Overall, 13 bond issues were placed in October 2021, within which government securities

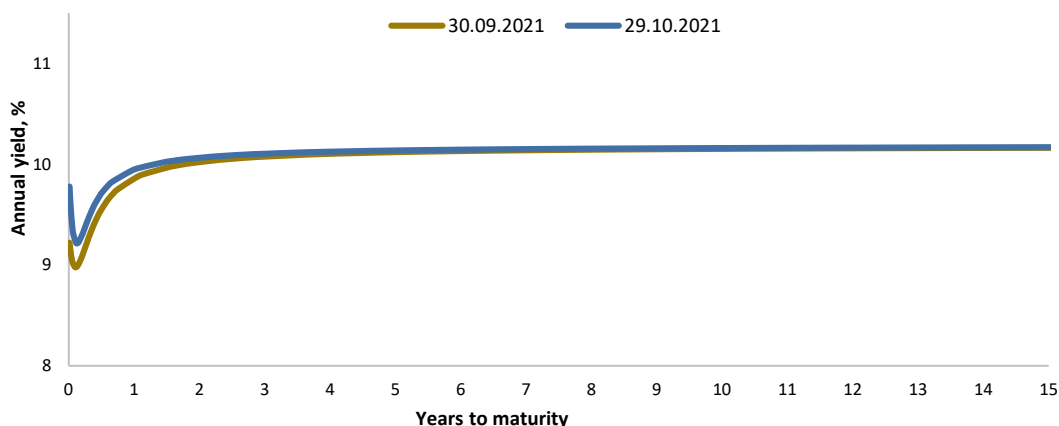
¹ An average weighted value of yield of one-day repo operations with securities from basket of public stock with a 5% cut of transactions with lowest and highest yield.

with maturities from 2 to 15 years were placed. Weighted average yield on them ranged from 10.16% to 10.82% per annum.

Volume of securities of the Ministry of Finance of the Republic of Kazakhstan in circulation in October 2021 rose by 1.9% and totaled 10,539.5 billion KZT².

At the end of October 2021, risk-free yield curve³ went up in short run to 3 years as compared to the end of September 2021 against the background of the increased base rate.

Diagram 3. **Changes in risk-free yield curve**



5. FX Market

In October 2021, KZT exchange rate fluctuated within 424.55 – 427.59 USD/KZT. At the end of October 2021, USD/KZT exchange rate was 427.15 USD/KZT, having slightly weakened by 0.3% for the month.

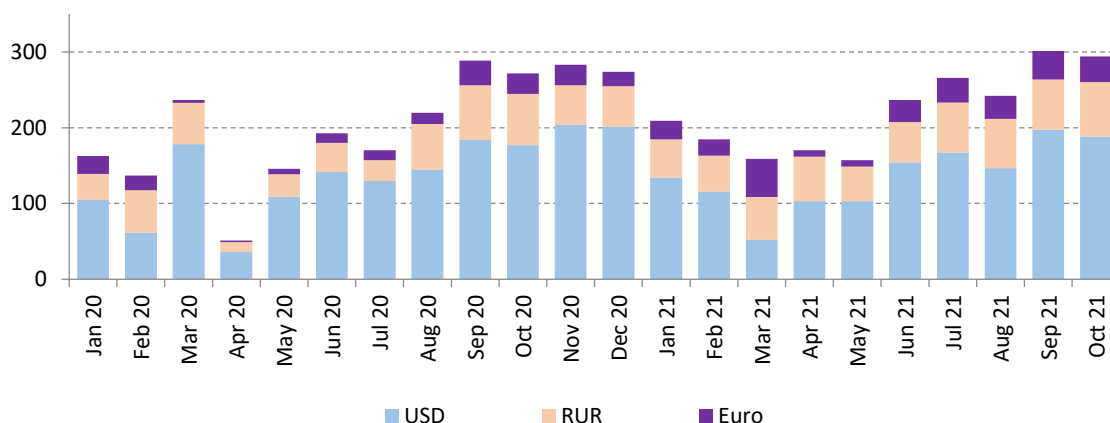
Total volume of transactions in the USD/KZT currency pair for the month totaled USD 11.9 billion, including volume of exchange trading on the Kazakhstan Stock Exchange - USD 2.7 billion, volume of operations on the OTC foreign exchange market – USD 9.2 billion. In overall volume of operations in the OTC market, one subsidiary bank accounted for 74.6% or USD 6.8 billion (70.6% or USD 6.9 billion in September 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 October 2021, households bought on a net basis foreign currency in cash for an amount equivalent to 294.5 billion KZT. As compared to the previous month, these expenses decreased by 2.6% (302.5 billion KZT in September 2021), volume of net purchases rose by 8.1% year-on-year (272.4 billion KZT). The bulk of expenses were directed to purchase of USD – 64.0% or 188.4 billion KZT, Russian rubles – 24.5% or 72.2 billion KZT, Euro – 11.5% or 33.8 billion KZT. By type of currency, spending on USD purchases for the month declined by 4.6% (a growth of 6.3% y/y), purchase of RUR rose by 8.5% (up by 7.0% y/y) and purchase of Euro declined by 9.9% (a surge of 23.8% y/y).

²Outstanding 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 exchange bureaus, billion KZT**



6. Deposit Market

Volume of residents' deposits in depository institutions at the end of October 2021 stood at 26,011.3 billion KZT, a 0.6% increase for a month (18.6% up y/y). Corporate deposits for a month rose by 0.4% to 13,549.5 billion KZT, retail deposits increased by 0.7%, to 12,461.7 billion KZT.

Volume of deposits in the national currency for the month expanded by 1.6%, to 16,755.1 billion KZT, in foreign currency shrank by 1.2% to 9,256.1 billion KZT. Dollarization level at the end of October 2021 was 35.6% (37.3% in December 2020).

Corporate deposits in the national currency in October 2021 rose by 1.8% to 8,515.9 billion KZT, in foreign currency fell by 1.9% to 5,033.7 billion KZT (37.2% of corporate deposits).

Retail deposits in KZT grew by 1.3% to 8,239.2 billion KZT, in foreign currency went down by 0.4% to 4,222.5 billion KZT (33.9% of retail deposits).

Fixed-term deposits totaled 18,166.4 billion KZT, up by 2.3% for the month. In their structure, deposits in the national currency amounted to 11,888.2 billion KZT, in foreign currency - 6,278.2 billion KZT.

Weighted average interest rate on fixed-term deposits in the national currency of non-bank legal entities in October 2021 was 7.5% (7.0% in October 2020), on retail deposits - 8.4% (9.5%).

7. Credit Market

Volume of bank lending to the economy at the end of October 2021 stood at 17,201.8 billion KZT, which is up by 1.4% for a month (a 19.1% growth y/y). Volume of corporate loans for a month diminished by 1.4% down to 7,270.8 billion KZT, retail loans rose by 3.5% up to 9,931.0 billion KZT.

Volume of loans in the national currency for the month widened by 2.5% to 15,410.7 billion KZT. In their structure, corporate loans grew by 0.8% and retail loans— by 3.5%. Volume of loans in foreign currency contracted by 7.4% to 1,791.1 billion KZT. In their structure, corporate loans fell by 7.4% and retail loans by 6.7%. Loans in the national currency accounted for 89.6% at the end of October 2021 (87.0% in December 2020).

Volume of long-term loans for the month increased by 1.5% up to 14,846.2 billion KZT, volume of short-term loans – by 0.7% to 2,355.6 billion KZT.

Lending to small businesses in October 2021 increased by 1.9% to 3,258.1 billion KZT (44.8% 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 (32.9% of the total corporate sector), trade (22.0%), construction (7.6%) and transport (5.5%).

In October 2021, weighted average interest rate on loans issued in national currency to non-bank legal entities was 12.0% (11.8% in October 2020), to individuals – 18.1% (16.9%).

8. Payment Systems

As of November 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 October 2021, 5.0 million transactions amounting to 61.8 trillion KZT were carried out through the payment systems of the National Bank (Interbank Money Transfer System and Interbank Clearing System) (as compared to September 2021, down by 4.1% in number, by 9.2% in amount). On average, 235.9 thousand transactions worth 2.9 trillion KZT were made through these payment systems daily.

As of November 1, 2021, 19 banks and Kazpost JSC issued payment cards in the Republic of Kazakhstan. Total number of issued and distributed payment cards amounted to 57.8 million. In October 2021, 51.1% of payment cards (29.5 million) were used for non-cash transactions and/or cash withdrawals.

In October 2021, 651.7 million transactions were carried out for an amount of 9.3 trillion KZT using payment cards of Kazakhstani issuers (compared to September 2021, number of transactions increased by 4.0%, amount – by 5.6%). Non-cash payment transactions by number of transactions using payment cards of Kazakhstan's issuers accounted for 96.6% (629.8 million transactions). Volume of non-cash transactions for the same period accounted for 80.6% (7.5 trillion KZT).

In October 2021, total amount of money sent via international money transfer systems made 0.3 million remittances in the amount of 99.4 billion KZT. Volume of remittances rose by 2.7% compared to September 2021. In the total volume of transfers, 78.1% of the total number (0.2 million transactions) and 93.2% of the total amount (92.6 billion KZT) of transactions were sent outside Kazakhstan. In Kazakhstan, 21.9% of the total amount (0.1 million transactions) and 6.8% of the total amount (6.8 billion KZT) were remitted through money transfer systems. 0.1 million transactions were received for an amount of 23.3 billion KZT from abroad via international money transfer systems.

9. Pension System

Pension savings of contributors (recipients) as of November 1, 2021 totaled 13,233.9 billion KZT, having increased in October 2021 by 144.9 billion KZT or by 1.1%.

In October 2021, net income from investment of pension assets increased by 125.2 billion KZT to 6,766 billion KZT as of November 1, 2021.

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

Amount of pension payments in October 2021 totaled 116.9 billion KZT.

As of November 1, 2021, government securities of the Republic of Kazakhstan and non-government securities of Kazakhstan's issuers (37.4% and 25.2% of the total volume of pension assets, respectively) account for a bulk of UAPF total investment portfolio.

10. Monitoring of Enterprises for Quarter III

According to results of monitoring of enterprises, ongoing recovery of economic activities in the real sector is reported which is attributed to a growing of utilization of production

capacities, growing demand for finished products, and an accelerating turnover of assets and working capital.

Utilization of production capacities of enterprises increased, weighted average level of utilization made 53.9% (52.4% in quarter II). Growth rates of production volumes slowed down slightly but the diffusion index (hereinafter referred to as 'DI') is still in the positive zone (53.4).

Demand for finished products of enterprises rose, index inched up from 50.3 to 50.6. Demand indicator grew in the service sector to 49.8 and in production of goods sector it was 51.3.

Growth pace of prices for products of enterprises in the economy as a whole remained at the same level, DI made 61.6. In the fourth quarter of 2021, enterprises expect a slowdown in growth of prices for finished products.

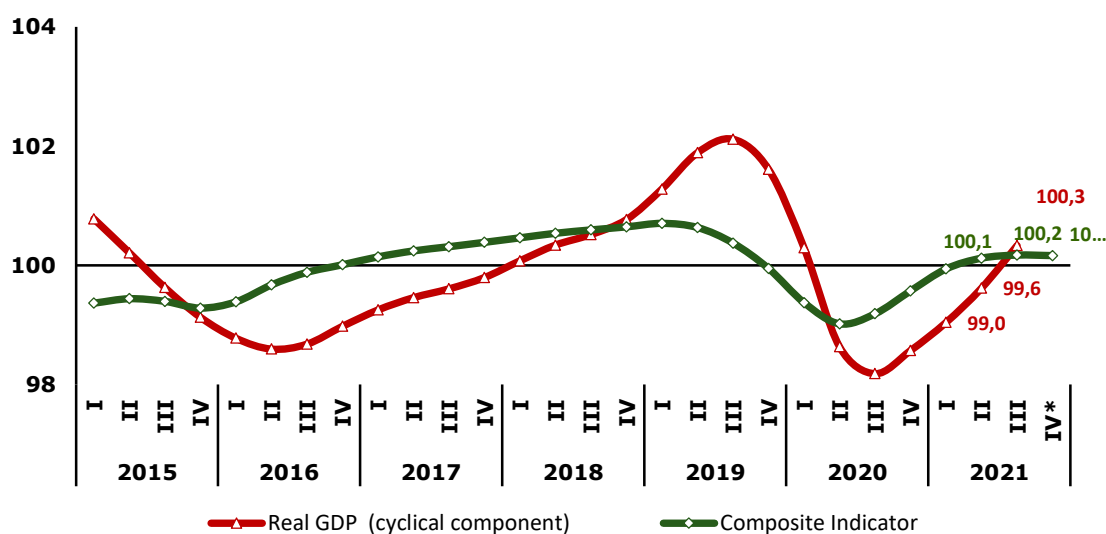
In the third quarter of 2021, 17.9% of the surveyed enterprises sought a bank loan, 17.3% of the enterprises raised a loan (or 96.6% of loan applicants). The overwhelming majority of enterprises (85.1%) raised funds to finance their working capital (purchase of materials, raw materials, semi-finished products, etc.).

As before, enterprises consider economic conditions in Kazakhstan to be the main obstacle in doing business. This was stated by 34.9% of the polled enterprises. Other obstacles include competition (29.3%), level of taxes (24.0%), demand for products (22.5%), lack of qualified personnel (19.2%). Access to financing ranks the 9th in terms of importance (11.0%).

In the third quarter of 2021, a one-time question was added to questionnaires about impact of the pandemic on activities of enterprises. As a result, 66.1% of businesses said the COVID-19 pandemic and restrictive measures related to its spread had a negative impact on their operations. At the same time, business of 12.9% of enterprises was significantly affected, whereas 32.0% of respondents indicated that the pandemic had not affected their activities.

Dynamics of the composite leading indicator (CLI), which is an aggregated assessment of surveys of enterprises in the real sector, demonstrates continuation of the process of a slow recovery of economic activity in the real sector, the CLI slightly rose to 100.2. In the fourth quarter of 2021, trend of a weak growth is expected to continue (CLI, as expected, made 100.2).

Diagram 5. **Composite leading indicator**



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