



PRESS RELEASE N 36

About situation on financial market in November 2021

December 29, 2021

Nur-Sultan City

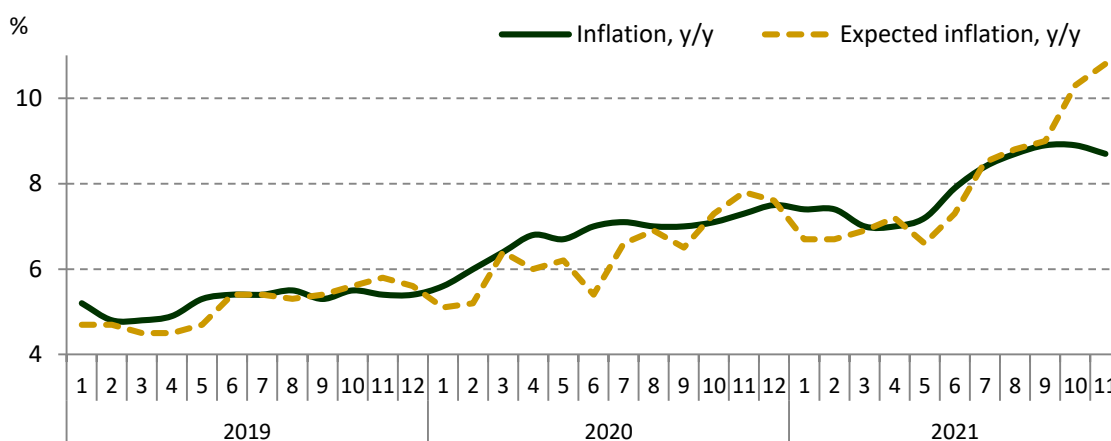
1. Inflation and Inflationary Expectations

National Statistics Bureau of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan reports that in November 2021 inflation was 0.7% (0.9% in November 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 10.9%, non-food products – by 8.3%, paid services – by 6.4%.

In November 2021, a quantitative estimate of inflation expected in a year, based on results of a population survey was 10.8%.

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 November 2021, according to preliminary data, declined by 0.9% and totaled USD 35.5 billion (down by 0.4% since the beginning of the year).

The reserves contracted mainly due to conducted interventions, payment of public debt and other transactions under accounts of the Government. Growth of the gold portfolio partially leveled off shrinking currency reserves due to acquisition of gold within exercise of the pre-emptive right.

International reserves of the country as a whole, including assets of the National Fund in foreign currency (USD 54.9 billion), according to preliminary data, amounted to USD 90.4 billion at the end of November 2021.

Monetary base in November 2021 expanded by 0.7% and totaled 10,476.2 billion KZT (since the beginning of the year it widened by 7.1%). Narrow monetary base, that is, the monetary base excluding fixed-term deposits of second-tier banks with the National Bank, expanded by 4.6% to 6,150.9 billion KZT (a 20.9% surge since the beginning of the year).

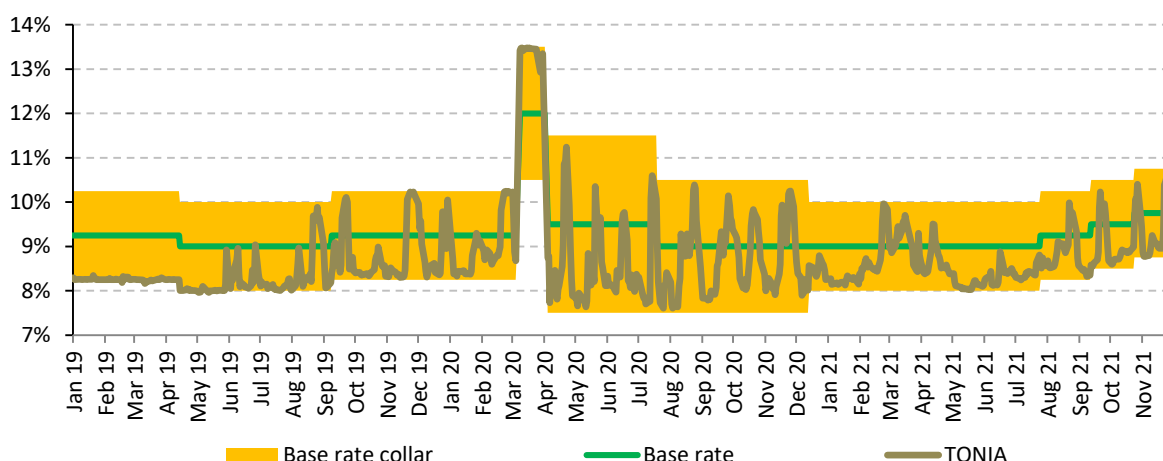
Money supply in November 2021 declined by 1.1% and totaled 28,695.9 billion KZT (an increase of 15.2% since the beginning of the year), cash in circulation declined by 3.6% down to 2,905.4 billion KZT (a 2.7% growth since the beginning of the year).

3. Operations of the National Bank in Monetary Policy

On December 6, 2021, the National Bank decided to keep the base rate at 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 November 2021. In November 2021, the weighted average value of TONIA was 9.5% per annum (in October 2021 – 9.1%).

Diagram 2. Dynamics of the base rate and its collar



Instruments of monetary policy. At the end of November 2021, negative balance of operations of the National Bank (open position of the National Bank) in the money market amounted to 3.9 trillion KZT.

Volume of bank deposits with the National Bank made 350.0 billion KZT. Volume of liquidity withdrawn through deposit auctions was 1,416.6 billion KZT.

Volume of short-term notes in circulation in late November 2021 amounted to 2,473.2 billion KZT, having decreased by 15.8% for a month.

In November 2021, six auctions were held for a total amount of 1,654.1 billion KZT, including four auctions to place 1-month notes for an amount of 1,329.6 billion KZT (weighted average yield – 9.65%), one auction to place 3-month notes for an amount of 224.5 billion KZT (yield – 9.81%), one auction to place 6-month notes for an amount of 100.0 billion KZT (yield – 9.84%).

Volume of repayment of short-term notes of the National Bank in November 2021 amounted to 2,018.3 billion KZT.

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

In November 2021, the Ministry of Finance of the Republic of Kazakhstan placed medium-term (MEOKAM) and long-term (MEUKAM) government securities for an amount of 414.3 billion

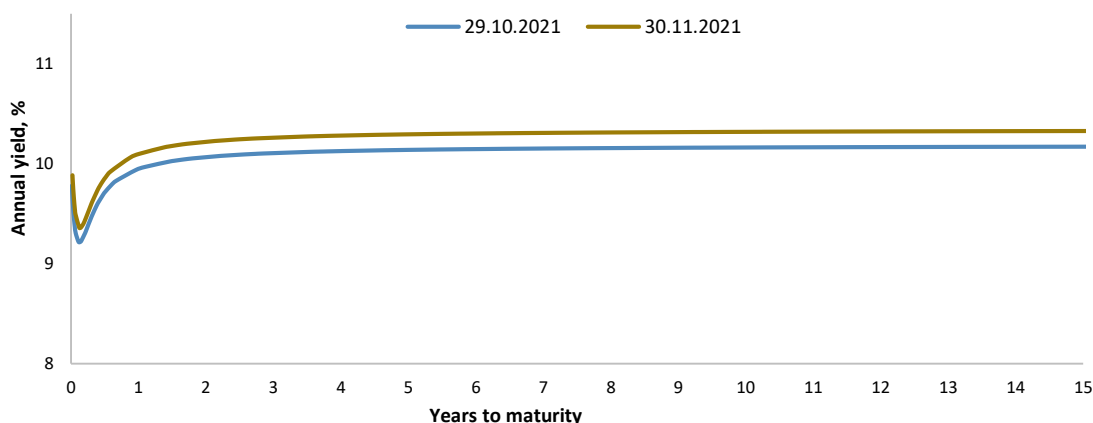
¹ An average weighted value of yield of one-day repo operations with securities from basket of public stock with a 5% cut of transactions with lowest and highest yield.

KZT. Overall, 18 bond issues were placed in November 2021, within which government securities with maturities from 2 to 15 years were placed. Weighted average yield on them ranged from 10.40% to 10.87% p.a.

Volume of securities of the Ministry of Finance of the Republic of Kazakhstan in circulation in November 2021 rose by 3.9% to 10,953.8 billion KZT².

At the end of November 2021, risk-free yield curve³ went up as compared to the end of the previous month.

Diagram 3. Changes in risk-free yield curve



5. FX Market

In November 2021, KZT exchange rate varied within 427.63– 434.20 USD/KZT. At the end of November 2021, USD/KZT exchange rate was 434.20 KZT/USD, having lost 1.7% of its value for the month.

Total volume of transactions in the USD/KZT currency pair for the month totaled USD 14.9 billion, including volume of exchange trading on the Kazakhstan Stock Exchange - USD 3.7 billion, volume of operations on the OTC foreign exchange market – USD 11.2 billion. In overall volume of operations in the OTC market, one subsidiary bank accounted for 57.7% or USD 6.5 billion (74.6% or USD 6.8 billion in October 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.

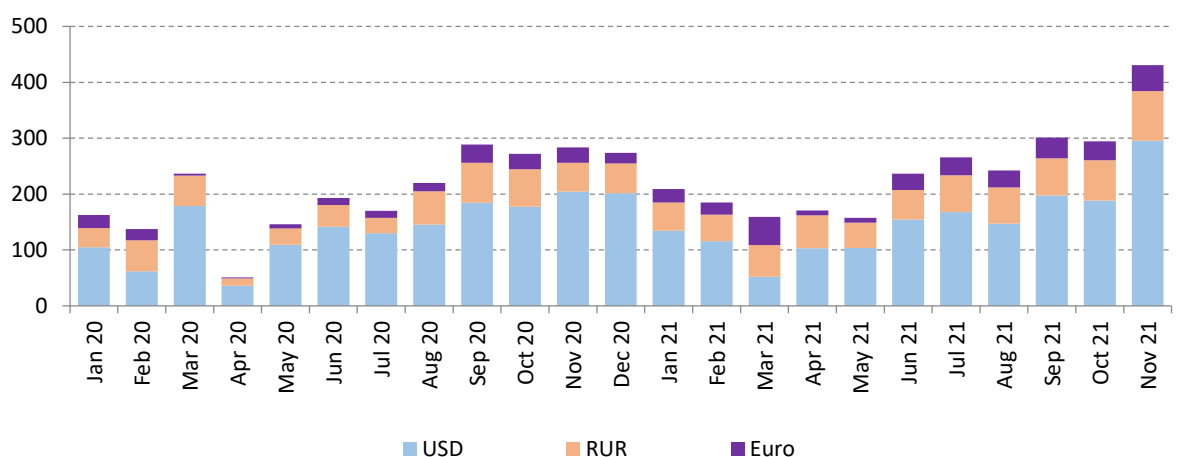
In November 2021, the population bought on a net basis foreign currency in cash for an amount equivalent to 431.0 billion KZT. As compared to the previous month, these expenses rose by 1.5 times (294.5 billion KZT in October 2021), volume of net purchases increased by 1.5 times year-on-year (283.7 billion KZT). The bulk of expenses were directed to purchase of USD – 68.6% or 295.5 billion KZT, Russian rubles – 20.6% or 88.8 billion KZT, Euro – 10.8% or 46.4 billion KZT. By type of currency, spending on USD purchases for the month grew by 1.6 times (up by 1.4 times y/y), RUR purchase soared by 23.0 (up by 1.7 y/y) and Euro purchase surged by 37.5% (up by 1.7 times 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 local retail deposits with depository institutions at the end of November 2021 stood at 25,790.5 billion KZT, 0.8% down for a month (17.5% up y/y). Corporate deposits for a month declined by 3.6% to 13,066.0 billion KZT, retail deposits increased by 2.1%, to 12,724.5 billion KZT.

Volume of deposits in the national currency for the month shrank by 3.4%, to 16,190.4 billion KZT, in foreign currency rose by 3.7% to 9,600.2 billion KZT. Dollarization level at the end of November 2021 was 37.2% (37.3% in December 2020).

Corporate deposits in the national currency in November 2021 fell by 5.6% to 8,040.1 billion KZT, in foreign currency inched down by 0.2% to 5,025.9 billion KZT (38.5% of corporate deposits).

Retail deposits in KZT decreased by 1.1% to 8,150.3 billion KZT, in foreign currency went up by 8.3% to 4,574.2 billion KZT (35.9% of retail deposits).

Fixed-term deposits totaled 17,860.6 billion KZT, down by 1.7% for the month. In their structure, deposits in the national currency amounted to 11,441.1 billion KZT, in foreign currency – 6,419.5 billion KZT.

Weighted average interest rate on fixed-term deposits in the national currency of non-bank legal entities in November 2021 was 7.5% (7.3% in November 2020), on retail deposits – 8.4% (9.3%).

7. Credit Market

Volume of bank lending to the economy at the end of November 2021 amounted to 17,838.2 billion KZT, which is up by 3.7% for a month (a 21.8% surge y/y). Volume of corporate loans for a month rose by 3.1% up to 7,497.1 billion KZT, retail loans rose by 4.1% up to 10,341.1 billion KZT.

Volume of loans in the national currency for the month increased by 3.7% to 15,976.5 billion KZT. In their structure, corporate loans grew by 2.8% and retail loans by 4.1%. Volume of loans in foreign currency rose by 3.9% to 1,861.7 billion KZT. In their structure, corporate loans increased by 4.0%, retail loans declined by 1.8%. Loans in tenge in late November 2021 accounted for 89.6% (87.0% in December 2020).

Volume of long-term loans for the month increased by 4% up to 15,435.2 billion KZT, volume of short-term loans – by 2.0% to 2,403.0 billion KZT.

Lending to small businesses in November 2021 rose by 9.0% to 3,550.8 billion KZT (47.4% of the total volume of loans to the corporate sector).

In November 2021, weighted average interest rate on loans issued in national currency to non-bank legal entities was 11.9% (11.9% in November 2020), to individuals – 17.6% (14.9%).

8. Payment Systems

As of December 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 November 2021, 5.2 million transactions amounting to 77.9 trillion KZT were carried out through the payment systems of the National Bank (Interbank Money Transfer System and Interbank Clearing System) (as compared to October 2021, up by 5.6% in number, a 26.0% surge in amount). On average, 237.8 thousand transactions worth 3.5 trillion KZT were made through these payment systems daily.

As of December 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 58.6 million. In November 2021, 50.9% of payment cards (29.8 million) were used for non-cash transactions and/or cash withdrawals.

In November 2021, 632.1 million transactions were carried out for an amount of 9.2 trillion KZT using payment cards of Kazakhstani issuers (compared to October 2021, number of transactions decreased by 3.0%, amount – by 0.8%). Non-cash payment transactions by number of transactions using payment cards of Kazakhstan's issuers accounted for 96.7% (611.3 million transactions). Volume of non-cash transactions for the same period accounted for 80.5% (7.4 trillion KZT).

In November 2021, total amount of money sent via international money transfer systems made 0.3 million remittances in the amount of 94.7 billion KZT. Volume of remittances fell by 0.05% compared to October 2021. In the total volume of transfers, 76.7% of the total number (0.2 million transactions) and 91.9% of the total amount (87.0 billion KZT) of transactions were sent outside Kazakhstan. In Kazakhstan, 23.3% of the total amount (0.1 million transactions) and 8.1% of the total amount (7.7 billion KZT) were remitted through money transfer systems. 0.1 million transactions were received for an amount of 22.9 billion KZT from abroad via international money transfer systems.

9. Pension System

Pension savings of contributors (recipients) as of December 1, 2021 totaled 13,368.8 billion KZT, having increased in November 2021 by 134.9 billion KZT or up by 1%.

In November 2021, net income from investment of pension assets increased by 128.7 billion KZT to 6,895 billion KZT as of December 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 December 1, 2021 totaled 10.9 million accounts.

Amount of pension payments in November 2021 totaled 129.9 billion KZT.

As of December 1, 2021, government securities of the Republic of Kazakhstan and non-government securities of Kazakhstan's issuers (38.8% and 24.8% of the total volume of pension assets, respectively) account for a bulk of UAPF total investment portfolio.

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