



PRESS SERVICE № 3

Situation on Financial Market in December 2021

January 31, 2022

Nur-Sultan

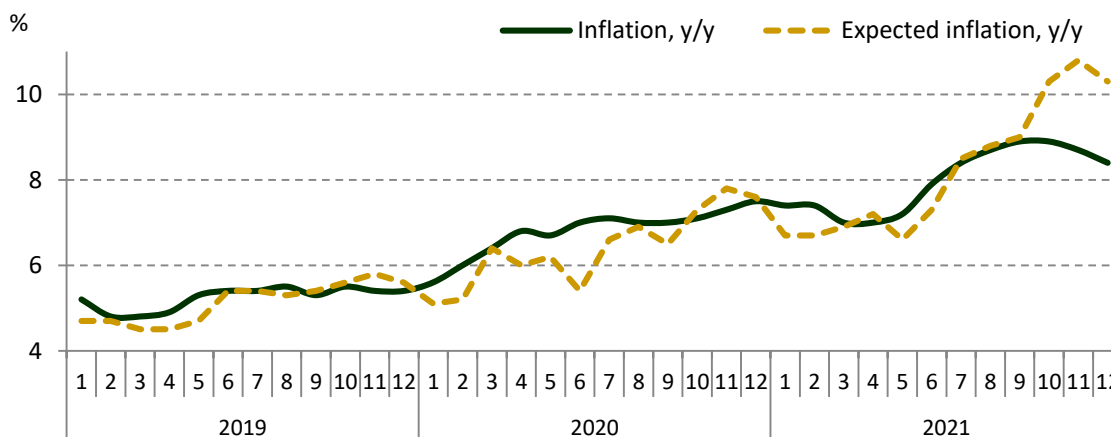
1. Inflation and Inflationary Expectations

National Statistics Bureau of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan reports that in December 2021 inflation was 0.6% (0.9% in December 2020).

Annual inflation made 8.4% (7.5% in December 2020). In the structure of inflation, prices for food products in annual terms rose by 9.9%, non-food products – by 8.5%, paid services – by 6.5%.

In December 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 December 2021, according to preliminary data, declined by 3.1% and made USD 34.4 billion (down by 3.5% since the beginning of the year).

Foreign currency and gold reserves shrank mainly due to payment of the public debt, transactions under accounts of the Government and correspondent accounts of clients of the National Bank and also conducted interventions.

International reserves of the country as a whole, including assets of the National Fund in foreign currency (USD 55.3 billion), according to tentative data, amounted to USD 89.7 billion at the end of December 2021.

Monetary base in December 2021 widened by 4.6% and amounted to 10,957.7 billion KZT (a 12.1% expansion since the beginning of the year). Narrow monetary base, that is, the monetary base excluding fixed-term deposits of second-tier banks with the National Bank, expanded by 12.9% to 6,945.4 billion KZT (a 36.5% surge since the beginning of the year).

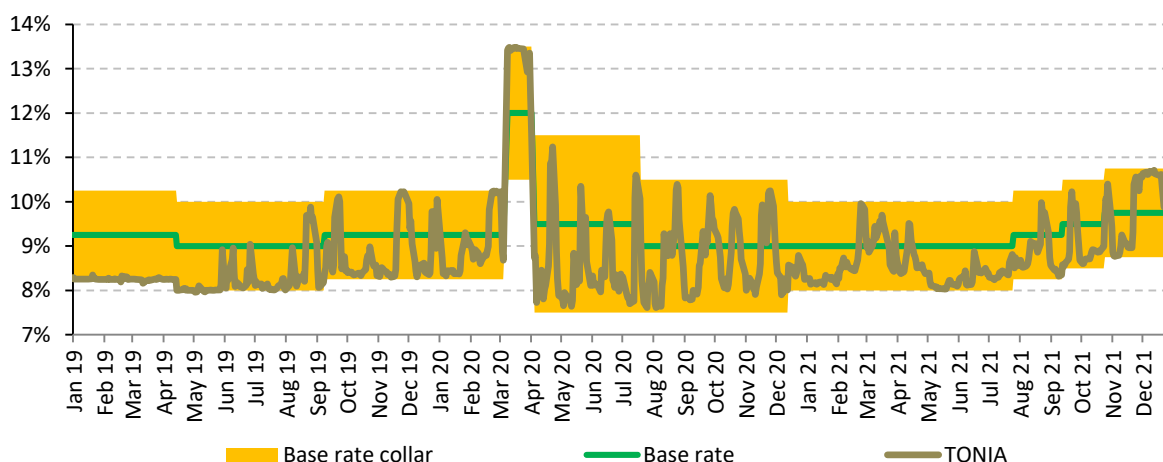
Money supply in December 2021 grew by 4.9% and totaled 30,099.3 billion KZT (a 20.8% swell since the beginning of the year), cash in circulation increased by 3.2% down to 2,997.7 billion KZT (a 6.0% growth since the beginning of the year).

3. Operations of the National Bank in Monetary Policy

On January 24, 2022, the National Bank decided to increase the base rate to 10.25% p.p. with an interest rate collar 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 December 2021. In December 2021, the weighted average value of TONIA was 10.5% per annum (in November 2021 – 9.5%).

Diagram 2. Dynamics of the base rate and its collar



Monetary policy instruments. At the end of December 2021, negative balance of operations of the National Bank (open position of the National Bank) in the money market amounted to 3.4 trillion KZT.

Volume of bank deposits with the National Bank totaled 571.3 billion KZT. Volume of liquidity withdrawn through deposit auctions was 1,116.9 billion KZT.

Volume of short-term notes in circulation in late December 2021 was 2,102.5 billion KZT, a 15.0% slump for a month.

In December 2021, six auctions were held for a total amount of 1,217.1 billion KZT, including four auctions to place 1-month notes for an amount of 929.1 billion KZT (weighted average yield – 9.72%), one auction to place 3-month notes for an amount of 232.7 billion KZT (yield – 9.80%), one auction to place 6-month notes for an amount of 55.2 billion KZT (yield – 9.96%).

Volume of repayment of short-term notes of the National Bank in December 2021 amounted to 1,731.2 billion KZT.

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

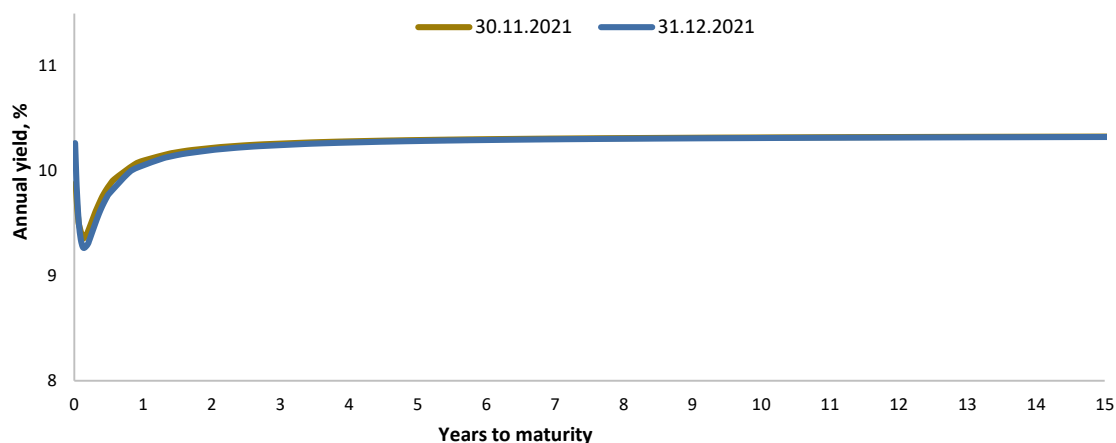
In December 2021, the Ministry of Finance of the Republic of Kazakhstan placed long-term (MEUKAM) government securities for an amount of 86.4 billion KZT. Overall, 4 bond issues were placed in December 2021, within which government securities with maturities from 3 to 11 years were placed. Weighted average yield on them ranged from 10.59% to 10.81% p.a.

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 December 2021 rose by 0.5% to 11,011.9 billion KZT².

At the end of December 2021, risk-free yield curve³ almost throughout the entire section stayed put as compared to the end of the previous month.

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



5. FX Market

In December 2021, KZT exchange rate varied within 431.20 – 436.36 USD/KZT. At the end of December 2021, USD/KZT exchange rate was 431.80 USD/KZT, having gained 0.6% of its value for the month.

Total volume of transactions in the USD/KZT currency pair for the month totaled USD 14.7 billion, including volume of exchange trading on the Kazakhstan Stock Exchange - USD 4.3 billion, volume of operations on the OTC foreign exchange market – USD 10.5 billion. In overall volume of operations on the OTC market, one subsidiary bank accounted for 56.5% or USD 5.9 billion (57.7% or USD 6.5 billion in November 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.

6. Deposit Market

Volume of local retail deposits with depository institutions at the end of December 2021 stood at 27,101.6 billion KZT, 5.1% up for a month (22.7% up y/y). Corporate deposits for a month rose by 5.9% to 13,836.6 billion KZT, retail deposits increased by 4.2%, to 13,264.9 billion KZT.

Volume of deposits in the national currency for the month expanded by 7.1%, to 17,337.5 billion KZT, in foreign currency rose by 1.7% to 9,764.1 billion KZT. Dollarization level at the end of December 2021 was 36.0% (37.3% in December 2020).

Corporate deposits in the national currency in December 2021 went up by 7.3% to 8,629.3 billion KZT, in foreign currency rose by 3.6% to 5,207.3 billion KZT (37.6% of corporate deposits).

Retail deposits in KZT went up by 6.8% to 8,708.2 billion KZT, in foreign currency inched down by 0.4% to 4,556.7 billion KZT (34.4% of retail deposits).

Fixed-term deposits totaled 17,896.2 billion KZT, up by 0.2 % for the month. In their structure, deposits in the national currency amounted to 11,547.2 billion KZT, in foreign currency – 6,349.0 billion KZT.

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.

Weighted average interest rate on fixed-term deposits in the national currency of non-bank legal entities in December 2021 was 7.3% (7.3% in December 2020), on retail deposits – 7.8% (9.2%).

7. Credit Market

Volume of bank lending to the economy at the end of December 2021 amounted to 18,497.7 billion KZT, which is up by 3.7% for a month (a 26.5% surge y/y). Volume of corporate loans for a month rose by 3.5% to 7,758.8 billion KZT, retail loans grew by 3.8% up to 10,738.8 billion KZT.

Volume of loans in the national currency for the month increased by 3.8% to 16,588.2 billion KZT. In their structure, corporate loans grew by 3.8% and retail loans by 3.9%. Volume of loans in foreign currency rose by 2.6% to 1,909.5 billion KZT. In their structure, corporate loans increased by 2.6%, retail loans declined by 0.9%. KZT loans in late December 2021 accounted for 89.7% (87.0% in December 2020).

Volume of long-term loans for the month increased by 3.9% up to 16,030.5 billion KZT, volume of short-term loans – by 2.7% to 2,467.2 billion KZT.

Lending to small businesses in December 2021 rose by 6.2% to 3,772.2 billion KZT (48.6% of the total volume of loans to the corporate sector).

In December 2021, weighted average interest rate on loans issued in national currency to non-bank legal entities was 12.2% (11.4% in December 2020), to individuals – 17.5% (14.9%).

8. Payment Systems

As of January 1, 2022, 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 December 2021, 5.9 million transactions amounting to 75.6 trillion KZT were carried out through the payment systems of the National Bank (Interbank Money Transfer System and Interbank Clearing System) (as compared to November 2021, down by 13.9% in number, a 3.0% decline in amount). On average, 297.9 thousand transactions worth 3.8 trillion KZT were made through these payment systems daily.

As of January 1, 2022, 19 banks and Kazpost JSC issued payment cards in the Republic of Kazakhstan. Total number of issued and distributed payment cards amounted to 59.3 million. In December 2021, 51.3% of payment cards (30.4 million) were used for non-cash transactions and/or cash withdrawals.

In December 2021, 666.8 million transactions were carried out for an amount of 10.2 trillion KZT using payment cards of Kazakhstan's issuers (compared to November 2021, number of transactions rose by 5.5%, amount – by 10.4%). Non-cash payment transactions by number of transactions using payment cards of Kazakhstan's issuers accounted for 96.3% (642.2 million transactions). Volume of non-cash transactions for the same period accounted for 79.2% (8.0 trillion KZT).

9. Pension System

Pension savings of contributors (recipients) as of January 1, 2022 totaled 13,070.1 billion KZT, having declined in December 2021 by 298.7 billion KZT or by 2.2%.

In December 2021, net income from investment of pension assets increased by 16.7 billion KZT to 6,912 billion KZT as of January 1, 2022.

Number of individual pension accounts of contributors for compulsory pension contributions (given individual pension accounts that do not have pension savings) as of January 1, 2022 totaled 10.9 million accounts.

Amount of pension payments in December 2021 totaled 507.7 billion KZT.

As of January 1, 2022, government securities of the Republic of Kazakhstan and non-government securities of Kazakhstan's issuers (38.9% and 22.9% of the total volume of pension assets, respectively) account for a bulk of UAPF total investment portfolio.

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