

Dear Kassym-Jomart Kemelevich!

In 2021, the global and Kazakhstan's economies recovered to their **pre-pandemic levels**. Further development of the economy in 2022 is connected with **supply disruptions**, high prices for energy resources and spread of new coronavirus strains. All these factors form a **stable high** inflation background worldwide.

(SLIDE 2. KEY NBK PERFORMANCE IN 2021)

1. Along with external factors, **local imbalances** on certain commodity markets **stepped up** inflationary pressure in the country. As a result, inflation in Kazakhstan during 2021 was outside the target of **4-6%**. By the end of 2021, in line with your instructions to **keep inflation** within **8.5%**, it was **held down** from a **maximum of 8.9%** in September-October to **8.4%**.

2. In order to make **the financial system more stable**, a set of measures was implemented jointly with the ARDFM to improve quality of the assets of the banking system.

In 2021, the foreign exchange market was quite stable, despite volatility of external markets. **Tenge exchange rate** for **2021** depreciated by **2.6%** to **431.8 KZT/ USD**.

(SLIDE 3. KEY NBK PERFORMANCE IN 2021)

3. Due to joint efforts with the Government, share of market investors in **government securities market** soared from **32.7%** to **69.2%** over the year.

4. **Return on assets** managed by the National Bank was

ensured: 4.2% for the National Fund, **11.1%** for UAPF.

5. In order to develop **financial technologies and innovations**, **National Payment System** was launched as a pilot, development of a prototype **digital tenge** platform was completed.

Below, I will talk more specifically about each of these areas.

(SLIDE 4. GLOBAL ECONOMIC RECOVERY WILL CONTINUE AT A MORE RESERVED PACE IN 2022)

Global GDP growth in 2021 was the fastest one for over **40** years at **5.9%**, according to **IMF** estimates. In **2022**, recovery will continue but growth will be **more subdued** at **4.4%** in line with IMF forecasts.

The economy of **Kazakhstan** in **2022**, according to international organizations, will grow by **3.7-4.0%**, the National Bank predicts **3.9-4.2%**.

(SLIDE 5. ESCALATING INFLATION IS SPREADING WORLDWIDE)

Against the background of rapid recovery of the global economy, which led to **an excessive demand**, prices for **raw and other materials and food** reached their peaks in 2021, which, coupled with the **energy crisis** entailed record **inflation** in many countries of the world.

International organizations predict that prices will **level off** no earlier than mid-**2022**, provided that imbalances are exhausted in the **short term**. With **longer supply disruptions** and higher **commodity and food** prices, inflation will take **longer** to stabilize.

In conditions of mounting **inflationary pressures**, central banks have begun a move to **tighten monetary conditions**,

which will **continue strongly** into **2022** and is already putting the **screws** on markets.

(SLIDE 6. INFLATION IN KAZAKHSTAN WILL CONTINUE ITS SLOWDOWN IN 2022)

Amid growing **external** and **internal** inflationary pressure since mid-2021, the National Bank raised the base rate by **75 b.p.** three times up to **9.75%**.

As a result of implementation of joint measures with the Government, in late 2021, inflation decelerated from a **maximum of 8.9%** in September-October to **8.4%**.

However, trajectory of **core inflation** points at **fluctuation** of inflation slowdown. This was confirmed in **January 2022**, when inflation accelerated again to **8.5%**.

Witnessing instability of inflationary processes, the National Bank on **January 24** this year **raised** the base rate by **50 bp.** to **10.25%**, which will contribute to return of inflation to the projected range of **6-6.5%** by the end of this year.

Within next Forecast Round in March, the National Bank will update inflation estimates for 2022.

In order to further reduce price growth, the National Bank will **continue to pursue disinflationary** monetary policy, which should be accompanied by **systemic measures** by the Government designed to prevent imbalances on commodity markets.

(SLIDE 7. IMPLEMENTATION OF ANTI-CRISIS INITIATIVES OF THE HEAD OF STATE)

An extra step to **mitigate inflationary pressure** was **completed** implementation of **five** economic support **programs**

that have accomplished their task – to restore the economy to its **pre-crisis** level.

In compliance with the **MP Strategy**, the National Bank will continue to **introduce market principles** for financing of the economy. As for the Government, it is vital to adopt a **5-year roadmap** for a gradual **diversion from non-market** instruments of government support provided for by the Agreement on Coordination of Macroeconomic Policy.

***For reference.** According to the MNE, an offer was made to the CPM with abolition of development of this roadmap, followed by amendments to the Agreement.*

(SLIDE 8. SHARE OF MARKET INVESTORS ON GS MARKET OF THE RK SOARED)

As a result of joint **efforts of the National Bank and the Ministry of Finance**, share of market investors in auctions with government securities in 2021 surged to **69.2%** vs. **32.7%** in 2020. Share of government securities placements with the most demanded maturity **from 1 to 5 years** made **53%**.

In 2021, volume of investments by **non-residents** in government securities of Kazakhstan and NBK notes amounted to **596 billion KZT (USD 1.4 billion)**.

In **2022**, demand from foreign investors against the background of **appealing yield levels** and inclusion of GS of Kazakhstan in **international indices** will further **increase liquidity** on the GS market of the Republic of Kazakhstan.

(SLIDE 9. ASSETS OF THE NATIONAL FUND AND GOLD FOREIGN EXCHANGE RESERVES OF NBK)

In 2021, **assets** of the National Fund dropped to USD **55.3 billion** due to allocation of transfers **for 4.5 trillion KZT** with **2.7 trillion tenge** inflows.

Despite market volatility, NF yield was **4.2%** or USD **2.3 billion**.

Transition to a balanced asset allocation will be **completed** in **2022** and **protective and balancing strategies** will be **implemented** to minimize impact of equity market correction.

Gold and foreign exchange reserves for 2021 shrank by USD **1.3 billion** to USD **34.4 billion** due to a reduction in hard currency assets (*by USD 1.2 billion*) to **repay government debt, currency interventions** and other **operations on accounts of the Government**.

Gross international reserves in 2021 totaled USD **89.7 billion** (*down by USD 4.7 billion*).

(SLIDE 10. INVESTMENT INCOME CONTRIBUTED TO EXPANSION OF PENSION ASSETS)

Pension assets rose by **152 billion KZT (1.2%)** to **13.0 trillion KZT**, despite early withdrawals of pension savings for an amount of **2.6 trillion KZT** (*2.7 trillion KZT as of February 1, 2022, including 87.6 billion KZT in January 2022*).

Volume of **investment income** for the past year amounted to **1.4 trillion KZT**, pension **contributions** made **1.3 trillion KZT**, pension **payments** totaled **268 billion KZT**. **Real return** on pension assets was **2.7%**. In **2022**, work will be continued to

increase **profitability** of UAPF assets through further **diversification** of the portfolio.

(SLIDE 11. CREATION OF THE NATIONAL PAYMENT SYSTEM)

In pursuance of instructions of the Head of State, in November 2021, the National Bank **launched in pilot mode** elements of the **National Payment System – Interbank Payment Card System to process card transactions and Instant Payment System to service mobile online payments.**

Necessary regulatory and legal framework has been developed for operation of the National Payment System, full-scale launch of which is expected by **July 1 this year.**

(SLIDE 12. PILOT PROJECT ‘DIGITAL TENGE’)

In 2021, the National Bank initiated a **pilot project** to introduce **Digital Tenge**. Currently, **development of a prototype platform has been completed; in December 2021, a final report** on results of the pilot project was **published.**

This year, a final decision on digital tenge **implementation model** will be developed with an assessment of benefits and costs.

Dear Kassym-Jomart Kemelevich!

The National Bank, within implementation of your instructions voiced during your speech in the Mazhilis on **January 11** this year, will continue, together with the Government, to

improve effectiveness of monetary policy to **level off inflation in 2022** and **anchor it** within the **3-4%** corridor starting from **2025**. This will ensure favorable conditions for sustainable development of the national economy.

Thank you for your attention!