



NATIONAL BANK OF KAZAKHSTAN

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The 2021 returns on financial instruments in national currency available to individuals

February 11, 2022

National Bank of Kazakhstan has assessed the 2021 nominal yield of the most popular financial instruments among general public in Kazakhstan. These are **bank deposits** in different types of currencies (KZT, USD and Euros, RUR), **gold** as well as **foreign currency in cash** (USD, Euro, RUR and KZT), and, as an alternative, **stocks** of Kazakhstan's companies.

As a part of the analysis, it was assumed that investors invested **10,000 KZT** in various instruments within Kazakhstan in early 2021 at a current exchange rate/quotation at the beginning of the year, **with subsequent conversion** into KZT at the exchange rate/quotation at the end of the year.

in order to maintain comparability, deposits with a maturity of 12 months with monthly capitalization were considered. The maximum yield on tenge deposits reached **14%** in January 2021 (on saving deposits with a 1-year term), on deposits in foreign currency it was **1%**.

The exchange rate of the tenge against the USD, Euro, Russian ruble and cost of a gram of gold in tenge at the beginning and end of the covered period are set out in Table 1. The KASE Index was used as a proxy for return on Kazakhstan's **stock** market.

Investments in **shares of Kazakhstan's companies** brought the highest return in 2021 at **37.4%** against the background of growth in commodity markets (oil and uranium) and growth in company profits, accompanied by an upgrade in ratings.

High interest rates of a **tenge saving deposit** brought a similar attractive income of **14.00%**. Allocating the money in **dollar deposits**, given the maximum income and changes in the tenge exchange rate against the USD, brought a **3.63%** yield, which is **3.9 times** less than return on tenge saving deposit. The tenge weakened against the USD in 2021 from 420.71 to 431.67 amid a global USD improvement caused by investors' expectations of earlier tightening of the US Fed's monetary policy and an increase in domestic demand for currency due to recovering imports and consumer activity.

The Ruble **deposits** yielded a **3.15%** return, which is **4.4 times** less than yield on tenge saving deposits. Tenge depreciated from 5.65 to 5.77 against the Russian ruble in 2021 in the conditions of growing imports of goods from Russia.

According to the level of nominal yield, they are followed by **savings in cash USD and Russian rubles**, the yield of which would be **2.61%** and **2.12%**, respectively, due to changes in the exchange rate.

Investments in **gold** brought a negative return of **(-)1.67%** as a price for the precious metal in 2021 fell from 25,396.01 to 24,970.91 KZT per gram amid easing uncertainty about global growth prospects due to development of vaccines and implementation of mass vaccination. Gold failed to recover its investment position as a hedge against inflation, on the contrary, the demand for shares and real estate grew.

Investments in a **Euro deposit**, given a maximum rate in second-tier banks of the Republic of Kazakhstan and changes in the exchange rate, brought a negative yield at the level of **(-)4.55%**,

in **cash Euro** - **(-)5.49%** due to appreciation of the tenge against Euro from 516.13 to 487.79. Dynamics of the euro was determined by a more dovish tone of the ECB than the US Fed, and the energy crisis, which had a negative impact on business activity in the region (table 1).

Table 1

2021 investment income performed by financial instruments

Initial investment of 10,000 KZT

Investment	currency rate (official)/ gold price per g:		Amount at the beginning of period:		Interest rate, effective	Amount at the end of period, in foreign currency	Accumulated amount, KZT	Received income, KZT	KZT yield, %
	as of 31.12.20	as of 31.12.21	KZT	at relevant exchange rate					
Saving deposit in KZT [1]	-	-	10,000	10,000.0	14%	11,400 ₸	11,400	1,400.0	14.00
Fixed-term USD deposit	420.71	431.67	10,000	\$23.8	1%	\$24.01	10,363.1	363.1	3.63
Fixed-term Euro deposit	516.13	487.79	10,000	€19.4	1%	€ 19.6	9,545.4	-454.6	-4.55
Fixed-term RUR deposit	5.65	5.77	10,000	1,769.9 RUR	1%	1,787.6 RUR	10,314.5	314.5	3.15
USD in cash	420.71	431.67	10,000	\$23.8	-	€ 23.8	10,260.5	260.5	2.61
Euro in cash	516.13	487.79	10,000	€ 19.4	-	€ 19.4	9,450.9	-549.1	-5.49
KZT in cash	-	-	10,000	10,000 KZT	-	10,000 ₸	10,000.0	0.0	0.00
RUR in cash	5.65	5.77	10,000	1,769.9 RUR	-	1,769.9 RUR	10,212.4	212.4	2.12
Investments in gold [2]	25,396.01	24,970.91	10,000	0.39 g	-	0.39	9,832.6	-167.4	-1.67
KASE Index [3]	2675.58	3675.28	10,000				13,740.0	3,740.0	37.4

Source:

[1] <https://www.kdif.kz/bankam/predelnye-stavki-voznagrazhdeniya/>

[2] <https://nationalbank.kz/ru/gold/zoloto?from=31.12.2020&to=31.12.2021>

[3] https://kase.kz/ru/stock_market/index_kase/

For more information, the media representatives can contact:

+7 (727) 270 45 85

e-mail: press@nationalbank.kz

www.nationalbank.kz