



NATIONAL BANK OF KAZAKHSTAN

PRESS RELEASE

Situation on Financial Market in July 2022

August 27, 2022

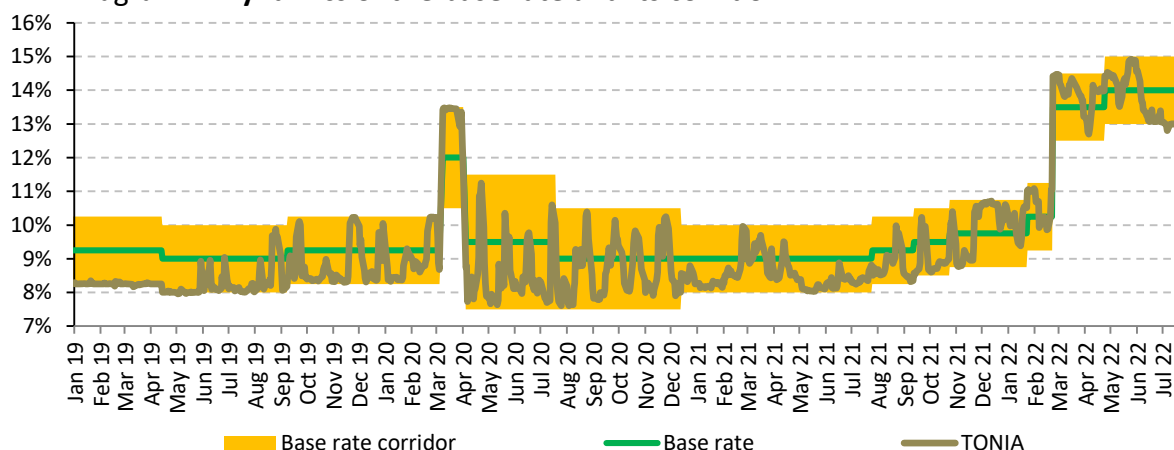
Nur-Sultan City

1. Operations of the National Bank in Monetary Policy

On July 26, 2022, given a balance of inflation risks in the short and medium term, the National Bank decided to set the base rate at 14.5% per annum with an interest corridor of +/- 1.00 percentage points.

TONIA¹ indicator, which is a target rate when conducting monetary policy operations on the money market, was formed within the interest rate corridor in July 2022 (diagram 1). In July 2022, the weighted average value of TONIA was 13.1% p.a. (13.6% in June 2022).

Diagram 1. Dynamics of the base rate and its corridor



Monetary policy instruments. At the end of July 2022, negative balance of operations of the National Bank (open position of the National Bank) on the money market amounted to 3.3 trillion KZT.

Volume of liquidity withdrawn through deposit auctions made 801.2 billion KZT, bank deposits with the National Bank were 500.7 billion KZT. Volume of operations to withdraw liquidity via direct repo operations totaled 255.1 billion KZT.

Volume of short-term notes in circulation at the end of July 2022 was 1,788.2 billion KZT, a 0.4% decrease for the month.

In July 2022, four auctions of NBK notes were held for a total amount of 1,454.52 billion KZT, the entire volume of the placement included 1-month notes for an amount (weighted average yield – 13.99%).

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

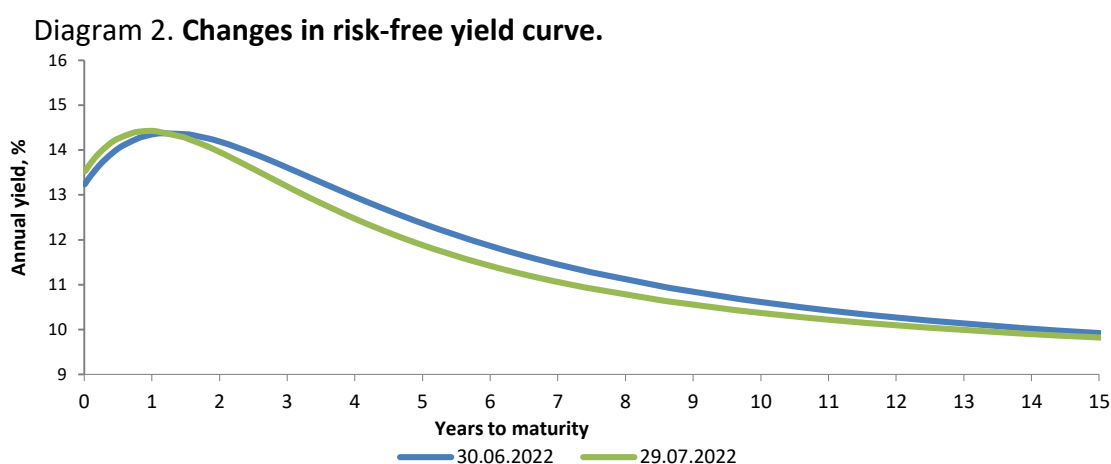
Volume of repayment of short-term notes of the National Bank in July 2022 amounted to 1,481.4 billion KZT.

2. Government Securities of the Ministry of Finance of the Republic of Kazakhstan

In July 2022, the Ministry of Finance of the Republic of Kazakhstan made 11 placements of long-term (MEUKAM) government securities in the amount of 548.1 billion KZT with maturity from 1 year to 5 years. Yield on them ranged from 13.70% to 14.50% per annum.

Volume of securities of the Ministry of Finance of the Republic of Kazakhstan in circulation in July 2022 rose by 2.5% to 11,981.4 billion KZT.²

In July 2022, risk-free yield curve³ retains its 'humped' shape. In particular, yield in the segment with a term of up to 1 year was higher compared to the previous period, however, with a maturity of more than 1 year, there is a decrease in yield compared to June of the current year.



Source: KASE

3. FX Market

In July 2022, KZT exchange rate fluctuated within the range of 464.39 – 484.62 USD/KZT. At the end of July 2022, USD/KZT stock exchange rate was 477.07 USD/KZT, having lost 1.5% for the month.

Total volume of transactions in the USD/KZT currency pair for the month totaled USD 10.2 billion, including volume of stock exchange trading on the Kazakhstan Stock Exchange – 2.4 billion US dollars, volume of operations on the OTC foreign exchange market – 7.9 billion US dollars. In the overall volume of operations on the OTC market, one subsidiary bank accounted for 84.3% or 6.6 billion US dollars (81.8% or 8.2 billion US dollars in June 2022), 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 on the domestic foreign exchange market.

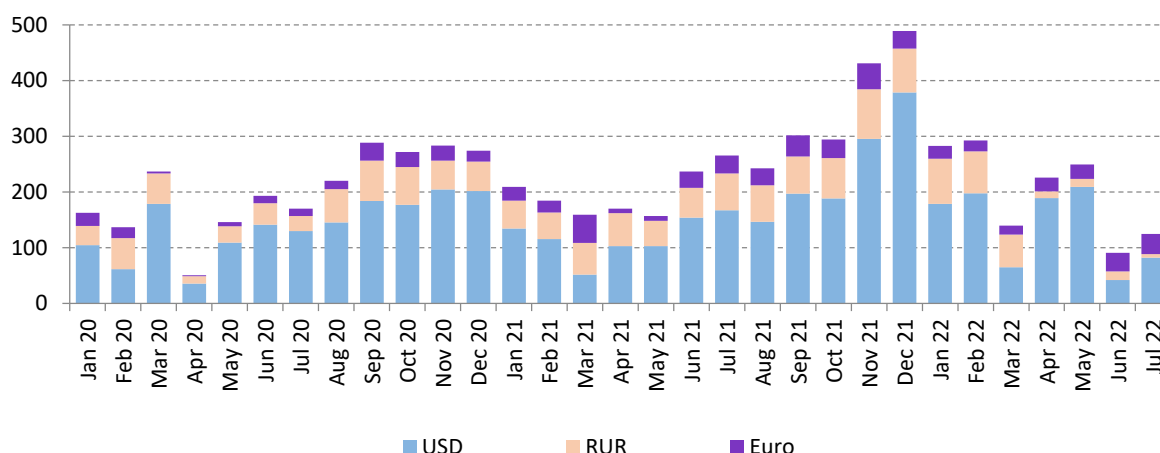
In July 2022, households bought on a net basis foreign currency in cash for an amount equivalent to 125.4 billion KZT. As compared to the previous month, these expenses soared by 37.1% (91.5 billion KZT in June 2022), compared to the same period in 2021 (266.2 billion KZT), volume of net purchases decreased by 2.1 times. Main volume of expenses was directed to the purchase of USD – 65.5%, or 82.2 billion KZT, Russian rubles – 5.3%, or 6.7 billion KZT, Euro – 28.9%, or 36.2 billion KZT. By type of currency, expenses for USD purchase rose by 1.9 times for

² Outstanding KZT public stock (excluding public stock in foreign currency).

³ Method of the yield function determination of public stock of the Republic of Kazakhstan, posted on an official website of the Kazakhstan Stock Exchange was used to plot the yield curve.

the month (a 2.0 decrease y/y), for purchase of Russian rubles decreased by 2.2 times (a plunge of 9.9 times y/y) and Euro purchases rose by 8.0% (12.3% growth y/y).

Diagram 3. **Dynamics of net sales of foreign currency in cash by exchange bureaus, billion KZT**



4. International Reserves and Monetary Aggregates

Gross international reserves of the National Bank for July 2022, according to tentative data, rose by 2.6% and totaled 32.8 billion US dollars.

Growth of gold and foreign exchange reserves is attributed to an expanding volume of correspondent accounts of second-tier banks with the National Bank. Partially, the increase in reserves was leveled off by a falling gold price from USD 1,814 to USD 1,759 dollars.

International reserves of the country as a whole, including assets of the National Fund in foreign currency (53.3 billion US dollars), made 86.1 billion US dollars at the end of July 2022.

Monetary base in July 2022 expanded by 8.3% and amounted to 11,579.1 billion KZT (by 5.7% 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 6.7% to 7,574.1 billion KZT (by 9.1 % since the beginning of the year).

Money supply in July 2022 broadened by 3.2% and totaled 31,396.3 billion KZT (by 4.3% since the beginning of the year), cash in circulation grew by 2.6% to 3,344.6 billion KZT (up by 11.6% since the beginning of the year).

5. Deposit Market

Volume of residents' deposits with depository institutions at the end of July 2022 amounted to 28,051.7 billion KZT, a 3.3% growth for the month (11.3% up y/y). Corporate deposits for the month rose by 4.8% to 14,460.9 billion KZT, retail deposits increased by 1.7%, to 13,590.8 billion KZT.

Volume of deposits in the national currency for the month grew by 3.1%, to 18,132.4 billion KZT, in foreign currency rose by 3.5% to 9,919.3 billion KZT. Dollarization level at the end of July 2022 was 35.4% (36.0% in December 2021).

Corporate deposits in the national currency in July 2022 rose by 3.9% to 9,051.8 billion KZT, in foreign currency increased by 6.4% to 5,409.0 billion KZT (37.4% of corporate deposits).

Retail deposits in KZT rose by 2.4% to 9,080.6 billion KZT, in foreign currency increased by 0.3% to 4,510.2 billion KZT (33.2% of retail deposits).

Fixed-term deposits totaled 18,956.0 billion KZT, up by 4.0% for the month. In their structure, deposits in the national currency amounted to 12,592.3 billion KZT, in foreign currency – 6,363.7 billion KZT.

Weighted average interest rate on fixed-term deposits in the national currency of non-bank legal entities in July 2022 was 12.3% (7.3% in July 2021), on retail deposits – 11.8% (8.5%).

6. Credit Market

Volume of bank lending to the economy at the end of July 2022 amounted to 20,362.1 billion KZT with a 1.6% increase for the month (a 27.1% increase y/y). Corporate credit portfolio for the month decreased by 1.2% down to 7,981.1 billion KZT mainly due to contracting loans in foreign currency, retail loans rose by 3.4% up to 12,381.1 billion KZT.

Volume of loans in the national currency for the month expanded by 2.1% to 18,624.3 billion KZT. In their structure, corporate loans declined by 0.6% and retail loans rose by 3.5%. Volume of loans in foreign currency diminished by 3.7% to 1,737.8 billion KZT. In their structure, corporate loans fell by 3.5% and retail loans decreased by 27.3%. Tenge loans accounted for 91.5% at the end of July 2022 (89.7% in December 2021).

Volume of long-term loans for the month rose by 2.4% to 16,993.0 billion KZT, volume of short-term loans declined by 2.4% to 3,369.2 billion KZT.

Lending to small businesses in July 2022 declined by 4.2% to 3,994.8 billion KZT mainly due to contraction of foreign currency loans (50.1% of the total volume of loans to the corporate sector).

In July 2022, weighted average interest rate on loans issued in national currency to non-bank legal entities was 16.1% (11.6% in July 2021), to individuals – 16.3% (18.2%).

7. Payment Systems

As of August 1, 2022, 19 payment systems operate in the Republic of Kazakhstan, including payment systems of the National Bank, money transfer systems, and payment card systems.

In July 2022, 5.4 million transactions amounting to 65.4 trillion KZT were carried out through the payment systems of the National Bank (Interbank Money Transfer System and Interbank Clearing System) (as compared to June 2022, up by 3.7% in terms of number, by 3.2% in terms of amount). On average, 267.6 thousand transactions worth 3.3 trillion KZT were made through these payment systems daily.

As of August 1, 2022, 19 banks and Kazpost JSC are issuers of payment cards in the Republic of Kazakhstan. Total number of issued and distributed payment cards amounted to 61.5 million cards. In July 2022, 50.0% of payment cards (30.7 million payment cards) were used for non-cash transactions and/or cash withdrawals.

In July 2022, 782.5 million transactions were carried out for an amount of 11.0 trillion KZT using payment cards of Kazakhstan's issuers (compared to June 2022, number of transactions rose 1.8%, amount – by 2.3%). Non-cash payment transactions by number of transactions using payment cards of Kazakhstan's issuers accounted for 97.2% (760.6 million transactions). Volume of non-cash transactions for the same period accounted for 83.2% (9.2 trillion KZT).

In July 2022, total volume of money sent via international money transfer systems was 0.28 million transfers in the amount of 95.1 billion KZT. Volume of money transfers decreased by 19.7% as compared to June 2022. In the total volume of sent transfers, 73.5% of the total number (0.21 million transactions) and 91.2% of the total amount (86.7 billion KZT) of transactions were sent outside Kazakhstan. In Kazakhstan, 26.5% of the total amount (0.07 million transactions) and 8.8% of the total amount (8.4 billion KZT) were made via money transfer systems. 0.17 million transactions in the amount of 88.2 billion KZT were received from abroad, via international money transfer systems.

8. Pension System

Pension savings of contributors (recipients) as of August 1, 2022 totaled 13,664.4 billion KZT, an increase of 279.9 billion KZT or up by 2.1% in July 2022.

In July 2022, net income from investment of pension assets rose by 165.9 billion KZT up to 7,412.5 billion KZT as of August 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 August 1, 2022 totaled 10.9 million accounts.

Amount of pension payments in July 2022 was 26.0 billion KZT.

As of August 1, 2022, government securities of the Republic of Kazakhstan and non-government securities of Kazakhstan's issuers (43.9% and 21.3% of the total volume of pension assets, respectively) account for a bulk of UAPF total investment portfolio.

9. Monitoring of Enterprises for Quarter II

According to results of monitoring of enterprises, continued positive dynamics of economic activity in the real sector is reported due to an increased volume of production of finished products, growing prices for finished products, improving average profitability of sales, as well as an accelerating turnover of assets and working capital.

Utilization of production capacities of enterprises increased, weighted average utilization level made 53.7% (52.7% in Q1 2022).

Volume of production of finished goods rose. Diffusion index (hereinafter referred to as 'DI') moved into the growth area from 47.0 to 53.7.

Demand for finished products of enterprises slightly slowed down. DI changed from 52.7 to 51.3. In the third quarter of 2022, according to expectations of enterprises, the process of demand recovery will remain at the same level.

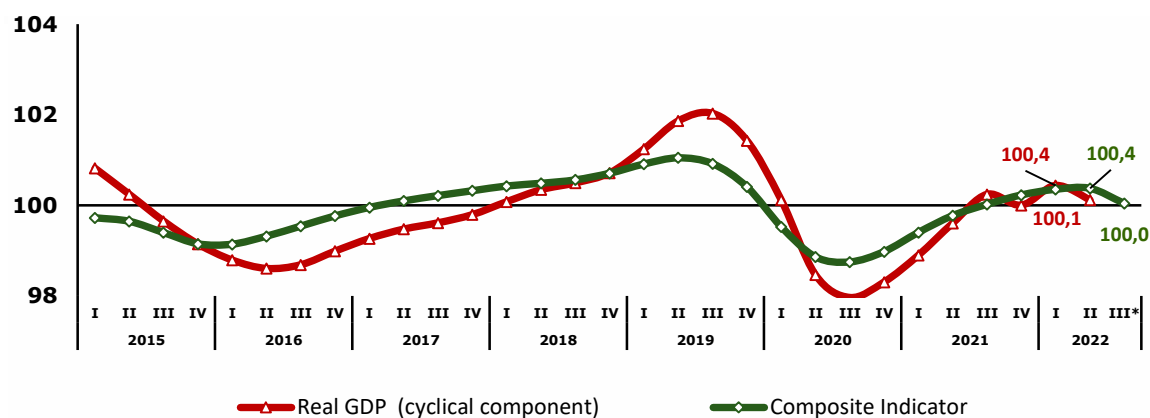
Growth rate of prices for finished products of enterprises in the economy as a whole accelerated, DI was 66.0. In the third quarter of 2022, enterprises expect a slowdown in growth paces of prices for raw materials and, accordingly, for finished products.

In the second quarter of 2022, 16.2% of the surveyed enterprises sought a bank loan, 15.2% of enterprises raised a loan (or 93.9% of loan applicants). The vast majority of enterprises (82.5%) raised funds to finance their working capital (purchase of materials, raw materials, semi-finished products, etc.).

Condition of Kazakhstan's economy is still a main obstacle to doing business for 38.9% of enterprises. Other obstacles include market competition (28.0%), level of tax burden (23.3%), search for buyers (23.0%), lack of qualified personnel (21.6%), difficulty of recovering receivables (12.9%), while access to financing ranks number eight in terms of significance (12.5%).

Composite Leading Indicator (CLI), which is an aggregated assessment of business surveys, remained unchanged at 100.4 compared to the previous quarter. In the third quarter of 2022, a slowdown in the growth rate of economic activity is expected (CLI, according to expectations, amounted to 100.0).

Diagram 4. Composite leading indicator



For more details mass media can contact:

+7 (7172) 775 210

e-mail: press@nationalbank.kz

www.nationalbank.kz