



## PRESS RELEASE

### Situation on Financial Market in August 2022

September 29, 2022

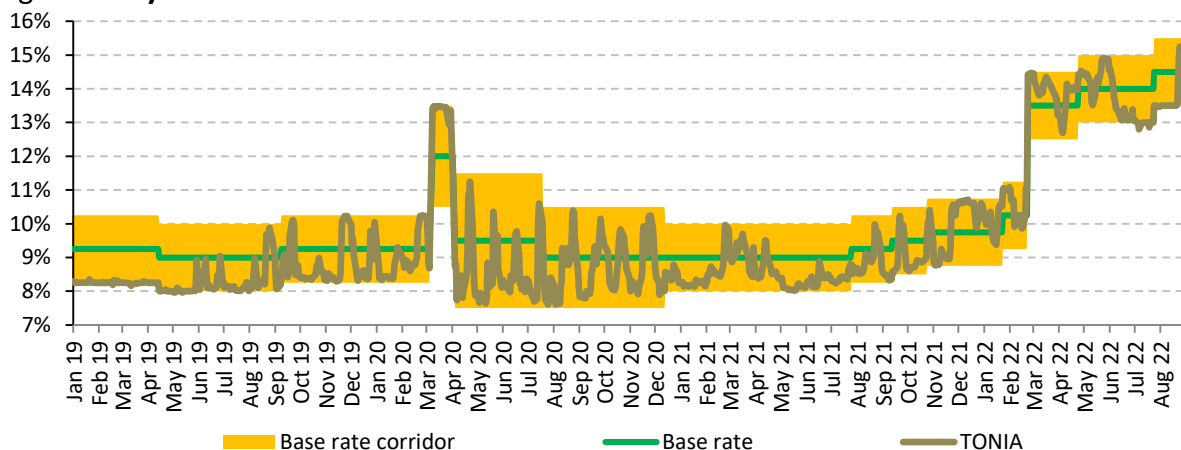
Astana City

#### 1. Operations of the National Bank in Monetary Policy

On September 5, 2022, given a current economic situation, balance of risks as well as updated forecasts of the National Bank, the National Bank decided to keep the base rate at 14.5% per annum with an interest rate corridor of +/- 1.0 percentage point.

TONIA<sup>1</sup> indicator, which is a target rate when conducting monetary policy operations on the money market, was formed within the interest rate corridor in August 2022 (chart 1). In August 2022, the weighted average value of TONIA followed base rate and rose by 0.9 percentage point and made 14.0% p.a. (13.1% in July 2022). During the period of strong demand for liquidity during the quarterly tax week, by the end of August, TONIA rate rose and was near the upper limit.

Diagram 1. Dynamics of the base rate and its corridor



**Monetary policy instruments.** At the end of August 2022, negative balance of operations of the National Bank (open position of the National Bank) on the money market totaled 2.7 trillion KZT. As compared to July 2022 (3.3 trillion KZT) liquidity surplus shrank by 19.8% due to reduced withdrawals through deposit auctions and classic repo.

Volume of liquidity withdrawn through deposit auctions made 442.0 billion KZT, bank deposits with the National Bank were 586.7 billion KZT. Volume of operations to withdraw liquidity via repo operations totaled 20.0 billion KZT.

<sup>1</sup> 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 short-term notes in circulation at the end of August 2022 was 1,892.55 billion KZT, a 5.8% increase for the month, which is probably connected with liquidity overflow from depository auctions to other instruments of monetary policy and government securities of the Ministry of Finance of the Republic of Kazakhstan.

In August 2022<sup>2</sup>, five auctions of NBK notes were held for a total amount of 2,118.02 billion KZT, the entire volume of the placement included 1-month notes (weighted average yield – 14.47%).

Volume of repayment of short-term notes of the National Bank in August 2022 made 2,041.93 billion KZT.

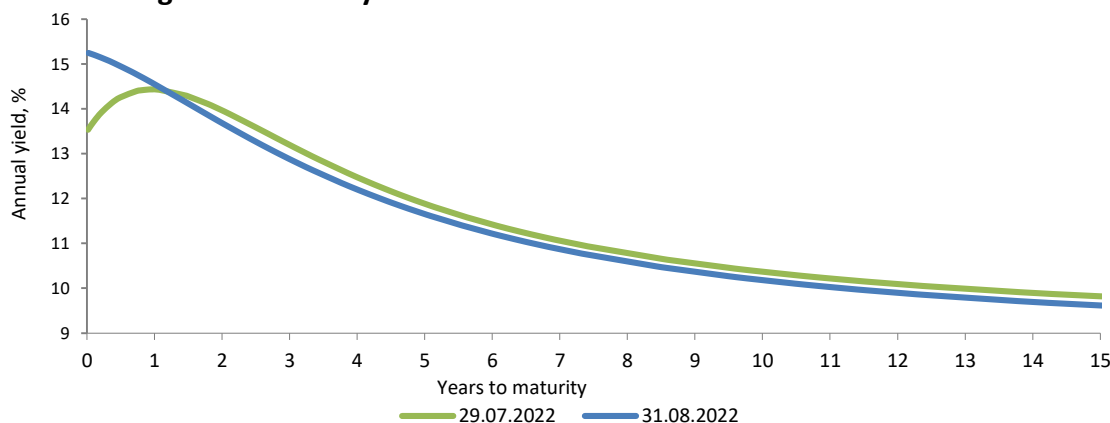
## 2. Government Securities of the Ministry of Finance of the Republic of Kazakhstan

In August 2022, the Ministry of Finance of the Republic of Kazakhstan made 17 placements of short-term (MEKKAM), (METIKAM<sup>3</sup>) and long-term (MEUKAM) government securities in the amount of 470.11 billion KZT with maturity from 1 year to 5 years. Yield on them ranged from 13.85% to 15.07% per annum.

Volume of securities of the Ministry of Finance of the Republic of Kazakhstan in circulation in August 2022 rose by 2.96% to 12,336.1 billion KZT and by 12.2% year-to-date.<sup>4</sup>

In August 2022, risk-free yield curve<sup>5</sup> acquired an inverted (reverse) form, in particular, there is a high short-term yield, decreasing as the maturity of securities rises. In the period up to 1 year, the yield curve shifted upwards, in the period from 1 year to 15 years, there is a downward shift relative to July 2022.

Diagram 2. Changes in risk-free yield curve



Source: KASE

## 3. FX Market

In August 2022, KZT exchange rate fluctuated within the range of 462.29 – 479.55 tenge per US dollar. Against the background of a major tax week in late August, KZT gained 1.0% of its value for the month and made to 472.29 tenge per US dollar. Moderate improvement of the tenge exchange rate in August was facilitated by sales of foreign currency by exporters for quarterly tax payments.

<sup>2</sup> In order to improve implementation process of the monetary policy, improve efficiency of the transmission mechanism and ensure redirection of liquidity into debt instruments of the Ministry of Finance, the National Bank decided to exclude issue of 91-day notes and focus on regulating short-term liquidity.  
<https://nationalbank.kz/ru/news/informacionnye-soobshcheniya/13786>

<sup>3</sup> Treasury bonds indexed to TONIA rate

<sup>4</sup> Outstanding KZT public stock (excluding public stock in foreign currency).

<sup>5</sup> 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.

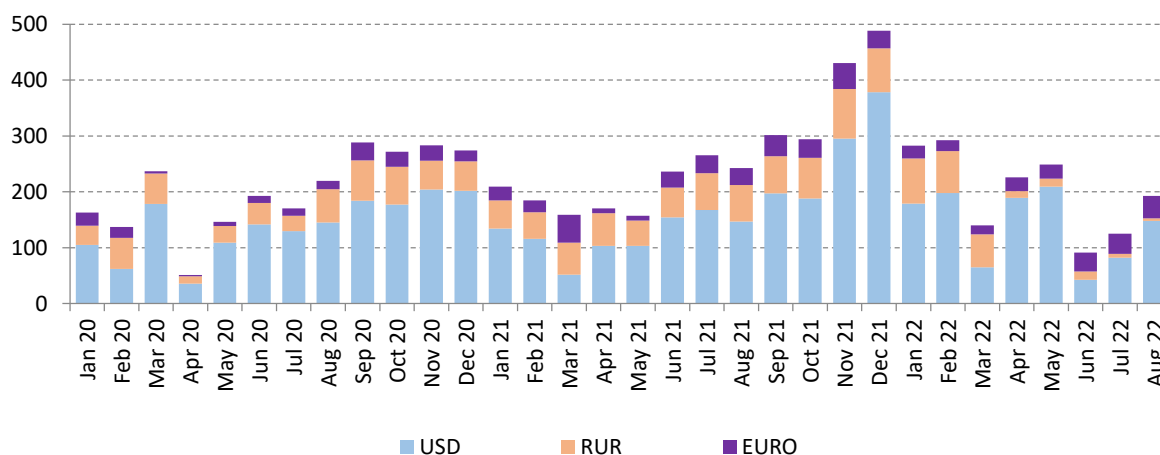
In August, amid market balance, the National Bank did not carry out foreign exchange interventions. The transfer from the National Fund to the budget was provided with tenge receipts, therefore there were no sales of foreign exchange assets of the NF.

Total volume of transactions in the USD/KZT currency pair for the month totaled USD 11.3 billion, which is up by 10.5% as compared to the previous month. This included volume of stock exchange trading on the Kazakhstan Stock Exchange – USD 2.2 billion (down by 9.1% as compared to July 2022), volume of operations on the OTC foreign exchange market – USD 9.2 billion (up by 16.4%). In the overall volume of operations on the OTC market, one subsidiary bank accounted for 82.8% or USD 7.6 billion (84.3% or USD 6.6 billion in July 2022), which was connected with hedging its 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 August 2022, households bought on a net basis foreign currency in cash for an amount equivalent to 192.6 billion KZT. As compared to the previous month, these expenses soared by 1.5-fold due to increased USD purchases by the population. As compared to the same period in 2021, total net purchases plummeted by 20.7%, largely following a decrease in net purchases of rubles. This is due to a significant increase in ruble sales, probably against the background of an influx of tourists from the neighboring country, as well as a decrease in demand for Russian rubles.

Main volume of expenses was directed to USD purchases – 76.8% or 147.9 billion KZT, Russian rubles – 2.3% or 4.5 billion tenge, euro – 20.9% or 40.2 billion KZT. In a breakdown by type of currency, expenses for USD purchases increased by 1.8 times for the month (an increase of 0.7% y/y), for purchase of Euros increased by 11.0% (a 32.2% surge 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 August 2022, according to tentative data, inched down by 0.4% and totaled USD 32.7 billion.

Contraction of the gold and foreign exchange reserves is attributed to falling gold prices as they declined by 2.6% down to USD 1,712.4 per troy ounce. Partially, the decrease in reserves was leveled off by a growing part of reserves due to an inflow of funds to currency accounts of second-tier banks with the National Bank.

International reserves of the country as a whole, including assets of the National Fund in foreign currency (USD 53.8 billion), made USD 86.5 billion at the end of August 2022.

Monetary base in August 2022 expanded by 4.3% and amounted to 12,076.5 billion KZT (by 10.2% since the beginning of the year) against the background of growing volumes of bank deposits. Narrow monetary base, that is, the monetary base excluding time deposits of second-

tier banks in the National Bank, expanded by 4.8% to 7,941.1 billion KZT (by 14.3 % since the beginning of the year).

Money supply in August 2022 widened by 0.5% and totaled 31,568.3 billion KZT (by 4.9% since the beginning of the year and 12.5% y/y), cash in circulation diminished by 1.4% (up by 10.0% since the beginning of the year). Retail lending, first of all consumer and mortgage lending, continues to be a key factor of money supply growth.

## **5. Deposit Market**

The volume of residents' deposits in the depository institutions at the end of August 2022 amounted to 28,271.6 billion KZT, a 0.8% growth for the month (up by 12.9% y/y). The increase in the volume of deposits contributed by expansion of foreign currency funds by 4.1%. Tenge deposits demonstrated an insignificant decline by 1.0%.

Foreign currency deposits grew due to corporate deposits, which increased in August amid a significant growth in the foreign currency deposit portfolio of one bank. Along with that, there was a small flow from individuals' foreign currency deposits to tenge deposits due to appreciation of the national currency in August and continuing high differential of interest rates between deposits in the national and foreign currencies. Thus, the weighted average interest rate on time deposits in the national currency of non-bank legal entities in August 2022 rose to 12.4% (7.3% in August 2021, 12.3% in July 2022), 2.1% in foreign currency, on retail deposits decreased to 11.7% (8.3%, 11.8% in July 2022), in foreign currency it was 0.8%.

As a result, inflow of foreign currency funds, accompanied by shrinking tenge deposits, contributed to an increase in the dollarization level of 1.1 percentage points up to 36.5%. However, excluding growth of foreign currency deposits of one bank, deposit dollarization in the banking system was 35.8%.

## **6. Credit Market**

Volume of bank lending to the economy at the end of August 2022 amounted to 20,681.3 billion KZT with a 1.6% increase for the month (a 25.7% surge y/y). Against the background of a decrease in the overall business activities and contraction of the lending activities of subsidiaries of Russian banks, loan portfolio of legal entities declined by 0.5% for the month (mainly due to a reduction in loans in foreign currency). At the same time, second-tier banks' loan portfolio of legal entities, excluding Russian subsidiaries, in August this year grew by 0.1% (in tenge – an increase of 0.8%, in foreign currency – a decrease of 2.3%). Retail loans continued to grow by 2.9% in conditions of maintaining high inflationary expectations of the population.

Volume of loans in the national currency for the month went up by 1.9% billion KZT due to consumer lending and preferential mortgage programs. In their structure, corporate loans almost stayed put, retail loans increased by 2.9%.

Trend of loan dedollarization continues. Against the background of the improving exchange rate, volume of foreign currency loans decreased by 2.5% to 1,695.2 billion KZT. In their structure, corporate loans declined by 2.5%, to retail loans – by 2.4%. As a result, in late August 2022 tenge loans account for 91.8% (89.7% in December 2021).

In August, there was an outstripping growth of long-term loans over short-term ones. Volume of long-term loans for the month increased by 1.8%, short-term loans - by 0.5%.

Lending to small businesses in August 2022 grew by 1.1% to 4,038.0 billion KZT (a 39.5% y/y increase).

In August 2022, weighted average interest rate on loans issued in the national currency to non-bank legal entities slightly increased and made 16.2% (11.6% in August 2021, 16.1% in July 2022), to individuals grew up to 17.8% (17.2%, 16.3%).

## **7. Payment Systems**

As of September 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 August 2022, 6.1 million transactions amounting to 72.1 trillion KZT were carried out through payment systems of the National Bank (Interbank Money Transfer System and Interbank Clearing System) (as compared to July 2022, up by 14.6% in number, by 10.4% in amount). On average, 278.7 thousand transactions worth 3.3 trillion KZT were made through these payment systems daily.

As of September 1, 2022, 18 banks and Kazpost JSC are issuers of payment cards in the Republic of Kazakhstan. Total number of issued and distributed payment cards amounted to 61.8 million cards. In August 2022, 50.4% of payment cards (31.1 million payment cards) were used for non-cash transactions and/or cash withdrawals.

In August 2022, 810.1 million transactions were carried out for an amount of 11.4 trillion KZT using payment cards of Kazakhstan's issuers (compared to July 2022, number of transactions rose by 3.5%, amount – by 3.2%). Non-cash payment transactions by number of transactions using payment cards of Kazakhstan's issuers accounted for 97.3% (788.1 million transactions). Volume of non-cash transactions for the same period accounted for 83.7% (9.5 trillion KZT).

In August 2022, total volume of money sent via international money transfer systems was 0.32 million transfers in the amount of 111.4 billion KZT. Volume of money transfers rose by 12.9% as compared to July 2022. In the total volume of sent transfers, 76.0% of the total number (0.24 million transactions) and 91.5% of the total amount (101.9 billion KZT) of transactions were sent outside Kazakhstan. In Kazakhstan, 24.0% of the total amount (0.08 million transactions) and 8.5% of the total amount (9.5 billion KZT) were made via money transfer systems. 0.16 million transactions in the amount of 70.9 billion KZT were received from abroad, via international money transfer systems.

## **8. Pension System**

Pension savings of contributors (recipients) as of September 1, 2022 totaled 13,970.6 billion KZT, an increase of 306.2 billion KZT or up by 2.2% in August 2022.

In August 2022, net income from investment of pension assets rose by 193.9 billion KZT up to 7,606.4 billion KZT as of September 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 September 1, 2022 totaled 10.9 million accounts.

Amount of pension payments in August 2022 was 34.0 billion KZT.

As of September 1, 2022, government securities of the Republic of Kazakhstan and non-government securities of Kazakhstan's issuers (46.2% and 21.2% of the total volume of pension assets, respectively) account for a bulk of UAPF total investment portfolio.

**For more details mass media can contact:**

+7 (7172) 775 210

e-mail: [press@nationalbank.kz](mailto:press@nationalbank.kz)

[www.nationalbank.kz](http://www.nationalbank.kz)