



PRESS RELEASE

Situation on Financial Market in September 2022

28 October 2022

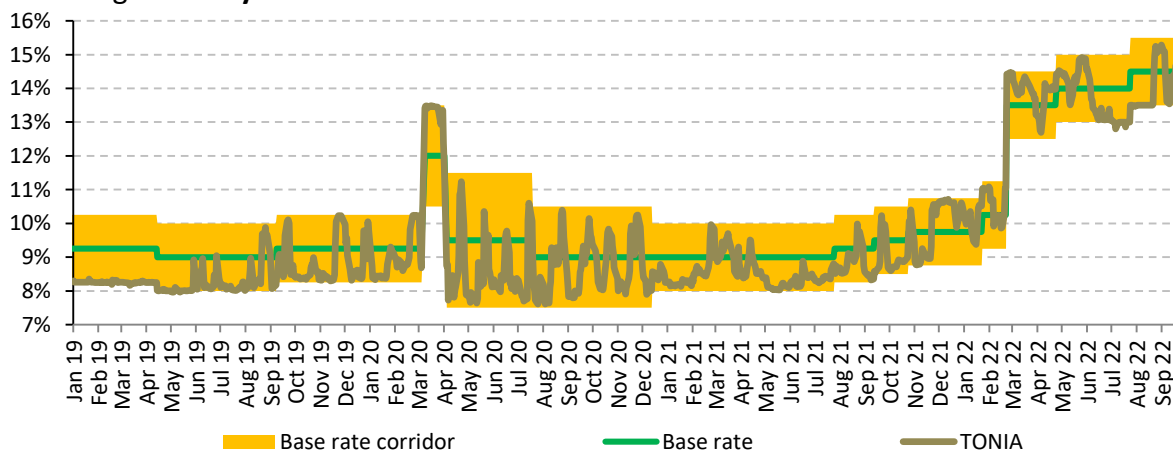
Astana

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. On October 26, the base rate was increased from 14.5% to 16% against the background of significant acceleration of inflation, as well as formation of current inflationary processes above the forecast estimates of the National Bank.

TONIA¹ indicator, which is a target rate when conducting monetary policy operations on the money market, was formed within the interest rate corridor in September 2022 (diagram 1). In September 2022, the weighted average value of TONIA, following the base rate, rose by 0.4 percentage points and made 14.4% p.a. (14.0% in August 2022). In early September, TONIA rate was near the upper limit amid a growing demand for tenge liquidity, then, after a short decline to the lower limit, it formed near the base rate.

Diagram 1. Dynamics of the base rate and its corridor



Monetary policy instruments. At the end of September 2022, negative balance of operations of the National Bank (open position of the National Bank) on the money market totaled 3.2 trillion KZT. As compared to August 2022 (2.7 trillion KZT) liquidity surplus expanded by 19.4%.

Volume of liquidity withdrawn through deposit auctions made 863.0 billion KZT (442.0 KZT in August), bank deposits with the National Bank were 611.6 billion KZT (586.7 billion KZT). Volume of operations to withdraw liquidity via repo operations totaled 57.0 billion KZT.

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 short-term notes in circulation in late September 2022 was 1,722.18 billion KZT, a 9.0% plunge for the month.

In September 2022, four auctions of NBK notes were held for a total amount of 1,722.2 billion KZT, the entire volume of the placement included 1-month notes (weighted average yield – 14.48%) in connection with exclusion since September 2022 of an issue of 91-day notes.

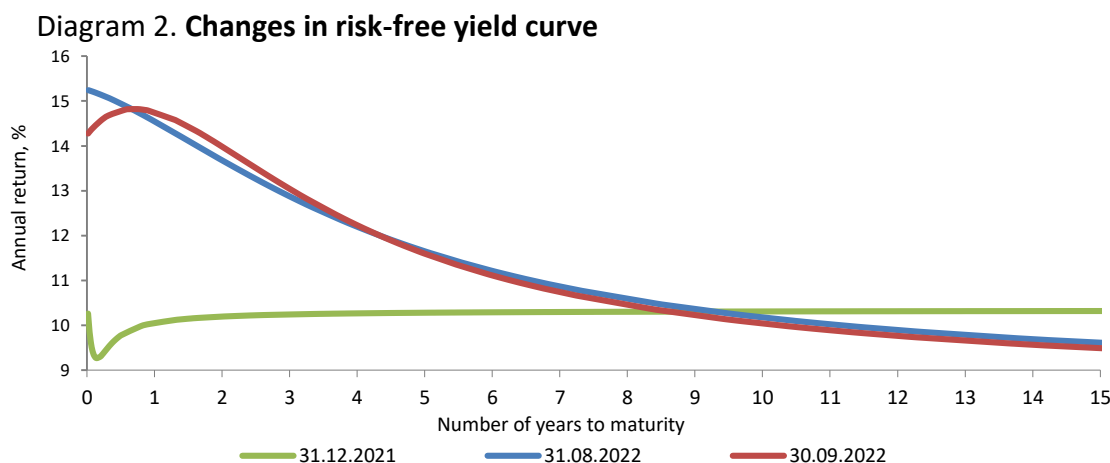
Volume of repayment of short-term notes of the National Bank in September 2022 made 1,917.92 billion KZT.

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

In September 2022, the Ministry of Finance of the Republic of Kazakhstan made 9 placements of short-term government securities (MEOKAM – 5 placements, METIKAM² – 4 placements) in the amount of 219.82 billion KZT with maturity from 2 to 4 years. Yield on them ranged from 13.90% to 15.16% per annum.

Volume of securities of the Ministry of Finance of the Republic of Kazakhstan in circulation in September 2022 rose by 2.7% and by 15.1% year-to-date.³

In September 2022, risk-free yield curve⁴ acquired a hump form, in particular, in the short-term segment up to 1 year, as well as in the segment from 5 years to 15 years, there is a downward shift relative to August 2022. The segment from 1 to 4 years demonstrated an increase in yields relative to August 2022.



Source: KASE

3. FX market

Against the background of the balance of supply and demand for the USD in September 2022, the tenge exchange rate varied within the range of 471.34–481.16 tenge per USD.

September 2022 witnessed minor foreign currency conversions to make transfers from the National Fund, no foreign exchange interventions were carried out. Sales of export foreign exchange earnings of the quasi-public sector amounted to USD 583.5 million.

Total volume of transactions on the KZT-US dollar currency pair contracted by 3.5% for the month (decrease – by 13.7% y/y), including volume of exchange trading on the Kazakhstan Stock Exchange shrank by 7.2% m/m and by 29.2% y/y.

Demand for foreign currency from households declined. In September 2022, net purchases of foreign currency plummeted by 25.7% m/m. Compared to the same period in 2021,

² TONIA-indexed treasury bonds.

³ Outstanding KZT public stock (excluding public stock in foreign currency).

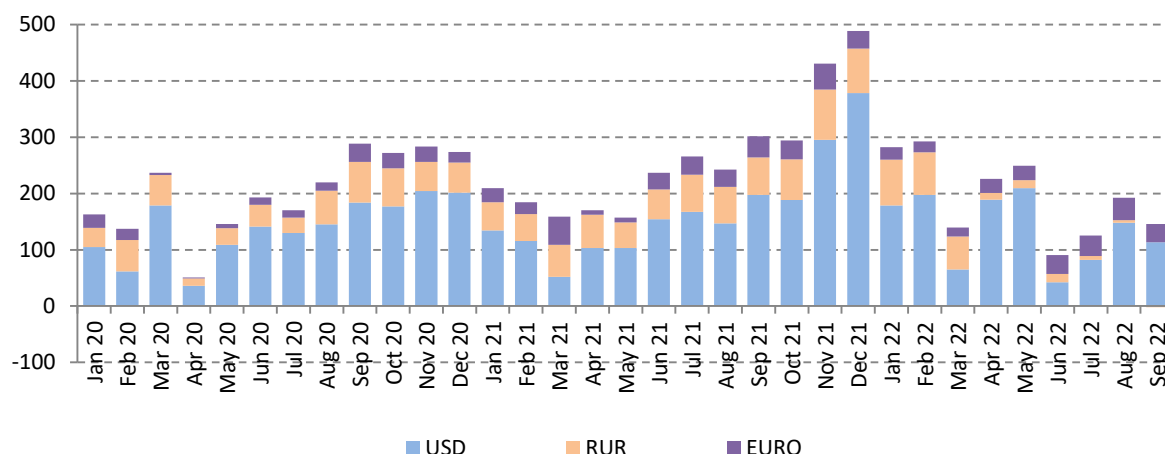
⁴ Method of the yield function determination of public stock of the Republic of Kazakhstan, posted on an official website of the Kazakhstan Stock Exchange was used to plot the yield curve.

total volume of net purchases more than halved, mainly due to falling net purchases of USD and Russian rubles.

In September, ruble supply from the population exceeded its demand, and on a net basis, sales of Russian rubles surpassed its purchases by 2.2 billion KZT.

The main volume of expenses was directed to USD purchases – 79.4%, or 113.7 billion KZT, and to Euro purchases – 22.5%, or 32.2 billion KZT. In a currency breakdown, spending on USD purchases plunged by 23.1% for the month (down by 42.4% y/y) and on EUR purchases decreased by 20.0% (down by 14.1% 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 September 2022, according to tentative data, inched up by 0.3% and totaled USD 32.8 billion.

The reserves grew in the currency part due to an inflow of funds to the foreign currency accounts of STBs with the National Bank. Part of the increase in reserves was offset by falling gold prices and payment of the public debt.

International reserves of the country as a whole, including assets of the National Fund in foreign currency (USD 51.6 billion), made USD 84.4 billion at the end of September 2022.

Monetary base in September 2022 contracted by 1.7% and amounted to 11,871.4 billion KZT (an expansion of 8.3% since the beginning of the year) against shrinking volumes of bank deposits.

Money supply in September 2022 widened by 2.9% and totaled 32,479 billion KZT (by 7.9% since the beginning of the year and 12.6% y/y), cash in circulation rose by 0.6% (up by 10.6% 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. Fiscal impulse also continues to facilitate growth of the money supply.

5. Deposit Market

Volume of residents' deposits in the deposit organizations increased by 3.2% m/m (12.7% growth y/y). Corporate deposits went up for the month by 4.2%, retail deposits – by 2.1%.

Against the background of continued attractiveness, deposits in the national currency increased by 4.6% for the month. Deposits in foreign currency grew by 0.7% due to adjustment of tenge exchange rate and corresponding revaluation. Along with that, foreign currency deposits decreased by 0.3% in currency terms. As a result, dollarization level of deposits in September 2022 was 35.6% (36.5% in August 2022, 36.0% in December 2021).

Corporate deposits in the national currency increased by 5.3% m/m, mainly due to an inflow of fixed-term deposits (up by 13.5% m/m). Dollarization of corporate deposits went down

to 39.3% compared to the previous month, but remains above the level of the beginning of the year (37.6%) against the background of a continued inflow of foreign currency deposits since May 2022.

Retail deposits in tenge grew by 3.8% m/m against the background of highly differentiated rates between tenge and foreign currency deposits of the population. Retail deposits in foreign currency decreased by 1.6%. As a result, dollarization level of retail deposits in September 2022 stood at 31.7% (in August 2022 – 32.8%, in December 2021 – 34.4%). The downward trend in dollarization of retail deposits continues, excluding deposits in Otbasys Bank JSC and large deposits (over 50 million KZT), over the year it decreased by 4.8 percentage points down to 16.4%.

In September, marginal KDIF rates on retail deposits remained at the same level, reaching 16% for certain types of saving deposits.

Volume of fixed-term deposits amounted to 20,032.9 billion KZT, with a 5.0% increase m/m, mainly due to tenge deposits. In their structure, deposits in the national currency accounted for almost 2/3 of the total deposit portfolio.

With the stable base rate level, the weighted average interest rate on fixed-term deposits in tenge of non-banking legal entities in September 2022 remained at the level of August and made 12.4% (7.4% in September 2021), on retail deposits – a 0.1 p.p. increase compared to the previous month, and made 12.2% (8.3%).

6. Credit market

Bank lending to the economy rose by 2.0% m/m to 21,101.2 billion KZT, an annual growth of 24.4%, despite a decrease in lending activities of the Russian banks, a high statistical base in 2021, as well as continued high uncertainty of banks and borrowers regarding prospects for economic development.

Retail lending increased by 2.5% m/m, continuing to make the main contribution to the growth of loans. Consumer lending, despite a slight slowdown, maintains high growth rates (27.7% y/y, 2.3% m/m) and amounted to 7,197.6 billion KZT. Mortgage lending also demonstrates high growth (by 47% y/y, by 3.3% m/m) to 4,277.0 billion KZT.

More than 2/3 of growth of the entire loan portfolio was provided by retail tenge loans. Corporate loan portfolio rose by 1.3% over the month.

Volume of loans in the national currency increased by 1.8% m/m, to 19,332.2 billion KZT. In their structure, corporate loans went up by 0.4% to 6,280.1 billion KZT, retail loans – by 2.5% to 13,052.2 billion KZT.

Volume of loans in foreign currency increased by 4.4% m/m, to 1,769.0 billion KZT, including due to their currency revaluation. Main contribution to growth of foreign currency loans was made by corporate loans, which increased by 4.4%. Retail loans in foreign currency decreased by 0.7%, continuing the downward trend of decline for the seventh month in a row. As a result, KZT loans' share in late September 2022 accounted for 91.6% (89.7% in December 2021).

In September, there was an outpacing growth rate of short-term loans over long-term ones. Volume of short-term loans increased by 4.2% m/m, long-term loans – by 1.6%.

Lending to small businesses in September 2022 expanded by 4.7% (an increase of 32.2% y/y) to 4,228.1 billion KZT.

In September 2022 (compared to August), the weighted average interest rates on KZT loans issued to non-bank legal entities and individuals did not change and formed at the level of 16.2% and 17.8%, respectively.

7. Payment Systems

As of October 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 September 2022, 5.4 million transactions amounting to 66.4 trillion KZT were carried out through payment systems of the National Bank (Interbank Money Transfer System and Interbank Clearing System) (as compared to August 2022, down by 11.7% in number, by 7.9% in amount). On average, 246.1 thousand transactions worth 3.0 trillion KZT were made through these payment systems daily.

As of October 1, 2022, 18 banks and Kazpost JSC issue payment cards in the Republic of Kazakhstan. Total number of issued and distributed payment cards amounted to 62.7 million cards. In September 2022, 50.6% of these payment cards (31.7 million payment cards) were used for non-cash transactions and/or cash withdrawals.

In September 2022, 810.9 million transactions were carried out for an amount of 11.1 trillion KZT using payment cards of Kazakhstan's issuers (compared to August 2022, number of transactions increased by 0.1%, amount decreased – by 2.7%). Non-cash payment transactions by number of transactions using payment cards of Kazakhstan's issuers accounted for 97.5% (790.5 million transactions). Volume of non-cash transactions for the same period accounted for 84.1% (9.3 trillion KZT).

In September 2022, total volume of money sent via international money transfer systems was 0.24 million transfers in the amount of 100.6 billion KZT. The volume and quantity of money transfers as compared to August 2022 fell by 24.6% and 10.8% respectively. In the total volume of sent transfers, 93.5% of the total number (0.23 million transactions) and 93.4% of the total amount (94.0 billion KZT) of transactions were sent outside Kazakhstan. In Kazakhstan, 6.5% of the total quantity (0.02 million transactions) and 6.6% of the total amount (6.6 billion KZT) were made via money transfer systems. Via international money transfer systems 0.16 million transactions in the amount of 70.6 billion KZT were received from abroad.

8. Pension System

Pension savings of contributors (recipients) as of October 1, 2022 totaled 14,104.1 billion KZT, an increase of 133.5 billion KZT or up by 1.0% in September 2022.

In September 2022, net income from investment of pension assets rose by 22.0 billion KZT up to 7,628.4 billion KZT as of October 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 October 1, 2022 totaled 10.9 million accounts.

Amount of pension payments in September 2022 was 32.2 billion KZT.

As of October 1, 2022, government securities of the Republic of Kazakhstan and non-government securities of Kazakhstan's issuers (46.5% and 20.9% of the total volume of pension assets, respectively) account for a bulk of UAPF total investment portfolio.

More detailed information for the mass media representatives is available upon request:

+7 (7172) 775 210

e-mail: press@nationalbank.kz

www.nationalbank.kz