



NATIONAL BANK OF KAZAKHSTAN

## PRESS RELEASE №2

### Situation on the financial market in December 2020

January 28, 2021

Nur-Sultan

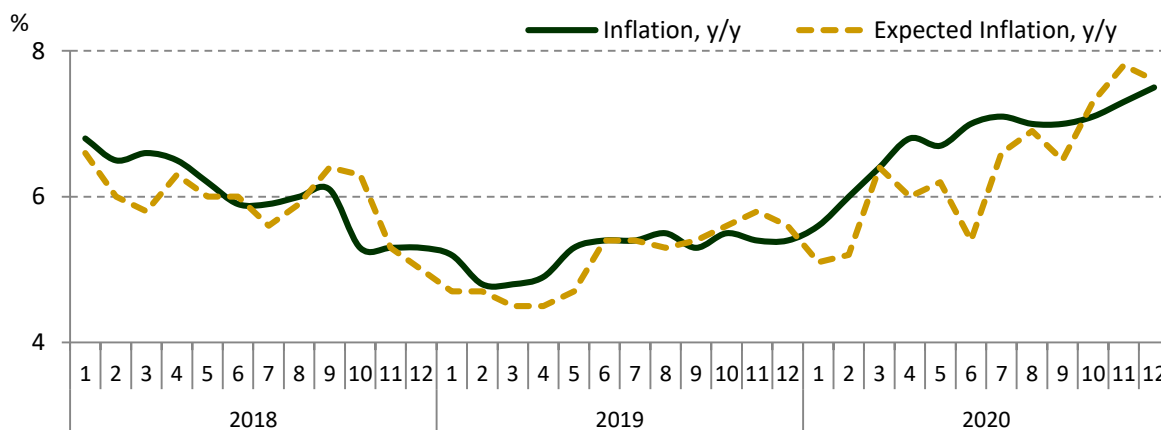
#### 1. Inflation and Inflationary Expectations

According to the Bureau of National Statistics of Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, in December 2020 the inflation amounted to 0.9% (in December 2019 – 0.7%).

The annual inflation was at the level of 7.5% (in December 2019 – 5.4%). In the structure of inflation, prices for food products in annual terms increased by 11.3%, non-food products – by 5.5%, paid services – by 4.2%.

According to the results of inflation expectations survey of households, in December 2020, the quantitative assessment of expected inflation for the year ahead amounted to 7.6%.

Chart 1. Inflation and Inflationary Expectations



Source: Bureau of National Statistics of Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, FusionLab

#### 2. International Reserves and Money Aggregates

The gross international reserves of the National Bank in December 2020, according to the preliminary data, increased by 9.8% and amounted to 35.7 billion US dollars due to the rise in the prices for gold, currency inflow within the tax compensations from the Karachaganak Consortium and the government loan from the Asian Development Bank.

The country's international reserves as a whole, including the assets of the National Fund in the foreign currency (58.7 billion dollars), according to the preliminary data, at the end of December 2020 amounted to 94.4 billion dollars.

The monetary base in December 2020 expanded by 1.1% (by 41.8% since the beginning of the year) and amounted to 9,777.6 billion tenge. The narrow monetary base, i.e. the monetary

base, excluding the term deposits of the second-tier banks with the National Bank, decreased by 9.7% (by 6.3% since the beginning of the year) to 5,087.8 billion tenge.

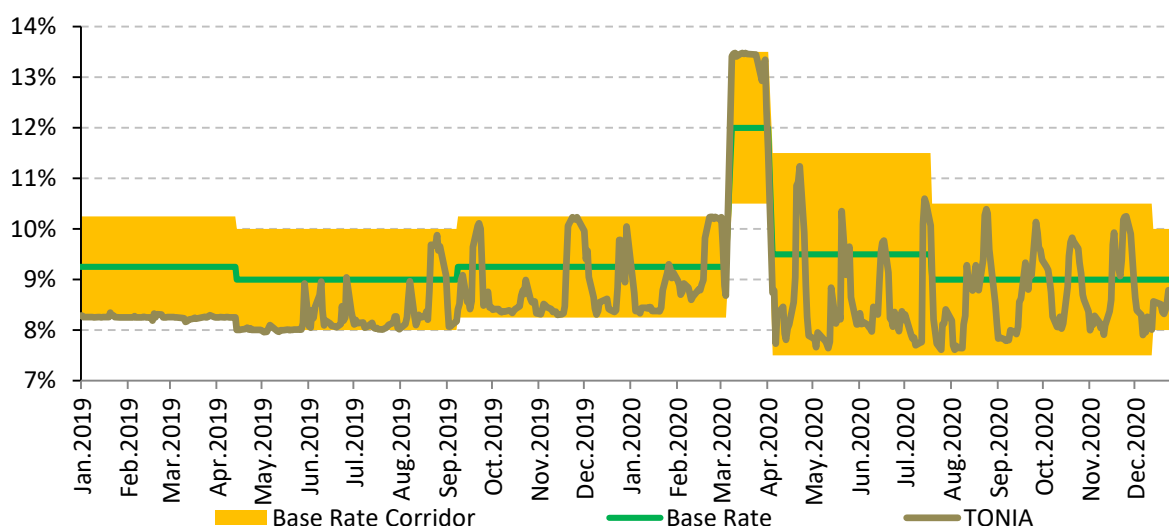
The money supply in December 2020 increased by 1.1% (increasing by 16.9% since the beginning of the year) and amounted to 24,917.8 billion tenge, while cash in circulation increased by 4.5% (increasing by 22.9% since the beginning of the year) to 2,828.0 billion tenge.

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

On December 14, 2020, National Bank decided to keep the base rate at the level of 9% per annum with the narrowing of the interest rate band within + /-1.0 pp.

The TONIA indicator<sup>1</sup>, which is a target rate when conducting monetary policy operations in the money market, was formed within the interest rate band in December 2020. In December 2020, the weighted average value of TONIA was 8.40% per annum (in November 2020 it was 8.95%).

**Chart 2: Dynamics of Base Rate and Its Percentage Corridor**



**Monetary Policy Instruments.** At the end of December 2020, the negative balance of operations of the National Bank (the open position of the National Bank) in the money market amounted to 4.8 trillion tenge.

The volume of the National Bank's open position on direct repo transactions amounted to 100.6 billion tenge.

The volume of the bank deposits with the National Bank amounted to 720.4 billion tenge. The volume of liquidity withdrawn through deposit auctions amounted to 1,129.7 billion tenge.

The volume of short-term notes in circulation at the end of December 2020 amounted to 2,927.3 billion tenge, having increased by 7.2% over the month.

In December 2020, 6 auctions were held for a total of 1,328.3 billion tenge, including 4 auctions for the placement of 1-month notes in the amount of 906.2 billion tenge (the weighted average yield is 9.02%), 1 auction for 3-month notes in the amount of 322.1 billion tenge (the profitability is 9.50%), 1 auction for semi-annual notes for the amount of 100.0 billion (the profitability is 9.74%).

The volume of repayment of short-term notes of the National Bank in December 2020 amounted to 1,191.7 billion tenge.

<sup>1</sup> Weighted average interest rate on repo opening deals for one business day, concluded on the exchange in the automatic repo sector with government securities.

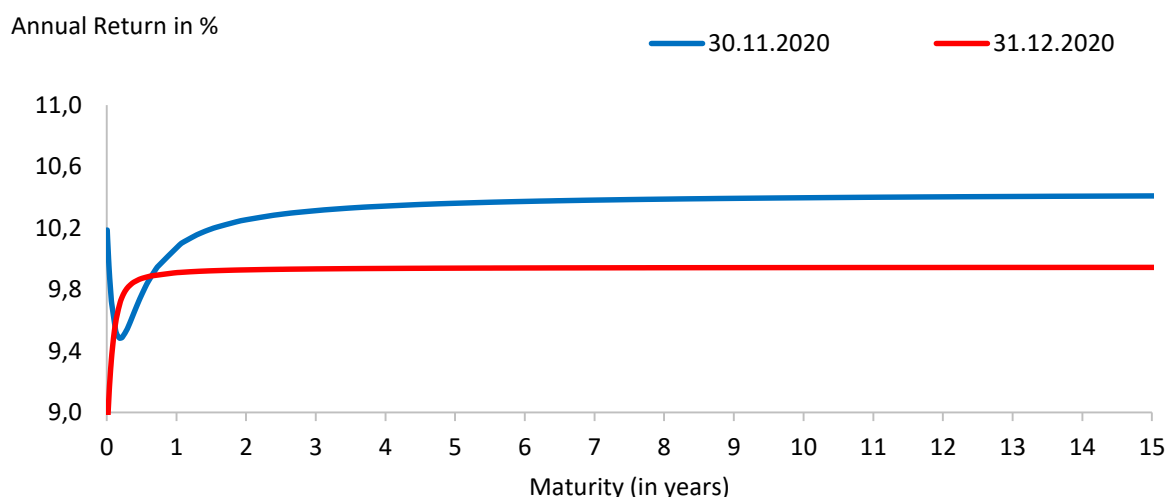
### Government Securities of Ministry of Finance of the Republic of Kazakhstan.

In December 2020, Ministry of Finance of the Republic of Kazakhstan did not place any long-term government securities.

The volume of securities of Ministry of Finance of the Republic of Kazakhstan in circulation in December 2020 decreased slightly by 0.2% and amounted to 9,477.3 billion tenge<sup>2</sup>.

At the end of December 2020, the yield curve<sup>3</sup> in the background of declining yields on the government securities showed a decline compared to the level at the end of November 2020.

**Chart 3: Change in the Risk-Free Yield Curve**



### 4. Foreign Exchange Market

In December 2020 the exchange rate of tenge was fluctuating in the range of 417.42 – 423.01 tenge per US dollar. At the end of December 2020, the exchange rate of tenge against US dollar amounted to 420.91 tenge per US dollar, having strengthened by 1.0% within a month.

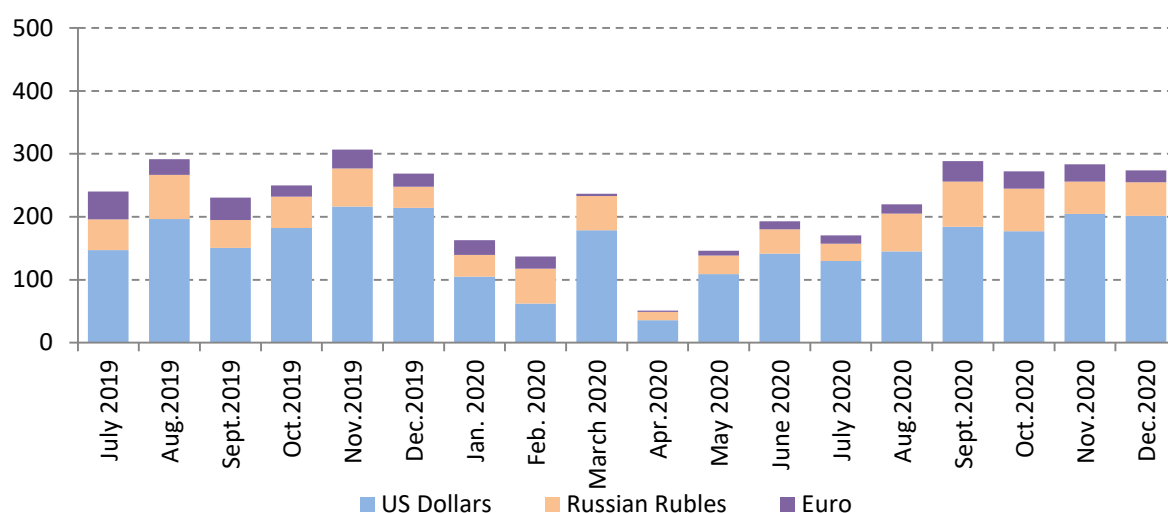
The total volume of transactions in the tenge/US dollar currency pair for the month amounted to USD 12.7 billion, including the volume of exchange trading on the Kazakhstan Stock Exchange was USD 2.5 billion, the volume of transactions in the foreign exchange market - USD 10.2 billion. Within the total, the volume of operations in the OTC market, the share of one subsidiary bank amounted to 65.7% or USD 6.7 billion (in November 2020 – 80.4% or USD 6.5 billion), which was associated with hedging its equity capital against the foreign exchange risk. These transactions are carried out within the banking group and do not affect the balance of demand and supply of the foreign currency in the domestic foreign exchange market.

In December 2020, on a net basis the population bought equivalent of 274.3 billion tenge in foreign currency cash. Compared to the previous month, these expenses decreased by 3.3% (in November 2020 - 283.7 billion tenge), in comparison with the same period of 2019 (269.5 billion tenge), the volume of net purchases increased by 1.8%. A bulk of expenses was directed to the purchase of US dollar – 73.6% or 201.8 billion tenge, Russian ruble – 19.3% or 53.0 billion tenge, euro – 7.0%, or 19.2 billion tenge. In a breakdown by type of currency, the expenses for the purchase of US dollars decreased by 1.3% over the month (a decrease by 5.9% y/y), for the purchase of euro fell by 29.8% (a decrease by 7.3% y/y). The costs of population for purchasing the Russian ruble, in contrast, increased by 2.6% (an increase by 57.4% y/y).

<sup>2</sup> GS in circulation in tenge (excluding GS in foreign currency);

<sup>3</sup> To construct the yield curve, we used the methodology for determining the yield function of government securities of the Republic of Kazakhstan, published in the official website of the Kazakhstan Stock Exchange.

**Chart 4: Dynamics of Net Sales of Foreign Currency in Cash by Exchange Offices, in KZT bln**



## 5. Deposit Market

The volume of deposits of residents in depository institutions at the end of December 2020 amounted to 22,089.7 billion tenge, having increased by 0.7% within a month. Deposits of legal entities decreased over the month by 2.0% to 11,297.7 billion tenge, deposits of individuals increased by 3.6% to 10,792.1 billion tenge.

The volume of deposits in the national currency over the month increased by 4.0% to 13,855.7 billion tenge, while foreign currency deposits decreased by 4.5% to 8,234.0 billion tenge. The dollarization level at the end of December 2020 was 37.3% (in December 2019 – 43.1%).

Deposits of legal entities in the national currency in December 2020 increased by 1.3% to 7,205.0 billion tenge, while foreign currency deposits decreased by 7.2% to 4,092.7 billion tenge (36.2% of deposits of legal entities).

Deposits of individuals in tenge increased by 7.1% to 6,650.7 billion tenge, while foreign currency deposits decreased by 1.5% to 4,141.4 billion tenge (38.4% of deposits of individuals).

The volume of term deposits amounted to 15,279.6 billion tenge, having increased over the month by 3.7%. In their structure, deposits in the national currency amounted to 9,496.8 billion tenge, in the foreign currency it is 5,782.9 billion tenge.

The weighted average interest rate on term deposits in the national currency of non-bank legal entities was 7.3% (in December 2019 – 7.4%), on deposits of individuals – 9.2% (9.0%).

## 6. Credit Market

The volume of lending by banks to the economy at the end of December 2020 amounted to 14,623.1 billion tenge, having decreased by 0.2% over the month (an increase from the year beginning by 5.5%). The volume of loans to legal entities decreased by 2.6% to 7,097.0 billion tenge, for individuals it increased by 2.3% to 7,526.1 billion tenge.

Over the month the volume of loans in the national currency increased by 1.2% to 12,726.6 billion tenge. In their structure, loans to legal entities decreased by 0.6%, to individuals – by 2.5%. The volume of loans in the foreign currency decreased by 8.3% to 1,896.4 billion tenge. In their structure, loans to legal entities decreased by 7.9%, to individuals – by 26.7%. The share of loans in tenge at the end of December 2020 amounted to 87.0% (in December 2019 – 83.4%).

The volume of long-term loans for the month decreased by 0.4% to 12,494.4 billion tenge, the volume of short-term loans increased by 1.3% to 2,128.7 billion tenge.

Lending to small businesses in December 2020 increased by 9.1% to 2,515.3 billion tenge (17.2% of the total volume of loans to the economy).

In the sectoral breakdown, the most significant amount of bank loans to the economy falls on such sectors as manufacturing industry (the share in the total volume – 13.6%), trade (11.7%), construction (4.5%) and transport (3.3%).

In December 2020, the weighted average interest rate on loans issued in national currency to non-bank legal entities amounted to 11.4% (in December 2019 – 12.1%), to individuals - 14.9% (16.8%).

## **7. Payment Systems**

As of January 1, 2021, 18 payment systems function in the territory of the Republic of Kazakhstan, including the payment systems of the National Bank, money transfer systems, payment card systems.

In December 2020, 5.1 million transactions totaling 63.1 trillion tenge were carried out through the payment systems of National Bank (the Interbank Money Transfer System and the Interbank Clearing System) (compared to November 2020, the increase in number was 15.0%, in the amount it was 45.0%). In average, 254.1 thousand transactions costing 3.2 trillion tenge were carried out through the indicated payment systems per day.

As of January 1, 2021, 21 banks and Kazpost, JSC issued payment cards in the Republic of Kazakhstan. The total number of issued and distributed payment cards amounted to 48.0 million units. Of this number, in December 2020, 55.8% of payment cards were used by holders when conducting non-cash transactions and (or) withdrawing money.

In December 2020, 397.6 million transactions totaling 6.4 trillion tenge were carried out using payment cards of Kazakhstani issuers (compared to November 2020, the number of transactions increased by 16.1%, the amount was by 20.2%). The share of non-cash payments in the overall structure of transactions using payment cards of Kazakhstani issuers increased in number to 93.4% (in November 2020 - 93.3%), in terms of volume - to 72.8% (72.9%).

In December 2020, the total volume of money sent through the international money transfer systems amounted to 0.3 million transfers in the amount of 81.1 billion tenge. The decrease in the volume of money transfers compared to November 2020 was 1.8%. Of the total volume of transfers sent outside of Kazakhstan, 76.6% of the total number (0.2 million transactions) and 92.3% of the total amount (74.9 billion tenge) of transactions were sent. In Kazakhstan, 23.4% of the total amount (0.1 million transactions) and 7.7% of the total amount (6.2 billion tenge) were carried out through money transfer systems. From abroad, through the international money transfer systems, 0.1 million transactions were received in the amount of 28.4 billion tenge.

## **8. Pension System**

Pension savings of contributors (recipients) as of January 1, 2021 amounted to 12,913.5 billion tenge, having increased over 2020 by 2,112.9 billion tenge or by 19.6%.

Within 2020, there was an increase in the "net" income from investment of the pension assets by 1.220 billion tenge to 5,553.6 billion tenge as of January 1, 2021.

The number of individual pension accounts of contributors for compulsory pension contributions (taking into account the individual pension accounts that do not have any pension savings) as of January 1, 2021 amounted to 11.0 million accounts.

The amount of pension payments for 2020 amounted to 193.4 billion tenge.

The main share of the UAPF's total investment portfolio as of January 1, 2021 is occupied by government securities of the Republic of Kazakhstan and non-government securities of issuers

of the Republic of Kazakhstan (44.4% and 25.8% of the total volume of pension assets, respectively).

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