



PRESS RELEASE №55

On Situation in Financial Market in November 2020

December 29, 2020

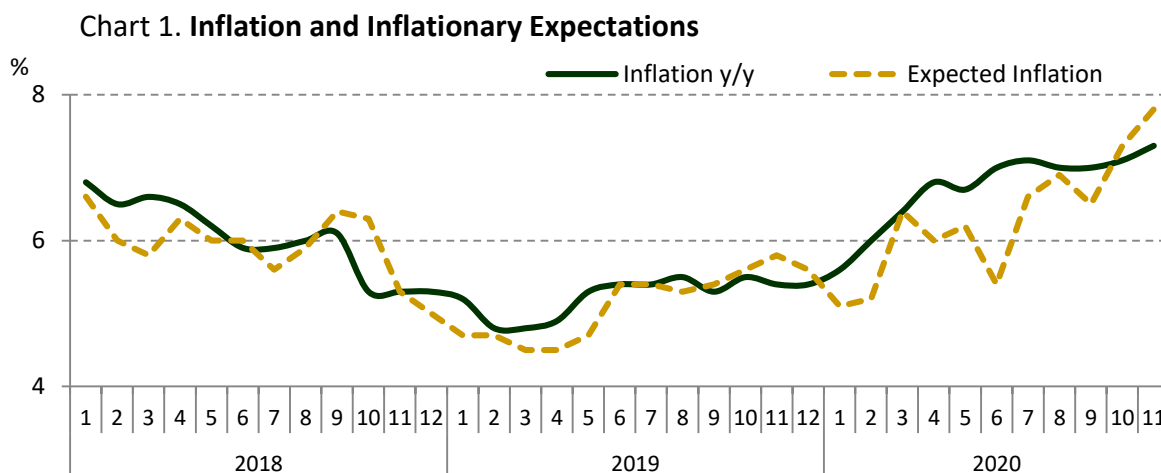
Nur-Sultan

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 November 2020 the inflation amounted to 0.9% (in November 2019 it was 0.7%).

Annual inflation was at the level of 7.3% (in December 2019 it was 5.4%). In the structure of inflation, prices for food products in annual terms increased by 10.8%, non-food products – by 5.7%, paid services – by 4.1%.

In November 2020, a quantitative estimate of inflation expected in a year from the results of a population survey was 7.8%.



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 National Bank in November 2020, according to the preliminary data, decreased by 3.2% and amounted to 32.5 billion dollars, mainly due to the decline in the price of gold.

The country's international reserves as a whole, including the assets of National Fund in the foreign currency (58.0 billion dollars), according to the preliminary data, at the end of November 2020 amounted to 90.5 billion dollars.

The monetary base in November 2020 expanded by 0.1% (since the beginning of the year it is by 40.2%) and amounted to 9,667.5 billion tenge. The narrow monetary base, i.e. the monetary base, excluding the term deposits of the second-tier banks with National Bank, expanded by 5.9% (since the beginning of the year - by 3.7%) to 5,633.8 billion tenge.

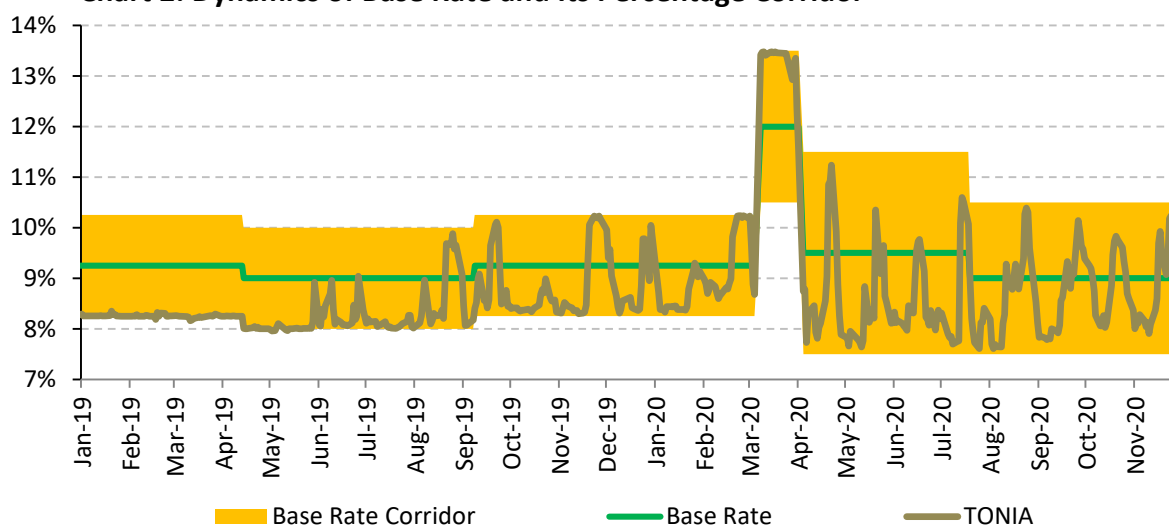
The money supply in November 2020 decreased by 0.4% (since the beginning of the year, an increase of 15.6%) and amounted to 24,647.5 billion tenge, cash in circulation decreased by 3.5% (since the beginning of the year, an increase of 17.7%) to 2,707.1 billion tenge.

3. Operations of National Bank in Monetary Policy

On December 14, 2020, National Bank decided to keep the base rate¹ at the level of 9% with the narrowing of the interest rate band to the pre-epidemic level ± 1 pp. The decision to maintain the base rate at the same level is due to instability in the oil market, high and weakly anchored inflation expectations, as well as the continuing uncertainty due to the epidemiological situation in the country and the world. The narrowing of the base rate corridor is aimed at creating more stable expectations of market participants and reducing the volatility of money market rates.

The TONIA² indicator, which is a target rate when conducting monetary policy operations in the money market, was formed within the interest rate band in November 2020. In November 2020, the weighted average value of TONIA was 8.95% per annum (in October 2020 it was 8.99%).

Chart 2: Dynamics of Base Rate and Its Percentage Corridor



Monetary Policy Instruments

At the end of November 2020, the negative balance of operations of National Bank (the open position of National Bank) in the money market amounted to 3.5 trillion tenge.

The volume of National Bank's open position on direct repo transactions amounted to 65.0 billion tenge.

The volume of bank deposits with National Bank amounted to 236.7 billion tenge. The volume of liquidity withdrawn through deposit auctions amounted to 622.6 billion tenge.

The volume of short-term notes in circulation at the end of November 2020 amounted to 2,730.7 billion tenge, having decreased by 1.8% over the month.

In November 2020, 7 auctions were held for a total of 1,032.5 billion tenge, including 5 auctions for the placement of 1-month notes in the amount of 718.9 billion tenge (weighted average yield – 9.02%), 1 auction for 3-month notes in the amount of 213.7 billion tenge (yield – 9.53%), 1 auction for semi-annual notes for the amount of 100.0 billion (yield – 9.81%).

The volume of repayment of short-term notes of National Bank in November 2020 amounted to 1,062.6 billion tenge.

¹ At the same time, the official refinancing rate was maintained at a similar level (9.00%).

² Average weighted interest rate on repo opening deals for one business day, concluded in the stock exchange in the automatic repo sector with GS.

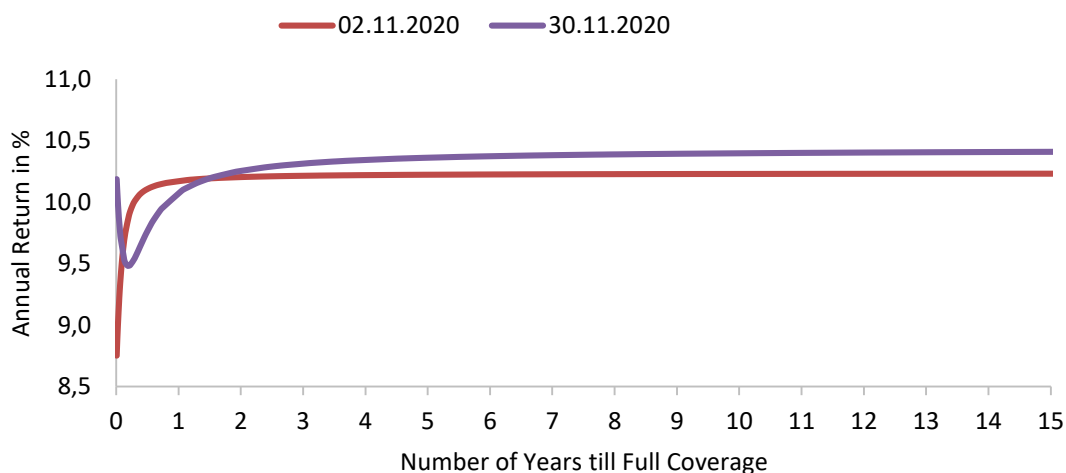
Government Securities of Ministry of Finance of the Republic of Kazakhstan

In November 2020, Ministry of Finance of the Republic of Kazakhstan placed long-term (government long-term treasury bonds with a maturity of over 5 years) government securities in the amount of 160.8 billion tenge. In total, 9 bond issues were placed in November, on which the government securities with maturities from 1.3 to 8.4 years were placed. The weighted average yield on them ranged from 10.00% to 10.50% per annum.

The volume of securities of Ministry of Finance of the Republic of Kazakhstan in circulation in November 2020 increased by 1.5% and amounted to 10,700.2 billion tenge.

At the end of November 2020, the yield curve³ in the segment above one year was above the level at the beginning of the month. At the same time, in the segment up to one year, the yields showed a decrease in securities with maturity of 1 – 3 months.

Chart 3: Change in the Risk-Free Yield Curve



4. Currency Market

In November 2020, the exchange rate of tenge was fluctuating in the range of 422.60 – 434.62 tenge per US dollar. At the end of November 2020, the exchange rate of tenge against US dollar amounted to 425.07 tenge per US dollar, having strengthened by 1.8% within a month.

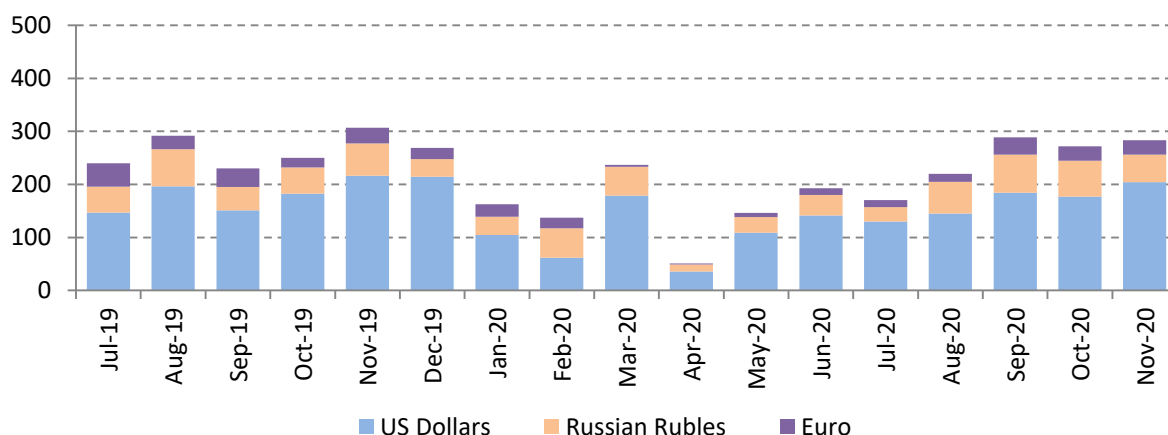
The total volume of transactions in tenge and US dollar currency pair for the month amounted to 10.4 billion USD, including the volume of exchange trading on the Kazakhstan Stock Exchange was 2.3 billion USD, the volume of transactions in the foreign exchange market – 8.0 USD billion. In the total volume of operations in the OTC market, the share of one subsidiary bank amounted to 80.4% or 6.5 billion US dollars (in October 2020 – 80.6%, or 7.4 billion US dollars), which was associated with hedging its equity capital against foreign exchange risks. These transactions are carried out within the banking group and do not affect the ratio of demand and supply of foreign currency in the domestic foreign exchange market.

In November 2020, on a net basis the population bought foreign currency in an amount equivalent to 283.7 billion tenge. Compared to the previous month, these expenses increased by 4.1% (in October 2020 – 272.4 billion tenge), in comparison with the same period of 2019 (307.5 billion tenge), the volume of net purchases decreased by 7.7%. The bulk of expenses was directed to the purchase of US dollars – 72% or 204.4 billion tenge, Russian rubles – 18.2% or 51.6 billion tenge, euros – 9.6%, or 27.4 billion tenge. In a breakdown by type of currency, expenses for the purchase of US dollars increased by 15.3% over the month (compared to the same period in 2019,

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

decreased by 5.5%), for the purchase of euros it increased by 0.3% (a decrease by 8.5%). In contrast, household spending on the purchase of Russian rubles decreased by 23.5% (a decrease by 14.9%).

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 deposit-taking institutions at the end of November 2020 amounted to 21,940.4 billion tenge, having slightly increased by 0.01% within a month. Deposits of legal entities decreased over the month by 0.7% to 11,523.3 billion tenge, deposits of individuals increased by 0.8% to 10,417.1 billion tenge.

The volume of deposits in the national currency for the month increased by 2.6% to 13,322.8 billion tenge, in the foreign currency it decreased by 3.8% to 8,617.7 billion tenge. The dollarization level at the end of November 2020 was 39.3% (in December 2019 – 43.1%).

Deposits of legal entities in national currency in November 2020 increased by 3.4% to 7,112.1 billion tenge, while in foreign currency it decreased by 6.6% to 4,411.3 billion tenge (38.3% of deposits of legal entities).

Deposits of individuals in tenge increased by 1.7% to 6,210.7 billion tenge, in the foreign currency it decreased by 0.6% to 4,206.4 billion tenge (40.4% of deposits of individuals).

The volume of term deposits amounted to 14,729.2 billion tenge, having decreased over the month by 0.9%. In their structure, deposits in the national currency amounted to 8,830.5 billion tenge, in the foreign currency it is 5,898.7 billion tenge.

The weighted average interest rate on time deposits in the national currency of non-bank legal entities was 7.2% (in November 2019 – 7.2%), on deposits of individuals – 9.3% (9.1%).

6. Credit Market

The volume of lending by banks to the economy at the end of November 2020 amounted to 14,646.7 billion tenge, having increased by 1.4% over the month. The volume of loans to legal entities increased by 0.1% to 7,287.6 billion tenge, for individuals it increased by 2.8% to 7,359.1 billion tenge.

The volume of loans in the national currency for the month increased by 2.2% to 12,577.9 billion tenge. In their structure, loans to legal entities increased by 0.9%, to individuals – by 3.2%. The volume of loans in the foreign currency decreased by 3.1% to 2,068.8 billion tenge. In their structure, loans to legal entities decreased by 2.1%, to individuals - by 31.6%. The share of loans in tenge at the end of November 2020 amounted to 85.9% (in December 2019 – 83.4%).

The volume of long-term loans for the month increased by 0.9% to 12,544.7 billion tenge, the volume of short-term loans – by 4.9% to 2,102.0 billion tenge.

Lending to small businesses in November 2020 increased by 0.3% to 2,304.8 billion tenge (15.7% 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 industry (share in the total volume – 13.5%), trade (11.6%), construction (4.7%) and transport (3.4%).

In November 2020, the weighted average interest rate on loans issued in national currency to non-bank legal entities amounted to 11.9% (in November 2019 - 12.2%), to individuals - 14.9% (17.0%).

7. Payment Systems at the end of November 2020

As of December 1, 2020, 17 payment systems function in the territory of the Republic of Kazakhstan, including the payment systems of National Bank, money transfer systems, payment card systems.

In November 2020, 4.4 million transactions totaling 43.6 trillion tenge were carried out through the payment systems of National Bank (the Interbank Money Transfer System and the Interbank Clearing System) (compared to October 2020, the increase in number was 0.7%, in amount it was 3.3%). In average, 210.5 thousand transactions costing 2.1 trillion tenge were carried out through the indicated payment systems per day.

As of December 1, 2020, 21 banks and Kazpost, JSC issued payment cards in the Republic of Kazakhstan. The total number of issued and distributed payment cards amounted to 46.8 million units. Of these, in November 2020, 55.3% of payment cards were used by holders when conducting non-cash transactions and (or) withdrawing money.

In November 2020, 342.6 million transactions totaling 5.4 trillion tenge were carried out using payment cards of Kazakhstani issuers (compared to October 2020, the number of transactions decreased by 0.5%, the amount was by 1.8%). The share of non-cash payments in the overall structure of transactions using payment cards of Kazakhstani issuers increased in number to 93.3% (in October 2020 – 92.7%), in terms of volume – to 72.9% (71.5%).

In November 2020, the total volume of money sent through the international money transfer systems amounted to 0.3 million transfers in the amount of 82.6 billion tenge. The decrease in the volume of money transfers compared to October 2020 was 6.2%. Of the total volume of transfers sent outside of Kazakhstan, 78.6% of the total number (0.2 million transactions) and 93.7% of the total amount (77.5 billion tenge) of transactions were sent. In Kazakhstan, 21.4% of the total amount (0.1 million transactions) and 6.3% of the total amount (5.2 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 26.4 billion tenge.

8. Pension System at the end of November 2020

Pension savings of contributors (recipients) as of December 1, 2020 amounted to 12,720.1 billion tenge, having increased in January – November 2020 by 1,919.5 billion tenge or by 17.8%.

In January – November 2020, there was an increase in the "net" income from investment of the pension assets by 1,131 billion tenge to 5,465.2 billion tenge as of December 1, 2020.

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 December 1, 2020 amounted to 11.0 million accounts.

The amount of pension payments for January – November 2020 amounted to 172.1 billion tenge.

The main share of the UAPF's total investment portfolio as of December 1, 2020 is occupied by government securities of the Republic of Kazakhstan and non-government securities

of issuers of the Republic of Kazakhstan (45.2% and 26.1% of the total volume of pension assets, respectively).

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