



PRESS RELEASE N 21

About situation on financial market in September 2021

October 28, 2021

Nur-Sultan

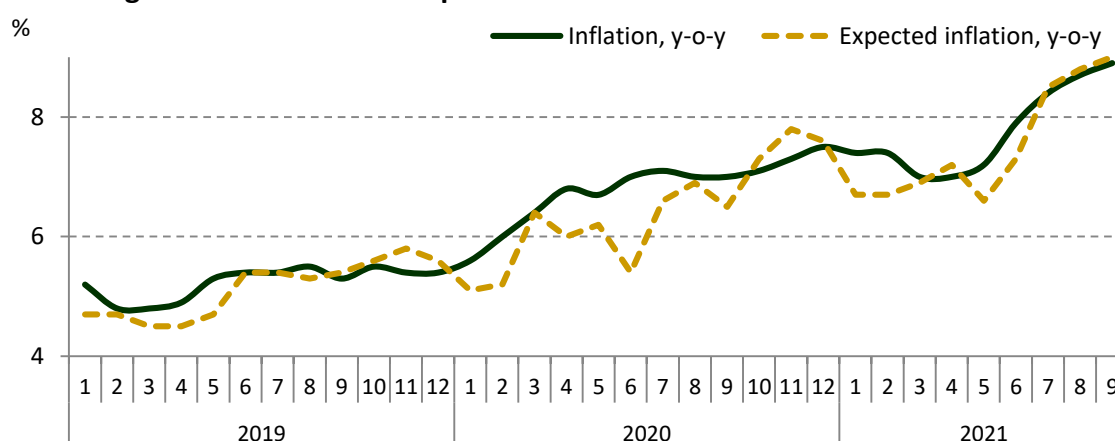
1. Inflation and Inflationary Expectations

National Statistics Bureau of the Agency for Strategic Planning and Reforms of the of the Republic of Kazakhstan reports that in September 2021 inflation was 0.4% (0.3% in September 2020).

Annual inflation made 8.9% (7.5% in December 2020). In the structure of inflation, prices for food products in annual terms rose by 11.5%, non-food products - by 7.5%, paid services - by 6.8%.

In September 2021, a quantitative estimate of inflation expected in a year, based on results of a population survey was 9.0%.

Diagram 1. Inflation and Expected Inflation



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

2. International Reserves and Monetary Aggregates

Gross international reserves of the National Bank for September 2021, according to preliminary data, decreased by 3.4% and totaled USD 35.6 billion (since the beginning of the year - by 0.2%).

Decrease in the reserves was due to a shrinking value of the gold portfolio amid falling prices for precious metals as a result of higher yields on Treasury bonds and USD appreciation. Assets in freely convertible currency shrank mainly due to contracting balances on correspondent accounts of second-tier banks as well as a payment of the state debt of the Republic of Kazakhstan.

International reserves of the country as a whole, including assets of the National Fund in foreign currency (USD 55.1 billion), according to preliminary data, amounted to USD 90.6 billion at the end of September 2021.

Monetary base in September 2021 expanded by 3.8% and totaled 10,689.7 billion KZT (since the beginning of the year it widened by 9.3%). Narrow monetary base, that is, the

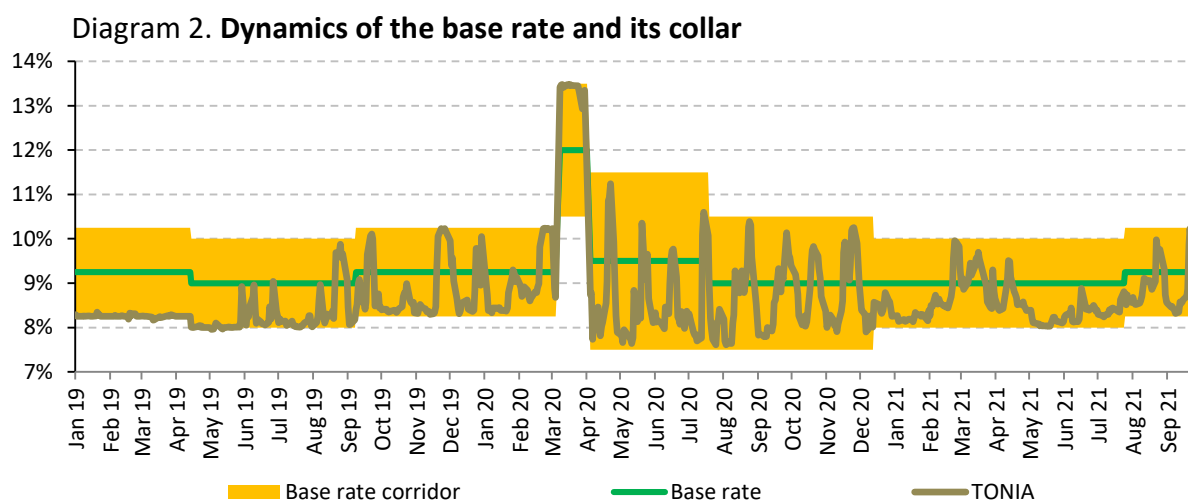
monetary base excluding fixed-term deposits of second-tier banks with the National Bank, shrank by 7.7% to 5,815.6 billion KZT (up by 14.3% since the beginning of the year).

Money supply in September 2021 grew by 2.8% and totaled 28,850.3 billion KZT (an increase of 15.8% since the beginning of the year), cash in circulation inched down by 1.0% to 2,984.3 billion KZT (a 5.5% growth since the beginning of the year).

3. Operations of the National Bank in monetary policy

On October 25, 2021, the National Bank decided to set the base rate at **9.75%** per annum with an interest rate corridor of **+/- 1.00 p.p.**

TONIA indicator¹, which is a target rate when conducting monetary policy operations in the money market, was formed within the interest rate corridor in September 2021. In September 2021, the weighted average value of TONIA was 9.0% per annum (in August 2021 – 9.1%).



Instruments of monetary policy. At the end of September 2021, negative balance of operations of the National Bank (open position of the National Bank) in the money market stood at 5.2 trillion KZT.

Volume of the National Bank's open position on direct repo transactions totaled 9.6 billion KZT.

Volume of bank deposits with the National Bank made 412.4 billion KZT. Volume of liquidity withdrawn through deposit auctions was 2,014.1 billion KZT.

Volume of short-term notes in circulation at the end of September 2021 amounted to 2,741.2 billion KZT, having contracted by 13.2% for a month.

In September 2021, five auctions were held for a total amount of 1,621.9 billion KZT, including three auctions for placement of 1-month notes for an amount of 1,241.2 billion KZT (weighted average yield - 9.30%), one auction for 3-month notes for the amount of 280.7 billion KZT (yield - 9.35%), one auction for 6-month notes for an amount of 100 billion KZT (yield - 9.59%).

Volume of repayment of short-term notes of the National Bank in September 2021 amounted to 2,275.2 billion KZT.

4. Government securities of the Ministry of Finance of the Republic of Kazakhstan.

In September 2021, the Ministry of Finance of the Republic of Kazakhstan placed medium-term (MEOKAM) and long-term (MEUKAM) government securities for an amount of 172.3 billion KZT. Overall, 12 bond issues were placed in September 2021, on which government securities

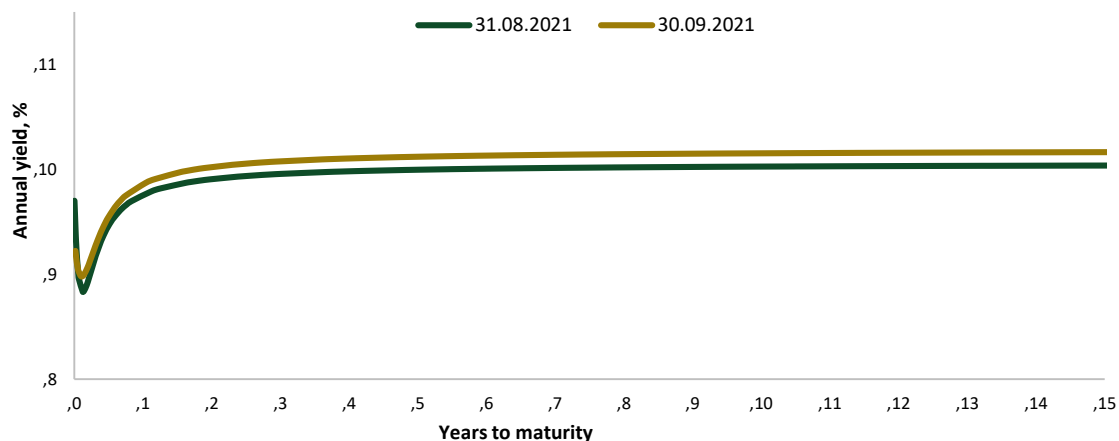
¹ An average weighted value of yield of one-day repo operations with securities from basket of public stock with a 5% cut of transactions with lowest and highest yield.

with maturities from 3 to 15 years were placed. Weighted average yield on them ranged from 10.40% to 10.81% per annum.

Volume of securities of the Ministry of Finance of the Republic of Kazakhstan in circulation in September 2021 rose by 1.7% and totaled 10,341.4 billion KZT².

At the end of September 2021, risk-free yield curve³ went up as compared to the end of the previous month against the background of the increased base rate.

Diagram 3. **Changes in risk-free yield curve**



5. FX market

In September 2021, exchange rate fluctuated within 423.92 – 426.49 USDKZT. At the end of September 2021, exchange rate KZT against USD made 425.75 USDKZT, having slightly weakened by 0.1% for the month.

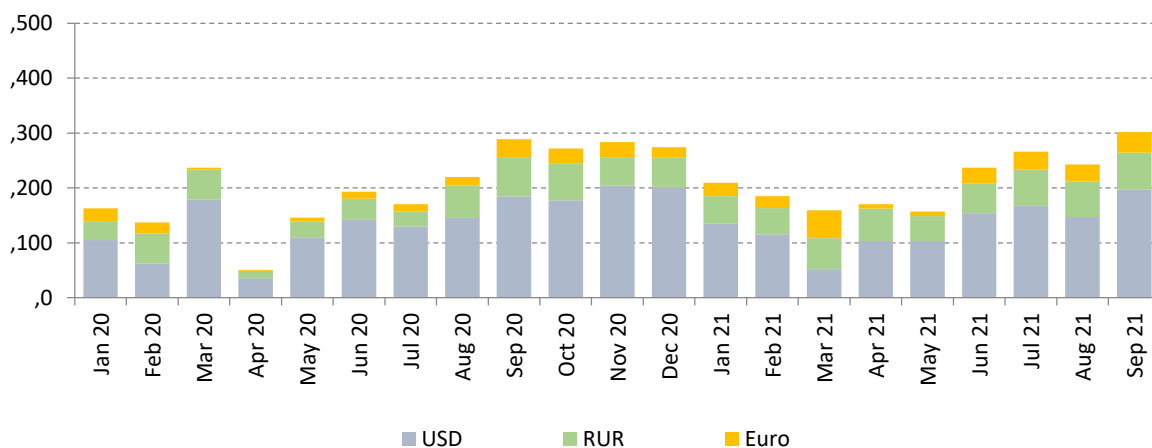
Total volume of transactions in the USDKZT currency pair for the month totaled USD 12.7 billion, including volume of exchange trading on the Kazakhstan Stock Exchange - 2.8 billion U.S. dollar, volume of operations on the OTC foreign exchange market - 9.8 billion U.S. dollar. In overall volume of operations in the OTC market, one subsidiary bank accounted for 70.6% or USD 6.9 billion (68.3% or 6.8 billion U.S. dollar in August 2021), 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 in the domestic foreign exchange market.

In September 2021, the population bought on a net basis cash foreign currency for an amount equivalent to 302.5 billion KZT. As compared to the previous month, these expenses soared by 24.5% (242.9 billion KZT in August 2021), volume of net purchases rose by 4.5% year-on-year (289.3 billion KZT). The bulk of expenses were directed to purchase of USD – 65.3% or 197.4 billion KZT, Russian rubles - 22.0% or 66.6 billion KZT, Euro - 12.4% or 37.5 billion KZT. By type of currency, spending on USD purchases for the month surged by 34.4% (a growth of 7.2% y/y), purchase of RUR - by 2.3% (a decrease by 7.6% y/y) and purchase of Euro – by 23.2% (a growth of 15.3% y/y).

Diagram 4. **Dynamics of net sales of cash foreign currency by exchange bureaus, billion KZT**

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

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



6. Deposit market

Volume of residents' deposits in depository institutions at the end of September 2021 stood at 25,866.0 billion KZT, up by 3.3% for a month (21% up y/y). Corporate deposits for a month rose by 5.8% to 13,493.5 billion KZT, retail deposits increased by 0.7%, to 12,372.5 billion KZT.

Volume of deposits in the national currency for the month grew by 3.3%, to 16,496.3 billion KZT, in foreign currency rose by 3.3% to 9,369.7 billion KZT. Dollarization level at the end of September 2021 was 36.2% (37.3% in December 2020).

Corporate deposits in the national currency in September 2021 rose by 5.4% to 8,362.6 billion KZT, in foreign currency - by 6.4% to 5,131.0 billion KZT (38% of corporate deposits).

Retail deposits in KZT grew by 1.2% to 8,133.7 billion KZT, in foreign currency inched down 0.1% to 4,238.8 billion KZT (34.3% of retail deposits).

Fixed-term deposits amounted to 17,766.2 billion KZT, up by 3.3% for the month. In their structure, deposits in the national currency amounted to 11,488.3 billion KZT, in foreign currency - 6,277.9 billion KZT.

Weighted average interest rate on fixed-term deposits in the national currency of non-bank legal entities in September 2021 was 7.4% (in September 2020 - 7.2%), on retail deposits - 8.3% (9.8%).

7. Credit market

Volume of bank lending to the economy at the end of September 2021 stood at 16,964.0 billion KZT, which is up by 3.1% for a month (y/y growth - 18.3%). Volume of corporate loans for a month went up by 2.1% up to 7,370.5 billion KZT, retail loans - by 3.9% up to 9,593.5 billion KZT.

Volume of loans in the national currency for the month rose by 3.2% to 15,029.5 billion KZT. In their structure, corporate loans increased by 2.0% and retail loans - by 3.9%. Volume of loans in foreign currency rose by 2.0% to 1,934.4 billion KZT. In their structure, corporate loans increased by 2.2% and retail loans decreased by 11.0%. Loans in the national currency accounted for 88.6% at the end of September 2021 (87.0% in December 2020).

Volume of long-term loans for the month increased by 3.2% up to 14,623.9 billion KZT, volume of short-term loans - by 2.2% to 2,340.0 billion KZT.

Lending to small businesses in September 2021 increased by 10.5% to 3,197.1 billion KZT (43.4% of the total volume of loans to the corporate sector).

In the sectoral breakdown of the corporate sector, the following sectors account for the bulk of bank loans to the economy: industry (32.0% of the total corporate sector), trade (21.3%), construction (7.5%) and transport (5.4%).

In September 2021, weighted average interest rate on loans issued in national currency to non-bank legal entities was 11.8% (12.1% in September 2020), to individuals - 17.5% (17.3%).

8. Payment systems

As of October 1, 2021, 19 payment systems are operated in the Republic of Kazakhstan, including payment systems of the National Bank, money transfer systems, and payment card systems.

In September 2021, 5.2 million transactions amounting to 68.1 trillion KZT were carried out through the payment systems of the National Bank (Interbank Money Transfer System and Interbank Clearing System) (compared to August 2021, a 5.5% drop in number, a 7.5% rise in amount). On average, 234.9 thousand transactions worth 3.1 trillion KZT were made through these payment systems daily.

As of October 1, 2021, 19 banks and Kazpost JSC issued payment cards in the Republic of Kazakhstan. Total number of issued and distributed payment cards amounted 56.1 million. In September 2021, 47.0% of payment cards (26.3 million) were used for non-cash transactions and/or cash withdrawals.

In September 2021, 626.4 million transactions were carried out for an amount of 8.8 trillion KZT using payment cards of Kazakhstani issuers (compared to August 2021, number of transactions increased by 1.7%, amount - by 2.2%). Non-cash payment transactions by number of transactions using payment cards of Kazakhstan's issuers accounted for 96.5% (604.6 million transactions). Volume of non-cash transactions for the same period accounted for 79.5% (7.0 trillion KZT).

In September 2021, total amount of money sent via international money transfer systems made 0.3 million remittances in the amount of 102.1 billion KZT. Volume of remittances rose by 3.1% compared to August 2021. In the total volume of transfers, 93.7% of the total number (0.2 million transactions) and 95.3% of the total amount (97.3 billion KZT) of transactions were sent outside Kazakhstan. In Kazakhstan, 6.3% of the total amount (0.02 million transactions) and 4.7% of the total amount (4.8 billion KZT) were remitted through money transfer systems. 0.1 million transactions were received for an amount of 24.1 billion KZT from abroad via international money transfer systems.

9. Pension system

Pension savings of contributors (recipients) as of October 1, 2021 totaled 13,088.9 billion KZT, having increased in September 2021 by 143.1 billion KZT or by 1.1%.

In September 2021, net income from investment of pension assets increased by 148.5 billion KZT to 6,641 billion KZT as of October 1, 2021.

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, 2021 totaled 10.9 million accounts.

Amount of pension payments in September 2021 totaled 137.9 billion KZT.

As of October 1, 2021, government securities of the Republic of Kazakhstan and non-government securities of Kazakhstan's issuers (37.9% and 24.6% of the total volume of pension assets, respectively) account for a bulk of UAPF total investment portfolio.

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