



PRESS RELEASE № 8

Situation on financial market in February 2022

30 March 2022

Nur-Sultan

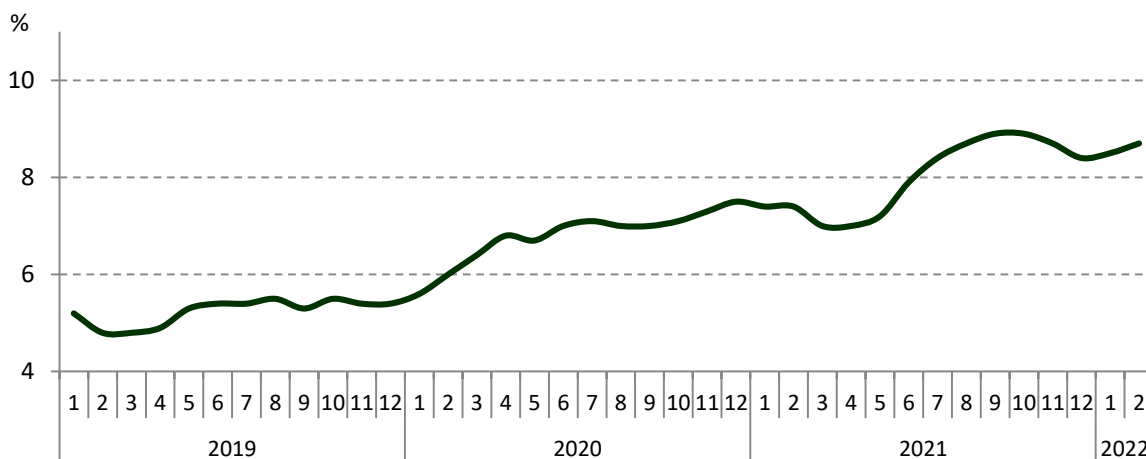
**1. Inflation and Inflationary Expectations**

National Statistics Bureau of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan reports that in February 2022 inflation was 0.8% (0.7% in February 2021).

Annual inflation made 8.7% (8.4% in December 2021). In the structure of inflation, prices for food products in annual terms rose by 10%, non-food products – by 8.6%, paid services – by 7.1%.

In February 2022, expected inflation in a year is evaluated to make 6.2% according to a public poll.

Diagram 1. Inflation, y/y



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

**2. International Reserves and Monetary Aggregates**

Gross international reserves of the National Bank for February 2022, according to tentative data, inched up by 0.4% and totaled USD 33.5 billion.

Foreign currency and gold reserves expanded due to a growing gold price. Positive effect from the growing gold price was partially leveled off by an outflow of currency balances of banks from NBK accounts and also conduct of currency interventions.

International reserves of the country as a whole, including assets of the National Fund in foreign currency (USD 53.9 billion), totaled USD 87.5 billion at the end of February 2022.

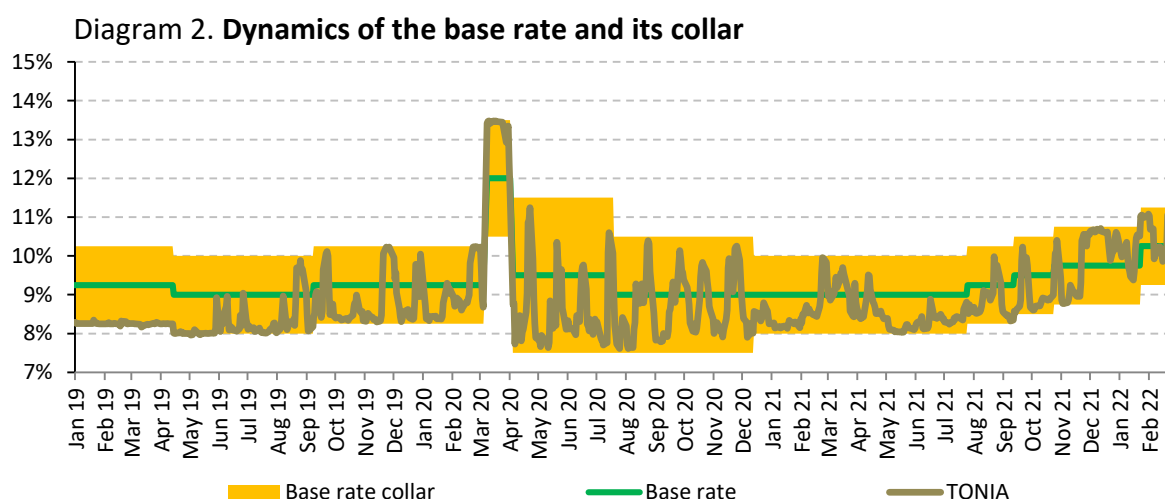
Monetary base in February 2022 widened by 0.8% and amounted to 10,764.9 billion KZT (it contracted by 1.8% since the beginning of the year). Narrow monetary base, that is, the monetary base excluding fixed-term deposits of second-tier banks in National Bank, widened by 12.9% to 7,909.2 billion KZT (13.9% since the beginning of the year).

Money supply in February 2022 grew by 3.1% and totaled 30,711.8 billion KZT (2% since the beginning of the year), cash in circulation expanded by 0.1% up to 2,992.5 billion KZT (a decline of 0.2% since the beginning of the year).

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

On February 24, 2022, the National Bank decided to increase the base rate by 3.25 p.p. to 13.5% p.a. with an interest rate collar of  $\pm 1.00$  p.p. On March 9, 2022, the National Bank decided to keep the base rate unchanged.

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 collar in February 2022. In February 2022, the weighted average value of TONIA was 11.4% p.a. (10.3% in January 2022).



**Monetary policy instruments.** At the end of February 2022, negative balance of operations of the National Bank (open position of the National Bank) in the money market amounted to 2.3 trillion KZT.

Volume of operations to provide liquidity via reverse repo operations totaled 708.0 billion KZT, currency swap – 87.4 billion KZT.

Volume of liquidity withdrawn through deposit auctions was 879.4 billion KZT, bank deposits with in National Bank – 341.9 billion KZT.

Volume of short-term notes in circulation at the end of February 2022 was 1,836.3 billion KZT, a 5.5% increase for the month.

In February 2022, six auctions were held for a total amount of 1,143.9 billion KZT, including four auctions to place 1-month notes for an amount of 910.0 billion KZT (weighted average yield – 10.44%), one auction to place 3-month notes for an amount of 133.9 billion KZT (10.39% yield), one auction to place 6-month notes for an amount of 100.0 billion KZT (10.53% yield).

Volume of repayment of short-term notes of the National Bank in February 2022 amounted to 1,080.01 billion KZT.

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

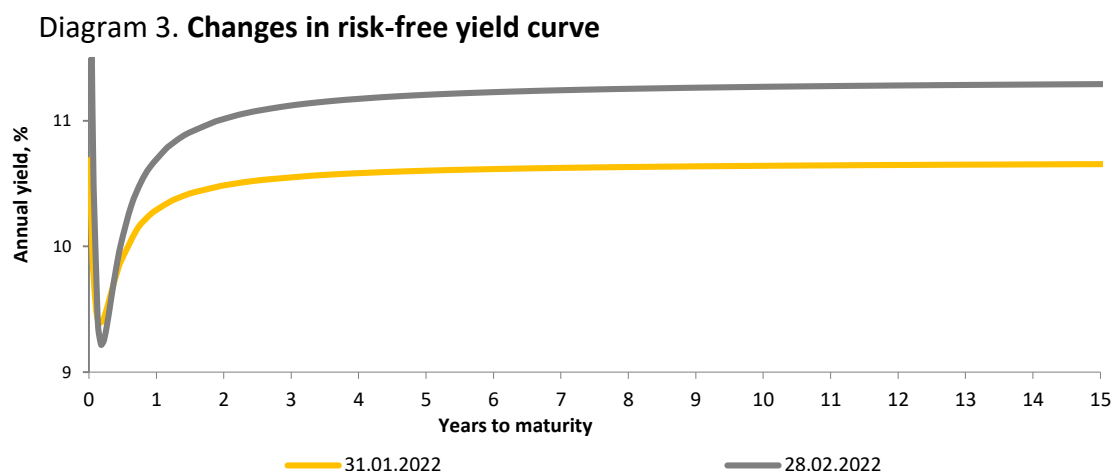
In February 2022, the Ministry of Finance of the Republic of Kazakhstan placed medium-term (MEOKAM) and long-term (MEUKAM) government securities in the amount of 212 billion KZT. Overall, eight bond issues were placed in February 2022, which are the government

<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.

securities with maturities from 1 year to 15 years were placed. The weighted average yield on them ranged from 10.73% to 11.10% per annum.

The volume of securities of the Ministry of Finance of the Republic of Kazakhstan in circulation in February 2022 decreased by 1.9% to 11,128.1 billion KZT<sup>2</sup>.

At the end of February 2022, risk-free yield curve<sup>3</sup> rose almost throughout the entire section as compared to the end of the previous month against the background of the base rate hike.



Source: KASE

## 5. FX Market

In February 2022, KZT exchange rate fluctuated within the range of 426.1 – 495.0 USD/KZT. At the end of February 2022, USD/KZT stock exchange rate was 495 USD/KZT, having lost 14.2% for the month.

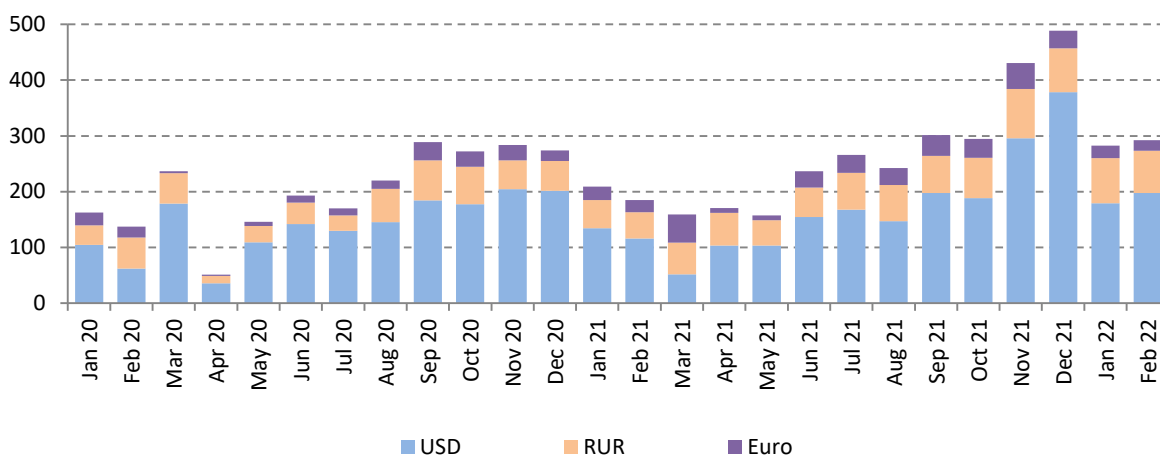
Total volume of transactions in the USD/KZT currency pair for the month totaled USD 12.9 billion, including volume of stock exchange trading on the Kazakhstan Stock Exchange – USD 2.7 billion, volume of operations on the OTC foreign exchange market – USD 10.2 billion. In the overall volume of operations on the OTC market, one subsidiary bank accounted for 58.5% or USD 6.0 billion (65.8% or USD 4.9 billion in January 2022), 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 February 2022, households bought on a net basis foreign currency in cash for an amount equivalent to 292.5 billion KZT. As compared to the previous month, these expenses rose by 3.4% (282.8 billion KZT in January 2022), volume of net purchases rose by 1.6-fold year-on-year (184.9 billion KZT). The bulk of expenses were directed to buy USD – 67.6% or 197.7 billion KZT, Russian rubles – 25.8% or 75.4 billion KZT, Euro – 6.5% or 19.1 billion KZT. By type of currency, spending on USD purchases for the month rose by 10.5% (a 1.7-fold increase on y/y basis), purchase of the Russian rubles declined by 6.8% (up by 1.6-fold on y/y basis) and purchase of Euro plunged by 15.5% (a 10.7% decline on y/y basis).

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

<sup>2</sup> Outstanding KZT public stock (excluding public stock in foreign currency).

<sup>3</sup> To plot the yield curve was used the method of the yield function determination of public stock of the Republic of Kazakhstan, posted on an official website of the Kazakhstan Stock Exchange.



## 6. Deposit Market

Volume of residents' deposits in the depository institutions at the end of February 2022 amounted to 27,719.3 billion KZT, a 3.4% increase for the month (22.9% growth on y/y basis). Corporate deposits for the month rose by 1.7% to 14,122.7 billion KZT, retail deposits increased by 5.2%, to 13,596.6 billion KZT.

Volume of deposits in the national currency for the month decreased by 1.1%, to 17,084.7 billion KZT, in foreign currency grew by 11.5% to 10,634.6 billion KZT. Dollarization level at the end of February 2022 was 38.4% (36.0% in December 2021).

Corporate deposits in the national currency in February 2022 declined by 2.8% to 8,695.6 billion KZT, in foreign currency rose by 9.8% to 5,427.1 billion KZT (38.4% of corporate deposits).

Retail deposits in KZT edged up by 0.8% to 8,389.1 billion KZT, in foreign currency increased by 13.2% to 5,207.5 billion KZT (38.3% of retail deposits).

Fixed-term deposits totaled 17,976.2 billion KZT, rose by 0.6% for the month. In their structure, deposits in the national currency amounted to 11,133.0 billion KZT, in foreign currency – 6,843.2 billion KZT.

Weighted average interest rate of fixed-term deposits in the national currency of non-bank legal entities in February 2022 was 10.3% (7.2% in February 2021), on retail deposits – 8.5% (8.9%).

## 7. Credit Market

Volume of bank lending to the economy at the end of February 2022 stood at 19,105.6 billion KZT with a 3.3 increase for the month (a 31.3% surge on y/y basis). Volume of corporate loans for the month rose by 4.6% up to 8,073.1 billion KZT, retail loans increased by 2.3% up to 11,032.5 billion KZT.

Volume of loans in the national currency for the month increased by 2.2% to 17,076.2 billion KZT. In their structure, corporate loans grew by 2.1% and retail loans by 2.3%. Volume of loans in foreign currency increased by 12.9% to 2,029.4 billion KZT. In their structure, corporate loans grew by 13.0% and retail loans by 8.5%. Loans in the national currency accounted for 89.4% at the end of February 2022 (89.7% in December 2021).

Volume of long-term loans for the month increased by 2.0% to 15,941.7 billion KZT, volume of short-term loans grew by 10.0% to 3,163.9 billion KZT.

Lending to small businesses in February 2022 increased by 8.7% to 3,894.3 billion KZT (48.2% of the total volume of loans to the corporate sector).

In February 2022, weighted average interest rate on loans issued in national currency to non-bank legal entities was 12.2% (11.5% in February 2021), to individuals – 18.4% (18.2%).

## **8. Payment Systems**

As of March 1, 2022, 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 February 2022, 5.7 million transactions amounting to 56.3 trillion KZT were carried out through the payment systems of the National Bank (Interbank Money Transfer System and Interbank Clearing System) (as compared to January 2022, increased by 35.8% in number, 7.1% in amount). On average, 284.2 thousand transactions worth 2.8 trillion KZT were made through these payment systems daily.

As of March 1, 2022, 19 banks and Kazpost JSC are issuers of payment cards in the Republic of Kazakhstan. Total number of issued and distributed payment cards amounted to 56.9 million cards. In February 2022, 51.2% of these payment cards (29.1 million payment cards) were used for non-cash operations and/or cash withdrawals.

In February 2022, 600.2 million transactions for an amount of 8.5 trillion KZT were carried out using payment cards of Kazakhstan issuers (compared to January 2022, number of transactions soared by 31.5%, amount – by 26.8%). Non-cash payment transactions by number of transactions using payment cards of Kazakhstan's issuers accounted for 96.8% (580.9 million transactions). Volume of non-cash transactions for the same period accounted for 81.2% (6.9 trillion KZT).

In February 2022, the total volume of money remitted via international money transfer systems was 0.2 million transfers for an amount of 69.4 billion tenge. Volume of money transfers soared by 36.6% as compared to January 2022. In the total volume of transfers, 72.6% of the total number (0.1 million transactions) and 90.4% of the total amount (62.8 billion KZT) of transactions were remitted outside from Kazakhstan. In Kazakhstan, 27.4% of the total amount (0.1 million transactions) and 9.6% of the total amount (6.6 billion KZT) were carried out through money transfer systems. Through international money transfer systems from abroad were received 0.1 million transactions amounting to 18.0 billion KZT.

## **9. Pension System**

Pension savings of contributors (recipients) as of March 1, 2022 totaled 13,585.2 billion KZT, having increased in February 2022 by 482.9 billion KZT or by 3.7%.

In February 2022, net income from investment of pension assets surged by 511.7 billion KZT to 7,433.9 billion KZT as of March 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 March 1, 2022 totaled 10.9 million accounts.

Amount of pension payments in February 2022 totaled 206.1 billion KZT.

As of March 1, 2022, the bulk of UAPF's total investment portfolio accounts for government securities of the Republic of Kazakhstan and non-government securities of Kazakhstan's issuers (38.6% and 22.0% of the total volume of pension assets, respectively).

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