



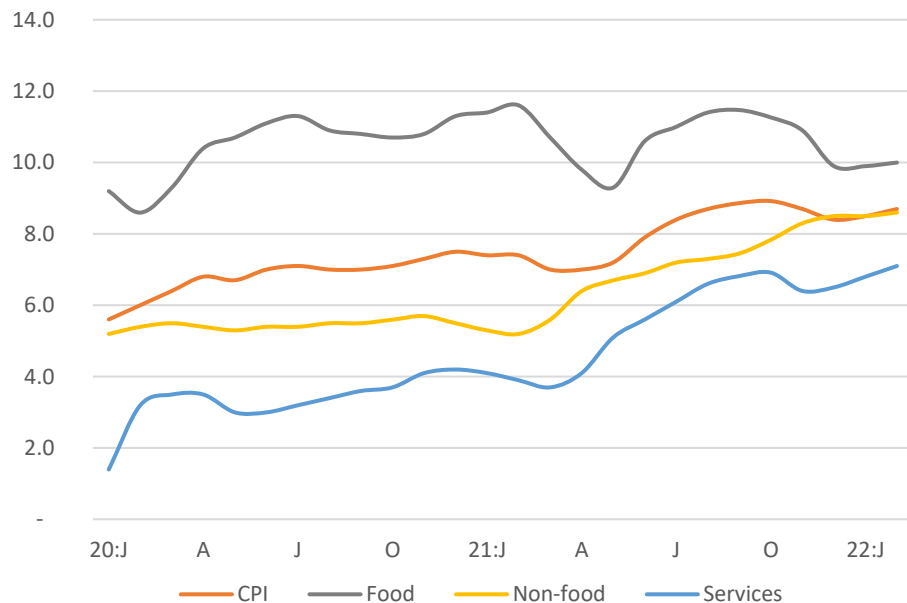
VERNY CAPITAL



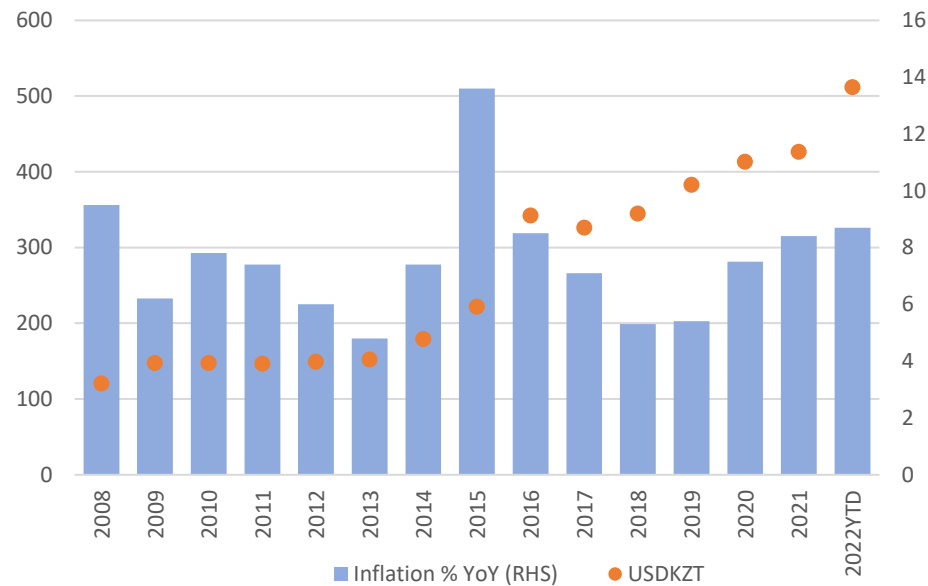
Kazakhstan's Inflation, Monetary Policy & Currency Markets

Kazakhstan's inflation accelerated to 8.7% in February from 8.5% in January, underpinned by rising prices across all components

Kazakhstan's Inflation Dynamics, % YoY



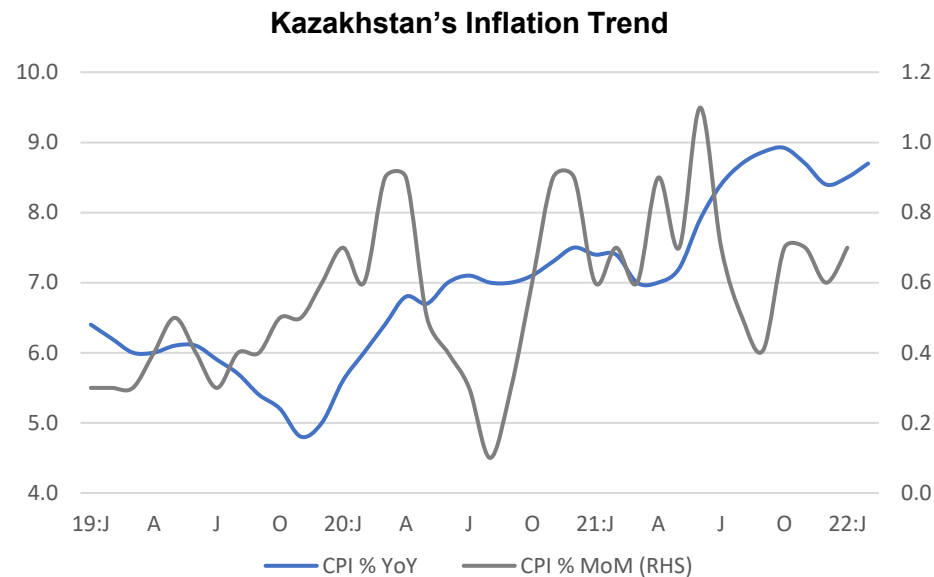
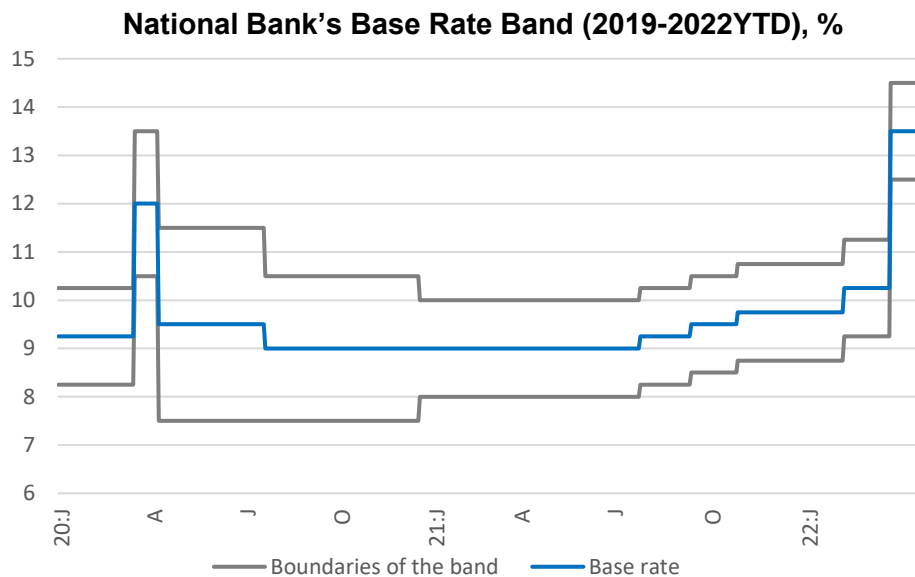
Kazakhstan's Inflation vs. USDKZT Exchange Rate



- ✓ **Kazakhstan's inflation accelerated to 8.7% in February** from 8.5% in January, underpinned by rising prices for all inflation components (and **the greatest contribution being food inflation**).
- ✓ Food prices rose 10% in February (Jan: 9.9%), while non-food inflation increased to 8.6% (Jan: 8.5%). Paid services were 7.1% higher in February (Jan: 6.8%) where the cost of rental housing increased by 20.7%.
- ✓ Under the conditions of temporary regulation of prices for gasoline and diesel fuel, disinflation is observed in the fuel and lubricants market. However, the growth in prices for fuel and lubricants in annual terms is still high at 22.1%.

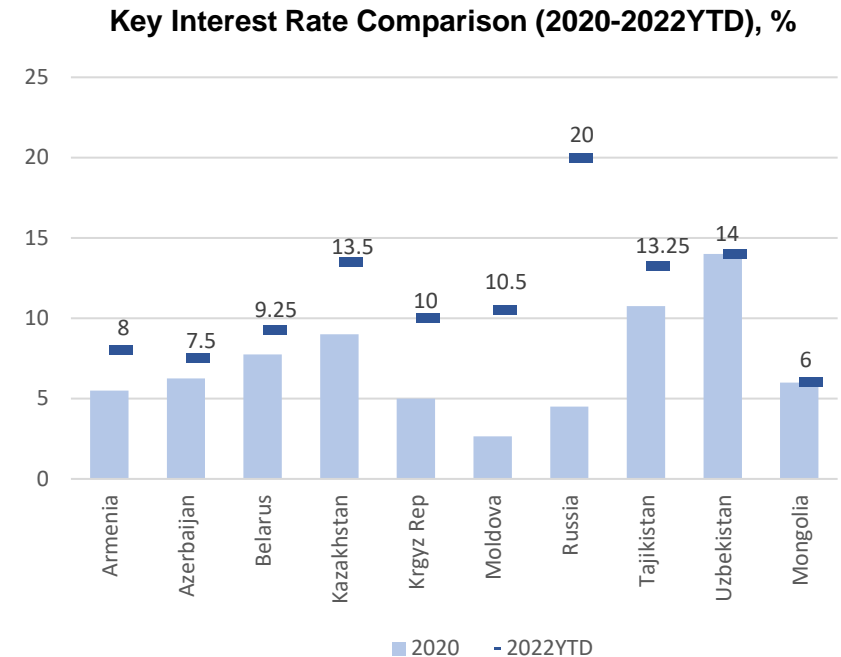
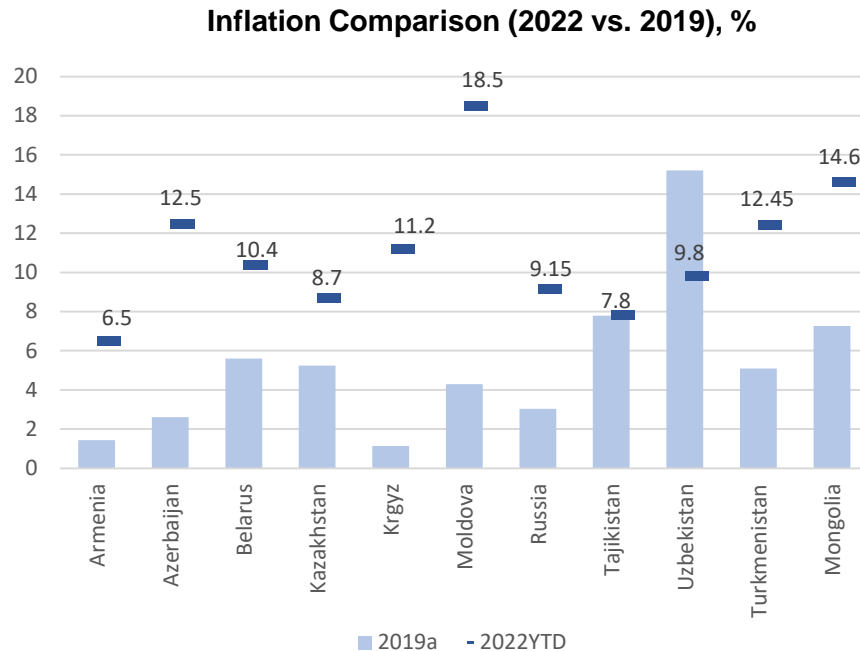


Kazakhstan's Base Rate maintained at 13.5%, reflecting current geopolitical risks and the risk of accelerating domestic inflation



- ✓ **Kazakhstan's Base Rate was maintained at 13.5% on 9th March**, with an interest band of +/- 1.0%. The current Base Rate already reflects the reaction of the National Bank to the increase in geopolitical risks and the risk of accelerating inflationary processes.
- ✓ The National Bank added that **there remains room for further tightening of monetary conditions** in the event of further deterioration of the external and internal macroeconomic environment.
- ✓ **Kazakhstan's inflation is expected to be higher than previous forecasts**, due to imported inflation (from rising global prices, rising inflation in Russia and a weaker tenge) and the high share of imports in the consumption of non-food products.
- ✓ As such, **Kazakhstan's economy is expected to have a lower growth trajectory** than previous expectations due to geopolitics. Nevertheless, the **pace of growth will be supported by high commodity prices**, a potential rise in budget spending and improvement on the pandemic situation.

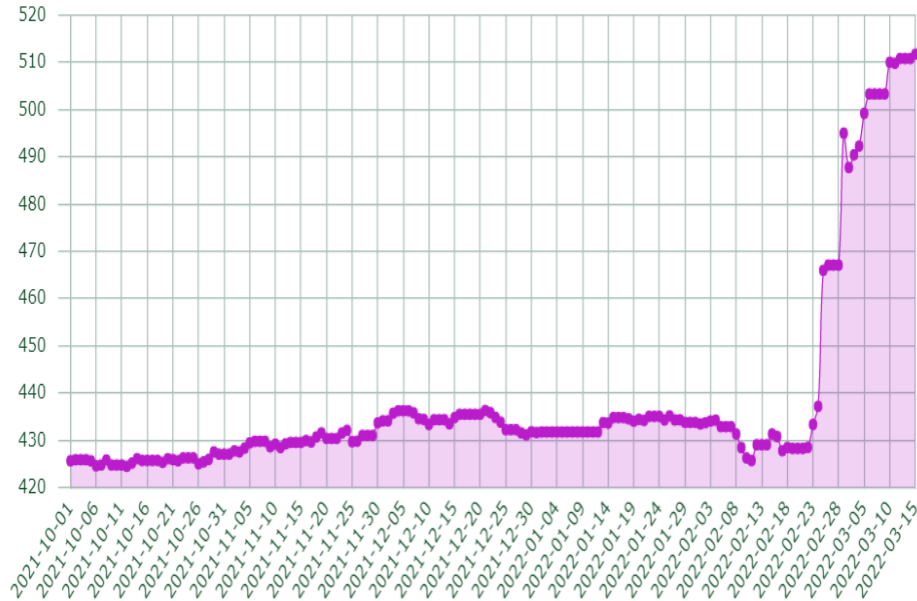
High commodity prices have pushed up CIS inflation, economies start raising rates in response to rising inflation



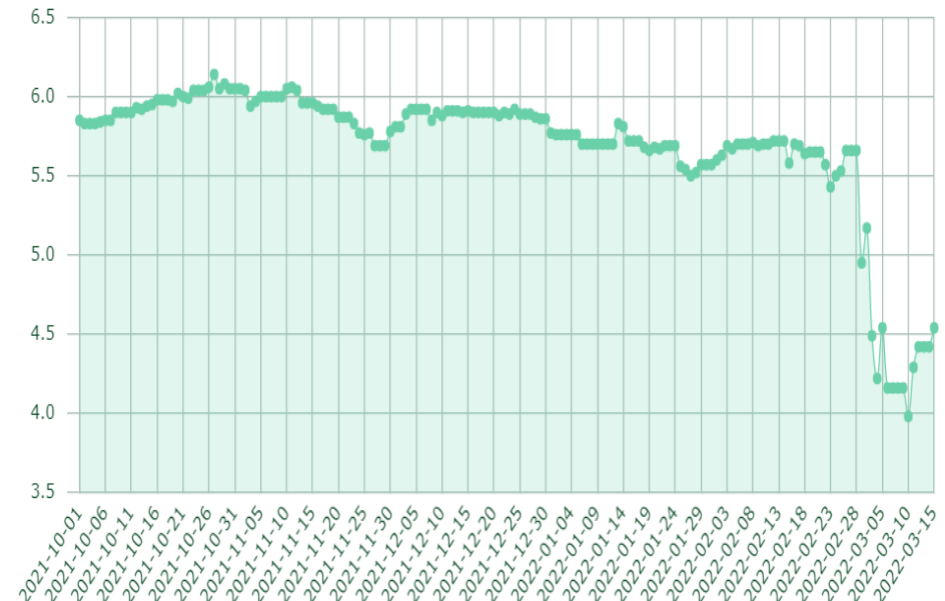
- ✓ **CIS' inflation increased on pent-up demand, rising global energy, commodity and agricultural prices, supply chain disruptions.** In some economies, tight labor markets have also added to inflationary pressures.
- ✓ Inflation in Azerbaijan, Belarus, Moldova, Turkmenistan and Mongolia have either remained elevated or touched record highs in the recent inflation readings. Respective central banks have responded to inflation by raising key interest rates.

USDKZT exchange rate quoted at 511.71, tenge weakened 18.5% against USD year-to-date

USDKZT Exchange Rate 6-Month Trend,
as at 15 March 2022



RUBKZT Exchange Rate 6-Month Trend,
as at 15 March 2022



- ✓ On 15th March, the USDKZT exchange rate was quoted at 511.71, the tenge has weakened 18.5% against USD year-to-date, Meanwhile, the RUBKZT exchange rate was quoted at 4.54, the tenge has strengthened 21.3% against the rouble year-to-date.
- ✓ For the week 7-11th March, the National Bank sold FX worth USD421.9mln from its reserves on the domestic market, and USD240.2mln from the National Fund.
- ✓ On 10th March, the National Bank stated that **the levels of the tenge exchange rate against the ruble which was observed over the past 6 years will no longer be the guideline now**. The tenge and ruble will find some other equilibrium value, considering how trade and trade flows between Kazakhstan and Russia will change moving forward.

Russia's inflation expected at 20% while growth is projected to contract 8% in 2022

USDRUB Exchange Rate 1-Year Trend,
as at 15 March 2022



EURRUB Exchange Rate 1-Year Trend,
as at 15 March 2022

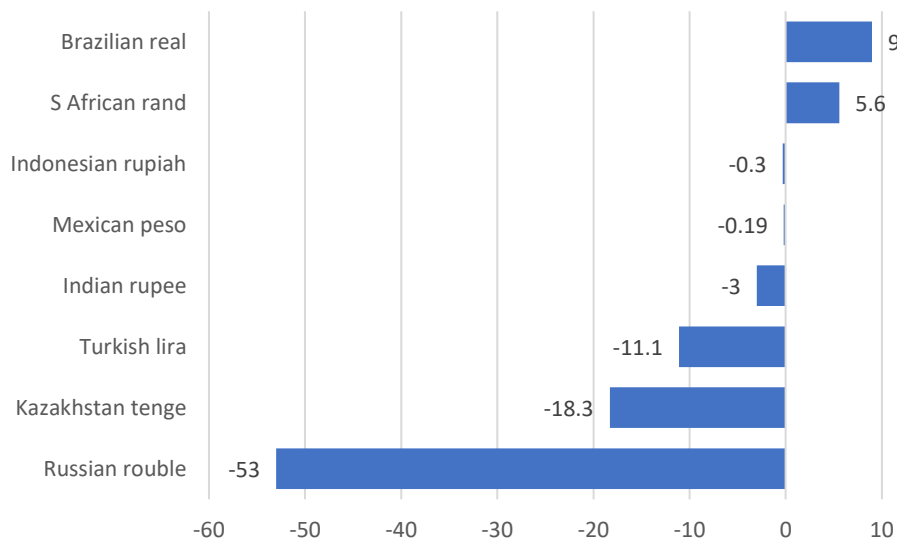


- ✓ The rouble ticked up slightly on the Moscow Exchange. **On 15th March, the rouble was quoted at 115.1963 per dollar** (12th Mar: 116.7517) and at **127.2343 per euro** (12th Mar: 128.9523).
- ✓ **Annual inflation in Russia accelerated to 9.15% in February** from 8.73% in January, its highest in seven years, with prices soaring further on a weakening rouble. Inflation was estimated at 10.4% as at 4th March.
- ✓ According to survey consensus of the Central of Russia, the country's **inflation is expected at 20% while GDP growth is projected at -8% in 2022**, with key interest rate average of 18.9%. The CBR is expected to hold its key interest rate unchanged at 20% on 18th March, it is too early to consider potential rate cuts needed to limit the depth of economic slowdown/contraction.

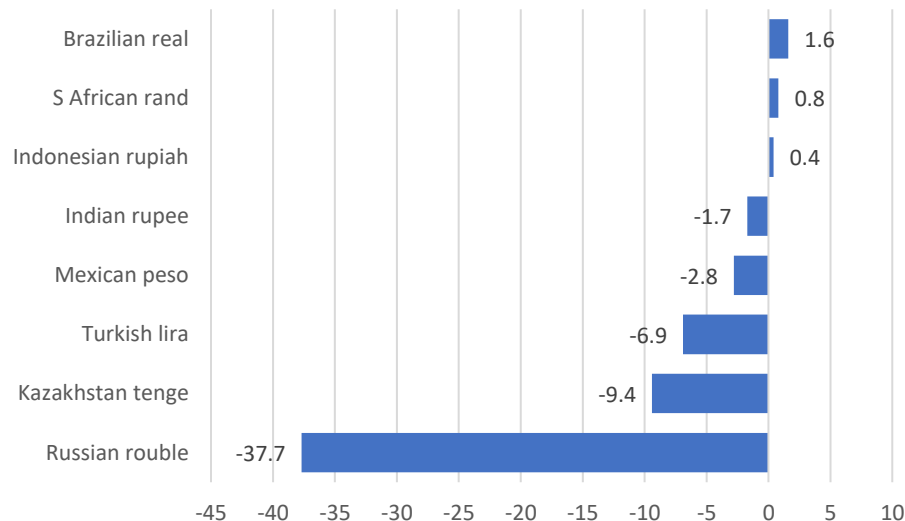


Emerging market currencies were mostly weaker against USD amidst current geopolitical conflicts

EM Currencies Performance vs. USD,
year-to-date as at 11th March, %



EM Currencies Performance vs. USD,
25th February to 11th March, %

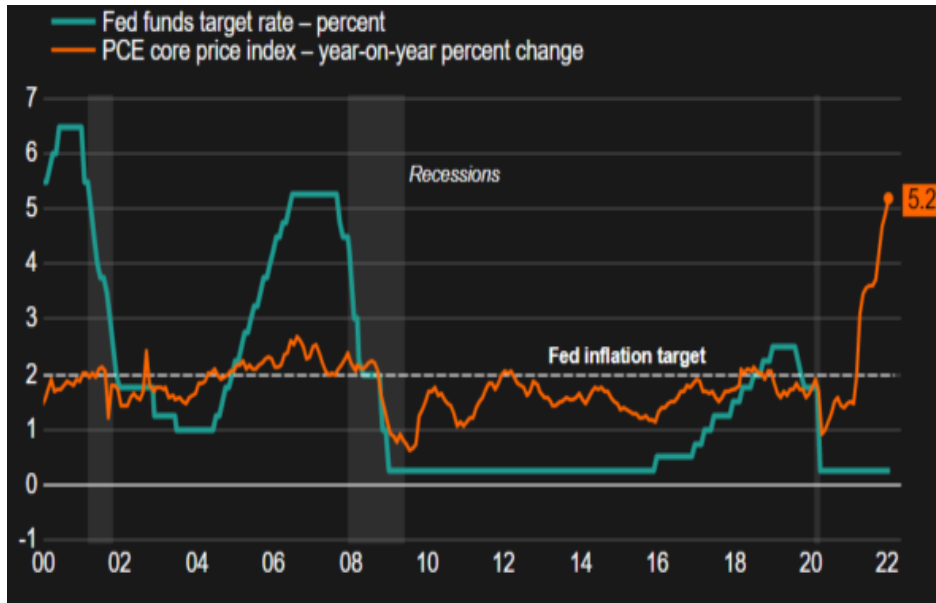


- ✓ **Emerging market currencies performance against the dollar were mostly negative** amidst the current geopolitical conflicts. The US economy continues to grow with the unemployment rate at 3.8%. The US Fed Chairman had called for a quarter rate hike in March and allowed for a larger rate move later in the event of inflation.
- ✓ During 25th Feb-11th Mar, the Brazilian real gained 1.6% on the back of continued capital inflows and expectations of higher rates (investors expect 100bps rate hike at the next meeting from the current 10.75%). The South African rand rose 0.8% on the back of rising commodity prices (gold, copper, palladium). The Indonesia rupiah strengthened by 0.4% amidst comment from the central bank that domestic inflations remains manageable and exchange rate is stable.
- ✓ Elsewhere, the Indian rupee fell 1.7% as oil price rose to record levels, the Mexican peso weakened 2.8% due to high exposure to volatility in US financial markets, the Turkish lira fell 6.9% amidst rising oil prices and fears of a widening current account deficit.

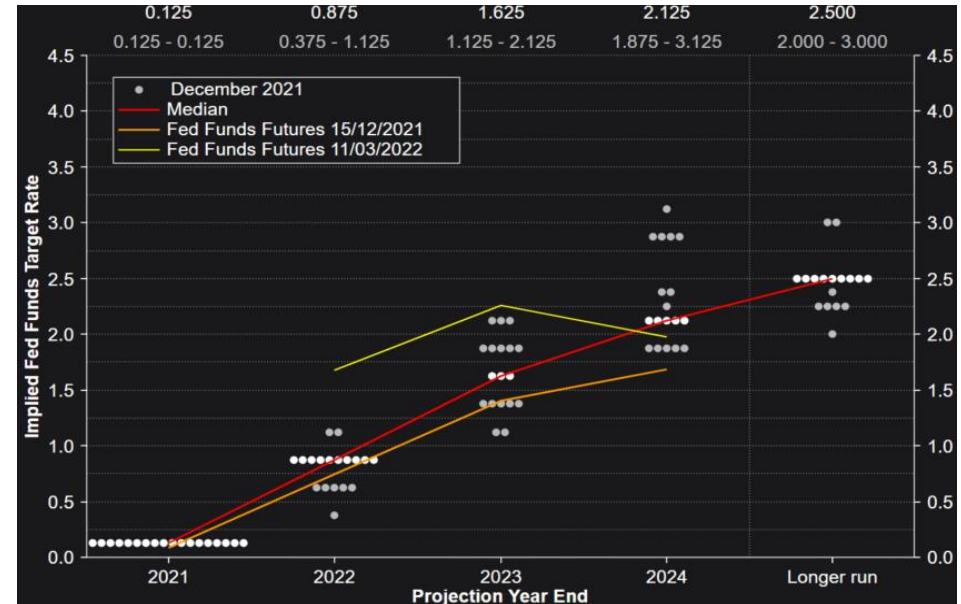


US Fed expected to raise key interest rate by 25bps, the dollar index rose more than 3% year-to-date on the impending rate hikes

US' Inflation vs. Key Interest Rate, %



US' Fed Fund Future Rate Projections, %



- ✓ **The US Federal Reserve is expected to raise its key interest rate by 25bps on 16th March**, the first rate hike in 3 years. The US' inflation hit 7.9% in February, the highest since January 1982. **The dollar index stands at 99.108, its highest level since May 2020, rising by 3.3% year-to-date.**
- ✓ Fed funds futures traders are pricing in a 70% probability of a larger 50bps rate hike in May due to inflation, with the key interest rate expected to be 1.83% by December 2022.
- ✓ On 10th March, **the European Central Bank kept its key interest rate at 0%**, announced to potentially end asset purchase program in 3Q22 depending on inflation outlook. The ECB projects euro zone's GDP growth to be lower and inflation to be higher in 2022 (GDP: 3.7% in 2022, 2.8% in 2023, inflation: 5.1% in 2022, 2.1% in 2023).

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