ACRA

FINANCIAL STRESS INDEX | KAZAKHSTAN

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RESEARCH

KAZAKHSTAN'S FINANCIAL STRESS INDEX HAS REVERSED COURSE

DYNAMICS OF THE ACRA SFSI KZ

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MAIN CONCLUSIONS

- **As of the start of April 2025, ACRA's Kazakhstan Financial Stress Index (ACRA SFSI KZ) changed course and started to grow, however, it is currently at an acceptable level.** Estimates of the probability of trigger events and imbalances are moderate, despite the growth of both triggers.
- **The underlying imbalances are liquidity imbalances in the financial institutions sector and primary currency imbalances in the non-financial sector** (the corporate sector, which according to ACRA's method for calculating the ACRA SFSI KZ, is adjusted for the volume of foreign exchange export earnings), although these imbalances are also assessed as acceptable compared to the historical sample. At the same time, a scenario under which growing external economic uncertainty could strengthen imbalances and increase the possibility of trigger events is becoming more likely.

FINANCIAL STRESS INDEX PERFORMANCE

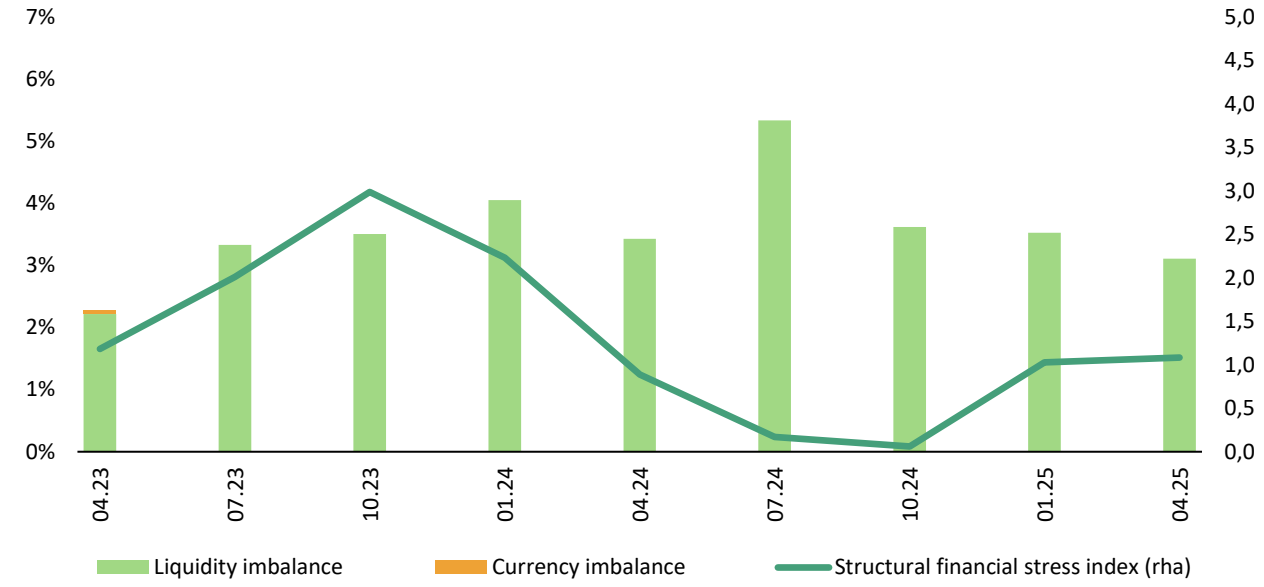
Main manifestations of financial stress

After stabilizing in 2024, the ACRA SFSI KZ again recorded growth at the start of 2025 (from the start of January to the start of April). The main drivers were the maturity alignment between the financial sector's liabilities and assets, along with modest but steady increases in trigger values.

The currency risk trigger grew more significantly and reached the same level as the end of 2022/start of 2023. The liquidity risk trigger remains moderate, although it has strengthened somewhat.

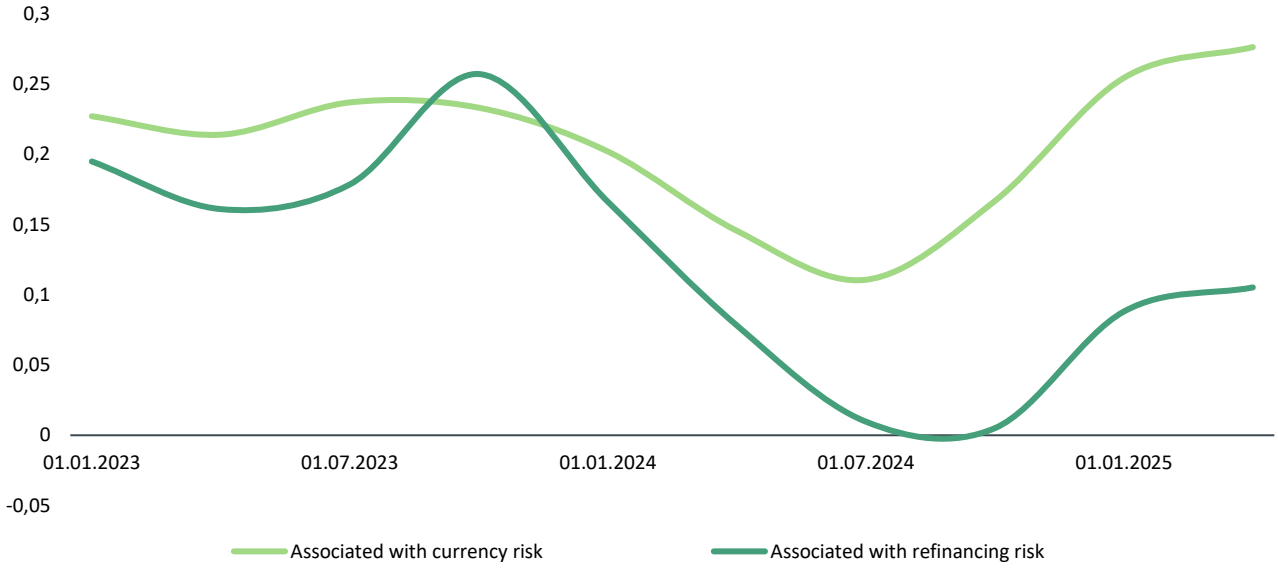
If we consider the potential of trigger events in the long term, then the current entirely acceptable volatility of the tenge exchange rate may increase slightly in the event of deterioration of the current account indicators of the balance of payments during the consolidation of the budget policy. Instability and uncertainty in the global economy, a potential decline in oil prices and pressure on Kazakhstan's national currency in 2025 may strengthen the role of triggers and impact both the currency imbalance (directly through currency shocks or as a refinancing imbalance with a time lag through the rise in the cost of liquidity in the national currency).

Figure 1. ACRA's Kazakhstan Structural Financial Stress Index



Sources: Kazakh national agencies, ACRA

Figure 2. Structural financial stress index triggers



Sources: Kazakh national agencies, Kazakhstan Stock Exchange, ACRA

CURRENCY IMBALANCE

As of the start of April 2025, ACRA notes an increase in interest expenses in foreign currency in the financial sector. This is due to an increase in average rates in foreign currency on bank deposits of legal entities from H2 2024, as well as on deposits of individuals from September 2024. At the same time, against the background of some reduction in foreign currency liquidity, there is an increase in foreign currency debt assets, which have grown significantly since 2023.

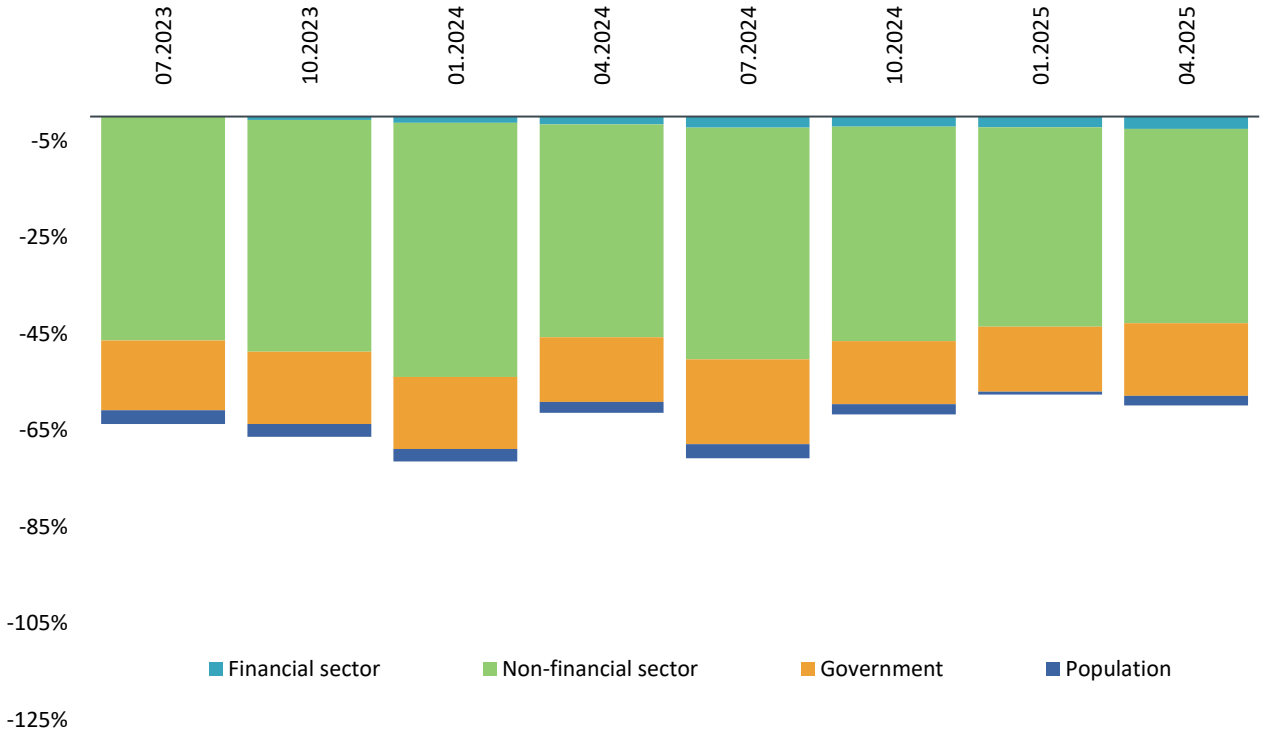
In the non-financial sector, without taking into account export earnings in foreign currency, there is traditionally a negative imbalance (calculated indicator that is leveled out by revenues from the export of raw materials). The currency imbalance in the corporate sector did not experience any significant changes and was mainly dictated by the growth of liquidity and foreign currency interest income with a roughly proportional increase in liabilities and interest expenses.

As for the public sector, foreign currency debt assets push this segment into positive territory due to the dynamics of the National Fund of the Republic of Kazakhstan, although interest expenses and foreign currency debt liabilities are also growing.

The population's foreign currency liabilities are declining, as well as interest expenses. This reflects a decline in the foreign currency consumer lending segment (as of the start of the year), in particular this trend concerns short-term lending.

As a result, the foreign currency portion of the imbalances used in calculating the ACRA SFSI KZ is positive, and is therefore reset to zero, since the index records exclusively negative imbalances.

Figure 3. Currency imbalance by sector (positive values reflect a surplus of short-term liabilities over assets)[1]



Sources: Kazakh national agencies, ACRA

LIQUIDITY IMBALANCE

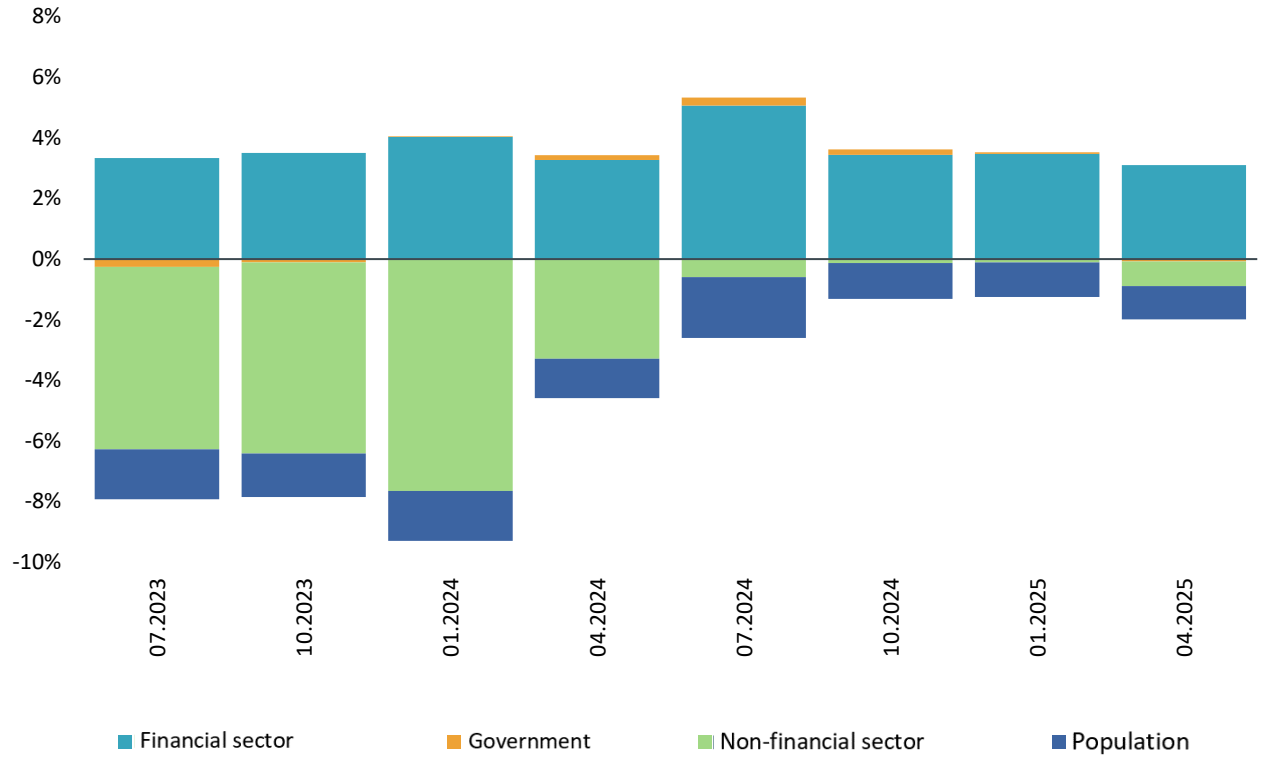
At the beginning of the year, the liquidity imbalance decreased slightly, mainly due to the dynamics of liquidity in the non-financial sector and, to a lesser extent, in the public sector.

In the non-financial sector, the positive imbalance increased against the background of growing debt assets and liquidity, with less pronounced dynamics of liabilities.

Slightly negative imbalance indicators in the public sector became weakly positive at the end of 2024. A more noticeable improvement was observed in the state's position as part of the international investment position at the end of 2024 and the beginning of 2025 (in terms of cash and government deposits). A more noticeable improvement was observed in the state's position as part of the international investment position at the end of 2024 and the beginning of 2025 (in terms of cash and government deposits).

[1] Balance is the difference between foreign currency debt and interest-bearing assets and liabilities; it is shown as a percentage relative to the calculated aggregate debt position of all the specified sectors, non-residents, and the country's central bank.

Figure 4. Liquidity imbalance by sector (positive values reflect a surplus of short-term liabilities over assets)[2]



Sources: Kazakh national agencies, ACRA

POTENTIAL OF TRIGGER EVENTS

Key financial stress risks

The currency risk trigger has shown a noticeable increase and reached the levels of the end of 2022, while the refinancing risk trigger remains acceptable, although it is also growing.

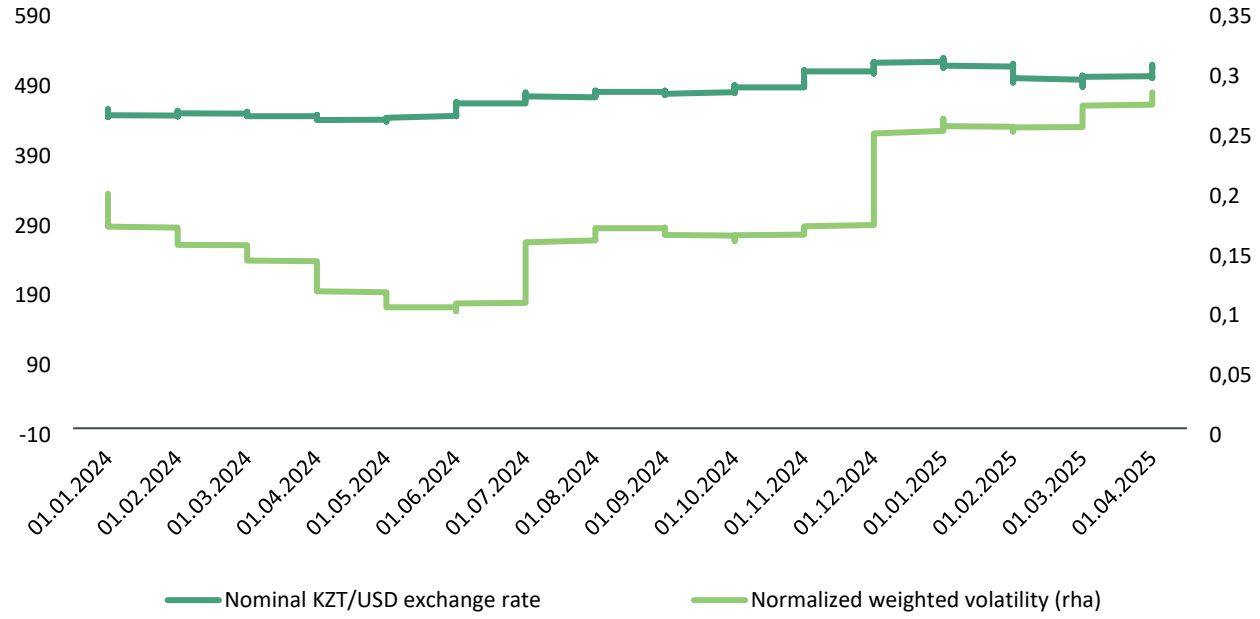
ACRA notes that in the nearest year or year and a half, today's relatively acceptable volatility of the tenge may increase in the event of a deterioration in the current account of the payment balance and the corresponding exchange rate pressure on the national currency of Kazakhstan.

Apparently, last year marked the end of a long period of relative market stability. Growing uncertainty in global trade (aggressive trade protectionism, falling commodity prices[3]) and pressure on the tenge exchange rate may significantly strengthen the role of triggers, especially the currency risk trigger, in 2025 and afterward.

[2] Balance is the difference between short-term assets and liabilities; it is shown as a percentage relative to the calculated aggregate debt position of all the specified sectors, non-residents, and the country's central bank.

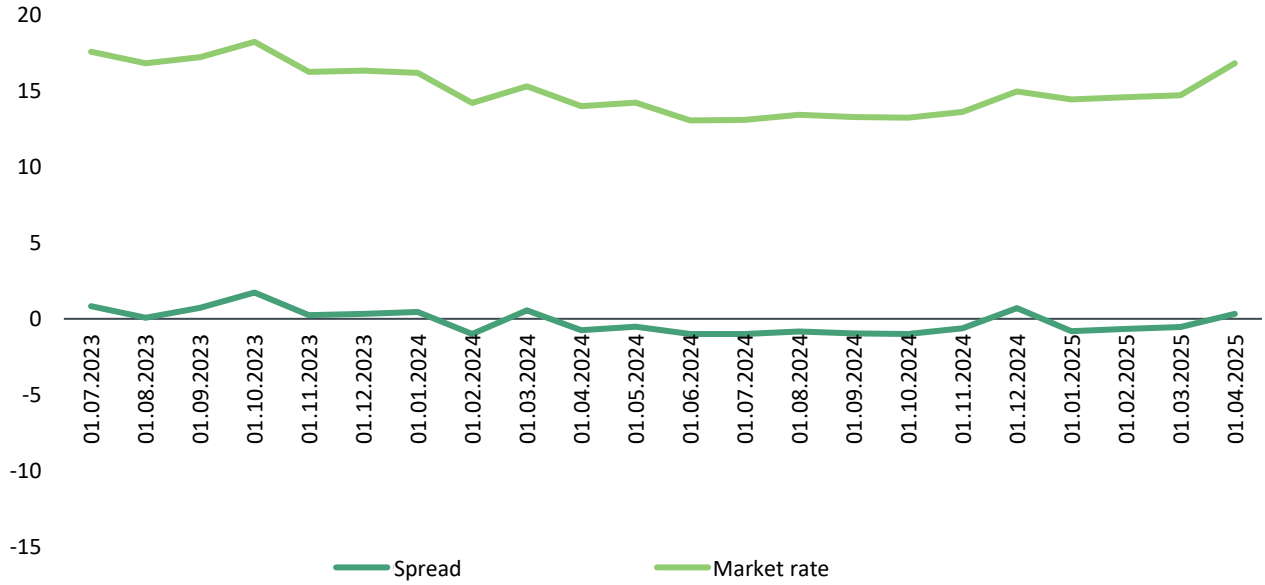
[3] As of April 21, 2025, the Brent oil price was USD 66.3/bbl and the price corridor was USD 62.8–82/bbl at the beginning of the year (18% fall vs. the 2024 average).

Figure 5. Nominal KZT/USD exchange rate and its volatility



Sources: Kazakh national agencies, ACRA

Figure 6. Market spread between interest rates and the regulator's base rate, %



Sources: Kazakh national agencies, ACRA

APPENDIX

WHAT DOES THE ACRA SFSI KZ SHOW AND WHAT ARE ITS COMPONENTS?

For more details, see the Structural Financial Stress Index (ACRA SFSI) Calculation Methodology.

The ACRA Financial Stress Index for Kazakhstan (ACRA SFSI KZ) assesses the proximity of the country's financial system to a crisis. Linking different sectors of the economy, the financial system can contribute to the spread of defaults (regardless of the reasons) in some markets to other markets. Large-scale financial crises can lead to disruptions in the real sector of the economy (initially, due to local liquidity crises), which determines their importance.

The ACRA SFSI KZ is based on structural imbalances of the financial system. The Index aggregates information on the financial condition of economic agents and assesses their vulnerability to specific types of risk.

The financial condition of economic agents is studied on the basis of the maturity and currency structure of assets and liabilities at the sector level (financial companies, non-financial companies, the population, and the government). Imbalances in assets and liabilities by maturity and currency can cause a systemic risk when trigger events occur; in case of large imbalances, even weak triggers can result in a systemic crisis. On the contrary, powerful trigger events are not so significant when imbalances are small. The ACRA SFSI KZ includes trigger events such as manifestations of instability in the foreign exchange market and the interbank loan market. The first can impact expectations on the value of foreign exchange cash flows, the second — on the availability of short-term funding.

The Index analyzes two types of imbalances: liquidity imbalance and currency imbalance. The liquidity imbalance indicator evaluates the amount of additional funds required by economic agents in the coming year in order to fully repay short-term debt and pay interest on debt obligations. The currency imbalance indicator evaluates the total demand of various sectors of the economy for foreign currency, not secured by the flow of foreign currency debt assets, expected foreign currency operating income, or cash reserves. In contrast to the liquidity imbalance, the currency imbalance indicator includes both short-term and long-term assets and liabilities.

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