

# Exchange Market Pressure Index

# Q4





# Interpretation of results

**The Exchange Market Pressure Index (EMPI)** is applied to measure the impact of the dynamics of international reserves and the key rate on the exchange rate.

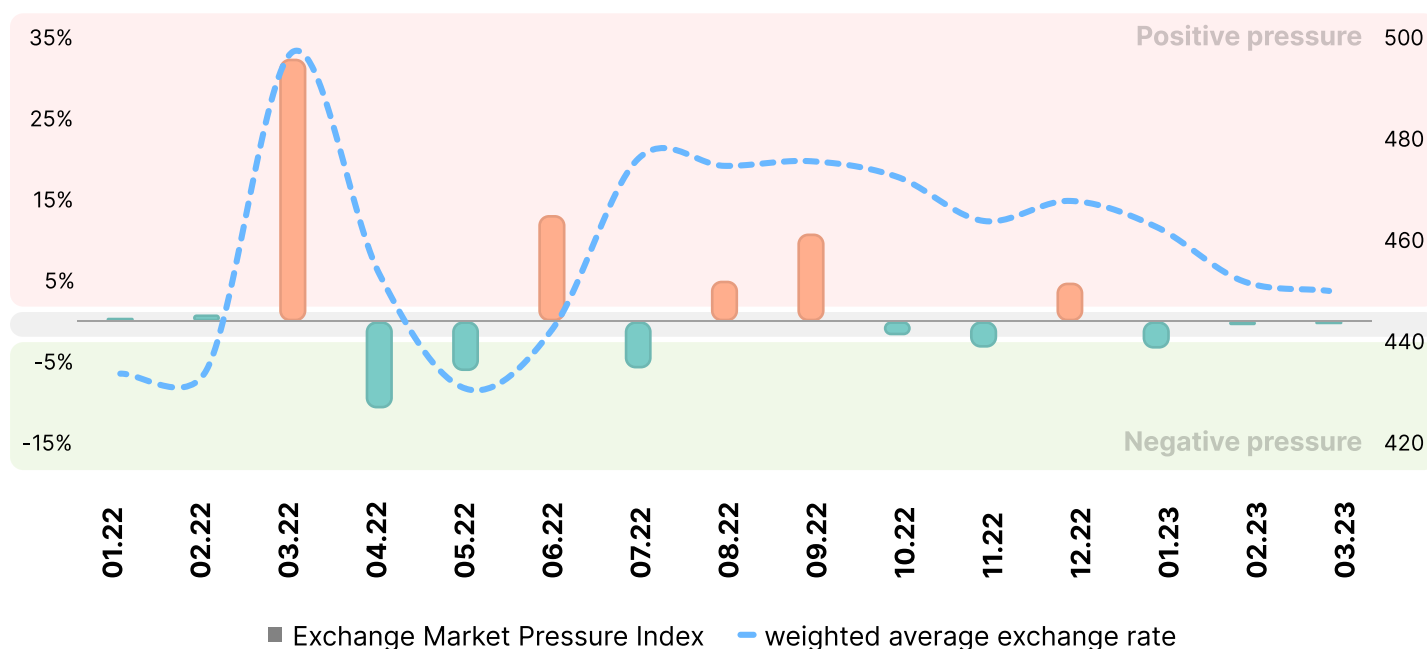
**A high Index level** indicates a likely weakening of the exchange rate and intervention in the foreign exchange market to counteract a sharp increase in demand by using reserves and monetary instruments.

**A low Index level** indicates the absence of pressure and interference in the exchange rate by the state, the strengthening of the exchange rate for the selected period, as well as the availability of an expanded supply of currency on the market.

In March, the market dynamics of the national currency were maintained. **The Exchange Market Pressure Index increased** by 0.1 percentage points, however, the Index value itself is still in the zone of external pressure absence. Such dynamics are primarily due to the growth of international reserves and the National Fund assets, as well as the growth of the average weighted TONIA rate.

**Gross international reserves and the National Fund assets** increased by 2.8%. The most increase was in the volume of gold in reserves, + \$1.2 billion (or +6%), and assets in freely convertible currencies also increased (+3%). The National Fund assets increased by 1 billion, amounting to \$58.4 billion.

## Dynamics of the Exchange Market Pressure Index and the tenge exchange rate



The NBK decided to keep the base rate at 16.75% at regular Session. **The average weighted TONIA rate value** increased by 0.5 percentage points and amounted to 16.7%. The National Bank in a press release indicates the preservation of the current rate until the end of the first half of the year.

At the same time, given the significant strengthening of the tenge, short- and medium-term Treasury bonds are still in high demand among financial market participants.



# Interpretation of results

The exchange rate strengthened to 431 tenge per dollar in early March. Both external economic factors (high oil price) and internal factors (the end of the tax week) were considered as the reason for this strengthening. However, the fears of market participants due to the banking crisis in Western countries began to affect them in the middle of the month. But by the end of the month, oil prices returned confidence to the market participant and the tenge closed the month at the level of 448 tenge per dollar, and the weighted average exchange rate was 450 tenge per dollar.

Despite the high volatility of the tenge and the significant influence of external macro factors, the dynamics of the tenge exchange rate changed without interference from economic regulators. And given the gradual decline of panic in the banking sector of the USA and Europe, as well as the positive external background, we will observe a balanced exchange rate during April.



# Calculation Methodology

EMPI is calculated by the following formula:

$$EMPI = \frac{\Delta e}{e} - \frac{\sigma e}{\sigma r} * \frac{\Delta r}{r} + \frac{\sigma e}{\sigma i} * \Delta i$$

$e$  – weighted average KZTUSD exchange rate for the period;

$\Delta e$  – dynamics of the weighted average KZTUSD exchange rate for the period;

$\sigma e$  – standard exchange rate gap ( $\Delta e/e$ );

$r$  – international reserves and National Fund assets for the period;

$\Delta r$  – dynamics of the international reserves for the period;

$\sigma r$  – standard deviation of the dynamics of the international reserves ( $\Delta r/r$ );

$\Delta i$  – change in the average TONIA rate for the month;

$\sigma i$  – standard deviation of the change in the average TONIA rate ( $\Delta i$ ).



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