
KAZAKHSTAN'S CENTRAL BANK GOVERNOR MAKES HEADWAY

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For a man working to restore investor confidence in Kazakhstan's central bank, the profit that governor Daniyar Akishev made betting bank money on the correct outcome of Britain's Brexit referendum will go some way to convincing sceptics that he is a man with the smarts for the task.

The challenge is formidable. After barely recovering from the turmoil of the global financial crisis, Kazakhstan's economic predicament went from bad to worse in 2014 as oil prices plummeted and growth slowed in key trading partners Russia and China, before a botched attempt to prop up the tenge last year savaged whatever confidence remained in central Asia's largest economy.

After a huge currency devaluation last autumn and rising inflation, Mr Akishev oversaw an unprecedented emergency tightening programme, that pushed interest rates to 17 per cent in February. Now, there are signs of success in enticing Kazakhs to convert their savings back to the battered local currency and convincing investors to trust in short-term debt.

I am a monetarist, said the 40-year-old economist whose relaxed air and ease of communication belies his two decades as a technocrat inside the central bank.

Last year was a tremendous shock, he told the FT in an interview in his office in the country's banking capital.

This year we have tried to restore confidence in the central bank. Strong authorities have to be committed to some unpopular measures.

Further easing set for November as this year's monetary shock therapy cuts inflation

By law, Mr Akishev is appointed by and answers to autocratic president Nursultan Nazarbayev and is independent of the government. But given that Mr Nazarbayev, who has ruled the country for 25

years, also dictates policy to the government, fiscal and monetary policy in practice work in unison. That Mr Akishev is a former assistant to the 76-year-old head of state further strengthens his hand.

Since being the worlds worst-performing currency in 2015, the tenge has strengthened 15 per cent against the dollar this year as savers have begun returning to the local currency, while inflation has begun to moderate from an August high of 17.6 per cent.

We do not expect any big volatility or fluctuations or significant changes in our currency 🇰🇷 we have already passed the big shocks, said Mr Akishev.

The emergency surgery has not come without pain. Local business has had to contend with sky-high borrowing rates, while stomaching a 50 per cent jump in repayment costs on any foreign-denominated credit.

Enterprise is in a very difficult situation, said Zeinulla Kakimzhanov, a former finance minister who now runs a wine business. Many had credits in euros and dollars before the devaluation.

But many applaud Mr Akishevs efforts. The banking system has not yet fully recovered, said Umut Shayakhmetova, chairwoman of Halyk Bank, the countrys largest retail lender by customers. There are still a lot of challenges ... But he is a very technical guy. This really helps.

A sale of one-year bonds by the central bank this year, partly a test of confidence, came back positive at four-times oversubscribed. Mr Akishev is keen to sell more, and at longer maturities.

At the same time, the central bank this year intervened to stop appreciation in the tenge caused by a large number of savers converting their foreign deposits back into the local currency, allowing the bank to recover the foreign exchange reserves lost during the devaluation crisis.

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The liquidity in our national currency has increased significantly, he said. We need to restore

confidence to the national currency [👁️👁️👁️] after that they will be ready to provide loans to the real economy.

And the profitable trading on Britains own currency crisis has further helped his banks reserves, and his respect from the market.

Mr Akishevs traders opened a long position when the pound was worth \$1.435 and then sold at \$1.492 on the day of the vote.

What happened with Brexit? Well, we sold pounds, he said with a smile and a polite refusal to provide any more details. This is a very good sign of the qualifications of my staff.

Kaynak/Source: