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HOW MUCH DO THE INTEREST-RATE GAP AND EXCHANGE-RATE JUMPS ACCOUNT FOR THE FALL OF FOREIGN-CURRENCY DEPOSITS IN KAZAKHSTAN? MONTHLY EVIDENCE, 2016-2026

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Abstract: In January 2016, 80.4% of household deposits in Kazakhstan were held in foreign currency; by September 2026 the share was 17.9%. Using monthly data of the National Bank of Kazakhstan for January 2016 to September 2026 (129 months), this paper asks how much of this fall is accounted for by the gap between interest rates on new tenge and foreign-currency deposits, and by jumps in the exchange rate. First, the rise of the share from 68% to 80% after the tenge was floated in August 2015 was almost entirely revaluation: at the July 2015 exchange rate the January 2016 share would have been 67.7%, and the dollar amount of foreign-currency deposits had not grown. Second, the gap widened from 8.7 percentage points in 2016 to 14.0 in January-September 2026. In the log ratio of foreign-currency to tenge deposits, which does not depend on the exchange rate, interest earned at the observed rates accounts mechanically for 35% of the fall; the rest came from net flows beyond interest, mostly new money placed in tenge (about 53%) and partly money leaving foreign-currency deposits (about 12%). The data do not show how much of that new tenge money the gap attracted. Third, the monthly data are too noisy to detect any effect of the gap on the timing of the fall; the estimate cannot exclude even the effect implied by interest arithmetic alone. After revaluation is removed, the largest depreciations of the tenge were followed by short-lived rises of about 1 percentage point in the share, but there was no lasting move into foreign currency.

Keywords: deposit dollarization; interest-rate differential; exchange rate; revaluation effect; Kazakhstan; tenge

1. Introduction

In 2014-2015 most of the bank savings of Kazakhstani households came to be held in dollars and other foreign currencies. The share of foreign-currency deposits in all household deposits rose from 44.0% in December 2013 to 80.4% in January 2016, the highest value in the National Bank's series, which starts in 1998 [1]. By September 2026 it had fallen to 17.9%. In August 2015 the National Bank of Kazakhstan (NBK) adopted inflation targeting and a free-floating tenge [2, p. 1], and in the following years banks paid much more on tenge deposits than on foreign-currency deposits.

Deposit dollarization remains a regional concern. An IMF working paper describes "declining but still high" dollarization in the Caucasus and Central Asia (CCA), which affects macroeconomic stability, monetary policy transmission and financial sector development [3, p. 2]. A panel study of ten CIS countries for 2010-2023 finds that lower reliance on foreign-currency

deposits and loans is associated with higher GDP growth, while stating that its design does not allow strong causal conclusions [4]. For the CCA in 2001Q1-2014Q1, a dynamic panel study finds that foreign-currency deposits rise with frequent depreciations, volatile exchange rates and inflation, low financial depth and exchange-rate policies biased toward depreciation [5, p. 11-12]; it could not include an interest-rate differential because the rate data were insufficient or defined differently across countries [5, p. 10]. An earlier IMF time-series study of Kazakhstan for 2000Q1-2014Q1, which did include the differential between tenge and dollar deposit rates, found that inflation volatility and an exchange-rate policy that allowed depreciation but resisted appreciation drove deposit dollarization [6, p. 24-25]. An IMF review of de-dollarization cases describes Poland, where domestic interest rates "were raised well above foreign currency interest rates" [7, p. 17], and lists caps on the interest paid on foreign-currency deposits among the tools [7, p. 15].

The closest recent study of Kazakhstan's deposits is the IMF working paper above [3]. It estimates monthly vector autoregressions for CCA countries from January 2010 to May 2021, with the monthly change of deposit dollarization measured at a constant exchange rate, and uses as its interest-rate variable the first difference of the spread between the rates on foreign-currency and domestic-currency deposits [3, p. 17-18]. For Kazakhstan it finds that an appreciation of the tenge lowers deposit dollarization immediately and significantly [3, p. 21-22, Fig. 11], and that deposit dollarization rises for a short time after an increase in that spread [3, p. 22-23, Fig. 12], that is, when foreign-currency deposits become relatively more rewarding, in line with its conclusion that wider spreads in favour of the local currency support de-dollarization [3, p. 26]. Spread shocks account for about 5% (4.8-5.2%) of the forecast-error variance of monthly changes in Kazakhstan's deposit dollarization at horizons of one to six months, exchange-rate shocks for 2-3% [3, p. 24, Table 2]. A Bank of Russia note on 2014-2015 [8] found that deposits in Kazakhstan dollarized faster than in Russia, which it linked to the fixed exchange-rate regime, the passive interest-rate policy and the initially higher level of dollarization [8, p. 2], to hysteresis [8, p. 4] and to the behaviour of banks [8, p. 5]. In Russia, the key-rate rise to 17% in December 2014 "made ruble deposits attractive" [8, p. 5]. The note already split the rise of the foreign-currency share since 2012 into revaluation and changes in savings preferences [8, p. 2, Fig. 1], and measured how strongly dollarization reacts to the exchange rate: with a revaluation term that equals the purely arithmetical effect [9, p. 11-12], its coefficient was 1.28 for Kazakhstan in 2000-2015 and 1.3 in 2010-2015, where 1 means that dollarization moved only through revaluation [8, p. 2]. Both studies use all bank deposits; this paper uses household deposits only.

This paper adds three things. It covers the ten years after the float, January 2016 to September 2026, which extends past the end of the IMF sample. It splits the fall into the part that interest at the observed rates alone could have produced and the parts that needed net flows of money into tenge or out of foreign-currency deposits, which neither a VAR nor a panel regression shows. And it extends the note's revaluation decomposition to the 80% peak itself. The research question is: how much do the gap between tenge and foreign-currency deposit rates, and jumps in the exchange rate, account for the fall of the foreign-currency share of household deposits from 80% in 2016 to below 20% in 2026?

2. The author's expectations

The topic, why Kazakhstanis keep money in dollars rather than in tenge, was one of five offered to the author by a mentor on 5 September 2026; the author said it interested him most. Its description already named the exchange rate, the difference in interest rates and specific NBK measures as possible reasons. On 14 October another mentor, Assyltay Sydyk, gave him the first NBK figures: 80% of household deposits in foreign currency in January 2016 and 19% in August 2026, and current rates on new deposits of 14.6% in tenge and 0.9% in foreign currency. On 16 October he asked for the author's own guess why Kazakhstanis had left the dollar, mentioning "rates, trust in the tenge, something else" as examples. The author asked back whether the question was why people had left the dollar, since he thought his topic was why people keep more in dollars; the mentor replied that the topic was the same, and that to understand why people keep dollars one can ask why they once kept almost everything in dollars and now keep little (16 October 2026). The

author then wrote (18 October 2026): "First, probably because interest on deposits became lower and interest rates on the tenge became higher and more attractive; second, probably because the exchange rate is not stable and constantly fluctuates." From this guess the mentor formulated two expectations, reading its second part as people keeping dollars "in case of exchange-rate jumps" (20 October 2026): (E1) a growing rate gap moved savings into tenge; (E2) people keep dollars as protection against jumps in the exchange rate. On the same day he proposed the research question in an earlier wording, and the author agreed to it.

Having chosen to read the Bank of Russia note [8] himself, the author summarised its reasons in his own words (31 October 2026): "1. The exchange-rate regime: a free float restrains dollarization and a fixed one does not. 2. Interest rates: in Russia rates on rouble deposits rose a lot, while in Kazakhstan they stayed almost unchanged and stable, and this made rouble deposits more attractive." He thought both reasons could be checked with NBK data. In reply, the supervisor showed him further NBK numbers, linked his second reason to the gap between tenge and foreign-currency rates in Kazakhstan, and noted that the rise to 80% after the float was partly "simply recalculation: the dollar became more expensive, and the same dollars became more in tenge" (1 November 2026). Asked what had surprised him, especially the rise to 80% after the float, the author answered (5 November 2026): "What surprised me was that after the tenge was floated, deposits rose to 80%, and 80% is in general a very large share, while I had more or less guessed that tenge deposits had become more attractive." All quotations in this section were translated from Russian by the supervisor with the AI tool named at the end of the paper.

3. Data and method

All data are public NBK statistics, downloaded on 10 November 2026. The latest release of both deposit series at that date was published on 27 October 2026 and covers months up to September 2026.

Deposits. End-of-month household deposits in banks, in million tenge, split into demand deposits and current accounts, conditional, term and savings deposits, each in national and foreign currency; the series include non-resident accounts [1]. The foreign-currency share is the sum of the four foreign-currency parts divided by all household deposits.

Interest rates. Average rates on deposits newly attracted from individuals during the month (the row "Deposits of individuals"), in tenge ("KZT") and in freely convertible currency ("SKV" in the NBK table), from the NBK table of bank rates by term and currency [10]. The rate gap is the tenge rate minus the foreign-currency rate, in percentage points (pp).

Exchange rate. The NBK official tenge-per-dollar rate on the last calendar day of each month [11]. The NBK's online archive of official rates has no values from 28 July to 21 August 2023 (checked on 11 November 2026), so the rate of 27 July 2023 (444.29) is used for July 2023. With a July 2023 rate 1% higher or lower, the slopes of models D, E and K below change by less than 0.02 and no conclusion changes.

Fixed exchange rate. Because foreign-currency deposits are counted in tenge, a weaker tenge raises their measured share even if nobody moves any money. As in [3, p. 18] and [8, p. 2], this revaluation effect is removed by converting foreign-currency deposits into dollars at each month's rate and back into tenge at one fixed rate: January 2016, 365.23 tenge per dollar, unless stated otherwise. With K_t the tenge deposits, F_t the foreign-currency deposits in dollars and e_0 the fixed rate, the share at the fixed rate is $s_t = 100 \cdot F_t \cdot e_0 / (K_t + F_t \cdot e_0)$, and the log ratio is $y_t = 100 \cdot \ln(F_t \cdot e_0 / K_t)$. The changes of y do not depend on e_0, and y does not slow down mechanically as the share gets smaller; y is measured in hundredths of a log unit, so a fall of y by 82 is a fall of the logarithm by 0.82. The NBK series is not split by currency, so all foreign-currency deposits are treated as dollars.

Interest-only calculation. Starting from the deposits of January 2016, from February 2016 onwards each month the tenge stock is multiplied by $(1 + r_K/1200)$ and the foreign-currency stock by $(1 + r_F/1200)$, where r_K and r_F are that month's average rates on new deposits in percent a year; the dollar is held at 365.23 tenge, and no other money comes in or goes out. This shows how far interest alone could have moved the share and the log ratio. The fall of the log ratio is then split into three parts: interest, the growth of tenge deposits beyond their interest, and the change of foreign-

currency deposits (in dollars) beyond their interest. Three variants test the crediting rule: monthly compounding, (1 + r/100)^(1/12); demand deposits and current accounts earning nothing, by scaling each month's interest by the share of other deposits in that currency in that month (demand deposits and current accounts were 25.1% of tenge and 3.6% of foreign-currency deposits in January 2016, 9.6% and 19.8% in September 2026); and the rates on term deposits instead of all new deposits.

Regressions. With m_t the gap in month t and $x_t = 100 \cdot \ln(E_t / E_{t-1})$ the change of the official dollar rate E_t in log points, the models are:

(A) $S_t = a + b \cdot m_t$; (B) $S_t = a + b \cdot m_t + c \cdot t$

(M) $\Delta y_t = a + b \cdot m_{t-1}$; (C) $\Delta s_t = a + b \cdot m_{t-1}$

(C2) $\Delta s_t = a + b \cdot \Delta m_t + c \cdot \Delta m_{t-1}$

(D) $\Delta S_t = a + b \cdot x_t$; (E) $\Delta s_t = a + b \cdot x_t$; (K) $\Delta S_t = a + b \cdot R_t$

Here S_t is the measured share, s_t the share at the fixed rate, t a linear time trend and $R_t = 100 \cdot (1 - S_{t-1}/100) \cdot (S_{t-1}/100) \cdot (E_t / E_{t-1} - 1)$ the revaluation term used in [8, p. 2] after [9, p. 11-12]: if dollarization moved only through revaluation, b in model K would be 1. All models are estimated by ordinary least squares on January 2016 to September 2026, with Newey-West standard errors (Bartlett kernel, 12 lags, no small-sample correction); p-values and 95% intervals use the normal distribution. Models A and B relate two trending series, and their residuals are strongly autocorrelated (Durbin-Watson statistics 0.04 and 0.14). The augmented Dickey-Fuller test (with a constant, lag length by the Akaike criterion) rejects a unit root in the share ($p = 0.003$) but not in the gap ($p = 0.90$), and the Engle-Granger test (same settings) gives $p = 0.075$ with the share as the dependent variable and 0.61 the other way round. Models A and B are therefore reported as descriptions, without p-values. The main monthly test is model M, because the log ratio removes the mechanical slowing of the share. For models M and C, the slope implied by interest arithmetic alone is found by running the same regression on the interest part of each month's change (the change that crediting that month's rates would cause at the actual shares): -0.081 for M and -0.0038 for C. The power of each test is the probability that a two-sided 5% test rejects zero if the true slope equals that value, computed with the normal approximation and the model's estimated standard error.

4. Results

4.1. The 80% peak

The share rose from 44.0% in December 2013 to 68.1% in July 2015 and to 80.4% in January 2016 (Figure 1). Between the end of July 2015 and the end of January 2016 the official rate went from 187.45 to 365.23 tenge per dollar [11], a rise of 94.8%. Measured in dollars, foreign-currency deposits did not grow over these six months: they were 16.07 billion dollars in July 2015 and 15.81 billion in January 2016. Tenge deposits were almost unchanged (1,410.7 and 1,411.7 billion tenge). At the July 2015 exchange rate the January 2016 share would have been 67.7%, slightly below the 68.1% of July 2015. The rise from 68% to 80% after the float was therefore almost entirely revaluation, not a new move of households into dollars.

The real shift into foreign currency happened earlier. At the July 2015 exchange rate the share was 49.0% in December 2013, 68.1% in December 2014, 67.2% in June 2015 and 68.1% in July 2015: it rose in 2014 and then stayed flat. This matches the Bank of Russia note, which found that a change in savings preferences towards foreign currency drove dollarization in Kazakhstan "especially in 2014" [8, p. 2].

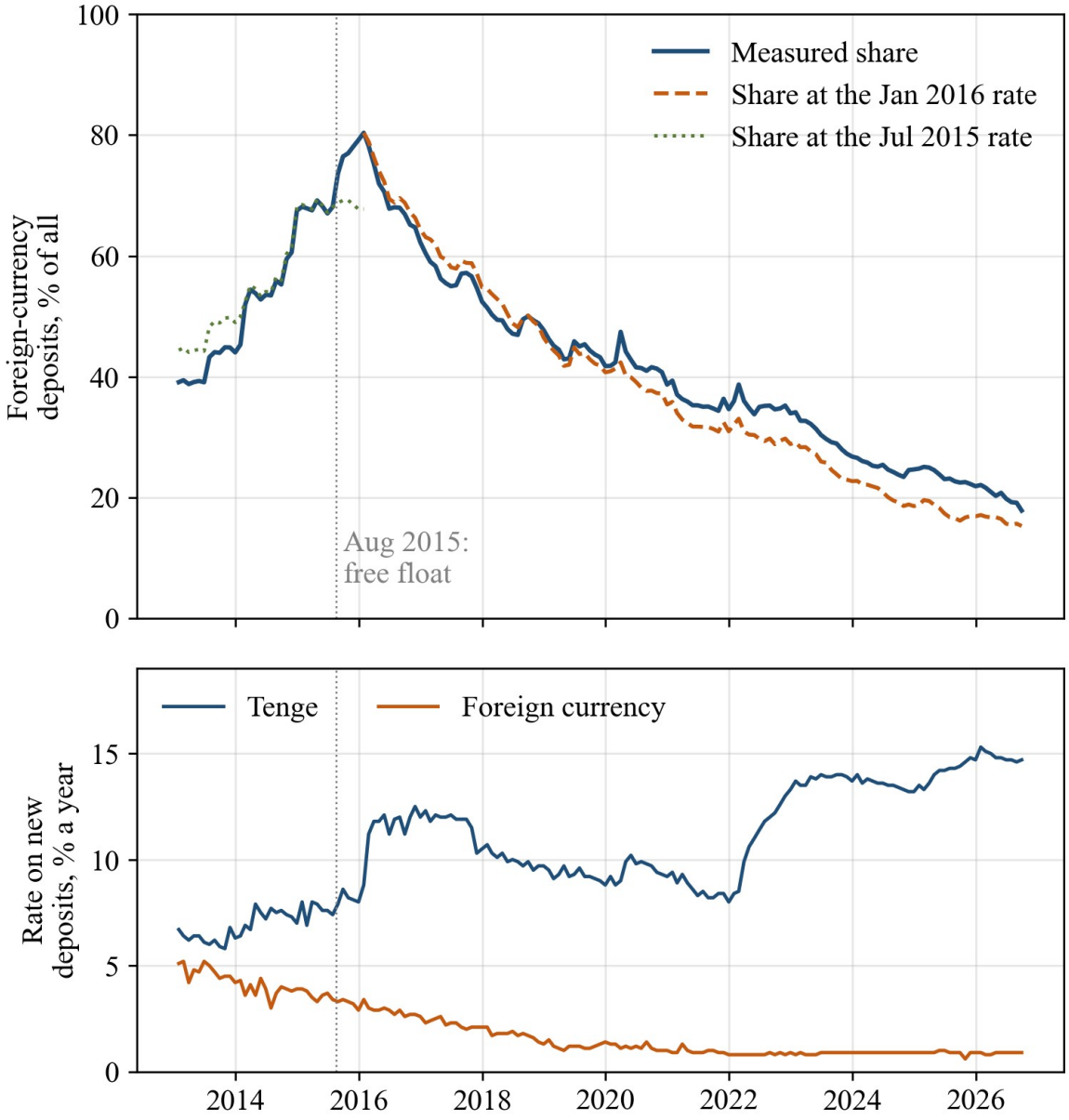


Figure 1. Foreign-currency share of household deposits (top; the dotted line is the share at the July 2015 rate, 2013-2016) and average rates on new household deposits (bottom), 2013-2026. Source: calculated from NBK data [1, 10, 11]

4.2. The fall, 2016-2026

From January 2016 to September 2026 the measured share fell from 80.4% to 17.9% (Table 1). Over the same period the dollar rate rose by 20.3%, from 365.23 to 439.37 tenge (the tenge lost 16.9% of its dollar value), which by itself raises the measured share. At the January 2016 exchange rate the September 2026 share is 15.3%, so the fall at the fixed exchange rate was larger than the measured one: 65.0 pp instead of 62.5 pp. In dollars, foreign-currency deposits fell by 21.4%, from 15.81 to 12.43 billion, while tenge deposits grew 17.8 times, from 1,411.7 to 25,099.8 billion tenge. Most of the fall in the share thus came from growth of tenge deposits, not from people taking money out of foreign-currency accounts.

The fall was fastest at the start. At the fixed exchange rate the share fell by 16.0 pp from January to December 2016, by 6.7 pp a year on average from December 2016 to December 2021, and by 3.3 pp a year from December 2021 to September 2026, although the gap was largest in the last period (12.6 pp on average). Part of this slowing is mechanical, because a smaller share has less

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room to fall, but the log ratio shows the same pattern: its logarithm fell by 0.82 (y by 82) from January to December 2016, by 0.28 a year in 2016-2021 and by 0.19 a year in 2021-2026.

Table 1. Foreign-currency share of household deposits, exchange rate and rates on new household deposits

Month	Measured share, %	Share at Jan 2016 rate, %	Tenge per dollar	Tenge rate, %	Foreign-currency rate, %	Gap, pp
Jan 2016	80.4	80.4	365.23	8.8	3.4	5.4
Dec 2016	62.2	64.4	333.29	12.0	2.6	9.4
Dec 2018	47.7	46.5	384.20	9.7	1.3	8.4
Dec 2020	38.7	35.4	420.71	9.2	1.0	8.2
Dec 2022	34.0	28.9	462.65	13.3	0.9	12.4
Dec 2024	24.7	18.6	523.54	13.2	0.9	12.3
Sep 2026	17.9	15.3	439.37	14.7	0.9	13.8

Note: rates are averages for deposits attracted from individuals in that month. Source: calculated from NBK data [1, 10, 11].

4.3. The rate gap and the long-run fall

The yearly average rate on new tenge deposits was 7.9% in 2015, 11.5% in 2016, 8.6% in 2021 and 14.9% in January-September 2026; on foreign-currency deposits it was 3.4%, 2.9%, 1.0% and 0.9% [10]. Within the sample, the gap therefore grew from 8.7 pp in 2016 (5.4 pp in January 2016) to 14.0 pp in 2026, with a dip in between: it was 7.6 pp in 2021. In 2015, before the sample, it was 4.4 pp. Policy aimed to widen the gap: from 1 February 2016 the maximum interest rates on new tenge deposits of individuals were raised from 10% to 14%, and those on foreign-currency deposits lowered from 3% to 2% [2, p. 11]. The source does not say which deposits these maxima applied to, and the foreign-currency maximum did not bind the average: the average rate on new foreign-currency deposits was 3.4% in January 2016, between 2.6% and 3.0% in February-December 2016, and first fell to 2.0% or below in September 2017.

Had the January 2016 deposits only earned interest at the observed rates, with no new money and the dollar held at 365.23 tenge, the foreign-currency share would have fallen from 80.4% to 71.3% by December 2021 and to 57.9% by September 2026. The actual share at the fixed rate fell to 31.0% and 15.3%. Because the share-based comparison depends on the fixed rate chosen, the main measure is the log ratio, which does not: its logarithm fell by 3.12 from January 2016 to September 2026. Interest at the observed rates accounts for 1.09 of this fall, or 35.0%: from interest alone, tenge deposits would have grown 3.4 times and foreign-currency deposits by 15.0%. The rest came from net flows beyond interest. Tenge deposits grew by much more than their interest, which accounts for 52.8% of the fall, and foreign-currency deposits fell by 21.4% in dollars instead of growing by 15.0%, which accounts for 12.2%. These flows include conversions from one currency to the other.

On the share scale at the January 2016 rate, interest accounts for 22.5 of the 65.0 pp fall at the fixed exchange rate, or 34.6%. The result depends on the crediting rule: with monthly compounding it is 32.3%, with demand deposits and current accounts earning nothing 28.1%, and with term-deposit rates 35.5%, so interest accounts for roughly 28-35% of the fall in the share and net flows for 65-72%. It also depends on the fixed rate: with each month-end rate of the sample used as the fixed rate, the base calculation gives between 28.8% (548.79 tenge per dollar, September 2025) and 36.9% (311.23, May 2017), and 31.9% at the September 2026 rate.

In levels, months with a larger gap had a lower share (correlation -0.69; model A in Table 2). Once a linear time trend is added (model B), the gap coefficient turns positive. Because both series trend and the residuals are strongly autocorrelated (Section 3), neither level regression is evidence for or against E1; they only show that the negative level relation mostly reflects two trends.

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4.4. The gap month by month

In the main monthly test (model M), the gap of the previous month has a coefficient of 0.19 (s.e. 0.18), with a 95% interval from -0.16 to 0.55 (p = 0.28, R^2 = 0.01). The interval contains the slope of -0.081 implied by interest arithmetic alone. The power of the test to detect a slope of that size at the 5% level is 7.3%, and the smallest slope it could detect with 80% power is about 0.50, about six times larger in absolute size. The monthly data are therefore too noisy to detect any effect of the gap on the timing of the fall; the test could not detect even the effect implied by interest arithmetic alone. Adding the exchange-rate change to model M does not change this (gap coefficient 0.21, s.e. 0.18).

The other monthly models agree (Table 2). For the share at the fixed rate (model C) the coefficient is 0.060 (s.e. 0.035, p = 0.09), with an interval from -0.009 to 0.129 and a power of 5.1% against the -0.0038 implied by interest arithmetic. The changes in the gap, in the same month or the month before (model C2), are not related to the change in the share (p = 0.67 and 0.27); the lagged change has the sign E1 expects, but is far from significant. One month matters for model C: in June 2019 the share at the fixed rate rose by 2.86 pp, 3.9 standard deviations above the mean monthly change (-0.51 pp, standard deviation 0.87 pp), because tenge deposits fell by 211 billion tenge and foreign-currency deposits at the fixed rate rose by 268 billion, while the dollar rate fell by 0.2%. These data do not show why. Without June 2019 the coefficient in model C is 0.071 (p = 0.04) and in model M 0.24 (p = 0.17). The positive value in model C' is the opposite of the direction E1 expects; it appears only after removing one month chosen after looking at the data, among about six monthly tests, and is not significant in the log ratio (model M'), so it is not treated as evidence. None of the monthly estimates is significant in the direction E1 expects.

Table 2. Regressions, January 2016 - September 2026 (129 months in levels, 128 in changes, 127 for C2 and without June 2019)

Model	Dependent variable	Explanatory variable	Coefficient (s.e.)	95% interval	p	R^2
A	Share, level	Gap	-4.26 (0.97)	-	-	0.48
B	Share, level	Gap; time trend	1.21 (0.33); -0.44 (0.04)	-	-	0.95
M	Log ratio at fixed rate, monthly change	Gap, previous month	0.19 (0.18)	-0.16; 0.55	0.28	0.01
M'	Same, without June 2019	Gap, previous month	0.24 (0.18)	-0.10; 0.59	0.17	0.02
C	Share at fixed rate, monthly change	Gap, previous month	0.060 (0.035)	-0.009; 0.129	0.09	0.03
C'	Same, without June 2019	Gap, previous month	0.071 (0.035)	0.003; 0.140	0.04	0.04
C2	Share at fixed rate, monthly change	Change in gap: this month; previous month	0.07 (0.17); -0.27 (0.24)	-0.25; 0.40 and -0.75; 0.21	0.67; 0.27	0.02
D	Measured share, monthly change	Dollar rate, change in log points	0.25 (0.05)	0.16; 0.33	<0.001	0.36
E	Share at fixed rate, monthly change	Dollar rate, change in log points	0.03 (0.03)	-0.04; 0.09	0.39	0.01
K	Measured share, monthly change	Revaluation term R	1.13 (0.13)	0.86; 1.39	0.35*	0.39

Note: OLS with Newey-West standard errors (12 lags); shares in %, gap in pp, log ratio y in hundredths of a log unit. A and B are descriptive (trending series, see Section 3). *For K, p tests whether the coefficient equals 1 (pure revaluation). Source: calculated from NBK data [1, 10, 11].

4.5. Exchange-rate jumps

The measured share does jump when the tenge weakens: a rise of the dollar rate by 1 log point in a month goes with a 0.25 pp rise of the measured share, which explains 36% of its monthly changes (model D). This is close to the 0.22 pp that revaluation alone gives, averaged over the

sample, calculated with the formula in [9, p. 12]. In the form used by the Bank of Russia note (model K), the coefficient is 1.13 (s.e. 0.13, 95% interval 0.86-1.39). It does not differ from 1 (p = 0.35), but it also cannot be distinguished from the 1.28 that the note found for Kazakhstan's bank deposits in 2000-2015 [8, p. 2] (p = 0.25); the note used all bank deposits, this paper household deposits only. After revaluation is removed, the link almost disappears on average (model E: 0.03 pp per log point, $R^2 = 0.01$).

Split by direction, the same-month link is not zero in months when the tenge weakened: 0.061 pp per log point (s.e. 0.027, p = 0.022; 0.072, p = 0.004 without June 2019), while months when it strengthened show none (-0.032, p = 0.63). This link rests on March 2020 (without it 0.024, p = 0.60) and does not last: for the month of the jump and the next month together, the slope is 0.02 (p = 0.71). The individual months show the same. Of the 14 months in which the dollar rate rose by 3 log points or more, the share at the fixed rate rose by 0.9 pp or more in three: August 2018 (+1.4 pp; dollar +4.6 log points), March 2020 (+1.0 pp; +16.2 log points, or 17.6%) and February 2022 (+0.9 pp; +7.4 log points, or 7.7%). This happened in only 4 of the other 114 months (Fisher's exact test, p = 0.028). These rises did not last: the share fell by 2.15 pp in April 2020 and by 2.11 pp in March 2022, and by December 2018 it was below its July 2018 level. In June 2022 (+8.5 log points, or 8.8%) the share at the fixed rate fell by 0.6 pp, and rises of this size also occur without exchange-rate moves, as in January 2022 (+1.2 pp with the dollar up 0.5 log points). The largest depreciations were thus followed by short-lived rises of about 1 pp, but not by a lasting move into foreign currency.

5. Discussion

The first expectation of the author (E1) is consistent with the long-run accounting, but the data do not test it as a cause. The gap between tenge and foreign-currency rates grew from 8.7 to 14.0 pp while the share fell. Interest earned at the observed rate gap accounts mechanically for 35% of the fall in the log ratio, and for roughly 28-35% of the fall in the share at a fixed exchange rate; the rest came from net flows, mostly new money placed in tenge. The data do not show how much of that new tenge money the gap attracted. The gap is one plausible reason, since a saver comparing 14.7% with 0.9% today has little reason to open a new foreign-currency deposit unless he expects the tenge to lose more than about 14% a year against the dollar. Month by month, the effect of the gap could not be measured at all (Section 4.4). The IMF study also finds that spread shocks explain a small share, about 5%, of the forecast-error variance of monthly changes [3, p. 24, Table 2], though it detects a short-lived significant response in the direction E1 expects [3, p. 22-23, Fig. 12]; the monthly tests here lack the power to detect effects of that size. The fall was fastest in 2016, when the gap was smaller than in 2023-2026, so the gap is not the only reason for the fall.

The second expectation (E2), that people keep dollars as protection against exchange-rate jumps, can only be tested here through what happened after jumps. No lasting move into foreign currency followed the largest depreciations, so after 2016 jumps did not trigger new hedging through bank deposits; whether the remaining dollar deposits are held as protection cannot be tested with these data. This differs from 2014, when households did move into foreign currency (Section 4.1 and [8, p. 2]). It is consistent with the note's argument that rare large devaluations under a managed regime let people "prepare" by buying foreign currency [8, p. 4], while frequent moves up and down under a float make such bets pointless [8, p. 3]. The IMF study finds, at constant exchange rates, that in Kazakhstan an appreciation of the tenge lowers deposit dollarization immediately and significantly [3, p. 21, Fig. 11], a behavioural response, and that a shock to exchange-rate volatility lowers it [3, p. 23]. Its sample (January 2010 to May 2021) includes the devaluations of 2014-2015 and covers all bank deposits; this paper's household data after 2016 show short-lived same-month rises after depreciations, no response to appreciations, and no lasting move.

The exchange-rate regime, the first reason in the author's summary of [8], changed only once, in August 2015, so these data cannot test it statistically. They are consistent with it: dollarization rose under the managed regime and fell under the float. The rise to 80% after the float, which surprised the author, was almost entirely revaluation; without it the share would have been

67.7%. His second reason, interest rates, corresponds to the NBK's 2016 decision to raise the maximum tenge rate and lower the foreign-currency one [2, p. 11], although the observed averages show that the foreign-currency maximum did not bind in 2016; caps on foreign-currency deposit rates are one of the de-dollarization tools listed in [7, p. 15]. In Russia, the key-rate rise of December 2014 made rouble deposits attractive [8, p. 5].

Limitations. The rates are for new deposits, not for the whole stock, so the interest-only calculation is an approximation; interest that was withdrawn rather than added to deposits would make its share smaller, which the variants in Section 4.3 only partly capture. All foreign-currency deposits are treated as dollars, and the series include non-residents. Foreign-currency cash held outside banks is not observed, a limitation shared by the IMF study [3, p. 7]. Tenge deposits also grew because of inflation and income growth, which are not separated here. Other policies that favoured tenge deposits are not modelled; for example, Kazakhstan had higher deposit insurance coverage for tenge deposits at the time of the IMF survey [3, p. 15]. The cause of the June 2019 jump is not known. The regressions show associations, not causes, and the gap itself was partly a target of policy.

6. Conclusion

From 2016 to 2026 the foreign-currency share of household deposits in Kazakhstan fell from 80.4% to 17.9%, and at a fixed exchange rate from 80.4% to 15.3%. The rise from 68% to 80% after the float was almost entirely revaluation. The gap between tenge and foreign-currency deposit rates widened to 14 pp. Interest earned at the observed rates accounts mechanically for 35% of the fall in the log ratio of foreign-currency to tenge deposits (roughly 28-35% of the fall in the share at a fixed rate); the rest came from net flows, mostly new money placed in tenge (about 53%) and partly money leaving foreign-currency deposits (about 12%). The data do not show how much of that new money the gap attracted. Month by month, the data are too noisy to detect any effect of the gap, and the largest depreciations were followed only by short-lived rises in the share, not by a lasting move into foreign currency. For the question in the title, the answer is: through interest alone the gap accounts for about a third of the long-run fall; its effect on the timing of the fall could not be measured; and exchange-rate jumps changed the share mainly through revaluation.

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Author contributions

Yerassyl Arlanuly chose the topic from five offered by a mentor in September 2026, read three papers published in this journal and summarised what each measured, and wrote his own guess about the reasons (Section 2) after being shown the start and end values of the share and the current rates, but before the analysis. He agreed to the two expectations formulated from his guess and to the research question, found three of the studies cited here [3, 4, 8], summarised the reasons given in [8] in his own words and said what surprised him in the first results. Myrzabek Kurakbay (scientific supervisor) directed the data work, the analysis and the writing of the text, and is responsible for them.

Use of generative AI

The code that downloads and analyses the data and the text of this paper were produced with a generative AI tool (Claude, Anthropic) under the supervisor's direction; the tool also helped choose the methods and, with the supervisor, translated the quotations in Section 2. Every result derived from NBK data was computed by that code and copied into the text from its output; figures taken from the cited literature were copied from the cited pages. Numbers, quotations and citations were checked against the code output and the sources by separate instances of the tool. The supervisor takes responsibility for the calculations and the text.

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Data availability

All data are public on the NBK website [1, 10, 11]. The download and analysis scripts, the monthly series and the results file are available from the supervisor on request.

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Conflicts of interest

None.

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