



**NATIONAL BANK OF THE
REPUBLIC OF KAZAKHSTAN
PRESS-RELEASE NO.25
of June 6, 2012**

**Regarding the Situation in the Financial
Market**

1. Inflation

According to the official data from the Agency of Statistics of the Republic of Kazakhstan, in May 2012 the inflation was at 0.7% (in May 2011 – 0.5%). Prices for foodstuffs increased by 0.2% (by 0.6%), for non-food products – by 0.2% (by 0.6%) and for paid services – by 1.7% (by 0.3%).

In the previous month, in the foodstuffs market the highest increase was demonstrated in prices for tobacco products – by 1.7%, bread – by 0.9%, meat and meat products – by 0.7%, including pork – by 1.4%, horse meat – 0.9%, mutton – by 0.8%, beef – by 0.4%, poultry – by 0.6%, and fish and sea products – by 0.5%. Prices for eggs decreased by 5.1%, for onions – by 4.8%, for cereals – by 4.3%, for dairy products – by 0.1%, and for sugar – by 0.1%.

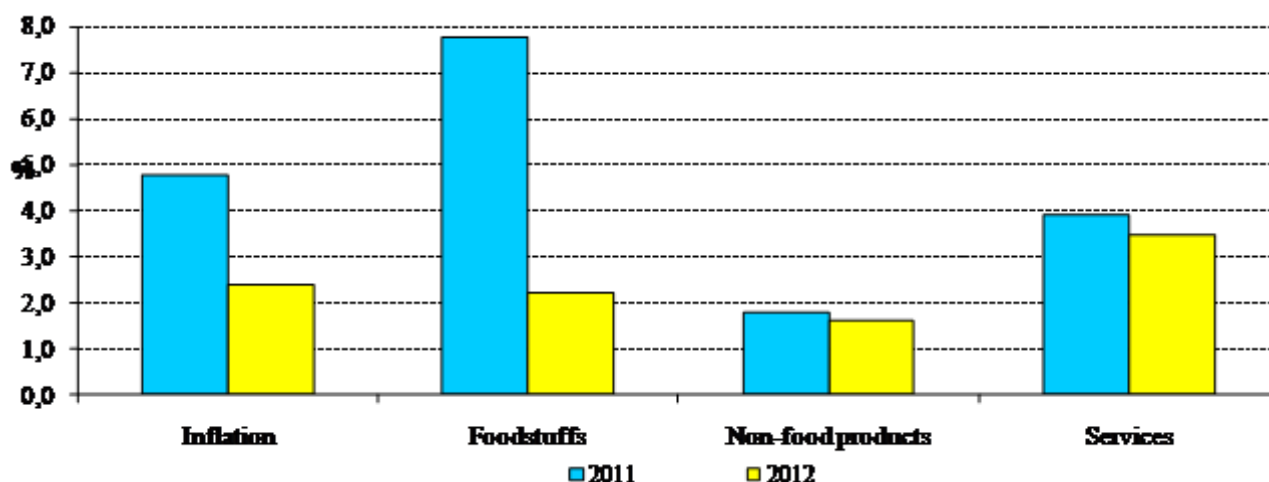
In the group of non-food products, prices for clothing and footwear increased by 0.4%, house wares and cutlery – by 0.4%, detergents and scoring products – by 0.4%, medications – by 0.4%. The cost of gasoline and diesel fuel decreased by 0.3% each.

In the group of paid services, price of utilities increased by 0.9%. Electricity tariffs increased by 2.3%, tariffs for cold water – by 1.1%, sewage – by 1.0%, house rentals – by 0.9%, hot water and district heating – by 0.8%. During the last month the prices for communications increased by 10.2%, because of the increased tariffs for the telephone and facsimile service by 12.3%. Also, among paid services the cost of transportation services increased by 1.1%, including railway transportation – by 1.3%, motor transport – by 1.1%, and aircraft – by 0.5%. The services of restaurants and hotels increased in price by 0.7%, healthcare services – by 0.3%.

In January-May 2012 the inflation accounted for 2.4% (in January-May 2011 – for 4.8%). Since the beginning of the year the price of foodstuffs has increased by 2.2% (by 7.8%), of non-food products – by 1.6% (by 1.8%), and of paid services – by 3.5% (by 3.9%) (Figure 1).

Figure 1

Inflation and its Components during January-May 2011 and 2012



In May 2012 the annual inflation accounted for 5.0% (in December 2012 – 7.4%). Over the last 12 months the price of foodstuffs increased by 3.5% (by 9.1%), of non-food products – by 5.0% (by 5.3%), and of paid services – by 6.9% (by 7.3%).

2. International Reserves and Monetary Aggregates

In May 2012 international reserves of the National Bank decreased. Gross international reserves of the National Bank decreased by 2.2% to US\$ 34.3 bln. Net international reserves of the National Bank decreased by 2.2% and amounted to US\$ 33.8 bln. The decrease in international reserves was primarily caused by negative exchange difference resulting from depreciation of the Euro. Foreign exchange purchases in the domestic foreign exchange market, and foreign currency proceeds to the Government's accounts with the National Bank were neutralized by operations related to the servicing of the Government's external debt and asset replenishment of the National Fund from the gold and currency reserve accounts. As a result, net currency reserves (FCC) decreased by 1.9%. Assets denominated in gold decreased by 3.5% as a result of its falling price in the global markets.

During May 2012 the country's total international reserves including assets of the National Fund denominated in foreign currency (according to preliminary data - US\$ 51.6 bln.) decreased by 0.2% to US\$ 85.9 bln.

During May 2012 the reserve money contracted by 5.3% and amounted to KZT 3304.5 bln. Narrow reserve money, i.e. reserve money excluding time deposits of banks with the National Bank, contracted by 2.3% to KZT 3097.9 bln.

During April 2012 money supply increased by 1.0% to KZT 10393.2 bln. (since the beginning of the year – the growth by 6.6%). The volume of cash in circulation increased by 2.6% to KZT 1341.4 bln. (since the beginning of the year – the decrease by 1.8%), and deposits in the banking system increased by 0.7% to KZT 9051.8 bln. (since the beginning of the year – the growth by 7.9%). The share of deposits in the structure of money supply decreased from 87.3% in March 2012 to 87.1% in April 2012. The main reason for the decrease in the share of deposits was a higher rate of growth in cash in circulation versus the growth rates of deposits.

The money multiplier decreased from 3.14 in March 2012 to 2.98 at end-April 2012 as a result of high rates of expansion in the reserve money versus the growth in money supply noted in April 2012.

3. Foreign Exchange Market

In May 2012 the exchange rate of the Tenge versus the US Dollar was fluctuating within KZT 147.62–148.06 per 1 US Dollar. During May 2012 the Tenge depreciated by 0.1% and at the end of the month the stock exchange rate was KZT 148.06 per 1 US Dollar.

In May 2012 the volume of stock exchange transactions at the Kazakhstan Stock Exchange including transactions at supplementary auctions decreased as compared to April 2012 by 5.7% and amounted to US\$ 4.4 bln. In the off-exchange foreign currency market the transaction volume decreased by 15.3% and amounted to US\$ 2.5 bln.

The total transaction volume in the domestic foreign exchange market decreased by 9.4% and amounted to US\$ 6.9 bln. In May 2012 the National Bank was a net buyer of foreign exchange in the domestic foreign exchange market.

Over 9 months the exchange rate of the Tenge versus the US Dollar has actually been staying within a narrow band of KZT 148 per 1 US Dollar \pm 1 KZT. It was exactly where it had been in January 2010 and in mid- 2003 as well as at the end of 2001.

Table 1

Dynamics of the Stock Exchange Rate of the Tenge Versus the US Dollar

Period	Stock exchange rate of KZT/US\$ (September 2011 - May 2012)			
	at end-period	during the period on average	minimum for the period	maximum for the period
September 2011	147.99	147.43	146.64	147.99
October 2011	147.77	148.04	147.54	148.36
November 2011	147.69	147.79	147.20	148.22
December 2011	148.40	148.00	147.59	148.40
January 2012	148.56	148.39	148.08	148.61
February 2012	147.74	148.11	147.62	148.72
March 2012	147.77	147.75	147.51	147.99
April 2012	147.89	147.79	147.50	148.29
May 2012	148.06	147.84	147.62	148.06

4. Government Securities Market

In May 2012, 5 auctions offering government securities of the Ministry of Finance were held. The following government securities were placed through these auctions: 12-month MEKKAM (KZT 13.1 bln.), 3-year MEOKAM (KZT 13.2 bln.), 9 and 11-year MEUKAM (KZT 29.4 bln. and KZT 21.7 bln.), and 18-year MEUZHKA (KZT 25 bln.).

Effective yield of the placed securities was as follows: for 12-month MEKKAM – 2.13%, for 3-year MEOKAM – 3.53%, for 9 and 11-year MEUKAM – 4.90% and 5.00%, respectively, and for 18-year MEUZHKA – 0.01% above the inflation rate.

The volume of outstanding securities of the Ministry of Finance at end-May 2012 amounted to KZT 2338.5 bln., having increased by 4.1% as compared to the previous month.

Short-Term Notes of the National Bank of Kazakhstan. The volume of notes issued by the National Bank during May 2012 as compared April 2012 decreased by 25.9% and amounted to KZT 75.7 bln.

Two auctions were held to place 3-month notes (KZT 26.5 bln. and KZT 10.4 bln.), 1 auction to place 6-month notes (KZT 19.5 bln.), and 1 auction to place 9-month notes (KZT 19.3 bln.).

Effective yield of the placed notes was as follows: for 3-month notes – 1.05%, for 6-month notes – 1.51%, and for 9-month notes – 1.80%.

The volume of notes in circulation at end-May 2012 as compared to April 2012 decreased by 8.4% and amounted to KZT 548.3 bln.

5. Interbank Money Market

In April 2012 as compared to March 2012, the total volume of placed interbank deposits decreased by 14.9%, amounting to the equivalent of KZT 1803.7 bln.

The volume of placed interbank deposits in the Tenge increased by 27.2% and amounted to KZT 820.5 bln. (45.5% of the total volume of placed deposits). The average weighted interest rate on the placed interbank deposits in the Tenge in April 2012 increased from 0.60% to 0.63%.

In April 2012 as compared to March, the volume of deposits attracted by the National Bank from banks increased by 42.3% to KZT 814.4 bln.

In April 2012 as compared to March 2012, the volume of placed dollar deposits decreased by 34.8% and amounted to US\$ 6.1 bln. (49.6% of the total volume of placed

deposits). The average weighted interest rate on the placed deposits in the US Dollars in April 2012 decreased from 0.14% to 0.11%.

The volume of placed Euro deposits in April 2012 decreased by 47.3% amounting to Euro 0.2 bln. (2.3% of the total volume of placed deposits). The average weighted interest rate on the placed deposits in the Euro decreased from 0.44% to 0.16%.

The placements of deposits in the Russian ruble remain insignificant – 2.6% of the total volume of placed deposits.

The share of interbank deposits in foreign currency decreased during April 2012 from 69.6% to 54.5% of the total volume of placed deposits. The share of foreign currency deposits placed with non-resident banks decreased from 69.6% to 54.2% of the total volume of placed deposits.

6. Deposit Market

During April 2012 the total volume of deposits of residents with depository institutions increased by 0.7% to KZT 9051.8 bln. (since the beginning of the year - the growth by 7.9%). Deposits of legal entities decreased during the month by 0.6% to KZT 6109.1 bln. and deposits of individuals increased by 3.6% to KZT 2942.7 bln.

In April 2012, the volume of foreign currency deposits decreased by 1.2% to KZT 2987.5 bln., and the volume of deposits in the domestic currency increased by 1.7% to KZT 6064.3 bln. In April 2012 the percentage of the Tenge deposits increased to 67.0%, as compared to 66.3% in March 2012.

During April 2012 household deposits with banks (including non-residents) increased by 3.6% to KZT 2973.9 bln. In the structure of household deposits the Tenge deposits increased by 3.9% to KZT 1739.3 bln., and foreign currency deposits increased by 3.2% to KZT 1234.6 bln. As a result, the percentage of the Tenge deposits increased to 58.5% as compared to 58.3% in March 2012.

In April 2012 the average weighted interest rate on the Tenge time deposits of non-bank corporate entities was 2.2% (in March 2012 – 2.4%), and on deposits of individuals – 8.3% (8.0%).

Household Deposits¹ (2007-2012)

In the beginning of this year high growth rates in the personal savings were demonstrated; during January-April 2012 they increased by 7.8% to KZT 3.0 trln. and for the first time reached the historical maximum of US\$ 20.1 bln. in the foreign currency equivalent. A higher growth rate of the Tenge deposits (the growth by 8.8%), as compared to the growth in foreign currency savings (the growth by 6.4%), continued the process of decreasing dollarization while increasing the share of the Tenge deposits to 58.5% as compared to 57.9% in December 2012.

The accelerated rates of growth in the household deposits observed in the recent years nonetheless are slower than in the pre-crisis times, when during 2000 - 2007 the average annual growth accounted for 51.8% (in the Tenge - the growth by 57.0%, in foreign currency - by 54.5%).

The main trend which developed in the time of the crisis, in 2008 - 2009, was the dollarization of household deposits determined by the people's preference to keep their savings in foreign currency and by the devaluation implemented in 2009. However, even in the context of devaluation of the Tenge in 2009 household deposits didn't decrease but increased by 29.1% during the year, and excluding the effect of devaluation (i.e. without revaluation of foreign currency deposits at the official rate), the growth accounted for 15.1%, according to estimates (foreign currency deposits demonstrated the growth by 41.1%).

The trend of preference for foreign currency deposits had already been overcome in 2010 when household deposits in the Tenge increased by 48.6%, while foreign currency deposits decreased by 8.7%. In 2011, positive changes in the structure of deposits continued since

¹ including non-residents' accounts

deposits in the domestic currency were growing at outstripping rates and increased by 27.9% during the year, while the growth in foreign currency savings accounted for 16.0%.

Over five years, that is from April 2007 through April 2012, household deposits increased by 2.5 times (excluding the effect of devaluation, they increased by 2.3 times, according to estimates). Despite changes in the structure, and the existence of the outflow and overflow elements in certain periods of time, household deposits never showed the decrease but just slowed down their growth rates; this means that the population keeps confidence in the banking system of Kazakhstan.

7. Credit Market

During April 2012 the total volume of bank credits to the economy increased by 1.4%, amounting to KZT 9063.4 bln. (since the beginning of the year - the growth by 3.2%).

In April 2012 the volume of credits in the domestic currency increased by 2.1% to KZT 6039.2 bln., and the volume of foreign currency credits increased by 0.2% to KZT 3024.2 bln. The percentage of the Tenge credits in April 2012 increased to 66.6%, as compared to 66.2% in March 2012.

In April 2012 long-term lending increased by 1.1% to KZT 7235.6 bln., and short-term lending increased by 2.8% to KZT 1827.8 bln. As a result, the percentage of long-term credits in April 2012 decreased to 79.8% as compared to 80.1% in March 2012.

During April 2012, credits to legal entities increased by 1.2% amounting to KZT 6634.3 bln., and credits to individuals increased by 2.1% to KZT 2429.1 bln. The percentage of credits to individuals in April 2012 increased to 26.8% as compared to 26.6% in March 2012.

During April 2012, SME lending decreased by 0.4% to KZT 1317.9 bln., accounting for 14.5% of the total volume of credits to the economy.

In the sectoral breakdown, the most significant amount of credits to the economy falls on such sectors as trade (the share in the total volume is 20.3%), construction sector (14.4%), industry (12.5%) and agriculture (3.3%).

In April 2012, the average weighted interest rate on the Tenge credits provided to non-bank legal entities was 11.3% (in March 2012 – 11.3%), on credits to individuals – 19.9% (20.5%).

8. Awards to the Banknotes of the National Bank

In April 2012, according to the results of the vote by the International Bank Note Society (IBNS), the 10,000 Tenge denomination Kazakhstani banknote to commemorate 20 years of Independence for the Republic of Kazakhstan was selected as "the Banknote of the Year" in 2011.

The International Bank Note Society is an independent association of banknote collectors from all over the world that select the bank note of the year by the Internet-voting. The winning Kazakhstani banknote was selected as the best, both in terms of its design and ideology and also its highly technical execution and security.

This was not the first award given to Kazakhstani banknotes in the international votes. The first award was given in 2007 by an international non-profit organization IACA (International Association of Currency Affairs). The National Bank of Kazakhstan was the winner of the "Best New Banknote Award" with its complex and highly secure new series of banknotes launched in November 2006. In 2008 the IACA gave an award in the nomination of the BEST NEW CURRENCY FEATURE to the security element Spark which was applied in the 5,000 Tenge denomination banknote to commemorate 15 years of the Kazakhstani national currency introduction.