



**NATIONAL BANK OF THE
REPUBLIC OF KAZAKHSTAN
PRESS-RELEASE NO.35
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**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 August 2012 the inflation was at 0.3% (in August 2011 – 0.3%). Prices for foodstuffs increased by 0.2% (the decrease by 0.1%), for non-food products – by 0.3% (the growth by 0.5%), and for paid services – by 0.4% (the growth by 0.5%).

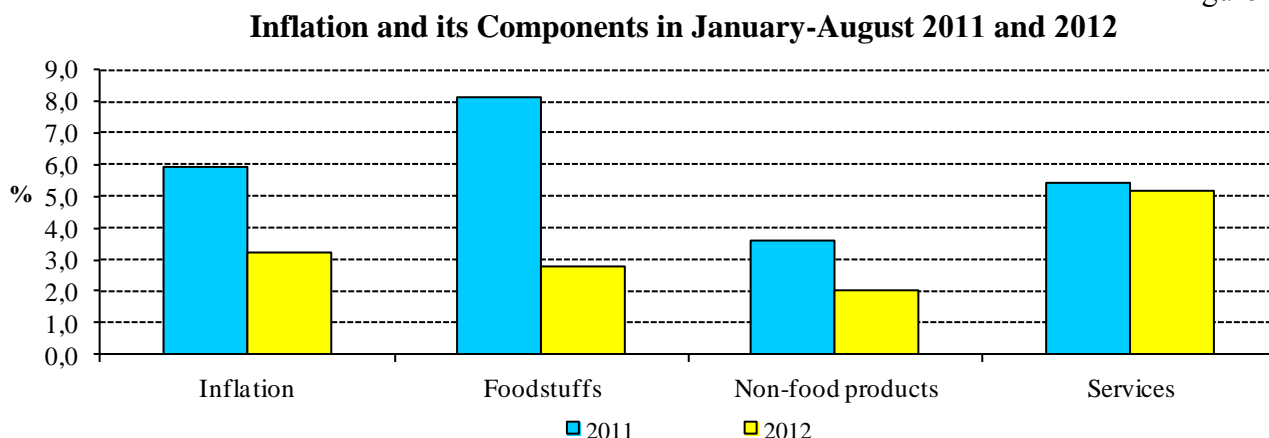
In August 2012 in the foodstuffs market the highest increase was demonstrated in prices for bread products and cereals products – by 1.1%, including flour – by 5.6%. Prices for fish and sea food increased by 0.3%, for meat products – by 0.2%. There was a decrease in prices for eggs – by 1.5%, for fruits and vegetables – by 0.5%, and for dairy products – by 0.1%.

In the group of non-food products, prices for newspapers, books and stationery increased by 1.4%, for clothes and footwear – by 0.3% each. In August 2012 prices for gasoline decreased by 0.1%, for diesel fuel – by 0.3%.

In the group of paid services, price of utilities increased by 0.5%, including sewage system – by 1.6%, district heating – by 1.0%, hot and cold water supply – by 0.7% each. In August 2012 there was an increase in prices and tariffs for out-patient services – by 0.6%, transport services – by 0.3%, services provided by educational establishments – by 0.3%, including the pre-school and elementary education – by 1.0%.

In January-August 2012 the inflation accounted for 3.2% (in January-August 2011 – 5.9%). The price of foodstuffs increased by 2.8% (by 8.1%), the price of non-food products – by 2.0% (by 3.6%), and the price of paid services – by 5.2% (by 5.4%) (Figure 1).

Figure 1



In August 2012 the annual inflation accounted for 4.7% (in December 2011 – 7.4%). The price of foodstuffs increased by 3.8% (by 9.1%), the price of non-food products – by 3.6% (by 5.3%), and the price of paid services – by 7.1% (by 7.3%).

2. International Reserves and Monetary Aggregates (Preliminary Data)

In August 2012, according to preliminary data, gross international reserves of the National Bank increased by 2.0% to US\$ 29.6 bln. (since the beginning of the year – the growth by 0.8%). Net international reserves of the National Bank increased by 2.0% and amounted to US\$ 29.0 bln. (since the beginning of the year – the growth by 0.9%). Net currency reserves (NCR) in August 2012 increased by US\$ 389.2 mln. In August 2012 assets denominated in gold increased by US\$ 190.5 mln. as a result of conducted transactions and the growth in its prices in the global markets.

During August 2012 the country's total international reserves including assets of the National Fund denominated in foreign currency (according to preliminary data - US\$ 54.3 bln.), increased by 1.9% to US\$ 83.8 bln. (since the beginning of the year – the growth by 14.8%).

During August 2012 the reserve money contracted by 4.8% and amounted to KZT 2809.0 bln. (since the beginning of the year – the contraction by 1.0%). Narrow reserve money, i.e. reserve money excluding time deposits of banks with the National Bank, contracted by 3.5% to KZT 2700.8 bln.

During July 2012, the reserve money increased by 1.7% to KZT 10582.9 bln. (since the beginning of the year – the growth by 8.5%). The volume of cash in circulation increased by 0.7% to KZT 1398.8 bln. (since the beginning of the year – the growth by 2.4%), and deposits in the banking system increased by 1.9% to KZT 9184.1 bln. (since the beginning of the year – the growth by 9.5%). The share of deposits in the structure of money supply increased from 86.6% in June 2012 to 86.8% in July 2012.

The money multiplier increased from 3.01 in June 2012 to 3.59 at end-July 2012 as a result of increased money supply versus the contracted reserve money.

2.1 Dynamics of Gross International Reserves of the National Bank and Assets of the National Fund in 2011-2012 (Preliminary Data)

The conversion of monies into the National Fund was the main reason for insignificant rates of growth in gross international reserves in 2012.

In the period of high energy prices in the global markets the volumes of proceeds to the National Fund increase. Alongside with that, a part of monies in the domestic currency coming to the National Fund is converted at the expense of gross international reserves of the National Bank. Accordingly, during such periods the growth in gross international reserves of the National Bank would be insignificant.

So, in 2011 gross international reserves of the National Bank increased by US\$ 1.1 bln., in January-August 2012 – by US\$ 233 mln. Foreign currency assets of the National Fund increased by US\$ 12.6 bln. and US\$ 10.6 bln., respectively. At the same time, in 2011 the Tenge proceeds to the National Fund amounted to about KZT 1.8 trln., in January-August 2012 – KZT 1.3 trln. The major portion of the Tenge proceeds (less the guaranteed transfer to the state budget) is converted from gross international reserves of the National Bank in order to replenish foreign currency assets of the National Fund.

As a result of operations in the domestic foreign exchange market in January-August 2012, the National Bank replenished gross international reserves by US\$ 233 mln., and US\$ 2 224.8 mln. were assigned for replenishment of the National Fund's assets by way of a conversion.

Thus, the most accurate indicator that reflects the realistic situation in the foreign exchange market is the aggregate index which includes gross international reserves of the National Bank and assets of the National Fund, i.e. the country's international reserves which increased by 14.9% in January-August 2012 and amounted to US\$ 83.8 bln. as of end-August 2012.

3. Foreign Exchange Market

In August 2012 the exchange rate of the Tenge versus the US Dollar was fluctuating within the range of KZT 148.86–150.22 per 1 US Dollar. During August 2012, the Tenge appreciated by 0.3%, and at end-month the stock exchange rate of the Tenge amounted to KZT 149.57 per 1 US Dollar.

In August 2012, the volume of stock exchange transactions at the Kazakhstan Stock Exchange including transactions at supplementary auctions increased as compared to July 2012 by 25.7% and amounted to US\$ 6.2 bln. In the off-exchange foreign currency market the transaction volume increased by 13.6% and amounted to US\$ 2.0 bln.

The total transaction volume in the domestic foreign exchange market increased by 22.4% and amounted to US\$ 8.2 bln. In August 2012, the National Bank was a net buyer of foreign exchange in the domestic foreign exchange market.

4. Government Securities Market

In August 2012, ten auctions offering government securities of the Ministry of Finance were held. The following government securities were placed through these auctions: 12-month MEKKAMs (KZT 3.9 bln. and KZT 2.7 bln.), 4-year MEOKAMs (KZT 5.8 bln. and KZT 4.0 bln.), 6-year MEUKAMs (KZT 2.8 bln. and KZT 5.0 bln.), 9, 11, 15-year MEUKAMs (KZT 2.1 bln., KZT 2.5 bln. and KZT 5.3 bln.), and 14-year MEUZHKAms (KZT 30 bln.).

Effective yield of the placed securities was as follows: for 12-month MEKKAMs – 2.02% and 2.02%, 4-year MEOKAMs – 3.87% and 4.04%, 6-year MEUKAMs – 4.48% and 4.50%, 9, 11, 15-year MEYKAMs – 5.00%, 5.00% and 5.30%, respectively, for 14-year MEUZHKAms – 0.01% above the inflation rate.

At end-August 2012, the volume of securities issued into circulation by the Ministry of Finance amounted to KZT 2457.2 bln., having increased by 1.5% as compared to the previous month.

Short-term Notes of the National Bank of Kazakhstan. During August 2012, the volume of issued notes of the National Bank decreased by 55.5% as compared to July 2012 and amounted to KZT 53.0 bln.

One auction was held to place 3-month notes (KZT 40.3 bln.) and one auction - to place 6-month notes (KZT 12.7 bln.).

The effective yield on the placed notes was as follows: on 3-month notes – 1.05%, and on 6-months notes – 1.50%.

At end-August 2012 as compared to July 2012, the volume of notes in circulation decreased by 3.1% and amounted to KZT 448.4 bln.

5. Interbank Money Market

In July 2012 as compared to June 2012, the total volume of placed interbank deposits increased by 49.5%, amounting to the equivalent of KZT 1966.4 bln.

The volume of placed interbank deposits in the Tenge increased by 5.6% and amounted to KZT 290.2 bln. (14.8% of the total volume of placed deposits). The average-weighted interest rate on placed interbank deposits in the Tenge in July 2012 increased from 0.67% to 0.68%.

In July 2012 as compared to June, the volume of deposits attracted by the National Bank from banks decreased by 8.1% to KZT 280.4 bln.

In July 2012 as compared to June 2012, the volume of placed Dollar deposits increased by 69.6% and amounted to US\$ 10.5 bln. (79.7% of the total volume of placed deposits). The average-weighted interest rate on deposits placed in the US Dollars in July 2012 increased from 0.14% to 0.15%.

In July 2012 the volume of deposits placed in the Euro decreased by 4.1%, amounting to Euro

0.3 bln. (2.6% of the total volume of placed deposits). The average-weighted interest rate on deposits placed in the Euro increased from 0.22% to 0.26%.

The volume of deposits placed in the Russian rubles decreased by 15.4%, amounting to RUR 12.7 bln. (3.0% of the total volume of placed deposits). The average-weighted interest rate on deposits placed in the Russian rubles changed from 5.07% to 5.08%.

During July 2012, the share of interbank foreign currency deposits increased from 79.1% to 85.2% of the total volume of placed deposits. The share of foreign currency deposits placed with non-residents banks increased from 77.9% to 85.1% of the total volume of placed interbank deposits.

6. Deposit Market

During July 2012, the total volume of deposits of residents with depository institutions increased by 1.9% to KZT 9184.1 bln. (since the beginning of the year - the growth by 9.5%). Over the month, deposits of legal entities have increased by 2.0% to KZT 6126.5 bln., and deposits of individuals increased by 1.5% to KZT 3057.6 bln.

In July 2012, the volume of foreign currency deposits increased by 3.8% to KZT 2940.4 bln., and the volume of deposits in the domestic currency increased by 1.0% to KZT 6243.7 bln. In July 2012 the percentage of deposits in the Tenge decreased to 68.0%, as compared to 68.6% in June 2012.

During July 2012, household deposits at banks (including non-residents) increased by 1.5% to KZT 3090.0 bln. In the structure of household deposits, deposits in the Tenge increased by 0.7% to KZT 1785.6 bln., and foreign currency deposits increased by 2.6% to KZT 1304.4 bln. As a result, the percentage of deposits in the Tenge decreased to 57.8%, as compared to 58.2% in June 2012.

In July 2012, the average-weighted interest rate on the Tenge time deposits of non-bank legal entities accounted for 2.0% (in June 2012 – 2.3%), and on deposits of individuals – 8.0% (8.3%).

7. Credit Market

The total volume of bank credits to the economy during July 2012 increased by 0.4%, amounting to KZT 9289.3 bln. (since the beginning of the year - the growth by 5.4%).

In July 2012, the volume of credits in the domestic currency increased by 1.0% to KZT 6292.1 bln., and the volume of foreign currency credits decreased by 0.8%, amounting to KZT 2997.2 bln. The percentage of the Tenge credits in July 2012 increased to 67.7%, as compared to 67.3% in June 2012.

Long-term lending in July 2012 increased by 1.3% to KZT 7573.8 bln., and short-term lending decreased by 3.5% to KZT 1715.5 bln. As a result, the percentage of long-term credits in July 2012 increased to 81.5%, as compared to 80.8% in June 2012.

During July 2012 credits to legal entities decreased by 0.3%, amounting to KZT 6704.3 bln., and the amount of credits to individuals increased by 2.3% to KZT 2585.0 bln. The percentage of credits to individuals in July 2012 increased to 27.8% versus 27.3% in June 2012.

During July 2012 credits to small businesses increased by 0.5% to KZT 1365.8 bln., accounting for 14.7% 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 – 19.8%), construction (14.9%), industry (12.1%), transport (3.9%) and agriculture (3.1%).

In July 2012 the average-weighted interest rate on credits in the domestic currency to non-bank legal entities accounted for 11.1% (in June 2012 – 11.2%), to individuals – 20.8% (20.9%).

8. Information about the Results of Campaign Conducted by the National Bank "Realize Your Potential by Starting Up Your Career in the National Bank of Kazakhstan!" to Search for Young Professionals and Recent University Graduates to be Employed by the National Bank

Based on the results of launched campaign for the search of young professional and recent university graduates for their employment with the National Bank, as part of the on-line conference with the National Bank's Governor at www.forum.profinance.kz that was held on July 25, 2012, 595 resumes were received by the National Bank from the contenders wishing to work in the National Bank.

After the primary selection of resumes based on the key qualification criteria announced (such as an appropriate education background and the knowledge of foreign languages), 274 candidates were selected for an interview at the National Bank's departments.

After the interview at the National Bank's departments, 68 candidates were selected for a further interview with the Governor, Deputy Governors and the heads of the National Bank's business units.

Based on all procedures performed, a positive decision was made in respect of 41 candidates. In the nearest time, 30 individuals will be hired by the National Bank and 11 individuals will be enrolled in the job pool.

Out of 30 individuals selected to be employed with the National Bank:

- 1 with the international education – 19 individuals (63.3 %), of which:
 - studied in Great Britain – 13 individuals;
 - studied in the U.S.A. – 2 individuals;
 - studied in other countries (Italy, Spain, Australia, China) - 4 individuals;
- 2 with prior working experience – 11 individuals (36.7 %).