



**NATIONAL BANK
OF THE REPUBLIC OF KAZAKHSTAN
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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 2013 the inflation has been at 0.2% (in August 2012 – 0.3%). The prices for foodstuffs remained unchanged (the growth by 0.2%), and prices for non-food products increased by 0.3% (the growth by 0.3%). Tariffs for paid services increased by 0.5% (by 0.4%).

In August 2013, the highest increase in prices in the foodstuffs market was demonstrated by prices for eggs – by 1.8%, rice – by 1.4%, macaroni products – by 0.6%, and sugar and confectionery – by 0.2% each. Prices for tobacco products also increased – by 1.5%. The decline was observed in prices for fruits and vegetables – by 2.2%, including cabbage – by 7.4%, onions – by 5.1%, cereals – by 0.1%, and oils and fats – by 0.1%.

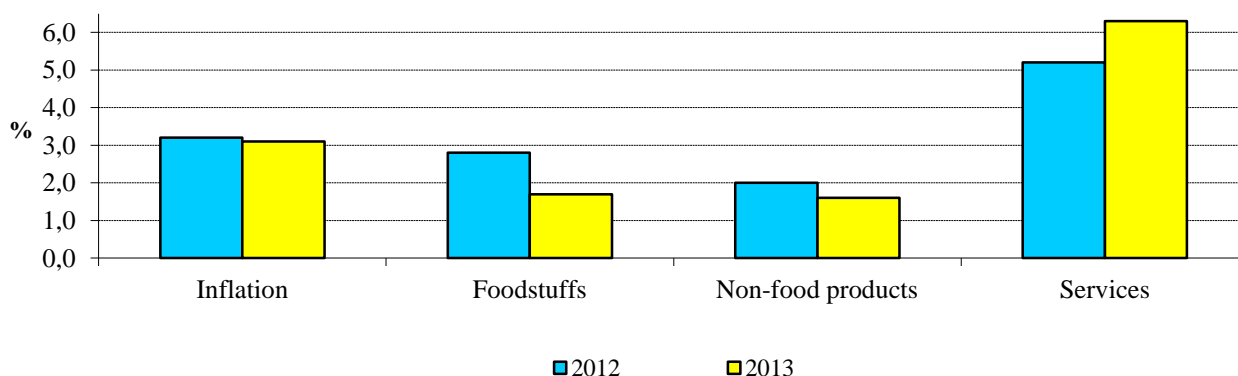
In the group of non-food products, the prices for upper garments increased by 0.4%, for footwear – by 0.1%, domestic appliances – by 0.3%, and medications – by 0.3%. The price of gasoline and diesel fuel increased by 0.1%.

In the group of paid services, the utilities payments increased by 0.7%. Cold water fees increased by 4.3%, sewage fees – by 3.7%, fees for solid waste collection – by 2.1%, and upkeep costs – by 1.7%. Hot water fees decreased by 0.1%. In addition, over the past month the prices of healthcare services have increased by 0.3%, transport services – by 0.4% and services of restaurants and hotels – by 0.4%.

During January-August 2013, the inflation accounted for 3.1% (in January-August 2012 – for 3.2%). Since the beginning of the year the price of foodstuffs has increased by 1.7% (by 2.8%), of non-food products – by 1.6% (by 2.0%), and of paid services – by 6.3% (by 5.2%) (Figure 1).

Figure 1

Inflation and its Components in January-August 2012 and 2013



In August 2013, the annual inflation accounted for 5.8% (in December 2012 – 6.0%). Over the last 12 months, the price of foodstuffs has increased by 4.3% (by 5.3%), of non-food products – by 3.1% (by 3.5%), and of paid services – by 10.5% (by 9.3%).

2. International Reserves and Monetary Aggregates

In August 2013, international reserves of the National Bank increased. Gross international reserves of the National Bank increased by 1.5% to US\$ 25.9 bln. (since the beginning of the year – the decrease by 8.5%). Net international reserves of the National Bank increased by 1.6% and amounted to US\$ 25.3 bln. (since the beginning of the year – the decrease by 8.7%). Foreign exchange purchase in the domestic foreign currency market, and foreign currency receipts to the Government's accounts with the National Bank were neutralized by the servicing of the Government's external debt, replenishment of the National Fund's assets and decreased bank correspondent account balances with the National Bank denominated in foreign currency. As a result, during August 2013, net currency reserves (FCC) decreased by 0.2%, and assets denominated in gold increased by 7.6% due to the performed transactions and the growth in the price of gold in the global markets.

During August 2013, the country's total international reserves including assets of the National Fund denominated in foreign currency (according to preliminary data – US\$ 66.0 bln.) increased by 2.2% to US\$ 91.8 bln. (since the beginning of the year – the growth by 6.7%).

During August 2013, the reserve money contracted by 6.5% and amounted to KZT 2 906.0 bln. (since the beginning of the year – the expansion by 0.6%). Narrow reserve money, i.e. reserve money excluding time deposits of banks with the National Bank, contracted by 5.9% to KZT 2 875.5 bln.

During July 2013, the money supply increased by 0.9% to KZT 11681.7 bln. (since the beginning of the year – the growth by 11.0%), the volume of cash in circulation decreased by 3.1% to KZT 1 475.9 bln. (since the beginning of the year – the decrease by 3.4%), and deposits in the banking system increased by 1.5% to KZT 10 205.8 bln. (since the beginning of the year – the growth by 13.5%). The share of deposits in the structure of money supply increased from 85.5% in December 2012 to 87.4% in July 2013 as a result of growth in the volume of deposits against the decreased cash in circulation.

The money multiplier increased from 3.64 in December 2012 to 3.76 at end-July 2013 as a result of outstripping rates of growth in money supply versus the rates of expansion in the reserve money recorded in July 2013.

3. Foreign Exchange Market

In August 2013, the exchange rate of the Tenge versus the US Dollar was fluctuating within KZT 152.16–153.81 per 1 US Dollar. At the end of the month, the exchange rate of the Tenge was KZT 152.81 per 1 US Dollar.

In August 2013, the volume of stock exchange transactions at the Kazakhstan Stock Exchange including transactions at supplementary auctions increased as compared to July 2013 by 7.4% and amounted to US\$ 6.8 bln. The transaction volume in the off-exchange foreign currency market demonstrated more than a two-fold growth and amounted to US\$ 2.9 bln.

In general, the operations volume in the domestic foreign exchange market increased by 24.9% and amounted to US\$ 9.8 bln.

The National Bank is acting in line with the foreign exchange market trend: it buys foreign exchange when the domestic currency is appreciating and sells foreign exchange in case of its depreciation. It should be noted, however, that such operations are conducted only to prevent dramatic and destabilizing fluctuations of the Tenge.

4. Government Securities Market

In August 2013, 7 auctions offering government securities of the Ministry of Finance were held where the following government securities were placed: 12-month MEKKAMs (KZT 6.4 bln. and KZT 3.6 bln.), 5-year MEOKAMs (KZT 14.8 bln. and KZT 20.8 bln.), 6-year MEUKAMs (KZT 4.3 bln.), 7-year MEUKAMs (KZT 15.5 bln.), and 12-year MEUKAMs (KZT 11.5 bln.).

The effective yield on placed securities was as follows: on 12-month MEKKAMs – 2.70% and 2.80%, on 5-year MEOKAMs – 4.04% and 5.47%, on 6-year MEUKAMs – 5.70%, on 7-year MEUKAMs – 5.80%, and on 12-year MEUKAMs – 6.40%.

At end-August 2013, the volume of outstanding securities of the Ministry of Finance amounted to KZT 3209.7 bln., having increased by 1.7% versus the previous month.

Short-term Notes of the National Bank of Kazakhstan. During August 2013, the emission volume of the National Bank's notes totaled KZT 3.7 bln.

Four auctions to place 3-month notes (KZT 1.5 bln., KZT 1.0 bln., KZT 0.7 bln. and KZT 0.5 bln.) were held. The effective yield on 3-month notes was 1.99%, 1.99%, 1.99% and 2.00%, respectively.

At end-August 2013, the volume of notes in circulation reduced by 10.3% as compared to July 2013 and amounted to KZT 34.0 bln.

5. Interbank Money Market

In July 2013 as compared to June 2013, the total volume of placed interbank deposits increased by 7.2%, amounting to the equivalent of KZT 2 452.6 bln.

The volume of placed interbank deposits in the Tenge increased by 84.9% and amounted to KZT 210.7 bln. (8.6% of the total volume of placed deposits). In July 2013, the average weighted interest rate on the placed deposits in the US Dollar decreased from 1.23% to 0.88%.

In July 2013 as compared to June 2013, the volume of placed Dollar deposits increased by 2.6% and amounted to US\$ 13.9 bln. (86.5% of the total volume of placed deposits). In July 2013, the average weighted interest rate on the placed deposits in the US Dollar remained unchanged – 0.09%.

Over the month, the volume of deposits placements in the Russian ruble has increased by 1.7% and totaled RUR 25.6 bln. (4.9% of the total volume of placed deposits). The average weighted interest rate on the placed deposits in the Russian ruble increased from 5.01% to 5.07%.

The volume of deposits placements in the Euro is insignificant – 0.1% of the total volume of placed deposits.

During July 2013, the share of foreign currency interbank deposits decreased from c 95.0% to 91.4% of the total volume of placed deposits. The share of foreign currency deposits placed with non-resident banks decreased from 94.6% to 90.7% of the total volume of placed interbank deposits.

The volume of deposits taken from banks by the National Bank in July 2013 as compared to June 2013 has shown a two-fold growth and totaled KZT 177.7 bln.

6. Deposit Market

During July 2013, the overall volume of deposits of residents with depository institutions increased by 1.5% to KZT 10 205.8 bln. (since the beginning of the year – the growth by 13.5%). During the month, deposits of legal entities increased by 1.4% to KZT 6 539.2 bln. (since the beginning of the year – the growth by 16.3%), and deposits of individuals increased by 1.7% to KZT 3 666.7 bln. (since the beginning of the year – the growth by 8.7%).

In July 2013, the volume of deposits in the domestic currency decreased by 5.3% to KZT 6 25.7 bln. (legal entities – the decrease by 5.2%, and individuals – the decrease by 5.3%), and the volume of foreign currency deposits increased by 14.4% to KZT 3 951.1 bln. (legal entities – the growth by 15.6%, and individuals – the growth by 12.7%). The percentage of the Tenge deposits has decreased over the month from 65.7% to 61.3%.

During July 2013, household deposits with banks (including non-residents) increased by 1.6% to KZT 3 701.7 bln. (since the beginning of the year – the growth by 8.6%). In the structure of household deposits, deposits in the Tenge decreased by 5.3% to KZT 2 100.8 bln., and foreign currency deposits increased by 12.4% to KZT 1 600.9 bln. Within household deposits, the percentage of deposits in the Tenge has decreased from 60.9% to 56.8%.

During July 2013, time deposits increased by 0.9% to KZT 6 648.4 bln. Within time deposits, deposits in the Tenge decreased by 4.1% to KZT 3 981.9 bln., and foreign currency deposits increased by 9.4% to KZT 2 666.5 bln.

In July 2013, the average weighted interest rate on the Tenge time deposits of non-bank legal entities was 3.5% (in June 2013 – 3.6%), and on deposits of individuals – 6.5% (6.8%).

7. Credit Market

During July 2013, the total volume of bank credits to the economy increased by 1.5%, amounting to KZT 10 707.7 bln. (since the beginning of the year – the growth by 7.5%).

The volume of credits in the domestic currency decreased by 0.2% to KZT 7 535.7 bln. (since the beginning of the year – the growth by 7.0%), and the volume of foreign currency credits increased by 5.9% to KZT 3 172.0 bln. (since the beginning of the year – the growth by 8.8%). Over the month, the percentage of credits in the Tenge has decreased from 71.6% to 70.4%.

In July 2013, long-term lending increased by 1.8%, amounting to KZT 8 723.8 bln., and short-term lending increased by 0.4% to KZT 1 983.9 bln. Over the month, the percentage of long-term credits has increased from 81.3% to 81.5%.

During July 2013, the volume of credits to legal entities increased by 0.9% to KZT 7 386.6 bln., and the volume of credits to individuals increased by 3.1% to KZT 3 321.1 bln. Over the month, the percentage of credits to individuals has increased from 30.5% to 31.0%.

During July 2013, the SME lending decreased by 0.9% to KZT 1 459.9 bln. (since the beginning of the year – the growth by 3.4%), accounting for 13.6% of total 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 19.6%), construction (13.0%), industry (12.1%), transport (3.4%) and agriculture (3.0%).

In July 2013, the average weighted interest rate on the Tenge credits provided to non-bank legal entities was 10.4% (in June 2013 – 10.3%), and on credits to individuals – 19.6% (19.5%).