

National Bank
National Bank
of the Republic of Kazakhstan

Inflation Report
for the 4th Quarter of 2012

Table of Contents

Table of Contents	2
Basic Terms and Definitions	3
List of Figures and Tables	5
Summary	7
Evaluation of the Inflation Forecasts for the 4th Quarter of 2012 and for 2012 as a Whole	7
Inflation Forecast for 2013	8
1. Inflationary Processes	10
1.1. Consumer Prices	10
1.2. Core Inflation	11
1.3. Prices in the Real Sector of the Economy	13
1.3.1. <i>Prices in the Industry</i>	13
1.3.2. <i>Prices in Agriculture</i>	14
1.3.3. <i>Monitoring of Enterprises</i>	15
2. Inflation Factors	18
2.1. Aggregate Demand	18
2.1.1. <i>Individual Consumption and Investment Demand</i>	18
2.1.2. <i>Government Consumption</i>	20
2.1.3. <i>External Sector</i>	22
2.2. Production	27
2.3. Labor Market	29
2.3.1. <i>Employment and Unemployment</i>	29
2.3.2. <i>Wages and Productivity</i>	30
3. Money Supply	32
3.1. Monetary Aggregates	32
3.1.1. <i>Reserve Money</i>	32
3.1.2. <i>Money Supply</i>	33
3.1.3. <i>Cash in Circulation</i>	34
3.2. Financial Market	34
3.2.1. <i>Deposits of Residents</i>	34
3.2.2. <i>Credits to the Economy</i>	37
3.2.3. <i>Bank Assets and Liabilities</i>	40
3.2.4. <i>Financial Market Rates</i>	43
4. Monetary Policy Instruments and Operations	45
4.1. Interventions in the Domestic Foreign Exchange Market	47
4.2. Minimum Reserve Requirements	48
4.3. Open Market Operations	49
4.4. Standing Facilities	51

Basic Terms and Definitions

In Section 1. Inflationary Processes

Inflation in the Republic of Kazakhstan is calculated based on the consumer price index (CPI) that characterizes changes in the overall prices for goods and services purchased by the population for personal consumption in the cities of Astana and Almaty, in all regional centers and in a selected number of towns and district centers. The consumer basket for calculation of inflation reflects the structure of household expenditures and contains 508 goods and services which represent the largest portion in the consumption of population.

Core inflation – is the inflation that excludes short-term uneven price changes under the influence of certain factors of an administrative, circumstantial, and seasonal nature.

Since 2004 the Agency of Statistics of the Republic of Kazakhstan has been calculating core inflation using five different methods:

- core inflation-1: inflation that does not take into account the rise in prices for vegetables, fruit, gasoline, and coal;
- core inflation-2: inflation that does not take into account the rise in prices for vegetables, fruit, regulated services, and energy resources;
- core inflation-3: does not take into account the five largest and five smallest price hikes;
- core inflation-4: trimmed mean – in the calculation of CPI the components with the cumulative weight of less than 8% and more than 92% are excluded, i.e. the goods and services whose prices have changed (increased or decreased) most of all are not taken into account;
- core inflation-5: median CPI – in the calculation of CPI all price changes are intercepted except for the one which is in the middle of the series ranged by the change in prices, i.e. static median. Median CPI will be equal to the change in the price of the first component which cumulative weight is equal to or exceeds 50%.

Inflationary expectations among enterprises in the real sector are surveyed within framework of **Monitoring of Enterprises**, which has been performed by the National Bank since 2002. These surveys are characterized by qualitative estimates by the managers of the enterprises surveyed of the enterprises' production activity ("will rise," "will fall," "will remain unchanged"), including demand and prices for finished products and for the raw materials and supplies used in the previous quarter and the coming quarter.

The diffusion index is derived as the sum of "will rise" responses and half of the "remain unchanged" responses. This index is a generalized indicator that characterizes the trends in the change of a reviewed indicator. An index value above 50 means a positive change in the indicator, and the value below 50 means a negative change.

In Section 2. Inflation Factors

Proceeds to the budget include revenues (tax proceeds, non-tax proceeds, proceeds from disposal of capital assets), repayment of budget credits, and proceeds from disposal of the national financial assets.

Budget expenditures are the expenses (both current and capital expenditures), budget credits, and acquisition of financial assets.

In Section 3. Money Supply

Base Money (reserve money) includes cash issued by the National Bank excluding cash in till of the National Bank (currency outside the National Bank), transferable and other bank deposits, transferable deposits of non-bank financial institutions, and current accounts of public and private non-financial institutions in Tenge with the National Bank.

Narrow money refers to base money not including other bank deposits with the National Bank.

The M1 Monetary Aggregate is calculated as the sum of cash in circulation and transferable deposits held by non-bank legal entities and the public in Tenge.

The M2 Monetary Aggregate is equal to the M1 monetary aggregate plus other deposits in Tenge and transferable deposits of non-bank legal entities and the public in foreign currency.

Money supply (M3) is determined on the basis of consolidation of balance sheet accounts of the National Bank and banks. It consists of cash in circulation and transferable and other deposits of legal entities – residents and households – residents in the domestic and foreign currency.

Transferable deposits refer to all deposits which: 1) can be converted into cash at face value at any moment in time without any penalties and restrictions; 2) are freely transferable through a check, draft or endorsement orders; and 3) are widely used for making payments. Transferable deposits represent a part of the narrow money.

Other deposits primarily include savings and time deposits that only can be withdrawn on expiration of a certain period of time, or can have different restrictions which make them less convenient for use in the ordinary commercial transactions and, mainly, meet the requirements established for saving mechanisms. In addition, other deposits also include non-transferable deposits and deposits denominated in foreign currency.

The **KazPrime Index** represents the average weighted rate of interest on interbank deposits with the banks that are the parties to the Agreement on Formation of the KazPrime Index of Kazakhstan Interbank Deposits with Banks. Each quotation includes the rate for the attraction and placement of funds to the deposit of one of the parties to the Agreement, as well as the volumes of attracted and placed funds. The minimum quotation amount is KZT 150 mln. The maximum spread between quotations is one hundred basis point (1.00% per annum). The standard term for an interbank deposit was three months at the time when the project was launched.

In Section 4. Monetary Policy Instruments and Operations

The National Bank's **participation coefficient** in currency auctions on the Kazakhstan Stock Exchange (KASE) is calculated as the ratio of the National Bank's net participation (purchase minus sale of foreign currency) to the net volume of trading on the KASE.

The balance of the National Bank's operations in the money market is calculated as a sum of the change in the volume of short-term notes in circulation, deposit and correspondent account balances with the National Bank, and net operations on purchase and sale of government securities.

List of Figures and Tables

Figures

- Figure 1. Actual and forecasted inflation in 2012
- Figure 2. Dynamics of quarterly inflation and its components
- Figure 3. Dynamics of annual inflation and its components
- Figure 4. Dynamics of quarterly inflation and core inflation
- Figure 5. Dynamics of annual inflation and core inflation
- Figure 6. Dynamics of the producer price index
- Figure 7. Dynamics of the agricultural price index
- Figure 8. Diffusion indices of the change in the demand and prices
- Figure 9. Contribution of components of aggregate demand to the growth in GDP
- Figure 10. Dynamics of personal spending and income
- Figure 11. Dynamics of spending on investments in fixed capital
- Figure 12. State budget execution
- Figure 13. State budget execution (annual data)
- Figure 14. Dynamics of world prices for metals
- Figure 15. Dynamics of world prices for oil (Brent), and wheat (USA)
- Figure 16. Current account balance
- Figure 17. Indices of real exchange rates of the Tenge
- Figure 18. Dynamics of the nominal exchange rate of the Tenge versus the U.S. dollar
- Figure 19. Dynamics of the official exchange rate of the Tenge versus the Euro and the Russian ruble
- Figure 20. Contribution of key sectors of the economy to the growth in real GDP
- Figure 21. The structure of the economically active population
- Figure 22. Actual unemployment rate
- Figure 23. Dynamics of labor productivity and real wages
- Figure 24. Dynamics of monetary aggregates
- Figure 25. Dynamics of the money multiplier and its components
- Figure 26. Dynamics of deposits and interest rates
- Figure 27. Dynamics of the change in deposits of legal entities
- Figure 28. Dynamics of the change in deposits of individuals
- Figure 29. Dynamics of credits to the economy and their interest rates
- Figure 30. Dynamics of credits to legal entities
- Figure 31. Dynamics of credits to the population
- Figure 32. Dynamics of bank assets
- Figure 33. Structure of bank assets
- Figure 34. Dynamics of bank liabilities
- Figure 35. Structure of bank liabilities
- Figure 36. Dynamics of the KazPrime index and the official refinancing rate
- Figure 37. Dynamics of rates on REPO operations
- Figure 38. Balance of the National Bank's operations in the domestic market
- Figure 39. Boundaries of the National Bank's interest rates band
- Figure 40. Balances of correspondent accounts of banks with the National Bank
- Figure 41. Volume of trading in the domestic foreign exchange market
- Figure 42. Coefficient of the National Bank's participation in the Kazakhstan Stock Exchange
- Figure 43. Compliance with minimum reserve requirements
- Figure 44. Volume of placed short-term notes and their yield
- Figure 45. Short-term notes in circulation

- Figure 46. Volume of deposits and interest rates on deposits attracted by the National Bank
Figure 47. Volume of outstanding liabilities of the National Bank on deposits attracted from banks
Figure 48. Volume of the National Bank's refinancing loans
Figure 49. Volume of outstanding liabilities on the National Bank's refinancing loans

Tables

- Table 1. Change in price indices and terms of trade
Table 2. Dynamics of changes in the National Bank's assets and liabilities
Table 3. Dynamics of changes in the money supply
Table 4. Dynamics of changes in deposits of residents

Summary

According to the information from the Agency of Statistics of the Republic of Kazakhstan, at the end of 2012 the inflation accounted for 6.0% (in 2011 – 7.4%), which fully corresponds to the target of 6-8% established by the National Bank for 2012.

When characterizing the trends in the inflationary processes in the country, it should be noted that in the first half of 2012 the trend of a slowdown in the inflation which outlined in August 2011, was observed. To this end, the National Bank was gradually lowering the official refinancing rate from c 7.5% in February to 5.5% in August 2012.

In the second half of 2012, a minor acceleration of inflation was observed. The major factors that induced inflationary pressure in the country were the increased prices for paid services, impact generated by external inflationary trends (in particular, on the Russian side). Also, climate and seasonal factors had their impact.

Apart from those, fundamental factors adding structural features to the inflation such as monopolization of the goods and services markets as well as increasing income of the population continue to be relevant.

In the second half of 2012, the development rates of the economy slightly slowed down: if at the end of the 1st quarter of 2012 the real GDP growth accounted for 5.6%, during 2012 as a whole the real GDP growth accounted for 5.0%. It should be mentioned that the growth of the economy also represents one of the factors building up the inflationary pressure in the country. Given that the growth in money supply accounted for 7.9% in 2012, and the growth in total lending – 13.0%, a conclusion may be made that the economy has sufficient monetary resources to develop all industries and ensure uninterrupted turnover of goods, works and services.

The foreign exchange policy of Kazakhstan in 2012 hasn't undergone any changes. The regulator, while adhering to the announced managed float exchange rate regime, tried to prevent dramatic and significant fluctuations of the Tenge exchange rate with a view to preserve the foreign exchange market equilibrium. As a whole, during 2012 the exchange rate remained stable, with the National Bank's participation in the foreign exchange market operations remaining minimal.

In 2012, changes were made to the minimum reserve requirements with regard to determining the minimum reserve requirement ratios per se, the structure of bank liabilities and the structure of reserve assets.

The issue of short-term notes of the National Bank and the deposit-taking served as the main instruments for regulation of short-term liquidity in the money market. During 2012 as compared to 2011, the volume of issued short-term notes decreased by 3.5 times and amounted to KZT 857.2 bln. The volume of notes in circulation in December 2012 as compared to December 2011, decreased by 63.5% to KZT 186.1 bln.

During 2012, deposits worth KZT 5.0 trln. were attracted from the second-tier banks, which is by 2.6 times less than in 2011. Bank correspondent accounts balances with the National Bank amounted to KZT 58.9 bln. as of the end of December 2012.

Evaluation of the Inflation Forecasts for the 4th Quarter of 2012 and for 2012 as a Whole

The actual inflation rate (2.0%) in the 4th quarter of 2012 was lower than the forecast (2.7-2.9%), published in the previous issue of the Inflation Report. Actual inflation had been lower than the forecast throughout the quarter.

The major growth in prices in the 4th quarter of 2012 was for paid services and foodstuffs. In their structure, the increased prices and tariffs for such services as utilities,

including gas supply, hot and cold water supply, as well as transport services should be pointed out. In the group of foodstuffs, the increase in prices for fruit and vegetable production, eggs, dairy products, and oils and fats should be pointed out. The increase in prices for non-food products was moderate in the 4th quarter of 2012.

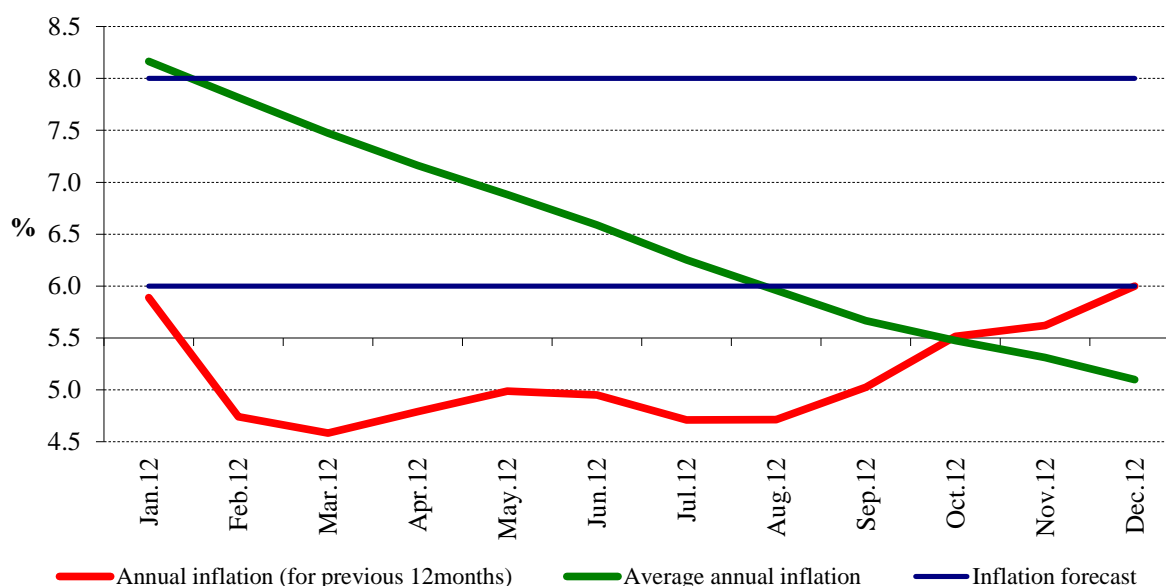
As a whole, at the year-end 2012 one may note that the inflationary processes in Kazakhstan were building up due to the increased prices for foodstuffs in the 1st and 4th quarters, and due to the increased prices for paid services to the population - in the 2nd - 4th quarters. The rates of growth in prices for non-food products were moderate in 2012.

In 2012, the highest rates of growth in prices were observed among such goods and services as meat products, fruit and vegetable production, certain types of utilities, transport services, healthcare services, communications, and education services.

The actual annual inflation at the year-end 2012 accounted for 6.0%, being fully in line with the target (6.0-8.0%) established by the National Bank for the year 2012 (Figure 1).

Figure 1

Actual and forecasted inflation in 2012



Source: National Bank of the Republic of Kazakhstan

Inflation Forecast for 2013

The situation in the consumer market in 2013 will generally remain stable. Its dynamics is expected to be similar and comparable with that of 2012. At the same time, the increase in inflationary pressure is not excluded, due to a number of factors among which such factors as a stable growth in the money income of the population, gradual recovery of lending activity of the banking sector, high level of monetization as well as low level of competition in certain markets of goods and services, should be pointed out. Moreover, unstable situation in the global commodity markets may be conducive to the increase in prices for consumer goods and services within Kazakhstan.

In order to preserve stability in the consumer market, in 2013 the National Bank jointly with the Government and local executive authorities will continue implementing an anti-inflationary policy aimed to supply necessary goods to the market, increase competition, develop the trade infrastructure, and preclude the facts of price collusion. The National Bank will continue taking measures for flexible regulation of the money supply by maintaining it at the level adequate to the country's economic development.

In January 2013, the Monetary Policy Guidelines of the Republic of Kazakhstan for the year 2013 were approved. In this document, the National Bank identified key goals and objectives for the coming year, as well as the monetary policy measures aimed to ensure the price stability, financial sector stability, and stability of the exchange rate of the Tenge.

In 2013, the National Bank will continue working on enhancing the role of its monetary policy in regulating the short-term Tenge liquidity in the money market. This assumes the introduction of new instruments, in addition to the use of the existing ones.

The foreign exchange policy will be implemented based on the managed float exchange rate regime. Operations in the domestic foreign exchange market will be conducted with a view to smoothen dramatic swings in the exchange rate of the Tenge without impacting the buildup of the general trend of the exchange rate driven by the market drivers.

The adoption of certain measures of monetary regulation will be aimed to achieve a key goal of the National Bank – ensuring price stability and keeping inflation within the target band of 6-8% at end-2013.

Inflation Forecast for the 1st Quarter of 2013. Some acceleration in inflationary processes is expected at the beginning of the year. This is associated, in the first instance, with the seasonality factors: there might be an increase in prices for fruit and vegetable production, meat products, and dairy products. Based on these expectations, in the 1st quarter of 2013 the inflation may be about 2.0%. Respectively, annual inflation may exceed 7.0% at end-March 2013. In the subsequent months, the inflation will slow down, however, it is not excluded that in 2013 the inflation will slightly exceed the inflation figures for 2012.

Inflation Forecast for the 2nd Quarter of 2013 is 1.4-1.6% (in the 2nd quarter of 2012 actual inflation was at 1.7%), which corresponds to the annual inflation of 6.6-6.8% at end-June 2013.

In April-June 2013, the decrease in prices for certain foodstuffs such as eggs, dairy products is expected, and the rates of growth in prices for fruits and vegetables and animal products will slow down.

1. Inflationary Processes

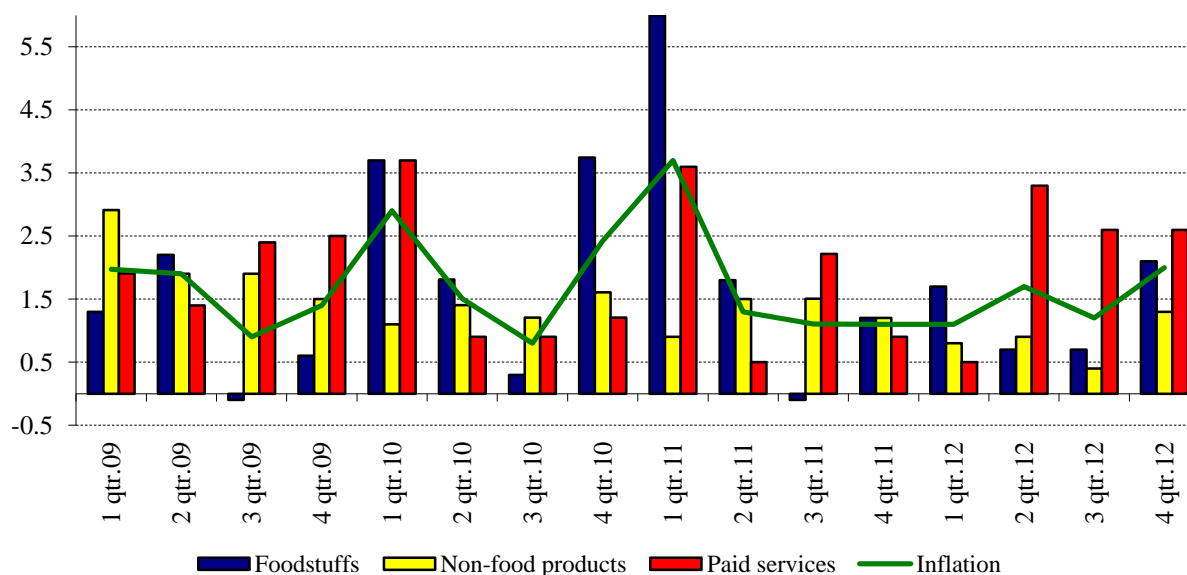
1.1. Consumer Prices

In the 4th quarter of 2012, there was an increase in the quarterly inflation which was at 2.0% (in the 4th quarter of 2011 – 1.1%), whereas in the 3rd quarter of 2012 it was at 1.2%. During October-December 2012, inflation was building up mainly because of the growth in tariffs for paid services.

In the 4th quarter of 2012, prices for foodstuffs increased by 2.1% (during the 4th quarter of 2011 – by 1.2%), for non-food products – by 1.3% (by 1.2%). During the period the price of paid services increased by 2.6% (by 0.9%) (Figure 2). A high rate of growth in tariffs for paid services is explained by the increased prices for a number of utility services, where the change in tariffs at the beginning of 2012 was postponed.

Figure 2

Dynamics of quarterly inflation and its components (as % of the previous period)



Source: Agency of Statistics of the Republic of Kazakhstan

In December 2012 as compared to September 2012, the highest increase in prices among foodstuffs was demonstrated for such products as eggs – by 14.6%, macaroni products – by 5.0%, sun flower oil – by 5.1%, flour – by 3.8%, meat and meat products – by 1.7%, including for lamb meat – by 2.2%, poultry – by 1.9%, horse meat – by 1.8%, pork – by 1.7%, as well as the price for fish and sea food – by 1.4%. During the reviewed period the prices for fruits and vegetables increased by 3.0%, including beetroot – by 6.0%, potatoes – by 4.5%, and cabbage – by 2.8%. Prices for cereals decreased by 0.7%, including buckwheat – by 2.0%, and millet – by 0.5%. The price of sugar decreased by 4.1%.

During the reporting period, in the group of non-food products the prices for clothes and footwear increased by 1.6%, prices for domestic goods increased by 0.9%, including tableware and cutlery – by 0.7%, detergents and scoring products – by 0.7%, and medications – by 0.5%. The price of gasoline increased by 2.5%, and the price of diesel fuel – by 5.1%.

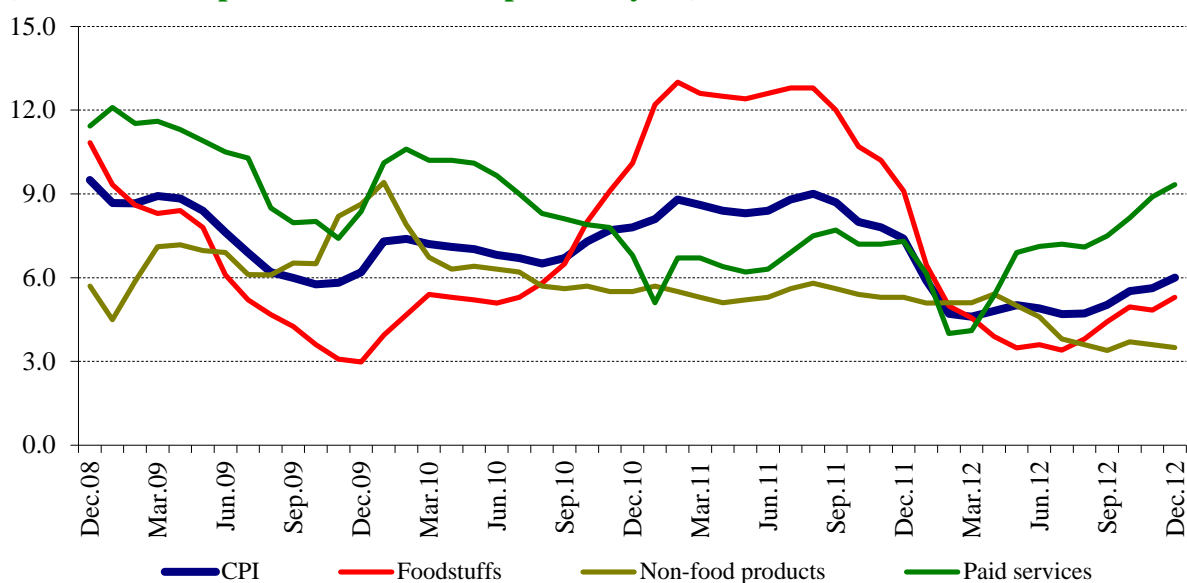
During October-December 2012, in the structure of paid services, the utility services increased in price by 3.1%. The price of hot water increased by 5.1%, district heating – by

5.8%, gas transported by distribution networks – by 4.9%, sewage system – by 2.6%, solid waste collection – by 3.2%. Also, prices for transport services increased – by 2.6% (because of increased prices for services of automobile transport – by 3.4%), for education services – by 1.5%, including the services of pre-school and elementary school education – by 3.9%, and secondary education – by 3.3%.

In 2012 as a whole, the annual inflation accounted for 6.0% (in December 2011 – 7.4%). Over the last 12 months the price of foodstuffs has increased by 5.3% (by 9.1%), of non-food products – by 3.5% (by 5.3%), and of paid services – by 9.3% (by 7.3%) (Figure 3).

Figure 3

**Dynamics of annual inflation and its components
(as % of the respective month of the previous year)**



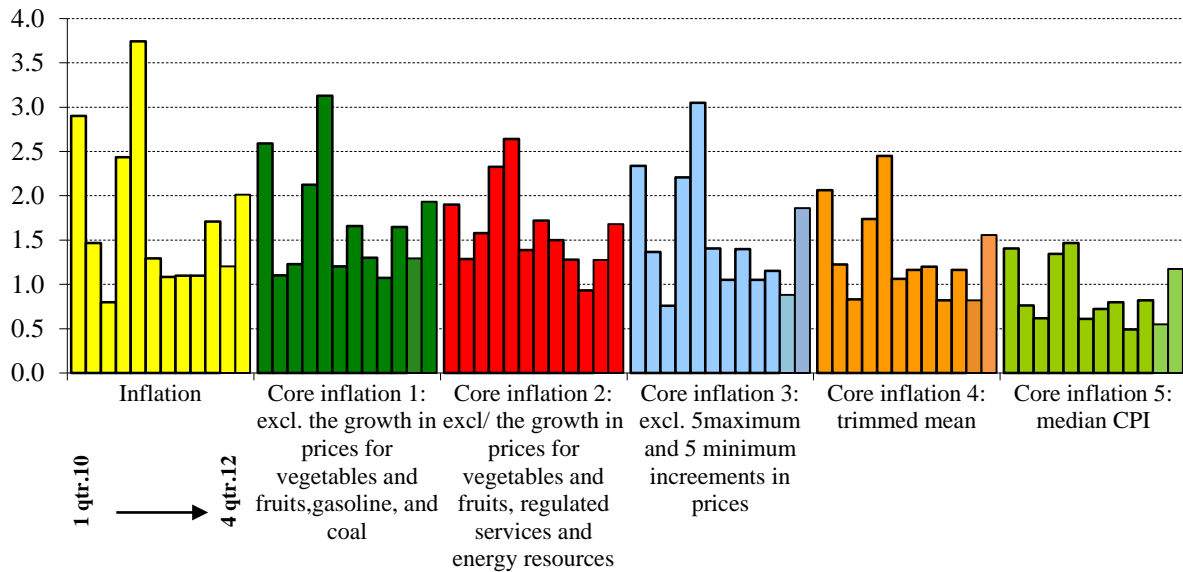
Source: Agency of Statistics of the Republic of Kazakhstan

1.2. Core Inflation

In the 4th quarter of 2012, core inflation indicators were at a higher level as compared to the previous quarter. As compared to the respective period of 2011, higher rates were also observed in respect of all core inflation indicators. However, all core inflation indicators didn't exceed those of the headline inflation (Figure 4). This was caused by high rates of growth in prices for some goods and services that are excluded from the calculation of the core inflation. Inter alia, they may include fruit and vegetable production, fuel and lubricants, and utilities.

Figure 4

**Dynamics of quarterly inflation and core inflation
(as % of the previous period)**



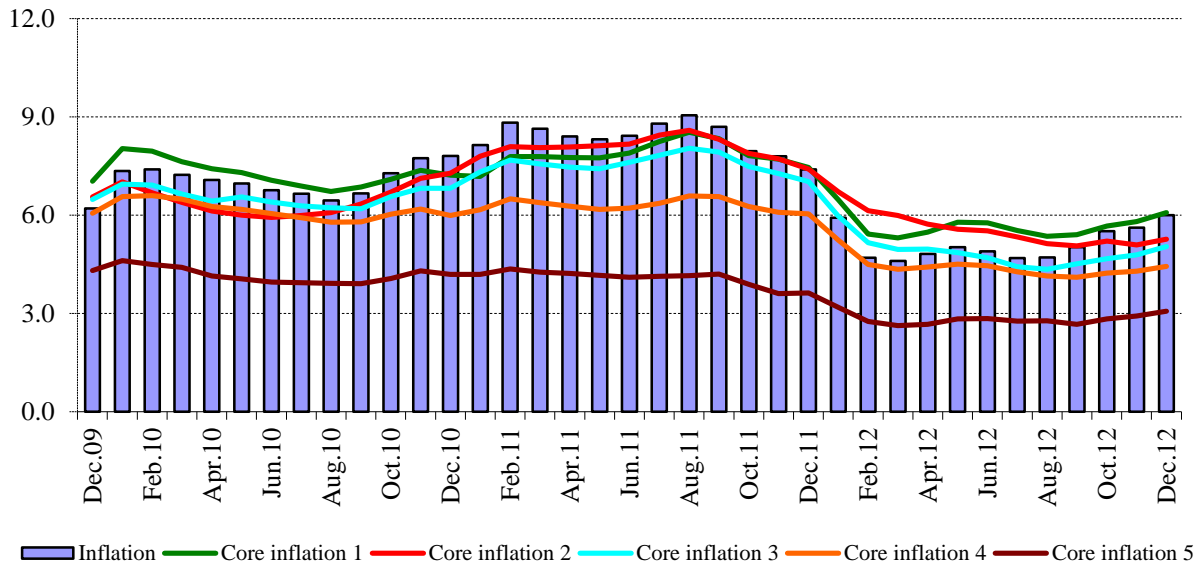
Source: Agency of Statistics of the Republic of Kazakhstan

In the 4th quarter of 2012, core inflation indicators in annual terms generally demonstrated the upward dynamics (Figure 5). Only core inflation-2 somewhat slowed down in November but accelerated again in December. At the same time, only core inflation-1 exceeded the headline inflation at the end of 2012, whereas all other core inflation indicators were at a lower level.

At end-December 2012, all core inflation indicators in annual terms were at a lower level as compared to. December 2011. This is an evidence of the slowdown in inflationary processes, against the minimal impact by the monetary factors on the inflation (Figure 5).

Figure 5

**Dynamics of annual inflation and core inflation
(as % of the respective month of the previous year)**



Source: Agency of Statistics of the Republic of Kazakhstan

1.3. Prices in the Real Sector of the Economy

1.3.1. Prices in the Industry

In the 4th quarter of 2012, the producer prices have increased by 1.0% (in the 4th quarter of 2011 – the decrease by 0.3%). The cost of output increased in price by 0.6%, at the same time the price of interim consumption products increased by 0.5%, the price of production means increased by 0.9%, and the price of consumer goods increased by 1.8%. The prices for production services increased by 1.0%.

In the 4th quarter of 2012, due to the decreased world oil prices in November and December as compared to October, prices in the mining industry remained unchanged as compared to their growth by 2.2% in the previous period (in the 4th quarter of 2011 – the growth by 0.9%).

The price of energy resources, after its increase in the previous quarter by 2.2%, in the 4th quarter of 2012 increased by 0.4% (in the 4th quarter of 2011 – the growth by 0.6%). In the composition of energy resources, the cost of oil extraction increased, due to its growth in October, by 0.5% (in the 4th quarter of 2011 – the growth by 0.7%), and the cost of gas condensate decreased by 2.3% (in the 4th quarter of 2011 – remained unchanged).

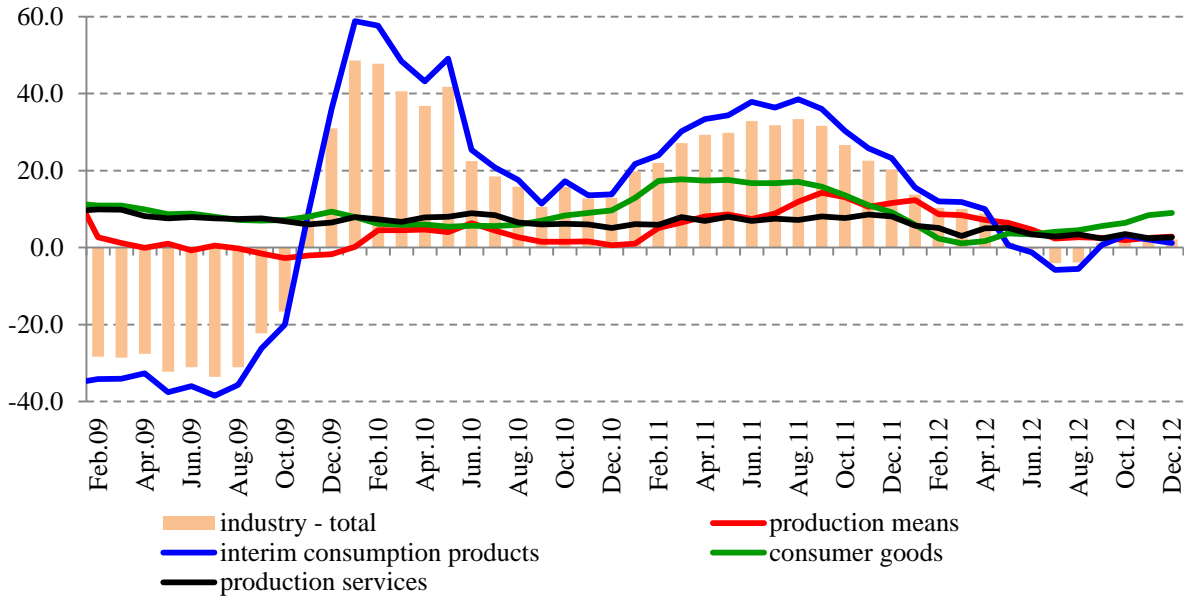
Prices in the manufacturing industry, in the absence of changes in the previous quarter, in the reporting quarter increased by 2.3% (in the 4th quarter of 2011 – the decrease by 0.3%). In the 4th quarter of 2012, prices in the metallurgical industry increased by 2.0%, the cost of foodstuffs production increased by 2.9%, and the price of refined products increased by 8.4%.

In the 4th quarter of 2012, prices for electric energy, gas and vapor supply and air conditioning increased by 2.0% (in the 4th quarter of 2011 – remained unchanged).

In December 2012, the growth in prices in the industry in annual terms (December 2011 versus December 2012) accounted for 2.1% (in December 2011 the price growth accounted for 20.3% in annual terms)(Figure 6).

Figure 6

**Dynamics of the producer price index
(as % of the respective month of the previous year)**



Source: Agency of Statistics of the Republic of Kazakhstan

The cost of output increased by 2.1% in annual terms, where the cost of interim consumption products increased by 1.2%, the cost of consumer goods increased by 9.0%, and of production means – by 2.8%. The cost of production services increased by 2.7%.

1.3.2. Prices in Agriculture

In the 4th quarter of 2012, prices for agricultural production realized across all channels increased by 19.2% (in the 4th quarter of 2011 – the decrease by 8.6%). The dynamics of prices in agriculture was impacted by a higher rate of growth in the price for plant production, as compared to animal production.

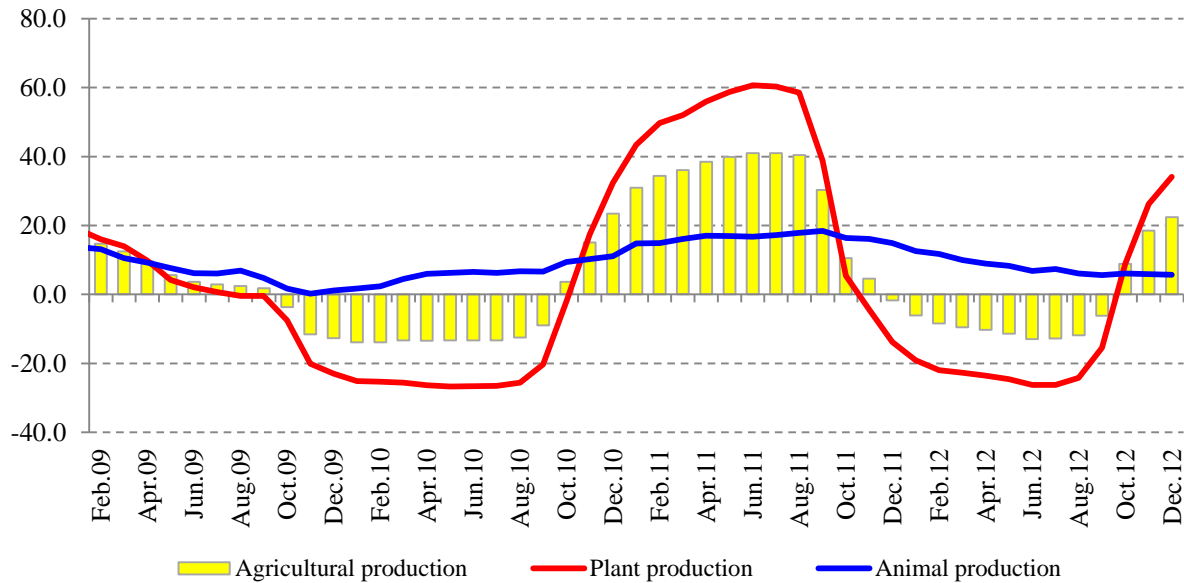
As compared to the increase in prices in the previous quarter by 6.2%, during October-December 2012 the price of plant production increased by 28.8% (in the 4th quarter of 2011 – the decrease by 18.8%). Among the plant production, the prices for grain cultures increased by 32.7%, the price of vegetables increased by 10.8%, and the price of potatoes grew by 7.0%.

The price of animal production, after its growth by 1.5% in the 3rd quarter of 2012, in the 4th quarter of 2012 increased by 5.1% (in the 4th quarter of 2011 – the growth by 5.0%). During October-December 2012, prices for meat and poultry increased by 2.1%, the price for unpasteurized milk increased by 8.2%, and the price of eggs increased by 17.2%.

At end-December 2012, prices for agricultural products in annual terms increased by 22.4%. The price of plant production increased by 34.1%, and the price of animal production increased by 5.7% (Figure 7).

Figure 7

Dynamics of the agricultural price index (as % of the respective month of the previous year)



Source: Agency of Statistics of the Republic of Kazakhstan

1.3.3. Monitoring of Enterprises

In the 4th quarter of 2012, the growth in the demand for final products of enterprises notable decreased in the real sector of the economy as a whole. This is evidenced by the diffusion index of the change in the demand for final products, which decreased to 51.9 (from 56.8 in the 3rd quarter). The indicator decreased due to an increase in the share of enterprises with decreased demand for their products to 20.9% (from 15.1% in the 3rd quarter) and the decrease in the share of enterprises that noted the increase in the demand for their products to 24.7% (from 28.7 % in the 3rd quarter).

The decrease in the demand for final products was observed in all sectors, except for the "transport and communication" sector, where the demand decreased: the diffusion index in these sectors decreased to 48.7 and 49.7, respectively. The highest slowdown in the growth in the demand was observed in agriculture (the diffusion index decreased to 61.0 from 69.7 in the 3rd quarter), which is related to the seasonality factor. The lowest degree of the slowdown in the growth in demand was observed in such industries as the mining industry and manufacturing industry, "trade, repair of cars, domestic appliances and personal care items". Alongside with that, in the 4th quarter of 2012 the growth rates increased only in two sectors – "production and distribution of electricity, gas and water" and "hotels and restaurants" (the diffusion index was 62.4 and 56.1, respectively).

In the 1st quarter of 2013 as compared to the 4th quarter of 2012, a slight growth in the demand for final products is anticipated in the real sector as a whole: the diffusion index of the change in the demand was 50.9, according to expectations of enterprises. Alongside with that, the growth in the demand is anticipated in the majority of sectors, with the most notable growth being anticipated in the sector of "production and distribution of electricity, gas and water": the diffusion index – 64.9. At the same time, the decrease in the demand is anticipated in such sectors as "hotels and restaurants" (45.6), "transport and communication" (47.6), "trade, repair of cars, domestic appliances and personal care items" (49.3), manufacturing industry (49.4) and construction (49.5).

In the 4th quarter of 2012, prices for final products of enterprises in the real sector of the economy as a whole, despite some slowdown in their growth, continued to grow at a moderate pace: the diffusion index of the change in prices for final products was 57.5 (in the 3rd quarter of 2012 – 58.1), with the number of enterprises which noted the price growth decreasing to 21.1% (from 22% in the 3rd quarter of 2012), the number of enterprises which noted the decrease in price increased to 6% (from 5.9% in the 3rd quarter of 2012).

The highest increase in the growth of prices for final products, although with some slowdown in their growth, occurred in the agricultural sector where the diffusion index was 65.6 (in the 3rd quarter of 2012 – 68.2) and the mining industry: the diffusion index decreased to 55.2 (from 57.4 in the 3rd quarter of 2012). In other sectors of the economy the growth rates of prices were also slightly decreasing, and only such sectors as "hotels and restaurants", "real estate operations, rent and services to enterprises" and "transport and communication" demonstrated increasing price growth rates (the diffusion indices increased from 50.8, 54.5 and 54 in the 3rd quarter of 2012 to 57, 55.9 and 55.4, respectively).

Prices for final products of enterprises manufacturing consumer goods and providing services (hereinafter – prices for consumer goods and services) in the 4th quarter of 2012, just like in the real sector of the economy as a whole, continued to grow at a moderate pace: the diffusion index was 60.5 (in the 3rd quarter – 61.1).

In the 1st quarter of 2013, a continuing moderate growth in prices for final products is anticipated, alongside with some increase in the rate: the diffusion index of the change in prices for final products accounted for 60. The increased rates of growth in prices are anticipated by enterprises in all sectors other than agriculture and the sectors of "hotels and restaurants". The highest growth in prices for final products is anticipated in the sector of "production and distribution of electricity, gas and water" and in the manufacturing industry and construction, in the sectors of "transport and communication" and "real estate operations, rent and services to enterprises".

In the 1st quarter of 2013, the trend of a moderate growth in prices for consumer goods and services is expected to continue, with a slight increase in the growth rates: the diffusion index went up to 62.

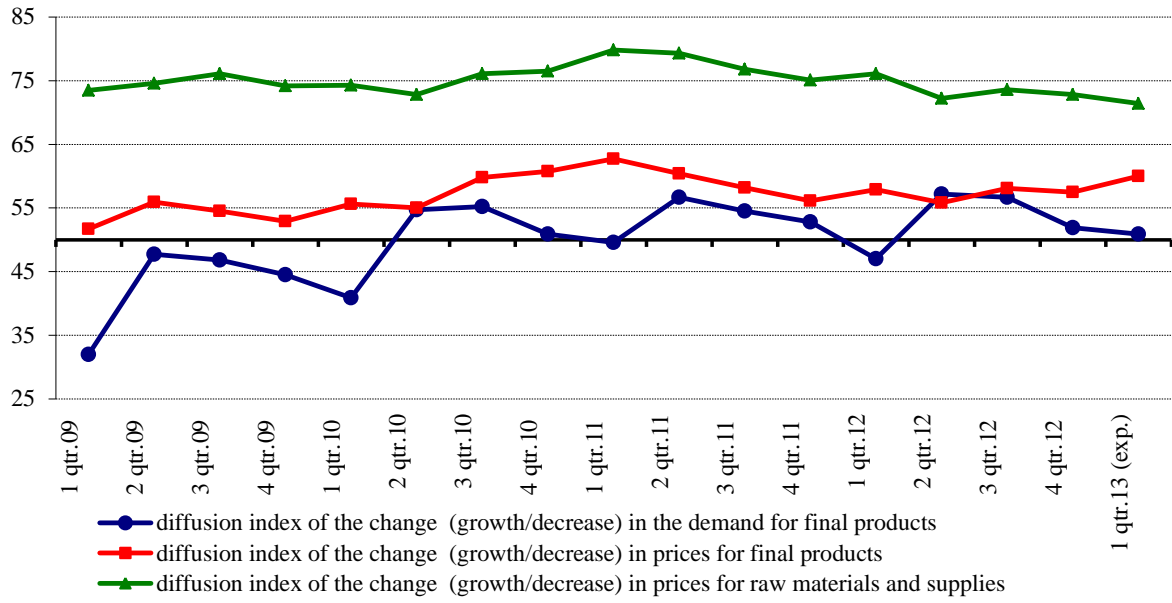
In the 4th quarter of 2012, the rates of growth in prices for raw materials and supplies slightly decreased: the diffusion index of the change in prices was 72.8 (in the 3rd quarter of 2012 – 73.5). The decreased rates of growth in prices are observed in agriculture, "production and distribution of electricity, gas and water" and "trade, repair of cars, domestic appliances and personal care items". A slight slowdown in the rates of growth in prices was observed in the construction sector. At the same time, such sectors as "hotels and restaurants", "transport and communication", and "real estate operations, rent and services to enterprises" demonstrated a significant increase in the rates of growth in prices. In the sample as a whole, the share of enterprises that noted the growth in prices for raw materials and supplies accounted for 48.6%, and only 3.2% of enterprises noted the decrease in prices.

For the 1st quarter of 2013, the diffusion index of the change in prices for raw materials and supplies fell to 71.4, according to expectations by the enterprises, which means some slowdown in the price growth rates versus the 4th quarter. The indicator fell because of a minor decrease in the percentage of enterprises which anticipate the price growth.

Thus, judging from the dynamics of the relevant diffusion indices, anticipations of the enterprises about the 1st quarter of 2013 are associated with some growth in the demand for final products, slight increase in the growth rates of prices for final products and some slowdown in the growth of prices for raw materials and supplies (Figure 8).

Figure 8

Diffusion indices of the change in the demand and prices



Source: National Bank of the Republic of Kazakhstan

2. Inflation Factors

2.1. Aggregate Demand

The GDP based on the final consumption method as compared to the respective period of 2011, increased in real terms, according to estimate, by 5.1% (the growth in the 3rd quarter of 2011, according to estimate, accounted for 7.2%, the growth in the 2nd quarter of 2012 – 5.5%).

In the 3rd quarter of 2012, the GDP was growing under the impact of the growth in spending on final consumption caused by the increased households spending on current consumption and general government spending on current consumption, gross formation and decreased net exports.

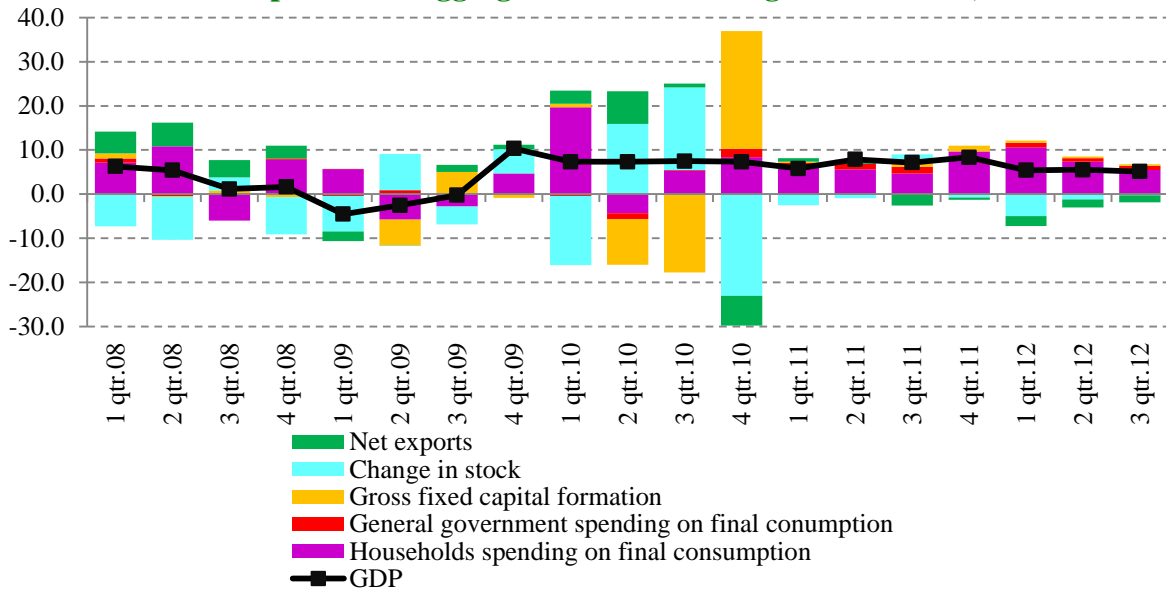
On the whole, according to estimates and as compared to the respective quarter of 2011, spending on final consumption increased in the 3rd quarter of 2012 by 11.5% (2nd quarter of 2012 – the growth by 13.3%), gross formation increased by 0.2% (the decrease by 3.6%), and net exports decreased by 59.0% (the decrease by 13.2%).

As a result, household spending on consumption and general government spending on consumption respectively made positive contribution to the formation of the GDP growth of (+)5.5% and (+)0.9%, and the gross formation increased GDP by (+)0.1%.

Within the gross formation, fixed capital formation accounted for (+)0.4%, and the change in stock accounted for (-)0.3%. In their turn, net exports made negative contribution to the GDP growth of (-)1.6% (Figure 9).

Figure 9

Contribution of components of aggregate demand to the growth in GDP, %



Source: Information of the Agency of Statistics of the Republic of Kazakhstan, estimates by the National Bank of the Republic of Kazakhstan

2.1.1. Individual Consumption and Investment Demand

In the 3rd quarter of 2012, household spending on final consumption increased versus the respective period of 2011 by 11.4% (in the 2nd quarter of 2012 – the growth by 14.1%).

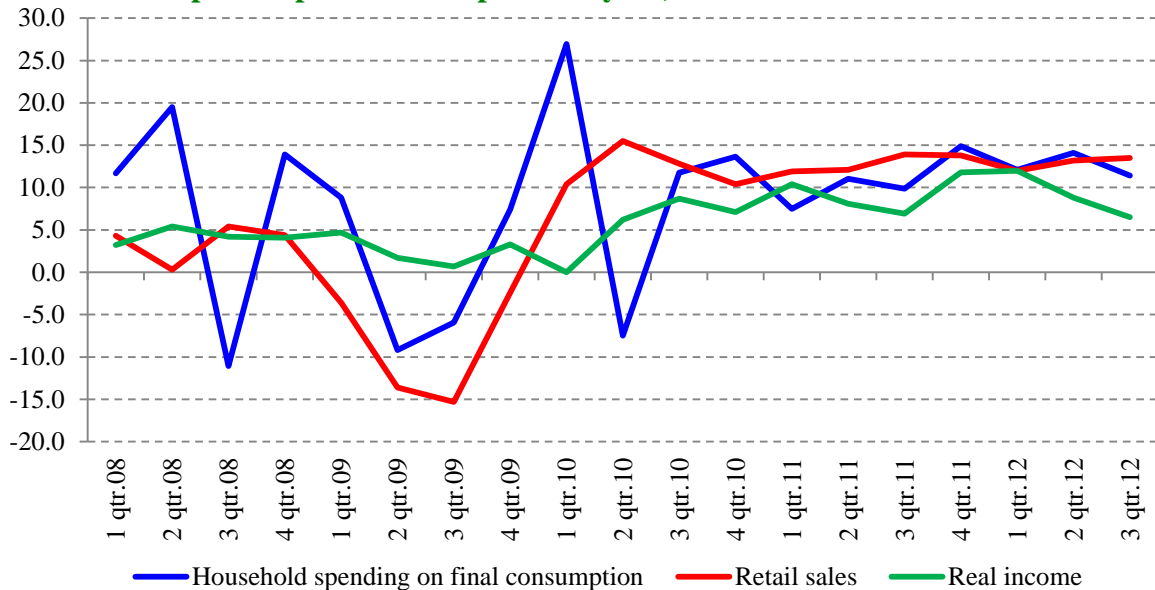
In the 3rd quarter of 2012, the growth rate of per capita income in nominal terms slowed down to 11.6% (in the 2nd quarter of 2012 – the growth by 14.2%), and in real terms it slowed down to 6.5% (the growth by 8.8%). At the same time, the slowdown in the growth

rates of household income didn't significantly affect retail sales whose rate even slightly accelerated, as compared to the 2nd quarter of 2012, accounting for 13.5% (in the 2nd quarter of 2012 – the growth by 13.2%).

The acceleration in the growth rates of retail sales was minor and didn't significantly affect one of the key GDP components by the final consumption method, namely the growth in household spending on final consumption, which increased by 11.4%, whereas a quarter before the growth reached 14.1% (Figure 10).

Figure 10

**Dynamics of personal spending and income
(as % of the respective period of the previous year)**



Source: Information of the Agency of Statistics of the Republic of Kazakhstan, estimates by the National Bank of the Republic of Kazakhstan

The slowdown in the households income was to a certain extent offset by a growing lending activity.

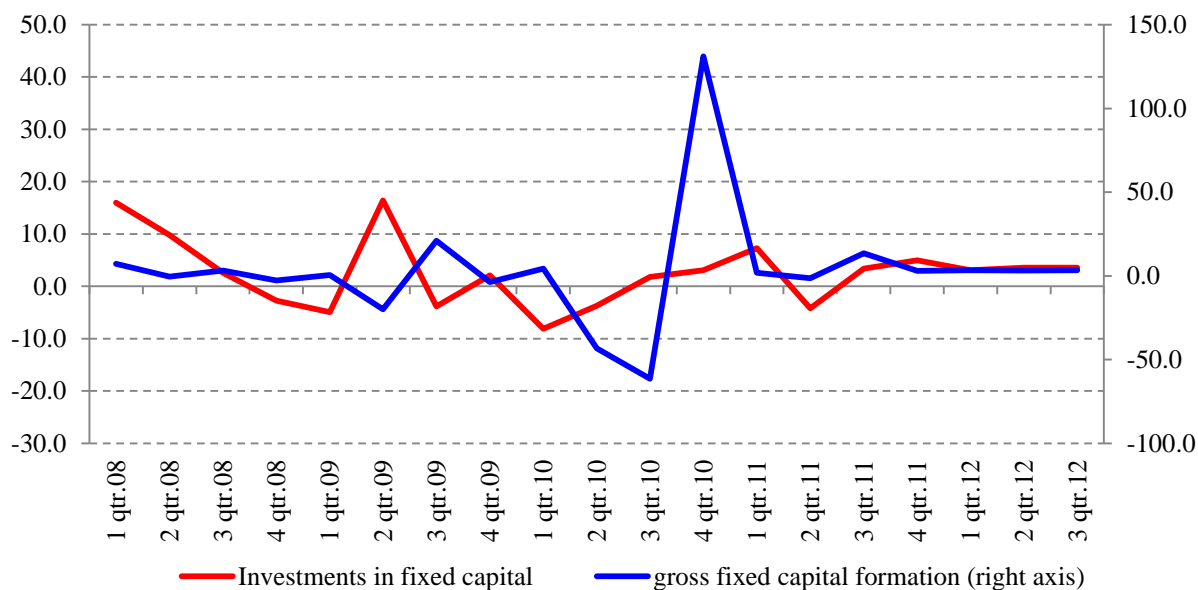
After the growth in credits to the population in the 1st quarter of 2012 by 1.4%, in the 2nd quarter of 2012 by 6.3%, in the 3rd quarter of 2012 the growth rate accelerated to 6.6%. At the same time, the growth in consumer lending accelerated in the 3rd quarter of 2012 to 12.0%, versus the growth by 10.6% in the 2nd quarter of 2012.

Minor slowdown in the rate of growth of gross fixed capital formation, which increased by 3.3% (the 2nd quarter of 2012 – the growth by 3.2%), made positive contribution to the GDP growth of (+)0.4%; in doing so, the second component i.e. the change in stock made negative contribution reducing the GDP growth DP by (-)0.3%.

Despite the increased investment activity of enterprises, which resulted in the increase in the volume of fixed capital investments in the 3rd quarter of 2012 by 3.6% (in the 2nd quarter of 2012 the growth also accounted for 3.6%), the increase in gross formation was more moderate, although the general trend was corresponding to the increased volume of investments (Figure 11).

Figure 11

Dynamics of spending on investments in fixed capital (as % of the respective period of the previous year)



Source: Information of the Agency of Statistics of the Republic of Kazakhstan, estimates by the National Bank of the Republic of Kazakhstan

2.1.2. Government Consumption

Spending on final consumption by the general government in the 3rd quarter of 2012 as compared to the respective period of 2011, increased by 12.3% (in the 2nd quarter of 2012 – the growth by 10.8%).

In general, during the 3rd quarter of 2012, the state budget spending was financed in the amount of KZT 1 598.6 bln. or 20.4% of GDP (as compared to the 3rd quarter of 2011 it increased by 14.7%).

Current state budget expenditures totaled to KZT 1.2 trln. or exceeded expenditures in the 3rd quarter 2011 by 18.5%. Within the current expenditures the following items demonstrated significant increase as compared to the respective quarter of 2011: costs related to current expenditures abroad (by 2.7 times), other current expenditures (61.6%), purchase of services (28.4%), purchase of goods (22.2%), payments of interest on foreign loans (20.6%), and current transfers to legal entities (20.1%).

In the 3rd quarter of 2012, capital expenditures in the state budget increased by 8.6% as compared to the respective period of 2011, mainly due to increased expenditures for major overhaul and for the fixed capital formation. Expenditures for capital transfers abroad and within the country remained unchanged.

In the 3rd quarter of 2012, credits from the budget increased significantly as compared to the 3rd quarter of 2011, by 6.9 times, mainly because of the local budget credits. On the contrary, expenditures for the acquisition of financial assets decreased by 61.1%.

During January-September 2012, state budget revenues amounted to KZT 1 337.6 bln. or 17.1% of GDP, which is by 3.0% less than in January-September 2011. In the structure of the state budget revenues two items are still prevailing: tax revenues – 67.1% (in the 3rd quarter of 2011 – 71.5%), and official transfers – 29.6% (26.2%). High percentage of official transfers was secured by the receipt of the guaranteed transfer from the National Fund of the Republic of Kazakhstan to the republican budget in the amount of KZT 395.0 bln.

As a whole, in the 3rd quarter of 2012, tax revenues decreased by 8.6% as compared to the 3rd quarter of 2011. The decrease occurred due to the revenues from corporate income tax, revenues from the use of natural and other resources and the value-added tax.

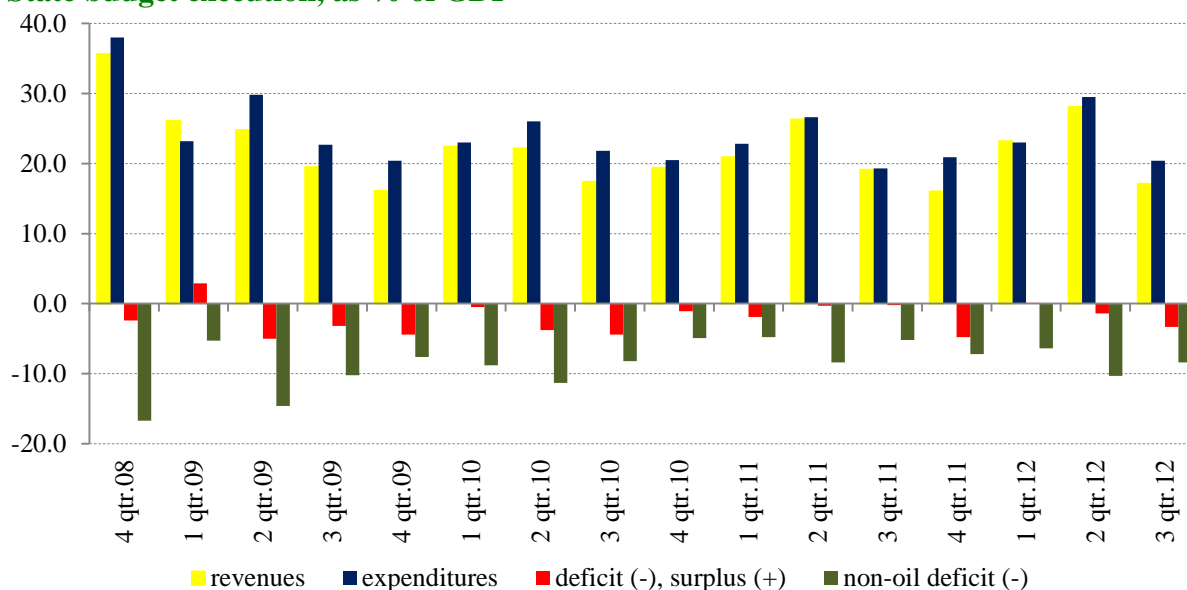
In the 3rd quarter of 2012 as compared to the 3rd quarter of 2011, non-tax revenues increased by 59.2%, mainly due to the growth in revenues from the public property, from fines, penalties, sanctions, and charges imposed by state-owned institutions which are funded from the state budget as well as state-owned institutions maintained and funded from the budget (cost estimate) of the National Bank of the Republic of Kazakhstan, from received grants and other non-tax revenues.

In the 3rd quarter of 2012, receipts of transfers increased as compared to the 3rd quarter of 2011 by 9.7%, receipts from the sale of fixed capital slightly increased (by 0.9%).

Since expenditures were in excess of revenues in the 3rd quarter of 2012, the state budget showed up a deficit of KZT 261.0 bln. (3.3% of GDP), whereas in the 3rd quarter of 2011 the deficit amounted to KZT 14.4 bln. (0.2% of GDP) (Figure 12). It should be noted that without the guaranteed transfer of KZT 395.0 bln. to the republican budget from the National Fund, the 3rd quarter of 2012 would have ended with the non-oil deficit of KZT 656.0 bln.

Figure 12

State budget execution, as % of GDP



Source: Ministry of Finance of the Republic of Kazakhstan, estimates by the National Bank of the Republic of Kazakhstan

During the 3rd quarter of 2012, the Ministry of Finance borrowed KZT 259.4 bln., mainly by issuing government issue-grade securities. During the same period debentures were also extinguished on securities issued earlier in the amount of KZT 75.0 bln. As a result, account balances of the Government of the Republic of Kazakhstan with the National Bank decreased by KZT 76.7 bln.

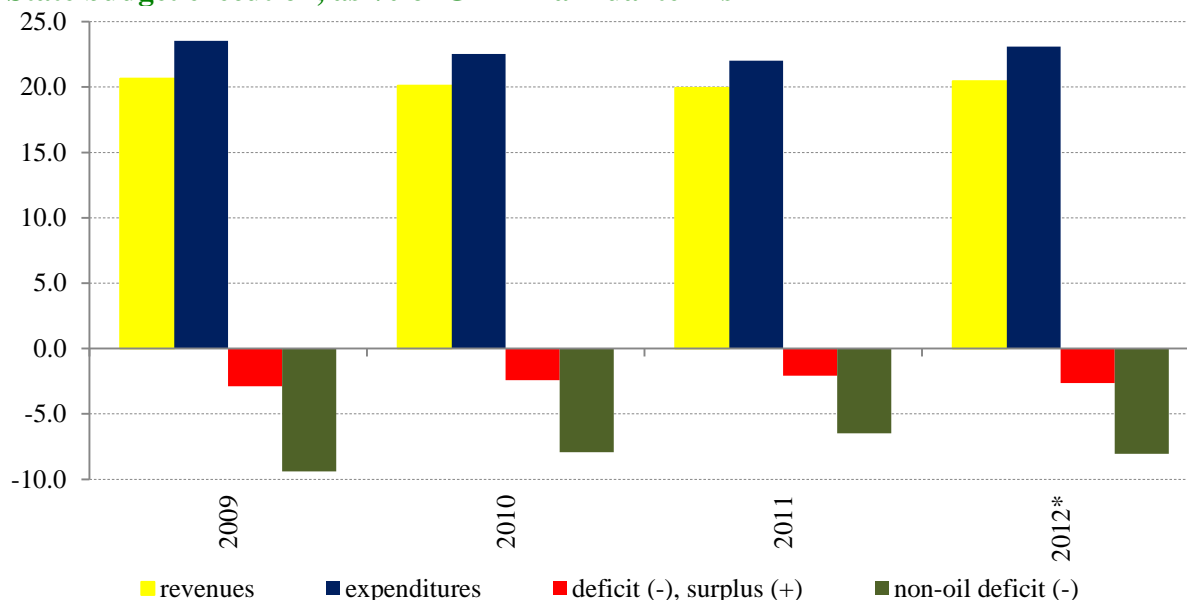
Government domestic debt during the 3rd quarter of 2012 increased to KZT 2 541.9 bln. (32.4% of GDP), i.e. by 32.6% as compared to the 3rd quarter of 2011 (26.5% of GDP). The growth was secured by the issue of government long-term treasury obligations (MEUKAM), government long-term savings treasury obligations (MEUZHKAM) and government medium-term treasury obligations (MEOKAM).

The Government's external debt in the 3rd quarter of 2012 increased by 14.0% as compared to the 3rd quarter of 2011 (8.7% of GDP) and amounted to KZT 679.3 bln. (8.2% of GDP).

In the 3rd quarter of 2012, the deficit accounted for 2.7% of GDP in annual terms (in 2011 – 0.1% of GDP) (Figure 13).

Figure 13

State budget execution, as % of GDP in annual terms



Source: Ministry of Finance of the Republic of Kazakhstan, estimates by the National Bank of the Republic of Kazakhstan

* - for the period from the 4th quarter of 2011 through the 3rd quarter of 2012

2.1.3. External Sector

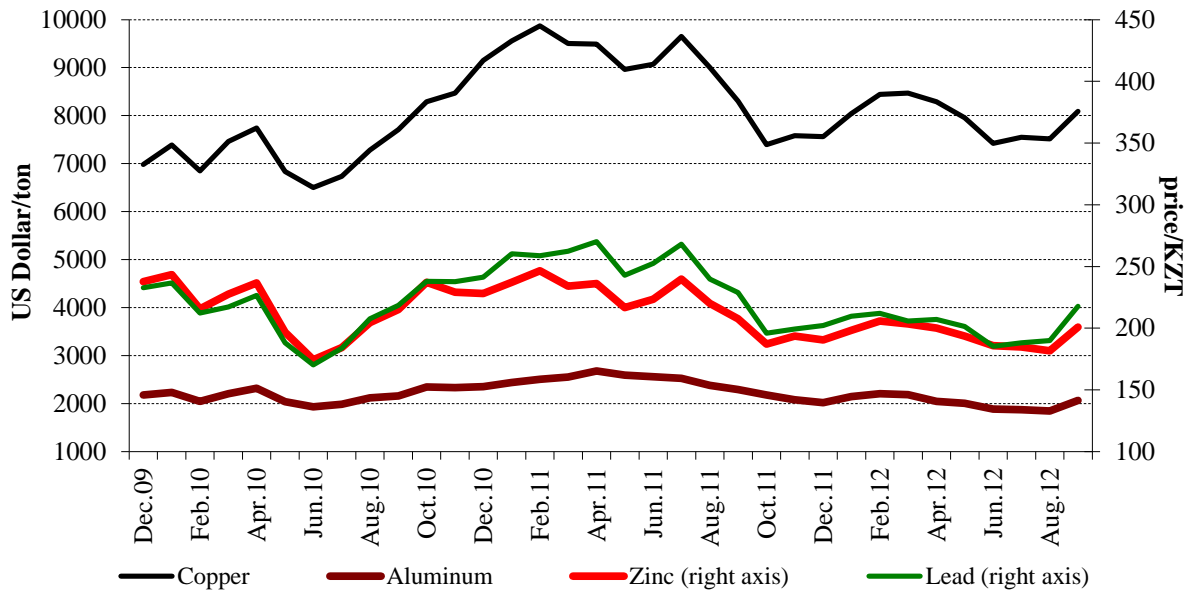
– World Prices

In the 3rd quarter of 2012, the situation in the global commodity markets was characterized by multi-directional trends: there was a growth in prices in one group of commodity items, whereas in other commodity items the price stability or decreasing prices were observed.

In the 3rd quarter of 2012, prices for certain metals were decreasing at the beginning of the period, and in September prices started to grow again. So, copper prices in the 3rd quarter of 2012 decreased by 2.0% and during the period were at US\$ 7729 per ton on average during the period. During the 3rd quarter of 2012, prices for aluminum decreased by 2.7% and amounted to US\$ 1929 per ton. In July-September, world prices for lead increased by 0.4%, amounting to 198.7 US cents per a kilo on average during the period. Prices for zinc decreased by 2.1% with the average price of 189.2 US cents per a kilo during the period (Figure 14).

Figure 14

Dynamics of world prices for metals



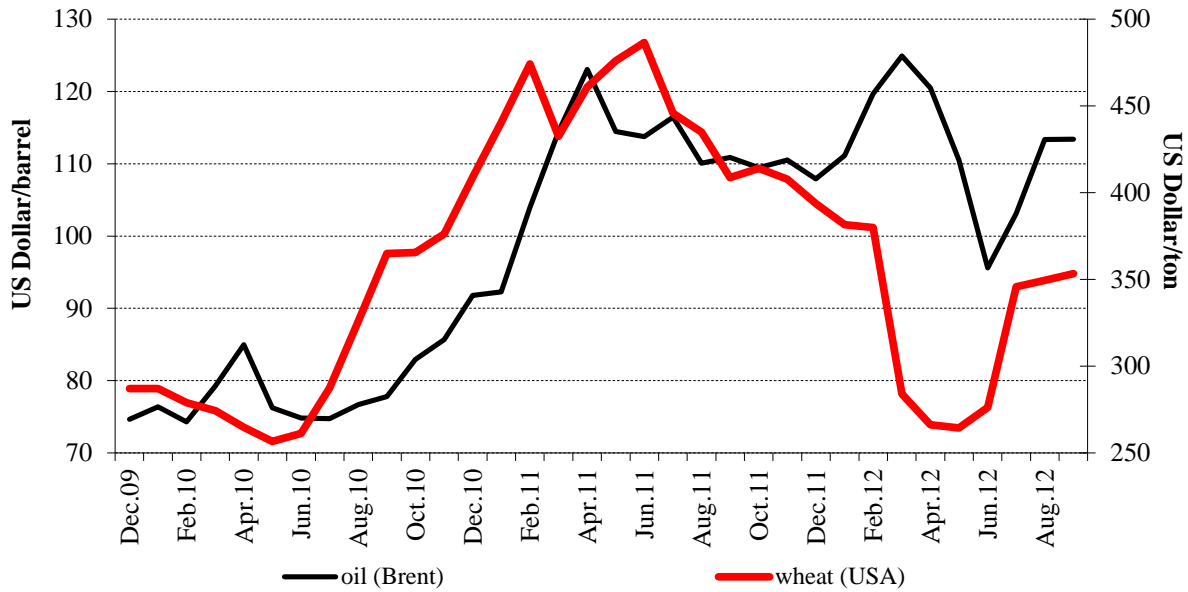
Source: World Bank

In the 3rd quarter of 2012, as compared to the 2nd quarter of 2012, world prices for oil (Brent) increased by 1.0%, and were at US\$ 109.95 per barrel on average during the period (Figure 15).

World prices for wheat were gradually increasing throughout the period. During the 3rd quarter of 2012 as a whole, as compared to the previous period, the world price for wheat (USA) increased by 29.9%, being on average at US\$ 349.5 per ton (Figure 15).

Figure 15

Dynamics of world prices for oil (Brent) and wheat (USA)



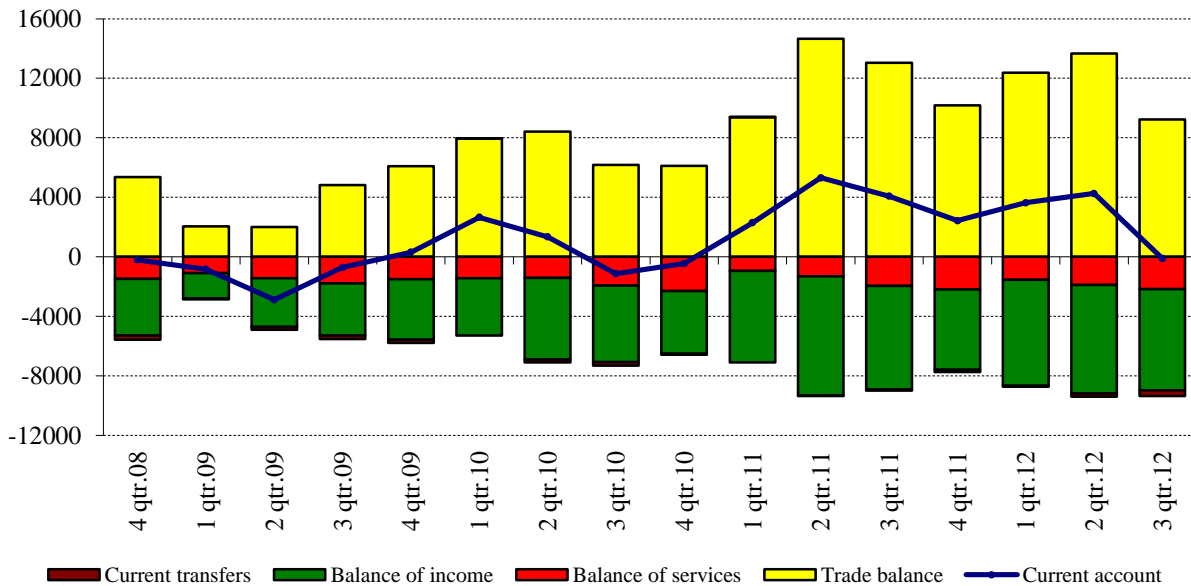
Source: World Bank

– Balance of Payments

At the end of the 3rd quarter of 2012, the current account balance was in deficit of US\$ 111.3 mln. or -0.2% versus the GDP in the respective period (Figure 16).

Figure 16

Current account balance, US\$ mln.



Source: National Bank of the Republic of Kazakhstan

In the 3rd quarter of 2012, proceeds from the exports of goods decreased by 4.5% to US\$ 22.7 bln., and expenditures on commodity imports increased by 29.6% as compared to the 3rd quarter of 2011, amounting to US\$ 13.5 bln. The trade surplus decreased by 31.0% and amounted to US\$ 9.2 bln. In the 3rd quarter of 2012 as compared to the 3rd quarter of

2011, the deficit in the balance of services increased by 11.4% to US\$ 2.2 bln., and the deficit in the income balance decreased by 3.0% and amounted to US\$ 6.8 bln. Net payouts to non-residents on current transfers amounted to US\$ 378.4 mln.

Net outflow of resources on financial account operations in the 3rd quarter of 2012 amounted to US\$ 2.8 bln. (in the 3rd quarter of 2011 – a net outflow of US\$ 1.9 bln.). Foreign assets of residents (except for reserve assets) increased by US\$ 7.2 bln., as compared to the growth by US\$ 3.9 bln. in the respective period of 2011. Foreign liabilities of residents also increased by US\$ 4.5 bln. (the increase by US\$ 2.0 bln. in the 3rd quarter of 2011).

As a result, the negative balance of payments for the 3rd quarter of 2012 amounted to US\$ 3.6 bln. (in the 3rd quarter of 2011 – a negative balance of US\$ 1.6 bln.).

– **Terms of Trade and the Real Effective Exchange Rate**

In the 3rd quarter of 2012, the aggregate terms of trade index was by 9% lower than the respective indicator for 3rd quarter of 2011. Alongside with that, the terms of trade with the Euro zone countries didn't change, and with Russia – deteriorated by 20% (Table 1).

Table 1

Change in price indices and terms of trade
(as % of the respective period of the previous year)

	3 qtr.11	4 qtr.11	1 qtr.12	2 qtr.12	3 qtr.12
Export prices	55	34	11	0	-9
Import prices	10	9	5	-13	2
Terms of trade	41	23	7	15	-9
including:					
Euro Zone countries					
Export prices	53	36	18	4	-10
Import prices	15	12	14	-7	-10
Terms of trade	31	20	5	13	0
Russia					
Export prices	62	45	9	-8	-16
Import prices	11	2	0	-19	1
Terms of trade	40	44	10	12	-20

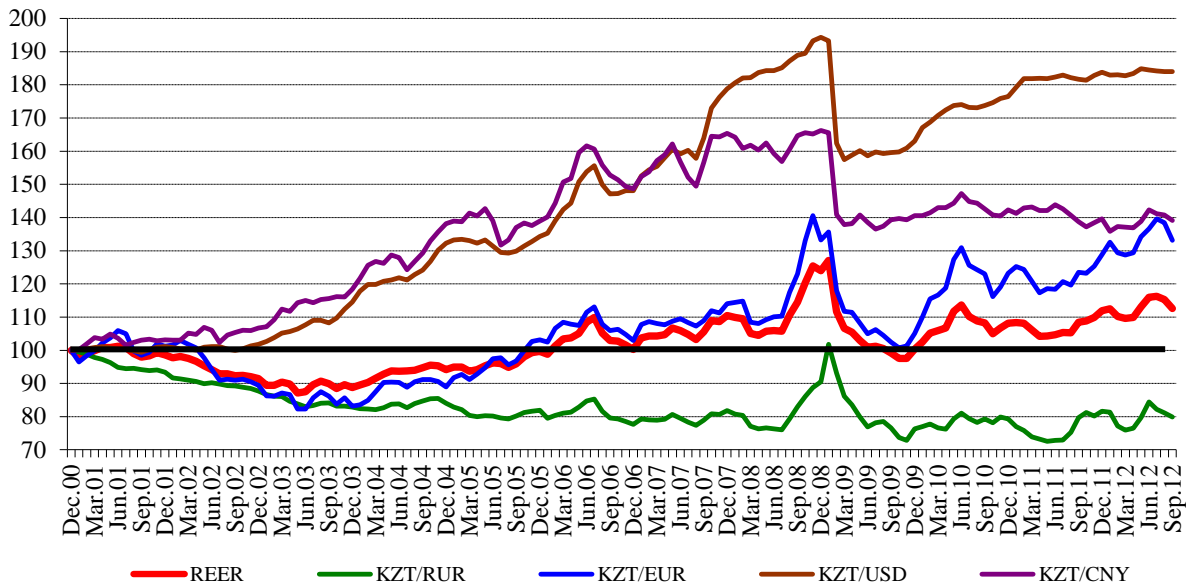
Source: National Bank of the Republic of Kazakhstan

At the end of the 3rd quarter of 2012 as compared to the previous period, the index of the real effective exchange rate of the Tenge appreciated by 1.5%. Alongside with that, the Tenge has appreciated versus the CIS currencies basket by 0.9%, and by 1.8% – versus the basket of other currencies.

During the 3rd quarter of 2012, the Tenge depreciated in real terms against the US Dollar by 0.1% as compared to the previous period, appreciated against the Euro – by 2.7% and appreciated against the Russian ruble by 1.1% (Figure 17).

Figure 17

**Indices of real exchange rates of the Tenge
(December 2000 = 100%)**



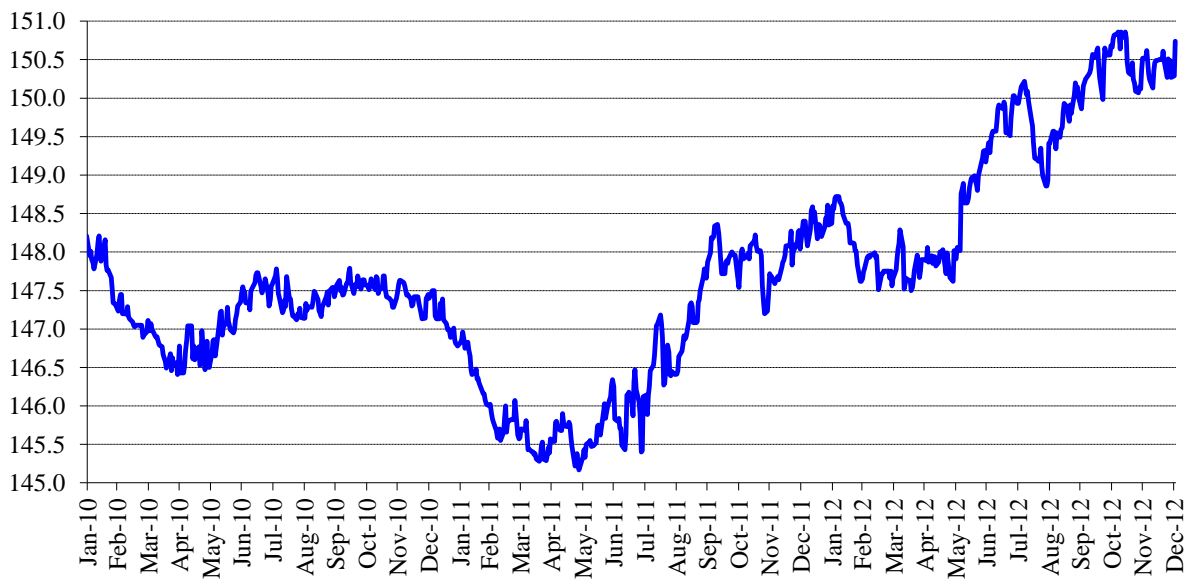
Source: National Bank of the Republic of Kazakhstan

– Nominal Exchange Rate of the Tenge

The average weighted exchange rate of the Tenge in the 4th quarter of 2012 was KZT 150.41 per 1 US Dollar. The stock exchange rate at end-period was KZT 150.74 per 1 US Dollar. Since the beginning of the year the Tenge has depreciated versus the US Dollar in nominal terms by 1.6% (Figure 18).

Figure 18

Dynamics of the nominal exchange rate of the Tenge against the U.S. Dollar



Source: National Bank of the Republic of Kazakhstan

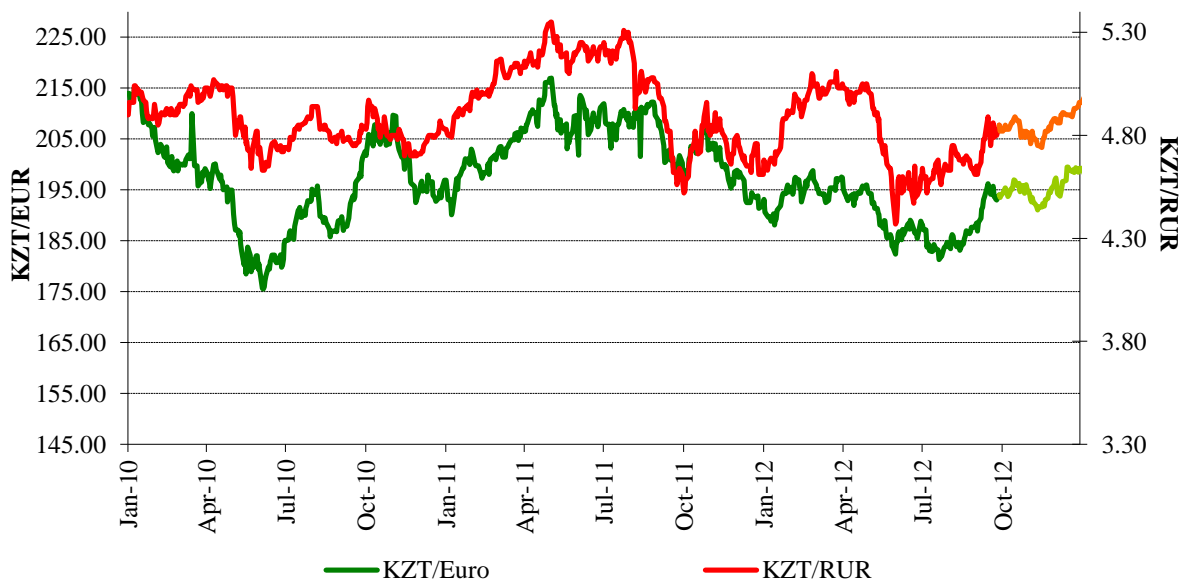
In October and December the Tenge depreciated versus the US Dollar by 0.6% and 0.15%, respectively, and in November it appreciated by 0.2%.

Since the transaction volumes in the Euro and the Russian ruble remain insignificant in the stock exchange segment of the domestic foreign exchange market, the exchange rate of the Tenge versus those currencies is calculated based on the cross-rate to the US Dollar. So, the dynamics of the exchange rate of the Tenge versus the Euro and the Russian ruble was driven by the dynamics of the exchange rate of the Tenge versus the US Dollar, the status of the common European currency in the international financial market and the policy implemented by the Central Bank of Russia in respect of the exchange rate of the Russian ruble against the currency basket.

During the 4th quarter of 2012 as a whole, the official exchange rate of the Tenge versus the Euro depreciated by 2.8%, and versus the Russian ruble – by 2.9% (Figure 19).

Figure 19

Dynamics of the official exchange rate of the Tenge against the Euro and the Russian ruble



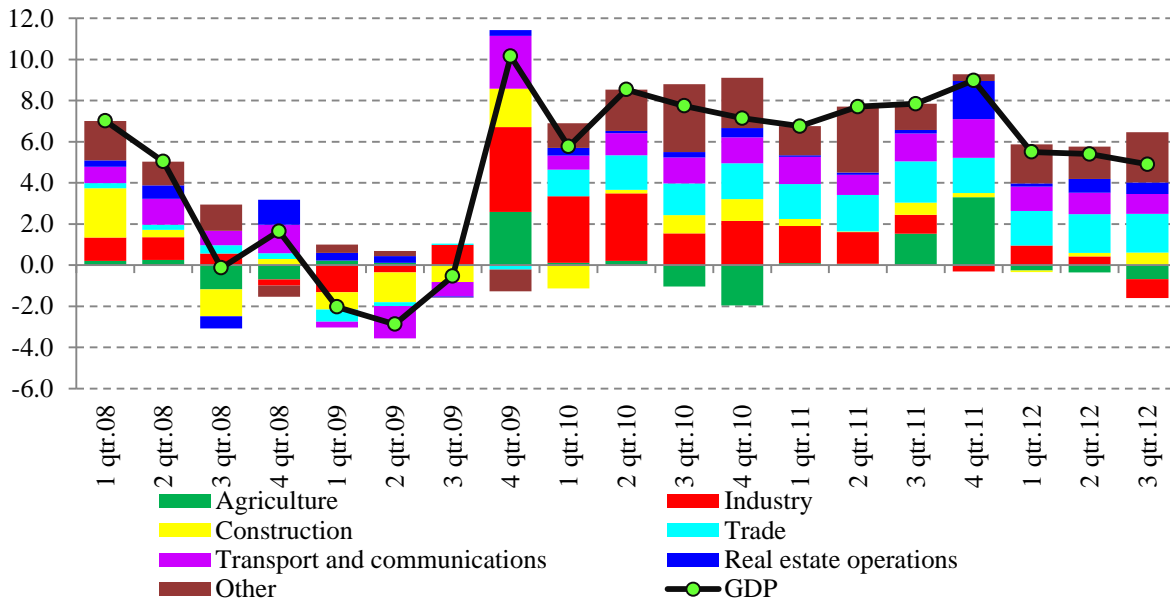
Source: National Bank of the Republic of Kazakhstan

2.2. Production

The volume of GDP output in the 3rd quarter of 2012 amounted to KZT 7843.4 bln. in current prices. Being positively influenced by the growth in production in virtually all sectors of the economy, except agriculture and the industry, the GDP in real terms (in prices of the year 2005) increased versus the 3rd quarter of 2011, according to estimate, by 4.9% (Figure 20).

Figure 20

**Contribution of key sectors of the economy to growth in real GDP
(as % of the respective period of the previous year)**



Source: Information of the Agency of Statistics of the Republic of Kazakhstan, estimates by the National Bank of the Republic of Kazakhstan

Production of goods. In the segment of the production of goods the construction sector showed the growth, whereas the industry and agriculture demonstrated the decline. In the 3rd quarter of 2012, within the industry, the mining industry and quarry operations demonstrated the decrease in annual terms by 1.9%, the manufacturing industry – decreased by 6.5%, which caused the decline in the industrial output.

According to estimate, in the 3rd quarter of 2012 the volume of industrial output decreased by 3.8% (in the 2nd quarter of 2012 – the growth by 1.6%), in the construction sector – increased by 5.6% (the growth by 1.7%), in agriculture – decreased by 12.2% (the decrease by 7.0%). As a result, the segment of production of goods made negative contribution to the GDP growth of (-)1.0%.

Production of services. In the production of services, virtually all sectors of the economy comprising this component demonstrated growth. The exception was the sector of "activity of households that hire household workers and manufacture goods and provide services for their personal consumption", which decreased by 31.2%, however, due to an insignificant weight of this sector its contribution to the GDP growth remained at a zero level. As a result, the sectors that comprise the production of services on aggregate were conducive to positive contribution to the GDP growth of 5.1%.

Net taxes on foodstuffs and imports. The increase in net taxes on products and imports by 7.9% has positively influenced the GDP growth formation of 0.8% (in the 2nd quarter of 2012 the contribution accounted for 0.2%).

Therefore, the main driver for the GDP growth in the 3rd quarter of 2012 was the sector of the production of services.

2.3. Labor Market

2.3.1. Employment and Unemployment

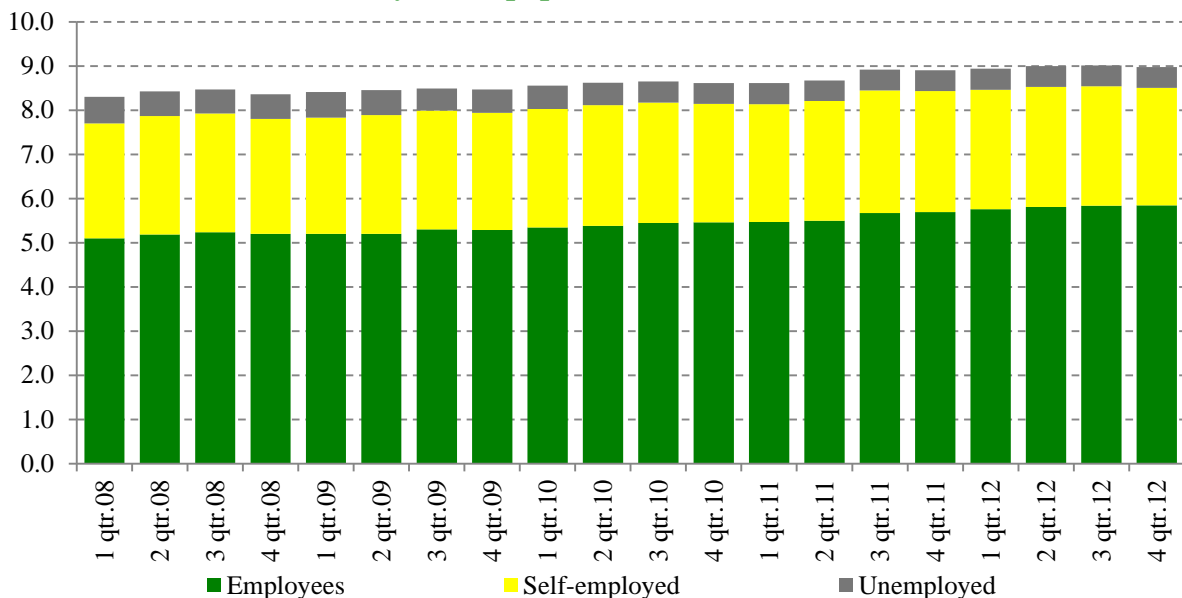
In the 4th quarter of 2012, the number of people employed in the economy, according to tentative estimates, was 8.5 mln., having decreased by 0.5% versus the previous period (the growth versus the 4th quarter of 2011 accounted for 0.9%). At the same time, the number of employees reached 5.8 mln. having increased by 0.2% versus the 3rd quarter of 2012, the number of self-employed – 2.7 mln. people (the decrease by 1.8%).

In the structure of employees, 4.8 mln. individuals (81.6% of all employees) were working in public and non-public institutions, for natural persons – 0.7 mln. individuals (12.5%), and at farms – 0.3 mln. individuals (5.9%).

In the 4th quarter of 2012, the number of the unemployed amounted to 474 900 individuals, which is greater by 0.4% versus the previous period, and is by 0.5% less than in the 4th quarter of 2011 (Figure 21).

Figure 21

The structure of economically active population, mln. individuals



Source: Agency of Statistics of the Republic of Kazakhstan

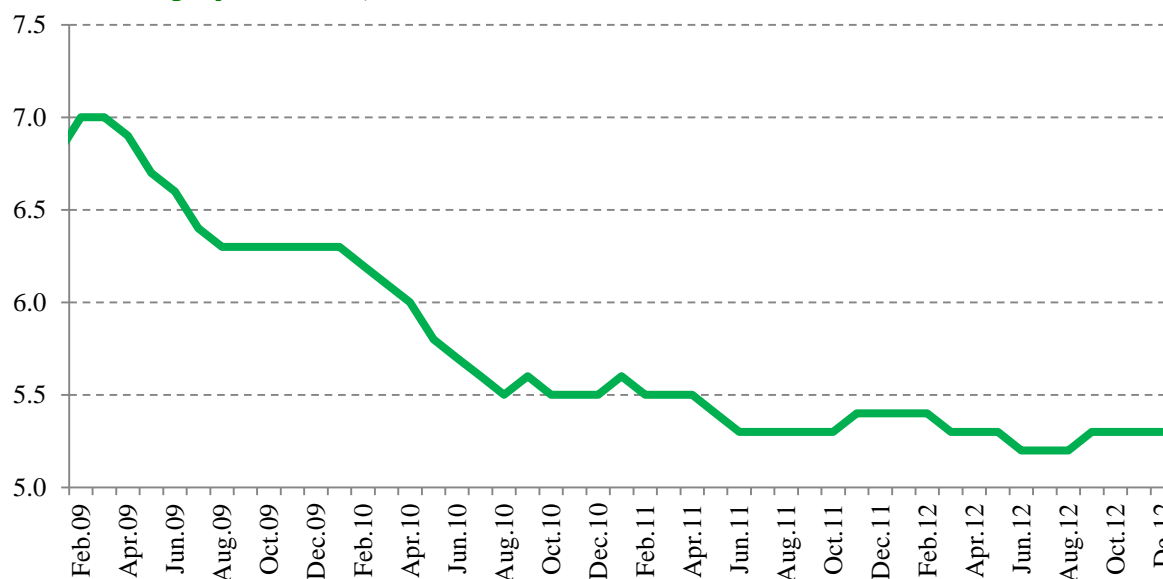
In October and November 2012, the following sectoral changes in the structural composition of employees were observed.

During these two months of the 4th quarter of 2012, the growth in employment versus respective months of 2011 was noted virtually in all types of economic activity, to a greater or lesser extent.

The decrease in the number of the employed was noted in such sectors as agriculture, forestry and fishery; manufacturing industry; real estate operations.

The decrease in the number of employed in some sectors was not fully compensated by their growth in other sectors. As a result, the unemployment rate increased in the 4th quarter of 2012 to 5.3%, versus 5.2% in the 3rd quarter of 2012, at the same time in September 2012, after stabilization in the three preceding months at the level of 5.2%, the growth in the unemployment accelerated to 5.3%, remaining at this level till the end of 2012 (Figure 22).

Figure 22

Actual unemployment rate, %

Source: Agency of Statistics of the Republic of Kazakhstan

2.3.2. Wages and Productivity

In the 3rd quarter of 2012, as compared to the respective quarter of the previous year, the average monthly wages increased in nominal terms by 10.7% (in the 2nd quarter of 2012 – the growth by 18.0%), and in real terms – by 5.6% (the growth – by 12.5%).

As compared to the previous quarter, nominal wages increased by 2.5%, and real wages increased by 1.4%.

In September 2012 as compared to September 2011, the highest increase in nominal wages was observed in the following sectors: transport and warehousing – by 18.8%; manufacturing industry – 17.3%; electricity supply, gas and vapor supply and air conditioning – by 16.8%; water supply – by 13.0%; information and communication – by 10.9%.

There was a decrease in wages in the activity of extraterritorial institutions and bodies – by 7.4%.

In September 2012, the highest wages in money terms were observed in the professional, scientific and technical activity (KZT 192 900), and the lowest – in water supply (KZT 61 600).

In the 3rd quarter of 2012, the growth in real wages of employees accounted for 5.6%, which is lower than the growth rates of the two preceding periods (in the 1st quarter of 2012 – the growth by 11.5%, in the 2nd quarter of 2012 – the growth by 12.5%).

A slowdown in the rates of growth in wages and the number of individuals employed in the economy in the 3rd quarter of 2012 had influenced the labor productivity index which accelerated to 3.4% (according to the National Bank's estimate), whereas a quarter before the growth in the index accounted for 1.5% (Figure 23).

Figure 23

**Dynamics of labor productivity and real wages
(as % of the respective period of the previous year)**



Source: Agency of Statistics of the Republic of Kazakhstan, estimates by the National Bank of the Republic of Kazakhstan

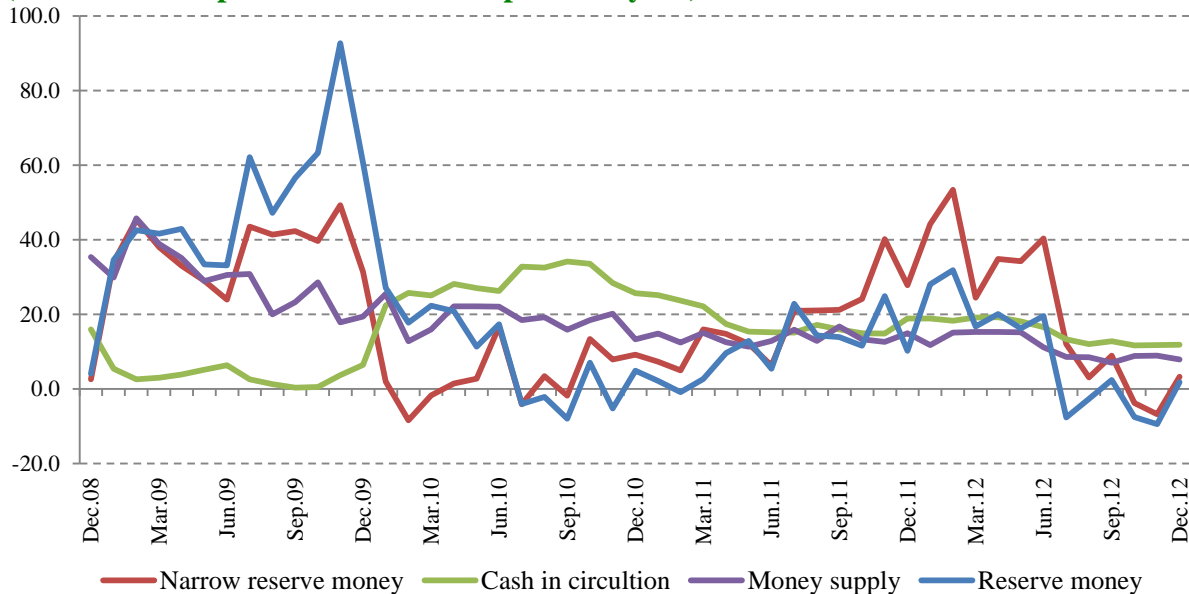
3. Money Supply

3.1. Monetary Aggregates

In the 4th quarter of 2012, the annual growth rates of cash in circulation had been higher than those of the money supply, reserve money as well as narrow reserve money (Figure 24).

Figure 24

Dynamics of monetary aggregates
(as % of the respective month of the previous year)



Source: National Bank of the Republic of Kazakhstan

3.1.1. Reserve Money

During the 4th quarter of 2012 the reserve money contracted by 2.1 % and amounted to KZT 2889.9 bln. at end-December 2012. The narrow reserve money contracted by 0.9% to KZT 2831.0 bln.

In December 2012 as compared to December 2011, the reserve money expanded by 1.9%.

Net international reserves of the National Bank in December 2012 as compared to the respective period of 2011 decreased by 3.6% to US\$ 27.7 bln. The increase in foreign currency balances of bank correspondent accounts with the National Bank, and foreign currency proceeds to the Government's accounts with the National Bank were neutralized by foreign exchange sales in the domestic foreign exchange market, operations on servicing the Government's external debt and replenishment of the National Fund's assets from gold and foreign currency reserves. As a result, net currency reserves (FCC) in the reviewed period decreased by 12.3%, and assets denominated in gold increased by 48.1% as a result of performed transactions and the growth of its price in the global markets.

In December 2012 as compared to December 2011, net domestic assets of the National Bank increased (Table 2), mainly due to the increased claims on banks on short-term notes.

Table 2

**Dynamics of changes in assets and liabilities of the National Bank
(as % of the respective period of the previous year)**

	1 qtr.12	2 qtr.12	3 qtr.12	4 qtr.12
Net international reserves	-8.3	-6.6	-7.4	-3.6
Net domestic assets	48.3	51.2	25.0	73.5
Net claims on the Government	-54.5	-42.7	11.3	26.8
Claims on the economy	119.7	129.8	256.2	596.5
Other net domestic assets	-15.3	0.1	-19.5	18.3
Reserve money	16.8	19.6	2.4	1.9
Narrow reserve money	24.5	40.4	9.0	3.3

Source: National Bank of the Republic of Kazakhstan

3.1.2. Money Supply

During the 4th quarter of 2012 the money supply increased by 0.1% to KZT 10522.5 bln.

In December 2012 as compared to December 2011, its growth accounted for 7.9% as a result of increase in both net foreign assets and the domestic assets of the banking system (Table 3).

Table 3

**Dynamics of changes in money supply
(as % of the respective period of the previous year)**

	1 qtr.12	2 qtr.12	3 qtr.12	4 qtr.12
Net foreign assets	14.5	-10.7	-15.6	11.6
Domestic assets	10.5	31.9	25.7	2.1
Claims on the Government	-44.3	-51.5	200.4	58.9
Claims on the economy	14.0	14.0	11.2	11.9
Other net domestic assets	-10.1	4.9	2.0	-18.5
Money supply	15.3	11.2	7.1	7.9
Cash in circulation	19.2	16.6	12.8	11.9
Deposits of residents	14.8	10.4	6.2	7.2

Source: National Bank of the Republic of Kazakhstan

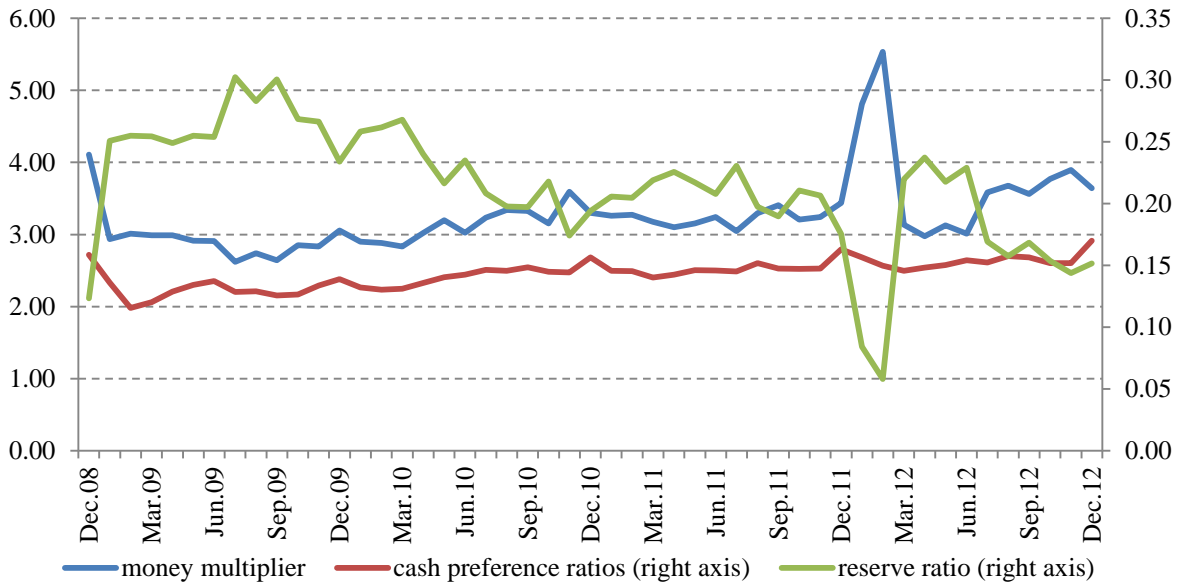
In the structure of net foreign assets of the banking system in December 2012 as compared to the respective period of 2011, net foreign assets of banks increased, whereas net foreign assets of the National Bank decreased. The growth in net foreign assets of banks was mainly caused by the decreased liabilities of banks to non-residents.

During the reviewed period, in the structure of the main components of money supply the outstripping growth rates of cash in circulation were noted as compared to the growth rates of residents' deposits in the banking system. As a result, the share of deposits of residents in the structure of the money supply decreased from 86.0% in December 2011 to 85.5% at end-December 2012.

The money multiplier grew from 3.44 in December 2011 to 3.64 in December 2012 as a result of the outstripping growth rates of cash in circulation versus the expansion in the reserve money. The decrease in reserve ratio alongside with the increase in cash preference ratio were also conducive to the fact (Figure 25).

Figure 25

Dynamics of the money multiplier and its components



Source: National Bank of the Republic of Kazakhstan

3.1.3. Cash in Circulation

During the 4th quarter of 2012, the volume of cash in circulation increased by 7.5% to KZT 1528.0 bln.

In December 2012 as compared to December 2011, cash in circulation increased by 11.9%. Cash payouts from bank cashier's departments increased by 19.8% to KZT 1.8 trln., and receipts to bank cashier's departments – by 23.8% to KZT 1.7 trln.

The growth in cash in December 2012 as compared to the respective period of 2011, was associated with decreased proceeds from the sales of foreign exchange by exchange offices. Also, the growth in payouts to support ATMs was conducive to the growth in cash in circulation. At the same time, the impact of these factors was not neutralized by the decreased payouts associated with the remuneration of labor, retirement benefits and allowances, delivered services and works, increased receipts from accounts of individuals and loan receipts, noted during the reviewed period.

3.2. Financial Market

3.2.1. Deposits of Residents

At end-December 2012, deposits of residents amounted to KZT 8994.5 bln., having decreased by 1.1% during the 4th quarter of 2012. Deposits of legal entities decreased by 5.6%, and deposits of individuals – increased by 7.5%.

Within deposits, the volume of term deposits (under the IMF classification – "other deposits"¹) increased by 0.4% during the 4th quarter of 2012 and amounted to KZT 5934.9 bln. Term deposits in the domestic currency increased by 2.1% to KZT 3959.1 bln., and foreign currency deposits – decreased by 2.8% to KZT 1975.8 bln. The percentage of term deposits in the total deposit base increased from 65.0% to 66.0% during the quarter.

¹ Other deposits - savings and fixed-term deposits which may be withdrawn only upon expiry of a certain time period or may have various restrictions that make them less convenient in terms of their use in the day-to-day commercial operations and which basically comply with the requirements to the savings vehicles.

In the 4th quarter of 2012, the status of the deposit base was characterized by the decrease in foreign currency deposits caused by the decrease in foreign currency holdings of legal entities by 10.4%. As a result, in the 4th quarter of 2012 the volume of foreign currency deposits decreased by 5.1%, amounting to KZT 2683.0 bln., whereas deposits in the domestic currency increased by 0.7% to KZT 6311.5 bln.

The decrease in the volume of foreign currency holdings (during November and December 2012 by 2.6% and by 10.7%, respectively), with concurrent growth in the Tenge deposits, resulted in the decreased degree of dollarization in the deposit market and the growth in the percentage of deposits in the domestic currency from 68.9% in September 2012 to 70.2% in December 2012.

Thus, the inflow of the domestic currency to accounts of legal entities and individuals served as a main source for the overall bank deposit base growth in the 4th quarter of 2012. The growth in the Tenge deposits of legal entities was observed only in October 2012, whereas in November and December deposits decreased by 4.5% and 2.0%, respectively.

During 2012 as a whole, just like two years before, the growth in the deposit base occurred mainly due to the inflow of savings in the domestic currency (Table 4).

Table 4

**Dynamics of changes in residents' deposits
(as % to December of the previous year)**

	December 2009	December 2010	December 2011	December 2012
Deposits of residents	21.5	11.6	14.3	7.2
<i>of individuals</i>	<i>28.5</i>	<i>15.9</i>	<i>24.1</i>	<i>23.8</i>
<i>of non-bank legal entities</i>	<i>18.9</i>	<i>9.8</i>	<i>10.2</i>	<i>-0.7</i>
Deposits in the Tenge	5.9	29.1	20.5	9.6
Deposits in foreign currency	50.0	-11.0	2.8	2.0

Source: National Bank of the Republic of Kazakhstan

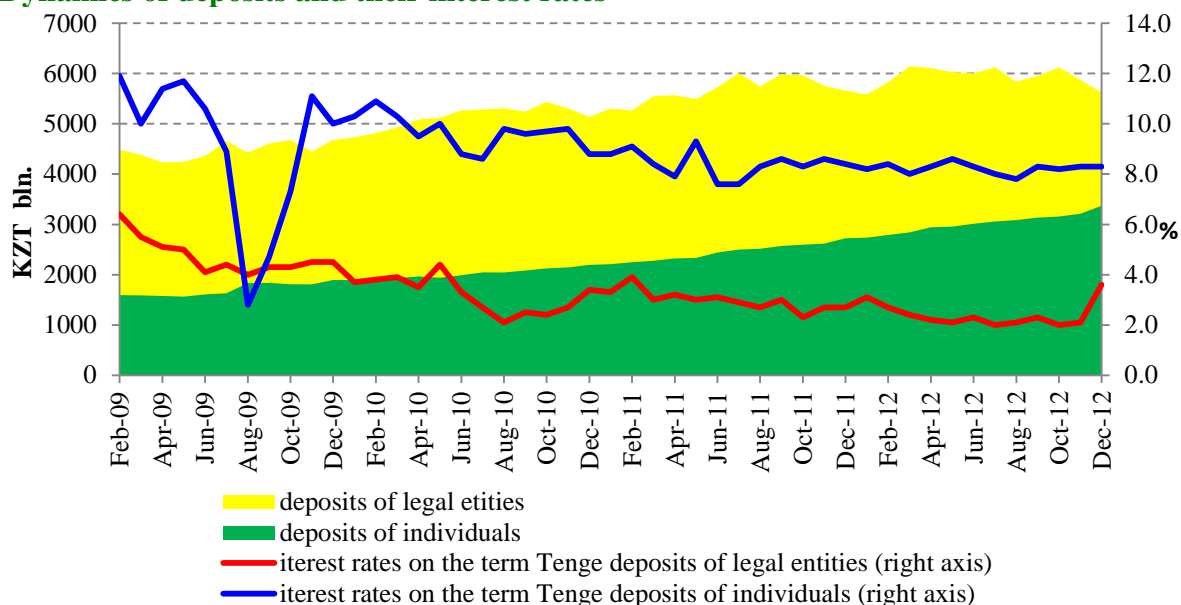
As compared to the previous quarter, in the 4th quarter of 2012 interest rate on deposits slightly increased, being caused by the growth in interest rates in the domestic currency in December 2012 and the growth in interest rates in foreign currency from October to December.

As a result, the average rate on the Tenge deposits increased to 3.7% in the 4th quarter of 2012 (3rd quarter of 2012 – 3.4%), and on deposits in freely convertible currencies – to 3.2% (2.6%).

The average weighted interest rate on the Tenge time deposits of non-bank legal entities in December 2012 accounted for 3.6% (in December 2011 – 2.7%), and on deposits of individuals – 8.3% (8.4%) (Figure 26).

Figure 26

Dynamics of deposits and their interest rates

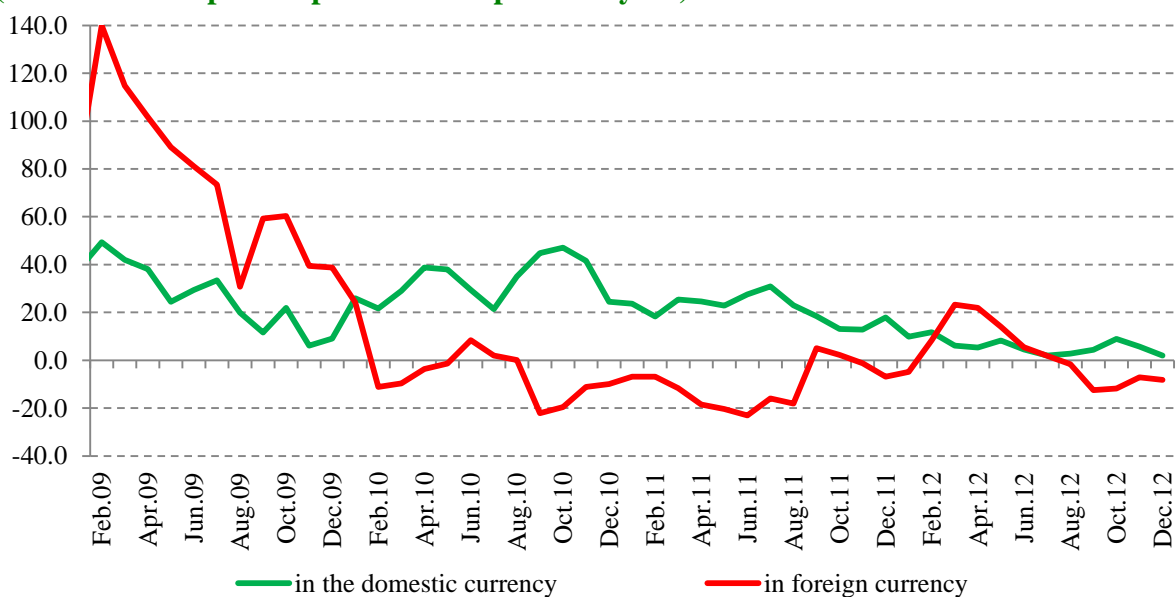


Source: National Bank of the Republic of Kazakhstan

During the 4th quarter of 2012, the volume of deposits of legal entities decreased by 5.6% to KZT 5622.7 bln., where the year over year decrease (December 2011 versus December 2012) accounted for 0.7%. Deposits of legal entities in the domestic currency increased by 2.0% in annual terms, and foreign currency deposits decreased by 8.2% (Figure 27).

Figure 27

Dynamics of the change in deposits of legal entities (as % of the respective period of the previous year)



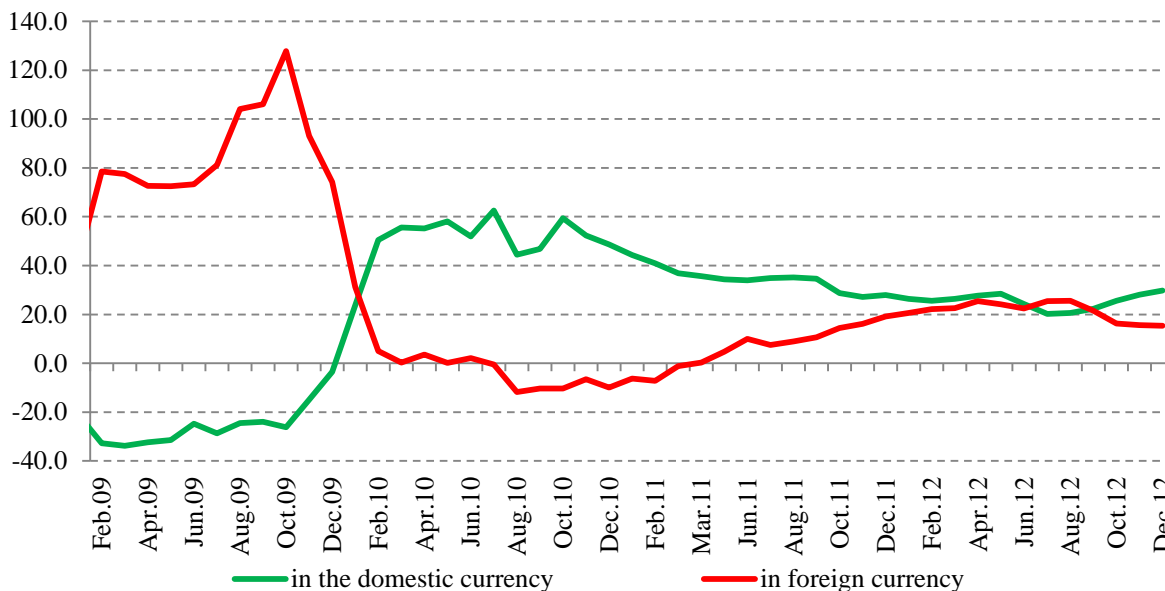
Source: National Bank of the Republic of Kazakhstan

During the 4th quarter of 2012, the volume of deposits of individuals increased by 7.5% to KZT 3371.8 bln., where the year over year growth accounted for 23.8%. Deposits of

individuals in the domestic currency increased in annual terms by 29.8%, and foreign currency deposits increased by 15.4% (Figure 28).

Figure 28

**Dynamics of the change in deposits of individuals
(as % of the respective period of the previous year)**



Source: National Bank of the Republic of Kazakhstan

3.2.2. Credits to the Economy

During the 4th quarter of 2012, bank credits to the economy increased by 4.5% to KZT 9958.0 bln. During October-December 2012, credits to legal entities increased by 3.9% amounting to KZT 7102.7 bln., and credits to individuals increased by 5.9% to KZT 2855.3 bln.

The volume of credits in the domestic currency increased by 7.0%, to KZT 7041.3 bln., and the volume of credits in foreign currency decreased by 1.1% to KZT 2916.7 bln.

During October-December 2012, long-term lending increased by 3.4% to KZT 8002.3 bln., short-term lending increased by 9.2%, amounting to KZT 1955.7 bln. As a result, the percentage of long-term credits in December 2012 as compared to September 2012 decreased from 81.2% to 80.4%.

In December 2012, the average weighted interest rate on credits to non-bank legal entities provided in the Tenge decreased to 10.3% (in September 2012 – 11.0%), and on credits to individuals made in the Tenge it slightly increased, having accounted for 21.2% (in September 2012 – 21.1%). As a whole, in the 4th quarter of 2012 the upward trend in interest rates was observed, being caused by the decreased cost of borrowing for legal entities, while there was an increase in interest rates on credits to individuals (Figure 29).

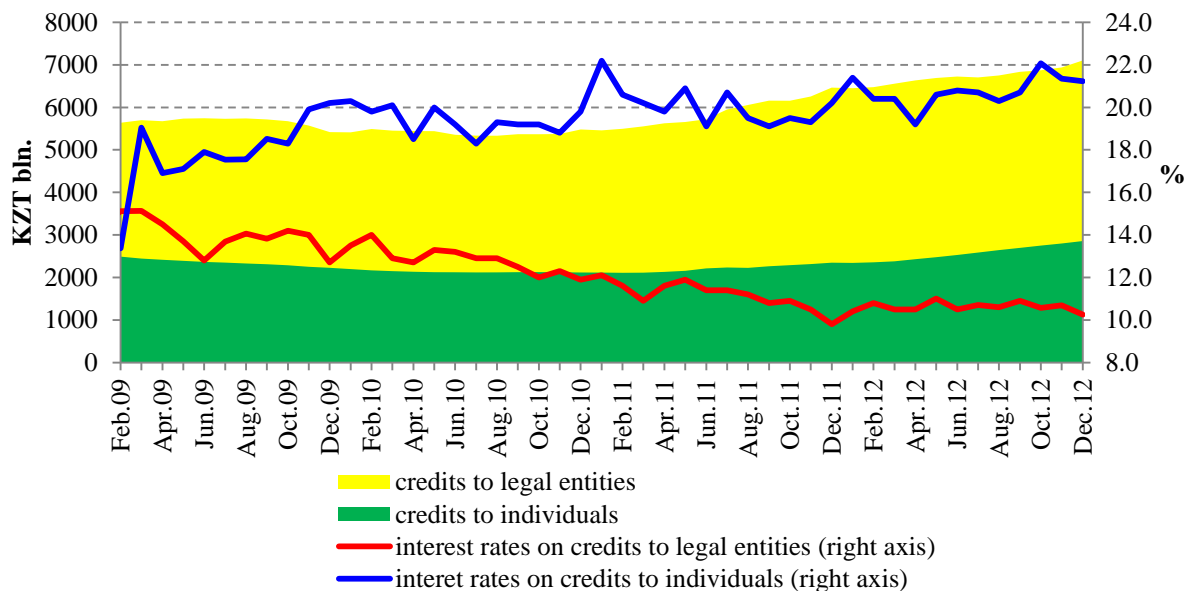
In the structure of credits by objects of financing, the major volume of debt fell on credits provided for the purchase of working capital (27.3%), other purposes (22.3%), new construction and reconstruction (14.6%), as well as for consumer purposes of individuals (15.1%).

In a sectoral breakdown, the highest debt on bank credits falls on other sectors (non-production sphere and individual entrepreneurship) – 45.6%, trade – 20.1%, construction – 14.0%, and industry – 12.0%.

During the 4th quarter of 2012, credits to the sector of communication increased by 47.4%, transport – by 13.7%, trade – by 5.9%, agriculture – by 5.6%, industry – by 2.7%, and construction – by 1.6%.

Figure 29

Dynamics of credits to the economy and their interest rates



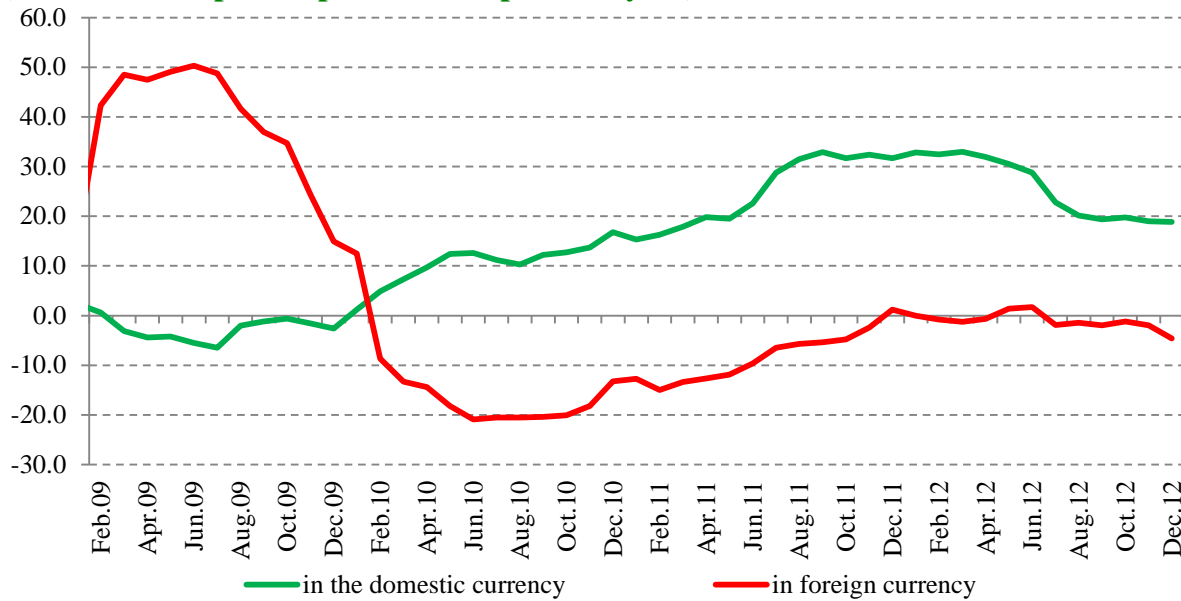
Source: National Bank of the Republic of Kazakhstan

The volume of credits to legal entities in annual terms (December 2011 versus December 2012) increased by 13.0%. There were changes in the structure of credits in terms of their tenors. The share of medium- and long-term credits in total credits to legal entities accounted for 74.2% at end-December 2012, whereas in December 2011 it reached 75.2%.

During 2012, credits to legal entities in the domestic currency increased by 18.9%, foreign currency credits – decreased by 4.6% (Figure 30).

Figure 30

**Dynamics of credits to legal entities
(as % of the respective period of the previous year)**



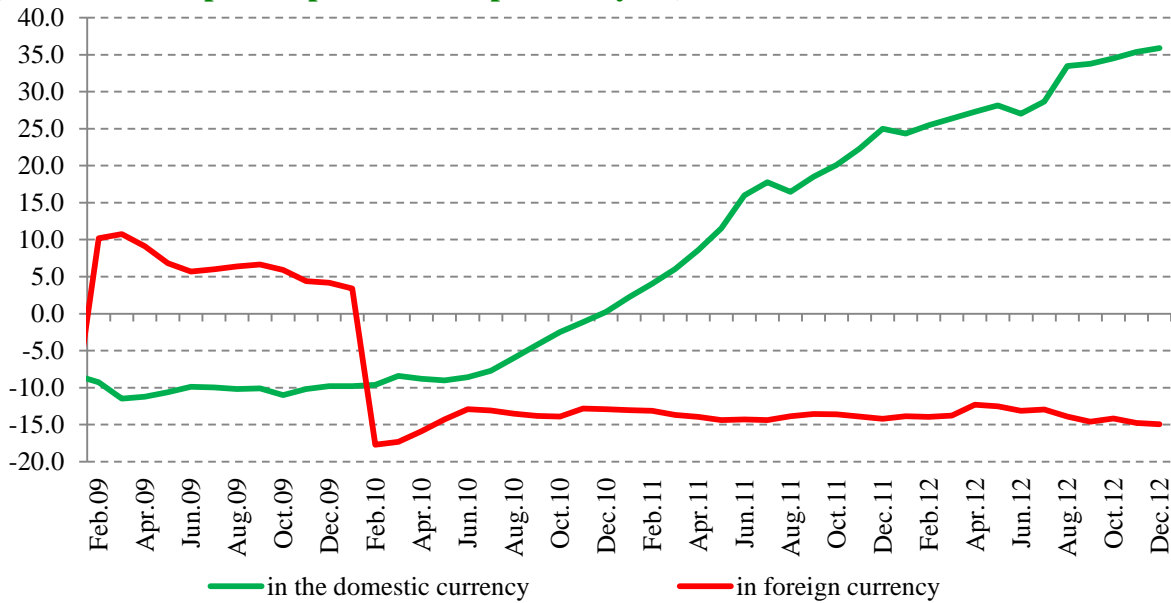
Source: National Bank of the Republic of Kazakhstan

In December 2012 as compared to the respective period of 2011, the volume of credits to individuals increased by 21.7%. At end-December 2012, the share of medium- and long-term credits in total credits to individuals slightly decreased and accounted for 95.6%, as compared to 96.2% in December 2011.

In the structure of credits to the population, credits in the domestic currency have demonstrated the increase by 35.9%, and credits in foreign currency – the decrease by 14.9% (Figure 31).

Figure 31

**Dynamics of credits to the population
(as % of the respective period of the previous year)**



Source: National Bank of the Republic of Kazakhstan

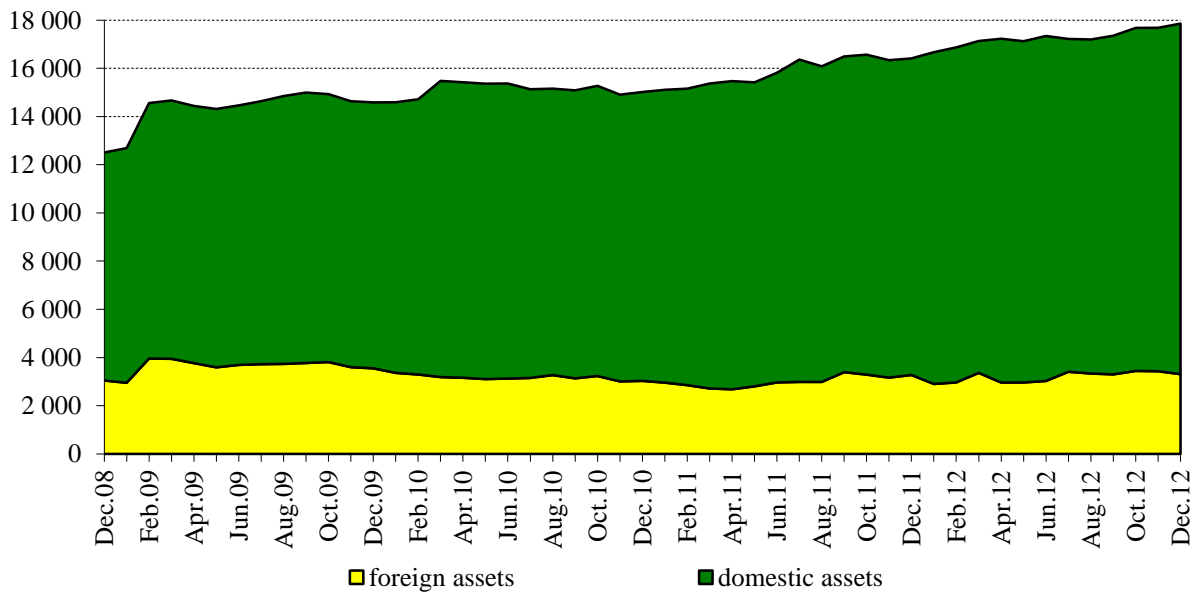
3.2.3. Bank Assets and Liabilities

– **Assets**

In the 4th quarter of 2012, the amount of bank assets calculated under the Monetary Survey increased by 2.9% to KZT 17.9 trln. In annual terms (December 2011 versus December 2012) bank assets increased by 8.6% (Figure 32).

Figure 32

Dynamics of bank assets, KZT bln.



Source: National Bank of the Republic of Kazakhstan

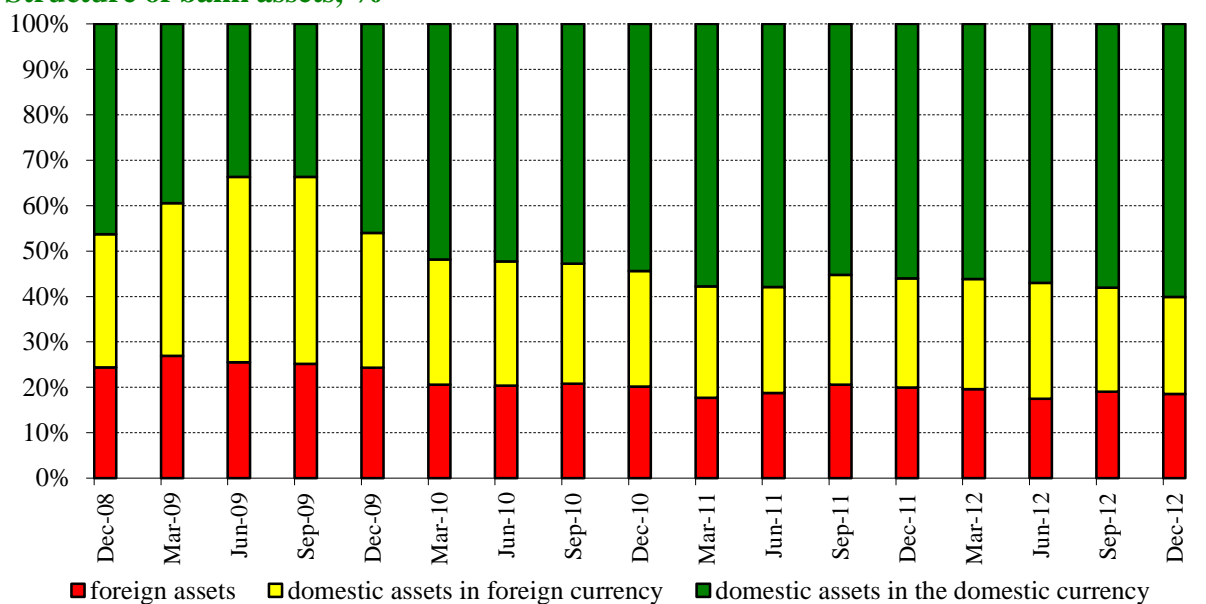
In December 2012, foreign assets of banks accounted for 18.5% of the total volume of assets or US\$ 22.0 bln. As compared to December 2011, they decreased by 0.5%.

In the structure of foreign assets in December 2012, credits to non-residents accounted for 50.9% (in September 2012 – 49.4%), deposits placed with non-residents – 27.7% (in September 2012 – 29.8%), securities of non-residents – 4.6% (in September 2012 – 4.7%), and other accounts receivable – 16.7% (in September 2012 – 16.2%).

Domestic assets in December 2012 accounted for 81.5% or KZT 14.5 trln., of which domestic assets in the domestic currency accounted for 73.8% or KZT 10.7 trln., and domestic assets in foreign currency – 26.2% or KZT 3.8 trln. During the 4th quarter of 2012, domestic assets increased by 3.5%, of which assets in the domestic currency increased by 6.5%, and assets in foreign currency decreased by 3.9% (Figure 33).

Figure 33

Structure of bank assets, %



Source: National Bank of the Republic of Kazakhstan

As a whole, under the Monetary Survey, total bank assets increased during the 4th quarter of 2012 by 2.9%. In the 4th quarter of 2012, certain changes in the quality of bank assets may be noted. So, the share of standard assets remained at 46.7%, the share of doubtful assets increased from 30.8% to 31.2%, and the share of bad assets decreased from 22.5% to 22.1%.

In the structure of doubtful assets, the increase in assets in Categories 1, 2 and 3 and the decrease in assets in Categories 4 and 5 is observed. Within doubtful assets, the share of assets of Category 1 increased from 31.5% to 32.2%, the share of assets of Category 2 increased from 13.4% to 14.3%, the share of assets of Category 3 increased from 26.3% to 26.8%, the share of assets of Category 4 – decreased from 10.8% to 9.6%, and the share of assets of Category 5 – decreased from 18.0% to 17.0%.

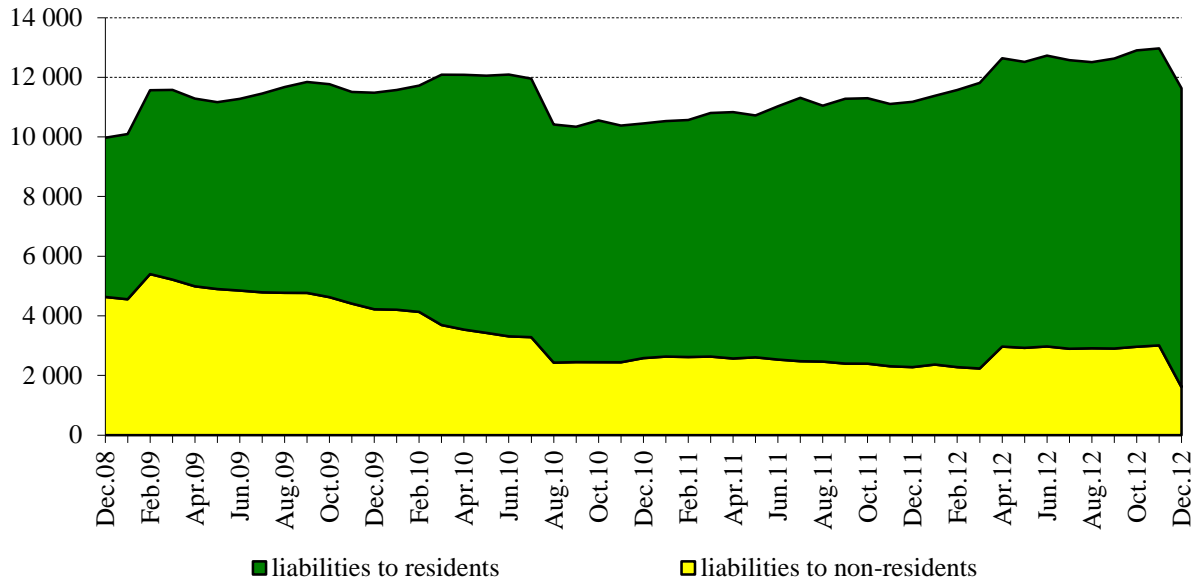
As a whole, under the Monetary Survey, during the 4th quarter of 2012, bank assets demonstrated a minor increase. Banks still continue to adhere to a more conservative lending policy, thus restraining the process of asset quality improvement.

– Liabilities

In the 4th quarter of 2012, total bank liabilities calculated under the Monetary Survey decreased by 7.9% and amounted to KZT 11.6 trln. at end-December 2012 (Figure 34).

Figure 34

Dynamics of bank liabilities, KZT bln.



Source: National Bank of the Republic of Kazakhstan

In December 2012 as compared to September 2012, bank liabilities to non-residents decreased by 44.6% to KZT 1.6 trln. (US\$ 10.7 bln.). Bank liabilities decreased by 29.5% versus the respective month of 2011. At end-December 2012, bank liabilities to non-residents accounted for 13.8% of total bank liabilities.

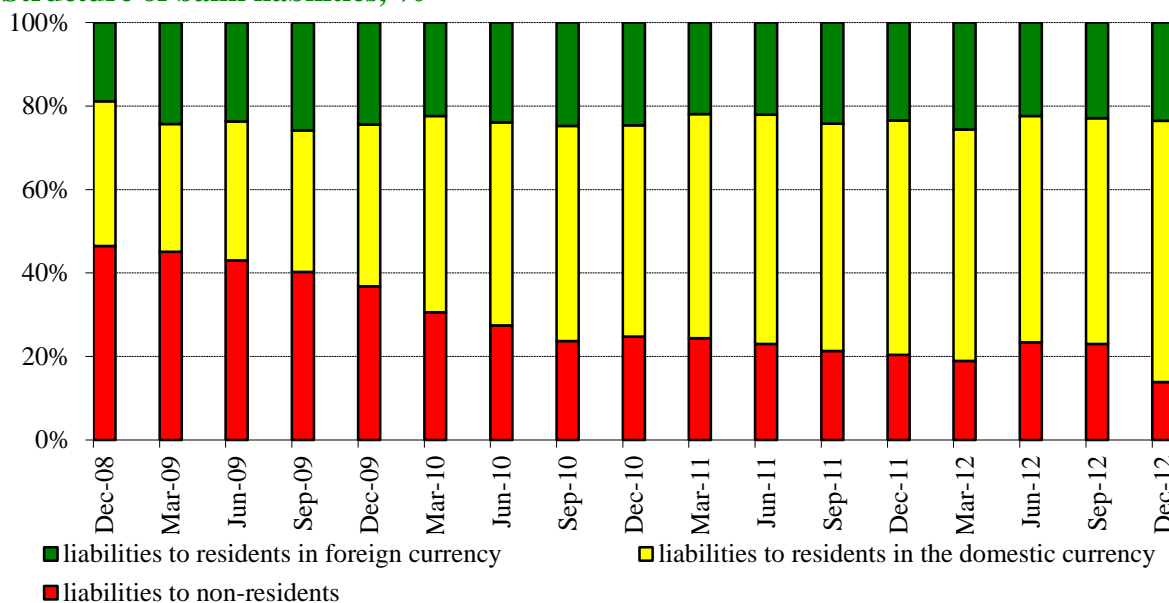
In the structure of bank liabilities to non-residents, the share of liabilities on deposits of non-residents increased from 6.1% in September 2012 to 15.4% in December 2012, the share of liabilities on securities decreased from 81.0% to 63.5%, and credits from non-residents increased from 11.5% to 19.5%, respectively.

During the 4th quarter of 2012, liabilities to residents increased by 3.1% to KZT 10.0 trln., where liabilities in the domestic currency increased by 6.6% to KZT 7.3 trln., and foreign currency liabilities decreased by 5.4% to KZT 2.7 trln. (Figure 35).

Thus, in the 4th quarter of 2012, there was an increase in bank liabilities to residents, and liabilities to non-residents decreased as a result of additional restructuring of the BTA Bank.

Figure 35

Structure of bank liabilities, %



Source: National Bank of the Republic of Kazakhstan

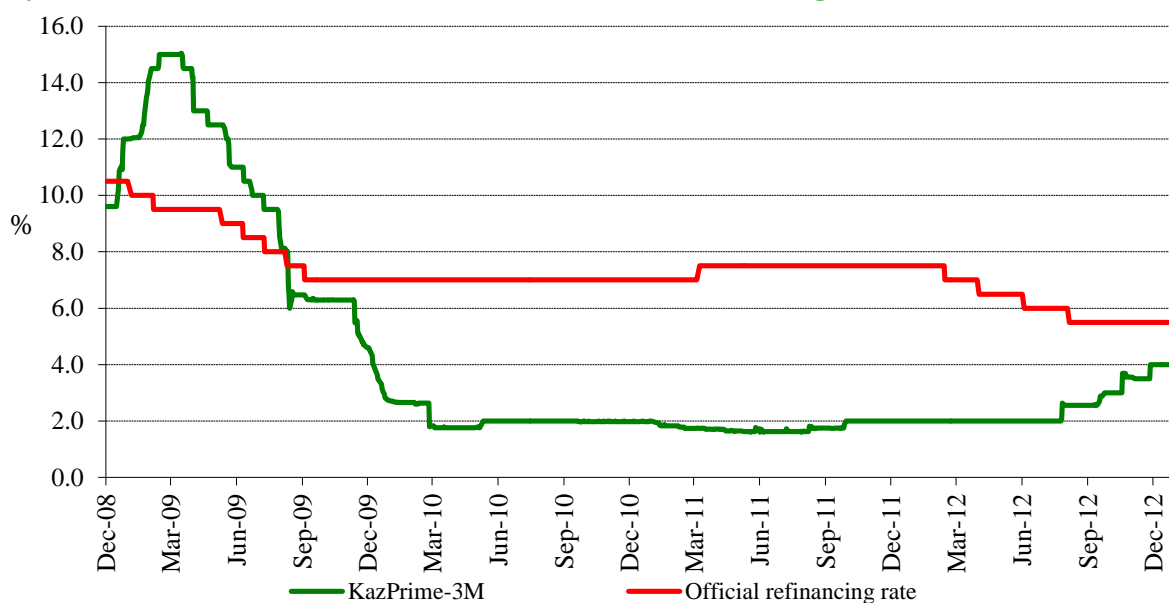
3.2.4. Financial Market Rates

In the 4th quarter of 2012, the growth in the level of interest rates was observed in the interbank market.

The KazPrime index grew from 2.46% on average during the 3rd quarter of 2012 to 3.58% on average during the 4th quarter of 2012. At end-September 2012, this index accounted for 3.00%, and at end-December – for 4.00% (Figure 36).

Figure 36

Dynamics of the KazPrime index and the official refinancing rate, %



Source: Kazakhstan Stock Exchange, National Bank of the Republic of Kazakhstan

In the sector of automatic REPO, the increased level of rates was also observed.

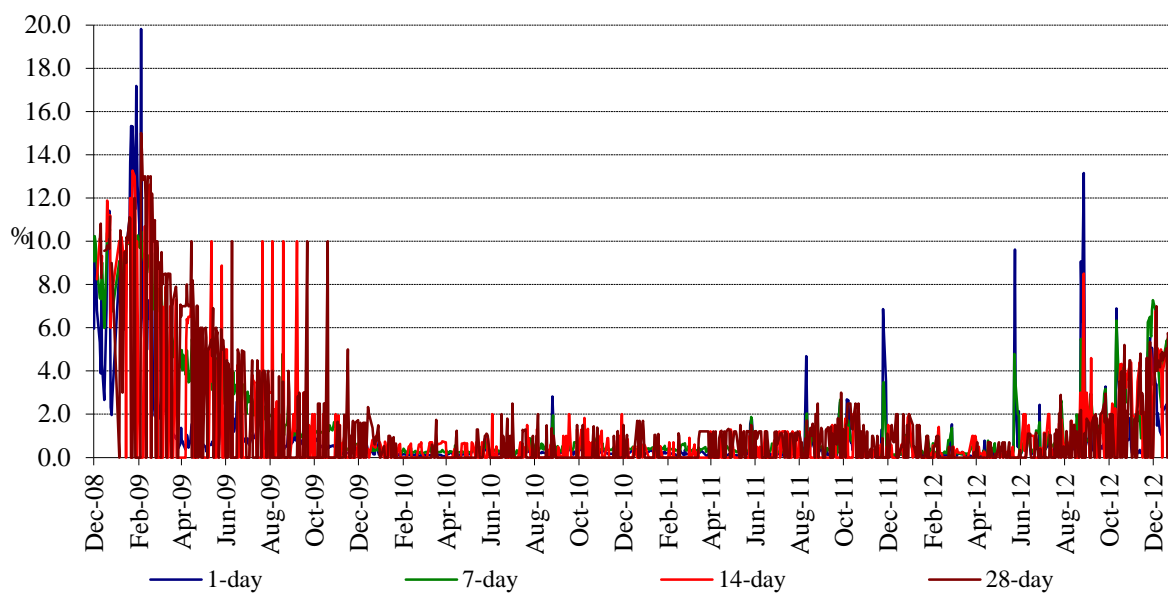
In the 4th quarter of 2012, the average weighted rate on 1-day operations in the sector of automatic REPO increased and accounted for 1.83% (in the 3rd quarter – 1.16%). Its maximum level was 6.89% and minimum – 0.15%.

In the 4th quarter of 2012, rate fluctuations on 7-day REPO operations were within the range from 0.88% to 7.28% (the average weighted rate was 3.75%), on 14-day REPO operations – from 1.59% to 6.79% (the average weighted rate was 3.60%), and on 28-day REPO operations – from 1.80% to 7.00% (the average weighted rate was 3.98%) (Figure 37).

In the 4th quarter of 2012, the transaction volumes in the sector of automatic REPO increased by 7.5% as compared to the previous quarter.

Figure 37

Dynamics of rates on REPO operations, %



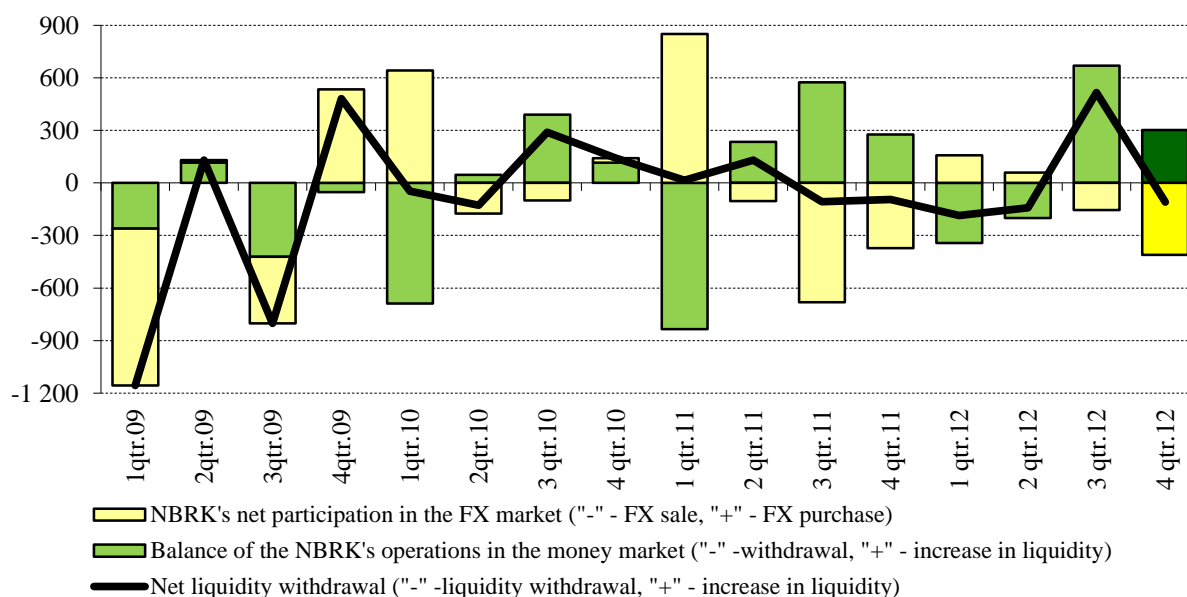
Source: Kazakhstan Stock Exchange

4. Monetary Policy Instruments and Operations

In the 4th quarter of 2012, there were no significant fluctuations in the money market, and the situation with the Tenge liquidity remained stable. During the 4th quarter of 2012, the National Bank's operations in the financial market resulted in the withdrawal of the Tenge liquidity (Figure 38).

Figure 38

Balance of the National Bank's operations in the domestic market, KZT bln.

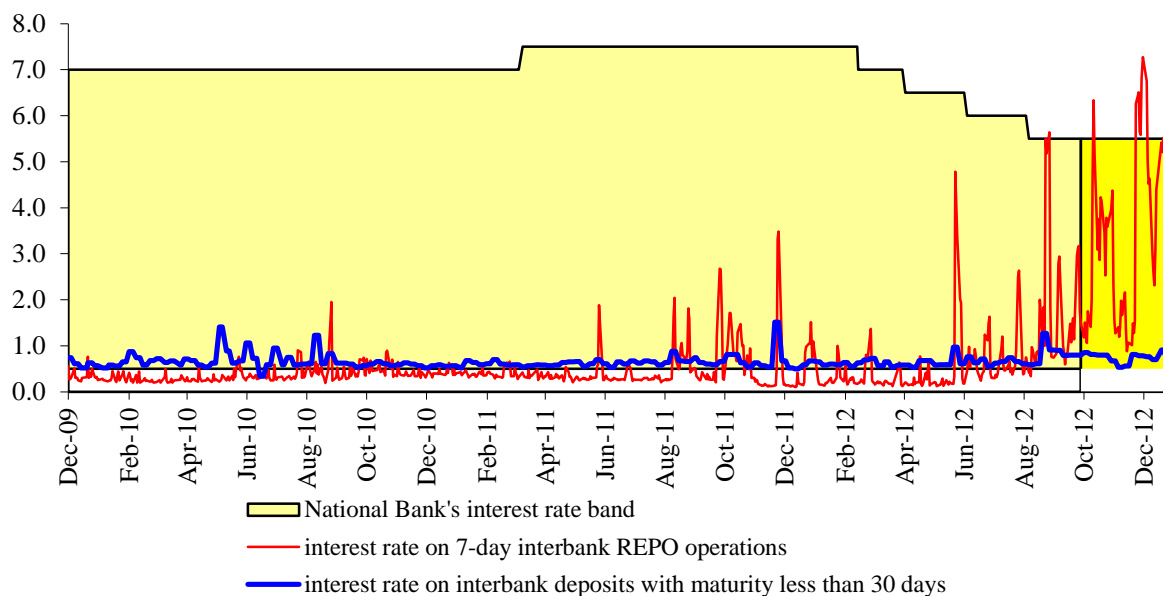


Source: National Bank of the Republic of Kazakhstan

In the 4th quarter of 2012, the National Bank's interest rate band remained unchanged. During the period the official refinancing rate was maintained at 5.5% per annum. Interest rates on deposits attracted from banks also haven't changed: the rate on 7-day deposits is 0.5%, and on one month deposits – 1.0%.

In the 4th quarter of 2012, the situation in the money market was characterized by the interest rate volatility. In the 4th quarter of 2012, the level of interest rates was in the middle section of the National Bank's interest rate band. The average weighted rate on interbank deposits with maturity less than 30 days hasn't changed versus the previous quarter and was at 0.72%. The average weighted rate on interbank 7-day REPO operations increased from 1.60% in the 3rd quarter of 2012 to 3.75% in the 4th quarter of 2012 (Figure 39).

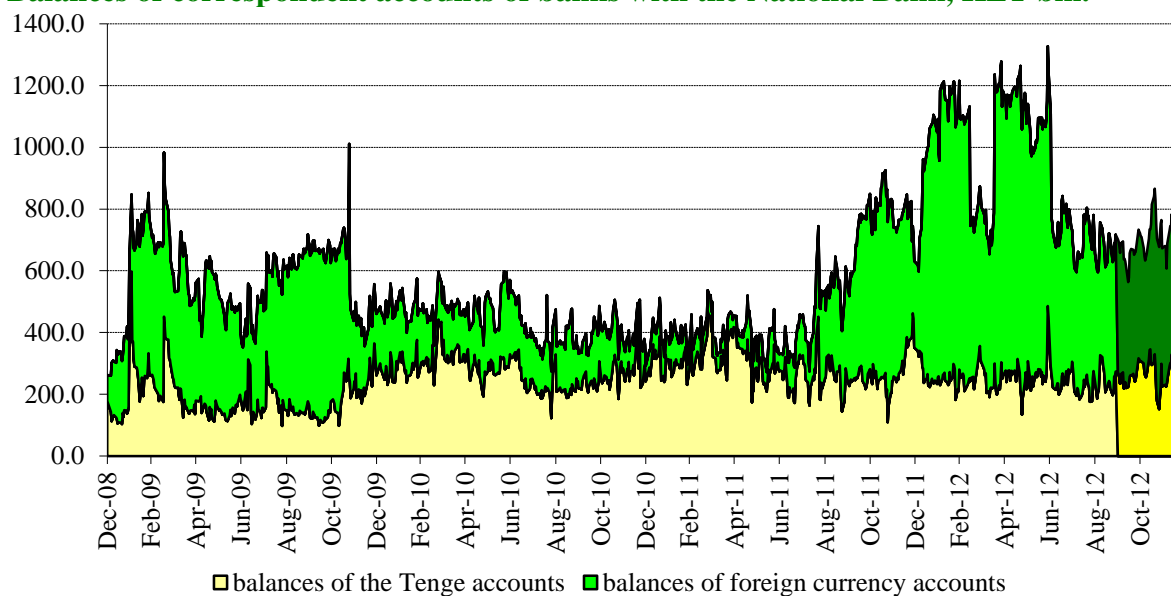
Figure 39

Boundaries of the National Bank's interest rates band,%


Source: National Bank of the Republic of Kazakhstan

In the 4th quarter of 2012, the dynamics in correspondent account balances of banks with the National Bank was multi-directional. In October 2012, correspondent account balances of banks in the domestic currency slightly increased, in November they decreased, and in December they grew up again. The dynamics in correspondent account balances of banks in foreign currencies was "mirror-like": in October they were decreasing, in November – they demonstrated growth, and in December they were decreasing. As a whole, the volume of correspondent account balances in the domestic currency at end-December 2012 as compared to September 2012 increased by 27.3%, correspondent account balances in foreign currency decreased by 28.6% (Figure 40).

Figure 40

Balances of correspondent accounts of banks with the National Bank, KZT bln.


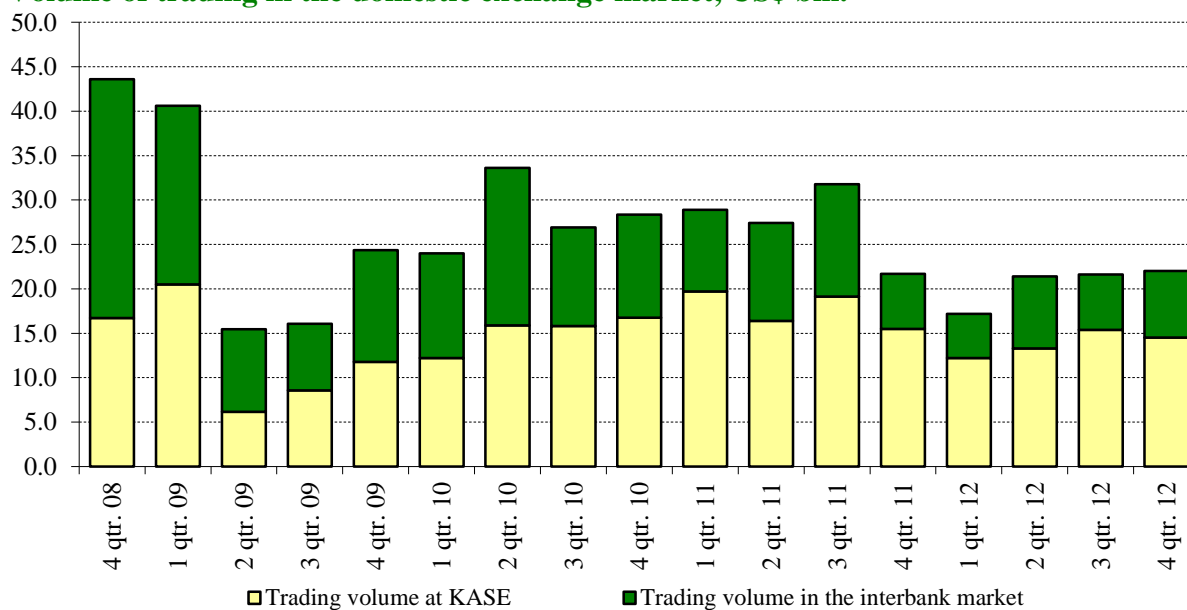
Source: National Bank of the Republic of Kazakhstan

4.1. Interventions in the Domestic Foreign Exchange Market

In the 4th quarter of 2012, the total trading volume in the FX segment of the Kazakhstan Stock Exchange and in the interbank foreign exchange market amounted to US\$ 22.0 bln., having increased by 1.7% as compared to the 3rd quarter of 2012.

The volume of trades in the Dollar position at the Kazakhstan Stock Exchange decreased by 5.2% as compared to the 3rd quarter of 2012 and amounted to US\$ 14.5 bln. (net trades at the Kazakhstan Stock Exchange made up 78% of gross trades). During the 4th quarter of 2012, the volume of transactions in the off-exchange foreign currency market increased as compared to the previous quarter by 20.0% and amounted to US\$ 7.5 bln. (Figure 41).

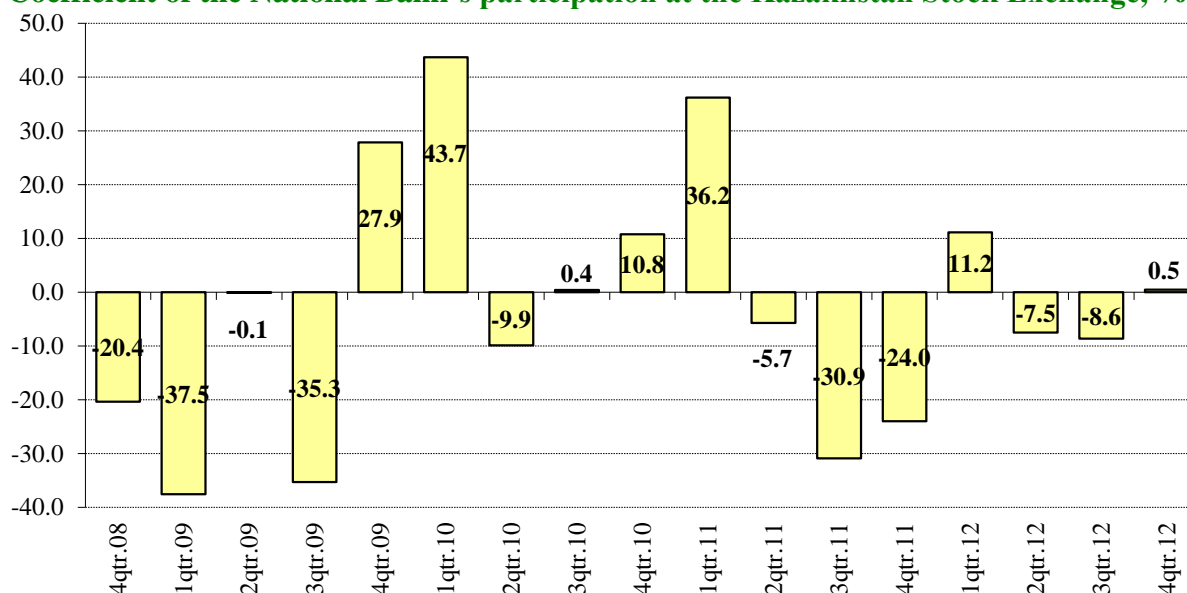
Figure 41

Volume of trading in the domestic exchange market, US\$ bln.


Source: National Bank of the Republic of Kazakhstan

At the end of the 4th quarter of 2012, the coefficient of the National Bank's participation in the Kazakhstan Stock Exchange made up 0.5% (in the 2nd quarter it was -8.6%) (Figure 42). Thus, in the 4th quarter of 2012, the National Bank was primarily a buyer of foreign exchange in the domestic foreign exchange market.

Figure 42

Coefficient of the National Bank's participation at the Kazakhstan Stock Exchange, %


Source: National Bank of the Republic of Kazakhstan

4.2. Minimum Reserve Requirements

In the 4th quarter of 2012, changes were made to the mechanism of minimum reserve requirements with regard to determining the minimum reserve requirement, as well as the structure of bank liabilities employed to calculate minimum reserve requirements and the

structure of reserve assets. Cash and correspondent accounts in foreign currency were excluded from the structure of reserve assets.

An additional criterion was introduced to differentiate between short-term (less than one year) and long-term (over one year) liabilities. Therefore, different ratios were introduced for each type of liabilities: for the domestic short-term liabilities – 2.5%, for the domestic long-term liabilities – 0%, for foreign short-term liabilities – 6.0%, and for foreign long-term liabilities – 2.5%.

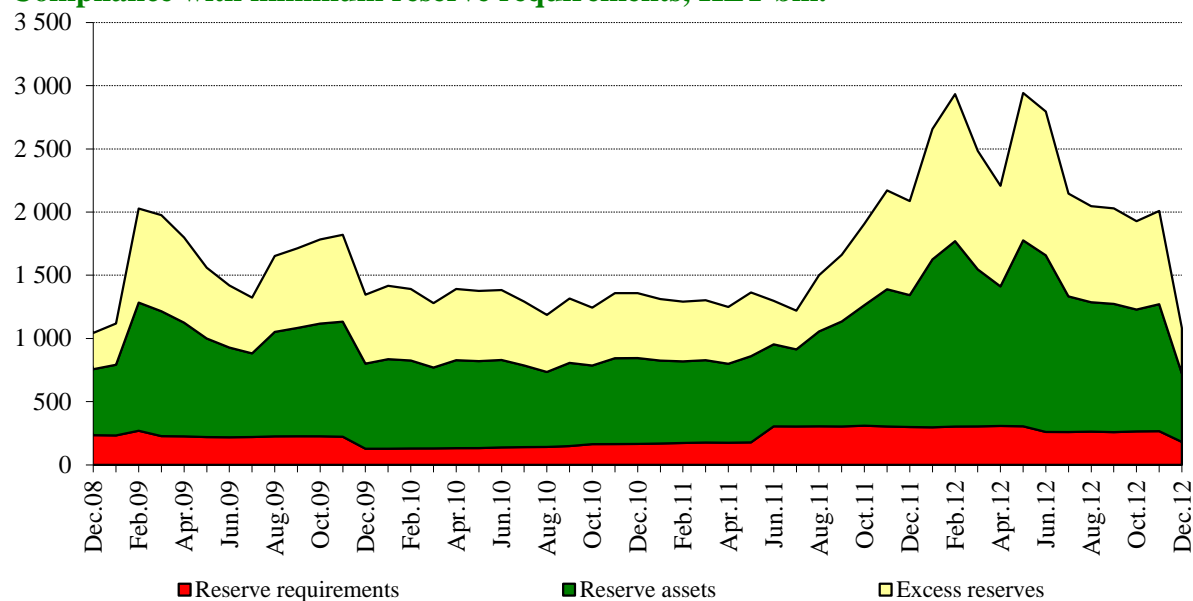
As a result of classification of liabilities into short-term and long-term, as well as due to newly established ratios of minimum reserve requirements, the burden on banks decreased from 2.97% to 1.88% (based on the data as of September 24, 2012). At the same time, changes which occurred in the structure of bank liabilities as of December 3, 2012, led to the increase in the burden from 1.88% to 1.93%.

Changes made to the minimum reserve requirements resulted in the tie-up of the Tenge liquidity of banks with the decrease of the overall burden. As before, banks are able to comply with minimum reserve requirements at the expense of the Tenge correspondent accounts, but the possibility of a free use of resources in the Tenge was limited.

On average, during the 4th quarter of 2012, reserve assets exceeded the required reserving volume by 3.3 times (in the 3rd quarter of 2012 – by 4.2 times on average, in the 4th quarter of 2011 – by 3.3 times) (Figure 43).

Figure 43

Compliance with minimum reserve requirements, KZT bln.



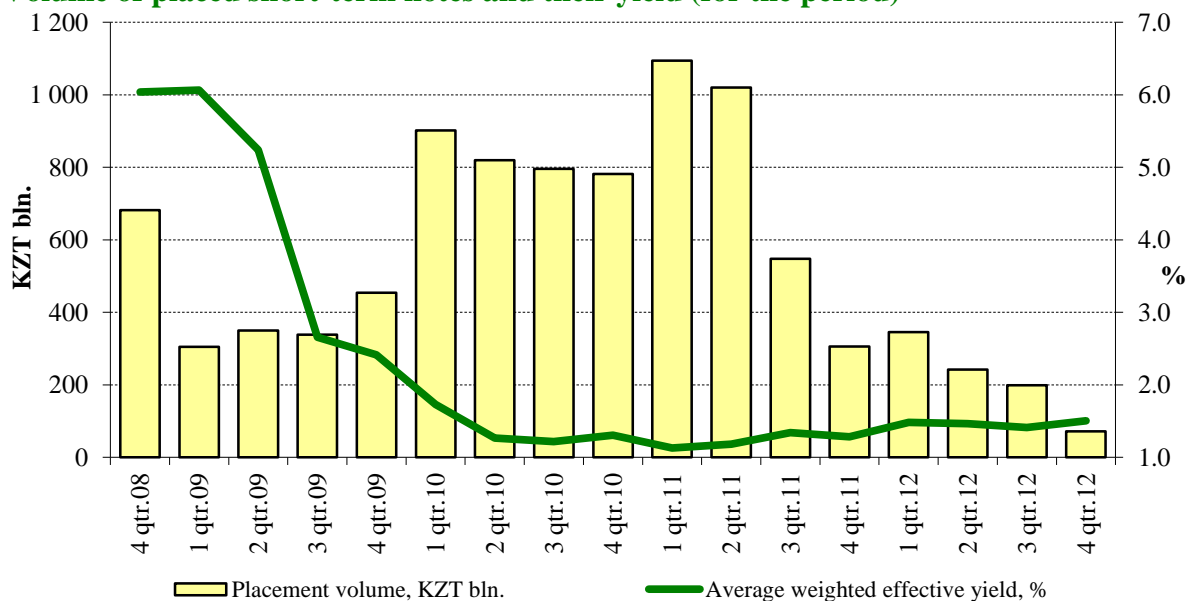
Source: National Bank of the Republic of Kazakhstan

4.3. Open Market Operations

In the 4th quarter of 2012, the demand of banks for short-term notes of the National Bank remained low. Some revival in the segment was observed in December 2012, whereas in October-November 2012, the demand for these instruments was virtually non-existent.

The volume of short-term notes issued in the 4th quarter of 2012 as compared to the 3rd quarter of 2012 decreased by 2.8 times and amounted to KZT 71.2 bln. The highest emission volume of short-term notes was in December (over 67% of the total volume issued during the 4th quarter of 2012). The average weighted yield on issued notes increased from 1.41% in the 3rd quarter of 2012 to 1.50% in the 4th quarter of 2012 (Figure 44).

Figure 44

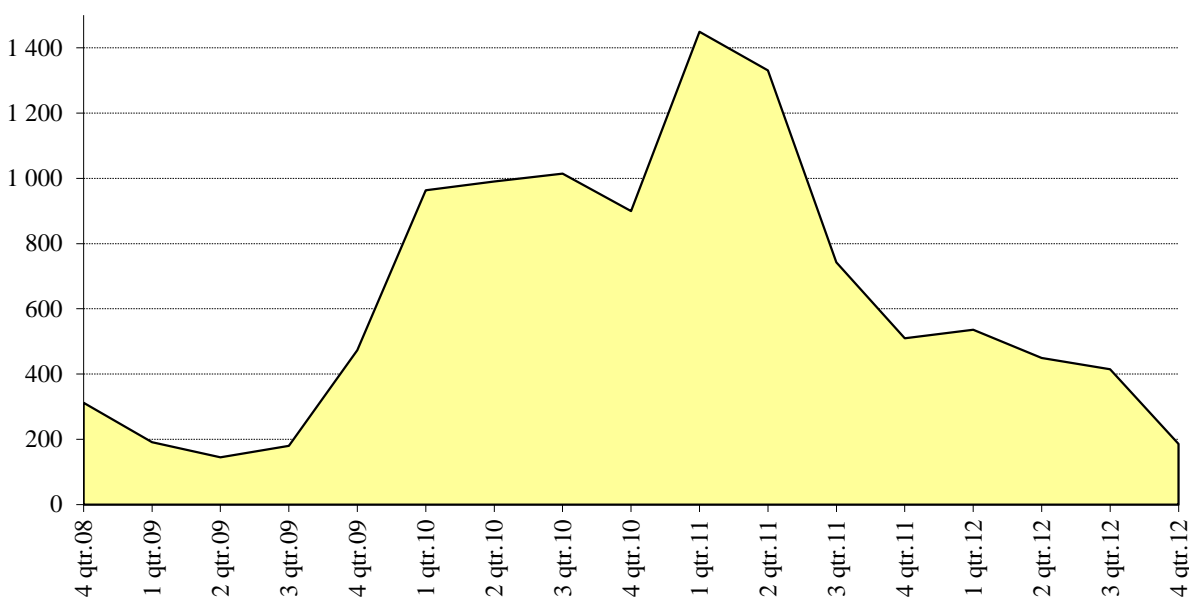
Volume of placed short-term notes and their yield (for the period)


Source: National Bank of the Republic of Kazakhstan

In the 4th quarter of 2012, the National Bank was issuing notes with maturities of 3, 6 and 9 months. The highest emission volume was on 3-month instruments (over 50% of the total emission volume).

At end-December 2012, the volume of short-term notes in circulation amounted to KZT 186.1 bln., which is by 2.2 times less than the volume at end-September 2012 (Figure 45).

Figure 45

Short-term notes in circulation, KZT bln. (at end-period)


Source: National Bank of the Republic of Kazakhstan

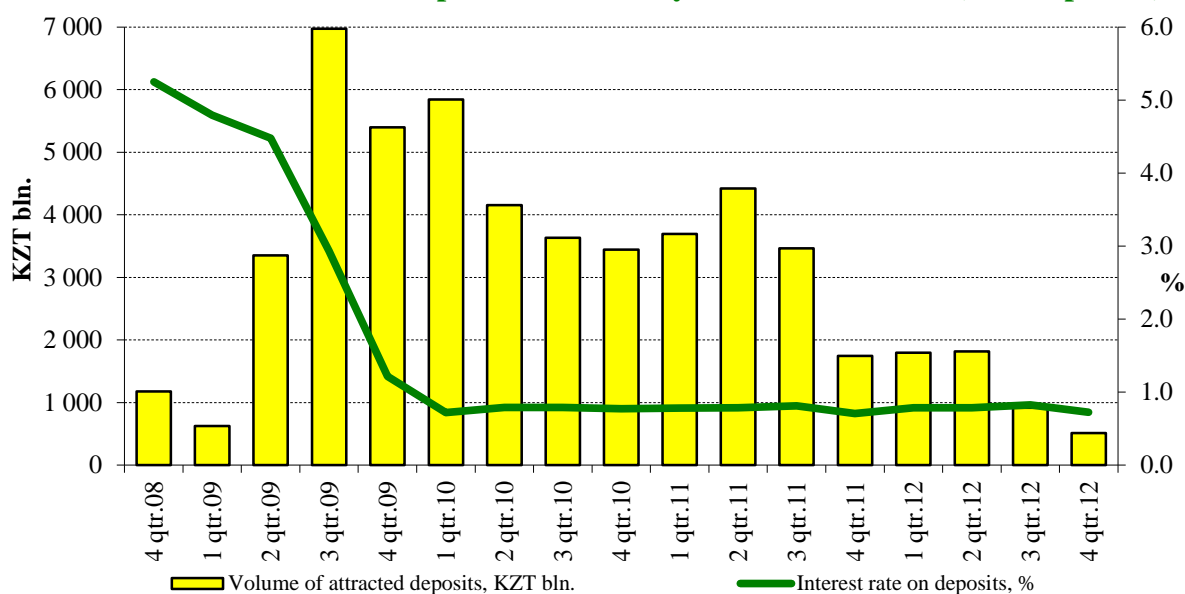
4.4. Standing Facilities

In the 4th quarter of 2012, the volume of deposits attracted from banks decreased as compared to the previous quarter. The maximum volume of attraction of bank deposits was recorded in November; in October and December the demand for such instruments was low. As a whole, during the 4th quarter of 2012, deposits worth KZT 511.1 bln. were attracted, which is by 1.8 times less than the volume of the 3rd quarter of 2012 and by 3.4 times less as compared to the 4th quarter of 2011.

The average interest rate on deposits increased from 0.82% in the 3rd quarter of 2012 to 0.72% in the 4th quarter of 2012 (Figure 46).

Figure 46

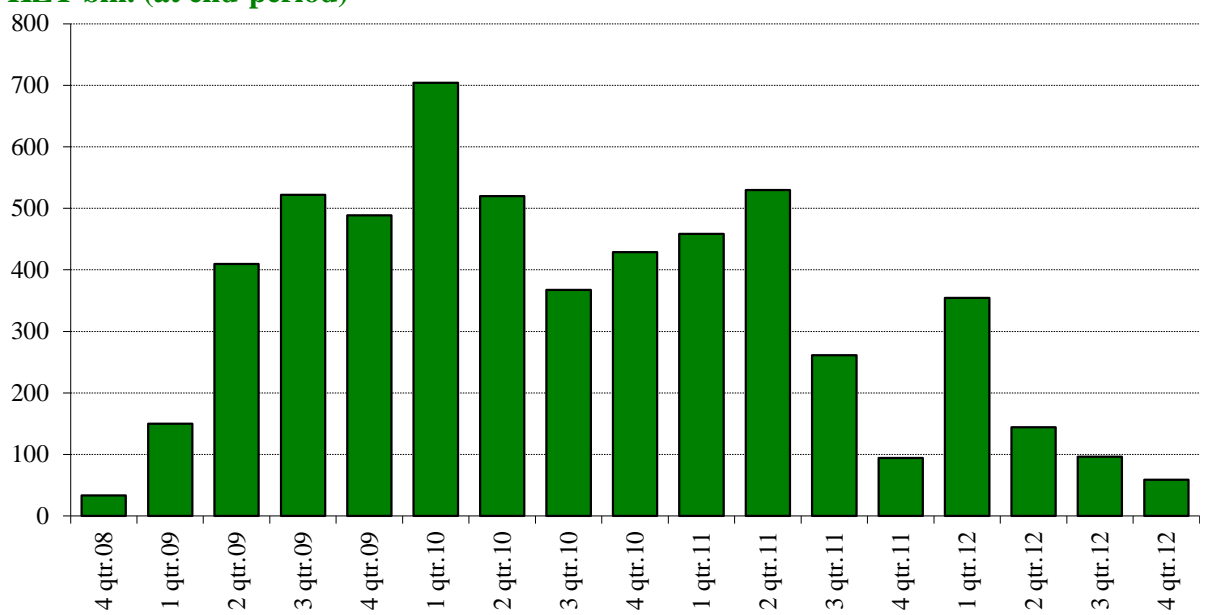
Volume and interest rates on deposits attracted by the National Bank (for the period)



Source: National Bank of the Republic of Kazakhstan

In the 4th quarter of 2012, the volume of outstanding liabilities of the National Bank on bank deposits decreased. At end-December 2012, the volume of outstanding balances on deposits of banks with the National Bank amounted to KZT 58.9 bln., which is by 1.6 times less than the volume at end-September 2012 (Figure 47).

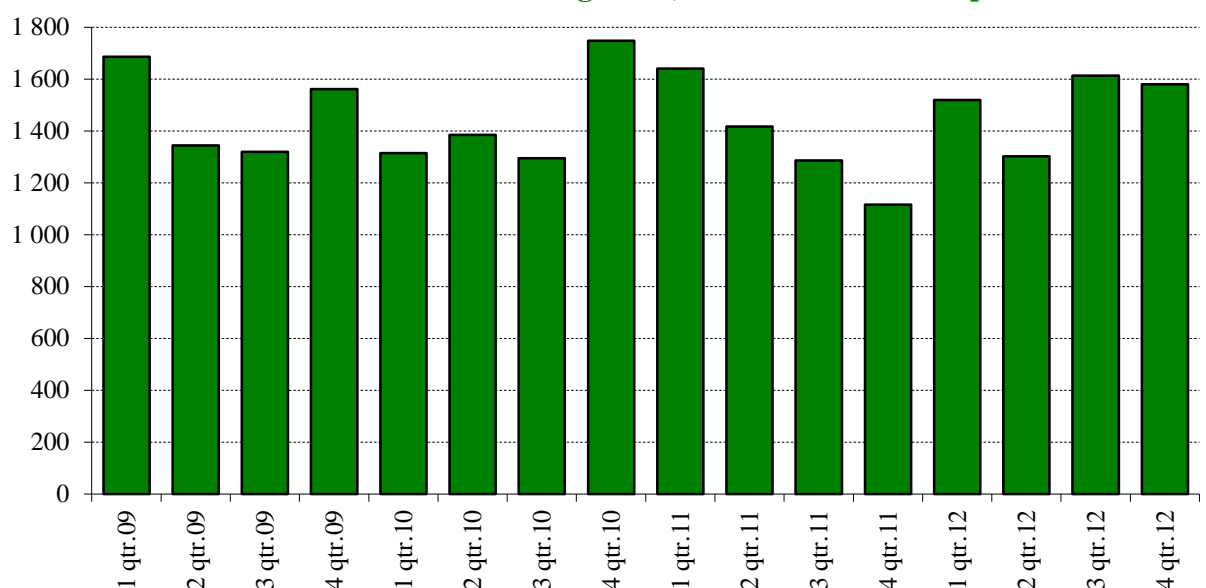
Figure 47

Volume of outstanding liabilities of the National Bank on deposits attracted from banks, KZT bln. (at end-period)


Source: National Bank of the Republic of Kazakhstan

In addition to sterilization operations, in the 4th quarter of 2012 the National Bank continued to provide short-term Tenge liquidity to the banking sector by providing refinancing loans. The total volume of refinancing loans in the 4th quarter of 2012 amounted to KZT 1579.9 bln. The volumes of such operations decreased by 2.0%, as compared to the previous quarter (Figure 48).

Figure 48

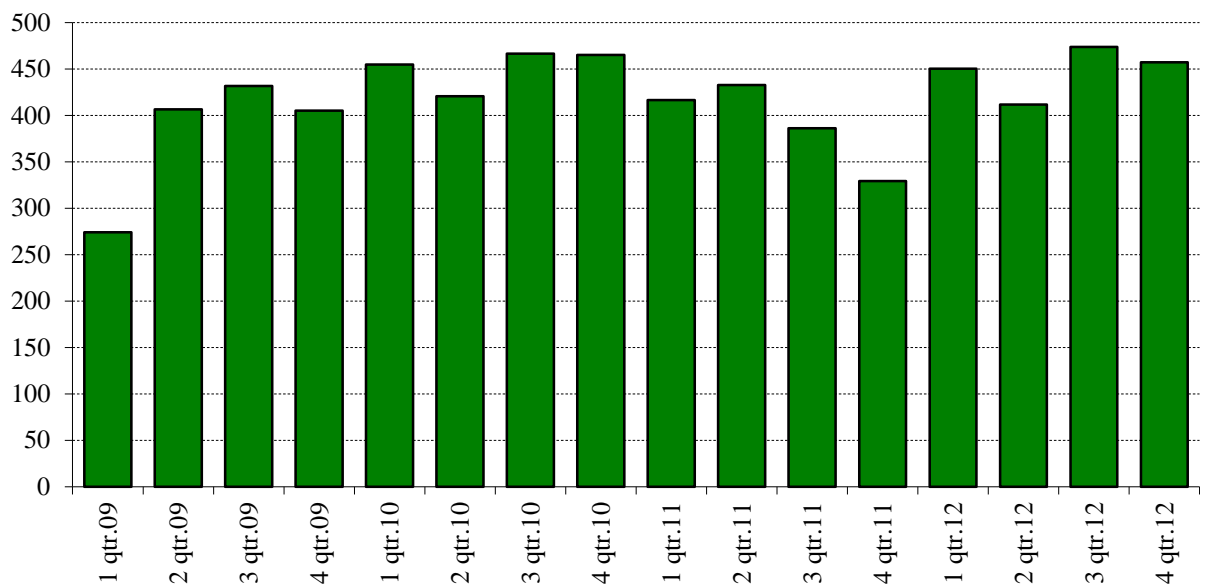
Volume of the National Bank's refinancing loans, KZT billion (for the period)


Source: National Bank of the Republic of Kazakhstan

At end-December 2012, the outstanding debt on refinancing loans also somewhat decreased and amounted to KZT 457.0 bln. (Figure 49).

Figure 49

Volume of outstanding liabilities on refinancing loans of the National Bank , KZT bln. (at end-period)



Source: National Bank of the Republic of Kazakhstan