



**NATIONAL BANK OF THE
REPUBLIC OF KAZAKHSTAN
PRESS-RELEASE No. 9
of March 6, 2012**

**Regarding the Situation in the Financial
Market**

1. Inflation

According to the official data from the Agency of Statistics of the Republic of Kazakhstan, in February 2012 the inflation was at 0.4% (in February 2011 – 1.5%). Prices for foodstuffs increased by 0.6% (by 2.0%), prices for non-food products – by 0.3% (by 0.2%), and prices for paid services – by 0.2% (by 2.2%).

In the foodstuff market the highest increase was demonstrated in prices for meat and meat products – by 1.6%, including pork – by 3.2%, horse meat – by 2.8%, beef – by 2.1%, mutton – by 1.4%, sugar – by 1.4%, fish and seafood – by 0.7%, dairy products – by 0.3%. Prices for cereals decreased by 3.2%, for eggs – by 0.2%, and for fats and oils – by 0.6%.

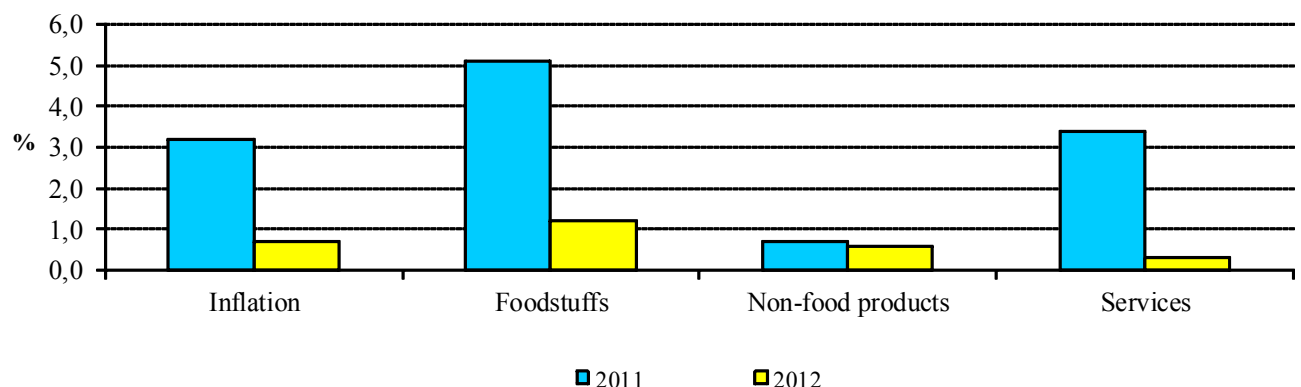
In the group of non-food products prices for clothing and footwear increased by 0.3%, detergents and scouring agents – by 0.6%, medications – by 0.2%, and diesel fuel – by 0.4%.

In the group of paid services, price of utilities increased by 0.2%. The tariffs of waste collection increased by 1.1%, rentals – by 0.5%, and costs of upkeep increased by 0.7%. Also, within the paid services the cost of railway services increased by 1.1%, of medical services – by 1.3%, services of pre-school and elementary education – by 0.2%.

In January-February 2012 inflation accounted for 0.7% (in January-February 2011 – by 3.2%). The price of foodstuffs has increased by 1.2% (by 5.1%) since the beginning of 2012, of non-food products – by 0.6% (by 0.7%), and of paid services – by 0.3% (by 3.4%). (Figure 1).

Figure 1

Inflation and its components in January-February 2011 and 2012



In February 2012, the annual inflation accounted for 4.7% (in December 2011 – 7.4%). This has been the lowest annual inflation rate since May 1999. Over the last 12 months the price of foodstuffs increased by 5.0% (by 9.1%), non-food products – by 5.1% (by 5.3%), paid services – by 4.0% (by 7.3%).

2. International Reserves and Monetary Aggregates

In February 2012 international reserves of the National Bank increased. Gross international reserves of the National Bank increased by 4.9% to US\$35.4 bln. (since the

beginning of the year – the growth by 20.6%). Net international reserves of the National Bank increased by 5.1% and amounted to US\$ 34.8 bln. (since the beginning of the year – the growth by 21.0%). Foreign exchange purchases in the domestic foreign exchange market, the increased balances of bank correspondent accounts with the National Bank, foreign currency proceeds to the Government's accounts with the National Bank have been partially offset by operations on servicing the Government's external debt and asset replenishment of the National Fund from the gold and currency reserve accounts. As a result, net currency reserves (FCC) increased by 5.0% during February 2012. Assets denominated in gold increased by 5.4% as a result of performed transactions and its price growth in global markets.

During February 2012 the country's total international reserves including assets of the National Fund denominated in foreign currency (according to preliminary data – US\$ 47.4 bln.) increased by 4.4% to US\$ 82.7 bln. (since the beginning of the year – the growth by 13.3%).

During February 2012 the reserve money expanded by 2.5% and amounted to 3469.5 bln. (since the beginning of the year – the expansion by 22.3%). The narrow reserve money, i.e. reserve money excluding time deposits of banks with the National Bank, expanded by 3.8% to KZT 3286.8 bln. .

During January 2012 money supply decreased by 1.3% to KZT 9622.1 bln. The volume of cash in circulation decreased by 4.7% to KZT 1301.4 bln., deposits in the banking system decreased by 0.8% and amounted to KZT 8320.7 bln. The share of deposits in the structure of money supply increased from 86.0% in December 2011 to 86.5% in January 2012. The growth in the share of deposits was mainly caused by relatively lower rates of decreased deposits versus the decreased volume of cash in circulation.

The money multiplier decreased from 3.44 in December 2011 to 2.84 at end-January 2012 as a result of decreased money supply against the expansion of reserve money recorded in in January 2012.

3. Foreign Exchange Market

In February 2012, the exchange rate of the Tenge versus the US Dollar was fluctuating within KZT 147.62–148.72 per 1 US Dollar. During February 2012 the Tenge appreciated by 0.6% and by the month-end the stock exchange rate of the Tenge was KZT 147.74 per 1 US Dollar.

In February 2012 the volume of stock exchange transactions at the Kazakhstan Stock Exchange including transactions at supplementary auctions grew by 53.0% as compared to January 2012 and amounted to US\$ 4.9 bln. In the off-exchange foreign currency market, the transaction volumes increased by 31.7% and amounted to US\$ 2.0 bln.

In total, the transaction volume in the domestic foreign exchange market increased by 46.1% and amounted to US\$ 6.9 bln. In February 2012 the National Bank acted as a net buyer of foreign exchange in the domestic foreign exchange market.

4. Government Securities Market

In February 2012, 6 auctions offering government securities of the Ministry of Finance were held. The following government securities were offered at the auctions: 12-month MEKKAM (KZT 982 mln.), 4-year MEOKAM (KZT 7.8 bln.), 7-year MEUKAM (KZT 6.6 bln.), 8-year MEUKAM (KZT 12.3 bln.), 15-year MEUKAM (KZT 13.9 bln.), and 17-year MEUZHKAM (KZT 20 bln.).

The effective yield of placed securities was as follows: 12-month MEKKAM – 2.04%, 4-year MEOKAM – 3.84%, 7-year MEUKAM – 4.50%, 8-year MEUKAM – 5.30%, 15-year MEUKAM – 5.50%, and 17-year MEUZHKAM – 0.01% above the inflation rate.

The volume of securities issued into circulation by the Ministry of Finance amounted to KZT 2167.3 bln. by end-February 2012, having increased by 2.2% as compared to the previous month.

Short-term notes of the National Bank of Kazakhstan. The volume of notes issued by the National Bank during February 2012 as compared to January 2012 increased by 37.6% and amounted to KZT 96 bln.

Two auctions were held to offer 3-month notes (KZT 26.4 bln. and KZT 33 bln.), 1 auction to offer 6-month notes (KZT 21.4 bln.), 1 auction to offer 9-month notes (KZT 15.2 bln.).

The effective yield on the placed notes was 1.01% on 3-month notes, 1.51% on 6-month notes and 1.75% on 9-month notes.

The volume of notes in circulation at end-February 2012 as compared to January 2012 increased by 6.5% and amounted to KZT 576.5 bln.

5. Deposit Market.

The total volume of deposits of residents with depository institutions decreased by 0.8% to KZT 8320.7 bln. during January 2012. Corporate deposits decreased by 1.4% to KZT 5584.5 bln. and deposits of individuals increased by 0.4% to KZT 2736.2 bln.

In January 2012, the volume of foreign currency deposits increased by 4.5% to KZT 2747.4 bln., and deposits in the domestic currency decreased by 3.2% to KZT 5573.4 bln. The percentage of the Tenge deposits in January 2012 as compared to December 2011 decreased from 68.6% to 67.0%.

During January 2012 deposits of the population at banks (including non-residents) increased by 0.2% to KZT 2764.3 bln. In the structure of deposits of the population the Tenge deposits decreased by 1.0% to KZT 1581.7 bln., and foreign currency deposits increased by 1.9% to KZT 1182.6 bln. As a result, the percentage of the Tenge deposits decreased from 57.9% to 57.2%.

In January 2012 the average weighted interest rate on the Tenge time deposits of non-bank corporate entities was 3.1% (in December 2011 - 2.7%), and of deposits of individuals – 8.2% (8.4%).

6. Credit Market.

The total volume of bank credits to the economy increased by 0.1% during January 2012, amounting to KZT 8793.2 bln.

The volume of credits in the domestic currency increased by 0.5% to KZT 5712.8 bln., and the volume of foreign currency credits decreased by 0.6% to KZT 3080.4 bln. The percentage of the Tenge credits in January 2012 as compared to December 2011 increased from 64.7% to 65.0%.

Long-term lending in January 2012 decreased by 0.6% to KZT 7042.9 bln., short-term lending increased by 3.3% to KZT 1750.3 bln. As a result, the percentage of long-term credits in January 2012 as compared to December 2011 decreased from 80.7% to 80.1%.

During January 2012 credits to corporate entities increased by 0.3%, amounting to KZT 6451.5 bln., and credits to individuals decreased by 0.2% to 2341.7 bln. The percentage of credits to individuals in January 2012 as compared to December 2011 decreased from 26.7% to 26.6%.

Credits to the small- and medium-size businesses decreased by 0.9% to KZT 1328.7 bln. during January 2012, accounting for 15.1% of the total volume of credits to the economy.

In the sectoral breakdown, the most significant amount of credits to the economy falls on such sectors as trade (the share in the total volume is 20.8%), construction (14.9%), industry (12.2%) and agriculture (3.6%).

In January 2012 the average weighted interest rate on the credits provided in the Tenge to non-bank corporate entities was 11.2% (in December 2011 – 10.8%), and on credits to individuals – 21.5% (20.4%).

7. Lowered Commission Fees of the Accumulative Pension Fund “GNPF”

JSC “Accumulative Pension Fund “GNPF” has made the unilateral decision to lower the rates of commission fee paid to its subscribers from March 12, 2012:

- on commission fee from investment return – from 15% to 12%;
- on commission fee from pension assets - from 0.5% to 0.45% per year.

As a result of these changes, the target net profit of the JSC “Accumulative Pension Fund “GNPF” is estimated to decrease by over than 50% at the end of 2012.