



**NATIONAL BANK OF THE  
REPUBLIC OF KAZAKHSTAN  
PRESS-RELEASE NO.18  
of May 10, 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 April 2012 the inflation was at 0.7% (in April 2011 – 0.5%). Prices for foodstuffs increased by 0.3% (by 1.0%), for non-food products – by 0.5% (by 0.2%) and for paid services – by 1.2% (0.0%).

In the previous month in the foodstuffs market the highest increase was demonstrated in prices for eggs – by 2.0%, meat and meat products – by 1.0%, including beef – by 1.3%, pork – by 1.0%, sugar – by 0.9%, fish and seafood – by 0.4%. Prices for cereals decreased by 4.3%, fruits and vegetables – by 1.1%, and oils and fats – by 1.0%.

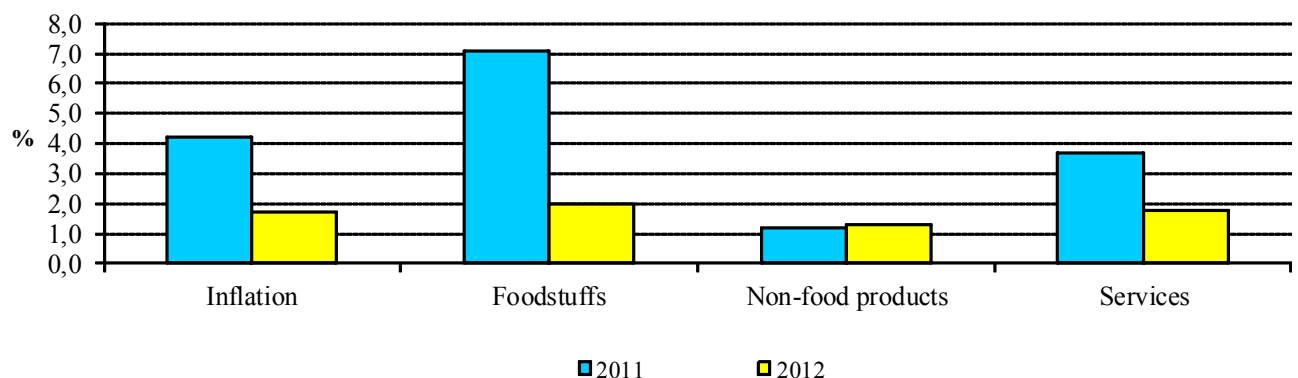
In the group of non-food products prices for clothing and footwear increased by 0.2%, medications – by 0.2%. The price of gasoline and diesel fuel increased by 3.7% and 3.5%, respectively.

In the group of paid services, price of utilities increased by 1.6%. Electricity tariffs increased by 6.5%, house rentals and cold water – by 1.1% each, hot water and sewage – by 1.0% each, transported gas – by 0.8%, district heating – by 0.5%. Also, among paid services the cost of transportation services increased by 1.7%, including aircraft – by 6.7%, railway transportation – by 6.2%, services of pre-school and elementary education – by 0.7%, and medical services – by 0.9%.

In January-April 2012 inflation accounted for 1.7% (in January-April 2011 – 4.2%). Since the beginning of 2012 the price of foodstuffs increased by 2.0% (by 7.1%), the price of non-food products – by 1.3% (by 1.2%), and of paid services – by 1.8% (by 3.7%) (Figure 1).

Figure 1

**Inflation and its Components during January-April 2011 and 2012**



In April 2012 the annual inflation accounted for 4.8% (in December 2011 – 7.4%). Over the last 12 months the price of foodstuffs increased by 3.9% (by 9.1%), of non-food products – by 5.4% (by 5.3%), and of paid services – by 5.3% (by 7.3%).

## **2. Balance of Payments of the Republic of Kazakhstan for the 1<sup>st</sup> Quarter of 2012 (Preliminary Data)**

According to a preliminary estimate, in the 1<sup>st</sup> quarter of 2012 the current account had a surplus amounting to US\$ 3.8 bln. and increased by 65.4% as compared to the 1<sup>st</sup> quarter of 2011.

The increase in the current account balance, as before, was ensured by the outstripping growth in the export value amidst high world energy prices. In the 1<sup>st</sup> quarter of 2012 the world oil price (Brent) was US\$ 118.6 per barrel on average, being by 13.1% higher than its average in the 1<sup>st</sup> quarter of 2011 (US\$ 104.9 per barrel). As a result, exports of goods in the 1<sup>st</sup> quarter of 2012, according to the National Bank's estimate, amounted to US\$ 22.0 bln., having increased by 31.7% versus the 1<sup>st</sup> quarter of 2011.

Imports of goods increased by 32.5%, exceeding in total US\$ 9.7 bln. As a result, according to a preliminary estimate the trade balance for the reporting period had a surplus of US\$ 12.3 bln. (the growth by 31.1% as compared to US\$ 9.4 bln. in the 1<sup>st</sup> quarter of 2011), offsetting the net outflow of resources on international services and investment returns.

The deficit in the balance of services in the 1<sup>st</sup> quarter of 2012 amounted to US\$ 1.7 bln., having increased by 75.8% versus the 1<sup>st</sup> quarter of 2011; this is related to the continuing operations as part of the second stage of the experimental program in the Kashagan oil field.

The deficit in the balance of investment returns that amounted to US\$ 6.2 bln., according to a preliminary estimate, is still associated with the payment of proceeds to foreign direct investors in the amount of US\$ 5.8 bln. (the growth by 5% as compared to the 1<sup>st</sup> quarter of 2011). Interest payments to lenders not connected by direct investment relationships decreased by 1.5% in the 1<sup>st</sup> quarter of 2012.

According to a preliminary estimate, negative balance of the capital and financial account (including errors and omissions) in the 1<sup>st</sup> quarter of 2012 amounted to US\$ 2.1 bln.

As for direct investments abroad, net outflow of US\$ 0.4 bln. was ensured by the increase by the Kazakh businesses of shareholders equity of their foreign branches and subsidiaries. In the 1<sup>st</sup> quarter of 2012 net inflow of foreign direct investments (FDIs) into Kazakhstan amounted to US\$ 4.6 as compared to US\$ 4.2 bln. in the 1<sup>st</sup> quarter of 2011.

As a result, positive balance on direct investment operations in the 1<sup>st</sup> quarter of 2012 amounted to US\$ 4.2 bln.

Net outflow on portfolio investments of US\$ 4.1 bln. was ensured by the growth in foreign assets of the National Fund of the RK by US\$ 4.8 bln.

There was a net outflow of US\$ 0.8 bln. on bank operations. Foreign assets of the banking sector increased by US\$ 0.5 bln., primarily because of the increased account balances abroad. Foreign liabilities of banks decreased by US\$ 0.3 bln. as a result of the repayment of liabilities to non-residents on debt securities.

## **3. International Reserves and Monetary Aggregates**

In April 2012 international reserves of the National Bank increased. Gross international reserves of the National Bank increased by 8.5% to US\$ 35.0 bln. Net international reserves of the National Bank increased by 8.6% and amounted to US\$ 34.5 bln. Foreign exchange purchases in the domestic foreign exchange market, 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 partially neutralized by operations related to the servicing of the Government's external debt and asset replenishment of the National Fund from the gold and currency reserve accounts. As a result, net currency reserves (FCC) increased by 10.0% during April 2012. Assets denominated in gold increased by 1.7% as a result of performed transactions along with a minor decrease in its price in the global markets.

During April 2012 the country's total international reserves including assets of the National Fund denominated in foreign currency (according to preliminary data – US\$ 51.0 bln.) increased by 6.8% to US\$ 86.0 bln.

During April 2012 reserve money expanded by 6.3% and amounted to KZT 3490.2 bln. Narrow reserve money, i.e. reserve money excluding time deposits of banks with the National Bank, expanded by 8.3% to KZT 3170.7 bln.

During March 2012 money supply increased by 3.8% to KZT 10293.1 bln. (since the beginning of the year – the growth by 5.6%). The volume of cash in circulation increased by 1.3% to KZT 1307.8 bln. (since the beginning of the year – the decrease by 4.2%), deposits in the banking system increased by 4.2% to KZT 8985.3 bln. (since the beginning of the year – the growth by 7.2%). The share of deposits in the structure of money supply increased from 87.0% in February 2012 to 87.3% in March 2012. The main reasons for the growth in the share of deposits were high rates of growth in deposits versus the growth rates of cash in circulation.

The money multiplier increased from 2.86 in February 2012 to 3.14 at end-March 2012 as a result of the growth in money supply against the contraction of reserve money observed in March 2012.

#### **4. Foreign Exchange Market**

In April 2012 the exchange rate of the Tenge versus the US Dollar was fluctuating within KZT 147.50–148.29 per 1 US Dollar. During April 2012 the Tenge depreciated by 0.1%, and at the end of the month the stock exchange rate of the Tenge was KZT 147.89 per 1 US Dollar.

In April 2012 the volume of stock exchange transactions at the Kazakhstan Stock Exchange including transactions at supplementary auctions increased as compared to March 2012 by 13.0% and amounted to US\$ 4.7 bln. In the off-exchange foreign currency market the transaction volume increased by 93.2% and amounted to US\$ 2.9 bln.

The total transaction volume in the domestic foreign exchange market increased by 35.2% and amounted to US\$ 7.6 bln. In April 2012 the National Bank was primarily a net buyer of foreign exchange in the domestic foreign exchange market.

#### **5. Government Securities Market**

In April 2012, 5 auctions offering government securities of the Ministry of Finance were held. The following government securities were placed through these auctions: 12-month MEKKAM (KZT 19.9 bln.) 2-year MEOKAM (KZT 10.1 bln.), 16 and 20-year MEUKAM (KZT 10 bln. and KZT 15 bln.), and 13-year MEUZHKAM (KZT 20 bln.).

Effective yield of the placed securities was as follow: for 12-month MEKKAM – 1.93%, for 2-year MEOKAM – 2.01%, for 16 and 20-year MEUKAM – 5.00% and 5.50%, respectively, and for 14-year MEUZHKAM – 0.01% above the inflation rate.

The volume of outstanding securities of the Ministry of Finance at end-April 2012 amounted to KZT 2237.2 bln., having increased by 1.3% 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 April 2012 as compared March 2012 decreased by 43.1% and amounted to KZT 102.2 bln.

Two auctions were held to place 3-month notes (KZT 57.3 bln. and KZT 18.7 bln.), 1 auction to place 6-month notes (KZT 13.5 bln.), and 1 auction to place 9-month notes (KZT 12.6 bln.).

Effective yield of the placed notes was as follows: for 3-month notes – 1.02% and 1.05%, for 6-month notes – 1.53%, and for 9-month notes – 1.80%.

The volume of notes in circulation at end-April 2012 increased by 11.7% as compared to March 2012 and amounted to KZT 598.5 bln.

#### **6. Interbank Money Market**

In March 2012 as compared to February 2012, the total volume of placed interbank deposits decreased by 20.4%, amounting to the equivalent of KZT 2120.3 bln.

The volume of placed interbank deposits in the Tenge decreased by 6.5% and amounted to KZT 645.1 bln. (30.4% of the total volume of placed deposits). The average weighted interest

rate on the placed interbank deposits in the Tenge in March 2012 decreased from 0.67% to 0.60%.

In March 2012 as compared to February 2012, the volume of deposits attracted by the National Bank from banks decreased by 14.3% to KZT 572.4 bln.

In March 2012 as compared to February 2012, the volume of placed dollar deposits decreased by 23.3% and amounted to US\$ 9.3 bln. (64.8% of the total volume of placed deposits). The average weighted interest rate on the placed deposits in the US Dollars in March 2012 increased from 0.12% to 0.14%.

The volume of placed Euro deposits in March 2012 decreased by 46.2% amounting to Euro 0.4 bln. (3.7% of the total volume of placed deposits). The average weighted interest rate on the placed deposits in the Euro increased from 0.21% to 0.44%.

The placements of deposits in the Russian ruble remain insignificant – 1.1% of the total volume of deposits placed.

The share of interbank deposits in foreign currency decreased during March 2012 from 74.1% to 69.6% of the total volume of placed deposits. The share of foreign currency deposits placed with non-resident banks decreased from 73.81% to 69.6%.

## **7. Deposit Market**

The total volume of deposits of residents with depository institutions increased during March 2012 by 4.2% to KZT 8985.3 bln. (since the beginning of the year - the growth by 7.2%). Deposits of corporate entities increased by 5.4% to KZT 6144.6 bln., and deposits of individuals increased by 1.8% to KZT 2840.7 bln.

In March 2012 the volume of foreign currency deposits increased by 3.7% to KZT 3024.6 bln., and the volume of deposits in the domestic currency increased by 4.5% to KZT 5960.6 bln. The percentage of the Tenge deposits in March 2012 virtually didn't change accounting for 66.3% (in February 2012 – 66.2%).

During March 2012 deposits of the population with banks (including non-residents) by increased by 1.8% to KZT 2870.5 bln. In the structure of deposits of the population the Tenge deposits increased by 2.9% to KZT 1673.9 bln., and foreign currency deposits increased by 0.5% to KZT 1196.6 bln. As a result, the percentage of the Tenge deposits increased from to 58.3% versus 57.7% in February 2012.

In March 2012 the average weighted interest rate on the Tenge time deposits of non-bank corporate entities was 2.4% (in February 2012 – 2.7%), and on deposits of individuals – 8.0% (8.4%).

## **8. Credit Market**

During March 2012, the total volume of bank credits to the economy increased by 1.2% amounting to KZT 8934.5 bln. (since the beginning of the year - the growth by 1.7%).

In March 2012 the volume of credits in the domestic currency increased by 2.1% to KZT 5917.7 bln., and the volume of foreign currency credits decreased by 0.5% to KZT 3016.8 bln. The percentage of the Tenge credits in March 2012 as compared to February 2012 increased from 65.7% to 66.2%.

In March 2012 long-term lending increased by 0.7% to KZT 7156.3 bln., short-term lending increased by 2.9% to KZT 1778.2 bln. As a result, the percentage of long-term credits in March 2012 as compared to February 2012 decreased from 80.4% to 80.1%.

During March 2012, credits to corporate entities increased by 1.2% amounting to KZT 6556.1 bln., and credits to legal entities increased by 1.0% to KZT 2378,5 bln. In March 2012 the percentage of credits to individuals didn't virtually change accounting for 26.6% (February 2012 – 26.7%).

SME lending during March 2012 decreased by 3.1% to KZT 1323.5 bln., accounting for 14.8% 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 32.4%), construction (16.0%), industry (12.8%) and agriculture (5.3%).

In March 2012 the average weighted interest rate on the Tenge credits provided to non-bank corporate entities was 11.3% (in February 2012 – 11.2%), and on credits to individuals – 20.5% (20.5%).

## **9. Regarding the Outcomes of Enterprise Monitoring in the Real Sector of the Economy in the 1<sup>st</sup> Quarter of 2012**

In April 2012, a regular enterprise monitoring was conducted with a view to assess the situation in the real sector of the economy in the 1<sup>st</sup> quarter of 2012. The number of enterprises participating in the monitoring and representing key sectors of the country's economy, as compared to their interview in the 4<sup>th</sup> quarter of 2011, increased from 2397 to 2422, including medium and large enterprises – from 1461 to 1469.

In the 1<sup>st</sup> quarter of 2012, the share of enterprises whose economic activity was negatively affected by the change in the exchange rate of the Tenge versus the US Dollar and Euro decreased significantly (to 11.5% and 8.4%, respectively), and versus the Russian ruble – increased (to 11.6%). The majority of enterprises, however, (63.2%, 64.4% and 63.5%, respectively) weren't affected by the impact of the exchange rate of the Tenge to those currencies.

The share of enterprises which obtained credits in the 1<sup>st</sup> quarter of 2012 (from 19.7% in the 4<sup>th</sup> quarter of 2011 to 20.4%) increased insignificantly, at the same time the number of enterprises which have delinquencies on bank loans decreased (from 40.9% in the 4<sup>th</sup> quarter of 2011 to 38.4%). In the 2<sup>nd</sup> quarter of 2012, 24.2% of enterprises intend to apply for credits (in the 1<sup>st</sup> quarter – 22.4%).

Investment activity of enterprises somewhat declined despite the fact that average interest rates on credits in the Tenge and in foreign currency virtually didn't change (12.7% and 10.7%, respectively). This is evidenced by a notable increase in the share of enterprises (from 34.4% in the 4<sup>th</sup> quarter of 2011 to 38.9%) that didn't finance investments.

The demand for final products of enterprises decreased significantly in the real sector of the economy as a whole. The decrease in the demand was noted by 25.7% (in the 4<sup>th</sup> quarter of 2011 – 19.6%) of respondents whereas the increase was noted by 19.8% enterprises only (in the 4<sup>th</sup> quarter of 2011 – 25.2%). The increase in the demand was observed only in the sector of “production and distribution of electricity, gas and water”. In the 2<sup>nd</sup> quarter of 2012 an overall increase in the demand is anticipated (27.8% of enterprises anticipate the increase in the demand and 8.8% - its decrease).

The rates of growth in prices for final products of enterprises slightly increased in the 1<sup>st</sup> quarter of 2012. The increased growth rates are observed in all sectors of the economy except “hotels and restaurants” where their decrease was observed. The highest increase in the growth rates occurred in the mining industry. In the 2<sup>nd</sup> quarter of 2012 the upward trend in the price growth rates is expected to continue. The highest growth in prices is expected in the sector of “production and distribution of electricity, gas and water” and in the mining industry.

In the 1<sup>st</sup> quarter of 2012 the rates of growth in prices for raw materials and supplies slightly increased. In the sample as a whole, the share of enterprises that noted the growth in prices for raw materials and supplies accounted for 54%, and only 1.7% of enterprises noted the decrease in prices. In the 2<sup>nd</sup> quarter of 2012 the price growth is expected to slow down (46.2% and 1%, respectively).

Despite the fact that average return on sales (before tax) in the 1<sup>st</sup> quarter of 2011 increased (from 44.1% in the 4<sup>th</sup> quarter of 2011 to 45.9%), the overall financial position of the real sector somewhat deteriorated: the share of low profit and loss-making enterprises increased to 26.2% (from 24.1% in the 4<sup>th</sup> quarter of 2011), accordingly, the share of enterprises with medium and high profitability decreased to 73.8% (from 75.8% in the 4<sup>th</sup> quarter of 2011).