



**NATIONAL BANK  
OF THE REPUBLIC OF KAZAKHSTAN  
PRESS-RELEASE NO. 1  
January 9, 2013**

**Preliminary Outcomes for 2012  
Regarding the Situation in the Financial  
Market**

**1. Inflation in 2012.** According to the official data from the Agency of Statistics of the Republic of Kazakhstan, the annual inflation in 2012 accounted for 6.0% (in 2011 – 7.4%) (Figure 1).

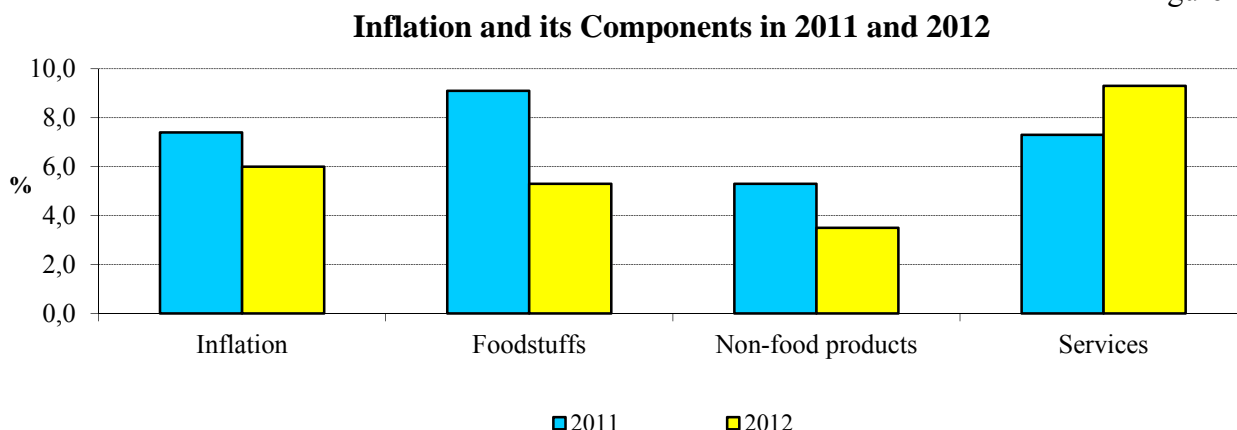
In 2012, the inflation was building up against a significant increase in the price for paid services which increased by 9.3% during the period (in 2011 – by 7.3%). The price of foodstuffs increased by 5.3% (by 9.1%), price of non-food products increased by 3.5% (by 5.3%).

In 2012, the highest increase in prices among foodstuffs occurred in the price of meat and meat products - by 9.5%, including pork – by 12.8%, mutton – by 11.6%, beef – by 11.1%, horse meat – by 10.8%, flour – by 7.6%, macaroni products – by 7.5%, fish and seafood – by 5.7%, confectionery – by 5.0%, and fruits and vegetables – by 4.8%. Among foodstuffs, there was a decrease in prices for cereals by 27.0%, sugar – by 2.1%, and oils and fats – by 0.2%.

In 2012, in the group of non-food products the highest increase occurred in the price of clothes and footwear - by 4.4%, including fabrics – by 5.1%, upper garments – by 4.3%, as well as medications – by 2.7%. The cost of gasoline increased by 2.4%, and the cost of diesel fuel – by 3.0%.

In 2012, in the structure of paid services, the price of utilities increased by 8.2%. The hot water tariff increased by 10.8%, electricity fee – by 10.1%, tariff for district heating – by 9.3%, solid waste collection – by 8.0%, and cold water – by 5.9%. Also, the price of communication services increased by 12.2% (because of increased prices for postal services – by 56.5%, telephone and facsimile services – by 11.2%), transport services – by 12.0%, including automobile transport – by 13.7%, air transport – by 8.6%, railway transport – by 8.3%, as well as education services – by 11.0%.

Figure 1



**Inflation in December 2012.** In December 2012, the inflation was at 0.6% (in December 2011 – 0.3%). Prices for foodstuffs increased by 0.8% (by 0.3%), for non-food products – by 0.3% (by 0.4%), and for paid services – by 0.6% (by 0.2%).

In December 2012, the highest increase in prices in the foodstuffs market was in the price of eggs - by 3.5%, fruits and vegetables – by 2.1%, oils and fats – by 1.3%, macaroni products – by 1.1%, flour – by 0.9%, dairy products – by 0.8%, and meat and meat products – by 0.6%. At the same time, the price of sugar decreased by 1.1%, and of buckwheat – by 0.9%.

In the group of non-food products, the prices for clothes and footwear increased by 0.5%, domestic goods – by 0.2%, and medications – by 0.2%.

In the group of paid services, payments for utilities increased by 0.8%. Tariffs for the gas transported by distribution networks increased by 2.8%, for sewage system – by 2.5%, cold water – by 1.2%, and hot water – by 0.8%. During December 2012, prices for transport services increased by 0.4% (railway transport – by 1.5%), financial services – by 2.2%, and healthcare services – by 0.8%.

## **2. Balance of Payments and Gross External Debt for 9 Months of 2012.**

During 9 months of 2012, the current account surplus amounted to US\$ 7.8 bln. or 5.7% of GDP (US\$ 11.2 bln. or 9.0% of GDP for 9 months of 2011).

Outstripping rates of growth in imports of goods and services versus their exports resulted in the decreased current account surplus for 9 months of 2012 versus 9 months of 2011, by 30.5%.

The balance of trade surplus decreased by 5.8% and amounted to US\$ 35.3 bln. The official exports of goods increased by 5.1% versus the respective period of 2011 and amounted to US\$ 69.5 bln., of which US\$ 43.3 bln. (or 62.2%) falls on the exports of oil and gas condensate. The export value of ferrous metals increased by 4.8%, and of non-ferrous metals – by 17.2%. Whereby, the increase in the exports of ferrous and non-ferrous metals occurred only due to the increased volumes of physical supplies.

The imports of goods recorded by the official trade statistics increased by 24.5% and amounted to US\$ 32.1 bln. The growth in the imports of investment goods, which had the largest percentage in the total imports (38.3%), accounted for 35.8%. The imports of interim consumption goods increased by 10.7% to US\$ 11.6 bln. Among consumer goods as a whole, the cost of imports increased by 27.4%. At the same time, imports of foodstuffs decreased by 1.0%, and imports of non-food products increased by 52.3%. The increase in physical volumes was noted in all groups of the main product range of imports.

A net outflow on revenue operations (including labor compensation and balance of investment returns) decreased by 3.2%, totaling US\$ 21.2 bln. On other current account components, negative imbalances of services and transfers amounted to US\$ 5.6 bln. and US\$ 0.6 bln., respectively.

The financial account showed a net outflow of US\$ 1.2 bln. mainly due to the operations in the 3rd quarter of 2012.

A net outflow on foreign direct investments amounted to US\$ 1.0 bln. Net inflow of foreign direct investments to Kazakhstan amounted to US\$ 11.7 bln. As a result, a surplus on direct investment operations totaled US\$ 10.7 bln. versus US\$ 8.6 bln. during 9 months of 2011.

A net outflow on portfolio investments of US\$ 12.8 bln. was mainly secured by the growth (by US\$ 12.2 bln.) in foreign assets of the National Fund as well as by a decrease of nearly US\$ 1 bln. in debt liabilities of the Kazakh banks.

**Gross External Debt.** At September 30, 2012, gross external debt amounted to US\$ 134.9 bln., of which US\$ 5.1 bln. or 4% is comprised by the government sector's external debt (liabilities of the Government of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan), inter-company debt amounts to US\$ 65.8 bln. or 49%, and the banking sector debt amounts to US\$ 14.0 or 10%.

During the 3rd quarter of 2012, gross external debt increased by US\$ 2.4 bln., mainly because of foreign debt of "Other sectors" (the growth – US\$ 2.8 bln.), with a minor (by US\$ 0.1 bln.) growth in the external debt of the government sector and continuing reduction in the external debt of the banking sector (second-tier banks and the Development Bank of Kazakhstan).

The reduction in the external debt of "Banks" by US\$ 0.5 bln. was caused by the outflow of deposits of non-residents kept with the Kazakh banks (by US\$ 0.4 bln.) and the repayment of principal amount on taken loans (US\$ 0.9 bln.).

In the 3rd quarter of 2012, the increase in the item of "Bond and Other Debt Securities" was mainly caused by the offering by the Development Bank of Kazakhstan of the first issue of Islamic bonds Sukuk-al-Murabakha in the amount of MR (Malaysian Ringgits) 240 mln. (about US\$ 77 mln.), as well as the replacement of issuer on Euro bonds with indefinite maturity date in the amount of US\$ 100 mln. conducted by ATF Bank. However, during the entire period, the increase in this item amounted to US\$ 45.1 mln. only, mainly because of the sale by non-residents of bonds issued by the Kazakh banks.

In the 3rd quarter of 2012, the increase in the external debt of "Other sectors" occurred mainly due to active foreign borrowing operations (US\$ 4.9 bln.) by residents. Such growth was partially offset by repayment of those loans (US\$ 2.1 bln.) as well as reclassification to the non-debt capital of a part of liabilities of a foreign company's branch that engages in the field development in Kazakhstan. Based on the investor's decision, earlier costs of US\$ 1.4 bln. incurred from the field development were recognized as non-refundable.

At the same time, in the 3rd quarter of 2012 the growth in the country's foreign assets was outrunning the growth in gross external debt; as a result, net external debt of Kazakhstan decreased by US\$ 2.1 bln. and amounted to US\$ 12.3 bln. at September 30, 2012.

**3. International Reserves and Monetary Aggregates in 2012.** During 2012, net international reserves of the National Bank decreased by 3.6% to US\$ 27.7 bln., mainly because of the foreign exchange sales in order to replenish assets of the National Fund. During 2012, net currency reserves (FCC) decreased by 12.3%, assets denominated in gold increased by 48.1% as a result of performed transactions and its price growth in global markets by 5.4%.

During 2012, the country's total international reserves including assets of the National Fund denominated in foreign currency (according to preliminary data – US\$ 57.8 bln.) increased by 17.9% to US\$ 86.0 bln.

During 2012, the reserve money expanded by 1.9% and amounted to KZT 2889.9 bln. Narrow reserve money, i.e. reserve money excluding time deposits of banks with the National Bank, expanded by 3.3% to KZT 2831.0 bln.

During January-November 2012, money supply increased by 7.3%, to KZT 10465.5 bln. The volume of cash in circulation increased by 1.0% and mounted to KZT 1379.9 bln. Deposits in the banking system increased by 8.3% to KZT 9085.5 bln. In the structure of money supply, the share of deposits increased from 86.0% in December 2011 to 86.8% in November 2012 because of higher rates of growth in the volume of deposits versus the rates of growth in cash in circulation.

The money multiplier increased from 3.44 in December 2011 to 3.90 in November 2012 as a result of higher rates of growth in the money supply versus the expansion in reserve money recorded at the end of 11 months of 2012.

**International Reserves and Monetary Aggregates in December 2012.** In December 2012, gross international reserves of the National Bank decreased by 4.6% to US\$ 28.3 bln. (since the beginning of the year – the decrease by 3.6%). Net international reserves of the National Bank decreased by 4.7% and amounted to US\$ 27.7 bln. (since the beginning of the year – the decrease by 3.6%). During December 2012, net currency reserves (FCC) decreased by 5.3%. Assets denominated in gold decreased by 2.4% as a result of performed transactions and its decreased price in global markets.

During December 2012, the country's total international reserves including assets of the National Fund denominated in foreign currency (according to preliminary data – US\$ 57.8 bln.) decreased by 1.3% to US\$ 86.0 bln. (since the beginning of the year – the growth by 17.9%).

During December 2012, the reserve money expanded by 7.6% and amounted to KZT 2889.9 bln. (since the beginning of the year – the expansion by 1.9%). Narrow reserve money, i.e. reserve money excluding time deposits of banks with the National Bank, expanded by 7.0% to KZT 2831.0 bln.

During November 2012, the money supply decreased by 2.1% to KZT 10465.5 bln. (since the beginning of the year – the growth by 7.3%). The volume of cash in circulation

decreased by 2.0% to KZT 1379.9 bln. (since the beginning of the year – the growth by 1.0%), and deposits in the banking system decreased by 2.1% to KZT 9085.5 bln. (since the beginning of the year – the growth by 8.3%). In November 2012, the share of deposits in the structure of money supply hadn't changed versus October 2012 and accounted for 86.8%.

The money multiplier increased from 3.77 in October 2012 to 3.90 at end-November 2012 as a result of a relatively lower contraction in the money supply versus the contraction in reserve money recorded in November 2012.

**4. Foreign Exchange Market in 2012.** In 2012, the stock exchange rate of the Tenge versus the US Dollar was in the range of KZT 147.50–150.86 per 1 US Dollar. During 2012, the Tenge depreciated versus the US Dollar in nominal terms by 1.6% and amounted to KZT 150.74 per 1 US Dollar at the year-end.

In 2012, the volume of stock exchange transactions at the Kazakhstan Stock Exchange including transactions at supplementary auctions amounted to US\$ 55.4 bln., having decreased by 21.6% as compared to the year 2011. The minimum transaction volume was observed in January, and the maximum – in August.

During 2012, the transaction volume in the off-exchange foreign currency market decreased as compared to 2011 by 31.2% and amounted to US\$ 26.9 bln. The minimum transaction volume was observed in March, and the maximum – in December 2012.

The overall trading volume in the domestic foreign exchange market totaled US\$ 82.3 bln., having decreased by 25.0% as compared to 2011.

**Foreign Exchange Market in December 2012.** In December 2012, the exchange rate of the Tenge versus the US Dollar was fluctuating within KZT 150.13–150.74 per 1 US Dollar. During December 2012, the exchange rate of the Tenge remained virtually unchanged and the stock exchange rate of the Tenge was KZT 150.74/1US\$ at the end of the month.

In December 2012, the volume of stock exchange transactions at the Kazakhstan Stock Exchange including transactions at supplementary auctions decreased by 24.2% as compared to November 2012 and amounted to US\$ 4.3 bln. The transaction volume in the off-exchange foreign currency market increased by 41.0% and amounted to US\$ 3.5 bln.

The overall transaction volume in the domestic foreign exchange market decreased by 4.4% and totaled US\$ 7.8 bln.

**5. Government Securities Market in 2012.** As of January 1, 2013, the volume of outstanding government securities of the Ministry of Finance and short-term notes of the National Bank amounted to KZT 3091.3 bln. at a discounted price.

In 2012, the Ministry of Finance placed government securities worth KZT 1066.7 bln., with the increase by 58.3% as compared to 2011.

In 2012, 102 auctions offering government securities of the Ministry of Finance were held where the following government securities were placed: 9-month MEKKAMs (their yield was 2.52%), 12-month MEKKAMs (their yield was 3.03%), 2, 3, 4, and 5-year MEOKAMs (their yield was 3.23%, 4.40%, 5.37% and 5.58%, respectively), 6, 7, 8, 9, 10, 11, 13, 15, 16, and 20-year MEUKAMs (their yield – 5.75%, 6.00%, 5.30%, 6.00%, 6.35%, 5.00%, 6.60%, 6.60%, 5.50% and 6.70%, respectively), 8, 11, 12, 13, 14, 15, 17, 18, and 19-year MEUZHKAMs (their yield was 0.01% above the inflation rate).

As a result, during 2012 the volume of outstanding securities issued by the Ministry of Finance increased by 0.7% to KZT 2905.2 bln.

**Short-Term Notes of the National Bank of Kazakhstan.** The volume of short-term notes issued by the National Bank during 2012 amounted to KZT 857.2 bln., which is by 3.5 times less than during 2011. As a result, the volume of notes in circulation at end-December 2012 decreased as compared to December 2011 by 2.7 times to KZT 186.1 bln.

The effective yield on notes increased from 1.21% in 2011 to 1.46% at end- 2012.

**Government Securities Market in December 2012.** In December 2012, 11 auctions offering government securities of the Ministry of Finance were held where the following

government securities were placed: 9-month MEKKAMs (KZT 3.0 bln.), 2-year MEOKAMs (KZT 2.5 bln.), 3-year MEOKAMs (KZT 7.2 bln.), 4-year MEOKAMs (KZT 12.3 bln.), 5-year MEOKAMs (KZT 10.6 bln. and KZT 6.8 bln.), 6-year MEUKAMs (KZT 2.1 bln.), 7-year MEUKAMs (KZT 13.2 bln.), 10-year MEUKAMs (KZT 2.0 bln.), 20-year MEUKAMs (KZT 1.4 bln.), and 17-year MEUZHKAms (KZT 21.5 bln.).

The effective yield on placed securities was as follows: on 9-month MEKKAMs – 2.52%, 2-year MEOKAMs – 3.23%, 3-year MEOKAMs – 4.40%, 4-year MEOKAMs – 5.37%, 5-year MEOKAMs – 5.58%, 6-year MEUKAMs – 5.75%, 7-year MEUKAMs – 6.00%, 10-year MEUKAMs – 6.35%, on 20-year MEUKAMs – 6.70%, and on 17-year MEUZHKAms – 0.01% above the inflation rate.

The volume of outstanding securities of the Ministry of Finance at end-December 2012 amounted to KZT 2905.2 bln., having increased by 2.0% as compared to November 2012.

**Short-Term Notes of the National Bank of Kazakhstan.** During December 2012, the volume of notes issued by the National Bank increased as compared to November 2012 by 3.9 times and amounted to KZT 47.9 bln.

Three auctions were held to place 3-month notes (KZT 15.1 bln.), 6-month notes (KZT 15.1 bln.), and 9-month notes (KZT 17.7 bln.).

The effective yield on placed notes was as follows: on 3-month notes – 1.07%, on 6-month notes – 1.51%, and on 9-month notes – 1.82%.

The volume of notes in circulation at end-December 2012 as compared to November 2012 decreased by 29.3% and amounted to KZT 186.1 bln.

**6. Interbank Money Market During 11 months of 2012.** During 11 months of 2012, the total volume of placed interbank deposits decreased as compared to the respective period of 2011 by 36.8% and amounted to the equivalent of KZT 18.7 trln.

The volume of placed interbank deposits in the Tenge decreased by 61.6% amounting to KZT 5.1 trln. (27.4% of the total volume of deposits placed during 11 months of 2012). The average weighted interest rate on the placed interbank deposits in the Tenge in November 2012 as compared to November 2011 increased by 0.07 pp and was 0.74%.

The volume of deposits attracted by the National Bank from banks during 11 months of 2012 decreased as compared to the respective period of 2011 by 62.2% and amounted to KZT 4.9 trln.

During 11 months of 2012, the volume of placed Dollar deposits amounted to US\$ 83.8 bln., having decreased by 11.0% (66.9% of the total volume of deposits placed during 11 months of 2012). The average weighted interest rate on the placed deposits in the US Dollar in November 2012 was 0.18%, whereas in November 2011 it was 0.23%.

The volume of placed Euro deposits decreased by 64.0% versus 11 months of 2011 and amounted to €3.2 bln. (3.2% of the total volume of deposits placed during 11 months of 2012). The average weighted interest rate on the placed deposits in the Euro increased from 0.60% in November 2011 to 0.15% in November 2012.

The placements of deposits in the Russian ruble remain insignificant – 2.5% of the total volume of deposits placed during 11 months of 2012.

**7. Deposit Market During 11 months of 2012.** During January-November 2012, the volume of deposits of residents with depository institutions increased by 8.3% to KZT 9085.5 bln. Deposits of legal entities increased by 3.7% to KZT 5874.4 bln., and deposits of individuals – by 17.9% to KZT 3211.1 bln.

During January-November 2012, the volume of deposits in the domestic currency increased by 8.6% to 6252.1 bln., and the volume of foreign currency deposits increased by 7.7% to KZT 2833.4 bln. The percentage of the Tenge deposits in November 2012 as compared to December 2011 increased from 68.6% to 68.8%.

During January-November 2012, household deposits with banks (including non-residents) increased by 17.6% to KZT 3245.2 bln. In the structure of household deposits, the

Tenge deposits increased by 20.3% to KZT 1922.9 bln., and foreign currency deposits increased by 13.9% to KZT 1322.3 bln. As a result, the percentage of the Tenge deposits increased from 57.9% in December 2011 to 59.3% in November 2012.

In November 2012, the average weighted interest rate on the Tenge time deposits of non-bank legal entities was 2.1% (in December 2011 – 2.7%), and on deposits of individuals – 8.3% (8.4%).

**8. Credit Market During 11 months of 2012.** During January-November 2012, the total volume of bank credits to the economy increased by 10.5%, amounting to KZT 9737.5 bln.

The volume of credits in the domestic currency increased by 19.9% to KZT 6811.5 bln., and the volume of foreign currency credits decreased by 6.5% to KZT 2926.0 bln. The percentage of the Tenge credits in November 2012 as compared to December 2011 increased from 64.5% to 70.0%.

During January-November 2012, long-term lending increased by 10.2% to KZT 7844.2 bln., and short-term lending increased by 11.7% to KZT 1893.4 bln. As a result, the percentage of long-term credits in November 2012 as compared to December 2011 decreased from 80.8% to 80.6%.

During January-November 2012, credits to legal entities increased by 7.3% amounting to KZT 6939.1 bln., and credits to individuals increased by 19.3% to KZT 2798.4 bln. The percentage of credits to individuals in November 2012 as compared to December 2011 increased from 26.6% to 28.7%.

During January-November 2012, credits to the small- and medium-size businesses increased by 3.6% to KZT 1390.5 bln., accounting for 14.3% of the total volume of credits to the economy (in December 2011 – 15.2%).

In the sectoral breakdown, the most significant amount of credits to the economy falls on trade – 20.0% (in December 2011 – 20.8%), construction – 14.2% (15.1%), industry – 12.0% (12.0%), and agriculture – 3.0% (3.9%).

In November 2012, the average weighted interest rate on credits provided in the Tenge to non-bank legal entities was 10.7% (in December 2011 – 10.8%), and on credits to individuals – 21.4% (20.4%).