



**NATIONAL BANK
OF THE REPUBLIC OF KAZAKHSTAN
PRESS-RELEASE NO. 44
of November 15, 2013**

**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 October 2013 the inflation had been at 0.3% (in October 2012 – 0.7%). Foodstuff prices increased by 0.2% (by 0.6%), and prices of non-food products increased by 0.4% (by 0.6%). Tariffs for paid services increased by 0.2% (by 0.9%).

In October 2013, the highest increase in prices in the foodstuffs market was demonstrated by prices for eggs – by 8.6%, for dairy products – by 0.9%, bread and macaroni products – by 0.6% each, for fish and sea food – by 0.6%, rice – by 0.3%, and for meat and meat products – by 0.2%. In addition, tobacco prices increased by 3.3%. There was a 3.0% decline in prices for fruits and vegetables, including prices for onions – by 8.4%, potatoes – by 7.4%, carrots – by 6.6%, as well as for sugar – by 0.2%, cereals – by 0.6%.

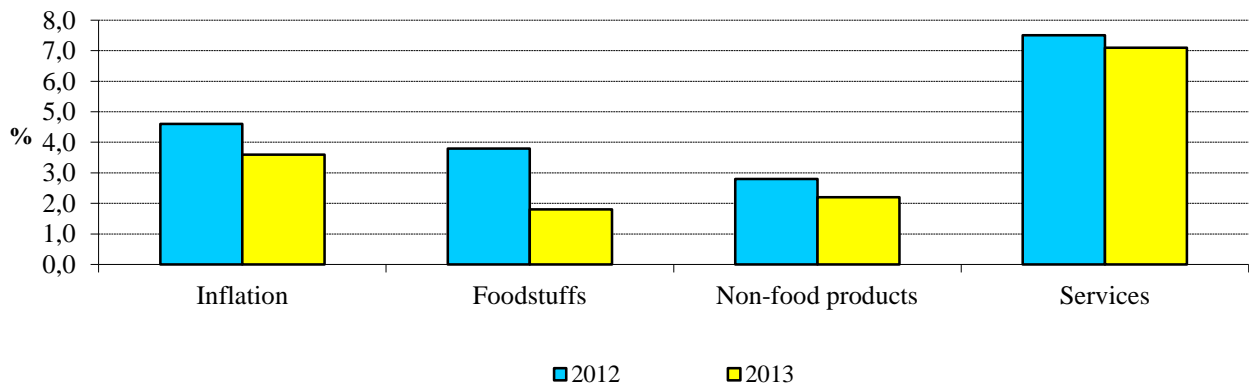
In the group of non-food products, the prices for upper garments increased by 0.4%, fabrics – by 0.8%, domestic goods – by 0.2%, medications – by 0.2%. The price of gasoline increased by 1.8%, and the price of diesel fuel – by 0.5%.

In the group of paid services, the utilities payments increased by 0.2%. Cold water fee increased by 1.0%, sewage fees – by 0.9%, fees for solid waste collection – by 0.5%, rental costs – by 1.4%. Electricity tariffs decreased by 0.2% and tariffs for district heating decreased by 0.1%. In addition, during October 2013 the price of healthcare services increased by 0.3%, of services provided by restaurants and hotels – by 0.3%, and the transport services decreased in price by 0.1%.

During January-October 2013, the inflation accounted for 3.6% (in January-October 2012 – 4.6%). Since the beginning of 2013, the price of foodstuffs had increased by 1.8% (by 3.8%), the price of non-food products – by 2.2% (by 2.8%), and the price of paid services – by 7.1% (by 7.5%) (Figure 1).

Figure 1

Inflation and its Components in January-October 2012 and 2013



In October 2013 the annual inflation accounted for 4.9% (in December 2012 – 6.0%). Over the last 12 months the price of foodstuffs has increased by 3.3% (by 5.3%), the price of non-food products – by 2.9% (by 3.5%), and the price of paid services – by 8.9% (by 9.3%).

2. Balance of Payments (Preliminary Results)

According to a preliminary balance of payments estimate, during 9 months of 2013 the current account surplus reduced versus the corresponding indicator for 9 months of 2012 from US\$ 3.5 bln. to US\$ 153 mln.

Deterioration in the current account was caused by continuing reduction in the trade surplus. With the 7.0% decrease in the exports of goods and 6.2% increase in the imports of goods, the trade surplus decreased by 21.0% to US\$ 25.1 bln. (US\$ 31.8 bln. during 9 months of 2012). The average world price of oil (Brent) during 9 months of this year was US\$ 108.7 per barrel, which is by 3.4% less than during 9 months of 2012 (US\$ 112.5 per barrel).

A negative balance of primary income of US\$ 18.6 bln. reduced by 14.6%, mainly because of decreased payouts of returns on direct investments to foreign direct investors from US\$ 19.2 bln. during 9 months of 2012 to US\$ 16.8 bln. during 9 months of 2013 (by 12.1%). On other current account components, negative imbalances of international services and secondary income amounted to US\$ 5.2 bln. and US\$ 1.1 bln., respectively.

According to a preliminary estimate, balance on the financial account (excluding reserve assets) showed up a deficit of US\$ 1.0 bln. (a surplus of US\$ 0.5 bln. during 9 months of 2012).

In foreign direct investments, net incurred liabilities amounted to US\$ 6.6 bln., and net acquisition of financial assets was US\$ 1.4 bln. As a result, a negative imbalance of direct investment operations decreased to US\$ 5.2 bln. from US\$ 10.7 bln. during 9 months of 2012.

A surplus on portfolio investments amounted to US\$ 2.5 bln., since assets on portfolio investments exceeded the growth in relevant liabilities. Net acquisition of assets (increase in assets) on portfolio investments of US\$ 5.4 bln. has been secured by the US\$ 4.7 bln. growth in foreign assets of the National Fund, as well as by US\$ 6.0 bln. increase in debt securities issued by non-residents in the bank portfolios. Net incurred liabilities (the growth in liabilities) on portfolio investments of US\$ 2.9 bln. resulted from new issues of debt securities by non-banks totaling US\$ 4.1 bln. and from repayment of long-term bonds issued earlier in the amount of US\$ 1.4 bln.

Operations of banks resulted in a surplus of US\$ 4.3 bln. At the same time, the growth in foreign assets of banks (net acquisition of financial assets) amounting to US\$ 2.2 bln. during 9 months of 2013, to a larger extent was associated with the increased assets of banks on foreign accounts. Foreign liabilities of banks (net incurred liabilities) reduced by US\$ 2.0 bln., mainly due to the repayment of liabilities on loans and advances.

3. International Reserves and Monetary Aggregates

In October 2013, international reserves of the National Bank decreased. Gross international reserves of the National Bank decreased by 1.9% to 23.7 US\$ bln. (since the beginning of the year – the decrease of 16.2%). Net international reserves of the National Bank reduced by 2.0% and amounted to US\$ 23.2 bln. (since the beginning of the year – the decrease of 16.6%). Foreign exchange sales in the domestic foreign currency market, servicing of the Government's external debt, and replenishment of the National Fund's assets were partially neutralized by the increased bank correspondent account balances with the National Bank denominated in foreign currency and foreign currency receipts to the Government's accounts with the National Bank. As a result, during October 2013, net currency reserves (FCC) decreased by 3.2%, assets denominated in gold increased by 1.6% as a result of conducted operations and minor decrease in its price in the global markets.

During October 2013, the country's total international reserves including assets of the National Fund denominated in foreign currency (according to preliminary data – US\$ 68.7 bln.) increased by 1.8% to US\$ 92.4 bln. (since the beginning of the year – the growth of 7.3%).

During October 2013, the reserve money contracted by 0.2% and totaled KZT 2776.3 bln. (since the beginning of the year – contraction of 3.9%). Narrow reserve money, i.e. reserve

money excluding time deposits of banks with the National Bank, contracted by 0.3% to KZT 2745.3 bln.

During September 2013, the money supply increased by 1.8% to KZT 11558.3 bln. (since the beginning of the year – the growth of 9.8%), the volume of cash in circulation decreased by 1.0% to KZT 1453.6 bln. (since the beginning of the year – the decrease of 4.9%), and deposits in the banking system increased by 2.2% to KZT 10104.7 bln. (since the beginning of the year – the growth of 12.3%). The share of deposits in the structure of money supply increased from 85.5% in December 2012 to 87.4% in September 2013 as a result of growth in the deposit volumes against the contraction of cash in circulation.

The money multiplier increased from 3.64 in December 2012 to 4.15 at end-September 2013 as a result of growth in the money supply versus contraction in the reserve money recorded in January-September 2013.

4. Foreign Exchange Market

In October 2013 the exchange rate of the Tenge versus the US Dollar was fluctuating within KZT 153.52–154.4 per 1 US Dollar. At the end of the month, the exchange rate of the Tenge was KZT 154.2 per 1 US Dollar, having decreased by 0.3% over the month (since the beginning of the year – the depreciation of 2.3%).

In October 2013 the volume of stock exchange transactions at the Kazakhstan Stock Exchange including transactions at supplementary auctions increased as compared to September 2013 by 23.3% and amounted to US\$ 4.8 bln. (since the beginning of the year – US\$ 45.8 bln.). The transaction volume in the off-exchange foreign currency market increased by 15.3% to US\$ 2.0 bln. (since the beginning of the year – US\$ 17.7 bln.).

In general, the operations volume in the domestic foreign exchange market increased by 20.8% as compared to September 2013 and amounted to US\$ 6.8 bln. (since the beginning of the year – US\$ 63.4 bln.).

5. Government Securities Market

In October 2013, 5 auctions offering government securities of the Ministry of Finance were held where the following government securities were placed 12-month MEKKAMs (KZT 12.8 bln.), 9-year MEUKAMs (KZT 10.2 bln.), 10-year MEUKAMs (KZT 11.1 bln.), 13-year MEUKAMs (KZT 22.0 bln.), and 9-year MEUZHKAMs (KZT 78.9 bln.).

The effective yield on placed securities was as follows: on 12-month MEKKAMs – 3.00%, on 9-year MEUKAMs – 6.00%, on 10-year MEUKAMs – 6.44%, on 13-year MEUKAMs – 6.80%, on 9-year MEUZHKAMs – 0.01% above the inflation rate.

At end-October 2013, the volume of outstanding securities of the Ministry of Finance amounted to KZT 3386.3 bln., having increased by 2.5% as compared to the previous month.

Short-term Notes of the National Bank of Kazakhstan.

In October 2013 one auction to place 3-month notes of the National Bank was held. The emission volume was KZT 2.0 bln. (the effective yield – 2.17%)

At end-October 2013 as compared to September 2013, the volume of notes in circulation reduced by 55.7% and amounted to KZT 7.3 bln.

6. Interbank Money Market

In September 2013 as compared to August 2013, the total volume of placed interbank deposits decreased by 11.5%, amounting to the equivalent of KZT 1679.8 bln.

The volume of placed interbank deposits in the Tenge decreased by 32.4% and amounted to KZT 103.0 bln. (6.1% of the total volume of placed deposits). In September 2013 the average weighted interest rate on placed interbank deposits in the Tenge decreased from 2.26% to 1.43%.

In September 2013 as compared to August 2013, the volume of placed Dollar deposits decreased by 20.9% and amounted to US\$ 8.7 bln. (79.1% of the total volume of placed

deposits). In September 2013 the average weighted interest rate on the placed deposits in the US Dollar increased from 0.08% to 0.13%.

In September 2013 as compared to August 2013, the volume of placed deposits in Euro increased by 21 times and totaled €0.9 bln. (11.1% of the total volume of placed deposits). In September 2013 the average weighted interest rate on the placed deposits in Euro decreased from 0.94% to 0.14%.

The volumes of deposits placements in the Russian rubles are insignificant – 3.7% of the total volume of placed deposits.

During September 2013, the share of foreign currency interbank deposits increased from 92.0% to 93.9% of the total volume of placed deposits. The share of foreign currency deposits placed with non-resident banks increased from 91.1% to 92.4% of the total volume of placed interbank deposits.

In September 2013 as compared to August 2013, the volume of deposits taken from banks by the National Bank decreased by 28.6% and amounted to KZT 82.5 bln.

7. Deposit Market

During September 2013, the overall volume of deposits of residents with depository institutions increased by 2.2% to KZT 10104.7 bln. (since the beginning of the year – the growth of 12.3%). During the month, deposits of legal entities increased by 2.9% to KZT 6389.1 bln. (since the beginning of the year – the growth of 13.6%), and deposits of individuals increased by 1.1% to KZT 3715.6 bln. (since the beginning of the year – the growth of 10.2%).

In September 2013, the volume of deposits in the domestic currency increased by 3.7% to KZT 6328.2 bln. (legal entities – the growth of 5.0%, individuals – the growth of 1.3%), and foreign currency deposits showed the decrease of 0.2% to KZT 3776.5 bln. (legal entities – the decrease of 1.0%, individuals – the growth of 0.9%). The percentage of the Tenge deposits has increased over the month from 61.7% to 62.6%.

During September 2013, household deposits with banks (including non-residents) increased by 1.1% to KZT 3749.7 bln. (since the beginning of the year – the growth of 10.0%). In the structure of household deposits, deposits in the Tenge decreased by 1.3% to KZT 2101.3 bln., and foreign currency deposits increased by 0.8% to KZT 1648.3 bln. Within household deposits, the percentage of deposits in the Tenge has increased from 55.9% to 56.0%.

During September 2013, time deposits increased by 1.7% to KZT 6933.2 bln. Within time deposits, deposits in the Tenge increased by 2.0% to KZT 4141.8 bln., and foreign currency deposits increased by 1.4% to KZT 2791.4 bln.

In September 2013, the average weighted interest rate on the Tenge time deposits of non-bank legal entities was 4.4% (in August 2013 – 4.4%), and on deposits of individuals – 6.3% (6.7%).

8. Credit Market

During September 2013, the total volume of bank credits to the economy increased by 1.4%, amounting to KZT 10935.7 bln. (since the beginning of the year – the growth of 9.8%).

The volume of credits in the domestic currency increased by 1.1% to KZT 7694.3 bln. (since the beginning of the year – the growth of 9.3%), and the volume of foreign currency credits increased by 2.2% to KZT 3241.4 bln. (since the beginning of the year – the growth of 11.1%). Over the month, the percentage of credits in the Tenge has decreased from 70.6% to 70.4%.

In September 2013, long-term lending increased by 1.1% amounting to KZT 8908.0 bln., and short-term lending increased by 3.0% to KZT 2027.7 bln. Over the month the percentage of long-term credits decreased from 81.7% to 81.5%.

During September 2013, the volume of credits to legal entities increased by 1.0% to KZT 7487.4 bln., and the volume of credits to individuals increased by 2.3% to KZT 3448.3 bln. Over the month, the percentage of credits to individuals has increased from 31.3% to 31.5%.

During September 2013, SME lending decreased by 5.4% to KZT 1384.3 bln. (since the beginning of the year – the decrease of 2.0%), accounting for 12.7% 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 19.7%), construction (12.8%), industry (11.5%), transport (3.4%) and agriculture (3.2%).

In September 2013, the average weighted interest rate on the Tenge credits provided to non-bank legal entities was 10.5% (in August 2013 – 10.9%), and on credits to individuals – 19.6% (20.1%).