



**NATIONAL BANK
OF THE REPUBLIC OF KAZAKHSTAN
PRESS-RELEASE No. 48
of December 18, 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 November 2013 the inflation had been at 0.5% (in November 2012 – 0.7%). Foodstuff prices increased by 0.7% (by 0.7%), and prices of non-food products increased by 0.4% (by 0.4%). Tariffs for paid services increased by 0.4% (by 1.1%).

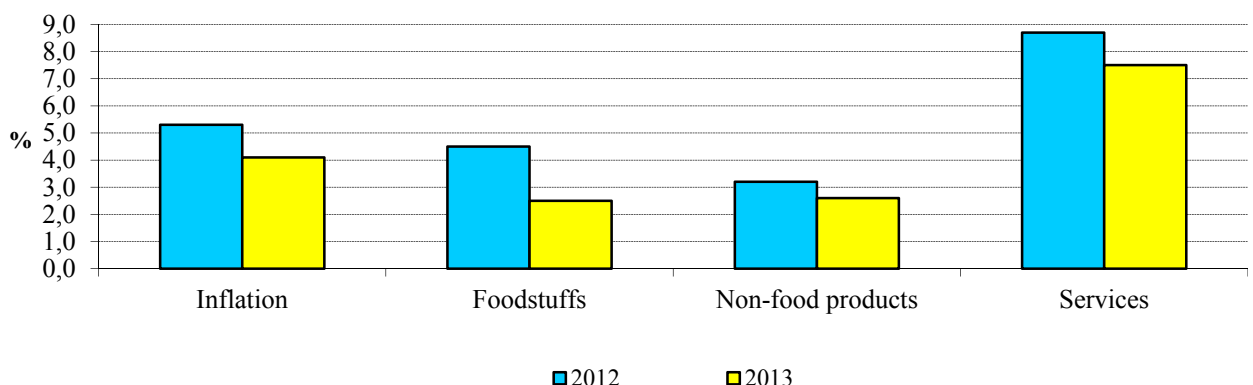
In November 2013, the highest increase in prices in the foodstuffs market was demonstrated by prices for eggs – by 16.3%, for fruits and vegetables – by 1.5%, including beetroots – by 3.9%, potatoes – by 1.8%, dairy products – by 0.8%, fish and seafood – by 0.9%, macaroni products – by 0.5%, and meat and meat products – by 0.3%. In addition, tobacco prices increased by 1.6%. There was a 1.5% decline in prices for sugar and a 1.3% decline in prices for cereals, including a 2.3% decline in prices for buckwheat.

In the group of non-food products, the prices for upper garments increased by 0.4%, for footwear – by 0.6%, domestic goods – by 0.3%, and medications – by 0.5%. The price of gasoline and diesel fuel increased by 0.1%.

In the group of paid services, the utilities payments increased by 0.6%. The hot water fees increased by 1.7%, fees for solid waste collection – by 1.0%, for electricity – by 0.5%, district heating – by 0.2%, rental costs increased by 0.7%. In addition to that, over the last month the prices of healthcare services increased by 0.5%, and the services of restaurants and hotels – by 0.8%.

During January-November 2013, the inflation accounted for 4.1% (in January-November 2012 – 5.3%). Since the beginning of 2013, the price of foodstuffs has increased by 2.5% (by 4.5%), the price of non-food products – by 2.6% (by 3.2%), and the price of paid services – by 7.5% (by 8.7%) (Figure 1).

**Figure 1
Inflation and its Components in January-November 2012 and 2013**



In November 2013, the annual inflation accounted for 4.7% (in December 2012 – 6.0%). Over the last 12 months the price of foodstuffs has increased by 3.4% (by 5.3%), the price of non-food products – by 2.9% (by 3.5%), and the price of paid services – by 8.2% (by 9.3%).

2. International Reserves and Monetary Aggregates

In November 2013 international reserves of the National Bank increased. Gross international reserves of the National Bank increased by 1.7% to US\$ 24.1 bln. (since the beginning of the year – a 14.8% decrease). Net international reserves of the National Bank also increased by 1.7% and amounted to US\$ 23.6 bln. (since the beginning of the year – a 15.1% decrease). Foreign exchange purchases in the domestic foreign currency market and foreign currency receipts to the Government's accounts with the National Bank were partially neutralized by the decreased bank correspondent account balances with the National Bank denominated in foreign currency, replenishment of the National Fund's assets and servicing of the Government's external debt. As a result, during November 2013 net currency reserves (FCC) increased by 4.2%, assets denominated in gold decreased by 5.4% as a result of conducted operations alongside with decrease in its price in the global markets.

During November 2013, the country's total international reserves including assets of the National Fund denominated in foreign currency (according to preliminary data – US\$ 69.8 bln.) increased by 1.6% to US\$ 93.9 bln. (since the beginning of the year – the growth of 9.1%).

During November 2013, the reserve money contracted by 6.0% and amounted to KZT 2609.6 bln. (since the beginning of the year – a 9.7% contraction). Narrow reserve money, i.e. reserve money excluding time deposits of banks with the National Bank, contracted by 6.0% to KZT 2580.6 bln.

During October 2013, the money supply increased by 1.1% to KZT 11680.1 bln. (since the beginning of the year – a 11.0% growth), the volume of cash in circulation decreased by 1.1% to KZT 1437.7 bln. (since the beginning of the year – a 5.9% decrease), and deposits in the banking system increased by 1.4% to KZT 10242.5 bln. (since the beginning of the year – a 13.9% growth). The share of deposits in the structure of money supply increased from 85.5% in December 2012 to 87.7% in October 2013 as a result of growth in the deposit volumes against the contraction of cash in circulation recorded in January-October 2013.

The money multiplier increased from 3.64 in December 2012 to 4.21 at end-October 2013 as a result of growth in the money supply versus contraction in the reserve money recorded in January-October 2013.

3. Foreign exchange Market

In November 2013 the exchange rate of the Tenge versus the US Dollar was fluctuating within KZT 152.72–154.34 per 1 US Dollar. At the end of the month, the exchange rate of the Tenge was KZT 153.68 per 1 US Dollar, having increased by 0.4% over the month (since the beginning of the year – a 2.0% depreciation).

In November 2013 the volume of stock exchange transactions at the Kazakhstan Stock Exchange including transactions at supplementary auctions increased as compared to October 2013 by 12.3% and amounted to US\$ 5.4 bln. (since the beginning of the year – US\$ 51.2 bln.). The transaction volume in the off-exchange foreign currency market decreased by 0.5% to US\$ 2.1 bln. (since the beginning of the year – US\$ 19.8 bln.).

In general, the operations volume in the domestic foreign exchange market increased by 8.5% as compared to October 2013 and amounted to US\$ 7.5 bln. (since the beginning of the year – US\$ 71.0 bln.).

4. Government Securities Market

In November 2013, 8 auctions offering government securities of the Ministry of Finance were held where the following government securities were placed: 6-year MEUKAMs (KZT 4.5 bln.), 7-year MEUKAMs (KZT 3.7 bln.), 9-year MEUKAMs (KZT 6.1 bln. and KZT 7.0 bln.), 10-year MEUKAMs (KZT 3.6 bln.), 13-year MEUKAMs (KZT 5.1 bln.), 20-year MEUKAMs (KZT 13.9 bln.), and 12-year MEUZHKAMs (KZT 14.3 bln.).

The effective yield on placed securities was as follows: on 6-year MEUKAMs – 6.00%, on 7-year MEUKAMs – 6.20%, on 9-year MEUKAMs – 6.40% and 5.90%, on 10-year

MEUKAMs – 6.60%, on 13-year MEUKAMs – 6.70%, on 20-year MEUKAMs – 7.70%, on 12-year MEUZHKAMs – 0.01% above the inflation rate.

At end-November 2013, the volume of outstanding securities of the Ministry of Finance amounted to KZT 3443.5 bln., having increased by 1.7% as compared to the previous month.

Short-term Notes of the National Bank of Kazakhstan.

In November 2013 no auctions to place the National Bank's notes were held.

As a result, at end-November 2013 as compared to October 2013 the volume of notes in circulation reduced by 50.7% and amounted to KZT 3.6 bln.

5. Interbank Money Market

In October 2013 as compared to September 2013, the total volume of placed interbank deposits increased by 3.1%, amounting to the equivalent of KZT 1731.6 bln.

The volume of placed interbank deposits in the Tenge increased by 26.6% and amounted to KZT 130.4 bln. (7.5% of the total volume of placed deposits). In October 2013 the average weighted interest rate on placed interbank deposits in the Tenge increased from 1.43% to 2.06%.

In October 2013 as compared to September 2013, the volume of placed Dollar deposits increased by 15.8% and amounted to US\$ 10.0 bln. (89.3% of the total volume of placed deposits). In October 2013 the average weighted interest rate on the placed deposits in the US Dollar decreased from 0.13% to 0.08%.

The volume of deposits placed in the Russian rubles and the Euro is insignificant – 3.0% and 0.2% of the total volume of placed deposits, respectively.

During October 2013, the share of foreign currency interbank deposits decreased from 93.9% to 92.5% of the total volume of placed deposits. The share of foreign currency deposits placed with non-resident banks decreased from 92.4% to 90.7% of the total volume of placed interbank deposits.

In October 2013 as compared to September 2013, the volume of deposits taken from banks by the National Bank hadn't changed and amounted to KZT 82.5 bln.

6. Deposit Market

During October 2013, the overall volume of deposits of residents with depository institutions increased by 1.4% to KZT 10242.5 bln. (since the beginning of the year – a 13.9% growth). During the month, deposits of legal entities increased by 1.7% to KZT 6496.8 bln. (since the beginning of the year – a 15.5% growth), and deposits of individuals increased by 0.8% to KZT 3745.7 bln. (since the beginning of the year – a 11.1% growth).

In October 2013 the volume of deposits in the domestic currency decreased by 0.8% to KZT 6277.1 bln. (legal entities – the decrease of 0.8%, and individuals – the decrease of 0.9%), and foreign currency deposits showed the growth of 5.0% to KZT 3965.4 bln. (legal entities – the growth of 6.5%, and individuals – the growth of 3.0%). The percentage of the Tenge deposits has decreased over the month from 62.6% to 61.3%.

During October 2013, household deposits with banks (including non-residents) increased by 0.8% to KZT 3778.5 bln. (since the beginning of the year – the growth of 10.8%). In the structure of household deposits, deposits in the Tenge decreased by 0.9% to KZT 2082.7 bln., and foreign currency deposits increased by 2.9% to KZT 1695.8 bln. Within household deposits, the percentage of deposits in the Tenge has decreased from 56.0% to 55.1% over the month.

During October 2013, time deposits increased by 1.8% to KZT 7060.6 bln. Within time deposits, deposits in the Tenge increased by 2.0% to KZT 4225.3 bln., and foreign currency deposits increased by 1.6% to KZT 2835.3 bln.

In October 2013 the average weighted interest rate on the Tenge time deposits of non-bank legal entities was 4.8% (in September 2013 – 4.4%), and on deposits of individuals – 8.3% (6.3%).

7. Credit Market

During October 2013, the total volume of bank credits to the economy increased by 1.0%, amounting to KZT 11040.4 bln. (since the beginning of the year – the growth of 10.9%).

The volume of credits in the domestic currency increased by 1.0% to KZT 7768.5 bln. (since the beginning of the year – the growth of 10.3%), and the volume of foreign currency credits increased by 0.9% to KZT 3272.0 bln. (since the beginning of the year - the growth of 12.2%). The percentage of credits in the Tenge remained unchanged versus the previous month (70.4%).

In October 2013 long-term lending increased by 0.9%, amounting to KZT 8990.2 bln., and short-term lending increased by 1.1% to KZT 2050.3 bln. Over the month the percentage of long-term credits has decreased from 81.5% to 81.4%.

During October 2013, the volume of credits to legal entities increased by 0.5% to KZT 7523.6 bln., and the volume of credits to individuals increased by 2.0% to KZT 3516.8 bln. Over the month, the percentage of credits to individuals has increased from 31.5% to 31.9%.

During October 2013, SME lending decreased by 8.9% to KZT 1260.7 bln. (since the beginning of the year – the decrease of 10.7%), accounting for 11.4% 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 19.8%), construction (12.8%), industry (11.3%), transport (3.4%) and agriculture (3.3%).

In October 2013 the average weighted interest rate on the Tenge credits provided to non-bank legal entities was 10.6% (in September 2013 – 10.5%), and on credits to individuals – 19.2% (19.6%).