



**NATIONAL BANK OF THE  
REPUBLIC OF KAZAKHSTAN  
PRESS-RELEASE No.2  
February 3, 2014**

**Outcomes for 2013  
Regarding the Situation in the Financial  
Market**

**1. Inflation in 2013.** According to the official data from the Agency of Statistics of the Republic of Kazakhstan, in 2013 the annual inflation accounted for 4.8% (in 2012 – 6.0%).

In 2013 the inflation was building up against significant growth in prices for paid services, which increased in price by 8.0% during the period (in 2012 – by 9.3%). Prices for foodstuffs increased by 3.3% (by 5.3%), and for non-food products – by 3.3% (by 3.5%) (Figure 1).

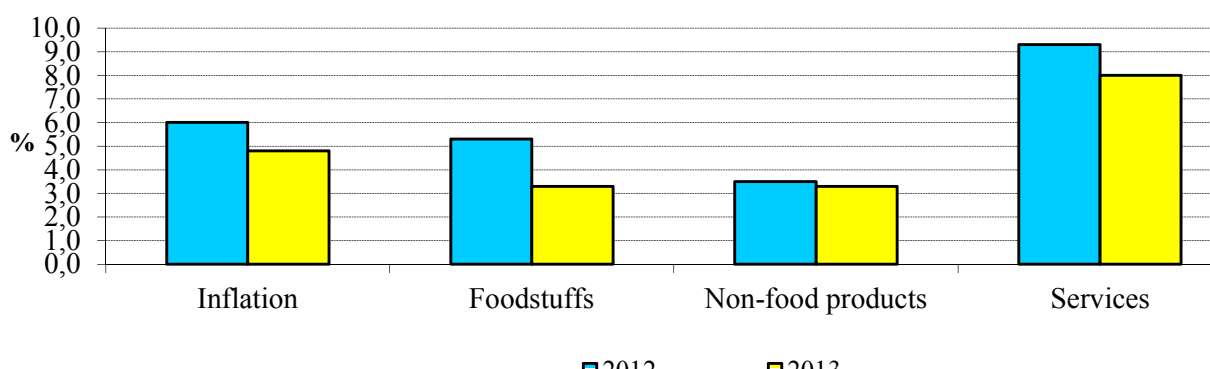
In 2013, the highest increase in prices for foodstuffs was in the price for eggs – by 22.0%, macaroni products – by 6.1%, fish and sea food – by 5.5%, rice – by 5.1%, dairy products – by 4.8%, soft drinks – by 4.1%, confectionery – by 3.1%, meat and meat products – by 2.4%. In addition, tobacco prices increased a lot - by 23.3%. The decline was noted in prices for sugar - by 2.6%, fruits and vegetables – by 0.2%, for cereals – by 6.5%, including the 16.0% decrease in the price of buckwheat. However, the price of semolina increased by 20.9%, pearl barley – by 10.2%, and oatmeal – by 9.5%

During 2013, in the group of non-food products prices for clothes and footwear increased by 4.2%, including for fabrics – by 4.1%, upper garments – by 4.2%, footwear – by 3.9%, as well as household utensils – by 3.5%, including detergents and cleansing products – by 3.4%, tableware and cutlery – by 3.8%, furniture and tapestries – by 2.5%, and medications – by 3.4%. The price of gasoline increased by 1.6%, and the price of diesel fuel – by 5.7%.

In the structure of paid services, since the beginning of 2013 utility payments had increased by 8.6%. The increase in fees for cold water accounted for 46.2%, for sewage – 43.6%, solid waste collection – 15.2%, housing rent – 14.6%, electricity – 7.3%, and district heating – for 4.3%. Also, there was an increase in prices for communication services – by 4.1% (because of increased price for telephone and facsimile communications – by 4.3%), for transport services – by 5.8%, including railway transport – by 11.7%, airline services – by 5.9%, and motor transport – by 4.1%. The price of healthcare services increased by 12.2%, the price of education services – by 5.6%, and the price of restaurants and hotels – by 5.7%.

Figure 1

**Inflation and its Components in 2012 and 2013**



**Inflation in December 2013.** In December 2013, the inflation was at 0.7% (in December 2012 – 0.6%). Foodstuff prices increased by 0.8% (by 0.8%), and prices for non-food products increased by 0.7% (by 0.3%). Tariffs for paid services increased by 0.5% (by 0.6%).

In December 2013, the highest increase in prices in the foodstuff market was in the price for eggs – by 3.7%, fruits and vegetables – by 2.0%, including potatoes – by 3.2%, beetroot – by 2.6%, fish and sea food – by 1.3%, dairy products – by 1.1%, macaroni products – by 0.5%,

meat and meat products – by 0.4%. In addition, tobacco prices increased by 2.5%. There was a decrease in prices for sugar – by 1.1%, rice – by 0.7%, cereals – by 0.6%, including the price of buckwheat – by 2.2%, and flour – by 0.2%.

In the group of non-food products, prices for upper garments increased by 1.1%, for footwear – by 1.1%, household utensils – by 0.5%, and medications – by 0.6%. The price of gasoline remained unchanged and the price of diesel fuel increased by 0.1%.

In the group of paid services, utility payments increased by 0.6%. The increase in fees for sewage accounted for 3.1%, for cold water – 3.0%, housing rent – 1.1%, the cost of upkeep – 0.9%, and solid waste collection – for 0.5%. In addition, over the past month the increase in prices for transport services accounted for 0.5%, healthcare services – 0.4%, and for services of restaurants and hotels – for 0.4%.

## **2. Balance of Payments for 2013 (Preliminary Outcomes)**

According to a preliminary estimate of the balance of payments, in 2013 the current account surplus amounted to US\$ 118 mln. versus US\$ 640 mln. in 2012.

Deterioration in the current account has been caused by the decrease in the balance of trade surplus. The balance of trade surplus reduced by 10.6% to US\$ 33.8 bln. versus the year 2012 (US\$ 37.9 bln. in 2012), and a net outflow of resources on primary income operations (salaries and wages, investment return and other primary income) is estimated at US\$ 25.1 bln. versus US\$ 28.2 bln. in 2012.

On other current account components, negative imbalances of international services and secondary income (current transfers) amounted to US\$ 7.0 bln. and US\$ 1.6 bln., respectively.

According to a preliminary estimate, the financial account (excluding reserve assets) showed up the deficit of US\$ 3.4 bln. (a surplus of US\$ 0.9 bln. in 2012).

Net incurred liabilities on foreign direct investments amounted to US\$ 9.6 bln., and net acquisition of financial assets – US\$ 1.5 bln. As a result, negative imbalance on direct investments decreased from US\$ 11.7 bln. in 2012 to US\$ 8.1 bln. in 2013.

A surplus on portfolio investments amounted to US\$ 5.9 bln. as a result of increase in the growth of assets on portfolio investments over the growth in liabilities from such investments. Net acquisition of assets (increase in assets) on portfolio investments of US\$ 8.6 bln. has been secured by the US\$ 7.7 bln. growth in foreign assets of the National Fund of Kazakhstan. Net incurred liabilities (growth) of US\$ 2.6 bln. on portfolio investments resulted from new issues of debt securities by Kazakh banks and enterprises in the non-bank sector totaling US\$ 4.9 bln., which were partially offset by redemption of previously issued long-term bonds.

**3. International Reserves and Monetary Aggregates in 2013.** During 2013, international reserves of the National Bank decreased. Gross international reserves of the National Bank decreased by 12.7% to US\$ 24.7 bln. Net international reserves of the National Bank decreased by 13.0% and amounted to US\$ 24.1 bln. Foreign currency receipts to the Government's accounts with the National Bank, increased bank correspondent account balances with the National Bank denominated in foreign currency were neutralized by foreign exchange sales in the domestic foreign currency market by the National Bank, replenishment of the National Fund's assets and servicing of the Government's external debt. As a result, during 2013 net currency reserves (FCC) decreased by 13.9%, and assets denominated in gold decreased by 9.7% as a result of conducted operations and decrease in its price in the global markets.

During 2013, the country's total international reserves including assets of the National Fund denominated in foreign currency (according to preliminary data – US\$ 70.5 bln.) increased by 10.5% and amounted to US\$ 95.2 bln.

During 2013, the reserve money contracted by 2.3% and amounted to KZT 2 822.4 bln. Narrow reserve money, i.e. reserve money excluding time deposits of banks with the National Bank, contracted by 1.6% to KZT 2 786.4 bln.

During 2013, the money supply increased by 10.2%, to KZT 11 600.9 bln. The volume of cash in circulation decreased by 1.0% and amounted to KZT 1 512.3 bln. Deposits in the banking

system increased by 12.2% to KZT 10 088.6 bln. The share of deposits in the structure of money supply increased from 85.5% in December 2012 to 87.0% in December 2013 as a result of growth in the deposit volume against the contraction in volume of cash in circulation recorded in January-December 2013.

The money multiplier increased from 3.64 in December 2012 to 4.11 at end-December 2013 as a result of growth in the money supply versus contraction in the reserve money in January-December 2013.

**International Reserves and Monetary Aggregates in December 2013.** In December 2013, international reserves of the National Bank increased. Gross international reserves of the National Bank increased by 2.4% to US\$ 24.7 bln. Net international reserves of the National Bank increased by 2.5% and amounted to US\$ 24.1 bln. 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 replenishment of the National Fund's assets from gold and foreign currency reserve accounts, decreased bank correspondent account balances with the National Bank denominated in foreign currency and servicing of the Government's external debt. As a result, during December 2013 net currency reserves (FCC) increased by 3.8%, assets denominated in gold decreased by 1.9% as a result of conducted operations along with the decrease in its price in the global markets.

During December 2013, the country's total international reserves including assets of the National Fund denominated in foreign currency (according to preliminary data – US\$ 70.5 bln.) increased by 1.5% to US\$ 95.2 bln.

During December 2013, the reserve money expanded by 8.2% and amounted to KZT 2822.4 bln. Narrow reserve money, i.e. reserve money excluding time deposits of banks with the National Bank, expanded by 8.0% to KZT 2786.4 bln.

During December 2013, the money supply increased by 2.3% to KZT 11 600.9 bln., the volume of cash in circulation increased by 7.7% to KZT 1512.3 bln., and deposits in the banking system increased by 1.5% to KZT 10 088.6 bln. The share of deposits in the structure of money supply decreased from 87.6% in November 2013 to 87.0% in December 2013 as a result of outstripping rates of growth in the volume of cash in circulation against the rates of growth in the deposit volumes recorded in December 2013.

The money multiplier decreased from c 4.35 in November 2013 to 4.11 at end-December 2013 as a result of outstripping rates of expansion in the reserve money against the rates of growth in the money supply recorded in December 2013.

**4. Foreign Exchange Market in 2013.** During 2013, the exchange rate of the Tenge versus the US Dollar depreciated in nominal terms by 2.2%.

At end-2013, the official exchange rate of the Tenge was KZT 153.61 per 1 US Dollar. The stock-exchange rate of the Tenge for 2013 was KZT 154.06 per 1 US Dollar.

In 2013, the volume of stock exchange transactions at the Kazakhstan Stock Exchange including transactions at supplementary auctions amounted to US\$ 57.5 bln., having increased by 3.8% as compared to 2012. The minimum transaction volume was observed in March, and the maximum volume – in August.

During 2013, the transaction volume in the off-exchange foreign currency market decreased versus the last year by 17.8% and amounted to US\$ 22.1 bln. The minimum transaction volume was observed in March, and the maximum volume – in August.

In general, the trading volume in the domestic foreign exchange market amounted to US\$ 79.6 bln., having decreased by 3.3% versus 2012.

**Foreign Exchange Market in January 2014.** In January 2014, the exchange rate of the Tenge versus the US Dollar was fluctuating within KZT 154.47–155.54 per 1 US Dollar. At end-month the stock exchange rate of the Tenge was KZT 155.50 per 1 US Dollar, having depreciated by 0.9% over the month.

In January 2014, the volume of stock exchange transactions at the Kazakhstan Stock Exchange including transactions at supplementary auctions, according to preliminary results,

increased by 12.1% versus December 2013 and amounted to US\$ 7.0 bln. The transaction volume in the off-exchange foreign currency market decreased, according to preliminary results, by 20.3% to US\$ 1.8 bln.

In general, the transaction volume in the domestic foreign exchange market increased, according to preliminary results, by 3.5% versus December 2013 and amounted to US\$ 8.9 bln.

**5. Government Securities Market in 2013.** In 2013, the Ministry of Finance placed government securities worth KZT 982.5 bln., which is by 7.9% less than in 2012. 68 auctions were conducted where the following securities had been placed: 12-months MEKKAMs (yield – 3.00%), 3-year MEOKAMs (yield – 3.23%), 4-year MEOKAMs (yield – 4.04%), 5-year MEOKAMs (yield – 5.99%), 6-year MEUKAMs (yield – 6.05%), 7-year MEUKAMs (yield – 6.20%), 8-year MEUKAMs (yield – 5.80%), 9-year MEUKAMs (yield – 6.00%), 10-year MEUKAMs (yield – 6.60%), 12-year MEUKAMs (yield – 6.40%), 13-year MEUKAMs (yield – 6.70%), 15-year MEUKAMs (yield – 7.22%), 20-year MEUKAMs (yield – 7.70%), 25-year MEUKAMs (yield – 7.90%), 8, 9, 10, 11, 12, 13, 19-year MEUZHKAMs (yield – 0.01% above the inflation rate), and 15-year MEUZHKAMs (yield – 0.10% above the inflation rate).

At end-December 2013, the volume of outstanding securities of the Ministry of Finance increased as compared to December 2012 by 18.5% to KZT 3618.9 bln.

Short-Term Notes of the National Bank of Kazakhstan. During 2013, the emission volume of the National Bank's notes amounted to KZT 79.3 bln., which is 10.8 times less than in 2013.

At end-December 2013 as compared to December 2012, the volume of outstanding notes of the National Bank decreased by 52 times to KZT 3.6 bln.

The effective yield on short-term notes decreased from 1.46% in 2012 to 1.16% in 2013.

**Government Securities Market in January 2014.** In January 2014, 3 auctions offering government securities of the Ministry of Finance were held, where the following government securities were placed: 9-year MEUKAMs (KZT 38.4 bln.), 13-year MEUKAMs (KZT 5.2 bln.), 15-year MEUKAMs (KZT 9.7 bln.), and 11-year MEUZHKAMs (KZT 14.0 bln.).

The effective yield on placed securities was as follows: on 9-year MEUKAMs – 6.20%, on 13-year MEUKAMs – 6.70%, on 15-year MEUKAMs – 7.22%, on 11-year MEUZHKAMs – 0.10% above the inflation rate.

The volume of outstanding securities of the Ministry of Finance at end-January 2014 amounted to KZT 3659.2 bln., having increased by 1.1% versus the previous month.

**Short-Term Notes of the National Bank of Kazakhstan.**

During January 2014, the volume of notes issued by the National Bank amounted to KZT 8.9 bln. One auction to place 3-month notes (KZT 5.0 bln.) and one auction to place 6-month notes (KZT 3.9 bln.) were held.

The effective yield on 3-month notes was 2.16%, and on 6-month notes – 2.76%.

The volume of outstanding notes at end-January 2014 increased by 2.5 times versus December 2013 and amounted to KZT 8.9 bln.

**6. Interbank Money Market in 2013.** In 2013, the total volume of placed interbank deposits increased by 25.4% versus 2012 and amounted to the equivalent of KZT 25.5 trln.

The volume of placed interbank deposits in the Tenge decreased by 38.3%, amounting to KZT 3.2 trln. (12.7% of the total volume of placed deposits in 2013). The average weighted interest rate on placed interbank deposits in the Tenge increased from 1.23% in December 2012 to 1.90% in December 2013.

During 2013, the volume of deposits taken by the National Bank from the second-tier banks decreased by 41.4% versus 2012 and amounted to KZT 2.9 trln.

During 2013, the volume of placed Dollar deposits amounted to US\$ 138.3 bln., having increased by 48.0% (82.6% of the total volume of placed deposits in 2013). In December 2013, the average weighted interest rate on the placed deposits in the US Dollar was 0.08%, whereas in December 2012 it was 0.13%.

The volume of deposits placed in the Euro in 2013 decreased by 58.3% versus 2012 and amounted to €1.3 bln. (1.1% of the total volume of placed deposits in 2013). The average weighted interest rate on the placed deposits in the Euro decreased from 2.83% in December 2012 to 0.22% in December 2013.

In 2013, the volumes of deposit placements in the Russian rubles increased by 83.2% versus 2012 and amounted to RUR 194.9 bln. (3.7% of the total volume of placed deposits in 2013). The average weighted interest rate on the placed deposits in the Russian ruble increased from 5.47% in December 2012 to 5.80% in December 2013.

**7. Deposit Market in 2013.** During January-December 2013, the overall volume of deposits of residents with depository institutions increased by 12.2% to KZT 10088.6 bln. Deposits of legal entities increased by 10.0% to KZT 6183.5 bln., and deposits of individuals – by 15.8% to KZT 3905.1 bln.

During January-December 2013, the volume of deposits in the domestic currency increased by 0.1% to KZT 6317.0 bln., and foreign currency deposits increased by 40.6% to KZT 3771.6 bln. The percentage of deposits in the Tenge in December 2013 as compared to December 2012 decreased from 70.2% to 62.6%.

During January-December 2013, household deposits with banks (including non-residents) increased by 15.7% to KZT 3945.5 bln. In the structure of household deposits, deposits in the Tenge increased by 6.5% to KZT 2208.1 bln., and foreign currency deposits increased by 30.0% to KZT 1737.4 bln. As a result, the percentage of deposits in the Tenge decreased from 60.8% in December 2012 to 56.0% in December 2013.

In December 2013, the average weighted interest rate on the Tenge time deposits of non-bank legal entities was 5.7% (in December 2012 – 3.6%), and on deposits of individuals – 8.1% (8.3%).

**8. Credit Market in 2013.** During January-December 2013, the total volume of bank credits to the economy increased by 13.4% amounting to KZT 11291.5 bln.

The volume of credits in the domestic currency increased by 12.7% to KZT 7936.7 bln., and the volume of foreign currency credits increased by 15.0% to KZT 3354.9 bln. In December 2013 as compared to December 2012, the percentage of credits in the Tenge decreased from 70.7% to 70.3%.

During January-December 2013, long-term lending increased by 14.5% to KZT 9161.4 bln., and short-term lending increased by 8.9% to KZT 2130.2 bln. As a result, the percentage of long-term credits increased from 80.4% in December 2012 to 81.1 in December 2013.

During January-December 2013, credits to legal entities increased by 7.9%, amounting to KZT 7665.4 bln., and credits to individuals increased by 27.0% to KZT 3626.4 bln. The percentage of credits to individuals increased from 28.7% in December 2012 to 32.1% in December 2013.

During January-December 2013, credits to the small businesses decreased by 9.1% to KZT 1283.4 bln., accounting for 11.4% of the total volume of credits to the economy (in December 2012 – 14.2%).

In the sectoral breakdown, the most significant amount of bank credits to the economy falls on such sectors as trade – 19.5% (in December 2012 – 20.1%), construction – 12.3% (14.0%), industry – 11.4% (12.0%), and agriculture – 3.3% (3.2%).

In December 2013, the average weighted interest rate on credits provided in the Tenge to non-bank legal entities was 10.0% (in December 2012 – 10.3%), and on credits to individuals – 20.3% (21.2%).