



**NATIONAL BANK  
OF THE REPUBLIC OF KAZAKHSTAN  
PRESS-RELEASE NO. 31  
of March 20 2014**

**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 February 2014 the inflation accounted for 1.7% (in February 2013 – 0.8%). The foodstuffs increased by 1.5% (by 0.4%) in terms of price, and the price of non-food products increased by 1.9% (by 0.2%). Tariffs for paid services increased by 1.7% (by 1.8%).

In February 2014, the highest increase in prices of foodstuffs was in the price for fruits and vegetables – by 6.9%, including onions – by 23.5%, cabbage – by 20.9%, potatoes – by 11.2%, sugar – by 3.4%, dairy products – by 1.6%, including cottage cheese – by 3.1%, kefir – by 1.7%, as well as rice – by 2.1%, flour – by 1.0%, and macaroni products – by 0.9%. In addition, prices for alcoholic beverages increased by 2.5%, and for tobacco products – by 1.5%. There was a decline in prices for eggs – by 7.0%, cereals – by 0.4% and vegetable oil – by 0.5%.

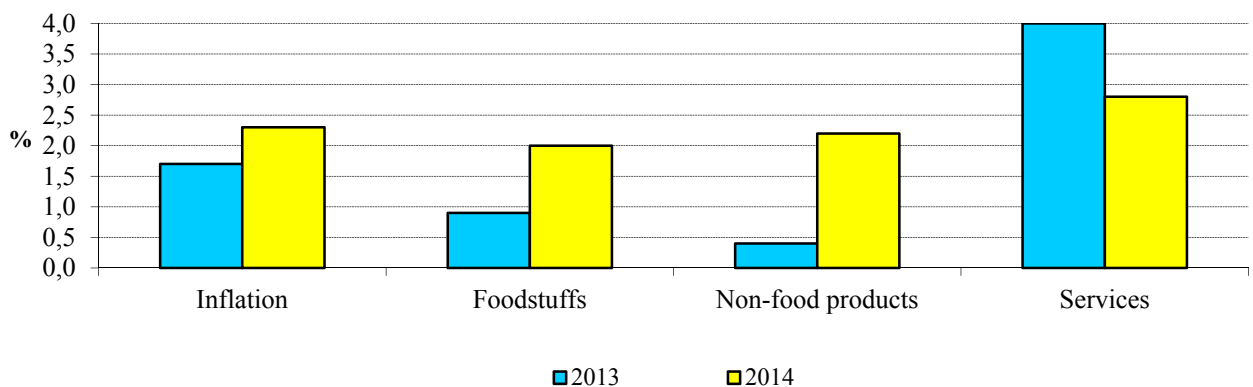
In the group of non-food products prices for upper garments increased by 0.8%, for footwear – by 0.4%, household utensils – by 2.7%, including for household appliances and repair – by 4.2%, detergents and cleansing products – by 3.9%, as well as for medications – by 1.8%. The price of gasoline increased by 0.2%, and the price of diesel fuel decreased by 0.3%.

In the group of paid services, utility payments increased by 2.9%. The increase in fees for electricity accounted for 3.5%, district heating – for 3.1%, hot water – 2.7%, sewage – 1.6%, gas transported by distribution networks – for 4.2%, housing rent – by 3.9% and the cost of upkeep – for 2.0%. In addition, during February 2014, prices for healthcare services increased by 1.9%, for leisure and cultural services – by 1.8%, and for services of restaurants and hotels – by 1.9%.

During January-February 2014, the inflation accounted for 2.3% (in January-February 2013 – 1.7%). Since the beginning of 2014, foodstuffs increased by 2.0% (by 0.9%) in terms of price, non-food products – by 2.2% (by 0.4%), and paid services – by 2.8% (by 4.0%) (Figure 1).

Figure 1

**Inflation and its Components in January-February 2013 and 2014**



In February 2014, the annual inflation accounted for 5.4% (in December 2013 – 4.8%). Over the last 12 months, foodstuffs have increased by 4.5% (by 3.3%) in terms of price, the prices of non-food products increased by 5.1% (by 3.3%), and of paid services – by 6.7% (by 8.0%).

**2. International Reserves and Monetary Aggregates**

In February 2014, international reserves of the National Bank increased. Gross international reserves of the National Bank increased by 6.1% to US\$ 26.0 bln. (on a year-to-

date basis – 5.4% increase). Net international reserves of the National Bank increased by 6.2% and amounted to US\$ 25.5 bln. (on a year-to-date basis – 5.5% increase). 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 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. Also, the change in net international reserves was associated with the adjustment of the domestic currency exchange rate made in February 2014. As a result, during February 2014 net currency reserves (FCC) increased by 5.7%, and assets denominated in gold increased by 7.9% as a result of conducted operations and increase in its price in the global markets.

During February 2014, the country's total international reserves including assets of the National Fund denominated in foreign currency (according to preliminary data – US\$ 71.6 bln.), increased by 2.1% to US\$ 97.6 bln. (on a year-to-date basis – 2.5% increase).

During February 2014, the reserve money expanded by 13.2% and amounted to KZT 3240.0 bln. (on a year-to-date basis – 14.8% expansion). Narrow reserve money, i.e. reserve money excluding time deposits of banks with the National Bank, expanded by 13.6% to KZT 3219.5 bln.

During January 2014, the money supply increased by 2.4% to KZT 11882.2 bln. The volume of cash in circulation decreased by 7.6% to KZT 1397.7 bln., and deposits in the banking system increased by 3.9% and amounted to KZT 10484.5 bln. The share of deposits in the structure of money supply increased from 87.0% in December 2013 to 88.2% in January 2014 as a result of growth of the deposit volumes versus contraction of cash in circulation.

The money multiplier increased from 4.11 in December 2013 to 4.15 at end-January 2014 due to the outstripping rates of the money supply growth versus the rates of expansion in the reserve money recorded in January 2014.

### **3. Foreign Exchange Market**

In February 2014, the exchange rate of the Tenge versus the US Dollar was fluctuating within the range of KZT 155.46–184.95 per 1 US Dollar. At end-month, the stock exchange rate of the Tenge versus the US Dollar was 184.08; its depreciation over the month accounted for 18.4%.

In February 2014 as compared to January 2014, the volume of stock exchange transactions at the Kazakhstan Stock Exchange including transactions at supplementary auctions increased by 34.1% and amounted to US\$ 9.5 bln. The transaction volume in the off-exchange foreign currency market decreased by 24.4% to US\$ 1.4 bln.

In general, the trading volume in the domestic foreign exchange market increased by 21.9% versus January 2014 and amounted to US\$ 10.9 bln.

### **4. Government Securities Market**

In February 2014, 4 auctions were conducted to place government securities of the Ministry of Finance. The following securities had been placed through these auctions: 8-year MEUKAMs (KZT 6.2 bln.), 12-year MEUKAMs (KZT 17.1 bln.), 15-year MEUKAMs (KZT 16.0 bln.), and 16-year MEUZHKAMs (KZT 21.0 bln.).

The effective yield on placed securities was as follows: on 8-year MEUKAMs – 6.30%, on 12-year MEUKAMs – 6.70%, on 15-year MEUKAMs – 7.10%, on 16-year MEUZHKAMs – 0.10% above the inflation rate.

At end-February 2014, the volume of outstanding securities of the Ministry of Finance amounted to KZT 3673.5 bln., having increased by 0.4% versus the previous month.

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

In February 2014, no auctions to place the National Bank's notes were held.

As a result, at end-February 2014 the volume of outstanding notes hadn't changed versus January 2014 and amounted to KZT 8.9 bln.

## **5. Interbank Money Market**

In January 2014, the total volume of placed interbank deposits increased by 60.2% versus December 2013 and amounted to the equivalent of KZT 3005.9 bln.

The volume of placed interbank deposits in the Tenge increased by 35.1% and amounted to KZT 224.5 bln. (7.5% of the total volume of placed deposits). The average weighted interest rate on placed interbank deposits in the Tenge decreased from 1.90% in December 2013 to 1.87% in January 2014.

In January 2014, the volume of placed Dollar deposits increased by 61.9% versus December 2013 and amounted to US\$ 17.5 bln. (90.2% of the total volume of placed deposits). The average weighted interest rate on the placed deposits in the US Dollar decreased from 0.08% in December 2013 to 0.06% in January 2014.

The volumes of deposit placements in the Russian ruble and the Euro are insignificant – 1.6% and 0.7% of the total volume of placed deposits, respectively.

The share of interbank deposits in foreign currency increased from 91.1% to 92.5% (December 2013 versus January 2014) of the total volume of placed deposits. The share of deposits in foreign currency placed with non-resident banks increased from 89.5% to 91.7% of the total volume of placed interbank deposits.

The volume of deposits attracted by the National Bank from banks increased by 2.2% in January 2014 versus December 2013 and amounted to KZT 115.5 bln.

## **6. Deposit Market**

During January 2014, the overall volume of deposits of residents with depository institutions increased by 3.9% to KZT 10484.5 bln. Deposits of legal entities increased by 6.0% to KZT 6555.4 bln., and deposits of individuals – by 0.6% to KZT 3929.0 bln.

In January 2014, the volume of foreign currency deposits increased by 10.1% to KZT 4154.1 bln. (legal entities – 15.8% growth, and individuals – 3.4% growth), and the volume of deposits in the domestic currency increased by 0.2% to KZT 6330.4 bln. (legal entities – 1.2% growth, individuals – 1.6% decrease). Over the month the percentage of the Tenge deposits had decreased from 62.6% to 60.4%.

During January 2014, household deposits with banks (including non-residents) increased by 0.5% to KZT 3966.3 bln. In the structure of household deposits, deposits in the Tenge decreased by 1.8% to KZT 2168.5 bln., and foreign currency deposits increased by 3.5% to KZT 1797.8 bln. Within household deposits, the percentage of the Tenge deposits had decreased from 56.0% to 54.7% over the month.

During January 2014, time deposits increased by 0.5% to KZT 7267.8 bln. Within time deposits, the Tenge deposits decreased by 1.7% to KZT 4238.3 bln., and foreign currency deposits increased by 3.7% to KZT 3029.5 bln.

In January 2014, the average weighted interest rate on the Tenge time deposits of non-bank legal entities was 4.9% (in December 2013 – 5.7%), and on deposits of individuals – 7.9% (8.1%).

## **7. Credit Market.**

During January 2014, the total volume of bank credits to the economy increased by 0.2%, amounting to KZT 11315.0 bln.

The volume of credits in the domestic currency decreased by 0.3% to KZT 7914.5 bln., and the volume of foreign currency credits increased by 1.4% to KZT 3400.5 bln. The percentage of credits in the Tenge had decreased from 70.3% to 69.9% over the month.

In January 2014, long-term lending increased by 0.2%, amounting to KZT 9181.3 bln., and short-term lending increased by 0.2% to KZT 2133.7 bln. The percentage of long-term credits is maintained at 81.1%.

During January 2014, the volume of credits to legal entities decreased by 0.02% to KZT 7664.2 bln., and the volume of credits to individuals increased by 0.7% to KZT 3650.8 bln. The percentage of credits to individuals had increased from 32.1% to 32.3% over the month.

During January 2014, credits to small business entities decreased by 0.4% to KZT 1278.5 bln., which accounts for 11.3% of the total volume of credits to the economy.

In the sectoral breakdown, the most significant amount of bank credits to the economy falls on such sectors as trade (the share in the total volume – 19.4%), construction (12.3%), industry (11.3%), transport (3.5%) and agriculture (3.4%).

In January 2014, the average weighted interest rate on credits provided in the Tenge to non-bank legal entities was 10.5% (in December 2013 – 10.0%), and on credits to individuals – 21.2% (20.3%).