



**NATIONAL BANK
OF THE REPUBLIC OF KAZAKHSTAN
PRESS-RELEASE NO.44
of June 11, 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 May 2014 the inflation accounted for 0.6% (in May 2013 – for 0.2%). Foodstuff prices increased by 0.8% (by 0.2%), and prices for non-food products increased by 0.6% (by 0.1%). Tariffs for paid services increased by 0.3% (by 0.3%).

In May 2014, the highest increase in the foodstuffs market was demonstrated by prices for fruits and vegetables – by 3.5%, including onions – by 15.8%, cabbage – by 15.1%, potatoes – by 14.0%, tea – by 1.5%, rice – by 1.2%, flour – by 1.0%, sugar by 1.2%, macaroni products – by 0.8%, fish and sea products – by 0.7%, dairy products – by 0.6%, and bread – by 0.8%. In addition, the price of non-alcoholic beverages increased by 1.3%, and of tobacco products – by 1.9%. There was 10.1% decrease in prices for eggs; pearl barley decreased by 0.5% in terms of price and sunflower oil – by 0.4%.

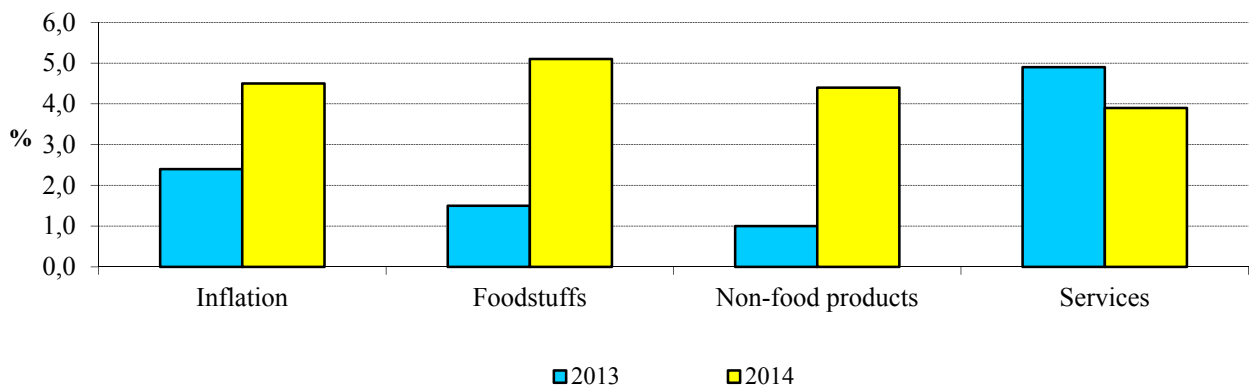
In the group of non-food products, prices for upper garments increased by 0.6%, for footwear – by 0.7%, household utensils – by 0.6%, including tableware and cutlery – by 0.6%, for detergents and cleansing products – by 0.5%, as well as for medications – by 1.4%. The price of gasoline remained unchanged and diesel fuel increased by 12.1% in terms of price.

In the group of paid services, utility payments increased by 0.2%. Rental fees increased by 1.0%, fees for waste collection increased by 0.7%, and fees for sewage – by 0.1%. In addition, over the last month prices and tariffs for services of out-patient departments had increased by 0.9%, for transport services – by 0.3%, for services of restaurants and hotels – by 0.8%.

During January-May 2014, the inflation accounted for 4.5% (in January-May 2013 – for 2.4%). Since the beginning of 2014, foodstuffs have increased by 5.1% (by 1.5%) in terms of price, the price of non-food products has increased by 4.4% (by 1.0%), and the price of paid services – by 3.9% (by 4.9%) (Figure 1).

Figure 1

Inflation and its Components during January-May 2013 and 2014



In May 2014, the annual inflation accounted for 6.9% (in December 2013 – 4.8%). Over the last 12 months, foodstuffs have increased by 7.0% (by 3.3%) in terms of price, the price of non-food products has increased by 6.8% (by 3.3%), and the price of paid services – by 7.0% (by 8.0%).

2. International Reserves and Monetary Aggregates

In May 2014, international reserves of the National Bank decreased. Gross international reserves of the National Bank decreased by 3.0% to US\$ 27.6 bln. (on a year-to-date basis – 11.5% increase). Net international reserves of the National Bank decreased by 3.1% and amounted to US\$ 26.8 bln. (on a year-to-date basis – 10.7% increase). Foreign exchange purchases in the domestic foreign currency market and foreign currency receipts to the Government's accounts with the National Bank were neutralized by the servicing of the Government's external debt, replenishment of the National Fund's assets and by decreased bank correspondent account balances with the National Bank denominated in foreign currency. As a result, during May 2014 net currency reserves (FCC) decreased by 3.6%, and assets denominated in gold decreased by 1.2% as a result of conducted operations along with the decline in its price in the global markets.

During May 2014, the country's total international reserves including assets of the National Fund denominated in foreign currency (according to preliminary data – US\$ 75.8 bln.) increased by 1.3% to US\$ 103.4 bln. (on a year-to-date basis – 8.2% decrease).

During May 2014, the reserve money contracted by 1.0% and amounted to KZT 3595.6 bln. (on a year-to-date basis – 27.2% expansion). Narrow reserve money, i.e. reserve money excluding time deposits of banks with the National Bank, contracted by 2.0% to KZT 3393.3 bln.

During April 2014, the money supply decreased by 0.1% to KZT 12782.1 bln. (on a year-to-date basis – 10.2% increase). The volume of cash in circulation grew by 3.0% to KZT 1359.0 bln. (on a year-to-date basis – 10.1% decrease), deposits in the banking system decreased by 0.5% and amounted to KZT 11423.1 bln. (on a year-to-date basis – 13.3% increase). The share of deposits in the structure of money supply increased from 87.0% in December 2013 to 89.4% in April 2014 as a result of the deposit growth against the decreased volume of cash in circulation recorded in January-April 2014.

The money multiplier increased from 4.10 in December 2013 to 3.52 at end-April 2014 due to the outstripping rates of expansion in the reserve money versus the rates of money supply growth recorded in January-April 2014.

3. Foreign Exchange Market

In May 2014, the exchange rate of the Tenge versus the US Dollar was fluctuating within the range of KZT 182.01 – KZT 183.96 per 1 US Dollar. At month-end, the stock exchange rate of the Tenge versus the US Dollar was KZT 183.50.

In May 2014 as compared to the previous month of 2014, the volume of stock exchange transactions at the Kazakhstan Stock Exchange including transactions at supplementary auctions increased by 26.9% and amounted to US\$ 5.07 bln. The transaction volume in the off-exchange foreign currency market increased by 12.7% to US\$ 0.7 bln.

In general, the trading volume in the domestic foreign exchange market increased by 25.0% as compared to April 2014 and amounted to US\$ 5.8 bln.

4. Government Securities Market

In May 2014, six auctions were conducted to place government securities of the Ministry of Finance. The following securities had been placed through these auctions: 12-month MEKKAMs (KZT 1.1 bln.), 7-year MEUKAMs (KZT 1.1 bln.), 13-year MEUKAMs (KZT 19.1

bln.), 15-year MEUKAMs (KZT 26.6 bln.), 16-year MEUKAMs (KZT 23.6 bln.), and 20-year MEUKAMs (KZT 55.0 bln.).

The effective yield on placed securities was as follows: on 12-month MEKKAMs – 4.00%, on 7-year MEUKAMs – 6.42%, on 13-year MEUKAMs – 7.09%, on 15-year MEUKAMs – 7.44%, on 16-year MEUKAMs – 7.58%, and on 20-year MEUKAMs – 8.07%.

At the end of May 2014, the volume of outstanding securities of the Ministry of Finance amounted to KZT 3793.8 bln., having increased by 2.7% as compared to the previous month.

Short-Term Notes of the National Bank.

In May 2014, one auction to place the 3-month notes (KZT 2.0 bln.) of the National Bank was held. The effective yield on placed notes was 3.27%.

At the end of May 2014, the volume of notes in circulation increased by 22.3% versus April 2014 and amounted to KZT 10.9 bln.

5. Interbank Money Market

In April 2014 as compared to March 2014, the total volume of placed interbank deposits decreased by 10.4% and amounted to the equivalent of KZT 2843.2 bln.

The volume of placed interbank deposits in the Tenge increased by 2.9 times and amounted to KZT 357.1 bln. (12.6% of the total volume of placed deposits). The average weighted interest rate on placed interbank deposits in the Tenge decreased from 5.8% in March 2014 to 2.7% in April 2014.

In April 2014 as compared to March 2014, the volume of placed Dollar deposits decreased by 19.3% and amounted to US\$ 13.1 bln. (84.2% of the total volume of placed deposits). The average weighted interest rate on the placed Dollar deposits decreased from 0.046% in March 2014 to 0.042% in April 2014.

The volumes of deposit placements in the Russian rubles and the Euro are insignificant – 2.4% and 0.9% of the total volume of placed deposits, respectively.

The share of interbank deposits in foreign currency decreased from 96.2% to 87.4% (March 2014 versus April 2014) of the total volume of placed deposits. The share of foreign currency deposits placed with non-resident banks decreased from 95.7% to 87.2% (March 2014 versus April 2014) of the total volume of placed interbank deposits.

In April 2014 as compared to March 2014, the volume of deposits taken by the National Bank from banks increased by 3.2 times and amounted to KZT 302.9 bln.

6. Deposit Market

During April 2014, the overall volume of deposits of residents with depository institutions decreased by 0.5% to KZT 11423.1 bln. Over the month, deposits of legal entities have decreased by 2.1% to KZT 7228.7 bln., and deposits of individuals have increased by 2.4% to KZT 4194.4 bln.

In April 2014, the volume of deposits in the domestic currency increased by 3.5% to KZT 6214.9 bln. (legal entities – 3.3% growth, and individuals – 3.7% growth), and foreign currency deposits decreased by 4.8% to KZT 5208.2 bln. (legal entities – 8.9% decrease, individuals – 1.3% growth). Over the month, the percentage of deposits in the Tenge has increased from 52.3% to 54.4%.

During April 2014, household deposits with banks (including non-residents) increased by 2.4% to KZT 4231.2 bln. In the structure of household deposits, deposits in the Tenge increased by 3.7% to KZT 1953.9 bln., and foreign currency deposits increased by 1.3% to KZT 2277.3 bln. Within household deposits, the percentage of the Tenge deposits has decreased from 45.6% to 46.2% over the month.

During April 2014, time deposits increased by 1.4% to KZT 7837.4 bln. Within time deposits, the Tenge deposits increased by 3.8% to KZT 4014.3 bln., and foreign currency deposits decreased by 1.1% to KZT 3823.1 bln.

In April 2014, the average weighted interest rate on the Tenge time deposits of non-bank legal entities was 5.8% (in March 2014 – 6.1%), and on deposits of individuals – 8.9% (7.5%).

7. Credit Market

During April 2014, the total volume of bank credits to the economy increased by 0.5%, amounting to KZT 12229.6 bln.

The volume of credits in the domestic currency increased by 0.2% to KZT 7959.4 bln., the volume of credits in foreign currency increased by 1.1%, amounting to KZT 4270.3 bln. Over the month, the percentage of credits in the Tenge has decreased from 65.3% to 65.1%.

In April 2014, long-term lending increased by 0.2%, amounting to KZT 9793.4 bln., and short-term lending increased by 1.7% to KZT 2436.3 bln. Over the month, the percentage of long-term credits has decreased from 80.3% to 80.1%.

During April 2014, the volume of credits to legal entities increased by 0.1% to KZT 8319.0 bln., and the volume of credits to individuals increased by 1.4% to KZT 3910.6 bln. Over the month, the percentage of credits to individuals has increased from 31.7% to 32.0%.

During April 2014, credits to small business entities increased by 4.9% to KZT 1463.0 bln., accounting for 12.0% 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 – 19.3%), construction (12.0%), industry (10.8%), transport (3.6%) and agriculture (3.6%).

In April 2014, the average weighted interest rate on credits provided in the Tenge to non-bank legal entities was 10.8% (in March 2014 – 10.7%), and on credits to individuals – 18.0% (19.7%).