



**NATIONAL BANK
OF THE REPUBLIC OF KAZAKHSTAN
PRESS-RELEASE No.52
of July 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 June 2014 the inflation accounted for 0.3% (in June 2013 – for 0.3%). Foodstuff prices increased by 0.4% (by 0.1%), and prices for non-food products increased by 0.3% (by 0.2%). Tariffs for paid services increased by 0.2% (by 0.5%).

In June 2014, the highest increase in the foodstuffs market was demonstrated by prices for flour – by 2.6%, rice – by 2.1%, sugar – by 0.9%, bread – by 0.8%, confectionery – by 0.8%, macaroni products – by 0.6%, fish and seafood – by 0.3%, meat and meat products – by 0.2%; among vegetables the highest increase in price was demonstrated by the prices for potatoes – by 16.8%, and carrots – by 13.3%. There was a decrease in prices for eggs – by 2.5%, milk – by 0.3%, cabbage – by 19.6%, and onions – by 7.0%.

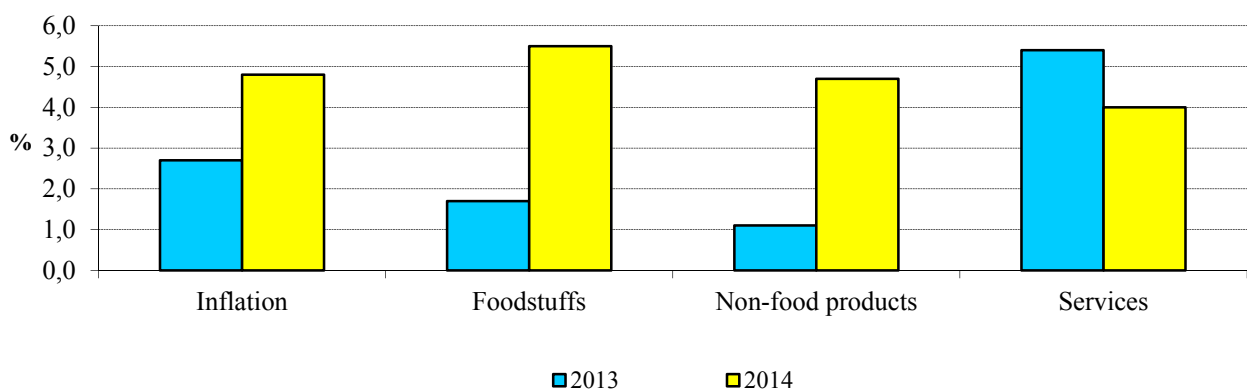
In the group of non-food products, prices for upper garments increased by 0.3%, for footwear – by 0.5%, household utensils – by 0.3%, including home textile products – by 0.5%, detergents and cleansing products – by 0.4%, as well as for medications – by 0.5%. The price of gasoline remained unchanged and diesel fuel increased by 0.3% in terms of price.

In the group of paid services, utility payments remained generally unchanged. However, cold water fees and sewage fees increased by 0.6% each, rental payments increased by 0.2%, hot water fees decreased by 1.7% and fees for waste collection – by 0.1%. In addition, over the last month out-patient services have increased by 0.5% in terms of price, the price of transport services increased by 0.9%, of education services, services of restaurants and hotels – by 0.1% each.

During January-June 2014, the inflation accounted for 4.8% (in January-June 2013 – for 2.7%). Since the beginning of 2014, foodstuffs have increased by 5.5% (by 1.7%) in terms of price, the price of non-food products has increased by 4.7% (by 1.1%), and the price of paid services – by 4.0% (by 5.4%) (Figure 1).

Figure 1

Inflation and its Components during January-June 2013 and 2014



In June 2014, the annual inflation accounted for 7.0% (in December 2013 – for 4.8%). Over the last 12 months, foodstuffs have increased by 7.3% (by 3.3%) in terms of price, the price

of non-food products has increased by 7.0% (by 3.3%), and the price of paid services has increased by 6.6% (by 8.0%).

2. International Reserves and Monetary Aggregates

In June 2014, international reserves of the National Bank decreased. Gross international reserves of the National Bank decreased by 3.9% to US\$ 26.5 bln. (on a year-to-date basis –7.1% increase). Net international reserves of the National Bank decreased by 4.1% and amounted to US\$ 25.7 bln. (on a year-to-date basis – 6.2% increase). Foreign exchange sales in the domestic foreign currency market, the servicing of the Government's external debt, replenishment of the National Fund's assets as well as decreased bank correspondent account balances with the National Bank denominated in foreign currency were neutralized by foreign currency receipts to the Government's accounts with the National Bank. As a result, during June 2014 net currency reserves (FCC) decreased by 7.0%, and assets denominated in gold increased by 5.8% as a result of conducted operations and the increase in its price in the global markets.

During June 2014, the country's total international reserves including assets of the National Fund denominated in foreign currency (according to preliminary data – US\$ 76.6 bln.) decreased by 0.3% to US\$ 103.1 bln. (on a year-to-date basis – 7.9% increase).

During June 2014, the reserve money expanded by 3.3% and amounted to KZT 3715.3 bln. (on a year-to-date basis – 31.5% expansion). Narrow reserve money, i.e. reserve money excluding time deposits of banks with the National Bank expanded by 3.9% to KZT 3524.5 bln.

During May 2014, the money supply increased by 1.1% to KZT 12920.0 bln. (on a year-to-date basis – 11.4% increase). The volume of cash in circulation increased by 2.9% to KZT 1397.8 bln. (on a year-to-date basis – 7.6% decrease), deposits in the banking system increased by 0.9% and amounted to KZT 11522.2 bln. (on a year-to-date basis – 14.2% increase). The share of deposits in the structure of money supply increased from 87.0% in December 2013 to 89.2% in May 2014, as a result of the deposit growth against the decreased volume of cash in circulation recorded in January-May 2014.

The money multiplier decreased from 4.10 in December 2013 to 3.59 at end-May 2014 due to the outstripping rates of expansion in the reserve money versus the rates of money supply growth recorded in January-May 2014.

3. Foreign Exchange Market

In June 2014, the exchange rate of the Tenge versus the US Dollar was fluctuating within the range of KZT 183.49 – KZT 183.52 per 1 US Dollar. At month-end, the stock exchange rate of the Tenge versus the US Dollar was KZT 183.52.

In June 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 7.05% and amounted to US\$ 5.4 bln. The transaction volume in the off-exchange foreign currency market increased by 7.5% to US\$ 0.7 bln.

In general, the trading volume in the domestic foreign exchange market increased by 7.1% versus May 2014 and amounted to US\$ 6.2 bln.

4. Government Securities Market

In June 2014, five auctions were conducted to place government securities of the Ministry of Finance. The following securities had been placed: 11-year MEUKAMs (KZT 19.9 bln.), 12-year MEUKAMs (KZT 10.6 bln.), 13-year MEUKAMs (KZT 16.0 bln.), 16-year MEUKAMs (KZT 23.8 bln.), and 5-year MEOKAMs (KZT 14.9 bln.).

The effective yield on placed securities was as follows: on 11-year MEUKAMs – 6.78%, on 12-year MEUKAMs – 6.98%, on 13-year MEUKAMs – 7.47%, on 16-year MEUKAMs – 7.55%, and on 5-year MEOKAMs – 6.2%.

At end-June 2014, the volume of outstanding securities of the Ministry of Finance amounted to KZT 3872.0 bln., having increased by 2.1% as compared to the previous month.

Short-Term Notes of the National Bank of Kazakhstan. In June 2014 there were no issues of the National Bank's notes.

As a result, at end-June 2014 the volume of notes in circulation remained unchanged versus May 2014 and amounted to KZT 10.9 bln.

5. Interbank Money Market

In May 2014 versus April 2014, the total volume of placed interbank deposits increased by 28.9% and amounted to the equivalent of KZT 3664. bln.

The volume of placed interbank deposits in the Tenge increased by 1.8 times and amounted to KZT 651.9 bln. (17.8% of the total volume of placed deposits). The average weighted interest rate on placed interbank deposits in the Tenge increased from 2.7% in April 2014 to 2.78% in May 2014.

In May 2014 as compared to April 2014, the volume of placed Dollar deposits increased by 16.5% and amounted to US\$ 15.3 bln. (76.2% of the total volume of placed deposits). The average weighted interest rate on the placed Dollar deposits increased from 0.04% in April 2014 to 0.05% in May 2014.

The volumes of deposit placements in the Russian rubles and the Euro are insignificant – 3.9% and 2.1% of the total volume of placed deposits, respectively.

The share of interbank deposits in foreign currency decreased from 87.4% (April 2014 versus May 2014) to 82.2% of the total volume of placed deposits. The share of foreign currency deposits placed with non-resident banks decreased from 87.2% (April 2014 versus May 2014) to 81.8% of the total volume of placed interbank deposits. In May 2014 versus April 2014, the volume of deposits taken by the National Bank from banks doubled and amounted to KZT 615.9 bln.

6. Deposit Market

During May 2014, the overall volume of deposits of residents with depository institutions increased by 0.9% to KZT 11522.2 bln. (on a year-to-date basis – 14.2% growth). Over the month, deposits of legal entities have increased by 0.7% to KZT 7279.6 bln. (on a year-to-date basis – 17.8% growth), and deposits of individuals have increased by 1.1% to KZT 4242.5 bln. (on a year-to-date basis – 8.6% growth).

In May 2014, the volume of deposits in the domestic currency increased by 0.8% to KZT 6263.3 bln. (legal entities – 0.4% decrease, and individuals – 3.5 growth), and foreign currency deposits increased by 1.0% to KZT 5258.9 bln. (legal entities – 2.4% growth, and individuals – 0.8% decrease). The percentage of deposits in the Tenge remained unchanged versus the previous month and amounted to KZT 54.4%.

During May 2014, household deposits with banks (including non-residents) increased by 1.1% to KZT 4277.4 bln. (on a year-to-date basis – 8.4% growth). In the structure of household deposits, deposits in the Tenge increased by 3.4% to KZT 2019.9 bln., and foreign currency deposits increased by 0.9% to KZT 2257.5 bln. Within household deposits, the percentage of the Tenge deposits has increased from 46.2% to 47.2% over the month.

During May 2014, time deposits decreased by 0.6% to KZT 7791.6 bln. Within time deposits, the Tenge deposits increased by 1.6% to KZT 4077.9 bln., and foreign currency deposits decreased by 2.9% to KZT 3713.7 bln.

In May 2014, the average weighted interest rate on the Tenge time deposits of non-bank legal entities was 5.6% (in April 2014 – 5.8%), and on deposits of individuals – 8.9% (8.9%).

7. Credit Market

During May 2014, the total volume of bank credits to the economy increased by 0.6%, amounting to KZT 12306.4 bln. (on a year-to-date basis – 9.0% growth).

The volume of credits in the domestic currency increased by 1.0% to KZT 8037.4 bln. (on a year-to-date basis – 1.3% growth), and the volume of credits in foreign currency decreased

by 0.03% to KZT 4269.0 bln. (on a year-to-date basis – 27.2% growth). Over the month, the percentage of credits in the Tenge has increased from 65.1% to 65.3%.

In May 2014, long-term lending increased by 1.1%, amounting to KZT 9896.5 bln., and short-term lending decreased by 1.1% to KZT 2409.9 bln. Over the month, the percentage of long-term credits has increased from 80.1% to 80.4%.

During May 2014, the volume of credits to legal entities increased by 0.5% to KZT 8360.9 bln., and the volume of credits to individuals increased by 0.9% to KZT 3945.5 bln. Over the month, the percentage of credits to individuals has increased from 32.0% to 32.1%.

During May 2014, credits to small business entities increased by 3.0% to KZT 1507.6 bln. (on a year-to-date basis – 17.5% growth), accounting for 12.3% 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 – 19.3%), construction (12.1%), industry (10.8%), transport (3.7%) and agriculture (3.4%).

In May 2014, the average weighted interest rate on credits provided in the Tenge to non-bank legal entities was 11.0% (in April 2014 – 10.8%), and on credits to individuals – 19.0% (18.0%).