



**NATIONAL BANK  
OF THE REPUBLIC OF KAZAKHSTAN  
PRESS-RELEASE No.56  
of August 13, 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 July 2014 the inflation accounted for 0.1% (in July 2013 – 0.2%). The foodstuff prices decreased by 0.2% (0.1% growth). Non-food products increased by 0.3% (by 0.1%) in terms of price, and tariffs for paid services increased by 0.3% (by 0.3%).

In July 2014, the highest increase in the foodstuffs market was demonstrated by prices for eggs – by 4.2%, rice – by 3.8%, sugar – by 2.6%, flour – by 2.2%, tea – by 1.7%, meat and meat products – by 0.9%, confectionery – by 0.8%, bread and macaroni products – by 0.7% each, fish and sea food – by 0.4%; among vegetables the highest increase in price was demonstrated by the prices for carrots (by 12.9%). The prices for buckwheat decreased by 0.1%; among vegetable and fruit production there was a decrease in prices for cabbage (by 24.6%), potatoes – by 19.9%, and beetroots – by 1.9%.

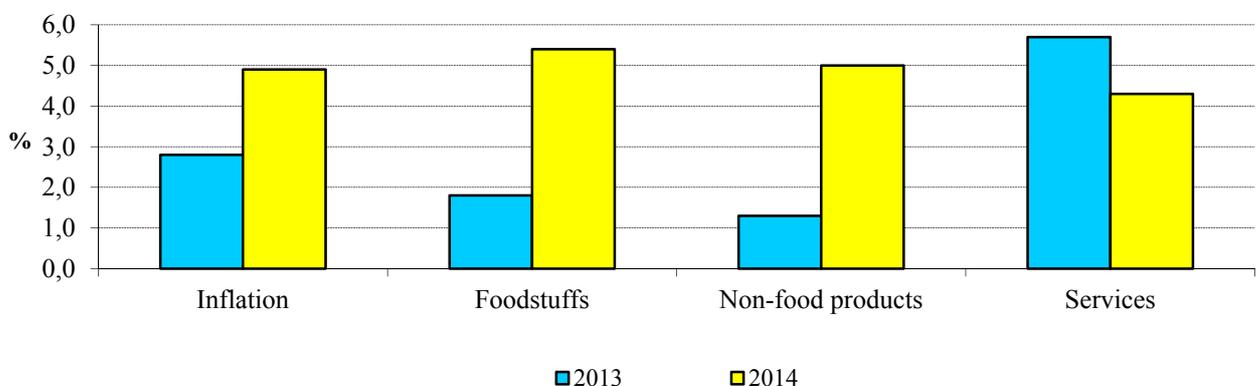
In the group of non-food products, prices for fabrics increased by 0.5%, for footwear – by 0.3%, for household utensils – by 0.4%, including home textile products – by 0.9%, tableware and cutlery – by 0.5%, and for medications – by 1.0%. The price of gasoline and diesel fuel increased by 0.1%.

In the group of paid services, utility payments increased by 0.2%. Tariffs for gas transported by distribution networks increased by 2.8%, hot water fees increased by 0.3%, fees for waste collection – by 0.2%, for liquefied gas – by 0.3%. In addition, over the last month outpatient services have increased by 0.3% in terms of price, the price of transport services increased by 0.1%, recreation and cultural services – by 0.4% and for services of restaurants and hotels – by 1.1%.

During January-July 2014, the inflation accounted for 4.9% (in January-July 2013 – for 2.8%). Since the beginning of 2014, foodstuffs have increased by 5.4% (by 1.8%) in terms of price, the price of non-food products has increased by 5.0% (by 1.3%), and the price of paid services – by 4.3% (by 5.7%) (Figure 1)

Figure 1

**Inflation and its Main Groups during January-July 2013 and 2014**



In July 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 7.1% (by 3.3%), and the price of paid services has increased

by 6.6% (by 8.0%).

## **2. International Reserves and Monetary Aggregates**

In July 2014, international reserves of the National Bank increased. Gross international reserves of the National Bank increased by 2.0% to US\$ 27.0 bln. (on a year-to-date basis – 9.2% growth). Net international reserves of the National Bank increased by 2.7% and amounted to US\$ 26.4 bln. (on a year-to-date basis – 9.0% growth). Foreign exchange sales in the domestic foreign currency market, the servicing of the Government's external debt, replenishment of the National Fund's assets were neutralized by foreign currency receipts to the Government's accounts with the National Bank as well as increased bank correspondent account balances with the National Bank denominated in foreign currency. As a result, during July 2014 net currency reserves (FCC) increased by 3.7%. Assets denominated in gold decreased by 0.5% as a result of the decrease in its price in the global markets.

During July 2014, the country's total international reserves including assets of the National Fund denominated in foreign currency (according to preliminary data – US\$ 76.8 bln.) increased by 0.7% to US\$ 103.8 bln. (on a year-to-date basis – 8.6% growth).

During July 2014, the reserve money expanded by 3.9% and amounted to KZT 3859.7 bln. (on a year-to-date basis – 36.6% expansion). Narrow reserve money, i.e. reserve money excluding time deposits of banks with the National Bank expanded by 3.1% to KZT 3633.7 bln.

During June 2014, the money supply increased by 3.8% to KZT 13407.4 bln. (on a year-to-date basis – 15.6% growth). The volume of cash in circulation increased by 3.9% to KZT 1452.2 bln. (on a year-to-date basis – 4.0% decrease), deposits in the banking system increased by 3.8% and amounted to KZT 11955.2 bln. (on a year-to-date basis – 18.5% growth). The share of deposits in the structure of money supply increased from 87.0% in December 2013 to 89.2% in June 2014 as a result of the deposit growth against the decreased volume of cash in circulation recorded in January-June 2014.

The money multiplier decreased from 4.10 in December 2013 to 3.61 at end-June 2014 due to the outstripping rates of expansion in the reserve money versus the rates of money supply growth recorded in January-June 2014.

## **3. Foreign Exchange Market**

In July 2014, the exchange rate of the Tenge versus the US Dollar was fluctuating within the range of KZT 183.28 – KZT 183.53 per 1 US Dollar. At month-end, the stock exchange rate of the Tenge versus the US Dollar was KZT 183.28.

In July 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 10.8% and amounted to US\$ 6.0 bln. The transaction volume in the off-exchange foreign currency market decreased by 22.0% to US\$ 0.6 bln.

In general, the trading volume in the domestic foreign exchange market increased by 6.9% versus June 2014 and amounted to US\$ 6.6 bln.

## **4. Government Securities Market**

In July 2014, five auctions were conducted to place government securities of the Ministry of Finance. The following securities had been placed through these auctions: 5-year MEOKAMs (KZT 17.8 bln.), 7-year MEUKAMs (KZT 8.3 bln.), 11-year MEUKAMs (KZT 23.5 bln.), 20-year MEUKAMs (KZT 48.7 bln.), and 25-year MEUKAMs (KZT 25.0 bln.).

The effective yield on placed securities was as follows: on 5-year MEOKAMs – 6.25%, on 7-year MEUKAMs – 6.65%, on 11-year MEUKAMs – 7.25%, on 20-year MEUKAMs – 8.05%, and on 25-year MEUKAMs – 8.35%.

At end-July 2014, the volume of outstanding securities of the Ministry of Finance amounted to KZT 3940.7 bln., having increased by 1.8% versus the previous month.

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

In July 2014, three auctions were held to place 3-month notes of the National Bank (KZT 3.0 bln., KZT 3.0 bln. and KZT 4.0 bln.). The effective yield on placed notes was 3.27%.

At end-July 2014 versus June 2014, the volume of notes in circulation increased by 45.5% and amounted to KZT 15.9 bln.

## **5. Interbank Money Market**

In June 2014, the total volume of placed interbank deposits increased by 10.9% and amounted to the equivalent of KZT 4063.6 bln.

The volume of placed interbank deposits in the Tenge decreased by 0.1% and amounted to KZT 651.5 bln. (16% of the total volume of placed deposits). The average weighted interest rate on placed interbank deposits in the Tenge increased from 2.78% in May 2014 to 2.81% in June 2014.

In June 2014 as compared to May 2014, the volume of placed Dollar deposits increased by 14.7% and amounted to US\$ 17.6 bln. (79.4% of the total volume of placed deposits). The average weighted interest rate on the placed Dollar deposits decreased from 0.05% in May 2014 to 0.04% in June 2014.

The volumes of deposit placements in the Russian rubles and the Euro are insignificant – 2.4% and 2.2% of the total volume of placed deposits, respectively.

The share of interbank deposits in foreign currency increased from 82.2% (May 2014 versus June 2014) to 84.0% of the total volume of placed deposits. The share of foreign currency deposits placed with non-resident banks increased from 81.8% (May 2014 versus June 2014) to 83.6% of the total volume of placed interbank deposits.

In June 2014 versus May 2014, the volume of deposits taken by the National Bank from banks decreased by 1.3% and amounted to KZT 607.9 bln.

## **6. Deposit Market**

During June 2014, the overall volume of deposits of residents with depository institutions increased by 3.8% to KZT 11955.2 bln. (on a year-to-date basis – 18.5% growth). Over the month, deposits of legal entities have increased by 4.8% to KZT 7631.7 bln. (on a year-to-date basis – 23.5% growth), and deposits of individuals have increased by 1.9% to KZT 4323.4 bln. (on a year-to-date basis – 10.7% growth).

In June 2014, the volume of deposits in the domestic currency increased by 5.6% to KZT 6615.7 bln. (legal entities – 8.2% growth, individuals – 0.3% growth), and foreign currency deposits increased by 1.5% to KZT 5339.4 bln. (legal entities – 0.2% growth, individuals – 3.4% growth). Over the month, the percentage of deposits in the Tenge has increased from 54.4% to 55.3%.

During June 2014, household deposits with banks (including non-residents) increased by 2.0% to KZT 4364.8 bln. (on a year-to-date basis – 10.6% growth). In the structure of household deposits, deposits in the Tenge increased by 0.3% to KZT 2026.8 bln., and foreign currency deposits increased by 3.6% to KZT 2338.0 bln. Within household deposits, the percentage of the Tenge deposits has decreased from 47.2% to 46.4% over the month.

During June 2014, time deposits decreased by 0.1% to KZT 7786.0 bln. Within time deposits, the Tenge deposits increased by 0.8% to KZT 4109.6 bln., and foreign currency deposits decreased by 1.0% to KZT 3676.4 bln.

In June 2014, the average weighted interest rate on the Tenge time deposits of non-bank legal entities was 5.1% (in May 2014 – 5.6%), and on deposits of individuals – 8.0% (8.9%).

## **7. Credit Market**

During June 2014, the total volume of bank credits to the economy decreased by 1.2%, amounting to KZT 12163.3 bln. (on a year-to-date basis – 7.7% growth).

The volume of credits in the domestic currency increased by 1.0% to KZT 8118.1 bln. (on a year-to-date basis – 2.3% growth), and the volume of credits in foreign currency decreased

by 5.2% to KZT 4045.2 bln. (on a year-to-date basis – 20.6% growth). Over the month, the percentage of credits in the Tenge has increased from 65.3% to 66.7%.

In June 2014, long-term lending decreased by 1.1%, amounting to KZT 9785.6 bln., and short-term lending decreased by 1.3% to KZT 2377.7 bln. Over the month, the percentage of long-term credits has increased from 80.4% to 80.5%.

During June 2014, the volume of credits to legal entities decreased by 1.9% to KZT 8200.4 bln., and the volume of credits to individuals increased by 0.4% to KZT 3962.9 bln. Over the month, the percentage of credits to individuals has increased from 32.1% to 32.6%.

During June 2014, credits to small business entities increased by 2.2% to KZT 1540.4 bln. (on a year-to-date basis – 20.0% growth), accounting for 12.7% 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 – 19.6%), construction (11.3%), industry (10.8%), transport (3.5%) and agriculture (3.5%).

In June 2014, the average weighted interest rate on credits provided in the Tenge to non-bank legal entities was 10.4% (in May 2014 – 11.0%), and on credits to individuals – 19.8% (19.0%).

## **8. Regarding the Outcomes of Enterprise Monitoring in the Real Sector of the Economy for the 2nd Quarter of 2014**

In July 2014, a regular enterprise monitoring was conducted with a view to assess the situation in the real sector of the economy in the 2<sup>nd</sup> quarter of 2014. The number of enterprises participating in the monitoring and representing key sectors of the country's economy, as compared to their interview in the 1<sup>st</sup> quarter of 2014, increased from 2682 to 2704, including medium and large enterprises – to 1549.

In the 2<sup>nd</sup> quarter of 2014, the share of enterprises whose economic activity was negatively affected by the change in the exchange rate of the Tenge versus the US Dollar, Euro and Russian ruble, decreased (to 36.1%, 25.5% and 28.5%, respectively). The share of enterprises which weren't affected by the impact of the change in the exchange rate of the Tenge versus those currencies accounted for 45.2%, 53% and 51.2%, respectively.

The share of enterprises that obtained credits in the 2<sup>nd</sup> quarter of 2014 slightly decreased (to 20.6% from 20% in the 1<sup>st</sup> quarter of 2014), and the number of enterprises with delinquencies on bank loans increased versus the previous quarter and accounted for 38.1%. In the 3<sup>rd</sup> quarter of 2014, 23.2% enterprises intend to apply for credits.

Investment activity of enterprises notably improved: the share of enterprises which did not finance investments decreased (to 33%) and the share of enterprises that used their own funds and bank credits for these purposes increased (to 61.4% and 6.1%, respectively).

The average interest rates on credits in the Tenge haven't changed and interest rates on the foreign currency credits decreased to 8.5% from 9.5% in the 1<sup>st</sup> quarter of 2014.

In the real sector of the economy as a whole, the demand for final products of enterprises demonstrates growth. The increase in the demand was noted by 23.1% of enterprises (in the 1<sup>st</sup> quarter of 2014 – by 13.1%), and the decrease in the demand was noted by 19.8% (in the 1<sup>st</sup> quarter of 2014 – by 29.2%) of respondents.

The highest growth in the demand was observed in such sectors as “the manufacturing industry”, “accommodation and catering services”, “construction” and “information and communication”. At the same time, the demand in the sector of “electricity supply, gas and vapor supply and air conditioning” decreased significantly.

In the 3<sup>rd</sup> quarter of 2014 versus the 2<sup>nd</sup> quarter of 2014, the demand for final products will notably increase in the real sector as a whole, according to expectations of enterprises.

The growth in prices for final products of enterprises in the real sector as a whole notably slowed down. The decreased rates of price growth were observed in all sectors. The highest

slowdown in the price growth occurred in such sectors as “electricity supply, gas and vapor supply...”, “manufacturing industry” and “wholesale and retail trade...”.

Prices for final products of enterprises – producers of consumer goods and services (“prices for consumer goods and services” hereinafter) also slowed their growth in the 2<sup>nd</sup> quarter of 2014.

In the 3<sup>rd</sup> quarter of 2014 versus the 2<sup>nd</sup> quarter of 2014, a slight slowdown in the growth of prices for final products is anticipated in the real sector of the economy as a whole. The highest slowdown is anticipated in the following sectors: “wholesale and retail trade...”, “construction”, “water supply; sewage system and control over waste collection and distribution”, “mining industry”, “manufacturing industry”.

In the 3<sup>rd</sup> quarter of 2014, according to expectations of enterprises, prices for consumer goods and services will continue their moderate growth, with some slowdown in their rates.

In the 2<sup>nd</sup> quarter of 2014, prices for raw materials and supplies slowed their growth. A significant slowdown in the price growth was observed in such sectors as: “electricity supply, gas and vapor supply...”, “water supply; sewage system and control over waste collection and distribution”, “catering and accommodation services” and “wholesale and retail trade...”.

The share of enterprises anticipating the decline in prices decreased to 0.5% from 1% in the 2<sup>nd</sup> quarter of 2014.

In the 2<sup>nd</sup> quarter of 2014, financial standing of enterprises in the real sector as a whole somewhat improved: the share of low profit and loss-making enterprises decreased (to 21.8% from 24.5% in the 1<sup>st</sup> quarter of 2014), and the share of medium- and high profit enterprises increased (to 78.2% from 75.5% in the 1<sup>st</sup> quarter of 2014).