



NATIONAL BANK OF KAZAKHSTAN

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On the publication of a preliminary estimate of the balance of payments of the Republic of Kazakhstan for 9 months of 2016 and real exchange rate of tenge

November 7, 2016

Almaty

1. THE BALANCE OF PAYMENTS

According to preliminary estimation for 9 months of 2016 the current account deficit amounted to 5.2 billion US dollars.

Export of goods for the 9 months of 2016 was 26.8 billion US dollars decreased by 26.3% compared to the 9 months of 2015 including reduction of exports of oil and gas condensate by 35.5%. **Import** of goods decreased by 24.4% and amounted to 19.8 billion US dollars. The largest reduction in import was recorded in nonfood consumer and investment goods. **Trade surplus** decreased by 31.3% compared to 9 months of 2015 and amounted to 7.0 billion US dollars.

In the 3rd quarter of 2016 slowdown in growth of imports consumption was recorded. Export of goods in the 3rd quarter increased by 11.5% or 1.0 billion US dollars, while import – only by 6.5% or 0.4 billion US dollars compared to the 2nd quarter of 2016. The relative reduction of current expenditures led to a reduction of the quarterly value of current account deficit and amounted to 1.6 billion US dollars in the 3rd quarter and shrinking by more than a third (37.3%) compared to the previous quarter.

Net inflow of capital on the **financial account** (excluding transactions with reserve assets of the National Bank) for the 9 months of 2016 amounted to 7.5 billion US dollars.

Net inflow on **foreign direct investment** operations for 9 months of 2016 amounted to 12.1 billion US dollars and was mainly due to increase in intercompany lending, including investment that went through foreign subsidiaries of special purpose entities (SPEs). The 3rd quarter of 2016 saw a record number of foreign direct investments in a sum of 6.4 billion US dollars. Inflow also was ensured by medium-and long-term borrowing of general government and other sectors.

Net outflow of capital was due to increase of foreign assets of the National Fund of the Republic of Kazakhstan and other residents in foreign securities and foreign bank accounts.

Reserve assets for the 9 months of 2016 increased by US\$ 0.2 billion as a result of balance of payments transactions.

As of September 30, 2016, the international reserves (excluding assets of the National Fund of Kazakhstan) increased from the beginning of the year by 3.3 billion US dollars and was estimated at 31.2 billion US dollars. The growth of international reserves was due to transactions with foreign currency and increase in stocks of monetary gold. According to preliminary data, the current level of international reserves covers funding of 9.7 months of import of goods and services of Republic of Kazakhstan.

2. ABOUT REAL EXCHANGE RATE

In the 9 months of 2016 tenge weakened by 1.2% in real terms (based on the index of real effective exchange rate against the currencies of 37 countries), while from the beginning of 2014 to September 2016 it weakened by 26.4%.

In September 2016 compared to December 2015 The Real Exchange Rate of tenge to currencies of the main trading partners showed: weakening to USD by 1.5%, to Euro – 4.3%, to Russian Ruble – 7.5% and strengthening to Chinese Yuan by 2.7%

Data on the currencies of the main trading partners are presented in the table.

Changes in the index of the real exchange rate of the tenge

	January – September 2016	January 2014 – September 2016
To Russian Ruble	weakening by 7.5%	weakening by 9.3%
To US Dollar	weakening by 1.5%	weakening by 43.5%
To Euro	weakening by 4.3%	weakening by 29.8%
To Chinese Yuan	strengthening by 2.7%	weakening by 38.4%
To Belarusian Ruble	weakening by 1.1%	weakening by 14.3%
To Kyrgyz Som	weakening by 0.1%	weakening by 26.7%

The market exchange rate that was formed in September 2016 has demonstrated the same ruble/tenge real exchange rate index level as in December 2013. The relative recovery of the exchange rate parity between tenge and Russian ruble has leveled the effects of the exchange rate factors on Kazakhstani producers' competitiveness.

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