



НАЦИОНАЛЬНЫЙ БАНК КАЗАХСТАНА

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On base rate

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Almaty

The National Bank of Kazakhstan has decided to keep the base rate unchanged at the level 12% with a corridor of +/-1 percentage points. Despite the fact that annual inflation in 2016 exceeded the target range, it is expected that the target range will be achieved within 1-2 months. Due to weakness of the factors contributing to its acceleration or volatility, some increase in business activity, uncertainty reduction in global markets and relative improvement in the terms of trade in recent months of 2016, the probability of further easing of monetary policy is increasing provided that the trend is confirmed by macroeconomic data.

The decision on the base rate was made with the account of the following factors.

Annual inflation for 2016 was 8.5%, which corresponds to the National Bank's estimates and the previous statements that at the end of 2016 the annual inflation would be close to the upper bound of the target range of 6-8%. According to current estimates of the National Bank, in January-February inflation rate will come into the target range. In the following months of 2017 inflation will not show a significant reduction, however, in the absence of negative shocks, will be within the target range. At the end of 2017 annual inflation is expected to be within the limits of 7.3-7.7%.

According to recent survey, inflation expectations of households are being reduced. Expectations of respondents with respect of significant price growth in December 2016 were not justified, and respondents do not expect the acceleration of inflationary processes in the future. Fundamental factors indicate that there is a potential for further appreciation of tenge.

In January-November 2016, the short-term economic indicator that reflects the development of economy's main sectors accounted for 100.5%, which corresponds to the trend of improvement in the business activity.

Despite the positive trends, there is still the possibility of occurrence of external shocks which have potential risks for the economic development of the country. Among them are the presence of vulnerabilities in the world oil market and the pace of economic recovery in the main trading partners.

The planned rise in budget expenditures on social payments may lead to strengthening of inflation pressure. Therefore, the National Bank considers necessary to keep the base rate unchanged.

The next decision on the base rate will be announced on February 20, 2017 at 17:00 Astana time.

Detailed information is available over the phones:

+7 (727) 270 46 39

+7 (727) 270 45 85

+7 (727) 330 24 97

e-mail: press@nationalbank.kz

www.nationalbank.kz