



NATIONAL BANK OF KAZAKHSTAN

Press-release № 23

The base rate reduced to 10.25%

August 21, 2017

Almaty

The National Bank has decided to reduce the base rate to 10.25% with a corridor of +/-1%¹. The annual inflation rate continues to decelerate and remains within the target range; its deceleration trajectory matches the forecasted estimates of the National Bank. Easing of the monetary policy conditions is stipulated by the stable level of the inflationary expectations, stabilization of the situation on the commodity markets, and also by the forecasts for the further deceleration of the inflation level in the medium term.

Along with that the National Bank, taking into the account the existing uncertainty and the volatility of the external conditions, has reconsidered the possibility of the further reduction of the base rate in the short run.

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

The annual inflation in July 2017 as expected has decelerated to 7.1% under the influence of the price drop of food products and is in the middle of the target range. The price statistics of both socially important food products and nonfood products and services in general matches the historical dynamics of the price movements in this period. The core inflation in the annual terms also keeps decreasing. The expected temporary insignificant increase of the annual inflation in the fall months of the current year due to the low base of the past year will not require taking any correcting measures of the monetary policy.

The inflationary expectations of the households remain stable. The quantitative assessment of the inflation for a year ahead amounted to 6.4% and remains below the actual inflation rate, and also within the target range for 2018.

¹ Simultaneously the official refinancing rate is reduced to the same level (10.25%)

The economic activity continues demonstrating the recovery; the trends in the domestic consumer and investment demand dynamics remain positive. The recovery of economy is confirmed by the trade data, employment and external demand indicators. At the same time the negative dynamics of the real wages limit the inflationary risks.

The gradual credit expansion supports the consumer demand; however the further expansion of the consumer credit will depend on the dynamics of the interest rate for individuals, which currently remains at a rather high level.

The stabilization of the situation in the commodity markets and approaching of the oil prices to the level about 50 US dollars per 1 barrel after the drop in June are being observed. Along with that the external situation can be characterized by the growth of uncertainty and the aggravation of risks. In July the rise of the FAO Food Price Index was higher than expected as the result of the price growth for most cereals and dairy. The increase of the external pressure was also caused by the change of economic conditions in the countries – main trade partners.

The monetary conditions remain neutral. The level of the real interest rate (i.e. the nominal interest rate adjusted for the targeted level of inflation – 5-7% in 2018) is at the level corresponding to the long-run potential economic growth rates.

The next decision on the base rate will be announced on October 9, 2017 at 17:00 Astana time.

For more detailed information please contact:

+7 (727) 2704 585

e-mail: press@nationalbank.kz

www.nationalbank.kz