



NATIONAL BANK OF KAZAKHSTAN

Press-release № 7

The base rate reduced to 9.25%

April 16, 2018

Almaty

The National Bank of Kazakhstan has decided to reduce the base rate to the level of 9.25% with a corridor of +/-1%. The National Bank confirms its estimates regarding the continuing deceleration trend of the inflation until the end of the current year and during the next one. The inflationary expectations have continued to decrease. In spite of the observed volatility in the Russian stock and FX markets, the medium-term influence of the fundamental factors of the external sector is estimated as positive. According to the estimates of the National Bank, if the current dynamics of the macroeconomic indicators persist, the inflation rate will remain within the target corridor of 5-7% in 2018.

In March **the annual inflation rate** has amounted to 6.6%. The growth of the production costs, a certain increase of the import costs under the influence of the price growth in the world markets and the emerging increase of the domestic demand among the households remain to be the main inflationary factors.

The inflationary expectations of the households continued their gradual decrease. The results of the households' survey show that the expected inflation rate for a year ahead has decreased from 7.1% in December 2017 to 5.8% in March of the current year, reaching the historical minimum since the beginning of 2016. The indicators of the perceived inflation in March have remained on the same level as in February. The share of responders, who believe that in the past year the prices of goods had been increasing more rapidly than before, has amounted to 49% (52.1% in December 2017).

The economic activity continues to demonstrate the positive dynamics. In January-February of 2018 the short-term economic indicator has increased by 5.2% in the annual terms. The positive growth rates in mining (crude oil and iron ore production increase) and mechanical manufacturing industries (growth in metallurgy, food production and in engineering), agriculture, trade and transportation industries persist. However, the decrease in the building industry by 4.5% is being observed. The growth rate of the fixed capital investments in January-February of 2018 has amounted to 54.4%.

The situation in **the foreign markets** remains favorable for Kazakhstan. The dynamics of the external fundamental factors has not changed since the period of previous decision on the base rate. Since the beginning of the year the oil prices have been formed at the level above 65 US dollars per barrel. The inflation rates in the countries – main trade partners are evaluated as moderate. The influence of the risks coming from the countries – main trade partners, mostly, the Russian Federation, which have become a reason for the short-term volatility in the domestic FX market in the past few days, is assessed as short-term and moderate. That is why the National Bank does not consider it necessary to tighten the monetary policy conditions as a response to tenge depreciation.

The monetary policy conditions continue to tend to neutrality in influencing the economy, keeping a balance between maintaining the price stability and promoting the attainment of the economic growth rates close to its potential level. Along with that the National Bank of Kazakhstan will continue the policy of the gradual reduction of the base rate, securing the maintenance of the neutral monetary conditions.

The next decision on the base rate will be announced on June 4, 2018 at 17:00 Astana time.

For more detailed information please contact:

+7 (727) 2704 585

+7 (727) 3302 497

e-mail: press@nationalbank.kz

www.nationalbank.kz