



NATIONAL BANK OF KAZAKHSTAN

## Press-release №29

### The base rate unchanged at 10.25%

October 9, 2017

Almaty

*The National Bank of Kazakhstan has decided to keep the base rate on the level of 10.25% with a corridor of +/-1%. The actual and forecasted levels of the annual inflation (on the horizon of a year and a half) remain within the target range for 2017 and 2018. The inflationary expectations get formed on the stable level. The inflationary factors in the external sector are evaluated as favorable. The monetary conditions are neutral.*

*However, the continuing risks on the account of the supply factors and the increased volatility in the FX market limit the potential for the further reduction of the base rate until the end of the current year.*

**The annual inflation** in September has amounted to 7.1%, the monthly inflation - 0.3%. The rise in prices of the nonfood products due to increased demand in the current year, as well as the increase of the tariffs for the paid services contribute to the inflationary pressures. Even so, the increase of the inflation was restricted by the seasonal decrease of the food products prices.

The core inflation (without taking into the account the volatile and regulated components) in the annual terms, which has been demonstrating the deceleration of the growth rate since the beginning of the year, in August remained unchanged.

**The inflationary pressures** until the end of the current year will remain moderate. The inflationary risks remain persistent due to the uncertainty regarding the harvest, the insufficient workload of the regional stabilizing funds of the food products, the situation in the market of petrol, oil and lubricants and specific foodstuffs.

Even so, the estimates of the National Bank show that the inflation will remain within the target range in both 2017 (6-8%) and 2018 (5-7%).

**The inflationary expectations** keep remaining stable. The quantitative assessment of the inflation for the year ahead has not changed (6.5%) and is within the target range for 2018.

The consumer credit growth and the stimulating fiscal policy are the main drivers of the increased **aggregate demand**. However, the further expansion of the credit is restricted by the decrease of the real wages and households' income, also by the limited capital of the banks.

The index of **the economic activity** in the real terms stays on the high level. In August the increase of the short-term economic indicator, which characterizes the aggregate supply in the country, amounted to 7.8% in the annual terms. However, the growth in the industrial output, the external demand and the retail trade is observed along with the decelerating activity in the construction, agriculture, and in the weak investing activity.

**In the external sector**, the situation in the commodities market may influence favorably. The observed oil price formation on the level above 55 US dollars per 1 barrel, the dynamics of the world food prices due to the expected record level of the world cereal output and the overproduction of sugar may impact to the inflation decline in Kazakhstan in short and medium perspective.

**The monetary conditions** remain neutral. The insignificant increase of the deposits dollarization level in August 2017 happened mainly due to the currency reevaluation. The structure of the interest rates on deposits stays favorable to savings in tenge. The decline of interest rates on business loans since the beginning of the year follows the dynamics of the base rate, yet the level of the interest rates on loans to individuals remains unchanged, which can be explained by the high level of the risks estimated by the banks due to the low growth rates of the income of households.

The next decision on the base rate will be announced on November 27, 2017 at 17:00 Astana time.

For more detailed information please contact:

+7 (727) 2704 585

e-mail: [press@nationalbank.kz](mailto:press@nationalbank.kz)

[www.nationalbank.kz](http://www.nationalbank.kz)