



NATIONAL BANK OF KAZAKHSTAN

Press-release № 38

The base rate unchanged at 10.25%

November 27, 2017

Almaty

The National Bank of Kazakhstan has decided to keep the base rate at 10.25% with a corridor of +/-1%. The annual inflation rate has accelerated in October; however it remains within the target range and matches the forecasted estimates of the National Bank. The inflationary risk from the external sector still exists. Additionally, it is favored to keep the neutrality of the monetary policy conditions.

The inflationary processes have accelerated to the level of 7.7% in the annual terms in October (7.1% in September), yet **the annual inflation** continues to remain within the target range of 6-8% in 2017. The dynamics of inflation mainly derive from the short-term factors – the rise of energy fuel prices (gasoline, diesel, coal) due to temporary supply reduction and of vegetables prices (seasonal increase of the prices), as evidenced by insignificant increase of the core inflation (by 0.2 p.p.). The risks of the secondary effect of the increase in the energy prices may persist in the short-run period and may cause the rise of the inflationary expectations. Nevertheless, the annual inflation rate according to the estimates of the National Bank will remain within the target range of 2017.

Inflationary expectations of the households demonstrated the signs of the increased volatility that reflects the high share of the adaptive component. Thus, the quantitative assessment of the inflation for a year ahead has risen to 6.9% following the increase of the energy and food prices. At the same time inflationary expectations remained within the target range of inflation, which is set at the lower level for the next year – 5-7% at the end of 2018.

The situation in **the external commodity markets** shows a pattern of stability. The growth and inflation rates in the countries-main trading partners along with the level of the external food prices are considered as favorable from the point of view of the impact on the demand for export of Kazakhstan and on the inflation. The tendency of the increase is being observed in the dynamics of the oil prices starting June of 2017. However in medium term the risks of the volatility may occur, increasing the uncertainty regarding the future periods.

The economic activity continues demonstrating the recovery. The short-term economic indicator, which characterizes the aggregate supply in the country, increased by 5.4% in 10 months of 2017, however the growth remains unsteady in the different sectors of the economy.

The decision on the unchanged level of the base rate reflects the reasonability of maintaining the neutrality of **the monetary policy conditions** and the level of the real interest rate on the level not higher than 4% that corresponds to the long-term potential economic growth rate.

The next decision on the base rate will be announced on January 15, 2018 at 17:00 Astana time.

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