



NATIONAL BANK OF KAZAKHSTAN

PRESS RELEASE

On maintaining the base rate at the level of 14.75%

Astana

April 12, 2024

The Monetary Policy Committee of the National Bank of the Republic of Kazakhstan decided to keep the base rate at 14.75% per annum with a corridor of +/- 1 percentage points.

Annual inflation continued to decline in February and March, but at a slower pace. Inflation expectations slightly decreased, nevertheless remaining at a fairly high level. The external inflationary environment is developing neutrally coupled with a continued downward trend in grain prices on world markets. Inflationary pressures persist in the domestic economy due to sustained domestic demand and unanchored inflation expectations.

Achieving the 5% inflation target requires maintaining moderately tight monetary conditions. In the current environment, room for monetary policy easing is still limited. This room might expand given a steady decrease in the stable part of inflation.

Annual inflation slowed down to 9.1% in March 2024, which is slightly above the forecasted trajectory. This deviation happened due to a faster increase in prices for utility services. A moderately tight monetary policy and a decrease in world grain prices contribute to sinking inflation.

Monthly inflation slowed to 0.7% in March after a surge in the previous month (1.1%), although being above the historical average of 0.6%. Similar dynamics are observed in the core and seasonally adjusted inflation – there was a significant decrease in March after a sharp acceleration in February.

Inflation expectations of the population have decreased slightly. At the same time, they still remain elevated. This is mainly due to rising prices for food, utility services and fuel.

The external inflationary environment remains neutral. The cost of food on world markets in March slightly increased mainly due to higher prices for vegetable oils. Grain prices continue to weaken against the backdrop of the sale of harvested crops in exporting countries and the smooth functioning of maritime trade routes.

Oil prices are slightly higher than the baseline scenario, which will favorably affect the trade balance of Kazakhstan. At the same time, high oil prices can lead to an increase in the external inflationary environment.

External monetary conditions remain tight. In 2024-2025, US Federal Reserve rate cuts are expected to be milder. At the same time, regardless of the expected slower economic growth in 2024, the ECB plans to maintain restrictive monetary conditions to achieve the medium-term inflation target.

Economic growth in January – February 2024 is estimated at 4.2% YoY, which is in line with the forecast of the National Bank. The dynamics of retail trade indicators, the volume of consumer loans and business activity index indicate perseverance of robust domestic demand in the economy. The monthly indicators of the National Bank demonstrate the continuing trend for economic growth in March.

Pro-inflationary risks are conditioned by the continuation of reforms in the field of regulated prices, the consequences of abnormal floods in Kazakhstan, as well as uncertainty related to the amount of budget expenditures necessary to eliminate them.

The National Bank is committed to achieving the 5% inflation target in the medium term. This requires maintaining a moderately tight monetary policy for a long period. In this regard, in the current environment, room for further monetary policy easing is still limited. The National Bank will continue to monitor the stable part of inflation, which is not affected by one-time factors such as the reform of regulated prices. The room for decreasing the base rate will begin to form with a steady decrease in the stable part of inflation.

Next planned decision of the Monetary Policy Committee of National Bank of the Republic of Kazakhstan on base rate will be announced on May 31 2024 at 12:00 Astana time.

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