



NATIONAL BANK OF KAZAKHSTAN

## PRESS RELEASE

### Base rate reduced to 14.25%

July 12<sup>th</sup>, 2024

Astana

*The Monetary Policy Committee of the National Bank of Kazakhstan decreased the base rate by 25 basis points and has set it at **14.25%** with a corridor of +/-1 percentage point.*

*Annual inflation continued to gradually decline in May and June of this year, developing within the forecasts of the National Bank below their central value. Inflation expectations of the population have decreased after the April high values. The external inflationary background is becoming less favorable due to rising world food prices and accelerating inflation in Russia. Pro-inflationary pressure remains in the domestic economy due to persistent domestic demand supported by fiscal stimulus and consumer lending, as well as ongoing reform of regulated prices.*

*The National Bank will monitor incoming data, including the stable part of inflation and the trajectory of convergence of overall inflation to the target. As part of the upcoming forecasting round in August, the emerging balance of risks will be assessed, including the parameters of fiscal policy, as well as the effect of monetary easing due to the exchange rate factor. Moderately tight monetary conditions will be maintained for a long time to consolidate the trend of slowing price growth and achieve the inflation target of 5%.*

**Annual inflation decreased to 8.4% in June 2024** and was within the forecasts of the National Bank below their central value. Lower food inflation and the reduced pace of implementation of tariff reform were the main contribution to the slowdown in price growth. Nevertheless, among the components of annual inflation, the prices of paid services continue to show the greatest growth amid the ongoing Tariff-for-Investment program and the rise in price of market services.

Monthly inflation in June continued to slow down to **0.4%**, falling below the historical average (0.5%). The indicators of core and seasonally adjusted inflation increased slightly in June after a decrease in previous months.

Inflation expectations of the population remain volatile: they decreased from the high values as of April, but increased slightly in June amid some weakening of the exchange rate. By the end of 2024, professional financial market participants expect lower inflation than before, reacting to the downward trajectory of actual price growth.

**The external inflationary environment is becoming less favorable.** The cost of food on world markets has continued to gradually rise in recent months after a significant decline over the previous year. In particular, prices for vegetable oils and dairy products have increased.

External monetary conditions remain tight. The Fed does not plan to cut rates until there are clear signs that inflation is approaching the target. The ECB, in turn, in the context of a decrease in core inflation and inflation expectations, began to ease policy after holding rates unchanged for a long time. Amid the continued growth of current inflation, the Central Bank of Russia expects a longer period of maintaining tight monetary conditions and allows for key rate hike.

**Economic growth according to the short-term economic indicator for January – May 2024 is estimated at 3.7% YoY.** Business activity is supported by domestic and external demand. Continued

fiscal stimulus, higher real wages, and increased investment in the non-resource sector contribute to steady domestic demand. The indicators of business activity monitored by the National Bank have been in a positive zone for several months in a row.

**Pro-inflationary risks remain.** From the external environment, they are due to higher inflation in Russia and an increase in world food prices; in the domestic environment, they are due to the uncertainty of fiscal policy parameters, continuation of reforms in regulated prices, preservation of stable domestic demand with unanchored inflation expectations and growing consumer lending.

The National Bank will monitor incoming data, including the steady part of price growth and the trajectory of convergence of overall inflation to the target. The upcoming forecasting round will assess the emerging balance of risks, including fiscal policy parameters, as well as the effect of monetary easing due to the exchange rate factor.

Monetary conditions will be maintained moderately tight for a longer time to consolidate the trend of slowing price growth and achieve the inflation target of 5%.

The next planned base rate decision of the Monetary Policy Committee of the National Bank of the Republic of Kazakhstan will be announced on August 29, 2024 at 12:00 (Astana time).

**Detailed information for the media representatives is available upon request:**

+7 (7172) 775 210

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

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