



# MONETARY POLICY

## REPORT

AUGUST 2024

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**The Monetary Policy Report** is a quarterly publication of the National Bank, which provides an analysis of key macroeconomic factors influencing inflation, as well as a forecast of macroeconomic parameters in the short and medium term.

The document is published electronically on the official website of the National Bank in Kazakh, Russian, and English.

The forecast and analysis of macroeconomic indicators are based on statistical data as of **August 15, 2024**.

## STATEMENT BY THE CHAIRMAN OF THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN ON THE BASE RATE AS OF AUGUST 29, 2024



The Monetary Policy Committee of the National Bank has decided to maintain the base rate at 14.25%. This decision was made based on an analysis of actual data and the balance of risks. It is also supported by updated forecasts for inflation and economic growth. Annual inflation increased in July but remained within our May projections. Core and seasonally adjusted inflation accelerated for the second consecutive month.

We assess the external inflationary environment as moderate, with global inflation continuing to slow. However, the domestic economy faces increasing inflationary pressures due to ongoing housing and utilities reforms, sustained domestic demand that exceeds domestic supply capabilities, and high inflation expectations. Additionally, a stronger-than-expected fiscal impulse suggests a slower return to the inflation target than previously projected in May. It is also worth noting that recent exchange rate depreciation has led to a more accommodative monetary environment. This is further evidenced by money market rate dynamics, where TONIA averaged below 13.1-13.3% in July-August, despite the base rate being set at 14.25%. These more relaxed monetary conditions leave little room for further rate reductions. To prevent excessive monetary easing, maintaining the base rate at its current level was necessary. Updated forecasts indicate a shift in the risk balance towards inflation, creating preconditions for keeping the base rate unchanged until the end of 2024.

Let's delve into the factors behind this decision.

### FIRST. INFLATION DYNAMICS AND INFLATION EXPECTATIONS.

After a prolonged period of deceleration (over the past year and the first half of this year), annual inflation increased to 8.6% in July. While the food and non-food inflation components remained relatively stable, the inflation of paid services continued to grow due to the ongoing "Tariff in Exchange for Investment" program. However, the acceleration in July was mainly driven by significant price increases in market services such as rent, communication, and organized leisure activities.

It should be noted, that monthly inflation in July rose to 0.7%, above the historical average (0.3%). Core and seasonally adjusted inflation indicators also accelerated significantly.

Inflation expectations remain elevated, with one-year-ahead inflation expected at 13.4%. Respondents are increasingly citing non-food items, housing and utility services, medical services, internet, and mobile communication as contributing factors.

Real sector representatives are showing more restrained expectations for future inflation. According to surveys, enterprises expect a slowdown in price growth for produced goods, raw materials, and inputs in the third quarter of 2024. In contrast, professional financial market participants expect inflation to reach 8% by the end of the year.

The current annual inflation trajectory aligns with our forecasts, and we continue to anticipate its further deceleration.

### SECOND. DOMESTIC ECONOMIC TRENDS.

Business activity is growing, evidenced by the acceleration of the short-term economic indicator to 4.1% for January-July this year. Further economic acceleration until year-end will be supported by

growth in non-oil sectors. For example, the decline in oil industry activity from January to July this year was offset by accelerated growth in agriculture and manufacturing. The fastest-growing sectors remain construction, information and communication, and transport.

Aggregate domestic demand remains strong, supported by increased budget spending, consumer lending, and expanding investments in the non-oil sector.

The second quarter of this year saw an acceleration in retail trade growth, both in food and non-food segments. Stable consumer demand is driven by rising real wages, transfers, and the active growth of consumer lending.

Investment activity in the non-oil sectors continues to rise, increasing by 16.5%. Significant growth is observed in industries such as transport, information and communication, and certain service sectors.

In August this year, the pace of business activity continued to improve, with the Business Activity Index (BAI) reaching 51.4. Firms maintain positive expectations regarding future business conditions. Business cycle metrics indicate an ongoing growth phase.

### THIRD. EXTERNAL ECONOMIC CONDITIONS.

External inflationary pressure remains moderate, with global inflation continuing to slow under the influence of high interest rates.

The main external risks remain associated with inflation in Russia, one of our key trade and economic partners, and ongoing geopolitical uncertainty.

The FAO Food Price Index slightly declined in July, mainly due to falling cereal prices, driven by seasonal supply growth in the Northern Hemisphere and favorable weather conditions.

Central banks in developed countries continue to maintain interest rates at high levels. However, recent decisions indicate the beginning of monetary easing by major central banks.

Annual price growth in the EU accelerated to 2.8% in July due to ongoing price pressures in the services sector. Following its rate cut in June this year, the ECB has adopted a wait-and-see approach due to mixed inflation and employment data.

In the US, inflation slowed to 2.9% in July this year. Considering the inflation dynamics and economic growth rates, the Fed has expressed cautious optimism regarding future key rate decisions. Recent Fed statements indicate a gradual start to monetary easing.

In July 2024, inflation in Russia continued to accelerate, reaching 9.1%. This led to significantly tighter rhetoric from the Central Bank of Russia and a revision of its inflation forecasts. The key rate in Russia was raised by 200 basis points to 18%. According to the regulator, returning inflation to the target level will require further monetary tightening, so the likelihood of subsequent rate hikes in Russia remains high.

Current oil prices are hovering around \$80 per barrel, supported by the OPEC+ production cuts and ongoing geopolitical tensions.

Taking these factors into account, the baseline scenario sets the Brent oil price at an average of \$84.5 per barrel for 2024, with a gradual decline to \$82.5 and \$77.5 per barrel on average in 2025 and 2026, respectively.

Moving on to macroeconomic forecasts.

The inflation forecast for 2024-2025 remains unchanged at 7.5-9.5% and 5.5-7.5%, respectively. However, current tax collection rates, the non-oil budget deficit, and transfer volumes indicate a high probability of further fiscal stimulus. Realizing this risk could trigger a revision of forecasts.

The 2026 forecast has been revised, expanding the range to 5-7%. The primary reason is uncertainty in fiscal parameters related to the implementation of tax law reforms. Given the persistent inflationary output gap and low labor productivity, this will increase inflationary pressure and slow the pace of inflation's return to the target.

At the same time, a moderately tight monetary policy will help reduce core inflation to 5% by 2026.

The main risks to the inflation forecast are associated with increased pressure from domestic demand, instability in inflation expectations, and potential acceleration of external inflation.

Regarding risks, the issue of the fiscal gap and the tools to address it needs to be highlighted.

We observe certain positive shifts within the new Tax Code project. Still, it is crucial that the changes proposed by the Government fully contribute to replacing transfers from the National Fund. To understand the scale of these transfers, their volume relative to the entire money supply in the country was 13.8% at the beginning of the year. This, of course, does not come without inflation, ultimately impacting business and household incomes.

In this context, there is a need for complex but necessary and significant systemic measures to improve tax collection and overall budget revenues, considering the interests of both the population and businesses.

In this regard, the fiscal gap remains a factor of uncertainty in forecasting key economic parameters. The economic growth forecast for Kazakhstan in 2024 is maintained at 3.5-4.5%. This year, business activity will be supported by fiscal measures, consumer demand growth, and investment activity in the non-oil sector. The 2025 forecast has been revised upwards to 5-6%. By the end of 2026, annual economic growth is expected to be within 4.9-5.9%. In 2025-2026, in addition to fiscal issues, an increase in oil production and measures planned by the Government will contribute to GDP growth. As you know, we are constantly seeking to improve our communication, as communication is one of the ways the central bank implements its policy. Internal discussions and analyses of studies, as well as the best global practices in inflation targeting, have led us to the decision to start publishing forecasts for the base rate trajectory alongside inflation and economic activity forecasts. In other words, we will provide not only forecasts for price dynamics and GDP growth but also our forecast for changes in the base rate.

Publishing the rate trajectory will signal future interest rates, influencing market expectations of future monetary policy and allowing for more effective financial asset valuation. Through the transmission from expectations to actual actions, publishing the forecast will contribute to reducing volatility in inflation and GDP.

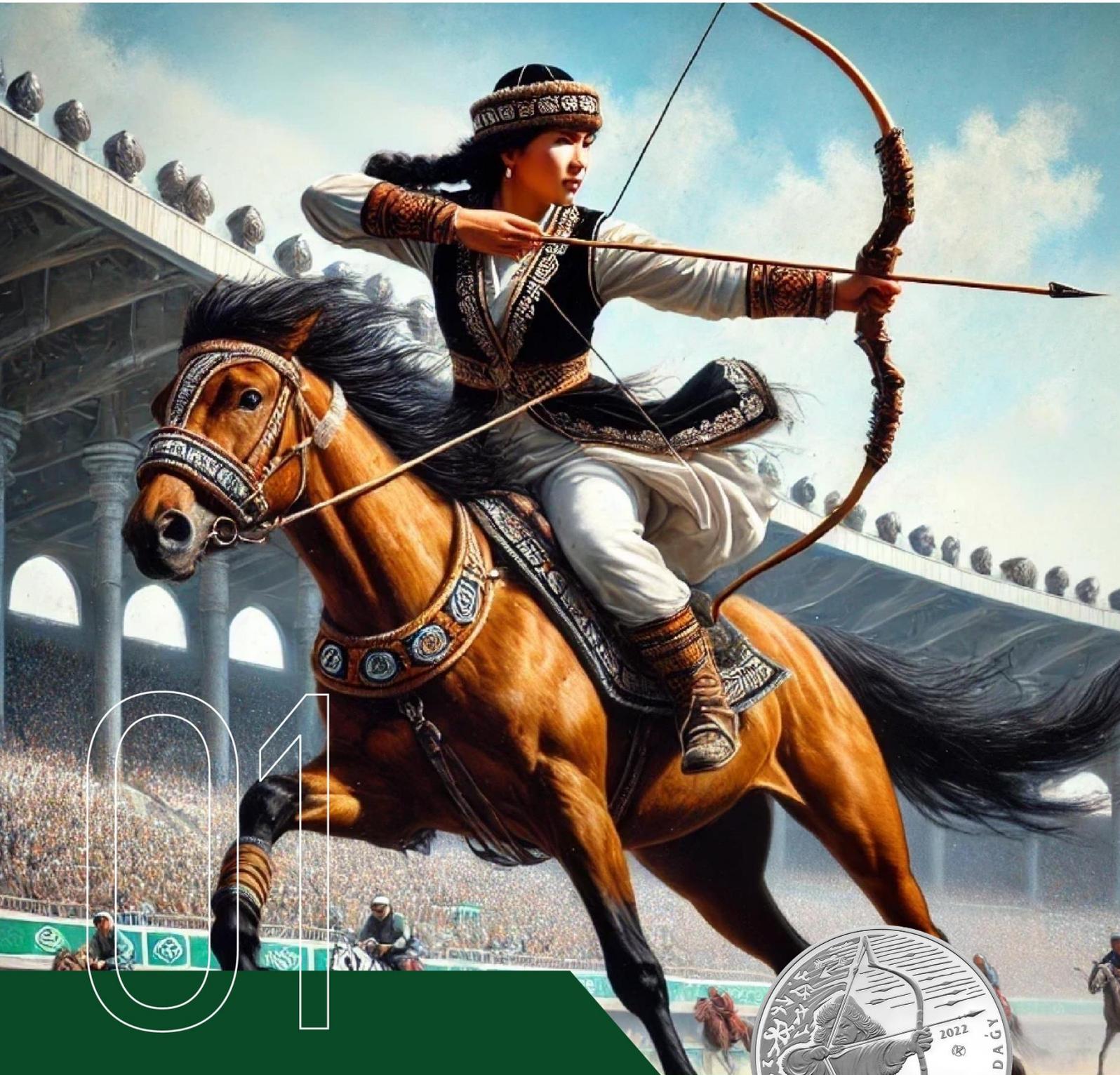
Expect more details next week when we release additional information materials. The publication of the base rate forecast will be included in the Monetary Policy Report, which will be released on September 9 this year.

Our primary goal remains achieving 5% inflation in the medium term. Updated forecasts and current inflationary processes indicate the need to maintain moderately tight monetary conditions for an extended period.

We will continue to act strictly in accordance with our mandate, adapting policy to incoming data and the balance of risks, to ensure the fastest possible return of inflation to the 5% target.

**Timur Suleimenov**

**Chairman of the National Bank of the Republic of Kazakhstan**



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# ECONOMIC OUTLOOK

## I. ECONOMIC OUTLOOK

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### 1.1. Forecast Assumptions

**The prospects for global economic growth have slightly improved. Developed countries are still expected to reach their inflation targets no earlier than in 2025. Due to the current slowdown in inflation and signs of cooling in the labor market, more countries are continuing to shift towards normalizing their monetary policies.**

The IMF<sup>1</sup> has maintained its forecast for global economic growth this year at 3.2% (y/y). Meanwhile, the projections for global growth in 2025 have been raised from 3.2% (y/y) to 3.3% (y/y). There has been no significant revision of forecasts for major countries; however, the economies of China, the EU, India, and Brazil are expected to grow somewhat faster than previously anticipated.

Due to the persistent rise in prices for services and energy resources, the forecasts of global inflation remain unchanged. Global inflation is expected to be 5.9% (y/y) in 2024, with a slowdown to 4.4% (y/y) in 2025.

**In 2024, a stronger economic growth is expected in Russia and China. In the medium term, moderate growth in China and the EU countries may offset weaker business activity in Russia. In the medium term, moderate economic growth in China and the EU countries may offset weaker business activity in Russia. Against the backdrop of high current and expected inflation in Russia, external inflationary pressure on consumer prices in Kazakhstan may increase. Meanwhile, inflation in China and the EU is expected to rise moderately.**

According to updated forecasts, in 2024, amid stronger consumer and government demand, Russia's economy is expected to grow at a faster pace than previously anticipated. However, in 2025-2026, a sharp slowdown in activity is expected due to weakened domestic demand from tight monetary conditions, as well as structural constraints related to labor shortages. The EU economy is projected to grow at a pace of no more than 2% throughout the forecast period, due to the continued negative impact of previous energy shocks. It is expected that the economy will receive support from the recovery of external trade and strong consumer demand. The Chinese economy is expected to grow at a moderate pace. Soft monetary conditions and other economic support measures are anticipated to continue stimulating economic activity (Graph 1).

The acceleration of consumer price growth in Russia, driven by robust domestic demand, has led to an upward revision of the inflation forecast for 2024. In turn, the short-term increase in external inflationary pressure due to rising inflation in Russia will be partially offset by low annual inflation rates in China and the EU, as well as the reduction in trade between Kazakhstan and Russia in recent years.

Meanwhile, in the medium term, inflation in Russia is expected to return to target levels, while in China and the EU, annual inflation will also be around the target (see Graph 2).

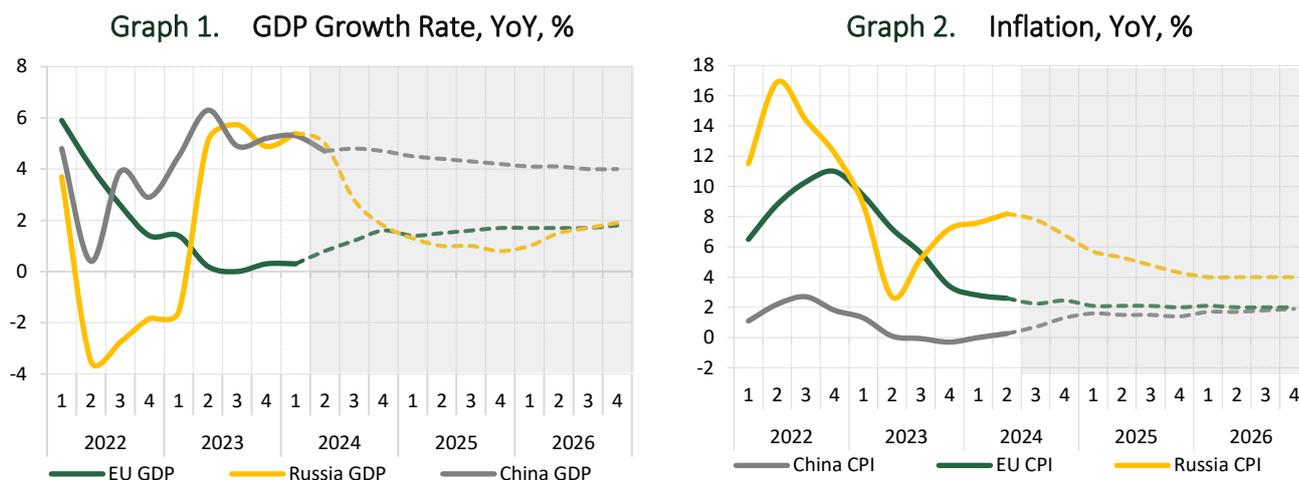
**The rhetoric of central banks in major economies is softening amid the ongoing slowdown in inflation and easing pressure on the labor market. It is expected that, in the near future, an increasing number of developed countries will begin to lower their key interest rates.**

Under current conditions of easing inflationary pressure and rising unemployment, external monetary conditions have softened compared to the 'May 2024' forecast round. A rate-cutting cycle by the Fed is expected to begin in September of this year. Additionally, a more rapid reduction in rates is anticipated over the forecast horizon. The European Central Bank (ECB) may also move towards easing its policy to support the economy. Meanwhile, the rhetoric of the Central Bank of

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<sup>1</sup> IMF "World Economic Outlook," July 2024

Russia remains stringent, with the maintenance of the high base rate expected to continue for a longer period.



Source: Eurostat, National Bureau of Statistics of China, Rosstat, Consensus Ecs., CBR, NBK assessment

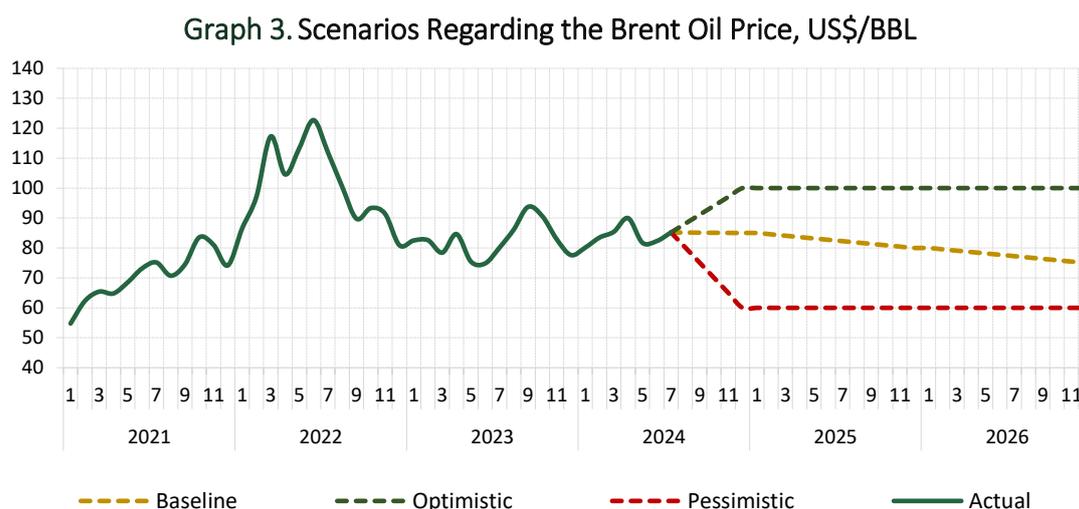
In the medium term, a gradual decline in oil prices is expected due to the excess of oil supply over demand in the context of the expected increase in production volumes (Table 1, Graph 3).

Table 1. Forecast Assumptions Regarding the Oil Price\*

	2024	2025	2026
<b>Baseline Scenario</b>	<b>84,5</b> (85,0)	<b>82,5</b> (80,0)	<b>77,5</b> (77,3)
<b>Pessimistic Scenario</b>	<b>78,2</b> (74,0)	<b>60,0</b> (60,0)	<b>60,0</b> (60,0)
<b>Optimistic Scenario</b>	<b>88,2</b> (93,0)	<b>100,0</b> (100,0)	<b>100,0</b> (100,0)

Source: NBK computations

\* the preceding forecast as part of the "May 2023" forecasting round is shown in the parenthesis



Source: EIA, NBK computations

The decline in world oil prices since the previous forecast round "May 2024" led to a revision of the short-term dynamics of oil prices towards a slight decrease within the framework of the current forecast round "August 2024". A reduction in oil supply against the background of the extension of

the OPEC+ agreement until the end of the third quarter of 2024<sup>2</sup>, as well as the persistence of geopolitical tensions, will help maintain world oil prices at current levels in the short term. Thus, under the baseline scenario, oil prices are expected to stabilize at \$84.5 in 2024. USD per barrel on average per year.

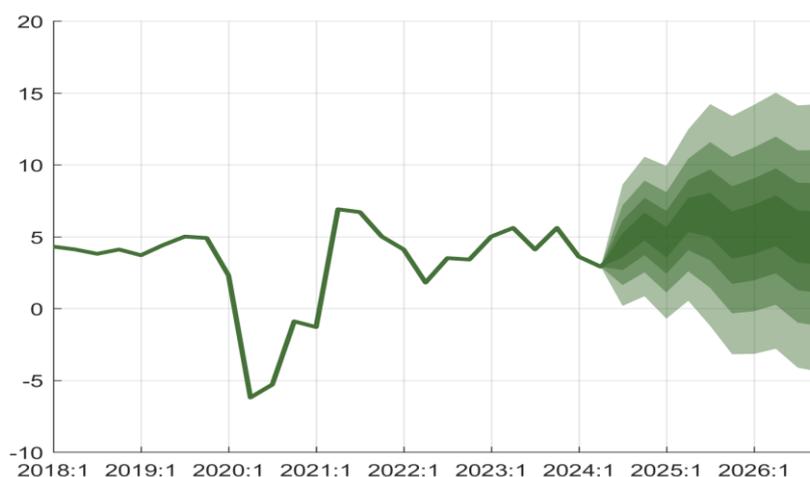
In the future, oil prices are expected to gradually decrease to \$82.5 per barrel on average in 2025 and to \$77.5 per barrel in 2026. Expectations for lower oil prices in the medium term are associated with an increase in oil supply in the context of a gradual easing of production restrictions by OPEC+ countries and a projected increase in oil production by non-OPEC countries. At the same time, the upward revision of oil prices in 2025 within the framework of the baseline scenario is associated with an improvement in the growth prospects of the global economy.

Due to the uncertainty of the global economic development, in addition to the baseline scenario, alternative scenarios for the dynamics of the global oil price were also considered.

## 1.2. Outlook for Economic Development Under the Baseline Scenario

**The GDP growth of Kazakhstan for the first half of 2024 continued at a slower pace, reaching 3.2%. The deceleration in economic growth was due to the growth slowdown in the mining sector and slower growth in the services sector. Forecasts suggest that GDP growth will be 3.5-4.5% in 2024, 5.0-6.0% in 2025, and 4.9-5.9% in 2026 (see Graph 4, Table 2).**

Graph 4. GDP, yoy, %



Source: NBRK forecast

In 2024, the primary driver of GDP growth will be domestic demand. Household consumption will be supported by increased government spending on social sectors, fiscal stimulus, as well as positive trends in wage growth and the issuance of consumer loans. Gross capital accumulation will increase due to the implementation of investment projects in industry, agriculture, and other sectors of the economy, driven by the modernization of energy and transport infrastructure, as well as an increase in construction activity.

The positive dynamics of domestic demand will stimulate import growth, which will exert a dampening effect on GDP growth. Additionally, positive trends in government spending are expected, driven by expenditures on wages and consumption of goods and services. The growth of exports will be positively influenced by a slight increase in oil production compared to 2023, a rise in metal exports due to improved external demand from trading partners, and an increase in grain

<sup>2</sup> [https://www.opec.org/opec\\_web/en/press\\_room/7339.htm](https://www.opec.org/opec_web/en/press_room/7339.htm)

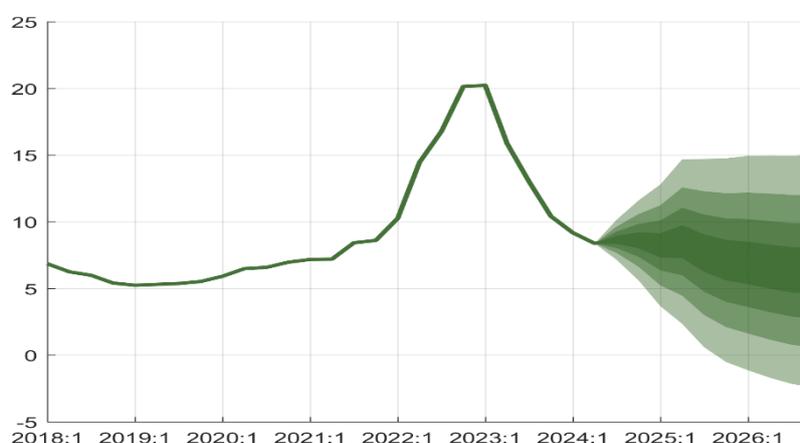
exports by the end of the year due to a forecasted good harvest. As a result, the GDP growth forecast for 2024 is 3.5-4.5%.

Regarding economic growth in the following years, it is projected to be 5.0-6.0% in 2025 and 4.9-5.9% in 2026. In addition to significant support for economic growth from the oil sector and the corresponding increase in exports, domestic demand—fueled by fiscal stimulus and consumer loans—will also contribute positively to GDP growth. However, as fiscal consolidation is planned and oil production growth stabilizes, the impact of these factors will weaken, and from the second half of 2026 onward, annual economic growth will begin to approach its potential levels.

The output gap, defined as the percentage deviation of actual GDP from its potential level, will remain positive throughout 2024-2025, with a gradual closing by the end of 2026. The gap is driven by positive dynamics in domestic demand driven by fiscal stimulus and consumer loans, as well as exports in 2025-2026 due to increased oil production. At the same time, in 2026, as fiscal stimulus wanes, the economy will approach its potential levels. Thus, during the forecast period, the economy will experience growth in an environment where demand exceeds supply capabilities, which will exert inflationary pressure.

**The current inflation trends for the first half of 2024 are in line with the National Bank's forecasts. At the same time, inflationary pressures within the economy are increasing due to the growing volume of fiscal stimulus, continued tariff hikes as part of the housing and utility sector reforms, sustained domestic demand, and heightened inflation expectations. The implementation of a moderately tight monetary policy is expected to bring core inflation—which excludes changes in housing and utility service prices and fuel prices—down to 5% by 2026. As a result, inflation is projected to be between 7.5-9.5% in 2024, 5.5-7.5% in 2025, and 5-7% in 2026 (see Graph 5, Table 2)**

Graph 5. Inflation, yoy, %



Source: NBRK forecasts

In the second half of 2024, food price dynamics will be significantly influenced by the recent depreciation of the tenge and the continued acceleration of producer price growth. At the same time, rising real incomes and the corresponding increase in demand, along with the recent weakening of the nominal exchange rate, are expected to result in high monthly price growth for non-food goods and market services toward the end of the year.

The most pronounced price increases are anticipated in the services sector, largely due to rising tariffs on regulated housing and communal services.

At the same time, the current rates of tax collection, the non-oil budget deficit, and the volume of transfers indicate a high likelihood of further fiscal stimulus. The realization of this risk could trigger a potential revision of the forecasts

The inflation forecast for 2025 remains at 5.5-7.5%, taking into account moderately tight monetary conditions. Stabilization of inflation expectations due to the moderately tight policy of the National Bank of Kazakhstan, the gradual return of inflation in Kazakhstan’s trading partner countries to target levels, and the overall trend of declining global food prices will contribute to a reduction in inflation in the medium term. However, increases in regulated utility tariffs, a positive fiscal impulse, and strong consumer loan growth will hinder a rapid decrease in inflation. At the same time, the rise in fiscal stimulus in 2025 and uncertainty regarding the closure of the fiscal gap in 2024 create a significant risk to the inflation forecast for 2025.

The forecast for 2026 has been adjusted, expanding the range to 5-7%, due to uncertainty regarding fiscal parameters in connection with the implementation of tax legislation reforms. In the context of a persistent inflationary output gap and low labor productivity, this will intensify inflationary pressure and slow the pace of inflation returning to its target.

Table 2. Forecasts under the baseline scenario

	2024	2025	2026
<b>GDP, yoy, %</b>	<b>3,5-4,5</b> (3,5-4,5)	<b>5-6</b> (4,8-5,8)	<b>4,9-5,9</b> (4,9-5,9)
<b>CPI, Dec. to Dec. last year, %</b>	<b>7,5-9,5</b> (7,5-9,5)	<b>5,5-7,5</b> (5,5-7,5)	<b>5-7</b> (5-6)
<b>Brent, USD/barrel, average per year</b>	<b>84,5</b> (85)	<b>82,5</b> (80)	<b>77,5</b> (77)

Source: NBRK forecasts

Table 3 (a). Forecasts under the pessimistic scenario

	2024	2025	2026
<b>GDP, yoy, %</b>	<b>3,2-4,2</b> (3-4)	<b>4,4-5,4</b> (4,3-5,3)	<b>4,9-5,9</b> (4,9-5,9)
<b>CPI, Dec. to Dec. last year, %</b>	<b>8-10</b> (8-10)	<b>6,5-8,5</b> (6,5-8,5)	<b>6-8</b> (6-7)
<b>Brent, USD/barrel, average per year</b>	<b>78</b>	<b>60</b>	<b>60</b>

Table 3 (a). Forecasts under the optimistic scenario

	2024	2025	2026
<b>GDP, yoy, %</b>	<b>4,2-5,2</b> (4-5)	<b>6-7</b> (5-6)	<b>4,9-5,9</b> (4,9-5,9)
<b>CPI, Dec. to Dec. last year, %</b>	<b>7-9</b> (7-9)	<b>5-7</b> (5-7)	<b>5-6</b> (5-6)
<b>Brent, USD/barrel, average per year</b>	<b>88</b>	<b>100</b>	<b>100</b>

Source: NBRK forecasts

### 1.3. Assessment of the path of the base rate

**At the meeting of the Monetary Policy Committee of the National Bank on August 29, 2024, the members presented their estimates of the most likely trajectory of the base rate for 2024-2026 (Table 4, Graph 6).**

The opinion of each MPC member was based on the information available at the time of the meeting. This is an assessment by MPC members of the direction of monetary policy, which, in their opinion, is needed to achieve inflation target, taking into account current conditions and future

prospects at the time of decision-making. The proposed path of the base rate does not imply an obligation of the National Bank to keep it at such levels. In the communication of decisions, the National Bank will explain the factors and prerequisites for their adoption, including in case of deviation from the previously estimated rate path.

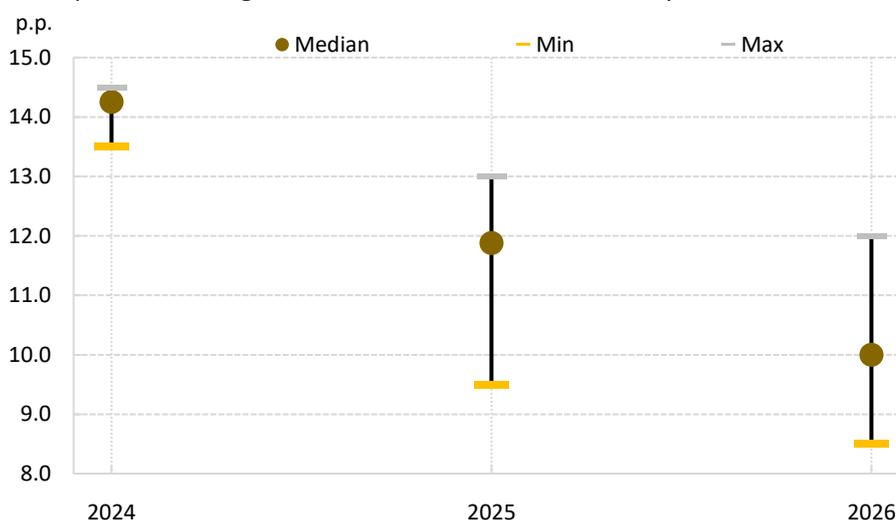
**Table 4. MPC members' estimates of the base rate**

	Median			Range		
	2024	2025	2026	2024	2025	2026
<b>Base rate, at the end of the year, %</b>	14,25	11,9	10	13,5-14,5	9,5-13	8,5-12

Notes:

1. If the MPC member presented an assessment interval, the average value of this interval was taken as the point of the series to determine the median.
2. The range of the indicator includes the estimates of all MPC members from the minimum to the maximum for each year (including the boundaries of the interval, if the estimate is presented as an interval and not a point).

**Graph 6. The range of estimates of the base rate by the MPC members**



Source: MPC member's estimates

#### 1.4. Medium-Term Risks

**The balance of risks is tilted towards inflationary pressures, which suggests a high likelihood of maintaining the current base rate through the end of 2024 (see Graph 7).**

Inflation risks remain high. Given the current shortfall in tax revenues and the implementation of large-scale government programs, there is an ongoing risk of fiscal stimulus. If the current trend continues, there is a possibility that planned budget consolidation may not occur, increasing the risk of persistent excess of domestic demand over domestic supply capabilities.

There are also significant risks related to inflation expectations remaining unanchored due to their high levels and vulnerability to shocks in specific goods and services (such as food, fuel, and housing and utility services).

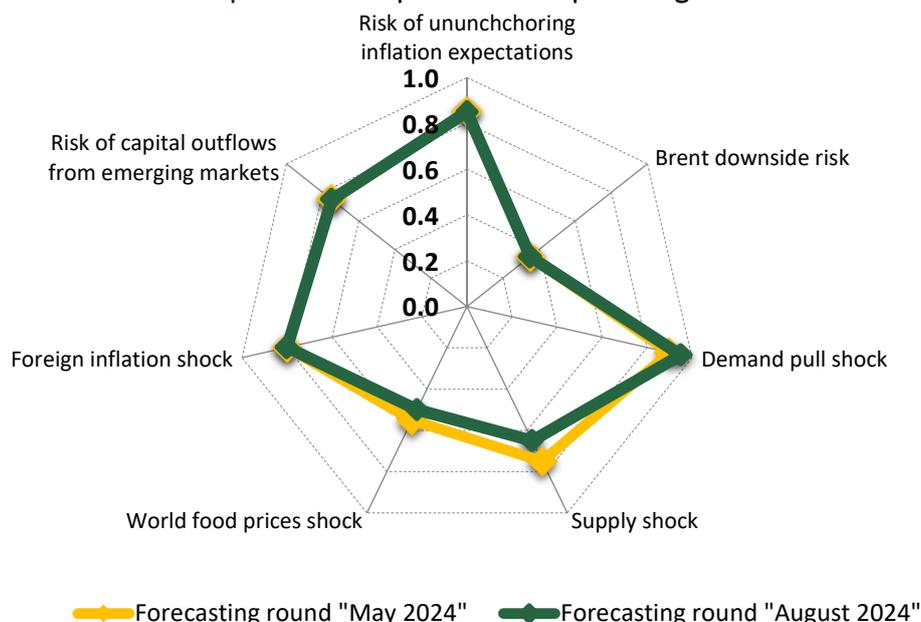
The risks from supply shocks have slightly decreased but remain high, due to a slower-than-expected growth of prices for utilities and favorable harvest prospects this year. There is a persistent risk of importing higher external inflation in the short term, particularly from Russia, given high monthly inflation driven by domestic demand that exceeds the supply of goods and services. Meanwhile, risks related to the import of external food prices have somewhat decreased due to an overall downward trend and sufficient global supply. However, these risks could intensify in the future due

to global logistical issues arising from increased geopolitical tensions and reduced global harvests due to climate change.

The risk of capital outflows from emerging markets to developed markets remains high. If global inflationary pressures persist or even intensify, central banks in developed countries may maintain tight monetary conditions for a longer period, which could negatively impact the currencies of emerging market countries. Additionally, geopolitical instability continues to pose an elevated risk of sanctions against Kazakhstan’s trading partners.

Regarding GDP, the risks to the forecast are associated with uncertainties related to oil production levels and the parameters of future tax and budgetary policies.

Graph 7. Risk Map Based on Expert Judgment



Source: NBRK calculations

### 1.5. Forecast of the current account of the balance of payments

**Under the baseline scenario, the current account of the balance of payments is expected to remain in a moderate deficit during 2024-2026. The deficit levels over the forecast horizon will be driven by a projected decline in oil prices and strong domestic demand for imports.**

The current account deficit is projected to be (-)2.8 billion US dollars or (-)1.0% of GDP in 2024 (-)2.5 billion US dollars or (-)0.8% of GDP in 2025, and (-)4.6 billion US dollars or (-)1.4% of GDP in 2026 (Graph 8). The expected dynamics are determined by the following factors.

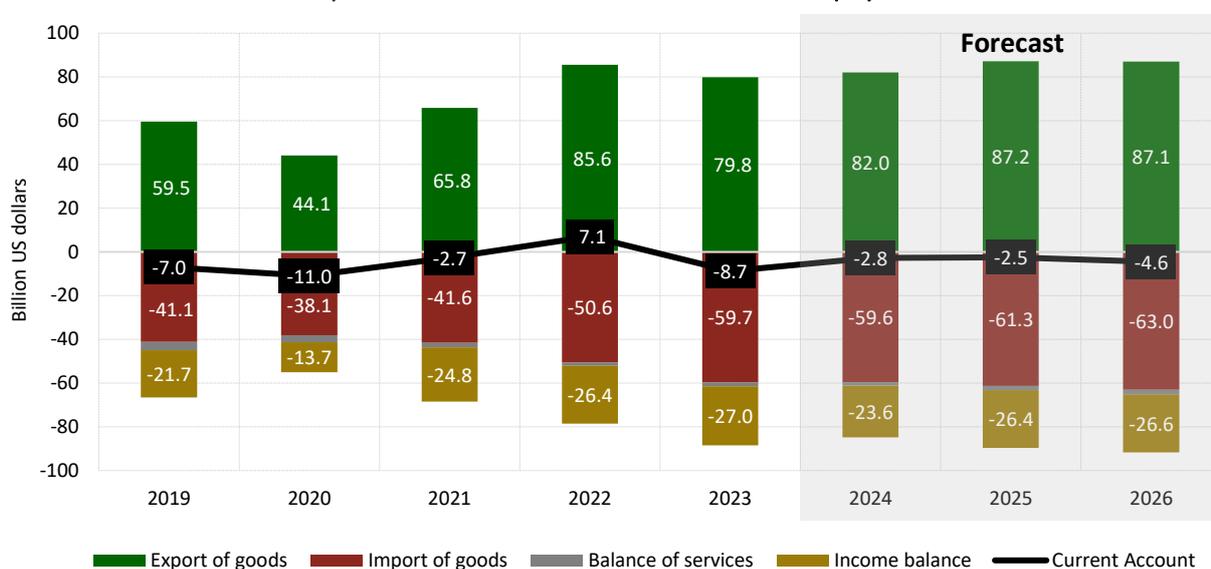
An increase in oil production volumes at the Tengiz oil field will support the growth of export of goods, offsetting the forecasted decline in oil prices. Non-oil export volumes will be determined by rising global prices for metals, ores, and uranium, as well as the continued recovery of metal production. As a result, in the medium term, the volume of export of goods is expected to increase from 79.8 billion US dollars in 2023 to 87.1 billion US dollars in 2026.

Import of goods according to the balance of payments methodology will continue to grow, surpassing the peak levels of 2023. Import volumes will be driven by the need to meet rising demand in conditions of insufficient internal production, the significant share of imported components in Kazakhstan's production chains, as well as the implementation of government programs and projects to support the economy. Along with personal and borrowed funds, fiscal expenditures will be a financing source for the high domestic demand for imports. Consequently, import of goods are projected to rise from 59.7 billion US dollars in 2023 to 63 billion US dollars in 2026.

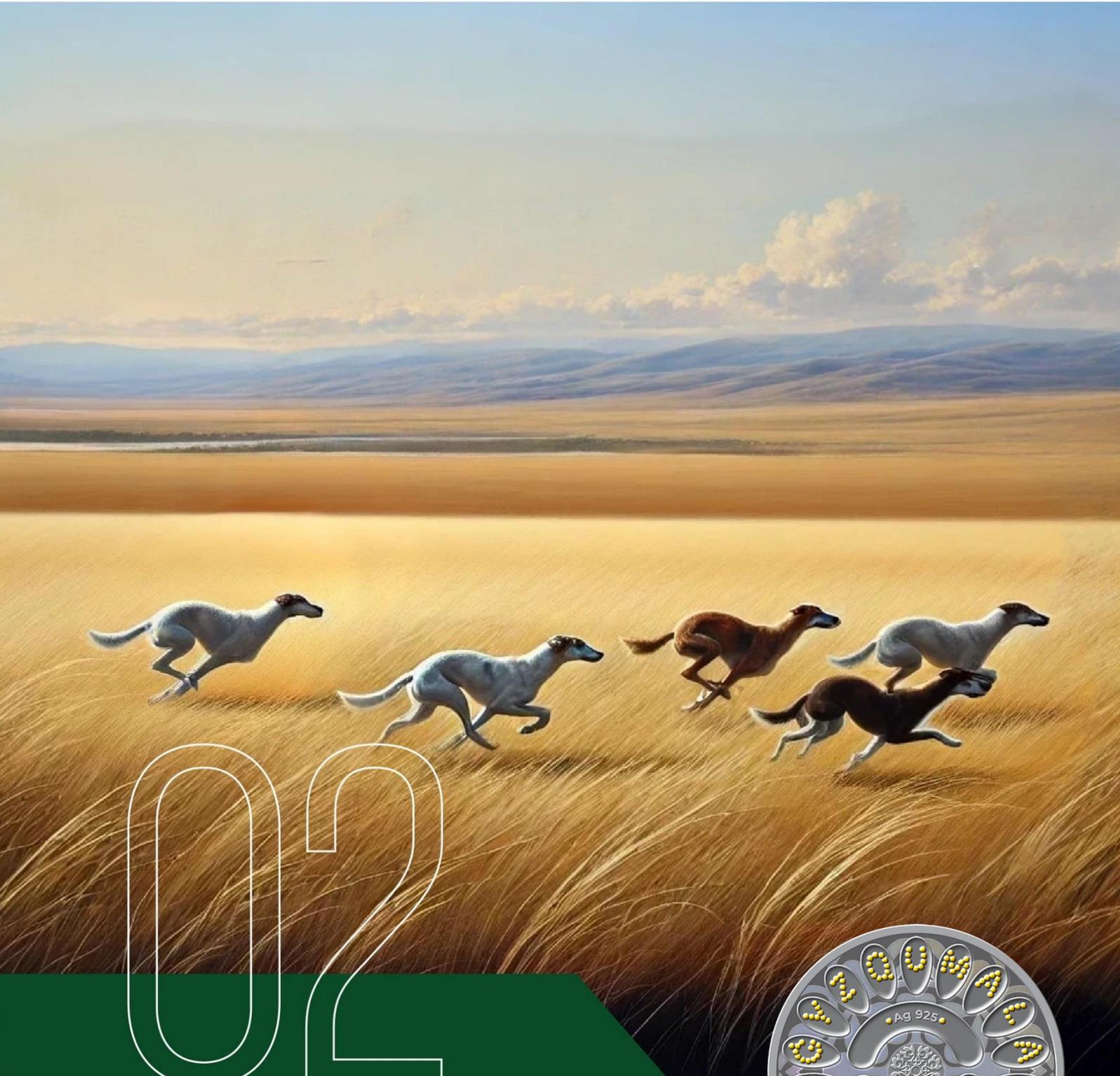
The income balance will continue to be determined by the dynamics of commodity exports. Despite the projected decline in oil prices, the growth in oil production and metal prices will lead to high volumes of income payable to foreign direct investors. After the historical peak in 2023, interest payments are expected to gradually decrease due to the anticipated easing of global monetary conditions. Therefore, the income balance deficit in 2024-2026 will range between (-)23.6 - (-)26.6 billion US dollars.

A moderate widening of the balance of services deficit over the forecast period to (-)2.1 billion US dollars by 2026 will be driven by higher volumes of import of services compared to exports. The growth in export of services will be supported by the transit of goods through Kazakhstan and the inflow of non-residents from neighboring countries. The largest contribution to the growth in import of services will come from travel, driven by an increase in outbound tourist flows due to the launch of new international flights from Kazakhstan and introduction of visa-free regimes with certain countries.

Graph 8. Current account of the balance of payments



Source: NBK forecast



2022



**MONETARY POLICY**

## II. MONETARY POLICY

### 2.1. Transmission Mechanism of Monetary Policy

The disinflationary impulse is partially observed through the interest rate channel, while the currency channel, against the background of a weakening tenge, may put pressure on inflationary processes. Money market rates have been below the boundaries of the base rate corridor for a long time. At the same time, the rates on deposits of legal entities react more to changes in the base rate compared to deposits of the population. Business loan rates generally follow the general trend of reducing the cost of credit resources. At the same time, the interest rates on loans to the population remain insensitive to changes in the base rate in conditions of widespread consumer and preferential mortgage lending. Loans to enterprises and individuals continue to grow at an active pace, despite moderately tight credit conditions.

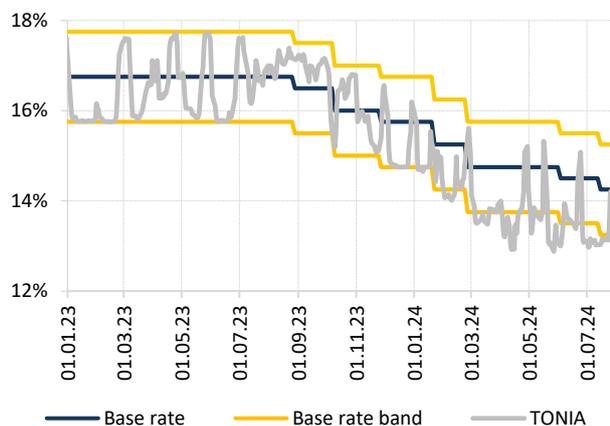
#### 2.1.1. Interest rate channel

Money market rates are, on average, formed at values below the boundaries of the base rate corridor.

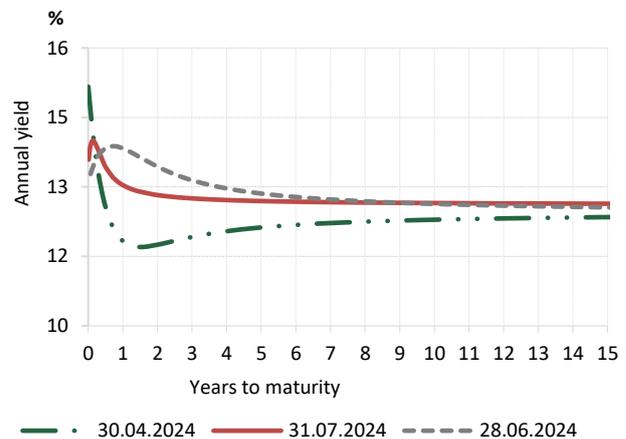
From May to July 2024, money market rates were below the lower boundary of the base rate corridor for a significant number of days (Graph 9). This was due to increased liquidity in the banking sector, as well as the ongoing adaptation of market participants to changes in the NBK's system of instruments since the beginning of this year. The spread between TONIA and the base rate averaged (-) 1.1 percentage points for May to July of this year (compared to (-) 0.2 percentage points for May to July 2023).

After some period of increase in June of this year compared to April, yields on GSs in the short- and medium-term segments decreased again in monthly terms in July of this year (Graph 10).

Graph 9. The Interest Rate Band and the TONIA Rate



Graph 10. Risk-Free Yield Curve, %



Source: NBK, KASE

The change in the base rate is most noticeable in the dynamics of the rates on tenge deposits of legal entities (the weighted average rate decreased from 13.7% in April to 13.2% in July of this year) (Graph 11). The yield on retail deposits shows less elasticity (the rates decreased from 13.7% to 13.5%) against the background of gradual adaptation of the participants to the new mechanism of rates regulation by the KDIF<sup>3</sup>.

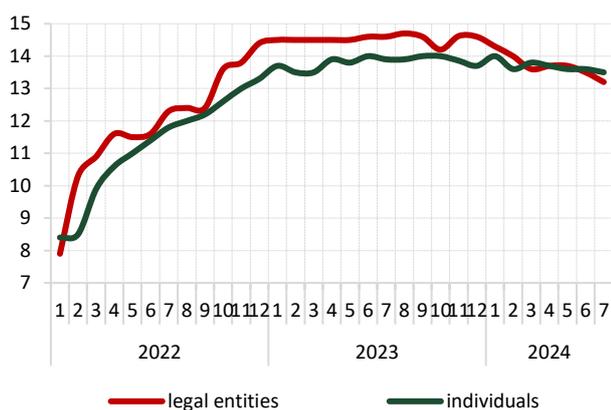
<sup>3</sup> More information on the KDIF website: <https://www.kdif.kz/press-tsentr/press-relizy/s-yanvaryaya-2024-goda-izmenitsya-regulirovanie-stavok-po-depozitam-fizicheskikh-lits/>

**Interest rates on business loans showed insignificant changes in the second quarter of this year, nevertheless, the trend towards a decrease in the cost of credit resources for entrepreneurship since the third quarter of the previous year is still in place. The cost of loans to households is mainly formed under the influence of a high share of installments in the consumer credit sector and mechanisms of preferential mortgage lending.**

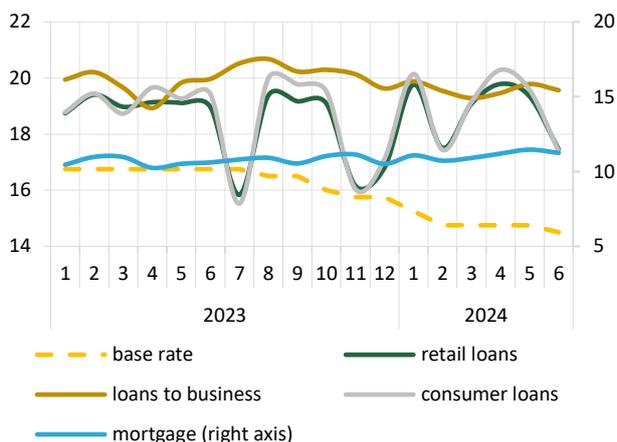
*Corporate lending rates.* The weighted average rate on business loans in tenge has been declining smoothly since the beginning of the easing cycle to 19.6% in June this year (from the third quarter of 2023, Graph 12). The decrease in the cost of loans is more demonstrated by loans to medium and large businesses. The survey of banks on lending for the second quarter of 2024<sup>4</sup> confirms the continued decline in the cost of credit resources of large businesses and a slight decrease in rates on loans to medium-sized businesses in some banks.

*Retail credit rates.* The high share of installments in the issuance of consumer loans continues to have a significant impact on the formation of retail credit rates. Against the background of credit marketing offers, the weighted average rate on consumer loans decreased to 17.4% in June (from 19.2% in March). The mortgage rate continues to be at a low level. In the second quarter, the growth in the share of market programs influenced a slight increase in mortgage rates (Graph 12).

Graph 11. Deposit Rates in National Currency, %



Graph 12. Lending Rates in National Currency, %



Source: NBK

### 2.1.2. Credit channel and deposits (wealth channel)

**Decrease in the base rate partially influences the credit channel, and enterprises note the decrease in interest rates as one of the factors of increase in demand for credit resources. The banks' loan portfolio continues to grow at a brisk pace (in June - growth by 23.3% YoY) due to consistently high growth rates of loans to households and dynamic lending to businesses (Graph 13). The dynamics of mortgage lending slowed down.**

Expansion of lending to households supports pro-inflationary pressure from consumer demand. The growth of consumer loans continues to limit the disinflationary effect of the ongoing monetary policy. The growth of the consumer loan portfolio is facilitated by active marketing of installment loans amid high inflationary expectations of the population and widespread digitalization of the banking sector. According to the survey of banks on lending, in the structure of consumer loans there is an increase in demand for car loans against the background of an increase in promotional offers from partner car dealerships.

<sup>4</sup> Bank lending survey for Q2 2024: <https://nationalbank.kz/en/news/predydushchie-publikacii-opros/rubrics/2220>

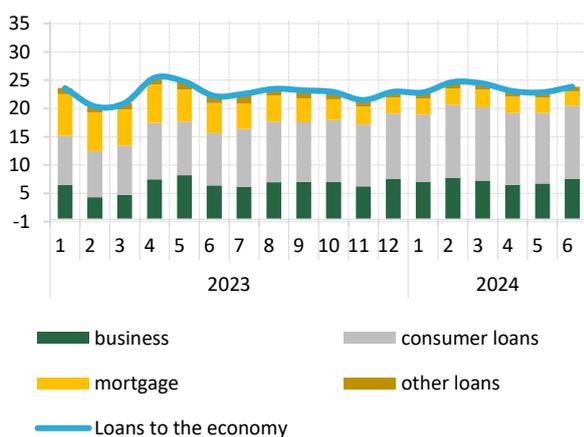
The dynamics of banks' mortgage portfolio showed a slight slowdown in growth in the second quarter of this year (in June - growth by 13.0% YoY). This was caused by a decrease in demand due to some tightening of conditions on mortgage loans in the first quarter.

### High level of lending to businesses continues for four consecutive quarters.

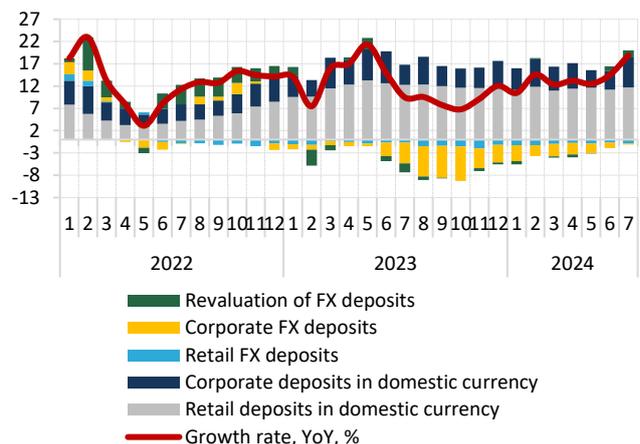
The positive trend in business lending continued in the second quarter of this year (in June - growth by 17.2% YoY) amid gradual easing of price conditions and intensification of financing within the framework of preferential lending by development institutions (including by JSC "Damu" Entrepreneurship development fund"), implementation of large projects at the expense of credit resources and development of digital products for business. In general, the growth of loans is noted across all types of business entities and main sectors of the economy.

**Savings behaviour remains at a high level.** Deposits in the banking sector continue to grow against the background of the monetary policy mainly due to tenge deposits. The annual growth of deposits of individuals in the national currency in July 2024 was 28.8%, while legal entities - 20.0%. At the same time, the significant decline in foreign currency deposits observed from June 2023 to May 2024 became less pronounced in July of this year due to a significant reduction in the outflow of deposits of legal entities (Graph 14).

Graph 13. Loans to the Economy from STBs (portfolio), YoY, %



Graph 14. Resident Deposits in Deposit Organizations, YoY, %



Source: NBK

### The trend of de-dollarization continues.

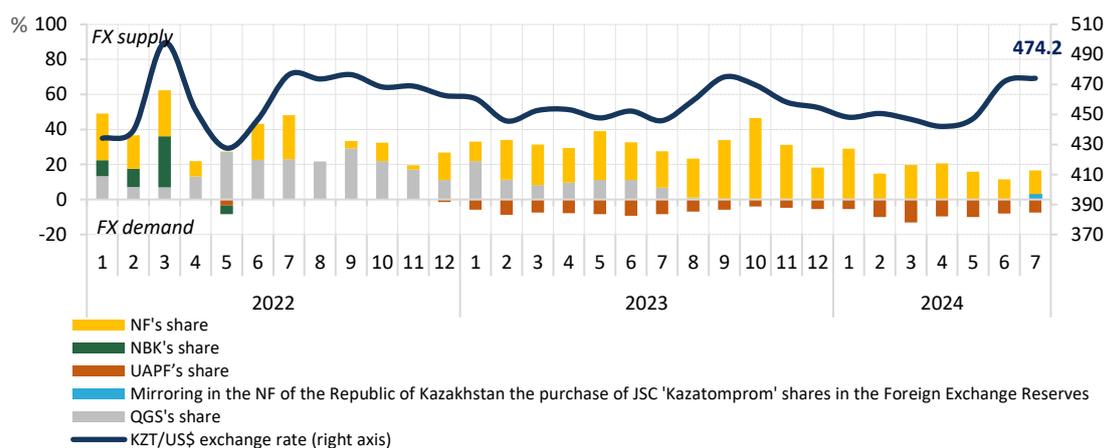
The downward trend of the total dollarization of deposits since the beginning of this year was preserved. This was facilitated by the continuing de-dollarization of deposits of individuals against the background of high differential between the rates in national and foreign currencies. In June of this year, the foreign exchange part of retail deposits was growing against the background of weakening of the national currency. However, the dollarization of deposits continued to decline in July, although at a slower pace, amounting to less than a fifth of deposits of individuals (19.9%) and 24.4% of deposits of legal entities at the end of July this year.

#### 2.1.3. Exchange Rate Channel

### The weakening of the national currency contributed to the easing of overall monetary conditions.

After a gradual strengthening of the national currency from January to April 2024, it weakened by 6.0% against the US dollar from May to July of the same year. This decline was attributed to falling oil prices, reduced foreign currency sales for funding transfers to the republican budget, and increased seasonal demand for foreign currency (Graph 15).

Graph 15. Shares of Large Participants in Currency Purchases/ Sales, YoY, %



Source: NBK, KASE

### Box 1. Assessment of the “Proxy Indicator for Public Trust” in the National Currency<sup>5</sup>

For the central bank, trust in the national currency is a fundamental aspect of monetary policy. A high level of trust benefits the central bank and enhances the transmission of monetary policy: it helps anchor inflation expectations in the medium term, reduces dollarization volatility, and decreases the currency's sensitivity to external shocks. However, the term "trust" in relation to the national currency, and the tenge specifically, can manifest in various aspects. To address this, an **“proxy index/indicator of public trust” in the national currency** was developed based on international experience<sup>6</sup>. This indicator considers public perceptions regarding inflation dynamics, the nominal exchange rate, and actual dollarization of deposits.

The “proxy indicator of trust” in the tenge incorporates three components: 1) the weighted average of expected and actual inflation over a 12-month horizon, 2) the tenge to US dollar exchange rate, and 3) dollarization, weighted by account size groups, where weights were a combination of volume shares and the number of accounts in each group.

Given the availability of the required data, the calculation was based on data from March 2017 to June 2024. March 2017 was used as the base period for the overall indicator as well as for each of the indices included in its calculation.

1. *The weighted average of expected and actual inflation over a 12-month horizon (inflation component).*

The first component is an indexed representation of the indicator, calculated using the following formula:

$$\pi_{comp} = \frac{1}{2} * \left( \frac{1}{\pi_{exp}} + \frac{1}{\pi} \right) \quad (1),$$

where  $\pi$  represents actual inflation, and  $\pi_{exp}$  represents the median estimate of expected inflation. Rising expected inflation indicates increased public concern about price increases, so it is included in the indicator calculation. Thus, the combination of expected and actual inflation provides a broader view of public opinion on inflation.

2. *The tenge to US dollar exchange rate (exchange rate component).* The second component is an indexed representation of the indicator, calculated using the following formula:

$$ER_{comp} = \frac{1}{er} \quad (2),$$

where  $er$  represents the weighted average exchange rate of the US dollar to the tenge for the month, based on direct quotation. An attempt was made to incorporate cash purchases of US dollars by the population at exchange points into the analysis. However, due to the high proportion of cashless transactions, it remains unclear how to appropriately weight the exchange rate against cash currency purchases. Therefore, it was decided to use the nominal exchange rate as the sole measure for calculating the second component. As a

<sup>5</sup> The development and interpretation of this indicator are the results of calculations by the staff of the Monetary Policy Department of the National Bank of Kazakhstan and may not align with the official position of the National Bank of Kazakhstan.

<sup>6</sup> 1. Trust in Hryvnia: Functional Aspect [https://www.researchgate.net/publication/332133342\\_Trust\\_in\\_Hryvnia\\_Functional\\_Aspect](https://www.researchgate.net/publication/332133342_Trust_in_Hryvnia_Functional_Aspect)  
2. The use of indicators to measure individuals' trust in the national currency <https://www.nbrb.by/bv/pdf/articles/10707.pdf>

result, a weakening of the national currency against the US dollar will lead to a decrease in the exchange rate component, reflecting a decline in trust.

3. *Dollarization of individual deposits.* The third component is an indexed representation of the indicator, calculated using the following formula:

$$D_{comp} = \sum_{i=1}^n k_i * d_i, \quad (3),$$

where  $d_i$  represents the dollarization of deposits for the  $i$ -th basket, and  $k_i$  is the coefficient calculated as follows:

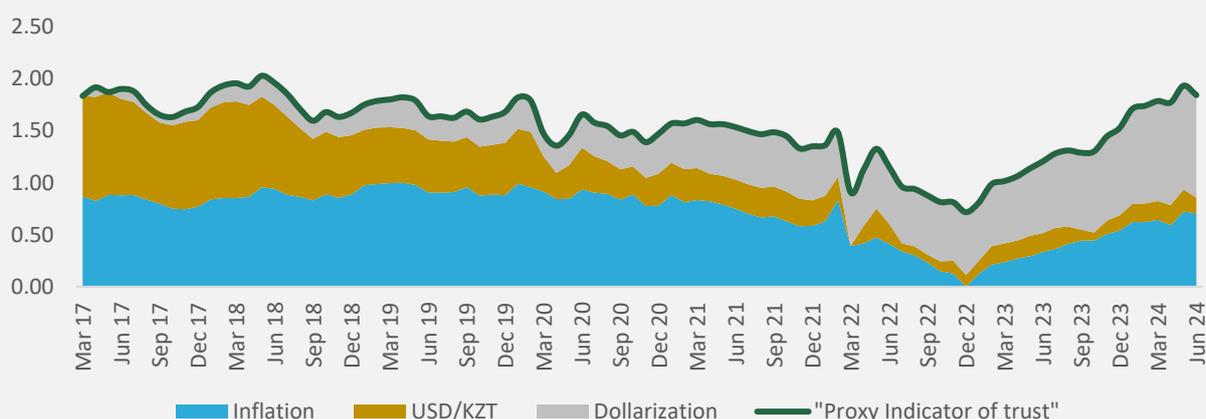
$$k_i = (wv_i + 1) * (wq_i + 1) - 1, \quad (4),$$

where  $wv_i$  is the share of the volume of deposits in the  $i$ -th basket relative to the total volume of deposits, and  $wq_i$  is the share of the number of deposit accounts in the  $i$ -th basket relative to the total number of deposit accounts. The rationale for this coefficient is that it maintains a balance between the number of accounts and their volumes.

*"Proxy Indicator of trust"*. To calculate the "trust indicator", the minimax normalization method was applied to all its components, where the highest value over the entire period is set to 1, and the lowest value is set to 0. Thus, all components are scaled from 0 to 1 and become comparable. Taking into account the constructed individual indices, the "trust index" for the national currency is calculated using the following formula (an increase/decrease in the index indicates an increase/decrease in trust):

$$\text{"Proxy Indicator of Trust"} = \pi_{comp} + ER_{comp} + D_{comp} \quad (5)$$

**Graph 1. "Proxy Indicator for public trust" in the Tenge**



Source: NBK

During the reviewed period, the dynamics of the "proxy indicator for public trust" in the tenge were shaped by various internal and external events.

From March 2017 to December 2019, the indicator was relatively stable due to steady inflation, which ranged from 4.76% to 7.74%. This stability was supported by a lack of significant external shocks, moderate exchange rate fluctuations, and a reduction in regulated utility prices, despite high inflation expectations.

The years 2020-2022 were marked by the spread of COVID-19, disruptions in supply chains, and increased external geopolitical tensions. Against this backdrop, the "trust index" for the national currency demonstrated a downward trend. After a moderate decline during 2020-2021, the index showed a sharp and significant drop in March 2022 due to a substantial weakening of the national currency and rising inflation expectations. After a brief rebound in April 2022, the downward trend continued, with the "trust proxy indicator" reaching its lowest levels in December due to a peak in expected inflation and further weakening of the national currency.

Since the beginning of 2023, the "proxy indicator of trust" has been steadily increasing, driven by reduced inflation amid a moderately tight monetary policy. This, combined with the 2022 program to protect tenge deposits, bidirectional volatility of the tenge exchange rate, and improved external inflationary conditions, has led to a decrease in inflation, inflation expectations, and dollarization.

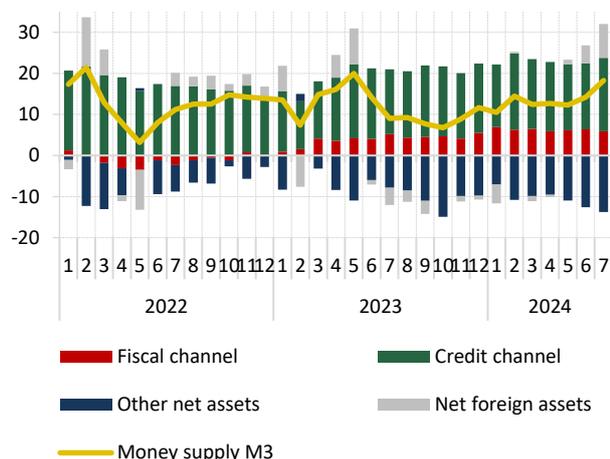
Therefore, further reductions in dollarization and inflation towards the 5% target will help maintain the potential for reducing inflation expectations and increasing trust in the national currency.

## 2.2. Money supply

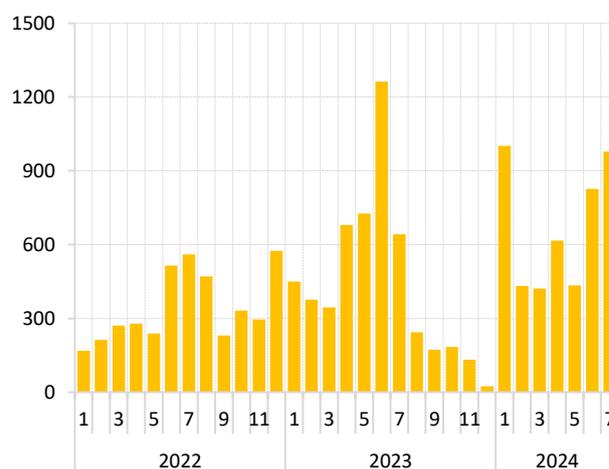
**The expansion of the credit and fiscal channels continues to contribute to the growth of the money supply. The contribution from external assets has increased.**

The growth rates of the tenge money supply and the total money supply remain high (in July 2024 – 23.2% y/y and 18.3% y/y, respectively) (Graph 16). In July of this year, the positive contribution from external assets increased due to the acquisition of shares in JSC “Kazatomprom” by the National Fund of the Republic of Kazakhstan and the subsequent conversion of its assets into the gold and foreign exchange reserves of the National Bank as part of the mirroring of this operation on the foreign exchange market<sup>7</sup>. At the same time, the main contribution to the growth of the money supply continued to come from the credit channel and the increased issuance of government securities as part of financing the budget deficit. Thus, the volume of issued GSs of the Ministry of Finance for January-July 2024 amounted to 4.5 trillion tenge, slightly exceeding the planned volume for the same period (Graph 17), with the maximum volume of placement of GSs in this year fell in July and amounted to about 19% of the planned volume of issuance for 2024.

Graph 16. Money Supply, Year-on-Year, %



Graph 17. Volume of Transactions in the Primary GS Market, bln tenge



Source: NBK, KASE

<sup>7</sup> <https://nationalbank.kz/ru/news/informacionnye-soobshcheniya/16892>



NATIONAL BANK OF KAZAKHSTAN



Q3



# MACROECONOMIC CONDITIONS

### III. MACROECONOMIC CONDITIONS

#### 3.1. External Sector

**Since December 2023, after a period of steady growth, business activity in the manufacturing sector has decreased. In contrast, activity in the services sector has improved.**

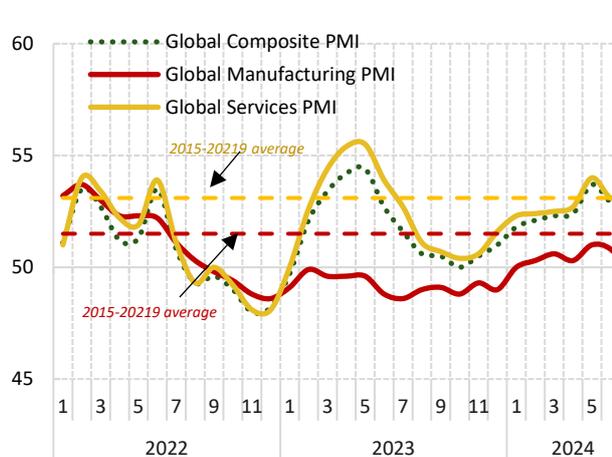
Since mid-2022, global industrial business activity has remained below the average levels observed from 2015 to 2019. In July 2024, this indicator declined again due to weak growth in production volumes and a reduction in new orders. Countries experiencing a decrease in industrial activity include the USA, China, Japan, and the EU countries. At the same time, service sector activity has risen to levels close to those seen from 2015 to 2019 (see Graph 18).

**Overall and core inflation in countries continues to decelerate under the pressure of high interest rates. Meanwhile, risks of increased inflationary pressure persist from Russia due to currently higher inflation than anticipated.**

Since December 2023, inflation has significantly slowed in many countries, but both overall and core inflation remain above target levels. In developed countries, the primary drivers of price increases are services, particularly rent, hotel accommodations, restaurants, and international travel. In developing countries, prices continue to rise uniformly across all components.

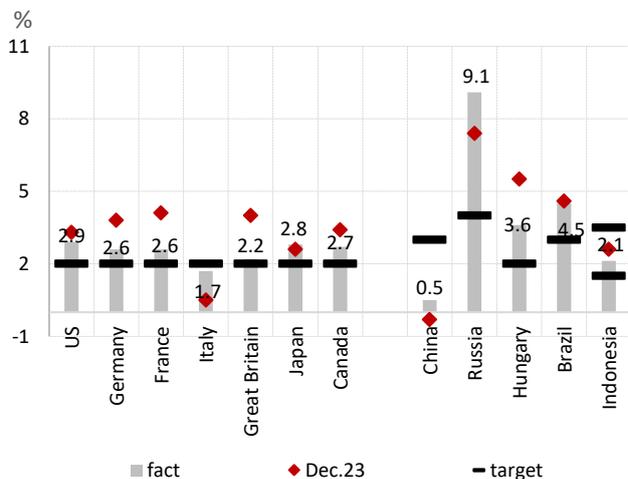
In China, amid a revival in consumer activity, inflation accelerated to 0.5% year-on-year in July, the first increase since February of this year. In Russia, annual inflation rose to 9.1% due to increased tariffs on housing and communal services and ongoing price hikes for a broad range of goods and services. In the EU, consumer price growth remains stable (see Graph 19).

Graph 18. Global business activity\*



Source: PMI by S&P Global.

Graph 19. Dynamics of overall inflation by country for July 2024 \*\*, r/r



Source: National Statistic Agencies

\* A value of the index above 50 indicates growth, below 50 indicates a decline, and 50 indicates no change.

\*\*For Japan, Canada, and Hungary, inflation data is provided for June 2024

**Developed countries are gradually moving towards normalizing monetary conditions, which is leading to some easing of pressure on the currencies of developing countries.**

In July-August 2024r, among developed countries, the Bank of England and the Bank of Canada lowered their rates. Conversely, Japan increased its rate due to sharp wage growth and risks of further inflation acceleration. Other developed countries remain on hold for now.

In developing countries, the easing of monetary policy continued. The People's Bank of China lowered its rate for the first time since August of last year. Rate cuts also occurred in Hungary, the Czech Republic, and Colombia.

Since April 2024, the global oil market has been dominated by a downward trend due to the expected easing of production restrictions in OPEC+ countries, as well as the easing of geopolitical tensions in the Middle East.

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Since April 2024, there has been a decrease in world prices for Brent crude oil to \$85 per barrel on average in July 2024 (a decrease of 5%) (Graph 20). The decline in prices was mainly due to the easing of geopolitical tensions in the Middle East. At the same time, in June of this year, the OPEC+ countries extended the agreement on voluntary reduction of oil production in the amount of 2.2 million barrels per day until the end of the third quarter and decided to gradually ease restrictions starting from the fourth quarter of 2024.

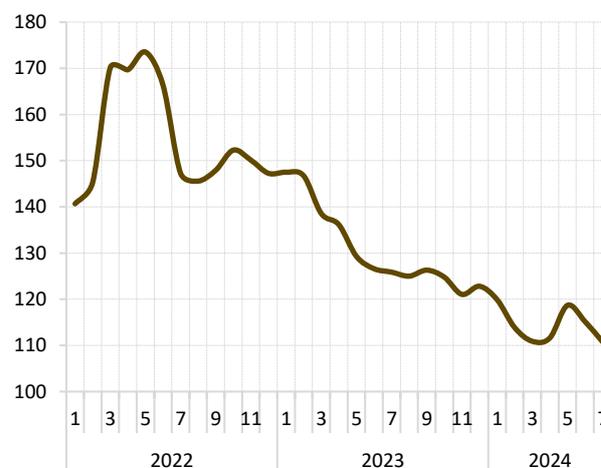
**A further decrease in world grain prices in May-July of this year was due to a significant supply of wheat and corn.**

According to the July report<sup>8</sup>, the FAO cereal index decreased by 3.8% m/m in July 2024 (a decrease of 12% y/y) (Graph 21), due to the presence of a significant export supply of wheat and corn on the world market. There was a decrease in prices for all types of grain crops. In particular, expectations of a high harvest, as well as weak demand on world markets, contributed to the decline in wheat prices.

Graph 20. Dynamics of Brent crude oil prices, \$/barrel



Graph 21. FAO Cereal Index, 2014-2016 = 100



Source: EIA, UN FAO

### 3.2. Development of the domestic economy

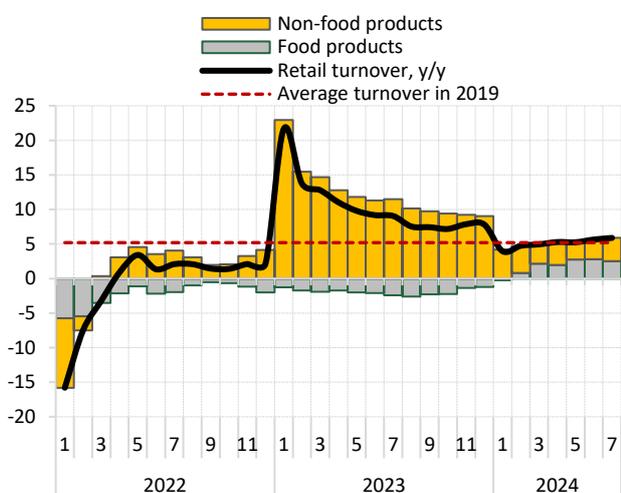
**Domestic demand in the economy remains stable due to the preservation of consumer demand and the expansion of investment activity in the non-oil sector of the economy. Consumer demand is supported by the rising household incomes, transfers and consumer lending. The implementation of infrastructure projects contributes to the growth of investments.**

The acceleration of consumer demand growth is evidenced by the retail trade dynamics. In the second quarter of 2024, retail trade growth rates accelerated to 6.3% y/y (July 2024 – 7.1% y/y), exceeding the average growth rate before the coronavirus pandemic. The sale of both food and non-food products makes a positive contribution to the growth of retail trade (Graph 22).

<sup>8</sup> <https://www.fao.org/worldfoodsituation/foodpricesindex/ru/>

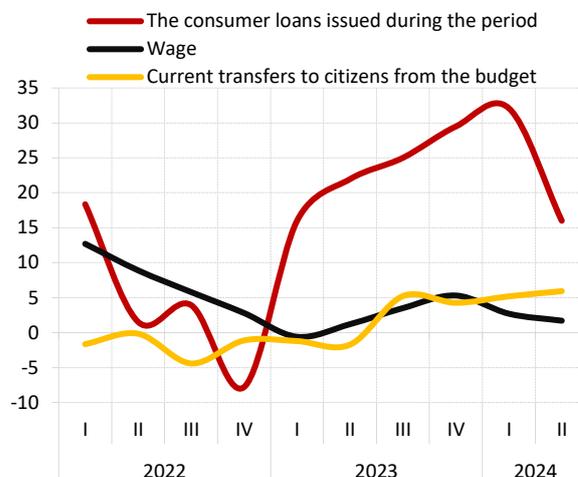
Consumer demand is supported by consumer lending, the real growth rate of which remains high, despite a slowdown in the second quarter of this year. Positive trends are maintained in wage dynamics and in social payments from the budget (Graph 23).

Graph 22. Retail turnover, %, y/y



Source: BNS ASPR, NBK calculations

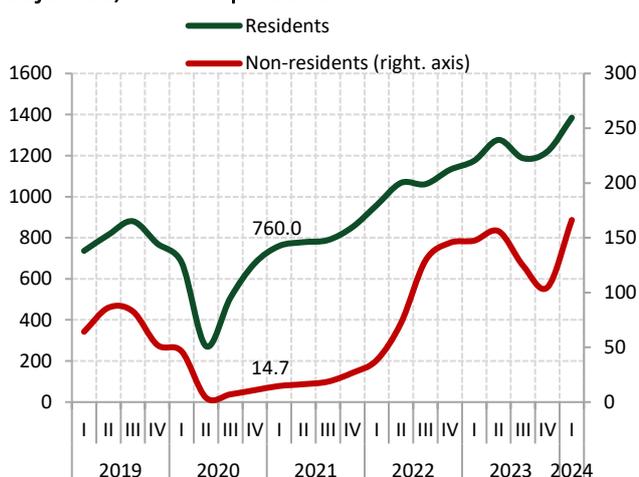
Graph 23. Sources of financing consumer demand in real terms, y/y, %



**Along with retail trade indicators, there has been an increase in the volume of services provided in sectors related to recreation, entertainment, and culture.**

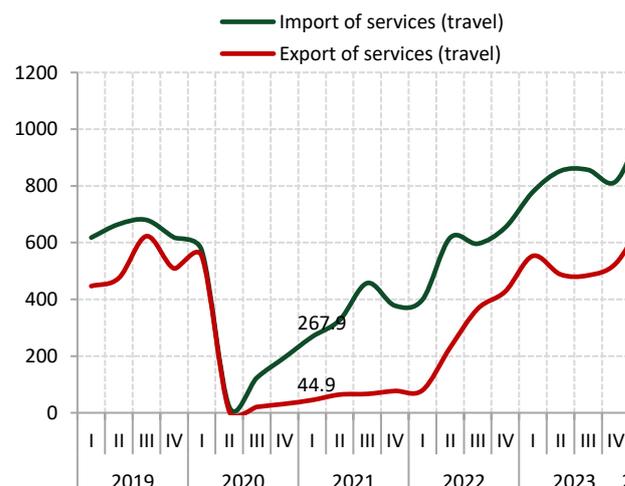
It is worth noting that the growing demand for these services is observed both from Kazakhstani citizens and non-residents (Graph 24). Additionally, the dynamics of the import and export of personal services under the "Travel" category, which includes health-related, education-related, and tourism purposes, shows an upward trend (Graph 25).

Graph 24. The number of visitors served by accommodation places (recreation areas, hotels and etc.) for personal travel purposes, seasonally adjusted, in thsd. persons



Source: BNS ASPR, NBK calculations

Graph 25. Export and import of services under the "Travel" category, seasonally adjusted, in mln. USD.



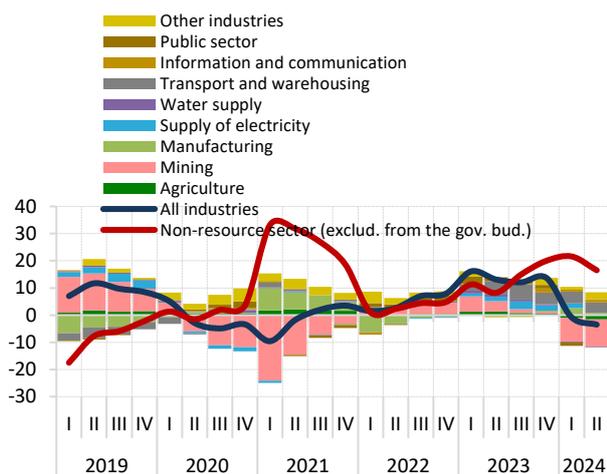
Source: NBK

**The growth of investments in the non-resource sector continues. The overall decline in fixed capital investments is due to a reduction in investments in the mining sector.**

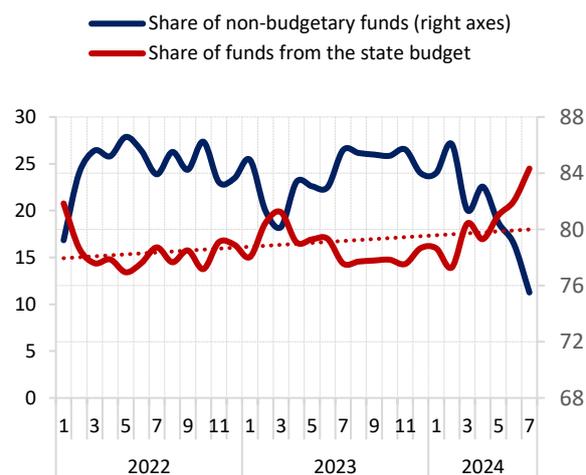
After a slight increase in the first quarter of 2024 (grew by 0.4% y/y), fixed capital investments decreased by 6.7% y/y in the second quarter due to a significant reduction in investments in the mining industry. The main factor behind the decline in oil sector investments was the completion of some works at the Tengiz oil field, which were carried out as part of the TCO Future Growth Project. Despite this, the non-resource sector of the economy saw a substantial increase in fixed capital investments. In the first half of this year, fixed capital investments in the non-resource sector, excluding state budget investments, grew by 16.5% y/y. High rates of asset renewal were recorded in the transport sector, manufacturing, education, communications, professional and scientific-technical activities, financial and insurance activities, as well as arts, entertainment and recreation activities (Graph 26).

In addition, there has been an increase in government budget investments in various sectors of the economy. It is noteworthy that the share of funds from the state budget has shown an upward trend in recent years, while the share of non-budgetary funds (own and borrowed funds) in the structure of investment funding sources has been decreasing (Graph 27). The growth of investments in the non-resource sector is being driven by the implementation of national programs and projects ("Comfortable School," "Tariff for Investment," "Affordable Internet"), as well as investment projects in the manufacturing industry.

Graph 26. Investments in fixed capital by industry, y/y, %, accumulated total



Graph 27. The structure of investments in fixed capital by funding source, share of the total volume, %, seasonally adjusted



Source: BNS ASPR, NBK calculations

### Box 2. The impact of demand from foreign citizens on consumer demand in Kazakhstan

Since the second half of 2022, there has been a sharp increase in the number of foreign citizens arriving in Kazakhstan. This is attributed to the easing of the visa regime with certain countries, the launch of new international flights, and changes in the geopolitical situation in the region. By country, there has been a significant increase in the flow of tourists from Russia, China, India and Iran.

The active influx of foreign tourist influences consumer demand in Kazakhstan both directly, through the purchase of goods and services, and indirectly, by increasing the revenues of businesses providing services and selling goods.

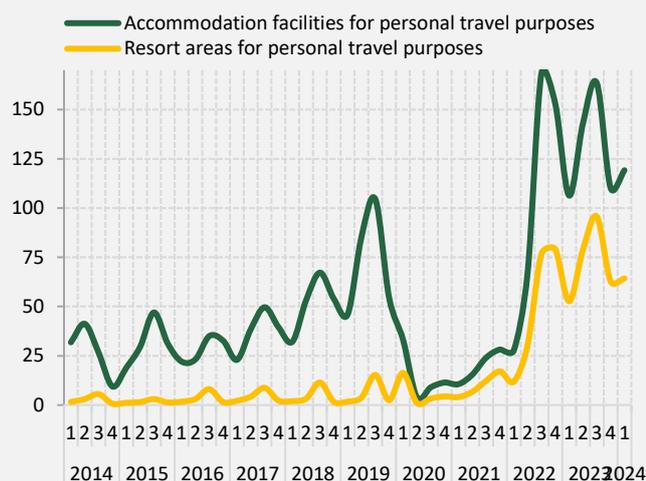
The inflow of foreign tourists is reflected in the statistics on non-residents served by accommodation places<sup>9</sup> and resort areas, who came to Kazakhstan for personal purposes. For example, the number of foreign citizens arriving for leisure increased from 67.0 thousand people in the second quarter of 2022 to 168.3 thousand people in the third quarter of 2022. Furthermore, from the second half of 2022 to the first quarter of 2024,

<sup>9</sup> Hotels/motels/campsites/tourist bases/quest houses/holiday homes/boarding houses/ and other buildings and structures used to accommodate visitors and serve them

the average number of non-residents served by accommodation places per quarter exceeded the average quarterly number of non-residents served in 2019 by nearly twofold (graph 1).

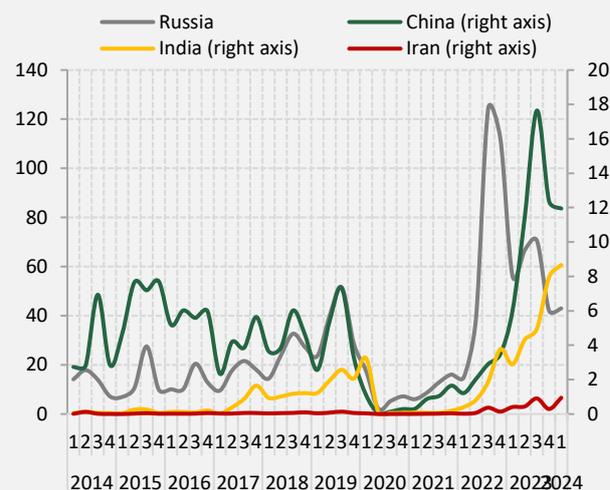
A record number of Russian citizens were served by accommodation places in the third quarter of 2022, driven by the sharp increase in the influx of Russian citizens following the announcement of partial mobilization in September 2022. The steady growth in the number of Chinese and Indian citizens served is due to Kazakhstan's introduction of a visa-free regime for citizens of India, Iran, and China in mid-2022 (graph 2).

**Graph 1. Number of non-residents served, in thsd. persons, seasonally adjusted**



Source: BNS ASPR, NBK calculations

**Graph 2. Number of non-residents served by accommodation places for personal travel purposes by citizenship, in thsd. persons, seasonally adjusted**



Source: BNS ASPR, NBK calculations

Another indicator reflecting the active influx of foreign tourists to Kazakhstan is the export of services under the "Travel"<sup>10</sup> category, particularly personal travel purposes, including tourism, medical treatment, education, and other purposes (graph 3).

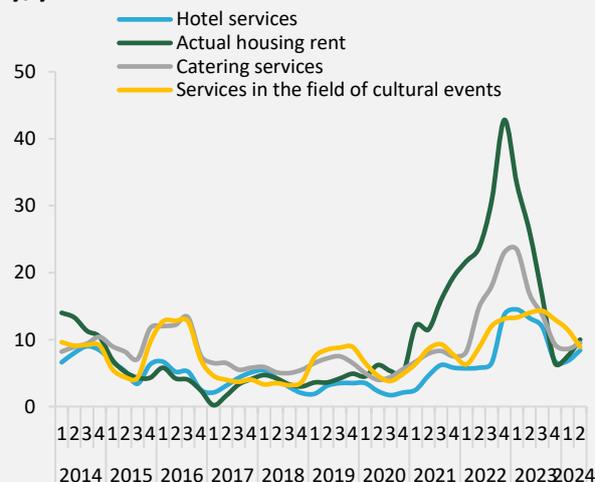
Thus, the increase in the number of foreign tourists leads to higher demand for hotel services and rental housing, as well as public catering establishments and cultural venues, as foreign tourists seek to experience the national cuisine, culture, and history of the country.

**Graph 3. Export of services under the «Travel» category, in mln. USD, seasonally adjusted**



Source: NBK

**Graph 4. Consumer prices for certain services, %, y/y**



Source: BNS ASPR, NBK calculations

<sup>10</sup> The Balance of Payments category includes the value of goods and services purchased in the country by non-residents during their visit for personal purposes.

As a result, prices for hotel services and rental housing sharply increased in the second half of 2022. Prices for public catering services and cultural activities (cinemas/theaters/museums and exhibitions/concerts/other entertainment programs) also showed noticeable acceleration in the second half of 2022. In 2023-2024, the growth rates for most of these "tourist" services have slowed down, but they still remain above the average annual price growth rates for corresponding services in 2014-2019 and exceed the inflation target of 5% (graph 4).

### 3.3. Production Costs

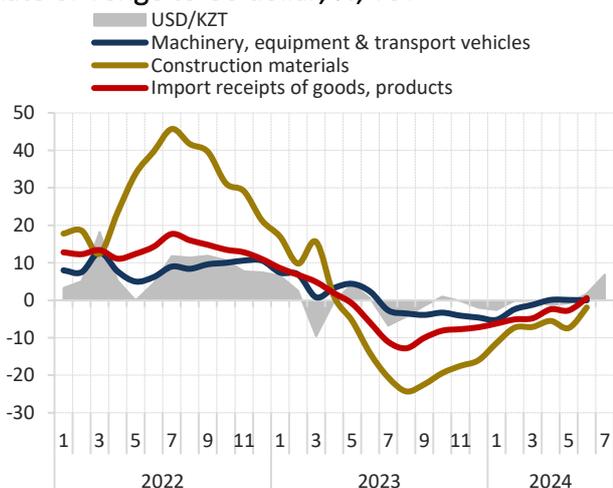
**The indicators of production costs show multidirectional dynamics. With that, most indicators are moving into a growth zone or accelerating, exerting upward pressure on the final costs of products and services.**

**Due to the weakening of the nominal exchange rate of Tenge in June of this year, import prices moved into the growth zone for the first time since May 2023. The increase in producer prices in the provision of utility services continued as part of the implementation of the "Tariff in Exchange for Investment" program. At the same time, the producer price growth of certain types of services slowed down in the second quarter of this year.**

After a long decline, the import price index increased by 0.6% y/y in June 2024, largely due to the weakening of the nominal exchange rate of Tenge. There is an annual increase in import prices for textiles, chemical products, animal and plant products. Import prices for investment goods remained unchanged. At the same time, the decline in import prices continued for construction materials and ready-made food products. However, the decline in prices for these categories of goods is slowing down (Graph 28).

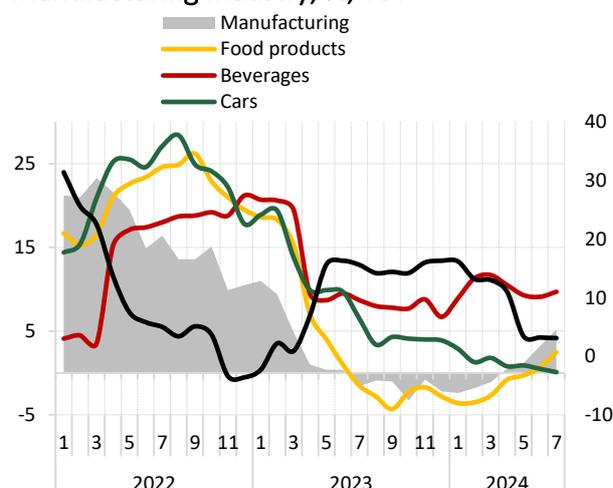
The rise in the cost of imported products is reflected in the producer prices of industrial goods. Thus, after a ten-month decline, food producer prices increased by 0.7% y/y in June of this year, accelerating to 2.5% y/y in July. The production of bakery, pasta, flour, cereal and dairy products increased in price. The reduction in producer prices of sugar, oils and fats continued at a slower pace. In addition to the import component, there is an increase in the cost of raw materials, including wheat and animal products. The rise in wheat prices is due to the rise in the cost of grain storage services and a decrease in food grain reserves in the context of low harvest figures last year. Meanwhile, in the structure of non-food products, there is a significant slowdown in the growth of prices for cars and oil products (Graph 29).

Graph 28. Import Prices and Nominal Exchange Rate of Tenge to US dollar, %, YoY



Source: BNS ASPR

Graph 29. Producer Prices in the Manufacturing Industry, %, YoY

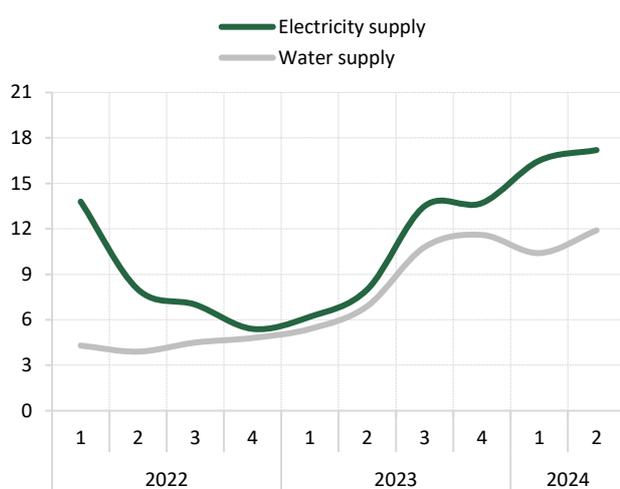


In the second quarter of 2024, utility prices continued to rise amid rising producer prices in the electricity and water supply sectors, which is due to the continuation of the program to modernize

existing heating communications and water supply networks (Graph 30).

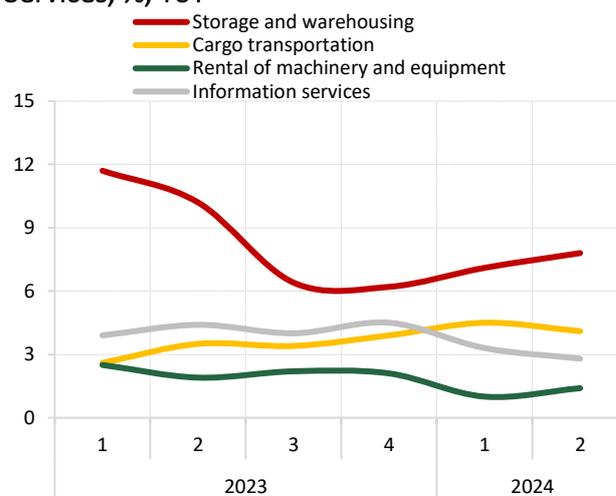
In the services sector, a slowdown in the growth rate of tariffs for the transportation of goods by all means of transport is noted in the second quarter of 2024 as a result of lower growth rates of the transportation costs by road. The growth in prices for the provision of information services (data processing services, agency activities, etc.) slowed down. At the same time, storage and warehousing services became more expensive, in particular, the cost of storing grain and oilseeds increased. There is also an increase in prices for rental services of freight transport and railway vehicles. Advertising services increased in price by 1.7% y/y in the second quarter of 2024, mainly against the backdrop of higher prices for market research services, which may also have an upward effect on the final costs of consumer goods and services (Graph 31).

Graph 30. Producer Prices for Utility Services, % YoY



Source: BNS ASPR

Graph 31. Producer Prices for Certain Types of Services, % YoY



### 3.4. Labour market

**Employment in the economy remains high. The excess of labor supply over demand causes a slowdown in the growth rate of nominal wages in the economy. At the same time, labor productivity growth lags behind the growth rate of real wages, which creates pro-inflationary pressure from the labor market.**

Employment in the economy remains high. The excess of labor supply over demand causes a slowdown in the growth rate of nominal wages in the economy. At the same time, labor productivity growth lags behind the growth rate of real wages, which creates pro-inflationary pressure from the labor market. The employment rate of the population aged 15 and over remains relatively stable, amounting to 64.9% in the second quarter of 2024. At the same time, the growth rate of the number of people employed in the economy in the second quarter of this year slowed to 0.8% yoy (in the first quarter of 2024 – 1.5%). The number of self-employed is growing to a greater extent in the employment structure (Graph 32). The largest increase in the number of employees was noted in the entertainment and recreation industries, water and electricity supply, and real estate transactions. At the same time, a decrease in employment was recorded in agriculture, public administration, and construction.

Real wage growth slowed to 1.7% year-on-year in the second quarter of this year, both due to a decrease in nominal wages and inflation. Real wage growth remains positive in most sectors of the economy, while the decline is mainly observed in the public sector.

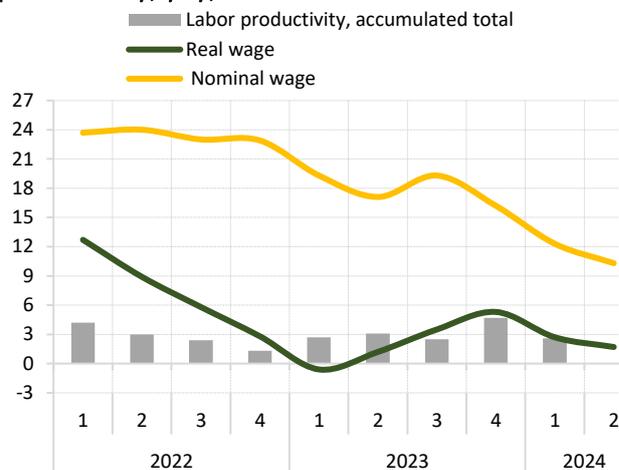
The growth rate of labor productivity in the economy as a whole slowed to 2.3% in the first quarter of 2024. These rates lag behind the growth of real wages, which exerts inflationary pressure on prices from the labor market (Graph 33). In the context of industries, a similar situation is observed

in trade, transport, agriculture, electricity, water supply, finance and the arts. At the same time, in construction, with a reduction in real wages (-7.2% yoy), the growth rate of labor productivity amounted to 13% in annual terms. In the manufacturing industry, the growth rate of labor productivity accelerated to 6.2%, while wages increased by 5.4% yoy in real terms.

Graph 32. Employees and self-employed, yoy



Graph 33. Dynamics of wages and labor productivity, yoy, %



Source: BNS ASPR

### 3.5. Inflation

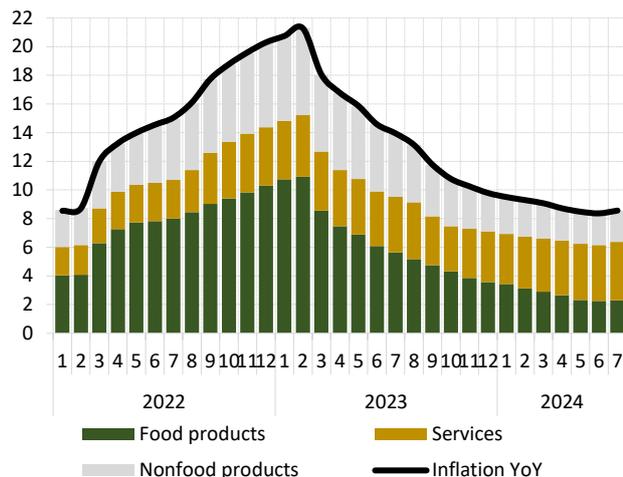
**The prolonged slowdown in annual inflation ceased in July 2024. Despite disinflationary trends in the non-food component and moderate growth in food prices, the main factor in accelerating inflation remains the service component. If previously the main contribution was made by the growth of tariffs for regulated services, in the present there is a significant increase in prices for individual market services.**

In July 2024, annual inflation accelerated for the first time since March 2023, reaching 8.6%. This is due to less favorable external inflationary conditions, including the acceleration of inflation in Russia, as well as the weakening of the nominal exchange rate of the tenge. Among the internal factors exerting pro-inflationary pressure, one can single out the growth of producer prices in the manufacturing industry after a long period of annual deflation, as well as the slowdown of disinflationary processes among agricultural producers.

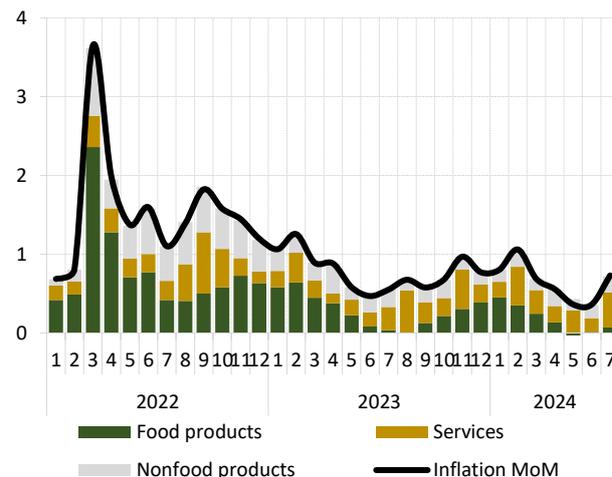
In July 2024, the annual inflation structure showed an acceleration in the growth rate of prices for paid services and food products, while the growth rate of prices for non-food products slowed down (Graph 34). Monthly inflation also accelerated to 0.7%, significantly exceeding the historical average for July 2017-2021, which was 0.3% (Graph 35).

The acceleration of food inflation to 5.5% in annual terms in July 2024 was caused by a slowdown in the decline in agricultural prices and the transition of food producer prices to the growth zone after a long period of deflation. Additional inflationary pressure on food products was exerted by the weakening of the nominal exchange rate of the tenge. Monthly food inflation accelerated to 0.3%, exceeding the historical average of 0%, which was due to a significant slowdown in the rate of decline in vegetable prices, as well as an increase in monthly prices for tobacco products, bakery products and cereals. Despite stable consumer demand, which is supported by both internal factors, such as rising household incomes and continued high growth rates of consumer lending, and external factors, including the influx of tourists and the recent depreciation of the nominal exchange rate of the tenge, the annual growth of the non-food component slowed to 7.3% in July 2024. At the same time, monthly price growth accelerated to 0.7% in July 2024, after a slowdown in May and June of this year.

Graph 34. Dynamics of YoY inflation and contributions of its main components, % pp.



Graph 35. Dynamics of MoM inflation and contributions of its main components, % pp.



Source: BNS ASPR, NBK calculations

It is also important to note that the unchanged prices of fuel and lubricants exert significant disinflationary pressure.

In July 2024, the service component of inflation accelerated to 14.5% year-on-year. Although the growth of tariffs for regulated housing and communal services slowed down, the increase in prices for individual market services contributed to the acceleration of overall service inflation in annual terms. Monthly growth in prices for services also accelerated to 0.7%, which is associated with an increase in tariffs for communication, transport, rent and complex recreation services. The growth in prices for complex recreation services, typical for the summer season, was further exacerbated by the influence of the exchange rate factor.

**In July 2024, the seasonally adjusted and core inflation indicators showed acceleration. In recent months, the share of goods and services with price increases below the target level has been decreasing**

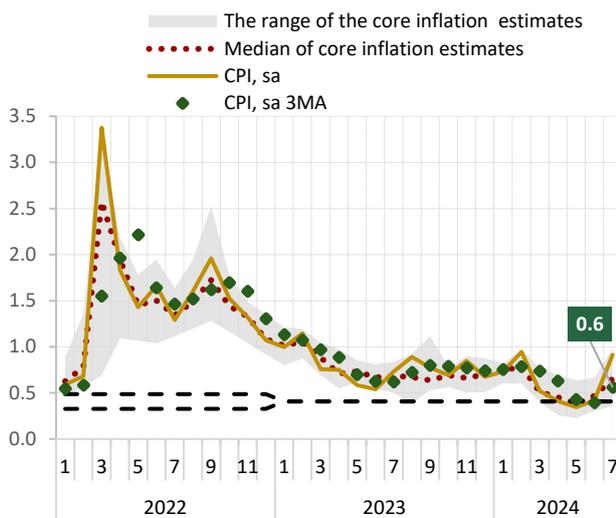
Seasonally adjusted inflation, smoothed over three months, was close to the target level in May-June 2024. However, in July 2024, this indicator accelerated to 0.6% on a monthly basis (Graph 36). At the same time, the three-month smoothed median estimate of seasonally adjusted core inflation also accelerated to 0.5%. The acceleration in seasonally adjusted inflation was driven by upward pressure from food and service components. Additionally, the range of core inflation estimates widened in June-July of this year, signaling persistent inflationary pressures in the economy and instability in inflationary processes.

Meanwhile, from May to July 2024, the share of goods and services with seasonally adjusted price increases below the target level decreased (Graph 37). In July 2024, their share in the consumer price index was 50%. Within this category, food products continued to dominate, accounting for 34% of the total.

**Inflation expectations of the population have increased slightly, continuing to remain volatile and sensitive to short-term shocks.**

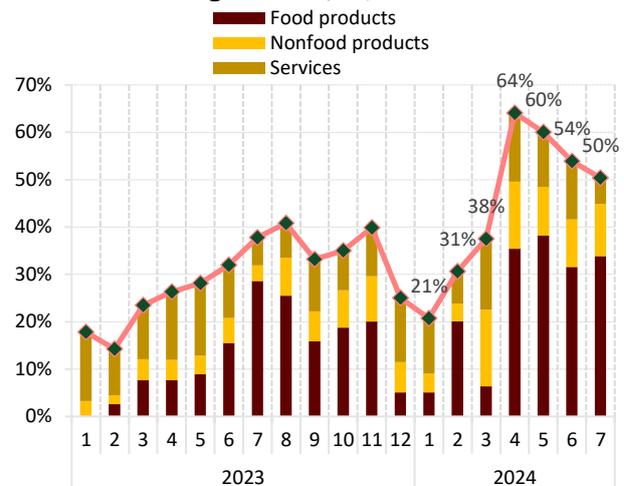
In July 2024, the population's inflation expectations for the next 12 months amounted to 13.4%. The slight increase in this indicator is related to the weakening of the nominal exchange rate of the tenge and the acceleration of actual inflation (Graph 38). A significant portion of respondents still expects prices to rise above the target level. More than half of them believe that prices will increase at the current rate. The primary source of information about future inflation for most respondents remains their personal shopping experience. Respondents base their inflation expectations on changes in food prices, wage growth, and fluctuations in the exchange rate.

Graph 36. Core and seasonally adjusted inflation, m/m, %

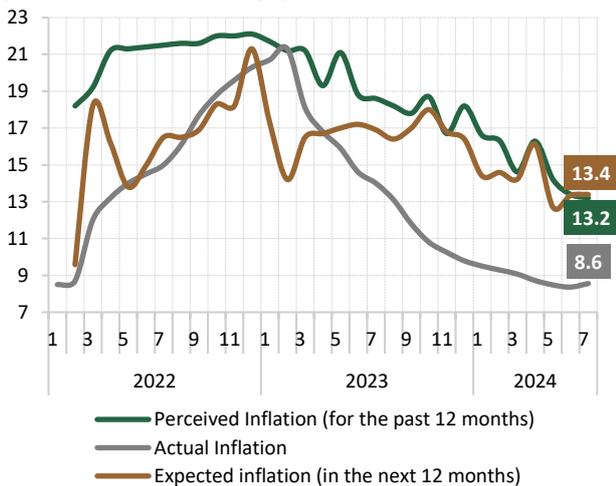


Source: BNS ASPR, NBK calculations

Graph 37. The sum of the weights of goods and services seasonally adjusted price growth, which is below the target of 5%, m/m ann. %



Graph 38. Median estimates of expected and perceived inflation, y/y, %



Source: BNS ASPR, FusionLab: population survey

The perceived inflation rate among the population decreased to 13.2% in July 2024. The gap between actual inflation and how it is perceived by the population narrowed from 7.6 percentage points in April 2024 to 4.6 percentage points (the historical average gap from January 2017 to December 2021 was 7.6 percentage points). However, despite this improvement, the level of perceived inflation remains high.

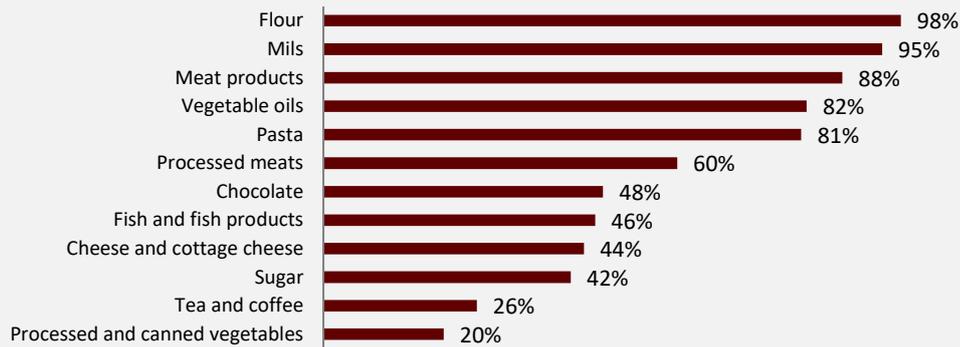
Respondents still note a significant increase in food prices, although the share of such mentions decreased from 77.9% in April 2024 to 74% in July 2024. This is due to a decrease in food prices in May and a slight increase in June 2024. At the same time, the share of respondents who noted an increase in prices for housing and communal services is decreasing, which may be due to both the more moderate implementation of the 'Tariff in Exchange for Investment' program and the fact that people are beginning to adapt to these changes.

At the same time, the share of respondents noting an increase in prices for non-food products is increasing. This may be related to price adjustments in response to changes in the nominal exchange rate of the tenge.

### Box 3: The Impact of Imports on Food Inflation

Inflation can be influenced by both internal and external factors, given that a portion of the goods consumed are imported. Overall, a large share of food products – over 75% – are produced domestically in Kazakhstan. According to the Bureau of National Statistics, the highest levels of self-sufficiency are observed in categories such as flour and grains, milk and dairy products, certain alcoholic beverages, and fruit juices. However, the consumer market remains dependent on imports of several basic food products, making Kazakhstan's economy vulnerable to external shocks and exchange rate fluctuations. High import dependence is particularly evident in categories like canned vegetables, tea and coffee, sugar, cheese, and cottage cheese (see Chart 1).

**Chart 1. Self-Sufficiency Ratio for Various Food Products in Kazakhstan, data for 2023\***



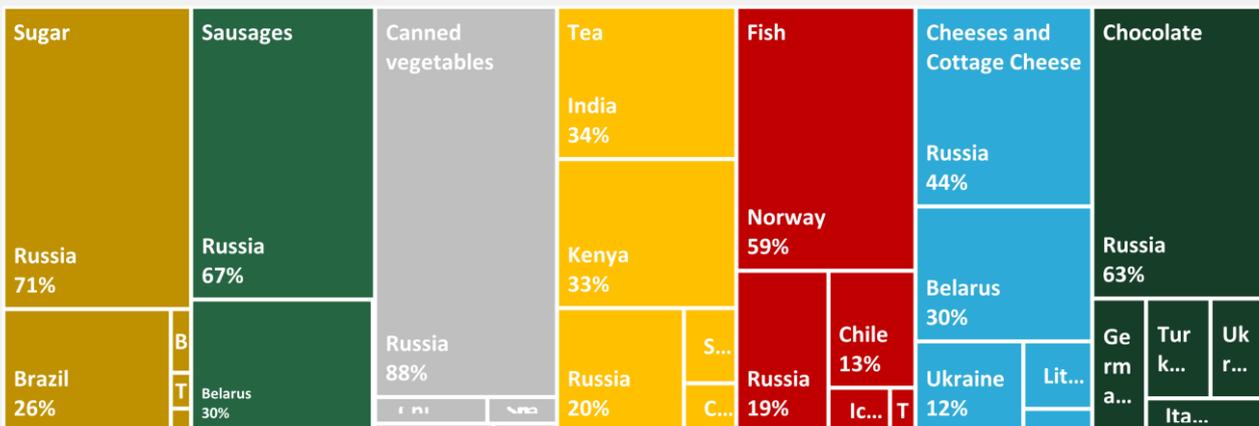
\* The self-sufficiency ratio is calculated as the ratio of the volume of domestic production to the volume of domestic consumption in terms of resources and the use of specific types of products and raw materials.

Source: Bureau of National Statistics of the ASPR RK

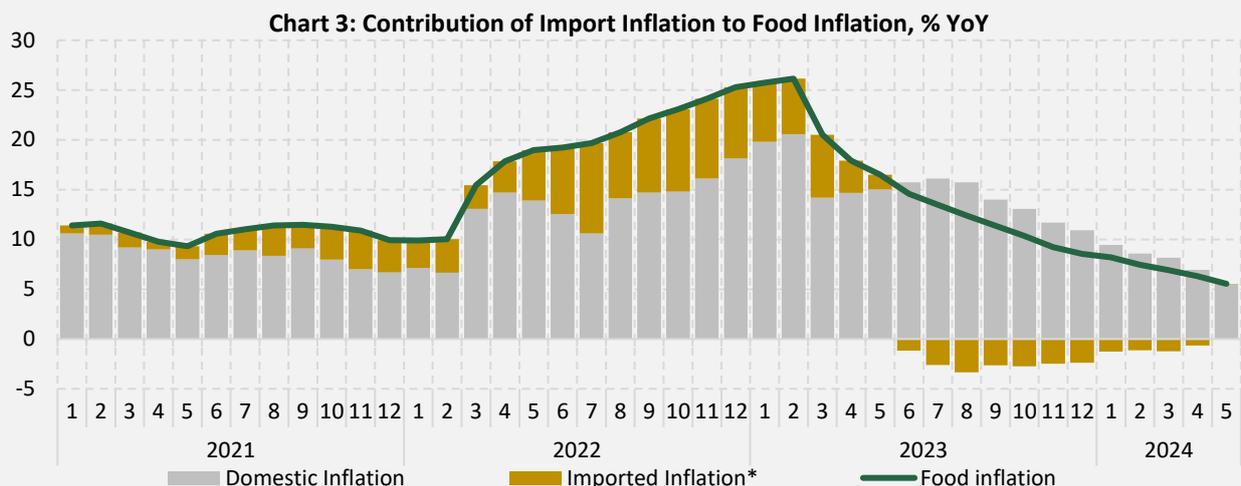
A significant portion of imported food products comes from Russia. Additionally, goods imported from China, India, Belarus, Ukraine, and Germany also make up a substantial share (see Chart 2). Changes in the geopolitical and economic situation in these partner countries can impact price growth in Kazakhstan. For instance, in 2022, amid geopolitical tensions, rising global inflation, and the depreciation of the nominal exchange rate of the tenge, import inflation in Kazakhstan increased significantly. Its contribution to food inflation rose from an average of 2 percentage points in 2021 to 5.8 percentage points in 2022 (see Chart 3). However, due to the tight monetary policy of the National Bank of Kazakhstan (NBK) and central banks of food-exporting countries, easing global inflationary pressures, and a stable tenge exchange rate, imported food inflation began to decline from May 2023 and continued to decrease through April of this year, contributing to a slowdown in overall food inflation in Kazakhstan.

Particular attention should be given to the high share of Russia in food imports. The dynamics of imported inflation in Kazakhstan closely follow the trajectory of food price increases in Russia, with a 1-2 month lag, which confirms the significant impact of price movements in Russia on Kazakhstan (see Chart 4). The exchange rate fluctuations between the Russian ruble and the tenge also play a crucial role in this process, facilitating the transmission of Russian inflation into Kazakhstan (see Chart 5). In this context, the current acceleration of inflation in Russia and the depreciation of the tenge against the ruble may indicate an increased risk of accelerating food inflation in Kazakhstan.

**Chart 2. Top Exporting Countries for Specific Food Products in 2023**



Source: Bureau of National Statistics of the ASPR RK



\* Imported Inflation is calculated without accounting for imported fresh vegetables and fruits. Changes in egg prices have been included in the calculations since August 2021. The calculation of imported inflation is based on data regarding the share of food imports and their import prices, utilizing information from "Resources and Utilization of Specific Types of Products and Raw Materials in the Republic of Kazakhstan" and the "Export and Import Price Index of Goods and Products in the Republic of Kazakhstan."

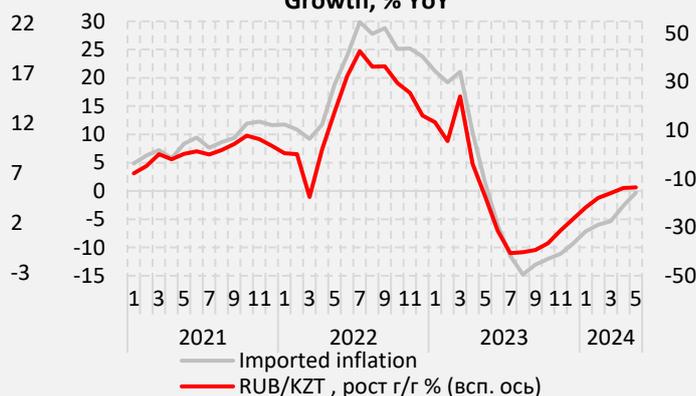
Source: ASPIR BNS RK, NBK Calculations

Chart 4: Dynamics of Imported Food Inflation and Food Inflation in Russia, % YoY



Source: ASPR BNS RK, Rosstat RF, NBK Calculations

Chart 5: Dynamics of Imported Food Inflation and RUB/KZT Exchange Rate Growth, % YoY



Source: ASPR BNS RK, CBRF, NBK Calculations

Currently, Russia is facing a labor shortage and production capacity constraints due to sanctions. This situation is placing increased pressure on production sectors, partly driven by high consumer demand. If these restrictions persist or sanctions are tightened, there is a risk of reduced food imports into Kazakhstan.

### 3.6. Fiscal policy

**The deviation from the plan for tax collection in the republican budget continued, which significantly increases the possibility of additional fiscal support.**

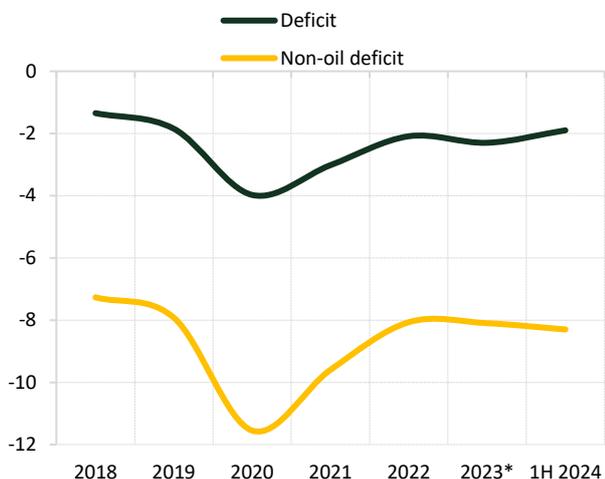
The government budget deficit for the first half of 2024 was 1.9% of GDP (Graph 39). The non-oil deficit worsened to 8.3% of GDP. Among revenues, the largest contributions come from non-tax revenues and transfers. Tax revenues decreased by 0.8% due to a reduction in VAT, which may be related to the suspension of VAT refunds to exporters and pre-financing in 2023<sup>11</sup>, as well as a reduction in imports.

The failure to meet the tax revenue plan for the republican budget continued. The deviation from the planned tax revenues for the first half of 2024 amounts to almost 1.65 trillion tenge, or 24.1% of the plan (Graph 40). The main discrepancy is due to corporate income tax from large businesses and VAT. At the same time, local budgets are significantly exceeding their plans. Notably, there is

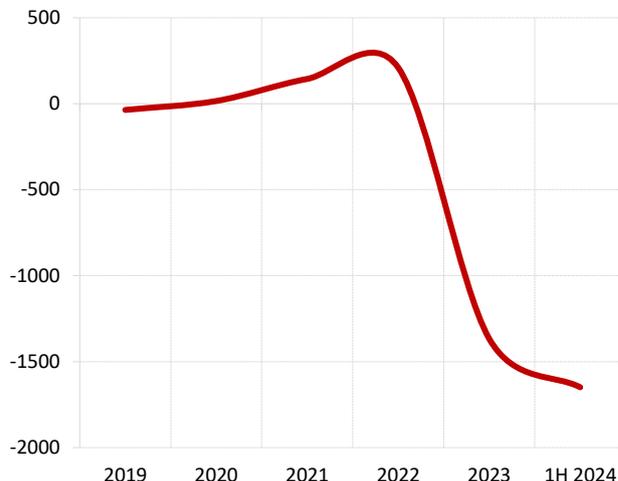
<sup>11</sup> <https://forbes.kz/articles/ministr-finansov-plan-postupleniy-v-byudzhzet-ispolnen-za-schyot-priostanovki-vozvrata-nds>

an overachievement in corporate income tax from non-large enterprises, individual income tax, and social tax. However, the excess in local budget taxes does not cover the shortfall in the republican budget. Consequently, similar to 2023, significant underperformance in taxes may necessitate additional withdrawals from the National Fund or the acquisition of borrowed funds.

Graph 39. State budget deficit, as % of GDP



Graph 40. Tax performance of the republican budget, billion tenge (+overachievement/-underachievement)

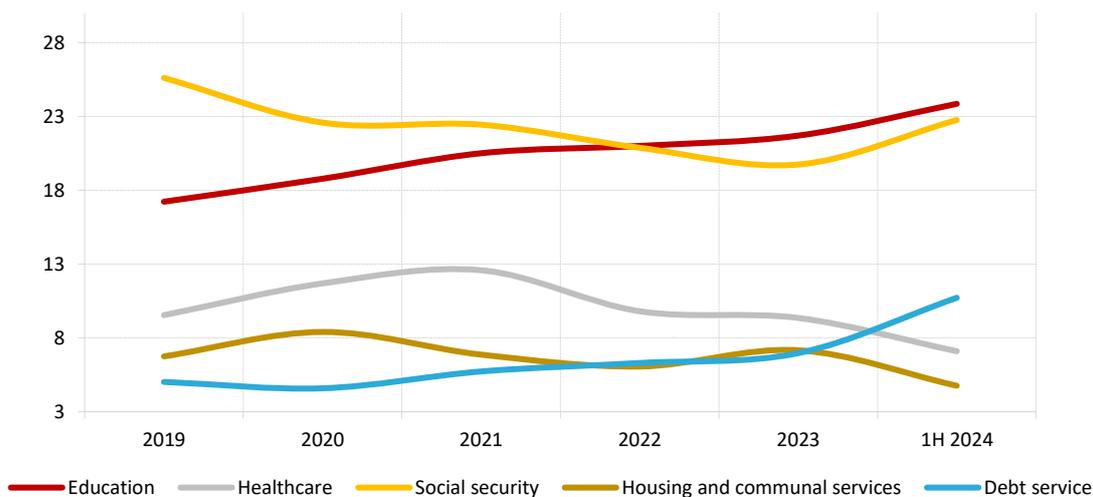


\* The purchase of shares of JSC NC "KazMunayGas" in 2023 for the amount of 1.3 trillion tenge was received into the National Fund as dividends in the republican budget, recorded under the article "Non-tax revenues." For analytical purposes, this amount was excluded from the calculation of the non-oil deficit, similar to transfers from the National Fund.

Source: MF RK, BNS ASPR PK, NBK computations

In the dynamics of expenditures, the main contributions come from spending on education, social welfare, and debt servicing. In recent years, there has been a reduction in the share of spending on healthcare, while the shares of expenditures on education and debt servicing have increased (Graph 41). Overall, it is worth noting the gradual growth in expenditures on current consumption. At the same time, capital expenditures aimed at increasing potential output are decreasing. This could boost consumer demand and exert inflationary pressure on the economy.

Graph 41. The share of expenditure items of the state budget, in %



Source: MF RK, NBK computations

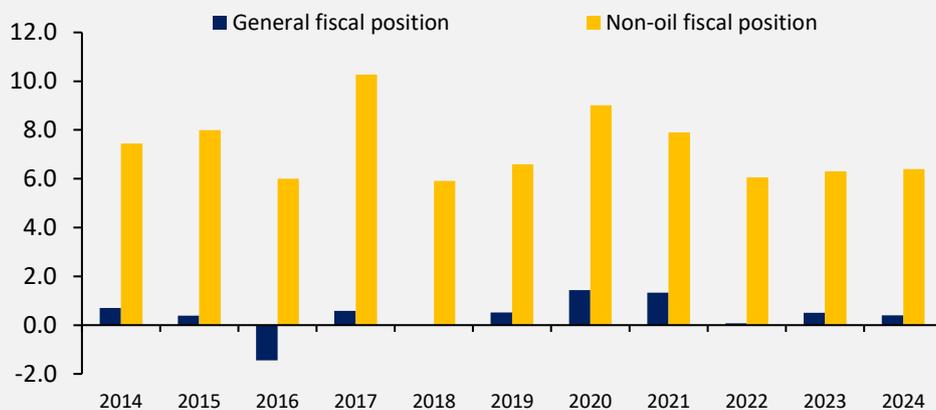
#### Box 4. Non-oil fiscal impulse

Tax and budgetary policy plays a key role in ensuring the sustainable development of a country. Within the framework of modern views on the functions of fiscal policy, the activities of the government (central government) are aimed at ensuring macroeconomic stability, resource allocation, and income redistribution (Musgrave, 1959).<sup>12</sup> Just as an individual needs sufficient means to meet their needs and achieve their goals, it is also important for the state to maintain financial balance. To assess the balance of the government budget, the overall deficit is used, which is calculated as the difference between revenues and expenditures. In countries rich in natural resources, it is also necessary to consider the structure of budget revenues. In Kazakhstan, on average, from 2019 to 2023, nearly a third of government budget revenues came from oil revenues. As a result, the volatility of global oil prices significantly impacts fiscal policy. Since 2020, there has been a substantial increase in transfers from the National Fund, meaning that a large portion of taxes from the oil sector is not being extracted from the economy. Thus, for a more realistic representation of fiscal policy balance, it is necessary to strip out oil revenues from the revenue side.

To understand how budgetary parameters affect aggregate demand and the economy, it is necessary to consider its state: during periods of overheating, when economic activity exceeds its potential (a positive output gap), taxes rise faster, while during cooling periods they rise more slowly. Similarly, expenditures may change depending on the phase of the economic cycle and the level of fiscal policy development. Therefore, it is important to consider budgetary indicators adjusted for the influence of business cycles under 'normal' economic conditions. From the expenditure side, it is necessary to exclude debt servicing costs, as they do not affect the current economic situation and reflect budgetary decisions from previous periods. Thus, the cyclically adjusted deficit (structural deficit) with an opposite sign demonstrates the fiscal position in a specific period.

Generally, the permissible level of fiscal balance can be assessed by the indicator of the overall fiscal position. However, as seen in Chart 1, Kazakhstan's non-oil fiscal position remains high relative to GDP: averaging 7.3% of GDP from 2014 to 2023. Meanwhile, the overall fiscal position is maintained at an average level of 0.4%. Active fiscal stimulus during these periods was partly funded by oil revenues, which significantly smoothed out the dynamics of the overall deficit.

**Chart 1. Non-oil fiscal position of the state budget, as % of GDP.**



Source: MF RK, NBK computations

Fiscal impulse is defined as the difference between the fiscal positions of two time periods. One of the important indicators for countries with high dependence on oil exports is the non-oil fiscal impulse, as it allows for assessing the sustainability of the government budget without considering oil revenues. This indicator helps analyze fiscal policy by determining whether it contributes to inflationary or disinflationary pressures in the economy.

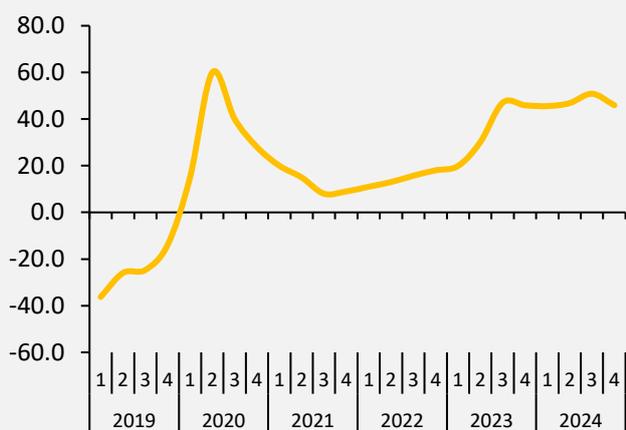
Significant fiscal stimulation in 2020 was directed towards combating COVID-19 and economic recovery (see Chart 3). However, in 2021–2022, the budgetary policy was less stimulating, with primary expenditures remaining high. In 2023, the fiscal policy was inflationary. The high level of transfers from the National Fund

<sup>12</sup> Musgrave, R.A., 1959, *The Theory of Public Finance* (New York: McGraw-Hill).

in recent years has resulted in the transfer gap being at a positive level, exceeding its trend values since 2020 (see Chart 2). For instance, while transfers were at 3.1 trillion tenge in 2019, they amounted to 5.3 trillion tenge in 2023 (considering the purchase of shares of JSC NC 'KazMunayGas'). This also indicates a positive impulse. It is worth noting that during periods when the economy is operating at full capacity (positive output gap), stimulating policies can lead to economic overheating and increased inflationary pressure.

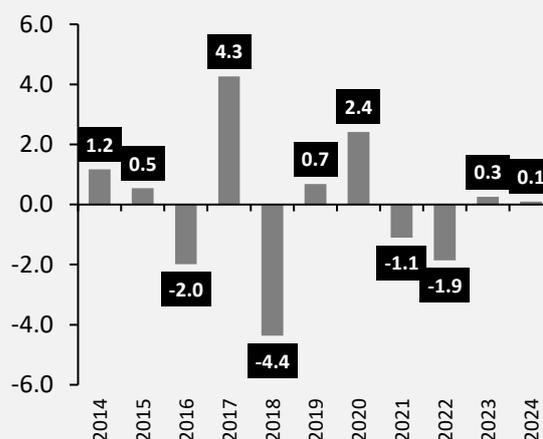
In oil-dependent countries, one of the key tasks is economic diversification. The non-oil fiscal impulse indicates how successfully the government is progressing in this direction by reducing reliance on oil revenues and supporting the development of other sectors of the economy. This may include measures to support small and medium-sized businesses, investments, infrastructure, and other areas not related to the oil industry. In the context of sharp fluctuations in oil prices, the non-oil fiscal impulse helps to adjust policy in response to external changes and maintain internal economic stability.

**Chart 2. Transfers gap from the National Fund of Kazakhstan, in %.**



Source: MF RK, NBK computations

**Chart 3. Non-oil fiscal impulse of the state budget, compared to last year, as % of GDP.**



## BASIC TERMS AND DEFINITIONS

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**The base rate** is a key monetary policy instrument of the National Bank that allows regulating nominal interbank interest rates in the money market. By establishing the base rate level, the National Bank determines a target value of key interbank money market short-term interest rate to achieve the goal of ensuring the price stability in the medium term.

**Gross Fixed Capital Formation** is the growth in non-financial assets, which have been used in the process of production for a long time. Gross fixed capital formation includes the following components: a) acquisition, less retirement, of new and existing fixed assets; b) costs for major improvements of tangible produced assets; c) costs for improvement of non-produced tangible assets; d) expenses in connection with the transfer of title for non-incurred costs.

**Gross Domestic Product (GDP)** is an indicator that reflects the market value of all final goods and services produced during a year in all sectors of the economy within the territory of the country for consumption, exports and saving, irrespective of the national identity of the used production factors.

**Reserve Money** includes cash issued into circulation by the National Bank, other than cash at the cash departments of the National Bank, transferrable and other deposits of banks, transferrable deposits of non-bank financial organizations and current accounts of government and nongovernment non-financial organizations in the tenge at the National Bank.

**Money Supply (M3)** is determined on the basis of consolidation of balance sheet accounts of the National Bank and banks. It consists of cash in circulation and transferable and other deposits of non-bank corporate entities – residents and individuals in the national and foreign currency.

**Dollarization of the Economy** means the situation where a foreign currency (largely – the US dollar) starts to be used for transactions within a country or in certain sectors of its economy, pushing out the national currency from the domestic money turnover, and acting as the means of saving, measure of value and the legal tender.

**Inflation** is an increase in the overall price level of goods and services. In Kazakhstan, inflation is measured by the consumer price index.

**Consumer Price Index** is the change over time in the average price level of a fixed basket of goods and services purchased by the population for personal consumption. The consumer basket in Kazakhstan for computation of inflation reflects the structure of household spending and includes goods and services, which have the largest relative share in consumption of the population. The CPI is calculated as the ratio of the cost of a fixed set of goods and services in current prices and its cost in the prices of the preceding (base) period. The index is calculated by the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan.

**Inflation Targeting** is a monetary policy regime, which is oriented at achieving a target inflation rate.

**Potential Output.** Reflects the level of output in the economy that can be reached subject to full utilization of inputs and full employment. It reflects the volume of production, which can be manufactured and realized without creating prerequisites for the change in the price growth rates.

**Consumer Basket** means a sample of goods and services, which characterizes the standard level and the structure of monthly (annual) consumption of an individual or a family. Such sample is used to calculate the minimum subsistence level, based on the cost of the consumer basket in current prices. The consumer basket also serves as a comparative basis for estimated and real consumption levels as well as the basis to determine the purchasing capacity of currencies.

**Interest Rate Channel of the Monetary Policy Transmission Mechanism** is the transmission mechanism channel, which describes the impact of the central bank on the economy through the interest rate regulation.

**Output Gap** is the deviation in GDP expressed as a percentage of a potential output. Expresses the difference between an actual GDP and potential GDP for a certain time interval. Serves as an indicator, which reflects the effectiveness of resources utilized in the country. If an actual output exceeds the potential one (a positive gap), other things remaining equal, the trend of acceleration in the price growth rates would be anticipated because of the overheating of the economy.

**Real Exchange Rate** refers to a relative price of a commodity produced in two countries: the proportion of commodity exchange between countries. The real exchange rate depends on the nominal rate, on relation between exchange rates of currencies, and prices of goods in the national currencies.

**TONIA Rate** represents a weighted average interest rate on one-day repo opening transactions made on the stock exchange with government securities in the automatic repo sector.

**Monetary Policy Transmission Mechanism** is the process, whereby monetary policy instruments influence final macroeconomic indicators such as the economic growth, inflation.

## LIST OF KEY ABBREVIATIONS

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**bp** – basis point  
**BNS ASPR** – Bureau of National Statistics of the Agency for Strategic Planning and Reform  
**GDP** – gross domestic product  
**TEA** – types of economic activities  
**GSs** – government securities  
**EIA** – Energy Information Administration  
**EM** – emerging markets  
**EU** – European Union  
**ECB** – European Central Bank  
**CPI** – consumer price index  
**SRC MF RK** – State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan  
**KASE** – Kazakhstan Stock Exchange  
**KDIF** – “Kazakhstan Deposit Insurance Fund” JSC  
**KSF** – “Kazakhstan Sustainability Fund” JSC  
**MPC** – Monetary Policy Committee  
**NBK** – National Bank of the Republic of Kazakhstan  
**NFRK** – National Fund of the Republic of Kazakhstan  
**OPEC** – Organization of Petroleum Exporting Countries  
**PPE** – property, plant and equipment  
**pp** – percentage point  
**Rosstat** – Federal State Statistics Service of the Russian Federation  
**IMF** – International Monetary Fund  
**MW** – minimum wage  
**bln** – billion  
**mln** – million  
**MNE** – Ministry of National Economy of the Republic of Kazakhstan  
**MF RK** – Ministry of Finance of the Republic of Kazakhstan  
**MED** – Ministry of Economic Development of the Russian Federation  
**FGP/WPMP** – Future Growth Project/ Wellhead Pressure Management Project  
**trln** – trillion  
**ths.** – thousand  
**TCO** – Tengizchevroil  
**CBRF** – Central Bank of the Russian Federation  
**FAO** – Food and Agriculture Organization of the United Nations  
**Fed** – US Federal Reserve System