



NATIONAL BANK OF KAZAKHSTAN

## PRESS RELEASE

**Base rate maintained at 14.25%**

October 11<sup>th</sup>, 2024

Astana

*The Monetary Policy Committee of the National Bank of Kazakhstan has decided to maintain the base rate at 14.25% per annum with a corridor of +/-1 percentage point.*

*Annual inflation continued to gradually decline in August and September of this year after a significant acceleration in July. Monthly inflation is above historical averages and levels observed in spring and early summer. The stable part of inflation is decreasing, but not at a fast enough pace. Inflation expectations of the population increased in September. Risks from the external environment include rising food prices on world markets and high inflation in Russia. Pro-inflationary pressure within the economy remains due to fiscal stimulus, continued growth of utility tariffs, persistent domestic demand, and increased inflation expectations.*

*Achieving the 5% inflation target in the medium term requires maintaining moderately tight monetary conditions. The balance of risks has shifted to the pro-inflationary side. A steady decrease in the stable part of inflation, together with an effective solution of the issue of financing the growing fiscal gap, will create conditions for a cautious and balanced reduction in the base rate.*

**Annual inflation is still significantly above target despite decreasing to 8.3% in September 2024.** This is in line with the National Bank forecast. The main contribution to the price growth slowdown is made by lower food inflation. At the same time, the growth of producer prices of agricultural and manufacturing industries, as well as import prices, has resumed. The prices of paid services continue to show the greatest increase in annual inflation amid the ongoing Tariff-for-Investment program and the rise in price of a number of market services.

Monthly inflation in September was **0.4%**, which is above the historical average (0.3%). The seasonally adjusted overall and core inflation indicators are above the levels observed in spring and early summer.

Inflation expectations of the population remain volatile, after showing growth in September. Experts' inflation expectations for the current year also increased from 8% to 8.4%.

**Global inflation continued to slow down gradually** as a result of tight central bank policies. However, there is an increase in the cost of food on world markets – the FAO price index rose in September as a result of higher price quotations for all goods included in it. Grain prices rose in September due to concerns about adverse weather conditions in some exporting countries.

External monetary conditions are becoming less stringent. The US Federal Reserve has cut its key rate for the first time since 2020 amid falling inflation and a cooling labor market. The ECB also cut rates in September, but the rhetoric has not changed – the regulator intends to keep monetary conditions quite restrictive for as long as necessary to achieve the inflation target. Meanwhile, the Bank of Russia raised the key rate by another 100 bps to 19% amid high inflation and increased pro-inflationary risks. It is expected that inflation in Russia in 2024 is likely to exceed the forecast, and therefore the regulator admits the possibility of another increase in the key rate at the next meeting.

**The growth of the short-term economic indicator for January-August 2024 is estimated at 4.4% YoY.** Production growth is observed in all major sectors of the economy, in particular, the construction, transport and communications sectors showed the greatest growth. The steadiness of domestic demand is confirmed by a noticeable acceleration in retail trade growth and is supported by

continued fiscal stimulus, rising cash incomes, as well as increased investment in the non-resource sector. The business activity indicator monitored by the National Bank has been in a positive zone for eight months in a row.

**Pro-inflationary risks remain.** On the external side, they are caused by higher inflation in Russia and rising world food prices, and on the domestic side, by continued growth in utility services tariffs, continued stable domestic demand with fiscal stimulus, unanchored inflation expectations, and positive growth dynamics in consumer lending.

Achieving the 5% inflation target in the medium term requires maintaining moderately tight monetary conditions. The balance of risks remains in the pro-inflationary side. A steady decrease in the stable part of inflation, coupled with an effective and systemic solution to the issue of financing the fiscal gap, will create conditions for a cautious and balanced reduction in the base rate. The National Bank will monitor incoming data and the trajectory of convergence of overall and core inflation to the target.

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

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