



NATIONAL BANK OF KAZAKHSTAN

***Comment by Deputy Governor of the National Bank of Kazakhstan Aliya Moldabekova on the situation in the foreign exchange market***

*Astana*

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A combination of external and internal factors has recently led to the weakening of the tenge.

The external sector remains unfavorable due to persistent high volatility and global economic risks. The US dollar has continued to strengthen against both developed and emerging market currencies. The DXY index rose to 106.2 points, increasing by 5.5% since the end of September, while the emerging market currency index (EM) continues to decline, dropping 4.1% over the same period.

In the oil market, a pessimistic sentiment prevails due to weak global demand recovery and expected supply growth from OPEC+. This has led to a decrease in oil prices to \$71-72 per barrel.

The domestic foreign exchange market is experiencing an increase in demand for foreign currency from economic agents and a limited supply on the currency market.

The growth in demand for foreign currency is driven by increased overall economic activity, including foreign economic activity. Additionally, the rise in budget spending and expenditures of quasi-state companies on infrastructure and investment projects also have an impact. All these factors collectively stimulate the growth of imports and, consequently, the demand for foreign currency.

The imbalance between supply and demand in the foreign exchange market negatively affects the investment climate, leads to an increase in the cost of investment projects, and exerts a general inflationary pressure. In this regard, to enhance the balance of the foreign exchange market, the regulation requiring the mandatory sale of 50% of foreign currency earnings by quasi-state sector entities will be reinstated. The corresponding resolution by the Government of the Republic of Kazakhstan and the order of the National Bank have been prepared and will be adopted in the coming days.

This regulation was in effect until August 2023, when it was suspended in response to changing macroeconomic conditions. Nonetheless, it remains a highly effective tool that can be swiftly reactivated to mitigate economic shocks.

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