

Press-release

Base rate increased to 15.25%

Astana

November 29th, 2024

The Monetary Policy Committee of the National Bank of Kazakhstan decided to set the base rate at 15.25% with a corridor of +/-1 p.p. The decision was made with consideration of the updated forecasts and an assessment of inflation risks balance.

Annual inflation in Kazakhstan increased to 8.5% in October, with a significant increase in the cost of regulated services amid implementation of the Tariff in Exchange for Investments program and the weakening of tenge. The core inflation is accelerating as well. Inflation was driven by rising prices for non-food products and market services in conditions of high domestic demand. Pro-inflationary pressure within the economy persists, conditioned by ongoing fiscal stimulus due to non-fulfillment of the revenue side of the budget. Inflation expectations decreased in October but remain volatile.

A slowdown in **global inflation**, easing labor market tensions and slower business activity contribute to a gradual easing of external monetary conditions in developed economies. At the same time, **external inflationary pressures are increasing** supported by the boost in world food prices observed in recent months, together with higher inflation and substantial exchange rate fluctuations in Russia. A noticeably **elevated volatility** in financial markets may support the growth of uncertainty and inflation expectations.

The baseline scenario entails a downward revision of Brent crude **oil price** to \$70 per barrel on average until the end of the forecast period. The scenario conditions include the actual dynamics of prices, a decrease in demand from China, a slowdown of the global economy and elevated oil production in North and South America.

The **inflation forecast for 2024** has been updated to **8-9%**. The forecast for **2025** has been revised upward to **6.5-8.5%**, and for **2026** to **5.5-7.5%**. At the same time, the stable part of inflation will already form around 5% in 2026. Overall inflation is expected to develop close to the target in 2027. Higher inflation estimates for the coming years are associated with the expansion of fiscal stimulus, continuation of utilities reforms, the weakening of the exchange rate and increased external inflationary pressures. Inflation forecasts are subject to downside risks from elevated domestic demand pressure, acceleration of external inflation and increased inflation expectations. In addition, uncertainty remains regarding the instruments for stabilizing public finances. Further liberalization of regulated prices and tariffs, its pace and timing are also a significant forecast risk.

The forecast for economic growth in Kazakhstan for 2024 has been updated to 4-4.5%. Forecasts for **2025 and 2026** have been revised to **4.5-5.5% and 4.6-5.6%**, respectively. Lower forecasts are associated with lower scenario oil prices and moderate external demand. During the forecast period the National Bank evaluates the economy will grow in conditions of expanding demand, overwhelming the possibilities of domestic supply. This will exert sustained inflationary pressure.

Aggregate monetary conditions have eased amidst weakening exchange rate, lower interest rates in real terms due to elevated inflation as well as its expanded forecasts for the coming years. Combined with increased volatility in financial markets, this necessitated an increase in the base rate. Amid the volatility of the financial and energy markets, the Committee will closely monitor the

necessity of additional tightening of monetary policy to promptly return inflation to a steady slowdown trajectory and achieve the target of 5%.

More information about the factors of the decision and forecasts will be presented in the Monetary Policy Report on the official Internet resource of the National Bank on December 9, 2024. The next planned base rate decision of the Monetary Policy Committee of the National Bank of the Republic of Kazakhstan will be announced on January 17th, 2025 at 12:00 Astana time.

**Key forecast parameters
of the National Bank according to the baseline scenario**

	2024	2025	2026
Forecast conditions			
Price of Brent crude oil, US dollars per barrel on average per year	80.3 (84.5)	70.0 (82.5)	70.0 (77.5)
Прогноз			
GDP Growth %, y/y	4.0-4.5 (3.5-4.5)	4.5-5.5 (5.0-6.0)	4.6-5.6 (4.9-5.9)
CPI %, Dec. to Dec. of previous year	8.0-9.0 (7.5-9.5)	6.5-8.5 (5.5-7.5)	5.5-7.5 (5.0-7.0)
Current account, % of GDP	-1.3 (-1.0)	-2.7 (-0.8)	-2.7 (-1.4)

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