



NATIONAL BANK OF KAZAKHSTAN

PRESS RELEASE

Base rate maintained at 15.25%

January 17th, 2025

Astana

The Monetary Policy Committee of the National Bank of Kazakhstan has decided to maintain the base rate at **15.25%** with a corridor of +/-1 percentage point.

In December, inflation in Kazakhstan rose to 8.6%, forming within the forecast range of 8-9% for 2024. The main contribution to its dynamics is made by the high growth in prices for services and the acceleration of inflation of non-food products observed since August. The increase in inflation is occurring amid the ongoing “Tariff- for-Investments” program and the weakening of the tenge. The growth of the stable part of inflation also remains, indicating pressure from the demand side due to the ongoing fiscal stimulus. Inflation expectations of the population increased again in December, demonstrating high volatility.

External inflationary pressures remain elevated amid high global food prices and accelerating inflation in Russia. In developed economies, inflation has increased slightly in recent months after a period of prolonged decline. Stable inflation and a strong labor market are likely to contribute to the maintenance of tight external monetary conditions for a longer period. Thus, the US Federal Reserve expects a slower rate cut compared to its September estimates.

The growth of the short-term economic indicator accelerated to 6.2% YoY by the end of 2024, which may indicate signs of overheating of the economy. Production growth is observed in all major industries. The sectors of agriculture, construction, trade and transport showed the greatest growth. There is also an acceleration in the dynamics of the manufacturing industry.

Domestic demand exceeds supply and remains persistently high amid active fiscal stimulus, income growth, and expansion of investment in the non-resource sector. This is confirmed by the dynamic of retail trade and consumer lending. The business activity indicator monitored by the National Bank has been in the positive zone for 11 months in a row.

Pro-inflationary risks remain. Externally, they are driven by higher inflation in Russia; internally, by the continuation of reforms in regulated prices, the pass-through effect of the weakening of the tenge on prices, strong domestic demand amid fiscal stimulus, unanchored inflation expectations, and the growth of consumer lending.

Aggregate monetary conditions have slightly softened amid a weaker exchange rate, higher inflation expectations, and higher actual inflation dynamics. In this regard, at the upcoming meeting, during which forecasts of key macroeconomic indicators will be updated, the Committee will assess the need for additional monetary policy tightening in order to return inflation to a steady downward trajectory towards the 5% 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 March 7, 2025 at 12:00 (Astana time).

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