



NATIONAL BANK OF KAZAKHSTAN

## PRESS RELEASE № 11

### The base rate reduced to 9.00%

April 16, 2019

Almaty

*The National Bank of Kazakhstan has made a decision to reduce the base rate to the level of 9.00% with a corridor of +/-1 percentage point. In March the annual inflation rate formed below the midpoint of the target range. At the same time inflation expectations continued declining. There were several positive tendencies observed in the external market: the slowdown of inflation in the countries – main trade partners, as well as the price increase in the global commodity market.*

*The next decision on the base rate will be made depending on the correspondence of actual inflation and forecast for this year and expectations for 2020.*

In March the annual inflation amounted to 4.8% (in comparison, it was 5.3% in December 2018).

The prices of non-food products revealed a gradual deceleration of the annual dynamic, reaching 6.0% at the end of March (6.4% in December 2018). In March 2019 food prices grew by 6.7%, compared to the March of 2018 (5.1% in December 2018), which made the largest contribution to the growth of inflation. The annual price increase for paid services slowed down to 1.2% (4.5% in December 2018), which is associated with measures taken to reduce tariffs for natural monopolies' services.

**Inflation expectations** resumed declining amid the low level of inflation. According to the results of the March round of households' surveys, the value of expected inflation 12 months ahead amounted to 4.5%. The formation of inflation expectations below the level of inflation will make a favorable impact on inflation stabilization in the future.

The growth of **economic activity** continued along with **the income of the population**. In the end of February the short-term economic indicator amounted to 104.2% in annual terms. A positive contribution to the growth was added by the construction industry (8.9%), trade (7.2%), mining (4.8%), transport (4.4%), and agriculture (3.6%). In the past 3 months, the growth of investment in fixed capital amounted to 7.0%, compared to the corresponding period of the previous year.

**The domestic demand** is stimulated by the growth of real money income of the population (growth by 9.4% in annual terms in January-February), as well as a persistent tendency of expanding consumer lending portfolio in the banking sector (growth by 13.5% in annual terms in February).

**The external environment** is considered to be moderately positive. The oil prices are formed at a high level (from the beginning of the year the average Brent price has been formed at 64 US dollars per barrel). External monetary conditions have not changed significantly, compared to the previous episode of decision-making on the base rate; their current impact is considered as neutral. The inflation in China and the European Union is formed below their target levels. Nevertheless, the risk of importing high inflation from Russia persists.

Despite the reduction of the base rate, **monetary conditions** remain neutral. The current decision on the base rate will allow maintaining control over the prevailing inflationary background in order to keep inflation within the target range of 4-6% in 2019-2020 and helping to sustain the economic growth as much as possible.

The next decision on the base rate will be announced on June 3, 2019, at 17:00 Nur-Sultan time.

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