



NATIONAL BANK OF KAZAKHSTAN

Press release №15

The base rate reduced to 9.5%

April 3, 2020

Almaty

The National Bank of Kazakhstan has made an unplanned decision to reduce the base rate to the level of 9.5% per annum with the expansion of the corridor to +/- 2 percentage points. Consequently, the rate for the liquidity provision standing facilities is 11.5% and for the liquidity withdrawal standing facilities – 7.5%. This decision takes effect from April 6, 2020.

The NBK's decisions on the increase of the base rate to 12% and the formation of the tenge exchange rate on the equilibrium level, which took place in March 2020 due to the double drop of oil prices, the uncertainty regarding the further perspectives on OPEC+ agreement and the pandemic of COVID-19 were aimed to stabilize the inflation expectations and to limit the transition of the external shocks to the financial market.

With an aim to mitigate the effect of the external shocks the President of Kazakhstan K.K. Tokayev has initiated two packages of the anti-crisis stimulus measures in the amount of 4.4 tln tenge to ensure the socio-economic stability in the country. To implement these initiatives the key parameters of the fiscal policy were reconsidered and significant expenses for funding the anti-crisis measures were implied by the Government of Republic of Kazakhstan. In this regard, the NBK believes that the further prolonged maintenance of the base rate on the current level may have the restricting effect on the economic activity.

Nevertheless, simultaneous supply and demand shocks of the external sector resulting from the expansion of the COVID-19 pandemic, the dramatic drop of oil price to the long-standing minimum and the limited domestic supply led to the increase of the inflation rate level. As of the end of March 2020, the annual inflation rate amounted to 6.4%, overshooting the target corridor of 4-6%. At the end of the current year we expect that the annual inflation rate will be in the range of 9-11% with the further deceleration in 2021. The estimates of the NBK demonstrate that the economic growth rate in the current year will be negative under the present conditions.

The present decision is one of the measures taken by the NBK aimed to ensure the financial stability, to limit the risks for our economy and to encourage its adaptation to the changed conditions of the external and internal environment. The reduction of the base rate in conjunction with other measures taken by the NBK including the expansion of the Program "Economy of simple things" to 1 tln tenge and the adoption of Program of the soft-lending to the entities of the small and medium scale enterprises in the amount of 600 bln. tenge will allow to mitigate the influence of the coronavirus consequences on the Kazakh economy and to support the economic activity.

The NBK continuously monitors the internal and external situation and will flexibly adjust its monetary policy should the necessity arise. The NBK has all the required instruments and possibilities to ensure the financial stability and is ready to take the adequate decisions in case of the significant deterioration of the situation in the world economy.

The next decision of the National Bank of Kazakhstan on the base rate will be announced on April 27, 2020 at 15:00 Nur-Sultan time.

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