



NATIONAL BANK OF KAZAKHSTAN

Press release №16

The base rate remains unchanged at 9.5%

April 27, 2020

Almaty

The National Bank of Kazakhstan has made a decision to maintain the base rate and the interest rate corridor at **9.5%** per annum with **+/- 2** percentage points.

The situation in April 2020 has been developing under the impact of worsening external economic conditions. Due to the expansion of the coronavirus, the quarantine measures were prolonged. The major world economies are undergoing the contraction of the economic activity, which affects the indicators of the global trade, production and services. The situation in the oil market remains unstable due to the persistent supply-demand imbalance. In March 2020 inflationary risks have started realizing in the Republic of Kazakhstan.

Due to the expansion of coronavirus **the recession in the global economy is being witnessed**. According to the recent outlook of the IMF, **in 2020** the global economy is projected to contract by **3.0 percent**, including **the countries – main trade partners** of Kazakhstan. The contraction of EU economy is projected to be 7.5%, Russia – 5.5%, the economy of China is estimated to grow at a subdued 1.2%.

The volatility in the oil market remains persistent due to the decline in global demand and the growth in the reserves, and also due to the uncertainty about the duration of the epidemic. After the short-term recovery in the beginning of April 2020 when the **Brent** oil price reached the level of 34.1 US dollars per barrel, on April 22 of this year it has dropped to the values below 16 US dollars per barrel – the minimum price since the beginning of the century. As of 27 April, 2020 **the Brent oil price** is traded at the price of 20.6 US dollars per barrel.

To stabilize the oil market, the participants of OPEC+ reached an agreement to reduce the production by **9.7 mln** barrels per day. The further development of the situation in the oil market is linked to the risks of world economy deceleration and the world oil consumption decline and will depend on the actual steps taken by the countries – main oil producers to limit their production and, accordingly, to balance the supply and demand in the oil market, and also on the duration of the recession and recovery rate of the world economy.

The decrease of the world aggregate demand is reflected on the **economic activity** rate in Kazakhstan. According to the preliminary estimates of Statistics Committee of the Ministry of National Economy, the annual real GDP growth in the first quarter of 2020 was **2.7%**. **The business activity rate**, which is estimated on a monthly basis based on the business surveys by the National Bank, has decreased to **41.5%** in March 2020 from 49.1% in February and 50.1% in January 2020.

According to the updated forecast of socio-economic development by the Government of Republic of Kazakhstan, the contraction of the real GDP will be **0.9 percent**. For its part, according to the estimates by the National Bank the contraction might reach the level of **1.3 percent** due to the more negative assessments of prospects of the external sector performance.

The slower response of **the aggregate demand** in Kazakhstan to the changes of the external environment is due to its higher rates in the beginning of the current year. **The growth in the fixed investments** in January-March 2020 slowed down to **5.1%** compared to 11.6% in January-February 2020. The measures taken by the State to support the income of the population and employment will stimulate the aggregate demand, which in turn will encourage the phased recovery of the economic activity.

The annual inflation in March 2020 increased to **6.4%**, overshooting the upper target bound of the 4-6% corridor. The main contribution was made by the price acceleration of the **foodstuff** to 9.3% (8.6% in February 2020). The **non-food inflation** didn't changed much and amounted to 5.5%. The prices of **the paid services** increased by 3.5% as the result of the depletion of the effect of administrative decline of the prices of regulated utility services in the preceding year. Taking into the account the risks of the uncertainty in the world economy performance and the exchange rate pass-through effect on the domestic prices, the inflation rate will be in the corridor of **9-11%** at the end of 2020 if the oil prices remain on the current level.

The inflationary expectations of the households have also increased following the inflation rate, which is confirmed by the survey. In March 2020 the inflationary expectations increased to **6.4%** compared to 5.2% in February 2020. According to the estimates of the National Bank, the growth will be confined due to the imposition of the quarantine and the demand support measures in the economy.

The further decisions on the base rate will be made based on the recovery rate of economy, the balance of the inflationary risks, the level of the aggregate demand, and also taking the account the measures ensuring the financial stability.

The next decision of the National Bank of Kazakhstan on the base rate will be announced on June 8, 2020 at 15:00 Nur-Sultan time.

More information for mass media representatives is available at:

T: +7 (727) 2704 591 (3930)

+7 (727) 330 24 52 (1452)

+ 7 (727) 2704 596 (1596)

e-mail: press@nationalbank.kz

www.nationalbank.kz