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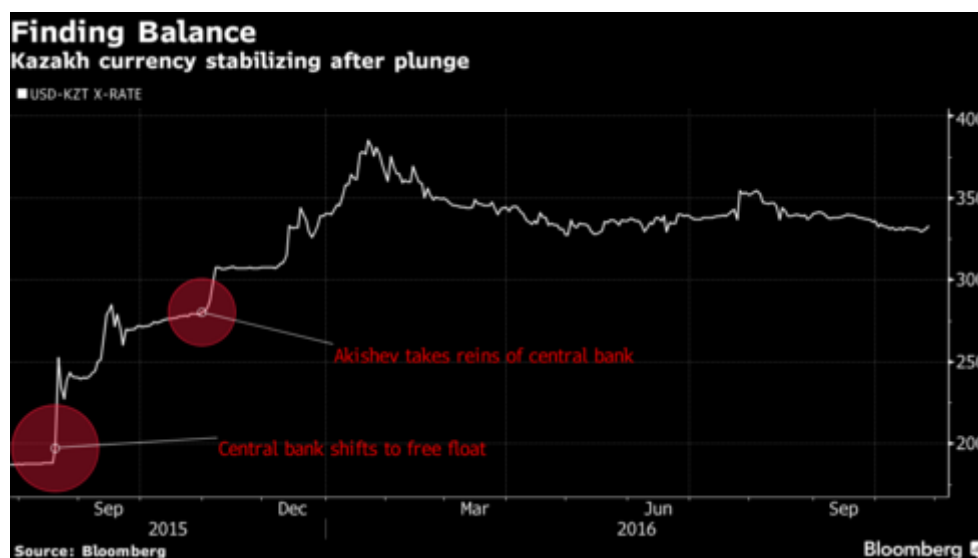
Kazakh Central Bank Turns to Battered Tenge to Boost Economy

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A year after taking charge of Kazakhstan's central bank with a presidential mandate to restore trust in a collapsing currency, Daniyar Akishev is putting the tenge at the heart of a bid to fix the economy.

“Our current account is in deficit, and for an oil-producing country this is a big issue,” Akishev said in an interview with Bloomberg News in Almaty on Thursday. “The exchange rate must ensure, at a minimum, some basic conditions for competitiveness.”



When Akishev took the reins in November last year, the tenge had already slumped 30 percent against the dollar after tumbling oil prices triggered his predecessor's decision to shift to a free-floating exchange rate. While it's 2.3 percent stronger this year, that's still a fraction of the gains for the ruble, the currency of Kazakhstan's biggest trading partner.

That may prove an advantage. The economy of the second-biggest energy producer in the former Soviet Union is heading for its weakest pace of growth since a 1998 contraction and the current account, the broadest measure of trade in goods and services, posted a \$2.5 billion deficit in the second quarter, 15 percent wider than a year earlier.

The government must close the gap “by increasing the opportunities for export and by reducing imports, including by import substitution,” Akishev, 40, said. “We are

ready to work very closely with the government in various ways, but the role of the exchange rate is important here,” he said, without elaborating.

Since the crash in oil prices prompted the second currency devaluation in as many years and an exodus from tenge savings, policy makers have focused on weaning the [\\$184 billion](#) economy from its reliance on dollars. The local currency declined for a fourth day against the greenback on Friday, declining 0.2 percent to 334, the weakest since Oct. 4.

Slowing Inflation

“The tenge stopped playing a role as a payment instrument,” Akishev, a former aide in the presidential administration, said.

Now that the currency market has stabilized, cash in circulation has jumped 31 percent to 1.6 trillion tenge between November and September, he said. At the same time, inflation has slowed after the central bank lifted its benchmark rate as high as 17 percent to stanch capital outflows.

Akishev sees the pace of price growth slowing to single digits this year after surging to 17.7 percent in July, the fastest in eight years. The inflation rate will “definitely” be within a 6 percent to 8 percent corridor in January or February, he said.

For now, companies should seize on the currency’s weakness, according to Akishev.

“The only instrument that allow to even competitiveness for everyone is the exchange rate,” he said. “It has a short-term effect, and one must use it.”