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MONETARY POLICY GUIDELINES
OF THE REPUBLIC OF KAZAKHSTAN FOR 2016

FOREWORD

The main objective of the National Bank of the Republic of Kazakhstan (“the National Bank” hereinafter) and its monetary policy pursuant to the Law of the Republic of Kazakhstan “On the National Bank of the Republic of Kazakhstan” dated March 30, 1995, No. 2155 is to ensure the price stability in the country. The price stability implies attaining and maintaining the inflation at a low level. Clear communication by the National Bank in regard to decreasing and stabilizing the inflation at low level potentially increases confidence of market participants in the central bank and promotes sustainable and balanced economic growth.

In this environment, in August 2015 the National Bank adopted the inflation targeting regime as a monetary policy regime preferable for Kazakhstan and introduced free floating exchange rate regime for the domestic currency – the tenge.

Medium-term goal of the National Bank is to decrease the annual inflation rate to 3-4% by 2020. In order to achieve this level, the basic set of monetary policy instruments, both for injection and absorbing of short-term tenge liquidity, has been generally designed. However, the framework of monetary policy instruments is to be further expanded and refined.

The main efforts will be focused on increasing effectiveness of the interest rate policy by keeping market interest rates and volatility within an acceptable range. Foreign exchange policy is aimed to provide balance between domestic and external competitiveness of Kazakhstan’s economy while maintaining the free floating exchange rate regime.

Depending on possible outcomes in economy development scenarios, the National Bank also maintains balance between the main goal of its monetary policy of ensuring the price stability and promoting the financial system’s stability as well as providing necessary conditions for sustainable long-term economic growth.

I. MACROECONOMIC DEVELOPMENT AND THE MONETARY POLICY OF THE REPUBLIC OF KAZAKHSTAN IN 2015

1. Trends in Global Economy Development in 2015

In 2015, the development of the global economy was demonstrating feeble rates of recovery. Developed economies were showing slight acceleration of their economic growth, and the growth rates in developing economies were slowing down. According to the World Bank's assessments, growth rates of the global economy decreased in 2015 (from 2.6% in 2014 to 2.4% in 2015).

The slowing economic growth in China's largest trading partners had negatively affected global demand for Chinese goods. This resulted in decreased exports from China and, respectively, in reduced rates of economic growth (from 7.3% in 2014 to 6.9% in 2015). In addition, the economic activity in the country is rebalancing due to re-orientation from investments and manufacturing industry towards consumption and services. In mid-2015, there was a significant drop of the Chinese stock market which continued till the end of the year. The People's Bank of China undertook a set of measures to counteract the market drop, mainly by lowering interest rates and the reserve ratio requirements. Besides, in the environment of negative expectations regarding China's economic prospects and the US Fed's interest rate increase, the yuan was depreciating. This resulted in buildup of negative expectations in the global financial and commodity markets as well in depreciation of currencies of developing countries.

The monetary policy implemented by the US Federal Reserve System and aimed to encourage the economic activity and to reduce the oil prices had a favorable effect on increasing growth rates of the US economy. According to preliminary assessments of the World Bank, in 2015 the economic growth in the US accounted for 2.5%. Amidst recovery of the US economy and a corresponding decrease in the unemployment rate, the US Fed increased its interest rate in December 2015. This was conducive to strengthening of the US Dollar against the basket of currencies, including the euro.

In the European Union, the economy demonstrated slight growth in 2015. One of the factors for the economy's growth was the fall of world oil prices. Apart from that, depreciation of the Euro against the US Dollar which was mainly caused by the quantitative mitigation measures taken by the European Central Bank ("the ECB" hereinafter) pushed the consumer spending positively influencing the production and export of goods.

Such factors as the remaining quotas for the volumes of oil production by the OPEC countries; price dumping in the oil market; appreciation of the US Dollar; the boom in the production of oil from shale field in the North America; a significant increase in the reserves of oil products in the US; removal of a ban for export of oil from the US had a significant impact on the state of the market of oil and oil products also enabling the world oil prices to decline. World prices of oil (Brent) in 2015 fell by 46.9% and amounted to USD 52.4 per barrel on average during the year.

In 2015, prices of metals were falling following the decline in the oil market: copper cheapened by 19.7% in terms of price, lead – by 14.7%, aluminum – by 10.9%, and zinc – by 10.7%. Given a rich harvest in Russia and a number of other countries, in 2015 prices of wheat declined, with the decline accounting for 13.3%.

Low oil prices, feeble recovery of the global economy and consumer demand as well as heavy agricultural crop constrained the growth of global inflation. The inflation was accelerating in certain developing economies only, because of depreciation of their domestic currencies.

2. Macroeconomic Development of the Republic of Kazakhstan in 2015

Significant slowdown in the real GDP growth rate from 4.1% in 2014 to 1.2% in 2015 (preliminary data) was a consequence of negative external impact on Kazakhstan's economy. Amidst moderate yet positive growth in virtually all sectors of the services production (2.4%), especially in sectors of transports (6.0%), public administration (3.1%), education (3.2%), and public healthcare (3.0%), the growth rates of goods production slowed down (0.1%).

Unfavorable pricing environment for major items of Kazakhstan's exports was conducive to the decrease in the volumes of foreign trade. For the first time since 2009, the current account had a negative balance, amounting to USD 5.3 bln., according to preliminary results for 2015. Export of goods decreased by 42.5%, and import of goods decreased by 26.9%. Net capital inflow on the financial account amounted to USD 11.1 bln., including foreign direct investments – USD 4.3 bln.

The resulting current account deficit was also financed with the National Bank's foreign exchange reserves; the decrease in the reserves amounted to about USD 0.8 bln. as a result of the balance of payments operations.

During 2015 the tenge depreciated by 29.9% in real terms (the change in the real effective exchange rate index to currencies of 34 countries).

The lending activity of banks was in stagnation against the backdrop of slowing rates of economic growth and sluggish business activity. At the end of 2015, the volume of bank loans in the economy amounted to KZT 12 674.2 bln., increase by 4.7% (in 2013 – by 7.2%). Loans in the domestic currency decreased by 1.9%, and foreign currency credits increased by 20.7%.

Deposits by domestic residents still represent the main funding source for commercial banks, demonstrating generally a positive pattern in 2015. The main growth occurred in August-December 2015 (over 96% of the annual growth), secured to large extent by revaluation of foreign currency deposits. In general, during 2015 the growth in deposits of residents accounted for 36.6%, corporate deposits increased by 25.8%, and deposits of individuals – by 54.5%. During 2015, foreign currency deposits increased by 69.6%, and deposits in the domestic currency decreased by 4.8%. The rate of deposit dollarization reached 69.0%, including deposits by individuals – 78.9%.

Inflationary processes in 2015 were of divergent nature. From January to August 2015, the annual inflation was gradually decreasing from 7.5% to 3.8% (the minimum rate since 1999). In doing so, until August 2015 low rate of inflation was secured by constraint of the money supply. Thus, during January-July 2015, the money supply increased by 0.9%, and cash in circulation – by 1.2%. Another factor in low inflation figures was depreciation of the ruble at the end of 2014 – beginning of 2015, which resulted in cheapening of Russian goods in the Kazakhstan market.

In September 2015, inflationary pressures in the economy increased. Major price growth occurred in October-December 2015, when inflation accounted for 10.4% (over 76% of the overall price growth during 2015). The main factor in dramatic inflation surge was a

considerable depreciation of the tenge. Therefore, in 2015 the largest increase occurred in prices for non-food products – by 22.6%, whereas foodstuffs and paid services increased in terms of price by 10.9% and 8.1%, respectively.

Despite negative factors influencing the inflation growth, including the fall in world oil prices, devaluations in main trading partners' currencies, current macroeconomic efforts had a constraining impact on inflationary processes. Among these, the reduced business activity, the decrease in cash income of the population, in consumer demand, and in volumes of loans in the economy could be mentioned.

At the end of 2015, the annual inflation was at 13.6%, while the target was 6-8%.

3. Monetary Policy of the Republic of Kazakhstan in 2015

In the first half of 2015, the monetary policy of the National Bank was aimed to decrease and stabilize the money market rates as well as the exchange rate of the Tenge.

At the end of 2014, an increased demand for the Tenge liquidity was observed against high devaluation expectations. Since November 2014, the National Bank started to conduct operations to inject short-term liquidity in the tenge through overnight reverse repurchase agreement operations (reverse repo) in the automatic repo sector and overnight foreign exchange swaps in the Kazakhstan Stock Exchange.

Due to insufficient collateral availability for reverse repos, the bulk of liquidity was injected through overnight foreign exchange swaps. As a result, volatility of interest rates in the money market had significantly been decreasing since the beginning of 2015 as compared to the end of 2014. As demand for liquidity was stabilizing during the first half of 2015, the National Bank participation was gradually decreasing. In June and July 2015, liquidity injection and absorption operations were conducted without the National Bank's participation. Also, the National Bank continued to provide refinancing loans in order to support troubled commercial banks.

The volume of reverse repos (refinancing loans) in January-July 2015 amounted to KZT 4.9 trln., with the weighted average annual yield of 5.5%; the volume of overnight reverse repos in the Kazakhstan Stock Exchange was KZT 425.6 bln., with the weighted average annual yield of 14.88%; and overnight foreign exchange swaps in the Kazakhstan Stock Exchange – KZT 19.6 trln., with the weighted average yield of 15.5% per annum.

As part of improvements in the framework of monetary policy instruments, amendments to the minimum reserve requirements were made in March 2015. More detailed structure of reserve liabilities was introduced, which suggests the breakdown of liabilities by types of currencies: domestic currency and foreign currency. Additionally, with the purpose of improving liquidity management capabilities of commercial banks, procedure for calculation of minimum reserve requirements was changed, keeping the averaging principle intact at the same time. From June 23, 2015, periodicity for determining minimum reserve requirements and accumulating reserve assets is set at 28 calendar days following in direct concession.

For determining the required volume of demand for liquidity from commercial banks, the National Bank has limited the share of cash in vault in the structure of reserve assets to 70% of the average amount of minimum reserve requirements for periods of their determining.

Since banks had no available resources in the tenge, there was no demand for liquidity absorption instruments of the National Bank on the part of banks. Consequently, in the first half of 2015 the National Bank did not place short-term notes. The volume of deposits attracted from banks during the first half of 2015 amounted to KZT 605.9 bln. only, which is 3.1 times less than in the first half of 2014. Foreign exchange reserves selling operations conducted by the National Bank in the domestic currency market to support the tenge exchange rate were also conducive to liquidity absorption.

In January-July 2015, the exchange rate of the tenge remained stable with a slight depreciation by 2.8% during the reviewed period. To support the exchange rate, the National Bank was actively intervening, mainly selling the foreign exchange reserves.

The exchange rate policy aimed to support stable exchange rate of the tenge had been inevitably leading to imbalances in the economy in the environment of negative long-term impact of external shocks. As a result, in August 20, 2015, transition to the freely floating exchange rate regime of the tenge was announced. The free floating exchange rate regime enables to respond to external shocks automatically and reach equilibrium value of the exchange rate of the tenge in short term after changes in fundamental factors occur.

Despite significant depreciation of the tenge as a result of transition to the free floating exchange rate, high devaluation expectations remained among the financial market participants, causing speculative demand for foreign currency. In order to stabilize the situation in the domestic currency market amidst excessive exchange rate volatility, in September 2015, the National Bank had to resume active participation in the foreign currency trading.

Concurrently with transition to the free floating exchange rate regime, the National Bank took actions to strengthen its interest rate channel of monetary policy transmission mechanism.

In September 2015, the National Bank announced the introduction of the base rate – the target interest rate on one-day operations in the money market at 12%. Interest rates on the standing facilities for liquidity injection and absorption were setting the upper and the lower boundaries for the interest rate in money market and were set at 17% and 7%, respectively.

With the introduction of the base rate in September 2015, the National Bank has started to conduct open market operations to inject liquidity through auctions for the purchase of securities with the reverse sale at the base rate. In September-October 2015, volume of such operations amounted to KZT 159.4 bln. with the weighted average rate of 13.9%. Between September and October 2015, the National Bank conducted direct repo operations amounting to KZT 578.6 bln., and foreign exchange swaps of KZT 217.5 bln., at the rates of 17.0% and 45.2%, respectively.

In certain periods the National Bank conducted operations to absorb liquidity for tenge. During September-October 2015, the volume of short-term notes issued amounted to KZT 202.4 bln., and direct repos at the Kazakhstan Stock Exchange amounted to KZT 1,5 trln.

As a result of taken measures, the TONIA rate in the money market had stabilized within the interest rate boundaries set the National Bank.

On October 2, 2015, due to the increased volatility of the tenge exchange rate, the National Bank raised the base rate to 16% and narrowed the interest rate band to ± 1 percentage point in order to reduce interest rate volatility in in money market and inflation expectations.

In November 2015, the situation in the external markets deteriorated significantly. Low prices commodities, low value of currencies of Kazakhstan's main trading partners, and slowing growth of their economies against the expectations regarding the US Fed's intention to raise its interest rate fostered negative expectations of market participants in regard to further depreciation of the tenge.

These factors led to growing devaluation expectations in the domestic currency market that was accompanied by increasing speculative demand for foreign currencies from large market participants and population.

In this environment, in November 2015 the National Bank changed its approaches to the monetary policy implementation and minimized its participation in the foreign exchange market in order to preserve the gold and foreign currency assets. In regard to the interest rate policy, the National Bank retreated from its earlier commitments to support the interest rate band within a certain range while continuing to provide liquidity in the money market on a case-by-case basis. Dramatic deterioration of situation in the global market in December 2015 resulted in considerable depreciation of the tenge which accounted for 10.5% and a limited injection of liquidity to commercial banks by the National Bank causing spikes in the money market rates which that reached 300% at a certain point in time.

Since December 2015, the National Bank has been taking measures to restore and maintain the balance in money and currency markets. From December 24, 2015, the National Bank began to provide short-term liquidity in the money market, and at end-January 2016 the share of the National Bank's participation in the money market was estimated at 1/2 of the market volume. As a result of the National Bank's active participation in the money market, interest rates had significantly stabilized. Rates on one-day repos and swaps decreased from 80% in December 2015 to 25% at end-January 2016. The improving situation in the domestic foreign exchange market as a result of the price stabilization in the global oil market was also conducive to the decrease in rates.

To mitigate burden on banks and release liquidity, in January 2016 the National Bank abolished its constraints in regard to use of banks' cash in vault in compliance with minimum reserve requirements.

The above combination of factors created prerequisites, including positive expectations of the market participants, for setting the base rate. On February 2, 2016 the National Bank set its base rate at 17% with the deviation of ± 2 percentage points. This means that the National Bank injects liquidity to banks in any volumes at a rate close to 19% and absorbs liquidity from banks at 15%.

II. SCENARIOS FOR THE DEVELOPMENT OF THE ECONOMY Of the Republic of Kazakhstan FOR 2016

The National Bank, drafting the Monetary Policy Guidelines of the Republic of Kazakhstan, considers three scenarios for the development of the economy.

Considering the extent of impact on the economy of the Republic of Kazakhstan, for designing the monetary policy the average annual level of global oil prices was defined as a key criterion for distinguishing between scenarios. Three scenarios for development of the macroeconomic situation were considered; they assume the average level of the global oil prices at US\$35, US\$

30 and US\$20 per barrel. The scenario where the global oil price is US\$30 per barrel was taken as the baseline scenario.

Forecasts of key monetary policy indicators of the Republic of Kazakhstan are consistent with the balance of payments forecasts.

Negative scenarios which were realized in 2015 will continue having negative impact on the macroeconomic situation in the country in 2016. The major inflation risk that was realized is depreciation of the tenge. However, low consumer demand and business activity which determine a negative output gap (an actual output volume is below its potential level) will be limiting the inflation growth.

In 2017, a gradual adaptation to new economic conditions will be observed. It will be accompanied by the recovering economic activity and the rates of such recovery will depend on efficiency of the government policy focused on the support of the economy and dedollarization.

The change in external prerequisites put in the scenarios, including unforeseen changes in oil prices, as well as the change in macroeconomic situation in countries – Kazakhstan's main trading partners represent a key risk for the medium-term forecast.

The first scenario assumes a slow but progressive development of the global economy. This scenario assumes that in 2016 the global price of oil would be US\$ 35 per barrel.

Under the scenario, net exports of goods are expected to decrease by three times versus 2015, while a significant deficit in the balance of services and payouts to foreign investors would remain. As a result, a current account deficit would account for about 4% of GDP.

The current account deficit would be financed both with the use of foreign assets of the National Fund of the Republic of Kazakhstan and from the inflow of foreign direct investments and investments under earlier loan agreements.

Rates of expansion in the money supply would correspond to the growth rates of the nominal GDP, thus ensuring that monetization in the forecasted period would be retained at the level of 2015.

The **second scenario** assumes that an annual average price of oil would be lower than under the first scenario and would be US\$30 per barrel.

In case of the first and the second scenarios, the business activity and consumer demand would remain low, the balance of payments parameters would deteriorate and growth rates of the supply of money would decrease.

The pattern of the money supply, just like in the first scenario, would correspond to the growth rates of the nominal GDP; as a result, the level of monetization in the forecasted period would not change versus its current level.

The **third scenario** assumes pessimistic forecasts in the event if the situation in the global commodity and financial markets deteriorates in the medium term. In 2016, the world oil price is estimated at US\$20 per barrel on average in this scenario.

Macroeconomic development of the Republic of Kazakhstan, in case this scenario is realized, would have more negative outcomes versus the first and the second scenarios.

Expansion of the current account deficit as a result of significant reduction in proceeds from net export of goods would be partially limited through sizable reduction in the deficit of balance of services and revenues. In the environment of decreased inflow of direct investments, the current account deficit would be financed by using assets of the National Fund of the Republic of Kazakhstan while preserving the approved volumes of the guaranteed and targeted transfers to the national budget as well as with the help of government foreign borrowing.

The annual inflation would be at a high level under all of scenarios. In the second-third quarters of 2016 it would reach its maximum level. Nonetheless, by the end of 2016 the inflation is expected to decrease significantly.

III. MONETARY POLICY Of the Republic of Kazakhstan FOR 2016

1. Goals and Operating Objectives of the Monetary Policy

According to the statutory monetary policy goal to ensure the price stability in the Republic of Kazakhstan, the National Bank identifies stabilization of the inflation rate and its fastest reversion to the target band of 6-8% as its top-priority objective for 2016.

In its implementation of the inflation targeting policy in the medium term the National Bank established the following inflation targets: 2017 – 6-8%, 2018 – 5-7% with the subsequent gradual deceleration to 3-4% by 2020.

The inflation will be decreased through joint efforts of the Government of the Republic of Kazakhstan and the National Bank. Such measures will have a balanced nature. Tight measures taken to curb inflation in a dramatic way within a short time would have negative impact on the economy and would not allow ensuring its steady and progressive growth, while the policy which encourages the economic growth would trigger the buildup of inflationary processes.

The primary objective of the monetary policy in 2016 will be to restore confidence in the tenge and to build the yield curve in the tenge; this is an important condition for effective functioning of the interest rate channel of monetary policy.

In order to achieve its inflation goals, the National Bank will be establishing the base rate to regulate liquidity in the banking system as well as to influence the money market and the target interest rate determined by the market^[1]. Decisions about the level of the base rate will be made in such a way so that to maintain the balance between risks to financial stability (i.e. the interest rate should not be too high) and risks of unjustified devaluation expectations (i.e. the interest rate should not be too low) and will serve as a signal for the market about the nature of monetary policy implemented by the National Bank.

The National Bank, in conducting operations in the money market, will seek to approximate the target interest rate determined by the market (interest rate on overnight money market operations) to the level of the base rate and will ensure that it is maintained within the interest rate band of the base rate.

Volumes of daily operations will be determined in line with the National Bank's forecast regarding the systemic liquidity in the money market taking account of autonomous liquidity

factors (including the demand for cash, operations of the Ministry of Finance), mandatory regulatory requirements as well as volumes of operations conducted by banks and by the National Bank. In case of a negative liquidity gap (when the demand for liquidity is higher than the volume of its supply), the National Bank will provide liquidity in the volume required to cover the shortage, and in case of a positive gap it will be withdrawing the excess liquidity supply.

The interest rate policy will be oriented not only at the technical side of maintaining the target interest rate at the set level but at the policy itself, i.e. communicating the prospects of interest rate changes (interest rate path); triggers and factors affecting it; and explaining the rationale for selecting the policy for the future periods and the reasons for withdrawal from earlier policy statements. All of these will not only allow influencing expectations and the funding conditions for the short-time horizon of money market instruments but will also convert the policy of short-term interest rates into the instrument that would set up long-term interest rates as accumulated expected short-term interest rates thus enabling to build a yield curve in the future.

Important factors that will be taken into account in establishing the base rate are the rate of actual and forecasted inflation and inflation expectations; pattern of the domestic demand; economic growth rates; expectations regarding the exchange rate of the tenge; and the extent of deposit dollarization. The National Bank will be also looking to other macroeconomic variables when implementing its interest rate policy.

The interest rate policy of the National Bank aimed to keep the market rates within the interest rate band of the base rate, will help regulating inflation expectations and expectations about the exchange rate in an effective manner, thus ensuring that the money market volatility is reduced and long-term interest rates are set.

An important element in the inflation targeting policy is to adhere to the free floating exchange rate regime of the tenge since the change in the exchange rate in response to changing fundamental factors allows eliminating imbalances in the economy. The exchange rate of the tenge will be determined as a result of relationship between the demand and supply for foreign exchange.

The National Bank will not be interfering in the process of setting up the exchange rate in the domestic foreign exchange market but will reserve the right to conduct foreign exchange interventions aimed to smooth significant and destabilizing movements in the exchange rate of the tenge, without influencing the evolving trends in its behavior. The asymmetrical approach in operations in the domestic foreign exchange market shall not be excluded. In case of a massive overflow of resources from foreign currency deposits to deposits in the tenge the National Bank will be increasing the volumes of foreign exchange purchases with a view to limit risks of a dramatic appreciation of the domestic currency.

2. Monetary Policy Instruments

The framework of monetary policy instruments of the National Bank implies conducting open market operations, using standing facilities as well as minimum reserve requirements framework (Table 1).

Table 1

System of Monetary Policy Instruments of the National Bank

Purpose	Type of Instrument	Instrument	Collateral	Frequency	Duration
Liquidity injection	Standing facilities	FX swap at the KASE	US Dollars	at banks' request	1 day
		Reverse repo at the KASE	Government securities	at banks' request	1 day
	Open market operations	NBK auction for the purchase of securities with the reverse sale	Lombard list	daily	7 days
Liquidity absorption	Standing facilities	NBRK' notes auction	-	weekly	28 days
		Direct repo at the KASE	Government securities	at banks' request	1 day
	deposits	Collateral-free	at banks' request	1, 7 days	

The National Bank auction for the purchase of securities with the reverse sale is determined as the main monetary policy instrument of liquidity provision to banks. This auction is conducted on a daily basis according to an estimated liquidity gap. As the situation in the money market and in the foreign exchange market and, respectively, the situation with the tenge liquidity among the market participants stabilize, the possibility of reducing the number of such auctions will be considered.

Auctions for the purchase of securities with the reverse sale are intended to be launched as the main monetary policy instrument of liquidity withdrawal from banks.

An additional need of banks for liquidity will be satisfied through standing facilities without any limitations.

Given that banks have a limited volume of liquid securities in their portfolio, the National Bank will be considering the need to expand the list of collateral. In addition, jointly with banks it considers using the facility for provision of liquidity to banks against the pledge of non-marketable assets (a high-quality loan portfolio).

Excessive liquidity of banks will be sterilized by using various monetary policy instruments, including short-term notes and deposits of banks at the National Bank. A possibility of using additional instruments of liquidity withdrawal will be considered where necessary.

The National Bank will be conducting currency swap operations at the Kazakhstan Stock Exchange in case of liquidity shocks. Once the balance in the domestic foreign exchange market is restored, the National Bank will give up conducting such operations completely.

3. Main Objectives in the Area of Monetary Policy for 2016

Implementation of the following objectives will help achieving the goals set by the National Bank, applying monetary policy instruments in an effective way, increasing the strength of the domestic currency as well as ensuring the country's financial sector stability in 2016:

1) Managing expectations

Actions of the National Bank will be focused on overcoming prejudices of the general public and changing its behavioral pattern which implies dollarization of assets.

The National Bank will be implementing active communication policy and a policy of transparency in respect of its actions, including with regard to the prospects of interest rate movements, by building a dialogue with the mass media, business community and the general public. Such policy will consist of the maximum possible information disclosure by conducting regular press conferences, by publishing press-releases and other information and analytical materials regarding monetary policy, regulatory and supervisory policy, by disclosing information about the National Bank' operations in the financial market. The National Bank will be advising about planned benchmarks and actions and explain their necessity on an ongoing basis.

The National Bank will be taking measures to keep its official web-site up to date. The information which is important for the market entities, the general public, real sector and government sector will be posted on a regular basis. The National Bank will extend the list of published information considerably. This relates to statistical and analytical information.

2) Supporting credits to the economy

The main objective for 2016 in supporting the credit market is to take measures that would not result in the credit market shrinkage but would allow disbursing new loans to enterprises and supporting the real sector. The lending activity of banks will be ensured both by providing the tenge liquidity and by adjusting approaches to the banking sector regulation taking account of the measures taken to support the financial sector stability. Actions taken by the National Bank will help providing the potential for the growth in credits to the domestic economy without risking the financial stability.

Nonetheless, in 2016 credits will be satisfying every day needs of enterprises in a greater degree, including the need in their working capital; long-term lending will be rather limited. Lending can recover to the full extent only when the process of dedollarization of bank liabilities will begin, mainly this refers to deposits.

3) Stabilizing the bank funding base in the tenge

The National Bank will be taking measures to create conditions for building the deposit base in the tenge. From February 1, 2016 maximum interest rates on new deposits in the tenge taken from individuals had been raised from 10% to 14%. Interest rates on foreign currency deposits had been lowered from 3% to 2%. The ways to further improve the deposits insurance system will be explored.

4) Developing the interbank market

Given the fact that the National Bank will be covering the systemic liquidity gap with open market operations and interest rates on the standing facilities are penalty rates i.e. they exceed the level of existing market rates, the interbank market should play an important role in redistribution of liquidity.

With this view, the National Bank will look into the possibility of supporting interbank operations primarily non-collateralized loans.

[\[1\]](#) A target interest rate determined by the market is an interest rate of the money market chosen by the National Bank as an operating target in implementing its monetary policy