

Report of NBK Governor
at the meeting of the Government of the Republic of Kazakhstan
2022 – 2026 Forecast of Socio-Economic Development and
Draft Laws of the Republic of Kazakhstan
2022 – 2024 Central Government Budget and
2022 – 2024 Guaranteed Transfer from the National Fund
and draft Decree of the President of the Republic of Kazakhstan
2022 – 2024 Allocation of Target Transfer from the National Fund
Nur-Sultan City, 24 August 2021

Dear Askar Uzakpayevich!

Dear colleagues!

Recovery of the national economy **goes on** amid **improving** external conditions, **existing fiscal stimulation and** last year's **low base**.

It is necessary to point out that a further development pace of the global economy is associated with risks of spreading **delta strain** of coronavirus and **low vaccination rates** in emerging countries.

Thanks to anti-crisis initiatives of the Head of State, Kazakhstan's economy **continues its recovery** and it grew by **2.7%** for 7 months of this year. At the end of this year, the National Bank expects a return to the **pre-crisis level** with GDP growth up to **3.7%**.

Implementation of **joint measures** of the Government and the National Bank to ensure **macroeconomic stability** has made it possible to achieve **positive shifts** in Kazakhstan's economy, which is confirmed by international rating agencies. **Moody's** has **upgraded** Kazakhstan' sovereign rating to **'Baa2'** for the first

time since 2006 (along with 4 other countries out of 144), and also **Fitch affirmed** it at '**BBB**', in both cases with a **stable outlook**.

Based on the above-stated, the National Bank has updated its **forecast** of key indicators of the **monetary policy** and **balance of payments** for the **Forecast of socio-economic development for 2022-2026**.

1. Inflation forecast

According to NBK estimates, given the **increased external inflationary background**, persisting internal **imbalances on the supply side** as well as ongoing **fiscal stimulus** measures, inflation **by the end of 2021** is expected to be within **6-7%**. Inflation estimate will be **updated** based on results of the next forecast round in September 2021.

According to a July instruction of the Head of State, active efforts with the Government are underway to implement **a package of anti-inflationary response measures**. Successful implementation of the above-mentioned measures is a **prerequisite** to cut inflation to **4-6% in 2022, 4-5% in 2023-2024, 3-4% in 2025-2026** in compliance with **the Forecast of socio-economic development for 2022-2026**. These targets are in line with 2030 Monetary Policy Strategy.

2. Balance of payments

According to goals of **the National Development Plan of Kazakhstan until 2025**, **increased non-resource exports** and **lowered dependence on imports** will facilitate, during the

forecast period, reduction in a current account deficit of the balance of payments and a transition to a **surplus zone** to **(+)1.9%** of the GDP in **2026** (in **2022** - **(-)1.2%** of the GDP, in **2023** - **(+)0.3%**, in **2024** - **(+)1.8%**, in **2025** - **(+)2.0%**).

Gradual growth of **export of goods** is expected to reach **USD 80 billion** in **2026**. Improving **oil exports** will be supported by a boosted oil production starting from mid-2023. **Non-oil exports** will go up as a result of a gradual recovery in the global demand, an anticipated rise in metal prices and **increased non-resource exports**.

Import of goods will be supported by a **growing purchasing power** of the population and business as well as by implementation of **major investment projects**. Measures to reduce dependence on imports, implemented under the **trilateral Agreement** between the Government, the National Bank and the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations for 2021-2023, will contribute to a moderate increase in imports up to **USD 43.4 billion** in **2026**.

3. National Fund and transfers to the budget

In line with an approach previously agreed by the National Bank, **guaranteed transfers** from the National Fund are **cut** from **2.4 trillion KZT** in **2022** down to **2 trillion KZT** in **2024**.

According to the Concept of Formation and Use of the National Fund, **target transfers** from the National Fund are

allocated **only by decision of the President** of the Republic of Kazakhstan to finance anti-crisis programs during periods of economic downturn, socially significant projects, strategically important infrastructural projects when alternative sources of funding are unavailable.

In pursuance of instructions of the Head of State, the National Bank was also assigned a task to **preserve** and **multiply** assets of the National Fund.

Based on the above-stated, it is necessary to coordinate with the Head of State **volumes of target transfers** for **2022-2024**. I would like to draw your attention to the fact that **certain expense items** offered through target transfers were **financed earlier** in 2020-2021 and have a **current nature**.

Thank you for your attention!