

## **Dear Alikhan Askhanovich!**

In order to implement instructions of the Head of State voiced during his speech in the Mazhilis on January 11 this year, the National Bank will take measures in **three key areas**.

**The first is to reduce inflation to a medium-term target of 3-4% in 2025.**

Earlier in 2021, based on an instruction of the Head of State, a joint implementation of the Anti-inflationary Response Package with the Government was launched. This made it possible to cut the annual inflation to **8.4%**.

Along with that, I believe that this level is **high** and **limits effectiveness** of the monetary policy. In this regard, given the tasks set by the Head of State, a **Set of measures to control inflation** for 2022 and subsequent years will be adopted which is designed to deal with rising prices.

1. At the end of 2021, growing **food** prices accounted for a **half of the contribution** to inflation. It turned into a primary factor behind **high volatility** of inflation. That is why yesterday the Head of State identified handling the issue of **food security for the next three years** as a **key priority** for the Government and akims. He pointed out that no measures will help **stabilize inflation** without addressing this issue. The National Bank believes that work should

be carried out not only with respect to socially significant food products, but also with respect to other food products that make a **substantial contribution** to inflation.

2. Positive impact on price **stabilization** in the first half of this year will be driven by **temporary regulation of prices** for certain goods and services introduced for a period of 180 days based on an instruction of the Head of State.

However, we must use this given time to implement **market principles** and **unblock bottlenecks** through promotion of competition and elimination of excess intermediation so that **prices** do not **upsurge** after the deregulation, since producers will not operate at a loss.

**Successful implementation** of our joint efforts and **improved efficiency** of the monetary policy will allow stabilize and anchor the inflation in the **3-4%** corridor by **2025** with a view to achieve the goal set by the Head of State.

**The second is to ensure financial stability, especially that of the foreign exchange market.**

1. In order to ensure stable operation of the financial system, the National Bank has taken the following **prompt measures**.

Starting from January 7 this year access to **online services** of second-tier banks **throughout the country** was gradually **restored**. Measures have been taken to **provide** banks with **cash** and **ensure operation of ATMs** for issue of cash, including Almaty City and Almaty Region, starting today.

From January 10 this year, payment systems of Kazakhstan Interbank Settlement Center operate in a regular mode to make tenge payments of the financial sector and the state budget.

In order to **maintain liquidity** of the banking system, transactions for the provision of tenge liquidity through repo transactions on the Kazakhstan Stock Exchange are carried out in an **unlimited volume**.

2. Yesterday, the head of state indicated that the **sustainable economic growth** is impossible without ensuring **stability in the foreign exchange market**.

**Trading on the currency platform** of the Kazakhstan Stock Exchange and **international payments and remittances** are resumed today.

In order to prevent speculative pressure on tenge, the National Bank will **ensure a balance in the foreign exchange market**, if necessary, by means of foreign exchange interventions.

Successful implementation of the above-mentioned package of measures must ensure **restoration of confidence** in the national currency on the part of the internal and external market participants.

**The third area is to suppress unreasonable withdrawal of capital.**

The head of state has observed that in connection with introduction of the state of emergency, **risk of capital withdrawal** outside the country has increased, including those carried through consummation of fictitious transactions.

In this regard, on **January 10**, 2022, the National Bank, alongside with the Agency for Financial Monitoring and the Agency for Regulation and Development of the Financial Market, **passed** a joint order to **tighten control over illegal withdrawal of money** from the country.

In compliance with the above-mentioned order, an **action plan** for requests to conduct transactions was adopted and a **list of cross-border transactions** subject to **enhanced financial monitoring** was approved. In case of obvious violations of the requirements, such operations will be promptly suspended.

The measures being taken are based on the **best global practice** in combating money laundering and fully implement the **KYC** principles (know your client).

This will ensure **larger** transparency of cross-border capital flows.

I would like to confirm that rights of **bona fide** participants in foreign economic activity, including residents and non-residents, **will not be disadvantaged in their rights** and they will not be **limited** in carrying out international operations.

**Thank you for your attention!**