



## Press Release № 7

### The base rate remains unchanged at 13.50%

March 9, 2022

Nur-Sultan

The Monetary Policy Committee of the National Bank of the Republic of Kazakhstan has decided to set the base rate at **13.50%** per annum with an interest rate corridor of +/- 1.00 p.p. Consequently, the rate for the liquidity provision standing facilities set at 14.50%, and for the liquidity withdrawal standing facilities at 12.50%.

The decision to keep the rate unchanged is driven by the fact that the current level already reflects the reaction of the National Bank to increased geopolitical risks and the risk of acceleration of inflationary processes. At the same time, the possibility for further tightening of monetary conditions in case of further deterioration of external and internal macroeconomic situation remains. The National Bank continues to take measures to ensure stability of macroeconomic situation in the financial market of Kazakhstan as well.

**Annual inflation rose to 8.7% in February 2022** (8.5% in January 2022) amid rising prices across all components of inflation.

Food prices rose by **10%** (from 9.9% in January this year) due to the rise in prices of bakery products, cereals and vegetables. Non-food inflation increased to **8.6%** (8.5%). The high growth in prices for household appliances, furniture and household goods remains. With the temporary regulation of gasoline and diesel fuel prices, disinflation in the market of petroleum, oil and lubricants is observed. However, the growth of prices for POL in annual terms still remains at high levels (22.1%).

Paid services rose by **7.1%** (6.8%) in February 2022 compared to February 2021, due to an increase in the price of certain market services. The annual increase in the cost of rental housing amounted to 20.7%. At the same time, gas prices are slowing to 5.4% (December 2021 - 12.9%) amid a moratorium on price increases.

**The external sector is characterized by an extremely high level of uncertainty.** The global economy is under pressure from geopolitical risks. In this regard, this year and next year the global economy is expected to grow at a slower pace than anticipated earlier.

**The situation on foreign markets is characterized by rising prices.** Global inflation is likely to remain at high levels for longer than previously expected due to the sharp increase in prices for energy, metals, and agricultural products.

For the first time since 2014 the world **prices for Brent oil** exceeded 100 USD per barrel. High prices are driven by the risk of disruption in oil supply from Russia due to increased geopolitical tensions. At the same time, there is a decrease in the world oil reserves on the background of high demand and weaker oil production by OPEC+ countries, where the actual production in January 2022 was again below the permitted quotas. The future outlook for the global oil market, despite the current heightened global uncertainty, remains generally positive.

FAO food price index reached a historical record level in February this year amid significant growth in prices for vegetable oils, dairy products, cereals and meat. The cost of wheat renews 14-year high due to fears that the Russian-Ukrainian conflict will lead to a shortage of wheat on the world market.

**Rapidly changing geopolitical and external economic situation in the trading partner countries and the unprecedented level of uncertainty significantly hamper the capacity for comprehensive preparation of forecasts.** In this regard, the forecasts of the National Bank were supplemented with expert assessments and were formed for a qualitative assessment of the likely direction of the main macroeconomic indicators.

Inflation, according to estimates of the National Bank, will be higher than previous forecasts. The main reason for higher dynamics of inflation is the carry-over of the tenge exchange rate weakening in domestic prices due to the high share of imports in the consumption of non-food products. The external inflationary background is also forecasted to strengthen, first of all, against the background of expected acceleration of inflation in Russia and increased inflationary pressure in the world due to growth of prices for food products and energy resources. Thus, the risk of exceeding the target benchmark by the end of 2022 has significantly increased.

Kazakhstan's economic growth trajectory is expected to be lower than previously expected due to the geopolitical crisis. The growth rate of the economy will be supported by high commodity prices, potential growth of budget expenditures, as well as improvement of the epidemiological situation.

Further decisions on the base rate will depend on the dynamics of inflation and inflation expectations, the development of the geopolitical situation and the ensuing reaction of financial markets. The National Bank will continue to take all necessary measures to return inflation to the target levels.

The next scheduled decision of the Monetary Policy Committee of the National Bank of Kazakhstan on the base rate will be announced on April 25, 2022 at 15:00 Nur-Sultan time.

**More detailed information for mass media is available upon request:**

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