



NATIONAL BANK OF KAZAKHSTAN

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National Bank of Kazakhstan increases its base rate to 16%

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Almaty

The National Bank of Kazakhstan decided to increase its base rate to 16%.

Standing facility interest rates are 17% – for lending, 15% – for withdrawal of liquidity.

National Bank has made a decision to narrow down its interest rate corridor to ± 1 p.p. in order to reduce volatility of money market interest rates and give more clear signals to the market.

The pace of growth of the global economy remains moderate mostly due to economic recovery in USA and the euro area. In contrast, positive effect of global economic growth rate is offset by slowdown in emerging economies. Economic slowdown in China as well as other developing countries led to recent turbulence in global financial markets and further fall in commodity prices. Deepening recession in Russia also contributes to weak growth outlook of the emerging economies. Federal Reserve kept federal funds rate unchanged, but rates could go up later this year. This increases risks of potential capital outflow from emerging markets and make the outlook for economic growth of Kazakhstan more uncertain.

Domestic GDP growth slowed down in the 1st half of 2015 as a result of sharp decrease in export due to drop in commodity prices. Import decreased due to lower domestic demand as a result of decline in real income of households.

Inflation has declined since the beginning of 2015 due to lower imported prices and slowdown of the domestic economy. However, the fiscal stimulus and public investment will boost key sectors of the economy and support economic growth in the medium term.

Recent move to a floating exchange rate of the tenge and its depreciation will likely in the short term cause inflation to rise above National Bank's target. Also, inflation expectations might be negatively affected by the recent excessive volatility of exchange rate. In the medium term, however, the current monetary policy setting is expected to bring inflation back to the target.

Taking into account economic data and growth outlook the National Bank decided to increase its base rate to 16% to keep inflation over the medium-term within the target range of 6-8%.

INFORMATION NOTE:

The next scheduled date for monetary policy decision is 6 November 2015.

The base rate is the target interest rate that the National Bank expects to be used by the financial market for one day loans (overnight repo) between market participants. In turn, banks are expected to use the base rate as the benchmark to set interest rates on their loans.

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