NATIONAL BANK OF KAZAKHSTAN

Press-release № 19

The base rate unchanged at 10.5%

July 17, 2017 Almaty

The National Bank of Kazakhstan has decided to keep the base rate at the level of 10.5% with a corridor of +/-1%. The annual inflation rate matches the forecasted estimates of the National Bank and remains within the target range, the inflationary expectations gets formed on the stable level. The inflationary risks are possible on the account of the supply factors, appearing in some specific goods markets, and external parameters deviations from the base scenario of the economic development.

However, the deceleration trajectory of forecasted inflation in the medium term increases the possibility of lowering the base rate both in the short-run and in the horizon of the upcoming 12-18 months in order to provide the correspondence of the real interest base rate with the long-run potential economic growth rate.

The annual inflation in June 2017 amounted to 7.5% and it keeps remaining within the target range of the National Bank (6-8%). The important signs of the descending inflation trend are the lower rate of inflation in the first half of the current year (3.7%) in comparison to that of the first half of 2016 (4.6%), and also the indicators of the base inflation, which do not take into the account the price shocks and volatility components, that are significantly decelerating since the beginning of the year and gets formed on the lower than the general inflation level. In June the base inflation rate amounted to 6.8% (in December 2016 – 8.9%).

The short-term inflationary risk of the past months comes from the situation in the specific segments of the food market; however the beginning of the new harvest period has smoothed the negative tendencies of the general food price dynamics.

The inflationary expectation of the population remains stable since the beginning of 2017. In June the quantitative assessment of the inflation for a year ahead amounted to 6.4% and remains below the actual inflation rate, and also within the target range for 2018. The results of the June survey show that the perceivable annual inflation rate and expectations for a year ahead have slightly decreased.

The situation in the external commodity market can be characterized as volatile. The observed formation of the oil prices below the level of 50 dollars per barrel and the price index acceleration in the world food markets in May-June, mostly as a result of the price rise of diary and crops products, might lead to the increased inflationary pressure.

The currency preferences of the depositors remain in favor of the assets in tenge. According to the preliminary data of June the excess of the tenge deposits share over those of foreign currency keeps extending. The share of the loans in tenge is also on the rise. Along with that, the demand for the crediting recourses remains stable and is accompanied with the gradual decrease of the rates. The short-term crediting dynamics is restricted by the consolidation processes in the banking sector.

The economic activity continues demonstrating the recovery; the dynamics of the internal economic indicators affirm maintaining the recovery tendency. This way, in June the growth of the short-run economic indicator that characterizes the aggregate supply in the country amounted to 107.4% in the annual terms. However reconsideration of the estimates of the real income of the population by the statistical agency toward the significant decrease causes the uncertainty of the further dynamics of consumer demand.

The monetary conditions remain neutral. In the condition of the excess liquidity the money market rates remain next to the lowest limit of the interest rate corridor. Due to the implementing the program aimed to increase the financial sustainability of the banking sector in the third quarter of the current year the further recovery of its crediting activity is being expected.

The next decision on the base rate will be announced on August 21, 2017 at 17:00 Astana time.

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