

DEVELOPMENT OF INFLATION IN THE REPUBLIC OF KAZAKHSTAN AND ITS CONSEQUENCES/IMPACTS

Sabina Kaldybekova

OUTLINE

- 1. Have you ever heard about Kazakhstan?
- 2. Inflation and its assumption
- 3. The annual rate of inflation in 1991-2015
- 4. Consequences of inflation
- 5. Case Study - Consumer Price Index (2015)



KAZAKHSTAN

- 9th largest country in the world
- mineral-rich country (99 elements of the periodic table)
- at forefront of the world reserves of oil, gas, coal and uranium

— has achieved 50th place out of 144 countries in the Global Competitiveness Ranking organised by the World Economic Forum



THE CAUCASUS AND CENTRAL ASIA



INFLATION AND ITS ASSUMPTIONS

National Bank of the Republic of Kazakhstan is a unique institution to conduct **monetary policy**.

State currency - **tenge**

Inflation Targeting is a monetary policy regime which is orientated towards achieving a target inflation rate. The central bank is planning to maintain the annual inflation rate at the level of **6-8% in 2016-2017**.

Factors of inflation are a change in the money supply, an offer of products on the market, expectations of people, a change of tariffs for monopolists' products, an increase in firms' costs and others.

Measurement of inflation- **consumer price index (CPI)**

The CPI is calculated as the ratio of the cost of a fixed set of goods and services in current prices and its cost in the prices of the previous (base) period. The index is calculated by the Committee on Statistics of the Ministry of National Economy.



DEVELOPMENT OF INFLATION IN KAZAKHSTAN

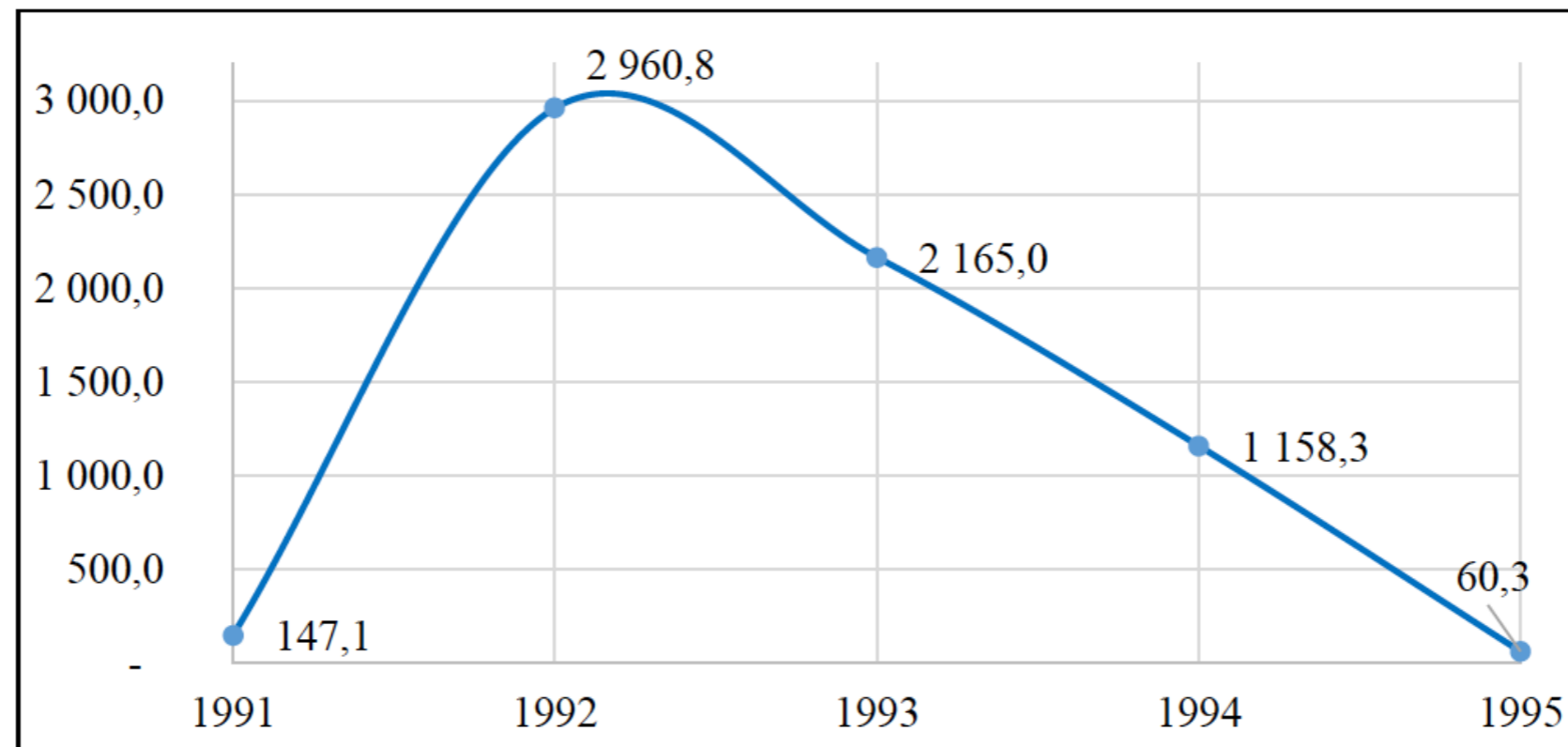
- **Specifics of inflation processes:**
 - 1. «repressed» inflation (illusion of external macroeconomic stability) + significant shortage of goods and services in 90-s
 - 2. high level of monopolisation of the economy in 90-s
 - 3. the industrial character of the economy — nowadays
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DEVELOPMENT OF INFLATION IN KAZAKHSTAN

The first stage (1991-1995)

Mild monetary policy and price liberalisation, which was orientated towards increasing prices at the world level, led to **hyperinflation**. To stabilise and go out of the economic crisis, the government developed and adopted an **anti-crisis program** (1993-1995). The policy was aimed at **reducing money supply** and demand for it.

Graf 1: Vývoj inflace v Republice Kazachstán v letech 1991-1995 (v %)



Zdroj: vlastní zpracování, data Statistické agentury Republiky Kazachstán (2015)

The second stage (1996–1999)

— Global financial crises: in Asia (1997) and in Russia (1998)

— the overvaluation of tenge against the currencies of the CIS due to the Russian financial crisis had a negative impact on the pace of economic development

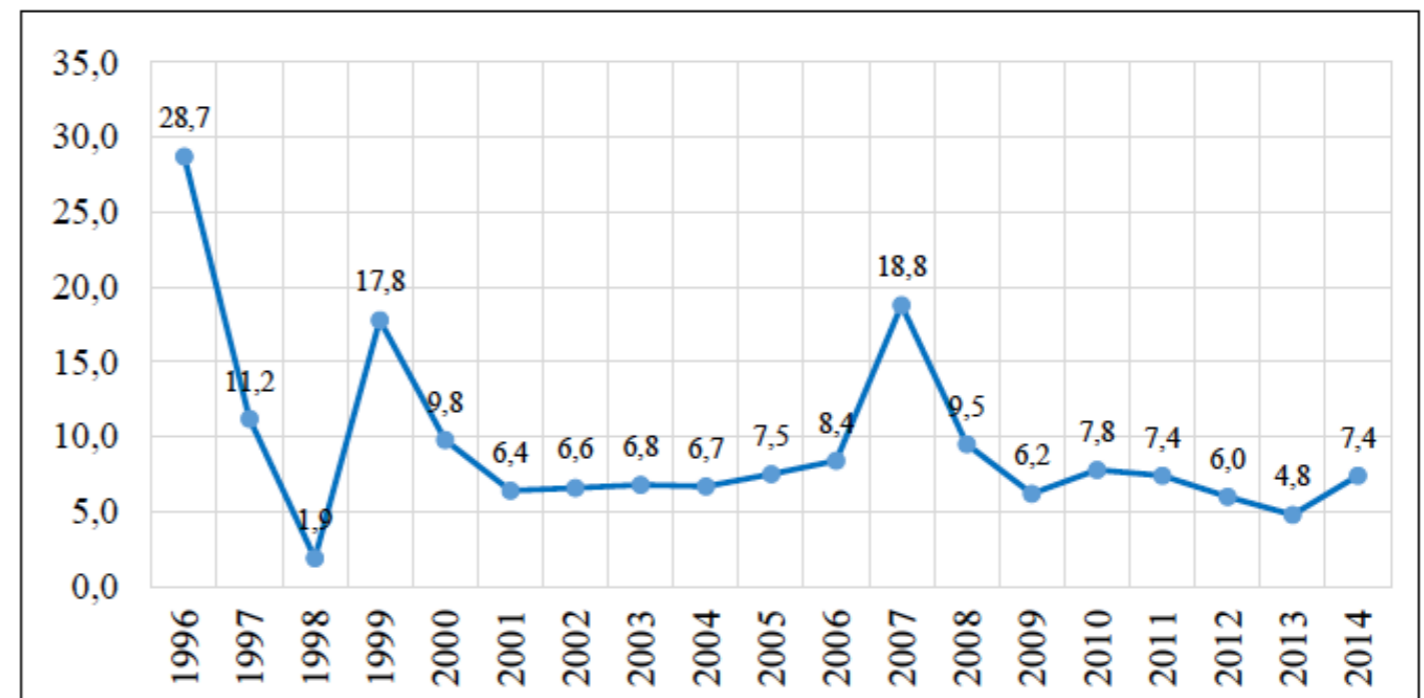
The fourth stage (2009–2015)

— relatively stable period

The third stage (2000–2008)

2007- the global economic crisis originated in the US. The solution for reducing inflation was to use the funds from the National Fund.

Graf 2: Vývoj inflace v Republice Kazachstán v letech 1996-2014 (v %)



Zdroj: vlastní zpracování, data Statistické agentury Republiky Kazachstán (2015)

Inflation for the period 1995-2015 amounts to 530% — prices increased 6.3 times

CONSEQUENCES OF INFLATION IN 2015 (13,6%) COMPARED TO 2014 (7,4%)

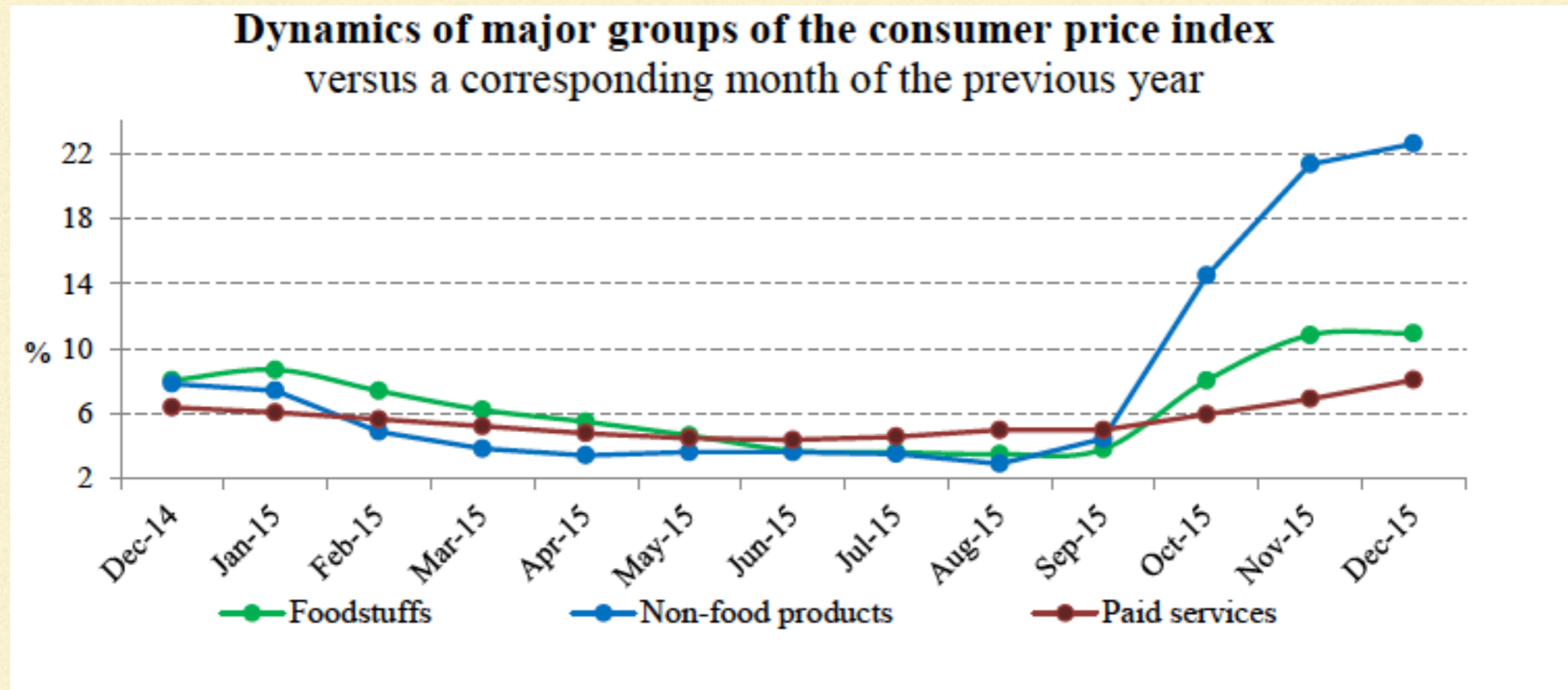
Economic impacts

- **reduced business activity**
- **decreasing cash income of the population**
- **the decreased consumer demand and volume of credits to the economy**

■ **Social impacts**

- **social tension was arisen;**
 - **social benefits and pension were diminished**
 - **speculation expanded as a result of sharp price changes;**
 - **work incentives were dropped.**
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Case Study- Dynamics of major groups of CPI (Dec.2014 and Dec.2015)



- nonfood products — prices went up by **22.6%**
- foodstuffs — prices **increased by 10.9%**
- paid services — prices **increased by 8.1%**

CONCLUSION

During 25 years of its existence, the National Bank of Kazakhstan established a coordinated monetary policy, with which Kazakhstan managed to **cope with hyperinflation and overcome Russian and global financial crisis**.

As inflation is a **macroeconomics indicator** it has had a great impact on the kazakh economy. Mostly inflation in Kazakhstan influenced **market prices and cost of living**.

According to the fact that Kazakhstan is a developing country and the inflation in the latest years is in the range 6-8%, which is an appropriate number for the world economy, I can assume that the central bank and Government **deal with inflation effectively and work sufficiently** on improving and ensuring the economic stability in the country.

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Questions and Answers

Thank you for your attention!
