

MONETARY POLICY OF THE REPUBLIC OF KAZAKHSTAN

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Abstract

Purpose: Currently due to Kazakhstan's high vulnerability to external shocks, Kazakhstan needs new growth factors to accelerate and provide more inclusive growth. The National Bank of Kazakhstan, as the central bank, is responsible for the development and implementation of state monetary and credit policy within the framework of powers provided by current legislation. Objectives of monetary policy are primarily carried out to achieve this goal. Restoration of trust to actions of economic authorities is possible only if a balanced and responsible policy, supported by concrete actions and results, is implemented.

Methodology: This study provides a literature review of domestic and foreign authors, who conducted the study of monetary policy of Central Banks of countries in various aspects of international experience. The study gives an analytical overview of the current monetary policy of the Republic of Kazakhstan.

Main Findings: The study discusses the importance of Kazakhstan's monetary-credit regulation as only by means of effective monetary policy state can mitigate economic crises, restrain inflation growth and stimulate investments in various sectors of country's economy. The studies are systematized theoretical and methodological research aspects of the monetary policy of Kazakhstan of which the conclusions and recommendations proposed to improve the economy of our country.

Implications/Applications: This suggests that we should work in the near future, look for drivers of growth, so as to ensure not just an anti-crisis manual management of the economy, but to enter the rails of sustainable development.

Keywords: Monetary-credit policy, investments, stability, economy, Currency, Kazakhstan.

INTRODUCTION

With the transition to new management mechanisms, money market has an increasingly significant impact on economy's condition. For a long time, administrative-planned system dominated in Kazakhstan, under which there were no market relations, and monopoly of State Bank was absolutized. Monetary-credit regulation in this case didn't almost exist. At the same time, it was actively used all over the world, its tools and methods of use were improved. The transition to market demanded an adequate introduction of new regulatory instruments for Kazakhstan, including monetary ones. However, specificity of Kazakhstan's conditions did not allow effective application of traditional methods. Therefore, problem of monetary regulation of Kazakh economy still remains relevant both in theory and in practice.

For the Republic of Kazakhstan to enter the 50 most competitive countries in the world it is important to implement an effective monetary and credit policy. Set of measures of monetary policy (it primarily regulates changes in money supply), credit policy (aimed at regulating the volume of loans, interest rates and other indicators of loan capital market) has received name of monetary and credit policy. In implementing its monetary policy, National Bank, acting on credit activity of commercial banks and directing regulation to expand or reduce lending to the economy, achieves a stable development of domestic economy, strengthening monetary circulation, and balancing the internal economic processes of The Republic of Kazakhstan.

LITERATURE REVIEW

The content analysis of the market economy of Kazakhstan showed that the monetary policy as the most important method of state regulation of social reproduction and importance in providing the most favorable conditions for development of economy as a whole.

Various aspects of conduct and regulation of monetary policy are considered in the studies of scholars and researchers of the CIS countries as a [Bakulina \(2014\)](#), [Moiseev \(2011\)](#), [Zhukov \(2008\)](#), [Kuznetsova and Rud \(2013\)](#), [Wasike \(2017\)](#), [Bahri, Mahsina, & Poniwati. \(2017\)](#). Their work deals with issues that reveal the essence and legal basis of activities of different countries' central banks, their role in the development of country's economy, content of its functions. Particular attention is paid on rules of monetary and credit policy, instrumentation and targeting of economic variables, given the theory of studied issue of monetary regulation, world practice and, in some cases, empirical analysis of monetary policy of various states ([Tongo, Corpuz, & Caminade, 2017](#)).

Far abroad scientists [Haslam and Lamberti \(2015\)](#), [Hamison and Huntington \(2000\)](#), [Mishkin \(2007\)](#), [Burki \(2017\)](#), [Endang and Risal \(2017\)](#). These works cover principles, institutional aspects, as well as international experience in implementing various monetary and credit policy regimes. Also, problems, ways to improve and prospects for monetary policy were considered by such Kazakh researcher as [Bertaeva \(2013\)](#).

Although, studies of economists in the context of theoretical and methodological aspects of studying problems of improving the regulation of the monetary policy is poorly explored and creates opportunities for further research. In this regard, the purpose of this study is to research the current monetary policy of the Republic of Kazakhstan.

MATERIALS AND METHODS

The methodological basis of study is conceptual theoretical positions presented in classical and contemporary works of domestic and foreign economists. The research is based on principles of historical and logical unity, as well as critical-constructive approach to analysis of economic phenomena turning to public practice as a criterion of truth. Economic and statistical models were used in the work; mathematical analysis was applied.

Monetary policy of Kazakhstan in its development has passed a number of critical stages, reflecting key macroeconomic trends over the past twenty-seven years. The directions of monetary policy were determined by objectives of National Bank aimed at reducing inflation, ensuring the stability of national currency, and creating conditions for functioning of financial system of country. At present, the objective of monetary policy is price stability, which implies achieving and keeping inflation at a low level. The clear orientation of National Bank to reduce and stabilize inflation at a low level potentially increases market trust in central bank and contributes to sustainable and balanced economic growth. In these conditions, inflation targeting is preferred regime for Kazakhstan's monetary policy.

Introduction of inflation targeting in Kazakhstan involves implementation of the next set of measures. Increasing efficiency of percentage channel of the transmission mechanism is planned by expanding the system of instruments for regulating liquidity, as well as introducing a new "base" interest rate. Interest rates of instruments of monetary policy will be tied to the base rate. Interest rates on permanent access operations will form upper and lower limits of fluctuations in money market rates ([Bharucha, 2016](#)). In case of tightening or easing monetary policy, base rate may be raised or lowered accordingly, which will entail a change in maintaining interest rates. Given the significant impact of exchange rate on inflation, implementation of exchange rate policy will be aimed at achieving inflation targets. In the transitional phase, National Bank will adhere to regime of currency corridor, while allowing a more flexible exchange rate, to extent that it does not contradict the achievement of inflation targets. In case of currency shocks, priority will be to ensure stability in financial market. As a target for inflation, consumer price index will act as the simplest and understandable indicator of inflation, in form of a point reference with an interval of tolerable deviations. As you work in inflation targeting mode, current annual target will be replaced by a medium-term target. This issue will be addressed simultaneously with development of a model tool for assessing the impact of monetary policy signals on macroeconomic processes ([Barkatullah, 2017](#)).

National Bank will introduce a system of analysis and forecasting to make decisions on monetary policy. The final result of this process will be forecasts of inflation and other macroeconomic indicators, on the basis of which recommendations for further monetary policy will be drawn up. The decision-making system will be changed. Inflation targets will be set by the Board of National Bank. To fulfill the goal set by the Board, a Monetary Policy Committee has been set up that determines base interest rate, rates for main operations of monetary policy, and approves state monetary policy. An important component of inflation targeting is construction of an effective communication strategy of National Bank.

National Bank in the mode of inflation targeting may use, but not be limited by following the list of monetary policy instruments (Table 1).

Table 1: List of Monetary Policy Instruments by National Bank

Function	Type of tool	Tool	Guarantee provision
Liquidity provision	Continuous access operations (fixed rates)	Currency swap *	Foreign currency
		Loans secured by non-market assets	Quality
		Reverse repurchase agreements	loan portfolio
	Open market operations (auction)	Loans secured by non-market assets	Government securutues
Liquidity withdrawal	Open market operations (auction)	Reverse repurchase agreements	Securities in tenge
		Direct repurchase agreements	Quality
		Deposit auctions	loan portfolio
	Continuous access operations (fixed rates)	Notes of the NBRK	Government securutues
		Deposits	

* note: as appropriate

National Bank may conduct "fine-tuning" operations in order to prevent sharp and significant fluctuations of money market rates within a percentage corridor. Based on the results of the assessment of liquidity situation in the banking sector, National Bank may decide, if necessary, to conduct a "fine-tuning" operation.

The mechanism of minimum reserve requirements is applied by central banks to influence demand for liquidity in the banking system. By changing the reserve rate, central bank influences the volume of reserves to be booked and, thereby, regulates activity of banks in lending. Thus, reserve requirements are an additional tool for regulating liquidity in banking sector and level of interest rates in money market as part of monetary policy.

In central banks that use inflation targeting regime, as a rule, direct tools, including mechanism of minimum reserve requirements, are used quite rarely. In some countries, this tool is not used (Great Britain, Australia, New Zealand, Sweden, Canada). In other countries, mechanism of minimum reserve requirements is not actively used, the norms of mandatory reserves are not adjusted often. In the Czech Republic, standards have changed at the time of introduction of inflation targeting and since 1999 they have remained unchanged. The most active tool remains in developing countries, which are characterized by a high level of volatility in money and foreign exchange markets.

In 2017 the economy of Kazakhstan came out on dynamic growth, amounting to 4.0%. The positive trend was supported by positive external and internal factors, including acceleration of investment activity and stabilization of inflationary processes. The growth rate of investments in fixed assets accelerated 2.7 times compared with 2016, amounting to 5.5%. Since the beginning of 2017, level of annual inflation was in the established corridor (6.0-8.0%) and did not exceed 7.1% in December. The favorable economic situation of main trading partners and improvement of price conjuncture on world commodity markets stimulated the growth of exports and trade balance. Foreign trade for 11 months of 2017 increased by 25.1% to \$ 69.5 billion, including exports - by 31.6% to \$ 43.1 billion, imports - by 15.8% up to 26.4 billion US dollars. The trade balance increased 1.7 times. In general, international reserves of country for January 1, 2018 amounted 88.8 billion US dollars. On December 11, 2017 National Bank published a document about "Main Directions of Monetary and Credit Policy of Republic of Kazakhstan for 2018". As a priority, National Bank sets itself the objective of fixing inflation at a low level, as well as reducing its volatility.

The level of consumer inflation for most of the current year was at the level of 0.3% per month. The outbreak of inflation at the beginning and end of 2017 led to an increase in its level to 1%. The main components of consumer inflation in 2017 showed more moderate values in comparison with previous year: food products rose by 5.3% from the beginning of the year (7.8% in November 2016), non-food products (8.6% in November 2016), services + 5.6% (6% in November 2016), while diesel prices increased by 31% from the beginning of the year (39% in November 2016), gasoline by 19% from the beginning of the year (4% in November 2016).

Thus, the price increase was less expressive in current year, without taking into account last month of the year. Deregulation in the fuel market, interruptions in supply of petroleum products in domestic market due to repairs at refinery and weakening of national currency to ruble from 5.5 to 5.9 per ruble in September and October of this year had a significant impact on fuel prices. Money supply, the aggregate (M3), after an increase of almost 16% last year, did not change much in the first 10 months of this year. The nominal growth of economy by 9% since beginning of this year was offset by absence of expressive growth in deposits and bank loans, given continued high liquidity withdrawals of the NBRK.

Size of base rate this year was reduced by almost 2 orders of magnitude (pp) to 10.25%, 1pp in February, 0.5pp in June and 0.25pp in August. Apparently, due to the dramatically accelerated inflation in October and November, the NBRK refrained from further rate cuts at the end of November. Based on this, we can conclude that further steps to change the size of base rate will be within 0.25pp. The real rate (difference between base rate and inflation) fluctuated between 2.6% and 4.2% during the year and was 3.4% on average. (Figure 1)

In 2017, the world price of oil (Brent) increased from \$ 57 to \$ 69 per barrel. Over the past few months, prices for the country's main export commodities have been rising: in December 2017, the price of oil increased by 1/5 compared to the same period of the previous year; for wheat soft varieties - by 7% (hard varieties - up to 30%); aluminum by 20%, copper by 21%, led by 14%, nickel by 5%, and zinc by 20%. In this regard, Kazakhstan's foreign trade turnover has already reached 67% of the base year (December 2013 = 100%), exports - 74%, and imports - 59% of the base year. In the period from January 2014 to November 2017, these indicators reached absolute minimums at the level of 40% of the base. However, the growth in world prices is still far from the maximum levels: in December 2017, the World Bank energy price index was 56% of the peak (July 2008), the metal price index (March 2008 peak) - a third, the grain price index (peak April 2008) - 44%. In Kazakhstan, oil revenues directly go to the National Fund.

The forecasts of the world financial organizations optimistically assess the current state and prospects of the global economy. According to the IMF, economic growth accelerated in Europe, the US, China, and Japan. However, energy-exporting countries (Kazakhstan) continue to experience difficulties, but growth is expected to accelerate, which is facilitated by improved external factors: favorable global financial conditions and recovery in advanced economies. The economic growth of Kazakhstan in 2017 is estimated at 3.3%, and in 2018 - 2.8% (according to the forecast MNE of the RK 3.4% and 3.1% respectively).

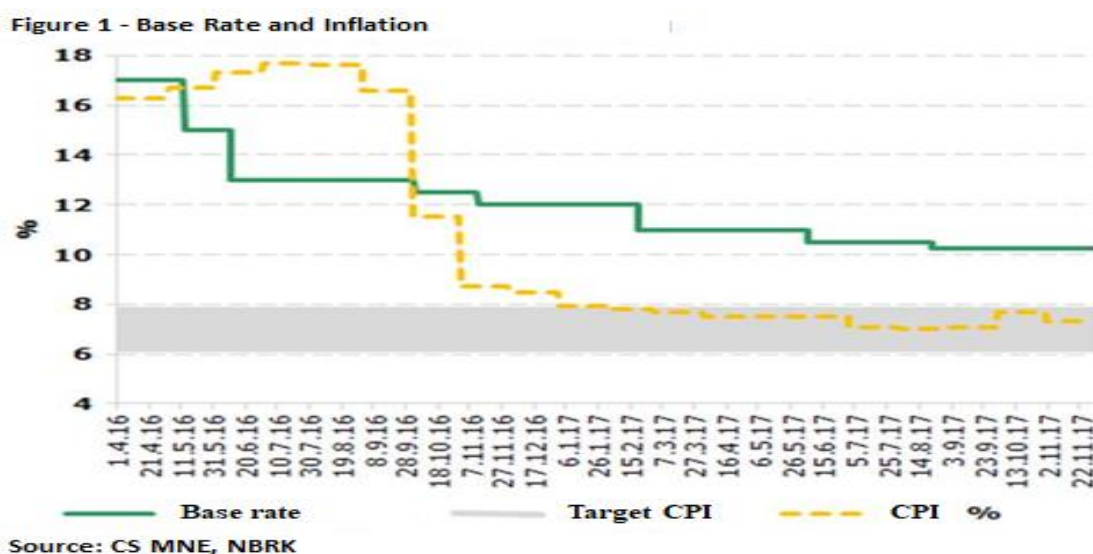


Figure 1: Base Rate and Inflation (Source: CS MNE, NBRK)

The economy on the wave of growth in external demand is gradually reaching pre-crisis levels (December 2008 = 100%). The volume of industrial production in December 2017 in constant prices exceeded the volume of December 2008 by 31%, investment in fixed assets by 38%, retail sales, which determines domestic consumer demand, twice as high as the base.

The main risk in the long term is the raw material structure of the economy and, together with it, the conjuncture of the world oil market. World oil prices have crossed the 60-dollar line. The potential for growth is still there, but experts say that the era of fossil resources is over, which negates the prospects for a significant increase in prices: according to the forecast of the World Bank (World Bank Commodities Price Forecast, October 26, 2017), the average world oil price in the period up to 2030 will reach \$ 70 per barrel (on January 23 of this year, the price for 1 barrel has already broken through \$ 70.53), and at constant prices even less - \$ 58. On the one hand, the rise in oil prices will improve the current account and fiscal conditions, but, on the other hand, the price increase will further strengthen our dependence on the world market and postpone the issues of economic restructuring, as the implementation of non-primary projects will be economically unattractive compared to with extractive industries. But the trends in world prices for energy resources enable us to further systematically advance initiatives in the non-oil sector of the economy, which is an issue for years to come. In the medium term, the main source of concern is our neighbor in the CES and the CU, the Russian Federation, which accounts for one-fifth of Kazakhstan's foreign trade turnover (previously the share reached one third of turnover) and with whom we have the widest negative balance of foreign trade (- \$ 6.2 billion only for 11 months in 2017).

At the same time, the US monetary policy is now aimed at increasing the cost of money, which could adversely affect developing countries and countries with economies in transition. Since December 14, 2017, the Open Market Committee (FOMC) has raised the base Federal Reserve rate from 1.25% to 1.5%. This is not so significant, but by the same token, the US points to a trend of future interest rate hikes. By 2020, the FOMC expects to achieve a median rate for federal funds at 2.9%. An increase in the interest rate of the FRS makes it attractive to hold assets in US dollars and, accordingly, may cause capital outflows from developing countries and countries with economies in transition. The US gradually wants to "blow-off" the growing economy, which has been growing for the third consecutive year, which again may lead to a reduction in demand from developed countries for products from developing countries (in particular from China), and also to weaken the demand of developing countries for oil and, consequently, lower prices.

Long-term (oil price) and medium-term (the Russian economy and the ruble) factors affect the rate of the tenge. Prices have a direct impact on oil. The influence of Russia is more complicated since we are with it in the CES. Kazakhstan has the widest deficit balance with Russia, which means that we are financing the foreign trade of our northern neighbor more than they do us. The actions of a neighbor through the ruble channel directly affect the current account of the balance of payments and the money market. Therefore, our monetary policy should respond promptly to the impulses of the Central Bank of Russia and have a high degree of flexibility. We do not say that we are in a state of a trade war, like the USA and Japan in the 1990s, as we export all the same raw materials as Russia, but the northern neighbor in exports has almost 40% non-mineral products, in contrast from US. Of course, this can be avoided if we were in a single currency space, but this has not yet been discussed.

The main problem for the monetary policy of Kazakhstan is the constant devaluation and associated inflation expectations, despite the fact that during 2017, inflation was in the target corridor of the National Bank of the Republic of Kazakhstan and equaled the inflation expected by the population (7.1% at the end of the year). At the same time, the structure of deposits is pressing on the growth of devaluation expectations, where the prevailing share is held by currency (more than

52%) deposits, although the average rate on them is almost equal to the rate of the FRS (after the decision of the FRS on December 13 of this year, the rates on deposits in FCC naturally, will grow). In addition, the growth in loans for 2017 compared to 2016 by 10% is provided through lending to the population (+ 46%), while corporate lending declined by 1.3%. Business is less demanding for credit resources, as the confidence in the future for them is vague under the impact of devaluation expectations: according to a survey of the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan, among the three indices of entrepreneurial confidence in the IV quarter of 2017, two indices had a negative value (trade and construction).

To this is added the uncertainty in the real value of the NPL in the banking system. According to official data, the share of loans overdue for more than 90 days in the loan portfolio decreased and amounted to 9.31% as of January 1, 2018. And only in November 2017, the share of bad loans decreased from 12.33% to 9.96% due to the liquidation of Delta Bank. Experts say that this amount of toxicity is significantly underestimated - estimates are made up to 25-30% of the loan portfolio. Banks artificially reduce the volume of NPL by transferring toxicity to their subsidiaries, extending loans and other ways. Since 2018, IFRS 9 has started operating in the financial system of Kazakhstan, which should help to see a more reliable picture of the real value of the NPL in the banking system. The current year will show what impact this innovation will have. But one thing we know for sure - in the banking sector, stress tests and a reduction in the number of banks (mopping up) are expected.

The main driver of the accumulation of toxicity in the banking system is the population. Crediting of individuals for 2017 compared to 2016 increased by 46%, including mortgage lending - 1.8 times. We can say that lending to the population is subject to market laws since when the interest rate on loans is changed, the volume of lending is changing. But, with the amendment to our population, we should expect the growth of consumer lending, as against the worsening of its welfare (the index of real wages in the period 2015-2017 fell in 6 quarters and in the fourth quarter of 2017 was 95% by the fourth quarter of 2014) this is the only source for the improvement and comfort of life, since the entire population's income spends on consumption - almost 96% (Q3 2017). This despite the fact that banks currently limit the supply of mortgages, increasing the requirements for collateral and reducing the maximum maturity.

To strengthen the growth trends of the NPL indicate not very positive expectations of banks. Thus, according to the dynamic results of the survey of the National Bank of the Republic of Kazakhstan, in the fourth quarter of 2017 banks expect an increase in the occurrence of all types of risks, with the maximum risk being the sufficiency of assets in foreign currency to cover liabilities in foreign currency. That is, banks doubt that borrowers will be able to service a loan in foreign currency. Loans in FCC in the structure of the loan portfolio of banks account for almost a quarter. Also, according to a survey of banks for the III quarter of 2017, in general, the quality of the loan portfolio will improve in the next quarter, but banks expect that the recovery of collateral and the write-off of bad loans will increase. NPL coupled with devaluation expectations will worsen the mood of the market. Earlier, the head of the National Bank of the Republic of Kazakhstan stated that the population's devaluation expectations worsen the state of the economy, which causes the influence of negative forecasts.

In pursuit of the 4% target, the National Bank of the Republic of Kazakhstan should not forget about the main function of second-tier banks - to lend to the economy. Banks collected notes of the National Bank of the Republic of Kazakhstan by almost 3.7 trillion tenge. They do not have incentives to lend to the economy, as interest on notes does not create headaches for banks (provisioning for loans, toxic loans, IFRS 9). In addition, if we adhere to the Taylor rule, the National Bank should, in theory, monitor not only inflation but also to minimize the GDP gap, that is, it must achieve the target level of inflation and GDP. In this connection, the question arises: is the set of instruments from the National Bank of the Republic of Kazakhstan sufficient to achieve the target GDP target? Should he reach it? In addition, it is necessary that market participants have an idea of future interest rates. The market remains unaware of future prospects. Moreover, we need to understand what the inflationary (devaluation) expectations will be. For this, the market should see the behavior of yield curves. The National Bank of the Republic of Kazakhstan started the process of their formation, but for this it is necessary to have good forecasting tools and a long time series.

RESULTS AND DISCUSSION

In 2018, international financial organizations forecast the acceleration of the world economy development to 3.8% (consensus forecast), compared with 3.5% in 2017. The main task of the Government of the Republic of Kazakhstan (then - the Government) and the National Bank of the Republic of Kazakhstan (then - the National Bank) in 2018 will be to ensure sustainable economic growth at the level of 3.0-4.0% and inflation level at the end of the year in corridor 5.0 -7.0%. In this connection, taking into account the main provisions of the Address of the Head of the State to the people of Kazakhstan "New opportunities for development in the conditions of the fourth industrial revolution", the main directions of the economic policy for 2018 will be:

1. preservation of macroeconomic stability;
2. ensuring a favorable business climate;
3. development of economic sectors, including the digital component;
4. development of transport and logistics infrastructure;

Preservation of macroeconomic stability will be carried out at the expense of coordinated measures of monetary and fiscal policy, as well as by ensuring financial stability. The monetary policy of the National Bank, conducted in the inflation targeting regime, in 2018 will be aimed at achieving the target for annual inflation in the corridor of 5.0-7.0% with a gradual decrease to 4.0% by the end of 2020. To achieve inflation targets will use monetary policy tools, including the base rate, depending on the actual and projected level of inflation. The National Bank will continue to strictly follow the free-floating exchange rate regime and improve communication activity. To improve entrepreneurial activity, measures will be taken to ensure long-term business lending at rates that take into account real profitability in the sectors of the economy ([Karim, Elyas, Mahmood, & Hossein, 2017](#); [Kokanuch, 2018](#); [Roeksiripat, 2016](#); [Thanasripanitchai, 2017](#); [Yoshino, & Alekhina, 2016](#); [Zarb, 2016](#)).

As part of ensuring financial sustainability, the National Bank will continue implementing the Program for Enhancing the Financial Strength of the Banking Sector of the Republic of Kazakhstan, which will support crediting the real sector of the economy. In 2018, in the process of bank recovery, moderate growth rates of lending are expected, comparable to the growth rates of nominal gross domestic product (further - GDP). The financial regulation policy will be aimed at improving the quality of investment decisions, strengthening the responsibility of financial managers and independent auditors for the quality of financial reporting, creating conditions for the effective use of citizens' savings in economic activities. The regulatory regime of financial companies will be aimed at creating conditions for the successful functioning of healthy banks, market methods for improving less stable banks and orderly withdrawal of insolvent and hopeless banks from the market. Barriers to the development of financial relationships and, in particular, barriers to the realization of creditor rights and the assignment of their claims rights will be removed. The Government's main focus will be on preventing unjustified growth in prices for food and non-food products, tariffs for monopoly services and the ability to create an artificial shortage, price collusion, and unfair competition will be eliminated.

The budget policy in 2018 will be aimed at promoting economic growth, developing public-private partnerships and maintaining the sustainability of public finances. At the same time, all social obligations of the state will be fulfilled in full. In order to increase the sustainability of public finances, it is planned to reduce the budget deficit from 2.9% of GDP in 2017 to 1.1% of GDP in 2018. This will keep the government's debt at a level of no more than 20.0% of GDP. The non-oil deficit is planned to be reduced to 7.4% of GDP, including through the reduction of the guaranteed transfer from the National Fund of the Republic of Kazakhstan to 2.6 trillion. tenge. In order to increase the financial independence of local budgets, effective January 1, 2018, independent budgets and municipal property of local self-government have been introduced at the level of a city of district significance, a village, a village, a rural district with a population of more than 2 thousand people.

The tax policy will be aimed at creating a flexible and favorable tax environment, ensuring stable growth of the economy within the framework of the new Tax Code and simplifying tax administration. One of the main tasks will be the development of mechanisms to stimulate the formalization of self-employed persons, a differentiated approach to taxation and the strengthening of the revenue side of local budgets.

In order to ensure a favorable business environment and create a strong middle class of entrepreneurs, the Program for Ensuring Productive Employment and the Development of Mass Entrepreneurship for 2017-2021 will continue.

The sixth package of amendments to improve the business climate within the framework of the Doing Business rating has been developed, and a plan of measures to improve the indicators of the Global Competitiveness Index of the World Economic Forum and the Country Program of Cooperation with the Organization for Economic Cooperation and Development (OECD) will continue. A new package of systemic measures will be prepared to dramatically improve the business climate, especially at the regional level, to stimulate the withdrawal of business from the shadow through the simplification of tax and other administration. Work will continue on frontal reduction of business costs, which will increase the competitiveness and efficiency of enterprises by reducing non-production costs. In order to create a favorable competitive environment, a number of amendments have been developed aimed at eliminating the norms that impede competition, which has been identified in the framework of the conducted audit of the legislation. At the legislative level, there is an improvement in the conditions for the legal regulation of business and the barriers to the development of entrepreneurship will be reduced. So, in 2018 it is planned to reduce 25 spheres of control out of 114 and 3 areas of supervision out of 18, to reduce the total number of inspections by 30% and to reduce the number of reports provided by business to state bodies by 30%.

Reducing the state's presence in the economy will be achieved through the implementation of the privatization program. A number of large assets, such as JSC "Kazakhtelecom", JSC "Air Astana", JSC "National Atomic Company Kazatomprom", will be withdrawn to IPO / SPO.

Investment policy will be aimed at maximum involvement of private investment and the restoration of the role of the banking sector in financing the economy. To this end, work will continue to improve the investment climate to the level of OECD countries.

Since 2018 the International Financial Center "Astana" has started functioning; (hereinafter referred to as IFAC), which will become a financial hub and a center for investment activity. The government, the National Bank and IFCA have done a great deal to prepare all the necessary infrastructure and establish the basic institutions: financial court, regulator,

arbitration center. The concept of the draft law and the corresponding draft law will be developed, which will stimulate the private venture financing market and the demand for new technologies from the real sector. In order to develop the branches of the economy, including digital component, the policy of industrialization will be continued through ensuring that the Industrialization Map projects reach the project capacity, as well as increasing the share high-tech industries. There will be work to stimulate the introduction of elements of the "Industry 4.0.", Such as Big data, cloud technologies, and 3D - printing.

In 2018, the development of the Third Five-Year Plan of Industrialization, aimed at the formation of the industry of the "digital era" with an emphasis on innovation, technology transfer and the promotion of digitalization of manufacturing industry. In order to assess the raw material potential and ensure the replenishment of the country's mineral resource base, the implementation of the new Code will begin. " On Subsoil and Subsoil Use " and geological study of mineral resources will be activated. A set of measures will be developed to improve approaches to extracting minerals through the introduction of information technology platforms. Completed modernization of oil refineries, which will ensure the domestic market of the country with high-quality gasoline of ecological class K4 and K5. In the agro-industrial complex, work will continue to improve labor productivity by increasing the industry's energy efficiency, the availability of financing, diversification of the structure of sown areas and export of processed agricultural products. To promote the brand of natural foods "Made in Kazakhstan" In the international markets, a mechanism will be developed to support each product "chains": from the stage of cultivation, storage and processing of raw materials to its transportation in domestic and export markets. The analysis will continue the efficiency of subsidies and measures will be taken to improve the system of compulsory insurance in crop production, increase the share of pedigree livestock and develop a fodder base. Further development of the transport and logistics infrastructure will be facilitated by the continued implementation of the State Infrastructure Development Program "Nurly Jol" for 2015 - 2019 years. Continue construction of Central-South corridors between Astana and Almaty and Center-East between Astana and Oskemen. In the eastern and south-eastern region, the roads Almaty-Oskemen, Kalbatau-Maykapshagai, Usharal-Dostyk are reconstructed, which will ensure the development of tourism and increase in trade with the People's Republic of China, in the west - highway Aktobe-Atyrau-Astrakhan, in the south-Merke-Burylbaytal. In order to ensure the quality of new roads and ensure comfortable and safe traffic in 2018, it is planned to introduce a phased implementation of the payment system on the republican highways with a total length of 469 km. To improve intraregional mobility in the medium term, financing the repair and reconstruction of the local road network. In the framework of developing the Caspian direction will complete the process of forming a modern port infrastructure for increasing the volumes and speed of transportation. The work will be accelerated to improve the efficiency of regulating the civil aviation industry by moving to the British model. In order to effectively manage transport flows and determination of the need for further development of the infrastructure will be adopted by the Plan for the phased implementation of the Intelligent Transport System with the use of digital technologies. In general, the economic policy in 2018 will be aimed at stimulating sustainable economic growth through ensuring macroeconomic stability, the stability of the banking sector, improving investment and business climate, as well as through the development of economic sectors.

The main objectives of the communication strategy are to increase confidence in the current policy of the National Bank, shifting the priorities of economic agents from the exchange rate to inflation, and fixing the inflation expectations of economic agents at a low level. Thus, the implementation of the monetary policy of Kazakhstan until 2020 will be aimed at implementing the inflation targeting regime, and ultimately ensuring sustainable economic growth in the long term.

CONCLUSION

We see that the domestic economy is gradually moving into the path of sustainable growth, and in these conditions, probably, monetary policy, its conditions are close to neutral, that is, the reduction in the base rate that the National Bank has spent over the past year, that we are striving for the neutrality of monetary policy. Obviously, there are forecasts that the government has already announced for 2018, and we will look at them. If the country leaves the path of sustainable growth of more than 4%, it is clear that the credit policy will remain neutral, if we see that the economic growth path is below its potential values, the National Bank of Kazakhstan expresses its readiness to consider the procyclicality of monetary policy - direction to stimulate economic growth. The forecasts for 2018, which the National Bank does, are quite favorable. We expect a fairly calm year, we do not expect big turbulence in the world financial markets, on world commodity markets and, accordingly, we hope that 2018 in Kazakhstan will be favorable and calm, and our government will solve the tasks of ensuring sustainable economic growth for the medium term. We are moving from the anti-crisis management stage to the post-crisis sustainable development, and we see this from plans of the government, and in the message of the state it is designated, and in the program "Digital Kazakhstan". This suggests that we should work in the near future, look for drivers of growth, so as to ensure not just an anti-crisis manual management of the economy, but to enter the rails of sustainable development. Therefore, in these conditions, credit policy should adequately correspond to those challenges and the situation in the economy that is.

The entry of inflation into the corridor of 5% -7% in 2018 in our opinion is quite is feasible. However, its further reduction to 4%, in our opinion, can be problematic, given that this requires symmetrical changes in the qualitative structure of the economy, which is difficult to realize in a short period of time. In this regard, targeting 4% of inflation may be more likely to be viewed as an element of expectations. It seems that a more moderate shift of the corridor (5.5% -7.5%, etc.) from the

values set by the National Bank of the Republic of Kazakhstan in the light of the latest inflationary changes would look more justified, moving the target into a more practical plane.

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