
The role of the National Bank of the republic of Kazakhstan

Monetary policy of Kazakhstan in its development has passed a number of important stages that reflect the key macroeconomic trends over the past twenty years. The directions of monetary policy were determined by the tasks of the National Bank aimed at reducing inflation, ensuring the stability of the national currency, and creating the conditions for the functioning of the financial system of the country for the relevant period of time.

After gaining independence in 1991, Kazakhstan faced the task of changing the functioning of the economy, in connection with the transition from a planned system to market principles. Primarily, privatization, liberalization of pricing, and the creation of a competitive environment were required. The collapse of the USSR, the disruption of the economic ties that existed before, led to a deep crisis in almost all spheres of the country's economy in the first half of the 1990s. In early 1992, measures were taken to move to market pricing. Conducted in the absence of a competitive environment, price liberalization in 1992 led to hyperinflation, a deterioration in the financial condition of enterprises, a reduction in production, a fall in real incomes of the population and stagnation of the entire economy. The level of inflation in Kazakhstan in 1992 reached a maximum value of 3060%. Although in subsequent years its rates declined, but remained at a high level: 2265% in 1993 and 1258% in 1994. The annual economic recession in 1991-1995 averaged 9.3%. Almost the payment turnover between enterprises destroyed, the amounts of non-payments reached significant volumes. New instruments were introduced, such as short-term notes of the National Bank. The notes of the National Bank became the main instrument of operative liquidity regulation. Nevertheless, the underdevelopment of the secondary securities market did not allow the National Bank to make full use of this instrument. Credit resources were placed by the National Bank through credit auctions and on a pawnshop basis. In 1997, auctions of credit resources ceased to be conducted, due to the sufficiency of resources in the banking system. The measures taken by the National Bank helped to reduce inflation from 60.3% in 1995 to 1.9% in 1998. In 1996-1999, the average annual production growth was 0.75%. The National Bank promoted the development of the infrastructure of the monetary and financial markets. The system of electronic over-the-counter market of government securities began to operate, allowing real-time sales transactions. By 1995, the National Bank had managed to curb hyperinflation by reducing the amount of money supply. For 1991-1999, classical instruments of the monetary policy of the central bank were gradually introduced into practice - the official refinancing rate, the minimum reserve requirements and open market operations, in particular, currency interventions and short-term notes transactions. The basic elements of the financial infrastructure were created and they led to favorable conditions for the further development of the economy.

The role of the National Bank in the process of macroeconomic stabilization

The macroeconomic environment in Kazakhstan in the period from 2000 to 2006 was developing under the influence of favorable internal and external factors. Positive trends in the world financial and commodity markets, as well as the consistent implementation of socio-economic reforms had an impact on the stabilization of the macroeconomic situation in the country. In 2000-2006, inflation was 6.4% -8.4%, while the average of annual real GDP growth

was 10.3%. The growth of the Kazakhstan economy was greatly facilitated by the investment activity of domestic and foreign capital. There was a favorable pricing environment for the position of domestic exports (oil, gold, zinc, copper, lead and grain) against the backdrop of domestic macroeconomic stability. In these circumstances, the National Bank should, on the one hand, pursue a policy that restricts price growth, and on the other hand, implement a gradual easing of monetary policy in order to expand the money supply aimed at supporting economic growth and expanding production.

Since 2004, the National Bank has started to define the basic guidelines of monetary policy for three years ahead with the annual specification of the parameters. Achieving macroeconomic stability made it possible to carry out forecasts and develop strategic directions for a longer period, taking into account the situation in the economy and financial markets. In order to reform the system of state regulation of the financial market, since 2004, the functions of supervision and regulation of the financial market have moved to a separately created agency - the Agency of the Republic of Kazakhstan for Regulation and Supervision of the Financial Market and Financial Organizations. The main goal of the National Bank is to ensure the stability of prices.

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