

**Раздел 4. «Социально-гуманитарные науки Экономика»**

МРНТИ 06.73.02

Zh.K. Romazanov, O.V. Silaeva

*Karaganda Industrial University, Temirtau, Kazakhstan  
E-mail.ru : oliviy@inbox.ru***Problems and prospects of Kazakhstan's monetary policy**

The article analyzes and evaluates the effectiveness of the current monetary policy of Kazakhstan. The study is aimed at identifying the shortcomings that arise as a result of the application of the current monetary policy of the National Bank. The proposed measures to adjust it in accordance with the current requirements of the economy of the republic will contribute to a more efficient functioning of the financial system of Kazakhstan and increase economic growth and stability in the country. The way out of the stagflationary trap is to create a multi-channel system of lending to the economy. The main thing in the scheme described by the authors is to ensure the repayment and targeted use of the loans provided to expand the production of goods, which will link the demand increasing with the growth of the money supply with a corresponding increase in the supply of the commodity mass. To do this, the National Bank needs to rationally use its existing tools and control capabilities to block speculative attacks by foreign speculators.

*Keywords:* financial system, monetary policy, monetary policy, inflation targeting strategy, money supply, inflation, speculative attack, national currency exchange rate, base rate.

*Introduction*

In the address of the Head of State to the people of Kazakhstan, the task is to ensure the stability of the national currency and curb inflation [1]. To do this, the National Bank of the Republic of Kazakhstan is pursuing an inflation targeting strategy – a kind of monetary policy with the main instrument in the form of a percentage of the base rate, which should determine the value of money in the economy, the volume of money supply and thereby affect inflation.

It is believed that through the regulation of inflation, it is possible to develop the economy, protecting the population from shock price spikes. At the same time, the free-floating exchange rate of the national currency is applied [2].

The mechanism of action of such a monetary policy is as follows: with an increase in the base rate, money for the economy becomes more expensive, monetary spending and consumption fall, as a result of which inflation decreases, but with it economic growth.

A reduction in the base rate, on the contrary, makes money cheaper, household spending increases, and after that production and the economy increase.

However, pure theory is confronted with the realities of the Kazakh economy, which are not suitable for this policy. The classical requirements of the inflation targeting policy are as follows [2]:

- independence of the Central Bank in its decisions from the government;
- free pricing without setting minimum prices for goods;
- limited state participation in the economy through non-market enterprises that create only jobs without the goal of paying off;
- weak dependence of the economy on world prices for exported raw materials and a minimum level of dollarization of the financial sector;
- full control of the Central Bank over the currency turnover within the country;
- developed financial markets with a stable banking system;
- stable exchange rate that can be predicted.

## Раздел 4. «Социально-гуманитарные науки Экономика»

### *Methods and materials*

Data analysis methods, comparative analysis, statistical analysis and econometric models were used. To assess the effectiveness of monetary policy, such indicators as the level of inflation, interest rates, the volume of lending and money supply, economic growth and the unemployment rate were used.

### *The main part*

According to domestic and foreign experts [2-4], the applied inflation targeting strategy does not meet almost all of the above classical criteria:

1. The Government regularly intervenes in the activities of the National Bank to support the banking and construction sectors, small and medium-sized businesses, protection of deposits of the population, etc.

2. The state constantly regulates the prices of essential goods, fuel in the sowing and harvesting seasons, utility tariffs, etc.

3. A significant role in the country's economy is played by the so-called quasi-public sector represented by national holdings (JSC NWF "Samruk-Kazyna", JSC NUH "Baiterek", JSC "KazAgro"), their "subsidiaries" and "granddaughters" companies, whose market efficiency is relatively low, including due to constant and significant expenditures on social projects in the country and regions.

4. Due to the structural imbalance in the economy over the past decades, there has been a trend of increasing dependence on the export of raw materials, and it has not been possible to reverse it. At the same time, the National Bank does not affect import inflation or cost inflation in any way. For Kazakhstan, where there is a high correlation between the exchange rate and the price of oil, it is the fluctuations in the price of oil that make it impossible to achieve the inflation target, since oil price jumps are reflected in the fluctuation of the dollar exchange rate.

5. The sanctions policy of Western countries against Russia, which began in 2014, also plays an important role in the import of inflation. Any depreciation of the Russian ruble leads to a proportional devaluation of the tenge, since otherwise the export of Kazakhstani raw materials, mainly metals, becomes not competitive in comparison with similar Russian exports, which replaces it in the traditional markets of China and Southeast Asian countries.

6. Due to the structural problems of the economy, we still have not developed the currency and stock markets, and the level of dollarization of the financial sector is significant. The absence of full currency control over the internal market of the regulator does not prevent massive currency speculation by internal and external players during periods of crises and instability in the global financial markets.

7. Kazakhstan's banking system has actually been destroyed due to the impact of the global mortgage crisis of 2007, the ongoing sanctions war against Russia, and the financial market remains poorly developed due to excessive regulation on the part of the National Bank related to the protection of deposits of the population.

8. Against the background of the above problems in the financial sector and in the economy of the country as a whole, it is not necessary to talk about a stable and even more predictable exchange rate of the national currency.

Of course, all experts recognize the effectiveness of the inflation targeting strategy in countries that follow the requirements of this policy, but there is no consensus on how to adapt it for countries dependent on commodity exports like Kazakhstan.

Some experts [2-4] suggest that instead of inflation targeting, it is better to use nominal GDP growth targeting, which consists of two components: inflation and real GDP growth. Such a strategy sets the monetary regulator the task of finding the right balance between economic growth and inflation.

Thus, neither the current nor the previous monetary policy of the National Bank of the Republic of Kazakhstan is able to solve the problem of controlling inflation and maintaining a stable exchange rate of the national currency. And the entire experience of the development of independent Kazakhstan, since 1993 to the present day, is a factual confirmation of this.

The fulfillment of the instruction of the Head of State on maintaining the national currency exchange rate and low inflation cannot be solved with the existing monetary policy of the National Bank of the Republic of Kazakhstan. The stability of the national currency implies not only maintaining a stable exchange rate of tenge against other currencies, but also includes two more components [5-6]:

- stability of the purchasing power of income and savings denominated in the national currency;

#### **Раздел 4. «Социально-гуманитарные науки Экономика»**

- creation of the most favorable macroeconomic conditions for the sustainable development of the national economy, financial system, investments and industry.

The inflation targeting strategy does not provide for any measures to expand the money supply necessary for the reproduction of the economy, to replace, after the global mortgage crisis of 2007, external sources of financing with domestic credit. Its implementation aggravates the contraction of the money supply, which entails a reduction in credit, the collapse of the investment banking system, a decline in production and an increase in unemployment. These events have already largely come true, but the leadership of the financial sector continues its previous course of maintaining inflated interest rates and free floating of the national currency.

The conviction of the National Bank that it is possible to cope with inflation and fluctuations in the tenge exchange rate by manipulating interest rates is unclear. In real practice, there is no strict relationship between the dynamics of interest rates and the money supply, on the one hand, and the level of inflation, on the other. At the same time, a direct relationship between the first two indicators and the dynamics of production and investment is well traced. Always and everywhere, a reduction in the money supply and an increase in the interest rate are accompanied by a drop in production and investment.

The reason for dragging the economy into a stagflationary trap was the erroneous policy of the monetary authorities. To correct it, first you need to abandon the standard recommendations of international organizations, primarily the IMF and the World Bank, in your policy. The latter work in the interests not of the Kazakh economy, but of international, mainly American, capital. It does not require an increase in production from Kazakhstan, but favorable conditions for extracting excess profits from the export of raw materials and the import of products from its own processing industries.

In recent decades, almost all of their recommendations addressed to the National Bank and the Government of Kazakhstan suggest continuing the course of tightening monetary policy and increasing interest rates in order to reduce inflation, achievable within the framework of a fully flexible exchange rate formation. And the result remains unchanged – inflation persists, and the exchange rate of the national currency is constantly falling.

Raising interest rates to reduce inflation and increase the exchange rate of the national currency is a standard recommendation of the IMF. It is based on a market equilibrium model that does not correspond to economic reality, although it is quite simple and convincing. Monetary authorities are confident that an increase in interest rates increases the attractiveness of bank deposits, which limits demand and leads to lower prices, as well as binds free money and reduces its supply in the foreign exchange market, contributing to the strengthening of the national currency.

However, this argument does not take into account that an increase in interest rates also leads to an increase in costs for borrowers, which transfers them to the cost of production, as a result of which prices rise and the national currency is devalued. A reduction in demand can also lead to a drop in production and an increase in costs under the influence of the return effect on the scale of output, as a result, prices may not decrease, but increase. Conversely, a decrease in interest rates and an increase in the supply of money can transform into an expansion of production and investment and, accordingly, into a reduction in prices and costs.

The monetary authorities do not take into account the obvious – the nonlinearity and disequilibrium of the processes of economic dynamics, and in our case also the detrimental role of the demonetization of the economy. In our conditions of low monetization of the economy, the expansion of the money supply has so far been accompanied not by an increase, but by a decrease in inflation, due to the absorption of money by the uncredited real sector of the economy. If the National Bank does not change the mechanism of refinancing commercial banks, then an increase in credit for second-tier banks will cause a new wave of currency speculation and another depreciation of the tenge, followed by an acceleration of inflation. Similarly, it can be predicted that the continuation of the demonetization of the economy will worsen the decline in production and investment.

In fact, as a result of the activities of the National Bank, a stagflationary trap is being created in the economy. What is its essence: according to economic theory, the inflation rate is determined by the ratio of the amount of money in circulation (money supply M3) to the amount of products produced in monetary form.

And the strategy of inflation targeting, i.e. the regulation of the base rate, is aimed at reducing the money supply through an increase in the base rate. It is believed that with the constant denominator of the fraction (the volume of production), the reduction of the numerator in the fraction (money supply) leads to a decrease in the inflation rate. However, in the real economy, everything does not work like that, a decrease in the money

#### **Раздел 4. «Социально-гуманитарные науки Экономика»**

supply and an increase in the loan rate are always accompanied by a subsequent contraction or reduction in production, i.e. both the numerator and the denominator of this fraction are reduced simultaneously, and the inflation rate as a whole is growing. Repeated reduction of the numerator (reduction of the money supply), re-starts the cycle of reduction of the denominator (production volumes), which is expressed in the form of a stagflationary trap, a constant annual increase in inflation and a fall in the national currency.

#### *Conclusions*

The way out of the stagflationary trap is to create a multi-channel system of lending to the economy, including:

1. Creation of a specialized digital financial instrument only under the demand for investments for the manufacturing industry with full control over the targeted use of the allocated money. At the same time, the rates on such a loan should correspond to the level of profitability of the relevant sectors of the economy and their inherent risks.

2. And secondly, for the purpose of liquidity support, refinancing of banks can be provided, as now, at the base rate, with the condition that these loans will not be used for speculation against tenge.

The main thing in the described scheme is to ensure the repayment and targeted use of the loans provided to expand the production of goods, which will link the demand that increases with the growth of the money supply with a corresponding increase in the supply of the commodity mass. To do this, the National Bank has the necessary tools and control capabilities, as well as to block speculative attacks by foreign speculators. It is only necessary to learn how to apply them, as all successfully developing economies of the world do.

#### *List of literature*

1. The message of the Head of State Kassym-Jomart Tokayev to the people of Kazakhstan "New Kazakhstan: the path of renewal and modernization" dated March 16, 2022 / Posted on the official website of the President of the Republic of Kazakhstan at:

<https://www.akorda.kz/ru/poslanie-glavy-gosudarstva-kasym-zhomarta-tokaeva-narodu-kazahstana-1623953> 2. Shamsutdinov E. What is inflation targeting and how does it affect the tenge exchange rate? // The article is posted on the Internet at: <https://informburo.kz/cards/chto-takoe-inflyacionnoe-targetirovanie-i-kak-ono-vliyaet-na-kurs-tenge.html>.

3. Does the National Bank of the Republic of Kazakhstan cope with inflation targeting? / Posted on the Internet at:

[https://forbes.kz/process/expertise/kak\\_spravlyaetsya\\_natsbank\\_kazahstana\\_s\\_inflyatsionnyim\\_targetirovaniem](https://forbes.kz/process/expertise/kak_spravlyaetsya_natsbank_kazahstana_s_inflyatsionnyim_targetirovaniem).

4. The bet is made. Why does Kazakhstan need inflation targeting? / Posted on the Internet at: <https://cdb.kz/sistema/novosti/stavka-sdelana-dlya-chego-kazahstanu-inflyatsionnoe-targetirovanie/>.

5. Glazyev S. About inflation targeting// Economic issues. 2015. - No. 9. – pp.1-12.

6. The policy of the Central Bank is more harmful than sanctions / Interview with S. Glazyev / Posted on the Internet at: <https://glazev.ru/articles/165-interv-ju/66501-politika-tsentrobanka-vrednee-sanktsiy>.

Ж.К. Ромазанов, О.В. Силаева

#### **Қазақстанның ақша-кредит саясатының мәселелері мен перспективалары**

Мақалада Қазақстанның ағымдағы АҚША-кредит саясатының тиімділігін талдау және бағалау орындалды. Зерттеу Ұлттық Банктің қолданыстағы монетарлық саясатын қолдану нәтижесінде туындайтын кемшіліктерді анықтауға бағытталған. Республика экономикасының өзекті талаптарына сәйкес оны түзету бойынша ұсынылған шаралар Қазақстанның қаржы жүйесінің неғұрлым тиімді жұмыс істеуіне және елдегі экономикалық өсу мен тұрақтылықты арттыруға ықпал ететін болады. Стагфляциялық тұзақтан шығудың жолы-экономиканы несиелендірудің көп арналы жүйесін құру. Авторлар сипаттаған схемадағы ең бастысы-ақша ұсынысының өсуімен өсіп келе жатқан сұранысты тауар массасын ұсынудың тиісті өсімімен байланыстыратын тауарлар өндірісін

#### **Раздел 4. «Социально-гуманитарные науки Экономика»**

кеңейтуге берілген несиелердің қайтарымдылығын және мақсатты пайдаланылуын қамтамасыз ету. Ол үшін Ұлттық банк шетелдік алыпсатарлардың алыпсатарлық шабуылдарын бұғаттау үшін қолда бар бақылау құралдары мен мүмкіндіктерін ұтымды пайдалануы қажет.

*Түйін сөздер:* қаржы жүйесі, ақша-кредит саясаты, ақша-кредит саясаты, инфляциялық таргеттеу стратегиясы, ақша ұсынысы, инфляция, алыпсатарлық шабуыл, ұлттық валюта бағамы, базалық мөлшерлеме.

Ж.К. Ромазанов, О.В. Силаева

#### **Проблемы и перспективы денежно-кредитной политики Казахстана**

В статье выполнен анализ и оценка эффективности текущей денежно-кредитной политики Казахстана. Исследование направлено на выявление недостатков, которые возникают в результате применения действующей монетарной политики Национального банка. Предложенные меры по ее корректировке в соответствии с актуальными требованиями экономики республики будут способствовать более эффективному функционированию финансовой системы Казахстана и повышению экономического роста и стабильности в стране. Выход из стагфляционной ловушки заключается в создании многоканальной системы кредитования экономики. Главное в описанной авторами схеме – обеспечение возвратности и целевого использования предоставляемых кредитов на расширение производства товаров, которые свяжут увеличивающийся с ростом денежного предложения спрос соответствующим приростом предложения товарной массы. Для этого Национальному банку необходимо рационально применять имеющиеся у него инструменты и возможности контроля для блокирования спекулятивных атак зарубежных спекулянтов.

*Ключевые слова:* финансовая система, денежно-кредитная политика, монетарная политика, стратегия инфляционного таргетирования, денежное предложение, инфляция, спекулятивная атака, курс национальной валюты, базовая ставка.

#### *References*

1. Poslanie Glavy gosudarstva Kasym-ZHомarta Tokaeva narodu Kazahstana «Novyj Kazahstan: put' obnovleniya i modernizacii» ot 16 marta 2022 goda / Razmeshchena na oficial'nom sajte Prezidenta Respubliki Kazahstan po adresu: <https://www.akorda.kz/ru/poslanie-glavy-gosudarstva-kasym-zhomarta-tokaeva-narodu-kazahstana-1623953>.
2. SHamsutdinov E. CHto takoe inflyacionnoe targetirovanie i kak ono vliyaet na kurs tenge? // Stat'ya razmeshchena v seti internet po adresu: <https://informburo.kz/cards/chto-takoe-inflyacionnoe-targetirovanie-i-kak-ono-vliyaet-na-kurs-tenge.html>.
3. Spravlyaetsya li Nacional'nyj bank RK s inflyacionnym targetirovaniem? / Razmeshchena v seti internet po adresu: [https://forbes.kz/process/expertise/kak\\_spravlyaetsya\\_natsbank\\_kazahstana\\_s\\_inflyatsionnym\\_targetirovaniem](https://forbes.kz/process/expertise/kak_spravlyaetsya_natsbank_kazahstana_s_inflyatsionnym_targetirovaniem).
4. Stavka sdelana. Dlya chego Kazahstanu inflyacionnoe targetirovanie? / Razmeshchena v seti internet po adresu: <https://cdb.kz/sistema/novosti/stavka-sdelana-dlya-chego-kazahstanu-inflyatsionnoe-targetirovanie/>.
5. Glaz'ev S. O targetirovanii inflyacii // Voprosy ekonomiki. 2015. - №9. – S.1-12.
6. Politika Central'nogo banka vrednee sankcij / Interv'yu s S. Glaz'evym / Razmeshchena v seti internet po adresu: <https://glazev.ru/articles/165-interv-ju/66501-politika-tsentrobanka-vrednee-sanktsiy>.