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Bachelor Thesis

The impact of inflation in Kazakhstan

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Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

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Business Administration

Thesis title

The Impact of Inflation in Kazakhstan

Objectives of thesis

The main aim of the bachelor thesis is to analyze the level of inflation in Kazakhstan, to determine which prices are rising in the first place and find the relation between unemployment and inflation in Kazakhstan.

Methodology

This thesis will consist of three parts. The first part is theoretical and it will based on books searching. Theoretical part will explain current situation in Kazakhstan. The second part is practical and will include tables, graphics and analyses. The final part is conclusion. It will content results from practical part.The thesis will use decriptive and comparative methods.

The proposed extent of the thesis
35 – 40 pages

Keywords
Inflation, Kazakhstan, Hyperinflation, Philip Curve, Prices

Recommended information sources
BALL, R J. *Inflation and the theory of money.* New Brunswick: Aldine Transaction, 2008. ISBN
　　0-202-30923-1.
ČESKÁ ZEMĚDĚLSKÁ UNIVERZITA V PRAZE. KATEDRA EKONOMIKY, – MAITAH, M. *Macroeconomics : issues
　　and exercises.* V Praze: Česká zemědělská univerzita, Provozně ekonomická fakulta, 2010. ISBN
　　978-80-213-2051-2.
MISHKIN, F S. *Monetary policy strategy.* Cambridge, Mass.: MIT Press, 2009. ISBN 978-0-262-51337-1.

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Declaration

I declare that I have worked on my bachelor thesis titled "The Impact of Inflation in Kazakhstan" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 15.03.2019 _____

The impact of inflation in Kazakhstan

Summary: The main aim of this bachelor thesis is to uncover the concept of inflation, define the role of the inflation in economy of Kazakhstan, to consider the types of inflation and their impact on the economy.

In the modern world, the level of inflation growth is one of the most negative processes affecting the economy, the financial sector and the development of the country as a whole.

The main purpose of the task of this work is to consider the features of inflation processes in the country, to identify what monetary policy is carried out in the state to reduce the rate of inflation

The theoretical part of the thesis will contain the main causes and factors of inflation and its impact on the economic and social spheres of the country, as well as ways of anti-inflationary policy will be considered. In the practical part will be analyzed features of inflation processes in the Republic of Kazakhstan and analyzed the economic sphere of the country in the SWOT analysis.

Keywords: Inflation, the level of inflation rate, hyperinflation, open and closed inflations, impact, CPI, SWOT analysis.

Dopad inflace v Kazachstánu

Souhrn: Hlavním cílem této bakalářské práce je odhalit pojem inflace, definovat úlohu inflace v ekonomice Kazachstánu, zvážit typy inflace a jejich dopad na ekonomiku.

V moderním světě je míra inflace jedním z nejnegativnějších procesů ovlivňujících ekonomiku, finanční sektor a rozvoj celé země.

Hlavním cílem této práce je zvážit rysy inflačních procesů v zemi, zjistit, jaká měnová politika je ve státě prováděna za účelem snížení míry inflace.

Teoretická část práce bude obsahovat hlavní příčiny a faktory inflace a její dopad na ekonomickou a sociální sféru země, jakož i způsoby protiinflační politiky. V praktické části bude provedena analýza vlastností inflačních procesů v Kazašské republice a analýza ekonomické sféry země v SWOT analýze.

Klíčová slova: nflace, míra inflace, hyperinflace, otevřené a uzavřené inflace, dopad, CPI, SWOT analýza

Table of content

8

List of Figures

List of Tables

List of abbreviations

GDP – Gross Domestic Product

AS- Aggregate Supply

AD -Aggregate Demand

CPI- Consumer Price Index

NBK- National Bank of Kazakhstan

KZT- National currency of Kazakhstan

SWOT – Strengths Weaknesses Opportunities Threats

CIS- Commonwealth of Independent States

1.Introduction

The concepts of inflation in the economy has been around for a long time. For the first time, inflation was introduced during the North American civil war. The term meant the process of "swelling" of paper money circulation, which was necessary to finance military spending.

Nowadays almost every person is at least somehow familiar with the concept of inflation. Everyone knows what inflation is, how it can affect the country's economy, entrepreneurs and ordinary citizens.

Inflation is a rise in prices. Inflation is an increase in the average level of prices, not a change in any specific price. (Maitah, 2015) We are not talking about a one-time increase in prices for goods released using more modern technology and with improved quality. The point is, when prices rise for all goods, and this increase is sustainable and long lasting.

Inflation is one of the big macroeconomic problems. The consequences of inflation have a negative impact on the formation of industries.

Every country has a specific characteristic of national economics; however, economic nature of inflation always has the same roots. The meaning of inflation is the fall in the value of money, the imbalance between the money supply and its product coverage, or the overflow of circulation channels with excess paper money. Inflation visits all countries in the world. It means for nowadays we have actual question how to deal and what methods can curb inflation? Without analysing the specific mechanisms of these contradictions and their consequences, it is impossible to work out effective measures to bring the economy out of crisis. Their consideration is legitimate to start with inflation as a multifactorial and negative for the economy imbalance of other manifestations of financial and economic instability. Strong inflation hinders the normal investment process, the achievement of full convertibility of the tenge (the national currency of Kazakhstan), reduces the purchasing power of the population.

The task of this work is to show that inflation is a complex social-economic phenomenon caused by the imbalances of reproduction in various spheres of the market economy.

2. Objectives and Methodology

2.1 Objectives

The main purpose of the thesis is to study current situation of inflation in Kazakhstan and how its impacts on the economy.

To achieve this goal I will find the solutions of the following tasks:

- to study the basic theoretical aspects of inflation.
- to find out the reasons of inflationary processes in the country
- to analyze of the economic situation at the present stage of development of Kazakhstan.
- to ascertain type of inflation.

2.2 Methodology

This thesis consists three main parts .Theoretical part discusses the main types and development of inflation worldwide. Practical part contains analysis of impact of inflation from economic point and find out underlying factors of inflation. In addition, this part considers the current state of inflation in the Republic of Kazakhstan and examines structure of the inflation in general.

Theoretical and methodological basis of the thesis is the works of foreign and domestic economists and financiers, revealing various aspects of inflationary processes in different countries of the world, textbooks on economic theory, as well as theoretical and calculated data taken from informational and periodicals (newspapers, magazines, and thematic portals on the Internet).

3. Theoretical concept of inflation

3.1 Role of inflation in the world economy

3.1.1 Types of inflation.

As is known, the types and types of inflation are classified according to different criteria, but the main classification feature that determines the type of inflation is its causes. They determine the mechanism of inflationary processes and anti-inflationary measures. In accordance with this feature, there are two types: demand - pull inflation, supply inflation (cost inflation).

Demand- Pull Inflation is a rise in the average price level of prices caused by excess demand at full employment. The excess demand increased the average level of prices, which is inflation. (Maitah, 2015) Why demand inflation can start?

Figure 1. Demand Pull inflation

Sources https://www.economicshelp.org/blog/27613/inflation/demand-pull-inflation/
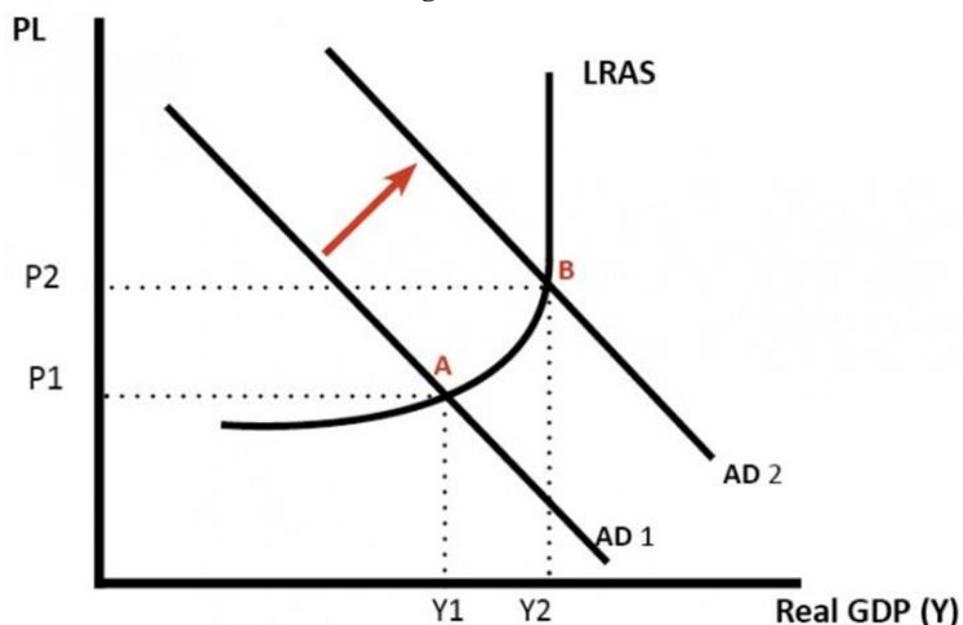
It starts with an increase in aggregate demand. This increase can arise by increases in the quantity of money, increases in government purchases, or increases in net exports because any of these three shifts increase aggregate demand and shift the AD curve rightward. The increase in AD will lead to a higher price level and, temporally, a higher level of real GDP. If the economy began at full employment. Then temporarily the level of real GDP will be above potential. In the long- run, the money wage rate rises to offset the

increase in the level price, so the short-run aggregate supply decreases and the SRAS curve shits leftward.

The decrease in AS decreases and the only way the inflation can continue is if aggregate demand continues to increase. (Maitah, 2015)

Cost – push inflation starts with a decrease in the shot-run AS, that is, s leftward shift of the SRAS curve. The decrease in the short-run AS can be result of an increase in the money wage rate or an increase in the money price of other raw materials. In either instance firms costs have risen or they respond by decreasing production, which decrease the short- run AS. The dilemma for Central Bank is that the decreases in short- run AS means that the real GDP fall below potential GDP and the price level rises. If the Central Bank responds by increasing the quantity of money in order to increase AD and move GDP back to potential GDP, the price level will rise still higher. In addition, if the initial agent raised costs responds to the higher price level by again raising its costs, then a cost- push inflation might well occur (Maitah, 2015)

Figure 2.Cost push inflation

Sources https://www.economicshelp.org/blog/27613/inflation/demand-pull-inflation/
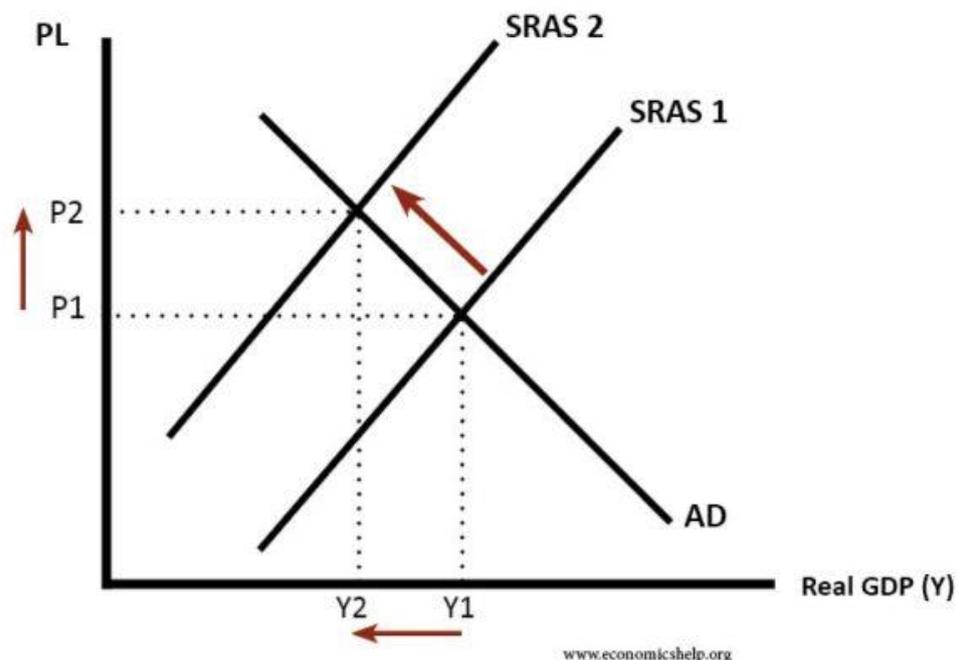
In addition, inflation divided in 3 types by the rate of increase (growth) of prices: (Finlit Online, n.d.)

- creeping inflation (moderate)
- galloping inflation
- hyperinflation

The first type of inflation is characterized by a relatively slow pace of development (10%-15% in the year, about 1% on the month), but with an expanding coverage of goods and services for which prices are rising. Such inflation is present in a significant number of countries with developed market economies, without having a significant negative impact on economic life.

Table 1.Level of inflation in developd countires.

Country	2002	2003	2004	2005
USA	2,2	3,1	4,2	3,5
China	8,0	9,1	10,1	9,9
Eurozone	0,9	0,4	2,1	1,3

Source: International Financial Statistics and data files

According to the data, for 4 years the annual rate of inflation in developed countries did not exceed 10% (i.e., this concerns moderate inflation). It can be added that the purchasing power of money has practically not changed, so in this case, when conducting monetary operations, the risk is minimized.

Galloping inflation, unlike creeping, becomes difficult to control. The average annual price increase is from 10 to 50% or slightly higher. Such a pace can cause severe economic and social consequences (a fall in production, the closure of many enterprises, a decline in the standard of living of the population, etc.), contracts are "tied" to price increases, and money materializes rapidly. This type of inflation is inherent in both highly developed and underdeveloped countries.

And the last type of inflation is hyperinflation. It is inflation with very high rates of development: an exceptionally rapid rise in commodity prices and money supply into circulation, leading to a sharp depreciation of money. In addition to negative economic

consequences, hyperinflation is also dangerous because, as a rule, it can be stopped only by non-economic measures: tight price controls, forced food withdrawals from producers, etc. The greatest danger of such inflation lies in its uncontrollability and lack of regulation, when even government interventions do not work. This situation is due to the lack of control of the money supply by the National Bank. For almost two to three years, the economy is transitioning into a state of depression, which contributes to the bankruptcy of second-tier banks and the decline in production in all sectors of economy.

All these inflation rates are a type of open inflation. In contrast, with suppressed inflation, price increases may not be observed, and the macroeconomic equilibrium is accompanied by universal state control over prices

Types of inflation by the nature (form of manifestation) of the inflation process:

- Open
- Closed

Open inflation - free and long-term price increases. It is typical for countries of market economy, where the interaction of supply and demand contributes to open unlimited price increases. This type implies a direct rise in the prices of consumer goods and productive resources. (Types of Inflation, 2009)

Closed inflation-the state establishes tight control over prices in the conditions of a shortage of goods. At the same time, it is possible to reduce product quality without reducing prices for it, artificially increasing prices (Types of Inflation, 2009)

3.1.2. Factors and causes of inflation.

At present, the structure of inflation is clearly defined. Economists have come to a common opinion about the onset of the inflation process and the main factors. For a better understanding, we have the formula

The Quantity Theory of Money

$$P = \frac{MV}{Y}\P$$

(Maitah, 2015)

M- This is the money supply in the economy

P - The price level

V – The velocity of circulation of money in the economy

Y - The true volume of production

The rate of turnover of funds largely depends on the volume of transactions and the frequency of circulation of money. A specific indicator determines the amount of money.

The causes and factors of inflation are manifold. They can be divided into two large groups - internal and external (endogenous and exogenous). In the context of globalization, exogenous factors are of importance in the development of inflationary processes, which will lead to unfavorable shifts between the monetary and commodity mass. The following external factors affect the rate of inflation:

• The unsatisfactory state of the balance of payments (negative balance of commodity and capital flows);

• Strengthening of foreign currency and, accordingly, the devaluation of the national currency;

• Structural changes in the global and regional capital markets;

• Cyclical development of the world economy;

• World and zonal economic crises (currency, commodity, energy, commodity, financial, debt).

Any of these factors indirectly affect the national commodity-money balance, and hence inflation. For example, crises in the market of imported raw materials and food lead to higher prices in the national market. The lack of liquidity in the global capital market reduces its inflow into the national economy, which, in turn, reduces the sources of investment in the development of the production of goods and services, increasing the cost of these goods. Devaluation of the national currency leads to its impairment and, as a rule, causes a rise in prices, etc.

Monetary factors are key factors of inflation. It means the direct effect of the growth of the money supply on inflation and the price level. That is why the central bank, as the authority responsible for issuing money in circulation, is directly responsible for the level of inflation. Thus, it becomes clear the delegation of authority to control inflation to the central bank, since it is inflation that is the main factor undermining the stability of the national currency.

In the conditions of modern monetary circulation of credit nature, the main factor of inflation is credit expansion, i.e. the expansion of bank lending beyond the needs of the economy, which provokes the issuance of non-cash money. Effective balanced secured lending for rational production goals does not provoke inflation - in this case, the growth of

the money supply is adequate to the needs of the economy. If banks actively issue unsecured, risky, bad loans, this can be a source of inflation.

The monetary cause of inflation is a crisis in the foreign exchange market, the devaluation of the national currency. When the national currency depreciates, its purchasing power falls and prices rise. Another important reason for the monetary origin of inflation is the imbalance of government finances. Financing government spending, which as a result does not generate revenue growth, has an inflationary effect on the economy. Thereby causing a rise in prices in the consumer market. Especially, unsecured social obligations are threatened, for example, defense or the maintenance of the state apparatus.

Inflation as a monetary phenomenon also has structural (non-monetary) causes. Money may depreciate, not because they become more, but because they are opposed by fewer goods. The cost-based nature of the national economy can serve as an example of structural inflation. This manifests itself in excessive energy intensity of the final release. Inflation is also provoked by the high monopolization of the economy, which generates inadequately high prices. For example, in Kazakhstan or Russia, many local and regional commodity and commodity markets are extremely monopolized, and there is no real competition

Finally, it can be said that the inefficient economy is the breeding ground for structural inflation.

3.1.3. Economic and social consequences of inflation

Socio-economic consequences of inflation are diverse, resulting in a negative impact on the country's economy.

1. Inflation has a devastating effect on economic growth. High inflation limits the investment activity that is required to maintain stable economic growth.

2. Inflation leads to a decrease in real incomes and a fall in living standards. Inflation reduces the real value of all savings, such as term deposits or insurance policies.

3. The process of inflation leads to increased stratification of the population, as the economic well-being of people with fixed incomes decreases. In addition, along with inflation, the country is developing the growth of the commodity deficit and the emergence of the black market. This makes it difficult to overcome poverty and create an atmosphere of social partnership.

4. In periods of high inflation there is a transition of capital from the sphere of production in the field of speculative trading. There is a search for more efficient and reliable assets, such as gold, foreign currency or real estate. All this can form economic bubbles in the markets.

5. Uncontrolled inflation destroys social and political institutions and undermines social stability. In countries with high inflation, the growth of social spending is turning into a tool to protect the stability of the regime. There is a vicious circle-the growth of unsafe social powers of the budget leads to new inflation. The government has to compensate the costs of inflation by excessive regulation

6. The development of inflation increases the disorder of business processes. Inflation growth for private business means an increase in the degree of risk; investment plans and Finance are reduced.

7. Inflation has a negative effect on the country's external economy. When inflation devaluates the national currency, which leads to disorganization of external economic relations. The competitiveness of countries where inflation is lower is undermined. Reduced international loan as foreign lenders reluctant to lend money to the subjects – carriers of depreciated currencies.

8. The development of the monetary, credit and banking system is hampered. Lending is reduced because of losses of creditors to whom loans are repaid with depreciating money. Banks are experiencing a liquidity crisis due to the decline in savings activity of the population. In the conditions of paper money circulation in hyperinflation there is a complete degradation of exchange and a huge drop in the value and authority of money.

As a result, the negative impact of inflation is obvious. It violates the usual course of production in all spheres of the economy, in exchange and consumption distorts the value proportions, generates many social problems.

However, the modern economy has accumulated vast experience of adaptation and has acquired powerful mechanisms to counter inflation. Moreover, inflation has a positive impact on the economy.

The beneficial effect of inflation is that inflation performs a useful function of achieving a dynamic balance of the economy. Thanks to the balance, the economy can adapt to inflation, but only with moderate inflation. This type of inflation creates certain incentives for domestic economic growth. Since with the growth of prices, there is an

increased demand in the market, and this, in turn, pushes production. In addition, with the growth of inflation in the foreign market, domestic goods become competitive in price.

On this basis, the presence of inflation (moderate) means fluctuations in the economy within the economic cycles between inflation and stagnation (stagnation of economic activity). During inflation, credit activity and high growth in employment and income are manifested.

3.1.4. Inflation and unemployment. Phillips curve.

Inflation regulation is carried out using the Phillips curve. Phillips curve show the inverse relation between unemployment and inflation. The outward shift of the Phillips curve show stagflation (Maitah, 2015)This connection was first established by the Australian economist Phillips.

Analyzing the data, the economist concluded that there is an unemployment rate (7%), in which the level of wages is constant and its increase is zero. When unemployment falls below this natural level, there is faster wage growth, and Vice versa. (Harford, 2008)

Figure 3.Phillips Curve.

Source: https://www.economicsonline.co.uk
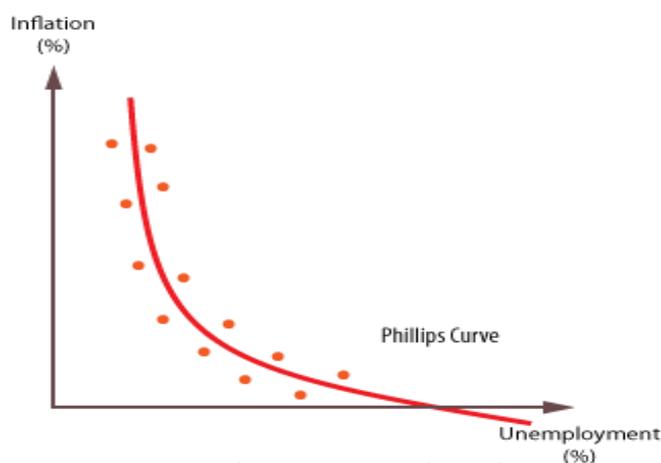
On the graph, at the point where the Phillips curve crosses the abscissa axis, expected inflation is always zero.

Following the Phillips curve, the state can build its economic policy. By stimulating aggregate demand, the state can increase inflation and reduce unemployment, and Vice versa. This inverse relationship between inflation and unemployment can be explained. A high unemployment rate forces people to accept less paid jobs, which in turn restrains price increases. In another situation, on the contrary, when the unemployment rate is quite low,

the employer in order to attract new workers, is forced to raise wages, why wage growth is ahead of productivity growth. In another case, when the unemployment rate is low, it means that there are less and less qualified workers among the unemployed. As a result, the growth of aggregate demand begins to exceed the growth of aggregate supply, which leads to an increase in the price level.

The decline in unemployment is accompanied by an increase in inflation, because the higher the employment of the population, the more income they have, with the help of which they show a high aggregate demand. However, producers are not able to increase production so quickly (limited resources) and are forced to increase prices. Thus, the Phillips curve makes it possible to conduct an economic analysis taking into account inflation and unemployment, as well as to determine the timeliness of government intervention in order to prevent negative consequences at the macroeconomic level.

3.1.5. Measuring inflation.

Inflation is a long and irregular rise in prices; its measurement is an important factor in the country's economy. There are many ways to measure inflation, consider some of them.

1. The inflation rate or the growth rate of prices (IP)

$$i_p = \frac{P_1}{P_0}$$

Sources: financial-independence.ru/stati-o-finansax/raschyot-inflyacii.html (Erogov, 2016)

p1- cost of consumer prices of goods of the reporting period
p0 - consumer prices of the base period

The inflation rate or the growth rate of prices (Ip) determines how many times the price level has changed. If the indicator is greater than one, then prices grew, but if the index is equal to one-the overall price level remained at the same level. if less than one-the overall price level decreased.

2.Rate of inflation. ((P) According to the formula in the numerator is denoted — the absolute change in prices relative to the prices of the base period expressed as a percentage.

$$P = \frac{Q_c - Q_p}{Q_p} \times 100\%$$

Sources: financial-independence.ru/stati-o-finansax/raschyot-inflyacii.html (Erogov, 2016)

If the inflation index shows-how many times the price level has changed, the inflation rate will show-how much the overall price level has changed.

However, how are these formulas related? When the inflation index is greater than one - prices are rising. In this case, the inflation rate will be positive. However, if the index is less than one, the inflation rate will be negative (Deflation).

3. Price indices and income on the Laspeyres formula.

Statistician Etienne Laspeyres developed his own method of inflation indexing in the 19th century. Its formula shows the comparison of the consumer basket according to the current and base period and the difference between them.

$$I_L = \frac{\Sigma p_1 \times q_0}{\Sigma p_0 \times q_0}$$

Sources: financial-independence.ru/stati-o-finansax/raschyot-inflyacii.html (Erogov, 2016)

Showing price fluctuations in the base period, the index excludes changes in the cost of consumption structure. Therefore, it gives a high estimate of inflation if prices rise, and vice versa, an underestimate if they fall.

4. The Paasche Index.

This method of calculation appeared in 1874 by German economist Hermann Paasche. It is determined by the consumption costs of the current time to the base period, with the same range of basket.

$$I_P = \frac{\Sigma p_1 \times q_1}{\Sigma p_0 \times q_1}$$

Sources: financial-independence.ru/stati-o-finansax/raschyot-inflyacii.html (Erogov, 2016)

The Paasche index shows what changes have occurred: how many times the average price level has increased/decreased. Namely, the price change in the current period. Observing the price movement in the consumer basket, this formula is not able to fully reflect the effect of income. As a result, the inflated estimate of inflation at lower prices, and Vice versa, underestimated in case of growth.

5. Fisher Index.

Both formulas have their own errors. Nevertheless, the American economist Fischer decided to combine them in order to derive the average value.

In our time, his method is not as common as the previous ones, but also worthy of attention. After all, it is reversible in time, that is, from the permutation of periods, the value will be the reverse of the original index.

$$I_F = \sqrt{\frac{\Sigma p_1 \times q_0}{\Sigma p_0 \times q_0} \times \frac{\Sigma p_1 \times q_1}{\Sigma p_0 \times q_1}}$$

Sources: financial-independence.ru/stati-o-finansax/raschyot-inflyacii.html (Erogov, 2016)

3.2 Core Inflation.

Core inflation is regularly calculated and analyzed by the world's Central banks. This criterion takes the main place in the definition of monetary policy as it shows the main component of inflation. Core inflation is the main long-term trend. Its calculation does not take into account short-term factors that are constantly changing. (Borisov, 2008) Knowing the direction of the main trend, it is possible to control the level and implement targeted inflation regulation (targeting). The function of the Central Bank is to maintain the purchasing power of money while controlling inflation. Monetary authorities apply quantitative guidelines-target limits of price changes. Monetary policy with a well-defined target parameter is also called inflation target.

The impact of money supply on inflation is well understood, but overall inflation is not always under the control of the Central Bank. The measures that are taken in the monetary strategy have an impact only on part of inflation and affect the overall inflation only after

some time. moreover, the dynamics of other economic factors that are not under the control of the Central Bank also have temporary effects on inflation. That is why monetary policy decisions are increasingly focused on long-term changes in inflation, called core inflation.

Core inflation-non-monetary inflation, expressed in monthly changes in the consumer price index: its level is not affected by administrative regulation, seasonal changes.
In order for the Central Bank to effectively use the core inflation rate, it must be calculated in parallel with the usual CPI and have a constant history. There are three types of base inflation calculation:

- simple elimination methods
- truncated mean methods
- methods for calculating weights according to the volatility of components

Simple elimination methods - this is the exclusion of certain categories of goods and services from the consumer basket. It can be food or energy-intensive. This is because the prices of these goods are very volatile Excessive dimensional volatility distorts the picture of the overall level of inflation. Formally, there are three main categories of goods and services, which include the most frequently:

- Goods and services prices for which are administratively regulated. The dynamics of such changes abruptly. For example, the price of electricity.
- Goods and services prices, which contains a significant portion of indirect taxes. for example. Which goods are generally affected by tax changes does not reflect the state of demand in the country.

This method is characterized simply by a set of specific products that are studied in the calculation. Truncated mean methods have three groups. The simple truncated method is the most common. A certain percentage of CPI components are excluded monthly from both ends of the distribution. This means that the goods and services whose prices have changed (increased or fallen) the most are not taken into account. In other words, when calculating this inflation rate, taking into account only the core distribution.

The next method is the truncated mean method. The distance from center to distribution when using this method eliminates those components that have changed much more significantly

The last method of truncated mean is truncated mean according to price stability. This method. Reduces and eliminates the most volatile components of the consumer basket.

3.3. Anti-inflationary policy.

The negative social and economic consequences of inflation force governments to pursue certain economic policies. Anti-inflationary policy totals rich assortment of the most different monetary and credit, budgetary measures, tax actions, programs of stabilization and actions on regulation and distribution of income. A very important condition of anti-inflationary policy is the independence of the government from pressure groups, so anti-inflationary measures should be carried out consistently and carefully

It is important to note that the main way to combat inflation should be to combat its underlying causes. The objectives of anti-inflationary policy should first be:

- the reduction of the inflationary potential
- the predictability of inflation dynamics
- the decrease in the rate of inflation
- price stabilization

The strategic objective of the anti — inflationary policy is to align the growth rate of the money supply with the growth rate of the commodity supply (or real GDP) in the short term, and the volume and structure of aggregate supply with the volume and structure of aggregate demand in the long term. To meet these challenges, a set of measures should be implemented to contain and manage all three components of inflation: demand, costs and expectations. (Baktykbekova, 2013)

One of the effective tools to overcome the crisis is the monetary policy of the state. This approach is recommended by supporters of monetarism. Monetary regulation, which indirectly and flexibly affects the economic situation, comes to the fore. If fiscal policy measures are directly aimed at the market of goods, the monetary market is the object of regulation in the conduct of monetary policy. The essence of monetary policy is the impact on the economic situation through changes in the amount of money in circulation (emission). In market economies, Central banks affect inflation indirectly through a variety of instruments, with the impact of monetary policy measures affecting not immediately, but with certain temporary benefits that vary from country to country and under different conditions. (Baktykbekova, 2013)

Monetary policy instruments that affect the size and structure of the money supply are:

- Open market operations;
- Interest rate or discount policy;

- Mandatory reservation rate;
- Monetary policy (currency controls);
- Inflation targeting.

Monetary emission by the Central Bank is usually realized through the acquisition of any already operating in the economy of assets: currency of the issue channel, the stock channel issue, the credit channel issue. (Baktykbekova, 2013) The credit channel of the issue is dangerous because it excludes the real assessment of the financed projects, which is carried out through the mechanism of the stock market. To overcome the inconsistencies ("overheating" of the economy) can be mainly monetary methods affecting the economy as a whole, mainly by compressing the money supply, which can not always be clearly implemented.

4. Practical part.

4.1. Inflation in Kazakhstan.

4.1.1. Features of inflation in Kazakhstan.

Inflation in Kazakhstan has some features that are associated with the specifics of the Republic in the economic and social spheres of development. First, inflation is developing with a sharp decline in production. The second feature of inflation is that it occurred from a state of suppressed inflation, the prices of goods and services were low and there was a significant deficit. The state of" hidden» inflation (closed) creates an external appearance of macroeconomic equilibrium, supported by methods unacceptable for a normal economy – total subsidization of unprofitable industries. The process was accompanied by the accumulation of significant funds from enterprises, organizations, the population, for which it was impossible to purchase products for industrial, technical and consumer purposes. At its core, this is demand inflation, i.e. the increased demand of economic agents and the population could not be satisfied from the supply side. The Republic of Kazakhstan has a high degree of monopoly, which is an important feature of inflation. This is due to the presence of large enterprises working on the needs of the economy of the Soviet Union. Large chemical engineering plants that have no analogues in the country and do not create a competitive environment. The development of inflation in Kazakhstan was facilitated by the hasty implementation of financial and social measures. Such as the introduction of new taxes, which cause an inflationary effect. This is a value added tax, the deduction of funds included in the cost of production in the Fund for the transformation of the economy and a sharp increase in social insurance contributions. Value added tax in countries with developed market economies serves as a tool to contain excessive investment demand, switching it to consumer. This is necessary to prevent a crisis of overproduction. In Kazakhstan now, with a sharp drop in investment demand, its additional reduction under the influence of VAT further exacerbates the problem of savings and is a factor in reducing investment in the national economy.

4.1.2. Measuring inflation in Kazakhstan in general.

Inflation in the Republic of Kazakhstan is calculated based on the consumer price index (CPI), which shows the change in the overall level of prices for goods and services

purchased by the population for personal consumption in cities Astana and Almaty, in all regional centers and in the sample circle of cities and district centers. (National Bank of Kazakhstan, 2018) The consumer basket for calculating inflation reflects the structure of household expenditure and includes 508 goods and services occupying the largest share in the consumption of the population.

Core inflation is inflation that excludes short-term uneven changes in prices under the influence of certain administrative, event and seasonal factors. The Agency of the Republic of Kazakhstan on statistics calculates base inflation by 5 different methods. Core inflation-1: inflation excluding price increases for vegetables, fruits, gasoline and coal;

core inflation-2: inflation excluding the growth of prices for fruits and vegetables, regulated services and energy; core inflation-3: excluding 5 maximum and 5 minimum price increases; core inflation-4: trimmed mean-CPI calculation excludes those components, the cumulative weight of which is less than 8% and more than 92%, that is, do not take into account those goods and services whose prices have changed (increased or decreased) more just; core inflation-5: median CPI-CPI calculation cuts off all price changes except for the one that is in the middle of the ranked by change price series, that is, the statistical median. Median CPI will be equal to price change the first component, the cumulative weight of which equals or exceeds 50% (National Bank of Kazakhstan, 2018)

4.1.3. Inflation review from 2011 to 2018.

Inflation in annual terms from 2011 to 2015 remained at a relatively stable level in the range of 5-7%, However, in 2016 the inflation rate rose to 14%. At the beginning of 2016, the high inflation background remained due to the implementation of the pass-through effect of exchange rate changes on the domestic prices and tariff increases for regulated services. Since March observed gradual reduction of monthly inflation indicators in the conditions of stabilization of the situation in the foreign exchange market, as well as limiting the impact of macroeconomic factors. Moreover, this was the reduction of inflation in 2017 and in 2018

Table 2.Level of inflation in Kazakhstan 2011-2018

2011	2012	2013	2014	2015	2016	2017	2018
8,45%	5,19%	5,94%	6,80%	6,78%	14,36%	7,44%	5,30%

Source: National Bank of Kazakhstan.

The formation of inflation in the end of 2011 was influenced by the growth of prices for food and non-food products. In the 4th quarter, inflation had 1.1%. In comparison with the year 2010 4-quarter inflation remains low mark. Inflation in the 4th quarter of 2011 at the level of the previous quarter was supported by an increase in prices for food products by 1.2%, non-food products-by 1.2% and an increase in tariffs for paid services by 0.9% (National Bank of Kazakhstan, 2018)

Figure 4.Dynamics of qurterly inflation and its components 2011

Dynamics of quarterly inflation and its components
(as % of the previous year)
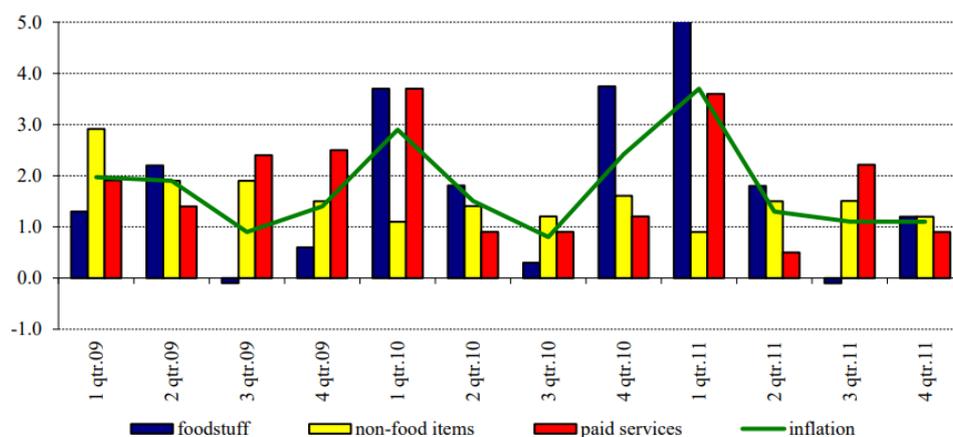
Source: Agency of Statistics of the Republic of Kazakhstan.

At the end of December 2011, inflation in annual terms amounted to 7.4% (in December 2010 was 7.8%). The formation of the annual inflation rate in 2011 was largely due to the rise in price of food products. Prices for food products increased by 9.1%, non-food goods-5.3% paid services-7.3% (National Bank of Kazakhstan, 2018)

Figure 5.Dynamics of annual inflation and its components 2011

Dynamics of annual inflation and its components
(as % of the respective month of the previous year)
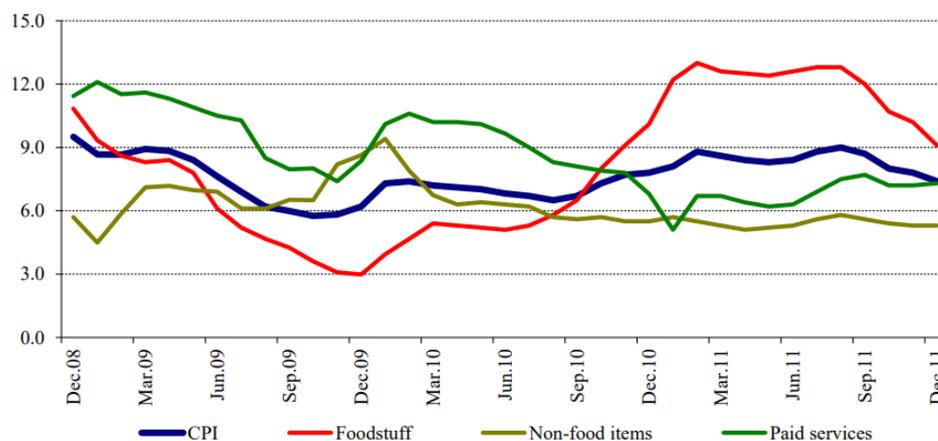
Source: Agency of Statistics of the Republic of Kazakhstan.

In December 2011, all indicators of core inflation in annual terms developed at a higher level compared to December 2010, with the exception of core inflation-5. This indicates the preservation of inflation background in the economy, with the influence of monetary factors on the inflation is negligible.

Figure 6.Dynamics of annual inflation and core inflation 2011

Dynamics of annual inflation and core inflation
(as % of the respective quarter of the previous year)
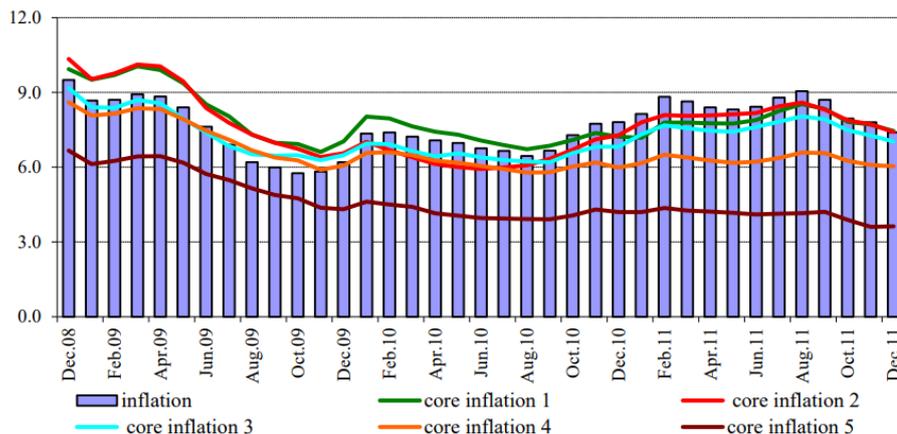
Source: Agency of Statistics of the Republic of Kazakhstan.

Monetary policy in 2011. The first half of 2011 kept the inflationary background in the economy, but in the second half of the year, inflation went down. The reason for the increase in inflation is the manifestation of external economic factors. The growth of world prices in commodity markets, including oil prices, contributed to the increase in inflationary processes in Kazakhstan. Also during this period, there was a low yield of certain types of grain crops, which led to their deficit in the consumer market, which resulted in an increase in prices for them. The reasons for inflation growth in 2011 were also associated with inefficiency pricing mechanism, absence of or low competition, monopolization of individual markets of goods and services, as well as stable growth cash income of the population. However, the right decisions and actions of the Government and the National Bank ensured price stability and a slowdown in inflation. According to the results of 2011, annual inflation has developed in the range of 6-8% and amounted to 7.4%. (National Bank of Kazakhstan, 2018)

Figure 7.Annual inflation rate 2011

Annual Inflation Rate

as % of the respective month of the previous year
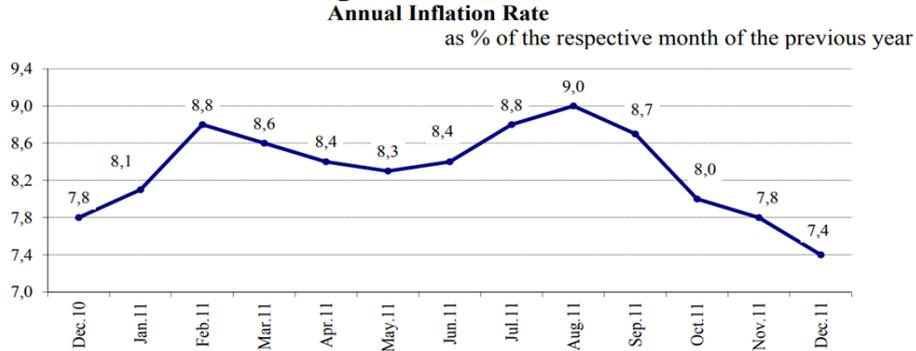
Source: National Bank of Kazakhstan.

According to figure 8, inflation in 2011 was 0.4 percentage points less than in 2010. Average annual inflation was 8.3% in 2011 and 7.1% in 2010%

Figure 8.Inflation rate 2011
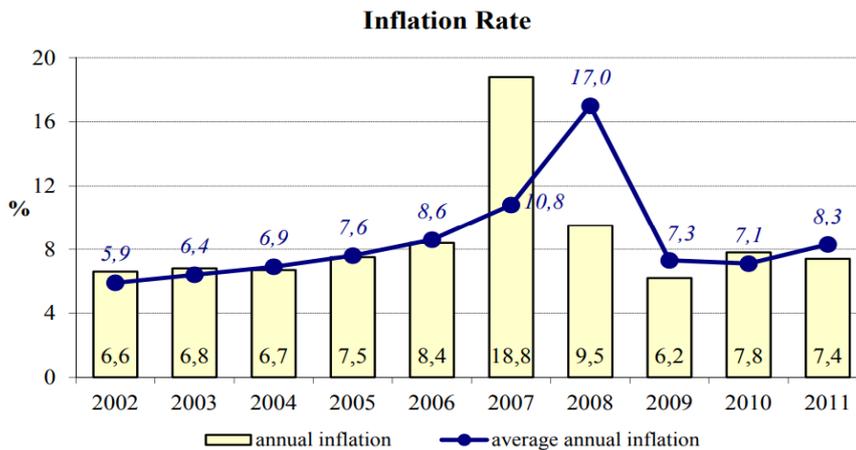
Inflation Rate

Source: National Bank of Kazakhstan.

Monetary policy instruments 2011. The main goal of the National Bank in 2011 was to create stable prices in the country and to keep the annual inflation within 6-8%. In the same year, the national Bank moved to a regime of managed floating exchange rate and pursued a policy that was aimed at ensuring the stability of the national currency and maintaining the competitiveness of producers.

In 2012, there was a slowdown in the growth rate of the economy due to the slowdown in the mining and manufacturing industries and a decline in agriculture

In the first half of 2012, there was a tendency for inflation to slow down. However, in the autumn of the same year, the inflation rate rose slightly due to the increase in tariffs for paid services, transport and housing and communal services. The unstable situation in the world markets, the increase in world prices for raw materials inefficient pricing in the

country and low competition all these factors appeared on the dynamics of inflation. At the same time, the influence of monetary factors on the formation of inflation processes in the country in 2012 was minimal. In 2012, the monetary aggregates grew moderate pace. As a result, in 2012 inflation did not exceed the forecast parameters. In 2012, annual inflation was between 6-8% and amounted to 6.0%.

Figure 9Annual inflation rate 2011
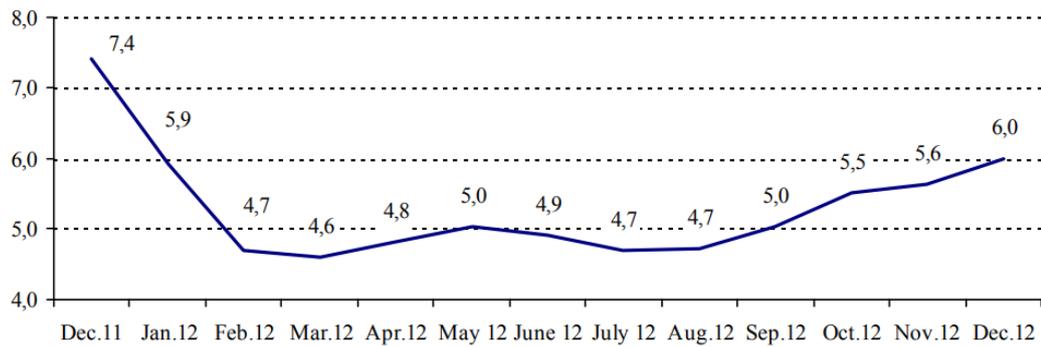
Source: National Bank of Kazakhstan.

Inflation process 2012. In the end of 2012 there was an acceleration of quarterly inflation, which it developed at the level of 2.0%, while in the 3rd quarter of 2012the year was at 1.2%. Inflation for October-December 2012 was formed in mainly due to the growth of tariffs for paid services (National Bank of Kazakhstan, 2018)

In the 4th quarter of 2012, prices for food products increased by 2.1%, for nonfood goods – by 1.3%. Paid services for this period became more expensive by 2.6% (. High the level of growth in tariffs for paid services due to higher prices for a number of services housing and communal services, which at the beginning of 2012 was " transfer» tariff changes at a later date.

Figure 10.Dynamics of quarterly ifnlation and its components 2012
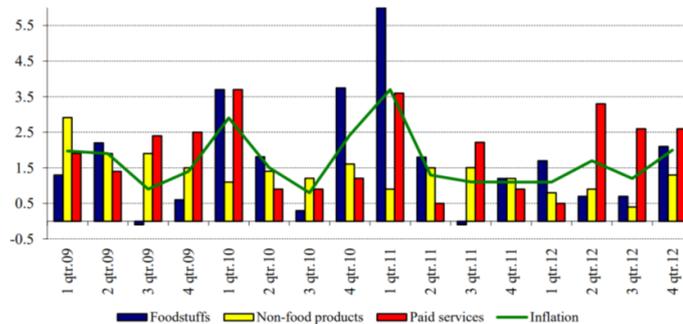
Source: Agency of Statistics of the Republic of Kazakhstan.

In General, in 2012 inflation in annual terms amounted to 6.0%. Over the past 12 months, food products have become more expensive by 5.3%, non – food products – by 3.5%, paid services-by 9.3% (National Bank of Kazakhstan, 2018)

Figure 11.Dynamics of annual inflation and its components 2012

Dynamics of annual inflation and its components
(as % of the respective month of the previous year)
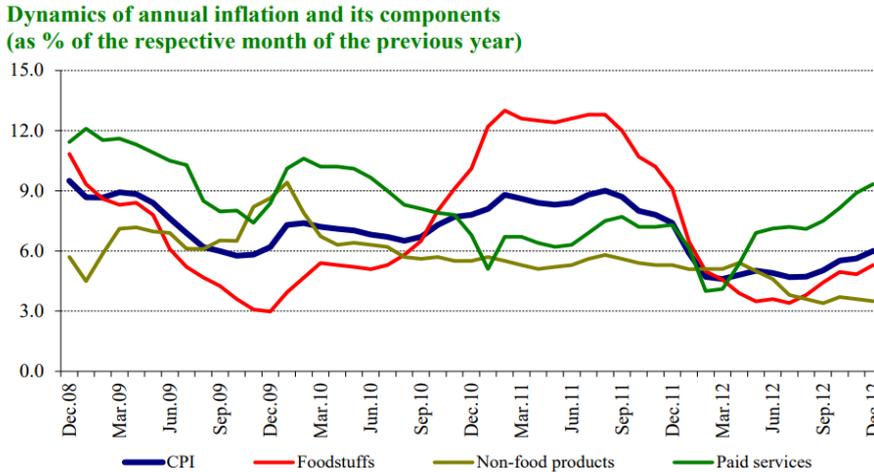

Source: Agency of Statistics of the Republic of Kazakhstan.

At the end of December 2012 all indicators of core inflation in the annual the expression has developed at a lower level compared to the indicators of December 2011. This indicates a slowdown in inflation, against the background of minimal impact of monetary factors on inflation.

Figure 12.Dynamics of annual inflation and core inflation 2012

**Dynamics of annual inflation and core inflation**
(as % of the respective month of the previous year)
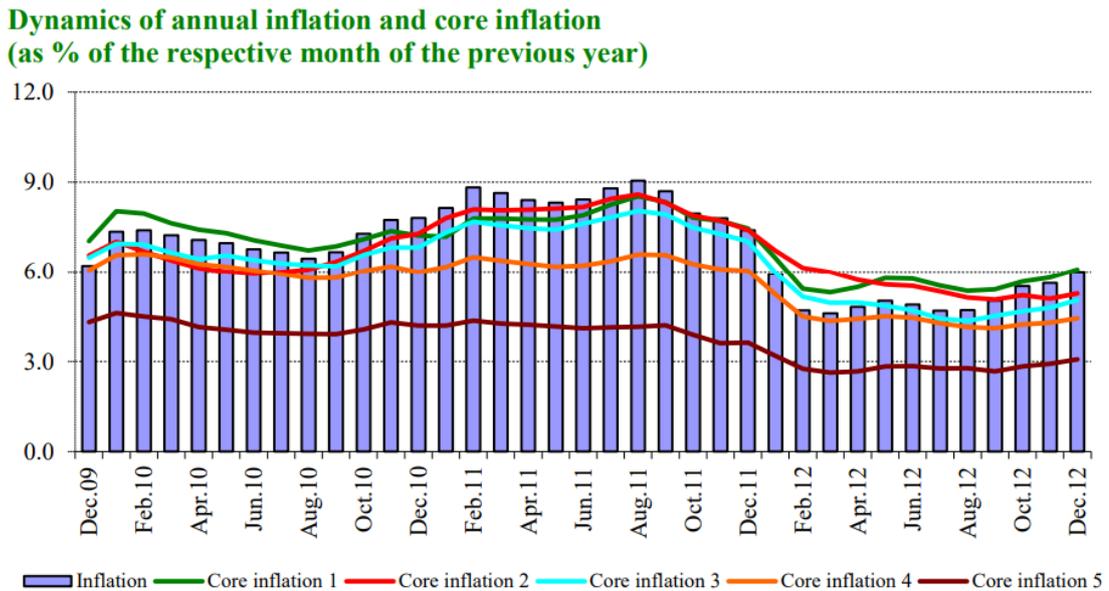
Source: Agency of Statistics of the Republic of Kazakhstan.

In 2012, annual inflation was 1.4 % points. Average annual inflation is lower than in 2011 it was 5.1% in 2012, against 8.3% in 2011.

Figure 13.Inflation rate 2012
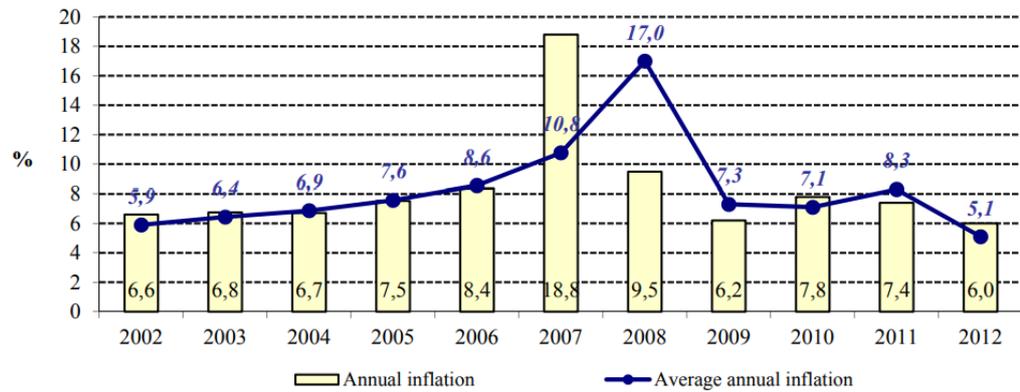
Inflation rate

Source: National Bank of Kazakhstan.

The instruments of monetary policy in 2012, the main goal of the National Bank was to ensure stability prices in the country and the retention of annual inflation in the range of 6-8%. World prices for the main items of Kazakhstan's exports in 2012 they were formed at a high level. As a result, the situation on the domestic the foreign exchange market remained stable. The tenge (national currency of Kazakhstan) exchange rate in 2012 fluctuated within the narrow corridors. In 2012, the national Bank continued to implement the exchange rate policy in the framework of the managed float regime.

At the end of 2013, there was a seasonal acceleration of quarterly inflation, which stopped at 1.5%. Inflation from October to December was formed due to the growth of food prices by 1.7%. In addition, prices for non-food products increased by 1.5%, tariffs for paid services increased by 1.1%[4]

Figure 14.Dynamics of quarterly inflation and its components 2013

Dynamics of quarterly inflation and its components
(as % of the previous period)
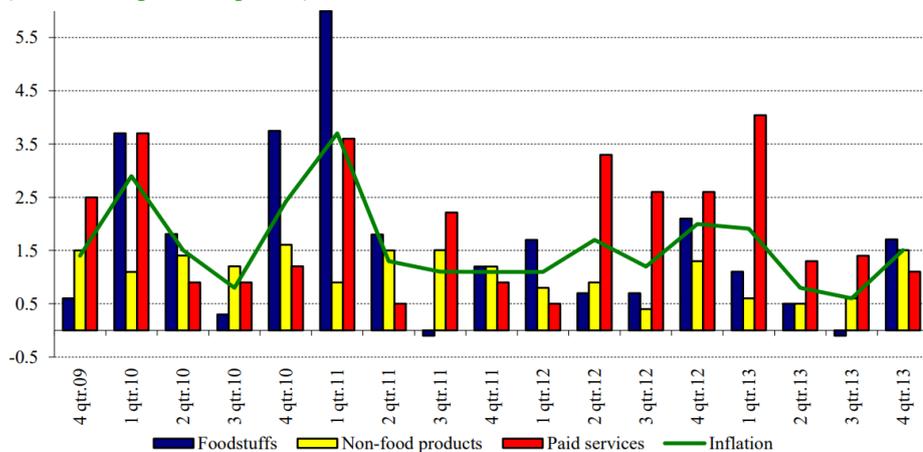
Source: Agency of Statistics of the Republic of Kazakhstan.

In December 2013, annual inflation was 4.8%. In December 2013, compared to December 2012, food products became more expensive by 3.3%, non-food products-by 3.3%, paid services-by 8.0%.

Figure 15.Dynamics of annual inflation and its components 2013

**Dynamics of annual inflation and its components
(as % of the corresponding month of the previous year)**
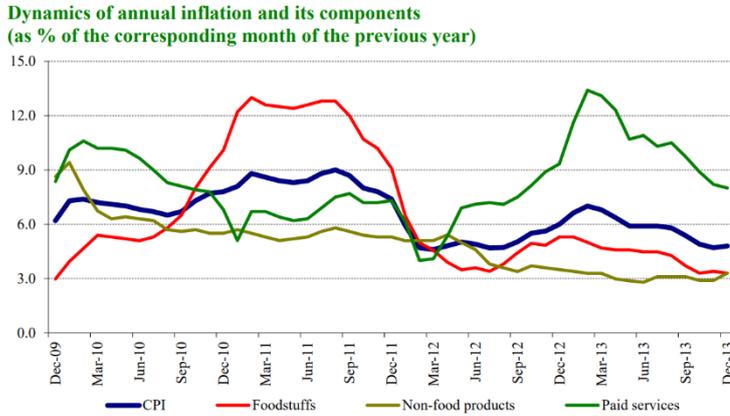
Source: Agency of Statistics of the Republic of Kazakhstan.

At the end of December 2013, all indicators of core inflation in the annual the expression was at a lower level than in December 2012. This indicates a slowdown in inflation, against the background of minimal impact of monetary factors on inflation as in 2012

Figure 16.Dynamics of annual inflation and core inflation 2013

**Dynamics of annual inflation and core inflation
(as % of the corresponding month of the previous year)**
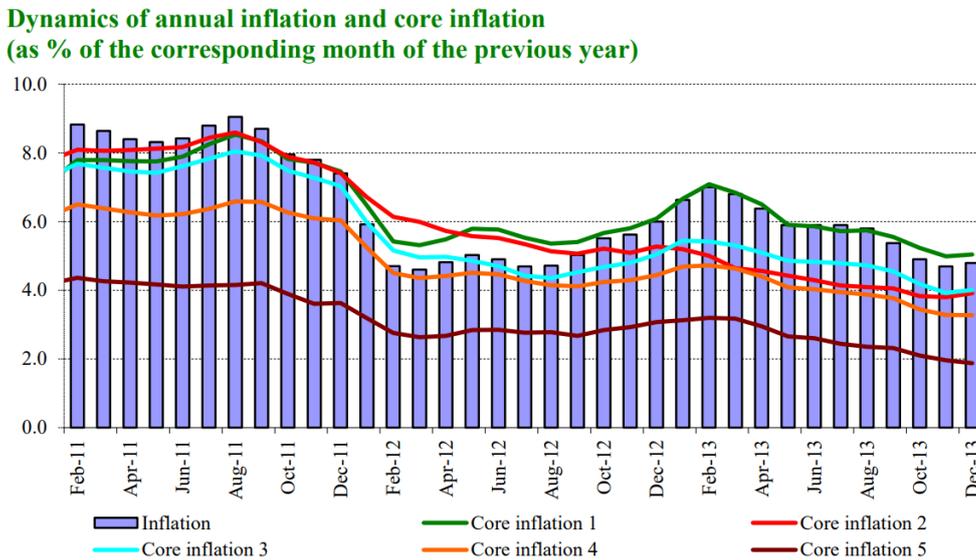
Source: Agency of Statistics of the Republic of Kazakhstan.

Annual inflation slowed in 2013. The main increase in prices fell on paid services to the population (by 8.0%), the growth rate of prices for food and non-food products remained moderate (3.3%)[4]. Stable macroeconomic development of Kazakhstan, accompanied by the growth of production in the real sector and agriculture, was expressed in the growth of the total offers in economy and provision of the market with goods and

services. Meanwhile, the unstable situation on the world commodity markets, high monopolization and low competition in selected markets of goods and services contributed to the preservation of inflation expectations. As a result, in 2013 the annual inflation did not exceed the forecasts. At the same time, from May 2013, its level had been below the target band for inflation of 6-8% set for 2013. At the end of 2013, the annual inflation was at 4.8%.

Figure 17.Annual inflation rate 2013
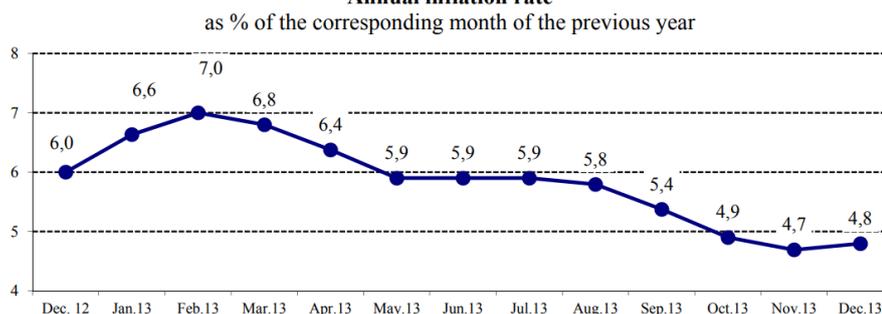
Source: National Bank of Kazakhstan.

In 2013, the annual inflation was by 1.2 percentage points lower than that of 2012.The average annual inflation in 2013 accounted for 5.8%.

Figure 18.Inflation rate 2013
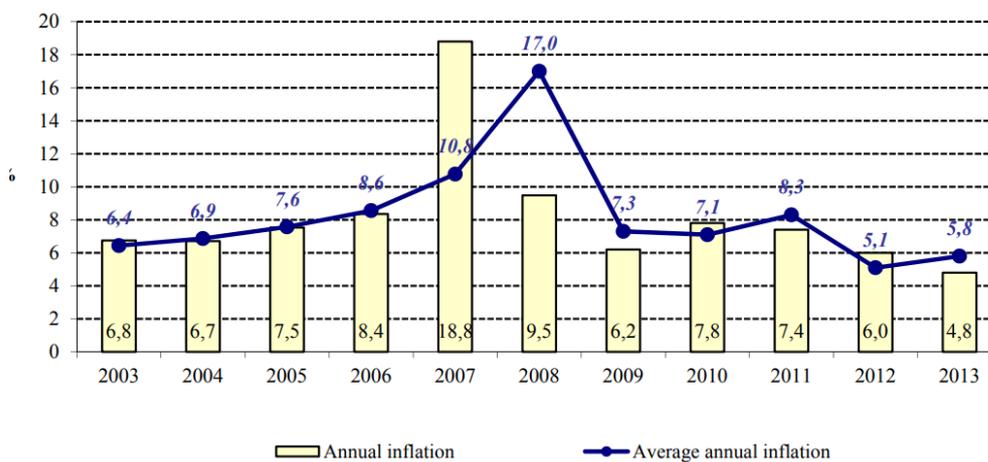
Source: National Bank of Kazakhstan.

Monetary Policy. In 2013, the goal of the National Bank was to ensure the price stability in the country and maintain the annual inflation rate within 6-8%. Amidst favorable pricing environment in the global energy markets, the situation in the domestic foreign exchange market of Kazakhstan remained stable. In 2013, KZT exchange rate was fluctuating within KZT 150.2-154.5 per 1 US Dollar. (National Bank of Kazakhstan, 2018)

Inflation at the end of 2014 increased because of seasonal factors and an increase in consumer demand. The inflation rate for October - December was 1.5%. The increase in prices during this period is due to an increase in food prices by 2.3% as well as an increase in prices for non-food products and paid services became more expensive by 1%.

Figure 19.Dynamics of qurterly inflation and its components 2014
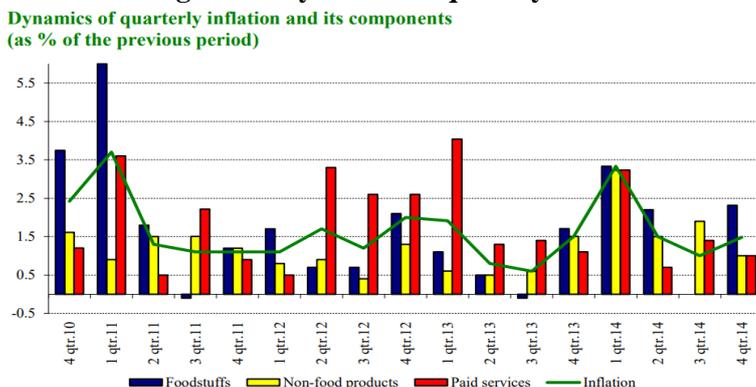
Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan.

Figure 20.Dynamics of annual inflation and its components 2014
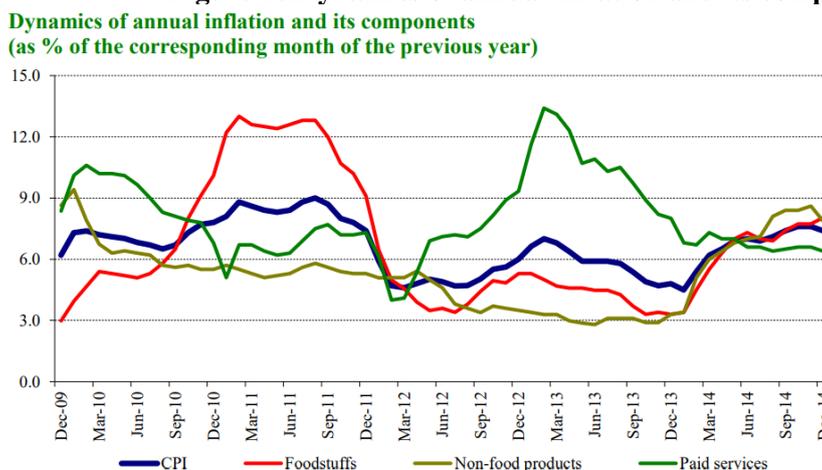
Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan.

At the end of 2014, all core inflation indicators in annual terms were at a higher level than in 2013

Figure 21.Dynamics of annual inflation and core inflation 2014

Dynamics of annual inflation and core inflation
(as % of the corresponding month of the previous year)
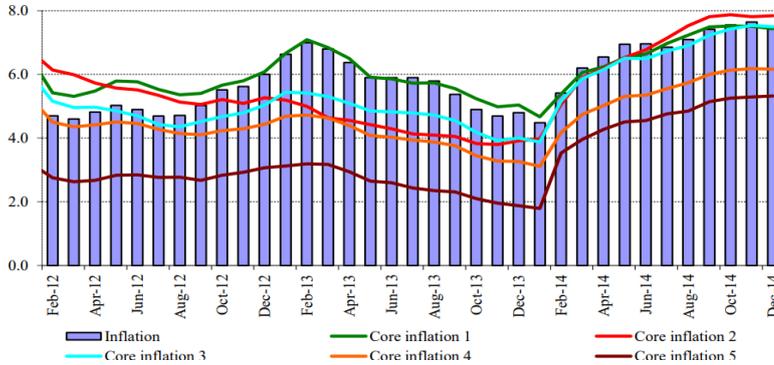
Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan.

Monetary policy 2014.The main goal of 2014 was to ensure price stability and maintain annual inflation within 6-8% overall results. Inflation was 7.4%. At the same time, the annual inflation rate is 8% and compared to last year.

Figure 22.Inflation rate 2014
Inflation rate
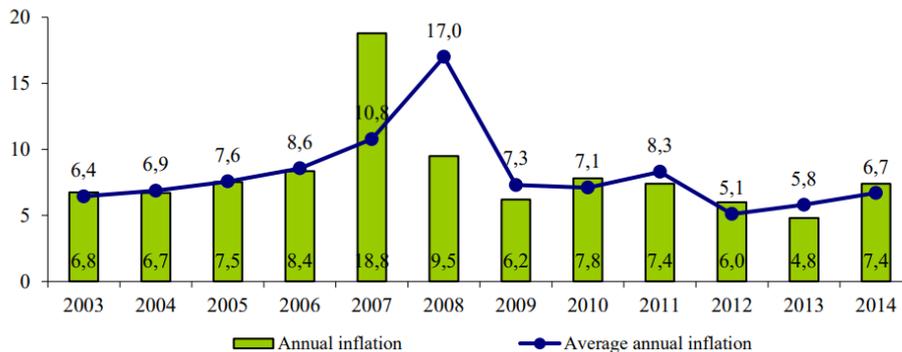
Source: National Bank of Kazakhstan.

In General, a lot affects the growth of inflationary processes. The unstable situation in the world economy, including in the countries of the country is trading partners. The strengthening of inflation processes in early 2014 was due to the adjustment of the exchange rate of the national currency.

Inflation process in 2015.The development of the inflation rate in 2015 depended on the influence of factors due to which the dynamics of inflation was multidirectional. From January to August 2015 continuously reduced, reaching in August the lowest level since May 1999 - 3.8%. (National Bank of Kazakhstan, 2018)

Figure 23.Dynamics of annual inflation 2015

Dynamics of annual inflation
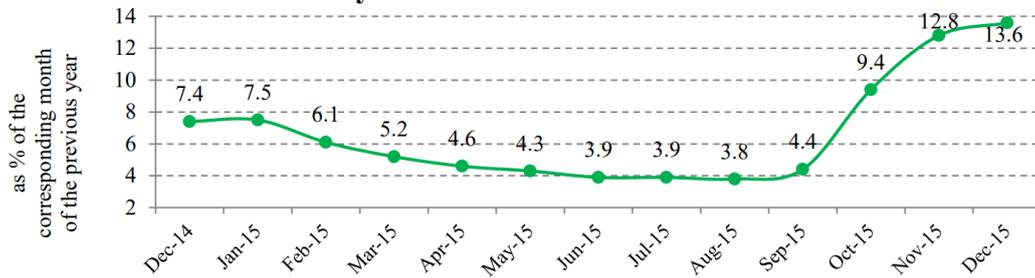
Source: National Bank of Kazakhstan.

Such a decrease in the inflation rate due to the fall in oil prices on world markets and the Russian ruble against the KZT. From August to September, there was a significant weakening of the exchange rate. As a result of this inflation, the processes have increased. As well there was an increase in prices. As a whole. Annual inflation in 2015 was at the level of 13.6%, which is the maximum value since 2008.

Figure 24.Inflation dynamics 2015

Inflation dynamics
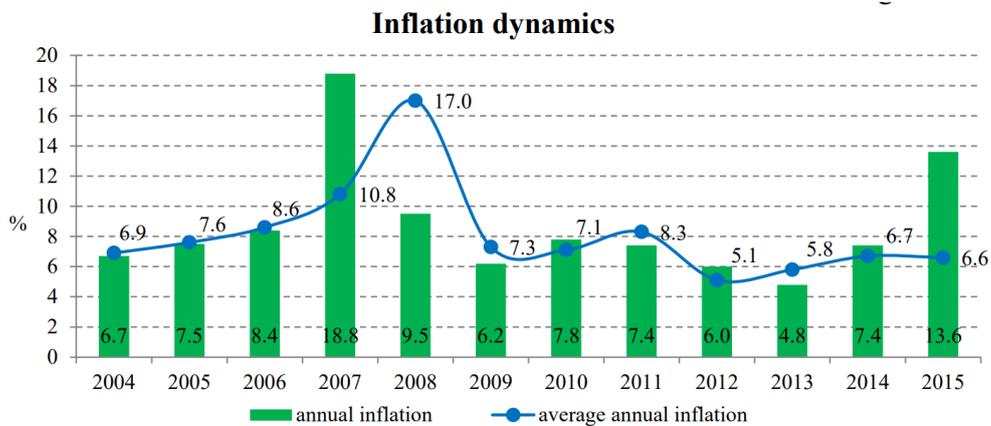
Source: National Bank of Kazakhstan.

In the structure of inflation, the largest increase in prices was for non-food products, the prices of which increased by 22% in 2015.food prices increased by 11%. Paid services also became more expensive by 8%. (National Bank of Kazakhstan, 2018)

Figure 25.Dynamics of major groups of the consumer price index 2015

Dynamics of major groups of the consumer price index
versus a corresponding month of the previous year
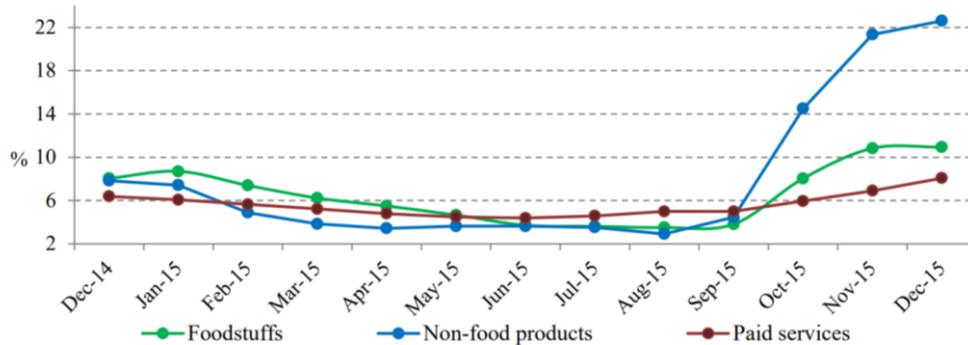
Source: National Bank of Kazakhstan.

In 2015, the domestic currency market developed under significant pressure on the exchange rate of KZT. In January-July 2015, the exchange rate of KZT remained stable, slightly weakening by 2.8% over the period. To maintain the exchange rate, the national Bank actively intervened mainly on the sale of foreign currency. Exchange rate policy aimed at maintaining a stable exchange rate of KZT, inevitably led to imbalances in the economy. In this regard, in August 2015, it was decided to switch to the regime of free-floating exchange rate of KZT.

Inflation process 2016.In 2016, inflation in Kazakhstan was 8.5%, down from the two-digit value of the previous year at 13.6%. At the beginning of the year, a high inflationary background was maintained due to the effect of the transfer of the exchange rate change to domestic markets. Prices and tariff increases for regulated services. Since March, there has been a gradual decline in monthly inflation indicators in the context of stabilization of the situation on the foreign exchange market, as well as the limiting impact of macroeconomic factors. Inflation in annual terms remained high until August 2016, mainly reflecting a statistical jump in inflation in the region.4 quarter of 2015. The peak of the annual inflation was in July 2016, and then it began a gradual slowdown to the upper limit of the target of the National Bank 6-8%. (National Bank of Kazakhstan, 2018)

Figure 26.Actual and expected inflation dynamics 2016
Actual and expected inflation dynamics
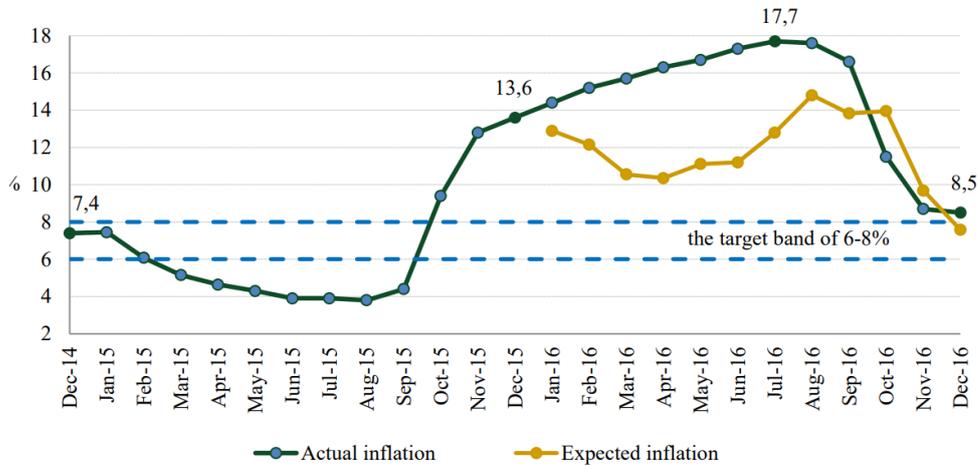
The largest contribution to the structure of inflation increased food prices by 9.7%. Non-food prices rose by 9.5 per cent, well below the previous year (22.6%). Paid services for the year showed a moderate growth of 6.1%.

Figure 27.Contribution to the CPI by groups
**Contribution to the consumer price index by groups**
(versus the corresponding month of the previous year)
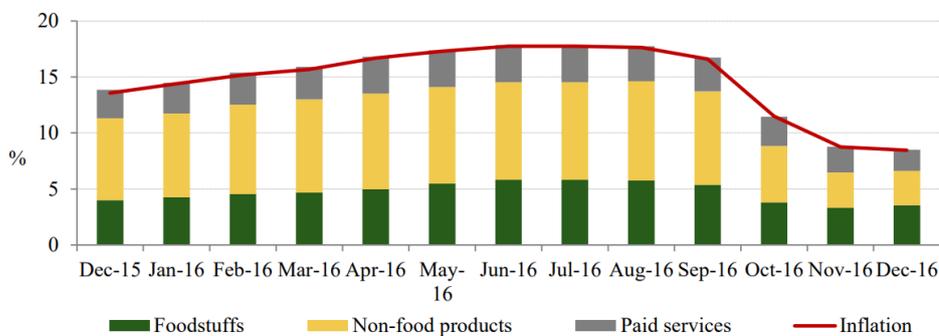
Monetary policy. In January 2016, the National Bank took measures to restore and to maintain the balance in the money and foreign exchange markets as well as to replenish the shortage of the KZT liquidity (National Bank of Kazakhstan, 2018)

In February 2016, the National Bank resumed setting its base rate as a key monetary policy instrument. The introduction of the base rate allowed the financial market participants to have a guidance regarding the cost of borrowing and the National Bank's actions, which had a positive effect on comprehension by the market participants of the

interest rate behavior and on stabilization of conditions for accessing liquidity. (National Bank of Kazakhstan, 2018)

Inflation process in 2017 .The result of 2017 in Kazakhstan was 7.1%. Throughout the year, the inflation rate was within 6-8%. The average annual inflation rate was 7.4%, which halved compared to the previous year.

Figure 28.ACtual and expected inflation pattern 2017
Actual and expected inflation pattern
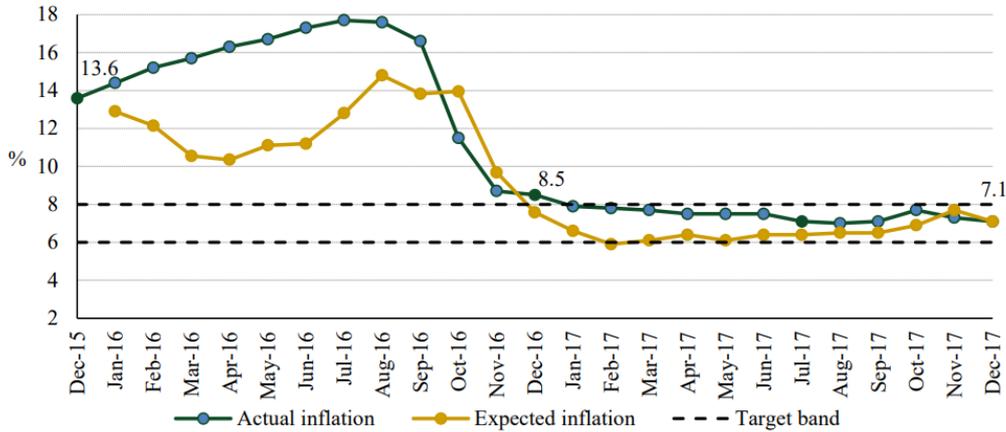
Source: National Bank of Kazakhstan.

Inflation dynamics in some periods of the year was under the influence of temporary factors the rate of core inflation excluding volatile components (fruits and vegetables, energy and regulated tariffs) decreased – from 8.9% in December 2016 to 6.2% at the end of 2017. (National Bank of Kazakhstan, 2018)

Figure 29.Behavior of Core inflation and its components 2017
Behavior of Core Inflation and Inflation Components
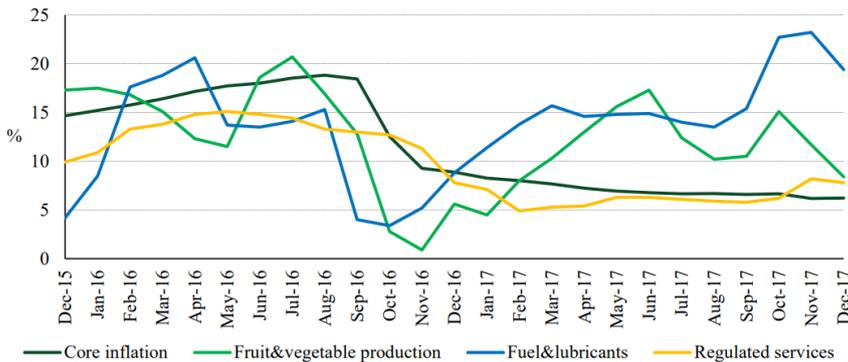
Source: National Bank of Kazakhstan.

In the structure of inflation, the largest contribution (2.7 %) was made by the 8.9% increase in prices of non-food products. Prices of foodstuffs increased by 6.5% (the contribution of 2.5 %). Paid services whose contribution to inflation accounted for 1.9 percentage points had demonstrated moderate growth of 5.9% over the year. [4]

Figure 30.Contribution to the CPI buy the major groups 2017

Contribution to the consumer price index by major groups

(versus the corresponding month of the previous year)
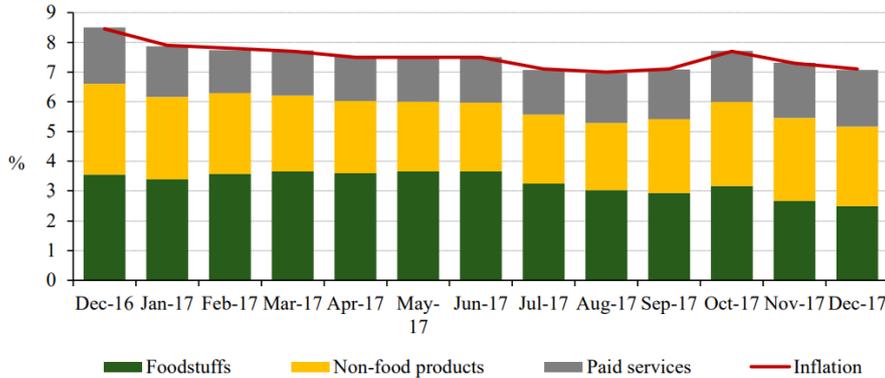
Source: National Bank of Kazakhstan.

Inflation process in 2018. Inflation in Kazakhstan was 5.3%. Food prices rose by 5.1%, non-food prices by 6.4% and paid services by 4.5%

Figure 31.Dynamics of Inflation components 2018
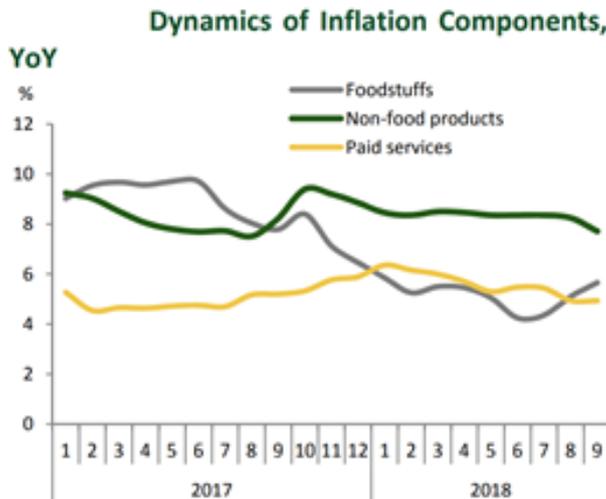
Source: National Bank of Kazakhstan.

Annual inflation remained close to 5-7% and there was a slight increase in the inflation rate to 6.1%. Such dynamics was due to the influence of supply factors such as a later harvest (due to adverse weather) contributed to the reduction of stocks.

Figure 32.Dynamics of annual and core inflations 2018
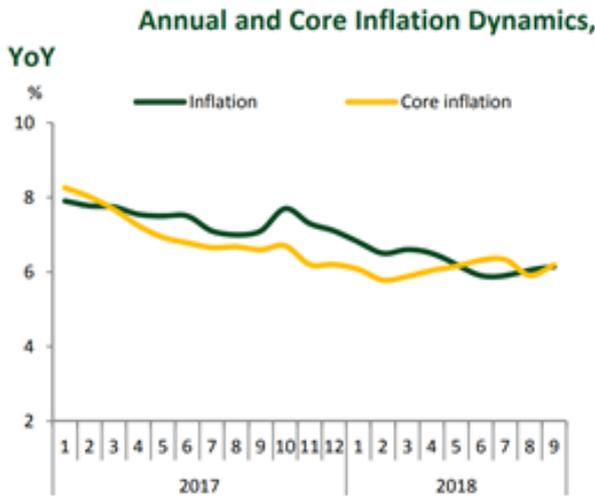
Source: National Bank of Kazakhstan.

4.2. Current situation of level of inflation January 2019)

In January 2019, the annual inflation rate is 5.2%.[] Figure 33 shows that food prices increased by 1.3% compared to the previous month. A non-food increased by 0.3% compared to the previous month. Also, prices for tariffs for paid services became cheaper in January by 0.2%.

Figure 33.CPI 2019 January
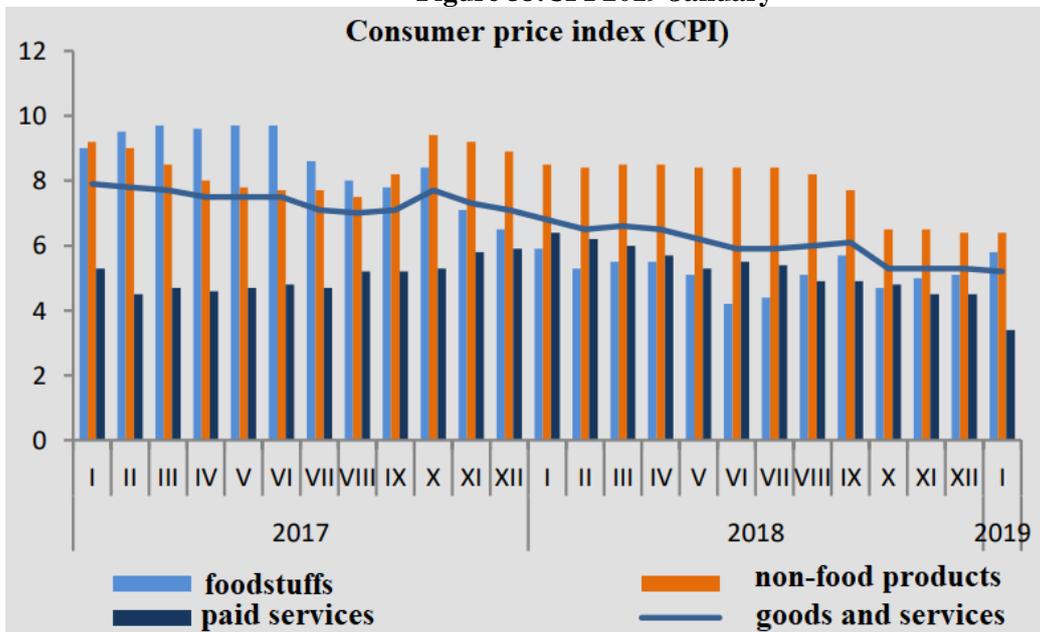
Source: Committee on statistics of the Ministry of national economy of the Republic of Kazakhstan,

According to the forecasts of the National Bank, in 2019 annual inflation will slow down gradually, remain within the new target corridor 4-6% (National Bank of Kazakhstan, 2018)

45

4.3. SWOT analysis of economic in Kazakhstan.

SWOT analysis is used to analyze the advantages and disadvantages of different spheres in the world. SWOT is an abbreviation that stands for Strengths, Weaknesses, Opportunities, and Threats. This method is particularly unique in the analysis of the advantages and disadvantages of the country's economic sector. The analysis helps to understand under what conditions the country's economy develops to balance the impact of internal advantages and disadvantages with the impact of opportunities and threats.

Table 3 SWOT analysis of economoc of Kazakhstan

Strengths	Weaknesses
1 Competition is the basis of market relations	1. Availability of monopolists in the market
2 The Positive dynamics of the share of monopoly in the market	2. Confidential information of the enterprises - monopolists
3 Self-Regulation of the market, through free market prices and competition	3. More than 65% of the commodity market is occupied by firms with a dominant share of the volume of output of goods and services. (National Bank of Kazakhstan, 2018)
4. Intermediary, I market, with the help of free market prices and competition GDP growth in Kazakhstan...and in the economy of Kazakhstan. insulating, informative, stimulating market functions	
Opportunities	**Threats**
1. Antimonopoly policy of the state	1. Monopoly in any case realizes its economic interest - making a profit through the consumer
2. Prospects of the market economy of Kazakhstan - full de-monopolization	2. Anti-competitive concerted actions of market participants (collusion of competitors)
3. The government seeks to prevent the transformation of large business, which arose on the basis of cooperation and concentration into a monopoly	3. Kazakhstan in the ranking of global competitiveness of the world economic forum on efficiency takes only 81 place
4. State control over monopoly markets through the law of the Republic of Kazakhstan "on competition"	4. Increasing the share of state regulation in the economy
5. State prohibition of anti-competitive agreements	

**6. Establishment of the CIS
Antimonopoly Committee on the
initiative of Kazakhstan**

**7. Creation of a common economic space
on the territory of the customs Union**

**8. Anti-competitive actions of state bodies
are prohibited**

**9. Provision of state assistance to market
entities for research, support of
agricultural producers and small
businesses**

10. WTO accession

Own proceed.

SWOT-analysis, which is listed in table number 3 shows that there are a number of weaknesses of the economy of Kazakhstan. The weakest side is also that the monopolist has greater accessibility. It follows that there is no healthy competition, which also affects the level of inflation in the country. Moreover, the possibility that the Republic of Kazakhstan may use the competition law in order to reduce the monopolistic market. Kazakhstan has every opportunity to improve economic development and reduce inflation that was adopted in 2018.

5. Conclusion

The main purpose of the thesis was to identify the essence and impact of inflation on the social and economic spheres of the country. Their features and causes of inflation and consider anti-inflationary policy at the present stage of development.

This thesis discusses the features and monetary policy of inflation processes in the country for the period 2011 to 2018 and also considers the current situation in the country (January 2019). Thanks to these analyses, it is possible to identify how the country's economy developed in the conditions of growth or decline in inflation.

According to the statistical data of inflation since 2011 in Kazakhstan there were problems with its high level and sharp rate of development that slowed down development of economy of the Republic. But despite a number of reasons for the rapid development of inflation (global influence, devaluation of the national currency), the national Bank has managed to choose an anti-inflation policy for the country, with which the level of inflation processes is currently in a stable state. Also, according to SWOT analysis of the country's economy, there are many opportunities to maintain an acceptable level of inflation and a "healthy" state economy.

Inflation is quite relevant and complex process that adversely affects the finances, monetary and economic system as a whole.

Inflation management is a major problem of monetary and economic policy. In general. it is necessary to take into account the complex, multifactorial nature of inflation. It is based not only on monetary but on also other factors. Despite the importance of reducing government spending, the gradual compression of monetary emissions requires a wide range of anti-inflationary measures. Among them are stabilization and stimulation of production, improvement of the tax system, creation of market infrastructure, increasing the responsibility of enterprises for the results of economic activity, changes in the exchange rate of the tenge (national currency), carrying out certain measures to regulate prices and incomes. Normalization of monetary circulation and counteraction to inflation require flexible solutions, persistently and purposefully carried out in the country's economy.

6.References

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7. Appendix

Figure 34. Demand Pull inflation

Sources https://www.economicshelp.org/blog/27613/inflation/demand-pull-inflation/
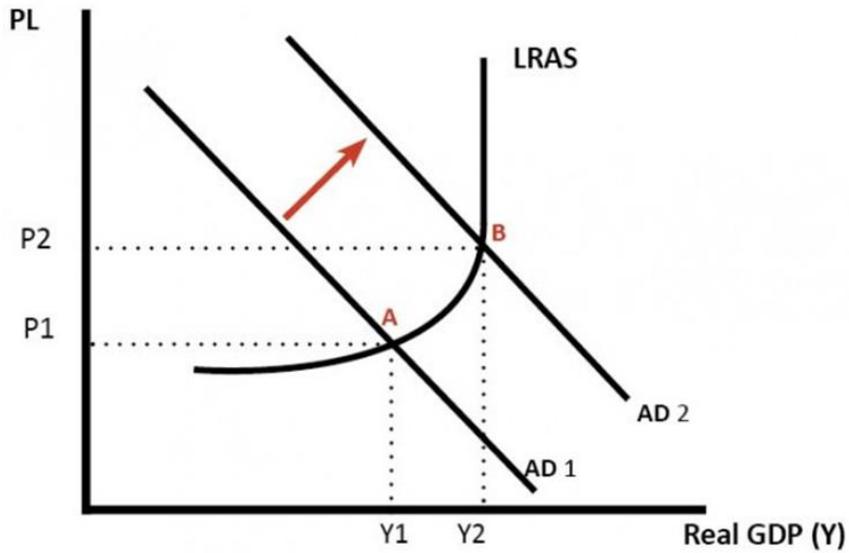
Figure 35.Cost push inflation

Sources https://www.economicshelp.org/blog/27613/inflation/demand-pull-inflation/
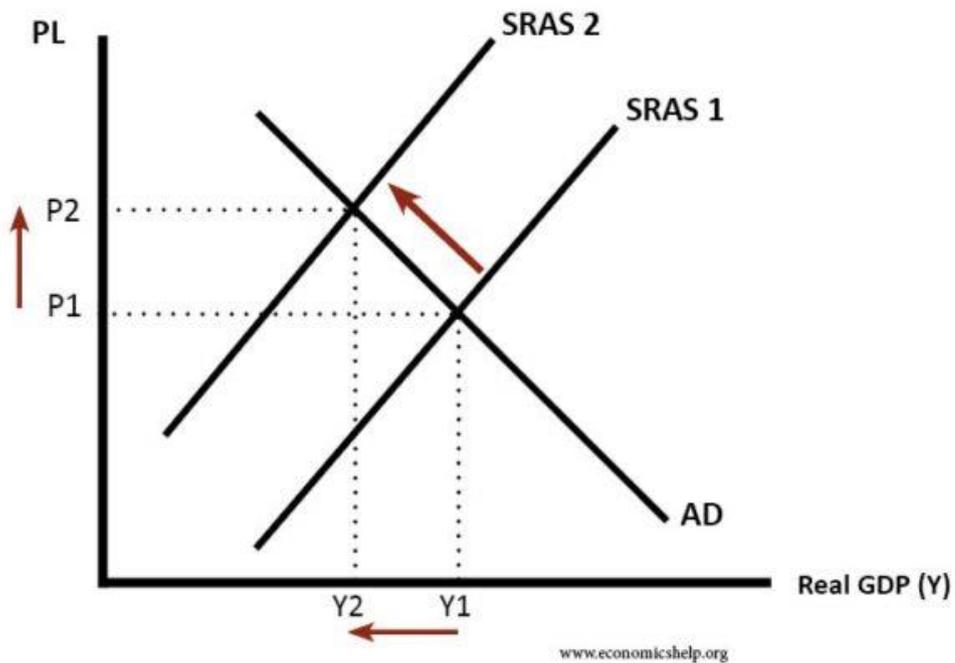
Table 4.Level of inflation in developd countires.

Country	2002	2003	2004	2005
USA	2,2	3,1	4,2	3,5
China	8,0	9,1	10,1	9,9
Eurozone	0,9	0,4	2,1	1,3

Source: International Financial Statistics and data files

Figure 36.Phillips Curve.

Source: https://www.economicsonline.co.uk
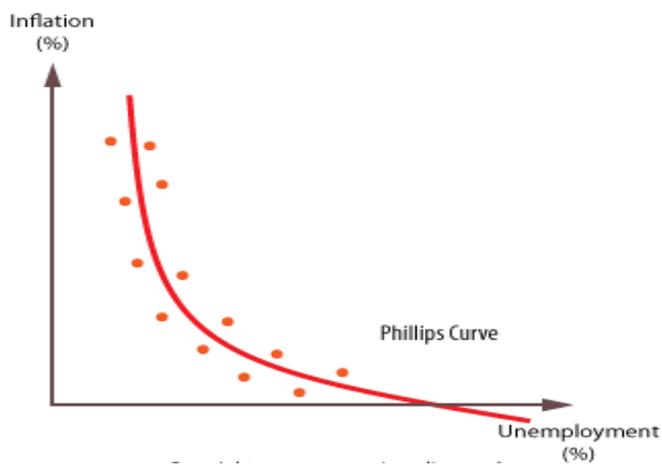
Table 5.Level of inflation in Kazakhstan 2011-2018

2011	2012	2013	2014	2015	2016	2017	2018
8,45%	5,19%	5,94%	6,80%	6,78%	14,36%	7,44%	5,30%

Source: National Bank of Kazakhstan.

Figure 37.Dynamics of qurterly inflation and its components 2011

Dynamics of quarterly inflation and its components
(as % of the previous year)

Legend: foodstuff, non-food items, paid services, inflation
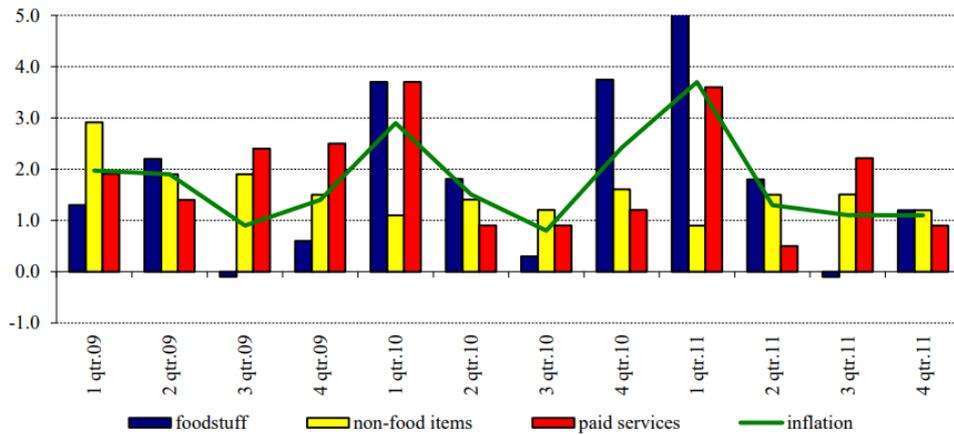
Source: Agency of Statistics of the Republic of Kazakhstan.

Figure 38.Dynamics of annual inflation and its components 2011

Dynamics of annual inflation and its components
(as % of the respective month of the previous year)

Legend: CPI, Foodstuff, Non-food items, Paid services
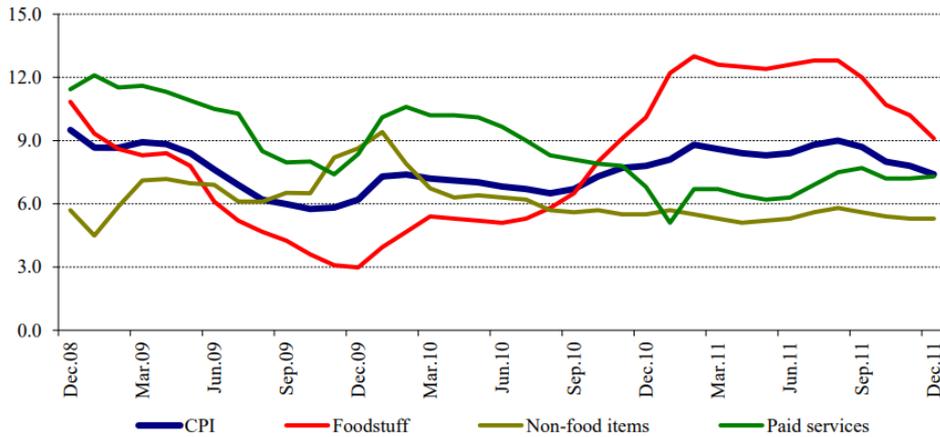
Source: Agency of Statistics of the Republic of Kazakhstan.

Figure 39.Dynamics of annual inflation and core inflation 2011

Dynamics of annual inflation and core inflation
(as % of the respective quarter of the previous year)

Legend: inflation, core inflation 1, core inflation 2, core inflation 3, core inflation 4, core inflation 5
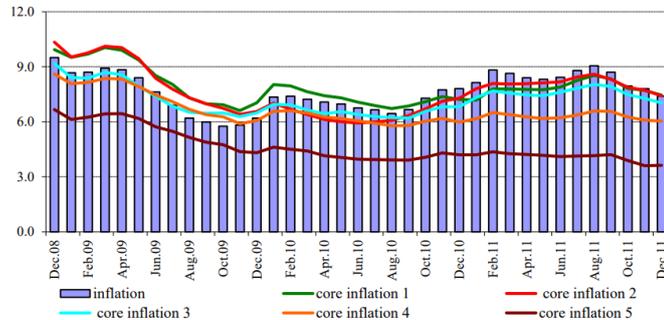
Source: Agency of Statistics of the Republic of Kazakhstan.

Figure 40.Annual inflation rate 2011

Annual Inflation Rate

as % of the respective month of the previous year
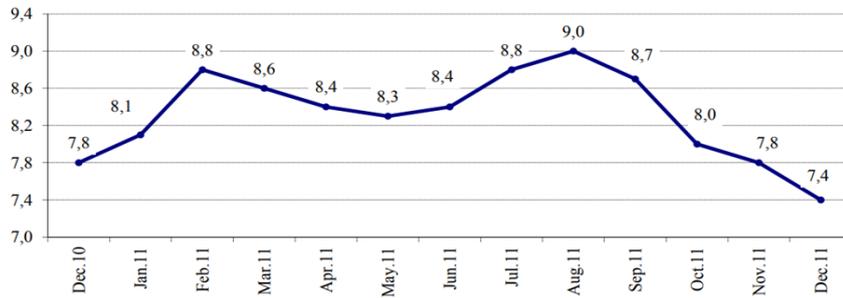
Source: National Bank of Kazakhstan.

Figure 41.Inflation rate 2011
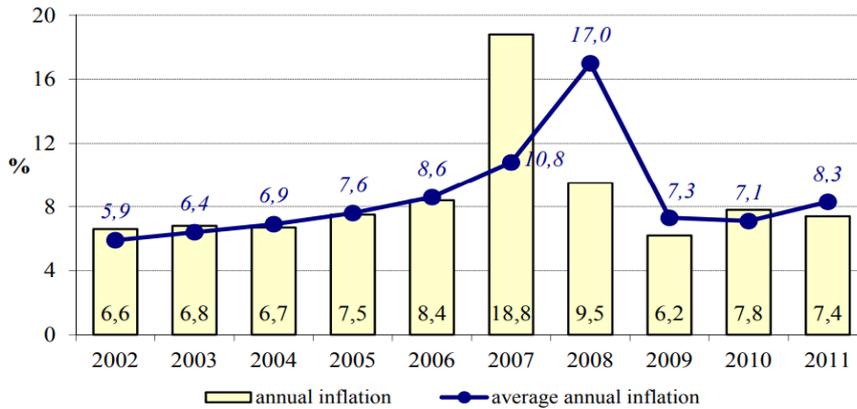
Inflation Rate

Source: National Bank of Kazakhstan.

Figure 42Annual inflation rate 2011

Annual inflation rate

as % of the respective month of the previous year
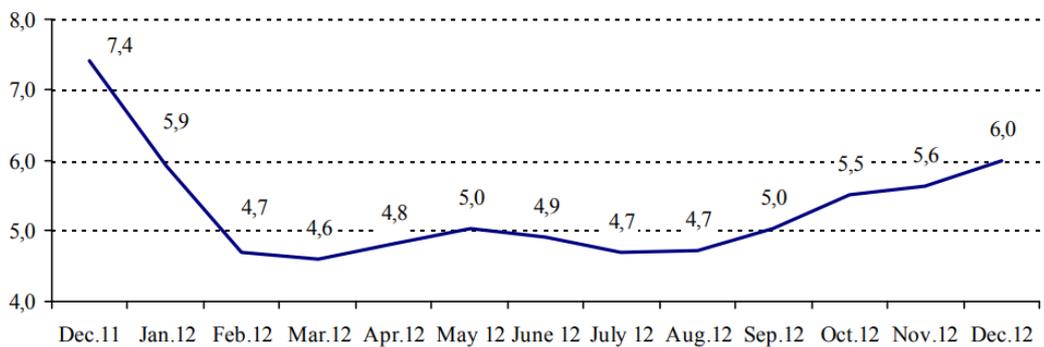
Source: National Bank of Kazakhstan.

## Figure 43.Dynamics of quarterly ifnlation and its components 2012

Dynamics of quarterly inflation and its components (as % of the previous period)
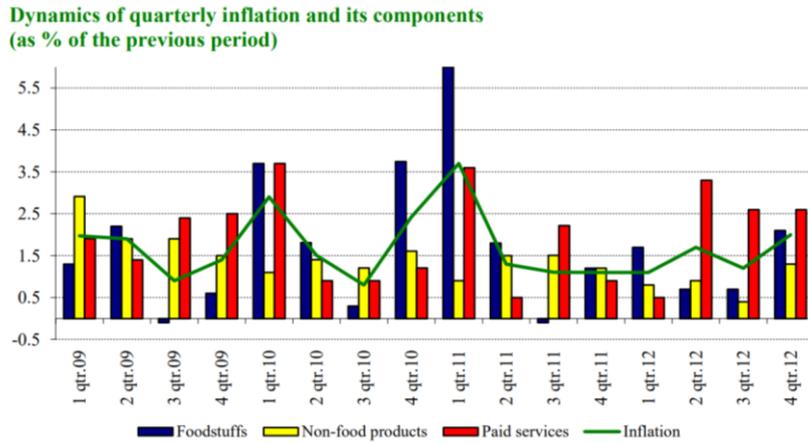
Source: Agency of Statistics of the Republic of Kazakhstan

Figure 44.Dynamics of annual inflation and its components 2012

Dynamics of annual inflation and its components (as % of the respective month of the previous year)
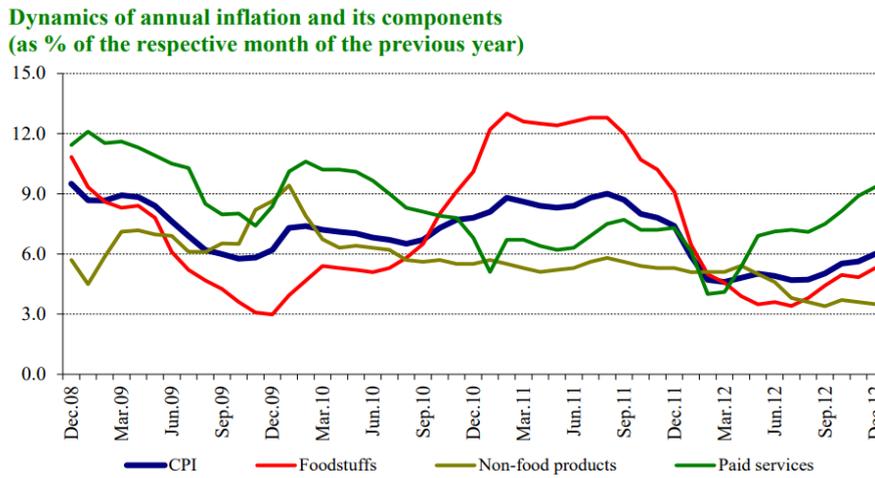
Source: Agency of Statistics of the Republic of Kazakhstan.

Figure 45.Dynamics of annual inflation and core inflation 2012

Dynamics of annual inflation and core inflation (as % of the respective month of the previous year)

Source: Agency of Statistics of the Republic of Kazakhstan.

54
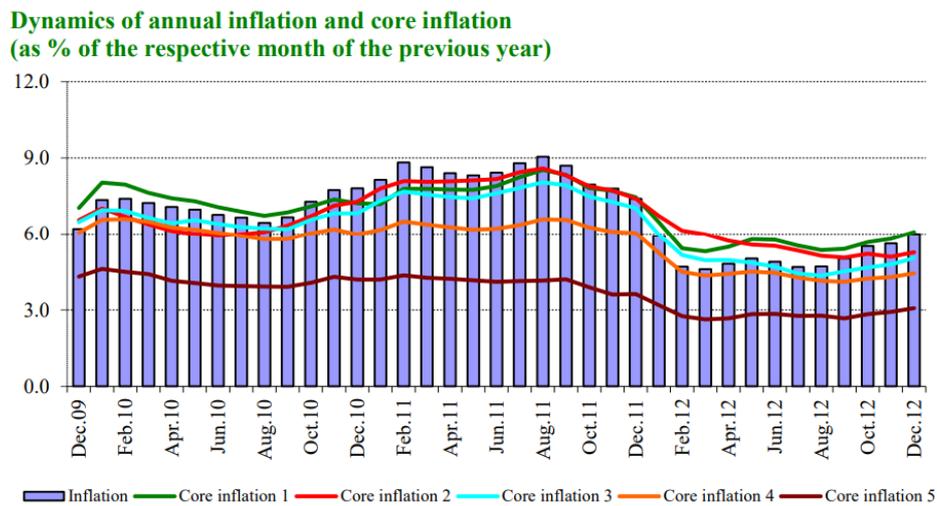
Figure 46.Inflation rate 2012
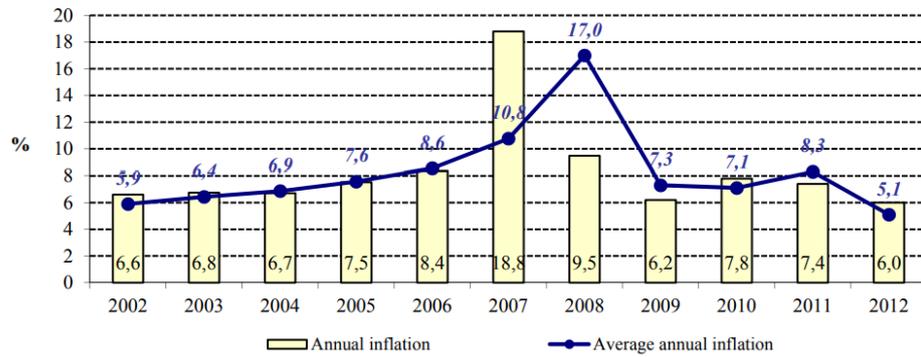
Inflation rate

Source: National Bank of Kazakhstan.

Figure 47.Dynamics of quarterly inflation and its components 2013

Dynamics of quarterly inflation and its components (as % of the previous period)
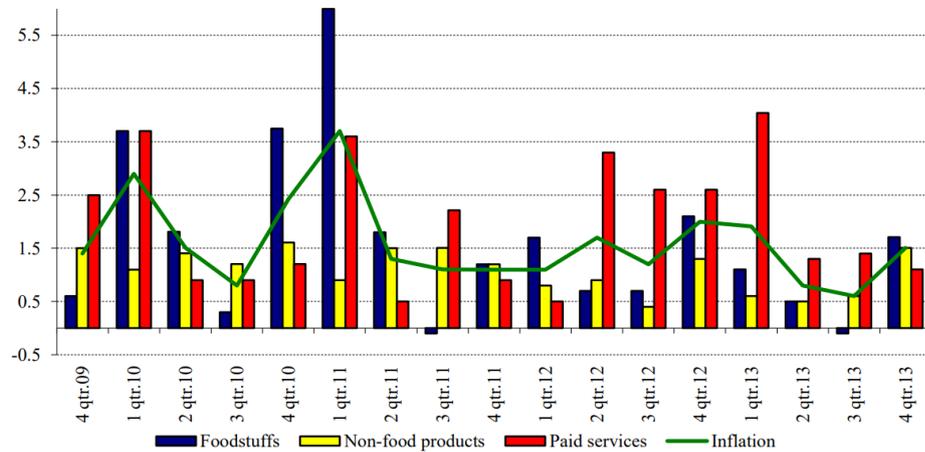
Statistics of the Republic of Kazakhstan.

Figure 48.Dynamics of annual inflation and its components 2013

Dynamics of annual inflation and its components (as % of the corresponding month of the previous year)
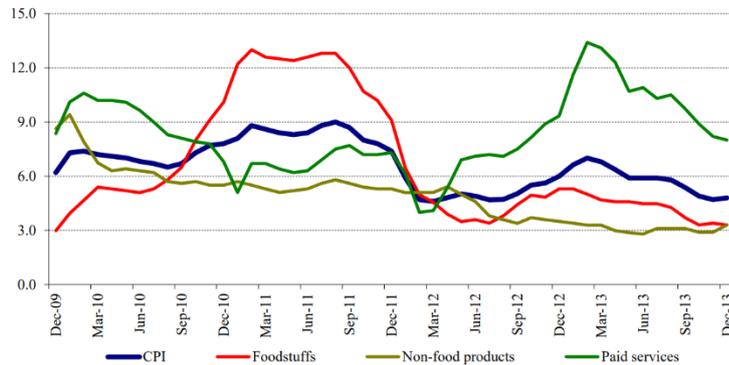
Source: Agency of Statistics of the Republic of Kazakhstan.

Figure 49.Dynamics of annual inflation and core inflation 2013

Dynamics of annual inflation and core inflation
(as % of the corresponding month of the previous year)
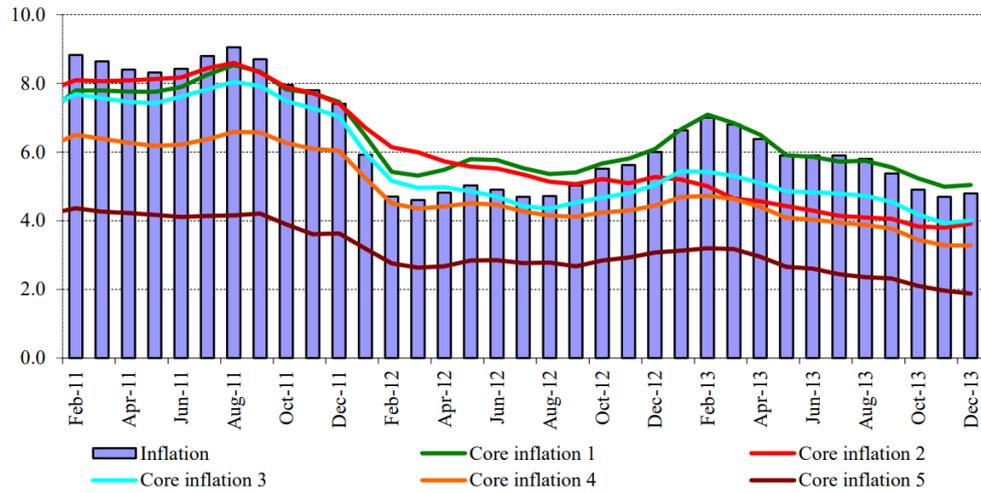
Source: Agency of Statistics of the Republic of Kazakhstan.

Figure 50.Annual inflation rate 2013

Annual inflation rate
as % of the corresponding month of the previous year
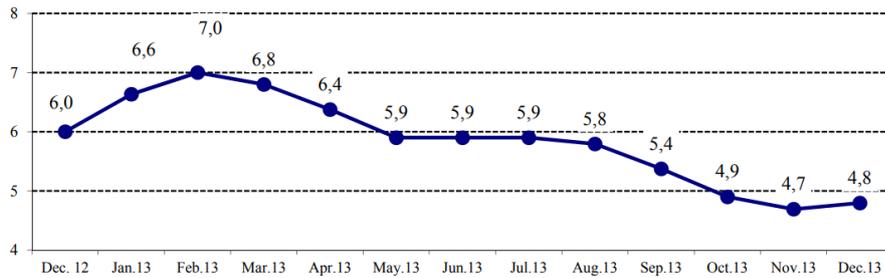

Source: National Bank of Kazakhstan.

Figure 51.Inflation rate 2013

Inflation Rate
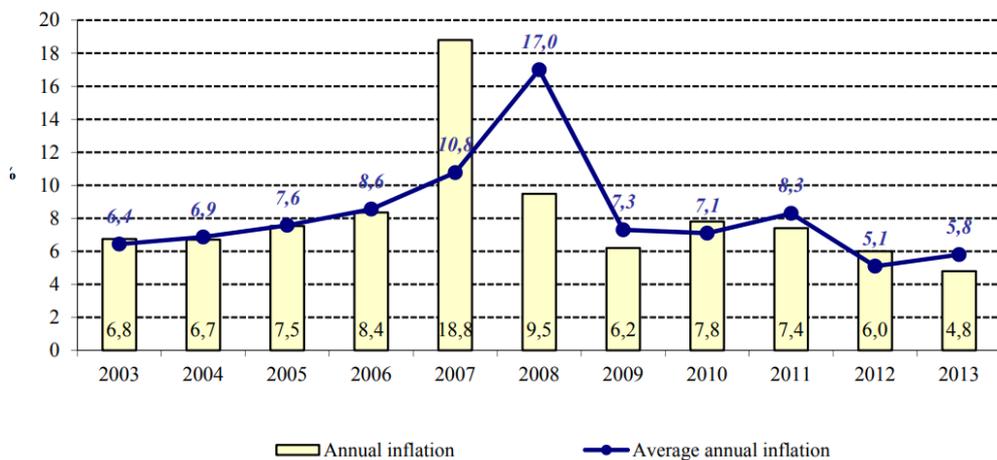
Source: National Bank of Kazakhstan.

Figure 52.Dynamics of qurterly inflation and its components 2014
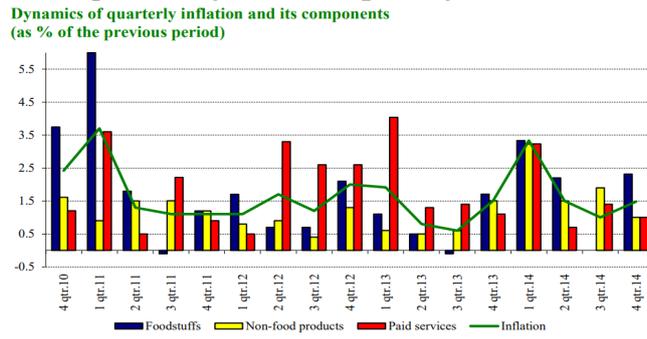
Dynamics of quarterly inflation and its components
(as % of the previous period)

Legend: Foodstuffs | Non-food products | Paid services | Inflation

Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan.

## Figure 53.Dynamics of annual inflation and its components 2014
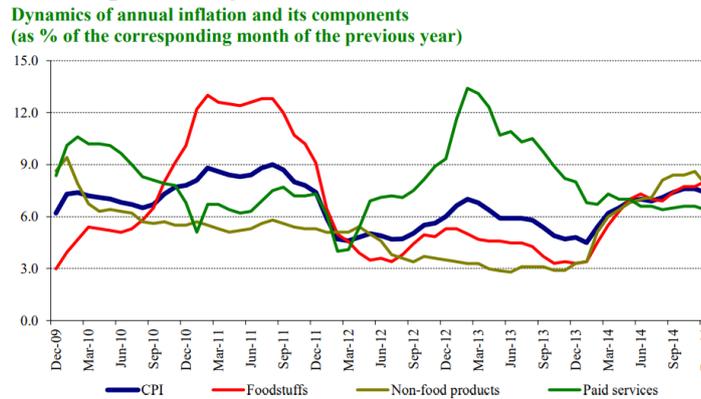
Dynamics of annual inflation and its components
(as % of the corresponding month of the previous year)

Legend: CPI | Foodstuffs | Non-food products | Paid services

Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan.

## Figure 54.Dynamics of annual inflation and core inflation 2014
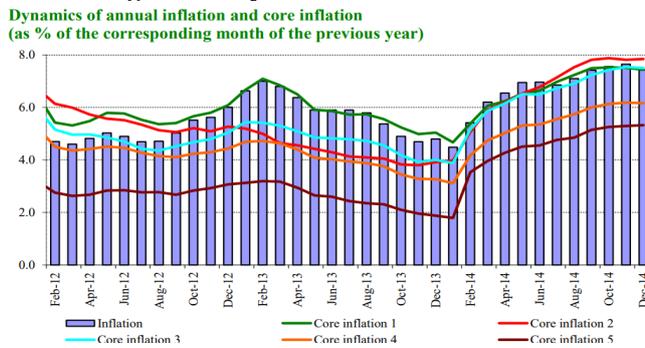
Dynamics of annual inflation and core inflation
(as % of the corresponding month of the previous year)

Legend: Inflation | Core inflation 1 | Core inflation 2 | Core inflation 3 | Core inflation 4 | Core inflation 5

Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan.

Figure 55.Inflation rate 2014

Inflation rate

Legend: Annual inflation | Average annual inflation

Source: National Bank of Kazakhstan.

57
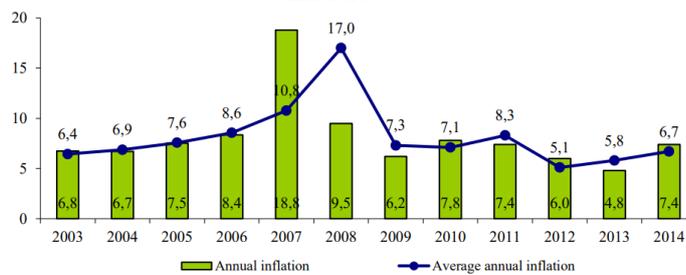
Figure 56.Dynamics of annual inflation 2015

Dynamics of annual inflation
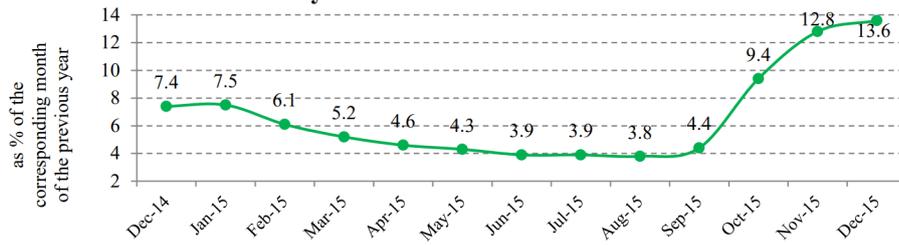
Source: National Bank of Kazakhstan.

Figure 57.Inflation dynamics 2015

Inflation dynamics
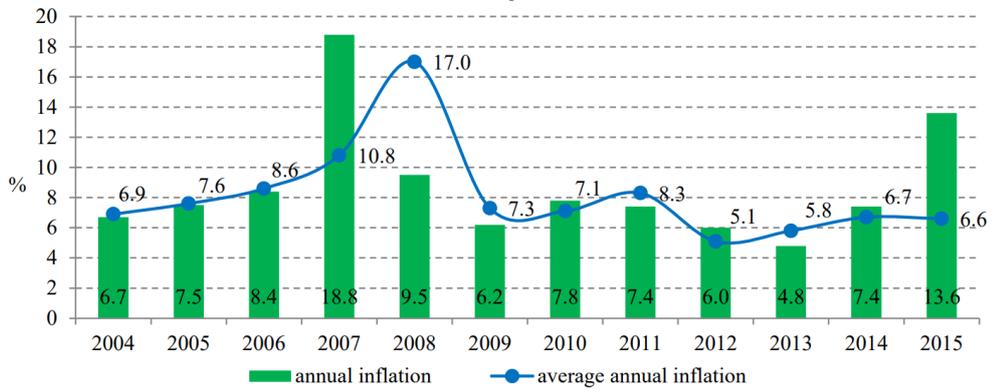
Source: National Bank of Kazakhstan.

Figure 58.Dynamics of major groups of the consumer price index 2015

Dynamics of major groups of the consumer price index

versus a corresponding month of the previous year
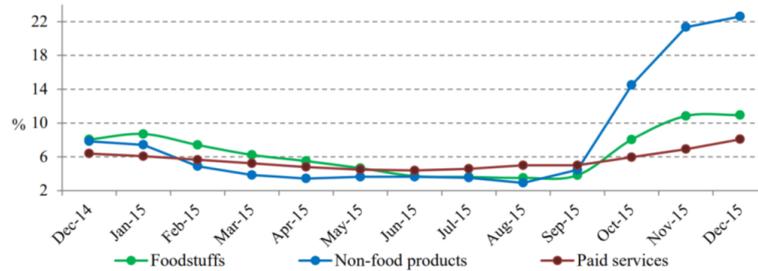
Source: National Bank of Kazakhstan.

Figure 59.Actual and expected inflation dynamics 2016

Actual and expected inflation dynamics
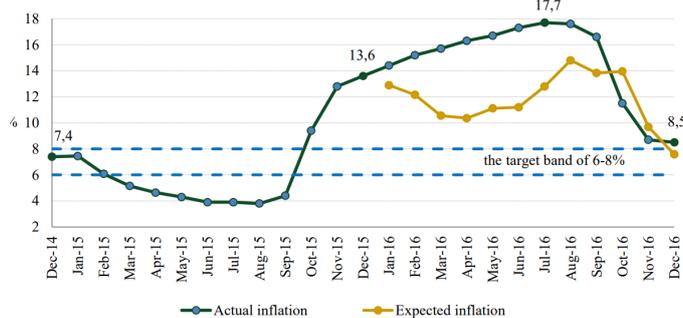
Source: National Bank of Kazakhstan.

Figure 60.Contribution to the CPI by groups

Contribution to the consumer price index by groups
(versus the corresponding month of the previous year)

Legend: Foodstuffs — Non-food products — Paid services — Inflation
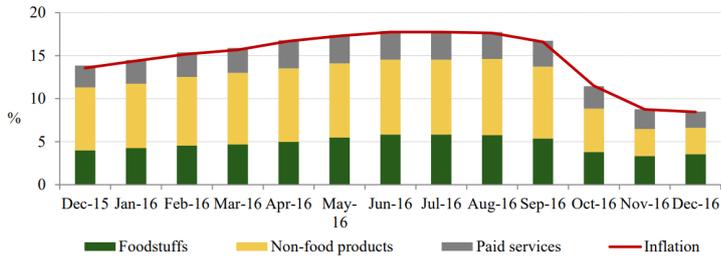
Source: National Bank of Kazakhstan.

Figure 61.ACtual and expected inflation pattern 2017

Actual and expected inflation pattern

Legend: Actual inflation — Expected inflation — Target band
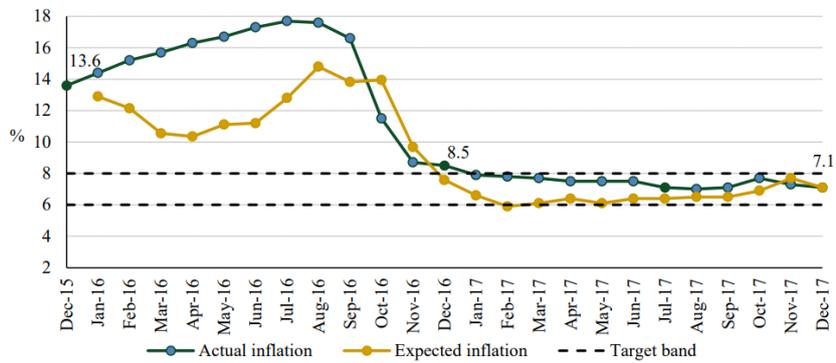
Source: National Bank of Kazakhstan.

Figure 62.Behavior of Core inflation and its components 2017

Behavior of Core Inflation and Inflation Components

Legend: Core inflation — Fruit&vegetable production — Fuel&lubricants — Regulated services
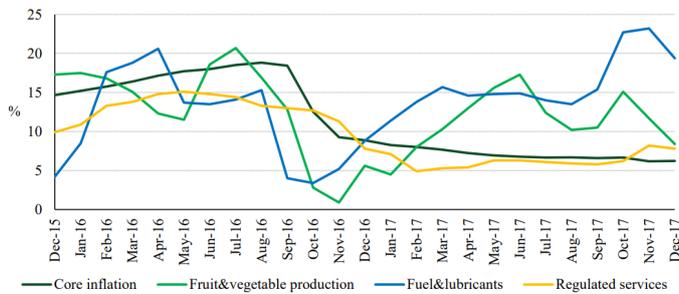
Source: National Bank of Kazakhstan.

Figure 63.Contribution to the CPI buy the major groups 2017

Contribution to the consumer price index by major groups
(versus the corresponding month of the previous year)

Legend: Foodstuffs — Non-food products — Paid services — Inflation
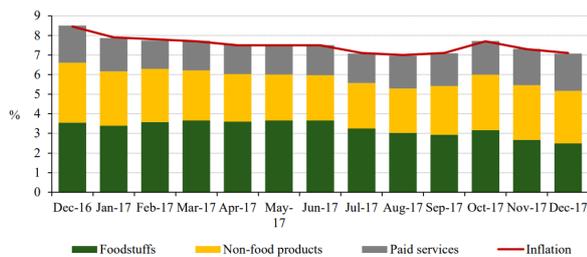
Source: National Bank of Kazakhstan.

Figure 64.Dynamics of Inflation components 2018

Dynamics of Inflation Components,
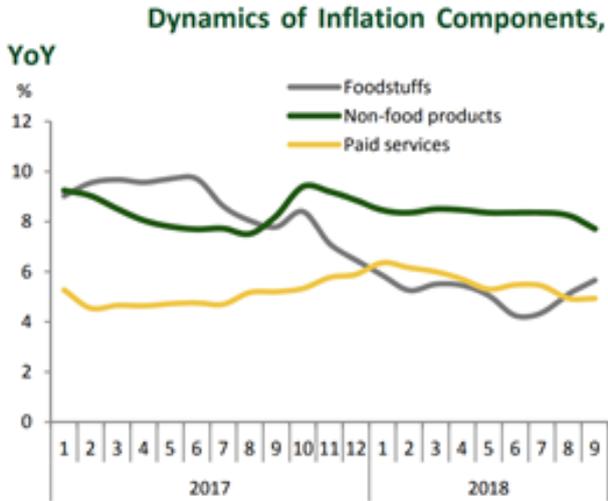
Source: National Bank of Kazakhstan.

Figure 65.Dynamics of annual and core inflations 2018

Annual and Core Inflation Dynamics,
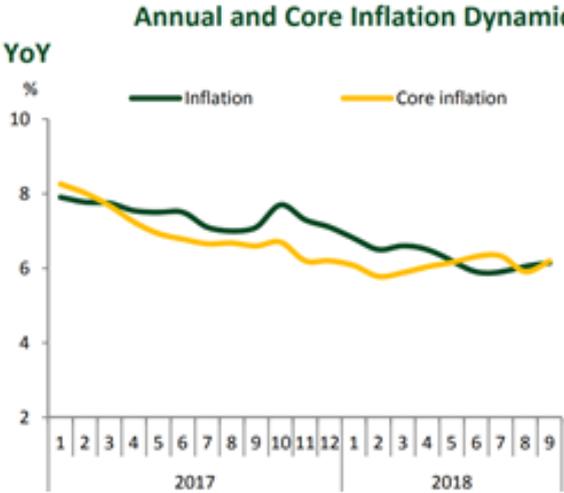
Source: National Bank of Kazakhstan.

Figure 66.CPI 2019 January

Source: Committee on statistics of the Ministry of national economy of the Republic of Kazakhstan,