



NATIONAL BANK OF KAZAKHSTAN

PRESS RELEASE

On maintaining the base rate at 16.5%

Astana

April 11, 2025

The Monetary Policy Committee of the National Bank of the Republic of Kazakhstan decided to set the base rate at 16.5% per annum, with a ± 1 percentage point corridor.

In March, annual inflation increased to 10%, remaining within the forecasted range of 10–12%. The services sector remains the key driver of annual inflation due to a greater-than-expected increase in regulated tariffs in the first quarter and the rising cost of market-based services. The contribution of food inflation is also increasing, both monthly and annually.

On a monthly basis, the first signs of stabilization have started to emerge. In March, inflation slowed to 1.3%, down from 1.5% in February, mainly due to declines in non-food goods and market-based services. A similar trend is observed in core inflation (0.9%) and seasonally adjusted inflation (1.0%).

However, seasonally adjusted average inflation for January–March (Q1) continues to accelerate, reaching 14.2% on an annualized basis. This is driven by ongoing tariff reforms, pro-cyclical fiscal stimulus, and stable consumer demand.

Short-term inflation expectations among the population slightly declined in March, although survey uncertainty increased. Long-term inflation expectations remain elevated. Meanwhile, professional market participants raised their inflation forecasts (from 8.7% to 10.6%).

The external environment remains pro-inflationary due to high global food prices and double-digit inflation in Russia, a key trade partner. In developed economies, inflation has shown a decelerating trend since the beginning of the year, though uncertainty has risen. Under these conditions, the U.S. Federal Reserve extended its pause in the rate-cutting cycle, keeping rates unchanged. The Fed also revised forecasts, expecting more moderate GDP growth and slightly higher inflation. In contrast, the European Central Bank (ECB) continued to cut rates to support economic activity, while highlighting increasing risks of price pressure due to tariff measures and rising fiscal spending, which may interrupt the disinflationary process.

Overall, uncertainty and the risk of declining global demand are growing due to U.S. trade policy, which has already led to a significant drop in oil prices and sharply increased financial market volatility.

According to preliminary data, Kazakhstan's economy grew by 5.8% year-on-year in January–March 2025. This positive trend is due to strong activity in transportation (21.0%), construction (16.9%), and accelerating growth in manufacturing (8.7%), mining (6.1%), and trade (6.3%).

Domestic demand is supported by investment projects, consumer lending, and moderate income growth. However, signs of slowing consumer demand have emerged in Q1. This is evidenced by the slowdown in retail turnover growth to 5.1% in February (down from 19.3% in October 2024) and a decline in the major purchase index according to surveys.

Pro-inflationary risks remain, primarily due to high inflation expectations, further tariff hikes, price liberalization, and an anticipated increase in tax burden.

Externally, the risk of double-digit inflation in Russia persists. Additional concerns are tied to growing risks of global recession amid tightening U.S. trade policy and retaliatory actions, reflecting a new wave of fragmentation, deglobalization, and logistical challenges. This puts pressure on oil, equity, and commodity markets, potentially intensifying inflationary pressures.

At the same time, domestic measures such as mirroring foreign exchange operations, newly announced macroprudential policies aimed at cooling consumer lending, and the ongoing review of minimum reserve requirements (MRR) will help enhance the disinflationary impact of the base rate.

Overall monetary conditions will remain moderately tight. This is necessary to smooth demand dynamics and reinforce the downward trend in inflation.

Considering the current inflation dynamics, pro-inflationary trends, and heightened external uncertainty, there are no grounds to lower the base rate in the near term.

During the upcoming forecasting round, the balance of risks will be reassessed, including the potential effects of the proposed tax reform, consequences of U.S. tariff policy, and other factors. Future rate decisions will be data-dependent and based on an updated inflation outlook.

The next scheduled decision of the Monetary Policy Committee of the National Bank of the Republic of Kazakhstan on the base rate will be announced on June 5, 2025, at 12PM Astana time.

Detailed information for the media representatives is available upon request:

+7 (7172) 775 210

e-mail: press@nationalbank.kz

www.nationalbank.kz