



NATIONAL BANK OF KAZAKHSTAN

MONETARY POLICY COMMITTEE

Summary of the deliberation of the policy rate decision announced on 5 June 2025

The discussions of the Committee members took place during the “May 2025” forecast round, held between 21 May and 5 June 2025.

The forecast team, comprising staff from the Monetary Policy and Balance of Payments departments, presented an assessment of current external and domestic economic conditions alongside updated macroeconomic forecasts. Additional input was provided by the departments of Monetary Operations, Financial Stability, and Research.

Current Developments

During the discussion of inflation dynamics in the country, members of the Committee noted that despite a deceleration in monthly inflation and its core component, annual inflation had picked up and was forming above forecast. Some members highlighted that the level of monthly inflation was unusually high for this month of the year. In their view, it marked the highest reading for May since 2009 (excluding 2022). At the same time, a number of members pointed out that seasonally adjusted annualized monthly inflation had slowed following a prolonged period of acceleration. They viewed this as a possible indication of a modest easing in domestic price pressures, albeit within an overall environment that remained highly inflationary.

The Committee judged that external inflationary conditions remained adverse. This was attributed to persistently elevated inflation in Russia and continued increases in global food prices, which were being driven by strong demand and exchange rate volatility linked to U.S. trade policy.

In assessing domestic inflationary pressures, the Committee observed that upward pressure persisted amid rapid economic growth (provisionally estimated at 6% from January to April), and a more positive output gap than previously assessed conditioned by strengthening consumer demand. Members expressed concern about the acceleration in consumer demand in April, citing growth in card transactions, an increase in retail trade – particularly in non-food categories, a renewed appetite for large purchases, such as passenger vehicles supported by subsidized programs, and a rise in residential property transactions.

Projections

The Committee agreed with the forecast team on the need to revise the inflation outlook for 2025-2026 in light of rising prices for food and services (particularly market-based services), against the backdrop of strengthening domestic demand. Inflation for 2025 is now projected in the range of 10.5-12.5% (previously 10-12%), and for 2026 in the range of 9.5-11.5% (previously 9-11%). According to the forecast, core inflation is expected to approach the 5% target by the end of the projection horizon. The economic growth forecast for 2025 was revised upwards to 5-6%. This reflects earlier than anticipated increases in oil output from the Tengiz field, faster growth in non-extractive sectors of the economy, and continued investment momentum supported by expanding domestic demand. The projection for 2026 was updated to 4-5%, taking into account revised global and domestic conditions, including a decline in commodity prices.

Discussion on the base rate

Following a review of current conditions and updated forecasts, the Committee proceeded to discuss the decision on the base rate. The following views were expressed during the discussion:

- to raise the base rate;
- to maintain the base rate and communicate a stronger forward guidance signal to the market.

No member proposed a rate cut during this meeting or for the near-term outlook. Members agreed that current conditions did not allow for any easing of monetary policy.

Those in favour of a rate hike discussed possible increases of 25, 50, or 100 basis points, citing mounting inflationary pressures both externally (rising global food prices, Russian inflation) and domestically (higher annual inflation, strong GDP growth, higher consumer demand conditioned by elevated inflation expectations and heightened levels of consumer credit). A key argument was the need to pre-empt further acceleration in monthly inflation rates. One participant noted that credit to corporates accelerated, while retail credit growth showed early signs of deceleration, albeit remaining elevated.

Several participants highlighted that, according to preliminary assessments, inflation expectations increased again in May. In their view, the Committee should respond to the rise in annual inflation, which exceeds previous estimates, as well as to the updated, higher inflation forecasts and, in particular, to the fact that achieving the 5% inflation target over the forecast horizon has been postponed. Concern was expressed over the delay in achieving the target, as it may indicate insufficient monetary policy tightness. It was also noted that as the economy undergoes a phase of regulated price reforms, it is important to monitor and respond to core inflation – which is stripped of temporary factors. According to forecasts, core inflation is expected to reach the 5% target by the end of 2027. Should the base rate be maintained, Committee members and discussion participants proposed issuing a clear signal to prepare the market for a possible future increase.

Those members who supported maintaining the current base rate level justified their position by pointing to some positive inflation trends. Monthly inflation and measures of the persistent component had slightly slowed. In their opinion, this was partly the result of the timely increase in the base rate to 16.5% in March of this year. One participant added that foreign investors reacted positively to the National Bank's decisive actions.

According to some members, the anticipated weakening of the fiscal impulse due to tax increases and a reduction in targeted transfers also supports maintaining the base rate at its current level. In addition, monetary policy should be viewed in conjunction with supplementary measures implemented by the National Bank. For instance, the mirroring mechanism of gold operations is making a significant contribution to inflation containment by sterilizing liquidity without disturbing the balance of the foreign exchange market. Planned adjustments to the minimum reserve requirements will also reinforce the disinflationary impact of monetary policy.

A separate block of discussion focused on lending, particularly to households. Committee members noted that high lending growth is being driven by digitalization and the availability of various bank programs offering installment purchases. This reduces the sensitivity of consumer lending rates to changes in the base rate. At the same time, retail lending plays a significant role in driving inflation by increasing demand, including for imported goods. In light of this, participants emphasized the importance of macro- and microprudential measures undertaken by the NBK and the Agency for Regulation and Development of the Financial Market to cool down consumer lending and tighten requirements, including adjustments to the methodology for calculating the debt burden ratio and activation of the sectoral countercyclical capital buffer, among others.

Work is underway to calibrate additional macroprudential instruments to strengthen financial stability. These measures are aligned with monetary policy and, in combination, support both financial and price stability, enhancing the disinflationary impact of interest rate tools within the monetary policy framework.

During the discussion, a majority of Committee members agreed on the need to maintain the base rate at its current level for an extended period – for the next 2-3 decisions or potentially until year-end, as inflationary pressures remain persistent. In assessing the strength of the monetary policy signal, some participants noted that the possibility of further tightening of monetary policy should not be ruled out. In their view, significant uncertainty remains in the external environment, particularly in global oil markets and trade policy, and it is necessary to be prepared to respond should these risks materialize. The need for coordinated anti-inflationary efforts with the Government of the Republic of Kazakhstan was also emphasized.

Following the discussion, the Committee decided to maintain the base rate at 16.5% per annum with a corridor of +/-1.0 percentage point. The evolving high inflation requires the maintenance of moderately tight monetary conditions for a longer period than previously expected. The balance of risks has shifted towards pro-inflation side, making it highly probable to keep the base rate at current level until the end of 2025. Maintaining the current policy stance aims to stabilize inflation expectations, prevent the consolidation of accelerating price growth trends, and return inflation to a sustainable downward trajectory toward the medium-term target of 5%. The National Bank does not rule out potential base rate increases if necessary

Assessment of the Base Rate Trajectory

Following the decision, Committee members presented their individual assessments of the most likely base rate trajectory for 2025–2027 (Table 1, Chart 1). Compared to the previous forecasting round, these assessments have been revised upward for 2025–2026 and remained broadly unchanged for 2027.

Each member's estimate reflects their assessment of the appropriate stance of monetary policy necessary to achieve the inflation target, based on the information available at the time of the meeting and taking into account current conditions and future prospects.

The proposed trajectory does not constitute a commitment by the Committee to maintain the base rate at specific levels. In its communications, the Committee will explain the factors and assumptions underlying its decisions, including in cases of deviation from the previously assessed trajectory.

Table 1. Assessments of the Base Rate Trajectory

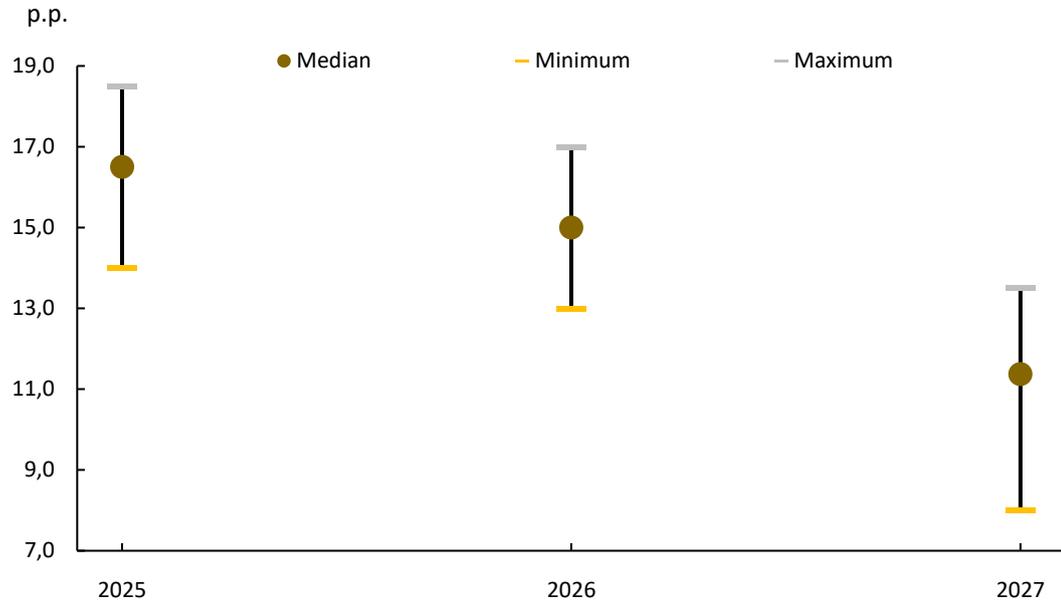
| Indicator | Median | | | Range | | |
|---|-----------------------|-----------------------|-----------------------|---------------------------------|---------------------------------|-------------------------------|
| | 2025 | 2026 | 2027 | 2025 | 2026 | 2027 |
| Base rate, at the end of the year, % | 16,5 (16,0) | 15,0 (14,0) | 11,4 (11,5) | 14,0-18,5 (14,5-18,0) | 13,0-17,0 (12,0-17,0) | 8,0-13,5 (8,0-13,5) |

Notes:

1. If the MPC member presented an assessment interval, the average value of this interval was taken as the point of the series to determine the median.

2. The range of the indicator includes the estimates of all MPC members from the minimum to the maximum for each year (including the boundaries of the interval, if the estimate is presented as an interval and not a point)

Graph 1. The range of estimates of the base rate by the MPC members



Source: MPC members' estimates

More detailed information on the factors behind the decision and the forecasts is presented in the Monetary Policy Report published on the official website of the National Bank on June 11, 2025.