

**Statement by the Governor of the NBK, T.M. Suleimenov  
on the Base Rate of the National Bank  
June 5, 2025, Astana**

**Dear representatives of the media,  
Dear journalists,  
Good afternoon.  
Welcome to the National Bank.**

The Monetary Policy Committee of the National Bank has decided to maintain the base rate at 16.5%.

The decision is based on updated forecasts of inflation and economic growth, as well as assessments of external and internal conditions, current economic trends, and the balance of risks.

Inflationary pressures in the economy are intensifying, primarily due to services and food. Inflation expectations have increased.

The economy is growing faster than expected. Demand increasingly outpaces supply capabilities, strengthening the positive output gap. Active consumer lending plays an important role, further fueling inflation.

**The external economic environment has deteriorated:** High inflation in Russia, rising global food prices, and weakening oil quotations increase the risks for domestic price dynamics.

Under these conditions, the overall balance of risks remains skewed toward the pro-inflationary side, and inflation is forming above our expectations.

To stabilize inflation expectations, contain the secondary effects of shocks, and establish a sustainable downward trend in inflation, it will be necessary to maintain the current level of monetary policy tightness for a longer period than previously expected.

Alongside interest rate policy, other measures will also play an important role in the disinflationary process.

**Now, more detail on the factors behind the decision.**

**FIRST: INFLATION DYNAMICS AND INFLATION EXPECTATIONS**

As of the end of May, **annual inflation** reached **11.3%**. Inflation has been accelerating since the end of last year.

The services sector remains the key driver of price pressure. On an annual basis, the services component increased by **16%**.

While in the first quarter the main contribution to service inflation came from regulated utilities, from the beginning of the second quarter market services have come to the forefront.

The growth of tariffs for regulated utilities amounted to 25.8% year-on-year. Prices for unregulated market services also rose by 14.7%.

The acceleration in prices for unregulated services highlights strong domestic demand, as these are not regulated by the state and are subject to additional imbalances on the demand side.

In addition to accelerating service inflation, food inflation is also increasing. In May, it amounted to 9.6%. This is primarily due to the gradual rise in agricultural product prices. Food price increases are also explained by exchange rate factors: wholesale prices for imported goods are rising, especially from CIS countries.

On a positive note — core inflation in May was 0.8%, and seasonally adjusted inflation was 0.9%. After several months of stabilization, both indicators showed a slight decline.

**Expected inflation** one year ahead was **14.1%**. These estimates reflect rising fuel prices and the anticipated increase in VAT.

Professional market participants are more restrained in their assessments: the median inflation forecast for 2025 is **10.7%**.

**SECOND: DOMESTIC ECONOMIC TRENDS**

**Economic activity is on the rise.** According to preliminary data, GDP growth for January–April of the current year amounted to **6%**. This increase is driven by the recovery in oil production and accelerated growth in non-resource sectors.

The most significant growth was recorded in transport and warehousing (22.4%), including pipeline transport, as well as in construction (16.2%) due to the implementation of infrastructure projects.

It is important to note that the sectors demonstrating growth are also experiencing an increase in labor productivity. In the first quarter of 2025, productivity outpaced the dynamics of real wages in transport, construction, agriculture, and manufacturing.

This is a positive factor, as it helps contain cost pressures and generates a disinflationary effect in several sectors.

Nevertheless, the economy's supply response still lags behind the growth of domestic demand. The gap between demand and supply persists, reinforcing inflationary pressures.

Consumer activity is increasing. In April of this year, we once again observed expansion after some stabilization in previous months.

Demand growth is still supported by active consumer lending, as well as moderate growth in real incomes.

Elevated consumption is also confirmed by growth in payment card turnover and increased retail trade activity, particularly in the non-food segment.

An additional confirmation of rising consumer activity is the renewed interest in major purchases — specifically, automobiles.

**Investment activity** also remains high, with growth of 13.7% over January–April of the current year. Government investment plays a significant role, including transfers from the National Fund.

We welcome the strengthening of economic activity, especially driven by productivity growth. However, production capacities still lag behind the growth in demand.

### **THIRD: EXTERNAL ENVIRONMENT FACTORS**

**The external inflationary background is unfavorable.** The main sources of pressure are high inflation in Russia and rising prices in global food markets.

According to FAO data, in April the food price index rose to 128.3 points, continuing its upward trend since the beginning of the year.

**In developed countries, inflationary pressures are easing.** Inflation in the **EU** slowed to 2.4%, and in the **US** to 2.3%.

Despite ongoing trade tensions, the ECB expresses growing confidence in achieving the inflation target, noting the predominance of disinflationary factors. At the same time, the US Federal Reserve maintains a wait-and-see stance, keeping the rate unchanged amid persistent inflation risks and uncertainty regarding economic developments and US trade policy direction.

**Inflation in Russia** has slowed to 10.2% but still significantly exceeds the target level. In response, the Bank of Russia continues its tight policy, maintaining the key rate at 21% and anticipating its retention in the 19.5 – 21.5% range during the current year to reach the inflation target by the end of 2026.

In this context, the strengthening of the ruble against the tenge is becoming increasingly important for Kazakhstan.

On the one hand, this creates a price advantage for domestic producers, especially in the manufacturing sector. On the other hand, due to the significant volume of imports from Russia, it also affects inflationary processes.

**The situation in the oil market remains unstable.** Prices are under pressure due to declining demand from China, expectations of increased supply from OPEC+, and escalating global trade tensions.

Taking current conditions into account, the baseline forecast scenario for 2025 assumes an average Brent oil price of 65 US dollars per barrel, compared to 73 dollars in the previous forecast round.

Trade escalation and falling oil prices once again reveal a structural dependence on commodity cycles. In these conditions, saving and maximally efficient use of the National Fund's resources becomes especially important.

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### **Next, about the forecasts.**

The inflation forecast for the current and upcoming years has been revised in light of current macroeconomic conditions.

According to updated estimates, inflation in **2025** is expected to range between **10.5-12.5%**, and in **2026** – between **9.5-11.5%**. The revision of the forecasts for these years is driven by rising food prices and heightened pro-inflationary pressure from the demand side.

The forecast for **2027** remains unchanged at **5.5-7.5%**, reflecting expectations of a gradual return of inflation to target levels as the disinflationary impact of the implemented monetary policy strengthens, and as fiscal policy by the Government tightens.

At the same time, the core component of inflation – that is, inflation excluding regulated prices, fuel, and other volatile factors – is projected to reach the target level of 5% by the end of the forecast horizon, i.e., by 2027.

**Risks to the inflation forecast** are associated with further intensification of domestic demand pressures, growing adverse effects from the external environment – including accelerated inflation in Russia – and

increases in regulated prices along with their indirect impact on inflation expectations and the core component of inflation.

The **economic growth forecast for 2025** has been revised **upward to 6%**. This reflects the pace of growth in oil production, manufacturing, and other sectors, sustained investment activity, and more pronounced expansion of domestic demand.

For **2026**, the forecast has been adjusted to **4-5%**, reflecting updated external and internal conditions, including a weakening in the price environment in oil and commodity markets.

By **2027**, economic growth is expected to settle at **average historical rates** amid reduced fiscal stimulus and a transition to budget consolidation. It should be noted that these estimates may be revised in the event of successful implementation of structural reforms currently being carried out by the Government and public administration as a whole.

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**Dear journalists!**

**The prevailing high inflation and the revised forecast indicate the need to maintain the current level of monetary policy tightness for a longer period than previously expected.**

In addition to the direct tools of monetary policy, the National Bank **has already begun implementing additional measures aimed at strengthening the disinflationary effect.**

**First**, these are **macroprudential measures** aimed at cooling down consumer lending. As previously stated, this includes the introduction of a countercyclical capital buffer on household loans.

Microprudential regulatory measures are also being developed jointly with the Agency for Financial Regulation – for example, the maximum APR level has been reduced.

Furthermore, the Agency has already implemented a number of microprudential instruments, such as limits on the size of unsecured

consumer loans, a ban on issuing such loans in the presence of arrears exceeding 90 days and several other measures.

From our side, we have already started work on calibrating additional tools such as the **debt burden ratio (DBR)** and the **debt-to-income ratio (DTI)**, which will be activated if necessary to enhance the disinflationary impact and minimize systemic risks.

**Second**, the minimum reserve requirements (MRR) mechanism will be tightened. As you know, our MRRs are the lowest in the region, which has a pronounced pro-inflationary effect. Tightening the MRR will effectively absorb excess liquidity in the banking system, limit the volume of resources directed toward unproductive and pro-inflationary segments and create incentives for more active financing of the real sector.

Thus, the adjustment of MRR not only enhances the disinflationary effect of policy, but also promotes the structural rebalancing of financing flows between consumer and business lending.

**Third**, the National Bank will continue using the **gold mirroring mechanism**.

In the first five months of 2025, the National Bank withdrew approximately 1.2 trillion tenge from the domestic market under this mechanism. Given rising global gold prices, we forecast that this mirroring operation will allow us to sterilize an additional 3.3–3.6 trillion tenge over the course of the current year.

**Fourth**, work is underway with the **Government** on several fronts.

First and foremost, it is important for **fiscal policy** to shift to a more balanced, countercyclical course. We assume that in the coming years, the budget's dependence on transfers from the National Fund will decline, which will reduce pro-inflationary pressure from aggregate demand.

According to the SEDR (Scenario of Socio-Economic Development), transfers of 2 trillion tenge annually are planned for 2026 and 2027 –

significantly lower than in the current year. If implemented, these measures will support disinflation and strengthen the effects of monetary policy.

It is also important to update and strengthen the **Inflation Control Action Plan**, as instructed by the Head of State. This plan is being developed jointly with the Government.

Within this plan, **tariff policy dynamics** are particularly relevant under current conditions.

In several sectors – including water supply, wastewater disposal, and electricity – the long-term price dynamics outpace both overall inflation and services inflation. As a result, the regulated sector creates additional price pressure.

We are holding **active consultations with the Government** regarding possible adjustments to the parameters of tariff policy, with a focus on aligning tariff growth rates with inflation targets and preserving the population's purchasing power. At the same time, we recognize the need for infrastructure modernization and tariff reform to ensure the quality and uninterrupted provision of services. However, these decisions must be based on a **transparent assessment of effectiveness** and aligned with the objectives of monetary and macroeconomic policy and its stability.

**The National Bank remains committed to its goal and is ready to act decisively to ensure a sustainable return of inflation to 5%. If necessary, additional policy tightening will be undertaken.**

Achieving this goal requires not only a strict monetary stance, but also coordinated action from all economic policy bodies, as I have already emphasized.

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**Dear journalists!**

Before we move to questions, I would like to take this opportunity to briefly announce a new direction within our communication policy.

Starting with this forecast round, in line with international practice, the National Bank will begin publishing a summary of deliberations behind base rate decisions. This will enhance transparency and deepen understanding among market participants, financial institutions, and the broader public of the logic behind the decisions made by members of the Monetary Policy Committee.

I am confident this step will strengthen trust in the monetary policy and the work of the National Bank.

We will provide more details at the expert meeting on Monday. We also remain open to answering additional questions following the publication of the discussion summary.

**Thank you for your attention!**

**We are now ready to take your questions.**