

Statement by the Governor of the NBK, T.M. Suleimenov
On the Base Rate of the National Bank
11 July 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%.

This decision reflects the current inflation dynamics and economic trends, shaped by both domestic and external factors.

Inflationary pressures remain elevated. The primary contributors to the rise in inflation are increases in the cost of paid services and food products. Steady part of inflation has also edged up. While monthly inflation has moderated in recent months, it remains above its historical average. At the same time, inflation expectations among the public have declined notably but still remain elevated.

The economy has accelerated, growing from 4.8% last year to 6.0% over the first five months of this year. Demand continues to outpace supply, exerting upward pressure on prices. In this context, the moderately tight monetary policy stance of the National Bank is exerting a constraining effect on consumer demand and price growth.

The external environment is characterized by heightened volatility in global markets and increased geopolitical uncertainty amid ongoing trade tensions and the recent escalation of conflict in the Middle East. Global food prices remain elevated.

Under these conditions, in order to anchor inflation expectations and establish a firm disinflationary trend, the National Bank intends to maintain moderately tight monetary conditions for an extended period.

Let me now turn to the factors underpinning this decision.

FIRST: INFLATION DYNAMICS AND EXPECTATIONS.

In June, **annual inflation** rose to **11.8%**, with the services sector remaining the principal driver. Annual **services inflation** reached **16.1%**. Price increases have been observed not only in regulated utilities but also in market-based services, indicating robust domestic demand. **Food inflation**, influenced by rising agricultural and import prices, stood at **10.6%**. Prices for **non-food goods** increased by **9.4%**.

Monthly inflation in June slowed to 0.8%, compared to 0.9% in May and 1.2% in April. However, both **core** and **seasonally adjusted inflation** edged up, highlighting the persistence of inflationary pressure.

One-year-ahead **inflation expectations** among households fell to **12.6%**, though they remain volatile. Over half of respondents (53.9%) were unable to provide estimates of future inflation, reflecting heightened uncertainty in public expectations. Long-term expectations increased to 14.2%.

Professional market participants revised their inflation forecast for the current year slightly upward – from 10.7% to 11.0% – while expectations for 2026 declined from 9.4% to 9.0%.

SECOND: DOMESTIC ECONOMIC TRENDS.

Economic growth for January–May 2025 stood at **6.0%** year-on-year. The strongest gains were observed in transport,

construction, and trade. Business activity is also rising in the mining and manufacturing sectors.

Domestic demand continues to be the key driver of economic growth. Its pace continues to outstrip the economy's productive capacity, creating risks of price pressures. Demand is supported by moderate income growth and high levels of consumer and corporate lending. The popularity of buy-now-pay-later scheme, active marketing campaigns, and elevated inflation expectations also play a significant role. These dynamics are reflected in retail trade volumes, which have resumed growth following a temporary slowdown earlier this year.

Investment activity has picked up further, driven by private investment, which rose by 18.2% over the January–May period of this year. The share of budgetary funding in total investment has also increased, reaching 22% and nearly doubling compared to the same period last year.

The **Business Activity Index** (BAI), monitored by the National Bank, has remained in positive territory for over a year, indicating continued optimism among firms regarding the business environment.

THIRD: EXTERNAL ECONOMIC ENVIRONMENT.

Global uncertainty remains elevated, leading to notable volatility in oil prices, equity markets, and trade markets. External inflationary pressure has somewhat eased, in part due to slower price growth in one of Kazakhstan's key trading partners – Russia.

Global food prices remain high. In June, the **FAO Food Price Index** increased compared to the previous month and stood 5.8% above its level a year earlier.

In advanced economies, inflation has slowed since the beginning of the year. However, monetary authorities highlight increased uncertainty, prompting a cautious stance among major central banks.

In May, inflation in the **European Union** declined to **2.2%**, hovering close to the 2% target. The **ECB** continues to lower interest rates to support economic activity, while noting increasing risks of price pressures driven by trade policy and rising fiscal expenditures.

In the **US**, inflation reached **2.4%** in May. The **US Federal Reserve** has paused its rate-cutting cycle amid ongoing uncertainty linked to shifts in U.S. trade and fiscal policy.

In **Russia**, inflationary pressures are gradually declining. Inflation stood at **9.9%** in May. In light of this, the **Bank of Russia** reduced its base rate to 20% in June and noted that it would maintain a sufficiently tight monetary stance to return inflation to target in 2026.

Oil prices are currently forming closer to the National Bank's optimistic scenario.

Dear journalists!

I would like to note that price pressures in the economy remain elevated. Nevertheless, inflation is evolving in line with our year-end forecast range of **10.5%–12.5%**. Domestic demand remains strong, supported by fiscal stimulus, consumer lending, elevated inflation expectations, and ongoing tariff reform and reforms in fiscal policy.

This means that it is necessary to maintain the current degree of monetary policy tightness for a longer period. It is highly likely that the base rate will remain at its current level through the end of 2025. We will continue to monitor both domestic and external macroeconomic conditions.

As I have mentioned in previous decisions, in addition to conventional instruments, the National Bank is implementing complementary measures within the framework of monetary and macroprudential policy. We are actively pursuing initiatives to tighten **minimum reserve requirements** for banks. A decision has also been taken to introduce a **countercyclical capital buffer on retail lending**.

We have also begun refining supplementary tools such as the **debt burden ratio** and the **debt-to-income ratio**. These measures aim to stabilize the situation in the consumer lending market. Close cooperation continues with the Agency for Regulation and Development of Financial Market, which plans to implement several **microprudential measures**.

I would also like to address recent legislative developments. On 30 June, the President of the Republic signed a Law on the Development of the Financial Market and the Protection of Consumer Rights in Financial Services.

Under this law, and on the initiative of the Agency for Regulation and Development of the Financial Market, a so-called “cooling-off” period for unsecured loans is introduced, during which funds are disbursed 24 hours after approval. This gives individuals time to carefully assess the necessity of the loan and ensure that the decision is made consciously, thereby helping to avoid pressure from fraudsters employing so-called social engineering techniques.

The law also tightens access to credit for the population while simultaneously strengthening consumer protection. It introduces mandatory in-person presence when obtaining unsecured consumer loans, as well as explicit consent requirements for both young and elderly borrowers. We believe that the combined effect of these measures will help moderate the pace of debt accumulation.

The National Bank continues **active engagement with the Government** on transitioning to a more balanced fiscal policy and updating the comprehensive anti-inflationary measures. The Government recently announced changes to the timeline for the phased implementation of the tariff reform – a development communicated only recently – with certain elements to be postponed to a later date.

As a result, utility tariffs will not be raised in the fourth quarter of this year, and the pace of increase in certain service costs will be reduced. The overall contribution of utility tariffs to inflation in 2025 is expected to fall by 0.5 p.p. to 0.82 p.p. (from an initial estimate of 1.32 p.p.). We hope that these decisive measures by the Government will help ease financial burdens and reduce inflationary pressure in the economy.

We will continue to closely monitor developments in both the external and domestic sectors. At the next meeting, which is a forecasting round, we will conduct a comprehensive macroeconomic projection. We will also assess the adequacy and effectiveness of current anti-inflationary measures. If necessary, the degree of monetary policy tightness can be increased.

Dear journalists!

Overall, the economic outlook remains stable and positive. We are observing strong GDP growth and rising capital investment. However, one area requiring attention is the growth of real household incomes. The rapid pace of GDP growth has yet to be fully reflected in the well-being of the population. While nominal incomes are rising, the concurrent increase in inflation is hindering the preservation of real earnings.

In this regard, the National Bank is maintaining the base rate at a level that will help slow price growth and raise real incomes. Overall,

all monetary and macroprudential measures are focused on combating inflation and safeguarding the welfare of the population.

Low inflation, beyond its direct impact on household incomes, is a critical precondition for sustainable economic growth, a stable business climate and investment environment.

We are confident that, through joint efforts, we will succeed in stabilizing inflation over the medium term.

We are now ready to take your questions.