



NATIONAL BANK OF KAZAKHSTAN

PRESS RELEASE

On maintaining the base rate at 16.5%

July 11, 2025

Astana

The Monetary Policy Committee of the National Bank of Kazakhstan has decided to maintain the base rate at 16.5% with a corridor of +/-1 percentage point.

Annual inflation in June stood at 11.8%. Price increases were observed across all components. The largest contribution continues to come from the services sector (16.1%), driven by both the rise in regulated service prices amid the implementation of tariff reforms and the growth in market services prices. Food inflation (10.6%) also made a significant contribution due to the increased cost of imported goods and key agricultural products.

Monthly inflation slowed to 0.8%. Indicators of the stable part of inflation rose slightly: core inflation reached 0.9%, while seasonally adjusted inflation stood at 1.0%. This reflects persistent inflationary pressure, underpinned by ongoing tariff reforms, fiscal stimulus, and robust consumer demand, which is further supported by strong growth in retail lending.

Inflation expectations among the population for the next 12 months have declined but remain elevated and volatile. Survey results continue to indicate uncertainty. Expectations among professional market participants for year-end inflation have been revised upward from 10.7% to 11%.

External inflationary pressure has somewhat weakened due to the deceleration of inflation in a key trading partner – Russia. Global food prices remain elevated (with the exception of grains). Inflation in advanced economies has been on a downward trend since the beginning of the year, though central banks highlight increasing uncertainty. In this context, major central banks maintain a cautious and restrained policy stance. The European Central Bank has continued to lower interest rates to support economic activity, while highlighting growing risks of price pressures. Meanwhile, the Federal Reserve has kept rates unchanged due to uncertainties related to changes in trade and fiscal policies. Amid slowdown in inflation, the Bank of Russia reduced its key policy rate in June to 20% and noted that it would maintain the tight monetary conditions necessary to return inflation to the target in 2026.

At the same time, heightened volatility persists in global financial and commodity markets due to trade disputes and geopolitical tensions, including in the Middle East. Under these conditions, oil prices are forming closer to levels outlined in the optimistic scenario.

Kazakhstan's economy grew by 6% year-on-year over the January–May 2025 period. Strong growth was observed in the transport sector (23.1%), construction (15.4%), and trade (7.8%). Business activity also increased in the mining (7.8%) and manufacturing (6%) industries.

Domestic demand for goods and services remains high, supported by rapid consumer lending growth (32.4% year-on-year in May). A range of factors continue to sustain demand, including the popularity of installment plans, active marketing campaigns, ease of access to credit, and persistently high inflation expectations. Investment activity continues to accelerate (18.2% in January–May), driven by both private investment and budgetary spending.

Pro-inflationary risks stem primarily from domestic factors, including strong demand amid fiscal stimulus, active consumer lending, and elevated inflation expectations, as well as the implementation of tariff and tax reforms and their secondary effects. External risks persist amid rising

uncertainty in global trade and geopolitical tensions, which contribute to increased volatility in financial, commodity, and raw material markets.

At the same time, domestic disinflationary effects from the base rate are expected to strengthen due to the implementation of measures such as the mirroring of foreign exchange operations, revision of minimum reserve requirements (MRR), and the introduction of macroprudential restrictions aimed at cooling consumer lending. An additional restraining effect will come from the Government's announced adjustment to the pace and timing of utility tariff increases, which will help to smooth the rise in paid service prices.

Enhanced coordination with the Government will play a key role in easing inflationary pressures – particularly through the implementation of fiscal consolidation and joint measures aimed at strengthening macroeconomic stability.

Under current conditions, **moderately tight monetary policy** combined with additional measures taken by the National Bank will exert a restraining effect on inflation. The impact of adopted micro- and macroprudential policies aimed at cooling retail lending is expected to increase gradually.

The current balance of inflation factors, the pace of its present dynamics, ongoing pro-inflationary trends, and continued uncertainty in the external environment indicate a high likelihood that the base rate will be maintained at its current level until the end of 2025. At the same time, the Monetary Policy Committee does not rule out the possibility of increasing the base rate if necessary.

The next decision on the base rate will be based on the results of the forecast round, during which macroeconomic projections will be updated.

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 August 29, 2025, at 12:00 Astana time.

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