



NATIONAL BANK OF KAZAKHSTAN

MONETARY POLICY COMMITTEE

Summary of the deliberation of the policy rate decision announced on 11 July 2025

The discussion of the Committee members took place at the meeting held as part of the inter-forecast decision on the base rate on 10 July 2025.

The Committee members were presented with information from the Monetary Policy Department regarding the current external and internal economic conditions.

Current Developments

During the discussion of inflationary trends in the country, Committee members noted that annual inflation had accelerated to 11.8% in June, consistent with the National Bank's projected path. On a monthly basis, inflation slowed to 0.8%. However, as some participants observed, monthly inflation during the summer months remains notably high, and measures of the persistent component have edged upwards.

From the external sector, inflationary pressure has somewhat subsided due to the slowdown in inflation in a key trading partner — Russia. At the same time, global food prices remain elevated (with the exception of grain prices). The external environment continues to be marked by high uncertainty and elevated volatility in financial and commodity markets amid trade disputes and geopolitical tensions.

In their discussion of domestic inflationary drivers, Committee members pointed out that inflationary pressure persists due to ongoing tariff reforms, fiscal stimulus, and strong consumer demand. The economy continues to grow at a robust pace (6% in January–May of the current year) with a continued imbalance between supply and demand. Strong consumer demand, in turn, is supported by a range of factors, most notably rapid growth in consumer lending.

Discussion on the base rate

After reviewing and discussing the current conditions in the external and domestic environment, the Committee members proceeded to the discussion of the base rate decision, during which the following views were expressed:

- to maintain the base rate;
- to raise the base rate.

At the same time, some members who supported keeping the rate unchanged at the current meeting expressed their readiness to support an increase either now or in the near future, given the persistent inflationary pressure.

No proposals were voiced in favour of lowering the base rate, either at the current meeting or in the upcoming ones. Participants noted that there is currently no room for monetary policy easing.

Committee members who supported raising the base rate justified their position by pointing to the increased pace of inflation and its components. Although monthly inflation slowed in June, it remains elevated — nearly twice the historical average for that month. Some members noted that core inflation, excluding the effects of rising prices for fuel and utilities, is increasing, and that within the seasonally adjusted inflation structure, both food and non-food components are growing.

This indicates widespread price growth and, in particular, that current monetary conditions are not sufficiently tight to suppress inflationary pressure.

Participants observed that, in an environment of strong consumer demand and persistently high inflation expectations, producers continue to pass rising costs through to final consumer prices. The inflation expectations survey, in turn, shows that short-term expectations have slightly decreased, but the level of uncertainty has increased — households find it difficult to assess inflation one year ahead. Meanwhile, long-term inflation expectations remain firmly anchored at elevated levels. In the Committee's view, these trends risk entrenching high inflation expectations for an extended period, complicating the achievement of the medium-term inflation target of 5%.

In response to this, some participants suggested the need to conduct a broad information campaign in cooperation with the Government, aimed at managing inflation expectations. In particular, it was suggested to communicate more actively with the general public regarding current inflation trends, forecasts, as well as the factors and policy measures that will contribute to its decline — including a strong harvest, Government actions to ensure food security, and others.

Some participants also pointed to the sustained expansion of the money supply — with annual growth reaching 20.4% in May — occurring against the backdrop of fiscal stimulus and credit growth. In this context, it was noted that the Baiterek holding plans to invest 8 trillion tenge into the economy. The Committee emphasized that the effectiveness of such expenditures largely depends on their orientation: the funds should support the creation of goods and services within the country rather than fuel inflationary pressure through increased imports. The need was underscored to strengthen joint work with the Government, particularly regarding the implementation of fiscal consolidation and coordinated measures aimed at reinforcing macroeconomic balance, improving the quality, and enhancing the socioeconomic return of public spending.

Committee members who supported maintaining the current level of the base rate justified their position by noting that, despite the acceleration in inflation, it remains in line with the National Bank's forecast trajectory and has not deviated from it. Monthly inflation is slowing, and the core component has not shown a significant increase. Moreover, inflation is expected to decelerate over the summer period, particularly in the food component, whose acceleration has been a concern for the Committee. At the same time, most of these members noted that if prices in July and August continue to grow at the same pace as in June, it would serve as a strong argument in favour of further policy tightening.

Previously, the National Bank submitted proposals to the Government on adjusting the pace of tariff increases in line with current inflation dynamics. In this context, another important argument in favour of maintaining the base rate was the Government's announcement to revise the pace and timing of increases in utility tariffs. Committee members responded positively to this initiative, noting that accumulated inflation in utilities is already catching up with overall services inflation, and for certain regulated services such as water supply, it has already exceeded headline inflation. Given the significant contribution of the services component to current inflation, the Committee expects that overall price growth will also begin to slow as a result.

Some participants also noted that another key factor behind their support for keeping the base rate unchanged — both at the current and upcoming meetings — is the planned changes to the minimum reserve requirements (MRR), which are expected to slow money supply growth and help further ease inflationary pressure. During the discussion, the importance of the additional measures being implemented was once again emphasized, including the revision of MRR conditions, mirroring of foreign exchange reserve operations, as well as macro- and microprudential measures taken by the National Bank and the Agency for Regulation and Development of the Financial Market aimed at cooling consumer lending and tightening related requirements.

At the same time, all Committee members emphasized that they do not see room for lowering the base rate before the end of the year. Some participants highlighted that the real interest rate is declining, while the government securities market remains quite sensitive to changes in the policy rate. In this regard, it is important to maintain the attractiveness of tenge-denominated instruments. A premature rate cut or a delayed rate hike in the event of inflation accelerating beyond forecasts could lead to a shift of liquidity from government securities and tenge deposits into foreign currency, increasing pressure on the foreign exchange market.

In discussing the overall tightness of monetary conditions in light of exchange rate dynamics, Committee members noted that the foreign exchange market remains stable amid the absence of abrupt changes in the external sector. This has made it possible to avoid further monetary policy tightening.

When discussing the forward guidance, Committee members proposed either maintaining the previous message or slightly tightening the communication. However, during the discussion, many members supported the view that a rate hike or a shift in guidance could become necessary based on the observed pace of price growth over the summer months, the accumulation of data, the update of macroeconomic indicators, and the impact of additional policy measures being implemented.

Following the discussion, the Committee decided to maintain the base rate at 16.5% per annum with a corridor of +/- 1 percentage point. 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.