

Statement by the Governor of the NBK, T.M. Suleimenov
On the Base Rate of the National Bank
29 August 2025, Astana

Dear representatives of the mass 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 the level of 16.5%.

Today's decision is based on the results of the forecast round, during which we fully updated projections for inflation and economic growth, as well as conducted a comprehensive assessment of current macroeconomic trends, recent data, and the balance of risks.

Inflationary pressure in the economy persists. Short-term **inflation expectations** remain highly volatile. Indicators of sustainable inflation have somewhat **decreased**, yet still remain elevated.

The economy continues to grow at a high pace. However, **demand still outpaces supply capacity**, exerting pressure on prices. An additional **source of consumption growth is active consumer lending.**

The **external economic environment** remains **uncertain** amid rising trade restrictions and geopolitical tensions. Global food

prices continue to increase. As a result, these factors collectively have led to higher prices.

Our main priority remains the stabilization of inflation expectations and the reduction of inflation. To this end, **the National Bank will maintain moderate monetary tightening for an extended period.**

It should be noted that, alongside interest rate policy, **additional measures to ensure price stability** will play an important role.

Now, more details regarding the factors behind the decision.

FIRST. INFLATION DYNAMICS AND INFLATION EXPECTATIONS.

As of July, **annual inflation** remained at **11.8%**. Service inflation shows a noticeable decline. In July, it stood at **14.9%** after peaking at 16.1%. This was facilitated by both the stabilization of regulated utility tariffs and the slowdown of inflation in market services. Previously, we noted consultations with the Government regarding the pace and timing of tariff reform. The corresponding decision was adopted by the Government, and results materialized promptly. We observe that the contribution of services to inflation has started to decline.

Food inflation continues to rise, amounting to **11.2%**. The main reason is the increase in agricultural product prices,

subsequently affecting production costs in other industries. Wholesale food prices also rose due to higher import costs. **Non-food inflation** stood at **9.5%**.

Monthly inflation in July declined to **0.7%**, yet remains above the historical average. Over the past 10 years, July inflation averaged 0.4%. Indicators of **core and seasonally adjusted inflation** also decreased somewhat, which is a positive factor. Nevertheless, under persistent pro-inflationary pressures, these indicators remain significantly above the medium-term target.

Household inflation expectations for one year ahead increased to **14.2%** from 12.6% in June, remaining volatile amid high uncertainty. Long-term household expectations for price growth also rose.

Professional participants are more restrained in their assessments, yet their expectations also continue to shift upwards: the median forecast for inflation in 2025 rose to 11.3%, and for 2026 – to 9.5%.

SECOND. DOMESTIC ECONOMIC TRENDS.

Economic activity is on the rise. According to preliminary data, GDP growth for January–July this year accelerated to **6.3%** year-on-year. Growth is supported by expanding investment in non-resource sectors, resilient consumption, and recovery of the oil sector.

The highest growth was recorded in **transport and warehousing** (22.5%) and **construction** (18.5%). Notable increases

are also observed in **mining** (8.5%), **manufacturing** (6.1%), and **trade** (8.6%).

Nevertheless, the economy's production capacity is still unable to fully match the growth in domestic demand. The **gap between demand and supply** persists, **amplifying inflationary pressures**.

Consumer activity is rising. Since April of this year, we have observed retail turnover growth, reaching 6.6% y/y in July, after a period of stabilization in previous months.

Additional confirmation of rising consumer activity is the **growing demand for large purchases**, particularly automobiles, supported by dealership offers with preferential lending. High activity is also observed in the real estate market.

Amid **declining real incomes** and the **absence of real wage growth**, **active consumer lending remains the main driver of demand**. Installment schemes, marketing promotions, and high inflation expectations also play a significant role.

Investment activity also remains high, with growth of 16.1% in January–July this year. This is supported by both public and private investments. At the same time, we note an increasing share of budget funds in total investment since the beginning of the year, amounting to 22.4%, significantly higher than last year.

THIRD. EXTERNAL FACTORS.

External inflationary pressure persists. The main driver remains the increase in global food prices.

According to FAO, in July the global food price index rose to 130.1 points, continuing the upward trend observed since the beginning of the year. Prices for meat and vegetable oils remain at historically high levels, offsetting declines in grain and sugar prices.

Regarding our major economic partner, **Russia**, inflationary pressure there has eased somewhat, with inflation at **8.8%**. Against this backdrop, the **Bank of Russia** reduced its key rate to 18% in July, while noting the necessity of maintaining sufficient tightness for an extended period to return inflation to target.

Despite the slowdown of price growth in Russia, **external inflationary pressure** for Kazakhstan **remains**, in part due to the strong ruble against the tenge.

In advanced economies, inflation is approaching targets. In the **EU** it slowed to 2.4%, and in the **US** to 2.7%. At the same time, regulators remain cautious amid trade uncertainty and geopolitical risks.

The **ECB** emphasizes the achievement of its target and expresses confidence in stabilizing inflation near the goal in the medium term. The **Federal Reserve's** policy has somewhat softened. However, external monetary conditions, compared with the previous forecast round in May, have slightly worsened amid expectations of a slower pace of rate cuts. Contributing factors include inflation above the Fed's target, risks associated with US

trade policy and countermeasures by other countries, as well as wage growth outpacing inflation.

The oil market remains volatile. Prices are under pressure due to potential declines in energy demand amid trade restrictions, possible economic slowdown, and expectations of increased production by OPEC+ countries.

In our baseline scenario, the **Brent oil price is maintained at \$60 per barrel.**

FORECASTS.

The inflation forecast for the current year has been revised. In **2025**, we expect **inflation** in the range of **11–12.5%**. Projections for subsequent years remain unchanged. In **2026**, price growth will amount to **9.5–11.5%**. In **2027**, inflation is expected to decline to the range of **5.5–7.5%**.

At the same time, the sustainable component of inflation – that is, inflation excluding regulated prices, fuel, and other volatile factors – **will approach the 5% target by the end of the forecast horizon, namely by the end of 2027.**

Risks to the inflation forecast are associated with further strengthening of domestic demand pressures, unanchored inflation expectations, and acceleration of external inflation. Additionally, uncertainty arises from the pace and timeline of regulated price reforms, in particular fuel prices, as well as the potential indirect impact on inflation expectations and the underlying component of inflation.

The GDP growth forecast for 2025 has been revised upward to **5.5–6.5%**, due to strong investment activity and sustained consumer demand. Forecasts for subsequent years remain unchanged: **4–5% in 2026**. In **2027**, we expect economic growth to converge toward its equilibrium level.

Risks to the GDP forecast include maintaining fiscal discipline, including implementation of plans to reduce withdrawals from the National Fund, potential strengthening of domestic demand, and possible declines in prices for key export commodities.

Dear journalists,

In conclusion, I would like to note that **pro-inflationary pressure in the economy still persists**, and the fight against inflation continues. **Future monetary policy decisions** will depend on the alignment of actual inflation with the projected trajectory, as well as shifts in the balance of risks.

In the absence of significant inflation slowdown in the coming months, the Committee intends to tighten monetary conditions further in order to return inflation to the trajectory towards the 5% target. Accordingly, an increase of the base rate at upcoming meetings is not excluded.

In addition to the main policy, we continue active implementation of a number of **supplementary measures**. As part of enhancing the effectiveness of monetary policy, we have recently completed an initiative to tighten **reserve requirements**

for banks. The corresponding resolution has been adopted by the Board and will come into force on September 2 of this year. This will enable us to better absorb excess liquidity, limit money supply growth, and thus exert significant disinflationary impact. In the near future, additional practical measures will be adopted in the area of money market operations aimed at improving monetary policy transmission. Beyond setting policy itself, it is essential that its implementation tools are as effective as possible. In this regard, a series of technical and practical steps will be undertaken shortly.

Work is also ongoing in the area of **macro- and microprudential initiatives**. A decision has been made to introduce a **countercyclical capital buffer** for household loans. Together with the Agency for Financial Regulation, work is underway to **enhance additional instruments, such as the debt burden ratio and debt-to-income ratio**. This will help mitigate overheating in consumer lending. The Agency also plans to introduce measures for **stricter borrower assessments**, particularly for those with existing loan delinquencies. Collectively, these steps will also help reduce overheating in consumer lending.

Cooperation with the Government continues in the transition towards a more **balanced fiscal policy**. We have also updated the **Action Plan on inflation control and reduction** jointly with the Government. The document includes measures aimed at boosting production, developing

logistics and storage, improving pricing transparency, controlling mark-ups, enhancing antimonopoly and foreign trade regulation, as well as, on our part, monetary policy measures.

Dear journalists,

The high pace of economic growth has not yet fully translated into income growth for households, with inflation remaining the main constraining factor. In other words, while nominal incomes are rising, inflation offsets the positive effect.

Therefore, the National Bank is maintaining the base rate at a level that ensures disinflation. Our work is aimed at securing low and stable price growth, thereby preserving the value of labor incomes and savings of our citizens.

High inflation is a detrimental factor that disproportionately impacts the most vulnerable segments of the population. In this regard, a high rate and a relatively tight monetary policy are not ends in themselves, but rather instruments for curbing inflation, thereby improving the welfare of the population. For the economy, a stable low-inflation environment is one of the key elements of a favorable investment climate and business environment.

We are confident that, through coordinated efforts with the Government, the Agency, and other state bodies, we will achieve price stability and reach the established target in the medium term.

Thank you for your attention.