

# MONETARY POLICY REPORT

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August 2025



NATIONAL BANK OF KAZAKHSTAN



## MONETARY POLICY OF THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**The monetary policy of the National Bank** is a set of measures aimed at regulating the value of money in the economy to ensure price stability. Maintaining low and stable inflation contributes to economic growth and job creation.

**The objective of monetary policy** is to maintain annual inflation near 5% in the medium term.

The main instrument of the monetary policy of the National Bank is the base rate. By setting the level of **the base rate**, the National Bank determines the target value of the interbank short-term rate to achieve the goal of ensuring price stability in the medium term.

Decisions on the base rate are made by the **Monetary Policy Committee**.

**The Monetary Policy Report** is a quarterly analytical publication of the National Bank explaining the decision taken by the Monetary Policy Committee on the base rate. The document contains an analysis of the main macroeconomic factors affecting inflation, a forecast of macroeconomic parameters.

The document is published in an electronic version on the official Internet resource of the National Bank in Kazakh, Russian, and English. The forecast and analysis of macroeconomic indicators are based on statistical information as of **August 14, 2025**.

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## THE DECISION ON THE BASE RATE OF AUGUST 29, 2025

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**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. The decision is based on the outcome of the forecast round, which updated the projections for key macroeconomic indicators and reassessed the balance of inflation risks.**

In July, annual inflation remained at 11.8%. Food and non-food components of inflation continued to rise, while the services component slowed for the first time since the start of the year. As a result, the contribution of food products to annual inflation exceeded that of services, which had previously been the main driver.

Monthly inflation slowed to 0.7%. Indicators of the underlying component of inflation also eased somewhat – core and seasonally adjusted inflation stood at 0.8%. Despite the slowdown, their levels remain elevated and indicate persistent inflationary pressures, amid ongoing tariff reforms, fiscal stimulus, and sustained consumer demand, supported in part by strong growth in retail lending. Household inflation expectations in July rose to 14.2%. Short-term expectations remain volatile, while long-term expectations show an upward trend.

External price pressures persist. Global food prices are rising. Inflation in Russia remains high. External monetary conditions have worsened slightly compared with the previous forecast round in May, amid expectations of a slower pace of Fed rate cuts. The European Central Bank's rhetoric remains cautious, given the high uncertainty associated with trade conflicts. The Brent oil price in the baseline scenario was maintained at USD 60 per barrel on average through the forecast horizon. The inflation forecast for 2025 has been amended. Medium-term projections remain unchanged. Inflation is expected at 11-12.5% in 2025, 9.5-11.5% in 2026, and 5.5-7.5% in 2027. The forecast refinement reflects price spikes in certain food markets and stronger pro-inflationary demand-side pressures. Moderately tight monetary policy and planned fiscal consolidation will have a restraining effect on inflation. Risks to the forecast stem from maintaining fiscal discipline, stronger domestic demand, an acceleration in external inflation, unanchored inflation expectations, and second-round effects from increases in regulated prices and VAT.

The economic growth forecast for Kazakhstan in 2025 has been raised to 5.5-6.5%. The forecast for 2026 is maintained at 4-5%. From 2027 GDP growth is projected to converge towards its equilibrium rate.

A failure to observe a significant slowdown in the pace of inflation in the coming months would provide grounds for tightening monetary conditions, in order to return inflation to a path of sustainable decline towards the medium-term target of 5%. On this basis, the Monetary Policy Committee will assess the appropriateness of raising the base rate at its upcoming meetings.

## I. ECONOMIC DEVELOPMENT PROSPECTS

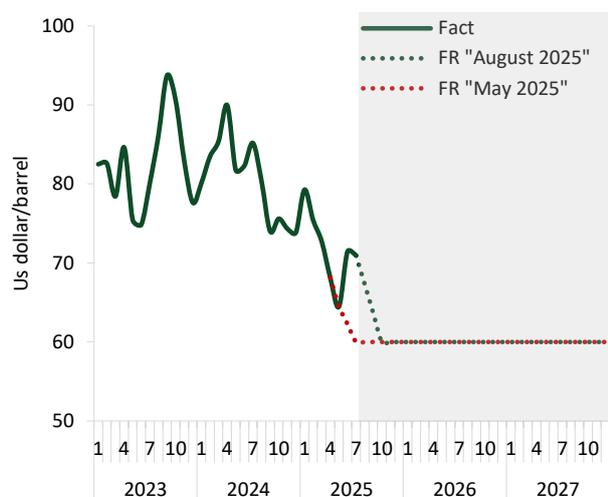
### 1.1. Key External Assumptions

#### 1.1.1. Commodity markets

**Progress in trade negotiations with the US eased concerns about demand and supported the rise in global oil prices, which developed between the baseline and optimistic scenarios of the previous forecasting round. Despite stronger positive factors, expectations for the future price trajectory remained unchanged: in the medium term, oil is projected to trade at around USD 60 per barrel.**

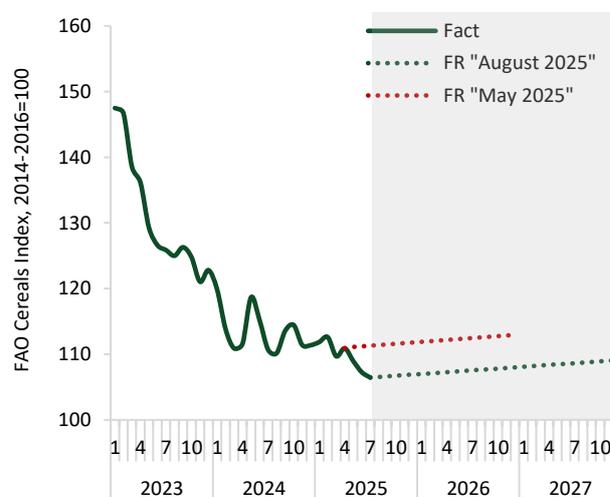
In June-July 2025, the price of Brent oil exceeded USD 70 per barrel. The increase was supported by progress in trade negotiations, strong seasonal demand, geopolitical tensions, and concerns about the introduction of new sanctions against Russia. A more pronounced rise was constrained by accelerated production growth among OPEC+ countries. Over the forecast horizon, prices are expected to gradually decline amid a market surplus. Production growth will be driven primarily by the United States, Brazil, Canada, and Guyana. Demand is projected to grow moderately, driven by India and China. Key downside risks to prices remain trade disputes among major economies, which heighten market volatility and concerns about demand. According to forecasts, by October of this year, Brent prices are expected to decline to USD 60 per barrel and remain at that level through the end of the forecast period (Graph 1).

Graph 1. The baseline scenario for Brent crude oil prices is maintained at USD 60 per barrel.



Source: EIA, Consensus Economics, NBK calculations

Graph 2. A balanced grain market will contain price pressures in global markets.



Source: UN FAO, NBK calculations

**The actual dynamics of grain prices turned out lower than projected. Over the entire forecast horizon, grain price growth is expected to remain moderate.**

In July, grain prices fell by 0.8% m/m and 3.8% y/y. The decline in wheat and sorghum prices was driven by abundant seasonal supply; however, unfavorable weather in North America and limited shipments from Europe and the Black Sea region curbed a steeper drop. Corn prices rose due to dry conditions in Eastern Europe and Ukraine, as well as reduced exports from Argentina and Brazil. Rice prices continued to fall amid high supply and weak demand. Looking ahead, grain prices are projected to continue moderate growth. Output is expected to rise significantly, primarily in India, Pakistan, Brazil, and Vietnam. Demand will also grow, though at a slower pace, leading to a slight increase in global stocks (Graph 2).

### 1.1.2. Global economic development and trade partner countries

**Support for global industrial activity, previously underpinned by expectations of new U.S. trade tariffs, has weakened. Nevertheless, economic growth in China and the EU exceeded expectations, while growth in Russia slowed sharply.**

Global business activity continues to expand, with the services sector reaching its highest levels since the beginning of the year. In contrast, the output new orders, and exports in industrial sector declined. The recent rise in production was driven by faster shipments ahead of planned U.S. tariffs, but this effect is now fading.

Economic activity in China and the EU turned out stronger than expected. In China, growth was supported by government stimulus, faster industrial production, strong trade, and low unemployment. In the EU, investment, exports, and higher government spending made a positive contribution. In Russia, sanctions and high interest rates continue to weigh on the economy, while weak domestic demand is holding back growth. In Russia, sanctions and high interest rates continue to cool the economy, while weak domestic demand is slowing growth.

The IMF slightly raised its global growth forecast amid easing trade tensions and strong early-year macroeconomic indicators: growth of 3.0% is expected in 2025 and 3.1% in 2026<sup>1</sup>.

The forecast for China has been revised upward due to strong first-half results and an easing of trade conditions with the U.S.<sup>2</sup> For the EU, the forecast remains broadly unchanged: the recovery will be supported by investment, fiscal stimulus, and lower interest rates. For Russia, further slowdown is expected amid low oil prices, sanctions, labor market constraints, and weak dynamics in the real sector (Graph 3).

**Inflation in many countries remains above target. Price pressures from the EU and China are expected to gradually ease, while in Russia they are projected to stay elevated for longer than previously anticipated.**

Since the end of last year, inflation in many countries has changed little and remains above target levels. Among Kazakhstan's trading partners, the strongest price pressures persist in Russia, where annual inflation is nearly twice the target. In China, the July price increase after four months of deflation is likely to be temporary. In the EU, inflation is close to target, and in some large countries it is already below.

Overall, inflation forecasts remain broadly unchanged. In China, prices are expected to stabilize in the second half of the year, but weak demand will keep inflation low. In the EU, price growth will be slower than previously expected amid lower energy and food prices. In Russia, achieving the inflation target may take longer due to high inflation expectations, a weaker ruble, and supply-side constraints (Graph 4).

**Amid persistent risks from trade tensions, central banks are maintaining a cautious policy stance.**

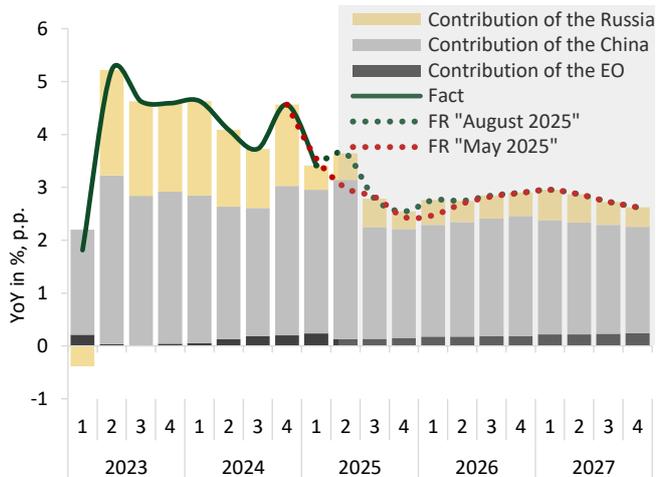
The U.S. Federal Reserve left its rate unchanged at the latest meeting, maintaining cautious rhetoric. Over the forecast horizon, the Fed Funds interest rate is expected to decline at a more gradual pace. The ECB also kept its rate unchanged and, according to market expectations, paused its easing cycle as inflation neared the target and uncertainty around trade tariffs persisted. In July 2025, the Bank of Russia lowered its rate to 18%, continuing the easing cycle that began in June 2025. With inflationary pressures easing and signs of cooling consumer activity, further cuts at upcoming meetings cannot be ruled out.

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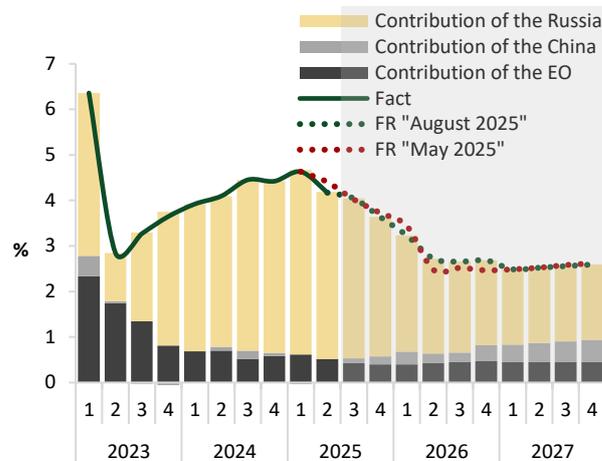
<sup>1</sup> IMF World Economic Outlook, July 2025

<sup>2</sup> Consensus Ecs.

Graph 3. Aggregated External GDP\* – Strong forecasts for China and EU supported external sector demand, though overall growth is expected to remain moderate.



Graph 4. Aggregated External Inflation\*\* – High inflation in Russia will remain the main source of external price pressures.



\* Represents the GDP growth rates of Kazakhstan's trading partner countries, weighted by their shares in non-oil exports.

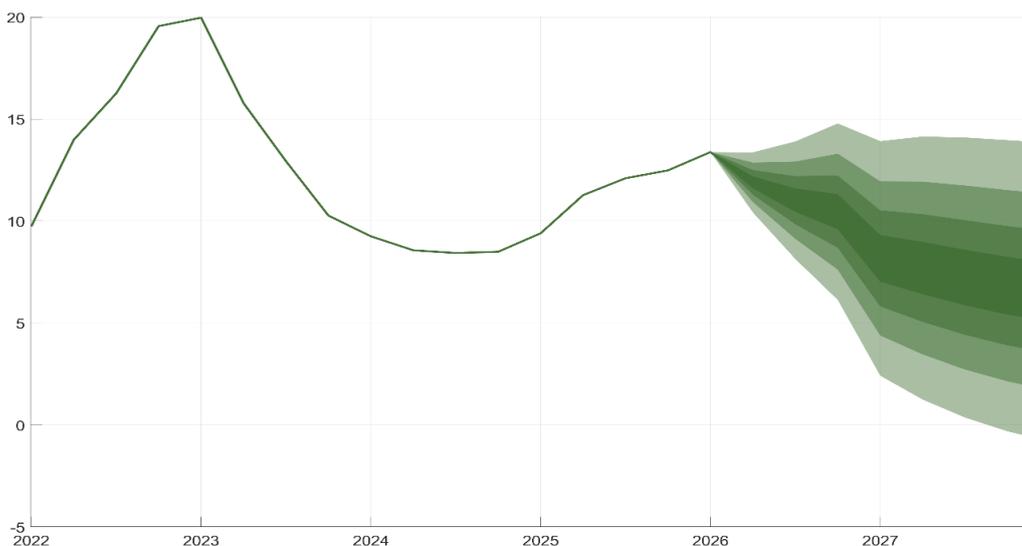
\*\* Represents the annual inflation rates in trading partner countries weighted by their share in imports

Source: Eurostat, National Bureau of Statistics of China, Rosstat, Consensus Economics, CBR, NBK estimation

## 1.2. Economic outlook under the baseline scenario

The current dynamics of headline inflation is in line with the NBK forecasts. The main premises of the forecast remain at the level of the previous forecast round "FR May 2025". High inflation continues to be driven by strong domestic demand, rising prices for regulated services, and shocks in certain food markets. The inflation forecast for 2025 has been updated. The forecasts for the medium-term have not changed. The inflation forecast for 2025 is estimated in the range of 11-12.5%. In 2026, inflation is estimated to be in the range of 9.5-11.5%, in 2027 – 5.5-7.5% (Graph 5, Table 1)

Graph 5. The inflation forecast for 2025 has been updated, and remains unchanged for the medium term (yoy, %)



Source: actual – BNS ASPR, forecast – NBK

A significant increase in prices is observed for food products, which, according to forecasts, will remain under pressure from high global prices and rising producer costs. Non-food inflation will be shaped by a combination of factors, including higher fuel prices, which will increase producer costs

both directly and through more expensive transport and logistics services. An important pro-inflationary factor in the short term will also be the continued accommodative fiscal policy and the growth of consumer lending, supporting a high level of domestic demand.

Service inflation will remain elevated. Despite the slowdown in the growth of utility tariffs under the “Tariff in Exchange for Investment” program, regulated utility services will continue to exert pro-inflationary pressure. Additional pressure will come from rising prices for market services amid higher costs and persistent consumer demand. In addition, the upcoming VAT increase may trigger front-loaded consumption and price growth, reinforcing inflation expectations and exerting additional pro-inflationary pressure on all components of inflation.

Inflation is expected to accelerate in early 2026 due to an increase in the VAT rate from 12% to 16%. The greatest impact is expected on non-food and services inflation, while the effect on food inflation will be limited due to tax benefits for agricultural producers. Tariff increases for regulated utilities will also continue to be implemented during 2026.

The stabilization of inflation expectations due to the moderately tight monetary policy of the NBK, the return of the economy to potential levels, and the gradual decline of inflation in Kazakhstan's main trading partners towards their target values will help to reduce inflation. However, due to the implementation of reforms in the F&L market and in the regulated services, which the NBK will not respond to by tightening its policy (direct effect), inflation will not reach the target by the end of the medium-term horizon. At the same time, excluding the impact of these temporary factors, seasonally adjusted quarterly core inflation will form near the NBK's medium-term target of 5% by the end of 2027.

**Due to the strong economic activity, the GDP growth forecast for 2025 has been revised upward to 5.5-6.5% (Graph 6, Table 1).**

Graph 6. GDP growth is expected to accelerate this year, followed by a return to potential values in the medium term (yoy, %).



Source: actual – BNS ASPR, forecast – NBK

In the second quarter of 2025, Kazakhstan’s real economic growth reached 6.8% in annual terms, exceeding the NBK’s projections. A stronger-than-expected expansion of investment activity in the non-oil sector was the key driver of this acceleration. The volume of fixed capital investment in the second quarter of this year increased by 30.1% compared to the same period last year. The surge in investment also led to a higher-than-anticipated growth in real imports. Consequently, the forecasts for the growth rates of gross fixed capital formation and imports in real terms have been revised upward.

In 2025, domestic consumer demand, investment activity in non-resource sectors, and oil exports will be the main drivers of Kazakhstan’s economic growth.

Domestic demand remains the leading contributor to economic growth. Household consumption is expected to maintain its current strong growth pace through the end of the year, supported by elevated inflation expectations ahead of the planned VAT increase in 2026. Additional support for consumption will come from lending and fiscal stimulus measures. The acceleration of consumer demand beyond the equilibrium level keeps adding upward pressure on inflation.

Gross fixed capital formation is expected to continue expanding, supported by the implementation of investment projects in manufacturing, transport, education, and public utilities. This investment activity will, in turn, sustain the development of the non-oil sector of the economy.

Domestic demand, partly driven by these investment projects, is projected to contribute to higher import volumes.

Exports are projected to rise, mainly due to higher oil production resulting from capacity expansion at the Tengiz field. At the same time, the growth of non-oil exports is expected to remain modestly positive, reflecting moderate external demand.

In the medium term, expectations for oil production have been revised downward (2026-2027). Consequently, a slowdown in economic growth is forecasted for 2026-2027. The subdued growth in consumer demand amid fiscal consolidation will effect GDP growth dynamics as an additional factor. At the same time, ongoing investment projects in the economy and reforms in the housing and communal services sector "Tariff in exchange for investments" will support the growth of fixed capital accumulation. Restrained import dynamics due to fiscal consolidation will support moderate GDP growth rates. Thus, economic growth in 2026 is estimated at 4-5%.

In 2027, the economy of Kazakhstan, amid fiscal consolidation and stabilization of oil production, will strive for its equilibrium values and GDP growth will be in the range of 3.5-4.5%.

Amid the expected increase in economic activity in 2025, the output gap, defined as the percentage deviation of actual GDP from its potential level, has been revised upward. The expected expansion of the output gap will be accompanied by a stronger gap in domestic demand, which will create additional inflationary pressure on domestic prices in 2025. From mid-2026, as fiscal stimulus subsides, the output gap will tend to reach equilibrium values, and economic growth in the medium term will be at the level of its potential value.

**Table 1. Forecasts under the baseline scenario**

	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>GDP, yoy, %</b>	<b>5.5-6.5</b> (5-6)	<b>4-5</b> (4-5)	<b>3.5-4.5</b> (3.5-4.5)
<b>CPI, Dec. to Dec. previous year, %</b>	<b>11-12.5</b> (10.5-12.5)	<b>9.5-11.5</b> (9.5-11.5)	<b>5.5-7.5</b> (5.5-7.5)
<b>Brent, USD/Barrel, average per year</b>	<b>68</b> (65)	<b>60</b> (60)	<b>60</b> (60)

**Table 1 (a). Forecasts under the pessimistic scenario**

	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>GDP, yoy, %</b>	<b>5-6</b> (4.5-5.5)	<b>3.5-4.5</b> (3.8-4.8)	<b>3.5-4.5</b> (3.5-4.5)
<b>CPI, Dec. to Dec. previous year, %</b>	<b>11.8-13.3</b> (11.3-13.3)	<b>10.2-12.2</b> (10.2-12.2)	<b>6-8</b> (6-8)
<b>Brent, USD/Barrel, average per year</b>	<b>61</b> (53)	<b>40</b> (40)	<b>40</b> (40)

**Table 1 (b). Forecasts under the optimistic scenario**

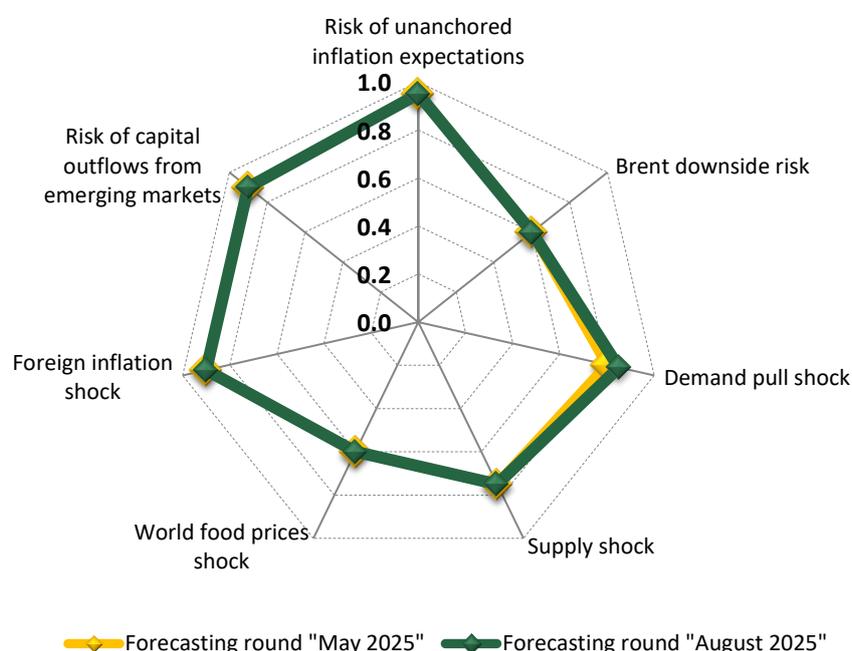
	2025	2026	2027
<b>GDP, yoy, %</b>	<b>5.8-6.8</b> (5.5-6.5)	<b>4-5</b> (4-5)	<b>3.5-4.5</b> (3.5-4.5)
<b>CPI, Dec. to Dec. previous year, %</b>	<b>10.5-12</b> (10-12)	<b>8.5-10.5</b> (8.5-10.5)	<b>5-7</b> (5-7)
<b>Brent, USD/Barrel, average per year</b>	<b>74</b> (77)	<b>80</b> (80)	<b>80</b> (80)

Source: NBK forecasts

### 1.3. Medium-term Risks

The risks of inflation deviating from the forecast trajectory remain elevated, requiring the maintenance of moderately tight monetary conditions (Graph 7).

Graph 7. The balance of risks is tilted towards pro-inflationary pressures.



Overall, the balance of risks has not changed significantly compared to the last forecast round, and the risks of inflation are still high.

Domestic inflation risks remain elevated. There are persistent risks of unanchored inflation expectations due to ongoing reforms in regulated utility services, the anticipated VAT increase, and the deregulation of fuel prices. Inflation expectations may also rise in response to short-term shocks in certain goods and services markets. In this context, supply-side risks related to utility tariff adjustments and fuel market deregulation remain high. The risks of pro-inflationary pressure from domestic demand have also increased due to a possible deviation from the planned fiscal consolidation in order to stimulate economic growth, where excess demand remains elevated.

Among the external factors, the risks of lower oil prices, accelerating external inflation and capital outflow from emerging markets remain high. Continued volatility in the global oil market amid geopolitical tensions and uncertainty in demand from major economies increases the likelihood of a decline in global oil prices. This, in turn, may negatively affect export earnings and the macroeconomic stability of commodity-oriented countries, including Kazakhstan.

In addition, the ongoing escalation of global trade tensions, including trade and technology conflicts between the United States and China, as well as potential new sanctions measures, intensify the risk of accelerating external inflation.

The persisting high risk of capital outflow from emerging markets amid growing global uncertainty creates additional pressure on the exchange rates of developing countries and increases the vulnerability of their economies to external shocks.

The risks of the GDP forecast are mainly related to oil exports due to the continued OPEC+ restrictions on daily oil production, which may limit the full-scale expansion of production capacities at Tengiz field. In addition, there remains uncertainty in the dynamics of GDP due to the parameters of future fiscal policy, which may pose risks to the forecast of inflation.

#### Box 1. A Neo-Classical Growth Model for Kazakhstan.

This analysis studies Kazakhstan's economic growth rate between 1996 and 2024. The aim is to estimate the long-run (steady state) growth rate and to make a forecast until 2050 conditional on the projections of the population growth rates. To this end, a Ramsey-Cass-Koopmans model with exogenous processes for technology and population growth rates is built and estimated. The forecasts for GDP per capita and GDP per working-age population growth rates are found to be, on average, lower than the long-run (steady state) growth rate.

**A Neo-Classical Growth Model.** The economy is populated by households with population size  $N_t$ . The representative household maximizes its utility by optimally choosing its per capita consumption level.

$$\max_{c_t} \sum_{t=0}^{\infty} \beta^t N_t \ln c_t$$

subject to

$$\begin{aligned} Y_t &= K_t^\alpha (Z_t L_t)^{1-\alpha} \\ K_{t+1} &= (1 - \delta)K_t + I_t \\ C_t + I_t &= Y_t \end{aligned}$$

Total output  $Y_t$  in the economy is produced using capital  $K_t$  and working-age population  $L_t$ . The level of labor-augmenting technology that improves skills and processes is given by  $Z_t$ . Output is used for consumption  $C_t$  and investments  $I_t$ . Capital is accumulated by new investments and the depreciation-adjusted capital from the last period. The model variables inherit growing trends given stochastic growth rates in  $Z_t$  and  $N_t$ . Hence, we adjust the variables by  $Z_t N_t$  to detrend the variables and transform them into per capita terms. Thus, the production function is given as  $y_t = k_t^\alpha l_t^{1-\alpha}$ , where  $l_t$  is a share of working-age population. Changes in the share of the working-age population  $l_t$  in the model have the same effect as stationary technology shocks. Increasing  $l_t$  increases production and therefore investment and total output. Next, the capital accumulation equation and the resource constraint equation are transformed as follows:

$$\begin{aligned} k_{t+1} \mu_{t+1}^z \mu_{t+1}^n &= (1 - \delta)k_t + i_t \\ c_t + i_t &= y_t \end{aligned}$$

The economy is driven by three exogenous stochastic processes: technology growth rate, population growth rate, and working-age population share dynamics

$$\begin{aligned} \mu_{t+1}^z &= \rho_z \mu_t^z + (1 - \rho) \mu^z + \epsilon_t^z \\ \mu_{t+1}^n &= \rho_n \mu_t^n + (1 - \rho) \mu^n + \epsilon_t^n \\ l_{t+1} &= \rho_l l_t + (1 - \rho) l + \epsilon_t^l \end{aligned}$$

**Calibration and Estimation Results.** In the model, we calibrate several parameters to match the average yearly data given in the PWT 10.01<sup>3</sup> for Kazakhstan and the mean values of macroeconomic variables. The discount factor  $\beta$  is set to 0,99 to replicate a 5,6% annual rate of return to capital. The depreciation rate  $\delta = 0,044$  is set to the average value for Kazakhstan. Steady state growth rate of the population  $\mu^n = 0,84\%$  is set to the mean growth rate of the population between 1996 and 2024. Next, steady state value for the working-age population share  $l = 0,658$  targets the corresponding mean value for the same period. The share

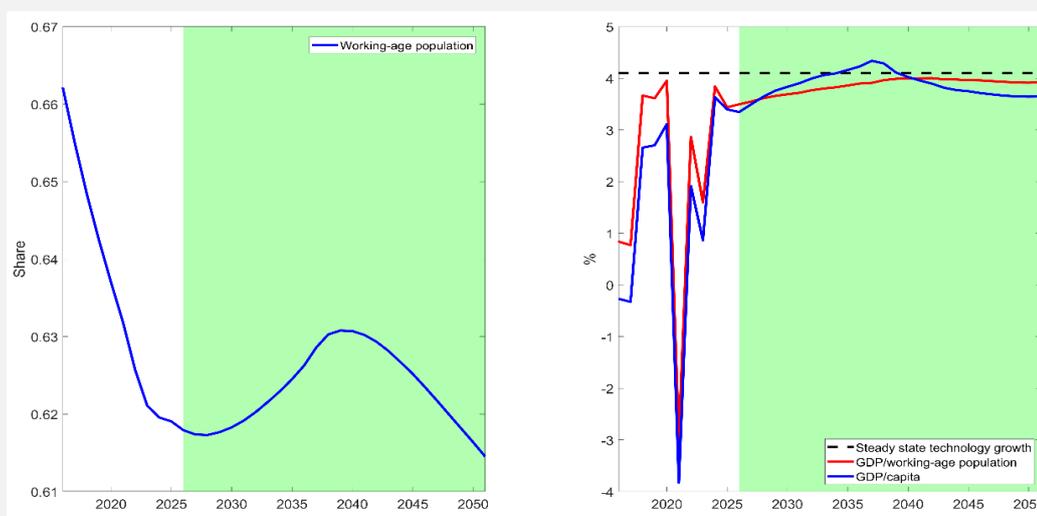
<sup>3</sup> Source: <https://www.rug.nl/qgdc/productivity/pwt/>

of capital in production  $\alpha = 0,35$  is set according to Adilkhanova (2019)<sup>4</sup>. Other parameters such as the steady state technology growth rate  $\mu^z$ , persistence and shocks of stochastic processes are estimated via Bayesian methods using the observable data for GDP, total and working-age population between **1996** and **2024**. The posterior mode for the annual steady state growth rate is estimated to be 4,1%, a value close to the average GDP per working-age population (and per capita) growth rate for the estimated period. This suggests that absent any shocks the economy grows at 4,1% annually. It is important to note that the estimation was based on historical data, which includes favorable periods for the economy (**2000-2011**), when GDP per capita, on average, grew by 7,5%.<sup>5</sup> Further, the estimation results show that shocks to the permanent technology process are quite persistent. Next, estimated high persistence parameters related to the population growth processes ( $\rho_n = 0,89$  and  $\rho_l = 0,94$ ) are explained by very slowly changing population dynamics.

**GDP Forecast and Conclusion.** To forecast economic growth until 2050, this analysis uses population growth projections from the UN World Population Prospects<sup>6</sup>. The UN projections have data for each age category, hence we can exogenously provide the values for the total population and the working-age population. The left-hand side of Graph 1 below depicts the historical values and forecasts of the share of the working-age population for the period from 2015 to 2050. The right-hand side of Graph 1 shows the historical values and forecasts of GDP per capita and GDP per working-age population. The average per capita GDP growth rate is expected to be 3,89%. The maximum values of the projected economic growth in the second half of the 2030s coincide with the corresponding values of the share of working-age population. GDP growth forecasts up to 2033 are below the projected steady technology growth. The reason behind this development is a lower, than the average, share of the working-age population. The maximum projected share of the working-age population is 0,632, while the average for the period from 1996 to 2024 is about 0,658. In fact, starting in 2017, this share remained below the average. Similar developments can be seen in the forecasts for GDP per working-age population growth (the average is 3,86%). Both indicators, on average, are expected to be below the steady state growth. Moreover, forecasts for GDP per working-age population growth are consistently below the steady state. Accordingly, the productivity of a potential employee is expected to be lower than the steady state technology growth rate.

To sum up, it can be argued that the future expected economic growth in Kazakhstan will be mainly driven by the working-age population growth, although the projected shares are below the average. The share of working-age population will increase until the end of 2030s and will return to the 2024 value by 2050. In the absence of economic and structural changes that improve skills, production processes and lead to technological progress, GDP per capita growth rate, on average, will not exceed the estimated long-run value of 4,1%. In other words, high-quality investments in human capital and innovation are needed to accelerate technological progress

**Graph 1: Population and GDP forecasts**



<sup>4</sup> Adilkhanova, Z. 2019. *Microlevel Analyses of DSGE Model Parameters: Evidence from Kazakhstan*. NAC Analytica Working Paper No. 2.

<sup>5</sup> The average GDP per capita for 2012-2024 was 1,9%.

<sup>6</sup> Source: <https://population.un.org/dataportal/home?df=ee4516a9-bf18-4f14-89d3-f66ca2fef0a3>

#### 1.4. Forecast of the current account of the balance of payments

**Under the baseline scenario, the deficit of the current account of the balance of payments in 2025-2027 will exceed the levels of the last year. This will be due to a scenario reduction in oil prices and high consumption of imported products.**

Compared to previous estimates, the current account forecast has been revised downward (table 2) due to an upward revaluation of imports.

**Table 2.** Forecast of the current account of the balance of payments

	2020	2021	2022	2023	2024	2025 (f)	2026 (f)	2027 (f)
<b>Current account as % of GDP</b>	<b>-6,5%</b>	<b>-1,4%</b>	<b>2,8%</b>	<b>-3,6%</b>	<b>-1,8%</b>	<b>-3,9%</b> <i>(-3,8%)</i>	<b>-4,3%</b> <i>(-4,0%)</i>	<b>-4,3%</b> <i>(-3,8%)</i>
<i>Reference: current account in billion US dollars</i>	-11,1	-2,7	6,4	-9,4	-5,0	-11,6 <i>(-10,9)</i>	-13,4 <i>(-11,8)</i>	-14,1 <i>(-11,3)</i>

*\* the previous forecast in the forecast round "May 2025" is given in brackets*

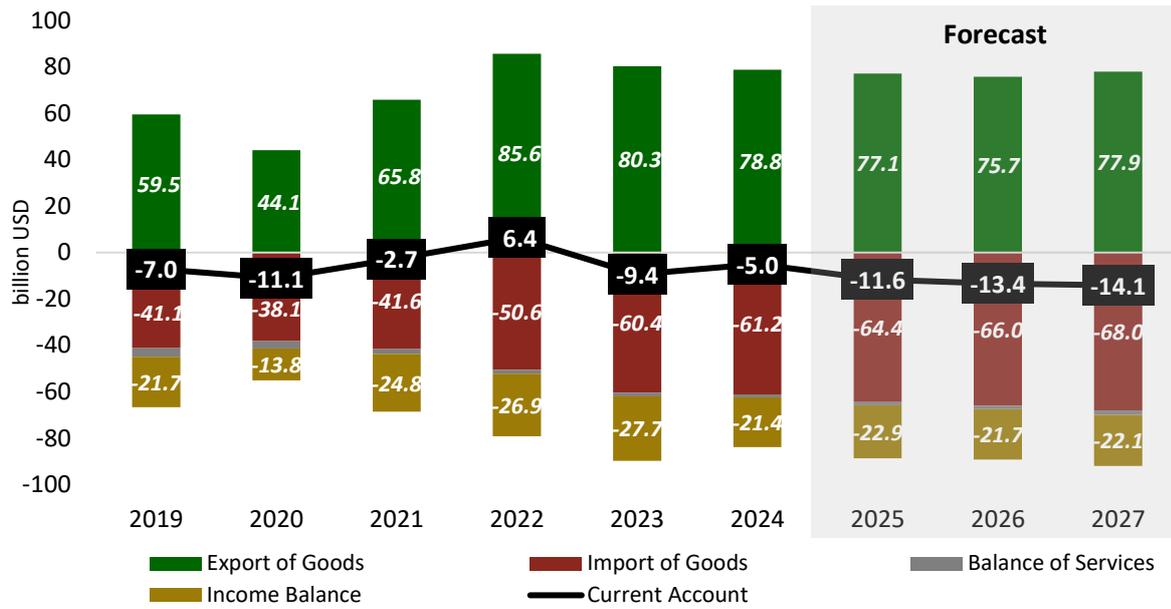
Over the forecast horizon, export of goods is projected to remain below the levels recorded in the previous year. Lower export levels will be driven by a scenario-based reduction in oil prices relative to 2024. However, increased production at the Tengiz oilfield will partially offset the adverse price effect. Meanwhile, non-oil export volumes are expected to remain relatively stable, supported mainly by sustained external demand for Kazakhstan's metal and agricultural products, particularly grains and their processed derivatives. As a result, total export of goods is expected to decline from 27.8% of GDP (78.8 billion US dollars) in 2024 to 23.8% of GDP (77.9 billion US dollars) in 2027 (Graph 8).

Import of goods will continue to grow over the forecast horizon. High import volumes will be driven by increased demand of households and businesses in the context of insufficient domestic production to cover it, a high reliance on imported components in Kazakhstan's production chains, as well as the implementation of state programs and measures to support the economy. The financing source for sustainable demand for imports, along with personal and borrowed funds, will be government spending. As a result, import of goods is expected to reach 68 billion US dollars or 20.8% of GDP in 2027.

The income balance will remain in moderately deep deficit. Net profits attributable to foreign direct investors are expected to be high due to increased oil production and rising metal prices. As a result, the deficit of the income balance is expected to be (-)6.8%-(-)7.7% of GDP ((-)21.7-(-)22.9 billion US dollars) in 2025-2027.

The services balance deficit is projected to deepen over the forecast horizon, as import of services will grow faster than their export. The main factor behind the increase in import of services will be the growth in the number of trips abroad due to the launch of new and increased frequency of existing international flights from Kazakhstan. At the same time, the growth of transit cargo transportation through the country, as well as the increase in the number of non-residents entering Kazakhstan, primarily from neighboring countries, will support the export of services. Thus, the deficit in the balance of services over the forecast period will be (-)0.5%-(-)0.6% of GDP ((-)1.4-(-)1.9 billion US dollars).

Graph 8. Decomposition of the Current Account of the Balance of Payments



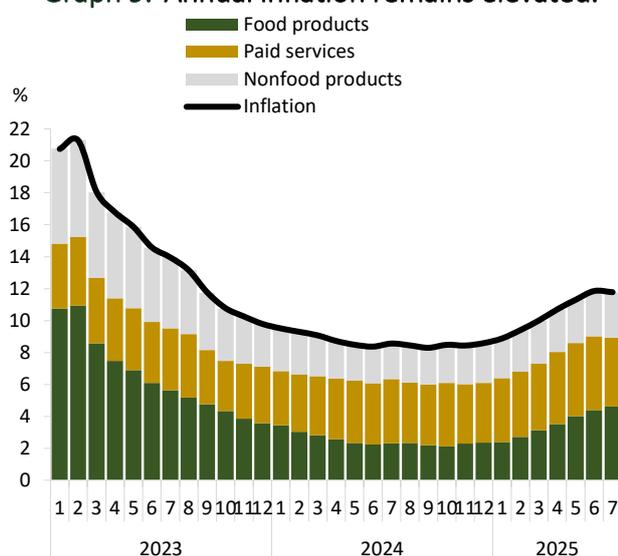
Source: NBK forecast

## II. CURRENT MACROECONOMIC CONDITIONS

### 2.1. Inflation

**In July, annual inflation remained at the previous month's level, amounting to 11.8%. The acceleration of food inflation was offset by a slowdown in the growth of prices for paid services, while non-food inflation accelerated slightly.**

Graph 9. Annual inflation remains elevated.



Source: BNS ASPR RK, NBK calculations

After a prolonged period of acceleration, annual inflation stabilized at the previous month's level and stood at 11.8% in July 2025 (Graph 9). The high level of inflation is sustained by pro-inflationary pressures from both external and domestic factors. External factors include the rise in global prices for certain food products, still elevated inflation in Russia, and the appreciation of the ruble against the tenge. Among domestic factors, key drivers are resilient consumer demand supported by consumer lending growth and fiscal stimulus measures, elevated and volatile inflation expectations, as well as higher prices for manufactured goods and certain agricultural products amid rising production costs.

The main driver of high inflation is the food component, where annual price growth reached 11.2% in July 2025. The increase in food prices was driven by higher costs of certain products such as meat, oils and fats, sugar, coffee, tea, and cocoa. This was linked to high export volumes, rising costs of imported goods, and increased producer prices. In particular, the global rise in meat and vegetable oil prices stimulated exports, which reduced domestic supply. Additional pressure on food prices came from the strengthening of the Russian ruble against the tenge and high inflation in Russia, which contributed to higher wholesale prices of food products imported from CIS countries (primarily from Russia).

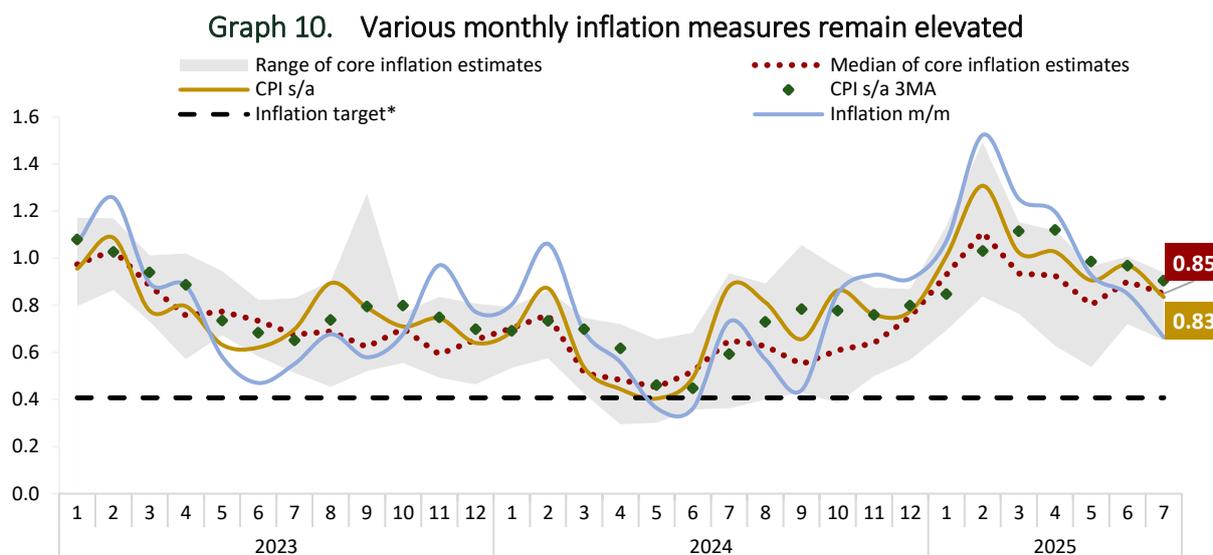
A significant contribution to inflation also continues to come from services. Meanwhile, in July 2025, annual service price growth slowed to 14.9% from 16.1% in June. The implementation of the "Tariff in Exchange for Investment" program continued, albeit at a more moderate pace in July 2025, which somewhat contained overall service inflation. At the same time, against the backdrop of resilient consumer demand, strong price growth persisted in certain market services. In the second quarter of 2025, high price growth (excluding seasonal factors) was observed in hospital services, waste collection, package holidays, leisure, entertainment and cultural services, car repair, clothing cleaning, repair and rental, hairdressing, catering, transportation, as well as insurance.

Annual inflation for non-food goods amounted to 9.5% in July 2025, continuing to make the smallest contribution to overall inflation. In June-July of the current year, after seasonal adjustment, the largest price increases were observed for fuels and lubricants, household appliances, medicines, gardening tools and equipment, audiovisual equipment, as well as personal care items. The rise in non-food goods prices is linked to the depreciation of the tenge and sustained strong consumer demand.

**In July 2025, seasonally adjusted and core inflation slowed compared to the previous month, but they remain elevated, indicating persistent pro-inflationary pressures in the economy.**

In July 2025, seasonally adjusted inflation stood at 0.8% month-on-month (1% in June), equivalent to an annualized rate of 10.5% (12.3%) (Graph 10). The median estimate of core inflation was 0.8% month-on-month (0.9% in June), or 10.7% (11.4%) on an annualized basis. The main factors behind this dynamic were rising production costs and import prices, resilient consumer demand, as well as elevated global food prices.

The high levels of both core and seasonally adjusted inflation indicate that price growth is broad-based and persistent. It affects a wide range of goods and services, reflecting sustained pressure from domestic demand. Thus, even when volatile components and regulated services are excluded, elevated inflation rates are still recorded, pointing to underlying significant pro-inflationary processes in the economy.



Source: BNS ASPR RK, NBK calculations

\*monthly price growth consistent with the 5% annual inflation target.

Note: historical estimates may be reviewed.

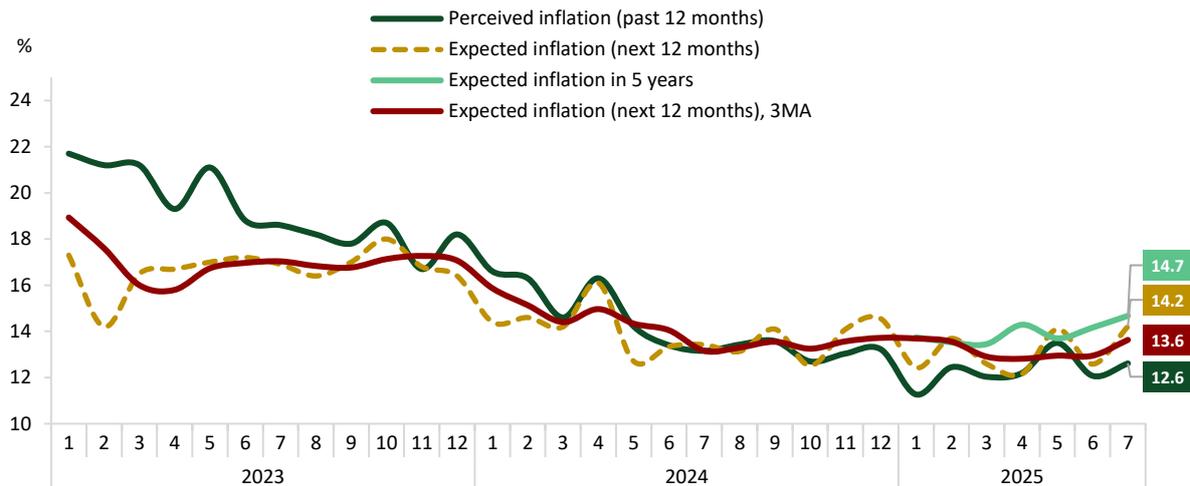
### Short-term inflation expectations continue to be volatile amid a high level of uncertainty, while long-term estimates show growth.

In July 2025, the population's inflation expectations for the next 1 year rose to 14.2% from 12.6% in June (Graph 11). The smoothed three-month indicator continues to be in the range of 12-14% and amounted to 13.6% in July 2025. In the second quarter of 2025, respondents most often cited changes in prices for food, utilities, gasoline and diesel fuel, as well as changes in the exchange rate, among the factors of future price growth. The number of mentions of the planned VAT increase in 2026 decreased slightly compared to the first quarter of 2025, but remains significant.

Inflation expectations have also increased in 5 years, reaching 14.7%. At the same time, the respondents' responses remain more uncertain about inflation in 1 year compared to long-term expectations. This indicates that respondents' confidence in long-term forecasts remains higher than in short-term ones.

At the same time, the perceived inflation has increased. Since the beginning of 2025, its dynamics has been volatile and shows no signs of a sustained slowdown. Taking into account the continuing high actual inflation and the noted factors of future price growth, the inflation expectations of the population continue to be formed at an elevated level.

Graph 11. Inflation expectations remain elevated



Source: FusionLab: population survey

### Box 2. Assessing the Impact of External and Producer Prices on Food Inflation.

In the context of an open economy, Kazakhstan continues to experience substantial influence from external price developments, particularly in the food sector. Over the past five years, the share of food imports in consumption has ranged between 21-25%<sup>7</sup>, indicating a significant external contribution to domestic inflationary processes. Under these conditions, price dynamics in partner countries and changes in the tenge exchange rate have a direct impact on the dynamics of food inflation. Of particular importance is the price situation in Russia, which accounts for around 46% of Kazakhstan’s total food imports in 2024-2025<sup>8</sup>. This makes domestic prices sensitive to fluctuations in the ruble and price movements in the Russian market.

To assess the impact of key factors on food inflation in Kazakhstan, a model similar to the import-price version of the Phillips curve was applied. The analysis, covering the period from January 2015 to May 2025, revealed that the dominant factor remains the inertia of inflation, indicating a high degree of autocorrelation (correlation coefficient = 0.54,  $p < 0.01$ ). This reflects the persistence of inflationary pressures and the significant role of inflation expectations.

Inflation in Russia (0.38,  $p < 0.01$ ) and the tenge-US dollar exchange rate (0.027,  $p < 0.01$ ) were identified as statistically significant external drivers of food inflation in Kazakhstan. This highlights the strong degree of price transmission between economies with close trade and logistical linkages. A weaker tenge, in turn, places upward pressure on consumer prices through higher costs of imported goods.

Certain categories of food products have also shown pronounced sensitivity to consumer price developments in Russia, particularly sunflower oil, sugar, confectionery, alcoholic beverages, and dairy products.

Given the high share of domestic production in food consumption, producer prices play an important role in shaping consumer food prices. The analysis of the transmission of producer prices to consumer prices has shown that the nature and speed of the price transmission depend on the complexity of the production and distribution chains.

For goods with short cycles and low production complexity (bread, meat, eggs), consumer prices respond almost immediately to increases in producer prices. This reflects limited storage possibilities, relatively simple production technologies, and a minimal number of intermediate stages.

For products with more complex technological chains (pasta, drinking milk), the increase in producer prices is reflected in consumer prices with a lag of about two months, while the effect fades gradually. This reflects the formation of deeper and more sustainable value chains capable of mitigating short-term price

<sup>7</sup> Calculated on the basis of BNS ASPR RK data “Resources and Use of Certain Types of Products and Raw Materials in the Republic of Kazakhstan” and CPI weights. The 2025 estimate is based on data for January–April 2025.

<sup>8</sup> Share of food imports from Russia in total food imports. Calculations based on BNS ASPR RK data.

shocks. For instance, as domestic sunflower oil production expanded, cost fluctuations have been transmitted to consumer prices more gradually and less sharply.

Thus, the results confirm the existence of a statistically significant relationship between external price shocks and food inflation dynamics in Kazakhstan. In addition, the transmission of producer prices to consumer prices largely depends on the structure and development of value chains.

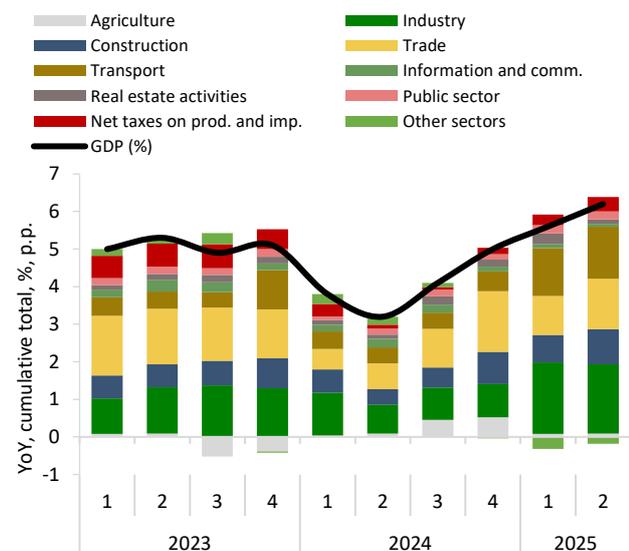
Effective containment of food inflation requires a combination of measures aimed at anchoring inflation expectations, strengthening the resilience of domestic production, developing competitive environment and market infrastructure, expanding sales and logistics channels, and encouraging the inflow of investment and technology into the agro-industrial complex.

## 2.2. Domestic sector

**The economy of Kazakhstan recorded robust growth in the first half of 2025, exceeding the expectations of the National Bank: real GDP expanded by 6.2% over the six-month period, and by 6.8% year-on-year in the second quarter. The rapid expansion of business activity was underpinned by a stronger-than-expected realization of investment demand in the non-resource sector, alongside rising oil production and exports. Household consumption maintained the high growth rates observed at the end of the first quarter of 2025. In turn, aggregate demand in excess of equilibrium levels exerts upward pressure on prices in the economy (Graphs 12, 13).**

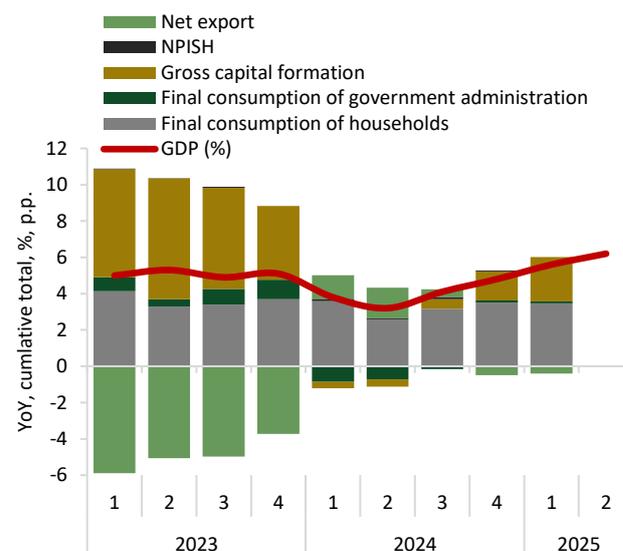
Graph 12. In the first half of 2025, economic growth was driven by the expansion of business activity in all key sectors

Contribution of Industries and Taxes to Real GDP Growth



Graph 13. Consumer and investment demand remain the main drivers of economic growth.

Contributions of Demand Components to Real GDP Growth



Source: BNS ASPR RK, NBK calculations

The non-resource sector continued to make the main contribution to growth in the second quarter of 2025. Construction activity expanded by 17.0% year-on-year in the second quarter (compared with 15.0% in the first quarter), supported by the implementation of large infrastructure projects, the modernization of housing and utility systems, as well as road construction and repair. An additional contribution was provided by residential building and the construction of schools across the republic. Despite a slight deceleration of growth rates in the second quarter of the current year, the manufacturing industry continued to make a positive contribution to economic growth, driven by increased production in mechanical engineering, oil refining, and light industry. Food production also expanded, benefiting from higher export volumes and rising external prices, which indicates the rising competitiveness of domestic products.

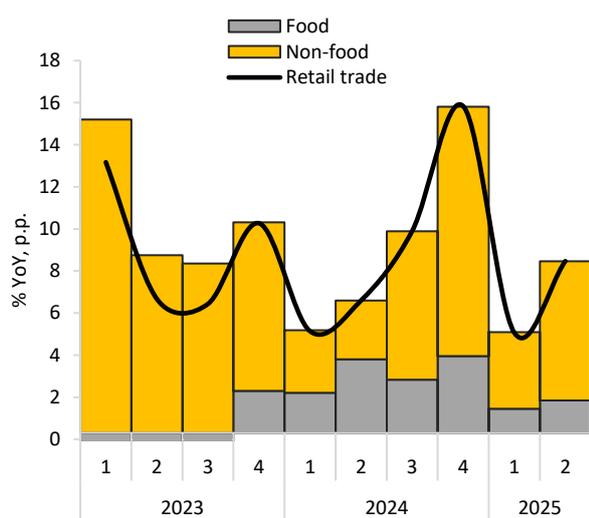
The contribution of the oil sector to total output increased. Continued expansion of oil production at the Tengiz field in the second quarter drove growth in the mining industry to 10.8% year-on-year (up from 6.1% in the first quarter of 2025). Growth in oil production and exports was accompanied by an increase in pipeline transportation services and wholesale trade.

The growth of the services sector reflects resilient household demand, which strengthened in the second quarter of the current year. This is evident in the performance of retail trade, increased activity in the housing and automobile markets, as well as the expansion of food and transportation services.

In the second quarter of 2025, the growth rate of retail trade turnover in real terms accelerated to 8.2% YoY (compared with 4.8% YoY in the first quarter of 2025). The main contribution came from the non-food segment, where trade rose by 9.5% YoY in real terms (5.2% YoY in the first quarter of 2025). The upward trend in trade growth continued in July 2025. Food and beverage service activity also expanded significantly, increasing by 13.8% YoY in the second quarter and accelerating further to 15.6% YoY in July 2025 (Graphs 14, 15).

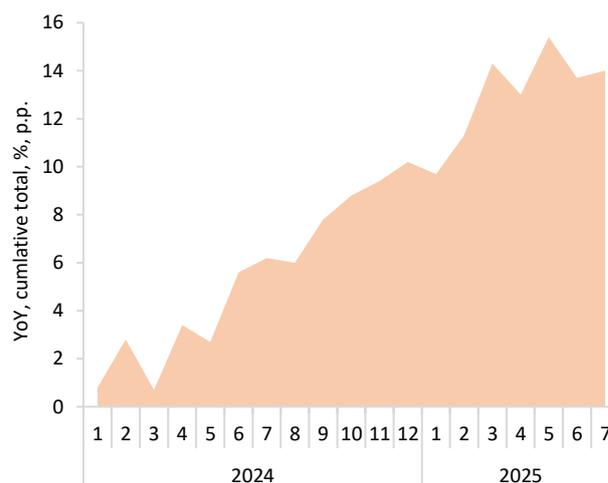
Graph 14. The growth of retail trade turnover confirms the acceleration of demand in the second quarter of 2025.

Contributions of Retail Trade Components to YoY Growth



Source: BNS ASPR RK, NBK calculations

Graph 15. The increase in household demand is also evidenced by the growth in the volume of services provided in the food service sector.



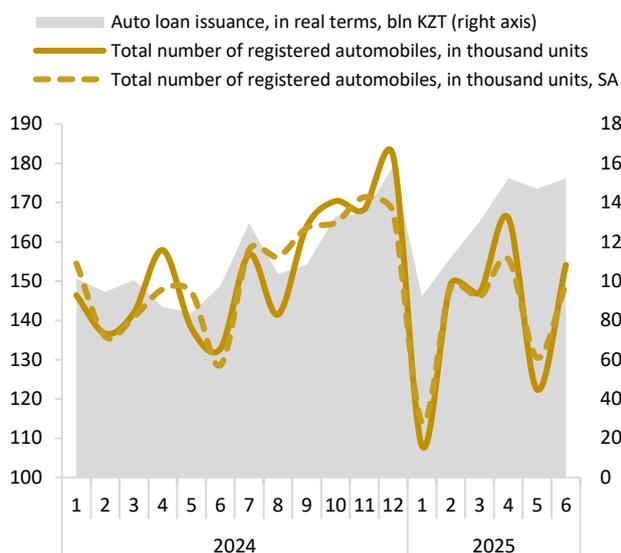
The growth in purchases of non-food products is also supported by activity in the automobile and housing markets. According to BNS ASPIR data, the number of registered automobiles increased by 3.3% YoY in the second quarter of this year. Housing purchase and sale transactions rose by 9.3% YoY (compared with 1.1% YoY in the first quarter of 2025), which in turn contributed to higher demand for household goods and services (Graphs 16, 17).

It is worth noting that lending plays a significant role in sustaining the growth in demand for large purchases. Demand for automobiles has been accelerating, supported by preferential car loan programs and commercial bank promotions. In the real estate market, mortgages remain one of the key instruments for financing housing demand. Thus, with real household incomes declining, real wage growth slowing, and transfers reduced, bank lending continues to serve as one of the main sources of household consumption growth.

After a decline in the first quarter of this year, the volume of loans issued to households grew by 7.5% YoY in real terms in the second quarter of 2025. Consumer lending continues to be the primary driver of household credit expansion, with real growth accelerating to 8.1% YoY. A particularly

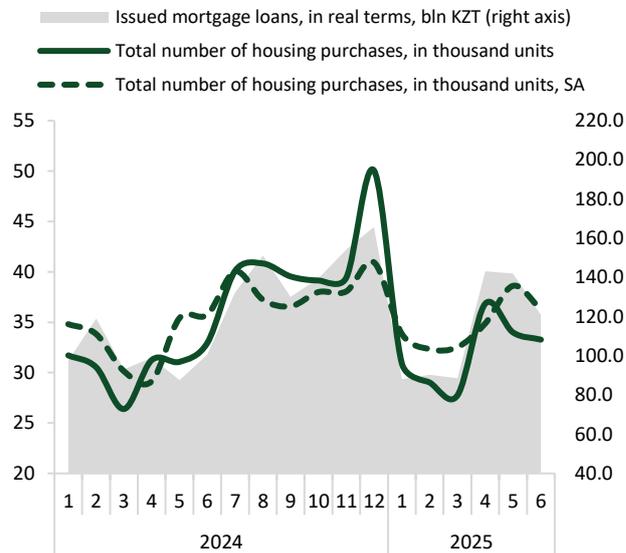
strong acceleration was recorded in the mortgage segment, where annual growth reached 41.4% in real terms (Graphs 18, 19).

Graph 16. Rising demand is observed in the automobile market. The acceleration in car purchases aligns with the dynamics of auto loan issuance.

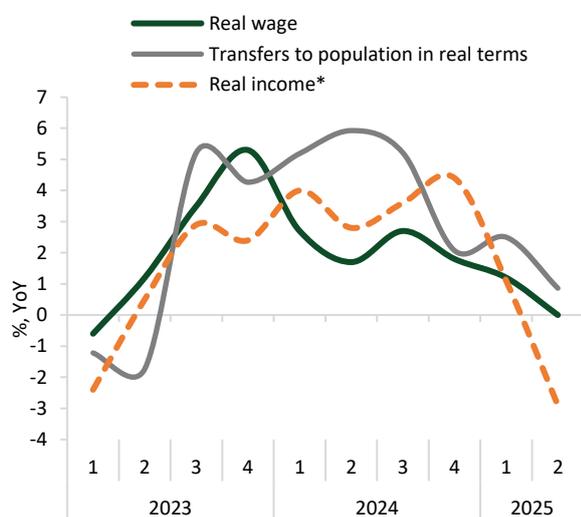


Source: BNS ASPR RK, NBK calculations

Graph 17. Growth in home sales is supported by mortgage loans.



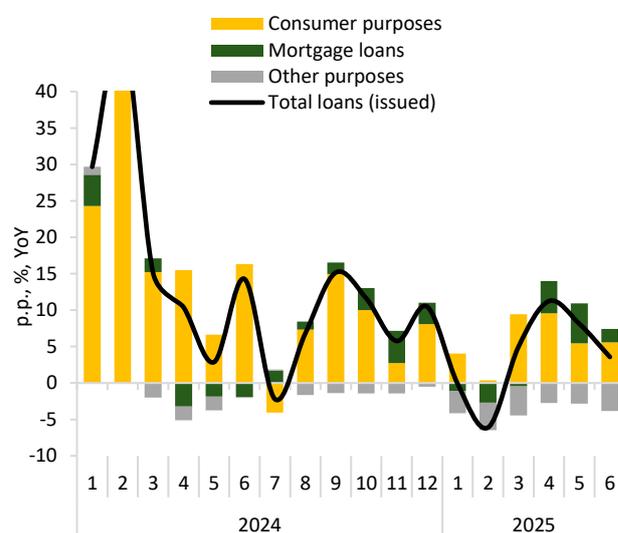
Graph 18. With declining real household incomes, slower real wage growth, and reduced transfers, bank loans remain the primary source of household consumption.



\*preliminary data for 2025Q2

Source: BNS ASPR RK, NBK, MF RK

Graph 19. Consumer lending, in real terms, continues to be the main driver of household loan issuance growth.



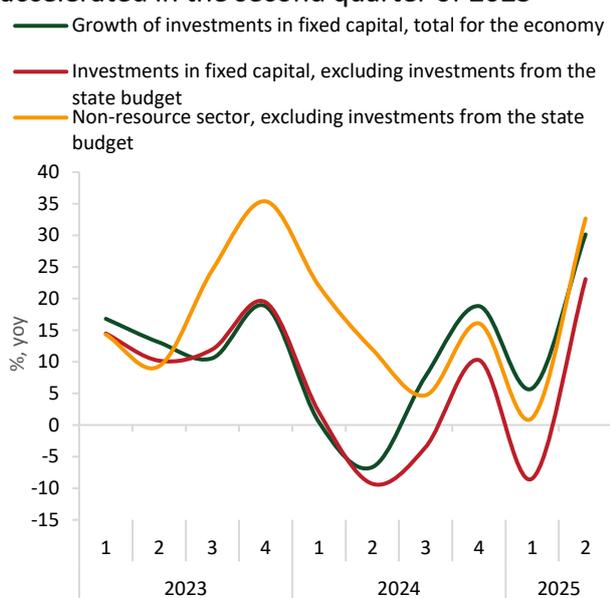
In the second quarter of 2025, imports of investment goods increased, driven by a substantial expansion of investment activity. Growth was recorded in the imports of machinery, equipment, vehicles, instruments, and appliances. Imports of metals and metal products, leather raw materials, textiles, and other categories also rose. On the export side, the increase in goods exports (in real terms) in the second quarter of 2025 was mainly due to higher supplies of fuel and energy products. Additional support came from exports of animal and plant products, as well as processed food products.

In the composition of government expenditures, spending on goods and services increased in the second quarter of 2025. At the same time, there was a slight reduction in spending on inventories and a decline in real expenditures on wages.

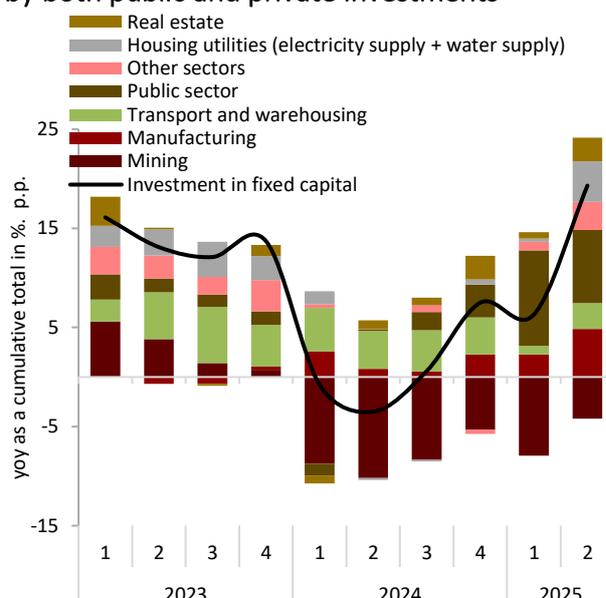
**Investment activity has significantly expanded due to the intensification of both public and private investments. The main contribution to investment growth in the second quarter of 2025 was made by increased capital investments in manufacturing, transport, real estate, and housing and communal services.**

According to the results of the first half of 2025, the growth rate of investments in fixed assets in real terms accelerated to 19.3% yoy from 8.0% in 2024. In the second quarter of 2025, investments increased by 30.1% YoY as a result of a significant increase in both private and public investments in non-resource sectors of the economy. A significant increase in private investment is observed in the manufacturing industry, transport, and real estate transactions. The share of government financing in the total volume of investments in fixed assets increased to 21.9% (14.6% in the first half of 2024). The main directions of budget financing of capital investments were infrastructure projects in the field of education, transport and modernization of housing and communal services (Graphs 20, 21).

Graph 20. Investment activity in the economy accelerated in the second quarter of 2025



Graph 21. Investment growth was supported by both public and private investments



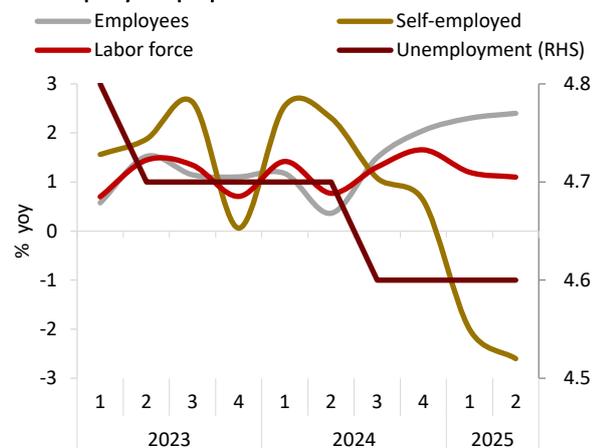
Source: BNS ASPR RK, NBRK calculations

The public sector includes education, healthcare, public administration, and defense

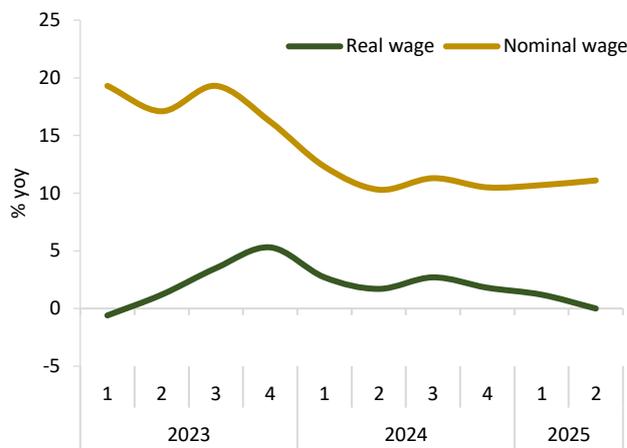
**With the expansion of business activity, the demand for labor is growing, but this is not reflected in the growth of real wages, which limits inflationary pressure from the labor market.**

In the second quarter of 2025, the labor force grew by 1.1% YoY due to an increase in the number of employees and a decrease in the unemployed population. The downward trend in the number of self-employed continued. An increase in employees is noted in the service sector, in particular in trade, healthcare, accommodation and food, and other services (Graph 22). Nominal wage growth accelerated in the second quarter of 2025 to 11.3% YoY. Meanwhile, the real wage level remained unchanged (0%) for the first time in the last two years. The increase in demand for labor amid the expansion of business activity is not reflected in an increase in real wages of workers in the economy as a whole (Graph 23). Thus, an increase in labor supply and employment growth does not lead to an increase in real wages, which limits inflationary pressure on domestic prices from the labor market.

Graph 22. The labor supply increased in the second quarter of 2025 in the context of an increase in the employed and a decrease in the unemployed population.



Graph 23. Despite the increase in nominal wages, real wages remained unchanged in the second quarter of 2025.



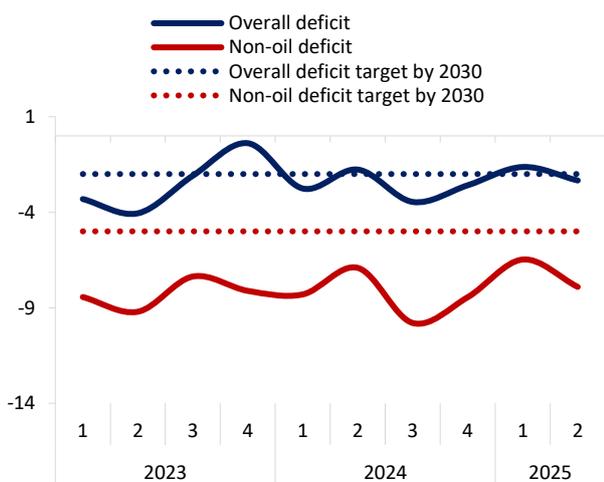
Source: BNS ASPR RK

### 2.3. Fiscal policy

**In the second quarter, there was a more active fiscal stimulus compared to the previous quarter due to an acceleration of expenditure growth.**

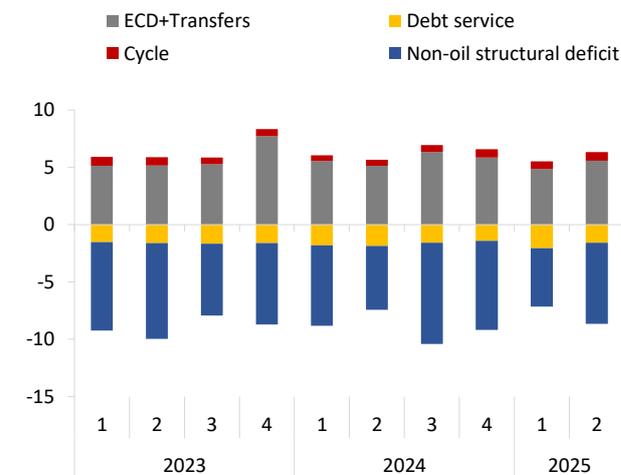
According to preliminary data, in the second quarter of 2025, the overall budget deficit, seasonally adjusted, amounted to 2.3% of GDP, while the deficit, excluding oil revenues, amounted to 7.9% of GDP (Graph 24). The contribution of oil revenues has increased in the deficit structure. The non-oil structural deficit has increased markedly due to accelerated growth in primary spending, which indicates the pro-cyclical, stimulating nature of fiscal policy aimed at supporting domestic demand (Graph 25).

Graph 24. State budget deficit in the second quarter of 2025 increased, SA, as % of GDP



Graph 25. The expansion of the budget deficit is observed against the background of an increase in the non-oil structural deficit.

Decomposition of the state budget deficit, SA, as % of GDP

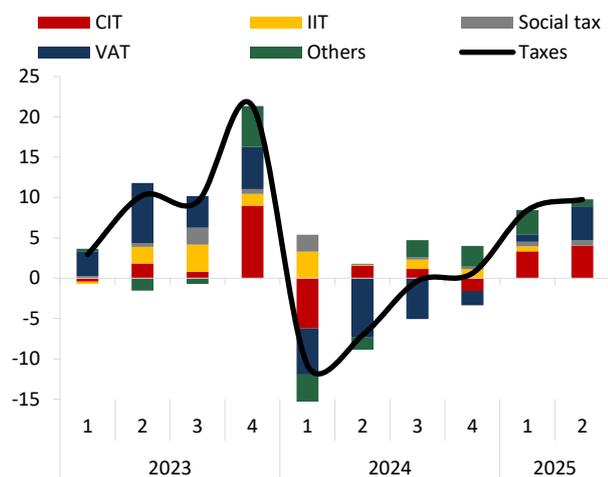


Source: MF RK, BNS ASPR RK, NBK calculations

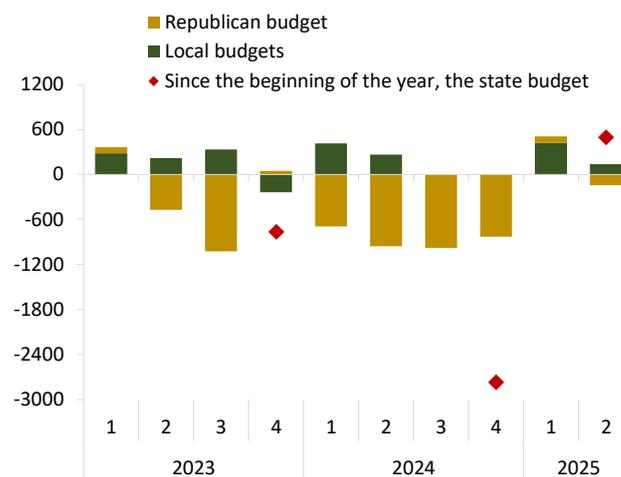
In the revenue part, there has been an upward trend in real tax revenues since the beginning of 2024 (Graph 26). In the second quarter of 2025, there is an acceleration in the growth of tax

revenues against the background of higher economic activity and a low base last year. After a significant shortage in 2023-2024, the tax collection situation has been positive since the beginning of 2025. The excess over the state budget plan for the first half of the year is about 500 billion tenge (Graph 27). This dynamic made it possible to partially compensate for the increase in expenses and smooth out the pressure on the budget.

Graph 26. State budget taxes in real terms show an acceleration in growth in the second quarter of 2025, YoY, %



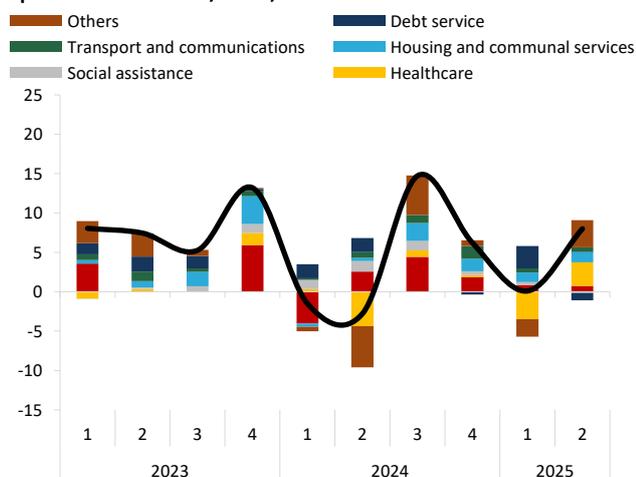
Graph 27. Tax collection according to the plan in 2025 is largely provided by local budgets, for the quarter in terms of budget levels, billion tenge



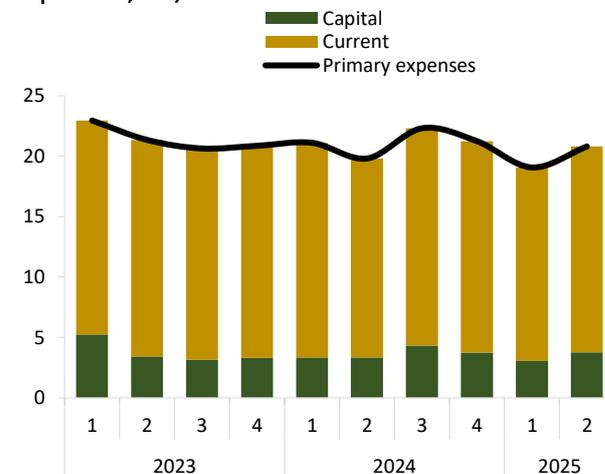
Source: MF RK, NBK calculations

In the expenditure part, there is an acceleration in the growth of real expenses after a slowdown at the beginning of the year (Graph 28). The main drivers were expenses in the fields of transport, healthcare, education and housing and communal services. Both current and capital expenditures increased (Graph 29). At the same time, in the first half of the year, there was a shortage of budget funds in the amount of 1.2 trillion tenge. Shifting this budget burden to the second half of the year in the context of a positive output gap carries the risks of further overheating of the economy and rising inflationary pressures.

Graph 28. The growth of state budget expenditures in real terms accelerated in the second quarter of 2025, YoY, %



Graph 29. Primary expenditures of the state budget are increasing against the background of an increase in both current and capital expenses, SA, as % of GDP



Source: MF RK, BNS ASPR RK, NBK calculations

### III. THE TRANSMISSION MECHANISM OF MONETARY POLICY

#### 3.1. The transmission mechanism of monetary policy

Short-term money market rates were largely anchored at the floor of the base rate corridor. Deposit rates for the corporate segment remained unchanged, while those for the retail segment increased with a temporary lag.

Corporate lending rates remained virtually unchanged, while consumer lending rates continued to be shaped by the share of installment loans. Mortgage rates slightly declined, driven primarily by the influence of preferential programs.

The positive trend in deposits continues to develop under the influence of growth in tenge deposits and the effect of revaluation of foreign currency deposits.

Overall bank lending continued to grow at a double-digit rate. Growth rates for consumer loans have stabilized, while mortgage lending is showing signs of acceleration. Lending to large and medium-sized enterprises continues at a high pace.

Depreciation of the tenge against US dollar and Russian ruble has amplified inflationary pressures via the exchange rate channel.

The money supply increased due to the expansion of the credit channel and external assets.

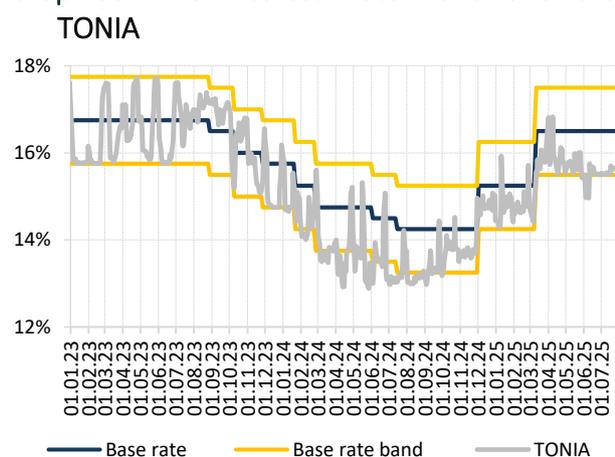
##### 3.1.1. Interest Rate Channel

Money market rates were formed at the lower bound of the corridor.

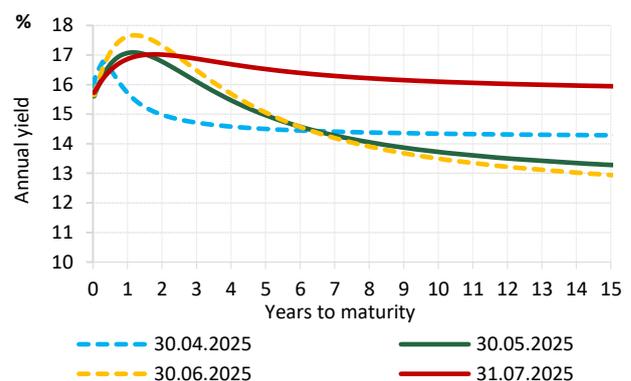
From May to July 2025, short-term money-market rates mostly traded near the floor of the base rate corridor, and at times dipped below the floor (Graph 30). This pattern was driven by higher liquidity held by quasi-public entities under the economic-financing program, as well as weaker demand for liquidity from market participants. The spread between the base rate and the TONIA rate averaged (-)0.9 p.p. in May-July (in February-April – (-) 0.5 p.p.).

**Yields on government securities increased across almost all segments of the curve in July.** The risk-free yield curve has taken on an almost flat shape (Graph 31). The highest yields are still observed at the one- to two-year horizons, while the relatively flatter dynamics at longer maturities, amid persistently high yield levels, reflect expectations of continued inflationary pressures and the presence of an elevated risk premium.

Graph 30. The Interest Rate Band and the TONIA



Graph 31. Risk-Free Yield Curve, %



Source: NBRK, KSE

**Maintaining the base rate at the previous level keeps deposit rates high.** Rates on corporate deposits continued to follow the trajectory of the base rate, which remained unchanged from May to July this year (Graph 32), reflecting their high sensitivity to monetary policy conditions. In the retail deposit segment, there was a slight increase in rates (from 14.0% in April to 14.3% in July this

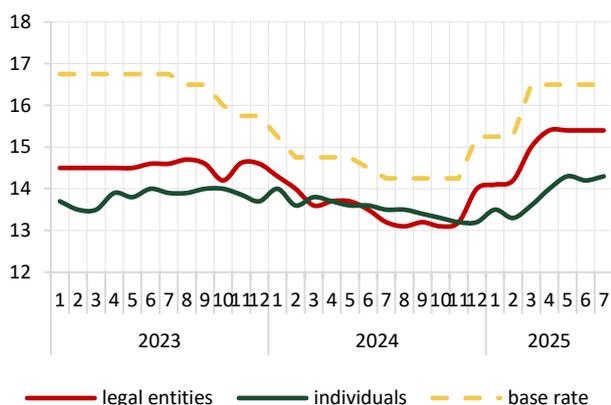
year), which occurred with a temporary lag against the backdrop of a phased adjustment of pricing conditions and increased competition among banks for household funds.

**Overall lending rates for businesses remained virtually unchanged.**

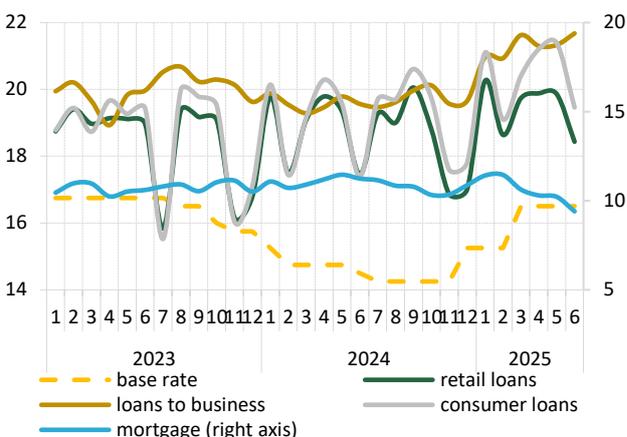
*Corporate Lending Rates.* In June, the weighted average interest rate on business loans in the national currency remained virtually unchanged q/q (Graph 33). At the same time, lending rates for large and medium-sized enterprises increased slightly, while the cost of borrowing for small businesses declined.

*Retail lending rates* demonstrated a q/q decline. Consumer loan rates continue to be influenced by changes in the share of installment loans within the total volume of consumer credit. Due to the active issuance of preferential mortgage loans, the mortgage rate showed a slight decrease (Graph 33).

Graph 32. Deposit rates in national currency, %



Graph 33. Lending Rates in National Currency, %



Source: NBRK

3.1.2. Credit channel and deposits (Wealth channel)

**In June 2025, banks' loan portfolio grew by 20.7% YoY, driven by continued growth in lending to both households and businesses (Graph 34).**

Demand for loans among the population remains at a high level (household lending grew by 23.0% YoY), while the growth rate of consumer loans has stabilized above 30%.

In June, mortgage lending growth accelerated to 14.7% YoY against the backdrop of the implementation of preferential programs, including 'Nauryz' and 'Nauryz Zhumysker'.

**High lending activity among large and medium-sized business entities was observed in June 2025.**

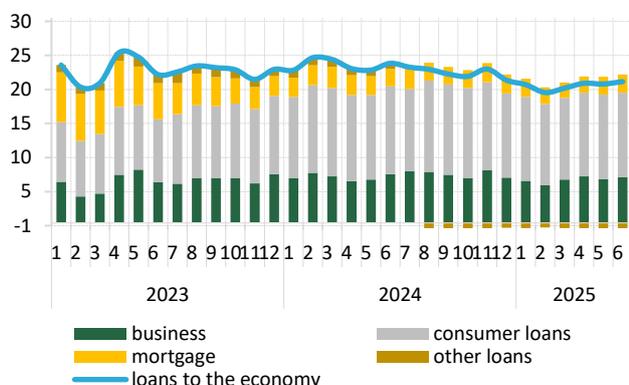
Lending to businesses by second-tier banks continued to grow at a double-digit rate in June (by 17.0% YoY), mainly driven by accelerated lending to large and medium-sized enterprises amid the implementation of investment projects. In June, lending to small enterprises slowed slightly, reaching 6.7% YoY.

**The attractiveness of tenge deposits, supported by current interest rates, contributes to active growth in deposit volumes.**

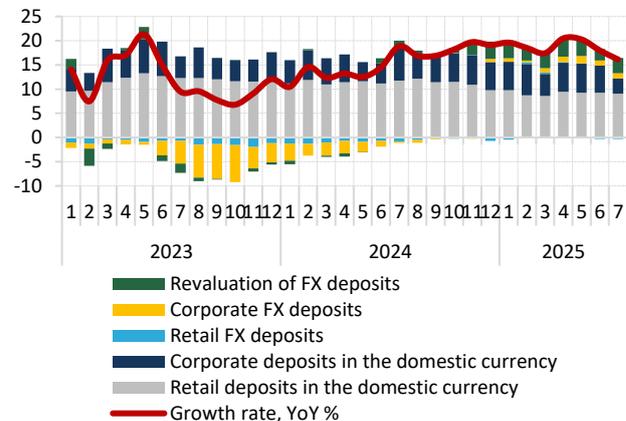
Deposits in depository organizations increased by 16.1% YoY as of the end of July (Graph 35). The growth in total deposits was mainly driven by deposits in the national currency (by 15.7% YoY), indicating a continued preference for tenge deposits given the significant interest rate differential. The positive dynamics of foreign currency deposits (growth by 17.8% YoY) is mainly explained by exchange rate revaluation, while the inflow of new funds was a secondary factor. The household

savings rate<sup>9</sup> increased in Q1 2025, remaining close to historical maximums. The high savings rate correlates with the share of households with savings<sup>10</sup>. After declining from its peak in October 2024, the share of the population with savings increased to 25.7% in July 2025. Thus, the current dynamics of deposits and savings indicate that monetary policy signals are being transmitted through the interest rate channel of the transmission mechanism.

Graph 34. Loans to the Economy from STBs (portfolio), YoY, %



Graph 35. Residents' deposits in deposit organizations, YoY, %



Source: NBRK

### Deposit dollarisation remains close to historical minimums.

In July, the level of deposit dollarisation slightly decreased compared to April, amounting to 22.2% (22.8% in April). There was a slight increase in the share of foreign currency deposits (by 1.0 p.p.) among corporate deposits amid the weakening of the national currency. At the same time, the dollarisation of individual deposits decreased to 18.6% (20.2% in April), updating the historical minimum value.

### 3.1.3. Exchange rate channel

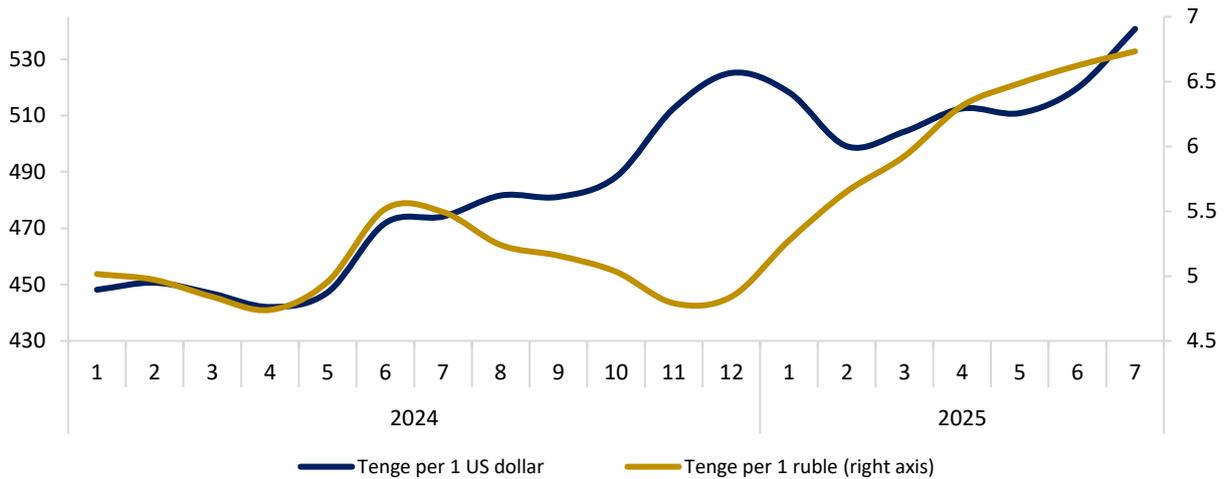
#### Tenge depreciation is adding to inflationary pressures.

Between April and July 2025, the tenge depreciated by 5.5% against the U.S. dollar and by 6.7% against the Russian ruble. The depreciation was driven mainly by domestic factors, while external conditions remained relatively favorable. The tenge was supported by currency sales by the NF and the quasi-government sector, as well as mirroring gold purchase operations. At the same time, exchange-rate pressures built on stronger foreign currency demand reflecting market factors, including seasonal factors, against the backdrop of active budget spending, increased outbound tourism, and conversions of funds for the payment of dividends on depositary receipts by large companies. The simultaneous depreciation of the national currency against the US dollar and the ruble is amplifying existing inflationary pressures in the economy via the exchange rate channel (Graph 36).

<sup>9</sup> An indicator calculated based on BNS of ASPR of RK data using the following formula:  $(\text{total household income} - \text{total household expenditure}) / \text{total household income}$

<sup>10</sup> According to surveys of the population on inflation expectations (<https://nationalbank.kz/en/page/inflyacionnye-ozhidaniya>)

Graph 36. Dynamics of tenge exchange rate against US dollar and Russian ruble



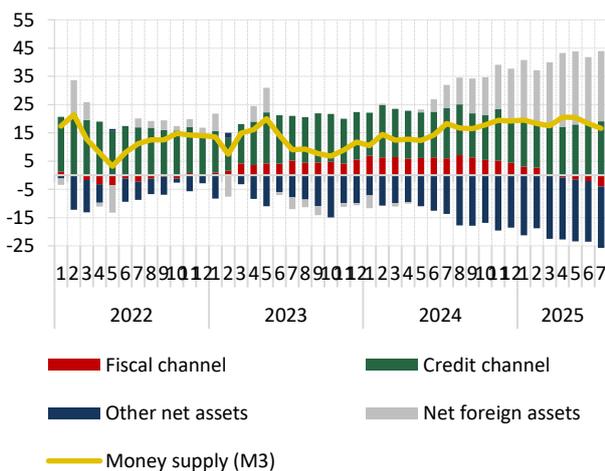
Source: KASE

### 3.2. Money supply

#### Slowdown in the growth rate of money supply.

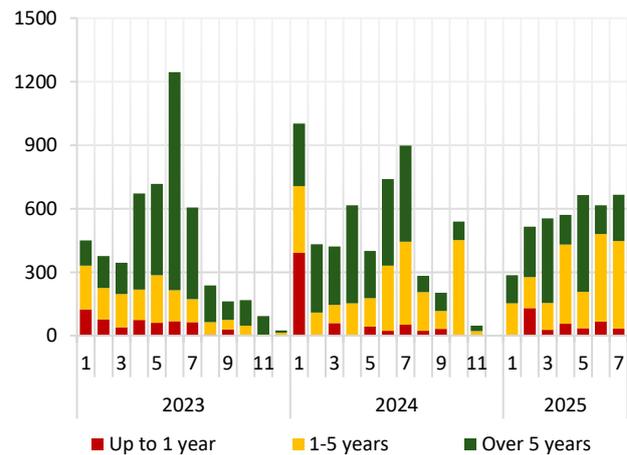
In July, year-on-year growth rate of the total money supply and its tenge component slightly slowed to 16.6% and 16.3%, respectively (Graph 37). At the same time, the growth of the money supply was supported by the credit expansion, as well as an increase in external assets due to the Government's attraction of an external loan to finance the budget deficit. At the same time, in May–July the volume of government securities issuance by the Ministry of Finance of the Republic of Kazakhstan declined by 4.6% year-on-year (Graph 38). The reduction was mainly driven by the long-term segment of maturities over 5 years (down by 25.4%), while issuance in the short-term segment of up to 1 year and the medium-term segment of 1 to 5 years increased by 14.7% and 19.9%, respectively.

Graph 37. Money supply, YoY, %



Source: NBRK, KASE

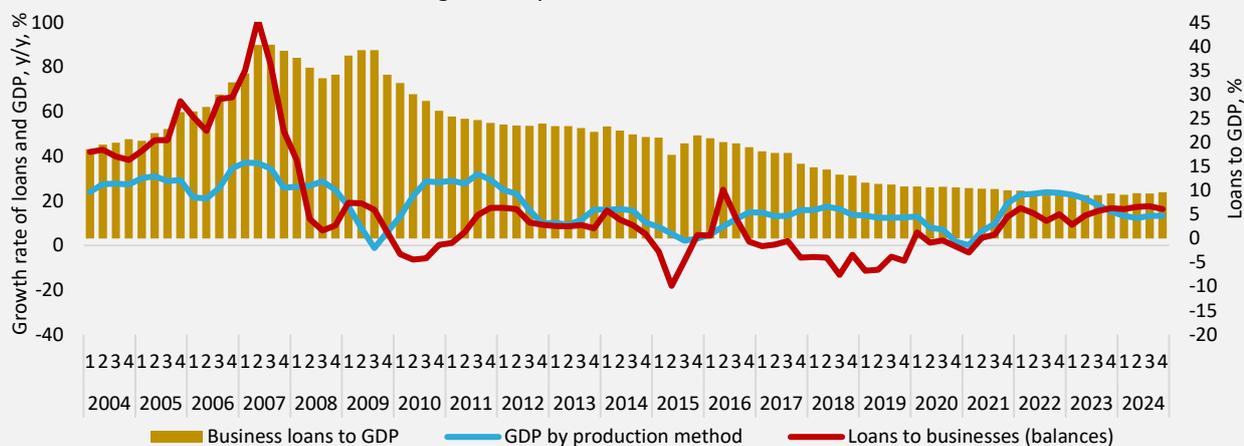
Graph 38. Volume of GSs issuance by the MoF RK, billion tenge



### Box 3. Historical dynamics of business loans to GDP: factors and limitations in analysing the indicator.

The dynamics of business lending in Kazakhstan generally correlates with changes in GDP, but is characterised by higher volatility. In the early 2000s, the ratio of business loans to GDP reached a peak of 40% in 2007, largely due to growth in lending to construction and trade, which occurred against the backdrop of a mortgage boom and inflows of external financing. Subsequently, there was a gradual decline in the indicator, which reached the current 9.7% of GDP at the end of the fourth quarter of 2024 (Figure 1).

Figure 1. Dynamics of bank loans and GDP



The current low level of loans to GDP, especially in comparison with other countries, is often interpreted as a lack of investment and long-term money in the economy. It should be noted that a mechanical comparison of bank loans to GDP with this indicator in other countries does not always accurately reflect the real economic situation and can lead to erroneous or controversial conclusions. When interpreting the «loans to GDP» indicator, it is important to take into account a number of limitations, as this indicator is influenced by both the loan portfolio and GDP dynamics.

**1. The relevance of the «loans to GDP» indicator in a context dominated by the raw materials sector and other sources of financing.** Kazakhstan's GDP is largely generated by the raw materials sector, which in practice does not require large-scale bank lending and is mainly financed by parent companies through intercompany loans, borrowed funds from investors and credit organisations from abroad. These sources are not reflected in Kazakhstan's banking statistics, which underestimates the loans to GDP ratio. At the beginning of 2025, total corporate debt amounted to 76% of GDP, of which loans in the broad definition accounted for 14%. Thus, bank lending is only part of the business financing system.

**2. The effect of nominal GDP growth on the loans to GDP ratio.** The loans to GDP ratio depends not only on the volume of lending, but also on GDP growth itself. For example, from 2010 to 2023, nominal GDP grew faster than corporate loans, largely due to government support and generally favourable oil prices. As a result, even with lending growth, its share in GDP declined, reflecting not a reduction in loans, but accelerated economic growth in nominal terms.

**3. Impact of write-offs and repayments on lending.** The «loans to GDP» indicator reflects debt (lending portfolio), which is declining not only due to weak issuance of new loans, but also as a result of repayments and write-offs, including the clearing of banks' balance sheets of problem assets. The consequences of the global financial crisis led to the accumulation of a significant volume of non-performing loans in the banking system, as a result of which the Program of improving the sustainability of the banking sector was implemented in 2017, within the framework of which non-performing bank loans were written off and, accordingly, bank balance sheets were cleaned up. However, from a statistical point of view, this led to a contraction of the loan portfolio

**4. Shocks to lending dynamics.** The dynamics of lending in Kazakhstan were influenced not only by macroeconomic factors, but also by external shocks. In 2020, the COVID-19 pandemic caused a decline in business activity, and despite support measures, the corporate portfolio decreased by 0.4% YoY. In 2022, geopolitical tensions led to a decline in business activity and a reduction in lending by Russian subsidiary banks (their volumes of new loans fell by 67% YoY), although they previously provided up to a quarter of the total issued loan portfolio.

**5. Multidirectional dynamics of lending by sector.** In terms of sectors, the main decline in corporate lending relative to GDP was observed in construction, trade and «other sectors». In sectors such as communications, transport, agriculture and industry, there was no pronounced downward trend. Thus, lending to industry has not historically shown a significant decline. Moreover, the dynamics of loans to GDP since 2021 show signs of stabilization. This applies both to the overall indicator and to the corresponding shares of lending to sectors.

**6. Government financing programs.** A significant part of the financing of Kazakhstan's economy is carried out outside of traditional bank lending through state programs, most of which are aimed at subsidies, guarantees and preferential lending. For example, the most notable recipients of state (quasi-state) loans are the agriculture, transport and manufacturing sectors. More than two-thirds of the agricultural sector's loan portfolio is made up of borrowed funds from JSC “Agrarian Credit Corporation” and JSC “KazAgroFinance”, while for the transport and manufacturing sectors, this figure is more than 40% due to loans from JSC “Development Bank of Kazakhstan” and JSC “Industry Development Fund”. However, these sources are not reflected in banking statistics for second-tier banks, which means that the «loans to GDP» indicator underestimates the real level of financing in the economy. Therefore, a more representative indicator may be the extended lending indicator, which includes lending to the banking sector, quasi-public sector entities, microfinance organizations and mortgage organizations<sup>11</sup>.

**7. Companies' own funds and non-bank financing.** In addition to borrowed funds, an important source of financing for companies is their own funds and profits, which have accounted for 60–70% of investments in fixed capital in recent years. Thanks to this, many companies are able to modernize their production and develop without significant involvement of bank loans. Some large companies also enter the stock market and issue bonds to attract investment, bypassing banks.

Thus, in order to objectively assess the ratio of business loans to GDP, it is necessary to take into account the impact of nominal GDP growth, structural features of the economy, alternative sources of financing, the impact of government measures to support the economy, macroeconomic and geopolitical shocks, as well as sector-specific features. In these conditions, the ratio of loans to GDP requires a deep and comprehensive approach that takes into account all of the above factors. At the same time, a quick conclusion based on the historical dynamics of the indicator may be somewhat incomplete.

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<sup>11</sup> <https://nationalbank.kz/en/news/kredity-ekonomike-v-rasshirennom-opredelenii/rubrics/2321>