



# NATIONAL BANK OF KAZAKHSTAN

## MONETARY POLICY COMMITTEE

### Summary of Deliberations on the Base Rate Decision Announced on October 10, 2025

The Committee members' discussion took place at a meeting held as part of the inter-forecast base rate decision on October 9, 2025.

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

#### Current Situation

During the discussion of inflationary processes in the country, the Committee members noted that annual inflation accelerated in September to 12.9%, exceeding the National Bank's forecasts. The acceleration was driven by price increases across all components. The deviation was mainly observed in non-food inflation due to high growth in fuels, medicines, and outerwear prices. A significant acceleration in the underlying part of inflation was also noted. The range of estimates for core inflation widened, indicating higher volatility in price dynamics. Household inflation expectations remain elevated, with a high level of uncertainty reflected in survey responses.

On the external side, a strong increase in global prices for meat and vegetable oils was observed. This has been accompanied by rising exports and decreased domestic supply of agricultural goods, which affects domestic price growth. Persistently high inflation in Russia and the strong ruble contributed to higher import costs for food products. High uncertainty and increased volatility in financial and commodity markets continue amid trade disagreements and geopolitical tensions.

When discussing domestic inflation factors, the Committee members agreed that pro-inflationary pressures in the economy are strengthening due to ongoing fiscal stimulus and steady consumer demand. Production costs in the manufacturing sector are increasing due to rising agricultural product prices, fuel and lubricants, utilities tariffs, and storage expenses.

The economy continues to grow at record rates (6.5% in January–August this year), driven by the expansion of the oil sector, investment activity, and sustained consumer demand. Aggregate demand exceeds supply capacity, creating inflationary pressure within the economy. The growth of imports is putting pressure on the foreign exchange market.

Members of the Committee also expressed concern that, amid declining real incomes, the population is increasingly using accumulated savings to maintain their level of consumption and finance major purchases. This is confirmed by survey results and the dynamics of household deposits, which showed a slowdown in inflows in July–August of the current year.

#### Discussion on the Base Rate

After reviewing and discussing current external and domestic macroeconomic conditions, the members of the Monetary Policy Committee proceeded to a detailed consideration of the base rate issue. During the discussion, it was noted that in recent months, against the backdrop of rising inflation and a weakening of the tenge, there has been a loosening of monetary conditions, which requires timely action from the National Bank.

All participants supported the need to raise the base rate, noting that inflation dynamics significantly exceed the forecast. According to the Committee members, this step would help slow price growth, restore moderate policy tightness, and strengthen confidence in the commitment to achieving a sustainable reduction of inflation toward the 5% target.

The minimum proposed increase was 100 basis points. However, the consensus formed around 150 basis points, reflecting the determination of most Committee members to act more proactively under materializing inflationary risks.

The main argument in favor of raising the rate was the significant acceleration in the underlying component of inflation. It was emphasized that actual price growth indicators have already deviated substantially from the projected trajectory (11-12.5% by end-2025, while the current inflation rate is 12.9%). According to participants, such divergence indicates the need for immediate policy tightening. Particular attention was paid to rising prices for goods and services with a high share of secondary effects – specifically housing and utilities, fuel, and transport services. These factors, according to some Committee members, will have a notable impact on inflation dynamics in the fourth quarter of this year.

Several members emphasized that a delay in raising the rate could lead to inflation expectations becoming anchored at a high level, complicating the achievement of the inflation reduction target in the medium term. At the same time, a decisive rate hike would create a positive signaling effect for financial market participants and investors, helping stabilize inflation expectations and demonstrating the National Bank's readiness to act consistently and firmly amid strengthening pro-inflationary factors. According to most participants, an increase of 150 basis points would be perceived by the market as a clear and predictable step capable of strengthening confidence in monetary policy.

Among the additional factors supporting the need for tightening was the expected intensification of the fiscal impulse toward the end of the year. The expansion of government spending, including infrastructure and social programs, is strengthening domestic demand and creating additional inflationary pressure. These include, in particular, large-scale financing of the domestic economy by "Baiterek" National Managing Holding JSC in the amount of 8 trillion tenge this year, aimed at supporting entrepreneurship, developing housing construction, and implementing investment projects.

In addition, the specifics of the budget system and the public procurement framework contribute to a situation where a significant portion of budget funds enters the market closer to the fourth quarter, thereby increasing the fiscal impulse and demand for imports during this period.

In this regard, Committee members emphasized the importance of close coordination with the Government, as monetary measures alone will have a limited effect without concerted policy actions. Attention was also drawn to the impact of the external sector: imports continue to grow (by 3.3% in the first half of 2025 compared with the first half of 2024), while exports are declining (-5.6%), which increases pressure on the foreign exchange market. The overall trade balance has decreased by 28.8%.

Some participants advocated a more gradual approach, suggesting an initial 100 b.p. hike followed by a further 50–100 b.p. at the next meeting. In their view, this option would avoid an excessively sharp market reaction and allow time to assess the effectiveness of the measures taken. However, the majority of Committee members expressed the view that a more decisive step is needed at the current stage, noting that monetary policy conditions have loosened and that a gradual tightening might be perceived by the market as insufficient readiness of the regulator to combat inflation. Some members also mentioned that a further significant rate hike should remain on the table as a possible scenario if monthly inflation rates do not slow markedly in the coming months.

The Committee members also noted that, despite the significant impact of the measures taken to improve the balance of the foreign exchange market and adjust macroprudential requirements, the balance of pro-inflationary factors in the economy outweighs their effect.

Thus, the Committee concluded that the acceleration of inflation this year is primarily of domestic origin, including persistently high internal demand, the manifestation of secondary effects associated with the implementation of tariff reform and liberalization of the fuel market, as well as a temporary pro-inflationary impact of tax reform, including VAT. Accordingly, a response from the National Bank to these factors is necessary.

**As a result of the discussions, the Committee decided to raise the base rate by 150 basis points to 18% per annum with a corridor of +/- 1 percentage point.** This measure will return monetary conditions to a moderately tight zone, strengthen confidence in the National Bank's policy, stabilize inflation expectations, balance the foreign exchange market, and create a foundation for the gradual reduction of inflation toward the medium-term target of 5%.

If the current level of tightness proves insufficient to stabilize inflation, the Committee decided to consider the possibility of further monetary tightening as part of the next decision.