



# MONETARY POLICY REPORT

November 2025



## 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 of macroeconomic indicators is based on statistical information as of **November 13, 2025**.

# CONTENT

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<b>THE DECISION ON THE BASE RATE OF NOVEMBER 28, 2025</b>	<b>4</b>
<b>I. ECONOMIC DEVELOPMENT PROSPECTS</b>	<b>5</b>
1.1. Key External Assumptions	5
1.1.1. Commodity markets	5
1.1.2. Global economic development and trade partner countries	6
1.2. Economic outlook under the baseline scenario	7
1.3. Medium term risks	9
1.4. Forecast of the current account of the balance of payments	10
<b>II. CURRENT MACROECONOMIC CONDITIONS</b>	<b>12</b>
2.1. Inflation	12
2.2. Domestic sector	14
2.3. Fiscal policy	20
<b>III. THE TRANSMISSION MECHANISM OF MONETARY POLICY</b>	<b>22</b>
3.1. The transmission mechanism of monetary policy	22
3.1.1. Interest Rate Channel	22
3.1.2. Credit channel and deposits (Wealth channel)	23
3.1.3. Exchange rate channel	25
3.2. Money supply	26
<b>BOXES</b>	
Box 1. Consumer Response to International Artists' Concerts in Astana and Almaty	16
Box 2. Kazakhstan's Participation in Global Value Chains	18
Box 3. Alternative Sources of Financing: The Role of Settlements with Counterparties	24
Box 4. Analysis of currency in circulation (M0)	27

## THE DECISION ON THE BASE RATE OF NOVEMBER 28, 2025

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**The Monetary Policy Committee of the National Bank has decided to maintain the base rate at the level of 18%. This is a decision based on the results of the forecast round. As part of the Committee's meeting, forecasts for inflation and economic growth were updated, and a comprehensive assessment of current macroeconomic trends and the balance of risks was conducted.**

Inflationary pressure in the economy persists and is driven by expanding demand, the pace of which still outstrips the capacity of domestic supply. Inflation in October slowed somewhat due to the administrative reduction of tariffs for utility services. At the same time, core inflation did not decline significantly. The food and non-food components continued to accelerate. Short-term inflation expectations have increased and remain volatile.

Stabilizing inflation expectations and reducing inflation require a prolonged moderate tightness of monetary conditions. Under conditions of high core inflation, unanchored inflation expectations, as well as uncertainty regarding the impact of tax reform on demand amid expanding quasi-fiscal stimulus, the National Bank does not see room for a reduction of base rate until the end of the first half of 2026.

Inflation forecasts for 2025 were refined and slightly raised – it is expected in the range of 12.0-13.0%, for 2026 the forecast range is expanded to 9.5-12.5%.

The revision is due to higher inflation expectations and actual inflation, which is forming above previous forecasts. At the same time, the updated forecasts take into account slower growth of regulated prices within the revised pace under the “inflation + 5%” scheme for 2026-2027. Expansion of the forecast range for 2026 reflects increased uncertainty in assessments. It is associated with the implementation of the tax reform and its impact on aggregate demand, as well as the planned increase in financing from the quasi-budgetary sector and its stimulating effect on the economy.

The inflation forecast for 2027 is maintained. It is expected to slow to 5.5-7.5%.

The gradual slowdown of inflation over the forecast horizon will be supported by tight monetary policy, fiscal consolidation, and measures under the Joint Actions. Pro-inflationary influences include intensifying pressure from domestic demand amid quasi-fiscal stimulus, further liberalization of the fuel market and resumption of tariff growth after the first quarter of 2026.

Risks to the inflation forecast are linked to strengthening domestic demand, accelerating external inflation, elevated inflation expectations, as well as secondary effects from increases in fuel prices and VAT. Another important factor of uncertainty is financing of the economy by Baiterek NIH JSC. A significant volume of quasi-fiscal injections may increase inflationary pressure and partially offset the effect of upcoming fiscal consolidation.

The GDP forecast for 2025 is improved with adjustments to previous estimates to 6-6.5%. The forecast for 2026 is lowered to 3.5-4.5% due to the high base of 2025 and a more moderate consumer demand amid tax and budget reforms and fiscal consolidation. In 2027, economic growth is expected in the range of 4.0-5.0%.

The National Bank will continue to assess the pace of inflation slowdown, the response of domestic demand, and the effectiveness of joint measures under the Joint Actions Program and the Complex of Measures to Control and Reduce Inflation.

## I. ECONOMIC DEVELOPMENT PROSPECTS

### 1.1. Key External Assumptions

#### 1.1.1. Commodity markets

**Despite concerns about an oversupply of oil and occasional flare-ups in trade tensions between the United States and China, Brent crude prices have remained close to the baseline scenario of the previous forecast round. The oil market is expected to stay near balance over the forecast horizon. Given that oil price projections have not changed significantly since the last forecast round, the assumptions used earlier were retained in the “November 2025” forecast round.**

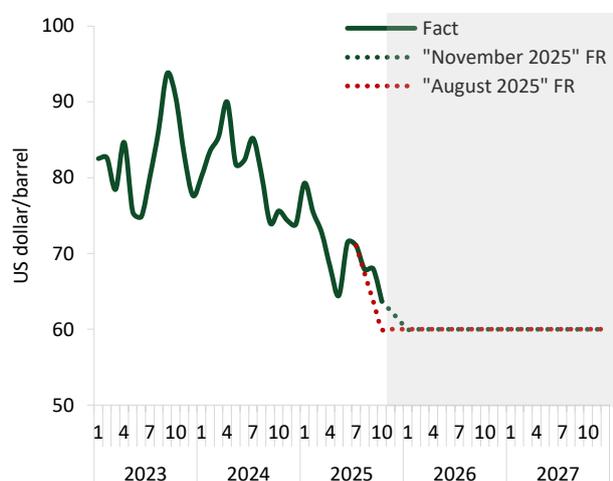
Over the past two months, Brent crude prices have fluctuated within the range of USD 64-68 per barrel. The increase in prices was supported by strong demand from China, improving trade relations between major economies, moderate oil production by OPEC+ countries, and robust macroeconomic data from key oil-importing countries. At the same time, geopolitical and trade risks, as well as concerns about a potential oversupply in the market, exerted restraining pressure on prices. Over the forecast horizon, oil production in Latin American countries (Brazil, Argentina, and Guyana) is expected to continue increasing as production capacities expand. Middle Eastern countries are expected to further ease previously imposed production restrictions. Oil output in the United States will remain at current elevated levels. Global oil demand is projected to increase gradually, with China and India providing the main contribution to demand growth. Brent prices are expected to decline from current levels to around USD 60 per barrel and remain near this level through the end of the forecast horizon (Graph 1).

**Actual grain prices came in below expectations. Over the forecast horizon, prices are expected to continue growing at a moderate pace.**

The structure of the FAO Food Price Index remains mixed: high prices for meat and vegetable oils remain elevated, partially offsetting the overall decline in the index. In October 2025, the FAO Cereal Price Index fell by 1.3% (m/m) and was 9.5% lower than a year earlier. The decline in the index reflects strong harvests in major exporting countries and favorable prospects for the new season, which have resulted in actual prices forming below our expectations.

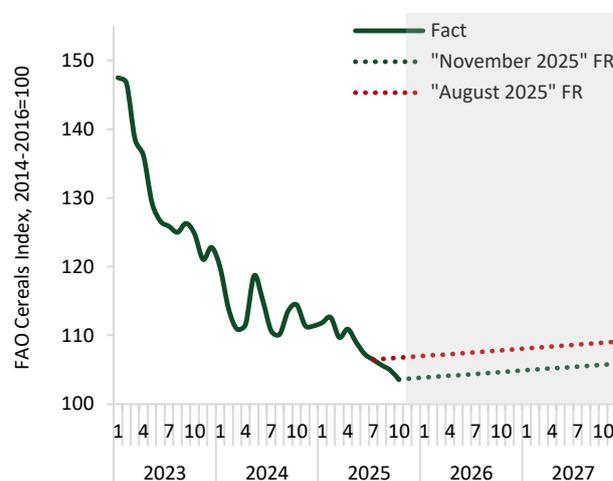
According to forecasts, wheat supply will outpace demand, leading to an increase in stocks and exerting downward pressure on prices. At the same time, a weaker US dollar will provide some support to price levels. Over the forecast horizon, grain prices are expected to rise gradually and moderately (Graph 2).

Graph 1. The baseline scenario remains unchanged at USD 60 per barrel.



Source: EIA, Consensus Economics, NBK calculations

Graph 2. Over the forecast horizon, wheat prices will grow at a moderate pace.



Source: UN FAO, NBK calculations

## 1.1.2. Global economic development and trade partner countries

**Actual economic activity in China and the EU is exceeding forecast expectations. In Russia, the economic slowdown continues, resulting in weaker growth rates than previously anticipated. Over the forecast horizon, demand for export-oriented products is expected to remain moderate.**

The global composite PMI continued to rise in October 2025: production volumes and new orders increased in both the services and manufacturing sectors amid stable economic growth across countries. In China, front-loaded shipments supported strong external trade dynamics, leading to economic growth slightly above expectations. In the EU, growth also exceeded forecasts, driven by robust investment activity and resilient domestic demand. In Russia, the economy continues to cool under the pressure of sanctions and structural constraints, contracting faster than previously expected.

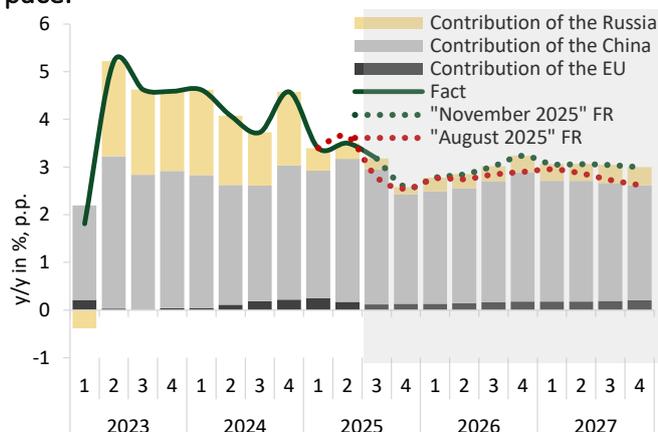
According to the latest IMF<sup>1</sup> projections, global economic growth is expected to slow to 3.2% in 2025 and stabilize at 3.1% in 2026. China's GDP growth forecast has been revised slightly upward, supported by stronger-than-expected performance this year due to export growth and expectations of additional government stimulus measures<sup>2</sup>. In the EU, gradual economic recovery is anticipated, supported by strong domestic demand, elevated government spending on defense, as well as climate-related initiatives and infrastructure projects. In Russia, the economy is projected to continue cooling amid sanctions and declining oil revenues. At the same time, consumer and investment demand will provide some support to economic activity (Graph 3).

**External inflationary pressures are expected to remain elevated, with the main contribution coming from inflation in Russia.**

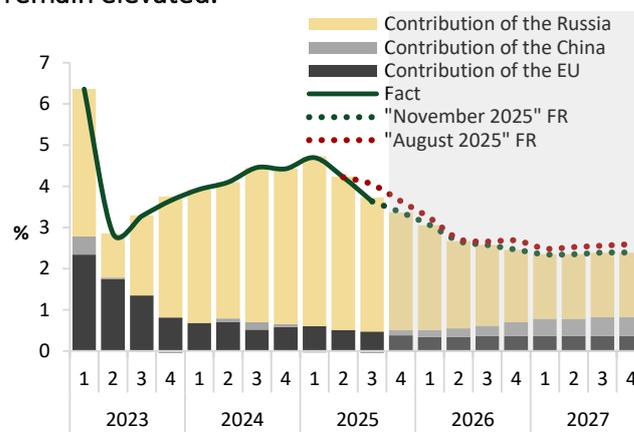
Inflation in most countries remains persistent and above target levels, while the impact of trade tariffs on prices so far remains moderate. Among Kazakhstan's trading partners, high inflationary pressure is observed in Russia, driven by rising fuel, automobile, and food prices. In the EU, inflation remains relatively stable and close to the target. In China, deflationary trends persist amid weak domestic demand.

In China, inflation is expected to recover gradually amid fiscal support, expansion of social programs, and increased consumer lending. In the EU, inflation will decelerate at a moderate pace. In Russia, inflation is expected to remain above the target until the end of 2026 due to resilient domestic demand, rising costs, and elevated inflation expectations (Graph 4).

Graph 3. Aggregated External GDP\* – Demand for export-oriented products will grow at a moderate pace.



Graph 4. Aggregated External Inflation\*\* – External inflationary pressures are expected to remain elevated.



\* 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

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

<sup>2</sup> Consensus Ecs.

## 1.2. Economic outlook under the baseline scenario

**Current economic activity is exceeding the National Bank of Kazakhstan’s expectations driven by strong domestic demand and an expansion in oil exports beyond the initial forecast. Accordingly, the GDP growth forecast for the current year has been revised to 6-6.5%. Taking into account the high comparison base in 2025, the growth forecast for 2026 has been marginally lowered to 3.5-4.5%, while GDP growth in 2027 is expected to range between 4-5% (Graph 5).**

Graph 5. The GDP forecast has been revised across the entire forecast horizon due to the expected quasi-fiscal stimulus.



Source: NBK forecasts

The upward revision of the annual forecast for 2025 reflects stronger-than-expected consumer activity and an acceleration in oil export growth. An additional contribution came from the revision of the official GDP data for the second quarter of 2025, with YoY growth adjusted upward from 6.8% to 7.0%.

In the third quarter of 2025, aggregate demand and the accelerating growth of oil exports were the main drivers of economic expansion. Oil production exceeded previously anticipated levels, leading to an upward revision of export forecasts. Consumer activity also strengthened, potentially supported by rising activity in the housing market.

Through the end of 2025, domestic consumer and investment demand, supported by the implementation of quasi-fiscal stimulus measures, as well as higher-than-expected oil exports, are expected to remain the main drivers of economic growth in Kazakhstan. Faster growth in household consumption will be driven by elevated inflation expectations associated with the planned increase in the VAT rate in 2026. In the fourth quarter of the current year, investment activity is projected to accelerate, reflecting the implementation of investment projects scheduled for 2025.

Stronger domestic demand will lead to an increase in imports, thus making a negative contribution to GDP growth. Export growth is expected to remain strong in the fourth quarter, supported by higher oil output from expanded capacity at the Tengiz field and by increased grain exports following a stronger-than-expected 2025 harvest.

In 2026-2027, economic growth will be supported by a further expansion of investment activity in the quasi-fiscal sector, moderate consumer demand, and positive dynamics in oil production. At the same time, the high base of 2025, associated with historically high oil output and strong domestic demand, fiscal consolidation measures (including higher tax revenues from the increase in the VAT rate, the withdrawal of a number of tax exemptions, and adherence to fiscal rules governing budget expenditures and transfers from the National Fund of the Republic of Kazakhstan), as well as

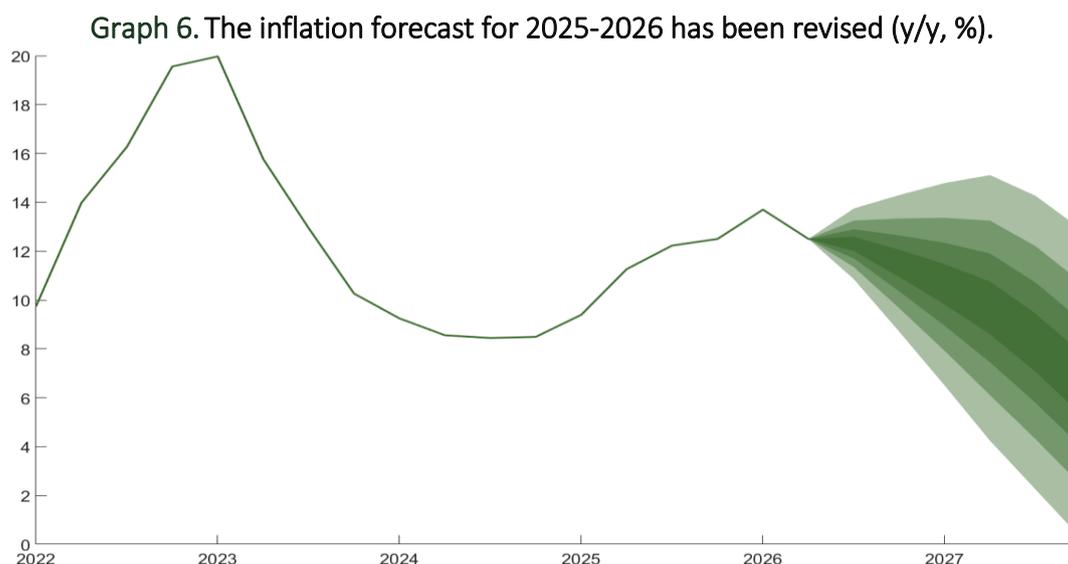
elevated import volumes related to the implementation of investment projects, will to some extent constrain economic growth over this period. As a result, economic growth is expected to decelerate to 3.5-4.5% in 2026 and to pick up to 4-5% in 2027.

**Following the revision of economic activity dynamics in 2025, the output gap (defined as the percentage deviation of actual GDP from its potential level) has widened slightly, with a slower pace of closing projected in the subsequent years.**

The widening of the output gap this year is accompanied by a more pronounced domestic demand gap, implying heightened inflationary pressures. Over the medium term, as fiscal consolidation advances, the output gap is expected to gradually return to its equilibrium level.

**The inflation forecast for 2025-2026 has been revised to account for faster inflation dynamics this year and elevated inflation expectations. Inflation in 2025 is expected to be within the range of 12.0-13.0%, in 2026 – 9.5-12.5%, and by 2027 it is projected to gradually slow to 5.5-7.5%. The forecasts also take into account a smoother increase in regulated tariffs under the updated “inflation + 5%” reform schedule for 2026-2027 (table 1).**

**The wider forecast range for 2026 reflects increased uncertainty, which is associated both with the upcoming tax reform and the potential reaction of aggregate demand, as well as with the significant increase in quasi-budget sector financing, which will have a noticeable stimulating effect on the economy (Graph 6).**



Source: NBK forecast

By the end of 2025, food inflation is expected to accelerate due to higher producer prices and elevated global prices for certain food products. At the end of 2025, prices for non-food goods will be shaped by fiscal stimulus, high import prices, and increased demand ahead of the upcoming VAT rate hike. In October of this year, the government announced a moratorium on price increases for AI-92 gasoline, diesel fuel, and regulated utilities until the end of the first quarter of 2026. Nevertheless, the secondary effects of higher fuel and utility prices in 2025 will continue to exert overall pro-inflationary pressure.

In 2026, inflationary risks will persist due to the implementation of the decision to raise the VAT rate from 12% to 16%.

The resumption of fuel market liberalization measures and housing and communal services (HCS) reforms in the second quarter of 2026 creates significant indirect inflationary pressure and may lead to persistently elevated inflation expectations.

In addition, significant uncertainty remains regarding possible quasi-fiscal stimulus, which increases the risks of affecting aggregate demand and amplifying inflationary pressure. This has contributed to raising the upper bound of the 2026 forecasts. A substantial volume of quasi-fiscal injections from «Baiterek» NIH JSC, aimed at supporting economic growth, may partially offset the effects of planned fiscal consolidation. The latter involves adhering to the fiscal rule and reducing transfers from the National Fund, but the additional stimulus from the quasi fiscal sector may soften its impact.

At the same time, the slowdown in inflation will be supported by the gradual stabilization of inflation expectations due to the moderately tight monetary policy of the NBK, fiscal consolidation, anti-inflation measures undertaken within the framework of the Joint Action Program of the Government, NBK, and ARDFM, as well as the gradual convergence of inflation in Kazakhstan's trading partner countries toward their target levels.

The impact of reforms in the HCS sector and deregulation in the F&L market will continue to exert inflationary pressure. Considering the influence of all the factors mentioned, inflation will slowly approach its 5% target. However, core inflation, which excludes the effects of temporary factors, is expected to reach the target level by 2028.

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

	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>GDP, yoy, %</b>	<b>6-6,5</b> (5,5-6,5)	<b>3,5-4,5</b> (4-5)	<b>4-5</b> (3,5-4,5)
<b>CPI, Dec. to Dec. previous year, %</b>	<b>12-13</b> (11-12,5)	<b>9,5-12,5</b> (9,5-11,5)	<b>5,5-7,5</b> (5,5-7,5)
<b>Brent, USD/Barrel, average per year</b>	<b>69</b> (68)	<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>6-6,5</b> (5-6)	<b>3-4</b> (3,5-4,5)	<b>3,5-4,5</b> (3,5-4,5)
<b>CPI, Dec. to Dec. previous year, %</b>	<b>12-13</b> (11,8-13,3)	<b>10-13</b> (10,2-12,2)	<b>6-8</b> (6-8)
<b>Brent, USD/Barrel, average per year</b>	<b>67</b> (61)	<b>40</b> (40)	<b>40</b> (40)

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

	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>GDP, yoy, %</b>	<b>6-6,5</b> (5,8-6,8)	<b>4-5</b> (4-5)	<b>4-5</b> (3,5-4,5)
<b>CPI, Dec. to Dec. previous year, %</b>	<b>12-13</b> (10,5-12)	<b>9-12</b> (8,5-10,5)	<b>5,5-7,5</b> (5-7)
<b>Brent, USD/Barrel, average per year</b>	<b>71</b> (74)	<b>80</b> (80)	<b>80</b> (80)

Source: NBK forecast

### 1.3. Medium term risks

**There are still risks of inflation deviating from the trajectory of gradual decline, which leads to the maintenance of moderately tight monetary conditions (Graph 7).**

Compared to the previous forecast round, the balance of risks has not changed significantly, and the risks to higher inflation remain high.

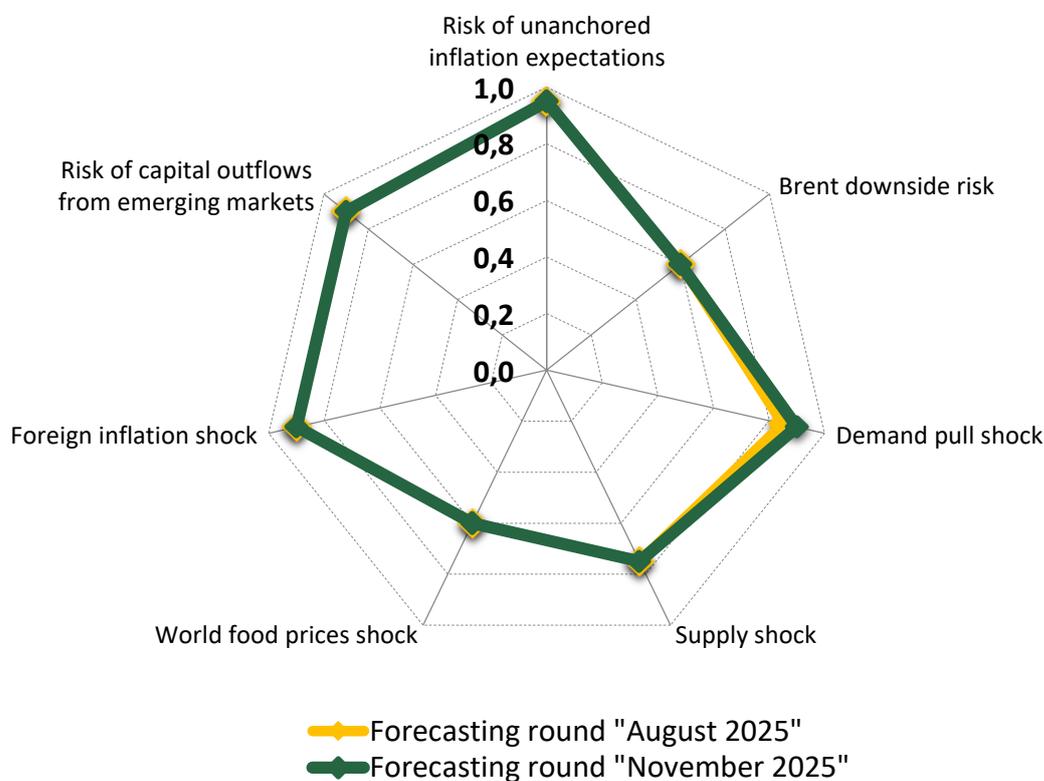
Despite the temporary suspension of price growth for regulated housing and communal services and fuels, the risks of non-anchoring inflation expectations remain high due to possible catch-up price increases in subsequent periods and the upcoming increase in the VAT rate. The uncertainty of the secondary effects of the ongoing reforms increases the risk of supply-side shocks.

The risks of pressure from domestic demand have increased somewhat due to a significant expansion of investment activity financed by the quasi-fiscal sector this year and beyond. This stimulus will to some extent offset the planned fiscal consolidation and may increase the imbalance between supply and demand in the economy.

As for external risk factors, they also continue to be at a high level. Global uncertainty regarding the parameters of mutual trade policy, ongoing geopolitical tensions, and increased political and economic sanctions by some countries against others can significantly increase external inflation, lead to lower demand and, consequently, oil prices, and cause capital outflows from developing country markets. This can lead to a significant increase in inflation.

At the same time, the risks to the GDP forecast are mainly related to oil exports due to the continued OPEC+ restrictions on daily oil production, which may limit the full expansion of production capacities at TCO.

Graph 7. The balance of risks is shifted towards the pro-inflationary side.



Source: forecast NBK

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

**Under the baseline scenario, the current account deficit is expected to widen compared to last year's level. The projected increase in the current account deficit is driven by the scenario-based decline in oil prices and rising import consumption volumes.**

The current account forecast has been slightly revised (table 2) due to updated estimates of the trade balance.

Export of goods is expected to grow at a moderate pace due to the influence of multidirectional factors. Despite increased production at the Tengiz oilfield, the scenario-based decline in oil prices relative to 2024 will constrain the growth of oil export volumes. At the same time, the expansion of

non-oil exports will be supported by elevated global prices for non-ferrous metals and uranium, as well as stable external demand for metal and agricultural products of Kazakh origin, particularly grains and grain-processed products. As a result, in the medium term, the volume of exports is projected to remain within the range of 24.2%-26.4% to GDP (77.1-80 billion US dollars) (Graph 8). Domestic demand for imported products will continue to grow. High import levels are expected to be driven by the limited capacity of domestic production to meet the rising demand from households and businesses, the significant reliance of national industries on imported intermediate and capital goods, and the implementation of government industrial and infrastructure programs. Sustained demand for imported goods, in addition to private and borrowed resources, will be financed by fiscal and quasi-fiscal expenditures. As a result, imports of goods in 2025-2027 are projected to be at the level of 21.2%-21.6% of GDP (65.4-69.4 billion US dollars).

Over the forecast horizon, the income balance deficit will remain close to its current levels. High volumes of income payable to direct foreign investors will be supported by increased oil production and rising metal prices. As a result, the income balance deficit is expected to amount to (-)7%-(-)8% of GDP ((-)22.7-(-)24.3 billion US dollars) in 2025-2027.

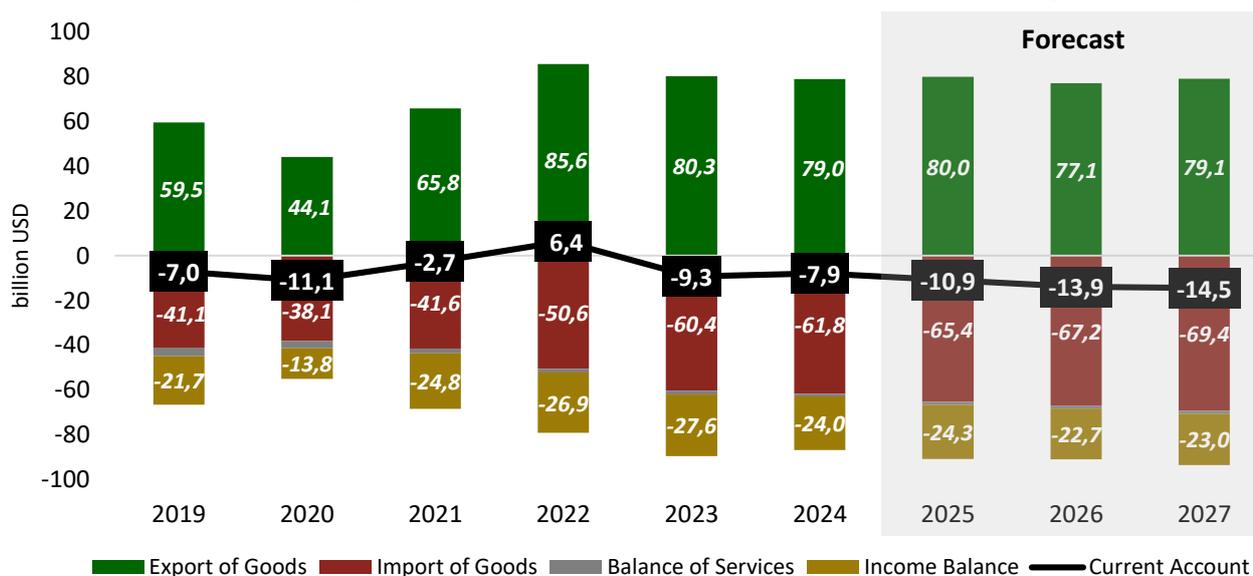
The services balance deficit is expected to widen moderately in the medium term. Service exports will grow primarily due to increased freight transit through Kazakhstan and a rising number of non-residents arriving from neighboring countries. Service imports will also increase, driven by higher spending on transportation services associated with growing import of goods, as well as by an increase in outbound tourism. As a result, the services balance deficit over the forecast period is projected to amount to (-)0.4% of GDP ((-)1.2 to (-)1.3 billion US dollars).

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>-2,8%</b>	<b>-3,6%</b> <i>(-3,9%)</i>	<b>-4,4%</b> <i>(-4,3%)</i>	<b>-4,4%</b> <i>(-4,3%)</i>
<i>Reference: current account in billion US dollars</i>	-11,1	-2,7	6,4	-9,3	-7,9	-10,9 <i>(-11,6)</i>	-13,9 <i>(-13,4)</i>	-14,5 <i>(-14,1)</i>

\* the previous forecast from the "August 2025" forecast round is provided in brackets

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



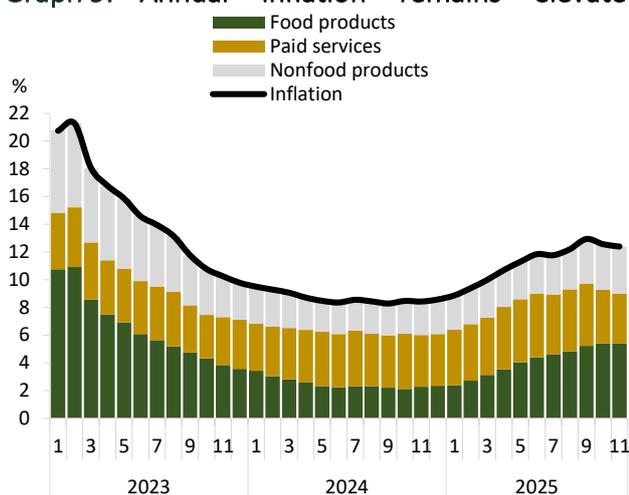
Source: NBK forecast

## II. CURRENT MACROECONOMIC CONDITIONS

### 2.1. Inflation

In November, annual inflation slowed to 12.4%. This was driven by a deceleration in the growth of prices for paid services due to the administrative reduction of prices for certain regulated services. Food inflation showed a slight deceleration, while non-food inflation continued to accelerate.

Graph 9. Annual inflation remains elevated.



Source: BNS ASPR RK, NBK calculations

Annual inflation continued to decline and reached 12.4% in November 2025 (Graph 9). Nevertheless, significant inflationary pressure persists from both external and domestic factors. External factors include persistently high global prices for certain food products and elevated inflation in Russia. Among domestic factors, the key drivers remain strong consumer demand, fiscal stimulus measures, secondary effects from reforms in the fuel market and regulated utilities, as well as elevated and volatile inflation expectations, which, among other factors are influenced by the upcoming VAT increase in 2026. In addition, against the backdrop of rising

production costs and high export volumes, there has been an increase in prices for certain products in the food industry and agriculture.

The main driver of high inflation remains the food component, where the annual price growth reached 13.4% in November 2025. The rise in food prices is driven by high export volumes, increasing costs of imported products, and higher producer prices. In particular, elevated global prices for meat and vegetable oils continue to stimulate exports, reducing supply in the domestic market and pushing domestic prices upward. At the same time, a slight decline in milk production is putting additional pressure on prices. Moreover, the high cost of imported goods such as fish and seafood, tea, coffee, and cocoa is adding further upward pressure on food prices.

Annual inflation for non-food goods reached 11.2% in November 2025. The main driver of non-food inflation is the rise in F&L amid fuel market deregulation. In addition to its direct impact, the increase in F&L, as well as the rise in tariffs for regulated utilities, has a significant indirect effect on a wide range of goods and services. This is because, first, these categories of goods act as indicator goods that reinforce inflation expectations, and second, they are part of the cost structure in many sectors of the economy, leading to higher production costs and, consequently, higher final prices.

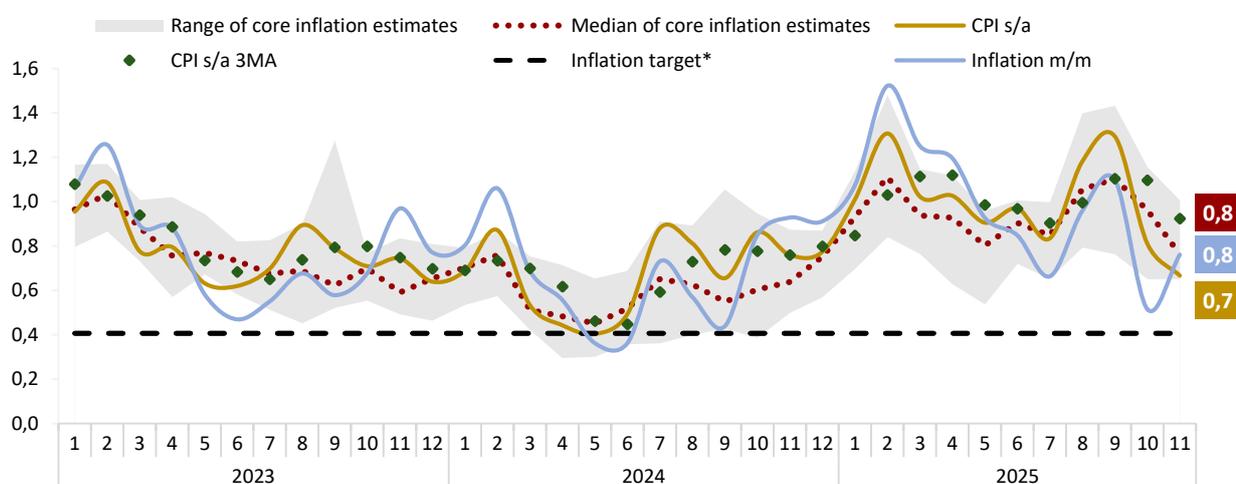
Despite the slowdown, the rise in service prices continues to make a significant contribution to overall inflation. In November 2025, the annual growth of service prices slowed to 12.3% compared with 12.9% in October. The main factor behind this slowdown was the reduction in regulated utility service prices in October-November 2025 as part of the Government's anti-crisis measures. As a result, the annual growth of regulated utility tariffs slowed significantly from 30.4% in September 2025 to 6.8% in November 2025.

At the same time, against the backdrop of sustained consumer demand and overall price growth, market service prices continue to rise at a high pace - reaching 13% in November 2025. The largest contributions to price increases in this segment in November came from hairdressing services, catering, rent, education not divided by levels.

**In November 2025, seasonally adjusted and base inflation slowed compared to the previous month. However, these indicators remain on high level. This dynamic indicates that the stable component of inflation remains elevated, while pro-inflationary pressures in the economy persist.**

In November 2025, monthly seasonally adjusted inflation amounted to 0.7% (0.8% in October), which corresponds to annualized growth of 8.3% (10.2%) (Graph 10). The median estimate of core inflation was 0.8% in monthly terms (1%), or 9.6% (12.2%) in annualized terms. Seasonally adjusted inflation declined primarily due to lower tariffs for regulated housing and communal services. Persistence of seasonally-adjusted and base inflation on high levels indicates that fundamental inflationary pressures remain high and widespread. Thus, the stable part of inflation remains at a high level and indicates the ongoing pro-inflationary processes in the economy. Additionally, it is worth noting the narrowing of the range of estimates of core inflation due to the reduction of the upper limit, which indicates a decrease in the volatility of the stable part of inflation towards more moderate estimates.

**Graph 10. Various monthly inflation measures remain elevated**



Source: BNS ASPR RK, NBK calculations

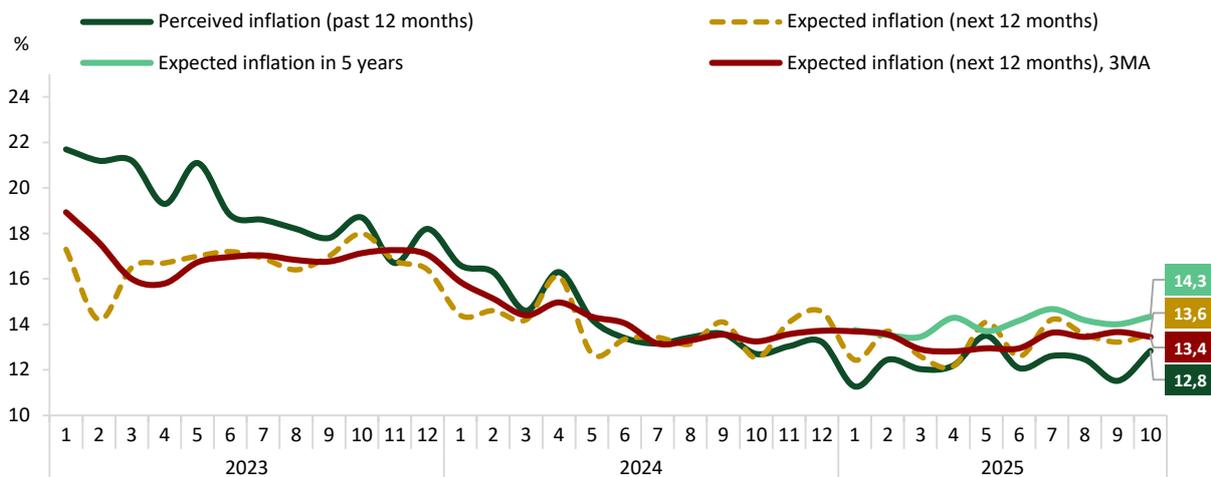
\*monthly price growth consistent with the 5% annual inflation target.

Note: historical estimates may be reviewed.

**Short-term and long-term inflation expectations increased again in October 2025, against the backdrop of rising perceived inflation and persistent uncertainty among respondents.**

Short-term inflation expectations amounted to 13.6% in October 2025 (13.2% in September) (Graph 11). Among the factors of future price increases, respondents most often noted an increase in the price of food, utilities, gasoline and diesel fuel, as well as a change in the exchange rate. Against the background of a large number of pro-inflationary factors, the level of uncertainty in estimates remains high. A significant share of respondents finds it difficult to quantify price dynamics over the one-year horizon. However, even among the respondents who chose the "I find it difficult to answer" option, the expectation prevails of maintaining the current rate of inflation or its subsequent acceleration. This may be due to concerns about rising prices for certain goods and services, as well as the expectation of an increase in the VAT rate at the beginning of next year. The expected inflation over the five-year horizon amounted to 14.3% (14.0% in September). At the same time, the level of uncertainty in long-term estimates is noticeably lower, reflecting more stable and confident views among respondents compared with short-term expectations. Since the beginning of the year, the dynamics of perceived inflation has been characterized by volatility and shows no signs of a sustained slowdown. Against the background of continuing high actual inflation and the noted factors of future price growth, inflationary expectations of the population continue to form at an elevated level.

Graph 11. Short-term and long-term inflation expectations have increased again



Source: FusionLab: population survey

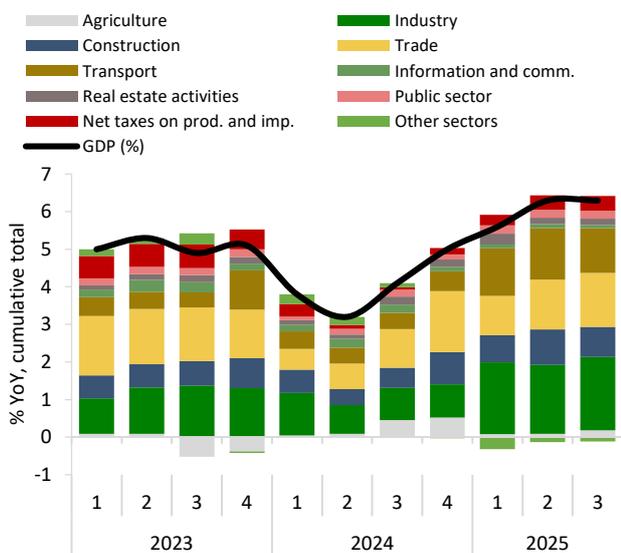
## 2.2. Domestic sector

According to the preliminary data of the BNS ASPR RK, over the nine months of 2025 Kazakhstan’s economy demonstrated stable growth: real GDP increased by 6.3% YoY, exceeding the expectations of the National Bank. The acceleration of business activity was supported by stronger-than-expected realization of consumer demand, as well as higher-than-forecast oil production and exports. Additional support for economic growth was provided by high grain harvest results. Investment activity remains strong, accompanied by growth in imports (Graphs 12, 13).

Despite expanding business activity, aggregate demand exceeds its equilibrium levels and is outpacing the growth of supply, creating upward pressure on prices in the economy.

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

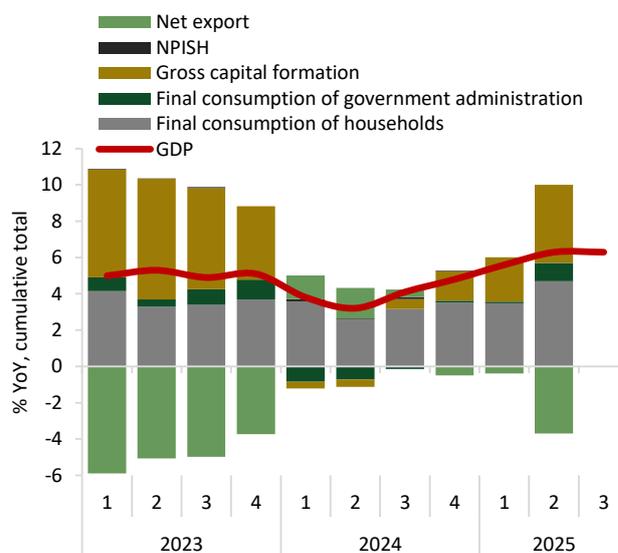
Contribution of Industries and Taxes to Real GDP Growth



Source: BNS ASPR RK, NBK calculations

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

Contribution of demand components to real GDP growth



In the third quarter of 2025, high economic growth rates were driven by the simultaneous expansion of goods production and services output. The raw materials sector made a significant contribution to the overall dynamics. Increased oil production at the Tengiz field led to a structural transition of the sector to a higher level of output, supporting higher oil export volumes. The rise in production activity in the oil sector was transmitted to related industries, strengthening the multiplier effect in the economy. Positive effects were observed in trade and transport due to growth in freight turnover, including an increase in wholesale trade services and pipeline transportation.

The expansion of construction volumes reflects active development of housing projects, supported by persistent household demand and the availability of affordable lending programs. A positive contribution is also made by construction of non-residential facilities, including industrial and infrastructure sites.

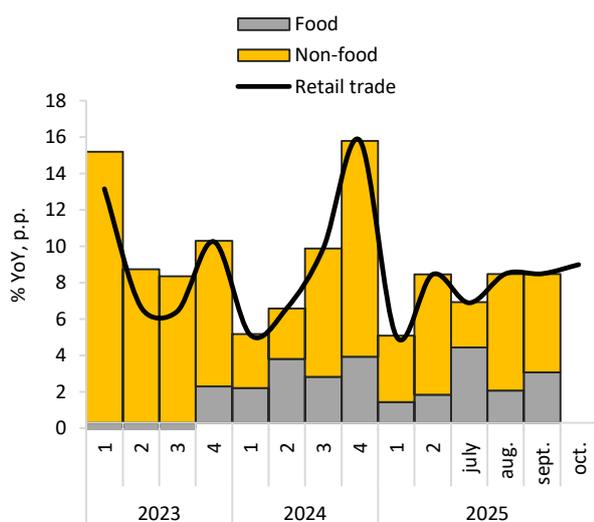
In the manufacturing sector, the main drivers were mechanical engineering, driven by the production of passenger cars and special equipment, as well as food production. Growing external demand for finished goods supports production expansion and sustains economic momentum, but simultaneously puts pressure on domestic prices. Record yields ensured a high grain harvest despite reduced sown areas, indicating improved efficiency in agriculture. At the same time, declining feed grain stocks may increase livestock product costs in the medium term.

The expansion of goods production was accompanied by growth in the retail turnover of both food and non-food products, alongside the ongoing expansion of the services sector. Positive trends in retail trade, passenger traffic, and a wide range of services, including catering and personal services, confirm the stability of consumer demand.

Real retail turnover growth in the third quarter of the current year rose by 7.7% YoY. The non-food segment continues to make a significant contribution to this growth, with its turnover increasing by 7.3% YoY in real terms. Part of this growth is linked to higher activity in the housing market, largely driven by mortgage lending (Graphs 14, 15).

**Graph 14. The dynamics of retail turnover confirm the stability of consumer demand growth.**

Contribution of retail turnover components to growth

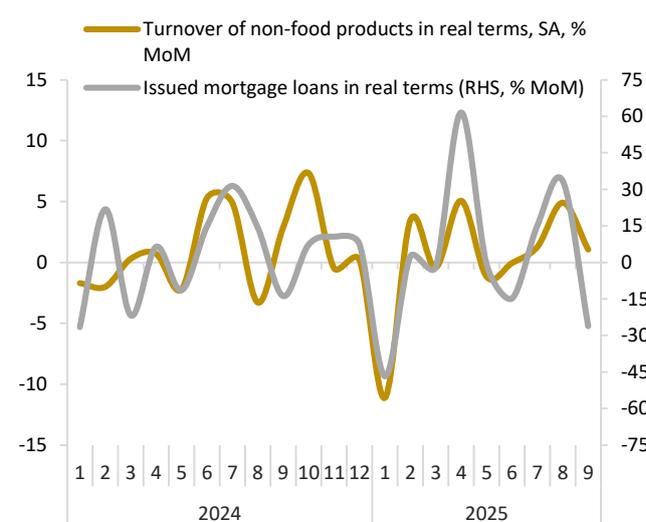


Source: BNS ASPR RK, NBK calculations

Although consumer demand has remained stable, the growth of household consumption sources has been slowing since the beginning of the year, partly due to rising inflation. In the third quarter of this year, real wages fell by 2% YoY. Real household incomes also continued to fall, recording their

**Graph 15. The increase in housing market activity stimulates the expansion of consumer demand for non-food products.**

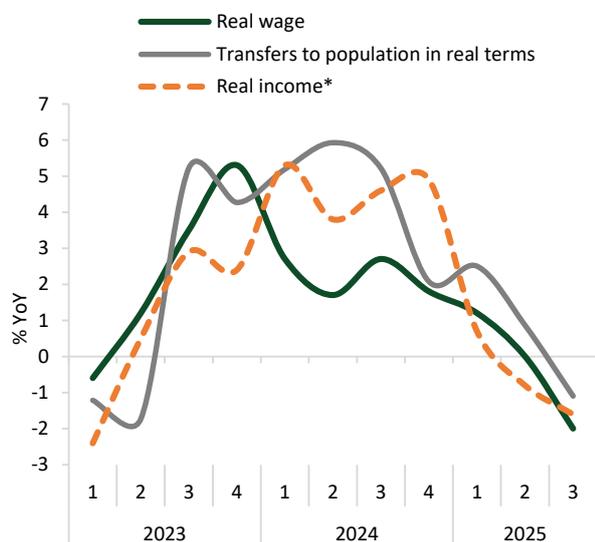
% MoM, SA, in real terms



largest year-on-year decline since February 2023 at 1.7% in September. Budget transfers to households also decreased in the third quarter of 2025 (Graph 16).

Under these conditions, lending remains an additional channel for supporting consumer demand growth. In the third quarter of 2025, household credit increased by 10% YoY, largely driven by consumer loans (Graph 17).

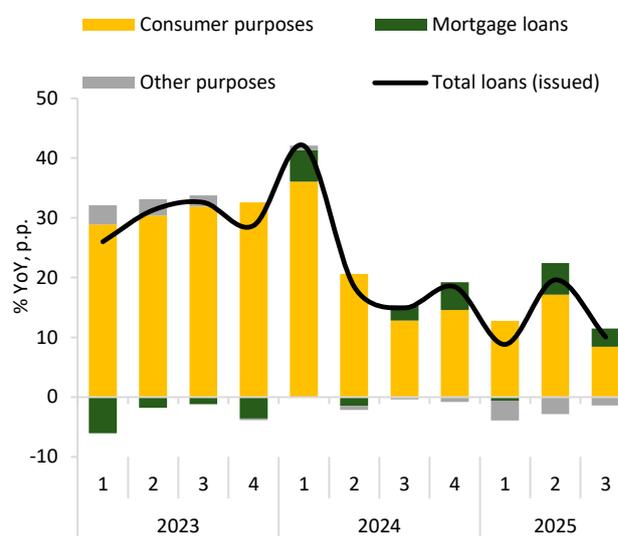
Graph 16. The sources of household consumption are declining in real terms.



\*preliminary data for 2025Q3

Source: BNS ASPR RK, MF RK, NBK calculations

Graph 17. The growth in household lending is mainly driven by consumer loans.



### Box 1. Consumer Response to International Artists' Concerts in Astana and Almaty

In international literature, the impact of large-scale cultural events on economic activity has been studied for several decades. In the early 2000s, the concept of Rockonomics<sup>3</sup> emerged, focusing on the economic effects of the concert industry, while in recent years this literature has evolved into a new strand known as Swiftonomics<sup>4</sup>. Both approaches view mass cultural events as factors capable of boosting economic activity. Large-scale cultural events can stimulate local consumption both through increased tourist inflows and through rising domestic demand from local residents driven by an overall expansion of leisure activity in the city.

Comparable effects may have been observed in the third quarter of 2025 in Kazakhstan driven by concerts by internationally renowned artists (Jennifer Lopez, Backstreet Boys) held in Astana and Almaty, which potentially contributed to a local increase in consumer activity.

The effect was identified using a panel regression framework with region and time fixed effects, which controls for time-invariant regional characteristics and common macroeconomic shocks. Standard errors were clustered at the regional level. The analysis relied on seasonally adjusted data in real terms. In addition, an HP filter was applied to each regional series to remove the underlying trend.

The results suggest that the concerts were associated with a statistically significant increase in consumer activity in the food service sector, while the effect on retail trade remained limited. The estimates indicate that concerts by international artists contributed to an increase in the food service volume gap of 5-11%, depending on the artist and the host city.

The most pronounced effects were observed in Astana, where the concerts increased the food service volume gap by approximately 8.4%. The effect of the Backstreet Boys concert in Astana was somewhat larger in magnitude for both food service volumes and retail trade. It is important to note that other large-scale

<sup>3</sup> Connolly, M., & Krueger, A. B. (2006). *Rockonomics: The economics of popular music*. *Handbook of the Economics of Art and Culture*, 1, 667-719; Krueger, A. B. (2019). *Rockonomics: How the music industry can explain the modern economy*.

<sup>4</sup> Dahlberg, K., DeWind, S., Geerling, W., Green, A., & Mateer, G. D. (2024). *Swiftonomics: Using Taylor Swift to Teach Supply and Demand and Foreign Exchange Rates*. Available at SSRN 4721864.

events (Astana Finance Days) also took place in Astana during the same period, which may have additionally amplified local activity in the food service market. All food service specifications exhibit a high coefficient on the lagged dependent variable, indicating strong persistence in sectoral dynamics. Placebo event tests for other periods and regions confirm the robustness of the results (Table 1).

**Table 1. Assessment results**

Variable	Food services ( $Service_{r,t}$ )			Retail trade turnover ( $Trade_{r,t}$ )		
	(1)	(2)	(3)	(1)	(2)	(3)
$Service_{r,t-1}/$ $Trade_{r,t-1}$	0,737*** (0,092)	0,737*** (0,092)	0,737*** (0,092)	0,256*** (0,07)	0,256*** (0,07)	0,256*** (0,07)
<b>Jennifer Lopez concert</b>	0,083*** (0,026)				0 (0,017)	
<b>Backstreet Boys concert</b>	0,076** (0,036)				0,015 (0,015)	
<b>Astana</b>		0,084*** (0,012)		0,016 (0,012)		
<b>Almaty</b>		0,075*** (0,15)		0 (0,01)		
<b>Jennifer Lopez, Astana</b>			0,053*** (0,015)			0 (0,015)
<b>Jennifer Lopez, Almaty</b>			0,113*** (0,016)			0 (0,017)
<b>Backstreet Boys, Astana</b>			0,115*** (0,019)			0,027** (0,012)
<b>Backstreet Boys, Almaty</b>			0,037 (0,023)			0,002 (0,012)
<b>Cross-section FE*</b>	Да	Да	Да	Да	Да	Да
<b>Period FE</b>	Да	Да	Да	Да	Да	Да
<b>C</b>	0***	0***	0***	0***	0***	0***
<b>Observations</b>	780	780	780	780	780	780
<b>R<sup>2</sup></b>	<b>0,57</b>	0,57	0,57	0,17	0,17	0,17

\*FE – fixed effects

Source: author's calculations

Note: standard errors in parenthesis.

\*p < 0,1, \*\*p < 0,05, \*\*\*p < 0,01

The analysis indicates that large-scale cultural events have a statistically significant positive effect on local consumer activity, particularly in the food service sector. The impact on retail trade remains limited, which may reflect the lower sensitivity of retail expenditure structure to short-term shocks, as purchases of non-food goods are typically planned in advance and are less directly linked to cultural events. The results also suggest that such temporary increases in consumer activity may have localized effects on price dynamics; however, this hypothesis requires separate and more detailed analysis.

**For reference:** The specification of the equation is as follows:

$$Service_{r,t}/Trade_{r,t} = \alpha_r + \lambda_t + \beta Service_{r,t-1}/\beta Trade_{r,t-1} + \gamma' D_{r,t} + \varepsilon_{r,t}$$

where

$Service_{r,t}$  – the gap in the volume of food services provided in region r in the current period t;

$Trade_{r,t}$  – the gap in the volume of retail trade turnover in region r in the current period t;

$\alpha_r$  – cross-section FE;

$\lambda_t$  – period FE;

$Service_{r,t-1}$  – the gap in the volume of food services provided in region r in the previous period t-1;

$D_{r,t}$  – a vector of dummy variables representing whether a concert was held in region r during period t;

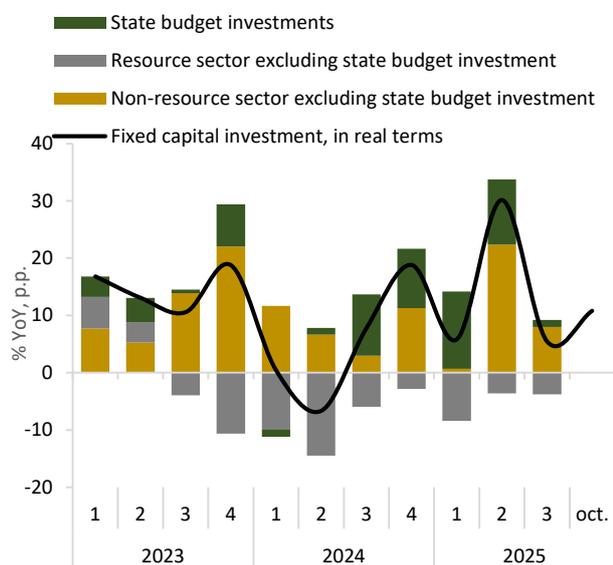
$\varepsilon_{r,t}$  – residual.

### Investment activity continued to expand in the third quarter of 2025.

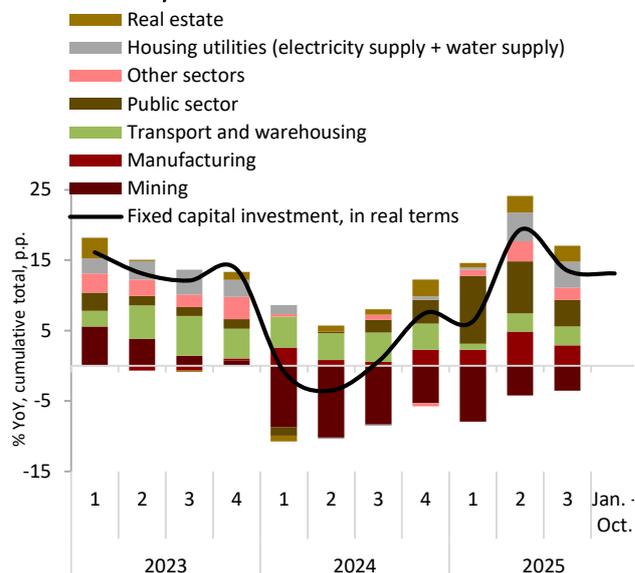
However, after a significant acceleration in the second quarter of the current year, the growth rate of fixed capital investment slowed to 5.5% YoY. The growth was largely supported by investments in the non-resource sector, excluding public sector investment. While budget financing decreased in Q3 2025, its share of total fixed capital investment increased to 24.6% from 22% in Q2. Meanwhile, the share of foreign investment declined from 16.8% to 14%. Overall investment growth

was primarily driven by increased allocations to education, manufacturing, transport and storage, real estate, and utilities sector under the 'Tariff in Exchange for Investment' program (Graphs 18, 19).

Graph 18. Investment activity kept expanding in 2025Q3.



Graph 19. Investment growth is driven by increased spending in non-resource sectors of the economy.



Source: BNS ASPR RK, NBK calculations

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

**In the third quarter of 2025, goods imports maintained high growth rates, reflecting expansion in both consumer and investment demand.** The increase was driven by higher imports of machinery and equipment, vehicles, and instruments. Imports of chemical industry products also grew. At the same time, imports of textiles and footwear declined.

**Goods exports accelerated in real terms, supported by higher oil production.** As a result, fuel and energy products made the largest contribution to export growth in the third quarter, with additional positive contributions from the export of food products, including animal- and plant-based goods and processed food items.

Regarding the structure of government expenditures in the third quarter of 2025, current spending fell in real terms by 5.2% YoY, due to lower spending on goods and services. At the same time, total budget expenditures decreased. Reductions in government spending were recorded in the healthcare, education, defense, and industry sectors.

### Box 2. Kazakhstan's Participation in Global Value Chains

To assess and analyze Kazakhstan's role in global production and global value chains (Global Value Chains, hereinafter – GVC), trade statistics in value-added terms were examined. This approach “breaks down” gross exports into domestic value added (created by labor and capital – wages, depreciation, profits, taxes) and foreign value added. A country's level of participation in GVCs is measured by the GVC Participation Rate, which consists of two components:

- forward participation – how much domestic value added is used by other countries in their exports (as an intermediate or final product);
- backward participation – the extent to which a country's exports depend on imported intermediate goods.

According to TiVA (Trade in Value-Added)<sup>5</sup> data, Kazakhstan's gross exports are formed almost entirely by

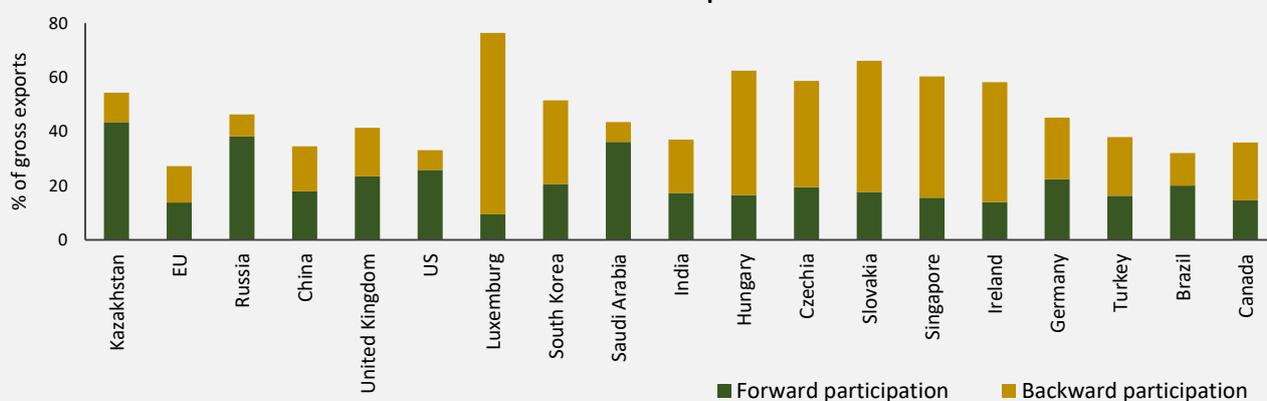
<sup>5</sup> The OECD database is constructed using multi-country input–output tables, national accounts data, and external trade statistics. It covers more than 80 countries and around 50 industries, allowing for the analysis of trade in value-added terms.

domestic value added – on average 85% in 2000-2022. The share of foreign value added remains consistently low, at 10-13% of gross exports.

Kazakhstan’s participation in GVCs is comparatively high (Chart 1). The country is involved in global value chains mainly through forward participation, meaning that Kazakhstan’s products are used as intermediate goods for further production abroad. The largest contributors to domestic value added are the mining industry (over 80% of value added), coke and refined petroleum products (around 50%), metals (around 60%), chemical products (around 40%), as well as related services. The key consumers of Kazakhstan’s domestic value added are the European Union (around 50%), China (around 15%), Russia (8%), and the United States (3%).

The share of backward participation – foreign value added in Kazakhstan’s exports – is only about 14% (on average in 2000-2022). This is typical for resource-based economies, as extractive industries make minimal use of imported intermediate goods. At the same time, import dependence is more pronounced in certain manufacturing industries, particularly those requiring more complex equipment and components. The highest reliance on imported inputs is observed in the production of rubber and plastics (around 30% of gross exports), computers, electronic and optical equipment (approximately 25%), motor vehicles, trailers and semi-trailers (25–30%), and textiles (around 20%).

**Chart 1. Countries’ GVC Participation Levels in 2019\***



Source: OECD TiVA, author’s calculations

\* The TiVA database covers the period 1995-2022. The year 2019 was taken as the reference point because it does not include the shock periods of the pandemic or geopolitical disruptions.

**Expansion of economic activity is accompanied by an improvement in labor market conditions. In the third quarter of the current year, employment growth continued, driven by a significant increase in the number of hired workers. The unemployment rate remains at historically low levels, while labor productivity demonstrates positive dynamics. At the same time, the growing demand for labor and improved productivity indicators are not reflected in a comparable increase in wages. Against the backdrop of accelerating inflation, real wages declined by 2% YoY in the third quarter of 2025.**

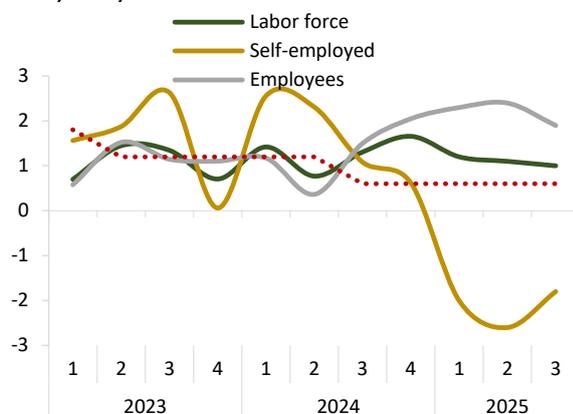
In the third quarter of 2025, labor supply continued to expand, while the trend of growing numbers of hired workers and decreasing numbers of self-employed remained in place (Graph 20).

The largest increase in hired workers was observed in the services sector, particularly in trade and information and communications, as well as in agriculture and mining. In the remaining industrial sectors and in construction, the number of hired workers declined, while the number of self-employed increased. A notable rise in self-employment was recorded in education, healthcare, and real estate operations.

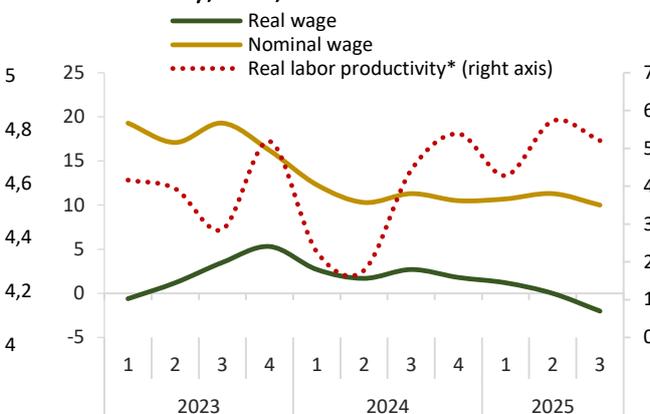
Nominal wage growth slowed to 10.0% YoY in the third quarter of 2025. Amid accelerating inflation, this led to a decline in real wages (Graph 21). A reduction in real wages is observed in most sectors of the economy, including construction (8.7% YoY), healthcare (6.5% YoY), accommodation and food services (5.4% YoY), and industry (1.2% YoY). At the same time, according to BNS ASPR RK data, labor productivity is increasing across the economy and in most sectors.

Thus, business activity and labor productivity growth are not accompanied by a corresponding increase in wages. This may reflect redistribution of value added between production factors, as well as price and structural characteristics of certain industries.

Graph 20. Labor Supply and Unemployment Rate, YoY, %



Graph 21. Dynamics of Wages and Labor Productivity, YoY, %



Source: BNS ASPR RK

\*calculations of the NBK based on BNS ASPR RK data

### 2.3. Fiscal policy

#### In the third quarter of 2025, fiscal policy was countercyclical.

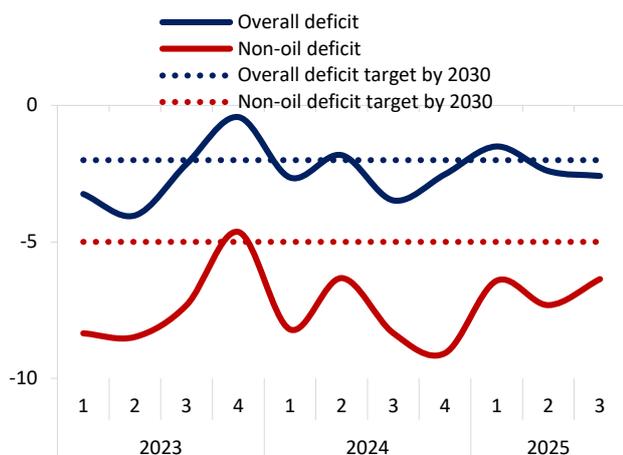
Given the positive output gap and the negative non-oil fiscal impulse, budget measures were primarily countercyclical in nature. However, the accumulated effect of fiscal stimulus from previous periods continues to fuel domestic demand and support inflationary pressures. Despite a slight deterioration in the overall balance due to a reduction in transfers from the National Fiscal Fund of the Republic of Kazakhstan and non-tax charges, the non-oil deficit is forming at more favorable values (Graph 22). The seasonally adjusted overall deficit was 2.6% of GDP, while the non-oil deficit was 6.4% of GDP. The deficit structure shows a positive trend in the non-oil structural budget deficit, which is associated with a reduction in real expenses (9% YoY) (Graph 23).

In the revenue part of the budget, there is a decrease in revenues in real terms, due to the effect of last year's high base on non-tax revenues, as well as a reduction in transfers from the NF RK. Tax revenue growth slowed in the third quarter (Graph 24). The lower tax increase is due to lower growth rates in VAT and CIT receipts amid a slowdown in economic activity in the third quarter of 2025 (from 7% to 6.3% YoY). The positive dynamics of the execution of the tax revenue plan for 9 months of this year remains. Since the beginning of the year, the planned targets have been exceeded mainly through revenues to local budgets (Graph 25). At the same time, the republican budget continues to have a shortage of CPI from large enterprises and VAT.

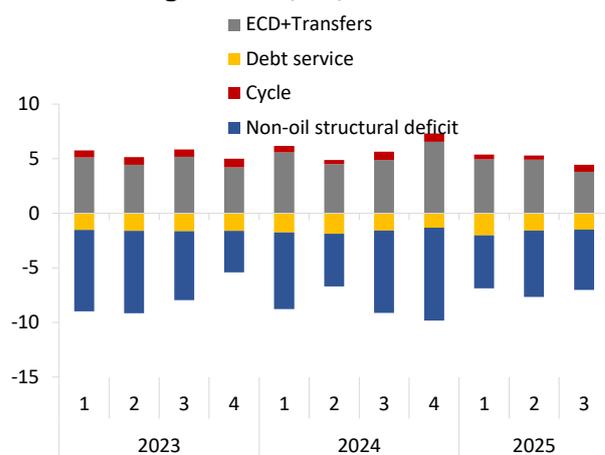
According to data for the third quarter of 2025, the expenditure side of the state budget shows an incomplete disbursement of planned funds (Graph 26). The main contribution to the reduction was made by expenses in the sectors of transport, health and education. In the structure of expenditures, there is a decrease in the share of capital expenditures in relation to GDP, while at the same time increasing current expenditures, which reflects to a greater extent government support for domestic demand (Graph 27).

In addition, according to the MF RK, the problem of non-fulfillment of planned expenses persists, where since the beginning of the year the amount of non-fulfillment has amounted to 1.5 trillion tenge. There is a situation typical for the budget cycle when the unspent part of the planned funds is mastered at the end of the year. This situation may lead to an acceleration of domestic demand in subsequent quarters. Moreover, the delayed effect of fiscal stimulus in previous years and an increase in the share of current costs are also factors in fueling domestic demand and inflationary pressures in the economy.

Graph 22. The non-oil budget deficit improved in the third quarter of 2025, SA, in % of GDP

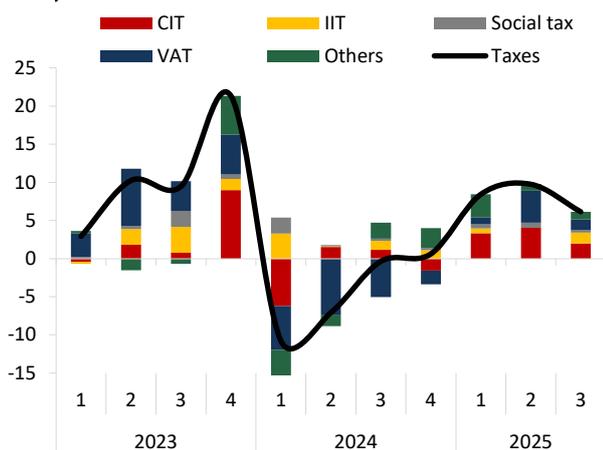


Graph 23. The non-oil structural deficit improved due to reduction in real spending, decomposition of the state budget deficit, SA, in % of GDP



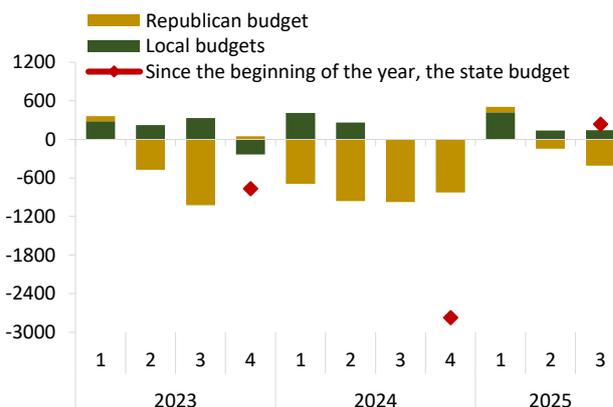
Note: Nominal GDP for the 3rd quarter of 2025 is the NBK's estimate  
Source: MF RK, BNS ASPR RK, NBK calculations

Graph 24. State budget taxes in real terms show a slowdown in growth in the third quarter of 2025, YoY, in %

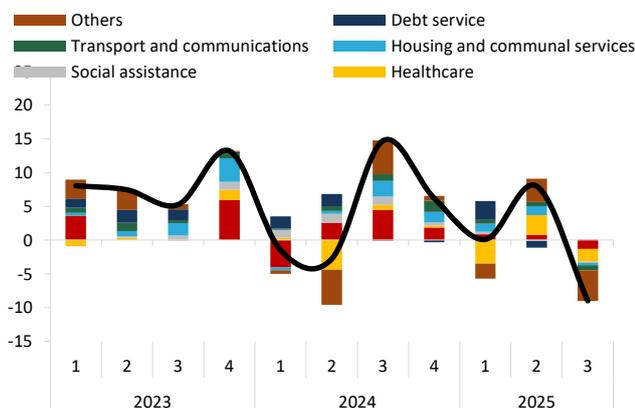


Source: BNS ASPR RK, NBK calculations

Graph 25. The implementation of the tax plan in 2025 continues to be provided by local budgets, for the quarter in terms of budget levels, billion tenge

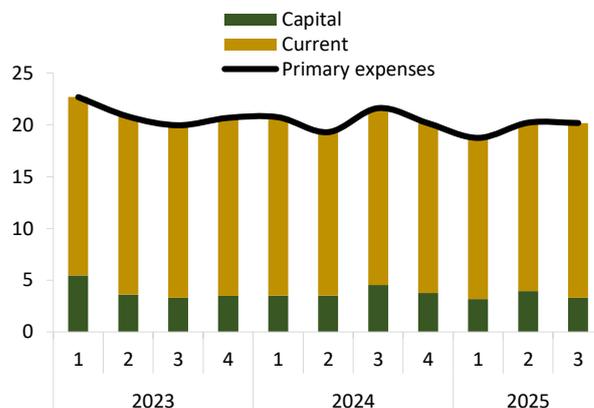


Graph 26. Real expenses decreased in the third quarter of 2025, YoY, in %



Note: Nominal GDP for the 3rd quarter of 2025 is the NBK's estimate  
Source: MF RK, BNS ASPR RK, NBK calculations

Graph 27. The share of capital expenditures to GDP decreased while increasing for current, SA, in % of GDP



### III. THE TRANSMISSION MECHANISM OF MONETARY POLICY

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

Money market rates were primarily formed near the lower bound of the base rate corridor. Deposit rates increased in response to the rise in the base rate.

Interest rates on corporate loans remained at their previous level. Interest rates on consumer loans were shaped by the share of installment plans, while mortgage rates were influenced to a greater extent by preferential programs.

Deposit growth is supported by an increase in both domestic and foreign currency deposits.

Bank lending continues to grow at a double-digit pace. Growth in consumer loans has slowed, while mortgage lending is accelerating. The growth of loans to small businesses has accelerated, and lending to medium and large companies remains at a high level.

The exchange rate dynamics were shaped primarily by domestic factors.

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

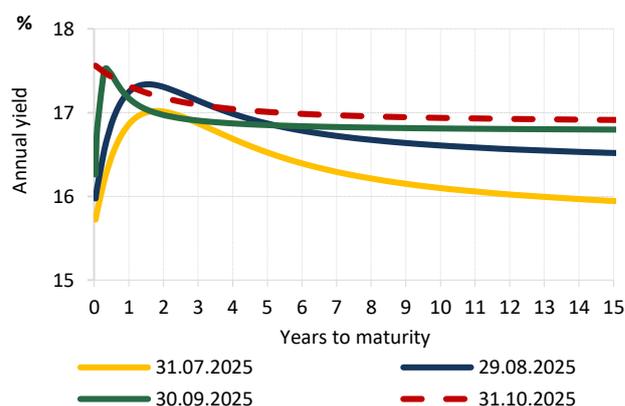
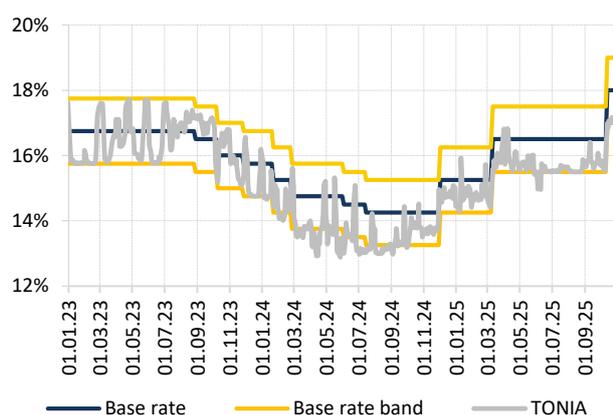
##### 3.1.1. Interest Rate Channel

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

From August to October 2025, money market rates followed the dynamics of the base rate. Against the backdrop of a liquidity surplus in the banking sector, TONIA stayed near the lower bound of the base rate corridor for most of the period (Graph 28). The spread between the TONIA rate and the base rate averaged (-)0.8 p.p. for August to October (May-July - (-)0.9 p.p).

In October 2025, yields on government securities increased across all segments of the yield curve (Graph 29). This occurred against the backdrop of an increase in the base rate and higher risks of elevated inflation in the future. The risk-free yield curve has taken an almost straight shape, with the highest values still at the one- to two-year horizon. The flatter dynamics at longer horizons, while yields remain at high levels, indicate risks of persistently high inflation.

Graph 28. The Interest Rate Band and the TONIA



Source: NBK, KSE

The increase in the base rate is gradually reflected in deposit rates (Graph 30). In the corporate segment, deposit rates showed significant growth (from 15.4% in July to 16.3% in October), reflecting their high elasticity to changes in monetary conditions. In the retail segment, the increase in deposit rates was moderate (from 14.3% to 14.6%), but with banks gradually adjusting their pricing policies, a further increase in the yield on retail deposits cannot be ruled out.

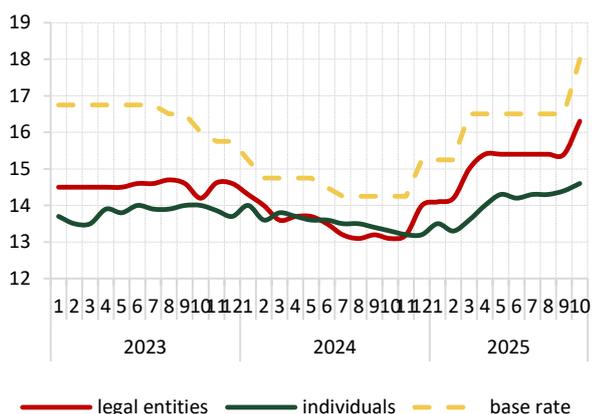
Lending rates for businesses remained unchanged.

Corporate lending rates. In September, the average weighted interest rate on business loans in the national currency remained almost unchanged compared with the previous quarter (Graph 31).

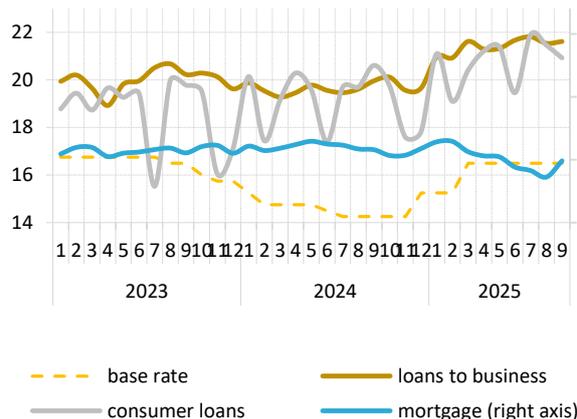
Lending rates for large and small enterprises increased slightly, while the cost of borrowing for medium-sized businesses declined.

*Retail lending rates* showed an increase compared with the previous quarter. Interest rates on consumer loans continue to be shaped by changes in the share of installment plans in the total volume of consumer lending. In August of this year, the introduction of new market mortgage products at low rates contributed to a slight decrease in the mortgage rate (Graph 31). However, in September, after some banks adjusted rates on new mortgage products, the indicator returned to a level comparable to that of June.

Graph 30. Deposit rates in national currency, %



Graph 31. Lending Rates in National Currency, %



Source: NBK

### 3.1.2. Credit channel and deposits (Wealth channel)

**The loan portfolio of second-tier banks grew 22.7% YoY in September 2025, driven by the acceleration in business lending and the sustained growth rates of household lending (Graph 32).** The growth rate of consumer lending slowed to 26.2% YoY. At the same time, household demand remains elevated due to the popularity of installment plans, active promotion of banking products, and high inflation expectations.

In September, mortgage lending continued to expand, reaching 15.9% YoY amid the implementation of preferential programs, including 'Nauryz' and 'Nauryz Zhumysker'.

Against the backdrop of the above-mentioned factors, household lending as a whole increased by 23.5% YoY.

**In September 2025, activity in the small business segment increased.**

Bank lending to businesses continued to accelerate in September, reaching 21.5% YoY, mainly due to stronger growth in loans to small businesses. Lending to large and medium-sized enterprises also remained active, with growth rates of 28.6% YoY and 32.5% YoY, respectively.

**The rise in interest rates is accompanied by a rapid increase in deposit volumes.**

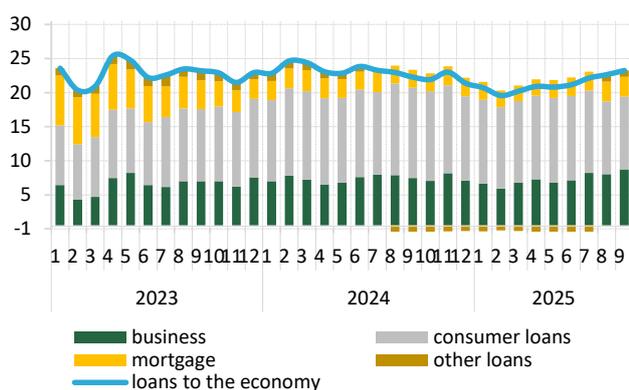
Deposits in deposit-taking institutions increased by 18.0% y/y as of the end of October this year (Graph 33). The main contribution to growth came from deposits in the national currency (by 18.2% y/y), which remain attractive due to the high yield differential relative to foreign currency deposits. Foreign currency deposits increased (by 17.4% y/y) due to their exchange rate revaluation and some inflow of new deposits. The household savings rate<sup>6</sup> increased in Q2 2025, settling at around last year's peak. The share of households with savings<sup>7</sup> remains above the historical average, standing

<sup>6</sup> The indicator calculated on the basis of the data of BNS ASPR RK according to the following formula: (total household income - total household expenditure)/total household income

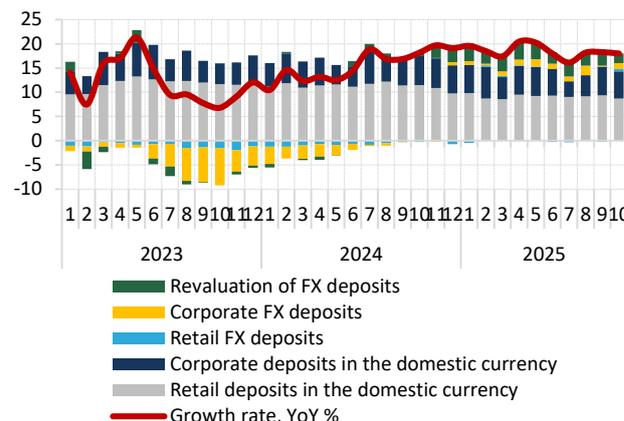
<sup>7</sup> According to population surveys on inflation expectations (<https://nationalbank.kz/ru/page/inflyacionnye-ozhidaniya>)

at 25.1% in October.

Graph 32. Loans to the Economy from STBs (portfolio), YoY, %



Graph 33. Residents' deposits in deposit organizations, YoY, %



Source: NBK

### Dollarization of deposits reached a new historical low in September this year.

In October, the level of dollarization of deposits decreased compared to July, amounting to 21.2% (22.2% in July). A reduction in the share of foreign currency deposits was observed in both the individual (18.4%) and corporate (24.8%) segments. The continuing decline in dollarization of deposits, which reached a historical low in September (20.6%), reflects a steady trend of de-dollarization, supported by the increased attractiveness of tenge instruments following the adjustment of monetary conditions.

#### Box 3. Alternative Sources of Financing: The Role of Settlements with Counterparties

Enterprises do not always rely on bank loans to finance their activities. In practice, alternative sources are widely used, such as bond issuance, factoring, venture capital, participation in government programs, and subsidies. In addition, to maintain liquidity, enterprises often resort to tools such as deferred payments to suppliers and advance payments from clients, which, in turn, form accounts payable and receivable. These mechanisms allow enterprises to maintain their operating cycle without attracting additional borrowed funds, especially in the short term.

Accounts receivable arises when a company provides goods or services with deferred payment to stimulate sales and strengthen relationships with customers, while accounts payable occurs when the company itself receives deferred payments from suppliers in order to efficiently manage cash flow, maintain liquidity, and finance ongoing operations without resorting to external loans.

- Accounts receivable refers to amounts owed to the company by its customers, clients, and other debtors.

- Accounts payable refers to the company's obligations to its suppliers, contractors, and others. The results of enterprise surveys for the second quarter of 2025 show that accounts payable make up a significant share of short-term liabilities<sup>8</sup>. This instrument plays an especially important role for small and medium-sized enterprises. For example, in the structure of short-term liabilities, the average share of accounts payable among large enterprises is 31.3%, while for small enterprises this figure reaches 52.2% (Figure 1).

This difference in liability structure is explained by the fact that large enterprises have broader access to borrowed funds. They possess greater collateral assets, stable financial indicators, and professional finance departments, which make them more attractive and reliable borrowers for banks. In contrast, for small enterprises, a larger share of other liabilities is associated with the active involvement of owners in managing and financing their business, which manifests, among other things, in payables to founders. Moreover, small firms are more likely to experience payment delays on mandatory obligations such as wages, rent, taxes, and

<sup>8</sup> The share weighted by the total number of employers

other payments. Nevertheless, accounts payable remains the key source of operational sustainability for small and medium-sized enterprises.

**Figure 1. Structure of short-term liabilities of firms, % share**



Source: Quarterly surveys of the NBK; calculations by the NBK.

An important element of effective management of accounts receivable and payable is maintaining a positive cash gap. This means that cash inflows from clients occur earlier than payments to suppliers are due. Such a balance enables enterprises to meet their obligations on time, reducing financial pressure and supporting business stability.

To this end, turnover ratios for accounts receivable and payable were calculated. The receivables turnover reflects the average period a company takes to collect payments from customers, while the payables turnover shows the average time it takes to settle with suppliers<sup>9</sup>. The average receivables turnover period amounted to 62.3 days, while payables turnover averaged 104.4 days. This indicates that, on average, enterprises receive funds from customers significantly earlier than they pay their suppliers.

Approximate calculations based on available data (without taking into account the maturity structure of debts) showed that 61.2% of enterprises have receivables that turn over faster than payables. For 37.4% of respondents, the opposite is true — payables turn over faster. However, since the calculations were based on average debt volumes without considering maturity dates, it cannot be concluded definitively that these enterprises face a negative cash gap.

Nevertheless, enterprises survey data indicate that enterprises experience challenges in managing working capital efficiently. Thus, 19.8% of respondents reported overdue accounts payable exceeding 90 days, and 23.5% — overdue accounts receivable. Additionally, 14.7% of enterprises noted difficulties in recovering receivables. Such companies may require additional working capital financing and therefore represent potential bank borrowers.

### 3.1.3. Exchange rate channel

#### **The exchange rate dynamics were driven primarily by domestic factors.**

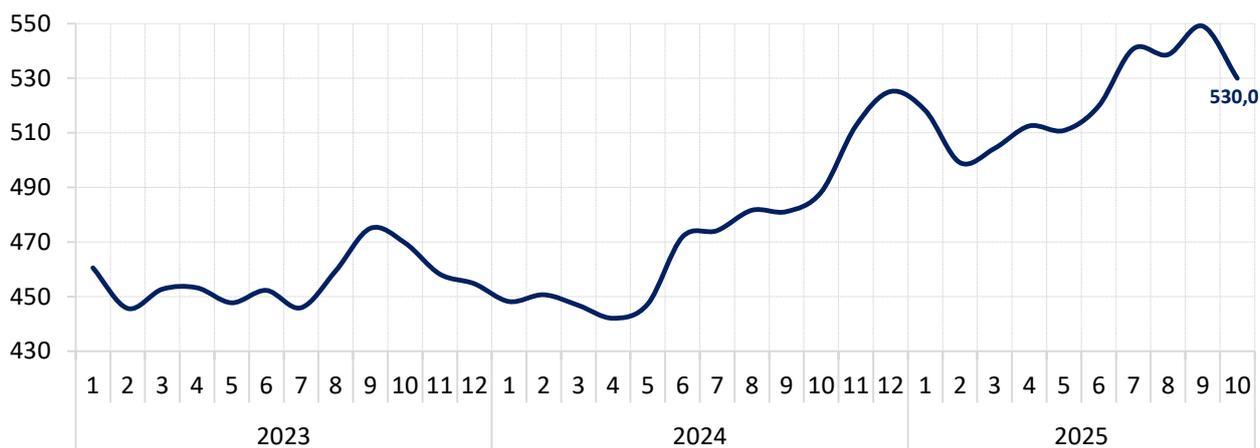
In October of this year, compared with July, the tenge appreciated against the US dollar by 1.9%, mainly due to domestic factors (Graph 34). Support came from mirroring gold purchase operations<sup>10</sup>, as well as foreign currency sales by the NF and the quasi-government sector. Additional support for the national currency was provided by non-resident inflows into government securities of the Republic of Kazakhstan (inflows of KZT 160 billion during October) amid an increase in the base rate.

<sup>9</sup> *Accounts receivable turnover = revenue / average accounts receivable*

*Accounts payable turnover = cost of goods sold / average accounts payable*

<sup>10</sup> *Taking into account the accumulated unsterilized liquidity since the beginning of the year, the National Bank plans to conduct foreign currency sales equivalent to KZT 1.4 trillion during the fourth quarter as part of mirroring operations.*

Graph 34. Exchange rate of the tenge to the US dollar (*tenge per one US dollar, end of month*)



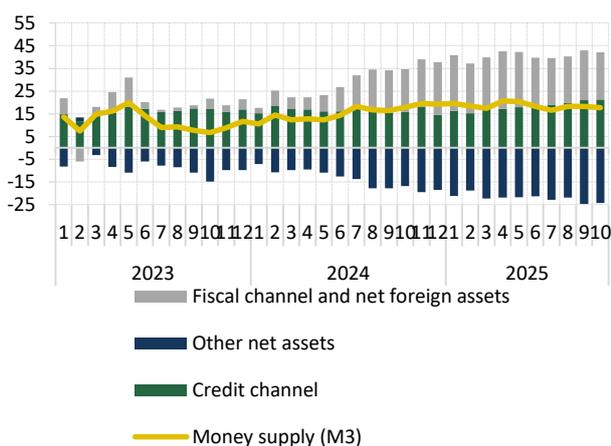
Source: KASE

### 3.2. Money supply

#### Money supply growth continued.

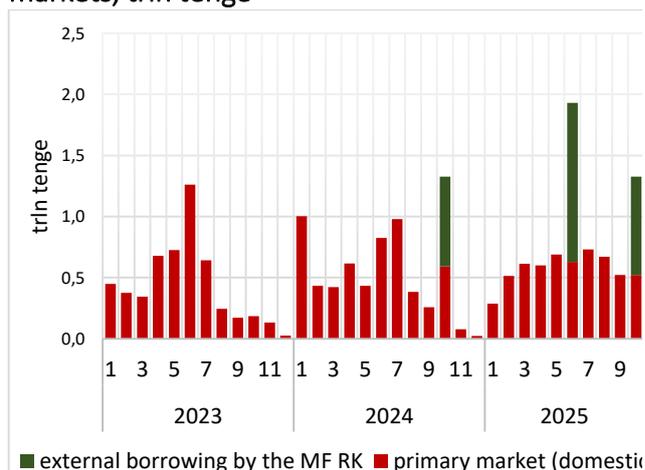
In October of this year, the annual growth rates of the total money supply and its tenge component were 17.7% and 17.8%, respectively (Graph 35). The expansion of the money supply was supported by the growth of lending, as well as an increase in the contribution of fiscal operations and external assets due to the government’s attraction of external borrowing to finance the budget deficit. In August–October 2025, the volume of government securities issued by the Ministry of Finance of the Republic of Kazakhstan increased by 50.4 percent compared with the same period of the previous year (Graph 36). The increase was mainly driven by the short-term segment (securities with maturities of up to 1 year, where issuance expanded by 5.2 times) and the long-term segment (securities with maturities of more than 5 years, where issuance rose by 2.9 times), while a decline of 26.8 percent was recorded in the medium-term segment with maturities from 1 to 5 years.

Graph 35. Money supply, YoY, %



Source: NBK, KASE

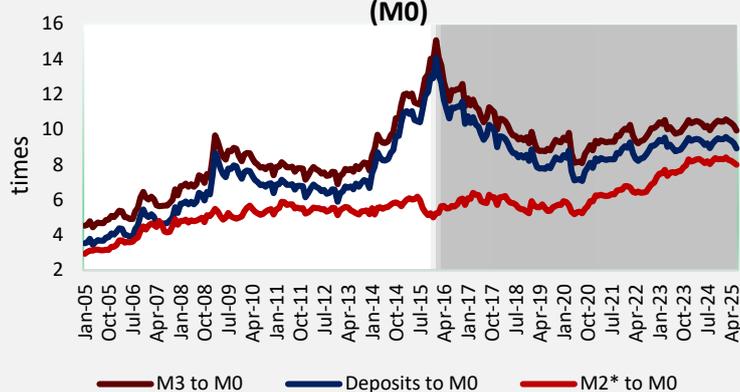
Graph 36. Volume of MoF RK government securities issuance in domestic and external markets, trln tenge



#### Box 4. Analysis of currency in circulation (M0)

Cash (M0) is a component of the money supply and a traditional payment instrument. Despite the widespread use of cashless payment methods, cash still retains its significance as a means of payment in Kazakhstan. According to a survey conducted by the NBK<sup>11</sup> in 2024, 48.9% of respondents used cash as a payment method. In Europe, as shown by the ECB SPACE-2024<sup>12</sup> and SNB-2024<sup>13</sup> surveys, the option of paying with cash remains important for the majority of consumers, despite the increase in the share of payment cards and digital payments.

**Graph 1. The ratio of aggregates and the deposit component to currency in circulation (M0)**



Source: NBK

deposits per 1 tenge of currency in circulation. The higher the value of these indicators, the higher the share of non-cash forms of money compared to cash. The analysis of historical dynamics shows that over the past 20 years, there has been an upward trend in the ratio of M3 (total money supply) to M0 and deposits to M0 (Graph 1), indicating a faster growth in demand for non-cash forms of money compared to cash. The most pronounced growth in these indicators occurred during periods of turbulence in the foreign exchange market (2009 and 2014-2016). This phenomenon can be explained by the fact that M3 also includes foreign currency deposits, which reflect currency revaluation and demand for foreign currency. After the normalization of the situation in the foreign exchange market, the indicators demonstrated a downward trend until August 2020. Unlike the M3 to M0 ratio, the M2\* to M0 ratio increased more moderately, as it is formed from tenge deposits and cash. In 2009 and 2016, despite the volatility of M3 to M0, the M2\* to M0 ratio showed no significant change. From January 2005 to March 2009, the ratio increased from 2.9 to 5.5. Then, from 2009 to 2020, the ratio fluctuated within a relatively narrow range of 4.9 to 6.4. However, since Q2 2020, as the digitalization of financial services developed, the M2\* to M0 ratio entered a phase of steady growth, rising from 5.2 in May 2020 to 8.3 in December 2024. It is also worth noting that during the observed historical period, there were short-term spikes in M0 during periods of high uncertainty and external shocks, in 2009, 2014, 2015, 2020, and 2022.

As part of further expansion of the analysis, annual changes in nominal and real M0, as well as M0 and real GDP, were compared (Graph 2). Comparing the dynamics of M0 in nominal and real terms allowed for the separation of the price component from the change in the “pure”/ “real” demand for cash. The increase in the gap between nominal and real M0 reflects accelerating inflation, while its narrowing indicates a weakening of price pressure. For example, from 2017 to early 2020, with relatively low inflation, the divergence between nominal and real M0 remained small, while in 2021–2023, against the backdrop of inflationary pressure, real M0 showed a negative trend, while in nominal terms, the indicator remained positive.

In addition, on a short-term horizon, the M0 aggregate serves as an operational indicator of changes in the behavior of economic agents, responding to episodes of uncertainty and shocks. Considering the above, the analytical interest lies in the analysis of the money supply structure and the explanation of its changes over time. For this purpose, indicators of the ratio of major monetary aggregates to currency in circulation were used, namely M3/M0, M2\*<sup>14</sup>/M0, and deposits/M0. These indicators show the volume of the corresponding monetary aggregate (including both deposits and cash) and

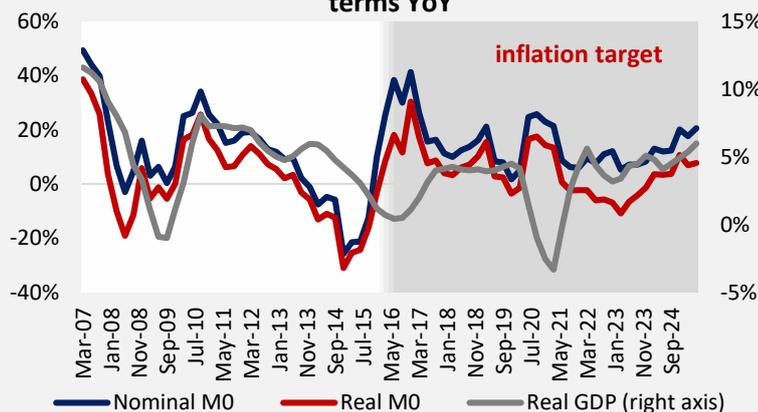
<sup>11</sup> National Bank of the Republic of Kazakhstan. Economic Review, No. 4, 2024. «Changes in Payment Preferences of Economic Entities in the Use of Cash Based on Sociological Research by the NBK»;

<sup>12</sup> European Central Bank. Study on the Payment Attitudes of Consumers in the Euro Area (SPACE), 2024

<sup>13</sup> Swiss National Bank. Payment Methods Survey, 2024

<sup>14</sup> M2\* - tenge money supply

**Graph 2. Dynamics of cash in nominal and real terms YoY**



Source: NBK

A comparison with real GDP showed that the relationship between real M0 and GDP was noticeably stronger before 2016. Until 2008, the increase in M0 corresponded to the dynamics of economic growth. In 2008-2009, the global crisis led to a decline in real GDP and a corresponding sharp decrease in real M0. In 2014-2015, the volume of tenge currency in real terms temporarily decreased alongside a decline in economic activity due to a significant drop in oil prices, weakening of the tenge, and heightened inflation expectations. However, since 2016, the alignment of the two indicators has become more unstable. For example, in 2016, real M0 grew

significantly while real GDP growth slowed. In turn, the pandemic shock of 2020 was accompanied by an increase in M0 despite the decline in real GDP. In 2016, 2018, and 2020, the demand for cash likely reflected high uncertainty and the corresponding implementation of the precautionary motive. Since 2023, there has been a visible recovery of alignment with GDP. Thus, excluding periods of shocks, the trajectories of M0 and GDP remained mostly aligned in most periods.

Thus, the dynamics of cash are influenced by a combination of factors. In the long term, it is determined by the development of payment infrastructure and digitalization (online banking, ease of transfers between accounts), trust in the banking system, business activity, and other factors. At the same time, during certain periods of shocks, cash may exhibit higher volatility when the precautionary motive intensifies. Therefore, cash responds more quickly to short-term changes, including during crisis periods, and thus M0 can be seen as an operational indicator of public sentiment.