NATIONAL BANK OF KAZAKHSTAN

MONETARY POLICY REPORT

February 2026

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 **March 5, 2026**.

CONTENT

THE DECISION ON THE BASE RATE OF MARCH 6, 2026

The Monetary Policy Committee of the National Bank of Kazakhstan has decided to set the base rate at 18% with a corridor of +/- 1 percentage point. The decision is based on the forecast round results, updated assessments of key macroeconomic indicators and inflation risks balance.

Annual inflation slowed down to 11.7% in February (12.2% in January) in line with forecast. Price growth is slowing across all inflation components.

Disinflation is being supported by moderately tight monetary conditions, appreciation of the tenge, slowdown in unsecured consumer lending, reduction of excess liquidity through gradual increase of minimum reserve requirements and mirroring of gold purchases, comprehensive set of anti-inflationary measures implemented jointly with the Government. The moratorium on increase in prices for utilities and fuel contributes to the inflation decline as well. The impact of the VAT rate increase on inflation assessed limited.

Household inflation expectations one year ahead have decreased, but remain elevated and volatile (13.7% in February). February inflation expectations of professional market participants for 2026 have decreased to 10.0% (10.8% in January).

Under the baseline scenario, in the first half of the year Brent oil prices are projected to be temporarily higher than previously assumed, amid persistently elevated prices associated with the escalation of the conflict in the Middle East. Thereafter, oil prices are assumed to gradually decline to around USD 60 per barrel, based on the balance of global supply and demand.

The inflation forecast for 2026 has been revised downward. Price growth is projected at 9.5-11.5%. Along with this, the National Bank expects the inflation to reach single-digit levels as a result of the implementation of joint actions by the Government and the National Bank, ensuring predictable fiscal and quasi-fiscal policies, as well as a reduction in the contribution of utilities and fuel prices to inflation growth. Inflation is projected to slow to 5.5%-7.5% by the end of 2027. By the end of 2028, it will be close to the 5% target.

GDP growth forecast for 2026 remains in the range of 3.5-4.5%. A more balanced trajectory of economic activity in 2026 and further is expected due to the high base. Domestic demand is expected to slow amid fiscal consolidation and cooling consumer lending.

The National Bank will continue to assess the pace of inflation slowdown, the developments in domestic demand, the actual execution of fiscal consolidation measures, and the implementation quality of quasi-fiscal stimulus policies. The effectiveness of anti-inflationary measures will also be monitored jointly with the Government, along with developments in utility and fuel prices and the ongoing adaptation of households and businesses to the tax reform. Subject to a sustained slowdown in inflation and the absence of new pro-inflationary shocks, the possibility of the base rate cut will be considered from the second half of 2026. Under current conditions, the space for monetary policy easing has not yet developed.

I. ECONOMIC DEVELOPMENT PROSPECTS

1.1. Key External Assumptions

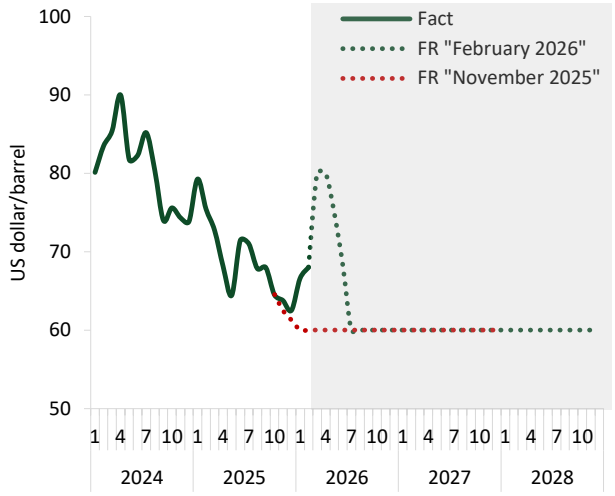
1.1.1. Commodity markets

The conflict in the Middle East has increased uncertainty in the global oil market. Going forward, oil prices are expected to be shaped by fundamental factors and to stabilize around $60 per barrel starting from the second half of 2026 (Graph 1).

At the beginning of 2026, oil prices rose noticeably amid increased risks of potential supply disruptions from Venezuela and countries in the Middle East. However, these risks are expected to have only a short-term impact. Going forward, prices are likely to face downward pressure from an oil surplus driven by accumulated inventories built up during 2025, as well as expected increases in oil production in the United States, Brazil, Guyana, Argentina, and Saudi Arabia.

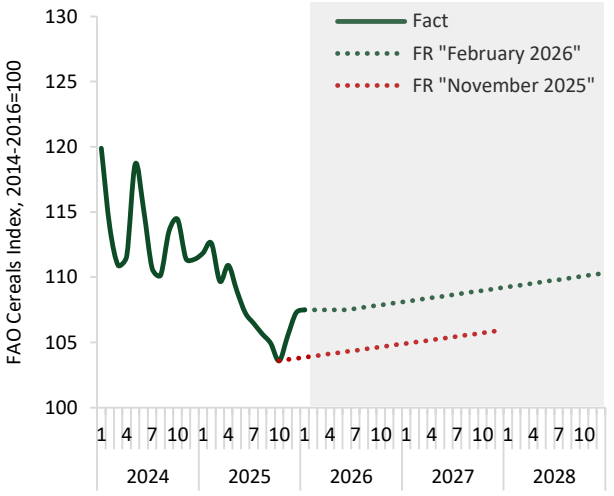
Oil demand is expected to grow, but at a slower pace than supply. Demand is likely to be supported by countries' adaptation following the U.S. tariffs, as well as by lower oil prices compared to 2025. In addition, China is expected to continue replenishing its strategic reserves. Further support to demand will come from increased consumption in India, the Middle East, and Africa.

Graph 1. In the baseline scenario, the oil price is assumed at USD 60 per barrel.



Source: EIA, Consensus Economics, NBK calculations

Graph 2. Cereal prices are expected to grow at a moderate pace.



Source: UN FAO, NBK calculations

Cereal production is expected to increase, which may help reduce price pressures in the short term. Going forward, prices are expected to grow at a moderate pace (Graph 2).

Global food prices continue to decline. In January 2026, the FAO index fell to 123.9 points (-0.4% m/m). Prices for dairy products and sugar continue to decrease. Over the past two months, meat prices have also shown a decline.

1.1.2. Global economic development and trade partner countries

China's economy is expected to continue gradually slowing, while growth in the EU will remain moderate. The Russian economy is expected to gradually stabilize at its potential level.

The global composite business activity index continued to increase in January 2026. Activity in the manufacturing sector rose, although the recovery remains uneven. In some countries, growth is constrained by tariffs and uncertainty. Activity in the services sector continues to grow steadily, indicating that consumer demand remains one of the main drivers of economic growth.

Current economic activity in China is performing above expectations, largely due to strong growth in external trade driven by front-loaded shipments. In the EU, growth remains moderate, supported by domestic demand and a recovery in investment. In Russia, as expected, economic growth slowed significantly in 2025 and amounted to 1.0% y/y.

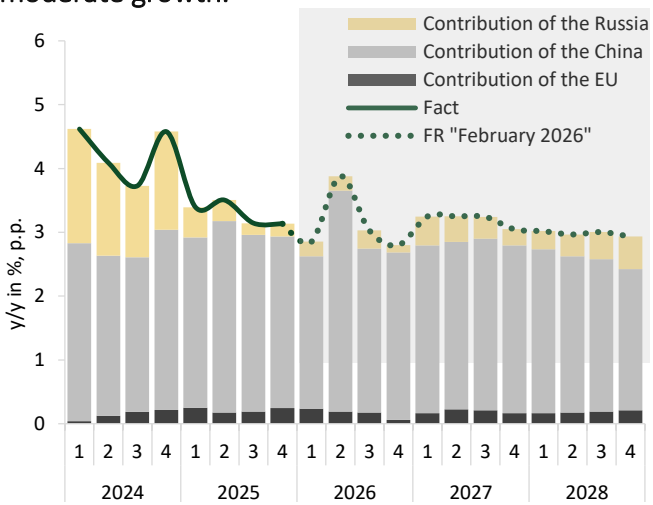
According to IMF[1] forecasts, global economic growth will remain unchanged at 3.3% y/y in 2026 and will slightly slow to 3.2% y/y in 2027. China's economy is expected to gradually slow under the influence of domestic factors, including weak demand, difficulties in the real estate market, and population aging[2]. The EU economy is expected to gradually recover, supported by strong domestic demand and rising investment. Russia's economy, amid sanctions pressure and declining oil revenues, is expected to slow and then gradually stabilize at its potential level (Graph 3).

Inflation risks remain elevated mainly due to developments in Russia, where inflation is expected to return to the target only by 2027. In China and the EU, inflationary pressures are expected to remain moderate.

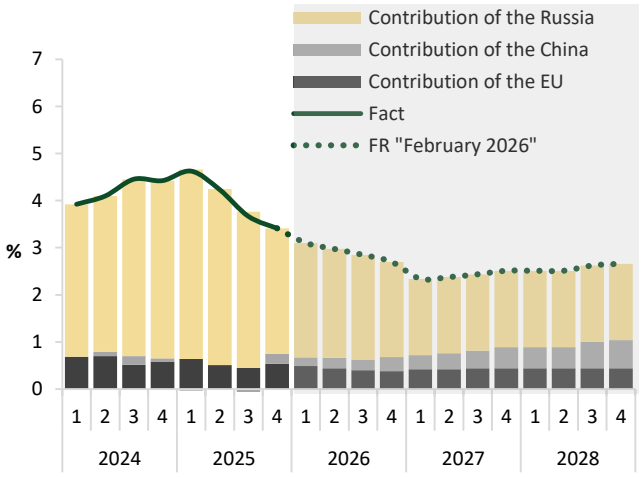
Inflation remains elevated in many countries. Core inflation still exceeds target levels, while households' inflation expectations remain high. Among Kazakhstan's trading partners, inflation risks are largely associated with Russia, where inflation accelerated to 6.0% y/y in January 2026 amid the increase in VAT, higher administered tariffs, and rising prices for fruit and vegetable products. In the EU, inflation remains close to the 2% target, while in China it is below 1%.

In the near term, inflation in Russia is expected to remain elevated. As temporary factors gradually fade, inflation is expected to slow. Inflation is projected to return to the target level by early 2027. In the EU, inflation is expected to remain contained, while in China it will remain low throughout the forecast horizon (Graph 4).

Graph 3. Aggregated external GDP* – External demand is stabilizing and is expected to show moderate growth.



Graph 4. Aggregated external inflation** – External inflationary pressures remains persistent.



** 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

External monetary conditions remain unchanged compared with the previous forecast round.

In recent months, major central banks have increasingly adopted a wait-and-see approach regarding further interest rate cuts. This reflects the fact that despite declining inflation, uncertainty remains high amid geopolitical risks.

[1] *IMF* World Economic Outlook*, January 2026*
[2] *Consensus Ecs.*

After three rate cuts in 2025, the U.S. Federal Reserve paused and kept the policy rate at 3.75% per year. As before, a cautious reduction of the rate is expected over the forecast horizon. The European Central Bank also left its rate unchanged at 2.15% per year and adopted a wait-and-see stance; the market assesses the probability of a rate change in 2026 as low. At its meeting in February 2026, the Bank of Russia cut the policy rate by 50 basis points to 15.5% per year, while the signal remained moderately dovish. Further rate cuts are possible at upcoming meetings.

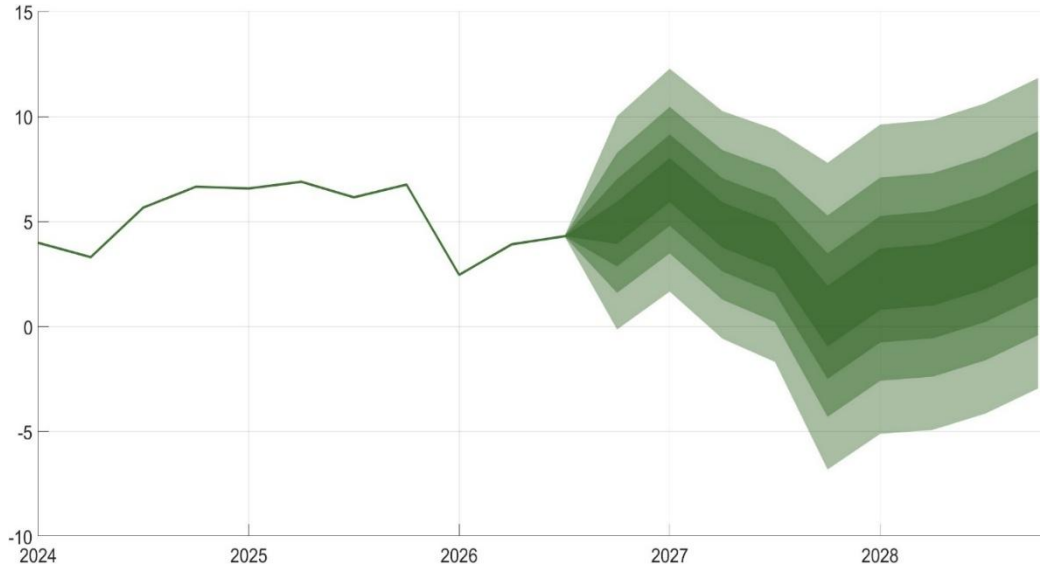
1.2. Economic outlook under the baseline scenario

Economic activity at the end of 2025 was close to the upper bound of the NBRK forecast range. Real GDP growth reached 6.5% in 2025. The main drivers of economic expansion were strong consumer and investment demand, as well as growth in oil exports. The updated forecasts remain broadly in line with previous expectations. Domestic demand is expected to remain the key driver of economic growth in 2026-2027, supported by strong investment activity and quasi-fiscal stimulus. Accordingly, GDP growth in 2026 is projected to remain within the range of 3.5-4.5%, while in 2027 growth is expected to reach 4-5%. In 2028, economic growth is projected to gradually converge toward its potential level, remaining within the 3.5-4.5% range (Graph 5).

In 2026, domestic demand is expected to remain the main driver of economic growth in Kazakhstan. Its dynamics will be largely supported by investment activity, which continues to be stimulated by quasi-fiscal measures. Consumer demand is expected to grow at a more moderate pace compared to 2025. This reflects both the high base effect of the previous year and some weakening of demand following the increase in VAT. In the initial periods after VAT rate increases, households typically do not significantly expand spending on non-food and durable items. An additional factor limiting excessive demand growth will be the slowdown in consumer lending, reflecting the effects of macroprudential measures currently in place.

Exports are not expected to demonstrate strong growth at the beginning of the year, primarily due to the temporary suspension of production at the Tengiz oil field. Maintenance works may temporarily constrain oil production and export volumes. At the same time, exports will be supported by higher volumes of food exports, including grain, following the strong harvest in 2025. In 2027-2028, the forecast assumes a gradual easing of the quasi-fiscal impulse, although it is expected to remain positive. At the same time, the implementation of investment projects launched in 2025-2026 will continue to support economic growth. The oil sector is expected to provide additional support to growth in the medium term, reflecting the planned increase in oil production.

Graph 5. The projected path for economic growth remains unchanged



Source: NBK forecasts

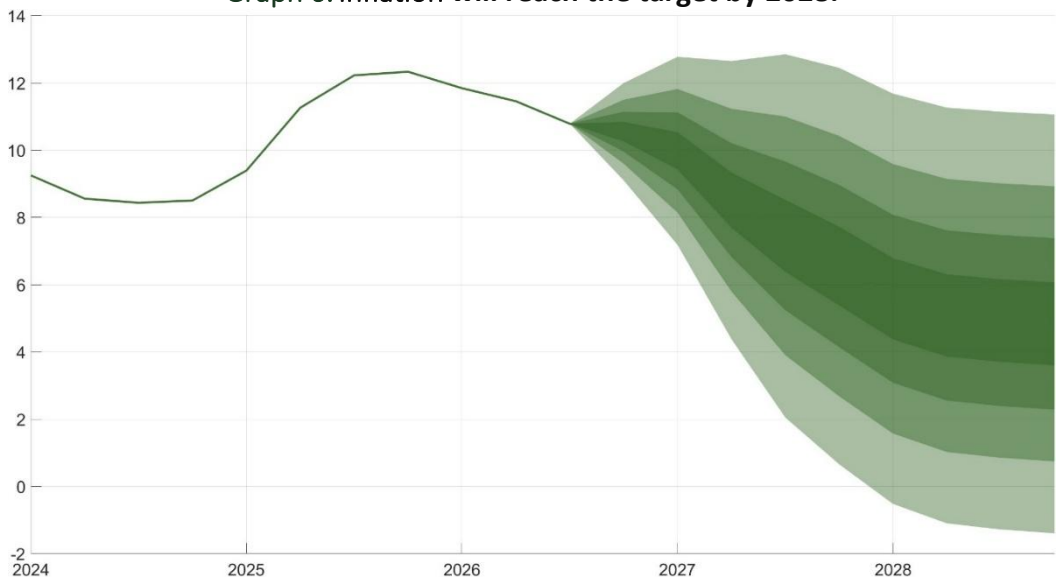
The significant positive output gap that emerged in 2025 due to large-scale quasi-fiscal stimulus is expected to gradually narrow.

Nevertheless, the ongoing implementation of projects by Baiterek NIH JSC will keep the gap positive until the end of 2027, sustaining proinflationary pressures**.** As fiscal consolidation proceeds and the quasi-fiscal impulse weakens, economic activity is expected to gradually return to its potential level over the medium term, while the output gap will decline toward near-zero levels.

Inflation dynamics are developing in line with the forecasts of the NBK based on the results of the November 2025 forecast round and are being shaped by a number of mixed factors, including the strengthening of the nominal exchange rate, the moratorium in the fuel and HCS markets, the slowdown in consumer lending growth, the increase in the VAT rate, and quasi-fiscal stimulus. Inflation is also being restrained by a moderately tight monetary policy.

The assumptions in the current forecast round have not undergone significant changes; therefore, expectations for inflation in 2026-2027 have generally remained unchanged. Nevertheless, in 2026 the forecast inflation range was updated downward and narrowed to 9.5-11.5%, reflecting the actual inflation dynamics and the recent strengthening of the exchange rate. Inflation is expected to slow to 5.5-7.5% in 2027 (table 1). In 2028, as quasi-fiscal stimulus narrows, fiscal consolidation is implemented, and the output gap closes, inflation is expected to approach the target level of 5% (Graph 6).

Graph 6. Inflation **will reach the target by 2028.**



Source: NBK forecast

The inflation forecast for 2026 has been revised downward to 9.5–11.5%. This revision is related to more restrained actual inflation dynamics, updated assumptions on housing and utility tariffs and fuel prices, as well as a more moderate estimate of the impact of VAT on inflation. The decline in annual inflation will be supported by the high base effect of the previous year and the influence of the current strengthening of the exchange rate on price formation in the country. Nevertheless, pro-inflationary risks remain in 2026, driven by the combined impact of external and domestic factors. External factors include high prices in global food markets, the strong ruble, and high inflation in Russia, which exceeds its target level. Domestic factors include rising production costs and resilient consumer demand.

In the medium term, inflation is expected to slow. In 2026, according to the joint plan of the Government and the NBK, inflation will move into single-digit territory. The slowdown in inflation will be supported by the gradual stabilization of inflation expectations as a result of the moderately tight monetary policy of the NBK, fiscal consolidation (compliance with fiscal rules and the absence

of targeted transfers from the National Fund of the Republic of Kazakhstan), and the narrowing of the quasi-fiscal impulse. Additional disinflationary effects are expected from anti-inflationary measures implemented under the Joint Action Program of the Government, the NBK, and the ARDFM, as well as the gradual convergence of inflation in Kazakhstan's trading partner countries toward their target levels.

Taking into account the impact of all these factors, inflation is expected to decline to its 5% target in 2028.

Table 1. Forecasts under the baseline scenario*

	2026	2027	2028
GDP, *y/y, %*	**3,5-4,5** (3,5-4,5)	**4-5** (4-5)	**3,5-4,5**
CPI, *Dec. to Dec. Previous year, %*	**9,5-11,5** (9,5-12,5)	**5,5-7,5** (5,5-7,5)	**around 5,0**
Brent, *USD/Barrel, average per year*	**66,3** (60)	**60** (60)	**60**

Table 1 (a). Forecasts under the pessimistic scenario

	2026	2027	2028
GDP, *y/y, %*	**3-4** (3-4)	**3,5-4,5** (3,5-4,5)	**3,5-4,5**
CPI, *Dec. to Dec. Previous year, %*	**10-12** (10-13)	**6-8** (6-8)	**5,0**
Brent, *USD/Barrel, average per year*	**47,9** (40)	**40** (40)	**40**

Table 1 (b). Forecasts under the optimistic scenario

	2026	2027	2028
GDP, *y/y, %*	**4-5** (4-5)	**4-5** (4-5)	**3,5-4,5**
CPI, *Dec. to Dec. Previous year, %*	**9-11** (9-12)	**5,5-7,5** (5,5-7,5)	**5,0**
Brent, *USD/Barrel, average per year*	**77,7** (80)	**80** (80)	**80**

Source: NBK forecast

**The forecast in parentheses reflects the projections from the «November 2025» forecast round.*

1.3. Medium term risks

Compared with the previous forecast round, the balance of risks has somewhat decreased; however, the probability of inflation deviating from the projected path remains elevated, which necessitates maintaining moderately tight monetary conditions (Graph 7).

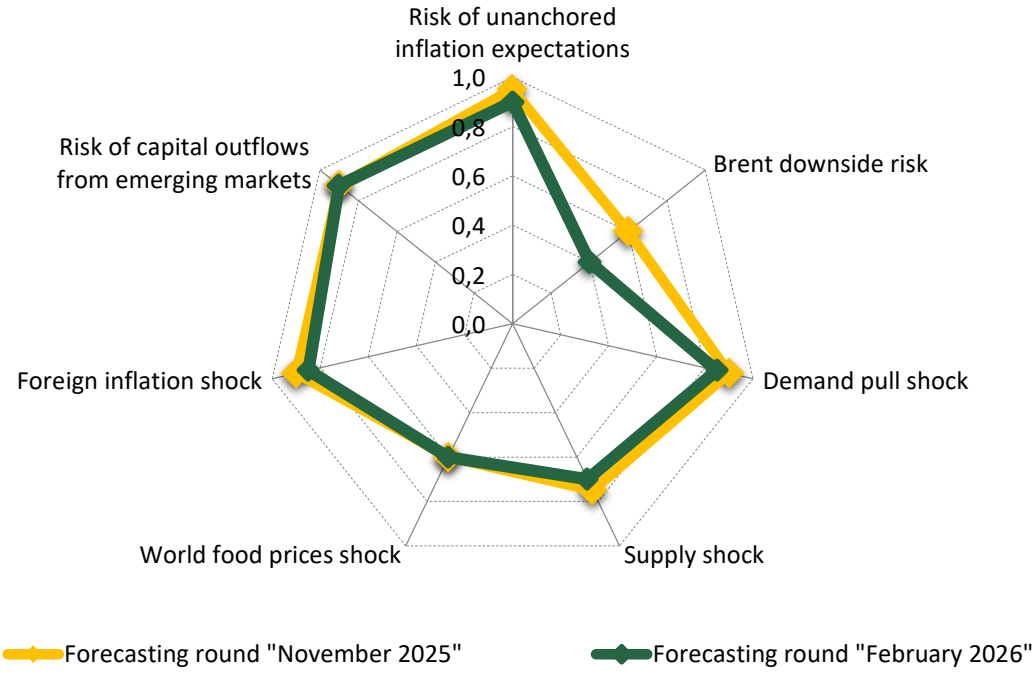
Among external factors, the risks of accelerating external inflation have declined amid its gradual slowdown in Russia, weak inflation dynamics in China, and the overall expected return of inflation in trading partner countries to target levels over the forecast horizon.

The risks of a decline in global oil prices have decreased due to heightened geopolitical tensions in the Middle East, which increase the likelihood of supply disruptions and support the price environment.

Among domestic factors, demand-side risks have somewhat eased against the backdrop of the observed slowdown in consumer activity. Supply-side risks have also declined due to the moderate implementation of the VAT rate increase and the gradual slowdown in food price growth. At the

same time, domestic demand and supply risks remain elevated due to ongoing reforms in the housing and utilities sector, the liberalization of the fuel and lubricants market, and the continued quasi-fiscal stimulus. Additionally, a possible deviation from compliance with fiscal rules in setting budget parameters could lead to stronger domestic demand and an acceleration of inflationary processes.

Graph 7. The balance of risks is tilted to the upside for inflation.



Source: NBK forecasts

Risks of capital outflows from emerging markets persist amid the escalation of the conflict in the Middle East. Rising geopolitical tensions increase investors' preference for safe-haven assets and developed markets. As a result, this may lead to the depreciation of emerging market currencies, increased volatility in financial markets, and higher borrowing costs for their economies.

Risks to the economic growth forecast are mainly associated with oil export dynamics, including possible production disruptions and the potential recurrence of technical export constraints via the Caspian Pipeline Consortium (CPC).

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

According to the baseline scenario, the current account of the balance of payments is projected to remain in the deficit zone over the medium term. This will be driven by the gradual scenario-based decline in oil prices and the continued growth in the consumption of intermediate and investment imports.

The current account forecast has been slightly revised (Table 2) due to updated expectations of global oil prices, goods imports, as well as income balance.

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

	2020	2021	2022	2023	2024	2025	2026 (f)	2027 (f)	2028 (f)
Current account as % of GDP	**-6.5%**	**-1.4%**	**2.8%**	**-3.6%**	**-2.8%**	**-3.9%**	***-3.7%*** *(-4.4%)*	***-4.5%*** *(-4.4%)*	***-5.0%*** *(-)*
Reference: current account in billion US dollars	-11,1	-2,7	6,4	-9,3	-7,9	-11,8	*-12.4 (-13.9)*	*-15.4 (-14.5)*	*-17.8 (-)*

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

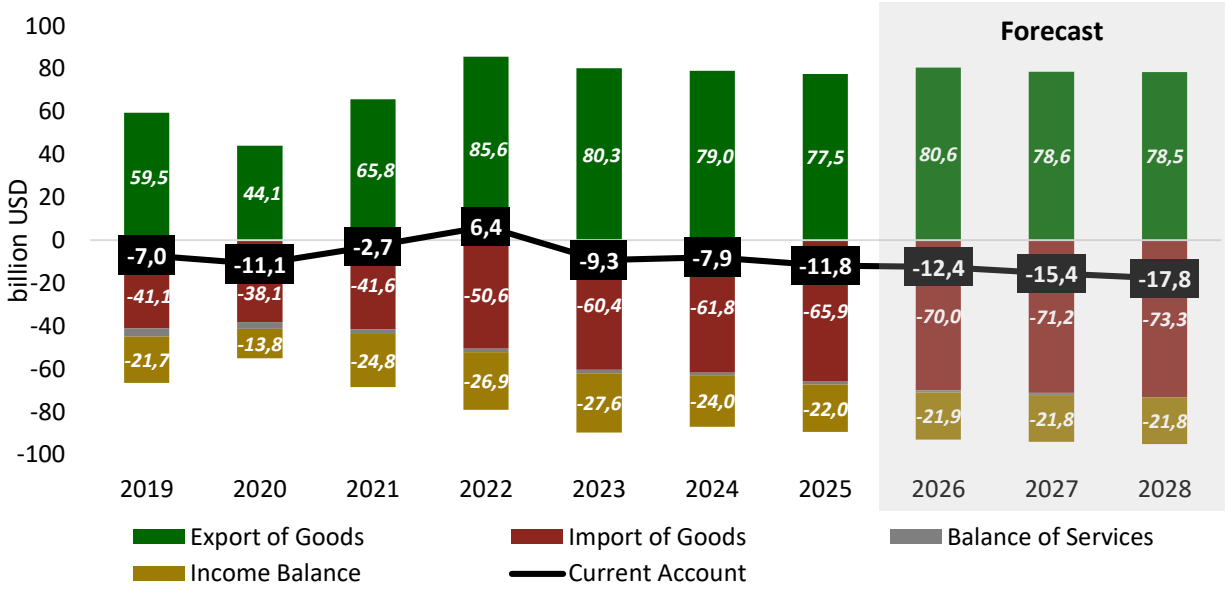
Export of goods will exceed the levels of 2025, mainly due to the growth of non-oil shipments. The main drivers of non-oil export growth will be higher global prices for metals and uranium (slowdown in global copper ore production, the global transition to green energy, rising electricity consumption, and the development of artificial intelligence technologies), as well as sustained external demand for Kazakhstan's high value-added products, including agricultural goods. As a result, in the medium term, the volume of exports is projected to remain within the range of 22.0%-24.2% to GDP (78.5-80.6 billion US dollars) (Graph 8).

Domestic demand for imported products will continue to expand. Import growth will be primarily driven by an increase in imports of industrial goods used for the implementation of investment and infrastructure projects, as well as for the modernization and technological upgrading of production capacities. Sustainable import demand will be financed through economic agents' private and borrowed resources, as well as through fiscal and quasi-fiscal investments. As a result, imports of goods in 2026-2028 are projected to reach 20.6%-21% of GDP (70-73.3 billion US dollars).

The income balance deficit over the forecast horizon is expected to remain below last year's level. Its dynamics will be supported by high earnings of foreign investors amid increased oil production and higher prices for ferrous and non-ferrous metals. Therefore, the income balance deficit is projected at around (-)6.1%-(-)6.6% of GDP ((-)21.8-(-)21.9 billion US dollars) in 2026-2028.

The services balance deficit over the forecast horizon will narrow compared to the level of 2025. Services exports will grow due to the expansion of freight transit through Kazakhstan, as well as a rise in the number of foreign visitors entering the country driven by increased business activity and Kazakhstan's growing popularity as a tourist destination. Services imports will also continue to grow due to higher amount of transportation services associated with rising import of goods, as well as due to outbound tourism. As a result, the services balance deficit will amount to (-)0.3% of GDP ((-)1.0 to (-)1.1 billion US dollars) in 2026-2028.

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



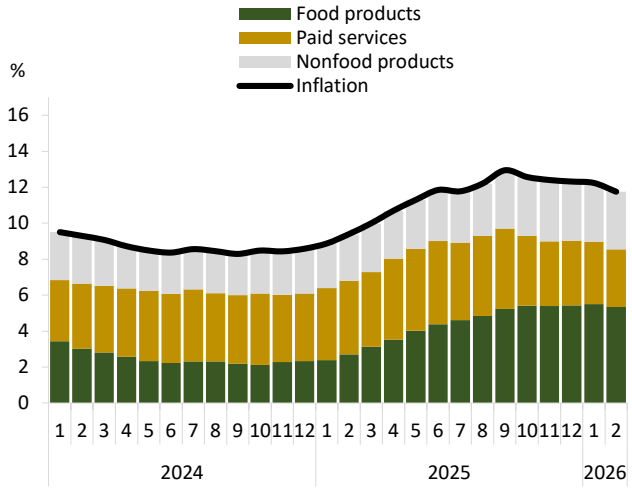
Source: NBK forecasts

II. CURRENT MACROECONOMIC CONDITIONS

2.1. Inflation

In February 2026, annual inflation slowed to 11.7%, in line with the National Bank's forecast estimates. This slowdown was driven by the moratorium on increases in tariffs for regulated housing and utility services and the rise in prices for RON-92 gasoline and diesel fuel. The implementation of a moderately tight monetary policy and the appreciation of the nominal exchange rate of the tenge also helped limit inflationary pressure in the economy. A slowdown in annual inflation was observed across all components, with the most pronounced decline recorded in the paid services sector, while the pace of deceleration for food and non-food goods was more moderate.

Graph 9. Annual inflation has slowed down.



Source: BNS ASPR RK, NBK calculations

The annual inflation rate continued to slow and reached 11.7% in February 2026 (Graph 9). The current level of inflation is driven by a combination of external and domestic factors, including persistently high global prices for certain food products, inflation in Russia remaining above its target level, and the strong Russian ruble. Among domestic factors, the key drivers are rising producer prices and the increase in VAT. The secondary effects of last year's price increases for fuel and HCS persist, reflecting the gradual pass-through of higher costs into final consumer prices. Additional inflationary pressure continues to come from resilient consumer demand in the economy and fiscal policy measures aimed at stimulating economic growth.

The annual growth in food prices has been slowing since January 2026, reaching 12.7% in February. The main factors driving price increases in this segment include rising producer prices, high export volumes of certain food products, and elevated global prices for selected food commodities.

At the same time, as part of the anti-inflation policy, the list of socially important food products (SIFP) has been temporarily expanded from 19 to 31 items as of January 2026. The expansion of the SIFP list may have a certain disinflationary effect on food inflation.

Annual inflation for non-food goods stood at 11.6% in February 2026. Among non-food products, the combined impact of domestic demand and the increase in the VAT rate continued to exert pressure in this segment.

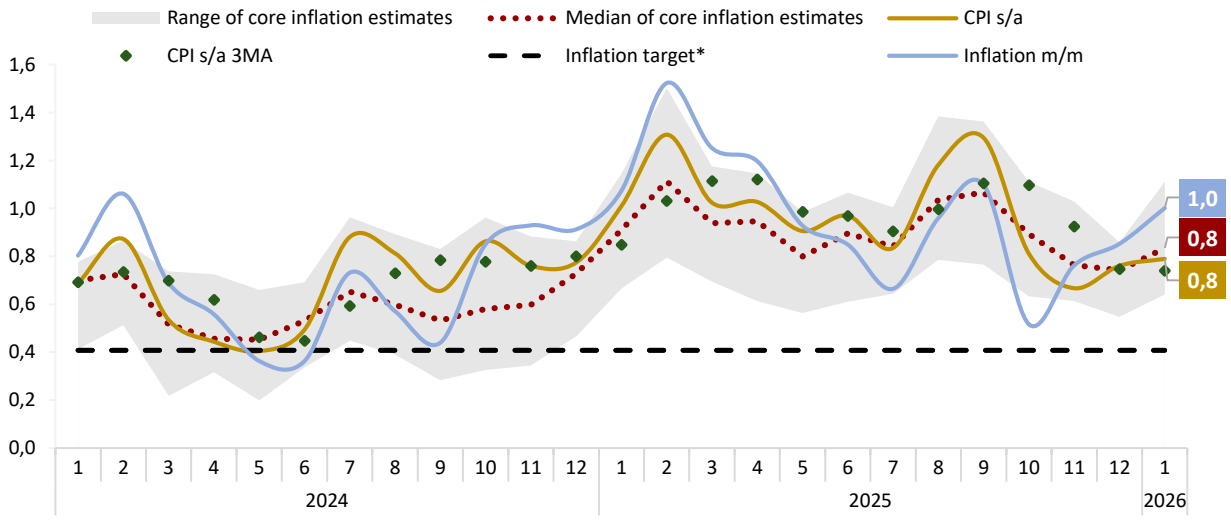
At the same time, the strengthening of the tenge against the US dollar and a more moderate trend in consumer lending amid the implementation of a moderately tight monetary policy acted as factors reducing price pressures, offsetting the impact of pro-inflationary forces.

In February 2026, the annual growth in service prices amounted to 10.8%. The key disinflationary factor is the moratorium on tariff increases for regulated HCS under 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 1.5% in February 2026. At the same time, in February 2026, amid sustained consumer demand and overall price growth, increases were recorded in the prices of transport services, organization of comprehensive recreation, hairdressing services, hotel services, and outpatient medical services.

The indicators of seasonally adjusted and core inflation in January 2026 showed a slight increase and remain above the target level, indicating the continuing influence of factors supporting inflationary pressures in the economy.

Seasonally adjusted inflation in January 2026 amounted to 0.79% (0.76% in December 2025), which corresponds to annualized growth of 9.9% (9.5%) (Graph 10). Its structure shows a seasonally adjusted increase in prices for non-food products. The median estimate of seasonally adjusted core inflation amounted to 0.83% (0.74%), which in annualized terms corresponds to 10.5% (9.3%). The range of estimates of core inflation in January 2026 expanded slightly due to an increase in the upper limit, which reflects a more pronounced variability in the stable component of inflation.

Graph 10. Various monthly inflation indicators.



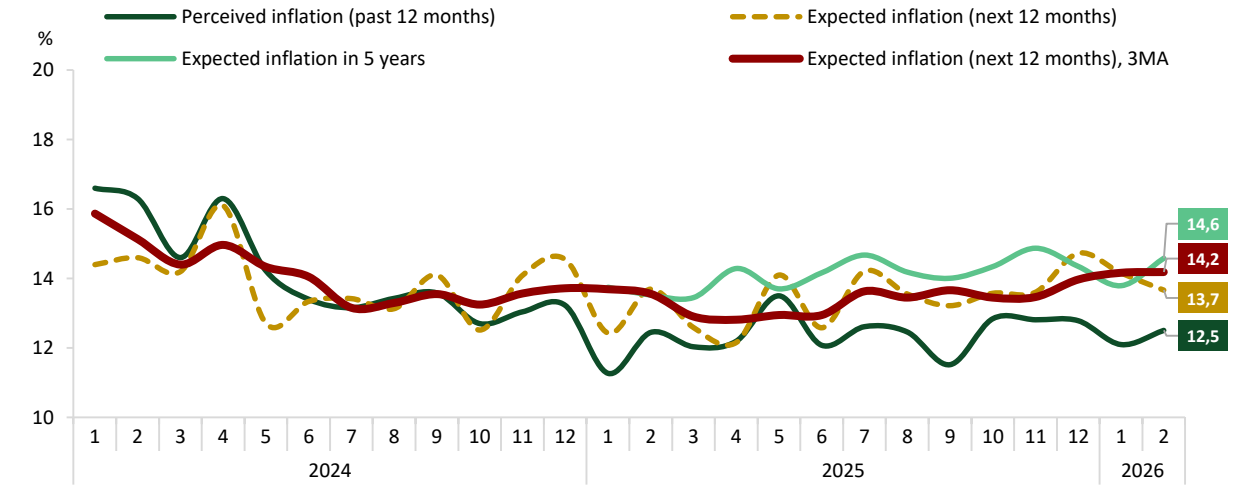
Source: BNS ASPR RK, NBK calculations

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

Note: historical estimates may be reviewed.

Households' inflation expectations over the one-year horizon in February 2026 amounted to 13.7% (14.2% in January 2026) (Graph 11).

Graph 11. Inflation expectations.



Source: FusionLab: population survey

In the structure of responses, a significant share of respondents still finds it difficult to quantify inflation for the year ahead. The share of those who expect prices to rise at a faster pace, as well as the share of those who believe that prices will rise in the same way as they are now, remains significant.

Respondents most often point to rising prices for food, utilities, gasoline and diesel fuel as factors of future inflation. There is also an increase in the share of respondents who noted the VAT increase as a factor in future price growth. At the same time, the mention of the exchange rate factor continues to decrease gradually against the background of the strengthening of the nominal exchange rate of tenge.

The expected inflation over a five-year horizon in February 2026 was 14.6% (13.8%). At the same time, the level of uncertainty in long-term estimates is noticeably lower, reflecting the respondents' more confident views compared to short-term expectations.

The perceived inflation in February 2026 was 12.5% (12.1%).

Box 1. The factor of VAT increase in the formation of inflationary expectations of the population.

Inflation expectations of the population are formed under the influence of many factors and can vary significantly depending on current economic conditions and the information background, which includes both objective economic data and subjective perceptions and public sentiment. Within such an information context, individual economic signals can play the role of specific triggers of expectations. In particular, the public's perception of an increase in value-added tax may be associated with the formation of higher inflation expectations, regardless of the actual price dynamics.

One example of such an information signal was the publication in Kazakhstan of news about the planned increase in VAT from 12% to 16%, which was reflected in the responses of respondents to the question about the factors of future price growth. In the first quarter of 2025, about 27.5% of the survey participants attributed the expected price increase to the upcoming VAT increase in early 2026. In the second and third quarters of 2025, the proportion of such responses gradually decreased, but increased again in the fourth quarter, reaching 25.5%.

To empirically assess the impact of this factor on inflation expectations, microdata from a population survey is used to take into account the individual characteristics of respondents and the heterogeneity of expectations between socio-demographic groups. The analysis is performed using an interval regression model with fixed time effects of survey waves. The model includes control variables reflecting key household characteristics – age, gender, income level, as inflation expectations vary between demographic and socio-economic groups of the population. Taking these factors into account allows us to separate the relationship between the perception of VAT and inflation expectations from the differences due to the individual characteristics of the respondents.

The results of the analysis show that the perception of VAT as a price growth factor is statistically significant and is associated with higher inflationary expectations of the population both in the short and long term. The coefficient for the variable "VAT" is 4 percentage points for expectations for 1 year and 2.8 percentage points for expectations for 5 years. This means that the inflation expectations of respondents considering VAT as a factor of future price growth are higher on average by 4 percentage points for short-term and 2.8 percentage points for long-term expectations than those of other respondents. The results also indicate that this information signal is taken into account by respondents not only when forming short-term estimates, but also when forming long-term inflation expectations, despite the one-time nature of the proposed change in the tax rate.

At the same time, the differences are evident not only in the level of inflation expectations, but also in the actual economic behavior of the respondents. In particular, the survey participants who noted VAT as a factor in future price increases were slightly more likely to report making large purchases (22.5% compared with 19.5%). This may indicate the presence of a behavioral reaction to the expected price increase, probably expressed in making purchases for the future in order to fix the current price level.

2.2. Domestic sector

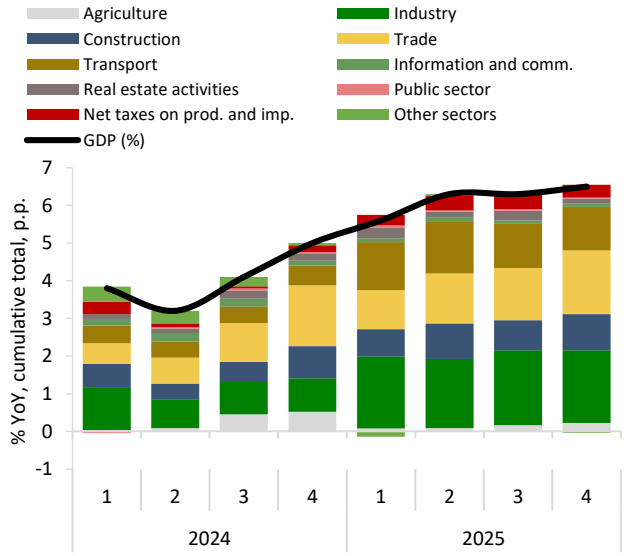
In 2025, Kazakhstan’s economy demonstrated robust growth dynamics: real GDP expanded by 6.5% year-on-year, broadly in line with the National Bank’s forecast estimates. The expansion of economic activity was driven by solid domestic consumer and investment demand, as well as favorable developments in the commodity sector.

In 2025, economic growth was underpinned by an expansion in both industrial output and the services sector. The oil sector played a pivotal role in accelerating overall economic activity. Increased production at Tengiz oilfield enabled the industry to move to a higher output level and expand crude oil exports. In turn, this development supported activity in related sectors, including pipeline transportation and wholesale trade, thereby strengthening the overall contribution of the commodity sector to GDP growth.

Industrial production was further supported by expanding output in manufacturing, particularly in food and beverage production, refined petroleum products, machinery, and the chemical industry. Growth in these segments was largely driven by stronger domestic and external demand, as well as the implementation of investment projects, including government-led infrastructure initiatives. These developments reinforced the role of the non-commodity sector and contributed to a more diversified composition of economic growth (Graph 12).

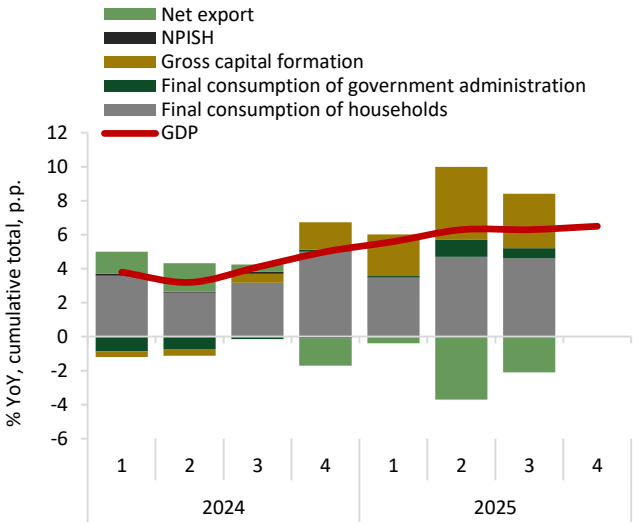
Graph 12. In 2025, economic growth was driven by the expansion of business activity in all key sectors.

Contribution of Industries and Taxes to Real GDP Growth



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

Contribution of demand components to real GDP growth



Source: BNS ASPR RK, NBK calculations

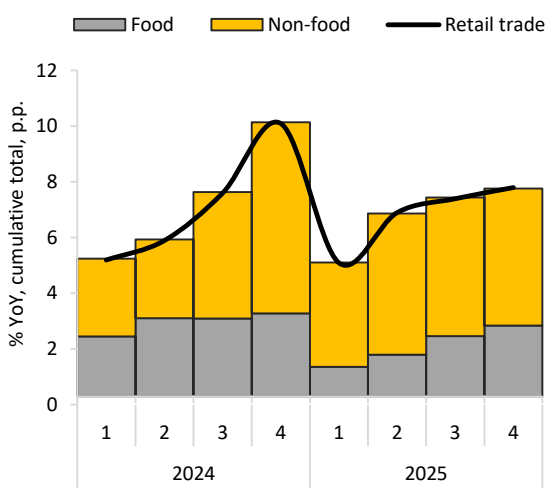
From the demand side, domestic demand remained the main driver of economic growth. The contribution of gross capital formation increased due to stronger investment activity. At the same time, domestic consumption supported faster import growth relative to exports, resulting in a negative contribution of net exports to GDP growth (Graph 13).

Towards the end of 2025, the construction sector recorded strong growth, supported by the active implementation of residential and infrastructure projects. Sustained household demand, alongside ongoing preferential lending programs, contributed to maintaining elevated activity in the construction sector. The services sector continued to demonstrate steady positive momentum, reflecting ongoing expansion in consumer activity and investment demand.

The increase in production volumes was accompanied by an expansion in consumer demand. Positive dynamics in retail trade and a broad range of services, including food service activities, indicated that consumer demand remained strong in 2025. Annual retail trade growth accelerated to 7.5% in 2025. The main contribution to retail expansion came from the non-food segment. In the second half of 2025, demand for food products also accelerated. This dynamic may have been supported by the expansion of food service activities (Graph 14, 15).

Graph 14. The retail turnover dynamics confirm the robustness of consumer demand.

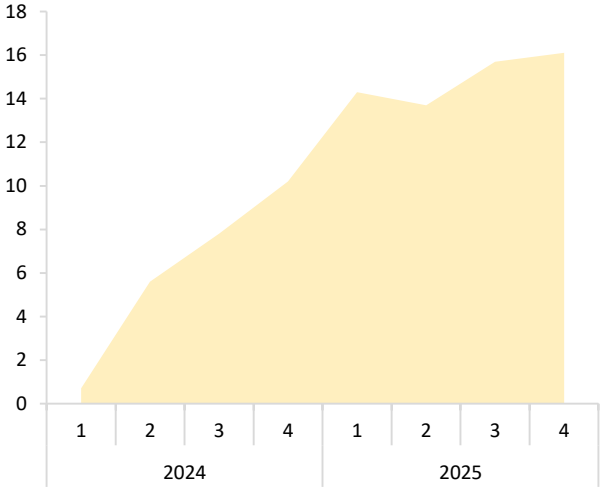
Contribution of retail turnover components to growth



Source: BNS ASPR RK, NBK calculations

Graph 15. Demand for food and beverage services accelerated in the second half of 2025.

% YoY, cumulative total, in real terms



Source: BNS ASPR RK

Despite solid performance earlier in the year, constraints began to materialize in the oil sector in late 2025, reflecting temporary limitations in export infrastructure and production processes. As a result, the pace of oil output growth decelerated as early as December 2025. The situation was further affected in January 2026 by problems with the production infrastructure at one of the major oil fields. This led to an additional decline in crude oil output, contributing to a contraction in mining production and a 2.8% year-on-year decrease in the short-term economic indicator.

From the demand side, consumer activity showed some moderation at the beginning of 2026. Following the acceleration of retail trade at the end of 2025, annual retail sales growth slowed to 2.1% in January 2026, mainly reflecting weaker demand for non-food goods. This dynamic is consistent with seasonal consumption patterns and households' adjustment following the VAT increase[3]. At the same time, demand for food products remained strong, and some service categories continued to expand.

Box 2. Two cities, two markets: what factors influence the price per square meter in Astana and Almaty?

Astana and Almaty remain the key centers of investment activity in housing construction. In 2019–2025, the average annual growth rates of investment in housing construction in Astana and Almaty amounted to 13.9% and 16.0%, respectively. By the end of 2025, the combined share of these two cities in the total volume of housing investments reached 38.6%, highlighting their structural importance in this segment.

Considering that housing construction makes a significant contribution to overall investment demand and is sensitive to changes in financial conditions, a quantitative assessment of the factors influencing housing prices in Astana and Almaty allows for a more precise evaluation of the role of the investment component in shaping housing market price dynamics.

To identify the key factors influencing housing prices in the cities of Astana and Almaty, the NBK conducted an econometric analysis based on data from Krisha.kz for June-August 2025. The explanatory variables included both location-related factors (proximity to metro stations, parks, etc.) and characteristics of the apartments themselves (building age, building type, ceiling height, etc.).

[3] *Cashin, D., & Unayama, T. (2021). The spending and consumption response to a VAT rate increase. National Tax Journal, 74(2), 313-346. The study shows that spending on a wide range of durable goods increased several months before the VAT increase but declined following its introduction. Subsequently, over the following months, spending returned to its previous long-term level.*

The results show that in Astana, the location of an apartment on the left bank of the Ishim River increases the price per square meter by an average of 11.3% (Graph 1). Proximity to the river embankment (within a 1 km radius) is associated with a 10.4% increase in price, while being located more than 1 km away from parks reduces it by 10.5%. Additional price premiums are linked to proximity to large shopping malls.

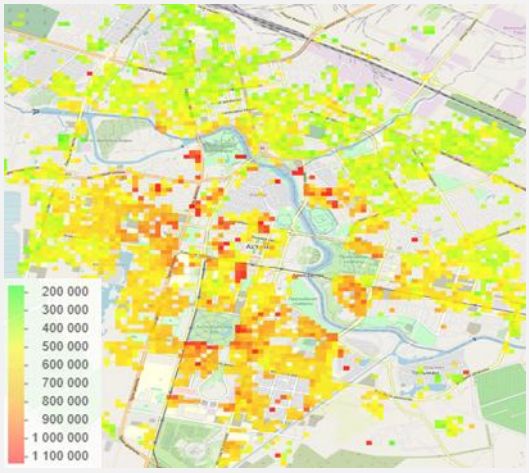
Among property characteristics, an increase in ceiling height by 1 meter is associated with a 59.2% increase in price. Apartments in buildings scheduled for completion in 2026–2028 are on average 15.7% cheaper than completed units. The status of a former dormitory reduces the price by 13%, while monolithic buildings command an 11.8% premium compared with panel buildings. The effect of floor level is less pronounced: apartments on the top floor - priced 6.2% lower, on the first floor - 4.8% lower. The rate of age-related depreciation also varies by building type and amounts to 1.43% per year for monolithic buildings, 0.38% - for brick buildings, and 0.23% - for panel buildings.

As for Almaty, apartments located above Al-Farabi Avenue are on average 20.6% more expensive (Graph 2). Being located more than 2 km from a metro station reduces the price by 6.2%. Significant differences are also observed across administrative districts.

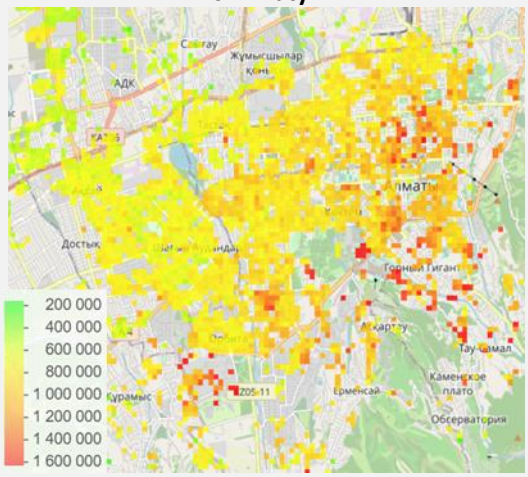
Among property characteristics, a 1-meter increase in ceiling height raises the price by 31.2%. Apartments scheduled for commissioning in 2026–2028 are on average 11.6% cheaper than completed housing. Brick buildings are on average 4.7% more expensive, monolithic buildings - 3.2% more expensive compared with panel buildings. Location on the top floor reduces the price by 4.8%, on the first floor - by 2.5%. The status of a former dormitory d ecreases the price by 2.8%. The age effect is moderate: panel buildings lose about 0.17% of their value per year, while monolithic buildings lose 0.46%.

Overall, the results confirm that price differentiation in the housing markets of the largest cities is primarily driven by location advantages and quality characteristics of real estate properties, reflecting the concentration of investment activity in the most attractive market segments and locations.

Graph 1. Price per square meter c.Astana.



Graph 2. Price per square meter c.Almaty.



Source: krisha.kz, NBK calculations

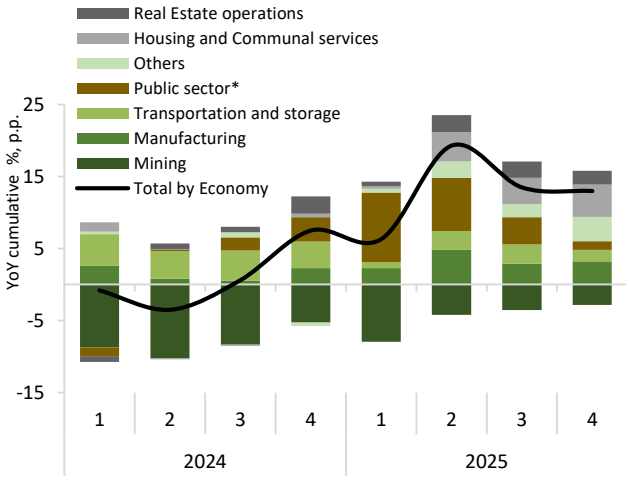
The annual growth rate of investment activity in 2025 remained high, reaching 13.0% in real terms by the end of the year.

The main driver of investment activity was capital investment in the non-resource sectors of the economy, particularly in manufacturing, transportation and storage, real estate operations, as well as housing and communal services within the framework of the “Tariff in Exchange for Investment” program. The education sector also made a notable contribution to investment growth due to the implementation of the “Comfortable Schools” program (Graph 16).

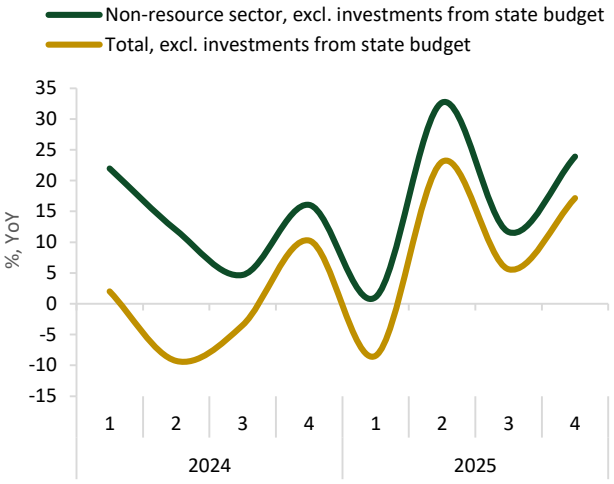
At the same time, private investment activity strengthened by the end of 2025. In the fourth quarter of 2025, real fixed-asset investment excluding investments financed from the state budget increased by 17.2% year-on-year, including 23.9% growth in the non-resource sectors of the economy (Graph 17).

In January 2026, the annual growth rate of fixed-asset investment slowed to 3.4% in real terms, largely reflecting the seasonal weakening of investment activity typical at the beginning of the year. Nevertheless, the indicator remains above the average annual growth rate observed over the past five years (0.4% in real terms), indicating the continued positive dynamics of investment activity.

Graph 16. The growth of investments is driven by an increase in investments in non-resource sectors of the economy.



Graph 17. Private investment activity continued to expand in the fourth quarter of 2025.



Source: BNS ASPR RK, NBK Calculations

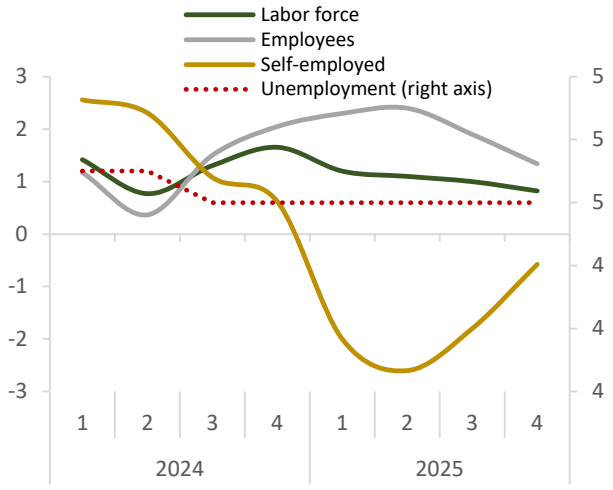
** The public sector includes the sectors of Education, Healthcare, Public Administration and Defense*

In the fourth quarter of 2025, positive labor market dynamics were largely maintained, although the pace of improvement slowed. Continued economic expansion supported a high level of employment and kept the unemployment rate close to historically low levels.

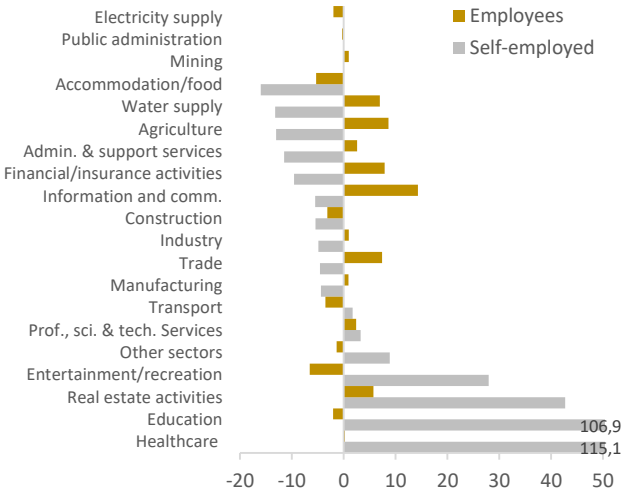
Labor supply continued to expand, while employment growth slowed compared to the previous quarter. Employment gains were primarily driven by an increase in employees. Meanwhile, the number of self-employed continued to decline, though at a slower pace (Graph 18).

Across sectors, employment growth was primarily supported by rising employment in agriculture, trade, information and communications, as well as financial and insurance activities. In these sectors, employment gains were accompanied by an increase in the number of employees, reflecting the ongoing reallocation of labor toward the formal sector. At the same time, an increase in self-employment was observed in certain service segments and socially oriented sectors, which may be associated with the nature of work organization and the persistence of flexible employment arrangements (Graph 19).

Graph 18. Labor Supply and Unemployment Rate, YoY, %



Graph 19. Employment by sector in the fourth quarter of 2025, YoY, %



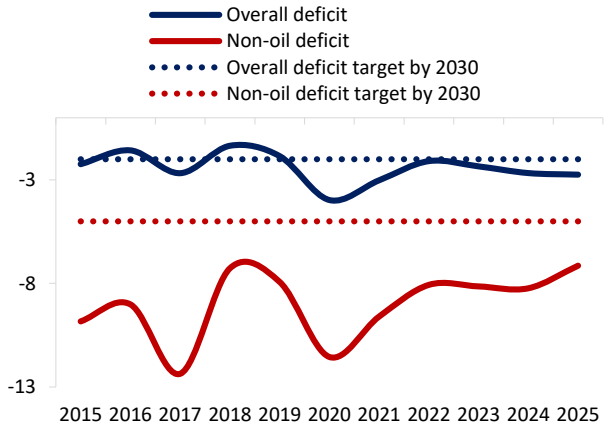
Source: BNS ASPR RK

2.3. Fiscal policy

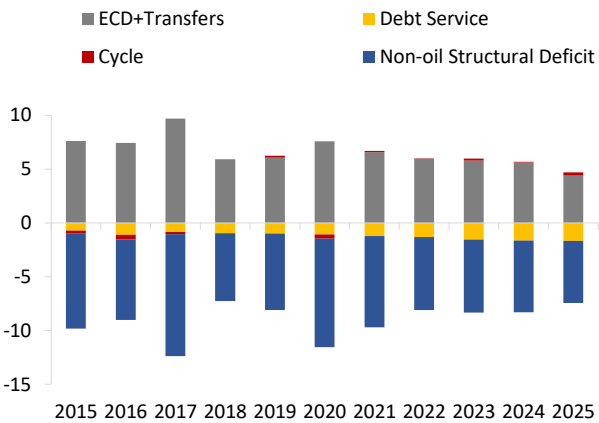
Despite a tighter fiscal policy in 2025, pro-inflationary pressures persist due to the activity of the quasi-public sector (Graph 20).

The balance of the state budget in 2025 was formed with a deficit of 2.7% of GDP, excluding oil revenues – 7.1% (Graph 21). The deficit structure shows a positive trend in the non-oil structural budget deficit, which amounted to 5.8%, which is significantly lower than the average for 2015-2024 (8%). The improvement is due to a reduction in real expenses, primarily due to the planned expense reduction for the National Project "Comfortable School" and non-utilization of funds.

Graph 20. The non-oil budget deficit improved in 2025, as % of GDP.



Graph 21. The non-oil structural deficit has developed at more favorable values against the background of a reduction in real spending in 2025, decomposition of the state budget deficit, as % of GDP.



Source: MF RK, BNS ASPR RK, NBK calculations

In real terms, the budget revenue decreased slightly due to a reduction in transfers and non-tax revenues as a result of the high base in the previous year. However, the dynamics of tax revenues were positive, with a 4.8% increase in real taxes in annual terms due to a low base in the previous

year and an increase in economic activity. There was a double-digit nominal increase in all major taxes.

According to the results of 2025, the revenue part of the state budget was executed according to plan. However, there was a shortfall in tax revenues, which was compensated by an increase in non-tax revenues.

In 2025, the dynamics of the budget expenditures in real terms shifted to the negative zone. The key contribution to the decline was made by the reduction of expenditures in the education, general public services, industry, and other sectors. The structure of expenditures shows a decrease in the share of both capital and current expenditures relative to GDP.

Despite the restrictive nature of fiscal policy in 2025, the government's overall policy was stimulative due to quasi-fiscal channels. This resulted in a redistribution of the inflationary impulse to the quasi-public sector, allowing for continued economic stimulus while adhering to fiscal rules and mitigating the disinflationary effects of fiscal consolidation.

III. THE TRANSMISSION MECHANISM OF MONETARY POLICY

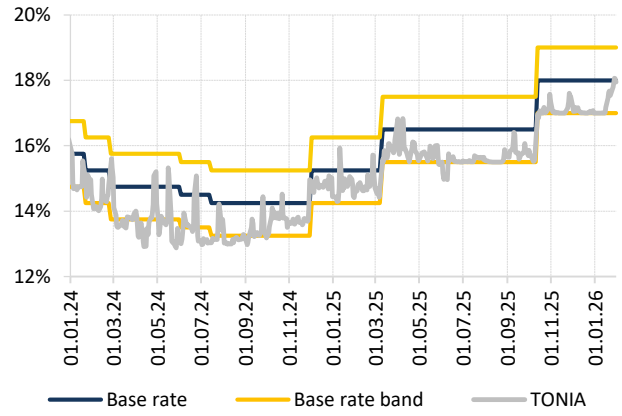
3.1. The transmission mechanism of monetary policy

Money market rates were formed predominantly near the lower bound of the base rate corridor, after the base rate was raised. Deposit rates were shaped by the influence of the base rate, with growth in retail deposit rates occurring with a time lag.
Corporate loan rates adjusted following changes in the base rate. Consumer loan rates were influenced by the share of installment-based lending, while mortgage rates remained at their previous level.
Positive deposit dynamics continued, supported by growth in both national and foreign currency deposits.
Bank credit continues to expand at double-digit rates. Growth in consumer lending has continued to moderate, while mortgage lending remains supported by the continued implementation of preferential lending programs. Corporate credit growth has been driven primarily by large and medium-sized enterprises.
The exchange rate dynamics were primarily driven by domestic factors.
Growth in the money supply has slowed, but remains positive.

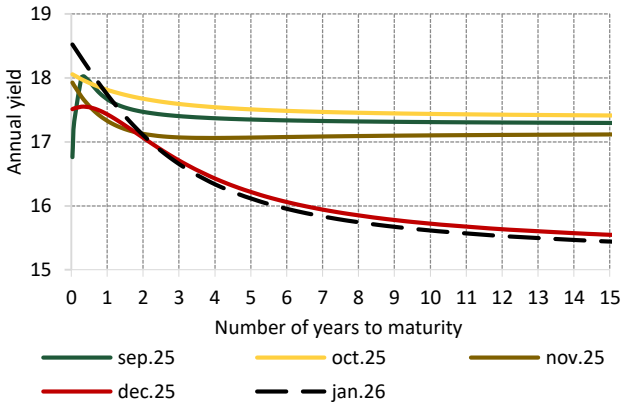
3.1.1. Interest Rate Channel

Money market rates were formed predominantly near the lower bound of the interest rate corridor.
In November 2025–January 2026, money market rates evolved in line with the level of the base rate and its corridor. Amid a liquidity surplus in the banking sector, the TONIA rate stayed close to the lower bound of the corridor for most of the period (Graph 22). The average spread of TONIA to the base rate amounted to 0.8 p.p., remaining at the August–October 2025 level.
In January 2026, the **risk-free yield curve of government securities**, excluding the segment up to 1 year, developed a more downward-sloping trajectory and shifted downward relative to October-December of the previous year (Graph 23). This decline in the medium- and long-term segments of the yield curve was largely driven by the persistently strong demand for government securities of the Ministry of Finance of the Republic of Kazakhstan (MFRK), an increase in the share of non-resident participation in the government securities market, the continued high share of market participants, and a decline in long-term inflation expectations. The increase in the yield curve in the segment up to 1 year was mainly associated with the absence of new MFRK government securities issuances in this maturity segment and the resumption of three-month notes issued by the National Bank of the Republic of Kazakhstan (NBRK) amounting to KZT 159.2 billion, with yields of around 18%.

Graph 22. The Interest Rate Band and the TONIA



Graph 23. Risk-Free Yield Curve, %

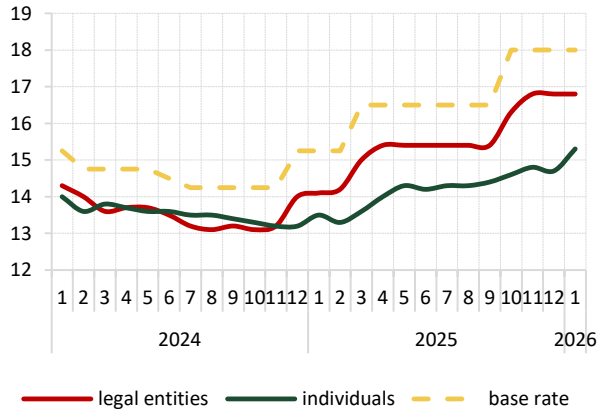


Source: NBK, KASE

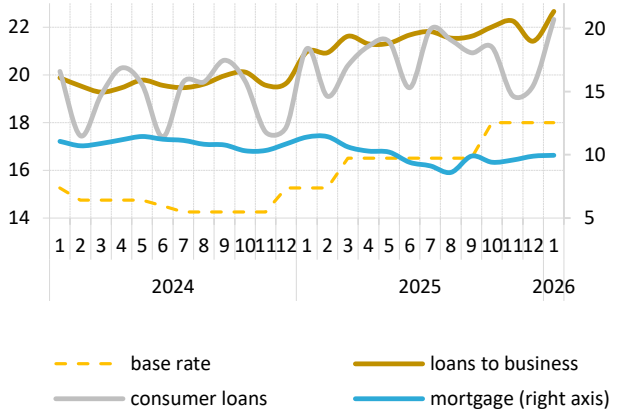
Deposit rates followed the signals of the base rate. The dynamics of corporate deposit rates corresponded to the trajectory of the base rate (Graph 24). In the retail deposit segment, a significant increase in rates (by 0.7 p.p.) was observed in January 2026, mainly driven by higher yields on short-term deposits.

Lending rates for large and medium-sized enterprises follow changes in the base rate.
Corporate Lending Rates. By the end of January 2026, lending rates for all business categories in domestic currency increased after the base rate was raised in October and maintained in December 2025 (Graph 25).
Retail Lending Rates. Consumer lending rates showed some volatility in late 2025 and January 2026, reflecting banks' active promotion of installment-based lending programs. The weighted average mortgage rate remained largely unchanged (Graph 25).

Graph 24. Deposit rates in national currency, %



Graph 25. Lending Rates in National Currency, %



Source: NBK

3.1.2. Credit channel and deposits (Wealth channel)

The banking sector's loan portfolio continues to grow at a high pace (19.4% YoY in January 2026), supported by a gradual acceleration in corporate lending (Graph 26).
Growth in retail lending has moderated (19.3% YoY): in January 2026, consumer loan growth eased to 20.1% YoY amid the implementation of regulatory measures and a moderately tight monetary policy stance.
Mortgage lending continued to expand (growth of 15.2% YoY in January 2026), supported by preferential programs, including "Nauryz" and "Nauryz Zhumysker."

The main contribution to corporate lending growth comes from large and medium-sized enterprises.

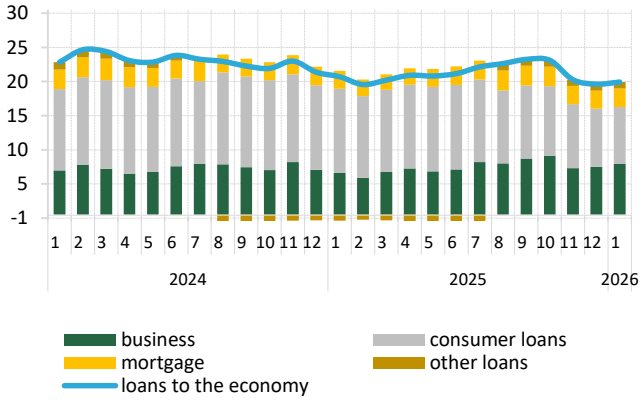
In January 2026, business lending accelerated, supported by higher lending to large and medium-sized enterprises (growth of 22.0% YoY and 65.7% YoY, respectively). Lending to small businesses showed moderate growth (9.8% YoY).

The increase in tenge deposit rates stimulated growth in the deposit base.

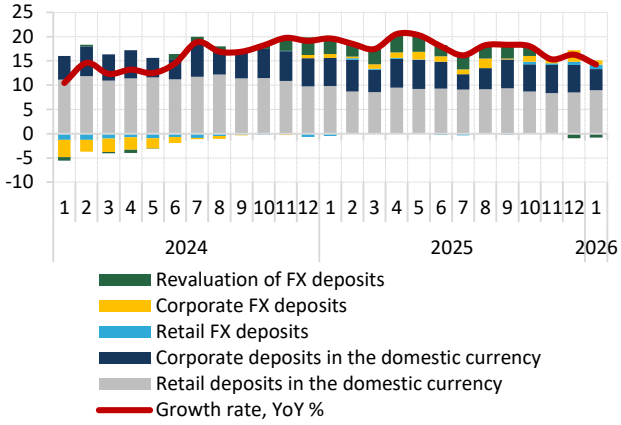
In January 2026, the volume of deposits in deposit-taking institutions increased by 14.3% y/y (Graph 27). The main source of growth was deposits in the national currency, due to the continued high yield on tenge deposits. Foreign currency deposits showed positive dynamics due to the inflow of new deposits, but their growth was partially offset by negative exchange rate revaluation. Overall, deposit dynamics indicate sustained demand for bank savings instruments.

The household savings rate[4] in the third quarter of 2025 declined slightly compared to the previous year, but remains above long-term average levels.

Graph 26. Loans to the Economy from STBs (portfolio), YoY, %



Graph 27. Residents' deposits in deposit organizations, YoY, %



Source: NBK

The continued high attractiveness of tenge deposits contributes to a further decline in the deposit dollarization.

In January 2026, the currency component of deposits decreased in both the corporate (to 23.7%) and retail (to 18.3%) segments. As a result, the overall dollarization of deposits (20.7%) approached its historic low recorded in October 2025 (20.6%). Meanwhile, the record low dollarization of household deposits (17.8%) in December 2025 indicates continued strengthening of public confidence in tenge savings.

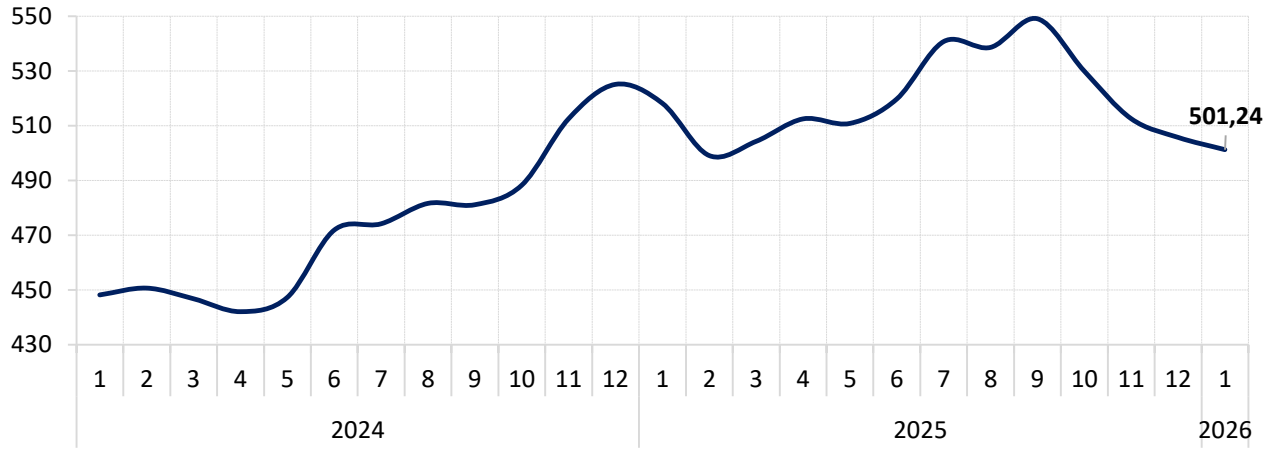
3.1.3. Exchange rate channel

The exchange rate dynamics were primarily driven by domestic factors.

In January 2026, compared with October 2025, the tenge appreciated by 5.4 percent against the US dollar, primarily driven by domestic factors, with additional support from favorable external conditions, including higher global oil prices and a decline in the global US dollar index (DXY) (Graph 28). Support also came from foreign currency sales by the National Fund and the quasi-government sector, mirroring operations, as well as the moderately tight monetary policy being pursued.

[4] An indicator calculated based on data from the Bureau of National statistics of the ASPR of the Republic of Kazakhstan using the following formula: (household cash income - household cash expenditure)/household cash income

Graph 28. **Exchange rate of the tenge to the US dollar, tenge per one US dollar, end of month**



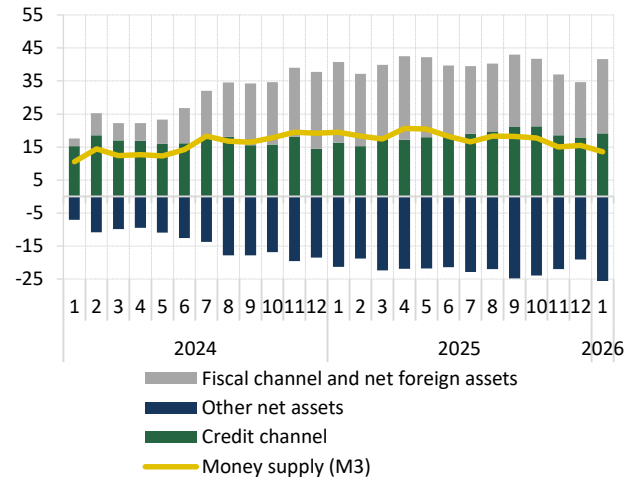
Source: KASE

3.2. Money supply

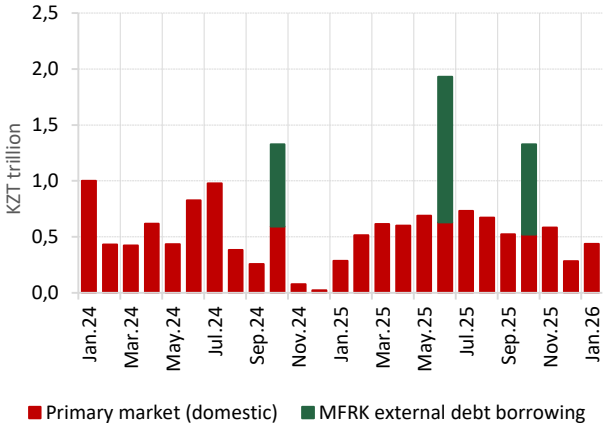
Growth in the money supply has slowed, but remains positive.

In January 2026, the year-on-year growth of the total money supply decelerated to 13.5% (Graph 29), while growth of its tenge component slowed to 16%. The expansion of the money supply was sustained by continued credit growth, as well as the positive contribution of fiscal operations and external assets amid the Government's borrowing of external financing to cover the budget deficit. In November 2025–January 2026, the issuance volume of MFRK government securities increased 3.8 times compared with the same period a year earlier (Graph 30). The growth was mainly driven by the long-term and medium-term segments.

Graph 29. Money supply, YoY, %



Graph 30. Volume of MFRK Government Securities Issuance in Domestic and External Markets, KZT billion



Source: NBK, KASE