



# NATIONAL BANK OF KAZAKHSTAN

## MONETARY POLICY COMMITTEE

### Summary of the Deliberation on the Base Rate Decision Announced on 24 April 2026

The discussion among the members of the Committee took place at the meeting held as part of the inter-forecast decision on the base rate on April 23, 2026.

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

#### **Current situation**

During the discussion of inflation processes in the country, Committee members noted that inflation slowed to 11% in March 2026. The slowdown was supported by moderately tight monetary conditions, positive exchange rate dynamics, stabilization of consumer demand – partially driven by a decline in consumer lending growth, as well as the moratorium on utility and fuel price increases, and other anti-inflationary measures of the Government.

Monthly inflation (0.6% in March) and its underlying part (core inflation – 0.65%, seasonally adjusted – 0.52%) also showed a slowdown. By contrast, inflation expectations among the population (14.6%) increased and remain volatile.

The meeting participants observed that external sector pressures are intensifying. The escalation of tensions in the Middle East has been accompanied by increases in global prices for energy, fertilizers, and food. The FAO Food Price Index has been rising for the second consecutive month, mainly due to higher prices for vegetable oils and sugar driven by increasing energy costs.

In Russia, inflation remains elevated. In the Eurozone and the United States, inflation accelerated in March amid increased uncertainty and higher inflation risks.

According to Committee members, key risks to domestic inflation dynamics are linked to the resumption of price and tariff regulation reforms starting in the second quarter of this year, the effects of ongoing adaptation to tax reform, and the parameters of the large-scale investment program of “Baiterek” NIH JSC.

#### **Discussion on the base rate**

Following the assessment of current external and domestic conditions, the members of the Monetary Policy Committee discussed the base rate. All members reached a consensus on the necessity of maintaining the base rate at 18%. There were no votes in favor of a rate cut or a rate hike.

Participants acknowledged positive trends in inflation dynamics, noting the decline in annual inflation and the slowing of monthly and core indicators.

Some participants noted that despite the deceleration, inflation remains in double digits and no fundamental signs of a trend reversal have been observed. The slowdown has been supported by favorable conditions in the first quarter: suspension of price and tariff reforms, restrained quasi-fiscal financing, appreciation of the tenge, the impact of moderately tight monetary conditions, and

normalization of demand resulting from adaptation to the tax reform and the deceleration of consumer lending.

According to participants, the base rate amid declining inflation and a stronger exchange rate ensures the necessary monetary conditions. The strengthening of the tenge has reinforced the disinflationary effect, as evidenced by the deceleration of non-food price growth due to lower import costs. Opinions were expressed that a strong exchange rate could be accompanied by rising imports. However, some participants noted that imports in Kazakhstan are characterized by low elasticity and lack a direct correlation with the exchange rate, as import volumes remain relatively stable or grow at any exchange rate level. Amid the strengthening of the tenge, the volume of imports consumed by the economy, largely consisting of investment goods, comes at a lower cost for the country.

Overall, current foreign exchange rate dynamics are shaped by a moderately tight monetary policy, sustained attractiveness of tenge-denominated assets, and steady growth in portfolio investments in Kazakhstan government securities. At the same time, oil price dynamics are expected to influence budget parameters in the coming months; therefore, the current strengthening reflects underlying fundamentals and confidence in the policy stance, while borrowing by the public and quasi-public sectors does not play a decisive role in the domestic foreign exchange market. The exchange rate response is consistent with the transmission mechanism under inflation targeting: tighter monetary conditions facilitate currency appreciation and, consequently, lower inflation which aligns with observed trends.

Most Committee members expressed concern that the current pace of disinflation may stall. In their view, further decline in inflation is complicated by several pro-inflationary factors, primarily the resumption of regulated price reforms starting in April.

Another significant pro-inflationary risk is intensification of fiscal and quasi-fiscal spending. The first quarter, characterized by passive budget execution in terms of disbursements (due to the preparatory cycle of funds allocation, limit setting, and procurement initiation), will be followed by more active periods. The subsequent intensification of budget processes and the quasi-fiscal impulse in the second half of the year will drive investment activity, potentially leading to strengthened domestic demand and increased inflationary pressure.

In particular, the investment program of “Baiterek” NIH JSC, will be fully implemented in the second half of the year (following lower-than-expected activity in the first quarter). Its parameters (approximately 5% of GDP) and format (broad coverage and lenient selection criteria) could diminish the disinflationary effect of fiscal consolidation and renew upward pressure on prices. Additionally, it is necessary to evaluate the full impact of the tax reform and the adaptation of businesses and households to its parameters.

These sources of uncertainty require the maintenance of current monetary conditions until convincing evidence of a sustained slowdown in inflationary processes emerges.

Monetary conditions, along with macroprudential measures and tax reform effects, continue to normalize demand. This is evidenced by steady retail trade growth and demand for services. One participant noted that this trend is also supported by a decline in loan applications from households. Signs of stabilization are emerging in the consumer credit market, which is a primary source of financing for consumer demand. The regulatory measures adopted jointly with the ARDFM are yielding results. Growth in new unsecured consumer loans has slowed significantly.

At the same time, some participants noted that despite normalization of demand, economic activity remains positive. Specifically, the economy grew by 3% in January–March of this year, which may be perceived as a slight slowdown; however, excluding the mining sector, the growth rate is estimated at 5.1%. Several sectors continue to demonstrate high levels of activity. Further evidence of

improving economic activity is provided by National Bank indicators, including the Business Activity Index and the business climate as well as the sustained growth of fixed capital investment.

Due to the prolonged implementation, as well as the absence of definitive deadlines and parameters for tariff reform and fuel market liberalization, inflation expectations remain elevated and volatile despite declining actual inflation. In the Committee's view, communicating the parameters and timelines of these reforms to businesses and the public could help mitigate uncertainty.

The external environment remains uncertain due to escalating tensions in the Middle East. Rising global prices for energy, food (across nearly all commodity categories), and fertilizers are increasing inflationary pressures in many countries and elevating the risk of imported inflation for Kazakhstan. The oil market is characterized by high volatility; in April, prices fluctuated between \$90 and \$110 per barrel. As participants noted, the rise in oil prices partially offsets the decline in physical export volumes.

In the view of participants, maintaining the base rate at the current meeting is necessary to support the downward inflation trajectory, and mitigate the realization of pro-inflationary risks. Furthermore, it is significant that this decision aligns with the Committee's prior communication and the market expectations formed accordingly.

During the discussion on future monetary policy signaling, Committee members noted the possibility of easing both rhetoric and policy, provided that inflation sustains a slowdown at or below the forecast trajectory, amidst the resumption of price reforms and the absence of new shocks.

At the same time, Committee members reached a consensus that policy decisions must involve a thorough assessment of how businesses and households react to the implementation of the tax reform, the response of inflation and inflation expectations to the resumption of regulated prices and tariffs, and the intensification of the quasi-fiscal impulse. The current balance of risks requires a gradual and cautious approach to monetary policy easing, with decisions based on incoming data amid heightened uncertainty.

Some participants noted that if the current pace of disinflation persists through April and May amid the resumption of regulated prices and tariff reforms, it will be viewed as a key signal of the sustainability of the disinflationary process. This would serve as a prerequisite for initiating a policy easing cycle as early as the upcoming meetings. The next decision on the base rate will be announced on June 5, 2026.

**Following the discussion, the Committee decided to maintain the base rate at 18% per annum with a corridor of +/- 1 percentage point.** The Committee will continue to assess the rates of inflation decline, the dynamics of domestic demand, the actual execution of fiscal consolidation, the parameters of quasi-fiscal stimulus and regulated prices, as well as the emerging external environment and its influence on inflationary processes. Provided that current trends persist and no new shocks arise, the National Bank will be ready to consider the possibility of reducing the base rate in its subsequent decisions.

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