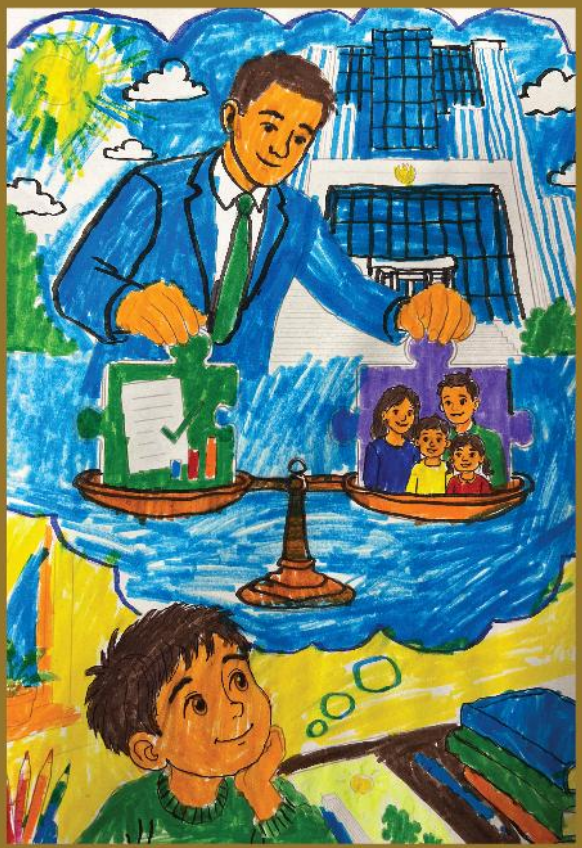
NATIONAL BANK OF KAZAKHSTAN



MONETARY POLICY REPORT

May 2026

To design the cover of the publication of the Monetary Policy Report "May 2026", the works of the children of employees of the National Bank were used, who won the art competition dedicated to Children's Day:

Ospanov Sanzhar,

Anuarbek Asset,

Timuruly Dinmukhamed.

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 **May 21, 2026**.

CONTENT

THE DECISION ON THE BASE RATE OF JUNE 5, 2026

The Monetary Policy Committee of the National Bank of the Republic of Kazakhstan has decided to set the base rate at 17.00% per annum with a corridor of +/- 1 percentage point. The decision is based on the results of the forecast round, updated assessments of key macroeconomic indicators, and the balance of inflation risks.

Annual inflation continued to ease. In May, it stood at 10.4%, down by 2.5 percentage points from its peak of 12.9% in September last year.

Monthly inflation slowed to 0.7% in May, from 0.8% in April. Core inflation and seasonally adjusted inflation also declined to 0.7%.

One-year-ahead inflation expectations stood at 12.7% in May. Over the past two months, they have ranged between 12.4% and 12.7%. This marks an improvement from the period since mid-last year, when expectations had remained persistently above 13-14%. Professional market participants' inflation expectations for the end of 2026 remain unchanged at 10.0%.

Global food prices continue to rise moderately, driven by higher prices for vegetable oils, meat and cereals, while prices for sugar and dairy products are declining.

In Russia, inflation is showing signs of deceleration. In the EU and the US, the disinflation process has stalled amid persistently high energy prices. Against this backdrop, major central banks continue to take a cautious approach to monetary policy and emphasize their readiness to adjust policy if needed.

Under the updated baseline scenario, a higher level of Brent oil prices is assumed through the end of this year, at USD 90 per barrel, compared with the previous forecast assumptions. The forecast assumes a gradual decline in oil prices to USD 75 per barrel in 2027 and USD 65 per barrel in 2028.

The inflation forecast for 2026 has been revised down to 9-11%. The revision reflects a faster-than-expected actual decline in inflation, limited pass-through from the VAT increase to consumer prices, and the strengthening of the tenge. The National Bank expects inflation to move into single digits this year. Inflation is projected to slow to 5.5-7.5% in 2027. In 2028, it is expected to stabilize close to the 5% target.

The GDP growth forecast for 2026 has been revised up to 4.5-5.5%. GDP growth is expected to stand at 3.5-4.5% in 2027-2028. In the medium term, economic growth will be shaped by more balanced domestic demand and lower oil prices.

The slowdown in inflation achieved so far, together with the improved forecast, created room to reduce the base rate. The decision reflects the accumulated improvement in inflation dynamics and the revision of forecast estimates.

At the same time, moderately tight monetary conditions need to be maintained. This is necessary to bring inflation down to single digits this year and to achieve the target in the medium term. Further decisions will be made based on incoming data on inflation, its trajectory relative to the forecast, domestic demand dynamics, the execution of fiscal parameters, and the scale and effects of quasi-fiscal stimulus.

I. ECONOMIC DEVELOPMENT PROSPECTS

1.1. Key External Assumptions

1.1.1. Commodity markets

The impact of the conflict in the Middle East on the global oil market is expected to be temporary. However, due to possible supply disruptions from the region, oil prices are expected to remain elevated through the end of 2026. Thereafter, amid the expected increase in global supply, prices are projected to gradually decline (Graph 1).

Current oil price dynamics have exceeded the assumptions of the optimistic scenario from the previous forecast round, largely driven by the worsening geopolitical situation in the Middle East. Going forward, oil price developments remain highly uncertain. The resumption of shipping through the Strait of Hormuz is expected in the second half of this year. Full recovery of oil production to pre-conflict levels is projected by the end of 2026.

Global oil production is expected to increase in 2027. In OPEC countries, production is projected to return to average annual levels, while non-OPEC supply is expected to rise significantly, supported by higher output in Brazil, Argentina, the United States, and Guyana.

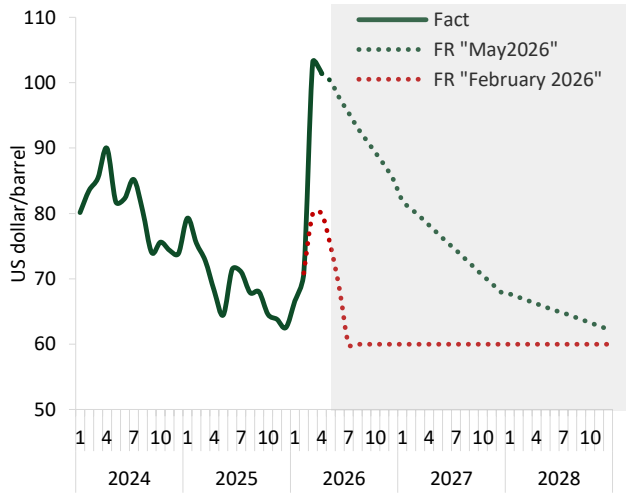
Supply disruptions and high oil prices will contribute to rising production costs and negatively affect economic activity and oil demand, particularly in Asian countries. At the same time, the impact of these adverse factors on China is expected to be limited, owing to its diversified oil import structure and accumulated strategic reserves.

The conflict in the Middle East is expected to temporarily support elevated cereal prices. Following a resolution of the conflict, cereal prices are expected to gradually normalize (Graph 2).

According to FAO data, global food prices increased by 1.6% month-on-month and by 2.0% year-on-year in April 2026. The strongest increase was observed in vegetable oil prices. Meat and grain prices also continued to rise.

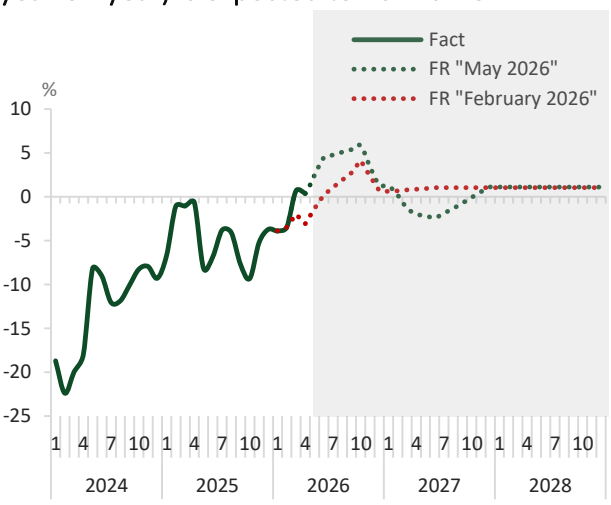
Cereal prices are expected to remain elevated through mid-2026, driven by high fertilizer costs and strong demand for ethanol. As the conflict in the Middle East gradually eases, cereal prices are expected to begin returning to pre-crisis levels. Further ahead, growth in global production and rising grain inventories are expected to limit further increases in cereal prices.

Graph 1. Oil price assumptions have been raised



Source: EIA, Consensus Economics, NBK calculations

Graph 2. As the conflict in the Middle East is resolved, growth in cereal prices (FAO Cereals, % year-on-year) is expected to normalize.



Source: UN FAO, NBK calculations

1.1.2. Global economic development and trade partner countries

China's economy is expected to continue slowing gradually. Economic activity in the EU will remain subdued, while growth in Russia is expected to stay weak throughout the forecast horizon.
Global business activity improved slightly in April 2026. Growth was mainly driven by the manufacturing sector, where firms increased output amid concerns over potential supply disruptions and further increases in prices. At the same time, pressure on business costs intensified due to rising logistics and raw material costs related to the conflict in the Middle East. The services sector continued to expand at a moderate pace.
Economic activity in China came in above expectations, supported by strong performance in the industrial sector and export growth. In the EU, weakness in the manufacturing sector and heightened uncertainty amid rising energy prices contributed to more subdued economic growth. In Russia, economic activity slowed more than expected, accompanied by weaker performance across a number of industries, tight monetary conditions, and continued sanctions pressure.
Against the backdrop of higher commodity prices and stronger inflationary pressures related to the conflict in the Middle East, the IMF revised down its global growth forecast for 2026 from 3.3% to 3.1%, while keeping the 2027 forecast unchanged at 3.2%[1]. China's economy is expected to continue gradually slowing due to structural factors. Growth forecasts for the EU were revised slightly downward because of high energy prices, which are expected to constrain industrial activity and domestic demand. In Russia, economic growth is expected to remain weak throughout the forecast horizon (Graph 3)[2].

The conflict in the Middle East has increased external inflationary pressures, which are expected to gradually ease as energy prices decline.
Elevated oil and gas prices continue to feed into inflation in advanced economies. Updated data for April 2026 point to stronger inflationary pressures. Headline inflation accelerated in the United States, Europe, the United Kingdom, and Japan.
Among Kazakhstan's trading partners, the impact of the conflict is currently most visible in the EU, where inflation accelerated from 2.0% in January to 3.2% year-on-year in April 2026. Inflation also picked up in China, reaching 1.2% year-on-year (in January – 0.2%), driven by higher transport service prices amid rising energy costs and ongoing supply chain disruptions. In Russia, inflation continued to ease, slowing to 5.6% year-on-year (in January – 6.0%).
Inflation in China is expected to remain low due to weak domestic demand. In the EU, inflation is expected to rise temporarily in 2026 under the impact of higher energy prices, before stabilizing near the target level. In Russia, inflation is projected to continue gradually slowing amid tight monetary conditions and cooling domestic demand (Graph 4).

External monetary conditions remain relatively tight, reflecting heightened uncertainty and elevated geopolitical risks.
Against the backdrop of rising inflationary pressures, major central banks continue to maintain a cautious stance. Some of them do not rule out the possibility of additional rate hikes this year to contain inflation. At their latest meetings, both the U.S. Federal Reserve and the ECB kept policy rates unchanged. Amid slowing inflation and signs of weaker economic activity, the Bank of Russia lowered its key rate from 15.0% to 14.5% on 24 April 2026.
The Federal Reserve is expected to maintain a more cautious policy stance given persistent inflationary pressures. The ECB is also expected to keep monetary policy tighter in order to bring inflation back to target. According to the updated forecast of the Bank of Russia, further reductions in the key rate are expected to proceed at a slower pace than previously anticipated.

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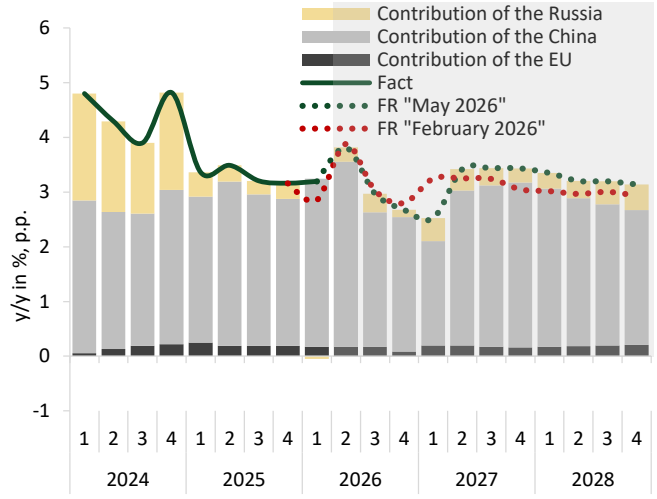
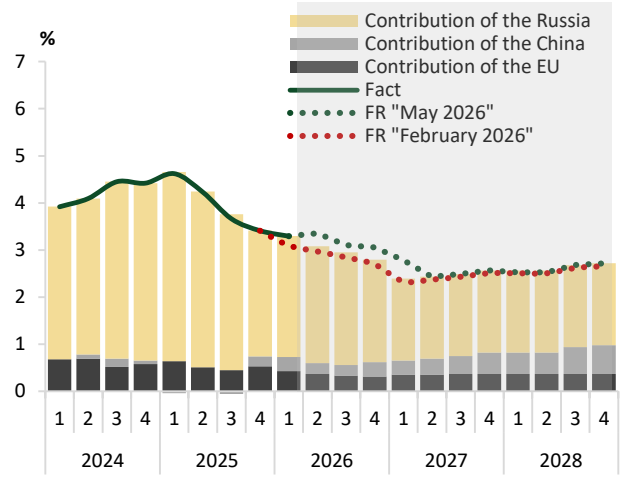
[1] *IMF* World Economic Outlook*, April 2026*
[2] *Consensus Ecs.*

Graph 3.External demand remains resilient and continues to grow at a moderate pace.
Aggregated external GDP*



Graph 4. External inflationary pressures are expected to increase temporarily before stabilizing at a moderate level.
Aggregated external inflation **



** 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

Box 1. The Impact of the Conflict in the Middle East on Kazakhstan's Economy.

The impact of the conflict in the Middle East on economies across countries remains uneven. Its effects are most visible in Europe and major Asian economies that are net energy importers, mainly through higher energy prices, supply disruptions, and a deterioration in trade conditions.

For Kazakhstan, the direct impact of the conflict remains limited so far, largely due to the relatively small share of foreign trade with Middle Eastern countries (Charts 1 and 2).

Chart 1. Structure of Kazakhstan's exports by destination in 2025, %

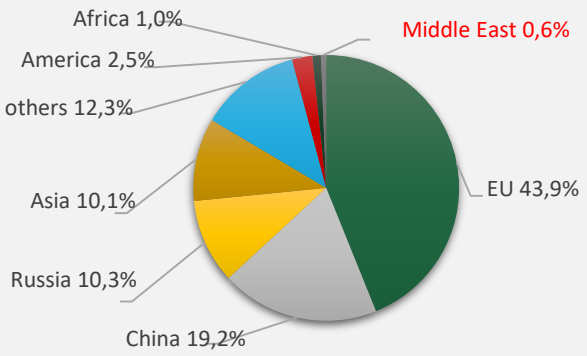
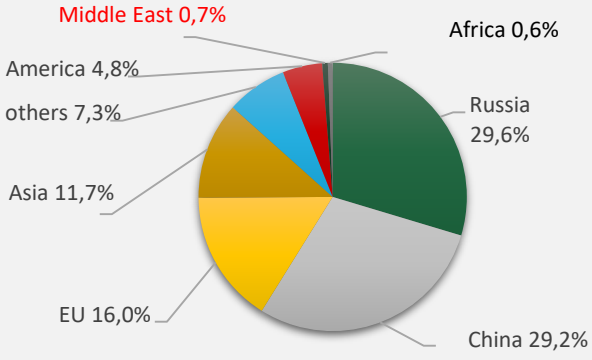


Chart 2. Structure of Kazakhstan's imports by origin in 2025, %



Source: BNS ASPR RK

However, it is important to note that the role of certain countries in the region is somewhat more pronounced in Kazakhstan's trade structure. In particular, Iran is one of the key export destinations for Kazakh barley. In 2025, around 66% of Kazakhstan's barley exports were shipped to Iran. Kazakhstan also imports certain food products from Iran, including dates and butter. At the end of 2025, Iran accounted for 36.7% of Kazakhstan's date imports and 31.5% of butter imports. Egypt is another country with relatively stronger trade ties with Kazakhstan. In 2025, 28.5% of imports of mixtures of odoriferous substances and 23.5% of certain chemical products came from Egypt.

Beyond direct trade, the impact of the conflict on Kazakhstan may also materialize through indirect channels. *Oil.* Oil prices increased significantly amid the conflict. For Kazakhstan, this is generally a positive development given that oil remains the country's main export commodity. At the same time, higher oil prices

have also led to higher prices for related products, including jet fuel, gasoline, and diesel. This may have partly contributed to rising domestic prices for air transport services. Between February and April 2026, annual inflation in air transport services accelerated from 19.8% to 29.3%.

Stronger external inflationary pressures. Rising energy prices have contributed to higher inflation in many countries, including Kazakhstan's major trading partners. In the EU, inflation accelerated from 2.1% year-on-year in February 2026 to 3.2% in April 2026. In China, inflation also picked up in April, reaching 1.2% year-on-year. If prices continue to rise further, this could add upward pressure to consumer prices in Kazakhstan through more expensive imported goods. External inflationary pressures may also intensify further amid higher global prices for food and fertilizers.

Tighter external monetary conditions. Against the backdrop of rising inflationary pressures, the rhetoric of major central banks has become more hawkish. This increases the likelihood that global interest rates will remain elevated for a longer period. For Kazakhstan, this could imply tighter external financial conditions, increased pressure on the foreign exchange market, and higher volatility in global financial markets.

1.2. Economic outlook under the baseline scenario

Economic activity in the first quarter of 2026 was slightly above the NBK's projections. Real GDP grew by 3.0% YoY, supported by stronger-than-expected investment activity. Investment demand, supported by quasi-fiscal stimulus measures, is expected to remain the main driver of economic growth through the end of 2026. Given the observed economic activity dynamics, as well as higher oil prices, the GDP growth forecast for 2026 has been revised upward. As a result, GDP growth is projected to be in the range of 4.5-5.5% in 2026 and 3.5-4.5% in 2027. In 2028, economic growth is expected to converge toward its potential rate and remain within the range of 3.5-4.5% (Graph 5, Table 1).

In the first quarter of 2026, GDP growth exceeded the NBK's expectations and reached 3.0% YoY. The stronger growth performance was mainly driven by an acceleration in investment activity toward the end of the quarter, accompanied by an expansion in construction activity. Economic growth was further supported by sustained strong output in the non-resource sectors.

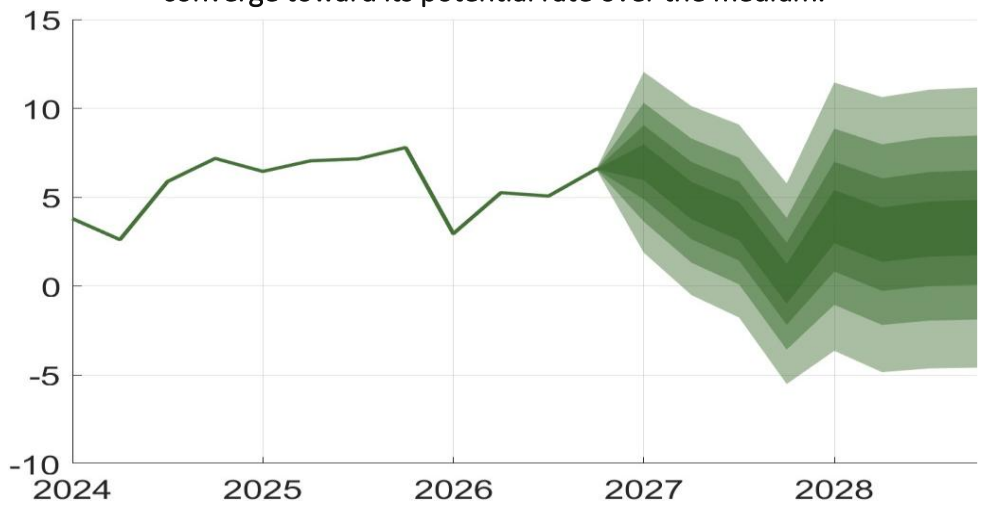
In 2026, investment demand is expected to remain the main driver of economic growth in Kazakhstan, supported by ongoing quasi-fiscal stimulus. Gross capital formation is projected to continue expanding, driven by the implementation of investment projects in the non-oil sectors of the economy.

Household consumption growth is expected to grow at a more moderate pace than in 2025. This is due both to the high base effect from the previous year and to a temporary restraint in consumer activity following the VAT increase. Consumption growth is expected to remain moderate in the first half of 2026; however, a gradual acceleration is possible in the second half of the year as the economy adjusts to the VAT increase.

In external trade, strong investment activity is expected to support demand for imports of investment goods, particularly machinery and equipment. Export growth, in turn, will be supported by increased exports of non-oil products, especially food products.

The growth outlook for 2027 has been revised slightly downward, reflecting the statistical high-base effect from 2026. Overall, the key assumptions underlying the GDP growth forecast for 2027-2028 remain broadly unchanged. Higher oil prices, a gradual easing of monetary conditions, and the planned expansion of oil production are expected to support GDP growth in 2027. At the same time, the economic effects of fiscal stimulus, particularly from the quasi-fiscal sector, are expected to gradually weaken. Nevertheless, investment projects launched in 2025-2026 will continue to support economic growth through spillover effects. As a result, GDP growth in 2027 is projected to be in the range of 3.5-4.5%. In 2028, with fiscal consolidation and the normalization of oil production, economic growth is expected to remain close to its long-term sustainable rate, within the range of 3.5-4.5%.

Graph 5. The GDP growth forecast has been revised upward for 2026, while growth is expected to converge toward its potential rate over the medium.



Source: NBK forecast

Amid stronger-than-expected economic activity, the output gap estimate for 2026 has also been revised upward. Domestic demand is expected to be supported by quasi-fiscal stimulus programs, thereby remaining a source of proinflationary pressure in the economy. Over the medium term, as fiscal stimulus gradually fades, the economy is expected to move closer to its equilibrium level, leading to a narrowing of the output gap and a reduction in pressure on domestic prices.

Inflation in Kazakhstan is slowing somewhat faster than previously anticipated. This reflects a more moderate impact of tax policy measures, moderately tight monetary conditions, the appreciation of the tenge against the U.S. dollar, stabilization of demand following the surge observed in 2025, measures aimed at stabilizing food prices (including regulation of socially important food products), as well as more moderate growth in utility and fuel prices.

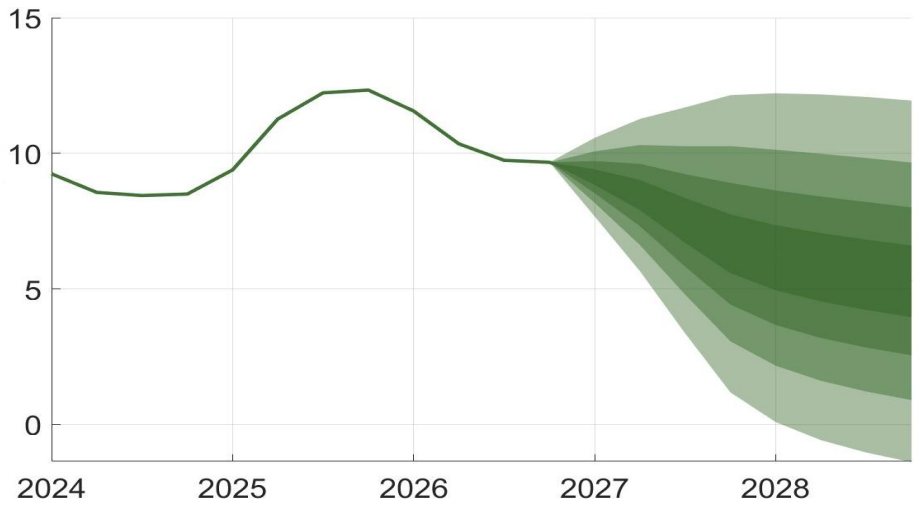
Taking into account the faster actual slowdown in price growth, inflation forecasts for the current year have been revised downward. In 2026, inflation is expected to be in the range of 9-11%. In 2027, inflation is expected to slow to 5.5-7.5% (table 1). In 2028, as quasi-fiscal stimulus narrows, fiscal consolidation is carried out, and economic growth approaches its potential levels, inflation will move closer to the target level of 5% (Graph 6, table 1).

Current inflation dynamics are somewhat below the NBK's earlier forecasts. Inflation is expected to be in the range of 9-11% by the end of the year. The observed slowdown in annual inflation since October 2025 has been driven by moderately tight monetary policy, appreciation of the tenge, lower tariffs for regulated housing and utility services, and the effect of the moratorium in the fuel and lubricants market. At the same time, despite the expected slowdown in inflation in 2026, both domestic and external pro-inflationary factors remain, preventing inflation from decelerating rapidly. Domestic factors include further deregulation of fuel and lubricants and housing and utility services markets, quasi-fiscal stimulus, and persistently elevated inflation expectations. External factors are related to stronger external inflationary pressure, reflected in rising global food prices and accelerating inflation in Kazakhstan's trading partner countries.

In the medium term, inflation will continue to slow. This will be supported by the gradual stabilization of inflation expectations as a result of moderately tight monetary policy, fiscal consolidation (compliance with budget rules and the absence of targeted transfers from the NF RK) and a narrowing of the quasi-fiscal impulse. Additional disinflationary factors should include anti-inflation measures undertaken under the Joint Action Program of the Government, the NBK, and the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (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 the above factors, inflation will decline to its 5% target in 2028.

Graph 6. Inflation is projected to reach the target by 2028.



Source: NBK forecast

Table 1. Forecasts under the baseline scenario*

	2026	2027	2028
GDP, *y/y, %*	**4,5-5,5** (3,5-4,5)	**3,5-4,5** (4-5)	**3,5-4,5** (3,5-4,5)
CPI, *Dec. to Dec., previous year, %*	**9-11** (9,5-11,5)	**5,5-7,5** (5,5-7,5)	**around 5,0** (around 5,0)
Brent, *USD/Barrel, average per year*	**90,1** (66,3)	**75** (60)	**65** (60)

Table 1 (a). Forecasts under the pessimistic scenario

	2026	2027	2028
GDP, *y/y, %*	**3,5-4,5** (3-4)	**3-4** (3,5-4,5)	**3,5-4,5** (3,5-4,5)
CPI, *Dec. to Dec., previous year, %*	**9,5-11,5** (10-12)	**6-8** (6-8)	**around 5,0** (5,0)
Brent, *USD/Barrel, average per year*	**76,8** (47,9)	**55** (40)	**45**

Table 1 (b). Forecasts under the optimistic scenario

	2026	2027	2028
GDP, *y/y, %*	**4,7-5,7** (4-5)	**4-5** (4-5)	**3,5-4,5** (3,5-4,5)
CPI, *Dec. to Dec., previous year, %*	**8,5-10,5** (9-11)	**5-7** (5,5-7,5)	**around 5,0** (5,0)
Brent, *USD/Barrel, average per year*	**103,5** (77,7)	**95** (80)	**85** (80)

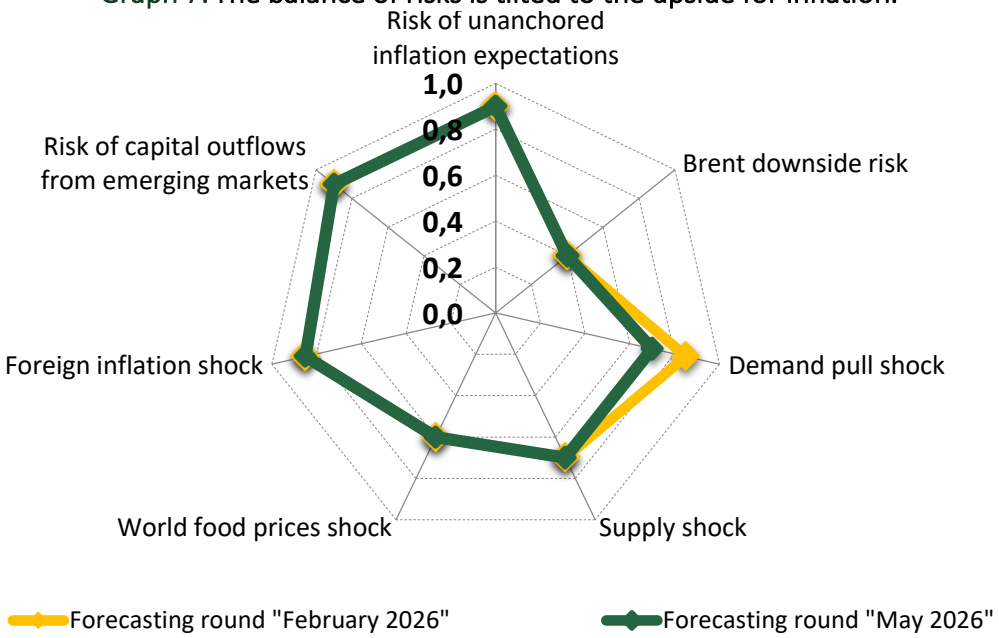
Source: NBK forecasts

**The forecast in parentheses reflects the projections from the «February 2026» forecast round.*

1.3. Medium term risks

Compared with the previous forecast round, the balance of risks has eased somewhat; however, the probability of inflation deviating from the forecast path remains elevated. This necessitates maintaining moderately tight monetary conditions and a prudent trajectory of the base rate despite the ongoing slowdown in inflation (Graph 7).

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



Source: NBK forecast

Risks of external inflationary pressures persist amid a broad-based increase in global inflationary pressures driven by developments in the Middle East. In particular, rising energy prices and supply disruptions have increased the risks of higher imported inflation from Kazakhstan's trading partners, as well as rising global food prices. In addition, the tightening of monetary policy by central banks in advanced economies may exert additional pressure on the exchange rates of emerging market economies, including Kazakhstan, thereby contributing to stronger inflationary pressures.

Regarding domestic factors, risks associated with domestic demand have declined somewhat amid more moderate growth in consumer lending. Nevertheless, domestic demand risks remain elevated due to uncertainty surrounding the parameters of quasi-fiscal operations and the possibility of deviations from compliance with fiscal rules. Risks of inflation expectations becoming de-anchored also remain high amid uncertainty regarding future increases in fuel and utility prices, which may generate additional supply-side pressures through second-round effects. Moreover, the currently elevated level of core inflation points to the persistence of inflationary pressures and inflation expectations over the forecast horizon.

Risks to the GDP growth forecast include potential disruptions to oil production and technical constraints on exports through 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 expected to shift from a deficit zone to a moderate surplus in 2026. This transition will be supported by higher prices for key commodities, including oil, metals, and uranium. Over the medium term, as commodity prices gradually decline and demand for investment-related imports remains robust, the current account is projected to return to moderate deficit levels.

Compared to the previous forecast round, current account projections for 2026-2028 have been revised significantly upward (table 2). This improvement is primarily driven by a more favorable outlook for the trade balance, reflecting a higher projected path for oil and metal prices.

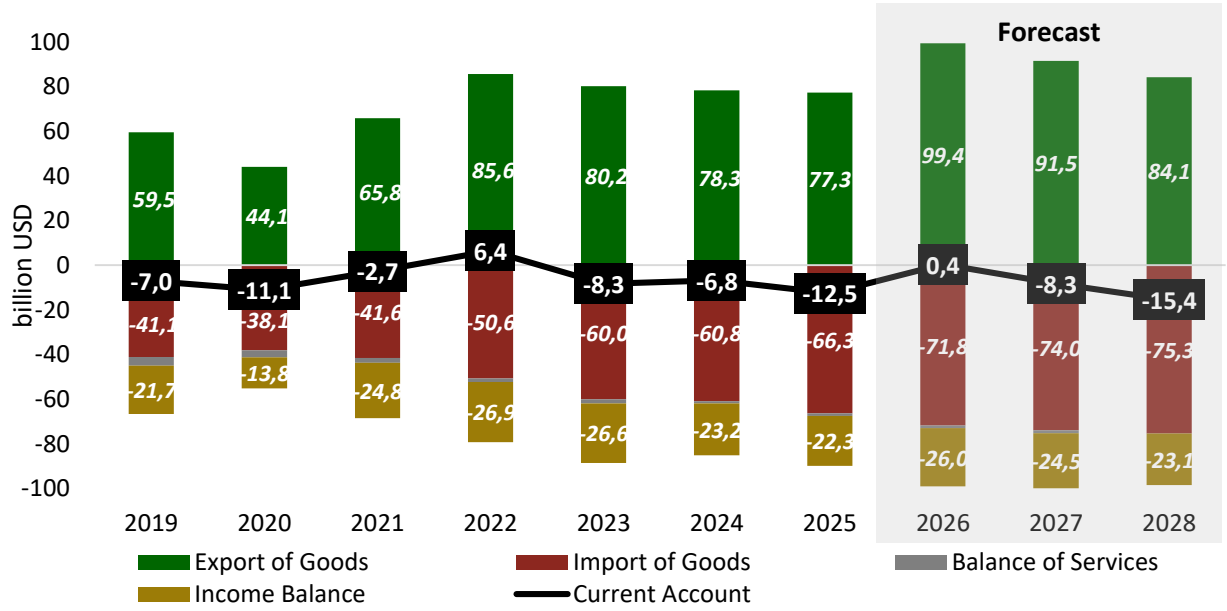
Table 2. Forecast of the current account of the balance of payments

	2020	2021	2022	2023	2024	2025	2026 (f)	2027 (f)	2028 (f)
Current account as % of GDP	**-6.5%**	**-1.4%**	**2.8%**	**-3,2%**	**-2,3%**	**-4,1%**	***0,1%*** *(-3,7%)*	***-2,1%*** *(-4,5%)*	***-3,8%*** *(-5,0%)*
Reference: current account in billion US dollars	-11,1	-2,7	6,4	-8,3	-6,8	-12,5	*0,4 (-12,4)*	*-8,3 (-15,4)*	*-15,4 (-17,8)*

** the previous forecast from the "February 2026" forecast round is provided in brackets*

Goods exports are expected to remain above 2025 levels over the medium term. Higher oil prices will support oil export revenues. Non-oil exports are expected to benefit from stronger metals and uranium prices, driven by slower growth in global copper ore production and rising demand from the green energy transition and artificial intelligence-related industries. Additional support will stem from limited global production capacity and persistent disruptions to raw material supply chains associated with geopolitical tensions in the Middle East. Strong external demand for Kazakhstan's higher value-added exports, including agricultural products, will provide a further boost to export growth. Thus, in the medium term, the volume of exports is projected to remain within the range of 21.0%-26.2% to GDP (84.1-99.4 billion US dollars) (Graph 8).

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



Source: NBK forecasts

Domestic demand for imported goods will continue growing. This growth will be driven primarily by increased imports of industrial goods intended for the implementation of investment and infrastructure projects, as well as for the modernization and technical upgrading of existing production capacities. Sustainable demand for imported products will be financed through both the own and borrowed funds of economic agents, as well as fiscal and quasi-fiscal investments. As a result, import of goods over the forecast horizon is expected to amount to 18,8%-19,0% of GDP (71,8-75,3 billion US dollars).

The dynamics of the income balance will continue to be driven by global oil and metal prices. Income payable to foreign direct investors is expected to remain at a high level, reflecting higher commodity

prices and increased oil production volumes. As a result, the income balance deficit is projected to remain in the range of (-)6%-(-)7% of GDP ((-)23.1-(-)26.0 billion US dollars) during 2026-2028.

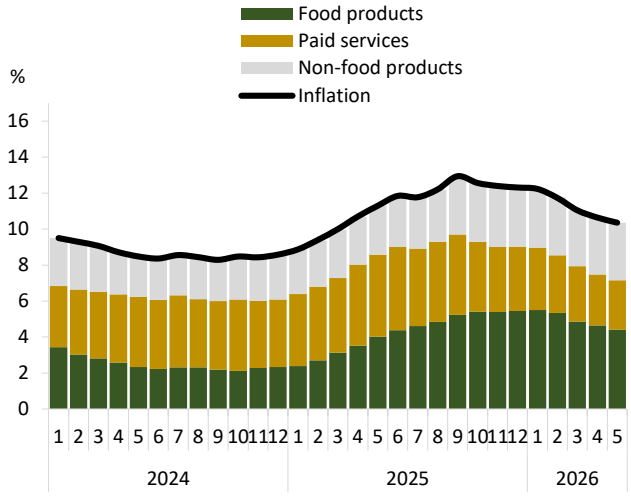
The services balance deficit is expected to remain broadly unchanged from the previous year over the forecast horizon. Services exports are projected to grow due to the expansion of transport corridor capacity across Kazakhstan, as well as an increase in the inflow of foreign visitors, supported by the country's attractiveness as a business and tourist destination. Services imports are expected to increase, driven by higher demand for transportation services associated with growing import of goods, as well as higher imports of business and professional services related to the launch of large-scale investment projects in the energy, chemical, oil and gas, metallurgy, and IT sectors. In addition, outbound travel by Kazakhstani residents is expected to contribute to the growth in services imports. Consequently, the services balance deficit is projected to remain at around (-)0.3% of GDP ((-)1.2-(-)1.3 billion US dollars) over the medium term.

II. CURRENT MACROECONOMIC CONDITIONS

2.1. Inflation

In May 2026, annual inflation continued to decelerate and reached 10.4%. Disinflation was supported by moderately tight monetary conditions, the strengthening of the tenge, stabilization of consumer demand, as well as the Government's anti-inflationary measures, including the effect of the previously implemented moratorium on increases in tariffs for regulated housing and utility services and fuel prices. The main contribution to the slowdown in inflation came from lower growth rates in food prices and paid services, while non-food inflation remained unchanged, indicating the persistence of price pressures in certain components of the consumer basket.

Graph 9. Annual inflation continues to decelerate.



Source: BNS ASPR RK, NBK calculations

Annual inflation continued to decelerate and reached 10.4% in May 2026 (Graph 9). Despite the slowdown, inflation remains above the target level, reflecting a combination of external and domestic factors. **External factors** include persistently high global prices for certain food products amid geopolitical tensions in the Middle East, inflation in Russia remaining above its target level, and the strong ruble, which contribute to higher prices for goods imported from Russia. **Among domestic factors**, the key drivers are rising producer prices, persistently elevated inflation expectations, as well as the combined impact of the VAT increase. Additional proinflationary pressure continues to come from quasi-fiscal operations aimed at stimulating economic growth.

At the same time, moderately tight monetary conditions, the strengthening of the tenge exchange rate, stabilization of consumer demand, as well as the Government's anti-inflationary measures, including the effect of the previously implemented moratorium on increases in tariffs for regulated housing and utility services and fuel prices, are exerting a **restraining effect on inflation**.

The annual growth in food prices slowed to 10.7% in May 2026. This slowdown was, among other factors, driven by a decline in prices for certain fruit and vegetable products, which is atypical for this period. This was largely associated with a simultaneous decline in producer prices, the strengthening of the tenge exchange rate, and the Government's anti-inflationary measures. However, the sustainability of this effect requires cautious assessment, as some of these factors may be temporary in nature.

At the same time, factors constraining a more sustained slowdown in food inflation continue to persist, including rising producer prices in certain segments of the food industry and agriculture, as well as elevated global prices for certain food products.

Annual inflation for non-food goods stood at 11.7% in May 2026. Among non-food goods, the combined impact of the VAT increase continued to exert proinflationary pressure in May 2026. At the same time, the strong tenge against the US dollar and the Russian ruble exerted a restraining effect on prices of imported goods. An additional disinflationary factor was moderately tight monetary conditions, which contributed to the gradual normalization of consumer demand.

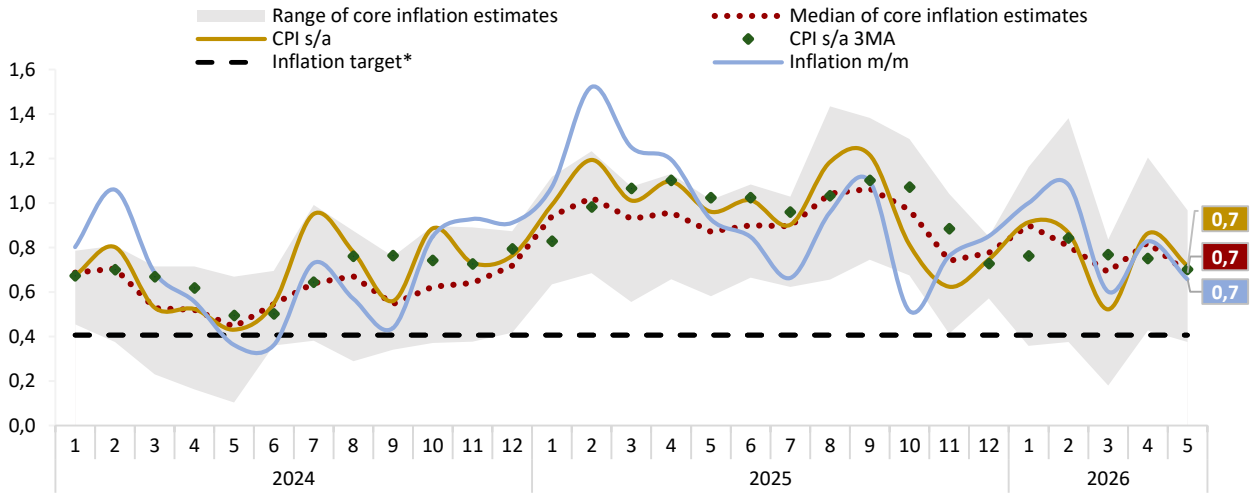
In May 2026, the annual growth in prices for paid services continued to slow and stood at 8.7%. The key disinflationary factor remains the effect of the previously implemented moratorium on tariff increases for regulated housing and utility services. Annual growth in regulated housing and utility tariffs declined significantly from 30.4% in September 2025 to (-)3.4% in May 2026. Additional

restraining effects are being exerted by the strengthening of the tenge and stabilization of consumer demand. At the same time, the slowdown in services inflation remains uneven, as elevated price growth rates persist in certain types of services.

Indicators of seasonally adjusted and core inflation slowed in May 2026. However, these indicators remain significantly above the inflation target, pointing to persistent proinflationary pressure. It is important to note that many of the observed disinflationary factors may be temporary in nature.

Seasonally adjusted monthly inflation slowed to 0.7% in May, down from 0.9% in April (Graph 10). Meanwhile, the median of core inflation estimate also slowed to 0.7% in May, down from 0.8% in April. The slowdown in seasonally adjusted inflation was mainly associated with the non-food and services components. The range of core inflation estimates remains relatively wide, indicating continued heterogeneity in price dynamics and elevated volatility in the persistent 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.

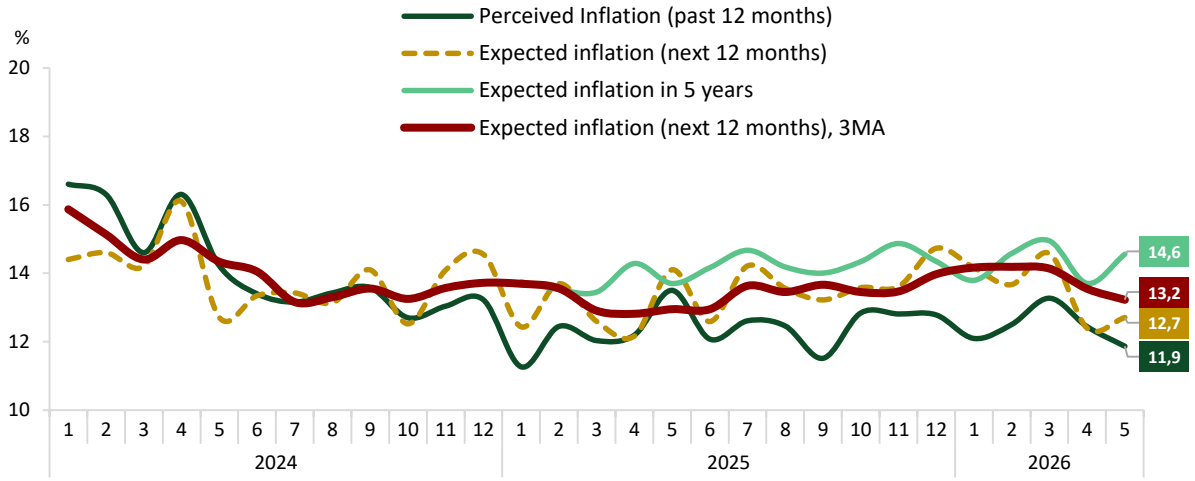
Inflation expectations remain elevated and volatile, which indicates that households remain sensitive to current price dynamics and the information environment (Graph 11).

In May 2026, inflation expectations over the 12-month horizon amounted to 12.7% (12.4% in April 2026). Respondents' answers continue to show a high level of uncertainty regarding future price dynamics. A significant share of the population finds it difficult to provide a quantitative assessment of inflation over the short-term horizon. At the same time, the response structure of this group indicates that a notable share of respondents expect an acceleration in price growth or a continuation of current growth rates. This indicates the continuing inflation concerns of the population.

Among the factors of future inflation, respondents somewhat less frequently cited increases in food prices, as well as the impact of the VAT increase. This may indicate a partial weakening of the influence of these factors. At the same time, against the background of the termination of the moratorium, which limited the growth of prices for regulated housing and utility services and fuels, the population remains concerned about their further rise in price. Along with this, against the background of the conflict in the Middle East, respondents mention external events as a factor of future inflation.

Inflation expectations over a five-year horizon reached 14.6% in May 2026 (13.7% in April 2026). At the same time, uncertainty in long-term estimates is noticeably lower than in short-term expectations, which may indicate that respondents are more confident about long-term price dynamics.

Graph 11. Inflation expectations remain elevated.



Source: FusionLab: population survey

2.2. Domestic sector

In the first quarter of 2026, Kazakhstan's economic growth slowed to 3.0% y/y, following 6.5% in 2025. The main factor behind the slowdown was temporary constraints in the oil sector, while the non-oil economy continued to demonstrate sustained positive momentum.

The slowdown in GDP in the first quarter was driven by a shock in the oil sector rather than a weakening of domestic economic activity. By the end of 2025, export infrastructure constraints began to emerge, including a temporary reduction in the capacity of the main export route for Kazakhstan's oil to external markets. In early 2026, the situation was further complicated by problems with production infrastructure at one of the major oil fields, which led to lower output and had a noticeable negative impact on overall GDP dynamics. At the same time, according to NBK estimates, GDP growth excluding the mining sector is estimated at around 5.0% y/y in the first quarter, indicating that the non-oil economy continued to expand at a solid pace.

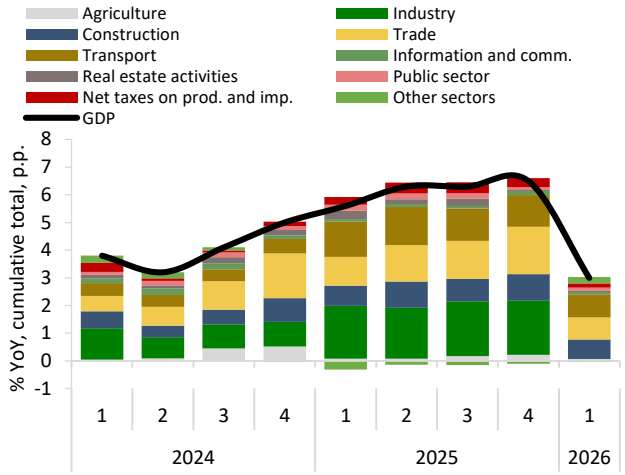
Despite the slowdown in the overall growth rate, economic activity remains supported by manufacturing, construction, transport and warehousing, as well as trade. The key driver is manufacturing, where positive dynamics are driven by the production of food products, furniture, rubber and plastic products, machinery, and light industry.

Additional support to the economy is provided by high construction activity, covering infrastructure, industrial, transport, energy, and residential projects. This points to sustained investment demand and has a positive impact on related sectors, including the production of construction materials and investment goods, as well as transport and warehousing services.

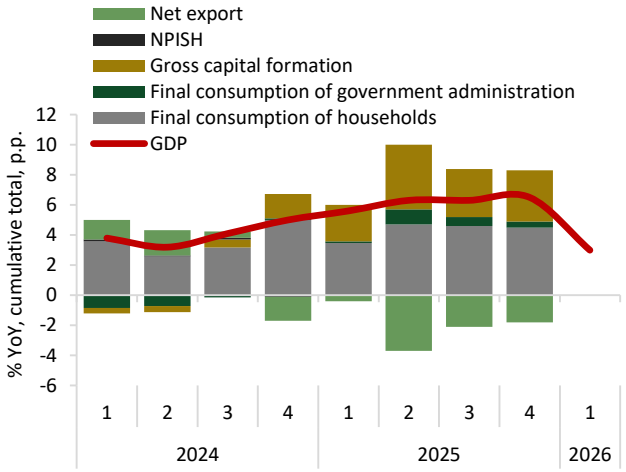
Thus, even amid temporary difficulties in the oil sector, Kazakhstan's economy continues to grow. This indicates that the economy's internal resilience has been preserved and that the role of non-oil sectors in supporting overall growth is gradually strengthening (Graph 12).

Domestic demand, supported by consumer and investment activity, continues to demonstrate resilient growth (Graph 13). Investment demand has been the main contributor to domestic demand growth in early 2026. At the same time, retail trade dynamics in early 2026 reflect a gradual normalization of consumer activity following the elevated growth rates observed in 2025.

Graph 12. In the first quarter of 2026, economic growth was driven primarily by the non-oil sector.
Contribution of Industries and Taxes to Real GDP Growth



Graph 13. Consumer and investment demand continued to provide the main contribution to economic growth.
Contribution of demand components to real GDP growth



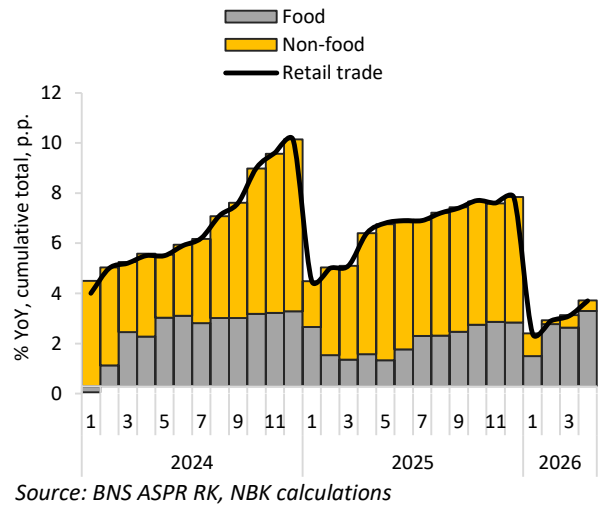
Source: BNS ASPR RK, NBK calculations

From the consumer demand perspective, retail trade dynamics in early 2026 generally point to a gradual normalization following the accelerated expansion observed in 2025. In January-April 2026, retail sales increased by 3.4% YoY in real terms, while annual growth rates gradually accelerated from month to month (Graph 14).

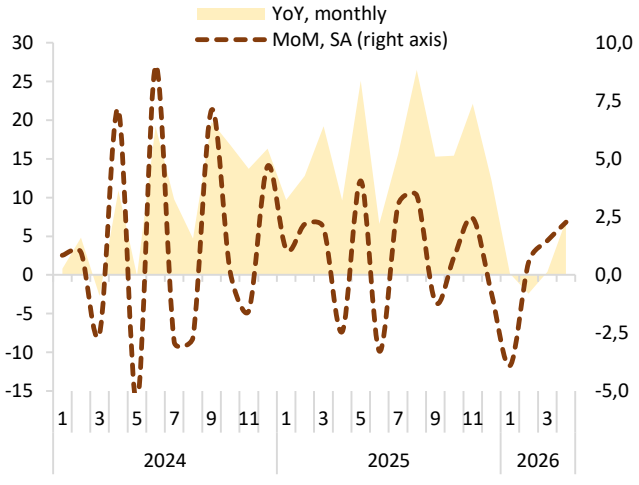
Last year, as anticipated ahead of the VAT rate increase, consumer demand strengthened due to front-loaded purchases, particularly of durable goods. The resulting acceleration in consumer spending contributed to inflationary pressures and was accompanied by signs of demand overheating. As expected, the effect of front-loaded purchases faded in January 2026. Since February, consumer activity has been recovering and is currently consistent with a trajectory of moderate expansion.

Growth in demand for services, including food and beverage services, further confirms the resilience of consumer demand. At the same time, the current moderately tight monetary conditions and macroprudential measures aimed at regulating consumer lending are helping to contain excessive demand without leading to a significant contraction in consumption (Graph 15).

Graph 14. Retail sales growth has been **accelerating since the beginning of the year.**
Contribution of retail turnover components to growth



Graph 15. The normalization of household demand is also reflected in the dynamics of food service consumption.
%, in real terms



Source: BNS ASPR RK, NBK calculations

Box 2. The Role of Seasonal Adjustment in Assessing Retail Trade Dynamics.

Retail trade dynamics are characterized by seasonal fluctuations. For example, consumer activity typically increases in December due to holiday-related spending. However, higher consumption volumes during this period do not necessarily indicate an inflationary acceleration of demand in the economy. In January, consumers tend to adjust their spending, resulting in a temporary decline in consumption volumes. As a result, interpreting short-term retail trade dynamics without accounting for seasonal effects may lead to misleading conclusions regarding the state of domestic demand. While annual growth rates help smooth such fluctuations, assessments of short-term dynamics may still be distorted by base effects arising from temporary shocks. Therefore, seasonally adjusted data are used to assess current developments in domestic demand.

According to Eurostat (2024), seasonality is defined as "*movements which recur with similar intensity in the same season each year and which (…) can be expected to recur*" [3]. Consequently, seasonal adjustment removes recurring within-year fluctuations while preserving information on underlying changes in economic activity.

***For reference**: A time series can be represented as:*

$$Y_t^i = TC_t^i + S_t^i + I_t^i,$$

где

Y_t^i *denotes the observed value of indicator* i *at time* t,

TC_t^i *denotes the trend-cycle component of indicator* i *at time* t,

S_t^i *denotes the seasonal component, reflecting regularly recurring within-year fluctuation,*

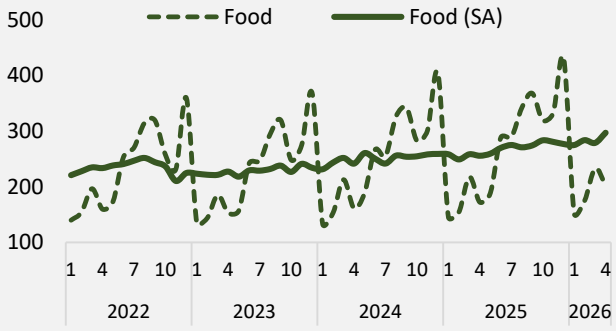
I_t^i *denotes the irregular component, capturing temporary deviations and/or shocks.*

Seasonality may reflect holiday periods, weather conditions, vacation patterns, seasonal promotional campaigns, and other recurring factors. At the same time, seasonal patterns may evolve over time as a result of structural changes in consumer behavior («shifting seasonality»). For example, more frequent installment-payment campaigns may alter the seasonal pattern of consumer spending. Similarly, the expansion of e-commerce and online marketplaces may smooth traditional seasonal peaks associated with sales events.

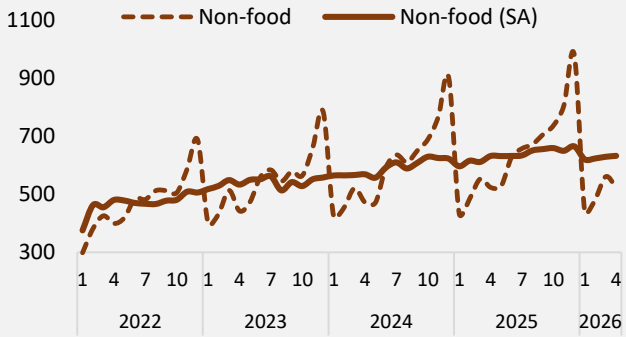
The analysis of seasonally adjusted retail trade data provides additional insights into current demand conditions that may not be fully reflected in conventional YoY growth rates. To improve the quality of the estimates, the food and non-food segments were seasonally adjusted separately and subsequently aggregated in line with the indirect seasonal adjustment approach.

Graphs 1 and 2 present the seasonally adjusted dynamics of food and non-food retail sales in real terms. The original time series exhibit clear intra-year seasonal patterns, with demand for both food and non-food goods tending to strengthen in the second half of the year. In the first half of the year, demand growth is generally more moderate, with a temporary pickup in March, likely associated with the celebration of Nauryz.

Graph 1. Food Retail Sales, constant January 2016 Prices, KZT Billion



Graph 2. Non-Food Retail Sales, constant January 2016 Prices, KZT Billion



Source: BNS ASPR RK, NBK calculations

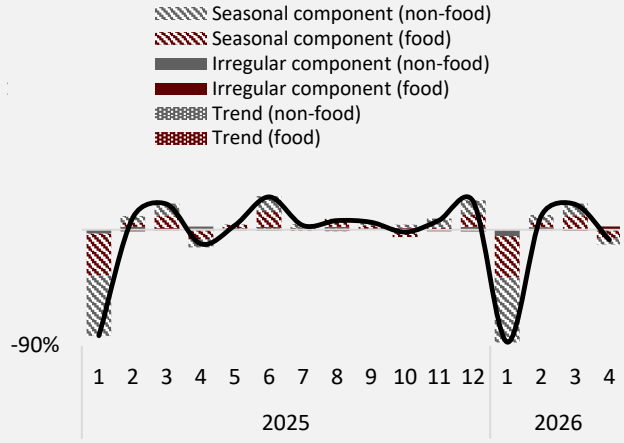
As indicated by seasonally adjusted data, retail trade dynamics in early 2026 largely reflected the effects of seasonality and the elevated level of consumption observed in 2025. A significant share of fluctuations in retail trade is driven by the seasonal component (Graph 3). Once seasonality is removed, it becomes apparent

[3] *Eurostat (2024). ESS Guidelines on Seasonal Adjustment.*

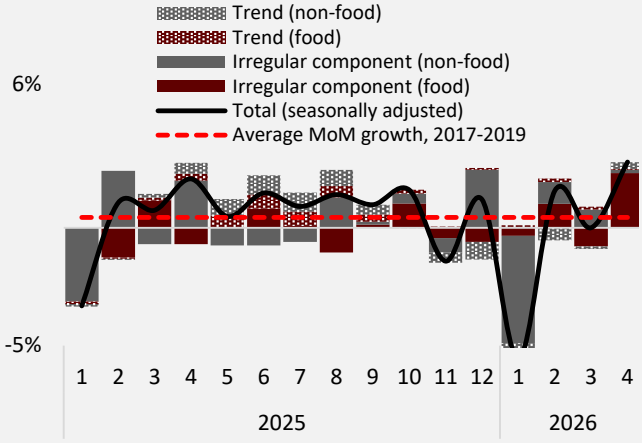
that consumer activity expanded throughout most of 2025, exceeding the average levels observed in 2017-2019 (a period largely unaffected by major shocks) (Graph 4).

In 2026, seasonally adjusted data point to a gradual increase in retail sales, particularly in the non-food segment.

Graph 3. Decomposition of Retail Sales Growth, % MoM, in real terms



Graph 4. Decomposition of Retail Sales Growth Excluding Seasonal Effects, % MoM, in real terms

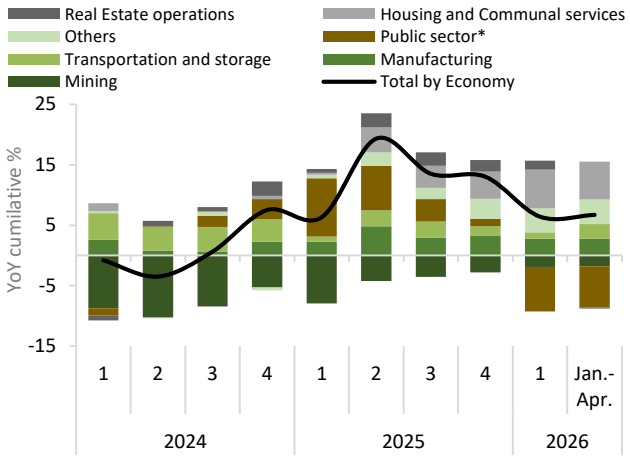


Source: BNS ASPR RK, NBK calculations

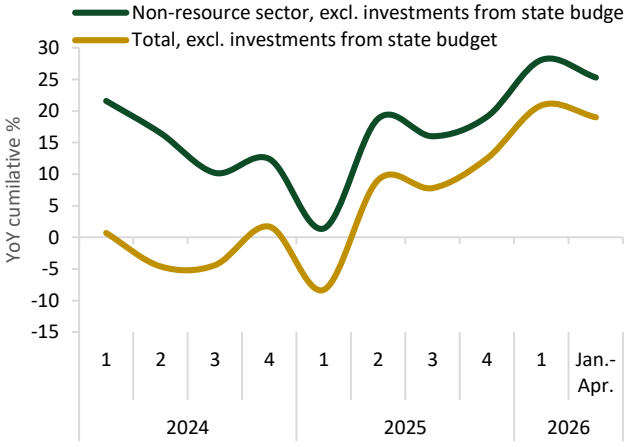
In January-April 2026, fixed capital investment continued to expand, increasing by 6.7% YoY. Positive investment dynamics were observed in a number of non-resource and infrastructure sectors, particularly in manufacturing, agriculture, transport and storage, as well as housing and communal services under the National Project "Modernization of the Energy and Utilities Sectors" (Graph 16). The decline in investment in mining and the public sector reflects the completion of a number of large investment projects. This sectoral dynamic contributed to an increase in the share of spending on machinery and equipment, alongside a decline in the share of spending on construction works.

At the same time, private investment increased in early 2026. In January–April 2026, fixed capital investment in real terms, excluding investment from the state budget, grew by 19.0% year-on-year, including 25.3% growth in the non-resource sector of the economy (Graph 17).

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 at the beginning of 2026.



Source: BNS ASPR RK, NBK Calculations

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

High investment activity continues to support growth in imports of investment goods, primarily machinery and equipment. At the same time, imports of consumer goods are showing more moderate dynamics compared with last year, amid the gradual normalization of consumer demand following its rapid growth in 2025. Export dynamics in the first quarter of 2026 were largely shaped

by a decline in oil production volumes due to temporary constraints related to production infrastructure at one of the major fields. At the same time, export dynamics were supported by increased shipments of animal and vegetable products, metals and related products, as well as several other commodity groups.

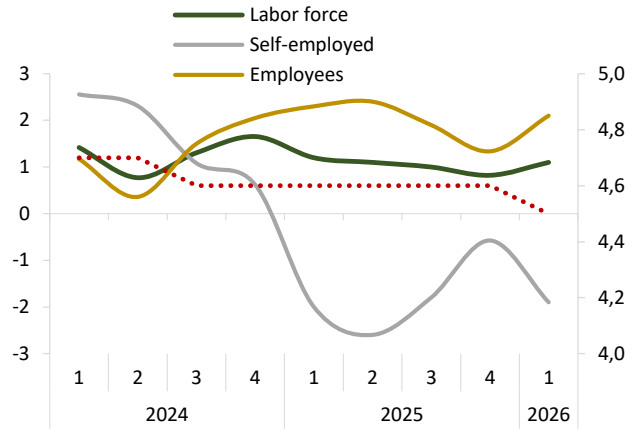
In the first quarter of 2026, employment growth continued, supported by a significant increase in the number of employees. The unemployment rate declined to a new historical low of 4.5%.

Labor supply continued to expand in the first quarter of 2026, mainly due to growth in the number of employees (Graph 18) across most sectors of the economy, except for education, water supply, and arts, entertainment and recreation. At the same time, the decline in the number of self-employed workers accelerated, indicating a further redistribution of employment toward the formal sector of the economy.

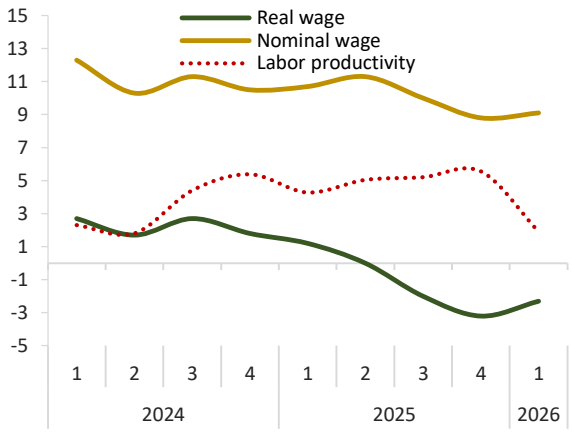
Nominal wage growth accelerated to 9.1% year-on-year in the first quarter of 2026. As a result, the decline in real wages slightly moderated, reaching 2.3% in real terms (Graph 19). Real wages declined in most sectors of the economy. The exceptions were agriculture, financial and insurance activities, water supply, electricity supply, manufacturing, and transport.

At the same time, despite a slight slowdown in the first quarter of 2026, labor productivity continued to grow both in the economy as a whole and in most sectors, exceeding real wage growth. Combined with the expansion of labor supply and employment amid declining real wages, this indicates that inflationary pressure from the labor market remains contained.

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



Graph 19. Dynamics of Nominal and Real Wages, YoY, %



Source: BNS ASPR RK, NBK Calculations

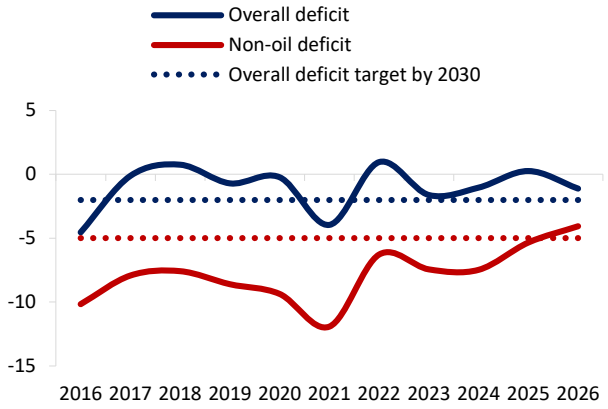
2.3. Fiscal policy

Fiscal consolidation continues to be offset by quasi-fiscal stimulus.

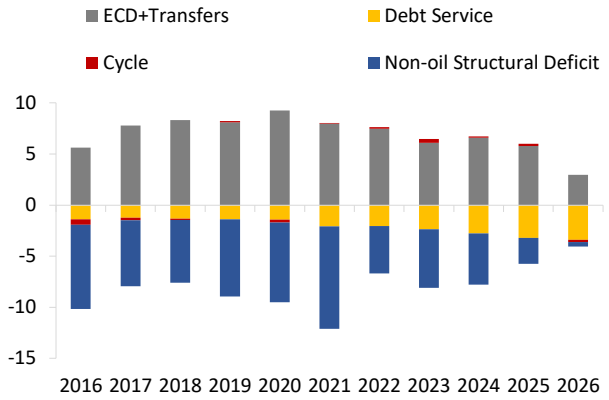
According to the preliminary assessment, the state budget deficit in the first quarter of 2026 amounted to 1.1% of GDP, while the non-oil deficit amounted to 4.1% of GDP (Graph 20). The non-oil deficit is significantly lower than the average annual value over the past 10 years (8.3% of GDP). The structure of the deficit shows a noticeable decrease in the non-oil structural deficit and oil revenues, but the share of debt servicing has increased, reaching 3.4% of GDP (Graph 21). The positive trend in the structural deficit is due to improved tax revenues and reduced primary costs, which are adjusted to the impact of the business cycle.

In the first quarter of 2026, the state budget revenue plan was fulfilled, despite external shocks. In the first quarter of 2026, tax revenues increased by 7.4% in real terms (Graph 22). The key driver of growth was VAT revenue. However, there is still a heterogeneous trend within the tax structure. The largest underperformance was observed for excise taxes, corporate income tax, and import VAT. On the other hand, there was an overperformance for mineral extraction tax, personal income tax, and domestic VAT.

Graph 20. The non-oil deficit of the state budget improved significantly in the first quarter of 2026, as % of GDP, for the first quarter of the period.



Graph 21. The share of debt servicing in the deficit structure is noticeably increasing, decomposition of the state budget deficit, as % of GDP, for the first quarter of the period.

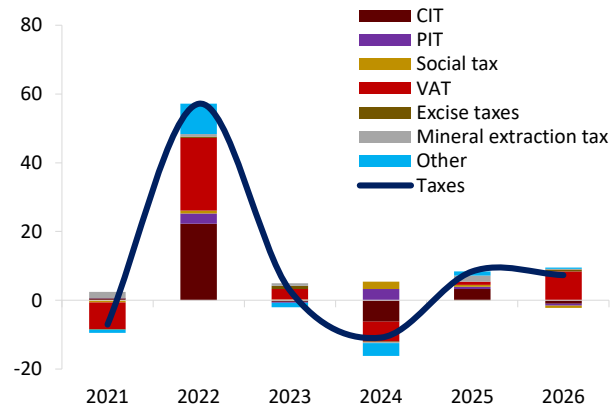


Source: MF RK, BNS ASPR, NBK calculations

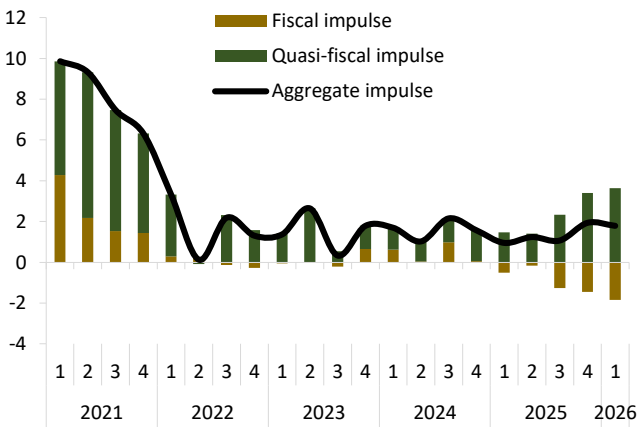
It is worth noting that the results of the first quarter of 2026 do not yet allow for a full assessment of the effect of the tax reform, as the collection of taxes is affected by the specific terms of payment and the administration calendar. A more complete effect is expected from the second quarter of this year.

At the same time, in the first quarter of 2026, quasi-fiscal financing continues to offset fiscal consolidation in the budget (Graph 23). Concessional lending through development institutions, subsidized loans, and guarantee mechanisms replace direct budget expenditures, remaining outside the official budget deficit. As a result, the actual impulse from the public sector remains stimulative. The continued use of active quasi-fiscal stimulus will limit the effect of tightening monetary conditions, reducing the effectiveness of the interest rate channel of the transmission mechanism. At the same time, the expansion of the government's contingent liabilities through guarantee and other mechanisms increases the potential debt burden, which may be realized in the event of a worsening external or internal economic environment. Additionally, the limited transparency of the scale and parameters of quasi-fiscal financing makes it difficult for economic agents to form stable expectations and may slow down the process of returning inflation to the target.

Graph 22. The increase in taxes in the first quarter was due to VAT, %, YoY, for the first quarter of the period.



Graph 23. Fiscal consolidation was offset by quasi-public sector financing, as % of GDP, by 2019.



Source: MF RK, "Baiterek" NIH" JSC, NBK calculations

III. THE TRANSMISSION MECHANISM OF MONETARY POLICY

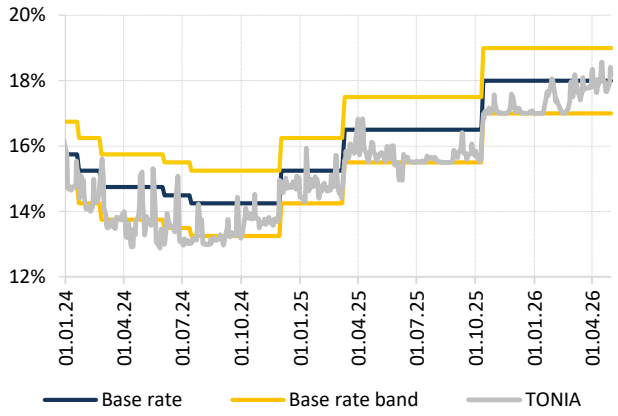
3.1. The transmission mechanism of monetary policy

Money market rates remained predominantly close to the base rate. Deposit rates remain at a level that encourages savings behavior.
Amid the unchanged base rate, the cost of lending in the corporate and mortgage segments remained virtually unchanged. In the consumer lending segment, interest rate dynamics were driven by changes in the share of instalment loans.
Deposit growth is primarily supported by tenge-denominated deposits, while the foreign currency segment shows moderate positive dynamics.
The slowdown in lending growth by second-tier banks is associated with a deceleration in consumer lending. Mortgage lending continues to show positive dynamics amid the implementation of preferential housing finance programs. In the corporate segment, small and medium-sized enterprises were the main drivers of growth.
Growth in the money supply has slowed, but remains positive.

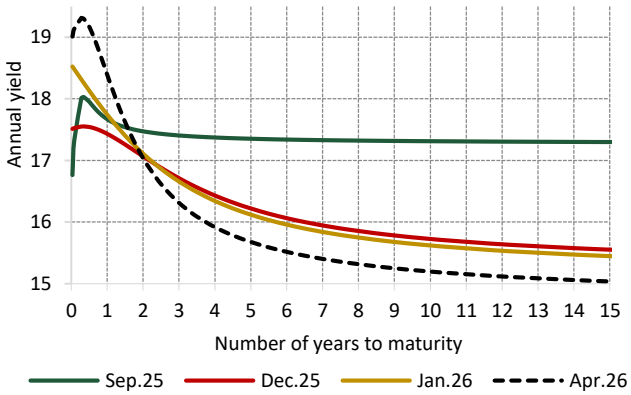
3.1.1. Interest Rate Channel

Money market rates were formed close to the base rate.
In February–April 2026, money market rates followed the base rate. Amid increased liquidity demand from the banking sector, the TONIA rate was mostly remained close to the level of the base rate, exceeding it in certain periods (Graph 24). The average spread of TONIA to the base rate amounted to (-)0.3 p.p. ((-)0.8 p.p. in November 2025 – January 2026).
In April 2026, the risk-free yield curve of government securities compared to January of the current year declined in the medium- and long-term segment amid sustained demand for government securities, a moderate increase in non-resident participation in the government securities market (Graph 25) amid lower inflation expectations of market participants. At the same time, growth in the short-term segment was mainly driven by the impact of NBRK notes yields (2 issues with yields of 17.8% and 18%).

Graph 24. The Interest Rate Band and the TONIA



Graph 25. Risk-free yield curve, %

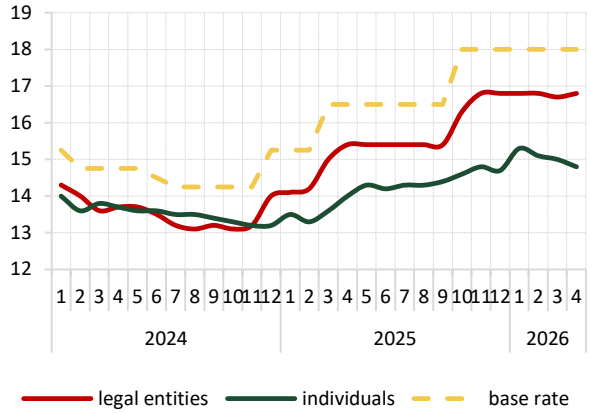


Source: NBK, KASE

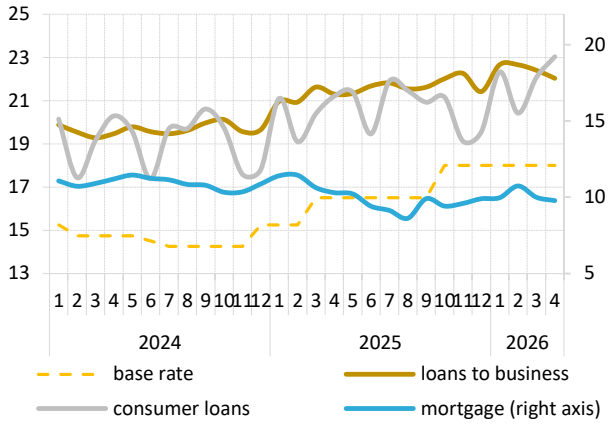
Deposit rates have remained elevated amid an unchanged policy rate. In February–April 2026, yields on corporate deposits remained stable (Graph 26), whereas the retail segment recorded a slight decline in the weighted average deposit rate due to changes in the composition of attracted deposits.
Corporate lending rates. In February–April of the current year, the weighted average rate on loans in national currency remained virtually unchanged amid the unchanged base rate (Graph 27).
Retail lending rates. In February–April of the current year, interest rate dynamics on consumer loans

were volatile, driven by banks' promotion of instalment programs in certain months. In April of the current year, the weighted average mortgage rate stood within the range of 10–11% (Graph 27).

Graph 26. Deposit rates in national currency, %



Graph 27. Lending Rates in National Currency, %



Source: NBK

3.1.2. Credit channel and deposits (Wealth channel)

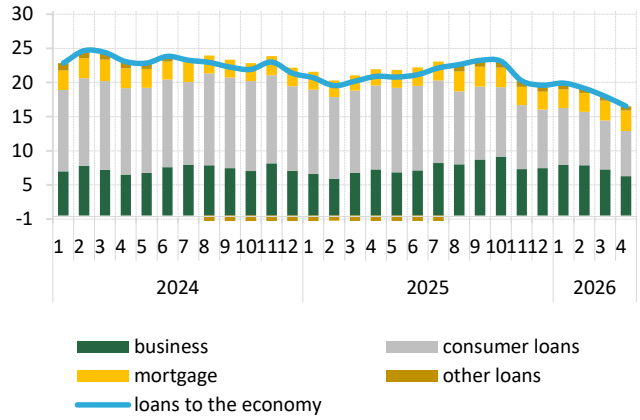
The growth rate of the loan portfolio of second-tier banks slowed to 16.0% year-on-year in April of the current year amid more moderate growth in lending to households (Graph 28).
The growth rate of retail lending slowed to 16.5% year-on-year in April of the current year. The cooling of consumer lending was driven by the regulatory measures adopted and the moderately tight monetary policy stance. At the same time, mortgage lending continues to expand, growing by 16.9% year-on-year amid the implementation of preferential programs, including "Nauryz" and "Nauryz Jumysker".

Small and medium-sized businesses are the main contributors to the growth of corporate lending. In April of the current year, the growth rate of business lending slowed to 15.3% year-on-year. The slowdown was caused by a contraction in the loan portfolio of large enterprises due to loan repayments in several banks. At the same time, loans to small and medium-sized businesses continue to show significant growth rates (32.7% year-on-year and 13.7% year-on-year, respectively).

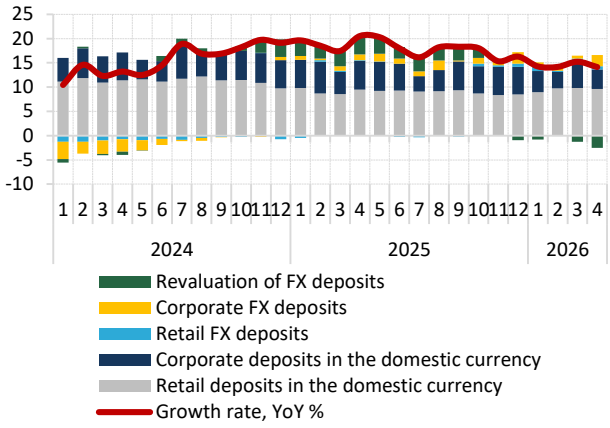
Deposit market is showing positive momentum against a backdrop of stable interest rate conditions. In April 2026, the volume of deposits at deposit-taking institutions increased by 14.1% yoy (Graph 29). Deposits denominated in the national currency continued to make the largest contribution to overall growth. Growth in the foreign currency segment was driven primarily by inflows of new corporate deposits; however, this effect remained modest due to negative exchange rate revaluation.
The resilience of deposit growth is consistent with the current level of household saving activity. The household saving rate[4] in Q4 2025 was near the 2024 level. Meanwhile, according to FusionLab[5], the share of households with savings has continued to remain within the 23–26% range since the end of last year.

[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
[5] Survey of the households' survey on inflationary expectations(https://nationalbank.kz/en/page/inflyacionnye-ozhidaniya)

Graph 28. Loans to the Economy from STBs (portfolio), YoY, %



Graph 29. Residents' deposits in deposit organizations, YoY, %



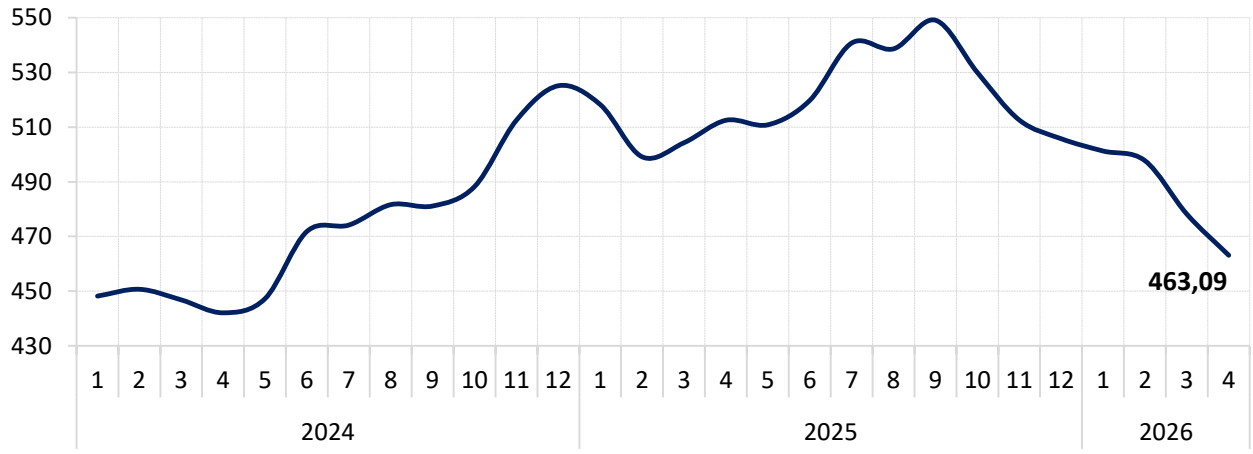
Source: NBK

Sustained demand for tenge-denominated savings continues to contribute to a further decline in deposit dollarization. In March 2026, deposit dollarization reached a new historic low (19.9%) due to a decline in the foreign currency component of deposits held by individuals (to 17.4%) and legal entities (to 23.3%) to a record low over the past 28 years. In April, the decline continued in the retail segment (to 16.7%), while the corporate segment saw a moderate increase (to 25.2%). As a result, the overall level of deposit dollarization stood at 20.4%.

3.1.3. Exchange rate channel

Exchange rate dynamics were shaped by a combination of domestic and external factors. In April 2026, compared with January, the national currency appreciated against the US dollar by 7.6% (Graph 30). Exchange rate dynamics were driven by a combination of external and domestic factors. On the external side, support for the national currency came from higher oil prices and their persistence at elevated levels. Among domestic factors, it is worth noting a decline in seasonal demand for foreign currency from the budget and economic agents, as well as growing interest from non-residents in government securities amid the continued moderately tight monetary policy stance. The appreciation of the national currency was also supported by foreign currency sales from the National Fund and quasi-public sector entities, as well as mirroring operations.

Graph 30. Exchange rate of the tenge to the US dollar *(tenge per one US dollar, end of month)*



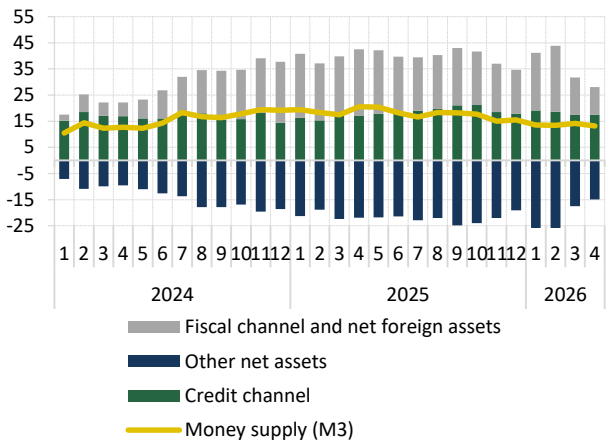
Source: KASE

3.2. Money supply

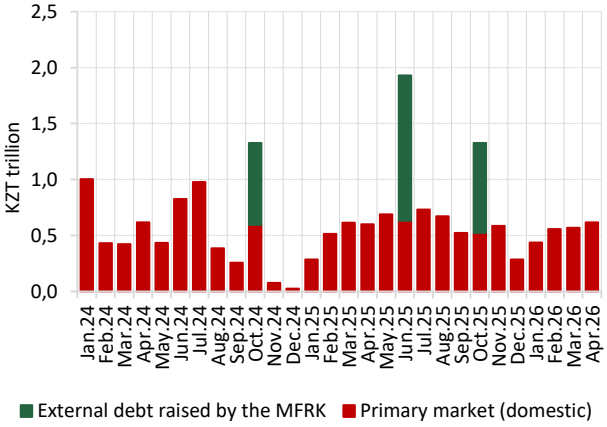
Growth in the money supply has slowed, but remains positive.

In April 2026, the year-on-year growth of the total money supply decelerated to 13.1% (Graph 31), while growth of its tenge component slowed to 16.0%. The growth of money supply continued to be supported by the expansion of lending, as well as the positive contribution of fiscal operations and external assets amid the Government's external borrowing and increased budget expenditures. In February–April 2026, the volume of government securities issued by the Ministry of Finance of the Republic of Kazakhstan slightly exceeded the volumes recorded in the same period of the previous year (Graph 32).

Graph 31. Money supply, YoY, %



Graph 32. Volume of government securities issued by the MFRK in domestic and external markets, KZT trillion



Source: NBK, KASE

Box 3. The Mechanism of Deposit Money Creation in the Banking System.

In the economic literature, the role of banks in money formation has been interpreted in different ways. According to the theory of financial intermediation, banks were viewed primarily as institutions that redistribute already existing savings between depositors and borrowers. At the same time, modern research and central bank publications increasingly focus on the fact that bank lending is one of the mechanisms of money creation in the economy. Empirically, this mechanism was examined in the study by R. Werner, which, based on actual credit operations and internal accounting records of a bank, analyzed whether the issuance of a loan is accompanied by the creation of a new deposit liability. The author interprets the results as evidence that, when issuing a loan, a bank simultaneously creates a credit asset and a deposit liability to the customer.

The question of the role of banks is particularly important for understanding the deposit component of money supply. Money supply includes cash in circulation, as well as funds in bank accounts and deposits. Cash is issued by the central bank, while the deposit component of money supply is formed within the banking system. Funds in accounts and deposits are used by households and businesses both for holding savings and for making payments and transfers. Therefore, when analyzing money supply, it is important to take into account not only the volume of such funds, but also the operations through which they arise or decline.

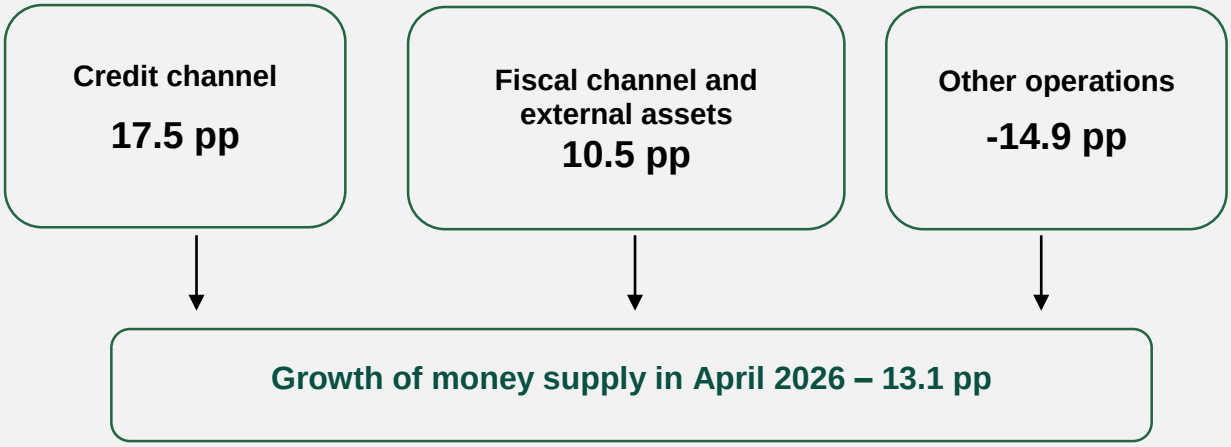
One of such mechanisms is bank lending. In the conventional view, a bank first attracts funds from depositors and then channels them to borrowers. However, from the perspective of a bank's balance sheet, lending does not always begin with an already existing deposit. In some cases, it is the issuance of a loan that is accompanied by the creation of a new deposit. When a loan is issued, a claim on the borrower appears in the bank's assets, since the borrower is obliged to repay the funds received in the future. At the same time, a liability to the customer arises in the bank's liabilities, as the loan amount is credited to the customer's account and becomes available for use. For the borrower, these funds can be used as cashless money, while

at the same time the borrower incurs an obligation to repay them to the bank. Thus, a lending operation simultaneously creates a bank's credit asset and a deposit liability to the customer.
For example, if a bank provides a customer with a loan of 100,000 tenge, the corresponding amount appears in the customer's account. In simplified terms, this operation can be presented as follows:

Simplified scheme of the operation		Balance sheet reflection
Bank assets	**Claim on the borrower**	**100,000 tenge**
Bank liabilities	Funds in the customer's account/deposit	**100,000 tenge**

After the loan is issued, the customer may use the funds in the account. If the customer uses them to pay for goods, services or other expenses, the deposit is transferred to the payment recipient. For example, the funds are debited from the borrower's account and credited to the seller's account. If the seller is served by another bank, the deposit is redistributed between banks; however, at the level of the banking system as a whole, it continues to remain part of cashless money. The opposite effect occurs when the principal amount of the debt is repaid. Even if the initially created deposit has already been used and transferred to other participants in the economy, loan repayment reduces the borrower's debt to the bank and at the same time reduces the funds in the account from which the payment is made. That is, in order to repay the loan, the funds in the borrower's deposit need to be reduced. Therefore, repayment of the principal amount acts in the opposite direction to loan issuance and may reduce deposit money.
At the same time, growth in lending does not always lead to a comparable increase in tenge deposits. The funds received may be withdrawn in cash, used to purchase foreign currency, directed to the repayment of previously obtained loans or to other operations. Therefore, the relationship between lending activity and deposit dynamics is not direct and depends on the further movement of funds after the loan is issued.
Lending is also not the only mechanism through which money supply changes. The dynamics of monetary aggregates are influenced, among other things, by fiscal operations, changes in external assets and other factors. For example, banks may participate in financing the Government by purchasing government securities. In this case, claims on the Government increase in banks' assets, while the further impact on money supply depends on how the funds raised are used (Figure 1).

Figure 1. Contribution of factors to the annual change in money supply in April 2026



This box focuses on the credit channel, as it clearly demonstrates the link between banks' operations and the formation of the deposit component of money supply.
At the same time, lending dynamics depend on a wide range of economic and regulatory factors. Banks' ability to increase their loan portfolio depends on demand for loans, borrowers' solvency, credit risk assessment, regulatory requirements, the cost of funding, macroeconomic expectations, etc.
Monetary policy affects this process through interest rate conditions. Changes in the base rate are reflected in the cost of loans, the return on savings, and the incentives of economic agents to borrow or accumulate funds. Therefore, the dynamics of the deposit component of money supply are formed not mechanically, but as a result of the interaction between banks' lending activity, demand from borrowers, saving behavior, and overall financial conditions.