



MONETARY POLICY COMMITTEE

Summary of the Deliberation on the Base Rate Decision Announced on 5 June 2026

The discussions were held during the “May 2026” forecast round. The forecast team from the Monetary Policy and Balance of Payments departments presented updated assessments of current economic conditions, macroeconomic forecasts, and alternative scenarios.

Current Situation

During the presentation of current conditions, it was noted that annual inflation eased to 10.4% in May. Inflation thus declined by 2.5 percentage points from its peak of 12.9% recorded in September last year.

The slowdown in price growth is supported by moderately tight monetary conditions, the strengthening of the tenge, the implementation of anti-inflationary measures, the stabilization of consumer demand, and a moderation in utility tariff growth.

In May, monthly inflation and measures of underlying inflation slowed to 0.7%. One-year-ahead inflation expectations stood at 12.7%. Participants noted that expectations have begun to settle within a range of 12.4–12.7%. This is an improvement on the period since the middle of last year, when expectations had persistently stayed between 13–14%.

Global food prices continue to rise at a moderate pace. Oil prices continue to be affected by persistent geopolitical tensions in the Middle East. Amid high energy prices and pro-inflationary pressures, central banks continue to take a cautious approach to monetary policy, emphasizing their readiness to adjust policy if needed.

Committee members noted that domestic inflation risks are mainly linked to the scale of quasi-fiscal stimulus, volatile inflation expectations, and how the utility tariff and fuel price reforms are actually implemented. External risks are associated with persistent geopolitical tensions, which could intensify external inflationary pressures and increase volatility in global markets.

Forecasts

The Committee revised down the inflation forecast for 2026 to 9–11%, from the previous range of 9.5–11.5%. The revision reflects a faster-than-expected decline in inflation, limited pass-through from the VAT increase to prices, and the strengthening of the tenge.

The Committee expects inflation to move into single digits this year. This will be supported by moderately tight monetary conditions and joint measures by the Government and the National Bank to ensure macroeconomic stability. The inflation forecast for 2027 was kept within the range of 5.5–7.5%. In 2028, inflation is expected to stabilize close to the 5% target.

The GDP growth forecast for 2026 was revised up to 4.5–5.5%. The revision reflects stronger-than-expected economic activity and more favorable oil price assumptions. In 2027–2028, economic growth is expected at 3.5–4.5%, amid lower oil prices and a normalization of domestic demand.

Discussion on the Base Rate

After reviewing current economic conditions and the updated forecast, the Committee moved to the discussion of the base rate decision. All Committee members agreed that the conditions for lowering the base rate were now in place.

The main argument in favor of a rate cut was the cumulative decline in annual inflation. Inflation fell by 2.5 percentage points over eight consecutive months, creating room to adjust monetary conditions. Committee members noted that sustained disinflation and improved forecast estimates required an appropriate monetary policy response.

Some participants recalled that, at the April meeting, a slowdown in inflation in April–May amid the resumption of regulated price reforms was one of the key conditions for a possible future rate cut. This condition was broadly met. As a result, the rate cut at this meeting was consistent with the Committee’s previous communication and helped preserve the predictability of the policy stance.

Participants also noted some moderation in monthly inflation and its underlying component. Lower food inflation made a significant contribution to the easing of inflationary pressure. This was driven by more moderate price growth for fruit and vegetables, as well as socially important food products. Committee members noted that the disinflationary effect could strengthen further in the coming months due to the seasonal decline in fruit and vegetable prices.

Some participants also pointed to an improved balance of payments outlook for the current year. The current account is expected to swing from a deficit to a moderate surplus. This will be supported by higher prices for internationally traded commodities, including oil, metals, and uranium.

At the same time, several Committee members expressed concern that the pace of disinflation had slowed. Despite some improvement, monthly and core inflation remain elevated and continue to point to persistent inflationary pressure. In their view, domestic demand is gradually normalizing, but still has a noticeable effect on price dynamics. This is reflected in high price growth for market services and strong growth in non-food retail turnover. Food inflation excluding fruit and vegetables stands at 13.4%. Some participants also noted that the high base of last year was contributing to the decline in inflation. Economic activity remains strong: GDP growth excluding the mining sector reached 5.3% in January–April.

Pro-inflationary risks also remain in place. They are linked to the large-scale economic stimulus program and to the actual implementation of utility tariff and fuel price reforms. Participants noted that these risks require monetary conditions to remain moderately tight. This is necessary to consolidate the progress achieved in reducing inflation and ensure its return to single digits this year.

The Committee also discussed the possible impact of a base rate cut on the exchange rate. In recent months, the exchange rate had been an important disinflationary factor. Some participants noted that easing monetary conditions could weaken the tenge and increase pressure in the foreign exchange market. Other members emphasized that, even after a 1 percentage point rate cut, the interest rate differential would remain substantial. Tenge-denominated assets would therefore continue to be attractive to foreign investors. Participants concluded that the base rate could be reduced without creating significant risks of capital outflows.

Some Committee members noted that the National Bank had used the full range of instruments in its toolkit to contain inflation. In addition to maintaining moderately tight monetary conditions through the base rate, the National Bank carried out mirroring operations related to gold purchases, raised minimum reserve requirements, and implemented selected macroprudential measures. Together, these measures have supported the return of domestic demand to a more balanced level. To strengthen the disinflation trend and improve the effectiveness of monetary policy in ensuring price stability, and taking into account current conditions in the foreign exchange market, Committee members agreed that there is now room to discuss the sterilization of additional liquidity through the mirroring of 2024 gold purchase volumes in the current year or the following year.

At the same time, participants emphasized that monetary policy is not the only factor shaping the inflation path. Further disinflation will also depend on fiscal policy, quasi-fiscal policy, and the implementation of regulated price reforms. A continued decline in inflation is possible if utility tariffs are raised in a moderate and predictable manner, based on the formula “inflation + 5%” in 2026–2027 and “inflation + 3%” in 2028. Fuel price adjustments should also be aligned with the inflation target, taking into account both first-round and second-round effects. In addition, fiscal consolidation measures need to be implemented in practice. Quasi-fiscal stimulus programs should be carefully calibrated and should support an actual expansion in the supply of domestic goods and services. Otherwise, the materialization of pro-inflationary risks could cause inflation to deviate from the forecast path and require an appropriate monetary policy response.

When discussing the future monetary policy path, all participants agreed that the current decision does not guarantee the start of a cycle of successive interest rate cuts. The rate cut at this meeting was a response to the accumulated slowdown in inflation and the improved forecast outlook. Participants therefore stressed the importance of clearly communicating this signal to the market.

Committee members agreed that further decisions should be taken cautiously. They will depend on incoming data and on whether disinflation trends remain sustainable. At the same time, some participants took a more cautious view, noting that room for further rate cuts may not materialize in subsequent periods. In that case, the base rate would need to remain at its current level for longer to ensure a sustained decline in inflation.

Summarizing the discussion, Committee members agreed that further decisions will depend on how inflation evolves relative to the forecast, the parameters of fiscal and quasi-fiscal policy, developments in global commodity markets, and developments in domestic demand.

Following the discussion, the Committee unanimously decided to lower the base rate by 1 percentage point to 17.00% per annum, with a corridor of +/- 1 percentage point. The decision reflected the accumulated improvement in inflation dynamics and the revision of forecast estimates.

To bring inflation down to single digits this year and achieve the target in the medium term, monetary conditions need to remain moderately tight. Further decisions will be based on incoming data on inflation, its trajectory relative to the forecast, domestic demand, the implementation of fiscal targets, and the scale and effects of quasi-fiscal stimulus.

Assessment of the Base Rate Trajectory

Following the decision, Committee members presented their assessments of the most likely base rate trajectory for 2026–2028, as shown in Table 1 and Chart 1. The median estimate for the base rate at the end of 2026 declined to 16.0%. For 2027, it remained unchanged at 13.0%. For 2028, it declined to 10.75%. The ranges of estimates also changed. For 2026, the range narrowed somewhat. For 2027, the upper bound moved higher. For 2028, the lower bound shifted down.

Each Committee member’s assessment was based on the information available at the time of the meeting. The estimates reflect the monetary policy stance that members considered necessary to achieve the inflation target, taking into account current conditions and the outlook at the time of the decision.

The proposed base rate trajectory does not imply a commitment by the Committee to maintain the rate at these levels. In its communication, the Committee will continue to explain the factors and assumptions behind its decisions, including in cases where the actual rate path deviates from the previously assessed trajectory.

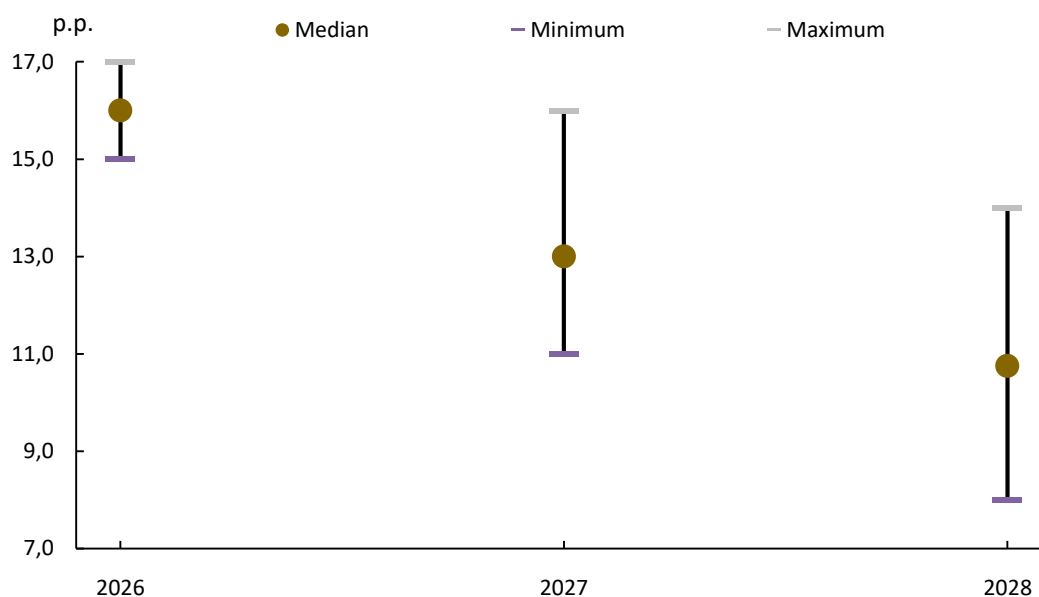
Table 1. Assessments of the Base Rate Trajectory

Indicator	Median			Range		
	2026	2027	2028	2026	2027	2028
Base rate at year-end, %	16.0 (16.1)	13.0 (13.0)	10.8 (10.8)	15.0-17.0 (14.5-17.5)	11.0-16.0 (11.0-15.0)	8.0-14.0 (9.0-14.0)

Notes:

1. If a Committee member provided an interval of assessments, the midpoint of this interval was used as the data point for determining the median.
2. The range includes the assessments of all Committee members from the minimum to the maximum for each year (including the bounds of the interval if the assessment was presented as an interval rather than a point).

Chart 1. The range of estimates of the base rate by MPC members



Source: Committee members' assessments

More detailed information on the factors underlying the decision and the forecasts is presented in the Monetary Policy Report published on the official website of the National Bank on 10 June 2026.