

Statement by the Governor of the NBK, T.M. Suleimenov
On the Base Rate of the National Bank
5 June 2026, Astana

Dear representatives of the media,

Dear journalists,

Good afternoon.

Welcome to the National Bank.

The Monetary Policy Committee of the National Bank has decided to **reduce the base rate by 100 basis points to 17%**.

This is a benchmark decision based on the results of the forecast round. The Committee has conducted a comprehensive assessment of current macroeconomic trends, assessment of monetary conditions, the latest available data, and the balance of risks.

Annual inflation continues to slow. The easing in inflationary pressure has been supported by the monetary policy stance, the appreciation of the tenge, the stabilization of consumer demand, and other anti-inflationary measures.

We are now seeing the positive effects of the earlier increase in the base rate, prudential measures, and a number of decisions taken by our colleagues in the Government. This coordinated policy effort **has created the space for a rate cut.**

The balance of risks has become less pronounced, but remains tilted to the pro-inflationary side. Accordingly, maintaining

moderately tight monetary conditions will help contain these risks.

On the external side, the **risks to inflation** stem mainly from the conflict in the Middle East, which is affecting global food prices. To reduce inflationary risks within the domestic economy, the following are needed:

- a controlled and moderate resumption of increases in housing and utility tariffs and fuel prices based on a predictable formula;
- the actual implementation of fiscal consolidation is also important;
- the effective implementation of quasi-fiscal stimulus measures that translate into a meaningful increase in the supply of domestically produced goods in the market is important.

Our primary objective remains to ensure a sustained decline in inflation and stabilize it close to 5% over the medium term.

Let me now turn to the factors underlying the decision.

FIRST. DYNAMICS OF INFLATION AND INFLATION EXPECTATIONS.

In May, **annual inflation** fell by 2.5 p.p. to **10.4%** from a peak of 12.9% recorded in September last year.

The slowdown is most pronounced in services: **services inflation** eased to **8.7%** amid a normalization of demand.

Food inflation is also slowing, standing at **10.7%** compared with 11.3% in April. This was supported by moderate price growth for vegetables and fruit.

Non-food inflation remained at **11.7%**. This component is being restrained mainly by the appreciation of the tenge and by the stabilization of consumer demand.

Monthly headline inflation slowed to 0.7% in May from 0.8% in April. **Core and seasonally adjusted inflation also eased somewhat, both reaching 0.7%** (*from 0.8% and 0.9% in April, respectively*). This is a positive sign that inflationary processes are stabilizing.

Household inflation expectations stood at 12.7% in May. Having hovered near 14% over the previous 12 months, they stood around 12% in April and May this year. At the same time, a significant part of inflation expectations is linked to regulated prices, particularly housing and utility tariffs.

Professional market participants' inflation expectations for 2026 remain unchanged at 10%.

SECOND. TRENDS IN THE DOMESTIC ECONOMY.

GDP growth in January–April **shows a recovery**, reaching **3.6%** year-on-year. This largely reflects positive dynamics in non-oil sectors, and the gradual increase in oil production since April this year. Importantly, excluding the mining sector, GDP growth is estimated at **5.3%**.

Strong growth rates are being observed in construction, transport and warehousing, and manufacturing. Positive dynamics are also seen in trade, communications, and agriculture.

Domestic demand is returning to a balanced level. This is confirmed by the normalization of retail trade growth and demand for services. In January-April 2026, retail trade grew by 3.4% year-on-year in real terms. Consumers and businesses continue to adapt to the new tax environment. The normalization of consumer demand after a period of elevated activity last year is also linked to the slowdown in unsecured lending.

Household lending is growing **more steadily**, particularly unsecured loan segment. In April, growth slowed to 10.7%, compared with around 29% in 2024-2025.

Investment activity continues to **expand**. Fixed capital investment rose by **6.7%** year-on-year in January–April. Private investment increased by 19.0% year-on-year, while investment in the non-resource sector increased by 25.3%. Investment was driven mainly by manufacturing, electricity and gas supply, as well as agriculture and transport.

THIRD. EXTERNAL ECONOMIC ENVIRONMENT.

External price pressures persist. The conflict in the Middle East is keeping global energy and food prices elevated and adding to inflationary pressure in advanced economies. As a result, central banks are planning to tighten monetary conditions.

In April, **global food prices continued to rise**, mainly reflecting higher prices for vegetable oils and meat amid strong demand. Cereal prices are also rising reflecting higher risks to crop yields. There have also been disruptions to fertilizer supplies.

In **Russia**, inflation showed signs of easing in April, standing at 5.6%. Against this backdrop, the Bank of Russia continued its key rate easing cycle.

In the **EU**, inflation rose markedly to **3.2%** in April (*2.1% in February*), driven by higher energy prices. In response, the ECB kept its rates unchanged, highlighting the growing risks to both inflation and economic growth from the conflict in the Middle East. Market participants are pricing in tighter ECB policy, with rate increases of 50 b.p. by the end of 2026.

Inflation in the **United States** also continued to accelerate in April, reaching **3.8%**. By comparison, in February, at the start of the conflict, it stood at 2.4%. The Fed has maintained its hawkish tone, while market participants have almost entirely ruled out the possibility of a rate cut by the end of the year. Moreover, they see scope for a further **hike** given persistent inflation and a strong US labor market.

The oil market remains uncertain. In the baseline scenario for 2026, the oil price assumptions have been revised upwards, reflecting the ongoing conflict in the Middle East.

According to our forecast, the average price of **Brent crude oil** in 2026 will be **USD 90 per barrel**. As the situation stabilizes,

we expect Brent crude oil prices to decline to USD 75 per barrel in 2027 and USD 65 per barrel in 2028.

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Let me now turn to the forecasts.

The **inflation forecast for 2026** has been **revised downwards**. Inflation is expected to lie within the range of **9–11%** in 2026 (*previously 9.5–11.5%*). The revision reflects favorable actual inflation dynamics, the slowdown in consumer lending, and a stronger exchange rate.

The inflation forecast for 2027 is unchanged and is estimated within the range of **5.5–7.5%**. The gradual slowing of inflation over the medium term will be supported by restrictive monetary policy, fiscal consolidation, stabilization of demand, and a predictable tariff policy.

As external price pressures ease and the measures taken by the Government and the National Bank take effect, we expect inflation to be close to our **5% target by 2028**.

As for the risks to the forecast, they are associated with an acceleration in external inflation and rising global food prices amid various geopolitical conflicts.

Domestic risk factors include a possible imbalance between demand and supply arising from the implementation of quasi-fiscal stimulus programmes, volatile inflation expectations. It is also important to ensure the actual implementation of the utility tariff and fuel price reforms set by the Government.

Turning to the GDP growth forecasts, the projection for 2026 has been revised upwards to **4.5–5.5%**. This reflects the positive momentum in business activity, investment growth and more favorable conditions in oil and metals market.

For **2027–2028**, economic growth is projected in the range of **3.5–4.5%**. This is a fairly conservative estimate. As you know, we follow the principle of conservatism in our forecasts. Economic activity will follow a smoother path and converge towards its potential. At the same time, the scenario assumes a decline in oil prices, which will affect GDP growth dynamics. It is important to note that support for large projects and businesses by the quasi-public sector is an important condition for economic growth and diversification. At the same time, **the sustainability of the disinflation process depends not only on monetary policy but also on the parameters of quasi-fiscal stimulus**. Both can increase monetary aggregates and the money supply in the economy. Therefore, project selection, financing volumes, and financing schedules that affect liquidity injections into the economy need to be carefully calibrated and aligned with the objectives of the country's monetary policy.

Monetary policy is more effective when it is aligned with these parameters. It is therefore critical that support measures are designed in such a way that they translate as quickly and effectively as possible into a greater supply of new domestically produced goods, works, and services. It is important to expand the

economy's productive capacity without creating pro-inflationary pressure.

Let me recall that the base rate sets the market price of money in the economy. Quasi-budgetary channels, in turn, can weaken the effect of monetary policy. It is therefore important to coordinate approaches to the use of quasi-fiscal stimulus in order to achieve growth in a non-inflationary way. We have full and shared understanding with our colleagues in the Government and the quasi-public sector. The task now is to implement these approaches in practice.

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Dear journalists,

The slowdown in inflation in April–May, together with the improved outlook, has **created the space for a rate cut**.

At the same time, it would be premature to say that inflation has been tamed. We remain committed to bringing **price growth into single digits** this year and to reaching the 5% target over the medium term. The economy excluding the mining sector is growing at 5–5.5%. To prevent overheating, it is necessary to maintain an appropriate moderate degree of monetary tightness.

All future **decisions will** be based on incoming data, the assessment of the balance of risks, and overall macroeconomic developments.

Alongside interest rate policy, we **will continue to use additional anti-inflationary instruments** such as minimum

reserve requirements. The third phase of their increase is planned for September of this year. This will absorb excess liquidity from the markets and reduce the monetary impulse to inflation. We will also continue mirroring operations to reduce monetary aggregates in the economy. These operations increase the supply of foreign currency and support the stable functioning of the foreign exchange market.

Together with the Government, we have approved an Action Plan to reduce inflation. The Joint Action Programme for Macroeconomic Stabilization and increasing household incomes has also been refined.

Going forward, we will continue to monitor the effectiveness of the measures taken and their impact on inflation. We will therefore assess the actual implementation of the plans agreed with our colleagues.

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Dear journalists,

All efforts undertaken by the National Bank are guided by the objective of ensuring price and financial stability. This is necessary to support high-quality economic growth, a new investment cycle, and improved welfare for our citizens.

Thank you for your attention!

We are now ready to take your questions.