NATIONAL BANK OF KAZAKHSTAN

MONETARY POLICY COMMITTEE

Summary of the Deliberation on the Base Rate Decision Announced on 24 July 2026

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

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

Current situation

During the discussion of the inflation situation, Committee members noted that annual inflation slowed to 10.3% in June 2026. Disinflation is supported by the monetary policy stance, the strengthening of the tenge exchange rate, the stabilization of consumer activity, and a set of anti-inflationary measures by the Government and the National Bank.

Monthly inflation stood at 0.8% in June (0.7% in May). The median of core inflation measures was 0.9% (0.7% in May). This points to a weakening of the disinflationary impulse. However, subsequent statistical data will be needed for a more complete assessment of the inflation path. One-year-ahead household inflation expectations rose to 13.4% in June.

In reviewing external conditions, the meeting participants noted that uncertainty remains elevated. Renewed escalation of the conflict in the Middle East has pushed energy prices higher. Global food prices are showing mixed dynamics. Prices for vegetable oils and meat continue to rise amid strong demand and limited supply. At the same time, cereal prices are declining due to improved harvest prospects.

Inflationary pressure in Russia remains elevated. The Bank of Russia maintains a cautious approach to further monetary policy easing. In the US and the EU, higher energy prices have increased inflation risks. In June, the ECB raised key rates. The Fed kept its rate unchanged, emphasizing that further decisions will depend on incoming macroeconomic data and the balance of risks.

The main risks to the path of inflation remain elevated and volatile inflation expectations, further movements in fuel prices and utility tariffs, a possible strengthening of consumer activity (including amid large-scale economic support measures), and persistent external inflationary pressure.

Discussion on the base rate

After reviewing current external and domestic conditions, the members of the Monetary Policy Committee moved to the discussion of the base rate.

Two approaches were considered:

– keep the base rate unchanged, signaling that further decisions will depend on incoming data on the sustainability of disinflation and on the balance of risks;

– lower the base rate in proportion to the decline in actual inflation, with the same signal on future decisions.

Some members noted that the data received since the previous decision had been less favorable than expected. Monthly inflation stood at 0.8%, above the level consistent with meeting the inflation target. There are signs that disinflation has stalled. The underlying components of inflation are also showing signs of a reversal. In annualized terms, they returned to double digits.

Economic activity remains high. Domestic demand continues to recover, retail sales of non-food goods are accelerating, and demand for services is growing. This raises the risk that domestic demand will outpace the capacity of the economy to expand supply, adding to inflationary pressure. It was also noted that the continued moderately tight monetary conditions are not exerting a restraining influence on business activity.

In the discussion of the external sector, participants noted an improvement in the balance of payments. Export revenues are growing amid persistently high oil prices, and preliminary data point to lower imports. This creates the conditions for a small balance of payments surplus by the end of the year. Inflows of export proceeds and non-resident funds into the domestic foreign exchange market continue to support the stability of the tenge exchange rate.

At the same time, risks were noted around the fuel market in Russia and the renewed escalation of the conflict in the Middle East. These could add to external inflationary pressure and increase uncertainty over the path of prices.

A significant part of the discussion focused on the drivers of inflation. The main pro-inflationary risks stem from fiscal, tariff, and quasi-fiscal policy. Higher budget spending, faster disbursement of National Fund resources, and the expansion of quasi-state financing programs could strengthen domestic demand and limit further disinflation. Members emphasized that monetary policy alone has limited scope to bring inflation down without consistent fiscal consolidation and control over the scale of quasi-fiscal stimulus.

Other participants pointed out that annual inflation continues to decline and that the full effect of previous base rate decisions has yet to materialize. A strong exchange rate, slower consumer lending, and the anti-inflationary measures of the Government remain additional disinflationary factors. In their view, a proportionate reduction in the base rate would adjust the tightness of monetary conditions without creating expectations of a full easing cycle.

It was also noted that the previous decision to reduce the base rate had been taken in a more favorable macroeconomic environment, marked by a strengthening tenge, cooling consumer lending, restrained execution of budget programs, and subdued movements in regulated tariffs and fuel prices. Nevertheless, participants agreed that the expected materialization of some pro-inflationary factors and the current balance of risks do not yet point to a full reversal of disinflation.

Committee members also noted that the parameters of the investment program of "Baiterek" Holding, agreed with the Government, have reduced uncertainty about the impact of quasi-fiscal stimulus on inflation. This is achieved by concentrating support on large-scale investment projects, making broader use of banking-sector liquidity, channeling working-capital financing primarily through second-tier banks, and prioritizing projects that expand the production capacity of the economy.

At the same time, the recovery in domestic demand, the acceleration in the underlying components of inflation, and continued elevated external uncertainty call for caution in further decisions.

During the discussion of the policy signal, members emphasized that future base rate decisions should be based on incoming data and updated forecasts. In assessing the need to change the base rate, the Committee will take into account actual inflation dynamics and its underlying components, inflation expectations, domestic demand, the implementation of fiscal and quasi-fiscal policy, as well as changes in external conditions and the balance of risks.

Following the discussion, the Committee decided to lower the base rate by 25 basis points to 16.75% per annum with a corridor of +/- 1 percentage point. The decision takes into account the decline in annual inflation achieved so far. It allows for a proportionate adjustment in the tightness of monetary conditions.

Further decisions will require additional evidence that current inflation dynamics are sustainable. They will also require greater clarity on the parameters of regulated tariff indexation and developments in external fuel and commodity markets. Consistently maintaining moderately tight monetary conditions will support a further decline in inflation and its return to the 5% target in the medium term.

The Committee does not follow a predetermined path for the base rate. It allows for both pauses and changes in the direction of decisions, depending on whether actual inflation dynamics are in line with the forecast.

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