Statement by the Governor of the NBK, T.M. Suleimenov
on the Base Rate of the National Bank
4 September 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 50 basis points to 16.25%**.

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

Annual inflation reached single-digit levels in August, declining for the 11th consecutive month to 9.8%. This is the result of the monetary policy stance, the stable tenge exchange rate, the normalization of consumer demand, and joint anti-inflationary measures with the Government.

The balance of risks remains tilted to the pro-inflationary side. We are therefore committed to maintaining **moderately tight monetary conditions**.

Under these conditions, our primary objective remains unchanged: to ensure a sustained decline in inflation and stabilize it near the 5% target over the medium term.

Let me now turn to the factors behind the decision.

FIRST. **DYNAMICS OF INFLATION AND INFLATION EXPECTATIONS.**

In August, **annual inflation** declined markedly to **9.8%**, moving into single digits.

Food inflation slowed to **9.5%**. This was supported by lower fruit and vegetable prices, as well as a decline in import prices.

Non-food inflation slowed to **11.4%** amid the appreciation of the tenge. However, sustained demand and higher fuel prices are limiting the pace of disinflation. The stronger tenge, supported both by the monetary policy stance and favorable oil prices, is exerting a significant disinflationary effect by lowering import costs.

Services inflation slowed to **8.9%** due to some moderation in price growth for non-regulated services. Inflation in housing and utility services is exerting downward pressure on services inflation.

Monthly headline inflation remained at 0.6% in August. **Core inflation** remained at **0.7%**, unchanged from July, while **seasonally adjusted inflation** stood at **0.9%**.

A positive signal is the decline in household inflation expectations. In July, one-year-ahead expectations fell markedly from 13.4% to **12.1%**. This decline reflects reduced concerns about the VAT increase, higher housing and utility tariffs, and food prices. This indicates growing confidence in the monetary policy stance and measures to reduce inflation.

Professional market participants' inflation expectations for the current year remained unchanged at **10%**.

SECOND. TRENDS IN THE DOMESTIC ECONOMY.

In January-July 2026, GDP continued to grow, rising by **4.1% y/y**. Growth was driven by the non-oil sector. Excluding the mining sector, GDP growth is estimated at **5.4%**.

Strong growth was recorded in construction, manufacturing, and transport and warehousing. Solid growth was also recorded in trade, agriculture, and communications.

Domestic demand remains resilient. This is reflected in continuous growth in retail trade and demand for services. In January-July 2026, retail trade grew by **4.1% y/y** in real terms.

Consumer lending growth remains balanced: in July, annual growth stood at **11.3%**, including **8.2%** for unsecured consumer loans.

Investment activity continues to expand. Fixed capital investment rose by **7.7% y/y** in January-July. Excluding investment financed from the government budget, growth amounted to **19%** y/y, including **25%** y/y in the non-resource sector. The main contributions to investment growth came from manufacturing, electricity and gas supply, accommodation and food services, and information and communications.

THIRD. EXTERNAL ECONOMIC ENVIRONMENT.

External inflationary pressure persists. Geopolitical tensions are affecting global **food prices**. The conflict in the Middle East is intensifying inflationary pressures in advanced economies through higher **energy prices**. Consequently, central banks in these economies have shifted toward more cautious or tighter policy stances.

Global food prices remain elevated, primarily due to higher prices for cereals, sugar, and vegetable oils. At the same time, falling meat and dairy price indices are partly offsetting the increase.

In **Russia**, inflation accelerated to 6% in July. As the acceleration was driven by one-off factors, the Bank of Russia cut its key rate to 14% in July. At the same time, amid an expansionary fiscal policy, the regulator has adopted a notably more restrictive tone regarding future policy decisions.

In the **EU**, inflation accelerated to **3%** in July due to higher energy prices. The ECB kept rates unchanged, noting that decisions are being made under conditions of high uncertainty. Market participants expect two rate increases by early 2027.

Price growth in the **United States** is slowing, reaching **3.4%** in July. The Federal Reserve continues to maintain a restrictive tone: inflation remains above the 2% target, while resilient economic activity and a stable labor market warrant maintaining tight monetary conditions. The Fed has stated that it is prepared to tighten policy further should inflationary pressure persist.

The outlook for the oil market remains uncertain. Under the baseline scenario, the oil price assumptions remain broadly unchanged: USD 89 per barrel in 2026, 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** is **maintained at 9-11%**. The forecast for 2027 has been revised upwards to 6.5–8.5%. This reflects higher external inflation, revised assumptions for regulated prices, as well as a stronger fiscal impulse compared with the Government's previous Socio-Economic Development Forecast.

The outlook will also be affected by the slower normalization of inflation in Russia, our key trading partner.

Moderately tight monetary policy, in turn, will contain inflationary pressure and support a further slowdown in price growth.

In **2028**, price growth will stabilize **close to the 5% target**.

Risks to the forecast are associated with rising global food and energy prices amid a challenging geopolitical environment. Domestic risk factors include a possible imbalance between demand and supply arising from growth in investment demand, unanchored inflation expectations, fiscal discipline, and the actual implementation of reforms to housing and utility tariffs and fuel prices.

The GDP growth forecasts for 2026 and 2027 remain unchanged. Economic activity will continue to be supported by strong investment activity – including through government stimulus programs – and stable consumer demand. In 2027, stronger fiscal stimulus will be partly offset by weaker oil production due to the rescheduling of maintenance at Tengizchevroil (TCO) from 2026 to 2027.

The forecast for 2028 has been revised upwards to 4-5%, reflecting the planned allocation of additional transfers from the National Fund of the Republic of Kazakhstan, which is expected to result in stronger domestic demand and higher output. Compared with the previous forecast, we also assume stronger growth in oil production.

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Dear journalists!

The decline in inflation to single digits is an important result. It confirms that the monetary policy stance, including the cumulative tightness built up while the base rate was maintained at 18%, together with measures implemented jointly with the Government, is yielding results, and that the economy is gradually returning to a disinflationary path.

At the same time, it would be premature to view the level achieved as the final result. Pro-inflationary risks remain significant both within the domestic economy and in the external environment. It is therefore particularly important at this stage to consolidate this progress and create conditions for a further decline in inflation.

Our goal is not simply to bring inflation below 10%. Our goal is sustainable and stable inflation close to 5% in 2028. Until this target is achieved, we need to maintain moderately tight monetary policy, closely monitor the balance of risks, and stand ready to respond promptly to changing conditions.

In other words, current dynamics warrant cautious optimism, but not complacency. Amid mounting pro-inflationary factors and risks, the scope for further rate cuts is limited. In its subsequent decisions, the Committee will carefully assess the effects of fiscal and quasi-fiscal policies, as well as increases in regulated prices and their second-round effects.

All subsequent **decisions will be** based on incoming data and an assessment of the **balance of risks**.

Alongside interest rate policy, **we will continue using additional anti-inflationary instruments** to absorb excess liquidity. Minimum reserve requirements were raised in September this year as part of the final, third stage, which we expect will increase reserves to **KZT 4.3 trillion**. Thus, as of today, we are using our instruments to absorb up to KZT 7 trillion in excess liquidity from the money market.

We remain committed to our primary objective - **ensuring price stability** and achieving the inflation target. Low and predictable inflation is a key condition for economic development, the investment cycle, and the well-being of the population.

Thank you for your attention!