NATIONAL BANK OF KAZAKHSTAN

MONETARY POLICY REPORT

August 2026

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 **August 20, 2026**.

ОГЛАВЛЕНИЕ

THE DECISION ON THE BASE RATE OF SEPTEMBER 4, 2026

The Monetary Policy Committee of the National Bank of the Republic of Kazakhstan has decided to set the base rate at 16.25% 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 slowed to 9.8% in August. Disinflation has continued for eleven consecutive months.

Monthly inflation stood at 0.6% in August (0.6% in July), while seasonally adjusted monthly inflation was 0.9% (0.7% in July). Core inflation remained unchanged at 0.7%.

One-year-ahead household inflation expectations declined to 12.1% in July (13.4% in June). Professional market participants' expectations for the end of 2026 remain unchanged at 10%.

The external sector remains volatile. The ongoing conflict in the Middle East is keeping energy prices high and adding to external inflationary pressure. Against this backdrop, major central banks continue to strike a hawkish tone. Global food prices rose slightly on the back of cereals and vegetable oils, while meat prices declined for the first time in a long period.

The inflation forecast for 2026 remains unchanged at 9-11%. The forecast for 2027 has been revised up to 6.5-8.5%. The revision reflects higher external inflation, revised assumptions for regulated prices, and a larger fiscal impulse. At the same time, the accumulated tightness of monetary policy will continue to contain inflationary pressure and support a further slowdown in price growth. In 2028, inflation will stabilize close to the 5% target as the external inflation environment normalizes, fiscal consolidation proceeds, domestic demand normalizes, and inflation expectations decline amid moderately tight monetary conditions.

The balance of inflation risks remains tilted to the upside. The main risks stem from an expansion of domestic demand amid a stronger fiscal impulse, unanchored inflation expectations, and further movements in fuel prices and utility tariffs. External risks are associated with higher global food and energy prices arising from a possible escalation of geopolitical tensions.

The GDP growth forecast for 2026 under the baseline scenario remains unchanged at 4.5-5.5%. GDP growth in 2027 will be 4.5%. In 2028, GDP growth is expected to accelerate to 4-5%.

The favorable dynamics of current inflation and inflation expectations created room to lower the base rate at this meeting. At the same time, pro-inflationary factors and risks have intensified, which is reflected in the revision of the forecast estimates for 2027. The room for further rate cuts is therefore limited.

Further decisions will be made based on incoming data on inflation, its trajectory relative to the forecast, domestic demand dynamics, inflation expectations and regulated prices, as well as the scale and effects of fiscal and quasi-fiscal stimulus. Monetary policy will be aimed at bringing inflation down to the 5% medium-term target in 2028.

I. ECONOMIC DEVELOPMENT PROSPECTS

1.1. Key External and Domestic Assumptions of the Forecast

- Economic growth in major trading partners will remain moderate but uneven, with resilience in China alongside weaker growth in the EU and Russia.
- External inflationary pressures will be somewhat higher, mainly due to higher inflation in Russia.
- External monetary conditions will remain relatively tight amid inflationary and geopolitical risks.
- Oil prices will decline as the situation in the Middle East stabilizes and global supply increases.
- Global cereal prices will remain elevated in the short term but are expected to normalize thereafter.
- The allocation of targeted transfers in 2027–2028 will be a proinflationary factor over the forecast horizon.
- Growth in tariffs for regulated housing and utility services follows the "inflation + 5%" formula for 2026–2027 and the "inflation + 3%" formula for 2028, in accordance with the Set of Measures to Reduce Inflation[1].
- Annual growth in fuel prices is assumed to remain close to current levels through the end of 2026, with a return to rates consistent with the inflation target in the medium term.

Trading partners (EU, China, Russia).

China's economy slowed amid weak domestic demand and declining investment, despite resilient exports and industrial production. Going forward, exports and government support will continue to support economic activity, while weak domestic demand will contain inflation, which is expected to remain low throughout the forecast horizon.

In the EU, economic growth slowed due to weaker investment activity. Over the forecast horizon, economic growth is expected to remain subdued amid weak investment and industrial production. Elevated energy prices will continue to support inflationary pressures in the short term; however, inflation is expected to return to target in 2027.

Russia's economy contracted due to a sharp decline in investment, while consumption continued to grow. The near-term growth forecast has been revised slightly downward due to the fuel crisis, a further decline in investment, and tighter monetary conditions, while moderate growth is expected thereafter. Inflationary pressures will remain elevated amid developments in the fuel market and a widening budget deficit, with inflation expected to reach the 4% target only in 2028 (Table 1).

External monetary conditions.

Rising inflationary risks amid higher global energy prices have led major central banks to adopt a more hawkish stance, with some already moving to raise interest rates. At its latest meeting, the US Federal Reserve kept its policy rate unchanged at 3.75% per annum. Following its June rate hike to 2.4%, the ECB paused, while the Bank of Russia continued to lower its policy rate to 14.0%, maintaining a hawkish signal. Amid elevated inflationary risks, markets expect further policy tightening by the US Federal Reserve and the ECB, while the Bank of Russia expects a more gradual pace of rate cuts (Table 1).

[1] *Set of Measures to Control and Reduce Inflation under the Joint Action Program of the Government of the Republic of Kazakhstan, the National Bank of the Republic of Kazakhstan, and the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market on Macroeconomic Stabilization and Improving the Welfare of the Population for 2026–2028 (approved by Resolution No. 980 of the Government of the Republic of Kazakhstan of November 19, 2025)*

Commodity markets.

Following the spring peak, oil prices declined amid easing tensions in the Middle East and weak demand from Asian countries. At the same time, ongoing supply disruptions will support prices through the end of this year. Thereafter, stabilization in the Middle East and rising global supply are expected to contribute to a gradual decline in oil prices.

Global food prices have risen moderately in recent months, mainly driven by higher prices for cereal and vegetable oils. In the short term, cereal prices are expected to remain elevated amid geopolitical and weather-related risks. However, over the longer term, high production levels and ample stocks are expected to support moderate price growth (Table 1).

Fiscal Policy.

In the current forecasting round, the fiscal policy stance assumption has been revised compared to previous expectations. According to the updated information, targeted transfers from the National Fund of the Republic of Kazakhstan totaling 5 trillion tenge are expected to be allocated over 2027–2029. These funds will be directed toward financing critical infrastructure facilities and projects of national significance.

At the same time, in the short term, the implementation of these expenditures will have an inflationary effect through an increase in aggregate demand, including as a result of higher labor costs, purchases of goods and services, as well as imports associated with the implementation of the projects. Thus, despite the expected positive effect of expanded production capacity in the medium term, during the project implementation phase, the transfers will contribute to higher demand, thereby generating additional inflationary pressures.

At the same time, quasi-fiscal financing of the economy by JSC “National Investment Holding Baiterek” is expected to amount to 8 trillion tenge over the coming years. As previously expected, its impact is expected to remain inflationary over the medium term, although the contribution of quasi-fiscal stimulus is projected to decline relative to GDP and become less inflationary.

Regulated housing and utility services.

Growth in tariffs for regulated housing and utility services is determined by the “inflation + 5%” formula for 2026–2027 and the “inflation + 3%” formula for 2028, in accordance with the Set of Measures to Reduce Inflation. The midpoint of the range in the Socio-Economic Development Forecast of the Republic of Kazakhstan is used as the projected inflation value; within that forecast, the inflation projection was revised upward by 2 p.p. for 2027 and by 1 p.p. for 2028.

Fuel and lubricants.

Following the expiry of the moratorium, prices have been adjusting gradually this year as part of the phased liberalization of price formation in the petroleum products market. Given the uncertainty about the pace of further price adjustments, as well as persistent risks from external petroleum product markets amid the fuel crisis in the region, annual growth in fuel prices is assumed to remain at current rates through the end of 2026. In 2027–2028, in accordance with the Set of Measures to Reduce Inflation, price growth is expected to return to a level consistent with the inflation target of 5%.

Table 1. External and Domestic Forecast Assumptions

		2025	2026	2027	2028
GDP growth, %	Китай	5.0	4.7 (*4.6*)	4.5 (*4.4*)	4.3 (*4.3*)
	ЕС	1.4	0.9 (*1.2*)	1.4 (*1.5*)	1.6 (*1.6*)
	Россия	1.0	0.8 (*1.0*)	1.3 (*1.3*)	1.4 (*1.4*)
Inflation, %	Китай	0.8	1.1 (*1.1*)	1.2 (*1.2*)	1.6 (*1.6*)
	ЕС	2.3	2.8 (*2.5*)	2.0 (*2.0*)	2.0 (*2.0*)
	Россия	5.6	6.5 (*5.0*)	4.5 (*4.0*)	4.0 (*4.0*)
US Fed policy rate, %		3.9	3.9 (*3.6*)	4.1 (*3.6*)	3.4 (*3.4*)

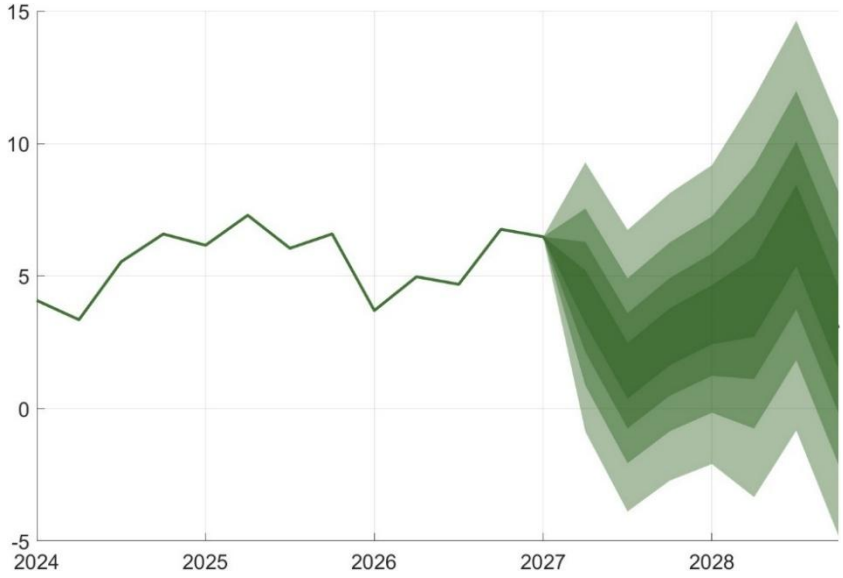
Brent oil price, $/баррель		69.1	89.2 (*90.1*)	75 (*75*)	65 (*65*)
FAO Cereal Price Index		107.2	110.1 (*108.7*)	111.1 (*109.9*)	112.1 (*111.1*)

Source: Eurostat, National Bureau of Statistics of China, Rosstat, Consensus Economics, Bank of Russia, NBRK estimates.
Note: GDP – annual average change; inflation – December-on-December change; US Fed policy rate – end of year; Brent oil price – annual average; FAO Cereal Price Index – end of year (2014–2016 = 100).
Figures in parentheses represent estimates from the previous forecasting round.

1.2. Economic Outlook under the Baseline Scenario

Economic activity in the first half of 2026 was broadly in line with the NBK's expectations. Domestic demand is expected to remain the main driver of economic growth through the end of 2026. At the same time, the contribution of investment is expected to strengthen, supported by infrastructure and investment projects. Given the current dynamics of economic activity, the GDP growth forecast for 2026 has been maintained at 4.5-5.5%. GDP growth is projected at 3.5-4.5% in 2027 and is expected to accelerate to 4.0-5.0% in 2028 (Graph 1, Table 2).

Graph 1. Economic activity will be supported by a stronger fiscal impulse throughout the forecast horizon.



Source: NBK forecast

In the first half of 2026, GDP growth accelerated to 4.1% YoY. Domestic demand remains the main driver of growth, supported by both consumer activity and strengthening investment activity. The acceleration in investment growth was also reflected in higher volumes of construction works. Economic growth was further supported by continued high levels of output in non-commodity sectors. The observed dynamics remain in line with the projected trajectory and do not change the GDP growth forecast for 2026.

At the same time, domestic demand may strengthen further. An expansion in financing for investment projects involving the construction and reconstruction of infrastructure and social facilities could strengthen the quasi-fiscal impulse and shift the GDP growth trajectory closer to the upper bound of the forecast range.

As a result, domestic demand will remain the main driver of economic growth through the end of 2026. Consumer demand is expected to grow at a more moderate pace than in 2025, partly due to a high base effect. At the same time, consumption growth may accelerate in the second half of 2026 as the impact of the VAT-related adjustment gradually fades.

Gross capital formation will continue to expand, supported by investment projects in non-resource sectors and stronger construction activity. Strong investment activity will continue to support

demand for imports of capital goods, including machinery and equipment, as well as construction materials. Higher exports of non-oil products will support overall export growth.

In 2027, economic growth will be supported by a more expansionary fiscal stance associated with the allocation of targeted transfers, which is expected to strengthen domestic demand through both higher investment and stronger household consumption. Growth in government consumption is expected to remain moderate. At the same time, due to the rescheduling of maintenance at the major TCO oil field from this year to 2027, oil exports are expected to be lower than previously projected, limiting further GDP growth.

In 2028, domestic demand is expected to be stronger than previously projected, reflecting a continued expansionary fiscal stance associated with the planned transfers from the NF RK. GDP growth will also be supported by higher oil exports as production at major oil fields stabilizes.

The updated assumptions of a more expansionary fiscal policy will keep the output gap (the deviation of actual GDP from its potential level) positive throughout the forecast horizon (Graph 2).

The domestic demand gap will remain positive through the end of 2028, exerting stronger inflationary pressure on domestic prices than previously projected. The narrowing of the output gap in mid-2027 is associated with the scheduled maintenance at the Tengiz field. The planned maintenance originally scheduled for this year was postponed to 2027 due to lower oil production amid infrastructure issues at the Caspian Pipeline Consortium (CPC) this year. As fiscal stimulus declines relative to nominal GDP in 2028, both the domestic demand and import gaps are expected to narrow, while remaining positive.

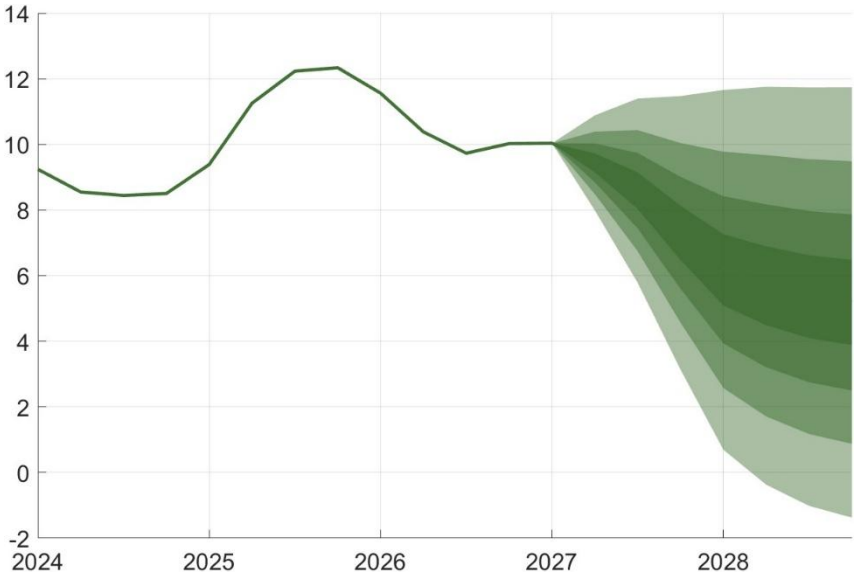
Graph 2. The output gap estimate has shifted upward, indicating stronger inflationary pressure.

Source: NBK estimates

The inflation forecast for 2026 has been kept at 9-11%. Amid stronger domestic and external proinflationary factors, the inflation forecast for 2027 has been revised upward to 6.5-8.5%. In 2028, as the quasi-fiscal and fiscal impulses gradually decline and moderately tight monetary conditions persist, inflation will approach the target level of 5% (Graph 3, Table 2).

Current inflation dynamics are broadly in line with the NBK's forecast trajectory. Despite the revision of fuel price assumptions toward stronger growth at the end of 2026, inflation is expected to remain within the 9–11% range by the end of the year. The direct effect of higher fuel prices has been partly offset by favorable dynamics of the nominal exchange rate of the tenge. At the same time, most of the indirect effects of higher fuel prices will materialize in early 2027.

Graph 3. Inflation has been revised for 2027.



Source: NBK forecast

In 2027, additional inflationary pressure, alongside the indirect effects of higher fuel prices, will stem from the revision of assumptions for housing and utility tariffs and from stronger domestic demand amid the allocation of additional targeted transfers. A further proinflationary factor will be the slower return of inflation in Russia to its target level, given the fuel situation there. Inflationary pressure will be restrained by a stronger real effective exchange rate and the continuation of a restrictive monetary policy.

In 2028, inflation is expected to reach the target level of 5%, supported by moderately tight monetary conditions, fiscal consolidation, a decline in household inflation expectations, and the normalization of external inflationary pressure.

Table 2. Forecasts under the baseline scenario*

	2026	**2027**	**2028**
GDP, *y/y, %*	**4.5-5.5** (4.5-5.5)	**3.5-4.5** (3.5-4.5)	**4-5** (3.5-4.5)
CPI, *Dec. to Dec., previous year, %*	**9-11** (9-11)	**6.5-8.5** (5.5-7.5)	**around 5.0** (around 5.0)

Source: NBK forecasts

**The forecast in the parentheses reflects the projections from the "May 2026" forecast round*

1.3. Alternative Scenarios

The National Bank is moving to a new approach to developing alternative scenarios. Previously, alternative scenarios differed mainly in their oil price paths: the optimistic scenario assumed a higher oil price and the pessimistic scenario a lower one. From now on, each scenario will be built as a coherent macroeconomic narrative of how external and domestic conditions may evolve in ways that could cause inflation to deviate from the baseline and, accordingly, require the National Bank's monetary policy to be adjusted in the corresponding direction.

This approach is in line with international central bank practice and allows a fuller representation of the sources of uncertainty around the baseline forecast, showing the possible directions in which inflation and monetary policy may deviate from the baseline.

Under the «August 2026» forecast round, Scenario A and Scenario B represent two different paths for the economy relative to the baseline scenario. Scenario A assumes a configuration of external and domestic conditions under which inflation runs above the baseline, creating the need for a tighter monetary policy response from the National Bank. Scenario B, by contrast, reflects

developments under which inflationary pressure is lower than in the baseline, creating conditions for easier monetary policy.

Scenario A

Assumptions of Scenario A.

- Oil prices will decline faster than in the baseline scenario as the situation in the Middle East stabilizes quickly, which will be reflected in easier external monetary conditions.
- External inflationary pressure will be higher than in the baseline scenario due to the worsening of the fuel crisis in Russia.
- Fiscal policy will be more proinflationary than in the baseline scenario owing to higher state budget expenditures in 2027-2028 relative to the baseline scenario. Quasi-fiscal policy parameters are in line with the baseline scenario.
- Growth in tariffs for regulated housing and utility services will be higher than in the baseline scenario and comparable to the growth rates observed in 2025 before the moratorium on tariff increases took effect.
- Through the end of the forecast horizon, fuel price growth is assumed to be higher than in the baseline scenario and comparable to current rates of price growth.

Forecasts of macroeconomic indicators under Scenario A.

In 2027, GDP dynamics will be shaped by opposing factors. On the one hand, more proinflationary fiscal policy will support domestic demand and economic activity. On the other hand, tighter monetary conditions and lower oil prices will restrain economic growth. The combined effect of the restraining factors will prevail, and GDP growth will be lower than in the baseline scenario. In 2028, GDP dynamics will gradually recover amid the stabilization of oil prices and owing to the lower base of the previous year.

Higher regulated prices and stronger external inflationary pressure from Russia will have a direct impact on consumer prices and, through second-round effects, on producer costs and inflation expectations.

As the assumptions of Scenario A materialize, inflation will be higher than in the baseline scenario throughout the forecast horizon. The key factor in this scenario will be how persistent the second-round effects prove to be, that is, the extent to which the initial price shock translates into sustained price growth across a broad range of goods and services. Inflation may exceed the 5% target before it begins to decline sustainably. This may require stronger and more prolonged tightening of monetary conditions for core inflation (excluding changes in regulated fuel and housing and utility prices) to return gradually to the 5% target by the end of 2028.

Scenario B

Assumptions of Scenario B.

- Oil prices will be higher than in the baseline scenario as a result of renewed escalation in the Middle East, which will lead to tighter external monetary conditions.
- External inflationary pressure will be lower than in the baseline scenario owing to the resolution of the fuel crisis in Russia.
- Fiscal and quasi-fiscal policy parameters will be in line with the assumptions of the baseline scenario. However, investment will deliver higher-quality returns than in the baseline scenario, which will result in less inflationary pressure from fiscal policy.

- Growth in tariffs for regulated housing and utility services will be in line with the assumptions of the baseline scenario.
- Through the end of 2026, fuel price growth will be more moderate than in the baseline scenario. In 2027-2028, fuel price growth will be in line with the assumptions of the baseline scenario.

Forecasts of macroeconomic indicators under Scenario B.

Higher oil prices will support export revenues and economic activity. At the same time, higher-quality investment growth and an expansion of productive capacity will lead to faster GDP growth with a smaller widening of the output gap than in the baseline scenario, which will exert a less proinflationary effect on consumer prices.

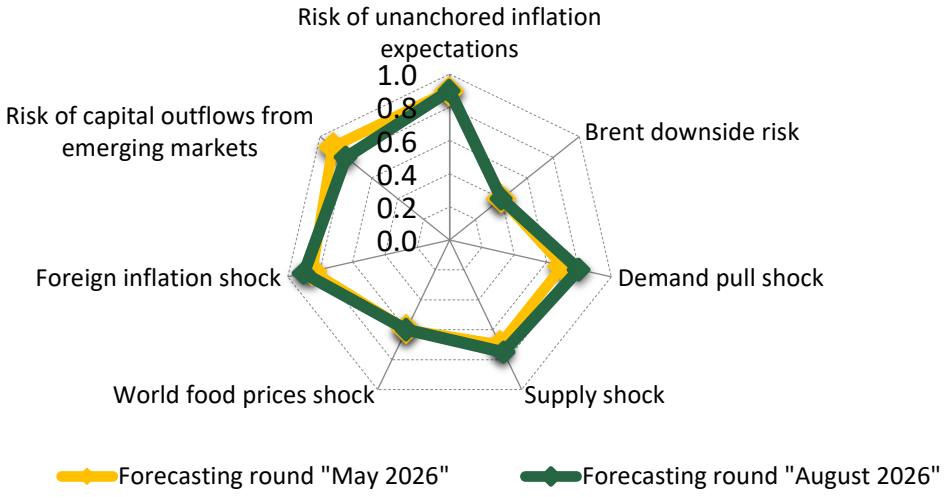
Moderate growth in fuel prices, through both direct and indirect channels, as well as lower external inflationary pressure through a more moderate increase in import prices will result in less pronounced growth in inflation expectations of households and businesses.

Consequently, under Scenario B the combined influence of supply-side factors and external conditions will contribute to lower inflation relative to the baseline scenario. In turn, lower inflationary pressure and a smaller widening of the output gap will create room for an easier monetary policy path than in the baseline scenario: the need to maintain tight monetary conditions will diminish more quickly as inflation approaches the 5% target earlier.

1.4. Risks in the medium term

The balance of risks has increased compared to the previous forecast round, which will require maintaining moderately tight monetary conditions (Graph 4).

Graph 4. The risks of inflation deviating from the forecast trajectory remain elevated.



Source: NBK estimates

First, the risks from domestic demand are increased due to the allocation of targeted transfers. A more significant fiscal impulse will keep aggregate demand at a high level and, consequently, create additional pressure on inflation in the medium term.

In the context of continued uncertainty regarding the increase in prices for fuels and lubricants and housing and communal services, supply-side risks remain high. In addition to the direct impact of rising regulated prices, secondary effects are a significant factor, which can manifest themselves through increased producer costs, transportation costs, and the subsequent transfer of these costs to the prices of final goods and services.

The risk of import of external inflation has also increased due to continued uncertainty about the further development of the fuel crisis in Russia. Potential changes in prices and conditions on the Russian fuel market may have an impact on domestic prices in Kazakhstan both directly through the cost of certain types of fuel, and indirectly through transportation and production costs.
At the same time, the risk of capital outflow from developing countries has decreased somewhat due to the increase in Kazakhstan's country rating.

1.5. Forecast of the current account of the balance of payments

Under the baseline scenario, the current account of the balance of payments will remain in deficit in the medium term. This will be driven by a gradual scenario-based decline in oil prices, as well as continued high investment activity accompanied by an increase in imports of intermediate and investment goods.

Compared with the previous forecast round, current account estimates for 2026-2028 have been slightly revised (table 3). The main reasons for the revision were a lower-than-previously-expected oil price trajectory and oil production volumes.

Table 3. Forecast of the current account of the balance of payments

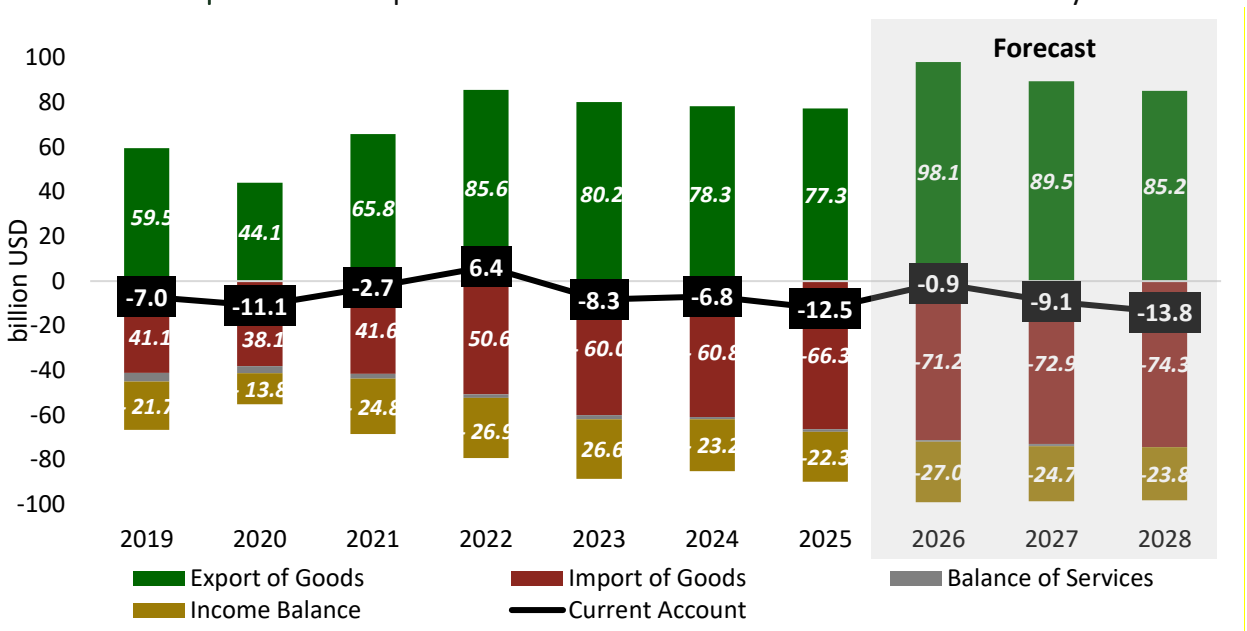
	2020	2021	2022	2023	2024	2025	2026 (f)	2027 (f)	2028 (f)
Current account as % of GDP	**-6.5%**	**-1.4%**	**2.8%**	**-3,2%**	**-2,3%**	**-4,1%**	***-0,2%*** *(0,1%)*	***-2,3%*** *(-2,1%)*	***-3,5%*** *(-3,8%)*
Reference: current account in billion US dollars	-11,1	-2,7	6,4	-8,3	-6,8	-12,5	*-0,9 (0,4)*	*-9,1 (-8,3)*	*-13,8 (-15,4)*

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

In the medium term, export of goods will remain above the level of 2025 due to both oil and non-oil components. Higher oil prices will support growth in oil exports. Non-oil export volumes are expected to increase due to higher metal and uranium prices, driven by global supply shortages of copper ores, zinc, and aluminium, growing demand from green energy and artificial intelligence technologies, as well as disruptions in raw material supplies amid the conflict in the Middle East. Non-oil exports will also be supported by sustained external demand for Kazakhstan's higher value-added products, including processed grain products. As a result, export of goods is projected to amount to 21.4%-25.5% of GDP (85.2-98.1 billion US dollars) over the forecast period (Graph 5).
Increased demand for imported products is expected to persist over the forecast horizon. This growth will be driven primarily by industrial goods needed for investment and infrastructure projects, expansion of production capacity, and renovation of existing enterprises. Import demand will be supported by increased investment activity, financed by private and borrowed funds from businesses, as well as government and quasi-government sources. As a result, import of goods in 2026-2028 is expected to reach 18.5%-18.6% of GDP (71.2-74.3 billion US dollars).
The income balance deficit will be determined by the dynamics of oil and metal prices. Given the significant volumes of oil production and high commodity prices, income payable to foreign direct investors will remain at a high level. Thus, over the forecast horizon, the income balance deficit is expected to amount to around 6%-7% of GDP ((-)23.8-(-)27.0 billion US dollars).
Over the medium term, the deficit in the services balance is expected to narrow compared with the previous year. The improvement in the services balance will be driven by faster growth in services exports relative to their imports. Services exports will be supported by increased capacity of transport corridors passing through Kazakhstan, as well as by higher inflows of foreign nationals amid the country's strengthening position as an attractive business and tourism destination. Services imports will be driven by rising demand for transport services amid growing import of goods, increased demand for business and professional services associated with the

implementation of large-scale investment projects in the energy, chemical, oil and gas, metallurgical and IT sectors, as well as higher spending by Kazakhstan residents on travel abroad. Thus, over the medium term, the services balance deficit is expected to amount to around (-)0.2% of GDP ((-)0.8-(-)1.0 billion US dollars).

Graph 5. Decomposition of the Current Account of the Balance of Payments



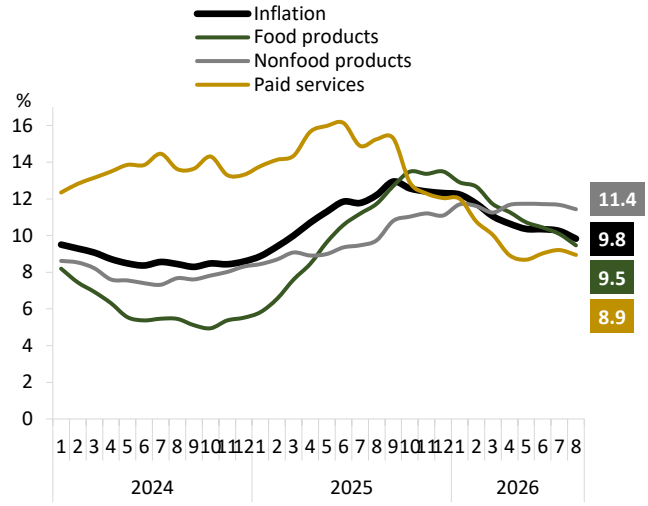
Source: NBK forecast

II. CURRENT MACROECONOMIC CONDITIONS

2.1. Inflation

In August 2026, annual inflation continued to decelerate for the eleventh consecutive month, reaching 9.8%. The slowdown in inflation was supported by moderately tight monetary conditions, a strong tenge exchange rate, and the Government's anti-inflationary measures. The deceleration was observed across all inflation components. The main contribution to the slowdown came from slower growth in prices for food products. At the same time, prices for non-food products and paid services are decelerating more gradually.

Graph 6. Annual inflation continues to decelerate.



Source: BNS ASPR RK, NBK calculations

Annual inflation continued to decelerate for the eleventh consecutive month and stood at 9.8% in August 2026 (Graph 6). At the same time, monthly inflation remains above its historical average, while annual inflation remains above the target level. Inflationary pressures are driven by both external and domestic factors. **External factors** include persistently high global prices for certain food products, as well as accelerating inflation in Russia, which contributes to higher prices for goods imported from Russia. **Among domestic factors**, the main drivers are rising producer prices, resilient demand, elevated inflation expectations, and increase in fuel prices. Additional pro-inflationary pressure continues to stem from quasi-fiscal operations aimed at stimulating economic growth.

Annual inflation for food products slowed to 9.5% in August 2026**.** This was supported by a decline in fruit and vegetable prices, largely reflecting the implementation of the Government's anti-inflationary measures, the strong tenge exchange rate, and a good harvest in fruit-producing countries. At the same time, factors constraining a more sustained slowdown in food inflation persist. These include rising agricultural producer prices, as well as elevated global prices for certain food products, particularly meat. High global prices increase the attractiveness of exports, reducing supply in the domestic market and creating additional upward pressure on domestic prices**.**

Annual inflation for non-food products stood at 11.4% in August 2026**.** After remaining broadly unchanged for four consecutive months, non-food inflation began to decelerate in August. However, a more pronounced slowdown is being constrained by rising fuel prices. In addition to their direct contribution to inflation, higher fuel prices have an indirect impact through increased logistics costs and also contribute to persistently elevated inflation expectations. Additional pro-inflationary pressure comes from resilient consumer demand, including amid strong activity in the construction sector, as well as the ongoing deregulation of the pharmaceutical market. At the same time, declining car prices are making a significant disinflationary contribution, supported by the strong tenge exchange rate and excess supply over demand.

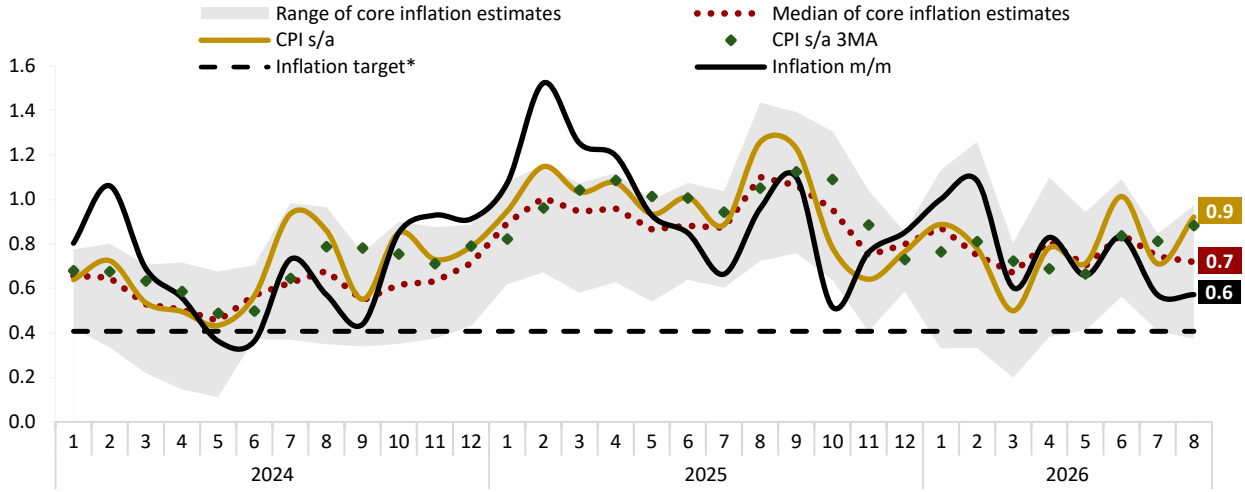
In August 2026, annual inflation in paid services slowed to 8.9%. The main pro-inflationary pressure stems from resilient consumer demand for market services. An additional supply-side factor is the increase in aviation fuel prices, which contributes to higher airfares and travel package prices. At the same time, the key disinflationary factor remains the effect of the previously introduced moratorium on increases in regulated housing and utility tariffs. Annual growth in regulated housing and utility tariffs declined from 30.4% in September 2025 to (-)3% in August 2026.

In August 2026, the indicators of seasonally adjusted and core inflation moved in opposite directions. Seasonally adjusted inflation accelerated, while the median of core inflation estimates remained unchanged. At the same time, both indicators remain significantly above the level consistent with the inflation target, pointing to persistent price pressure in the economy.

Seasonally adjusted inflation accelerated to 0.9% in August 2026 (0.7% in July), which corresponds to 11.6% in annualized terms (8.9%) (Graph 7). The acceleration was driven by paid services, where seasonally adjusted growth reached 1.4% (0.7%) amid the increase in gas tariffs. For food and non-food products, seasonally adjusted inflation was virtually unchanged at 0.7% (0.7%) and 0.8% (0.7%), respectively. At the same time, price growth in market services remains elevated, reflecting resilient domestic demand.

The median of core inflation estimates was virtually unchanged at 0.72% in August 2026 (0.74% in July), or 9.0% in annualized terms (9.3%), which is below the rate of seasonally adjusted inflation. This indicates that the fluctuation in seasonally adjusted inflation in August was driven by individual volatile components, while the persistent component of price pressure was virtually unchanged and remains significantly above the inflation target.

Graph 7. 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.

Box 1. ISM Index: assessment of inflationary pressures

The Inflation Shock Momentum Index (ISM) measures the breadth of persistent price shocks across components of the Consumer Price Index (CPI). The index was proposed by Lansing and Shapiro (2026) in a study by the Federal Reserve Bank of San Francisco. Unlike aggregate inflation measures, which reflect average price dynamics, the ISM shows the share of the consumer basket affected by persistent pro-inflationary or disinflationary shocks.

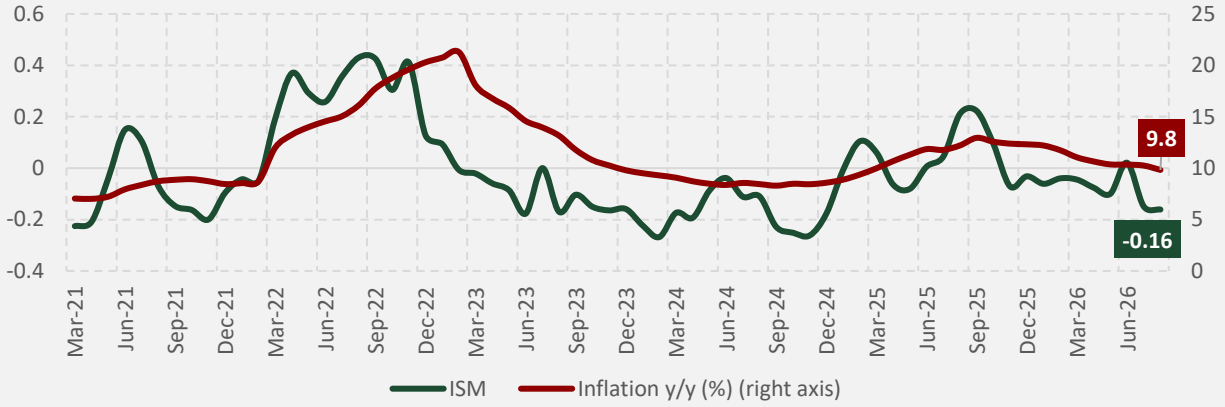
For Kazakhstan, the ISM is calculated using seasonally adjusted data for 102 CPI classes of goods and services. For each class, an AR (1) model is estimated over a rolling 120-month window. Model residuals are interpreted as price shocks: three consecutive positive residuals are classified as a persistent pro-inflationary shock, while three consecutive negative residuals are classified as a disinflationary shock. The index is calculated as the difference between the CPI weights of classes experiencing pro-inflationary and disinflationary shocks. A positive ISM value indicates a predominance of pro-inflationary shocks, while a negative value indicates a predominance of disinflationary shocks.

To formally assess the predictive information contained in the ISM, in-sample regressions were estimated in which annual inflation 12 months ahead is explained by the current value of the index. Models excluding the ISM were compared with models including the index under two specifications: without control variables and with additional controls. The control variables included current annual inflation, cumulative inflation over the previous three months, inflation expectations, the tenge–US dollar exchange rate, global food prices, inflation in Russia, and producer prices. The results indicate that the ISM contains additional information

about future inflation. In the model without control variables, including the ISM increases the adjusted coefficient of determination (Adj. R^2) by 19 p.p., while in the model with control variables the increase amounts to 3 p.p.

Thus, ISM can be viewed as a leading indicator of inflationary pressures and a supplementary tool for forecasting analysis. The index complements traditional inflation indicators by providing information on the breadth and persistence of price shocks, helps identify strengthening or weakening inflationary trends, and may provide early signals of potential turning points.

Graph 1. Dynamics of ISM and annual inflation

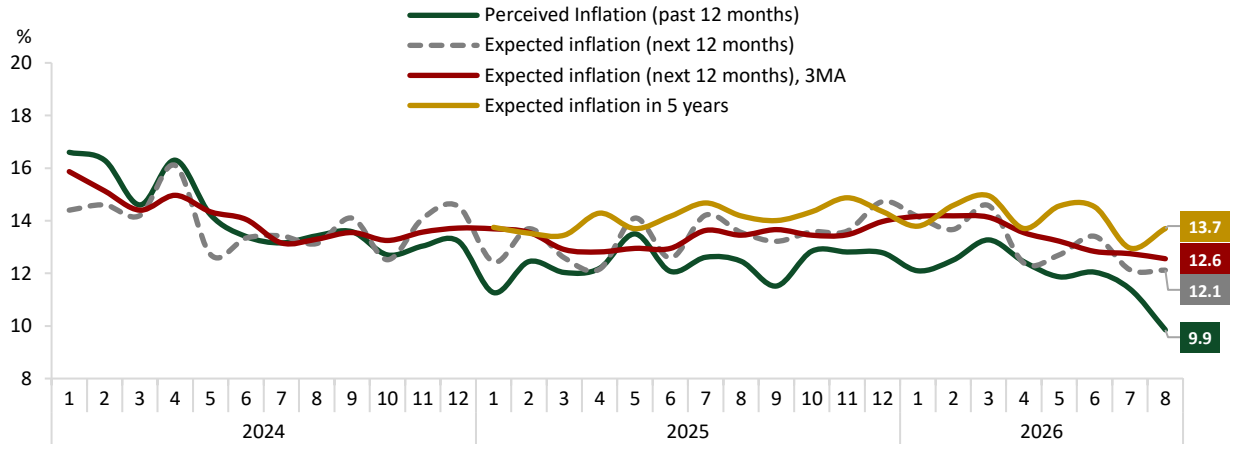


Source: BNS ASPR RK, NBK calculations

Graph 1 presents the dynamics of ISM and annual inflation. A comparison of the two indicators suggests that ISM can provide leading signals of changes in inflation dynamics. In particular, the increase in the index in 2022, as well as its renewed rise in 2025, signaled a broadening of pro-inflationary shocks and preceded the subsequent acceleration in annual inflation. In August 2026, the ISM remained in the disinflationary zone, indicating a predominance of disinflationary shocks across CPI components and potentially signaling a slowdown in annual inflation over the coming months.

Despite the continued volatility and elevated level of inflation expectations, their smoothed dynamics indicate a gradual decline (Graph 8).

Graph 8. Inflation expectations of the population remain elevated.



Source: FusionLab: population survey

In August 2026, inflation expectations over the 12-month horizon remained unchanged from the previous month, amounting to 12.1%. At the same time, the three-month smoothed indicator continued to decline, amounting to 12.6%. This may indicate a slight decrease in inflation expectations in recent months, although their level remains elevated. When forming short-term inflation expectations, households continue to rely to a significant extent on their personal shopping experience. This indicates the continuing role of current price perceptions in shaping inflation expectations. Among the factors of future inflation, respondents continue to note rising prices for

food and utilities. At the same time, concerns about further increases in fuel prices have risen. Along with this, against the background of the conflict in the Middle East, respondents continue to mention external events as a factor of future inflation.

Inflation expectations over a five-year horizon amounted to **13.7% in August 2026** (13% in July). Their level remains elevated and exceeds inflation expectations over the 12-month horizon, reflecting public concern about long-term price dynamics.

Box 2. How Exchange Rate Dynamics Affect Domestic Prices.

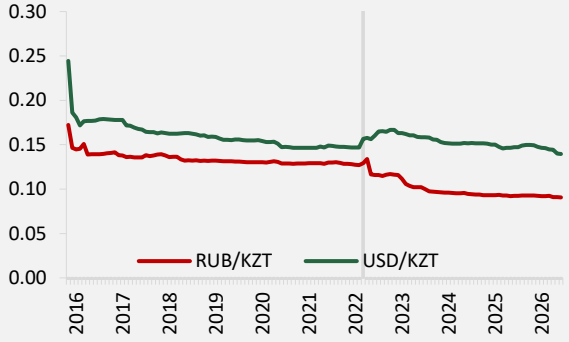
The speed and magnitude of exchange rate pass-through to domestic prices vary across product categories. Prices of imported consumer goods tend to respond relatively quickly to changes in the tenge exchange rate. By contrast, the pass-through to domestically produced food prices is more gradual. Exchange rate changes first raise the cost of imported inputs and equipment and are later reflected in producer and retail prices. In addition, part of the exchange rate shock may be absorbed by firms through lower profit margins, which limits the immediate impact on consumer prices.

Estimates of the impact of tenge exchange rate dynamics on consumer prices (CPI) and producer prices (PPI) indicate[2] that the magnitude of exchange rate pass-through has changed over the past decade, reflecting two major structural shifts (Charts 1 and 2):

2015. Following the transition to inflation targeting and a freely floating exchange rate regime, the sensitivity of domestic prices to exchange rate fluctuations gradually declined as the economy adapted to the new monetary policy framework.

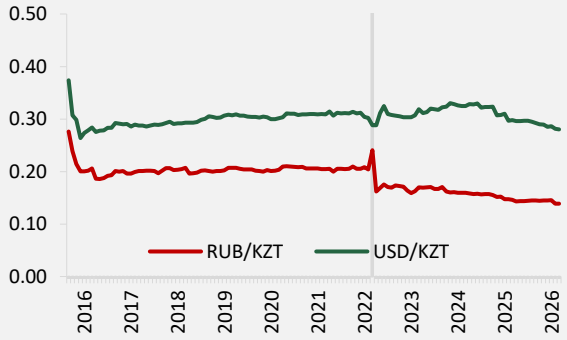
2022. Following February 2022, Kazakhstan's external trade flows and supply chains underwent substantial changes. In 2023, China became the largest source of imports, accounting for 27.4%, while Russia's share declined to 26.5%[3]. The diversification of suppliers and changes in logistics routes reduced the sensitivity of domestic prices to fluctuations in the Russian ruble exchange rate and increased the relative importance of the US dollar.

Chart 1. Dynamics of exchange rate pass-through to consumer price inflation



Source: NBRK calculations

График 2. Dynamics of exchange rate pass-through to producer prices



Source: NBRK calculations

The estimates indicate that a 1% depreciation of the tenge against the US dollar (Russian ruble) is associated with a cumulative increase in producer prices over a 12-month horizon of:

- 0,32 (0,15) percentage points in manufacturing;
- 0,28 (0,14) percentage points in the food industry.

The corresponding estimates for consumer prices are:

- 0,14 (0,09) percentage points for headline inflation;
- 0,15 (0,10) percentage points for food inflation;
- 0,25 (0,16) percentage points for non-food inflation;
- 0,02 (0,02) percentage points for paid services.

Most of the pass-through occurs within the first 3-5 months following an exchange rate shock, after which the cumulative respon se of prices broadly stabilizes. Across both producer prices and consumer price

[2] The estimates are obtained using an expanding-window approach, under which the model is re-estimated sequentially as each new observation is added. The starting date of the sample remains fixed, while the end date is moved forward by one month at each iteration.

[3] BNS ASPR RK "Foreign Trade Turnover of the Republic of Kazakhstan (January–December 2023)".

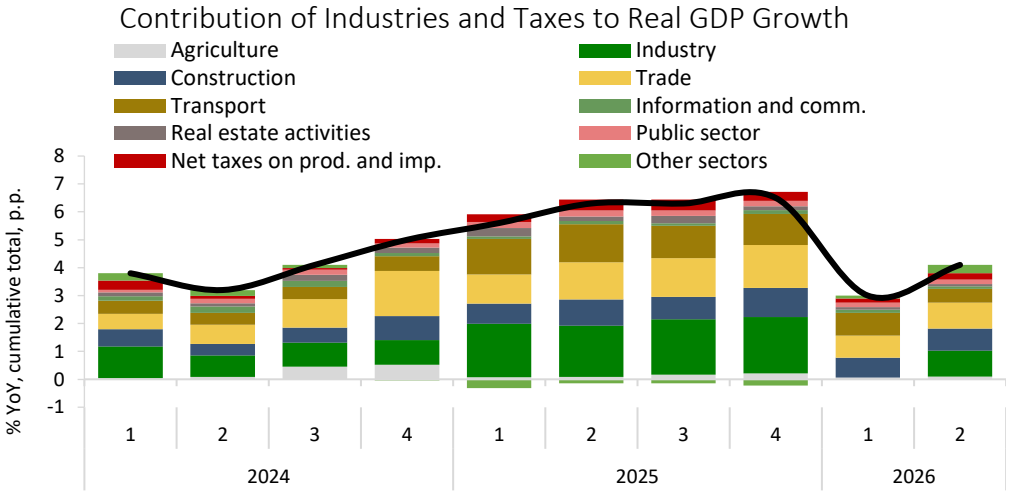
components, the estimated pass-through from the US dollar exchange rate is consistently stronger than that from the Russian ruble. The variation in pass-through across CPI components largely reflects differences in their cost structure and exposure to imported inputs. Food prices are less sensitive to exchange rate fluctuations, reflecting the relatively high share of domestic production and lower import dependence. The response of service prices is particularly limited, as service costs are predominantly determined by domestic factors, most notably labor costs.

The estimates also indicate an asymmetric price response to exchange rate fluctuations. Tenge depreciation has a considerably stronger impact on domestic prices than an appreciation of a similar magnitude. The asymmetry is particularly pronounced for non-food prices with respect to the US dollar and for food prices with respect to the Russian ruble, as prices adjust only weakly when the tenge appreciates.

2.2. Domestic sector

In the first half of 2026, Kazakhstan's real GDP grew by 4.1% year on year. Growth was driven primarily by the non-oil sector, while oil production continued to follow an uneven trajectory.
Construction remains one of the main drivers of growth, encompassing a wide range of transport, logistics, industrial, energy, utility, social and housing projects. Their implementation supports investment demand and activity in related industries, creating conditions for further expansion of the economy's productive and infrastructure capacity.
In manufacturing, the expansion of passenger car output contributes significantly to growth, with additional support from the production of trucks, agricultural machinery, and railway wagons. Growth in construction stimulates the production of cement, reinforced concrete products, mortar, and other materials. Positive momentum also continues in the production of food products, chemicals, and pharmaceuticals, as well as in light industry.
Agricultural growth is driven by increased output of livestock products, diversification of the crop mix towards crops in demand and favourable yields. Together, these developments expand the raw material base for the production of food, vegetable oils, and animal feed, while also creating conditions for the further development of livestock farming.
At the beginning of the year, the oil sector faced production constraints. As production recovered, risks associated with the operation of export infrastructure became the main source of uncertainty. At the same time, according to NBK estimates, GDP growth excluding mining stood at around 5.3% year on year, indicating sustained expansion in the non-oil economy.
Despite a decline in pipeline transport volumes, growth in transport and warehousing, as well as in wholesale trade turnover, indicates an increase in goods flows between sectors. Thus, non-oil sectors continue to support steady economic activity amid ongoing challenges in the oil sector (Graph 9).

Graph 9. In the first half of 2026, economic growth was driven primarily by the non-oil sector.



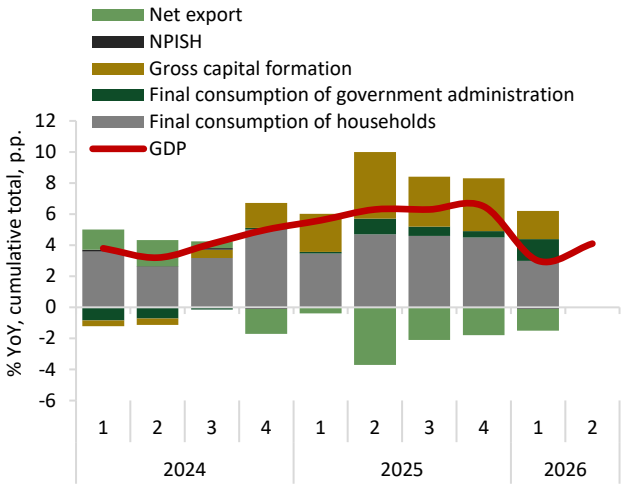
Source: BNS ASPR RK, NBK calculations

Domestic demand continues to expand, supported by household consumption and investment activity. Retail sales and selected service categories point to sustained consumer demand. Growth in fixed capital investment, in turn, indicates strengthening investment activity.

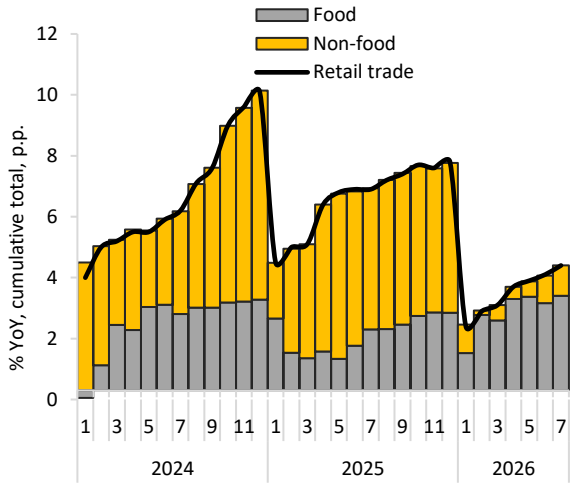
On the consumer demand side, retail sales continue to expand. In January-July, retail trade increased by 4.1% YoY in real terms, with growth gradually accelerating since the beginning of the year (Graph 10). The continued acceleration in demand for goods may also indicate that consumers are gradually adjusting to the VAT increase.

Non-food sales growth is accelerating. The dynamics may be partly related to activity in the housing market, as home purchases are often accompanied by additional spending on furniture, household appliances, and other durable goods (Graph 11). Housing market activity strengthened in the second quarter of 2026 and remained at a relatively high level (Graph 12).

Graph 10. In the first quarter of 2026, consumer and investment demand continued to provide the main contribution to economic growth.
Contribution of demand components to real GDP growth



Graph 11. Retail sales growth has been accelerating since the beginning of the year.
Contribution of retail turnover components to growth



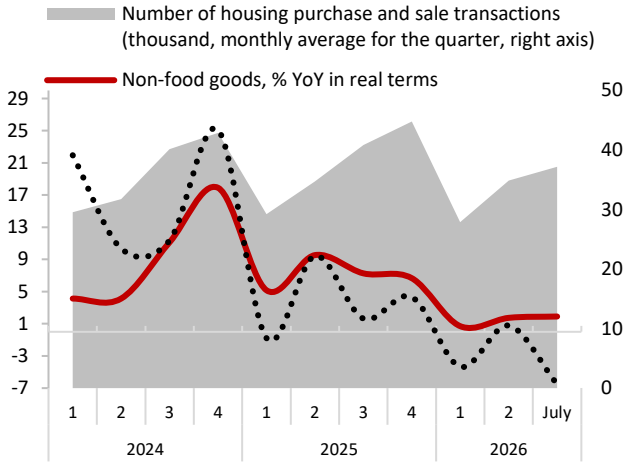
Source: BNS ASPR RK, NBK calculations

Consumer activity in the services sector also remains high. The dynamics of food services and passenger transportation suggest that demand remains sustained. In July of this year, passenger turnover in air transport continued to increase in seasonally adjusted terms, suggesting that demand for tourism services may have exceeded its seasonally expected pace. The volume of food services also remained high and continued to increase year on year (Graph 13).

Investment demand also remained resilient. In January–July 2026, investment grew by 7.7% YoY in real terms. Positive investment dynamics were observed in several non-resource and infrastructure sectors, particularly in manufacturing, accommodation and food services, information and communication, as well as housing and communal services under the implementation of the National Project “Modernization of the Energy and Utilities Sectors” (Chart 14). The decline in investment in mining and the public sector reflects the completion of a few large investment projects.

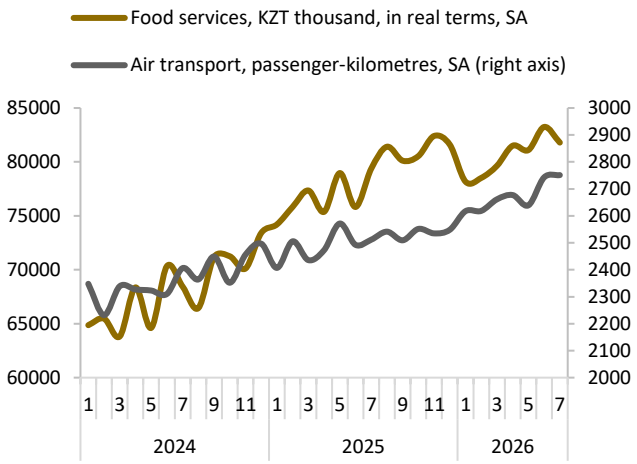
In January–July 2026, fixed capital investment in real terms, excluding investment from the state budget, grew by 19.0% year-on-year, including 25.0% growth in the non-resource sector of the economy (Chart 15).

Graph 12. Housing market activity increased in the second quarter of 2026.



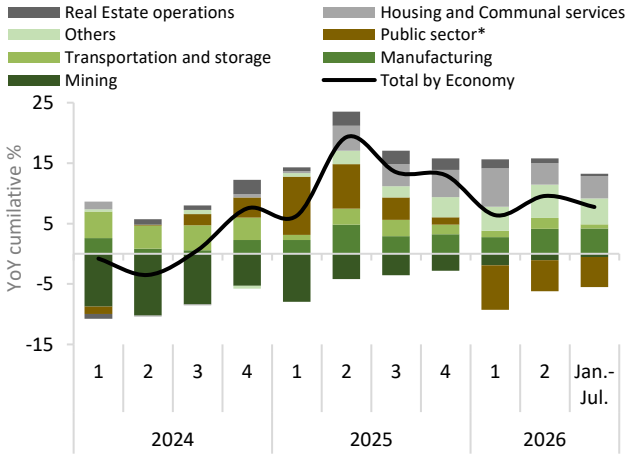
Graph 13. Consumer demand for services remains robust.

Volume of services provided, seasonally adjusted

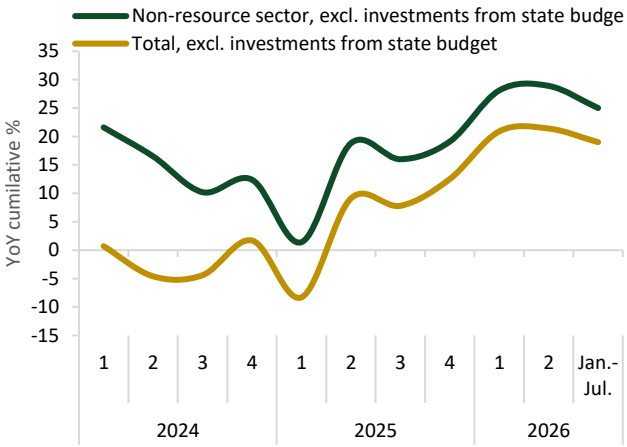


Source: BNS ASPR RK, NBK calculations

Graph 14. The growth of investments is driven by an increase in investments in non-resource sectors of the economy.



Graph 15. Private investment activity continued to expand.



Source: BNS ASPR RK, NBK Calculations

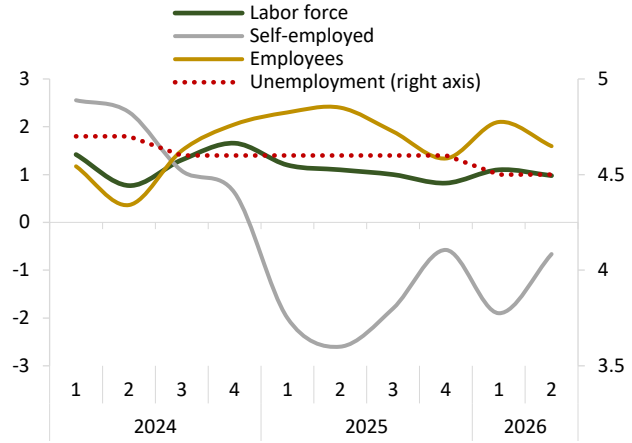
** The public sector includes the sectors of Education, Healthcare, Public Administration and Defense*

In the second quarter of 2026, employment growth continued, supported by an increase in the number of employees, while unemployment remained close to historically low levels.

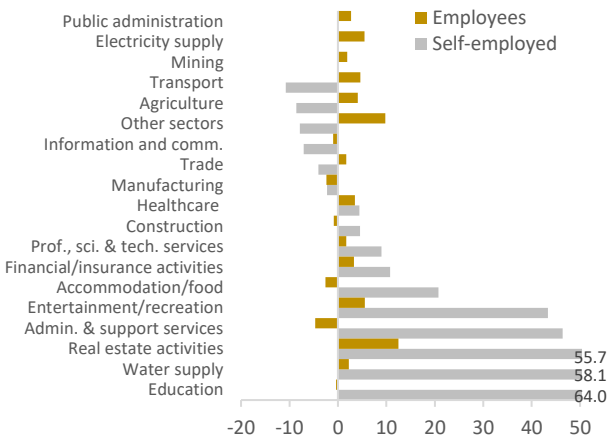
The increase in employment in the second quarter of 2026 was driven mainly by growth in the number of employees, while the decline in self-employment continued, though at a slower pace (Chart 16). This dynamic reflects the continued reallocation of employment toward the formal sector of the economy.

Across sectors, employment growth in healthcare, electricity supply, public administration and defense, financial and insurance activities was driven predominantly by employees. In several service sectors – real estate activities, education, arts, entertainment and recreation – employment growth was driven mainly by the self-employed, which may reflect sector-specific nature of work organization and the continued prevalence of flexible employment arrangements (Chart 17).

Graph 16. Employment growth continued, supported by an increase in the number of employees, YoY, %



Graph 17. Employment dynamics varied across sectors, YoY, %



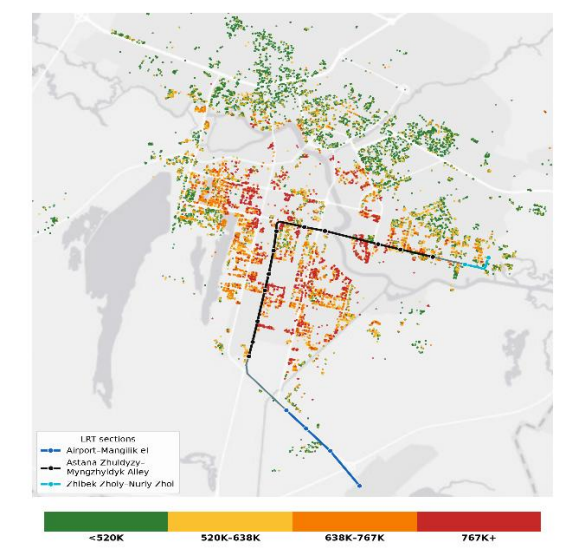
Source: BNS ASPR RK, NBK Calculations

Box 3. Analysis of the impact of the LRT on housing prices in Astana

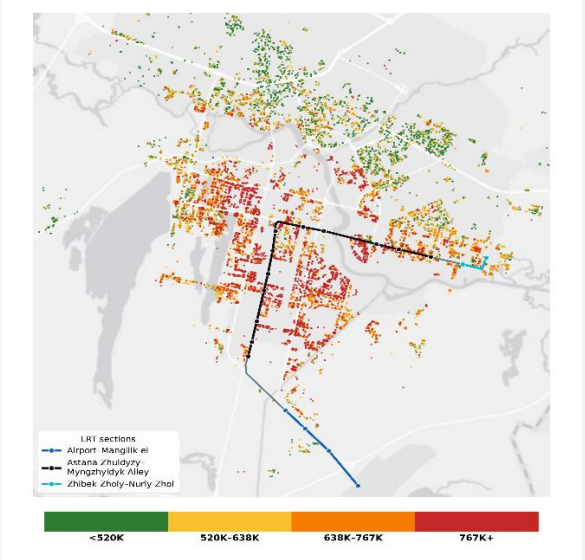
The launch of the LRT has become one of the most significant infrastructure projects in Astana in recent years. Improved transport accessibility affects the attractiveness of individual districts and the value of housing located within them. The largest effect can be expected for apartments within walking distance of LRT stations, as residents gain more convenient access to public transport

To assess the impact of the LRT on housing prices, apartment sale listings from krisha.kz were used. Graphs 1 and 2 present asking prices per square metre in 2025 and 2026, together with the location of the LRT line. A visual comparison does not allow the effect of the LRT to be separated from overall price changes and differences in the composition of listings. Therefore, econometric models were estimated to assess the effect.

Graph 1. Price per square meter 2025 y.



Graph 2. Price per square meter 2026 y.



Source: krisha.kz, NBK calculations

The difference-in-differences (DiD) method was used to estimate the impact of the LRT. The approach compares changes in housing prices between 2025 and 2026 near LRT stations with changes in a control group located farther away. This makes it possible to account for the overall increase in housing prices between 2025 an d 2026 and to isolate the additional change in apartment prices near the stations. If prices near LRT stations increased more than those in the control group, the difference is interpreted as a potential LRT effect. Apartments located 1.5–2 km from the nearest station were selected as the control group. At this

distance, stations are considered to be beyond immediate walking distance, and their impact is therefore assumed to be limited, while the apartments remain geographically comparable. Apartments near LRT stations were divided into four distance zones: up to 300 m, 300–700 m, 700–1,000 m, and 1,000–1,500 m. The model also controls for housing characteristics, location district, and proximity to shopping malls, parks, and the waterfront.

The most pronounced additional increase in prices relative to the control group is observed along the "Airport"–"Mangilik el" section. In 2026, prices in this area increased more strongly than in the control group: by 8% within 300–700 m and by 10.5% within 700–1,000 m.

Along the "Zhibek Zholy"– "Nurly Zhol" section, the additional increase in prices amounted to 6.5% within 300–700 m and 5.3% within 1,000–1,500 m.

Along the "Astana Zhuldyzy"– "Myngzhyldyk Alley" section, prices increased by 4.9% relative to the control group within 300 m and by 4.6% within 1,000–1,500 m. Estimates for some other distance zones are less statistically significant.

Overall, positive estimates were obtained for all sections considered, although no clear relationship was identified between the magnitude of the effect and distance from an LRT station. The higher estimates along the "Airport"– "Mangilik el" section may indicate a stronger effect of improved transport accessibility in more remote parts of the city. At the same time, this result should be interpreted with caution due to the relatively small sample size of 566 listings.

2.3. Fiscal policy

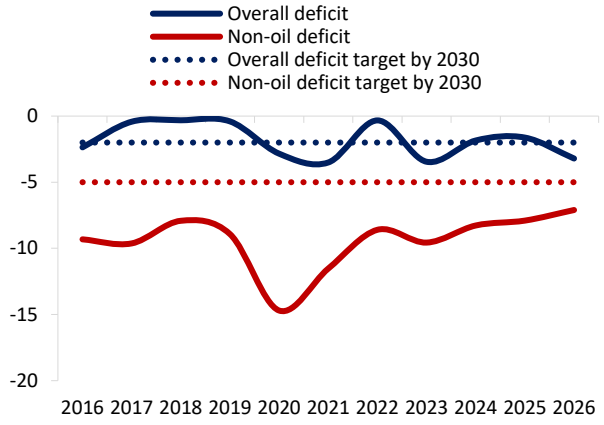
At the current stage, the tax reform is making a limited contribution to broadening the revenue base.

In the first half of 2026, the overall state budget deficit increased to 3.2% of GDP, exceeding the target benchmark of 2% amid a reduction in transfers (Graph 18). At the same time, the non-oil deficit continued to decline, reaching 7.1% of GDP, which is below the levels observed in previous years. The reduction in the non-oil deficit was driven primarily by a structural improvement in the fiscal position rather than by the economic cycle, with the contribution of the cyclical component to the change in the deficit remaining close to zero (Graph 19). Despite nominal expenditure growth of 11.7% YoY, fiscal consolidation has been achieved mainly through the expenditure side. In particular, the expenditure-to-GDP ratio declined from 24.7% in the first half of 2025 to 23.5% in the first half of 2026. At the same time, debt servicing costs continue to increase, reducing the fiscal space available for financing other expenditures within the framework of the fiscal rules.

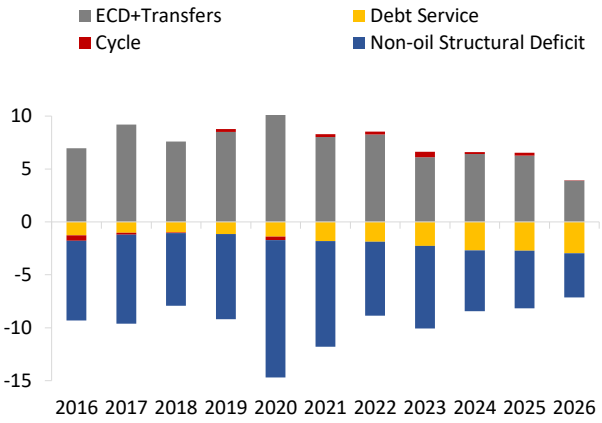
Over the first six months of 2026, tax revenues increased by 5.7% in real terms, driven mainly by VAT and mineral extraction tax (Graph 20). However, relative to the size of the economy, the overall increase remains limited. In particular, the tax revenue-to-GDP ratio increased only slightly, from 17.5% to 17.7% of GDP (Graph 21).

In the first half of 2026, the reduction in the fiscal impulse continued to be offset by an expansion of quasi-fiscal financing, which is not reflected in the non-oil deficit indicator. Thus, fiscal consolidation has not translated into a commensurate reduction in the overall impulse from the government sector, as part of the fiscal burden has shifted to the off-budget sector. As a result, the continued pressure of government spending on aggregate demand limits the disinflationary effect of fiscal consolidation and may require tighter monetary conditions to achieve the target inflation path.

Graph 18. The reduction in the non-oil budget deficit in the first half of 2026 is mainly due to the consolidation of budget expenditures, as % of GDP, for the first half of the period.

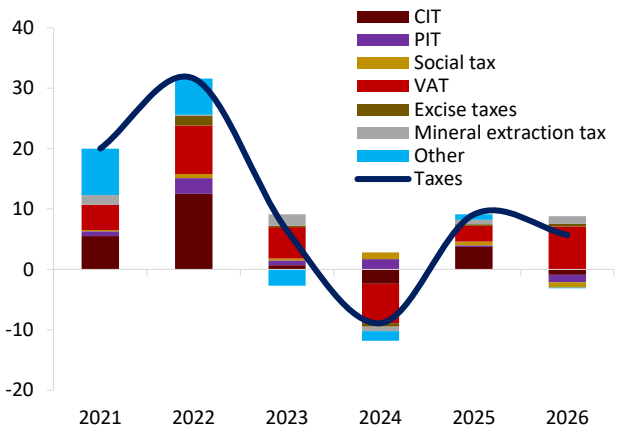


Graph 19. The share of debt servicing in the deficit structure continues to grow, the decomposition of the state budget deficit, as % of GDP, for the first half of the period.

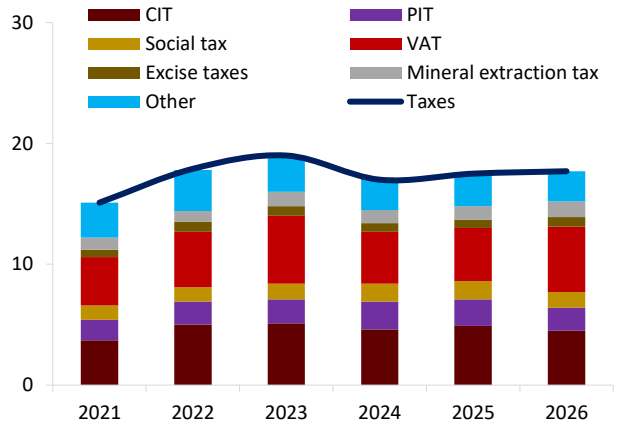


Source: MF RK, BNS ASPR, NBK calculations

Graph 20. VAT remains the main source of tax revenue growth, in %, YoY, for the first half of the period.



Graph 21. The effect of the tax reform at the current stage remains limited, as % of GDP, for the first half of the period.



Source: MF RK, BNS ASPR, NBK calculations

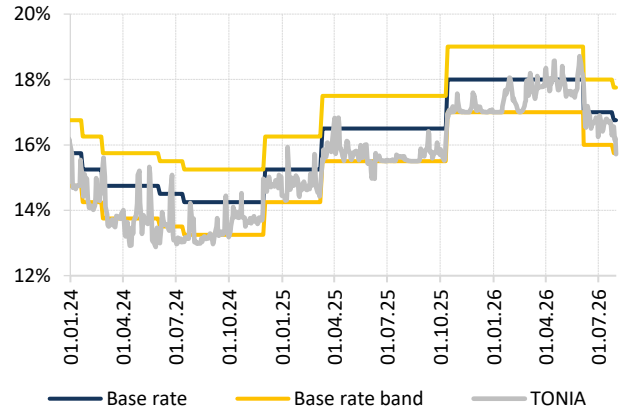
3.1. The transmission mechanism of monetary policy

Money market rates generally followed the base rate. Deposit rates have adjusted downward in line with the base rate.
In the corporate segment, lending rates declined in line with movements in the base rate. In the mortgage segment, interest rate conditions remained virtually unchanged. In the consumer lending segment, interest rate dynamics remained volatile, reflecting changes in the share of instalment loans.
Deposit base continued to grow mainly due to deposits in the national currency, while foreign currency deposits showed moderate growth.
Lending by second-tier banks continues to show steady positive dynamics. Mortgage lending continues to expand amid the implementation of preferential programs and the use of pension savings for housing purposes. Small and medium-sized enterprises remain the main drivers of corporate lending growth.
Money supply growth accelerated.

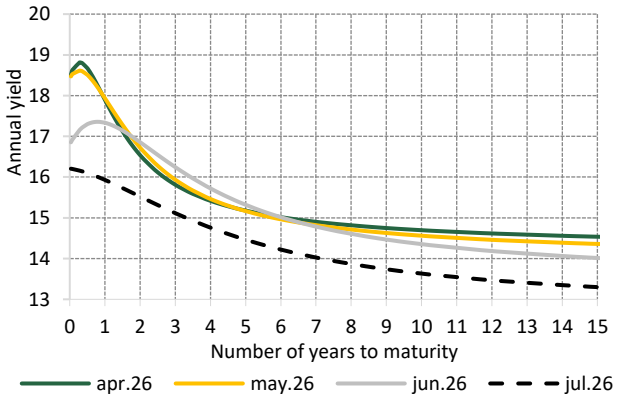
3.1.1. Interest Rate Channel

Money market rates followed the base rate.
From May to July 2026, TONIA followed movements in the base rate, declining after the latter was revised downward. Throughout the period, TONIA mostly remained close to the base rate and within the established interest rate corridor (Graph 22). The average negative spread between TONIA and the base rate remained at (-)0.3 p.p.
In July 2026, the **risk-free government securities yield curve shifted downward across all maturities compared with April 2026**, with a more pronounced decline observed at the long end of the curve (Chart 23). According to the July Macroeconomic Survey of the National Bank of Kazakhstan, long-term expectations for the base rate and inflation remained unchanged. The **decline in long-term yields** occurred amid sustained demand for primary government securities placements, compression of term and risk premia, increased participation by non-residents, as well as improved expectations of Macroeconomic Survey participants regarding the tenge exchange rate and oil prices. The **decline in short-term yields** was accompanied by a reduction in the base rate, a decrease in the volume of notes issued by the National Bank of Kazakhstan, and a limited supply of government securities by the Ministry of Finance amid elevated demand.

Graph 22. The Interest Rate Band and the TONIA



Graph 23. Risk-free yield curve, %



Source: NBK, KASE

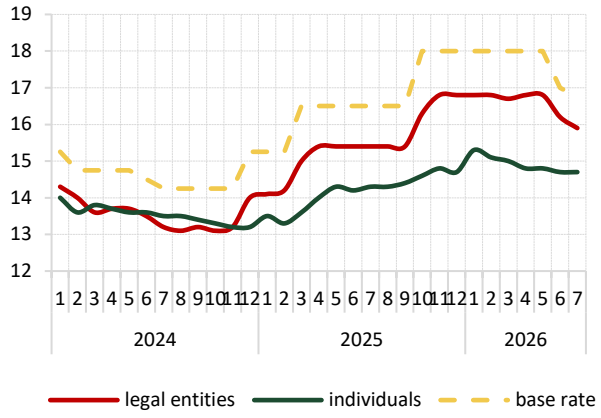
The reduction in the base rate was accompanied by a downward adjustment in tenge deposit

rates. Deposit rates for legal entities declined more significantly, while deposit rates for individuals showed a moderate downward trend (graph 24). Given the gradual adjustment of the retail segment, there remains scope for further rate reductions.

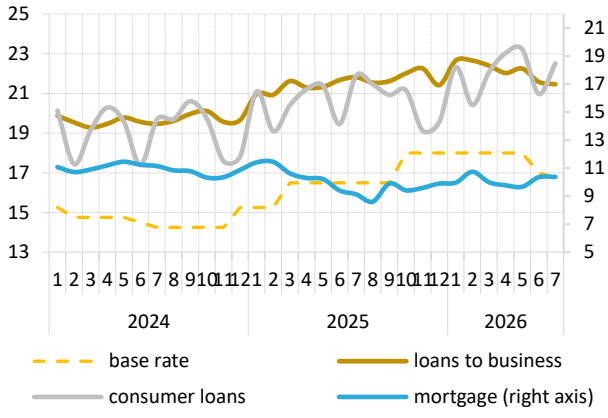
Corporate lending rates. The weighted average rate on loans in the national currency adjusted in line with movements in the base rate (Chart 25).

Retail lending rates. Consumer lending rates remained volatile, partly reflecting banks' active promotion of instalment programs in certain months. The weighted average mortgage lending rate stood at around 10% in May-July (Chart 25).

Graph 24. Deposit rates in national currency, %



Graph 25. Lending Rates in National Currency, %



Source: NBK

3.1.2. Credit channel and deposits (Wealth channel)

The loan portfolio of second-tier banks continued to grow at a double-digit rate, reaching 13.5% year-on-year in July of the current year (Chart 26).

Retail lending grew by 13.7% year-on-year in July. Consumer lending is showing more balanced dynamics, supported by the regulatory measures adopted and the moderately tight monetary policy stance.

At the same time, mortgage lending continued to grow at a strong pace, reaching 18.4% year-on-year. This was supported by preferential programs and the use of pension savings to obtain both preferential and market-based mortgage loans.

Small and medium-sized enterprises remain the key driver of corporate lending growth.

The corporate loan portfolio continued to expand, growing by 13.1% year-on-year in July. The highest growth rates were recorded in the small and medium-sized business segments (26.5% and 14.4% year-on-year, respectively). Growth in loan issuance to businesses also accelerated to 17.6% year-on-year in July (based on the cumulative volume over the previous 12 months) with growth recorded across all business categories (large, medium-sized and small businesses).

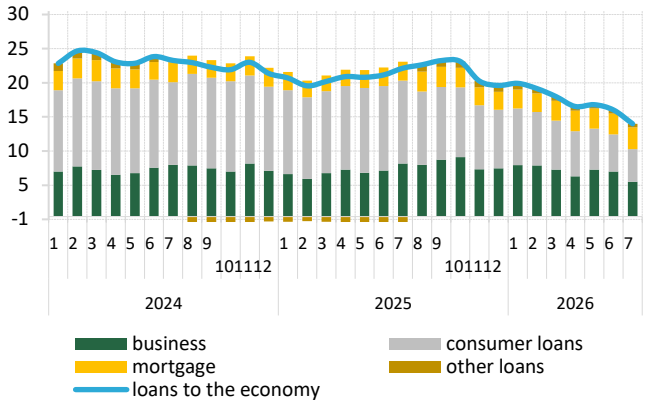
High interest rates continue to support deposit growth. In July 2026, the volume of deposits in depository organizations increased by 20.1% year-over-year (graph 27). Growth was primarily driven by deposits in the national currency. In the foreign currency segment, deposit growth was supported by inflows from legal entities; however, this effect was partially offset by a negative foreign exchange revaluation.

Current dynamics indicate that household saving activity remains high. The household savings rate[4] reached 11.7% in Q1 2026, the highest level on record for this period. The results of the FusionLab

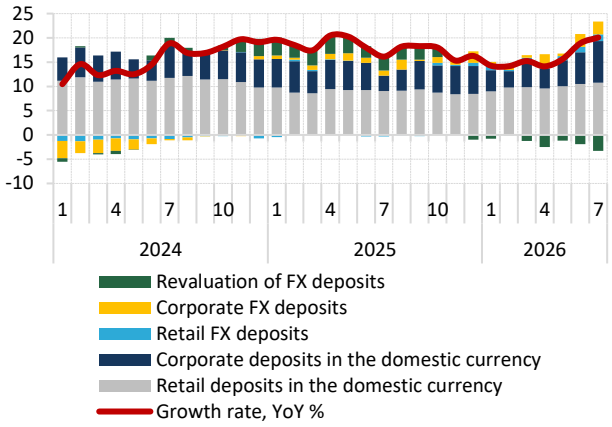
[4] *An indicator calculated based on data from the Bureau of National statistics of the ASPR of the Republic of Kazakhstan using the following formula: (household cash income - household cash expenditure)/household cash income*

survey[5] also indicate an increase in the share of saving families in May-July 2026.

Graph 26. Loans to the Economy from STBs (portfolio), YoY, %



Graph 27. Residents' deposits in deposit organizations, YoY, %



Source: NBK

Continued strong demand for savings in the national currency has been accompanied by a decline in deposit dollarization. From May to July 2026, the share of foreign-currency deposits declined steadily, reaching a new historical low of 19.1% in July. The main contribution to this decline came from a further reduction in the dollarization of retail deposits to 15.5%. Deposit dollarization also decreased in the corporate segment in July (23.7%).

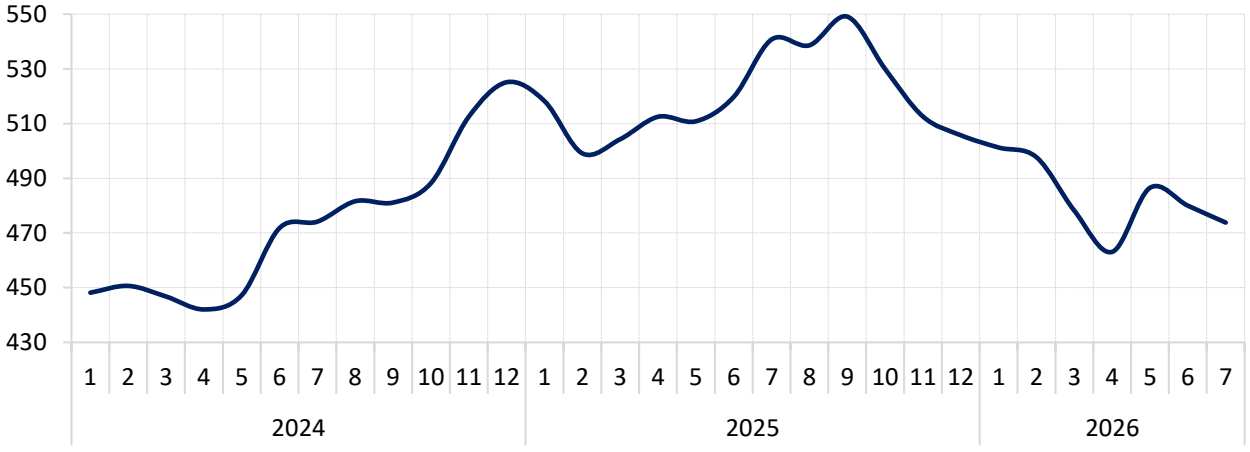
3.1.3. Exchange Rate Channel

The dynamics of the national currency were influenced by a combination of external and domestic factors.

In July 2026, the tenge depreciated by 2.3% against the US dollar compared with April, despite strengthening in both June and July (Graph 28).

The tenge remained stronger than the levels observed in 2025 and at the beginning of 2026. On the external side, high oil prices provided support to the national currency. Domestic factors supporting the tenge included moderately tight monetary conditions, foreign currency sales related to transfers from the National Fund to the state budget, FX sales by quasi-public sector entities, as well as mirror operations related to gold purchases. This was accompanied by significant foreign currency inflows from non-residents.

Graph 28. Exchange rate of the tenge to the US dollar *(tenge per one US dollar, end of month)*



Source: KASE

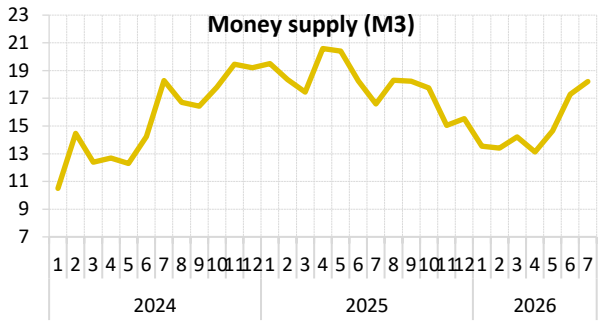
[5] *Survey of the households' survey on inflationary expectations(https://nationalbank.kz/en/page/inflyacionnye-ozhidaniya)*

3.2. Money supply

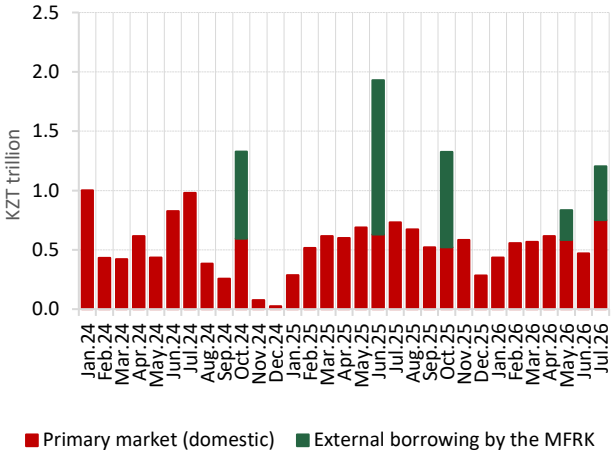
Money supply growth accelerated.

In July 2026, annual growth in total money supply accelerated to 18.2% (Graph 29), while growth in the tenge money supply reached 21.9%. The acceleration in money supply growth was driven by higher budget expenditures and the Government's external borrowing. At the same time, in May–July 2026, the volume of government securities issued by the MFRK was slightly lower than in the same period of the previous year (Chart 30).

Graph 29. Money supply, YoY, %



Graph 30. Volume of government securities issuance by the MFRK in domestic and external markets, KZT trillion



Source: NBK, KASE

Box 4. Structural changes in deposit savings in Kazakhstan

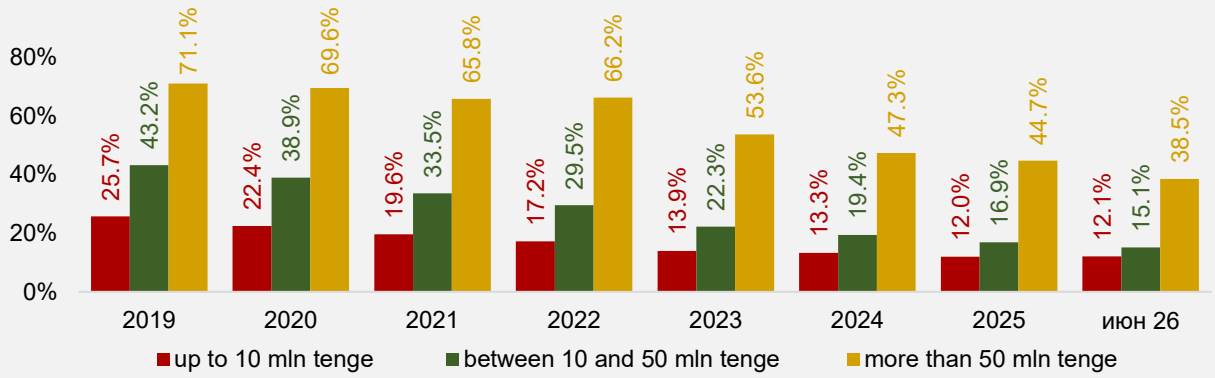
Deposit savings are an important component of households' financial behavior, reflecting not only the volume of accumulated funds but also preferences regarding how those funds are held. As macroeconomic conditions change and the availability and the attractiveness of financial instruments evolve, depositors' preferences may also shift, which will gradually be reflected in the deposit base. In this regard, changes in the structure of deposits can provide insights into broader shifts in households' approaches to accumulating and preserving financial savings.

In Kazakhstan, the structure of household deposit savings has undergone a considerable transformation, particularly in recent years. The expansion of access to banking services, the maintenance of a significant yield differential between tenge and foreign currency deposits, and the implementation of measures to increase the attractiveness of savings in the national currency have created conditions for changes in depositors' preferences.

One of the most notable manifestations of these changes has been the strengthening role of tenge savings and a decline in the dollarization of retail deposits. Between December 2019 and June 2026, the overall level of dollarization fell by more than half, from 45.8% to 22.3%[6]. De-dollarization of deposits has been broad-based, affecting all categories of depositors regardless of the size of their savings. The share of foreign currency deposits declined among both holders of small savings and holders of large deposits. In particular, the dollarization rate of deposits of up to 10 million tenge decreased by 2.1 times, that of deposits between 10 and 50 million tenge by 2.9 times, and those exceeding 50 million tenge by 1.8 times (*graph 1*).

[6] *The analysis uses data on deposits held by individuals, both residents and non-residents of the Republic of Kazakhstan, excluding deposits in the national currency for which part of the interest income is subsidized by the government (under the housing savings system and the state educational savings system).*

Graph 1. Dollarization of deposits by deposit size, %



The broader shift toward savings in the national currency is also reflected in the number of deposit accounts. Over the period under review, the number of tenge deposit accounts increased across all major deposit categories. Particularly strong growth was observed in segments of medium-sized and large deposits (increased by 6.3 times). Positive dynamics were also observed among smaller deposits (increased by 2.3 times), which make up the bulk of the banks' customer base[7].

Alongside changes in currency preferences, the product structure of the retail deposit base has also undergone a transformation. As savings in the national currency became more attractive and the range of deposit products expanded, individuals increasingly placed funds in instruments oriented more toward accumulation than liquidity. This trend was most evident in the increased demand for term deposits and savings accounts. As a result, the combined share of these two types of deposits in the deposit portfolio increased from 8.4% in December 2019 to 31.3% in June 2026, while the share of their tenge-denominated component increased from 4.9% to 31.0%.

Taken together, changes in the currency and product structure point to a gradual transformation in the household deposit savings model. These changes have been reflected in the strengthening role of the tenge as the primary currency for holding savings, as well as in shifts in households' preferences regarding how funds are placed. De-dollarization of deposits has affected various categories of depositors and major segments of the deposit market, while the growing share of term and savings deposits indicates increasing demand for instruments primarily oriented toward the accumulation of funds. Thus, these trends can be viewed as a sign of strengthening household confidence in the tenge as a store of value and a greater savings orientation in depositors' financial behavior.

[7] As of July 1, 2026, deposits of up to 10 million tenge accounted for 99.7% of the total number of deposit accounts and 41.0% of the total volume of tenge-denominated deposits.