NATIONAL BANK OF KAZAKHSTAN

MONETARY POLICY COMMITTEE

Summary of Deliberations on the Base Rate Decision Announced on 4 September 2026

The discussions took place during meetings held as part of the "August 2026" forecasting round. The forecasting team from the Monetary Policy Department and the Balance of Payments Department presented updated assessments of current economic conditions, macroeconomic forecasts, and alternative scenarios.

Current Situation

During the presentation of current economic conditions, it was noted that annual inflation slowed to 9.8% in August. Price growth has now decelerated for 11 consecutive months.

The ongoing disinflation has been supported by the monetary policy stance, a stable tenge exchange rate, the normalization of consumer demand, and joint anti-inflationary measures implemented by the National Bank and the Government.

In August, monthly and core inflation remained at 0.6% and 0.7%, respectively. One-year-ahead household inflation expectations declined to 12.1% in both July and August. This reflected lower concerns over the VAT increase, higher utility tariffs, and food price growth.

Global food prices continue to rise at a moderate pace, driven by cereals and vegetable oils, while meat prices declined for the first time in an extended period. The ongoing conflict in the Middle East is keeping energy prices elevated and intensifying external inflationary pressures. Against this backdrop, major central banks continue to maintain a hawkish tone in their policy communication.

Committee members identified the main domestic inflation risks as the expansion of domestic demand amid a stronger fiscal impulse, unanchored inflation expectations, and further developments in fuel prices and utility tariffs. External risks are associated with higher global food and energy prices amid the potential escalation of geopolitical tensions.

Forecasts

The Committee maintained its 2026 inflation forecast at **9–11%**. Moderately tight monetary conditions and the appreciation of the national currency will contribute to a slowdown in price growth. The final stage of the increase in minimum reserve requirements in September 2026 will provide an additional restraining effect. The 2027 inflation forecast was revised upward to **6.5–8.5%** (from 5.5–7.5% previously), reflecting higher external inflation, revised assumptions for regulated prices, and a stronger fiscal impulse. At the same time, the **cumulative tightness** of monetary policy will continue to contain inflationary pressures. In 2028, inflation is expected to stabilize **close to the 5% target** as external inflationary pressures and domestic demand normalize, fiscal consolidation proceeds, and inflation expectations decline.

The 2026 GDP growth forecast was maintained at 4.5–5.5%. Economic activity will be supported by investment amid quasi-fiscal stimulus and stable consumer demand. In **2027**, GDP growth is projected at **4.5%**: stronger fiscal stimulus will support domestic demand, although weaker oil production will partially offset this effect. In **2028**, GDP growth is projected to accelerate to **4–5%**, up from 3.5–4.5% previously, reflecting the implementation of sectoral and system-wide reforms, stronger fiscal stimulus, and a recovery in oil production and exports.

Discussion of the Base Rate

Following a review of current economic conditions and the updated forecast, the Committee proceeded to discuss the base rate decision. The majority of Committee members agreed that conditions were in place for another reduction in the base rate.

Some Committee members pointed to the continued decline in annual inflation, which slowed to 9.8% in August, marking the eleventh consecutive month of deceleration, as well as to lower inflation expectations. Particular emphasis was placed on the **appreciation of the tenge**, which is reducing the cost of imported goods and providing a significant disinflationary effect.

Part of the discussion focused on persistent inflation risks. A **stronger fiscal impulse** was identified as the main domestic pro-inflationary factor. In particular, attention was drawn to increased withdrawals from the National Fund in the current and following years. Participants also noted that additional demand stimulus is being generated through quasi-fiscal financing instruments.

Among external risks, particular attention was paid to accelerating inflation in Russia amid the fuel crisis, as well as to higher global commodity prices driven by rising energy prices. These factors may create additional inflationary pressure **through imported inflation and higher external prices**.

The Committee also discussed the current composition of inflation. Despite the decline in annual inflation to 9.8%, some members pointed to signs of worsening seasonally adjusted inflation dynamics. This indicates that price pressures remain elevated.

Some Committee members emphasized that the inflation forecast for next year had been revised upward by 1 p.p., from 5.5–7.5% to 6.5–8.5%. They noted that this considerably limits the scope for further monetary policy easing and implies a higher base rate over the forecast horizon than previously anticipated.

Against this backdrop, the **importance of clear communication** regarding the future path of the base rate was emphasized. Some Committee members noted that the rate cut should be accompanied by a clear signal that the Committee **remains committed** to achieving the medium-term inflation target and **maintaining a moderately tight monetary policy stance**. The reduction at the current meeting is fully justified by the improvement in inflation dynamics. Going forward, however, a **cautious approach** is warranted, with decisions guided by incoming inflation data.

A separate part of the discussion focused on inflation developments over the coming months. In the Committee's view, annual inflation is likely to continue declining in September, while **inflation dynamics may change from October** as a result of measures taken by the Government in 2025 to limit increases in regulated prices. The moratorium on increases in utility tariffs and fuel prices, introduced in autumn last year, creates a low-base effect and increases the likelihood of inflation accelerating from October this year. This calls for a cautious approach to future policy decisions and close monitoring of inflation dynamics and second-round effects, including inflation expectations.

Following the discussion, the Committee noted that, despite persistent inflation risks, the current inflation dynamics, lower inflation expectations, and the appreciation of the tenge had created conditions for a reduction in the base rate.

Taking all factors into account, the Committee decided to **reduce the base rate by 0.5 p.p. to 16.25% per annum, while maintaining the interest rate corridor at ±1 p.p**. At the same time, given the strengthening of pro-inflationary factors and risks reflected in the revised forecasts for 2027, the scope for further reductions in the base rate is limited.

Future decisions will be based on incoming inflation data, the alignment of inflation with the forecast trajectory, developments in domestic demand, inflation expectations and regulated prices, as well as the actual scale and effects of fiscal and quasi-fiscal stimulus.

Assessment of the Base Rate Trajectory

Following the decision, Committee members presented their assessments of the most likely base rate trajectory for 2026–2028 (Table 1, Chart 1). The median estimate for the base rate at end-2026 remained unchanged at 16.0%, while the median estimates for 2027 and 2028 increased to 13.5% and 11.0%, respectively. The ranges of estimates narrowed across the entire forecast horizon: for 2026, both the upper and lower bounds moved inward, while for 2027 and 2028 only the upper bound shifted downward.

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

The indicated base rate trajectory does not constitute a commitment by the Committee to maintain the rate at these levels. In communicating its decisions, the Committee will explain the factors and assumptions underlying them, including in cases where the actual rate path deviates from the previously assessed trajectory.

Table 1. Assessments of the Base Rate Trajectory

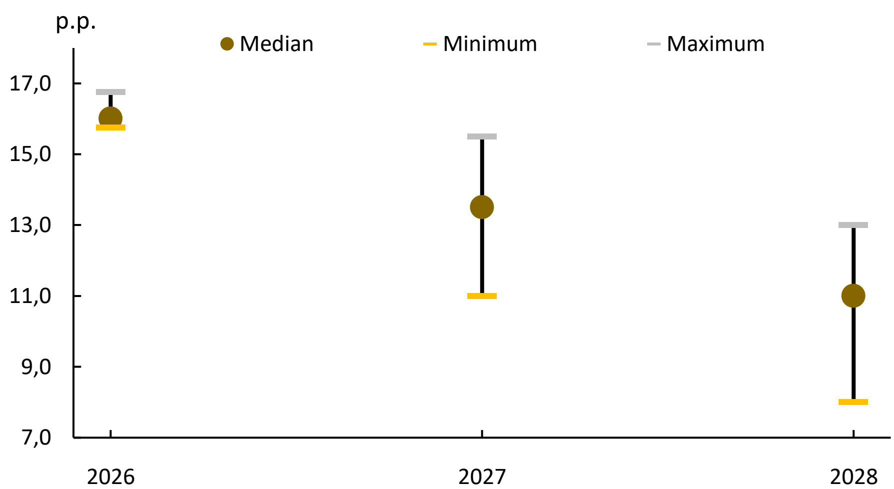
Indicator	Median			Range		
	2026	**2027**	**2028**	**2026**	**2027**	**2028**
Base rate at year-end, %	**16.0** (16.0)	**13.5** (13.0)	**11.0** (10.8)	**15.8–16.8** (15.0–17.0)	**11.0–15.5** (11.0–16.0)	**8.0–13.0** (8.0–14.0)

Notes:

1. If a Committee member provided an interval of assessments, the midpoint of this interval was used as the data point for determining the median.

2. The range includes the assessments of all Committee members from the minimum to the maximum for each year (including the bounds of the interval if the assessment was presented as an interval rather than a point).

Chart 1. Range of Base Rate Estimates by Committee members



Source: Committee members' assessments

More detailed information on the factors underlying the decision and the forecasts is presented in the Monetary Policy Report published on the official website of the National Bank on 9 September 2026.