NATIONAL BANK OF KAZAKHSTAN

MONETARY POLICY COMMITTEE

Summary of the Discussion on the Base Rate Decision Announced on 23 October 2026

The Monetary Policy Committee's discussion took place at a meeting held as part of an inter-meeting base rate decision. Committee members were presented with information from the Monetary Policy Department on current external and domestic economic conditions.

Current Situation

During the discussion of price developments, Committee members noted that disinflationary processes were gaining strength. Annual inflation had declined for the twelfth consecutive month, reaching 9.3% in September 2026, amid moderately tight monetary policy and favorable exchange rate dynamics of the tenge.

Monthly inflation stood at 0.6% in September, while seasonally adjusted inflation declined to 0.7%. The median of seasonally adjusted core inflation estimates remained at 0.7%, indicating persistent price pressures. Household inflation expectations over the one-year horizon declined to 11.8% in September.

In reviewing external conditions, participants noted a slight increase in inflationary risks. Developments in the Middle East continued to support high global energy prices. Global food prices also edged up, primarily driven by higher prices for cereals, sugar and vegetable oils amid adverse weather conditions and logistical constraints.

In Russia, underlying inflationary pressures were intensifying, while the Bank of Russia continued to pursue a cautious monetary policy approach. In the United States and the EU, inflationary risks persisted amid high energy prices. In response, the ECB and the Federal Reserve raised their policy rates, emphasizing the need to continue containing inflationary pressures.

The Committee identified fiscal and quasi-fiscal stimulus, elevated inflation expectations, and the dynamics of fuel prices and regulated tariffs as the main domestic inflationary risks in Kazakhstan. External risks stemmed from high global energy and food prices, accelerating inflation in trading partner countries, and tighter global financial conditions.

Discussion of the Base Rate

Following the review of current external and domestic conditions, Committee members proceeded to discuss the base rate decision.

Two approaches were put forward during the discussion:

– lowering the base rate in view of the sustained slowdown in annual inflation and declining inflation expectations, while accompanying the decision with a firm signal regarding future decisions given the existing inflationary risks;

– keeping the base rate unchanged in view of persistent inflationary pressures and the risks of price increases towards the end of the year.

Some Committee members noted that, despite the decline in annual inflation over the past 12 months, the sustainability of the disinflationary trend was not yet confirmed by monthly indicators. Seasonally adjusted inflation had exceeded the headline inflation rate over the past five months, pointing to persistent elevated inflationary pressures. If current trends continued, inflation could exceed the projected trajectory and approach 9% next year.

It was also noted that, despite the significant appreciation of the tenge, the slowdown in inflation in the non-food segment, where imported goods account for a substantial share, had been less pronounced. This may indicate that the exchange rate pass-through to domestic prices is taking place gradually.

Some participants drew attention to the fact that the decline in overall services inflation was largely attributable to the restraint of regulated prices, while inflation in market-based services remained elevated, reflecting continued pressures from domestic demand and costs. Additional upside risks to inflation were associated with a possible acceleration in price growth towards the end of the year, including due to expected increases in utility tariffs and fuel prices, as well as the low base effect in regulated prices stemming from developments at the end of 2025. The materialization of these factors could slow the decline in inflation and affect inflation expectations. Under these circumstances, premature monetary policy easing could weaken the restraining effect of the real interest rate, make it more difficult to consolidate the disinflationary trend and lead to a partial reversal of the progress achieved in combating inflation.

Some Committee members pointed to the sustained decline in annual inflation throughout the year and lower inflation expectations. The appreciation of the tenge also continued to exert downward pressure on prices by reducing the cost of imported goods and components, lowering the cost of raw materials and equipment, and helping contain inflation expectations. If the exchange rate remained strong, its impact on domestic prices could continue to materialize in the coming months. External conditions were assessed as favorable, with no significant additional demand for foreign currency expected. Taken together, these factors created conditions for further disinflation.

It was also noted that monetary conditions had become tighter in real terms as inflation declined while the nominal base rate remained high. At the same time, tenge-denominated instruments remained attractive, while the increase in minimum reserve requirements helped absorb excess liquidity in the banking system and strengthen monetary policy transmission.

Under these circumstances, a reduction in the base rate would allow monetary conditions to be adjusted proportionately to the changing inflation dynamics, while maintaining a moderately tight monetary policy stance. At the same time, Committee members emphasized that the decision should be accompanied by clear communication regarding the presence of inflationary risks and the need to maintain a cautious approach when making subsequent base rate decisions. It was also important to remain highly vigilant about inflation developments towards the end of the year, particularly in view of upcoming changes in regulated prices and tariffs, and to assess the actual impact of these factors on both headline and core inflation.

Other participants emphasized that the expansion of government expenditure and additional withdrawals from the National Fund to finance large-scale projects supported domestic demand while simultaneously adding to inflationary pressures. The strong exchange rate, in turn, supported disinflation, although its impact could not fully offset domestic inflationary factors. A sustained decline in inflation required coordination between monetary and fiscal policies, including an assessment of the combined impact of government spending, lending and economic support measures on domestic demand.

In discussing the policy signal, Committee members emphasized that future decisions should consider not only annual inflation dynamics but also the sustainability of its decline. This includes

changes in core and seasonally adjusted inflation, inflation expectations, the impact of the exchange rate, upcoming adjustments to regulated prices and tariffs, and the effect of fiscal policy on domestic demand. Importance would be attached to assessing actual price developments towards the end of the year.

Following the discussion, the Committee decided to lower the base rate by 50 basis points to 15.75% per annum, with a +/- 1 percentage point corridor. The decision maintains a moderately tight monetary policy stance necessary to consolidate disinflation and bring inflation back to the 5% target in 2028.

At the same time, the Committee emphasizes that, given the current balance of risks, the likelihood of a change in the base rate by the end of 2026 remains low. The possibility of further rate cuts will depend on confirmation of a sustained easing in price pressures. Future decisions will be made considering inflation dynamics, inflation expectations and changes in the balance of risks.