

Timur M Suleimenov: Statement - base rate of the National Bank of Kazakhstan

Statement by Mr Timur M Suleimenov, Governor of the National Bank of Kazakhstan, on the base rate of the National Bank of Kazakhstan, Astana, 6 March 2026.

* * *

Dear representatives of the media,
Dear journalists,
Good afternoon.
Welcome to the National Bank.

The Monetary Policy Committee of the National Bank has decided to keep the base rate at 18.0%.

The decision is a benchmark one and is based on the results of the forecast round. The Committee has conducted a comprehensive assessment of current macroeconomic trends, the latest data, and the balance of risks.

Annual inflation continued to slow in February and stood at 11.7%.

The easing of inflationary pressure is being supported by moderately tight monetary conditions, the implementation of anti-inflationary measures, the slowdown in the growth of unsecured consumer lending, and the absorption of excess liquidity through minimum reserve requirements and mirroring operations.

The moratorium on increases in utility tariffs and fuel prices, along with more favourable tenge exchange rate dynamics, is also contributing to lower inflationary pressure.

The impact of the VAT increase was largely absorbed into prices last year and is currently assessed to be limited.

Pro-inflationary pressure persists reflecting elevated inflation expectations and the risk of second-round effects from tax changes, housing and utility tariffs, and fuel prices.

Additional risks are also arising from the external environment amid heightened geopolitical tensions, through fluctuations in oil prices, changes in the price environment in trading partner countries, and the policy responses of major central banks and other actors.

In these circumstances, maintaining moderately tight monetary conditions remains necessary to stabilize inflation expectations and secure a sustained disinflation process.

At this stage, there is still no room for a rate cut, as the economy continues to adjust to tax changes. Developments in core inflation and inflation expectations also remain key constraints.

Further ahead, if the baseline forecast materializes and inflation slows sustainably, the Committee will consider the possibility of the base rate cut in the second half of the

year. Should pro-inflationary risks change, the degree and duration of monetary tightness may vary in either direction.

I will now turn to the factors underlying the decision.

FIRST. DYNAMICS OF INFLATION AND INFLATION EXPECTATIONS.

In February this year, inflation declined to 11.7%, from 12.2% in January. Slowing was recorded across all the main components of the consumer basket. At the same time, inflation remains in double digits, and inflationary pressure in the economy persists.

The decline in headline inflation is being shaped by moderately tight monetary conditions, the moratorium on housing and utility tariffs and fuel prices, and more favourable exchange rate dynamics since the end of last year.

The most pronounced slowdown has been observed in the services sector: services inflation fell to 10.8%, from 12.0% in January.

Non-food inflation also eased somewhat, to 11.6%. Food inflation has declined for the second consecutive month and stood at 12.7% in February. However, this component continues to make the largest contribution to overall price growth and exerts a significant influence on household inflation expectations.

Despite the decline in the headline inflation rate, the persistent component of inflation is responding with greater inertia. This is also confirmed by current price developments. Monthly inflation in February amounted to 1.1%, against 1.0% in January, while core and seasonally adjusted inflation have remained at 0.8% for three months and show no signs of easing.

Household inflation expectations for the year ahead remain elevated and volatile, despite a slight decline in February to 13.7%, from 14.2% in January. More than half of respondents still find it difficult to provide a quantitative assessment of future inflation. Long-term household expectations declined to 14.6%.

Professional market participants' expectations for inflation in 2026 are estimated at 10.0%, down from 10.8% in January.

SECOND. TRENDS IN THE DOMESTIC ECONOMY.

Despite short-term slowing in January, the economy remains resilient.

Economic activity outside the commodity sector continues to expand. In January, the strongest growth was recorded in construction (14.4%), communications (7.9%), and transport and warehousing (5.1%). More moderate growth was observed in agriculture and trade.

Domestic demand remains resilient, and its dynamics are gradually normalizing.

This is most clearly visible in retail consumption. In January 2026, retail trade growth amounted to 2.1% year-on-year in real terms, noticeably below both last year's level

and the historical average. This may reflect consumers' adjustment to the new tax conditions and points to the first signs of demand cooling after a prolonged period of elevated activity.

Lending to households is slowing, especially in the unsecured consumer loan segment. Growth in new loans declined from 22.7% in 2024 to 6.3% in 2025, while in January this year it fell by 7.2% year-on-year.

Overall investment activity in the economy continues to grow.

THIRD. EXTERNAL FACTORS.

External inflationary pressure remains moderate overall, but geopolitical uncertainty is heightening the risks of a stronger inflationary external environment. As a result, central banks are oriented towards a longer period of tight global monetary conditions.

Global food prices declined: in January, the FAO index continued to fall due to lower prices for meat, dairy products, and sugar. At the same time, prices for cereals and vegetable oils increased.

In Russia, inflation accelerated to 6.0% in January, largely owing to the effect of the VAT increase in that country.

The policy of major central banks remains balanced. In the EU, inflation declined to 2.0%, while core inflation fell to 2.4%. In these circumstances, the ECB left its policy rate unchanged.

Inflation in the United States slowed to 2.4% in January. At the same time, given the range of factors and risks, the Federal Reserve is not rushing into further changes. At its most recent meeting, the Federal Reserve kept rates unchanged.

The situation in the oil market remains uncertain.

In our baseline scenario for 2026, the oil price assumptions have been revised upwards compared with our previous forecast, taking into account the worsening situation in the Middle East.

Under our assumptions, the average Brent oil price in 2026 will amount to USD 66.3 per barrel. Thereafter, as price dynamics return towards supply-demand equilibrium, the price will move towards USD 60 per barrel.

Let me now turn to the forecasts themselves.

The inflation forecast for 2026 has been revised downwards. Inflation is expected to lie within the range of 9.5–11.5%.

This revision is related to more restrained actual inflation dynamics, more favourable exchange rate dynamics, updated assumptions on housing and utility tariffs and fuel prices, as well as a more moderate estimate of the impact of VAT on inflation.

It should be noted separately that our assessments and forecasts are based on the assumption that the parameters set out in programme documents, budget revisions, and Government plans will be fully implemented. This concerns the path of fiscal consolidation, the reduction in the budget's dependence on transfers from the National Fund, the approved targets for the budget deficit and non-oil deficit, as well as the agreed volumes and parameters of quasi-fiscal stimulus.

The narrowing of the forecast range also reflects the objective of ensuring a transition to single-digit price growth already this year. To achieve this objective, the Government and the National Bank are developing a step-by-step algorithm for reducing inflation, which conceptually provides for a lower contribution from housing and utility tariffs and fuel prices to inflation, fiscal consolidation, and the establishment of clear parameters for quasi-fiscal policy.

Overall, we assess the transition to single-digit inflation as realistic. Our confidence rests not only on the implementation of programme documents, but also on more balanced aggregate demand dynamics at the start of the year.

The inflation forecast for 2027 has been left unchanged. Inflation is expected to slow to 5.5–7.5%.

The gradual slowing of inflation over the forecast horizon will be ensured by a combination of restrictive monetary policy, fiscal consolidation, and the consistent implementation of the Government's and the National Bank's measures.

As programmes to support the economy are successfully implemented and domestic productive capacity expands, inflation will be close to the 5% target by the end of 2028.

As for inflation risks, they are associated with accelerating external inflation, elevated inflation expectations, and second-round effects from increases in regulated prices, fuel prices, and VAT.

Another important factor in our focus is the parameters and volumes of financing to the economy from the quasi-public sector. Significant quasi-fiscal injections may intensify inflationary pressure and partly offset the effects of consolidation of the republican budget.

It should be noted that a fairly large amount is planned, which amounted to around 5% of GDP by the end of last year. A one-off injection of funds of this scale into the economy, amid already elevated investment, could intensify inflationary pressure.

In our view, in order to mitigate the impact on inflation and, wherever possible, make maximum use of market mechanisms by involving bank liquidity, the elements of the programme should be as follows:

1. a focus on several dozen large strategic projects with a multiplier effect; maximum possible involvement of bank liquidity;
2. a prohibition on financing working capital. Clearly, this does not apply to support for micro and small businesses through the Damu Fund. It is important that support should, to a greater extent, contribute to supply growth; in other words,

- investment programmes need to be supported. The replenishment of working capital is, first and foremost, a task for second-tier banks;
3. the prioritization of projects, clear criteria, and maximum transparency in their selection are important;
 4. it is also important to note that prudential regulation with respect to the quasi-public sector remains incomplete. It is therefore important to ensure monitoring of the financial sustainability of state holdings. The scale of support must be commensurate with risk and with the capacity to service obligations.

Let us now turn to the GDP growth forecasts. The forecast for 2026 has been kept unchanged at 3.5–4.5%. Against the high base of 2025, economic activity will evolve along a smoother path in 2026 and subsequent years.

Dear journalists,

Inflation is declining, but the decline itself is proceeding slowly. As you will recall, the peak was reached in September at 12.9%, and by February inflation had come down by only 1–2%. So, over half a year there has been an effect, but not as significant as we would have liked to see. This underlines that, under current conditions, the base rate is an important, but not the only element in bringing inflation down. As you know, the Head of State has instructed the Government and the National Bank to use the full range of instruments to reduce inflation to single-digit levels.

For the National Bank, this means using not only interest rate policy, but also additional instruments to reduce excess liquidity, including the phased increase in minimum reserve requirements and mirroring operations.

Together with the Agency, we will continue to apply macro- and microprudential measures aimed at reducing and cooling consumer lending, as one of the channels of pro-inflationary pressure.

On the Government's side, the consistent implementation of fiscal consolidation plans is expected, as is control over the quality of quasi-fiscal stimulus and compliance with the approved path of housing and utility tariffs and fuel prices.

As for the future direction of our policy, if the baseline forecast materializes and a sustained slowing of inflation emerges, the Committee will consider the possibility of lowering the base rate already in the second half of 2026.

At the current stage, I repeat, room for easing has not yet emerged. Should pro-inflationary risks materialize, the National Bank will act accordingly.

The main task set by the Head of State for the Government and the National Bank this year is to return inflation to single-digit territory, and we will make every effort necessary to achieve this. The medium-term target remains unchanged: inflation at 5%. As we know, low and stable inflation is the key to sustainable economic development, broader investment activity, and citizens' welfare.

Thank you for your attention!