Snap | 4 September 2026

KAZAKHSTAN

Kazakhstan makes a front-loaded cut to 16.25%, as window for further easing narrows

The National Bank of Kazakhstan cut rates today, but made it clear that future cuts will be harder to justify until year-end. As fiscal and external inflation pressures build, the strong tenge is becoming the main remaining source of disinflation and a key determinant of the easing cycle

Kazakhstan's central bank (NBK) has cut interest rates but the bar for more easing is high this year

16.25%

NBK base rate

a 50 basis point cut

Lower than expected

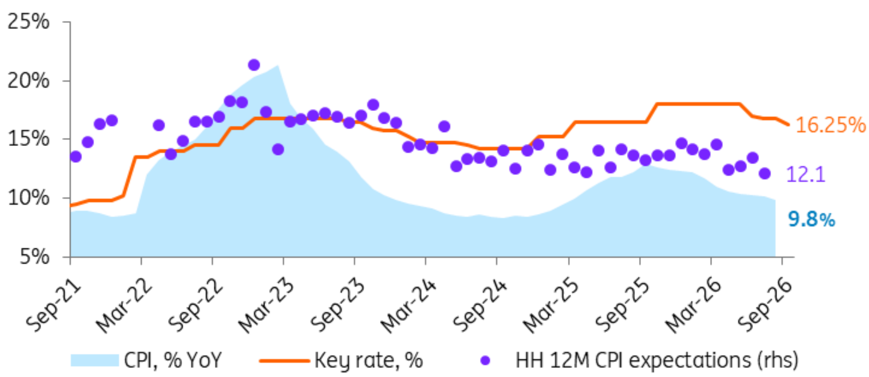
Slower current inflation opened the door for another cut...

The National Bank of Kazakhstan surprised markets again, cutting the base rate by 50bp to

16.25%, a larger move than both our call and market expectations. Unlike July, when the key question was whether improved confidence in fiscal discipline could justify a cut despite sticky inflation expectations, this time the picture is reversed: justification came from the inflation data itself. Annual CPI slowed to 9.8% year-on-year in August, re-entering single-digit territory, while households' inflation expectations declined.

NBK makes another cut as CPI is back to single-digits and households' expectations normalise

Kazakhstan CPI, households' 12M CPI expectations, and base rate



Source: NBK, CEIC, ING

...but the guidance has tightened on additional fiscal stimulus

Despite the larger move, we do not interpret today's decision as a signal that the NBK has become substantially more dovish. In fact, the accompanying communication has become more cautious, with a direct message, that the room for further rate cuts is now limited.

The central bank revised its 2027 inflation forecast higher to 6.5-8.5% from 5.5-7.5% previously (i.e. further away from the long-term target of 5%) and explicitly linked the revision to a less favourable external inflation backdrop, persistent risks regarding regulated prices, as well as stronger fiscal stimulus. While the more risky external environment is not a surprise and is in line with our global view on commodities, inflation, and rates, the renewed worries about domestic fiscal stimulus in Kazakhstan are new.

Until August, the central bank had been communicating confidence in the government's fiscal restraint (outside the quasi-fiscal stimulus), which was supported by a planned reduction in the national oil fund's outlays from KZT5.3tr in 2025 (3.3% GDP) to KZT2.8tr in 2026F. However, the official oil fund spending guidance for 2027-2029 has been recently increased to KZT3.5-4.4tr per year (or by KZT5tr in total compared to the previous three-year projections) due to additional targeted transfers for state spending priorities. This shift in the fiscal debate seems to have contributed to the NBK's higher inflation forecast for 2027.

We expect a pause in the easing cycle, unless the tenge keeps appreciating

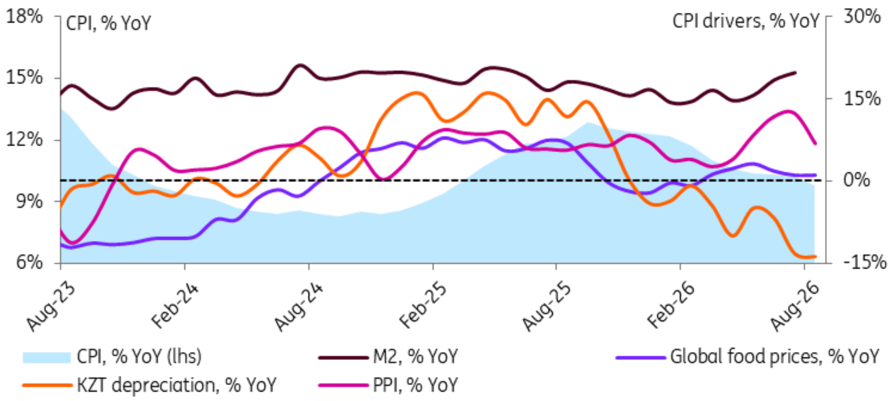
We continue to believe that in the long run, Kazakhstan's macro backdrop remains relatively supportive for a gradual easing cycle, especially given that the high real rate environment at least partially insulates Kazakhstan's market from external woes. Recent inflation data also shows that disinflation remains intact so far.

However, for the immediate future, the low-hanging fruit of the easing cycle has most likely been collected. Looking at the precursors of Kazakhstan's CPI trend, it appears that the recent strength of the tenge has become the sole disinflationary factor, making the outlook for the CPI and rates dependent on the FX market performance.

As a result, while further cuts remain possible, the bar for additional easing has likely become higher than it appeared after the July meeting. Unless CPI falls to 9.0-9.5% YoY in 4Q26, which would require KZT appreciation beyond our base case, we see the policy rate bottoming out at 16.00-16.25% by year-end 2026. Domestic fiscal policy and regulated tariff discussions should also remain an important watch factor going forward.

The tenge is the only strong disinflationary factor now

Precursors of Kazakhstan's CPI (% YoY)



Source: Refinitiv, CEIC, national sources, ING

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