

## Kazakhstan: hawkish rate hold and extra FX sales aimed at stabilising tenge

The National Bank of Kazakhstan (NBRK) has maintained the key interest rate at 15.25%, as anticipated, and provided hawkish guidance due to heightened CPI risks. To address the pressure on the tenge, the NBRK announced additional foreign exchange sales related to gold exports, amounting to \$5.5-6.0 bn annually. This move could potentially increase current state support for the domestic FX market by 55-60%



# 15.25

Base rate, %

unchanged

As expected

## Kazakhstan's key rate unchanged at 15.25% with hawkish guidance

The National Bank of Kazakhstan decided to keep the [base rate unchanged at 15.25%](#), aligning with consensus and [our](#) expectations. Importantly, the NBRK reinforced its hawkish stance, indicating that it will assess the need for additional monetary tightening at upcoming meetings, suggesting the likelihood of a rate hike.

The NBRK appears increasingly concerned with the CPI trajectory. Although the 2024 year-end inflation of 8.6% year-on-year was in line with the 8-9% guidance, the monetary authorities' confidence in a CPI slowdown to 6.5-8.5% by year-end 2025 seems to have declined. The list of pro-inflationary risks includes growing CPI expectations among households, corporates, and market participants amid a loose fiscal stance, domestic tariff liberalisation, rising global food prices, and most recently, pressure on the tenge. Despite a 100bp base rate hike at the end of November 2024 and several direct FX support measures in December, USD/KZT has depreciated by 2.6% since the last central bank meeting, likely reflecting the spillover effect from increased sanction pressure on Russia, Kazakhstan's trade and financial flow partner.

We agree that given recent developments with the supply-side and demand-side factors of inflation, the CPI is more likely to gravitate towards the upper border of the official forecast range in 2025. This does not guarantee a rate hike at the upcoming meeting but clearly suggests that the space for a rate cut, previously seen as sizeable, has narrowed significantly over the medium term. We raise our year-end CPI expectations by 0.5-1.0pp to 7.5-8.0% and see the possibility for modest rate cuts no earlier than 2H25.

# 5.5-6.0

Expected additional annual FX sales  
by NBRK, \$ bn

equivalent to 55-60% of annual FX sales out of the sovereign  
fund NFRK, for fiscal purposes

## NBRK to sell extra \$5.5-6.0bn p.a. in attempt to address CPI and FX risks

In an important addition to the monetary policy statement, the central bank announced that as the country's sole exporter of gold, it will start selling foreign exchange on the domestic market in volumes equivalent to its KZT-denominated purchases from domestic gold miners. According to the NBRK, this measure aims to sterilise the increased supply of KZT stemming from its domestic gold purchases, thereby addressing CPI risks. During his press conference, the head of the NBRK provided an expected annual estimate of \$5.5-6.0bn for such FX operations, which will be evenly spread throughout the year. For context, according to our estimates, this volume represents around 8% of the current monetary supply (M2), while current M2 growth is around 20% year-on-year.

The announced NBRK FX interventions represent a sizeable addition to the current FX sales conducted by the authorities for fiscal and other purposes. The National Fund of the Republic of Kazakhstan (NFRK), Kazakhstan's sovereign oil fund, sold approximately \$10bn worth of FX over the

course of 2024 to finance budget expenditures. If the level of fiscally-driven FX operations remains unchanged this year, the additional gold-related FX sales by the central bank would mean a 55-60% increase in state FX sales, suggesting increased support for the domestic FX market. Admittedly, the current budget law assumes a reduction in NFRK transfers to the budget by KZT 1 trillion (approximately \$1.8-\$2.0 bn) in 2025 compared to the previous year. However, in recent years, the actual results have exceeded initial guidelines due to a looser-than-expected fiscal stance.

As we [mentioned earlier](#), state FX operations are a crucial factor in the KZT's performance, as Kazakhstan's private trade and financial flows are largely balanced. We believe the decision to make additional foreign currency sales reflects an attempt to address the increased pressure on the tenge, which has risen recently due to external factors, including the tightening of sanctions on Russia, one of Kazakhstan's key trading partners and contributors to financial flows. Since November 2024, Kazakhstan has implemented several measures relevant to the domestic FX market, including hiking the base rate by 100bp, requiring quasi-sovereign exporters to sell 50% of their FX revenues, selling an extra \$308mn from NBRK reserves in an emergency FX intervention December, tightening oversight of non-resident FX operations, and limiting the spreads on cash FX conversion transactions. However, their effect on the exchange rate appears to have been modest so far.

We do not exclude that the additional FX sales by the central bank could eventually provide some support to the tenge, supporting our constructive near- to [medium-term view](#). Meanwhile, over the longer run, our view on the tenge remains cautious given the overall trade balance considerations and our assumption that eventual fiscal consolidation will lead to a decline in fiscally-driven state FX sales.

## Author

### Dmitry Dolgin

Chief Economist, CIS

[dmitry.dolgin@ing.de](mailto:dmitry.dolgin@ing.de)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the

Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).