

Kazakhstan's central bank holds rates amid rising trade uncertainty

Kazakhstan's central bank maintained its base rate at 16.50%, with forward guidance suggesting prolonged elevated rates. We expect it to hold rates for at least the next couple of meetings, with the balance of risks tilted to the hawkish side as uncertainty surrounding global trade tensions begins to rise



Astana, Kazakhstan

Base rate of 16.50% is here to stay

The National Bank of Kazakhstan (NBK) has kept its key rate [unchanged at 16.50%](#), in line with our expectations. The [official commentary](#) suggests a likely prolonged period of elevated key rates. We believe today's NBK deliberations were likely between a hold and a hike. Arguments in favour of the current hold likely included:

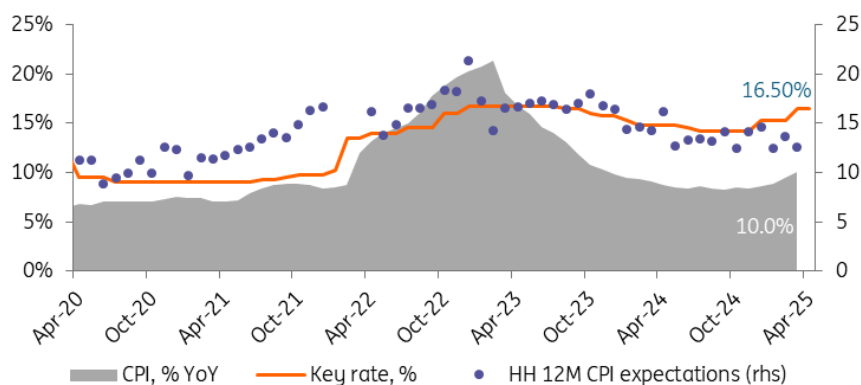
- CPI at 10.0% year-on-year as of March is still within 2025's year-end target range of 10-12%, with the NBK seeing signs of moderation of inflationary pressures in some segments of the consumer basket.
- Households' inflationary expectations moderated from 13.7% in February to 12.6% in March.
- USD/KZT stabilised in the 510-520 range this week without emergency interventions after

an initial negative reaction to escalated global trade tensions at the beginning of April.

Going forward, we see the key rate remaining unchanged for at least the next couple of meetings. However, several risk factors could push inflation and the key rate towards the upper border of the official forecast range of 12.0% for CPI and 18.00% for the key rate, according to the recent [monetary policy report](#).

- Domestic risks include a stronger pro-inflationary reaction to increased domestic utility tariffs and a pre-emptive spike in consumption ahead of the 2026 VAT rate hike, which could drive CPI further away from the 5% long-term target.
- External risks include further escalation of global trade tensions, leading to higher inflation and rates in Kazakhstan's main trade partners (China, Russia, EU), more depreciation pressure on the Kazakhstani tenge amid potential EM capital outflows, and a prolonged period of oil prices below the \$70/bbl embedded in the NBK's base case scenario. As a reminder, Kazakhstan's fiscal breakeven was \$80/bbl (\$185/bbl net of non-tax proceeds), while the current account breakeven was \$87/bbl in 2024.

NBK holds rates amid stabilisation of inflationary expectations



Source: CEIC, national sources, NBRK, Reuters, ING

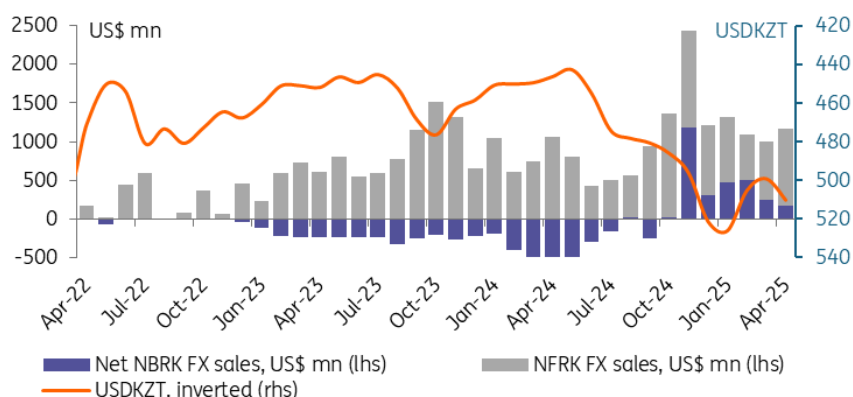
Tenge performance remains a factor to watch

After remaining in the 490-500 range in March, USD/KZT fell into the 510-520 range in early April on a mix of news, including the escalation of global trade tensions and increased uncertainty over Kazakhstan's oil exports amid pressures from trade partners over [production quotas](#) and [pipeline](#) throughput. The good news is that the exchange rate seems to have stabilised without the need for any emergency action from the authorities, as was the case at the end of November 2024.

The NBK continues its regular operations on the domestic FX market, comprising fiscal and gold-related FX sales partially offset by purchases for the needs of the state pension fund (UAPF). Given the recent [guidance](#), total FX sales by the sovereign fund (NFRK) and the central bank should increase by around US\$200m month-on-month in April to around \$1.2bn, exceeding the \$0.7bn monthly average seen in 2024.

While the domestic fiscal and monetary policy framework, as well as global USD weakness, should remain supportive for the tenge for the near term, external trade and capital flows factors – especially surrounding oil exports and EM flows – remain a significant risk factor of heightened volatility.

Kazakhstan increased net FX sales in 2025 due to fiscal needs and domestic gold purchases



Source: CEIC, national sources, NBRK, Reuters, ING

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