Snap | 23 January 2026 KAZAKHSTAN

Kazakhstan: base rate on hold, but risk of hikes remains

The National Bank of Kazakhstan (NBK) kept the base rate at 18% and signalled no change until mid 2026. We view this caution as well founded, given persistent inflation risks – and do not rule out a temporary hike if price pressures intensify in the coming months

A clear signal of an extended pause

The National Bank of Kazakhstan kept its base rate unchanged at 18.00% today, in line with consensus and our expectations.

The NBK explicitly indicated that policy rates are likely to remain on hold until mid-2026. This cautious forward guidance reflects several uncertainties, including:

- The inflationary impact of the VAT increase from 12% to 16%, effective 1 January.
- The outlook for regulated utility tariffs, with the official moratorium on price hikes expiring in 1Q26.
- The parameters and scale of quasi-fiscal lending from the state-owned Baiterek Venture Fund in 2026 (expected lending of around KZT 8 trillion, or 4-5% of GDP).
- The impact of robust domestic demand, with GDP growth outperforming previous expectations and reaching 6.5% in 2025.

Caution is justified

While inflation eased to 12.3% YoY in December 2025 and the tenge appreciated by 9% against the US dollar since early 4Q25, the NBK stressed that inflation risks remain elevated for 2026.

We see additional upside risks to inflation not highlighted by the central bank:

- The residual inflationary effect of the supportive fiscal policy of 2025, reflected in the persistently high state budget deficit of c.2.7% of GDP in 2025.
- A sharp early January spike in Russia's CPI following its own VAT increase, which could spill over into Kazakhstan, given strong trade links.
- The expected diminishing disinflationary impact of the tenge's recent appreciation. Our baseline assumes USDKZT drifting back into the 530-560 range this year (from the 500-510 range currently), as fuel export flows moderate after a strong 2025. Moreover, FX market support is likely to weaken if sovereign fund FX sales are reduced according to official budget plans.

Policy implications

We expect inflation in 2026 to trend toward the upper end of the NBK's official forecast range of 9.5-12.5% (December YoY). This limits the scope for meaningful rate cuts from current levels.

Our base case is that the key rate will remain at 18.00% in mid‑2026. However, a temporary rate hike in March or April cannot be ruled out if inflation accelerates toward the 14-15% YoY range in the coming months.

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