

Inflation has slowed, but risks remain

Inflation Monitor | February 2026

Kazakhstan Inflation Review

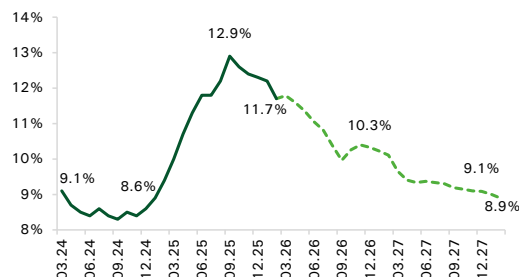
- Annual inflation slowed as expected from 12.2% in January to 11.7% in February, aided by a high base effect from the prior year.
- Food prices showed an acceleration in growth compared to January.
- Non-food inflation continues to show a relatively high growth rate, although it decelerated slightly compared to last year.
- Paid services significantly slowed their pace of price growth compared to last year, ultimately becoming the main driver of the overall inflation deceleration.
- In February, price growth in Russia decelerated after the January spike, while China recorded its highest inflation in three years.
- The currency channel has been reducing price pressure for the third consecutive month, supported by the stabilization of the RUB and the weakening of the USD.
- Our updated year-end 2026 inflation forecast has been raised from 10% to 10.3%; the year-end 2027 forecast is 9.1%.

Daniyar Orazbayev, CFA

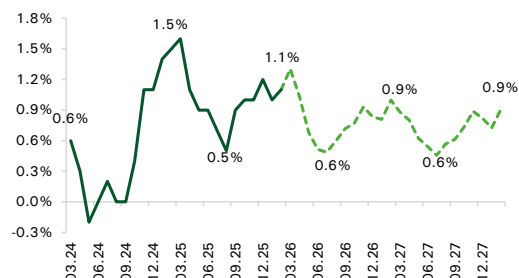
Analyst

daniyar.orazbayev@ffin.kz

Annual inflation dynamics and forecast, %



Monthly inflation dynamics and forecast, %



Headline inflation decelerated to 11.7% in February, down from 12.2% in January, assisted by a high base from last year

That said, the current reading remains well above the 9.4% recorded in February 2025. The main contributor to the slowdown was paid services, where annual price growth moderated to 10.8% from 12.0% in January. This reflects both a freeze on utility tariffs and an unfavorable comparison period — utility prices had jumped roughly 3% in a single month last February. Food and non-food price growth also edged lower, by 20 bps and 10 bps respectively.

Food: monthly momentum picked up

Prices rose 1.3% MoM in February, slightly above the 10-year seasonal average and a clear step-up from January's 0.8%. That said, the reading came in below last February's 1.5%. Meat was the key moderating factor, rising just 0.3% MoM compared to 2.1% a year ago. Fruits and vegetables also contributed positively, with prices up 2.6% MoM versus 3.5% last year — helped by a second consecutive monthly decline in cucumber prices (−3.9% MoM).

Non-food: normalizing after the January tax shock

Monthly growth of 0.9% marked a notable step-down from January's 1.2%, which had been the strongest January print in at least two decades and was driven by the tax reform. Fuel prices inched up just 0.2% MoM, largely held in check by the freeze on AI-92 gasoline. Clothing and footwear continued their steady ~0.8% MoM trend, in line with historical patterns. Among standout items, televisions surged 7.3% MoM, while baby soap (+2.2%) and toothpaste (+1.8%) also posted notable increases.

Paid services: the main disinflationary force, despite utility surprises

Annual growth in this segment dropped to 10.8% from 12.0% in January. On a monthly basis, prices rose approximately 1.0% — roughly in line with January but well below last February's 2.1%, which had been the highest February reading since 2011. Paid services appear to be settling into a steady ~1% MoM run rate this year. Notably, most utility categories still posted meaningful increases despite the tariff freeze through end-March: water supply rose 4.3% MoM, electricity 3.4%, heating 3.3%, and gas 3.0%. However, these increases were roughly half the pace seen a year ago. The key question ahead is the inflationary impact once the tariff freeze expires.

Trading partner inflation is building

Import-weighted inflation across major trading partners rose from 2.17% to 2.36%, despite cooling in Russia. The main driver was China, where inflation jumped from 0.5% to 1.3% — a three-year high that significantly exceeded market expectations. The eurozone also ticked up slightly, from 1.7% to 1.9%. In Russia, annual inflation eased from 6.0% to 5.72% as of early March, following the January spike. According to high-frequency data, the sharpest monthly price increases were in eggs (+12.7%) and several vegetables — carrots (+9.6%), tomatoes (+8.2%), and potatoes (+5.1%). Leisure services and select pharmaceuticals also added to price pressures.

Currency pass-through at 16-month lows

The import-weighted annual depreciation of the tenge against the four main currencies (USD, EUR, RUB, CNY) narrowed to 7.5% YoY in February, down from 8.7% in January. Over the month, the tenge firmed 1.5% against the trade-weighted basket. The ruble remains the dominant contributor to the tenge's annual weakness against the basket, with the average RUB/KZT rate still up 18% YoY — though this figure has been declining for three months running. The ruble's share of basket pressure fell from 87% to 70% in February, as the euro's appreciation against the tenge (11% YoY) gained weight.

Global food prices continued to ease

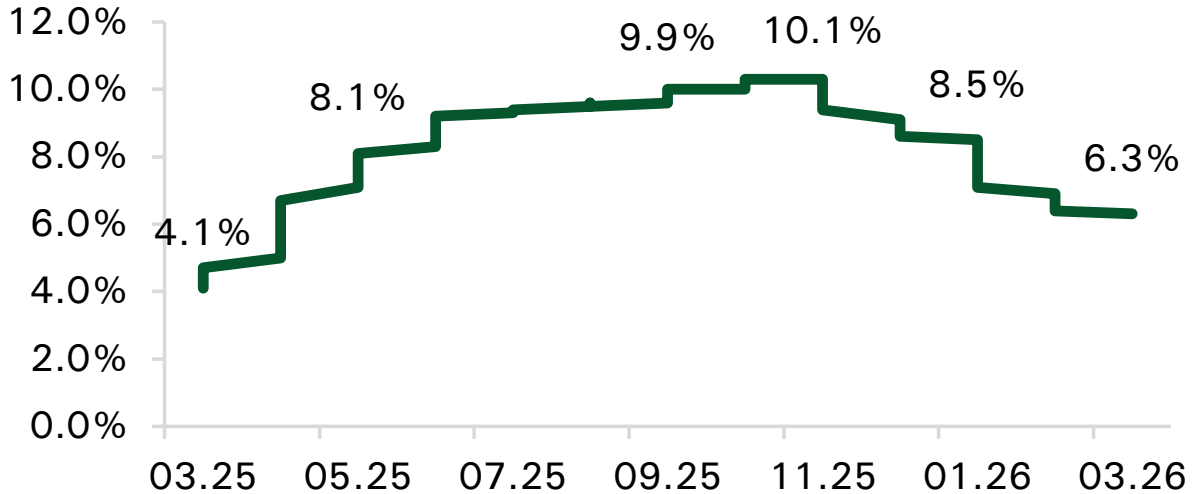
The FAO Food Price Index fell 1% YoY in February but rose 0.9% MoM, driven mainly by oils and fats (+3.3%). Sugar declined 4.1% on the month. Over the past year, the steepest drops have been in sugar (-27%) and dairy (-19%), while cereals are down 3.5%. Meat prices, however, climbed 8% YoY.

Forecast revision: year-end 2026 CPI raised to 10.3%

The unexpectedly strong utility price increases in February — despite the tariff freeze — were the primary reason for the upward revision. We now expect inflationary pressure from paid services and the eventual unfreeze of utility and fuel tariffs to be somewhat greater than previously assumed. On the other hand, several disinflationary forces are at work: vegetable price growth in Russia has moderated, the tenge has been strengthening, and oil prices remain elevated. We also take encouragement from the continued slowdown in weekly prices for staple food items and the cooling of non-food inflation after January's peak.

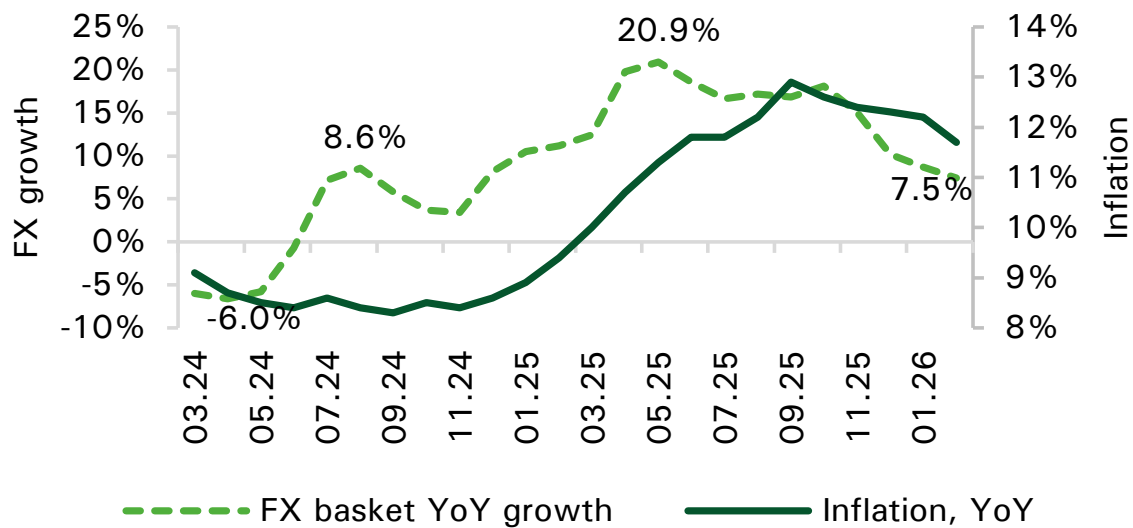
Reference Information

Socially important food products YoY growth



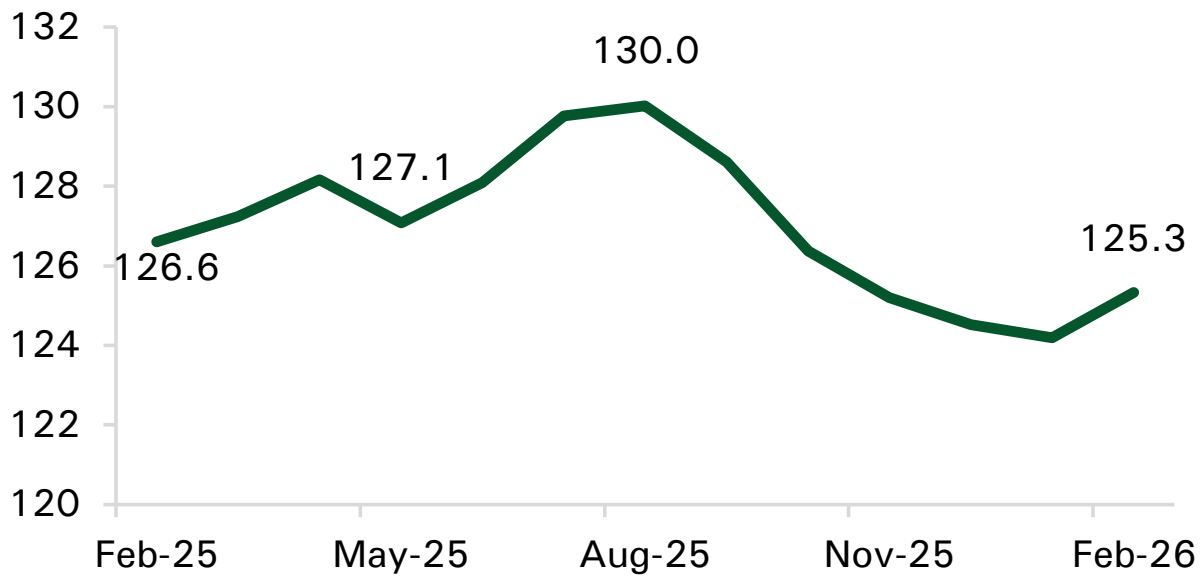
Source: Bureau of National statistics of Kazakhstan

FX basket vs Inflation YoY growth



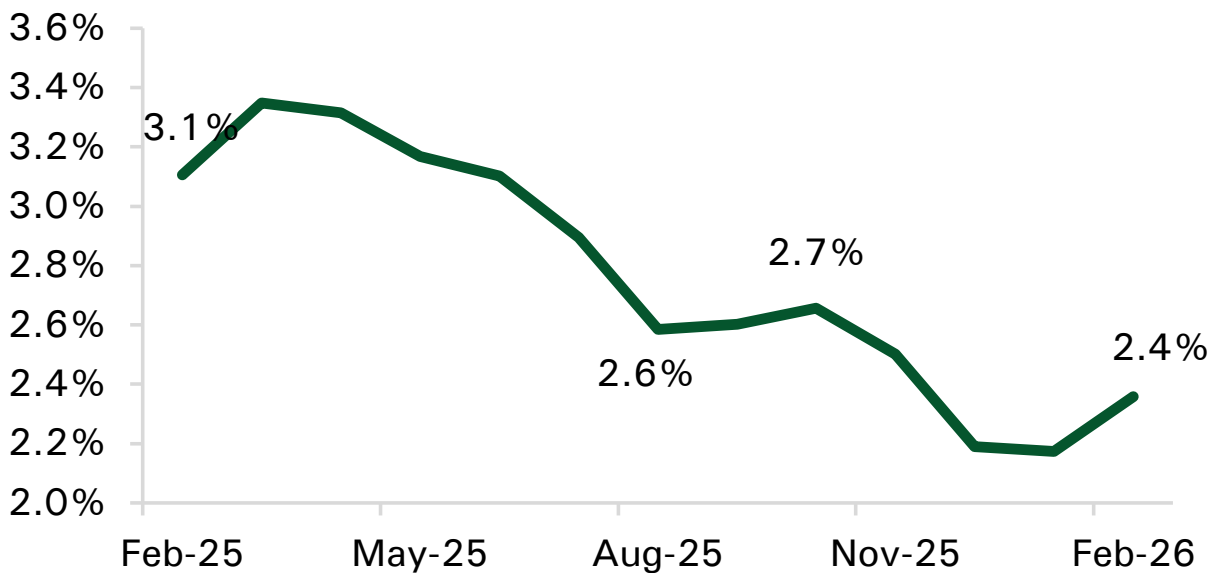
Source: Bureau of National statistics of Kazakhstan, National Bank, Freedom Broker estimates

FAO Index



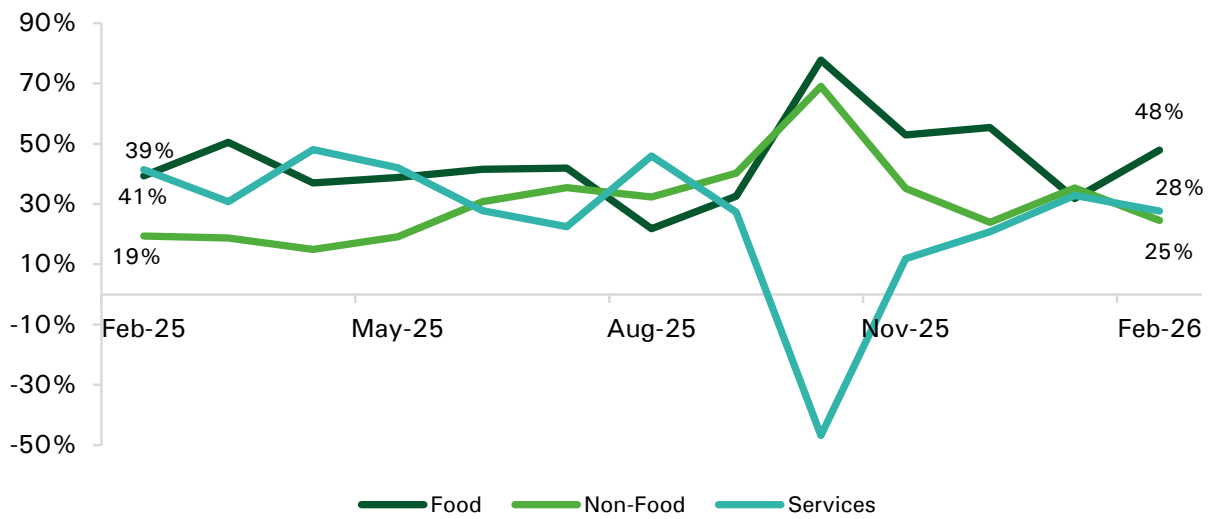
Source: Food and Agriculture Organization

Inflation in 3 major trading partners



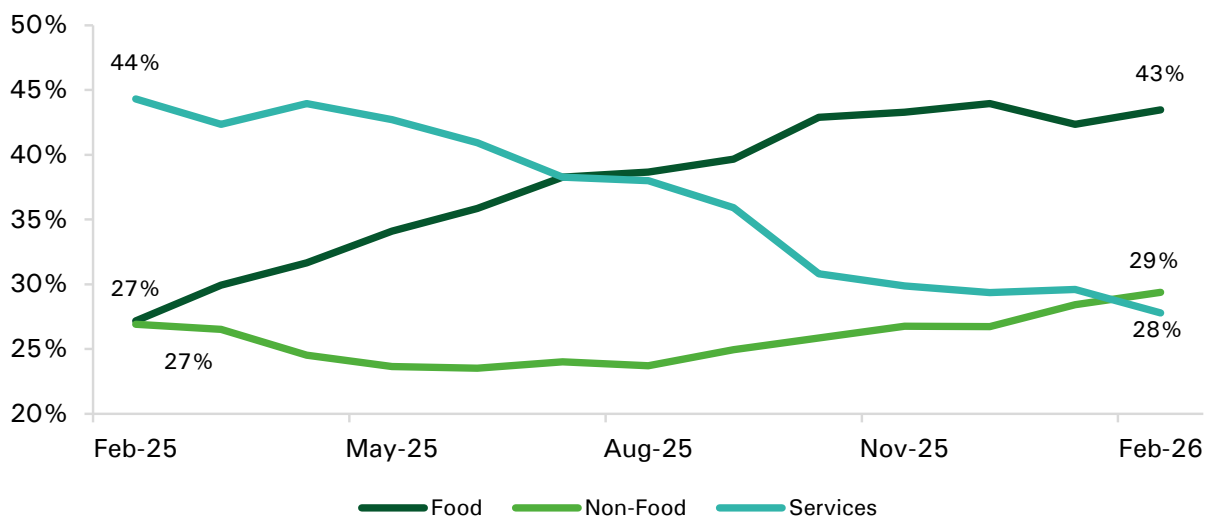
Source: Bloomberg, Freedom Broker estimates

Segments contribution to MoM Inflation



Source: Bureau of National statistics of Kazakhstan, Freedom Broker estimates

Segments contribution to YoY Inflation



Source: Bureau of National statistics of Kazakhstan, Freedom Broker estimates

Annex - Important Disclosures

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