



NATIONAL BANK OF KAZAKHSTAN

INFLATION TRENDS

April 2024

In April 2024, annual inflation slowed to 8.7%.

There was a continued decrease in the prices of buckwheat, sunflower oil due to significant reserves of buckwheat and sunflower seeds. A decrease was noted in the prices of eggs, fresh vegetables, particularly onions, cucumbers, tomatoes and potatoes.

Among non-food items, there was a price increase for audio-visual equipment, electrical appliances, glassware, cutlery, and household items. At the same time, there was a decrease in the prices of cars and household appliances, as well as a slowdown in the price growth of materials for clothing, furniture, and household items, including carpets.

In the structure of service inflation, there was a continued rise in prices for regulated utility services, services related to recreation, entertainment, and culture, and hairdressing services. Concurrently, with a stable exchange rate of the tenge, prices for foreign travel packages decreased. Additionally, after a significant rise in the previous month, there was a slowdown in the growth rates of prices for hotel services and public catering services.

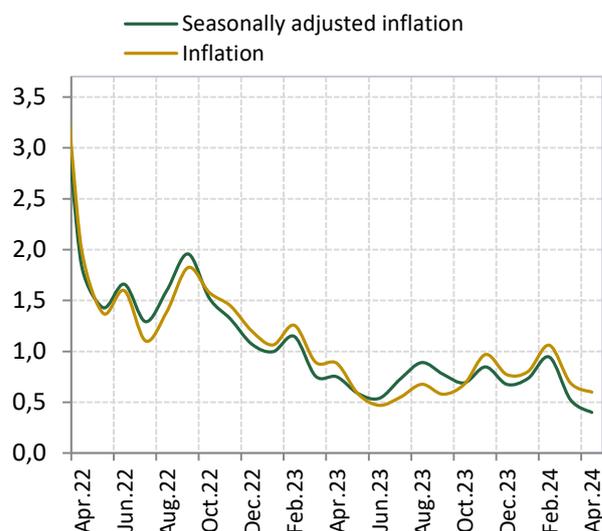
Annual inflation in April 2024 continued to decelerate, reaching 8.7% (compared to 9.1% in March 2024). Monthly price growth slowed to 0.6% (from 0.7%) (Graph 1).

The indicator for seasonally adjusted inflation slowed to 0.4% (from 0.5%), and to 5.1% in annualized terms (from 6.5%). Considering seasonality, there was a decrease in prices for vegetables, oils and fats, electrical appliances, comprehensive recreation organization, and insurance. The seasonally adjusted growth in prices for some utilities, communication, and transport services slowed down.

In April 2024, the seasonally adjusted annualized growth in prices for most goods and services in the basket exceeded the target (Graph 2).

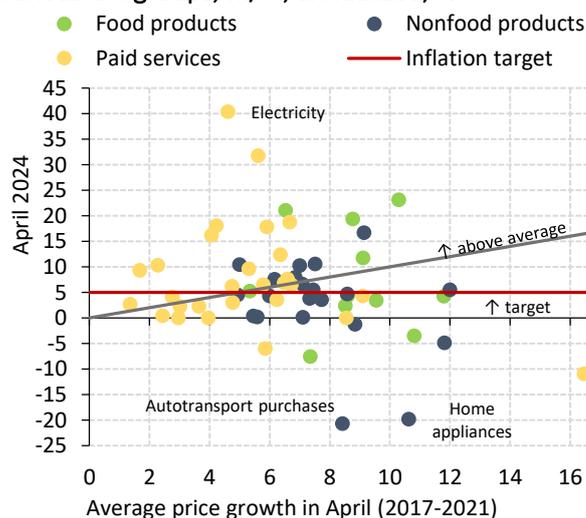
The median estimate of seasonally adjusted core inflation, calculated by various methods¹, slowed to 0.4% (from 0.5%) and to 5.2% in annualized terms (from 6.3%), indicating a slowdown in the price growth rate of the sustainable part of inflation (Graph 3).

Graph 1. Inflation indicators, m/m, %



Source: BNS ASPR RK, calculations of the NB RK

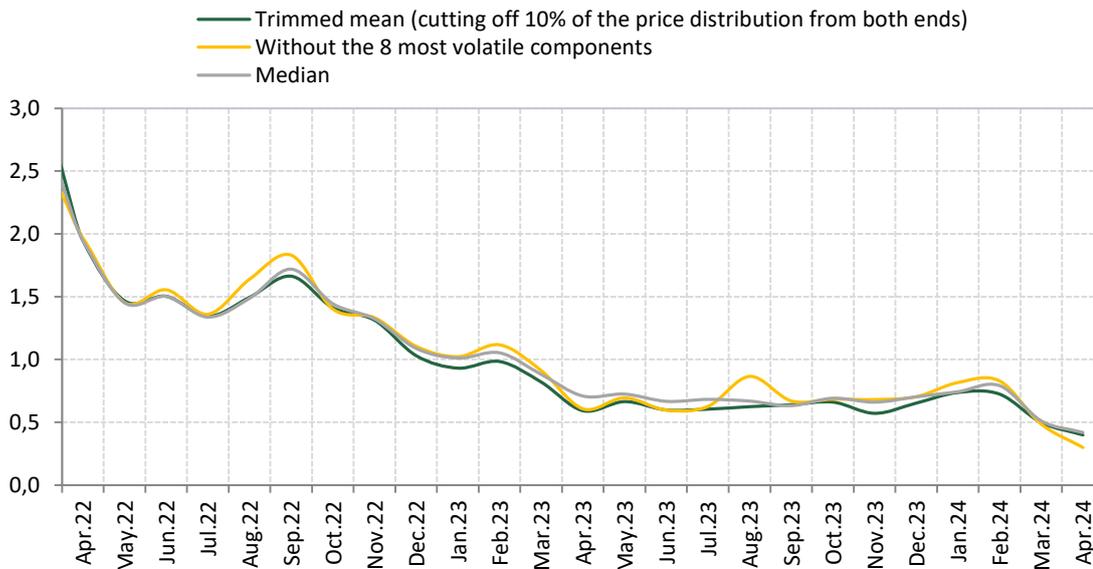
Graph 2. Seasonally adjusted price growth for various CPI groups, m/m, annualized, %



Source: BNS ASPR RK, calculations of the NB RK

¹ Core inflation is a value that characterizes a steady change in prices. The truncated average is calculated by excluding from the calculation 10% of the smallest and 10% of the largest seasonally adjusted price changes in a given month; core inflation without the 8 most volatile components excludes from the inflation calculation 8 components whose standard deviation of seasonally adjusted price changes over the past 2 years is the maximum; the median of core inflation is calculated by finding the median in each of the groups of methods for estimating core inflation. The final estimate is also the median of the considered groups of estimation methods, and the maximum and minimum values are the range of values of core inflation. The National Bank of Kazakhstan makes estimates of core inflation through a variety of methods. Methodology is described in the Working Paper "Various estimates of core inflation for Kazakhstan" published on the official website of the National Bank.

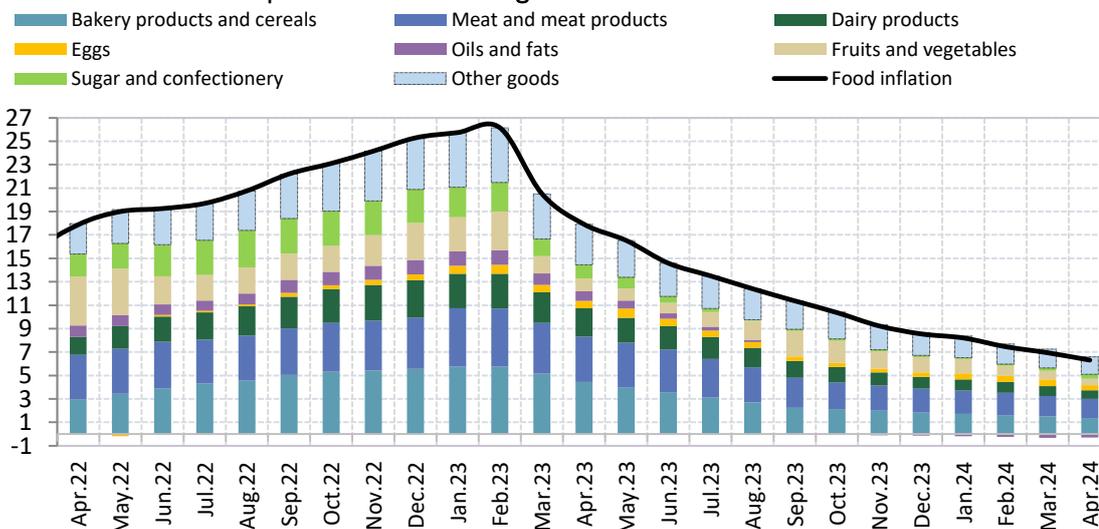
Graph 3. Core inflation: various calculation methods, m/m, %



Source: BNS ASPR RK, calculations of the NB RK

In April 2024, the annual growth rate of **food prices** slowed to 6.3% (from 6.9% YoY in March 2024) as a result of disinflation in dairy products, bakery products, cereals, meat, and meat products, as well as deflation in vegetables. The collective contribution of these commodity groups to the annual food inflation amounted to 4.3 percentage points (Graph 4).

Graph 4. Contribution of goods to annual food inflation



Source: BNS ASPR RK, calculations of the NB RK

The monthly growth rate of **food** prices in April 2024 slowed to 0.3% (from 0.6% in March 2024). The downward pressure on the food component of inflation was due to a slowdown in the price growth of bakery products and cereals, as well as a decrease in prices for fruits and vegetables, oils, and cereals.

In conditions of ongoing price reductions by producers of flour-milling and cereal products (by 0.4% in April 2024), the cost of flour decreased by 0.6%. Additionally, there was monthly deflation in vermicelli (-1.6%) and macaroni products (-0.1%). Among cereals, a decrease in prices was noted for all types except for semolina, which rose by 0.4%. Meanwhile, buckwheat prices also decreased year-over-year (by 24.4%) due to significant reserves of

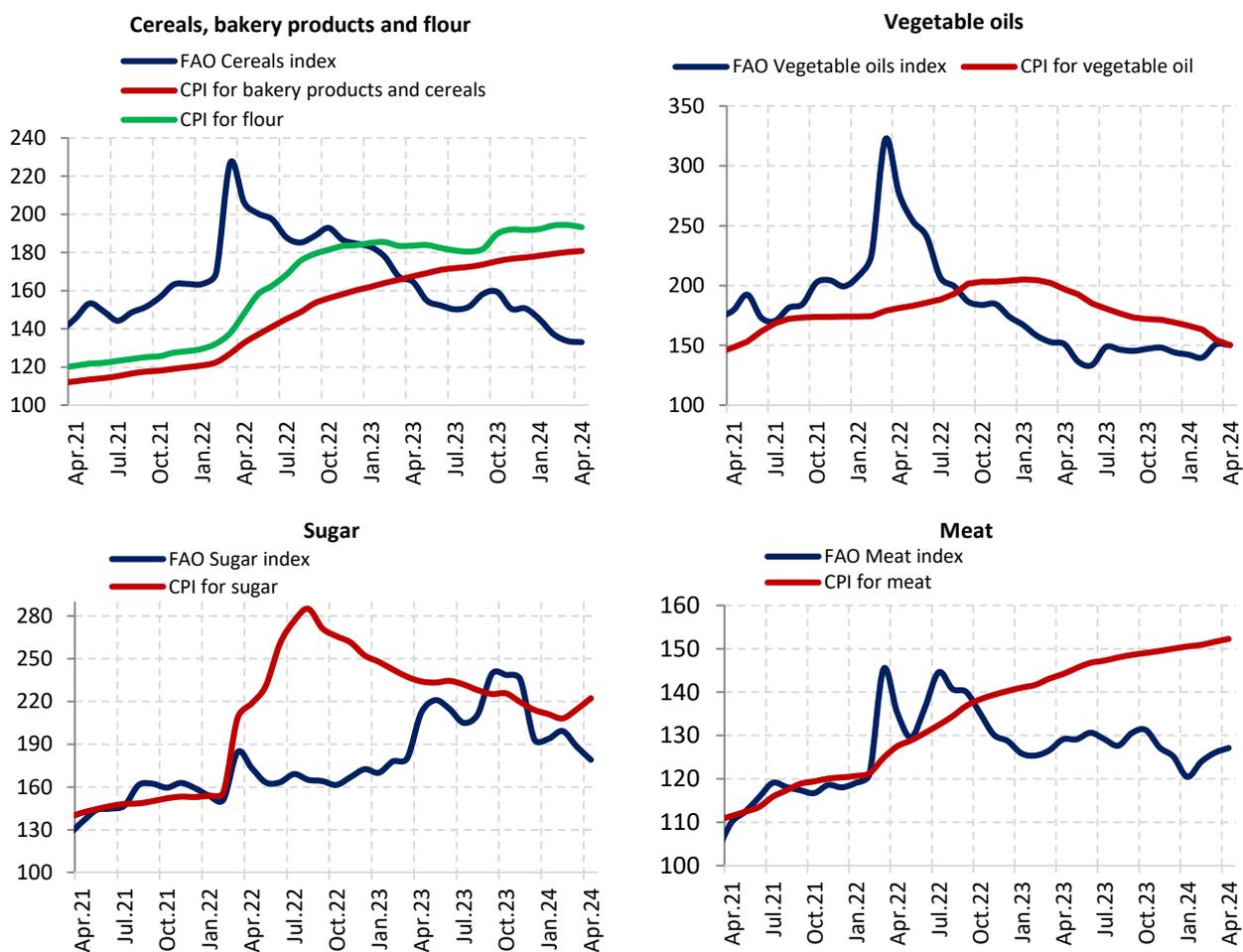
buckwheat and a decrease in producer prices for buckwheat (by 1.3% since the beginning of 2024).

In April 2024, there was a continued decrease in prices for sunflower oil in both monthly (by 2.9%) and annual (by 24.9%) terms against a backdrop of decreasing producer prices for sunflower oil (by 16.8% y/y). In April 2024, prices for fresh vegetables decreased (by 3.3% m/m), particularly cucumbers (down 16.3% m/m) and tomatoes (down 4.3% m/m) due to a decrease in producer prices for greenhouse cucumbers and tomatoes in April 2024 by 7.6% and 1.3%, respectively. Additionally, there was a decrease in prices for onions by 10% m/m (by 51.1% y/y) due to an increase in supply, as well as difficulties with sales and storage. Additionally, in April 2024 producer prices for onions decreased by 3% compared to the previous period. In April 2024, there was a decrease in egg prices (by 3.2% m/m) against a backdrop of decreasing producer prices (by 6.3 m/m).

In April 2024, the increase in food prices was influenced by a rise in sugar prices (3.7% m/m), following producer price increases since February of the current year (an accumulated increase of 9.2% over three months).

In April 2024, domestic prices exceeded external prices across all major food categories, except for vegetable oils. There was a mixed trend in global and domestic food prices. Furthermore, the strengthening of the nominal exchange rate of the tenge against the US dollar in April 2024 contributed to either a reduction or a slower increase in external prices when expressed in tenge (Graph 5).

Graph 5. Dynamics of world and domestic prices for selected food products, in tenge, 2019 Dec. = 100



Source: BNS ASPR RK, UN FAO, NBRK calculations

Global grain prices in April 2024 rose by 0.3% m/m (a decrease of 18.3% y/y) due to adverse weather conditions in Russia. There was an increase in corn prices by 2.7% m/m (a decrease of 29.7% y/y) as a result of infrastructure damage in Ukraine. Meanwhile, rice prices decreased by 1.8% m/m (23% YoY) due to the start of the harvesting season in major producing countries (India, Thailand). Despite an increase in domestic prices for bakery products and cereals in April 2024, the price differential between domestic and external grain prices widened, driven by a decline in global grain prices expressed in tenge.

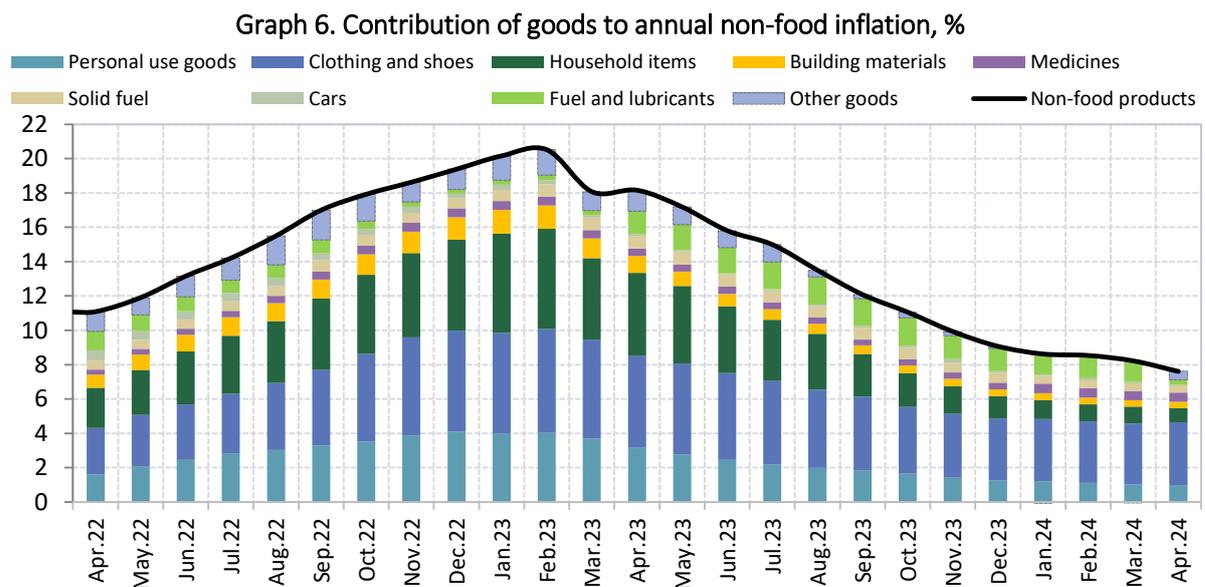
The decline in global sugar prices by 4.4% m/m in April 2024 (14.7% y/y) was associated with an upward revision of the sugar harvest forecast in India and Thailand. Additionally, increased rainfall in April 2024 in Brazil, following a prolonged drought period, improved expectations regarding the outcomes of the ongoing harvest season, leading to lower prices. In the context of decreasing global sugar prices and the increasing cost of sugar in Kazakhstan in April 2024, the differential between domestic and external sugar prices continued to expand.

Global meat prices continued to rise for the third consecutive month. In April 2024, global meat prices increased by 1.6% m/m (a decrease of 0.4% y/y) due to increased demand from major importing countries. The price differential for meat in April 2024 narrowed amid faster growth in global prices.

In April 2024, the price differential for global and domestic prices on vegetable oils approached zero. Global prices rose by 0.3% m/m (0.7% y/y) due to the increased cost of sunflower and rapeseed oils amid heightened demand from major importing countries.

The annual growth rate of **non-food** prices continued to slow down, registering 7.6% in April 2024 (compared to 8.2% in March 2024). In the product structure, there was a slowdown in the annual growth rates of prices for fuels and lubricants, as they moved away from high base calculations. Disinflationary processes in the market for electrical appliances and cars were associated with the positive impact of the nominal exchange rate of the tenge (Graph 6).

The monthly growth rate of non-food prices accelerated to 0.7% (from 0.5%). In April 2024, the downward pressure on the non-food component of inflation was due to a slowdown in the price growth of furniture and household items (growth of 0.3%), as well as price reductions for household appliances (down 1.6% m/m) and cars (down 2.1% m/m).

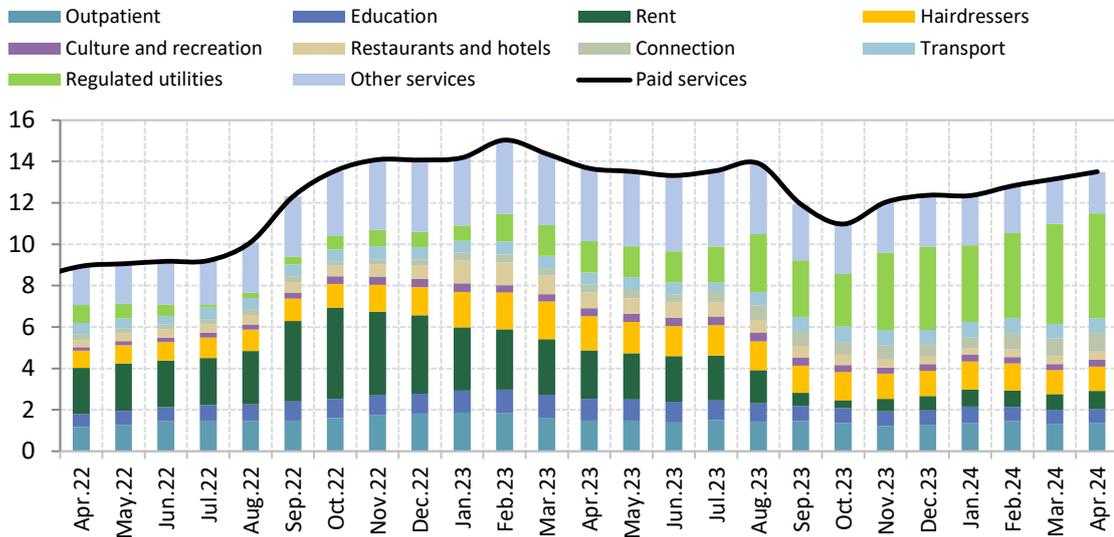


Source: BNS ASPR RK, calculations of the NB RK

The annual growth rate of **service** prices in April 2024 accelerated to 13.5% (from 13.2% in March 2024). The monthly price growth slowed to 0.7% (from 1.1%) (Graph 7).

Among paid services in April 2024, there was a slowdown in the monthly price growth for hotel services, hospitals, and public catering, as well as cleaning and clothing repair services. Meanwhile, the cost of comprehensive recreation services decreased by 12.9%, and there was an increase in the cost of services in the areas of recreation, entertainment, and culture (2% m/m), hairdressing services (1.5% m/m), and outpatient services (1.4% m/m), insurance services by 1%.

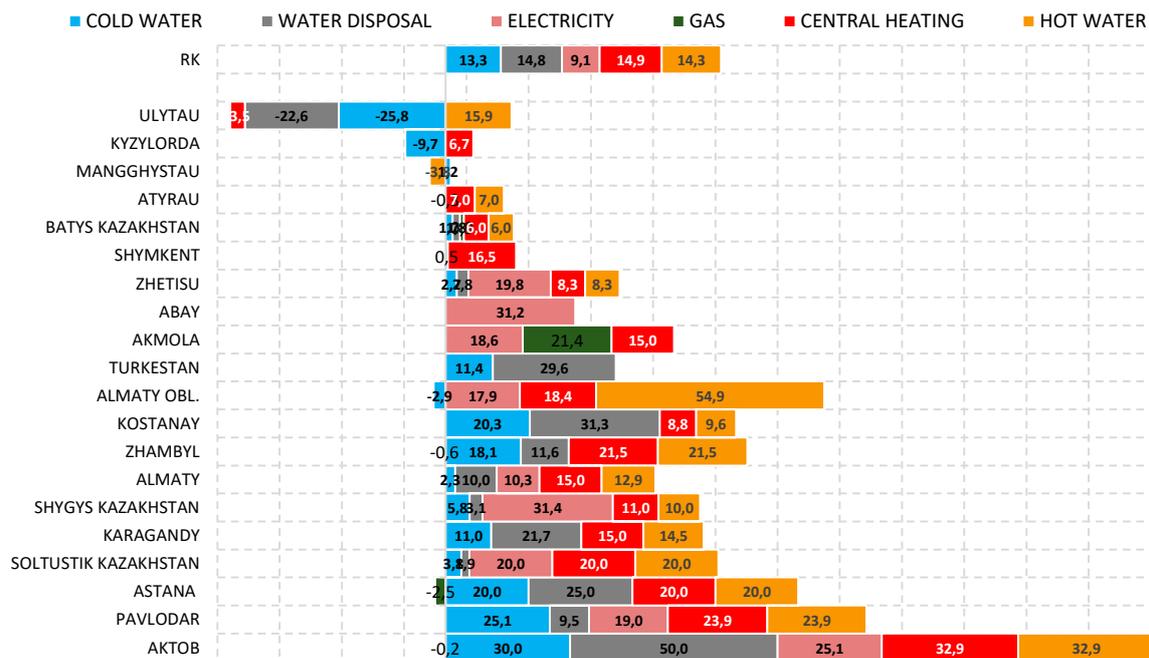
Graph 7. Contribution of services to the annual inflation of paid services, %



Source: BNS ASPR RK, calculations of the NB RK

The monthly rate of price growth for regulated utilities in April 2024 slowed to 1.1% (from 3.8% in March 2024). Monthly tariffs for electricity increased by 2.3%, sewage services by 1.1%, cold water by 0.3%, heating by 0.2%, and hot water by 0.1%. The cost of gas supply remained unchanged (Graph 8).

Graph 8. Growth of prices for regulated housing and communal services by region, January-April 2024, %



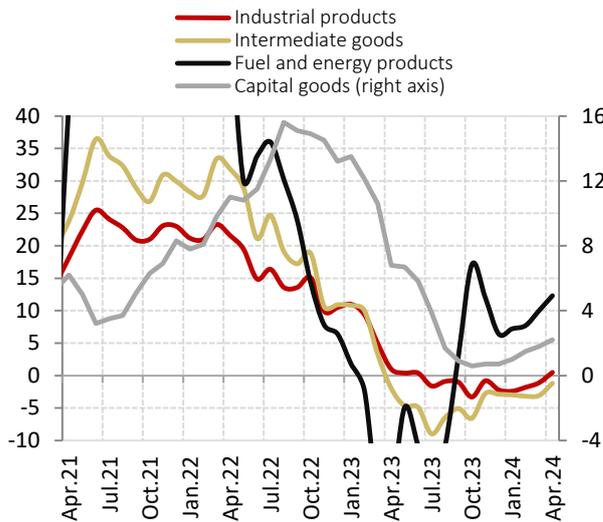
Source: BNS ASPR RK

In April, producer prices in the manufacturing industry increased for the first time since July 2023.

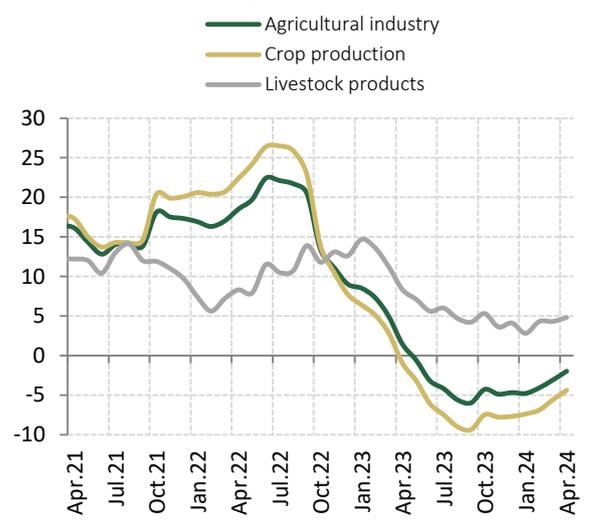
The decline in producer prices in agriculture in annual terms slowed down against the backdrop of rising prices for livestock products and a monthly increase in prices for crop products.

Producer prices in the manufacturing industry increased by 0.5% y/y in April 2024 as a result of rising prices for fuel and energy products and capital goods. At the same time, prices for industrial services and non-durable goods continued to rise (Graph 9).

Graph 9. Prices in industry, y/y, %



Graph 10. Prices in agriculture, y/y, %



Source: BNS ASPR RK

The decline in food producer prices in April of this year amounted to 0.8% y/y (in March 2024 – a decrease of 2.7% y/y). There has been a decrease in producer prices for oils and fats, ready-made animal feeds, while at the same time prices for producers of meat products, bakery and pasta products have increased. The rise in prices for dairy products has slowed. At the same time, the rise in prices for beverage producers continued.

In the structure of non-food products, prices for manufacturers of computers, electronic and optical equipment, mineral products, and basic pharmaceutical products and drugs increased. There is a decline in prices in the production of machinery and equipment, textiles, paper and metallurgical production.

In April 2024, the decrease in producer prices in agriculture amounted to 2.0% y/y (in March 2024 – a decrease of 3.1% y/y) (Graph 10). There is an increase in prices for perennial crops (fresh grapes, fruits and berries). Prices for corn, oilseeds, dried legumes and feed crops continued to decline, while the decline in wheat prices slowed.

There is an increase in prices in livestock farming due to the continued rise in prices for livestock and poultry. The rate of growth in producer prices for eggs and raw milk slowed to 7.1% y/y and 1.9% y/y, respectively. At the same time, the increase in prices for natural honey amounted to 18.7% in annual terms.