



NATIONAL BANK OF KAZAKHSTAN

# INFLATION TRENDS

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May **2024**

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In May 2024, annual inflation slowed to 8.5%.

In the context of ongoing annual deflation of prices of agricultural producers and food producers, the annual growth rate of consumer prices for food products continued to slow down. The continued decline in world food prices in annual terms also had a disinflationary impact on food inflation.

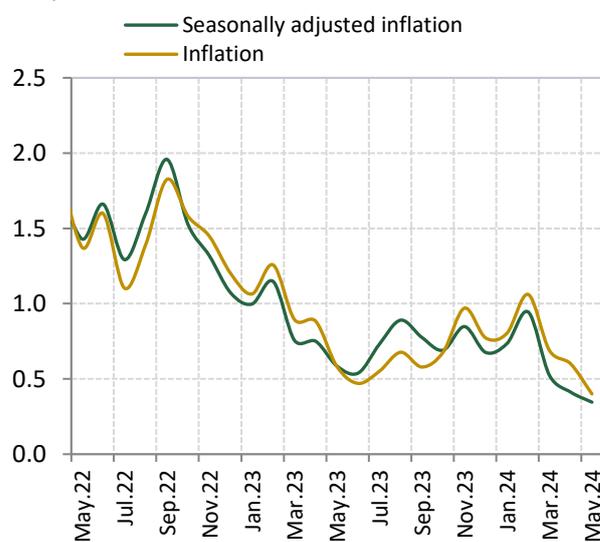
The annual growth rate of the non-food component maintained its dynamics. The exchange rate factor has a disinflationary effect, while stable consumer demand has a pro-inflationary effect.

The growth rate of service inflation against the backdrop of rising tariffs for regulated utilities continued to accelerate in annual terms. Moreover, additional pro-inflationary pressure is exerted by rising prices for certain unregulated services.

Annual inflation in May 2024 continued to slow down, amounting to 8.5% (April 2024 – 8.7%). Monthly price growth slowed to 0.4% (0.6%) (Graph 1).

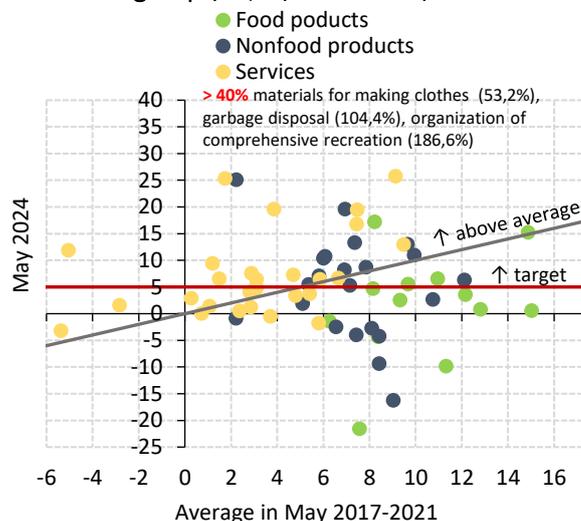
At the same time, the seasonally adjusted inflation rate in monthly terms slowed slightly to 0.35% (0.41%). Taking into account the exclusion of seasonality, there is a decrease in prices for dairy products, cheese and eggs, oils and fats, and electrical appliances. Seasonally adjusted price growth for certain types of utilities slowed down, and prices for heat energy and communication services also decreased. At the same time, in May 2024, seasonally adjusted annualized growth for a significant part of goods and services exceeded the target 5% (Graph 2).

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, %

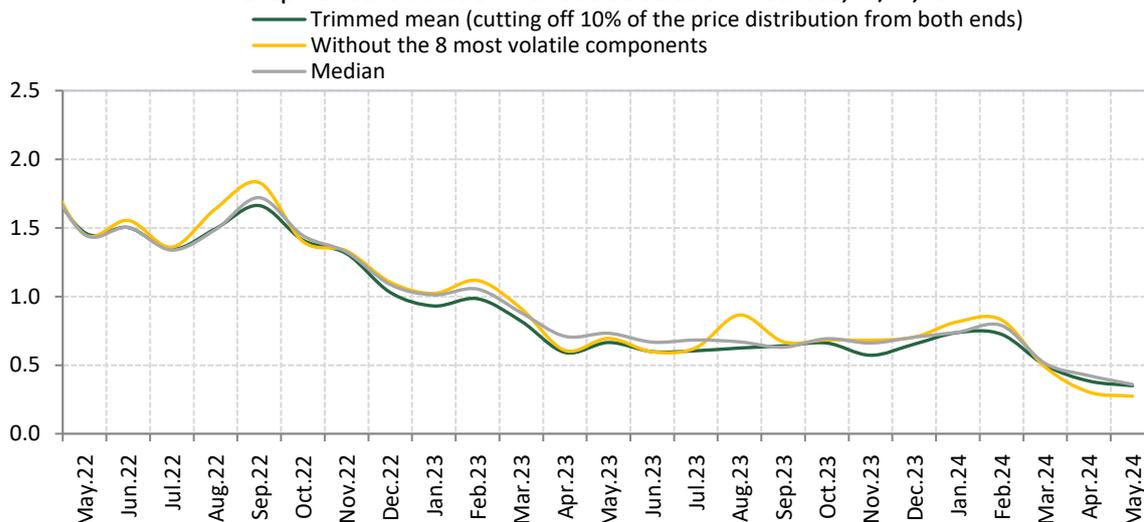


Source: BNS ASPR RK, calculations of the NB RK

The median estimate of seasonally adjusted core inflation, calculated by various methods<sup>1</sup>, was 0.36% (0.42%) in monthly terms (Graph 3).

<sup>1</sup> 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.

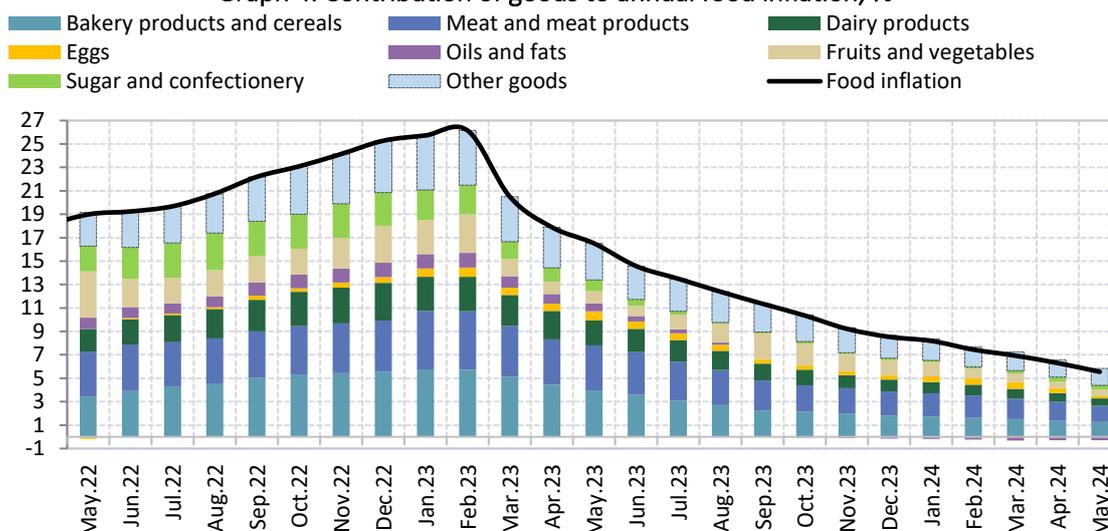
Graph 3. Core inflation: various calculation methods, m/m, %



Source: BNS ASPR RK, calculations of the NB RK

In May 2024, the annual growth rate of **food prices** slowed to 5.5% (April 2024 – 6.3%) as a result of the annual disinflation of eggs, dairy products, meat, as well as deflation of vegetables, oils and fats. (graph 4).

Graph 4. Contribution of goods to annual food inflation, %



Source: BNS ASPR RK, calculations of the NB RK

In May 2024, there was a monthly deflation of the food component – a decrease of 0.2% (April 2024 – an increase of 0.3%). It should be noted that in May 2024, for the first time since 1997, monthly deflation of the food component was recorded in a given month. Downward pressure on the food component of inflation was exerted by a slowdown in the growth rate of prices for sugar, meat, dairy products, as well as a decrease in prices for eggs, vegetables, oils and fats.

In the context of a significant decline in egg producer prices in monthly terms, consumer prices for eggs in May 2024 decreased by 9.8%. The continued decline in monthly producer prices for cucumbers and tomatoes in greenhouses also led to a decline in final prices for the third month in a row. As a result, in May 2024, prices for cucumbers and tomatoes decreased by 29% and 15.4%, respectively. The cumulative decline in consumer prices for the period from March to May 2024 was 44.8% and 19%, respectively. Also in May 2024, against the background

of lower producer prices and low demand<sup>2</sup>, prices for white cabbage decreased by 19.1%. There was a decrease in prices for cereals (-1.8%), in particular, buckwheat fell in price by 3.3% due to lower prices for buckwheat producers. Prices for oils and fats continued to decline (-0.7%), also due to lower producer prices.

After an increase in the previous two months (price growth for March-April 2024 amounted to 6.8%), the increase in the cost of sugar slowed to 0.1%, which is associated with a decrease in producer prices in May 2024. The monthly growth in meat prices slowed to 0.1%. This was facilitated by a decrease in prices for livestock and poultry in live weight and prices of meat producers in monthly terms in May 2024.

Along with this, upward pressure on the dynamics of prices for food products in May 2024 was exerted by an increase in fruit prices by 1.4%. The growth in prices for flour (0.8%) and, accordingly, for dough products (1.3%) and pasta (0.5%) also accelerated.

It should be noted that, despite the current decline in producer prices for most types of food products, there is a tendency for the dynamics of producer prices to move into a positive zone in the near future.

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**In May 2024, the excess of domestic prices over foreign prices remained for all major types of food. The exchange rate factor in May 2024 contributed to a decrease or slower increase in external prices expressed in tenge.**

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The expansion of the price differential was observed for vegetable oils, meat and sugar. For grain crops, the gap between domestic and foreign prices in tenge has decreased (Graph 5).

The dynamics of world grain prices continued the upward trend for the second month in a row. The growth of the index in May 2024 amounted to 6.3% m/m (a decrease of 8.2% y/y) and was due to adverse weather conditions in key regions of large grain producers (Russia, Brazil, Europe). In the grain structure, there was an increase in corn prices by 4.2% m/m (decrease of 18.8% y/y) against the background of logistical difficulties in the Black Sea region. Rice prices increased by 2.5% m/m (an increase of 23.3% y/y) due to moderate demand on the global market.

For vegetable oils, there is an expansion of the differential against the background of a more significant decrease in world prices in May 2024. The decrease in oil prices by 2.4% m/m (an increase of 7.7% y/y) was due to cheaper palm oil due to increased supply and weak import demand.

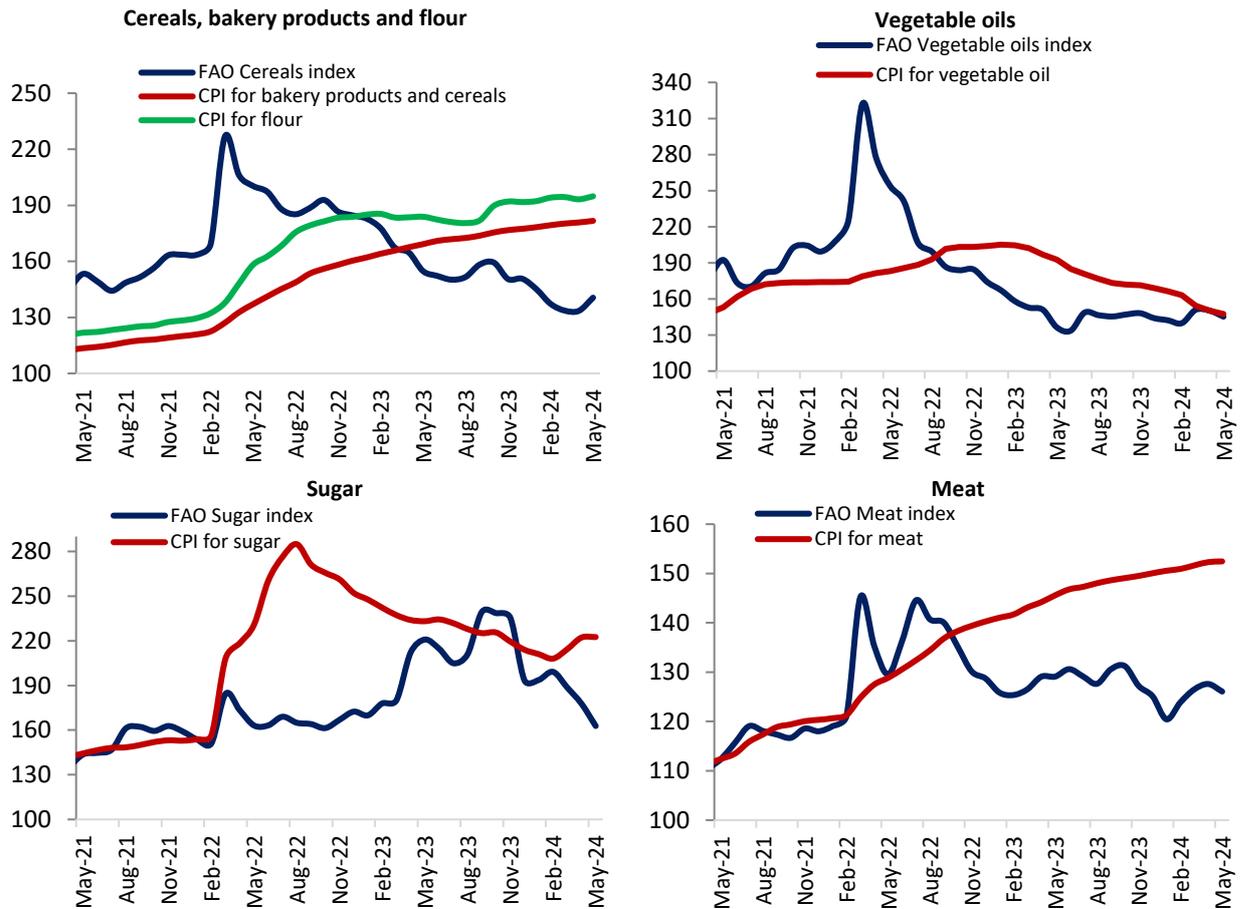
The differential between external and internal sugar prices continued to expand for the third month in a row against the background of an increase in internal and a decrease in external prices. The decrease in world sugar prices by 7.5% m/m in May of this year (a decrease of 25.5% y/y) was due to the abundant supply of sugar from Brazil against the background of favorable weather conditions for the harvest this season.

After the reduction last month, the differential between external and domestic meat prices widened amid an increase in domestic and a decrease in external prices. In May 2024, world meat prices decreased by 0.2% m/m (decrease by 1.3%, y/y) mainly due to lower prices for poultry and beef due to abundant supply and weak import demand from Oceania countries.

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<sup>2</sup> [Press center of the Trade Committee of the Ministry of Trade and Integration of the Republic of Kazakhstan.](#)

Graph 5. Dynamics of world and domestic prices for selected food products, in tenge<sup>3</sup>, 2019 Dec. = 100



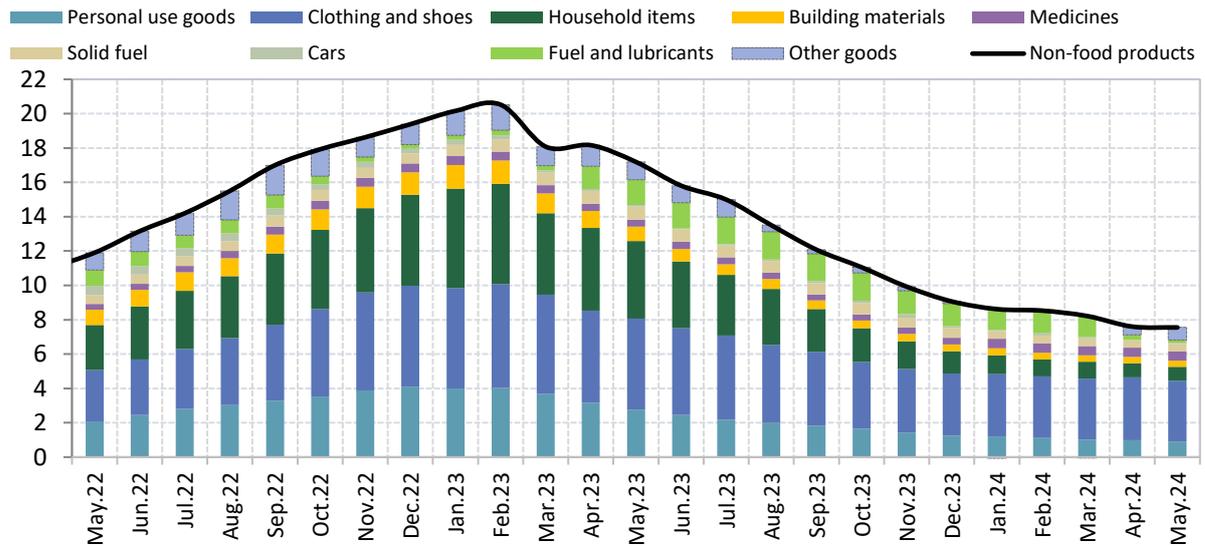
Source: Bureau of National Statistics of ASPRRK, UN FAO, NBRK calculations

The annual increase in prices for **non-food products** remained at the level of last month and amounted to 7.6% in May 2024. In the structure of goods, there is a slowdown in the annual growth rate of prices for fuels and lubricants, which is due to the departure from the calculations of a high base and the lack of monthly growth. Disinflationary processes are also observed in the market for personal goods, clothing and footwear, as well as household items (Graph 6).

The monthly increase in prices for non-food products slowed to 0.5% in May 2024 (April 2024 – 0.7%). In May 2024, downward pressure on the non-food component of inflation was exerted by a slowdown in the growth rate of prices for audiovisual equipment, after sharp increases in the previous month (0.3% in May versus 19.7% in April) and personal care items (0.3%), as well as a decrease in prices for electrical appliances for personal use (-1.4%). Clothing materials (3.6%), clothing and footwear (0.9%) and household appliances (1%) exerted upward pressure on the growth of non-food prices.

<sup>3</sup> Changes in the corresponding indices since December 2019 (December 2019 = 100), taking into account the average monthly exchange rate of tenge to the US dollar.

Graph 6. Contribution of goods to annual non-food inflation, %



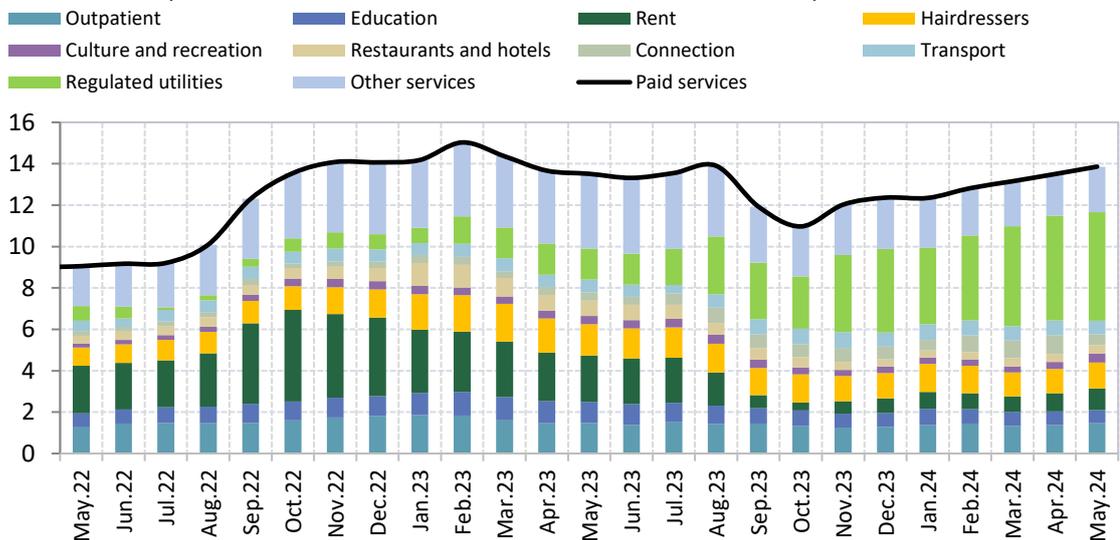
Source: BNS ASPR RK, calculations of the NB RK

The annual increase in prices for **services** in May 2024 accelerated to 13.9% (April 2024 – 13.5%) (Graph 7). Monthly price growth also accelerated to 1% (0.7%).

Among paid services in May 2024, after growth in April, the monthly growth in prices for services in the field of recreation, entertainment and culture (0.7%) and for shoe repair and rental services (0.3%) slowed down. In addition, the cost of communication services decreased by 0.2%.

At the same time, there is an increase in the cost of services provided by integrated recreation organizations (9.6%), garbage removal (6.1%), outpatient services (2.1%), housing rent (1.5%), and public catering (1.3%) and hotel services (0.6%).

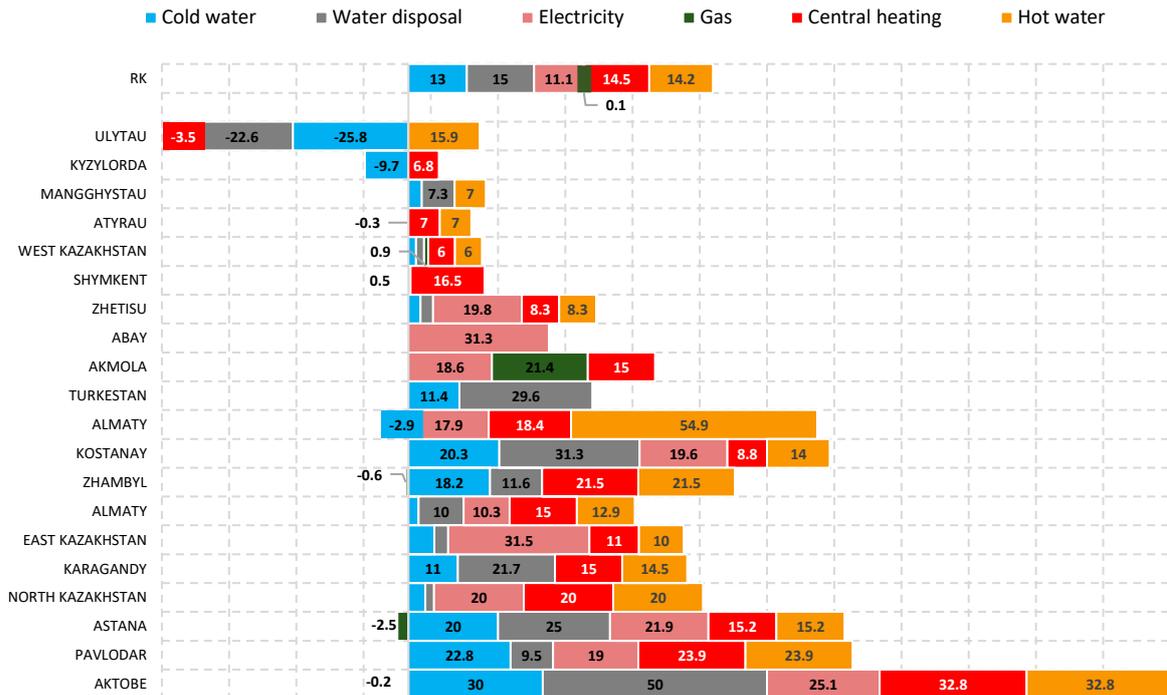
Graph 7. Contribution of services to the annual inflation of paid services, %



Source: BNS ASPR RK, calculations of the NB RK

The monthly growth rate of prices for regulated housing and communal services (HCS) in May 2024 slowed to 0.6% (April 2024 – 1.1%), and in annual terms accelerated from 28% to 29.1%. Over the month, electricity tariffs increased by 1.8%, water disposal – by 0.2%, gas – by 0.1%. At the same time, tariffs for heating (-0.4%) and cold water (-0.3%) decreased. The cost of hot water remained unchanged. (graph 8).

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



Source: BNS ASPR RK

In May 2024, the reversal trend in the dynamics of prices for agricultural products continued. Production costs have increased due to rising prices for capital and intermediate goods, fuel and energy goods. In the service sector, there is an increase in tariffs for rail transportation.

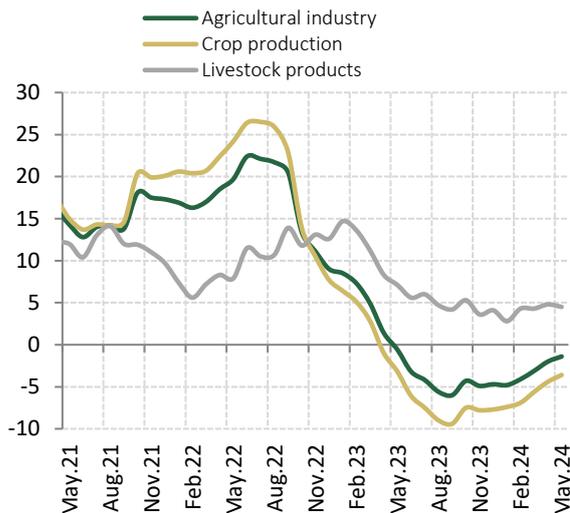
In May 2024, the reduction in producer prices in agriculture amounted to 1.4% y/y. At the same time, the rate of price decline continued to slow down. This is due to both the rise in prices for livestock products, in particular poultry (an increase of 12.6% y/y), as well as the monthly increase in prices for certain types of crops. Meanwhile, in annual terms, the reduction in producer prices for crop products continued (Graph 9).

The decline in food producer prices slowed to 0.3% y/y. There is an increase in producer prices for meat (7.0% y/y) and dairy products (1.4% y/y), as well as fruit and vegetable juices (9.3% y/y). The rise in prices for bakery, pasta, flour, confectionery, flour and cereal products continued. At the same time, prices for prepared animal feed, sugar, oils and fats continued to decline. Beverage producer prices increased by 9.3% y/y (Graph 10).

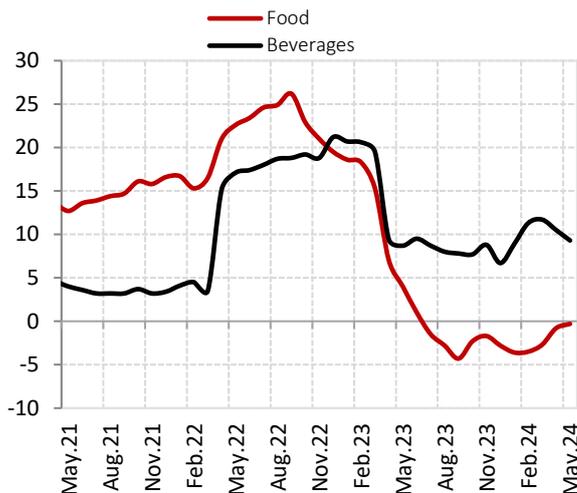
In the structure of non-food products, prices continued to rise for industrial services (9.3% y/y), non-durable goods (3.6% y/y), capital goods (2.0% y/y) and fuel and energy goods (12.6% y/y). Prices for intermediate goods increased for the first time since April last year (Graph 11).

Tariffs for the transportation of cargo by all means of transport continued to rise (Graph 12). The growth rate of freight transportation services by rail amounted to 10.6% y/y, by road – 2.0% y/y and by air – 2.1% y/y.

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

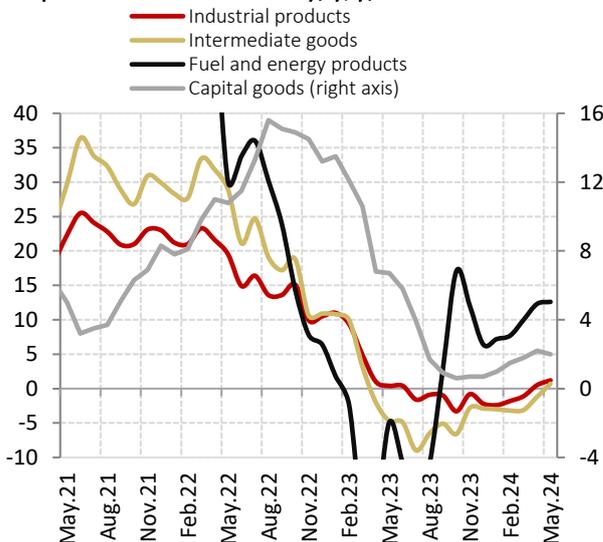


Graph 10. Producer prices for food products, y/y, %

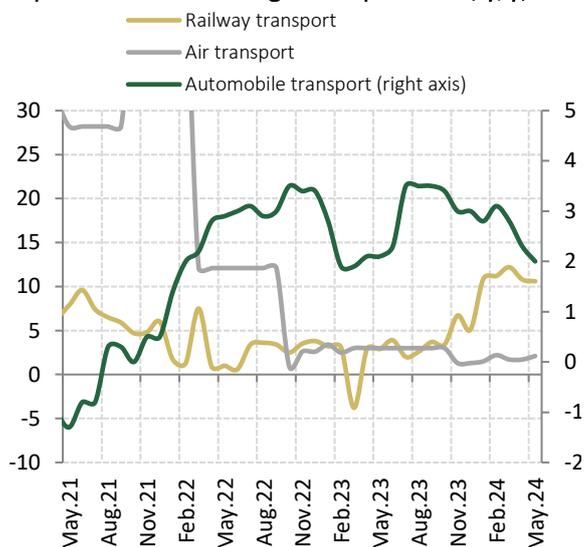


Source: BNS ASPR RK

Graph 11. Prices in industry, y/y, %



Graph 12. Tariffs for cargo transportation, y/y, %



Source: BNS ASPR RK