



NATIONAL BANK OF KAZAKHSTAN

INFLATION TRENDS

June **2024**

In June 2024, annual inflation continued to decline and reached 8.4%.

The annual growth rate of consumer prices for food products continued to slow down amid of ongoing annual deflation of agricultural producer prices and low growth rates of food producer prices.

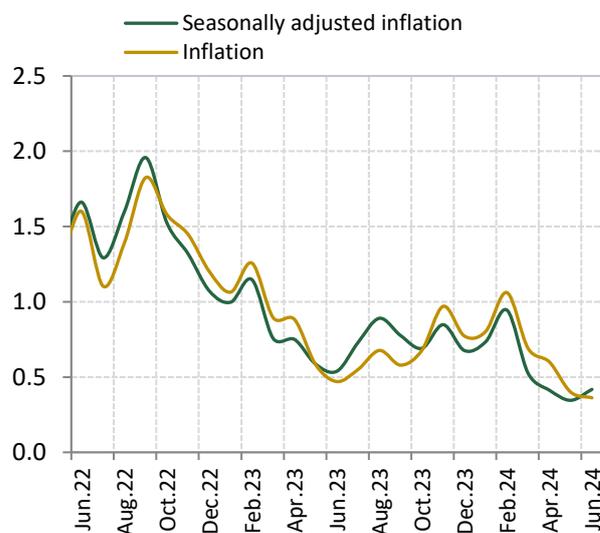
The rate of growth in prices for non-food products also slowed, despite continued pro-inflationary pressure from strong consumer demand.

The growth rate of service inflation, amid of a slight reduction in tariffs for regulated utilities, slowed down in annual terms. However, rising prices for some market services exert pro-inflationary pressure.

Annual inflation in June 2024 continued to slow down, amounting to 8.4% (May 2024 – 8.5%). The monthly price increase remained at the level of last month and amounted to 0.4% (Graph 1).

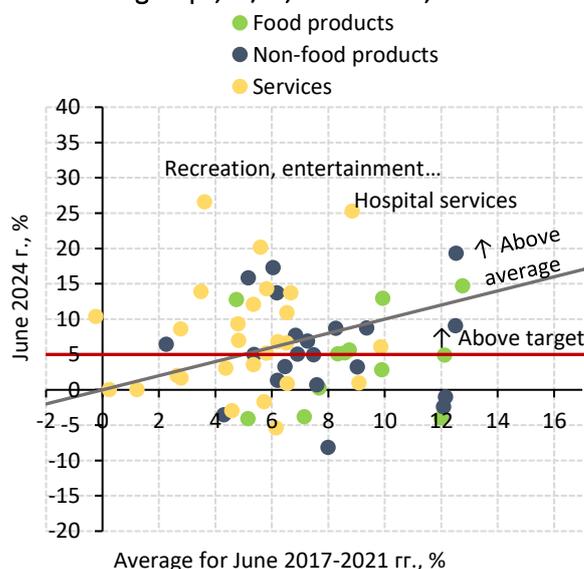
At the same time, seasonally adjusted inflation in monthly terms accelerated to 0.42% (0.35%). Taking into account the exclusion of seasonality, there is a decrease in prices for fruits, oils and fats, personal electrical appliances and household utensils. Seasonally adjusted price increases for certain types of utilities decreased, in particular for heat and gas. Prices for shoe repair and insurance services have also decreased. At the same time, in June 2024, the seasonally adjusted annualized growth of a significant part of goods and services exceeds the target of 5% (Graph 2).

Graph 1. Inflation indicators, m/m, %



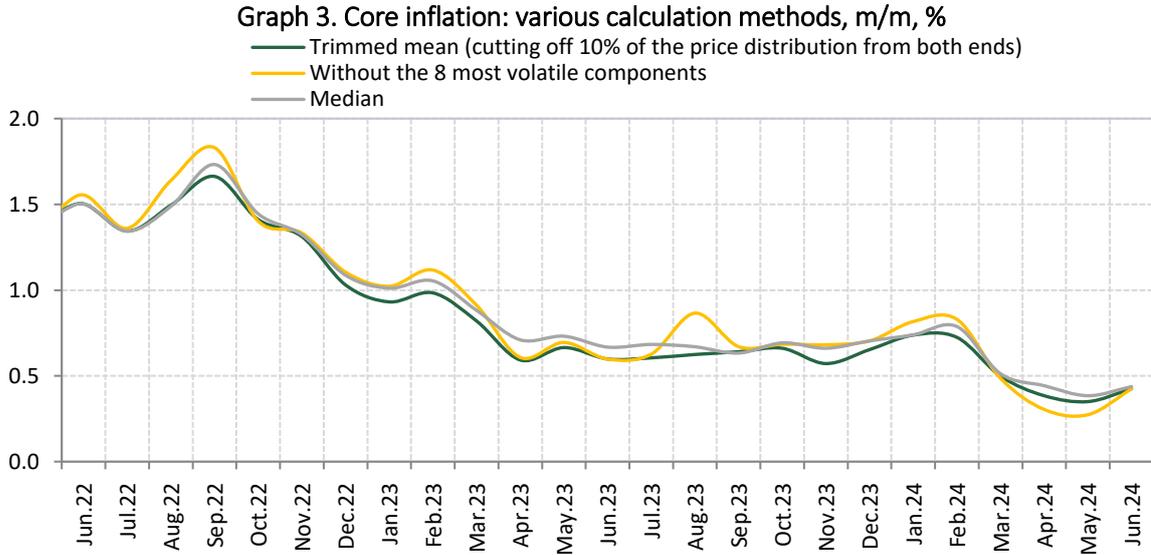
Source: BNS ASPR RK, calculations of the NB RK

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



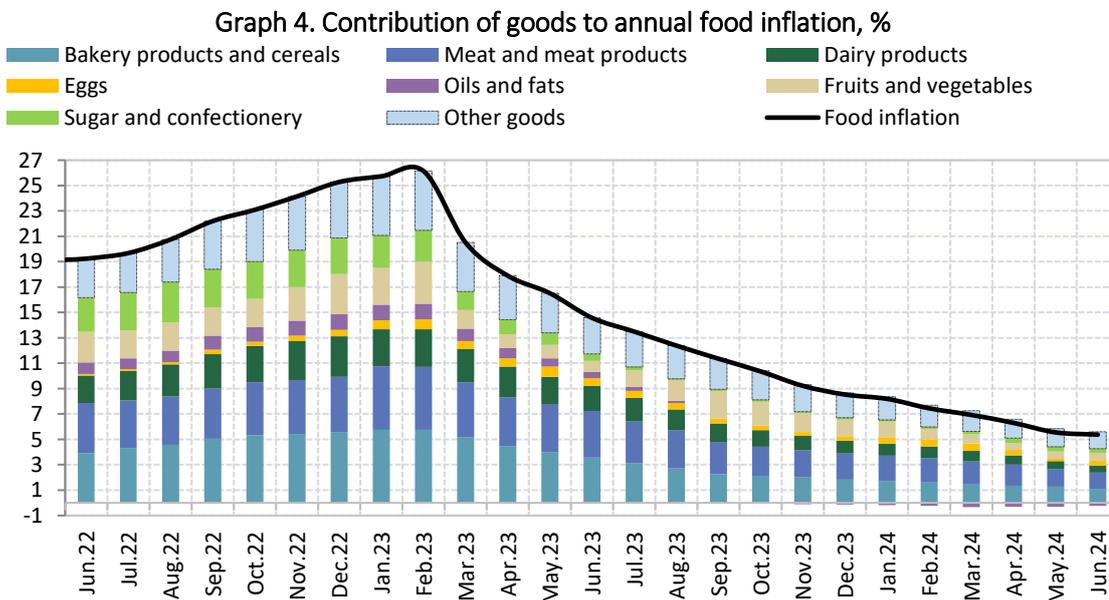
Source: BNS ASPR RK, calculations of the NB RK

The median estimate of seasonally adjusted core inflation, calculated by various methods¹, showed a slight acceleration, reaching 0.44% on a monthly basis compared with 0.38% in the previous month (Graph 3).



Source: BNS ASPR RK, calculations of the NB RK

In June 2024, the rate of growth in **food** prices in annual terms slowed to 5.4% (May 2024 - 5.5%) as a result of the annual disinflation of most groups of food products, as well as the ongoing deflation of vegetables, oils and fats (Graph 4).



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.

In June 2024, prices for food products remained unchanged compared to the previous period (May 2024 - a decrease of 0.2%). It should be noted that this indicator was significantly lower than the historical average (0.6% for June 2017-2021). Downward pressure on the monthly food component of inflation was exerted by a slowdown in the growth rate of prices for fruits, bakery products and cereals, as well as a decrease in prices for eggs, vegetables, oils and fats, and sugar.

One of the main factors behind the decline in food prices was the monthly deflation of vegetables (-4.5%), which has been ongoing for the fourth month in a row. The decline in producer prices for greenhouse cucumbers and tomatoes affects the decline in consumer prices. Thus, in June 2024, prices for cucumbers fell by 18.7% m/m, and for tomatoes - by 13.3% m/m. As a result, the cumulative price decline from March to June 2024 was 55.1% for cucumbers and 29.9% for tomatoes. The price of white cabbage also decreased significantly (-18% m/m) due to lower producer prices and low demand².

There has been a decline in producer prices for cereals and wholemeal flour, which led to a fall in prices for all cereals except semolina, as a result of which cereal prices decreased by 1.9% m/m. Prices for oils and fats continued to decline (-0.2% m/m). In the context of a continued decline in producer prices for eggs in monthly terms, consumer prices for eggs continued to decline for the third month in a row, decreasing by 0.4% in June 2024 (-13% for April-June 2024).

Along with this, upward pressure on the dynamics of food prices in June 2024 was exerted by an increase in the price of meat by 0.4% m/m, seafood by 0.4% m/m, and dairy products by 0.3% m/m.

In June 2024, the excess of domestic prices over foreign prices remained for all major types of food, except vegetable oils. The weakening of the nominal exchange rate of tenge against the US dollar in June 2024, after seven months of strengthening, contributed to an increase or faster increase in external prices expressed in tenge.

The expansion of the price differential was observed for vegetable oils and cereals. For meat and sugar, the gap between domestic and foreign prices in tenge decreased mainly due to the weakening of the nominal exchange rate of tenge against the US dollar in June 2024 (Graph 5).

The dynamics of world grain prices turned downward after two months of growth. The decrease in the index in June 2024 amounted to 3.0% mom (a decrease of 9.0% yoy) and was due to the start of the harvesting campaign in key regions of large grain producers (Russia, Brazil, Europe). In the grain structure, there was a decrease in corn prices by 2.1% mom (decrease by 18.1% yoy) against the background of harvesting in Brazil and Argentina. There was also a slowdown in rice price growth due to weak import demand in the global market.

In June 2024, world prices for vegetable oils increased by 3.1% mom (an increase of 13.8% yoy) as a result of an increase in the price of basic oil quotations (palm, sunflower, soy) against the background of abundant demand on the world market.

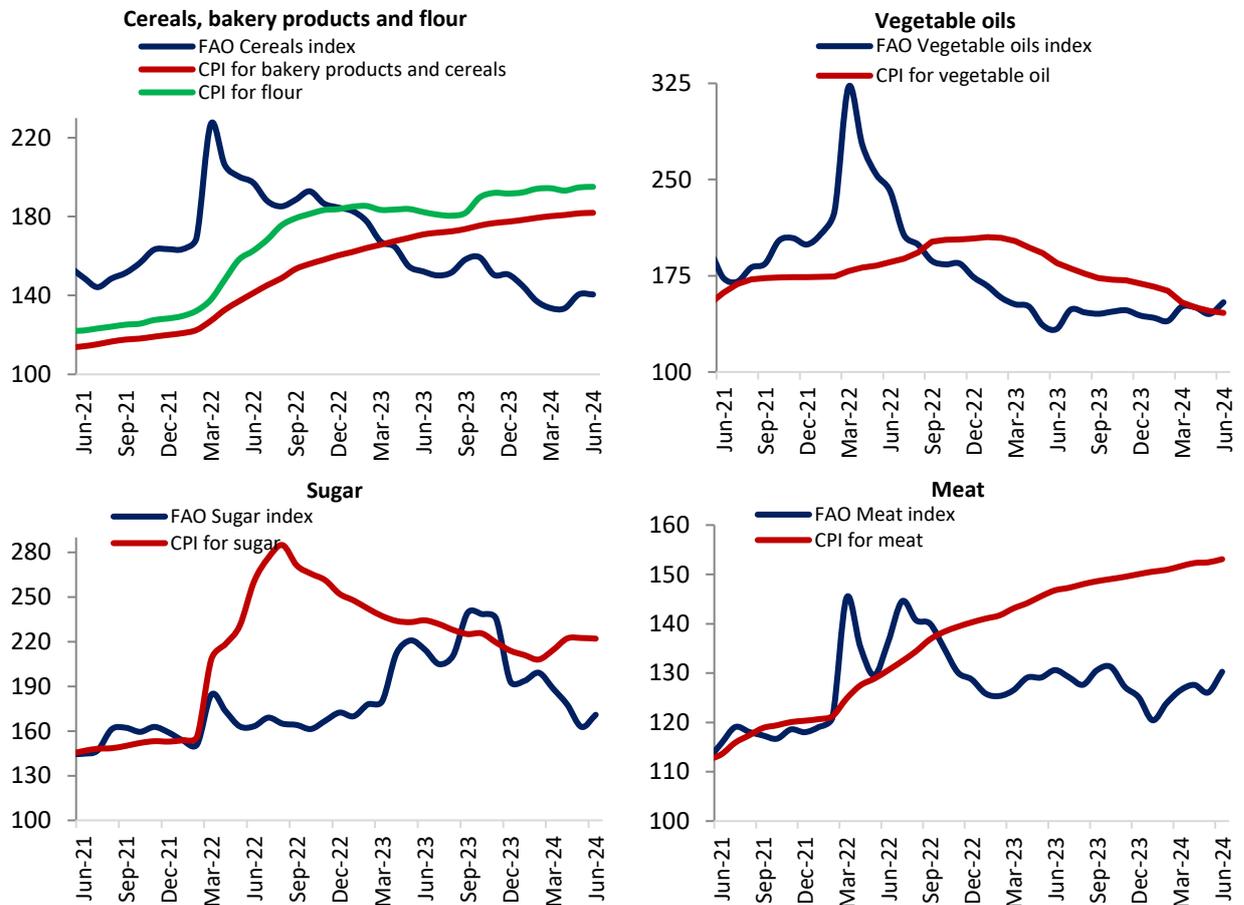
The differential between external and domestic sugar prices decreased after three months of expansion amid lower domestic prices and faster growth in external prices. An increase in world sugar prices by 1.9% mom in June this year (a decrease of 21.6% yoy) was due to a relatively lower than previously expected harvest in South America.

In June 2024, world meat prices decreased by 0.1% mom (decrease by 1.8% yoy) mainly due to lower prices for poultry meat due to abundant supply and weak import demand on the world market. At the same time, the weakening of the nominal exchange rate of tenge in June

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

this year contributed to an increase in external meat prices expressed in tenge and a reduction in the price differential.

Graph 5. Dynamics of world and domestic prices for selected food products, in tenge³, 2019 Dec. = 100



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

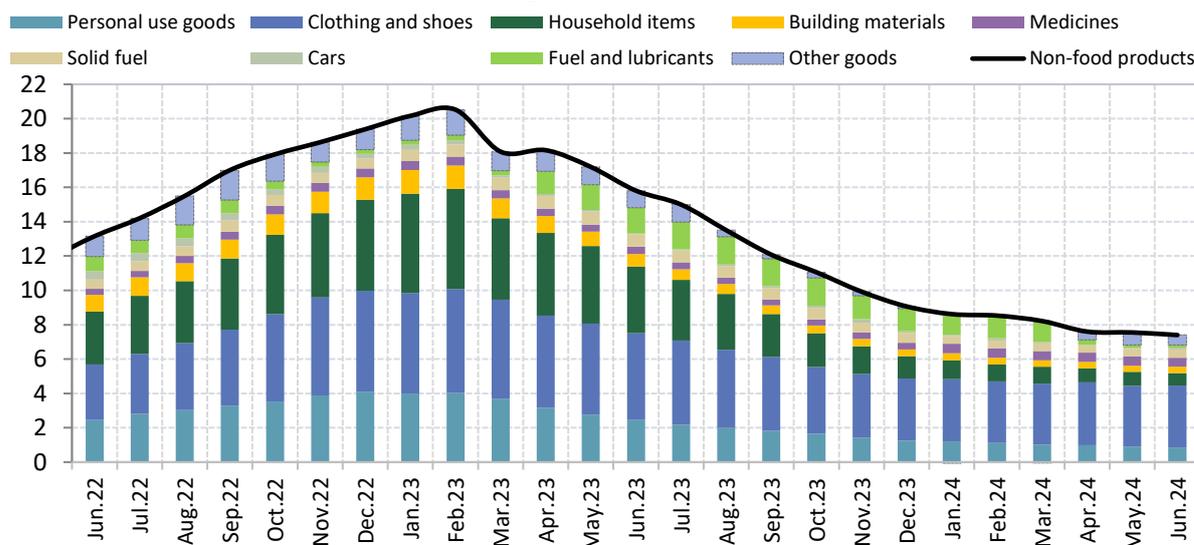
In June 2024, the annual increase in prices for **non-food** products slowed to 7.4% (May 2024 – 7.6%). The structure of goods shows a slowdown in the annual growth rate of prices for fuels and lubricants due to price stability over the past four months. Disinflationary processes are also observed in the market for personal goods, household items, and medicines (Graph 6).

The monthly increase in prices for non-food products accelerated to 0.6% in June 2024 (May 2024 – 0.5%). In June 2024, downward pressure on the non-food component of inflation was exerted by the continued decline in the growth rate of prices for electrical appliances for personal use (-6.3% m/m), glass products, cutlery and household utensils (-4.4% m/m).

Furniture and household items (1.7% m/m), audiovisual equipment (1.4% m/m) and clothing (1% m/m) exerted upward pressure on the growth of non-food prices.

³ 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, %



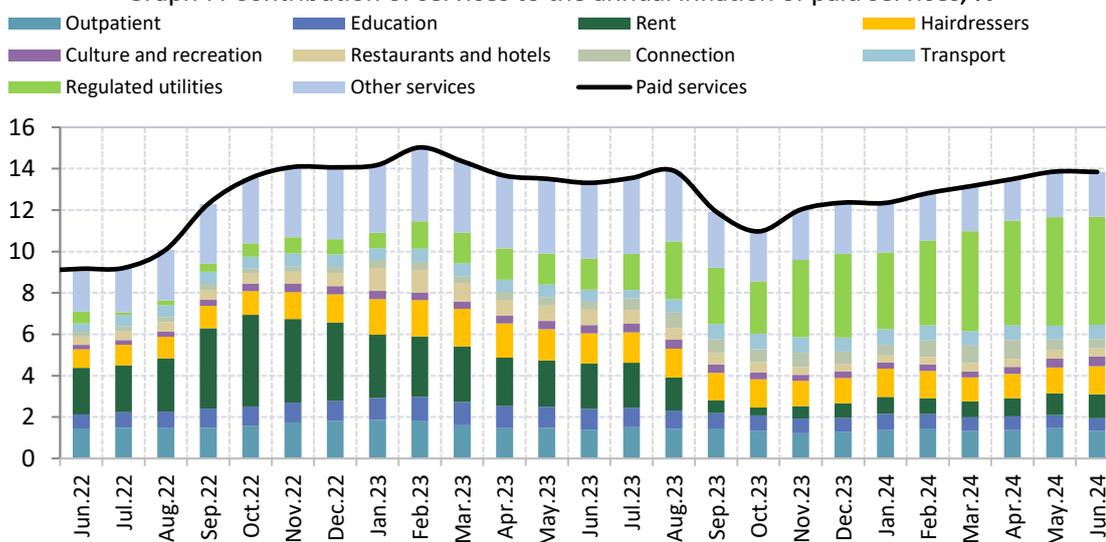
Source: BNS ASPR RK, calculations of the NB RK

The annual increase in prices for **services** in June 2024 slowed to 13.8% (May 2024 – 13.9%) (Graph 7). Monthly price growth also slowed to 0.6% (1%).

Among services, there is an increase in prices for services for organizing comprehensive recreation (13% m/m), as well as for services in the field of culture and entertainment (2.1% m/m) against the backdrop of the summer holiday period and the weakening of the nominal exchange rate of the tenge.

At the same time, there is a decrease in the cost of insurance services (-5.1% m/m) and outpatient services (-0.3% m/m). The rate of growth in prices for waste removal services slowed from 6.1% m/m in May to 0.8% m/m in June 2024, and the growth in prices for housing rents also slowed from 1.5% m/m to 0.7% m/m.

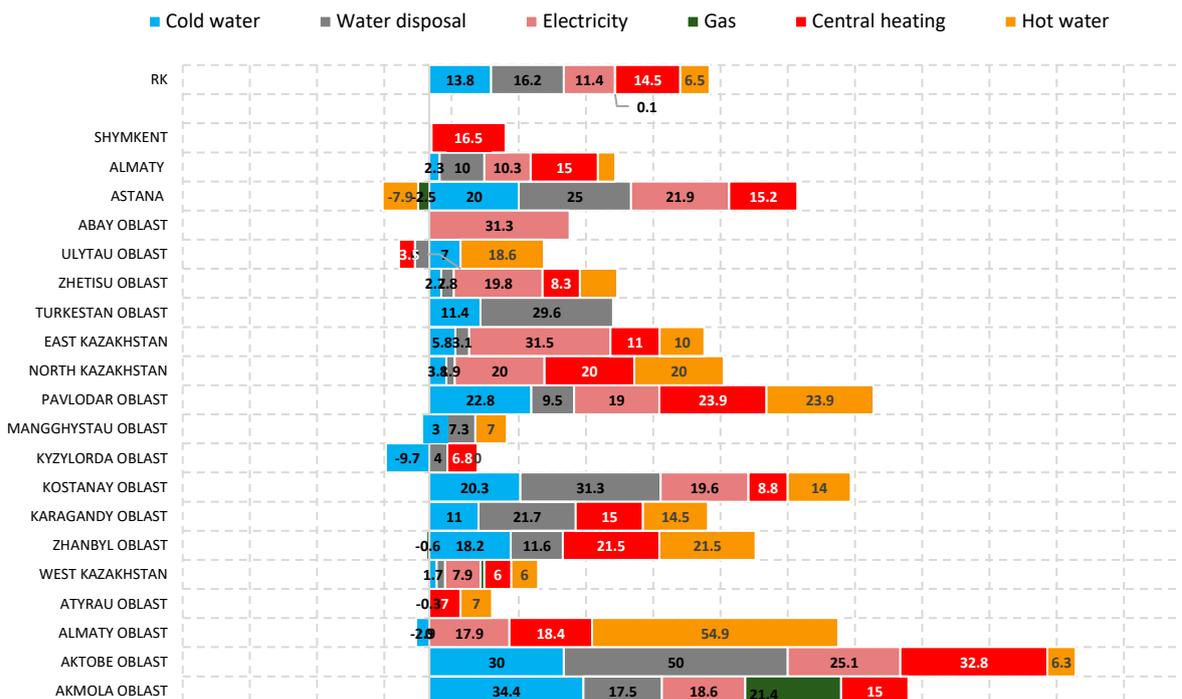
Graph 7. Contribution of services to the annual inflation of paid services, %



Source: BNS ASPR RK, calculations of the NB RK

In June of this year, there was a decrease in tariffs for regulated utilities by 0.3% m/m (May 2024 – an increase of 0.6% m/m), and inflation in annual terms slowed from 29.1% to 28.9%. In June 2024, tariffs for sewerage increased by 1%, water supply - by 0.7%, electricity - by 0.2%. At the same time, hot water tariffs decreased (-6.8% mom). The cost of gas transported through distribution networks and heating remained unchanged (Graph 8).

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



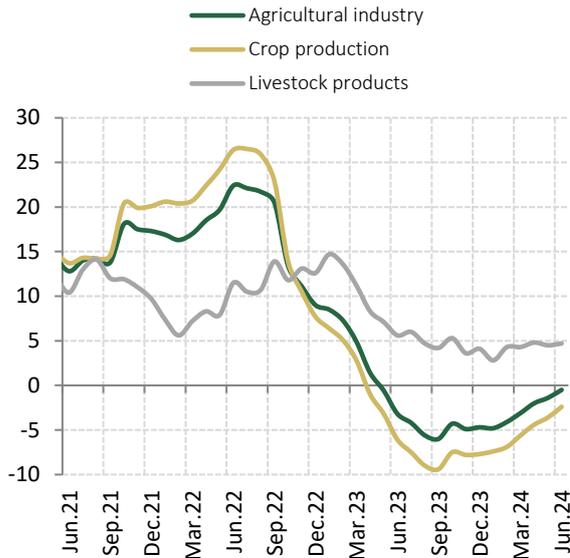
Source: BNS ASPR RK

In June 2024, prices of agricultural producers approached the levels of the previous year. Producer prices in the manufacturing industry have increased against the background of higher prices for capital, intermediate, fuel and energy products. In the service sector, tariffs for the transportation of goods by all means of transport continued to increase.

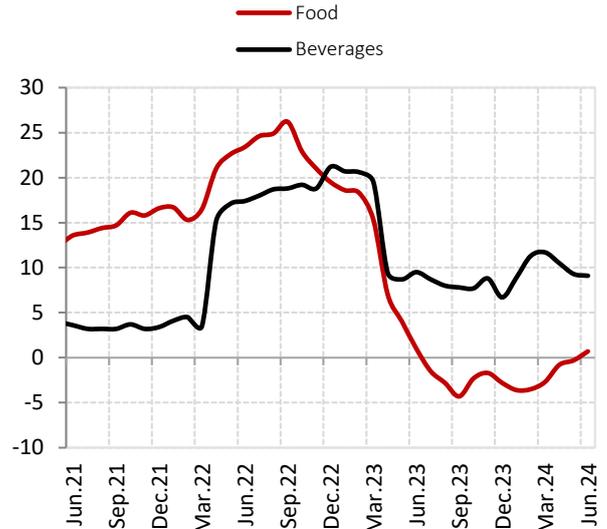
In June 2024, the reduction in producer prices in agriculture amounted to 0.5% y/y (Graph 9). The slowdown in the rate of decline is due to the continued rise in the cost of livestock products, particularly horses and poultry (an increase of 6.5% y/y and 8.1% y/y, respectively). Wheat prices rose for the first time after a prolonged decline since April last year (by 0.6% y/y), while the reduction in prices of producers of oilseeds and forage crops continued (by 8.9%, 8.3% y/y, respectively).

Food producer prices increased by 0.7% y/y for the first time since July last year, while beverage producer prices increased by 9.1% y/y (Graph 10). There is an annual increase in prices for bakery, pasta, flour, confectionery and flour-grain products, as well as meat and dairy products. At the same time, producer prices for sugar, oils and fats, ready-made animal feed continued to decrease in annual terms.

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



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

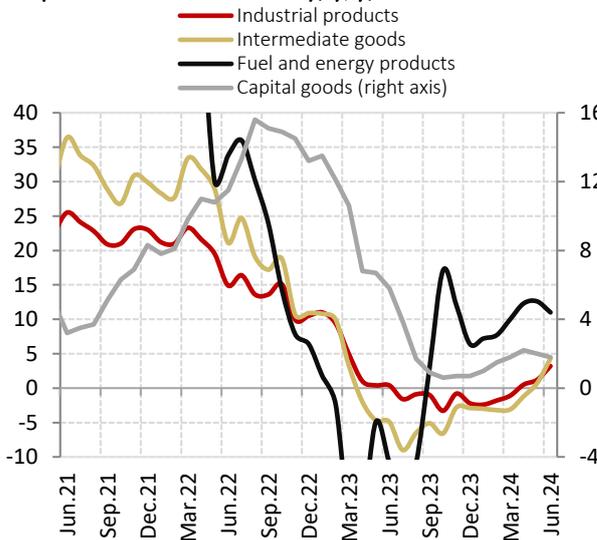


Source: BNS ASPR RK

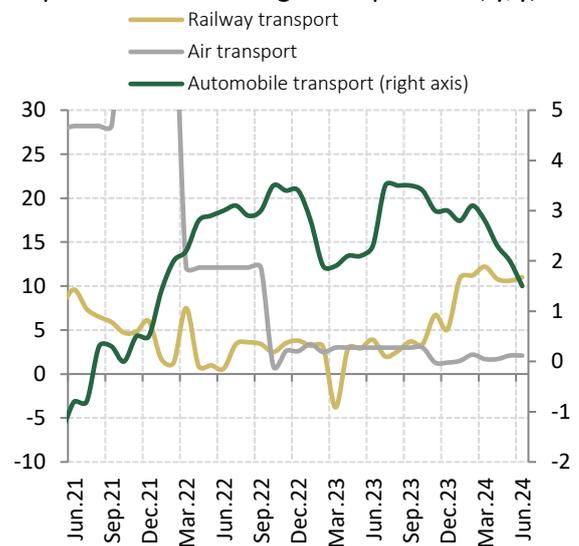
In June 2024, prices for industrial services (9.4% y/y), short-term goods (4.4% y/y), intermediate (4.3% y/y), fuel and energy goods (11.0% y/y) continued to rise (Graph 11). Prices for building materials remained at the level of last year.

Tariffs for the transportation of goods by rail and air continued to rise in price. The growth rate of prices for the transportation of goods by road slowed down to 1.5% y/y (Graph 12).

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



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



Source: BNS ASPR RK