



NATIONAL BANK OF KAZAKHSTAN

INFLATION TRENDS

July 2024

After a prolonged slowdown since March 2023, annual inflation accelerated in July 2024 to 8.6%. The annual growth rate of consumer prices for food products accelerated amid a slowdown in the decline in producer prices in agriculture, as well as an acceleration in food producer prices.

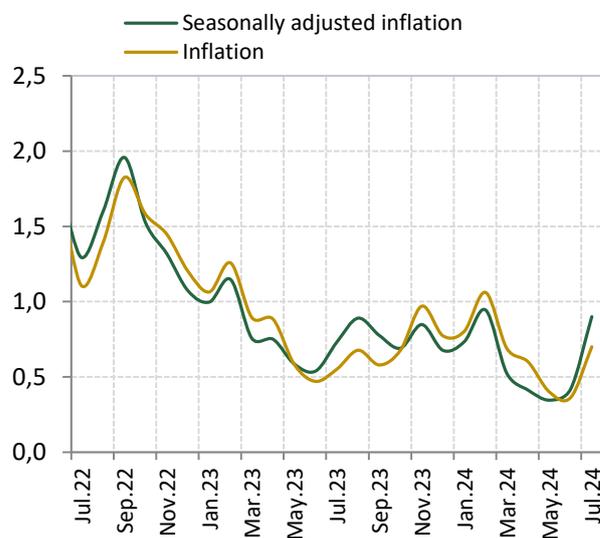
The growth rate of non-food prices also slowed, despite persistent inflationary pressure from robust consumer demand and the recent weakening of the nominal exchange rate.

The growth rate of service inflation, despite the annual disinflation of tariffs for regulated housing and communal services, accelerated in annual terms. The main drivers of service price increases are individual market services.

The downward trend in annual inflation observed over the previous 16 months was interrupted in July 2024. Annual inflation slightly accelerated to 8.6% (June 2024 – 8.4%). The rate of monthly price growth accelerated and amounted to 0.7% (0.4%) (Graph 1).

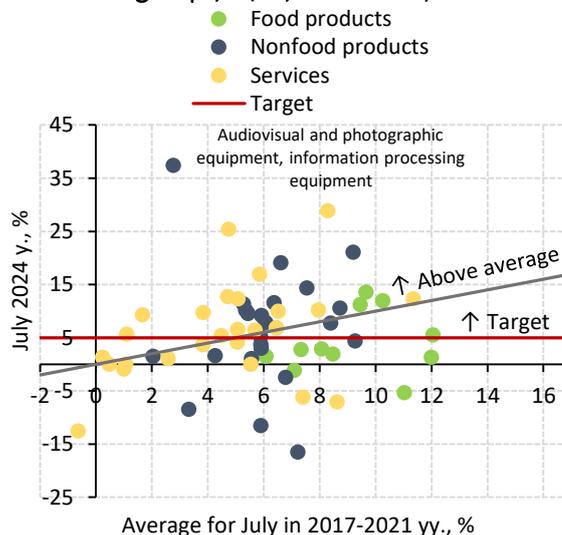
The seasonally adjusted inflation indicator in monthly terms accelerated to 0.91% (0.42%). Taking into account the exclusion of seasonality, there was an increase in prices for vegetables, tobacco products, audiovisual equipment, outerwear, organization of complex recreation, communication, as well as a decrease in prices for oils and fats, fruits, household appliances and insurance. In addition, a decrease in the seasonally adjusted dynamics of tariffs for certain types of utilities, including water supply, sewerage and heat energy, was noted. Moreover, in July 2024, the share of goods and services in the CPI basket for which the seasonally adjusted annualized price growth exceeded the target of 5% amounted to about 50% (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, %

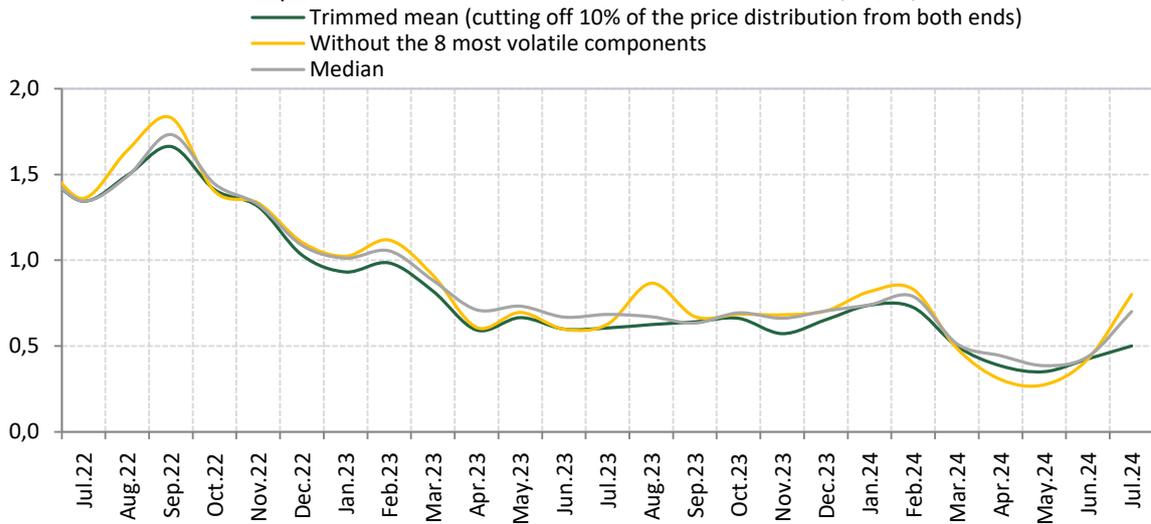


Source: BNS ASPR RK, calculations of the NB RK

The median estimate of seasonally adjusted core inflation, calculated using various methods¹, also showed an acceleration, reaching 0.65% in monthly terms, compared with 0.47% in the previous month (Graph 3).

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.

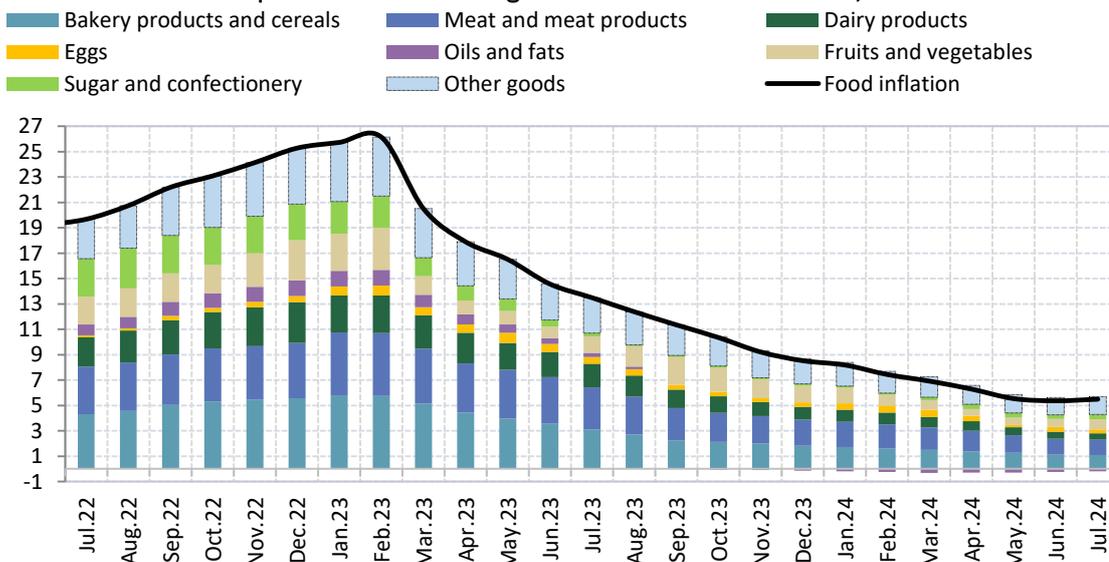
Graph 3. Core inflation: various calculation methods, m/m, %



Source: BNS ASPR RK, calculations of the NB RK

In July 2024, the annual growth rate of **food** prices accelerated to 5.5% (June 2024 - 5.4%) as a result of the acceleration of annual inflation in fruits and vegetables, sugar and confectionery, alcoholic beverages, tobacco products, as well as a slowdown in the decline in prices of oils and fats (Graph 4).

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



Source: BNS ASPR RK, calculations of the NB RK

In July 2024, food prices increased by 0.2% compared to the previous month (June 2024 - remained unchanged). It is worth noting that the average historical food prices in July did not show growth (0% for July 2017-2021). The upward pressure on the monthly food component of inflation was exerted by a significant slowdown in the rate of decline in vegetable prices, as well as an increase in monthly prices for tobacco products, bakery products and cereals.

One of the key factors in the acceleration of food price growth was the slowdown in monthly deflation of vegetables - a decrease of 0.6% (June 2024 - a decrease of 4.5%). After a

Methodology is described in the Working Paper "Various estimates of core inflation for Kazakhstan" published on the official internet-resource of the National Bank.

long period of decline, in July 2024, prices for white cabbage and onions increased by 16.8% and 7.3%, respectively.

At the same time, there is a monthly increase in prices for tobacco products (3.8%). The price increase occurred as a result of an increase in minimum retail prices² for tobacco products, starting from July 1, 2024.

Prices for bakery products and cereals in July 2024 increased by 0.3% (June 2024 – 0.2%). An increase in bread prices by 0.7% (0.2%) was recorded, as well as a slowdown in the decline in cereal prices – a decrease of 0.4% (a decrease of 1.9%). The increase in bread prices is associated with an increase in producer prices for bakery, pasta and flour confectionery products in July 2024 by 0.5% m/m. At the same time, a slowdown in the rate of deflation of cereals was noted – a decrease of 0.4% (a decrease of 1.9%), which is associated with an increase in prices for oatmeal by 0.2% and millet by 0.6%. At the same time, producer prices of flour and cereal products in July 2024 increased by 1.2% m/m.

The downward pressure on the food component of inflation in July was exerted by a decrease in the cost of eggs (-1.4%), fruits (-0.7%), oils and fats (-0.5%). Egg prices fell as a result of the ongoing decline in producer prices since March of this year. In June 2024, producer prices in monthly terms decreased by 1.6%, and the cumulative decrease over the past five months amounted to 21%. Among fruits, a decrease in monthly prices is noted for all fresh fruits except pears, which increased by 0.6%. Oil and fat prices continued to decline as oilseed producer prices continued to slow.

In July 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 July 2024 for the second month in a row contributed to a faster increase in external prices expressed in tenge. The expansion of the price differential was observed for vegetable oils. For meat and sugar, the gap between domestic and foreign prices in tenge decreased (Graph 5).

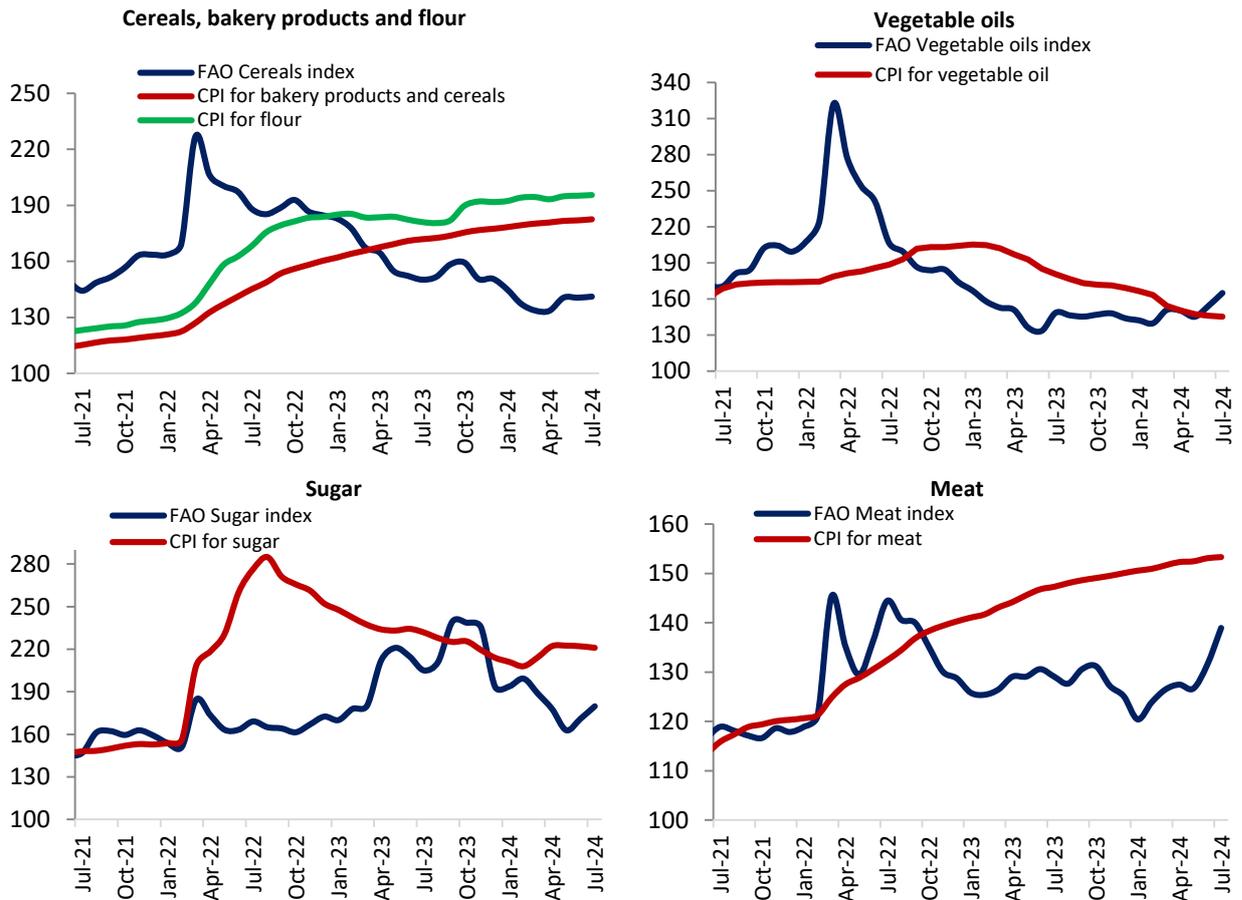
The dynamics of world grain prices continued to decline for the second month in a row. The decrease in the index in July 2024 amounted to 3.8% m/m (a decrease of 12.0% y/y) and was due to the start of the harvesting campaign in key regions of large grain producers (Russia, Brazil, Europe). In the grain structure, there was a decrease in corn prices by 3.7% m/m (decrease by 16.1% y/y) 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 July 2024, world prices for vegetable oils increased by 2.4% m/m (an increase of 4.0% y/y) 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.

An increase in world sugar prices by 0.7% m/m in July this year (a decrease of 17.9% y/y) was due to a relatively lower than previously expected harvest in South America. In July 2024, world meat prices increased by 1.2% m/m (0.8% increase, y/y) mainly due to higher prices for poultry meat due to production disruptions in a number of major producing countries.

² On Amending the Order of the Minister of Finance of the Republic of Kazakhstan dated February 22, 2022 No. 196

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

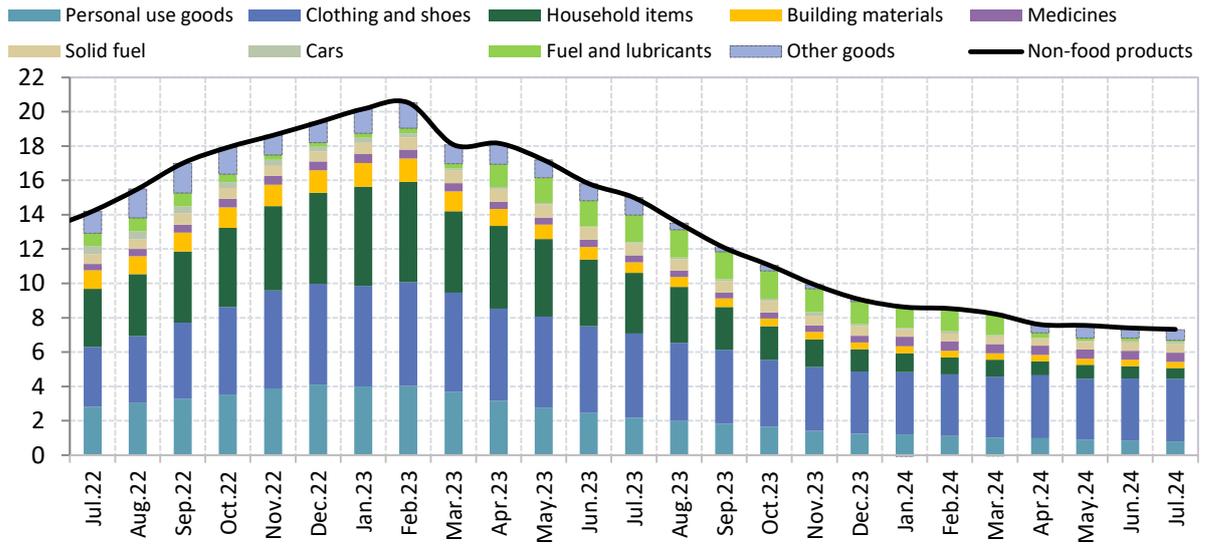
In July 2024, the annual growth in prices for **non-food** products slowed down to 7.3% (June 2024 - 7.4%). In the structure of goods, there is a slowdown in the annual growth rate of prices for fuels and lubricants, which is due to the lack of price growth in the last five months. Disinflationary processes are also noted in the market for personal goods, household items and building materials (Graph 6).

The monthly growth in prices for non-food products in July 2024 accelerated to 0.7% (0.6%). In July 2024, there was a decrease in prices for tools and equipment used in everyday life and gardening (-1.1%), household appliances (-0.6%), as well as detergents and cleaning products (-0.2%).

The upward pressure on the non-food component of inflation in monthly terms was exerted by the continued acceleration in the growth rate of prices for audiovisual equipment (2.9%), as well as the growth in prices for personal electrical appliances (1.6%) and kitchen utensils (1.4%), in particular, for saucepans (7.3%) and ironing boards (12.6%).

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, %

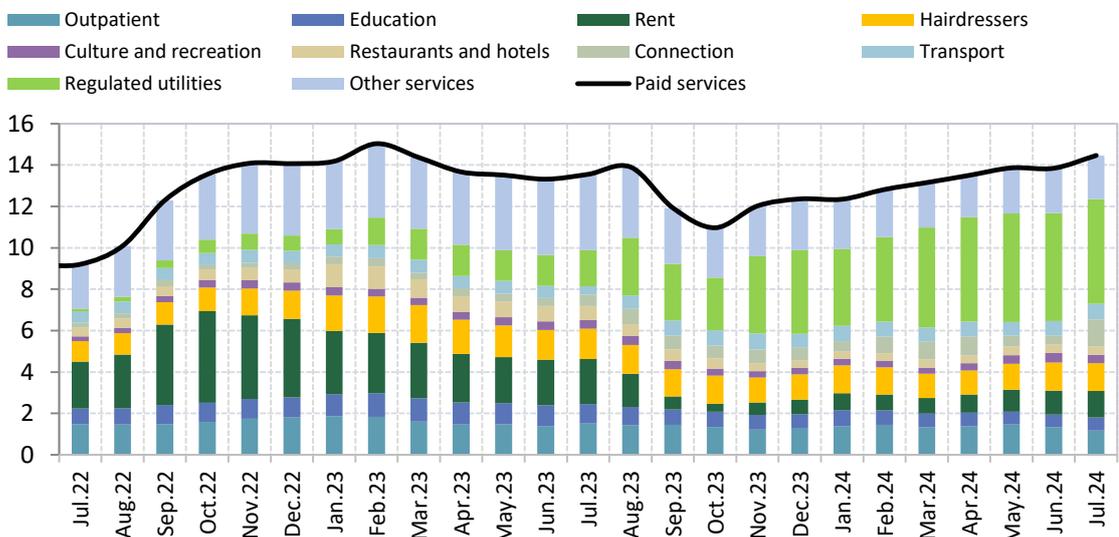


Source: BNS ASPR RK, calculations of the NB RK

The annual growth in prices for **services** in July 2024 accelerated to 14.5% (June 2024 - 13.8%) (Graph 7). Monthly price growth also accelerated to 1.6% compared to 0.6% in the previous month.

Among services in July 2024, a monthly increase in prices was noted for communication services (7.6%), organization of complex recreation (5%), actual rental housing (1.9%) and transportation services (1.1%). The increase in prices for communication services is associated with the revision of tariffs by operators for cellular communications (11.5%) and subscription fees for Internet access (6.8%). The increase in prices for foreign travel packages, typical for July due to the summer season, was further exacerbated by the weakening of the nominal exchange rate of the tenge. The main driver of the growth in prices for transport services was the price of flights in the economy class cabin of an aircraft, which increased by 12.9% due to increased demand. At the same time, there has been a decrease in the cost of insurance services (-1.1%), as well as a slowdown in the rate of growth of prices for hospital services (from 4% in June to 1.8% in July), garbage collection (from 0.8% to 0%) and hairdressing services (from 1.6% to 1.2%).

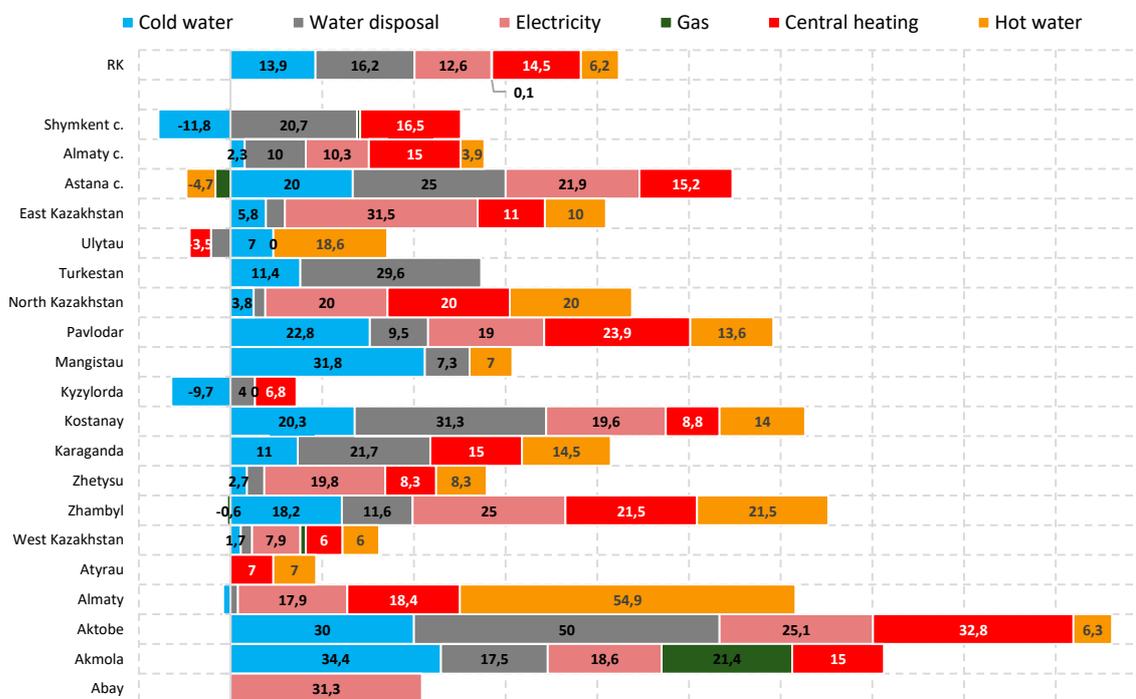
Graph 7. Contribution of services to the annual inflation of paid services, %



Source: BNS ASPR RK, calculations of the NB RK

In July of this year, there was a monthly increase in tariffs for regulated utilities by 0.5% (June 2024 - a decrease of 0.3%), while the annual inflation rate slowed from 28.9% to 28%. During July 2024, electricity tariffs increased by 1.1%, water supply – by 0.1%. At the same time, tariffs for hot water decreased (-0.2%). The cost of gas transported through distribution networks, water disposal and heating remained unchanged (Graph 8).

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



Source: BNS ASPR RK

In July 2024, the slowdown in the reduction of prices of agricultural producers continued.

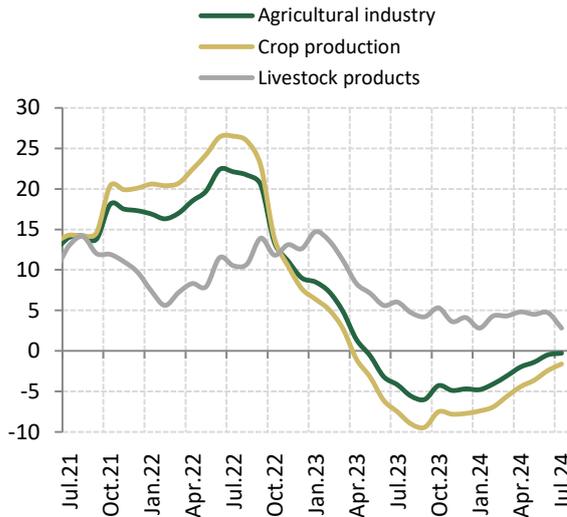
Producer prices in the manufacturing industry have increased against the background of an increase in the cost of intermediate, fuel and energy products.

In the service sector, tariffs for the transportation of goods by rail and air continued to rise.

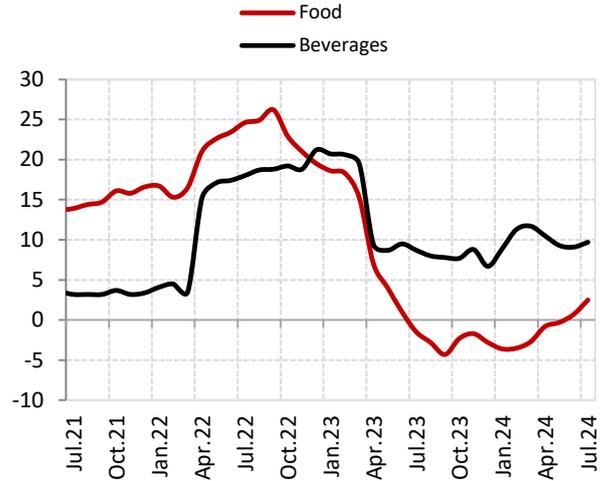
In July of this year, producer prices of agricultural products decreased by 0.3% y/y (Graph 9). The slowdown in price reduction is facilitated by the rise in the cost of grain crops and livestock products. Wheat prices increased by 2.7% y/y, while the reduction in prices of oilseeds and forage crops continued (by 8.1% y/y and 8.4% y/y, respectively). Cattle prices also continued to rise (3.4% y/y), while poultry price growth slowed to 1.1% y/y.

Food and beverage producer prices increased by 2.5% y/y and 9.7% y/y, respectively (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, the prices of producers of 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, %

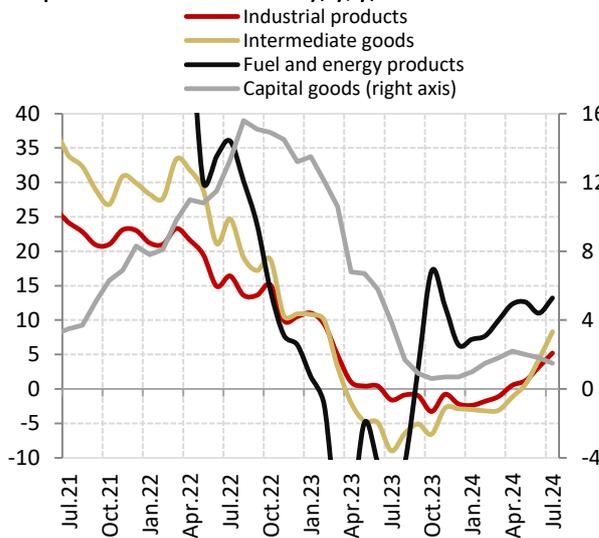


Source: BNS ASPR RK

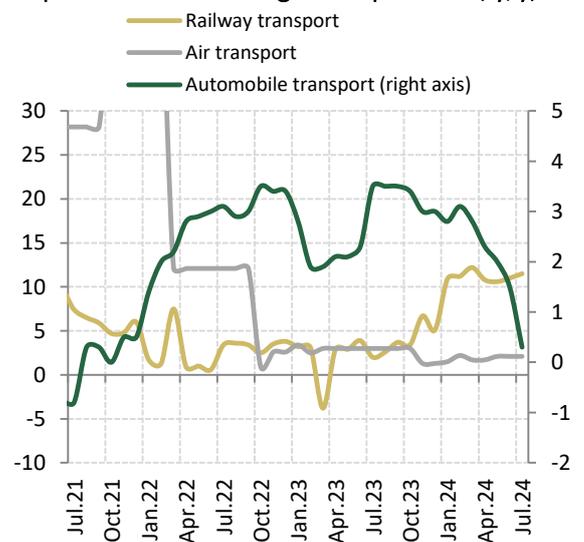
In July 2024, the price growth for short-term goods (5.7% y/y), fuel and energy products (13.2% y/y) accelerated, while the price growth for capital goods slowed to 1.5% y/y (Graph 11).

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 to 0.3% y/y (Graph 12).

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



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



Source: BNS ASPR RK