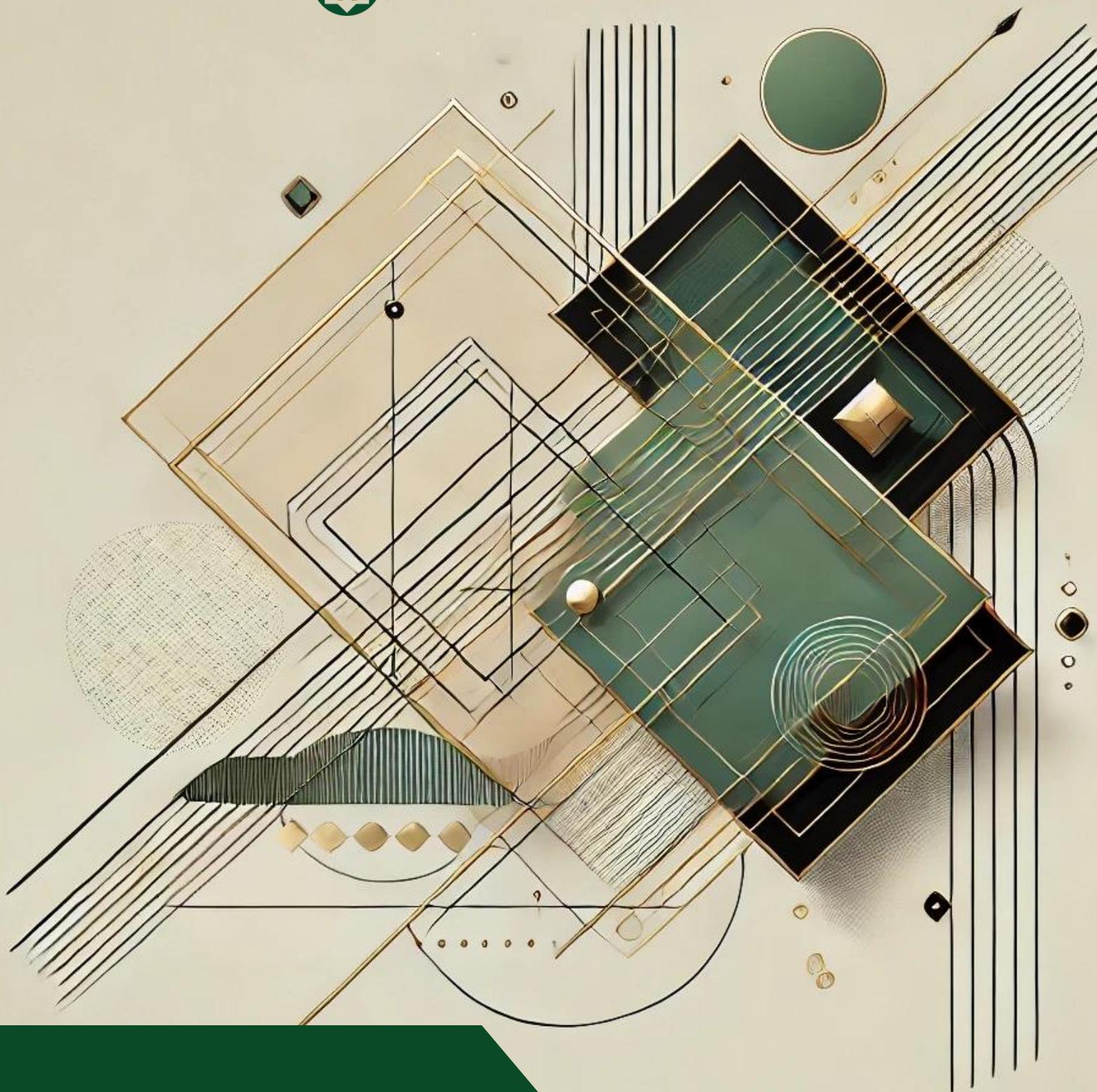




NATIONAL BANK OF KAZAKHSTAN

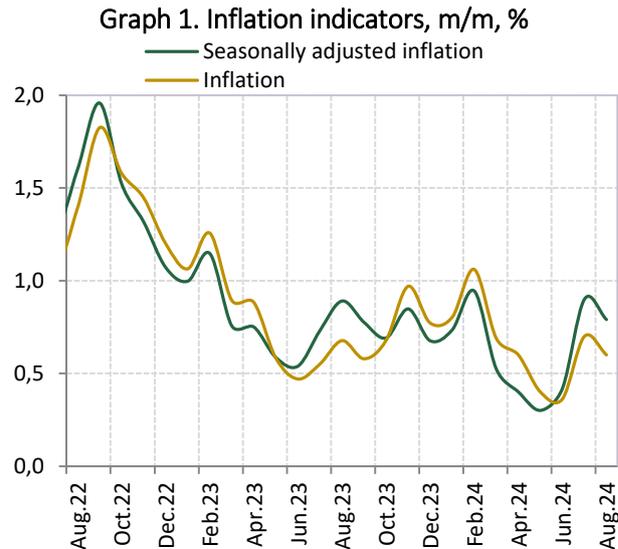


INFLATION TRENDS

August 2024

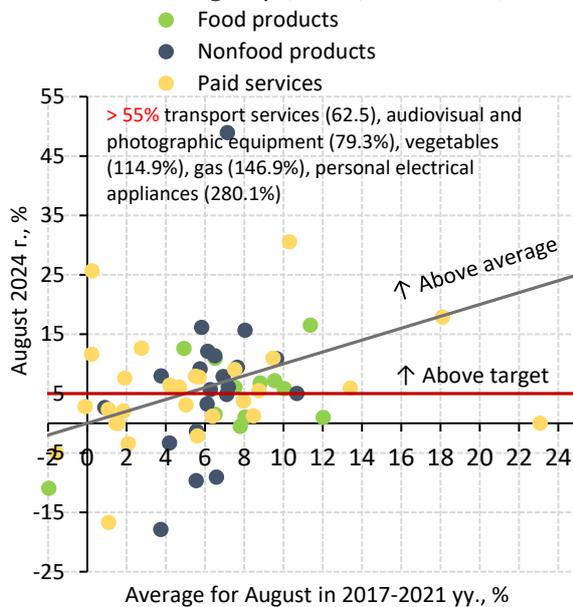
After accelerating in the previous month, annual inflation returned to a decelerating trajectory in August 2024, amounting to 8.4%. The annual growth rate of consumer prices for food products remained at the same level, which is due to the low growth rate of producer prices for food and agricultural products, as well as the slowdown in global food prices. The growth rate of prices for non-food products accelerated, which is associated with the manifestation of the delayed effect of the recent weakening of the nominal exchange rate of the tenge, as well as ongoing inflationary pressure from stable consumer demand. Despite the acceleration of annual inflation in certain segments of market services, the slowdown in the growth rate of tariffs for regulated housing and communal services had a disinflationary effect on the overall level of service inflation.

In August, the trend towards slowing annual inflation resumed, amounting to 8.4% (8.6% in July 2024). The rate of monthly price growth also slowed slightly compared to the previous month and amounted to 0.6% (0.7%), however it remains above the historical average for the period 2017–2021 – 0.2% (Graph 1). The seasonally adjusted inflation rate in monthly terms slowed to 0.79% (0.91%).



Source: BNS ASPR RK, calculations of the NB RK

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

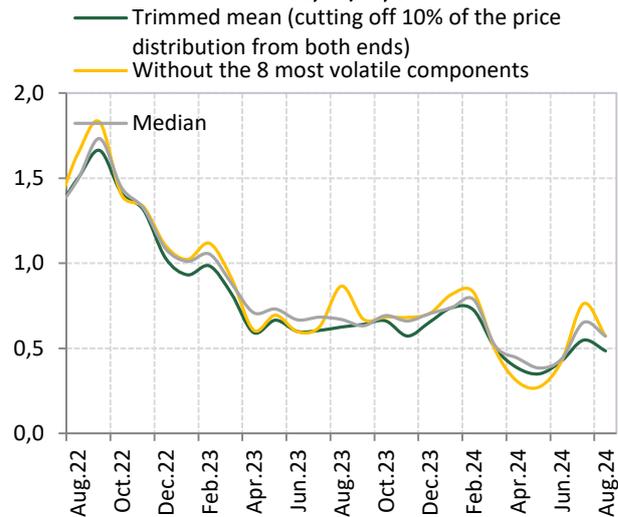


Source: BNS ASPR RK, calculations of the NB RK

Taking into account seasonal adjustment, there is an increase in prices for vegetables, tobacco products, electrical appliances for personal use, audiovisual equipment, transport services and services for organizing complex recreation. A significant increase in seasonally adjusted gas tariffs was also recorded. At the same time, a decrease in prices was noted for fruits, newspapers, books and stationery, as well as for hotel services. Despite the slowdown in inflation, the seasonally adjusted annualized growth of a significant share of goods and services included in the consumer basket still exceeds the target level of 5% (Graph 2).

The median estimate of seasonally adjusted core inflation, calculated using various methods¹, also showed a slowdown, reaching 0.57% in monthly terms, compared with 0.65% in the previous month (Graph 3).

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

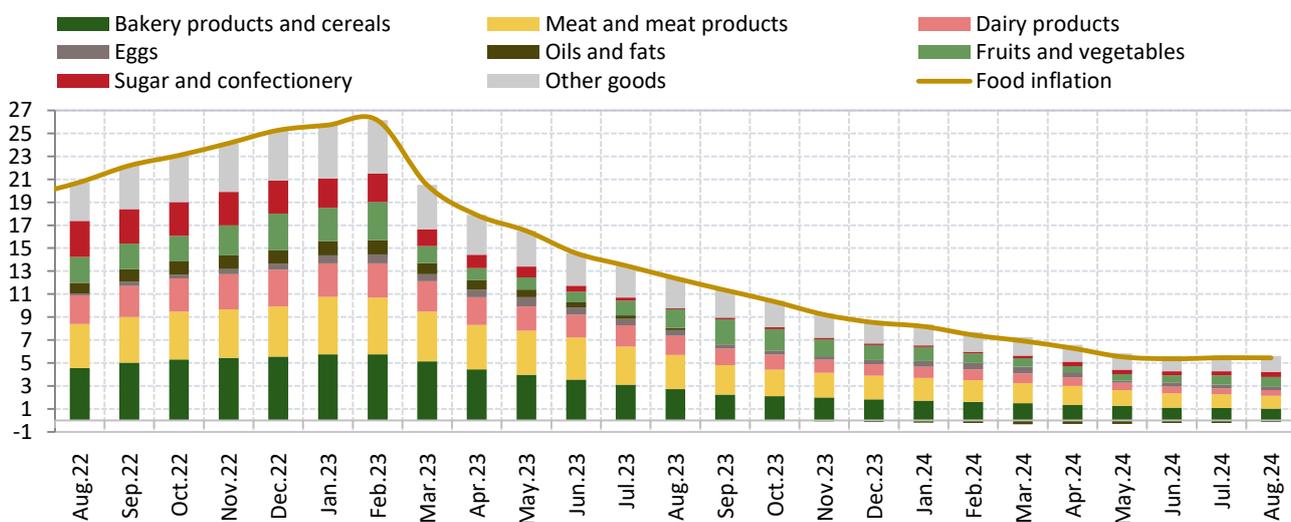


Source: BNS ASPR RK, calculations of the NB RK

Food inflation

In August 2024, the annual growth rate of food prices remained unchanged at 5.5%. The unchanged annual inflation is the result of the balance of the disinflationary influence of meat and meat products, eggs, and bakery products, and the pro-inflationary pressure of sugar, confectionery, oils and fats, fruits and vegetables (Graph 4).

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



Source: BNS ASPR RK, calculations of the NB RK

In August 2024, the monthly growth in food prices was 0% (July 2024 - 0.2%). It is worth noting that historically, food prices in August decreased by an average of 0.2% (for August 2017-2021). The upward pressure on monthly food inflation was exerted by the growth in prices of oils and fats, as well as confectionery. At the same time, the downward pressure on this indicator was exerted by the slowdown in monthly inflation of tobacco products and the decline in prices of fruits and vegetables.

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 internet-resource of the National Bank.

One of the main sources of the upward influence on monthly food inflation was the growth in prices of oils and fats, which amounted to 1.1% (July 2024 - a decrease of 0.5%). The growth in consumer prices occurred against the background of an acceleration in producer prices of oilseeds in agriculture, as well as an acceleration in producer prices of oils and fats in the manufacturing industry. The upward pressure on consumer inflation was also exerted by the acceleration of the growth rate of meat prices to 0.2% (July 2024 - 0.1%). The main factors contributing to this growth were the rise in the price of poultry, which went up by 0.5%, and beef - by 0.2%.

At the same time, there was a decrease in the monthly growth of prices for fruits by 1.8% and vegetables by 1.6%. Among fruits, the drivers of the downward trend were the prices of grapes (-10%), bananas (-2%), and pears (-1.7%). Grape prices annually show a significant decrease in August. This seasonal trend is associated with the ripening and harvesting period, which begins in August in Kazakhstan and neighboring countries.

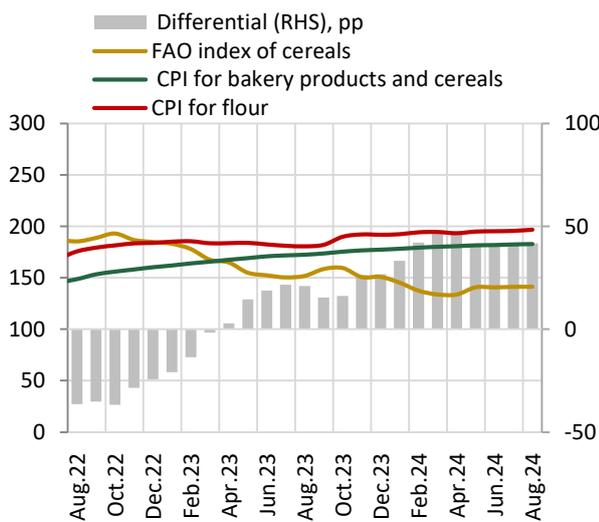
In August of this year, a decrease in vegetable prices was also recorded, which decreased by 1.6% compared to the previous month. Among the main items contributing to this decrease, one can highlight potatoes, white cabbage and onions. Potato prices fell by 0.3%, while the growth rate of white cabbage prices slowed to 1.9% (in July 2024 - 16.8%), and onions - to 1.9% (in July - 7.3%). The main reason for disinflation in the vegetable segment is the onset of a seasonal decline in prices, typical for this harvest period². It should be noted that the seasonal decline in prices in August 2024 was less significant compared to previous periods. Seasonally adjusted growth in vegetable prices in August 2024 amounted to 6.6%.

Also, tobacco product prices slowed to 1% (July - 3.8%). The price increase occurred last month as a result of an increase in minimum retail prices for a number of tobacco products from July 1, 2024, but the influence of this factor is gradually fading.

Internal and external food prices

In August 2024, the excess of domestic prices over foreign prices remained for all major types of food, except vegetable oils. At the same time, in August of this year, the price differential for meat and sugar expanded, and for vegetable oils decreased.

Graph 5. Cereals, bakery products and cereals, flour, 2019 Dec. = 100



Source: BNS ASPR, UN FAO, NBKs calculations³

World grain prices continued to decline (by 0.5% mom, 11.9% YoY, in US dollars) as a result of a decrease in the cost of wheat in conditions of weak global demand and supply growth (Graph 5).

Despite the decrease in world grain prices, domestic prices for processed grain products showed an increase, which led to an expansion of the price differential of domestic and foreign prices expressed in tenge in August this year. At the same time, a slight weakening of tenge in August 2024 (0.6% mom) offset a more significant expansion of the price differential.

It is worth noting that the current ban on the import of wheat into Kazakhstan by the end of this year may somewhat offset the disinflationary effect of world grain prices on domestic prices.⁴

² [Official Information Source of the Prime Minister of the Republic of Kazakhstan](#)

³ Here and in the following graphs 6,7,8 calculations are made using the average monthly exchange rate of tenge to the US dollar

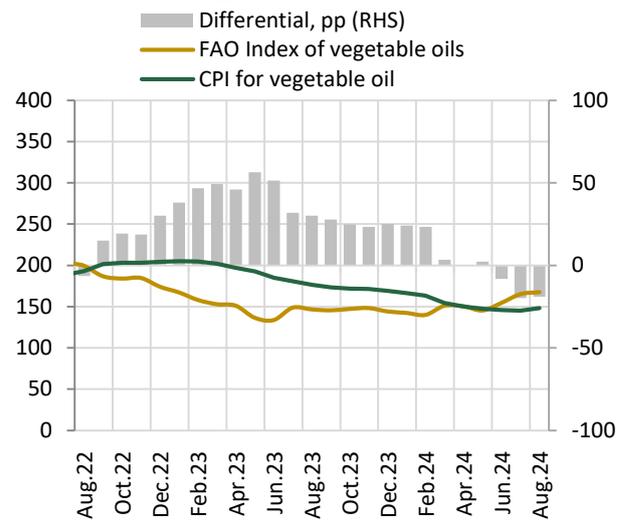
⁴ Information and legal system of regulatory legal acts of the Republic of Kazakhstan

In August 2024, world prices for vegetable oils increased (0.8% mom, 8.1% YoY, in US dollars) as a result of the rise in the price of palm oil (Graph 6). World prices for other types of oils have decreased.

The differential between world and domestic prices for vegetable oils decreased slightly in August this year in the context of a decrease in world and rising domestic prices for sunflower oil.

The dynamics of domestic prices is influenced by an increase in oil exports in the first half of 2024 and an increase in the price of sunflower oil in Russia.

Graph 6. Vegetable oils, 2019 Dec. = 100



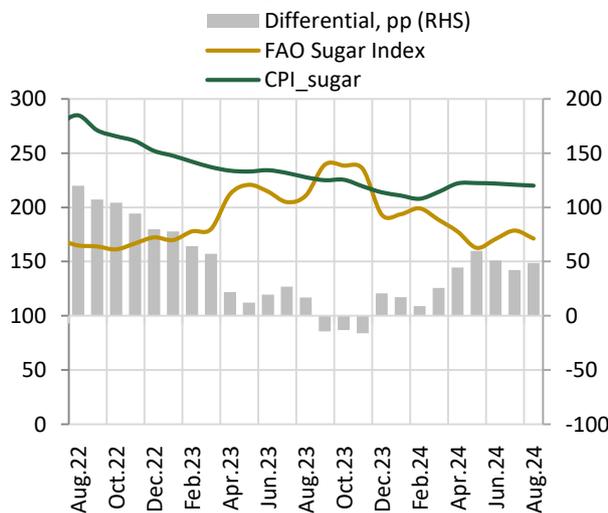
Source: BNS ASPR, UN FAO, NBKs calculations

The decrease in world sugar prices by 4.7% mom (decrease by 23.2% YoY, in US dollars) was due to an increase in forecasts for sugar production in Thailand and India due to favorable weather conditions (Graph 7).

Despite the decrease in consumer sugar prices in Kazakhstan, the discrepancy between domestic and foreign prices increased in August this year as a result of a more significant decrease in the cost of sugar in foreign markets.

There was also a decrease in the cost of imported sugar from Russia, which is one of the main suppliers of sugar products to Kazakhstan.

Graph 7. Sugar, 2019 Dec. = 100



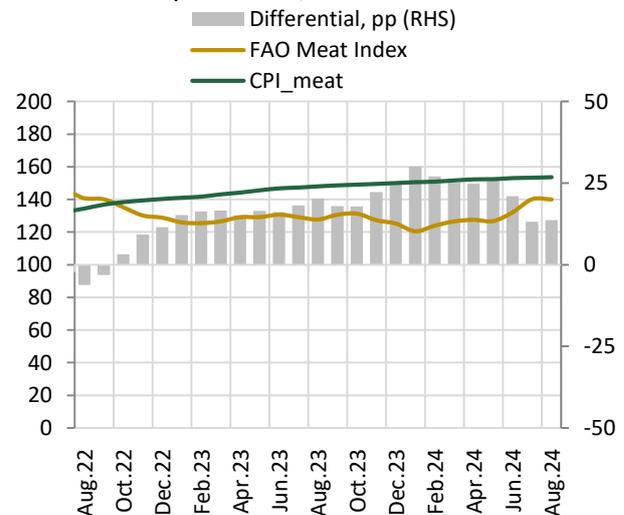
Source: BNS ASPR, UN FAO, NBKs calculations

World meat prices decreased by 0.7% mom (an increase of 3.7%, YoY, in US dollars) mainly due to a decrease in the cost of poultry, pork and lamb, while beef prices increased (Graph 8).

The increase in consumer prices for meat in August of this year, with a decrease in world quotations, contributed to the widening of the price gap between domestic and foreign meat prices.

It is worth noting that the reduction in meat imports in the first half of 2024 due to the ban on the import of poultry meat due to an outbreak of avian influenza exerted upward pressure on the cost of meat in Kazakhstan.

Graph 8. Meat, 2019 Dec. = 100



Source: BNS ASPR, UN FAO, NBKs calculations

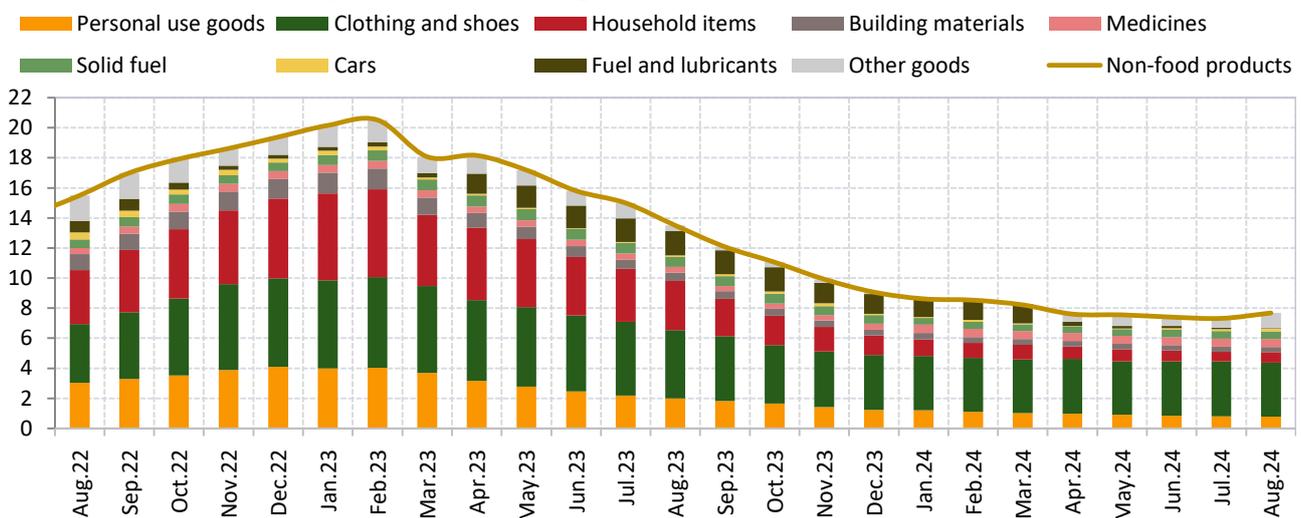
Non-food inflation

In August 2024, the annual growth in prices for non-food products accelerated to 7.7% (in July 2024 - 7.3%). In the structure of goods, there is an acceleration in the annual growth rate of prices for audiovisual equipment, electrical appliances for personal use, household items and cars. At the same time, disinflationary processes continue in the market for clothing and footwear, medicines, medical equipment and apparatus, as well as fuel and lubricants, the cost of which has remained unchanged since the beginning of 2024 (Graph 9).

The monthly growth in prices for non-food products in August 2024 accelerated to 0.8% (0.7%). The largest contribution to the acceleration of non-food inflation in monthly terms was made by the continued acceleration in the growth rate of prices for audiovisual equipment - 5.3%. An additional upward influence came from the acceleration of prices for kitchen utensils (5.8%) and new cars (2.5%), in particular domestically assembled (3%) and imported (1.5%) passenger cars.

At the same time, there is a decrease in prices for medicines, medical equipment and apparatus (-0.7%), which is associated with a slowdown in the growth of prices of manufacturers of basic pharmaceutical products. There was also a decrease in prices for spare parts and accessories for personal vehicles, which fell in price by 0.4%.

Graph 9. Contribution of goods to annual non-food inflation, %



Source: BNS ASPR RK, calculations of the NB RK

Service inflation

The annual growth in prices for services in August 2024 slowed down to 13.6% (July 2024 - 14.5%) (Graph 10). Monthly price growth also slowed down to 1.1% compared to 1.6% in the previous month.

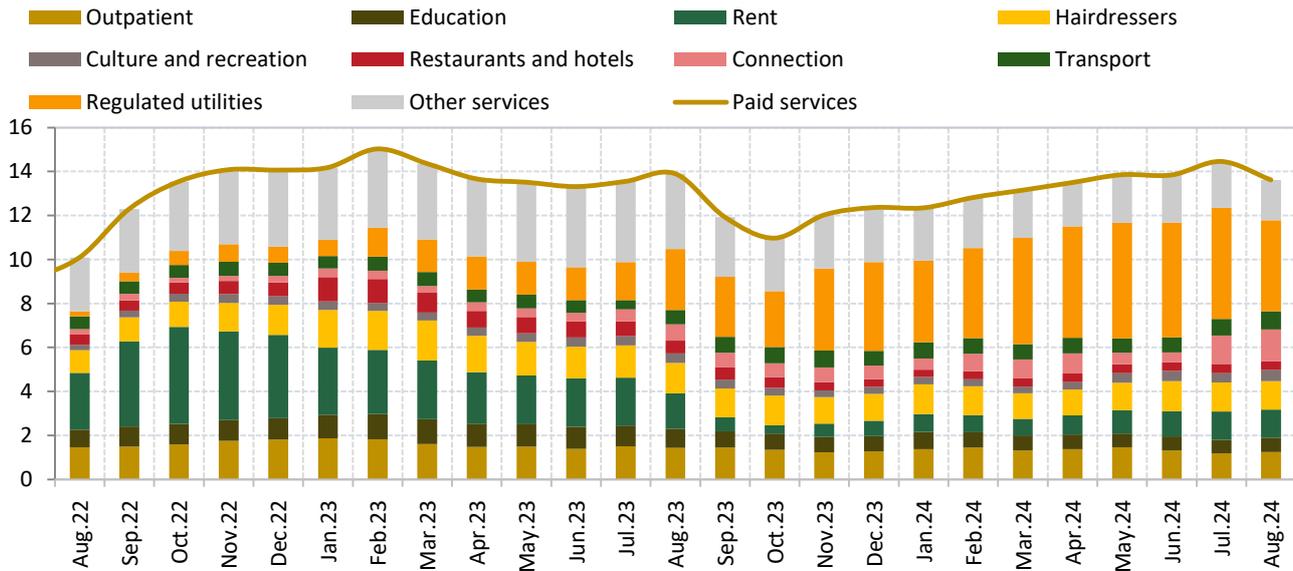
Among services in August 2024, upward pressure was exerted by the acceleration of the rate of monthly growth in prices for transport services (3.3%), which occurred as a result of the increase in the cost of travel on public transport in the cities of Astana⁵ and Almaty⁶ from August 1 of this year. There is also an increase in prices for outpatient services (0.8%), preschool and primary education (0.6%).

In August 2024, the monthly rate of price growth for individual market services continued to slow down. In particular, the growth in prices for communication services slowed to 2.3% (in July 2024 - 7.6%). The growth in prices for hospital services also slowed, amounting to 0.2% (1.8%), and for hairdressing and personal care services, to 0.1% (1.2%).

⁵ [City Transportation Systems.](#)

⁶ [Forbes Kazakhstan.](#)

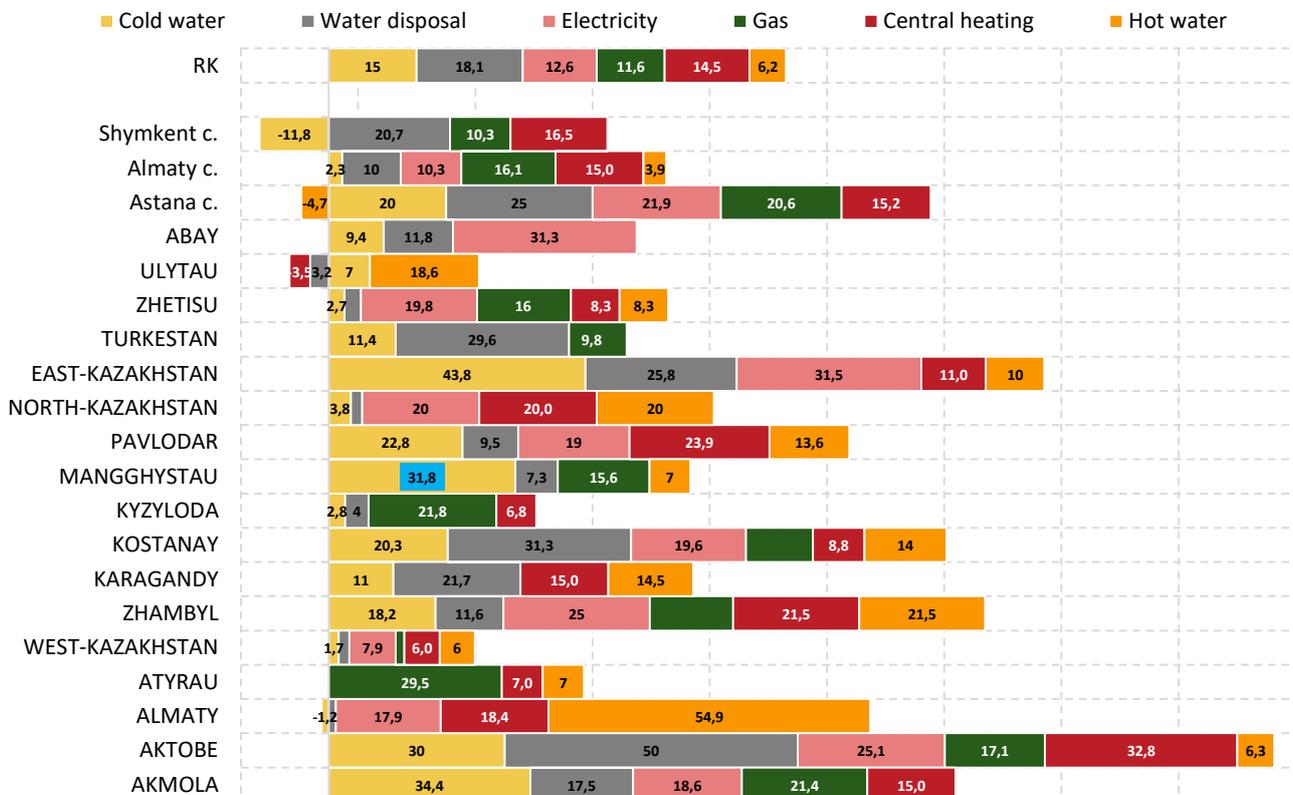
Graph 10. Contribution of services to the annual inflation of paid services, %



Source: BNS ASPR RK, calculations of the NB RK

In August 2024, there was an acceleration in the rate of monthly growth of tariffs for regulated housing and communal services by 1.9% (July 2024 - 0.5%), meanwhile the annual indicator slowed from 28% to 22.9%. During August 2024, gas tariffs increased by 11.6%, water disposal - by 1.6%, water supply - by 0.9%. The cost of electricity, hot water and central heating remained unchanged (Graph 11).

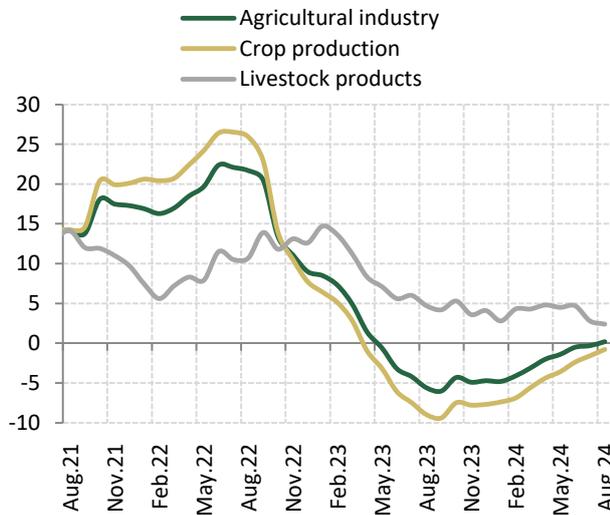
Graph 11. Growth of prices for regulated housing and communal services by region, Jan-Aug 2024, %



Source: BNS ASPR RK, calculations of the NB RK

In August 2024, producer prices in agriculture began to rise for the first time since May of the last year as a result of rising prices for crop products. Producer prices in the manufacturing industry increased amid continuing increases in prices for intermediate, fuel and energy products. In the service sector, tariffs for freight transportation by rail and air continued to rise.

Graph 12. Prices in agriculture, y/y, %

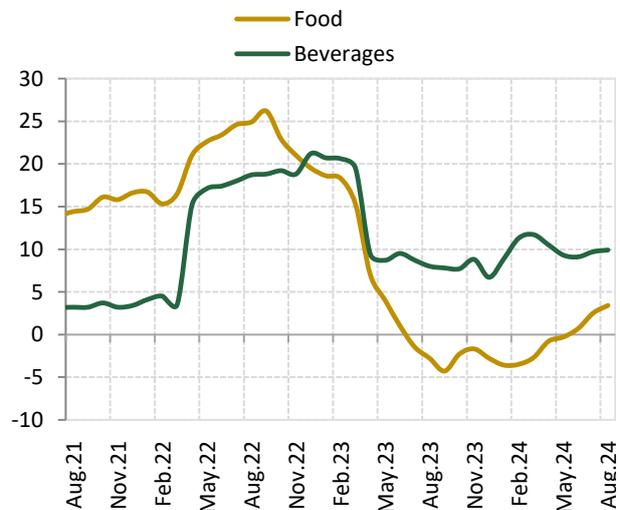


Source: BNS ASPR RK

In August of this year, agricultural producer prices increased by 0.2% y/y (Graph 12). In the industry structure, the annual growth rate of wheat prices has accelerated for the third month in a row (August – by 4.6%, July – 2.7%, June – 0.6%). At the same time, feed crops, in particular feed grains, continued to fall in price. In animal husbandry, prices continued to grow, but at a slower pace. Prices for cattle and poultry (live weight) increased by 2.4% y/y, raw milk – by 2.7% y/y. At the same time, the annual growth of egg prices slowed significantly in August to 0.7% from 5.2% in July of this year amid the introduction of new capacities in egg production.

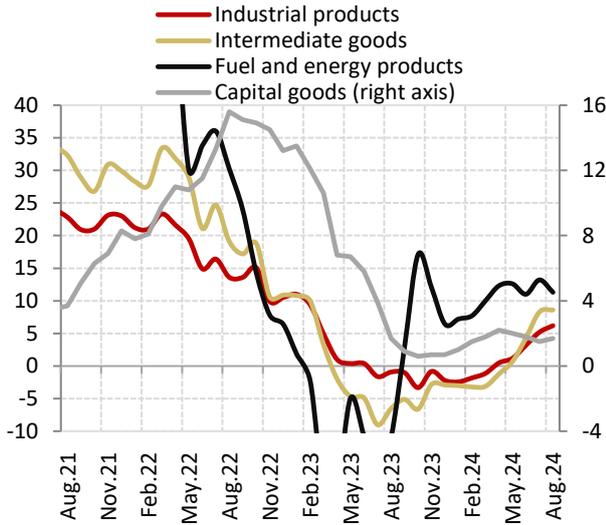
In the manufacturing industry, food and beverage prices continue to rise, with producer prices increasing by 3.4% y/y and 9.9% y/y, respectively (Graph 13). The main driver of food price growth is the annual increase in prices for bakery, pasta, flour, confectionery and cereal products, as well as meat and dairy products. At the same time, the reduction in producer prices for finished animal feed, oils and fats has slowed.

Graph 13. Producer prices for food products, y/y, %



Source: BNS ASPR RK

Graph 14. Prices in industry, y/y, %

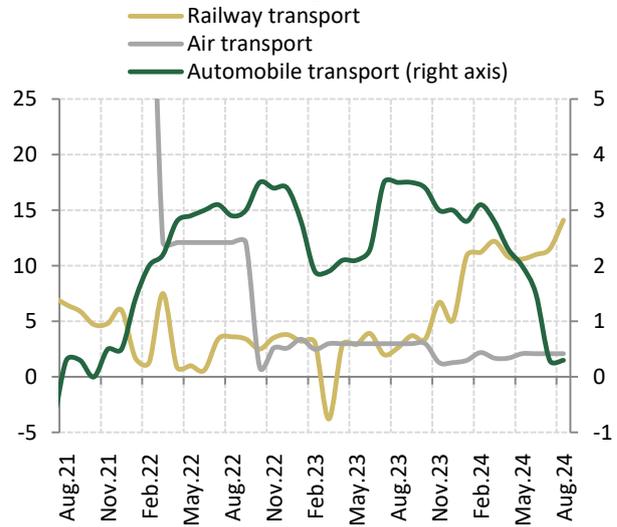


Source: BNS ASPR RK

The increase in tariffs for the transportation of goods by rail continued, amounting to 14.1% y/y in August of this year. The cost of transporting goods by road and air in August 2024 remained unchanged (Graph 15).

In August 2024, the growth in prices of non-durable goods (6.3% y/y) and construction materials (3.2% y/y) accelerated, while the growth in prices of capital goods amounted to 1.7% y/y (Graph 14).

Graph 15. Tariffs for cargo transportation, y/y, %



Source: BNS ASPR RK