



NATIONAL BANK OF KAZAKHSTAN



# INFLATION TRENDS

September 2024

In September 2024, the annual inflation rate continued its trend of deceleration, reaching 8.3%. Concurrently, the pace of disinflation is diminishing.

The slowdown in annual food inflation was driven by low growth rates in producer prices for food products in the manufacturing sector and agricultural commodities. However, recent months have shown a tendency towards the acceleration of these indicators.

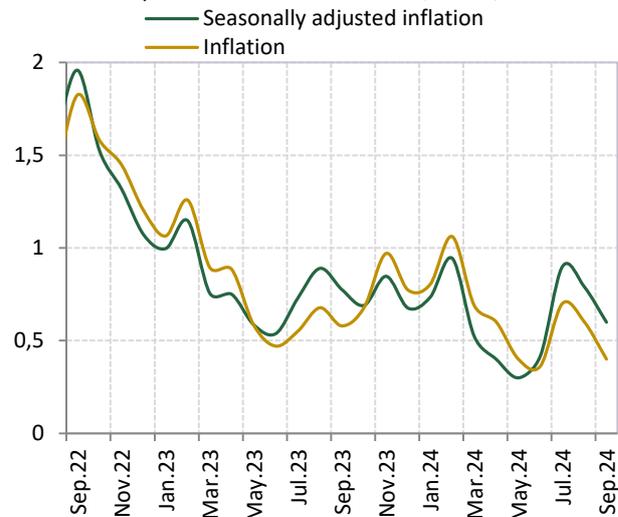
Annual non-food inflation exceeds food inflation in the context of persistent inflationary pressure from sustainable consumer demand and the weakening tenge. Weak growth in fuel prices has a disinflationary effect.

Service inflation remained at the level of the previous month, attributable to a balance between the deceleration of annual inflation in certain segments of market services and the acceleration of growth rates in tariffs for regulated housing and communal services.

In September 2024, the trend of decelerating annual inflation continued, reaching 8.3% (compared to 8.4% in August 2024). The monthly rate of price growth also slowed relative to the previous month, registering at 0.4% (down from 0.6%). Nonetheless, this rate remains above the historical average for the period from 2017 to 2021, which was 0.3%.

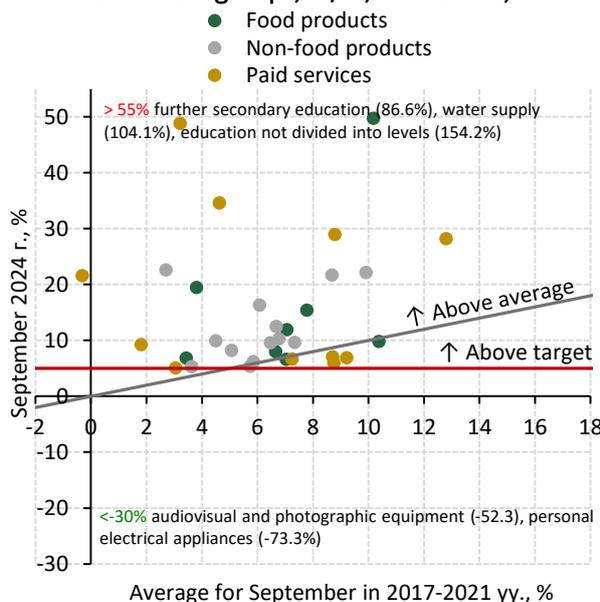
The seasonally adjusted inflation rate on a monthly basis decreased to 0.63% (from 0.79%) (Graph 1).

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, %



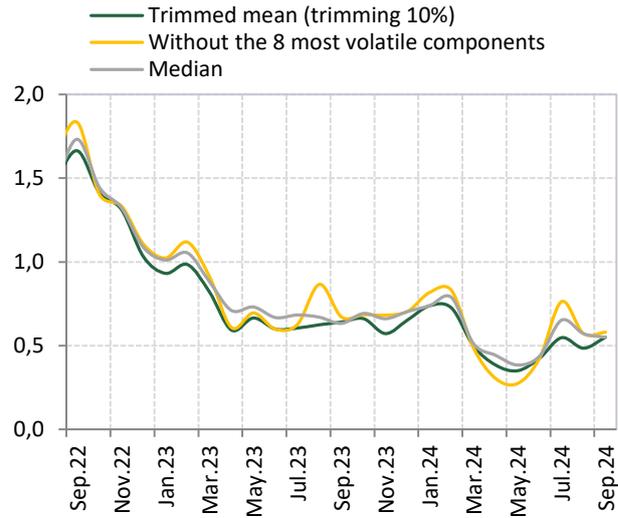
Source: BNS ASPR RK, calculations of the NB RK

The structure of seasonally adjusted inflation indicates a slowdown across all components, with the most significant deceleration observed in the service sector. However, the annualized growth of the inflation components still exceeds the target value.

After seasonal adjustment, a monthly decline in prices was recorded for fruits, household appliances, glassware, cutlery, audiovisual equipment, photographic equipment, personal electronic devices, and hospital services. Conversely, there has been an increase in prices for vegetables, education, water supply, housing rentals, automobiles, and solid fuels (such as coal and wood) (Graph 2).

The median estimate of seasonally adjusted core inflation, calculated using various methods<sup>1</sup>, also showed a slight deceleration, reaching 0.55% on a monthly basis, compared to 0.56% in the previous period (Graph 3).

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

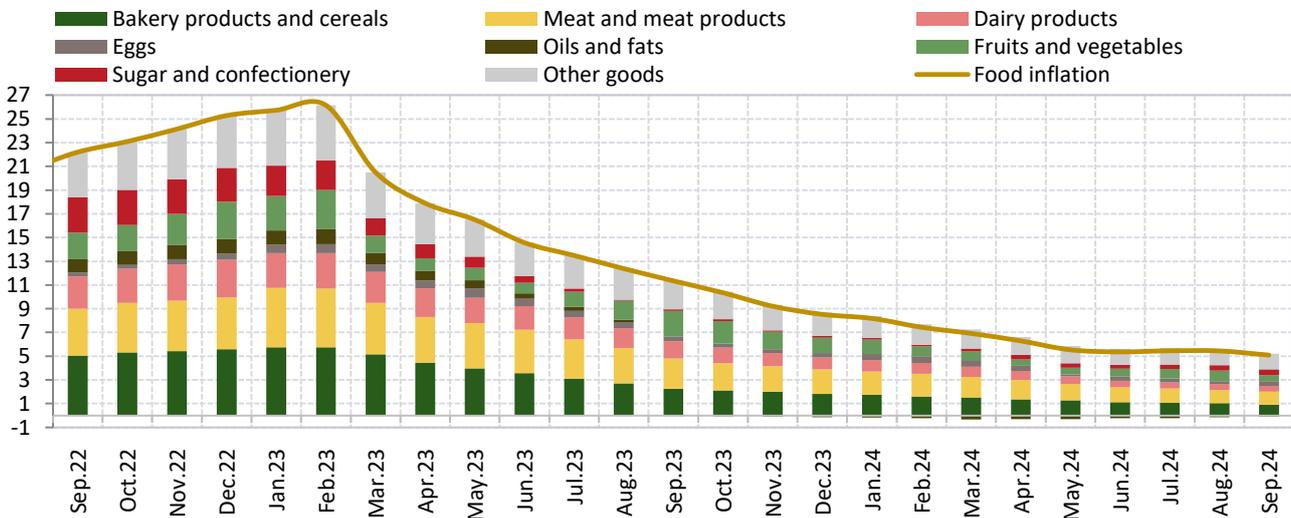


Source: BNS ASPR RK, calculations of the NB RK

### Food inflation

In September 2024, the annual rate of price growth for food products slowed to 5.1%. The primary factors contributing to this disinflationary trend were fruits and vegetables, meat and meat products, as well as baked goods and cereals. Conversely, eggs, oils, and fats exerted inflationary pressure on food inflation (Graph 4).

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



Source: BNS ASPR RK, calculations of the NB RK

<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 internet-resource of the National Bank.

In September 2024, the monthly price growth for food products was recorded at 0% (0% in August 2024). Historically, food prices tend to decline by an average of 0.1% during September (based on data from 2017-2021). The upward pressure on monthly food inflation was primarily driven by increases in the prices of oils, fats, and eggs. In contrast, decreases in the prices of fruits and vegetables, as well as a slowdown in the growth rates for sugar, jam, honey, chocolate, and confectionery, exerted downward pressure on this indicator.

A significant contributor to the upward influence on monthly food inflation was the rise in egg prices, which increased by 6% (compared to a decrease of 1.4% in August 2024). This increase was largely attributed to a substantial rise in producer prices for eggs in the agricultural sector. Additionally, the ongoing increase in the prices of oils and fats, which rose by 1.8% in September 2024 (up from 1.1% in August), added further upward pressure on consumer inflation. This rise occurred against the backdrop of increasing producer prices for oils and fats in the manufacturing sector, driven by escalating sunflower seed prices in agriculture. Furthermore, rising global prices for oil also contributed to the upward pressure on these commodities.

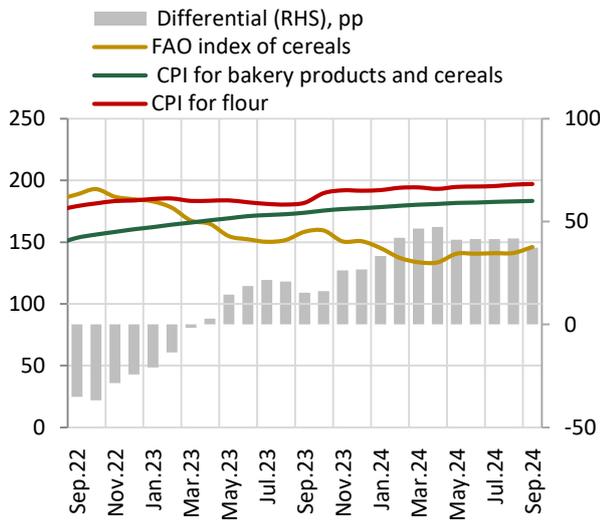
Conversely, the items exerting downward pressure on monthly food inflation included fruits, vegetables, sugar, jam, honey, chocolate, and confectionery. In September 2024, prices for fruits decreased by 3%, while vegetable prices fell by 4.3%. Among fruits, the key drivers of the downward trend were significant price declines for grapes (-10.3%), bananas (-4.7%), and apples (-3.6%). For vegetables, prices for potatoes (-13.5%), carrots (-11.9%), and onions (-10%) saw notable reductions. It is important to note that fruit and vegetable prices typically exhibit substantial decreases from July to September, a seasonal trend linked to the ripening and harvesting period, which begins in Kazakhstan and neighboring countries from where produce is imported.

In September 2024, there was also a slowdown in the price growth rate for the group of products including sugar, jam, honey, chocolate, and confectionery, declining from 0.8% in August to 0% in September. Across all major categories, either a decline or a slowdown in price growth was observed. The primary reason for disinflation in this segment was a significant reduction in producer prices for sugar. It is also noteworthy that producer prices for cocoa, chocolate, and sugary confections experienced declines.

Internal and external food prices

In September 2024, there was a tendency for domestic prices to exceed external prices for all major types of food, with the exception of vegetable oils. The price differential between domestic and foreign prices for all types, except vegetable oils, has decreased due to a more significant increase in world prices.

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



Source: BNS ASPR, UN FAO, NBKs calculations<sup>2</sup>

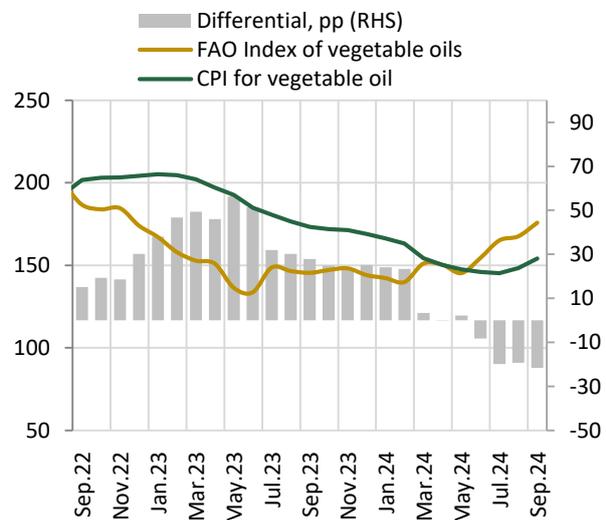
In September 2024, world grain prices increased by 3% on a monthly basis (in US dollars) after a three-month decline. This growth is due to adverse weather conditions that affected the harvest in exporting countries.

The increase in world prices, together with the weakening of the tenge by 0.3% in September 2024, with a less significant increase in domestic prices for processed grain products (bakery products, cereals, flour), led to a reduction in the price differential between domestic and foreign prices expressed in tenge (Graph 5).

In September 2024, world prices for vegetable oils increased significantly by 4.6% compared to the previous month (in US dollars), continuing to outpace the growth rate of domestic prices.

The widening of the differential between world and domestic prices for vegetable oils is due to a more significant increase in the cost of products on the world market compared with the domestic one (Graph 6).

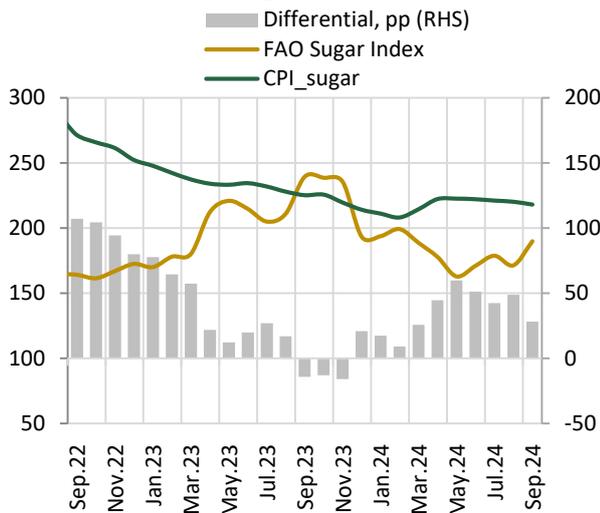
Graph 6. Vegetable oils, 2019 Dec. = 100



Source: BNS ASPR, UN FAO, NBKs calculations

<sup>2</sup> Here and in the following graphs 6,7,8 calculations are made using the average monthly exchange rate of tenge to the US dollar

Graph 7. Sugar, 2019 Dec. = 100



Source: BNS ASPR, UN FAO, NBKs calculations

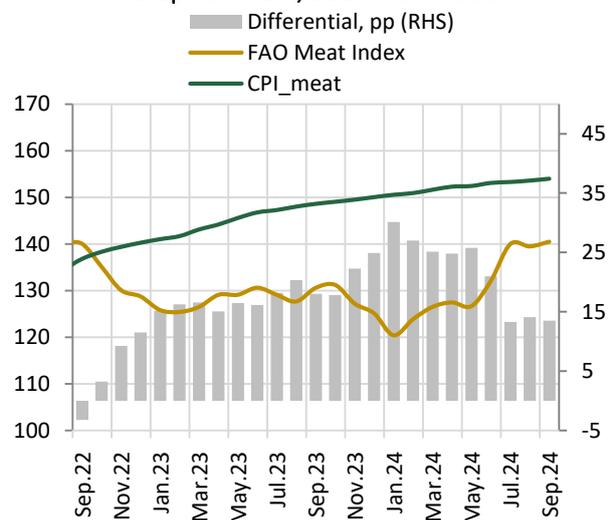
Global sugar prices in September 2024 increased by 10.4% (in US dollars) compared to the previous month amid concerns about a reduction in supply.

As a result of a significant increase in sugar prices on the world market, the discrepancy between domestic and foreign prices has significantly decreased (Graph 7).

World meat prices increased by 0.4% compared to the previous month (in US dollars), due to an increase in demand for poultry meat.

A less significant increase in consumer prices for meat in Kazakhstan in September this year, combined with an increase in world quotations and a weakening of the tenge, helped to reduce the price gap between domestic and foreign meat prices (Graph 8).

Graph 8. Meat, 2019 Dec. = 100



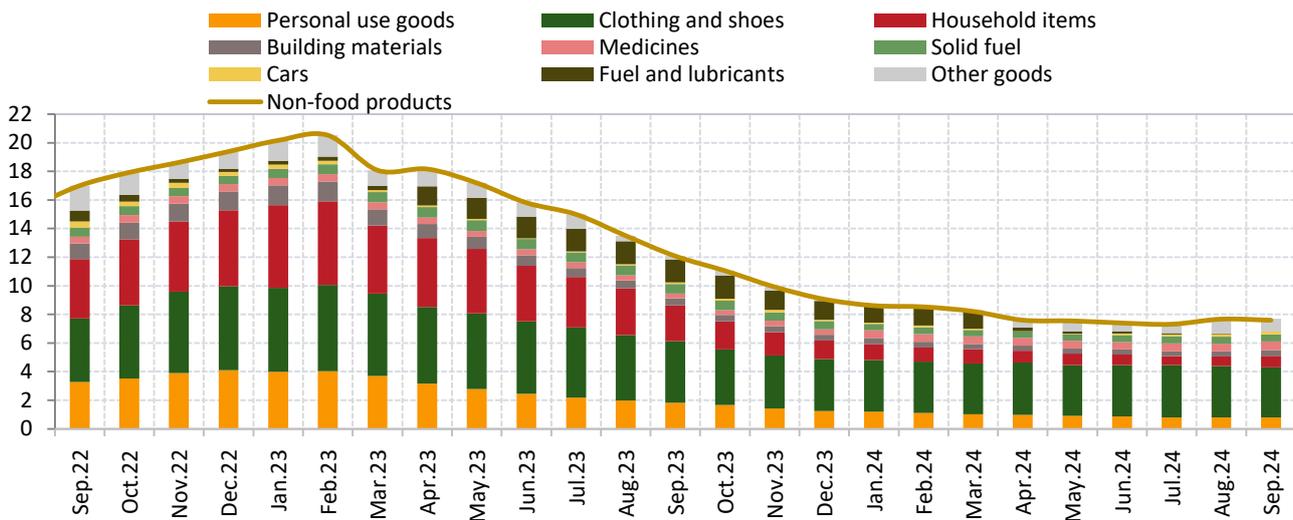
Source: BNS ASPR, UN FAO, NBKs calculations

### Non-food inflation

In September 2024, the annual price growth for non-food goods slowed to 7.6% (down from 7.7% in August 2024). Within the category of goods, disinflationary processes were observed in the markets for clothing, footwear, and personal items (Graph 9). Additionally, the prices of fuel and lubricants, which have increased by only 0.2% since the beginning of 2024, exert a further downward influence on annual non-food inflation.

Conversely, the acceleration of annual price growth for household items and automobiles is contributing upward pressure on the non-food component of inflation.

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



Source: BNS ASPR RK, calculations of the NB RK

In September 2024, the monthly price growth for non-food goods slowed to 0.6% (down from 0.8% in August 2024). The most significant contribution to the deceleration of monthly non-food inflation came from a reduction in the growth rate of prices for audiovisual equipment, which decreased by 6%. Additional disinflationary effects were observed in the prices of personal electronic devices (-10.8%), glassware, cutlery, and household items (-2.6%), as well as household appliances (-1.5%).

Conversely, there was an acceleration in the price growth of solid fuels (2.6%), pharmaceuticals, medical equipment, and devices (0.9%). The rise in solid fuel prices is typical for September due to the onset of the heating season. The acceleration in medication prices is associated with increases in producer prices for pharmaceutical products and medical supplies.

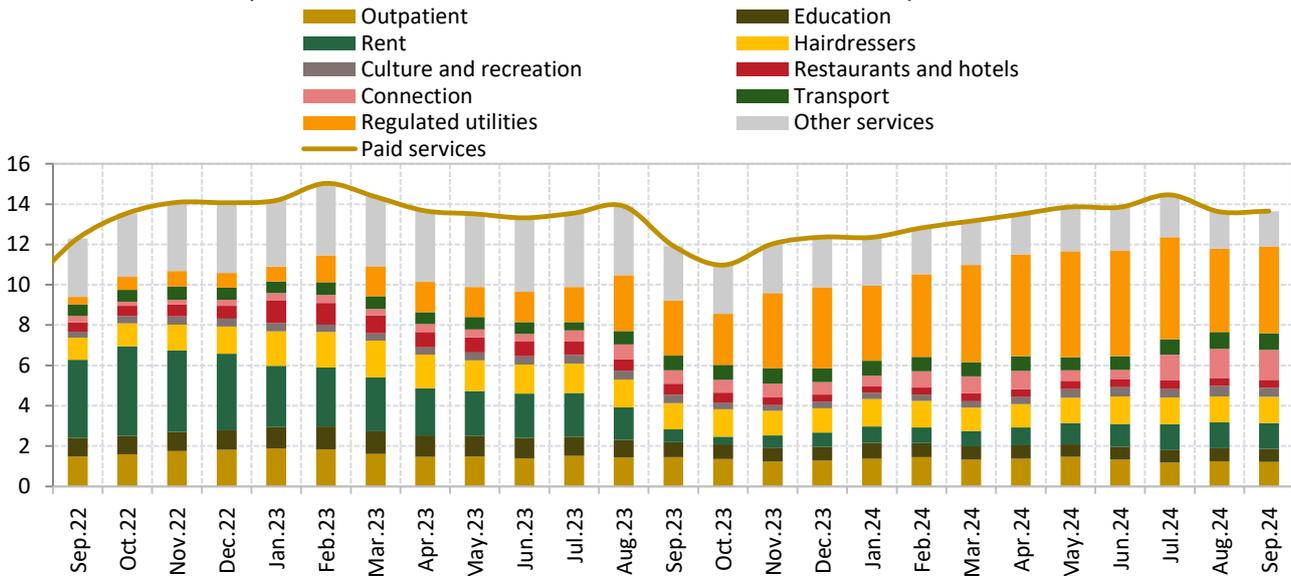
### Service inflation

In September 2024, the annual growth rate for services remained unchanged from the previous month at 13.6% (Graph 10). The monthly price growth for services slowed to 1% compared to 1.1% in August.

Among services, there was a deceleration in the monthly price growth rates for communication services (0.2% in September, down from 2.3% in August) and outpatient services (0.4% in September, down from 0.8% in August). Additionally, prices for hospital services decreased by 1.6%, and transportation services declined by 0.1%.

Conversely, the monthly growth rates for certain market services exerted upward pressure on inflation. Notably, the growth rate for educational services accelerated to 6.3% in September (up from 0.3% in August 2024). This increase is attributed to the seasonal rise in education costs associated with the beginning of the academic year in educational institutions.

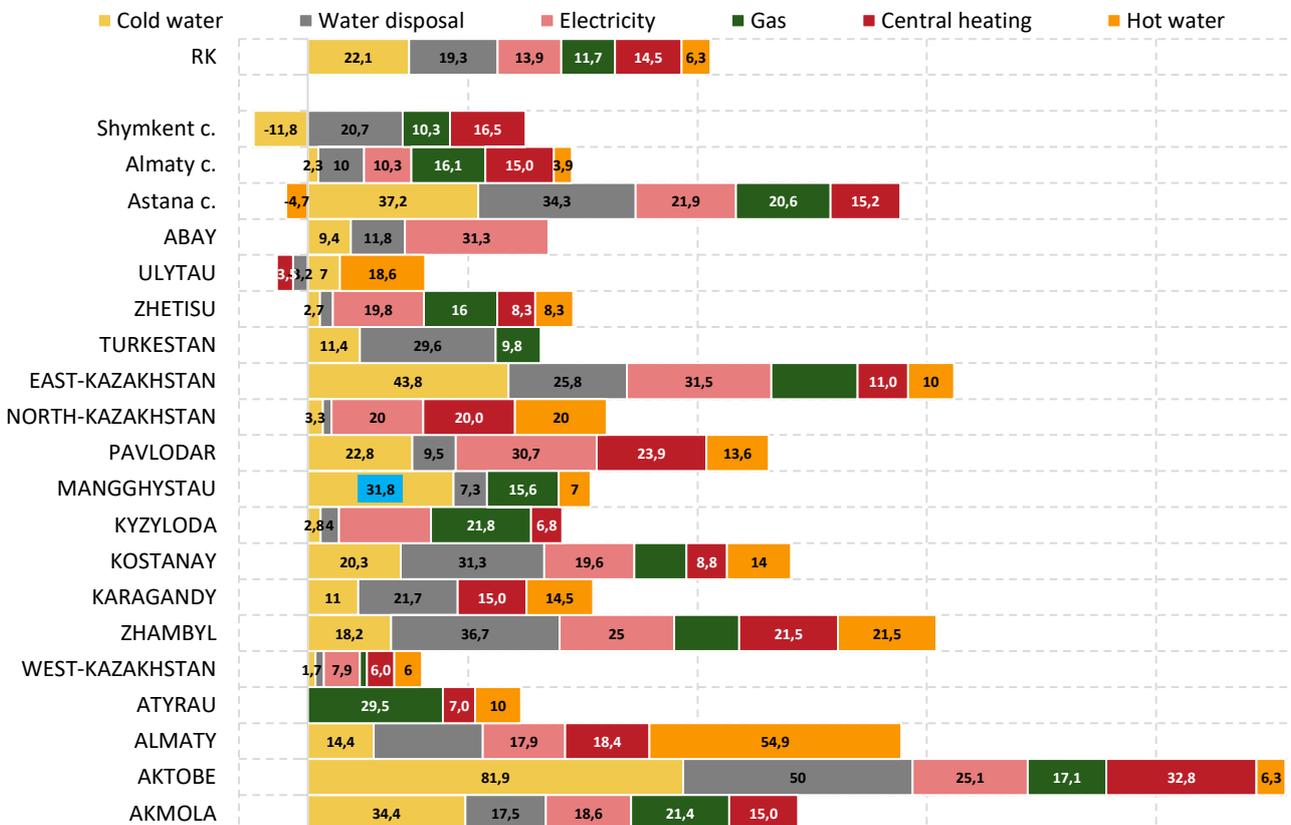
Graph 10. Contribution of services to the annual inflation of paid services, %



Source: BNS ASPR RK, calculations of the NB RK

In September 2024, the monthly growth rates for tariffs on regulated housing and communal services slowed compared to the previous month, recording an increase of 1.2% in September, down from 1.9% in August. However, on an annual basis, this indicator accelerated from 22.9% in August to 23.8% in September. During September 2024, tariffs for water supply increased by 6.2%, for electricity by 1.2%, for wastewater services by 1.1%, and for gas by 0.1%. Tariffs for hot water and central heating remained unchanged (Graph 11).

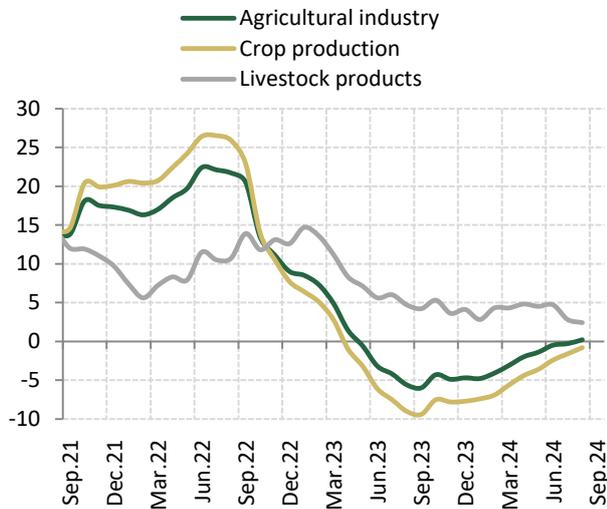
Graph 11. Growth of prices for regulated housing and communal services by region, Jan-Sep 2024, %



Source: BNS ASPR RK, calculations of the NB RK

In September 2024, the growth of producer prices for agricultural products continued, driven by rising costs in crop production. In the manufacturing sector, producer prices increased due to the higher costs of intermediate and capital goods. Additionally, in the services sector, tariffs for cargo transportation by rail and air continued to rise.

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



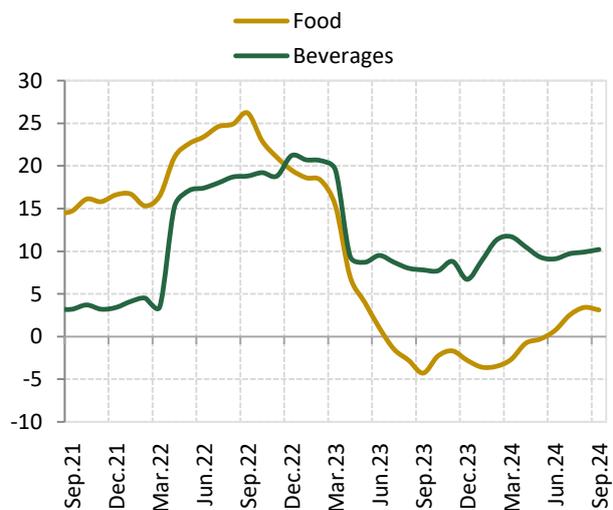
Source: BNS ASPR RK

In September 2024, producer prices for agricultural products increased by 0.4% year-on-year. The deceleration of deflation in crop production occurs amid rising prices for wheat; however, prices for feed grains continued to decline. Additionally, the cost of corn has also decreased.

In the livestock sector, the growth rate of prices slowed to 1.7% year-on-year, driven by a decrease in poultry prices and a slowdown in the price growth of cattle. At the same time, there has been an annual increase in producer prices for eggs and raw milk (Graph 12).

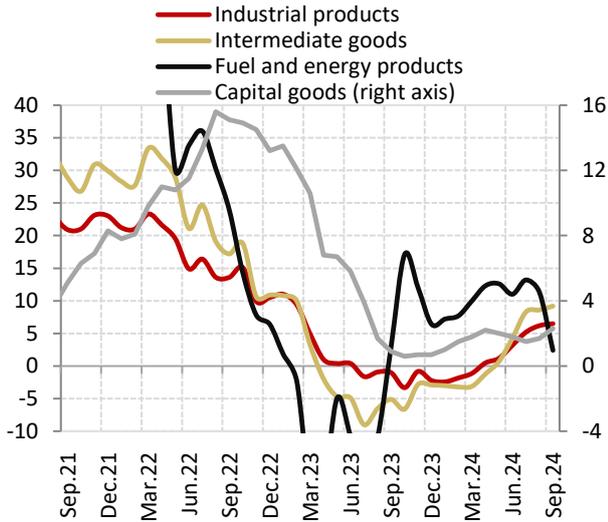
In the manufacturing sector, producer prices for food products and beverages increased by 3.1% and 10.2% year-on-year, respectively. Among food items, prices for dairy products have risen, while the increases in the prices of baked goods, pasta, flour products, and grain mill products have slowed. Additionally, the decline in producer prices for animal feed, oils, and fats continues to decelerate. Notably, producer prices for sugar decreased by 13.1% on a year-on-year basis.

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



Source: BNS ASPR RK

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

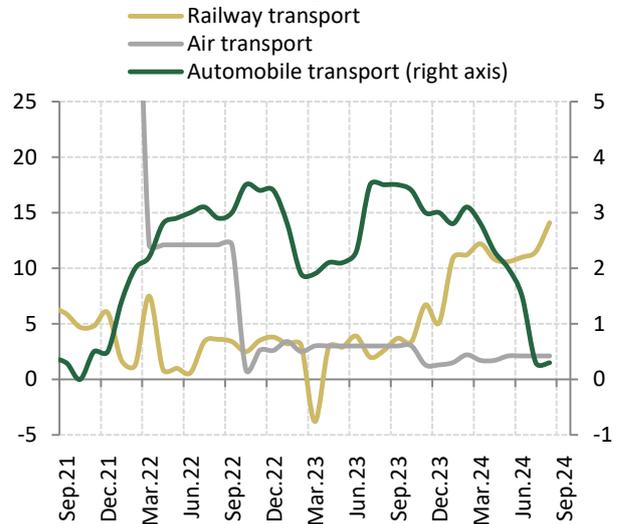


Source: BNS ASPR RK

In September 2024, the increase in tariffs for cargo transportation by rail continued, reaching 13.3% year-on-year. The cost of transporting goods by air remained unchanged, while transportation by road increased by 0.4% year-on-year (Graph 15).

In the structure of non-food goods, the growth rate of prices for fuel and energy products has slowed to 2.4% year-on-year. Prices for intermediate goods increased by 9.2% year-on-year, while industrial services rose by 7.6% year-on-year. However, the price increases for capital goods, construction materials, and durable goods are occurring at a slower pace (Graph 14).

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



Source: BNS ASPR RK