



NATIONAL BANK OF KAZAKHSTAN



INFLATION TRENDS

October 2024

The annual inflation rate accelerated again in October 2024, reaching 8.5%.

The rate of price growth for food products continued to slow in year-on-year terms, due to deflation in producer prices in agriculture and disinflation in the year-on-year growth of producer prices for food products.

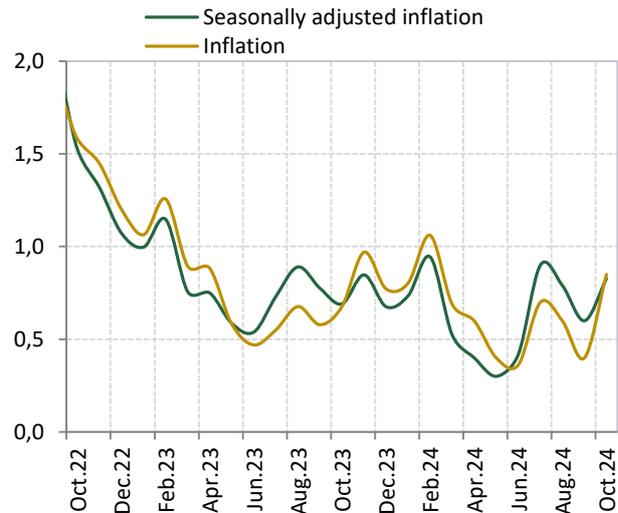
Non-food inflation increased amid sustained consumer demand and rising import prices, driven by the depreciation of the nominal exchange rate of the tenge. At the same time, weak growth in fuel prices exerted a disinflationary effect on consumer prices.

Service inflation accelerated in year-on-year terms. The main drivers of the increase were rising tariffs for regulated housing and communal services. Additionally, there was a rise in prices for certain market services.

In October 2024, the annual inflation rate accelerated to 8.5% (from 8.3% in September 2024). Monthly price growth also picked up compared to the previous month, reaching 0.9% (up from 0.4%). The average historical growth for October from 2017 to 2021 was 0.7%.

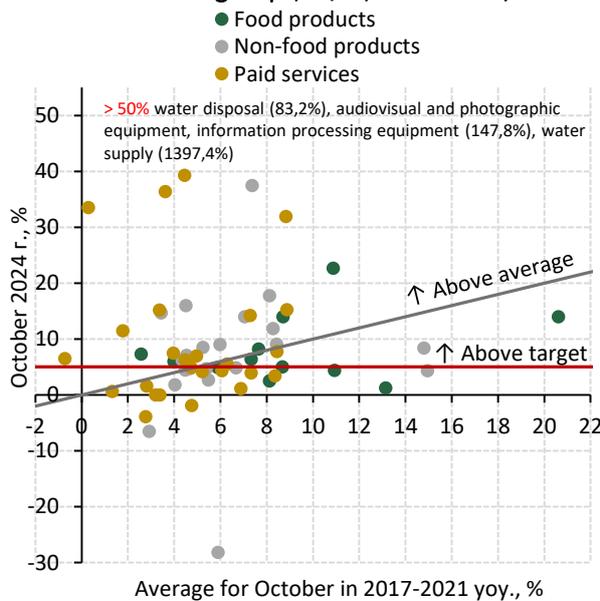
The seasonally adjusted inflation rate also accelerated in monthly terms, rising to 0.83% (from 0.63%) (Graph 1).

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, %



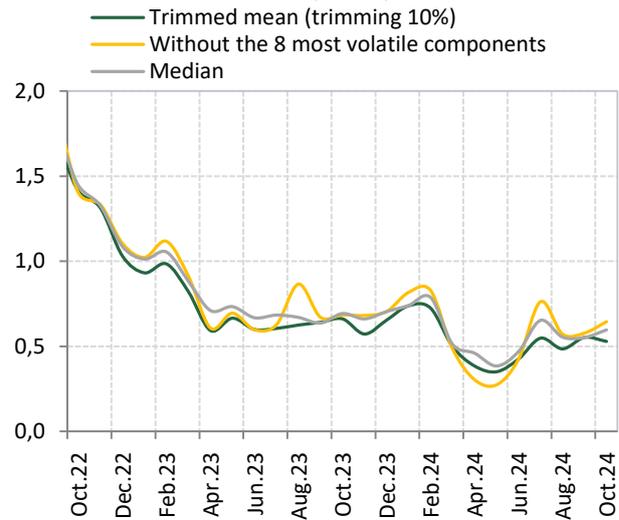
Source: BNS ASPR RK, calculations of the NB RK

In the structure of seasonally adjusted inflation, there is an acceleration in the non-food and services components. Despite the slowdown in non-food inflation, the annualized growth still remains above the target inflation rate of 5% (Graph 2).

Taking into account seasonal adjustments, a monthly price increase was recorded for oils and fats, fish and seafood, household appliances, audiovisual equipment and cameras, information processing equipment, medicines and medical equipment, water supply, sewage, as well as transport and communication services.

The median estimate of seasonally adjusted core inflation, calculated using different methods¹, also accelerated, reaching 0.60% on a monthly basis, compared to 0.55% in the previous period. At the same time, in October 2024, the range of seasonally adjusted core inflation estimates widened slightly, indicating an increase in the volatility of inflationary processes (Graph 3).

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

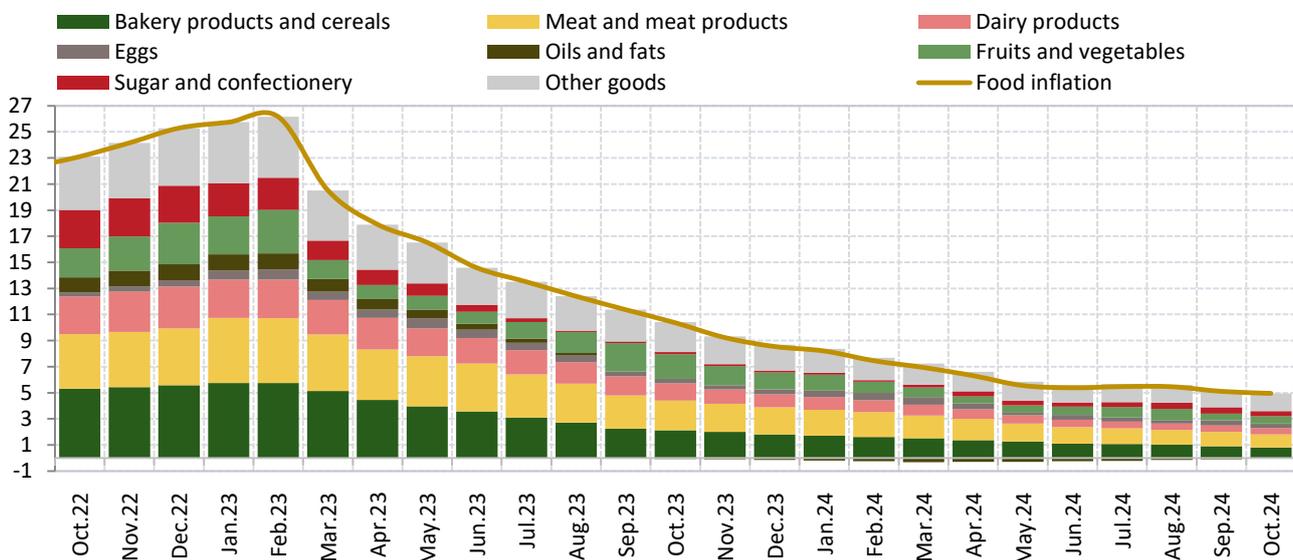


Source: BNS ASPR RK, calculations of the NB RK

Food inflation

In October 2024, the annual price growth rate for food products slowed to 4.9%. The slowdown in the price growth of eggs, sugar and confectionery products, meat and meat products, bakery goods, and cereals were the main factors contributing to the disinflationary effect. At the same time, oils and fats, fruits and vegetables, coffee, tea, and cocoa contributed to the inflationary pressure on annual food inflation (Graph 4).

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



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 internet-resource of the National Bank.

In October 2024, the monthly price growth for food products was 0.4% (compared to 0% in September 2024). The upward pressure on monthly food inflation came from price increases for eggs, as well as oils and fats, fish, and seafood. At the same time, the ongoing deflation in fruit prices, along with a decrease in prices for sugar, jam, honey, chocolate, and confectionery products, exerted downward pressure on food inflation dynamics.

One of the main sources of upward pressure on monthly food inflation was the continued rise in egg prices, which increased by 3.2% (down from 6% in September 2024). The primary factor behind this price increase was a significant rise in producer prices for eggs in agriculture. Additionally, upward pressure on consumer food inflation came from the continued increase in prices for oils and fats, which rose by 1.7% in October 2024 (compared to 1.8% in September 2024). This price increase occurred against the backdrop of rising producer prices for oils and fats, driven by higher sunflower prices in agriculture. Furthermore, global price increases for oil added additional upward pressure on the cost of oils and fats.

The monthly price growth for meat in October 2024 was 0.2%. The largest increase in this category was observed in poultry meat, which rose by 0.4% over the month. The increase in chicken meat prices was linked to a significant rise in producer prices for agricultural products. Price growth for other types of meat remains moderate.

Items contributing to the downward pressure on monthly food inflation include fruits, sugar, jam, honey, chocolate, and confectionery products. In October 2024, fruit prices decreased by 1.1%. Among the fruits, the main drivers of this downward trend were grapes (-5.7%), apples (-3.4%), and pears (-2.2%). At the same time, price increases were recorded for kiwis (7.8%), lemons (7%), oranges (6.7%), and bananas (2.4%).

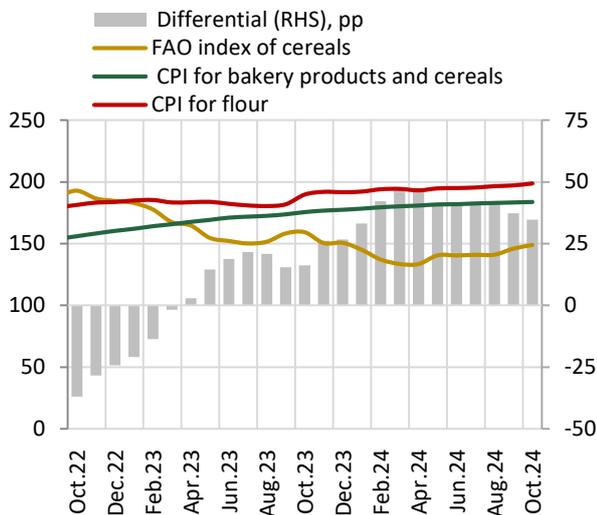
In the vegetable category, there was a decrease in prices for carrots (-10%), beets (-3.2%), onions (-2.8%), and potatoes (-2.1%). This decrease is seasonal and is associated with the harvest. However, vegetable prices increased by 0.7% on a monthly basis, marking the first increase in vegetable prices since March 2024. The most notable price increases were seen in cucumbers (9.7%), tomatoes (8.6%), cauliflower (6.9%), and garlic (6.8%).

Consumer prices for sugar in October 2024 decreased by 1.6%. This marks the fifth consecutive month of price declines, due to falling producer prices for sugar. However, considering that approximately 72% of sugar is imported (according to data from January to August 2024), the recent rise in global sugar prices over the past two months may lead to an increase in its cost in the future.

Internal and external food prices

In October 2024, the trend of domestic prices exceeding external prices for all major types of food, with the exception of vegetable oils, continued. At the same time, for all types, except vegetable oils, there is a reduction in the differential between internal and external prices.

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



Source: BNS ASPR, UN FAO, calculations of the NB RK²

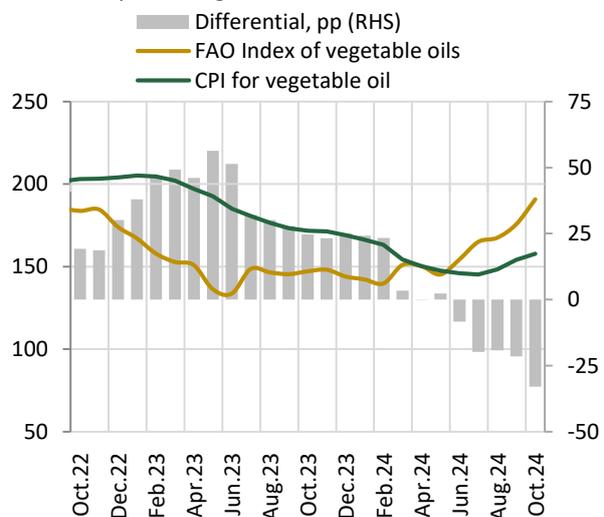
In October 2024, world prices for vegetable oils rose by 7.3% compared to the previous month (in US dollars) (growth of 27.3% y/y). World prices for vegetable oils have peaked in the last two years. Quotations for all types of oils have increased.

Despite the rise in the price of vegetable oils in Kazakhstan over the past few months, the increase in world oil prices significantly exceeds the growth rate of domestic prices. This led to an increase in the price differential between external and internal prices. Along with this, the weakening of the nominal exchange rate of tenge in October 2024 contributed to the expansion of the price differential for oils (Graph 6).

World grain prices continued to rise for the second month in a row and in October 2024 increased by 0.8% on a monthly basis (in US dollars) (decrease by 8.3% y/y). At the same time, the current price level remains below the level of last year.

A faster increase in world grain prices, along with a weakening of the nominal exchange rate of tenge in October 2024, led to a reduction in the price differential between domestic and foreign prices expressed in tenge (Graph 5).

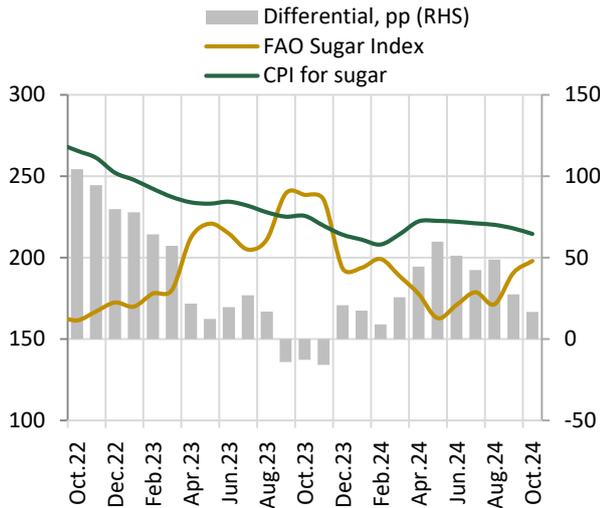
Graph 6. Vegetable oils, 2019 Dec. = 100



Source: BNS ASPR, UN FAO, calculations of the NB RK

² 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, calculations of the NB RK

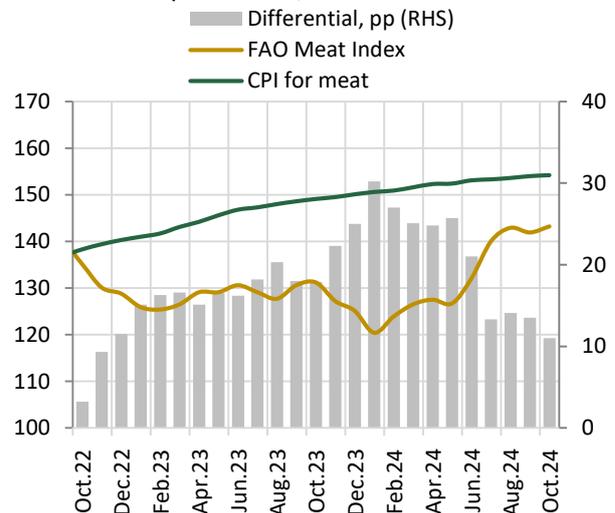
World sugar prices in October 2024 increased by 2.6% compared to the previous month (in US dollars) amid concerns about a reduction in supply (a decrease of 18.6% y/y).

The growth of world sugar prices expressed in tenge in October 2024 accelerated significantly as a result of both the rise in price of sugar on the world market and the weakening of the tenge exchange rate. Thus, with the slowdown in the growth of sugar prices within the country, the discrepancy between domestic and foreign prices has decreased (Graph 7).

World meat prices decreased by 0.3% compared to the previous month (in US dollars), which is due to a reduction in the cost of pork and poultry meat (an increase of 7.5% y/y).

The weakening of the tenge against the US dollar in October 2024, coupled with lower prices on the world market and a slight increase in domestic consumer prices for meat, contributed to a slight reduction in the price gap between domestic and foreign meat prices (Graph 8).

Graph 8. Meat, 2019 Dec. = 100

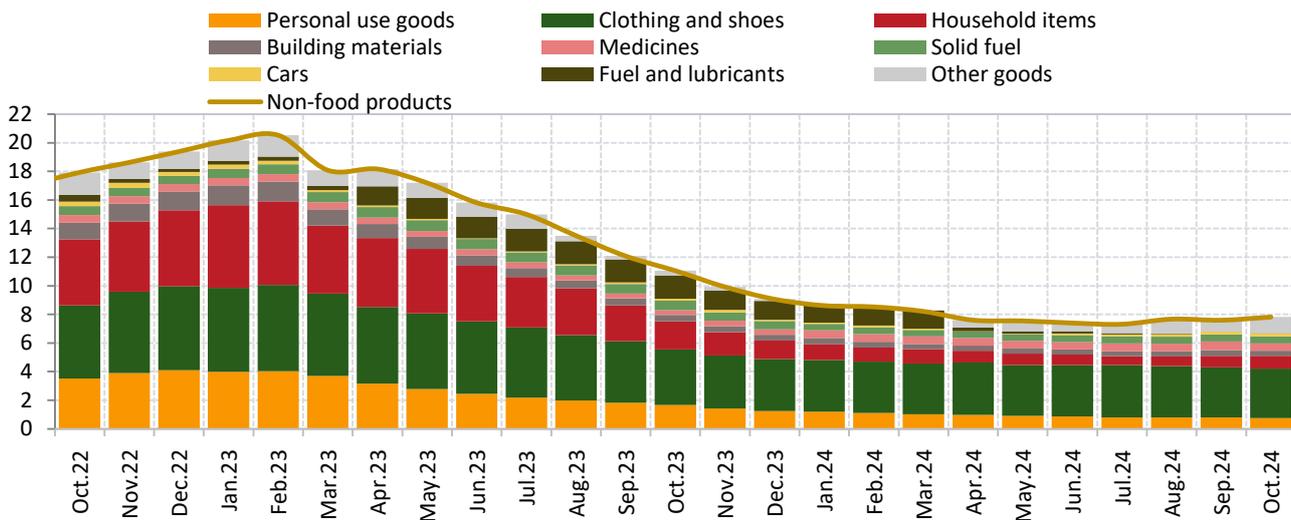


Source: BNS ASPR, UN FAO, calculations of the NB RK

Non-food inflation

In October 2024, the annual price growth for non-food goods accelerated to 7.8% (up from 7.6% in September 2024). Within the structure of non-food products, there was an acceleration in the annual price growth for audiovisual equipment and cameras, information processing equipment, footwear, household appliances, household items, and automobile spare parts. At the same time, disinflation was observed in clothing, furniture, household goods, automobiles, and personal care products and appliances. Annual deflation was recorded for glassware, tableware, household utensils, and personal electric appliances (Graph 9).

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



Source: BNS ASPR RK, calculations of the NB RK

In October 2024, the monthly price growth for non-food goods accelerated to 1% (up from 0.6% in September 2024). The largest contribution to this acceleration came from price increases for audiovisual equipment and cameras, as well as information processing equipment (7.8%), particularly for televisions (10%), laptops (7.8%), and tablets (7.7%). Additionally, there was a price increase for household appliances (2.6%), including kitchen stoves (8.3%), refrigerators (7.7%), and washing machines (6.2%). The price increases for these items are linked to the ongoing price adjustments in response to the depreciation of the nominal exchange rate of the tenge.

Furthermore, a significant monthly price increase was recorded for footwear (1.3%) and solid fuel (2%), driven by seasonal factors, with the exchange rate effect also contributing to the price increase for footwear.

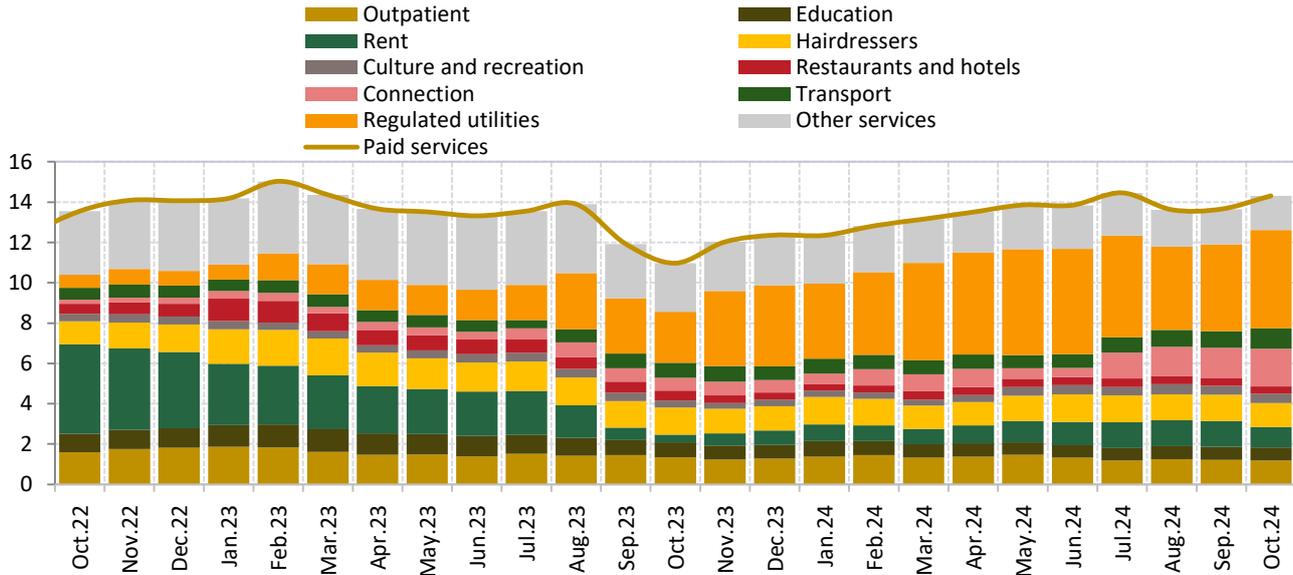
At the same time, in October 2024, there was a decrease in prices for glassware, tableware, and household utensils (down by 2.8%), as well as books and stationery (down by 0.1%).

Service inflation

In October 2024, the annual price growth for services accelerated to 14.3% (up from 13.6% in September 2024). The main contributor to the acceleration of annual inflation in services was the increase in tariffs for regulated utility services, which rose by 27% year-on-year. Additional inflationary pressure came from market services such as telecommunications (15.5% year-on-year) and transportation services (12.6% year-on-year). At the same time, most market services showed disinflationary dynamics, while insurance services recorded deflation, decreasing by 1.9% year-on-year (Graph 10).

Monthly service inflation increased by 1.4% in October 2024 (up from 1% in September 2024). The main contributor to the acceleration of monthly inflation was the rise in regulated utility services, which increased by 3.4%. Additionally, there was a price increase for telecommunications services (2.8%), particularly mobile services (5%). The increase in transportation services to 2.5% was largely driven by the higher cost of railway transport, which rose by 13%.

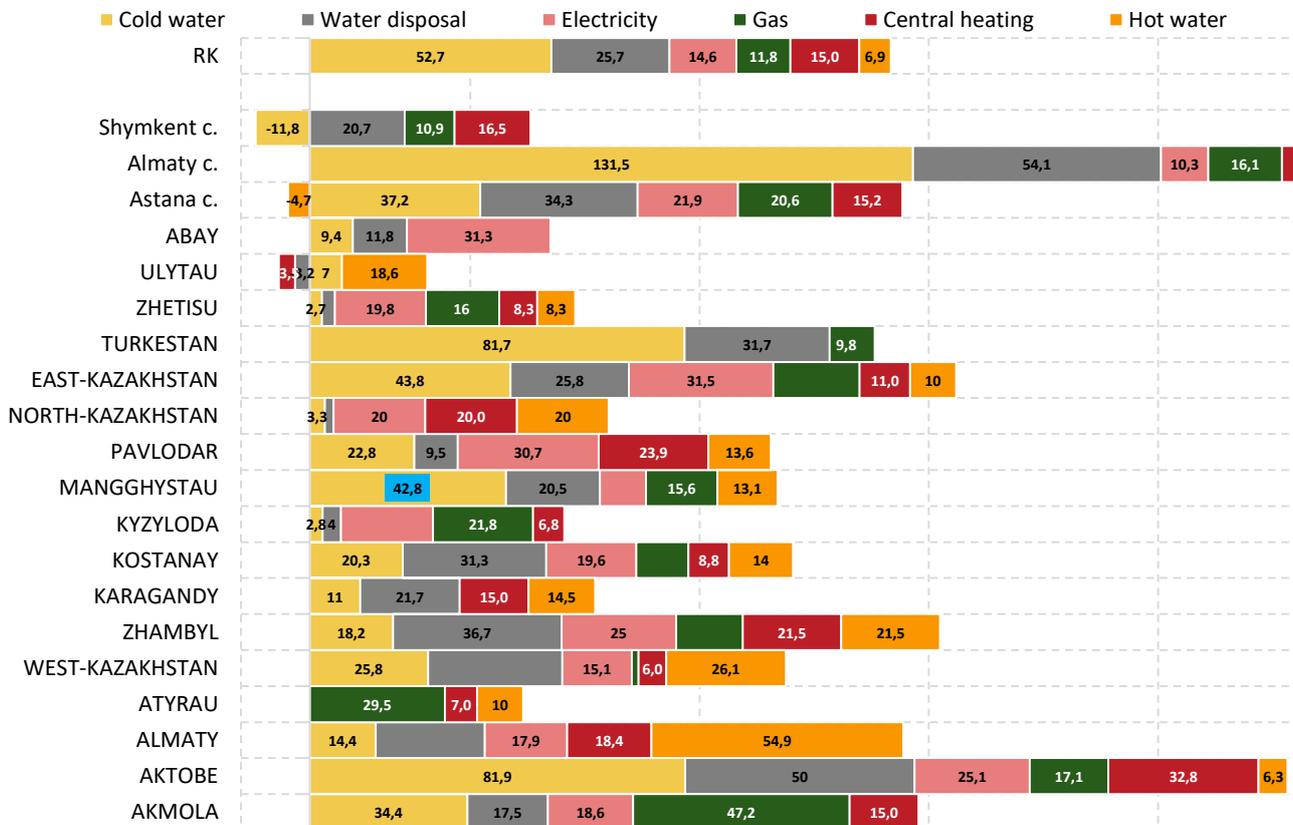
Graph 10. Contribution of services to the annual inflation of paid services, %



Source: BNS ASPR RK, calculations of the NB RK

In October 2024, the monthly growth rate of tariffs for regulated housing and communal services accelerated to 3.4% (up from 1.2% in September 2024). During October 2024, tariffs for water supply increased by 25%, wastewater disposal by 5.3%, electricity and hot water by 0.6%, central heating by 0.5%, and gas by 0.1% (Graph 11).

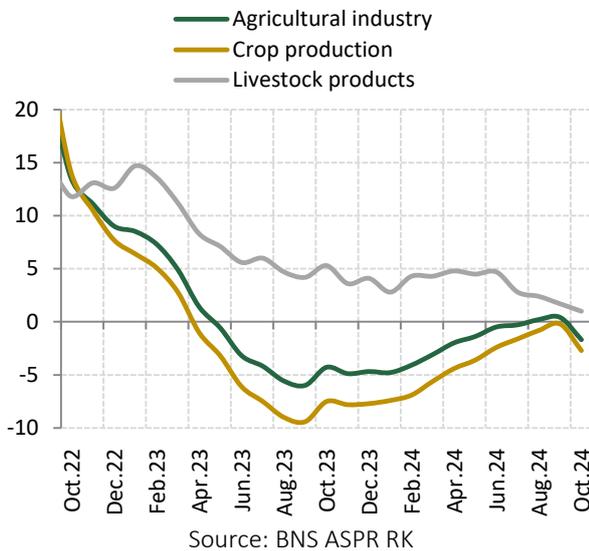
Graph 11. Growth of prices for regulated housing and communal services by region, Jan-Oct 2024, %



Source: BNS ASPR RK, calculations of the NB RK

In October 2024, prices of agricultural producers decreased as a result of cheaper crop production, which led to a slowdown in food price growth. Import prices for consumer and intermediate goods continued to rise against the background of a weakening of the nominal exchange rate of tenge against the US dollar. In the service sector, tariffs for the transportation of goods by rail and air continued to rise.

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



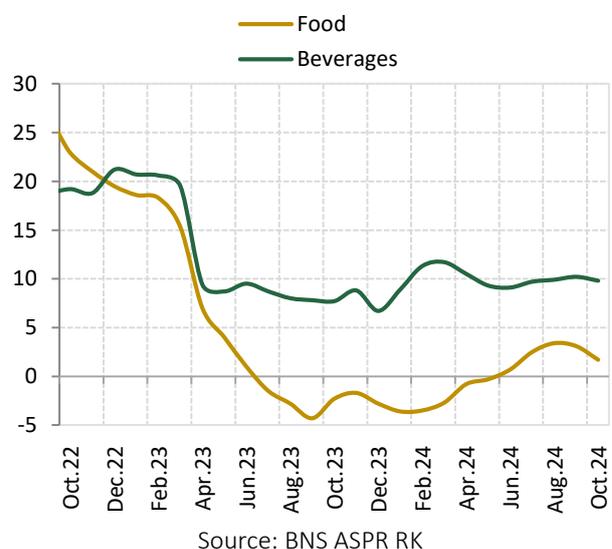
The decline in prices for agricultural products has led to a slowdown in the growth of food producer prices. Thus, the decrease in wheat prices affects the slowdown in the price growth of producers of most carbohydrate products. Nevertheless, an increase in tariffs for electricity and water supply may lead to an increase in final prices.

The increase in prices of beverage manufacturers is facilitated by the continued rise in the cost of locally produced glass products and the increase in prices for imported containers for storing liquids made of glass and plastic.

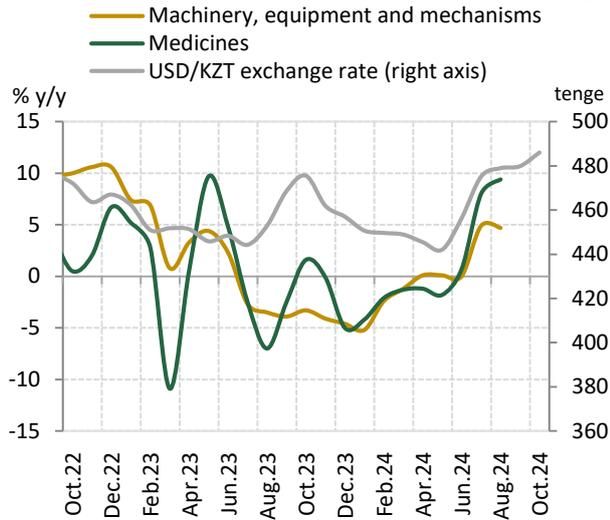
Animal husbandry products are becoming more expensive at a lower rate against the background of a slowdown in the growth of livestock prices and a reduction in poultry prices (Graph 12). The ban on the import of chicken eggs exerts upward pressure on animal husbandry products, which could affect the increase in egg prices in September and October of this year (by 7.3% and 5.4% y/y, respectively).

Producer prices of crop production decreased in annual terms as a result of lower wheat prices. This was facilitated by an increase in grain stocks in the context of higher harvest rates this year. At the same time, grain storage tariffs continued to grow.

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



Graph 14. Import prices for consumer goods and the nominal exchange rate of the US dollar to tenge



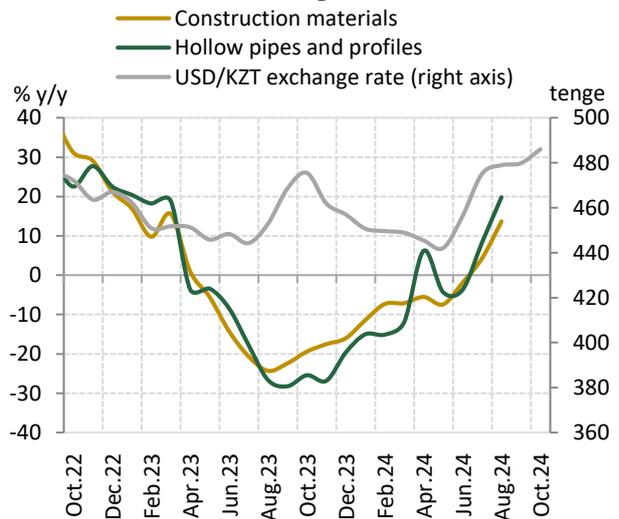
Source: BNS ASPR RK

Among the intermediate goods, building materials have risen in price, in particular bricks, slabs, glass and glass products, cement and gypsum. In January-August of this year, the share of imports of clay bricks and tiles, as well as gypsum, amounted to 36.9% and 32.8%, respectively. Imported products also account for 46.4% of building glass and 77.1% of ceramic slabs. Thus, an increase in the cost of imported materials may lead to an increase in costs in the construction sector (Graph 15).

The weakening of the nominal exchange rate of tenge in June this year led to an acceleration in the growth of import prices. In August of this year, import prices for telephones, refrigerators, washing machines, printers, sanitary and household appliances increased.

The price of imported medicines continues to rise, the share of which in domestic consumption significantly exceeds the volume of local production. An increase in prices for imported equipment can lead to an increase in production costs and an increase in the cost of manufactured products (graph 14).

Graph 15. Import prices for intermediate goods and the nominal exchange rate of the US dollar to tenge

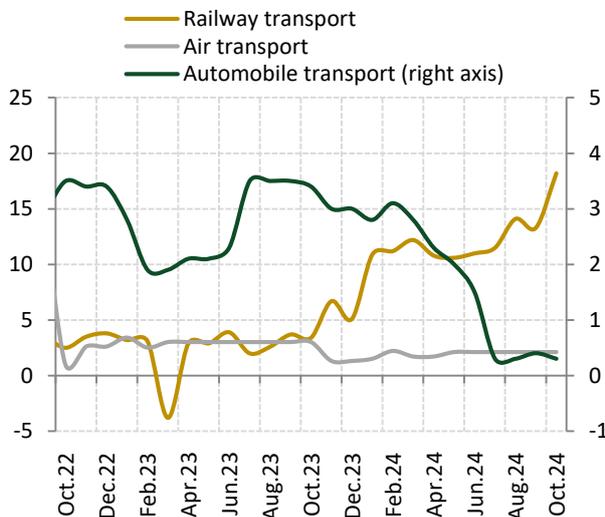


Source: BNS ASPR RK

The increase in the cost of tariffs for the transportation of goods by rail in October 2024 continued, amounting to 18.2% y/y. The increase in tariffs is associated with the renewal of the wagon fleet and an increase in wages for employees.

The cost of transporting goods by air remained unchanged, while transportation by road increased in price by 0.3% y/y (Graph 16).

Graph 16. Tariffs for cargo transportation, y/y, %



Source: BNS ASPR RK