



NATIONAL BANK OF KAZAKHSTAN



INFLATION TRENDS

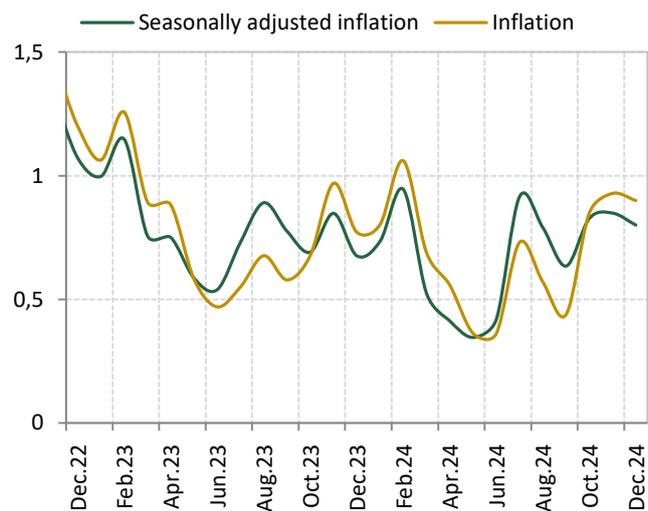
December 2024

In December 2024, annual inflation accelerated to 8.6%. The increase in the annual inflation rate for food products was driven by a significant monthly rise in the prices of certain food items, as well as a general increase in prices across a wide range of food products. Annual non-food inflation also accelerated, supported by sustained consumer demand and the depreciation of the nominal exchange rate. Meanwhile, service inflation in annual terms remained unchanged. This stability resulted from a deceleration in the growth of regulated housing and utility tariffs, which was offset by an increase in the cost of certain market-based services.

In December 2024, the annual inflation rate accelerated to 8.6% (8.4% in November 2024). The monthly price growth remained unchanged from the previous month at 0.9%.

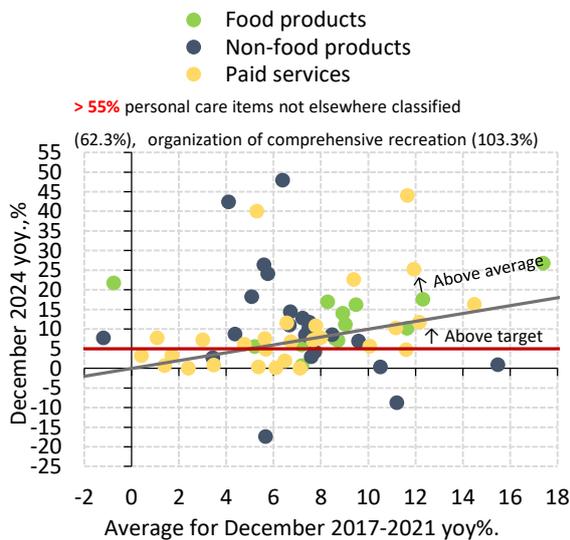
The seasonally adjusted inflation rate showed a slight deceleration, reaching 0.81% compared to 0.85% in the previous month (Graph 1).

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

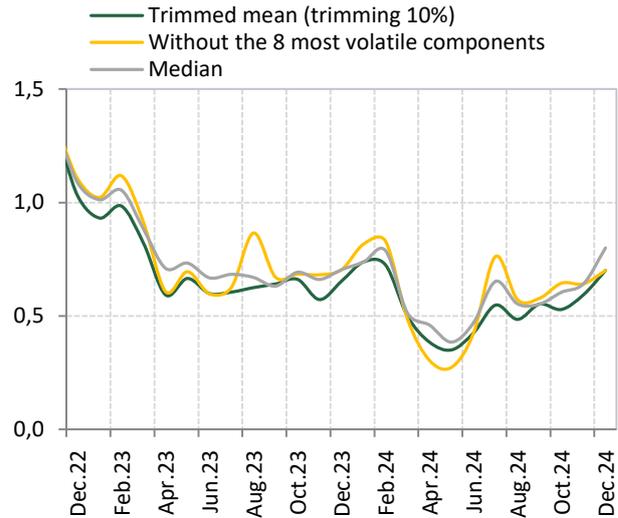
In the structure of seasonally adjusted inflation, there was an acceleration in the non-food component, reaching 0.8%. At the same time, the growth rate of the food component of inflation decelerated after a significant acceleration in the previous month (from 0.9% to 0.7%).

Seasonally adjusted price growth in the service component remained unchanged at 0.9%.

With seasonal adjustments, there was a notable increase in prices for personal electronic devices, personal care items, oils and fats, vegetables, organization of comprehensive recreation, hotels, and housing rentals (Graph 2).

In December 2024, the median estimate of seasonally adjusted core inflation, calculated using various methods¹, continued to accelerate, reaching 0.78% on a monthly basis and 9.83% on an annualized basis. The fourth consecutive month of acceleration in this indicator reflects rising prices in the stable components of inflation and the persistence of significant inflationary pressures (Graph 3).

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

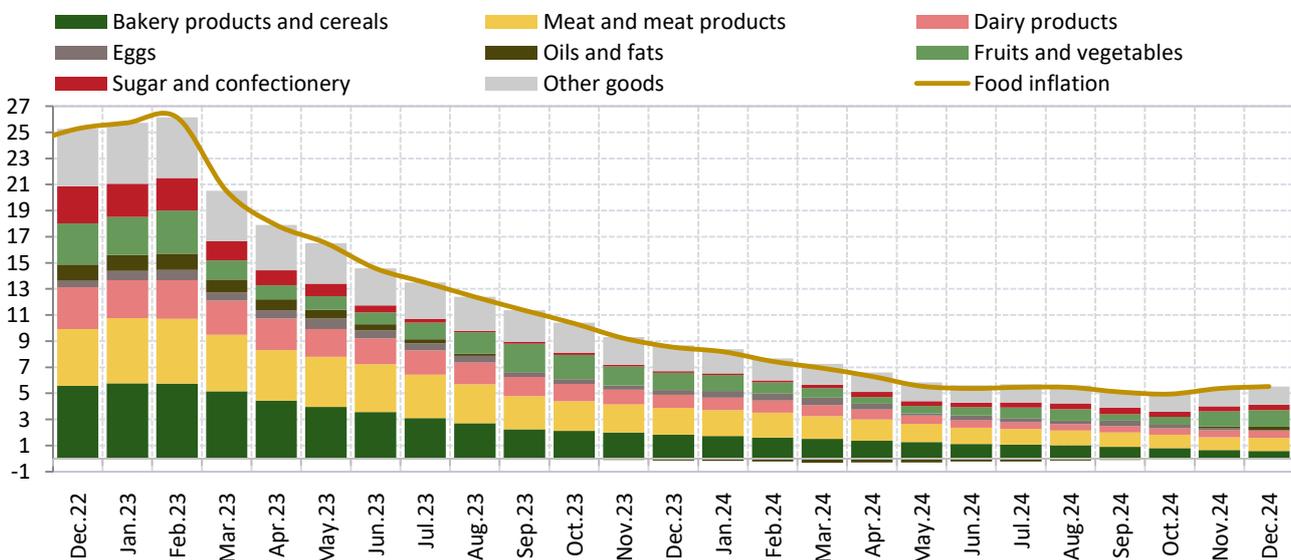


Source: BNS ASPR RK, calculations of the NB RK

Food inflation

In December 2024, the annual growth rate of food prices accelerated to 5.5% (5.4% in November 2024). The primary inflationary contributors to this component were the rising prices of fruits, vegetables, and oils and fats. At the same time, the continued deceleration of annual inflation for bread and bakery products, cereals, fruits, and eggs emerged as the main disinflationary factors (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 December 2024, the monthly growth rate of food prices remained unchanged from the previous month at 1.1%. The monthly growth rates for vegetables, oils and fats slowed compared to the previous month, reducing their impact on overall price growth. However, higher price increases for other food products in December 2024 counteracted this effect. As a result of these opposing trends, the monthly food inflation remained at the same level.

Despite the slowdown, vegetables continued to make the largest contribution to monthly food inflation, with prices rising by 8.7% in December 2024 (11.3% in November 2024). The main drivers behind the increase in vegetable prices were cucumbers, which rose by 31.3%, and tomatoes, which became 13.2% more expensive. The price increase is linked to the continued rise in producer prices in agriculture. There were also monthly price increases for cauliflower (11.8%), sweet peppers (10.4%), potatoes (6.6%), garlic (5.4%), white cabbage (5.1%), and onions (2.6%). Notably, the potato and onion markets are facing significant price pressures due to reduced production volumes and factors such as rising costs and limited stock.

Additional pressure on food inflation came from the continued increase in prices for oils and fats, which rose by 1.9% in December 2024 (down from 2.4% in November 2024). Price increases were observed across all product categories within this group. This is linked to the rise in producer prices for oils and fats in the manufacturing industry, which in turn is driven by the higher cost of oilseed crops in agriculture. Further inflationary pressure is being exerted by the rise in global prices for vegetable oils, which amplifies the effect of these factors on the domestic market.

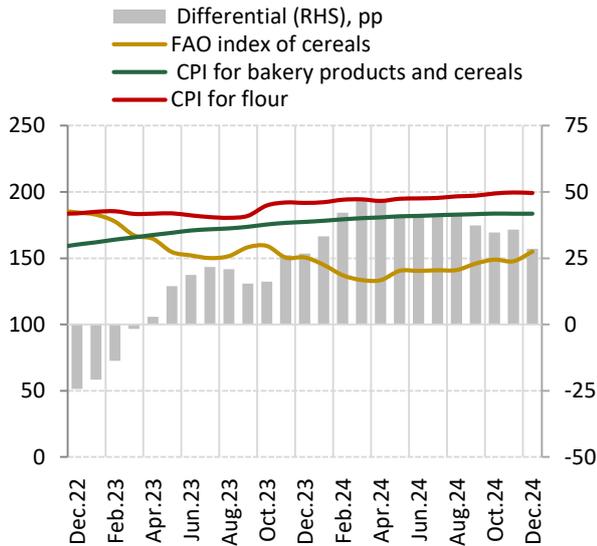
Particular attention should be given to price changes for bread and bakery products, cereals, as well as sugar, jam, honey, chocolate, and confectionery. Although prices in these groups remained stable in December 2024 (0% growth) and did not directly contribute to the increase in food inflation, their impact significantly changed. While these product groups showed a decline in prices the previous month, exerting a disinflationary effect on the food component, their effect became neutral in December 2024, which removed the deflationary factor from food inflation.

It is important to note that in December 2024, the monthly growth rates for a wide range of food products exceeded those recorded in November 2024. This indicates the presence of inflationary pressure, which is further confirmed by the acceleration of median core inflation.

Internal and external food prices

The FAO food price index decreased by 0.5% m-o-m in December 2024, while prices continued to rise by 6.7% year-on-year. At the same time, the growth in world prices for all types of food products, except for vegetable oils, remains below the growth rate of domestic prices. The weakening of the nominal exchange rate of tenge in December 2024 contributed to a reduction in the price differential between domestic and foreign prices. The discrepancy continued in the prices of vegetable oils.

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

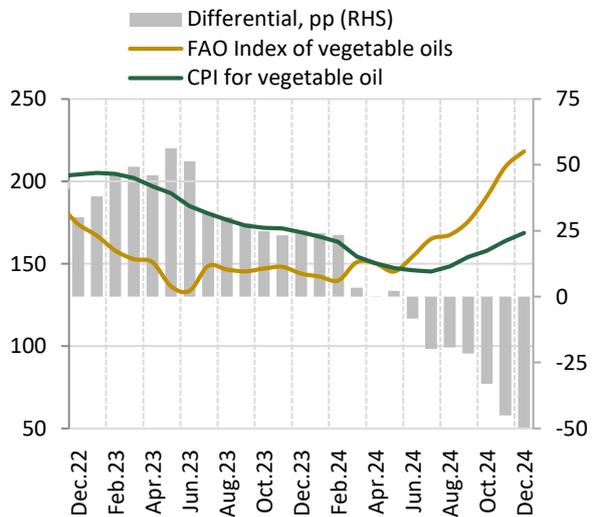


Source: BNS ASPR, UN FAO, calculations of the NB RK ²

In December 2024, global prices for vegetable oils decreased by 0.5% compared to the previous month (in US dollars), but remain above the level of the previous year (an increase of 33.5% y-o-y). The cost of all types of oils, except palm oil, has decreased due to reduced demand.

The growth of global oil prices continues to significantly exceed the growth rate of domestic prices. The weakening of the nominal exchange rate of tenge contributed to the expansion of the price differential for oils (Graph 6).

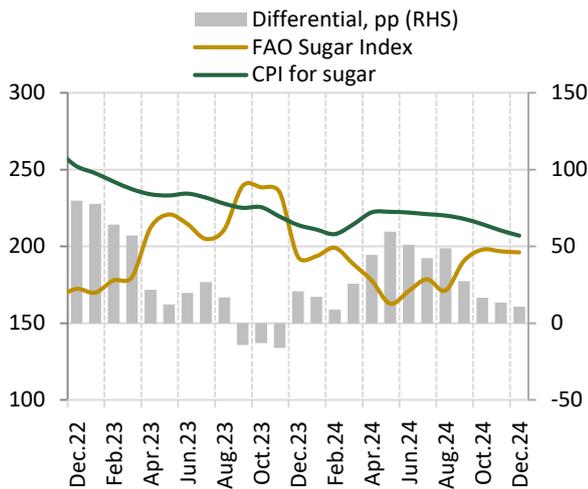
Graph 6. Vegetable oils, 2019 Dec. = 100



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



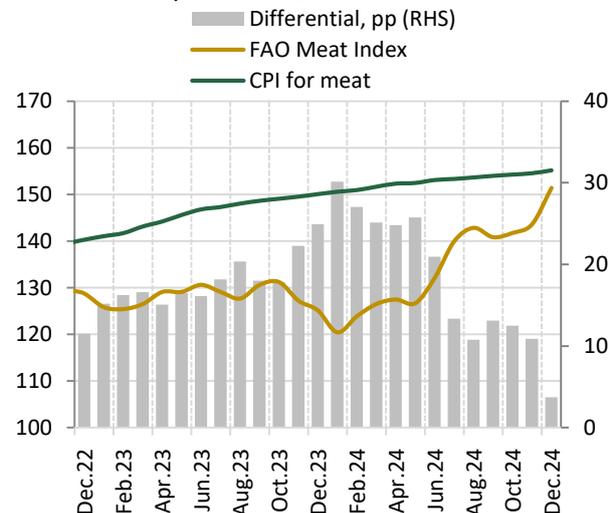
Source: BNS ASPR, UN FAO, calculations of the NB RK

Global sugar prices in December 2024 decreased by 5.1% compared to the previous month (in US dollars) (decrease by 10.6% YoY). The decrease in prices is due to an increase in the supply of sugar in Brazil and a weakening of the exchange rate of the Brazilian real against the US dollar. Given the comparable weakening of the tenge exchange rate in December 2024, the dynamics of world prices in tenge remained virtually unchanged. The decrease in domestic prices led to a reduction in the price differential (Graph 7).

Global meat prices increased by 0.4% compared to the previous month (in US dollars), but remain higher than last year (an increase of 7.1% y-o-y). The increase was associated with higher prices of beef and mutton.

The weakening of the nominal exchange rate of tenge against the US dollar, coupled with a similar increase in domestic and foreign meat prices, led to a reduction in the price differential between global and domestic meat prices (Graph 8).

Graph 8. Meat, 2019 Dec. = 100



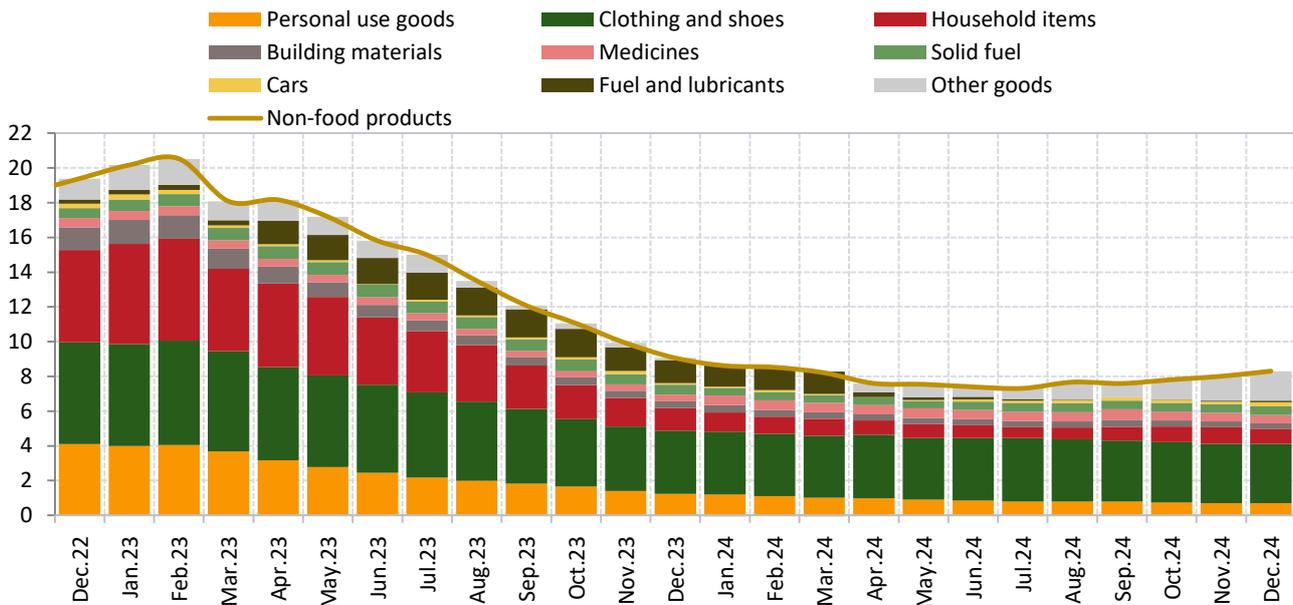
Source: BNS ASPR, UN FAO, calculations of the NB RK

Non-food inflation

In December 2024, the annual growth rate of prices for non-food goods accelerated to 8.3%, compared to 8% in November 2024. Within the non-food goods category, there was an acceleration in the annual price growth for automobiles, outerwear, and audiovisual equipment. At the same time, disinflation was observed in household items, building materials, medications, and personal goods. Annual deflation was recorded for items such as glassware, tableware, and personal electronic devices (Graph 9).

In December 2024, the monthly growth rate of prices for non-food goods accelerated to 0.8%, (0.7% in November 2024). This acceleration was driven by price increases in items such as jewelry and watches (7.2%), personal electronic devices (3.1%), tools and devices used in household and gardening activities (2.9%), and audiovisual equipment (2.1%), which exerted significant upward pressure on inflation. The increase in the cost of these goods is linked to the ongoing price adjustment to the devaluation of the nominal exchange rate of the tenge.

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



Source: BNS ASPR RK, calculations of the NB RK

At the same time, a slowdown in monthly price growth was observed in several product categories. For instance, the price increase for automobiles slowed from 1% in November to 0.1% in December, and the cost of materials for clothing production completely halted, decelerating from 0.9% to 0%. Moreover, some segments saw price decreases: glassware, tableware, and household items became 1.6% cheaper, and household appliances decreased by 0.8%. These products partially alleviated the overall price growth in the non-food sector.

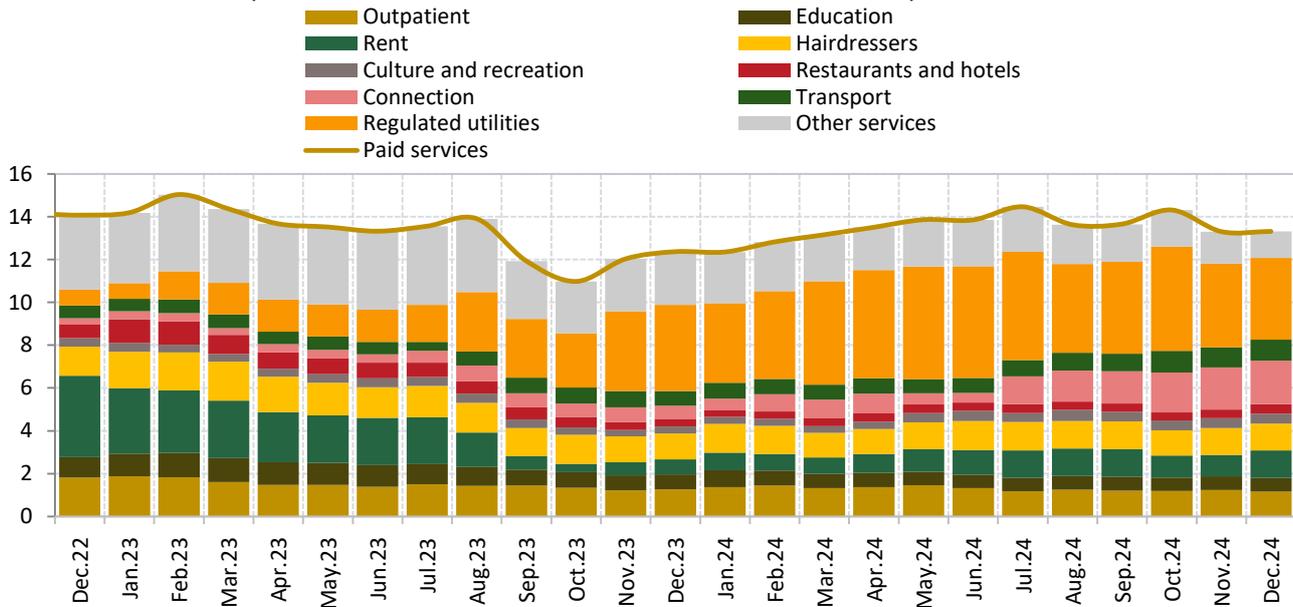
Service inflation

In December 2024, the annual growth rate of prices for services remained at 13.3%. The stability in the price growth rate was the result of a balance between factors exerting both upward and downward pressure on inflation (Graph 10). The slowdown in the annual inflation of regulated utility tariffs was offset by the acceleration in the prices of certain market services.

In monthly terms, the price growth rate also remained unchanged at 0.8%. Among market services, there was a significant increase in the prices of certain service categories. For instance, the cost of organizing complex leisure activities rose by 5.5%, hotel services increased by 3.1%, actual rent prices grew by 2.8%, and public catering services rose by 2%.

At the same time, a slowdown in the monthly price growth was observed for services such as waste removal (from 2.2% in November to 0% in December 2024), maintenance and repair of personal vehicles (from 1.4% to 0.9%), and outpatient services (from 1% to 0.4%).

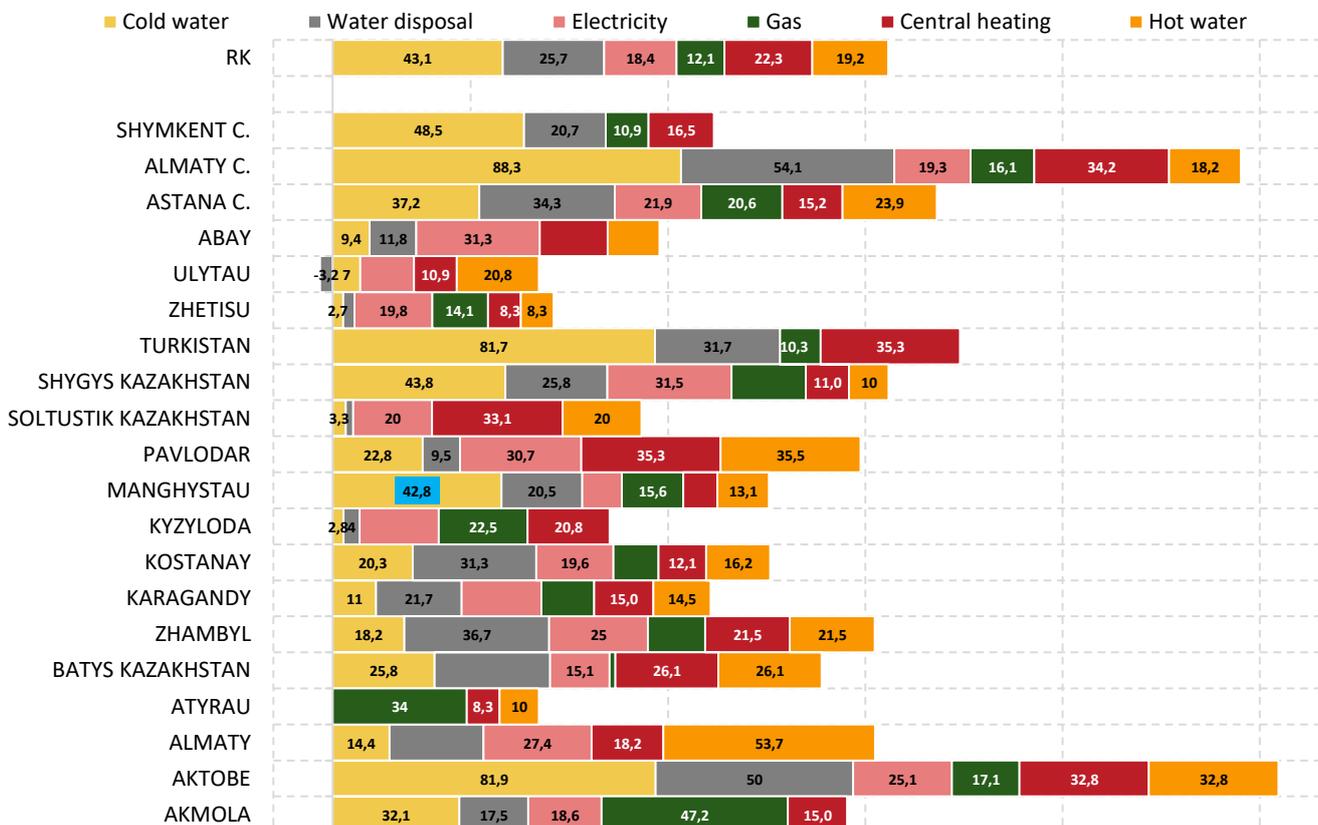
Graph 10. Contribution of services to the annual inflation of paid services, %



Source: BNS ASPR RK, calculations of the NB RK

In December 2024, the monthly growth rate of tariffs for regulated housing and communal services slowed to 0.9%, compared to 1.7% in November (Graph 11). The largest increase in December was recorded in central heating tariffs, which rose by 4.2%. Tariffs for gas (0.3%) and hot water (0.2%) also saw slight increases. At the same time, the cost of services such as cold water, wastewater disposal, and electricity remained unchanged, which exerted a restraining effect on the overall growth of housing and communal service tariffs.

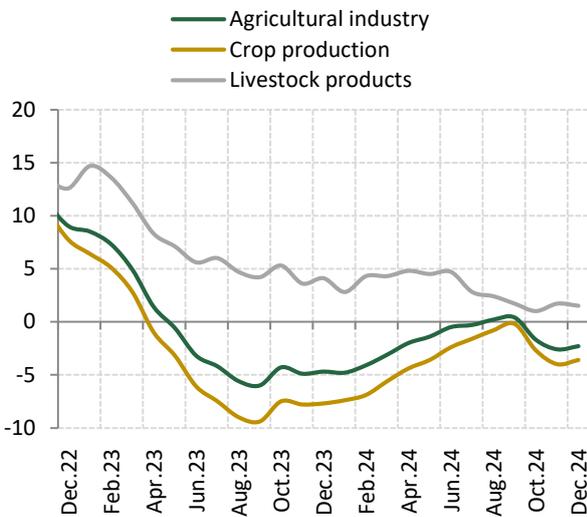
Graph 11. Growth of prices for regulated housing and communal services by region, Jan-Dec 2024, %



Source: BNS ASPR RK, calculations of the NB RK

In December 2024, the reduction in agricultural producer prices continued due to the decline in prices for certain types of grain crops. Price growth in food production remains moderate. In the services sector, there was a continued increase in tariffs for freight transportation by rail and air.

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



Source: BNS ASPR RK

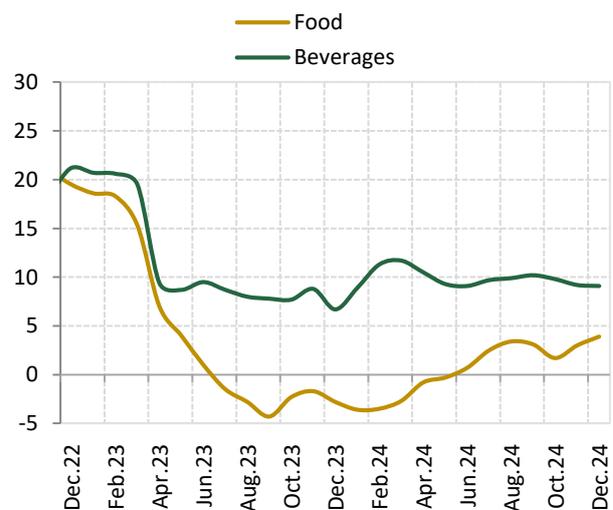
In December 2024, the price increase for livestock products was moderate (Graph 12). Despite a significant reduction in feed crop prices, livestock producers continue to face pressure due to higher costs for livestock maintenance and care.

The decline in crop production prices persisted, largely due to the decrease in wheat prices. This resulted from increased grain reserves driven by the high harvest volumes in 2024.

The rise in food prices in the manufacturing industry has accelerated again against the backdrop of rising producer prices for dairy, flour and cereals, bakery products, as well as oils and fats (Graph 13). High crop yields, along with low feed grain prices, mostly influenced the reduction in producer prices for finished animal feed.

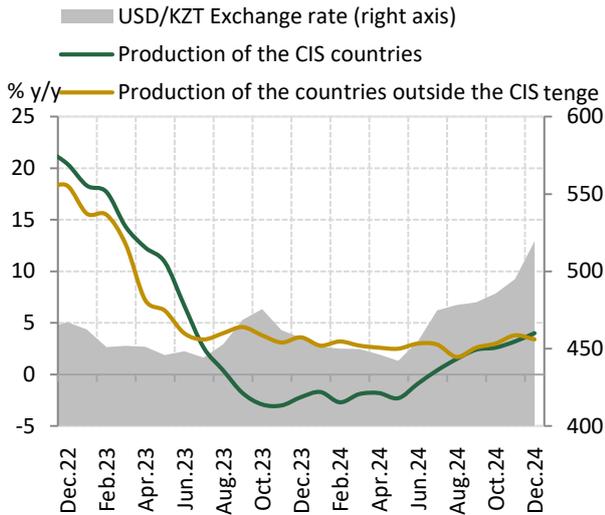
Rising tariffs for electricity and water supply, as well as storage services, continue to increase production costs in the food sector.

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



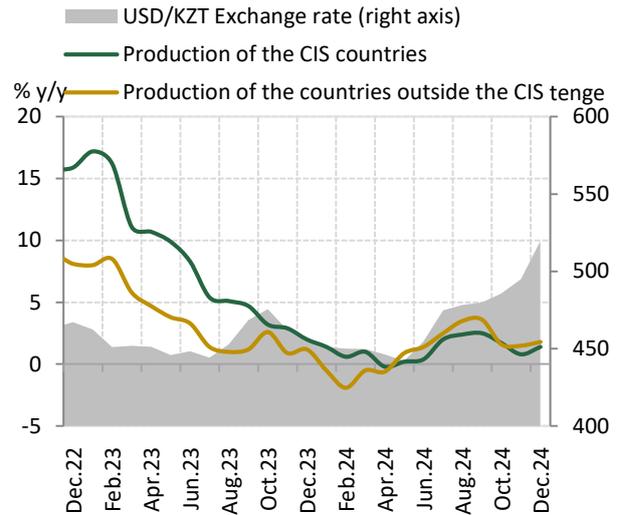
Source: BNS ASPR RK

Graph 14. Wholesale prices for food products and nominal USD to tenge exchange rate



Source: BNS ASPR RK

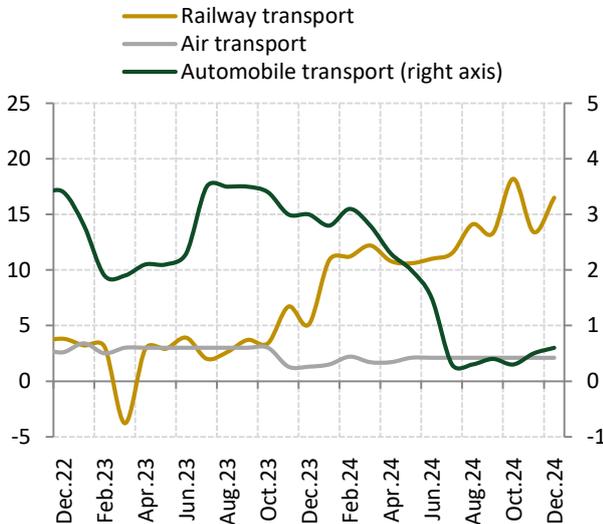
Graph 15. Wholesale prices for non-food products and nominal USD to tenge exchange rate



Source: BNS ASPR RK

The rise in wholesale prices for food products, excluding locally produced goods, was due to the increase in prices for finished imported products, including baked goods, confectionery, tobacco products, and higher prices for tea, coffee, cocoa, and processed spices (Graph 14). In December 2024, a significant price increase was observed for imported seafood (by 23.8% y/y). Among non-food products, prices rose for imported fabrics and textiles from CIS countries, pharmaceutical products, and vehicles produced outside the CIS (Graph 15).

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



Source: BNS ASPR RK

The increase in rail freight tariffs in December 2024 amounted to 16.5% y/y. The rise in tariffs occurs against the backdrop of the renewal of the wagon fleet and increased employee wages.

The cost of air freight transportation remained unchanged, while road freight transportation prices increased by 0.6% y/y (Graph 16).