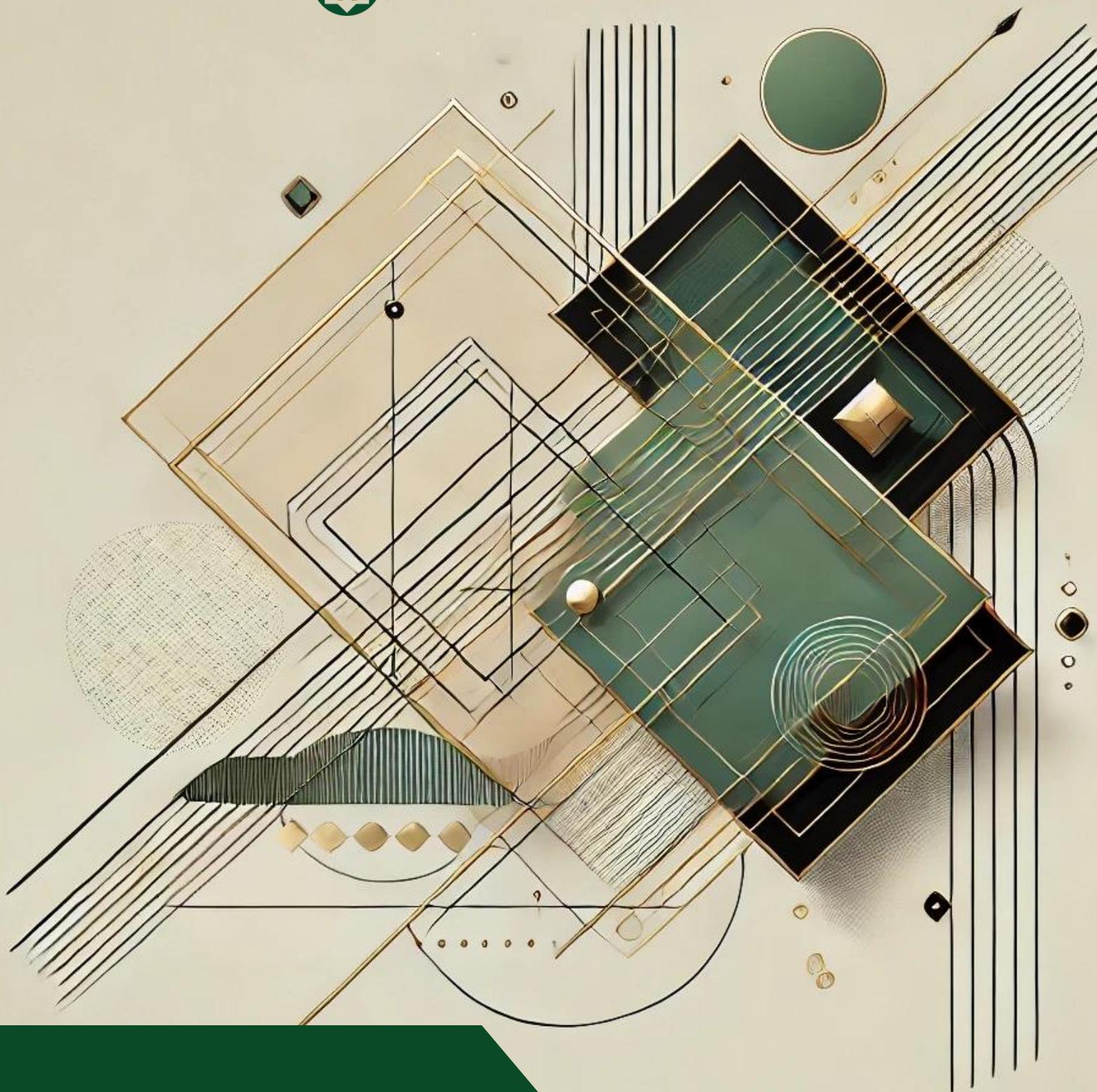




NATIONAL BANK OF KAZAKHSTAN



INFLATION TRENDS

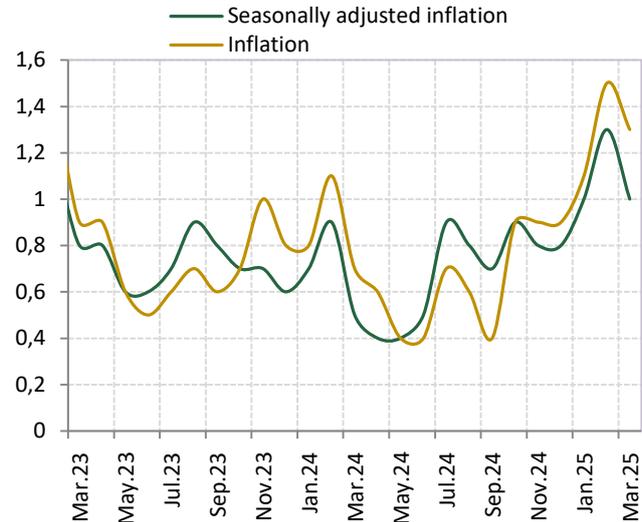
March 2025

In March 2025, annual inflation continued to accelerate, reaching 10%. Price growth is observed across all components of inflation. Food inflation intensified due to rising producer prices and a decline in the output of certain goods. Non-food inflation accelerated amid steady consumer demand and ongoing price adjustments following the depreciation nominal exchange rate of the tenge. Annual service inflation increased as a result of further hikes in utility tariffs and rising costs of certain market-based services.

In March 2025, annual inflation accelerated to 10% (9.4% in February 2025). However, the monthly pace of price growth slowed to 1.3%.

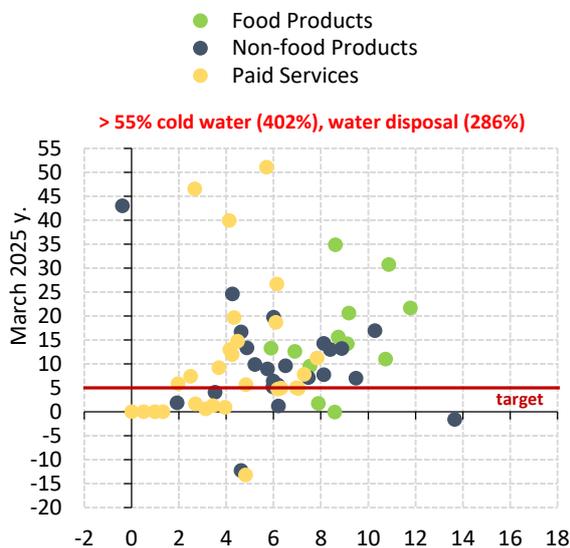
Seasonally adjusted monthly inflation also decelerated to 1% (1.3% in February), while the annualized rate declined to 13% from 16.9% (Graph 1).

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

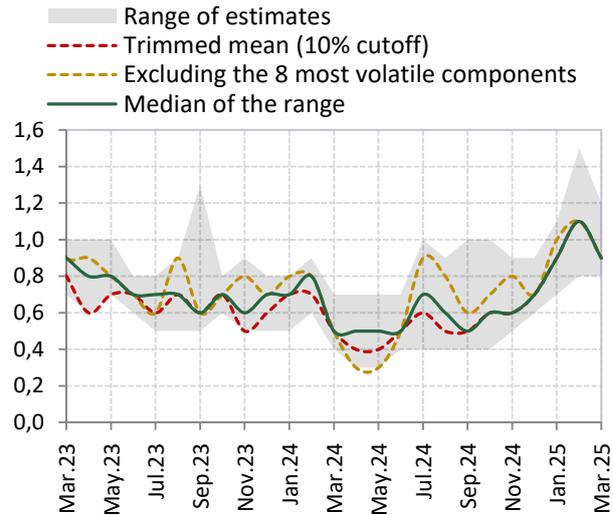
In the structure of seasonally adjusted monthly inflation, food inflation accelerated to 1.3%, while non-food inflation slowed to 0.7% and service inflation to 1%.

Taking seasonal adjustments into account, a significant increase in prices was observed for meat, vegetables, fruits, furniture, household goods, pharmaceuticals, audiovisual equipment, housing and utility services, car repairs, outpatient services, package holidays, and catering services (Graph 2).

In March 2025, the median estimate of seasonally adjusted core inflation, calculated using various methods¹, slowed to 0.9% on a monthly basis and 11.8% in annualized terms.

It is worth noting that the range of core inflation estimates narrowed compared to the previous month, but remains elevated. This indicates persistent inflationary pressure across a broad range of goods and services (Graph 3).

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

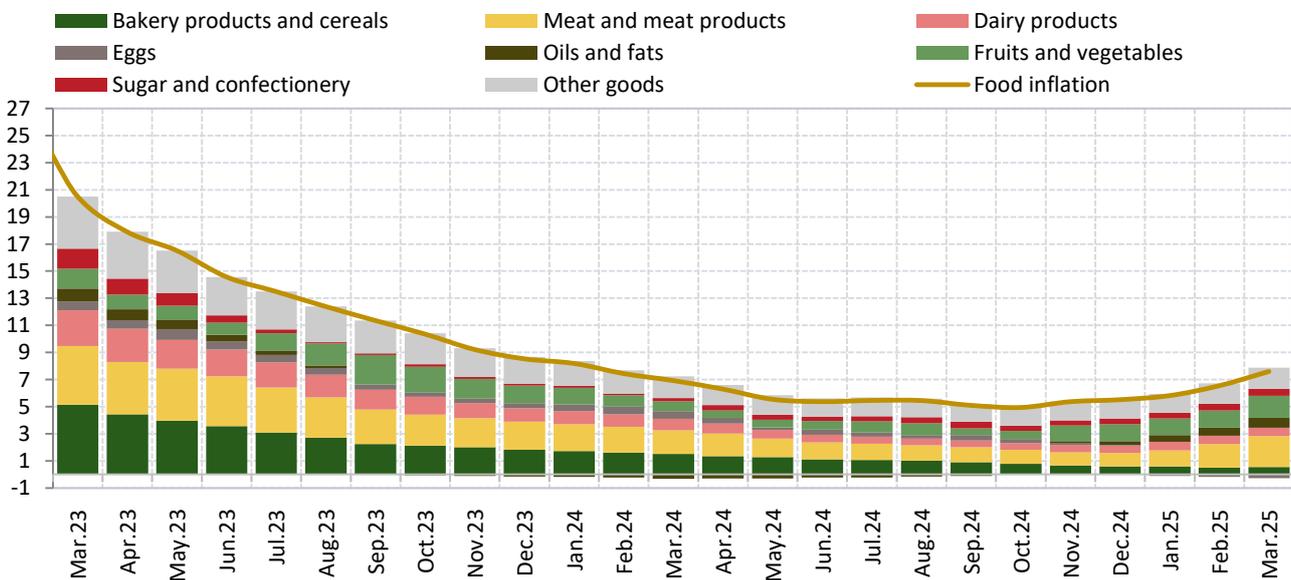


Source: BNS ASPR RK, calculations of the NB RK

Food inflation

In March 2025, the annual growth rate of food prices accelerated to 7.6% (6.5% in February 2025). The most significant price increases were recorded for vegetables, oils and fats, meat, and fruits. At the same time, annual disinflation was observed for non-alcoholic and alcoholic beverages, while egg prices experienced annual deflation (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 March 2025, the monthly growth rate of food prices accelerated compared to the previous period, reaching 1.6% (1.5% in February 2025). This acceleration was driven by significant price increases in certain product groups such as meat, vegetables, fruits, and sugar. Moreover, a notable rise in prices was observed across most other food items as well.

The monthly growth in meat prices continued to accelerate in March 2025, reaching 2.2% (2.1% in February 2025). Given the substantial weight of this category in the consumer basket, meat price dynamics made the largest contribution to food inflation. The sharp increase in beef prices by 3.5% (3.7%) and lamb by 3.4% (2.3%) was driven by rising prices from agricultural producers.

Although vegetable price growth has slowed compared to previous months, it continues to make a significant contribution to monthly food inflation. In March 2025, vegetable prices rose by 3% (5.6% in February 2025). The highest price increases were recorded for tomatoes, white cabbage, and beets. It is worth noting that vegetable price increases during this period are seasonal, however, this year the effect was amplified due to a poor harvest in 2024.

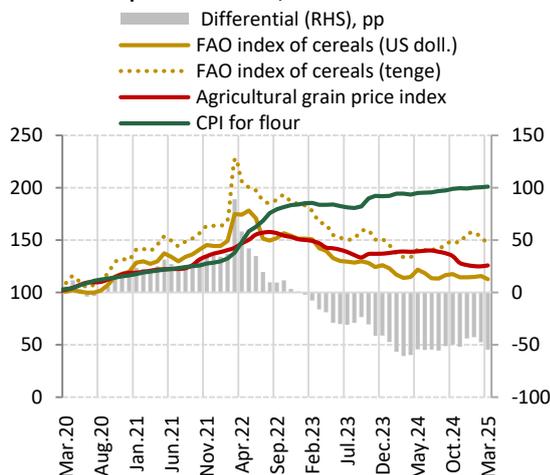
Additional pressure on monthly food inflation continued to be exerted by rising fruit prices, which increased by 3.3% in March 2025 (2% in February 2025). The sharpest increases were observed for bananas (14.5%), as well as oranges (3.2%) and grapes (3.1%).

Sugar prices also rose by 3.1%, largely due to the high share of imported refined white sugar from Russia and the strengthening of the Russian ruble.

Internal and external food prices

The FAO Food Price Index increased by 0.2% month-on-month and by 6.9% year-on-year in March 2025. The rise was driven by higher global prices for vegetable oils and meat, while prices for sugar and cereals declined, and dairy prices remained unchanged. A comparison between domestic and global prices shows that prices for cereals, sugar, and meat significantly exceed global levels, whereas prices for vegetable oils and dairy products are lower.

Graph 5. Cereals, Dec 2019 = 100



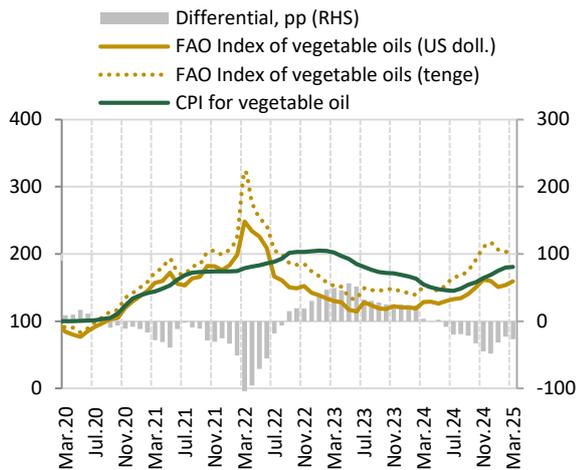
Source: BNS ASPR, UN FAO, calculations of the NB RK ²

Global cereal prices declined by 2.6% in March 2025 compared to the previous month and by 1.1% year-on-year. The decline was driven by easing concerns over wheat crop conditions in major exporting countries in the Northern Hemisphere. Additional downward pressure came from lower maize prices due to improved weather conditions, as well as from rice prices amid weak import demand and high export availability.

The price differential between external cereal prices (converted to tenge) and domestic consumer prices for flour widened in March 2025, due to the simultaneous decline in global prices and the appreciation of the tenge (Graph 5).

² Here and in the following graphs 5,6,7,8,9 calculations are made using the average monthly exchange rate of tenge to the US dollar. The differential is calculated between world food prices expressed in tenge and consumer prices for the corresponding food product.

Graph 6. Vegetable oils, Dec 2019 = 100

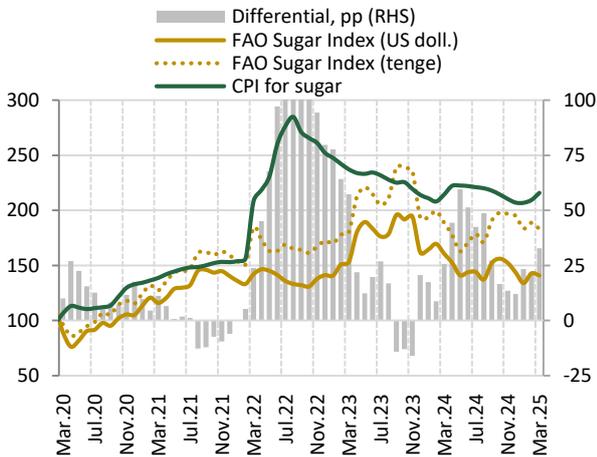


Source: BNS ASPR, UN FAO, calculations of the NB RK

Global prices for vegetable oils increased by 3.7% month-on-month and by 23.9% year-on-year. The growth was driven by rising prices across all major types of oils. In particular, palm oil prices continued to increase for the second consecutive month due to seasonal production declines in Southeast Asia. Prices for soybean, rapeseed, and sunflower oils also remained elevated amid reduced export availability and steady global import demand.

At the same time, domestic prices for vegetable oils have remained below international levels (converted to tenge) since July 2024, despite the global price increase. This more moderate growth in domestic prices is attributed to a high level of self-sufficiency (Graph 6).

Graph 7. Sugar, Dec 2019 = 100

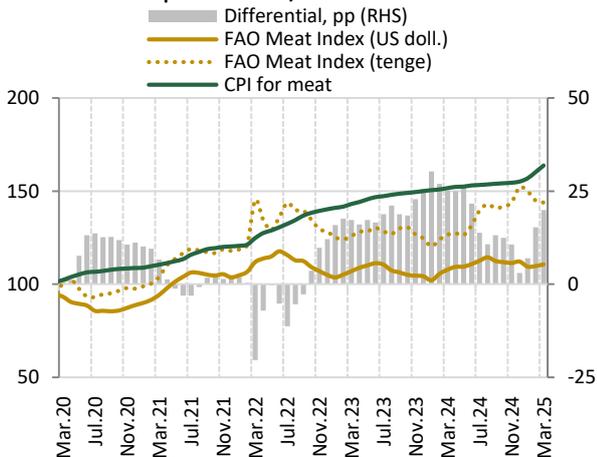


Source: BNS ASPR, UN FAO, calculations of the NB RK

Global sugar prices entered a downward trend: in March, they declined by 1.4% month-on-month and by 12.3% year-on-year. The decline was driven by weak global demand and improved weather conditions in Brazil. At the same time, a more significant drop was limited by ongoing concerns over the upcoming harvest in India and Brazil.

The gap between domestic and global sugar prices continued to widen, reflecting Kazakhstan's high dependence on sugar imports from Russia and the recent depreciation of the tenge against the Russian ruble (Graph 7).

Graph 8. Meat, Dec 2019 = 100

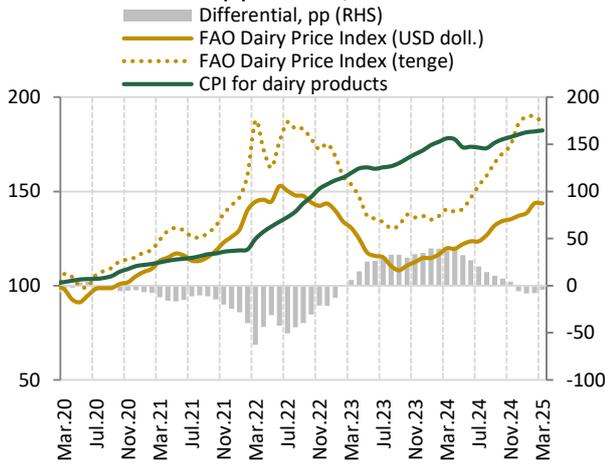


Source: BNS ASPR, UN FAO, calculations of the NB RK

Global meat prices accelerated in March 2025, rising by 0.9% compared to the previous month, with an annual increase of 2.7%. The main driver was the increase in pork prices amid strong demand, along with higher prices for lamb and beef due to active demand and limited supply.

The gap between domestic and global meat prices continues to widen, reflecting both the appreciation of the tenge against the US dollar (in March 2025) and domestic factors, particularly reduced supply and rising producer prices (Graph 8).

Chart 9. Dairy products, Dec 2019 = 100



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

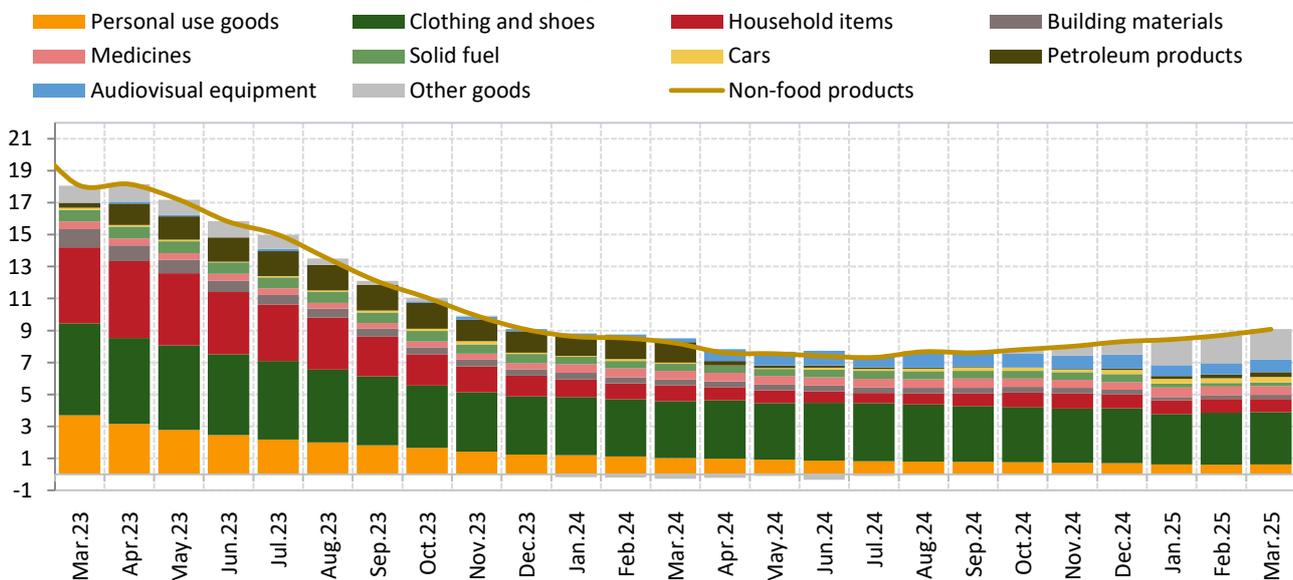
World dairy prices remained unchanged in March compared to the previous month, while annual growth slowed to 19.9%. The index's stability reflected mixed price dynamics: a decline in cheese prices offset increases in butter and milk powder quotations. Butter prices were supported by strong retail demand amid limited supply from Oceania and the EU. Milk powder prices continued to rise due to reduced supply and steady global demand. For the fourth consecutive month, domestic dairy prices – despite the strengthening of the tenge – have remained below global prices when converted to tenge (Graph 9).

Non-food inflation

In March 2025, the annual growth rate of non-food prices accelerated to 9.1% (8.7% in February 2025). Across product categories, faster annual price growth was recorded for audiovisual equipment, personal care products, automobiles, petroleum products, construction materials, solid fuels, pharmaceuticals, and medical equipment and devices.

At the same time, annual disinflation was observed for furniture, household goods, appliances, and clothing materials. Additionally, certain categories such as glassware and personal electrical appliances experienced annual deflation (Graph 10).

Graph 10. Contribution of goods to annual non-food inflation, %



Source: BNS ASPR RK, calculations of the NB RK

In March 2025, the monthly growth rate of non-food prices slowed to 0.8% (1% in February 2025). This deceleration was observed across a wide range of product categories. After a significant increase in the previous month (3.2%), prices for tools and equipment used in households and gardening declined by 0.9%, entering negative territory and exerting downward pressure on the non-food segment. A slowdown was also recorded in the monthly price growth for household appliances

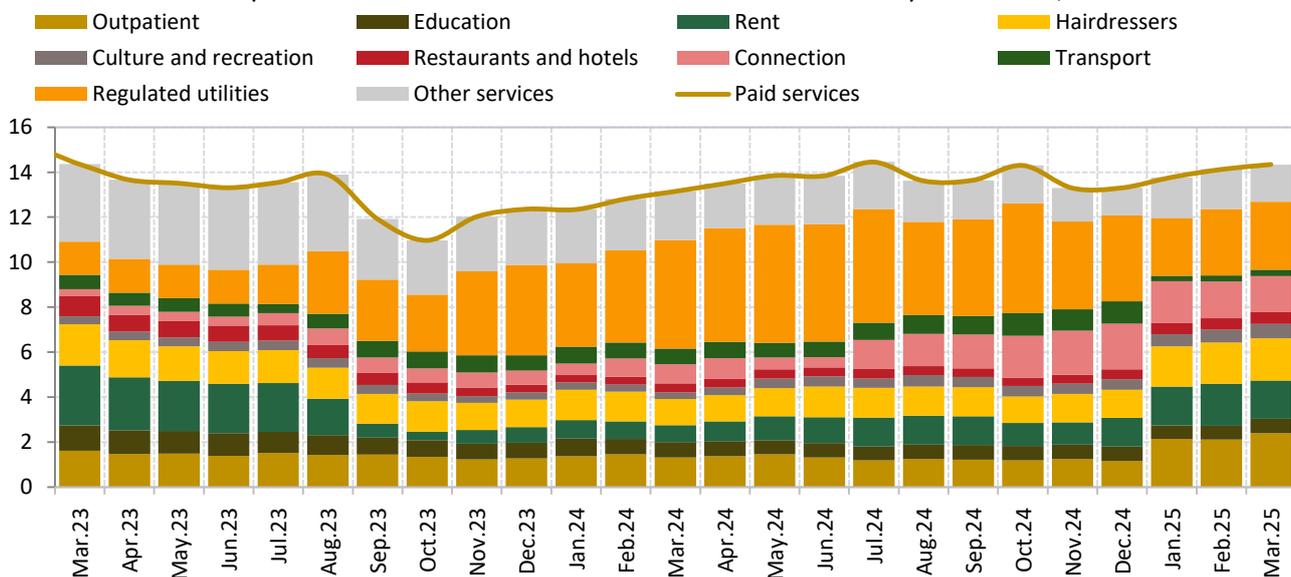
– from 2.5% in February to just 0.1% in March – construction materials (from 1.1% to 0.3%), petroleum products (from 0.5% to 0.3%), as well as glassware, tableware, and kitchen utensils (from 0.8% to 0.1%).

At the same time, several product categories contributed positively to non-food inflation: prices for audiovisual equipment rose by 3.9%, furniture and household goods by 2.1%, pharmaceuticals and medical equipment by 1.8%, and jewelry and watches by 2.2%.

Service inflation

In March 2025, the annual growth rate of prices for paid services to the population accelerated to 14.3%. The main drivers of this acceleration were higher prices for regulated housing and utility services, as well as rising costs of certain market-based services, including package holidays, outpatient services, insurance, and car repairs (Graph 11).

Graph 11. Contribution of services to the annual inflation of paid services, %



Source: BNS ASPR RK, calculations of the NB RK

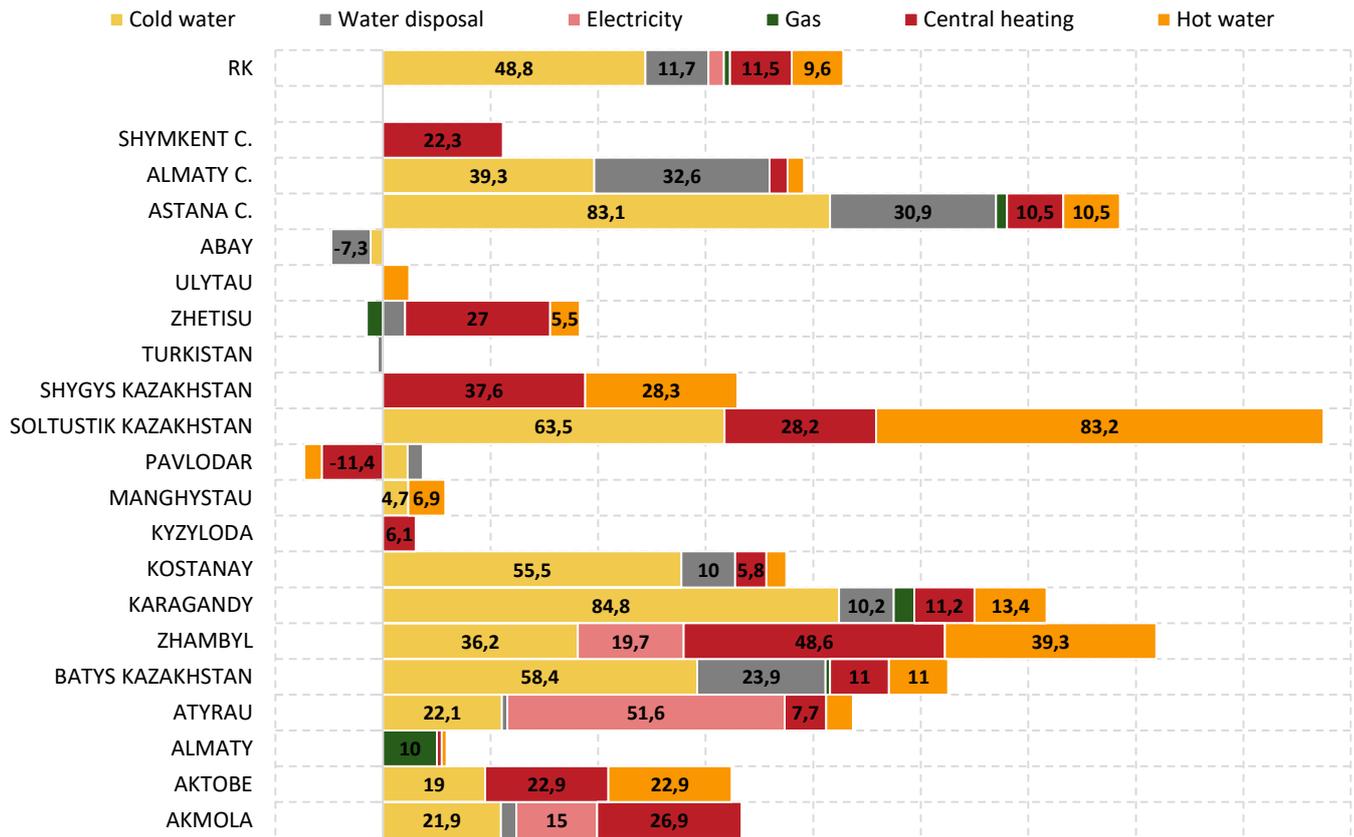
In March 2025, the monthly growth rate of prices for paid services slowed to 1.3% (2.1% in February 2025). This slowdown in price growth compared to the previous period was due to a reduction in the pace of price increases for regulated housing and utility services, as well as certain market-based services.

In March 2025, there was monthly deflation in housing rent, which decreased by 1.2%. The monthly price growth for hospital services also slowed, from 3.2% in February to 0.8% in March 2025, while the cost of communication, education, and financial services remained unchanged from the previous month.

At the same time, certain market-based services exerted upward pressure on service inflation. Specifically, the cost of car repair services rose by 3.4% in March 2025 (0.7% in February 2025). A faster pace of price growth was also recorded for catering services, which increased by 1.6%.

In March 2025, the monthly growth rate of tariffs for regulated housing and utility services slightly slowed to 4.4% (with an annual rate of 25.6%) (Graph 12). Tariffs for water supply rose by 15.2%, wastewater services by 11.9%, central heating by 3.1%, hot water by 2.4%, and gas by 0.1%. Electricity tariffs remained unchanged.

Graph 12. Growth of prices for regulated housing and communal services by region, Jan-Mar 2025, m/m, %

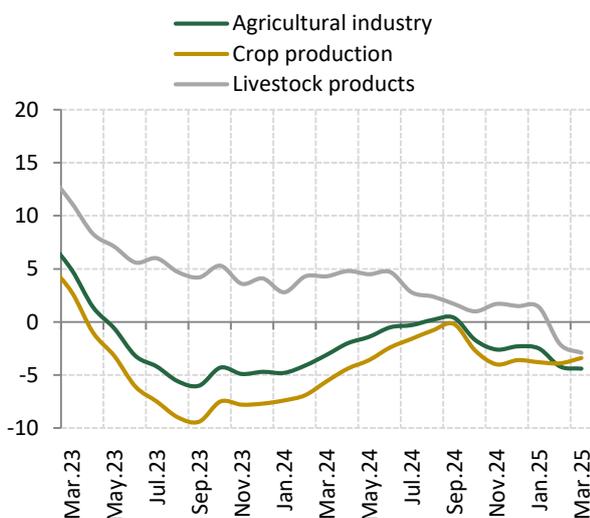


Source: BNS ASPR RK

Producer prices

Despite the continued decline in wheat prices, the increase in prices for certain types of agricultural products in March 2025 exerted upward pressure on the production costs of food products. In the services sector, the increase in tariffs for cargo transportation by road and air continued. Real estate prices and rental rates also continued to rise.

Graph 13. Prices in agriculture, %, y/y



Source: BNS ASPR RK

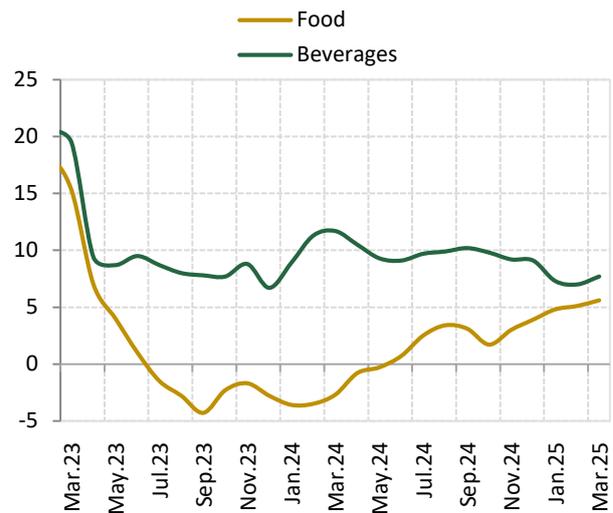
The decline in crop production prices in March 2025 was driven by lower grain prices, reflecting the high harvest levels of the previous year, as well as price reductions for specific crops such as buckwheat, carrots, and cabbage (Graph 13). However, within the structure of crop-based agricultural products, prices for oilseeds and potatoes continued to grow, increasing by 9.5% and 23.4% y/y, respectively.

In the livestock sector, a decrease in the price of chicken eggs contributed to an overall reduction in price levels. At the same time, there was a moderate increase in prices for livestock and poultry, despite the decline in feed crop prices.

Among food manufacturers, producer prices rose for oils and fats, dairy products, cereal products, bakery goods, pasta, and flour products (Graph 14).

The increase in food prices is primarily driven by higher raw material costs and rising production expenses, including the growth of utility tariffs, as well as transportation and storage services. An additional factor supporting the increase in producer prices is the rise in export prices for food products supplied to CIS countries.

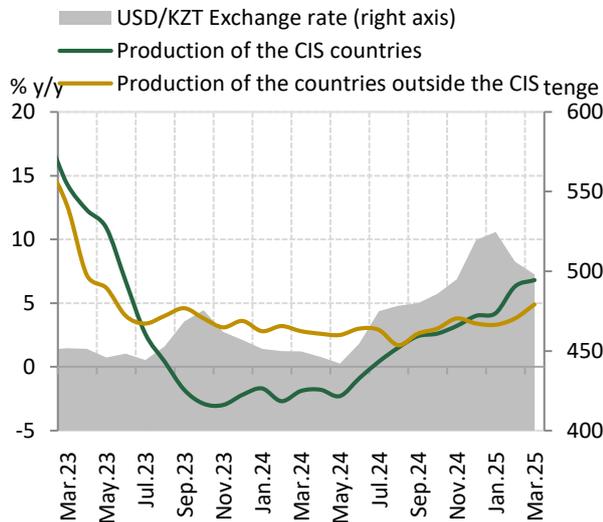
Graph 14. Producer prices for food products, %, y/y



Source: BNS ASPR RK

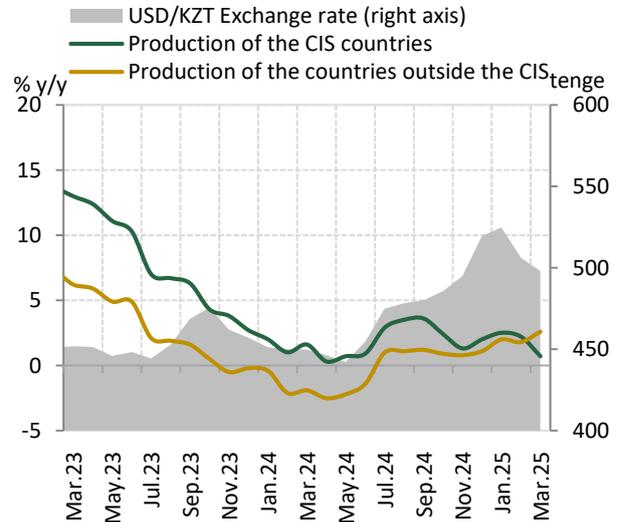
The acceleration of wholesale food price growth occurred against the backdrop of higher prices for both domestically produced and imported goods (Graph 15). Among food products, price increases were observed for goods originating from CIS countries, particularly meat products, bakery and confectionery items, coffee, sugar, and sunflower oil. The rise in prices was supported by higher prices in Russia and the depreciation of the tenge against the ruble. In the non-food segment, price growth remained moderate (Graph 16), although prices for automobiles produced outside the CIS countries continued to rise.

Graph 15. Wholesale prices for food products



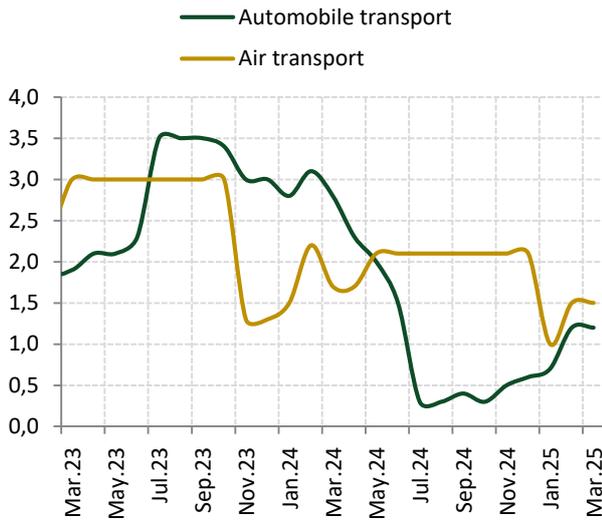
Source: BNS ASPR RK, NB RK

Graph 16. Wholesale prices for non-food products



Source: BNS ASPR RK, NB RK

Graph 17. Tariffs for cargo transportation, %, y/y



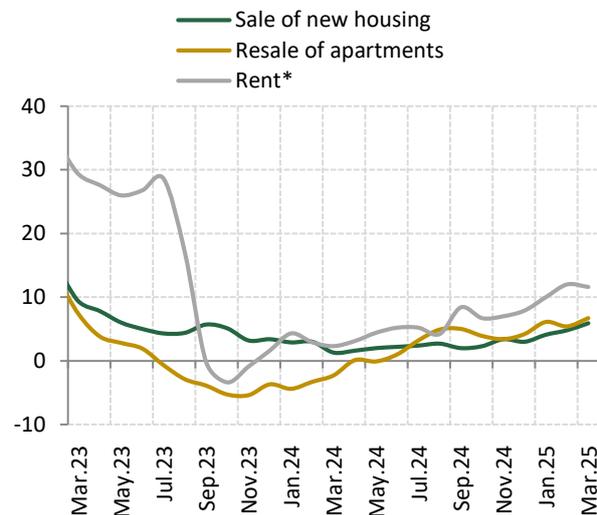
Source: BNS ASPR RK

In the real estate market, prices for new housing rose by 5.9% year-on-year. The increase in primary housing prices occurred against the backdrop of higher construction costs. At the same time, prices in the secondary real estate market grew by 6.7% year-on-year.

The rise in rental rates continued to outpace the growth of real estate prices, reaching 11.6% year-on-year. The increase in rental housing costs may be attributed to the rising cost of utility services (Graph 18).

The growth rates of tariffs for cargo transportation by road and air remained unchanged in March 2025 compared to the previous month, at 1.2% and 1.5%, respectively (Graph 17). The increase in tariffs may reflect elevated inflation expectations, driven by the liberalization of prices in the fuel market.

Graph 18. Prices on the real estate market, %, y/y



Source: BNS ASPR RK

*Rent of comfortable housing in cities of regional and republican significance