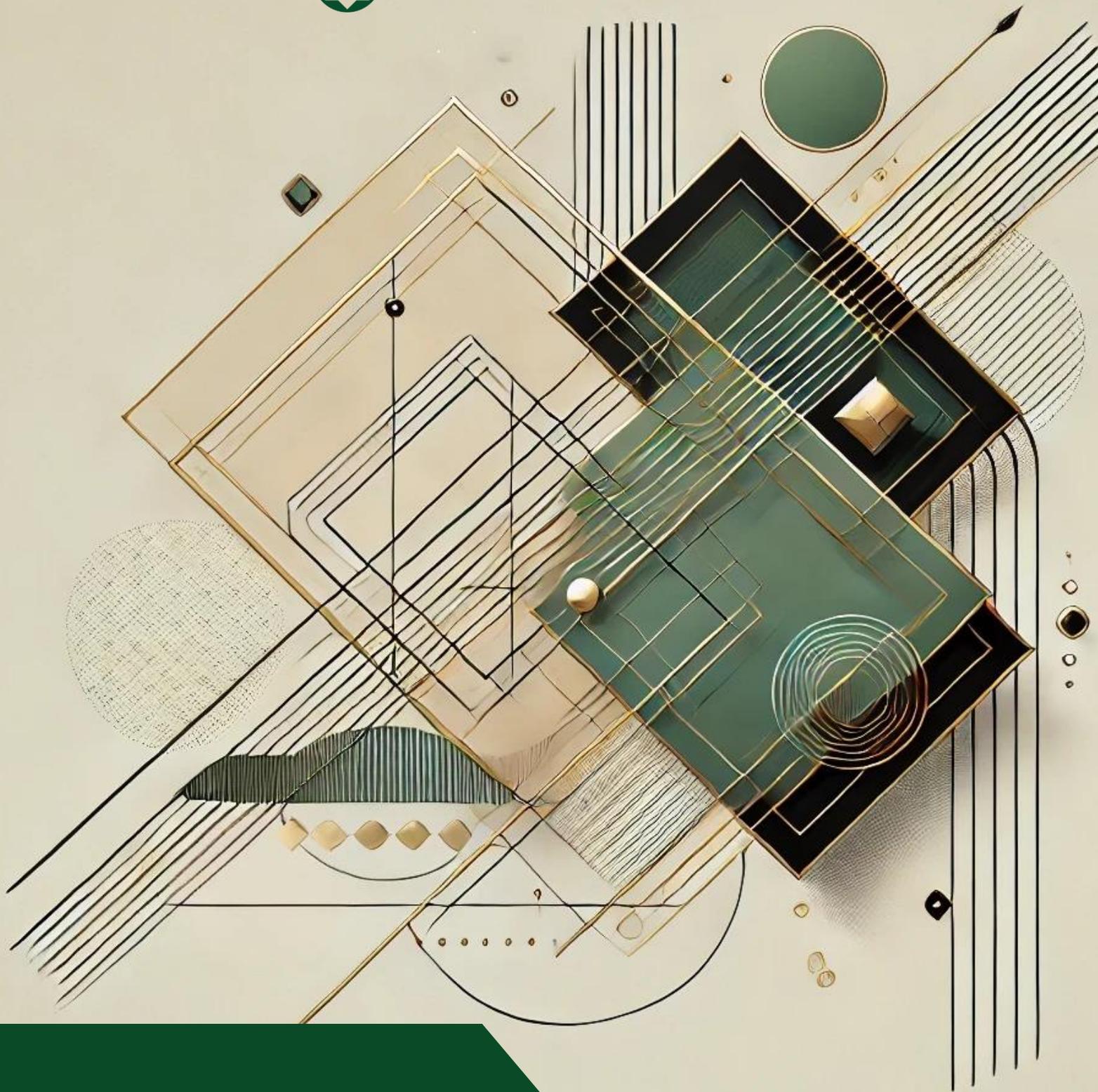




NATIONAL BANK OF KAZAKHSTAN



# INFLATION TRENDS

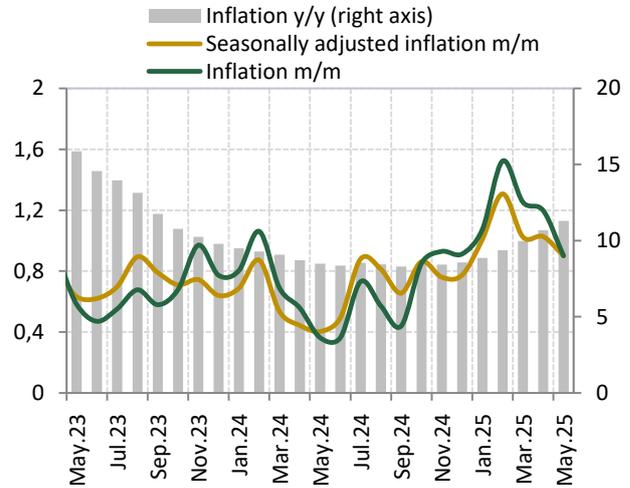
May 2025

The acceleration of annual inflation continued. Price increases were observed across a wide range of consumer goods and services amid expanding domestic demand and rising production costs. Additional upward pressure on prices was exerted by the rising cost of imported goods and the still high global food prices.

In May, annual inflation continued to accelerate for the sixth consecutive month, reaching 11.3%. The main contribution to price growth came from the rising cost of certain food products and market-based services. The pace of price increases for non-food goods also accelerated slightly.

Despite slowing down, monthly inflation remains elevated at 0.9%. Seasonally adjusted inflation was lower than in the previous month and also amounted to 0.9%.

Graph 1. Inflation indicators, %

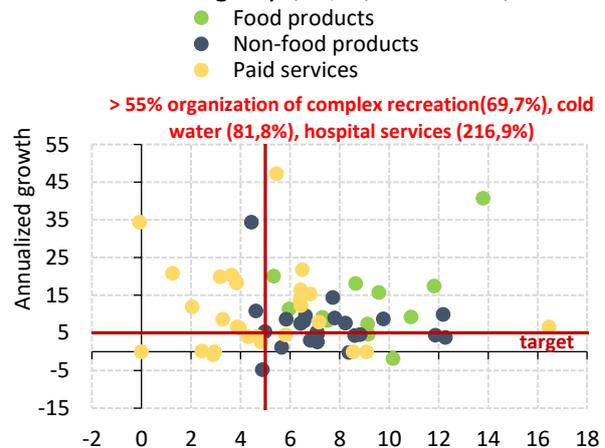


Source: BNS ASPR RK, calculations of the NB RK

Seasonally adjusted price growth for food and non-food goods accelerated, while price growth for services slowed. Compared to the previous month, seasonally adjusted food inflation rose from 0.8% to 1%, while non-food inflation accelerated from 0.5% to 0.6%. In contrast, the rate of price increases for services slowed from 1.8% to 1.1%.

After seasonal adjustment, price increases were observed for vegetables, coffee, tea and cocoa, meat, personal care items, and construction materials. Price growth was also recorded for hospital services, water supply, organization of complex recreation, as well as entertainment and cultural services.

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

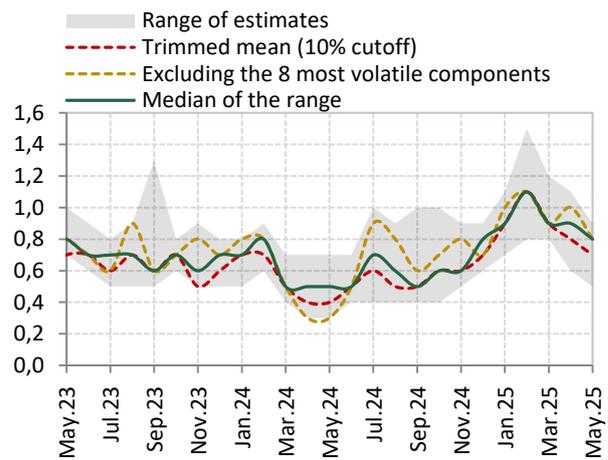


Source: BNS ASPR RK, calculations of the NB RK

<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.

The median estimate of seasonally adjusted core inflation, calculated using various methods, declined compared to the previous month and amounted to 0.8%. Core inflation indicators based on a 10% trimmed mean and on the exclusion of the eight most volatile components also slowed to 0.72% and 0.77%, respectively. Nonetheless, despite the deceleration, core inflation estimates remain elevated, reflecting persistent price pressures.

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



Source: BNS ASPR RK, calculations of the NB RK

### Food inflation

In May, annual food inflation accelerated to 9.6% from 8.5% in April. Monthly growth in food prices slowed to 0.9%, yet remained above historical averages. Seasonally adjusted food inflation increased to 1% (April – 0.8%). The most significant price increases in May were observed for fruits, sugar, coffee, tea and cocoa, as well as meat.

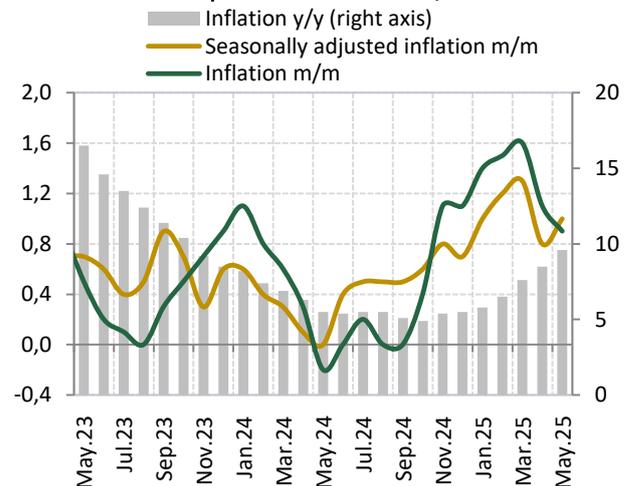
Fruit prices rose by 2.2% compared to the previous month, largely due to higher import costs and seasonal effects. The sharpest price increases were recorded for lemons (9.1%), apples (6.1%), and pears (5.2%). However, after seasonal adjustment, fruit price growth amounted to only 0.7%, highlighting the seasonal nature of the increase. At the same time, banana prices declined by 5.7%, indicating deflation within the fruit category.

A disinflationary effect from seasonal factors was noted in the vegetable segment. In May, vegetable prices fell by 0.9%, driven by the arrival of the new open-field harvest and a notable decrease in prices for greenhouse products. The largest contributions to the price decline came from cucumbers (-37.1%) and tomatoes (-19.8%).

Sugar prices rose by 2.3% in May, due to the increased cost of imports from Russia amid the depreciation of the tenge against the Russian ruble and the high share of Russian sugar in Kazakhstan’s imports (as of Q1 2025, Russian imports accounted for 72% of total Kazakhstan’s supply of refined white sugar).

Despite some deceleration, meat price growth remained high at 1.3%, continuing to exert strong pressure on food inflation. Slower price growth for beef, horse meat, and lamb was offset by rising prices for pork and poultry. The increase was driven by rising production costs in the swine livestock and domestic bird farming sectors. Prices for dairy products, oils and fats also rose in May, reflecting higher costs of agricultural raw materials and increased input costs in the food processing industry.

Graph 4. Food inflation, %



Source: BNS ASPR RK, calculations of the NB RK

## Domestic and International Food Prices

External inflationary pressures from global consumer markets have slightly eased. In May 2025, the FAO Food Price Index decreased by 0.8% compared to April 2025, while the annual growth rate slowed to 6.0%. Prices for cereals, sugar, and vegetable oils declined the most, reflecting higher supply and favorable weather conditions. At the same time, strong demand for meat and dairy products continued to exert upward pressure on prices.

Cereal prices declined in May, affecting all major crops (wheat, maize, sorghum, and barley), except for rice. The key factors behind the decline were the seasonal increase in supply from major maize producers (Argentina and Brazil), improved harvest forecasts in the United States, and favorable weather conditions in the northern hemisphere. Rice prices increased due to strong demand and the depreciation of currencies in exporting countries.

Strong global demand amid limited supply, particularly in certain regions, contributed to higher prices for meat and dairy products.

The decline in vegetable oil prices was driven by higher production and export inventories, mainly in Southeast Asia.

Sugar has continued to decline for the third straight month, reflecting lower demand and anticipated growth in global production.

In the domestic market, despite the decline in global quotations and the relative stability of the tenge exchange rate, flour prices remain rigid and continue to stay significantly above global levels. A similar trend is observed for sugar, with domestic prices continuing to rise ahead of the seasonal increase in demand. At the same time, downward pressure continues to come from lower domestic prices for vegetable oils and dairy products compared to global levels (Table 1).

**Table 1. Domestic and International Food Prices (Dec. 2019 = 100)**

	2024		2025		
	May	December	March	April	May
<b>Cereal (FAO)</b>	140,7	155,1	146,4	153,0	149,5
CPI for flour	194,8	199,2	200,9	198,7	198,9
Differential, p.p.	54,2	44,0	54,4	45,7	49,4
<b>Vegetable oil (FAO)</b>	145,4	216,6	207,2	209,2	200,4
CPI for vegetable oil	147,5	168,7	180,6	181,9	182,6
Differential, p.p.	2,1	48,0	26,5	27,3	17,8
<b>Sugar (FAO)</b>	162,9	195,0	183,1	181,8	176,2
CPI for sugar	222,5	207,0	215,9	220,6	225,7
Differential, p.p.	59,6	12,0	32,7	38,8	49,5
<b>Meat (FAO)</b>	126,3	152,1	144,2	155,0	156,1
CPI for meat	152,4	155,1	163,8	166,1	168,2
Differential, p.p.	26,2	3,0	19,5	11,1	12,1
<b>Dairy products (FAO)</b>	140,8	185,9	186,6	197,5	198,0
CPI for dairy products	173,4	180,2	182,4	183,3	183,5
Differential, p.p.	32,6	5,8	4,3	14,2	14,6

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

Note: The table presents FAO food price indices converted into tenge using the average monthly exchange rate of the tenge to the US dollar. Red indicates that domestic prices exceed international prices (negative gap), while green indicates the opposite – international prices exceed domestic ones.

### Nonfood inflation

The annual growth rate of non-food prices accelerated from 8.9% in April to 9% in May. Monthly inflation remained unchanged at 0.6%, while seasonally adjusted inflation increased from 0.5% to 0.6%.

Prices for most categories of non-food goods are rising at a moderate pace. However, price dynamics across individual categories show mixed trends.

Prices for clothing and footwear rose by 0.8%, exceeding the historical average for 2017–2021 (0.6%). The price increase affected most items in this group, driven by heightened consumer demand. Jewelry and watch prices surged by 4.5% in May, reflecting continued growth in global gold prices.

Construction material prices rose by 1.1% in May amid increased real estate transactions and a notable expansion in construction sector activity. Prices for housing repair and maintenance services also increased during the month. Prices for fuels and lubricants went up by 0.5% due to rising producer prices for petroleum products. In the pharmaceuticals and medical equipment market, prices also increased by 0.5%, reflecting higher costs of imported goods.

Meanwhile, prices for audiovisual equipment declined by 2.3% in May on the background of falling import prices and a stable exchange rate of the tenge against the US dollar. Weaker demand, due to the end of the academic year and the start of the summer holiday season, may also have exerted downward pressure on this category.

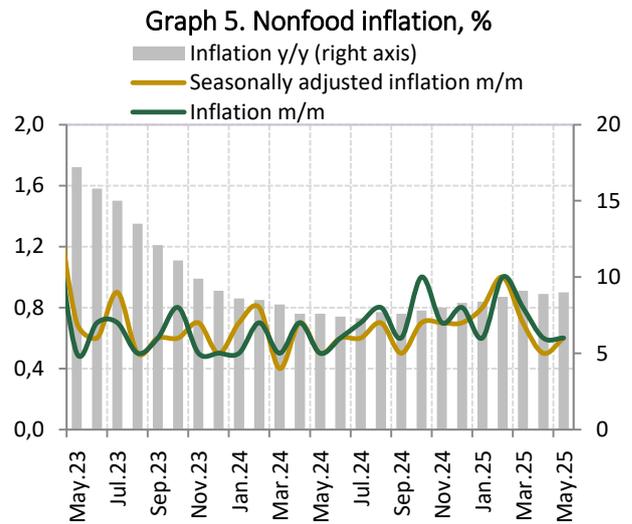
### Service inflation

In May, the annual growth of prices for paid services accelerated to 16% compared to 15.7% in April. Monthly inflation slowed down to 1.3% versus 1.9% a month earlier. Seasonally adjusted price growth amounted to 1.1% (in April – 1.8%).

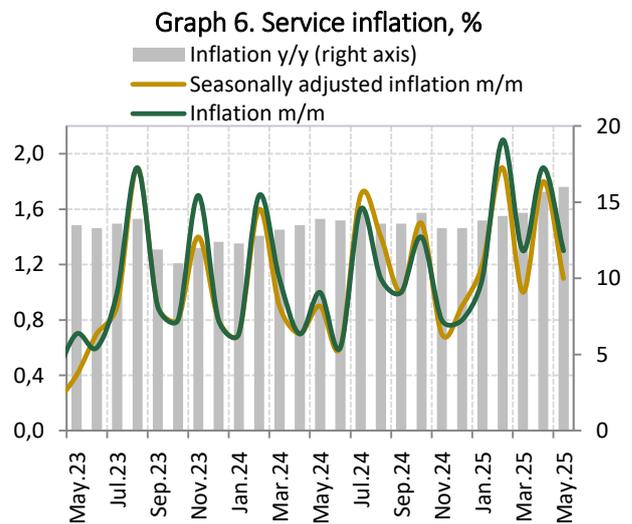
Along with the increase in regulated tariffs for housing and communal services, there was a significant rise in prices for hospital services, organization of complex recreation, entertainment and cultural services, as well as transportation, hotel, and catering services. The price growth is associated with stronger consumer demand ahead of the holiday season, as well as rising production costs.

A particularly notable increase was recorded in hospital services – in May they grew by 11.3%, continuing their rise for the second month in a row (in April – by 8.2%).

Prices for complex recreation organization services in May increased by 4.6%, and prices for services in the field of recreation, entertainment, and culture – by 3.7%, which may indicate growing demand from the population and tourists.



Source: BNS ASPR RK, calculations of the NB RK

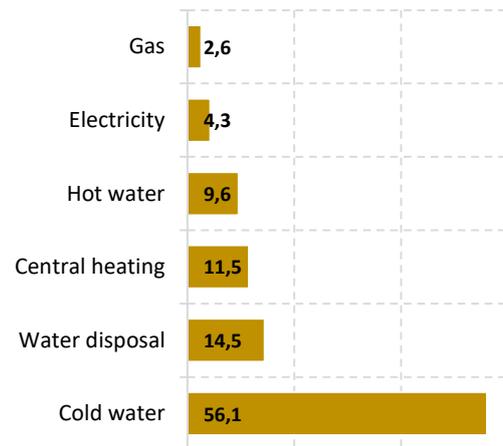


Source: BNS ASPR RK, calculations of the NB RK

In May, prices for regulated housing and utility services increased by 1.7%. The annual growth of regulated tariffs also accelerated to 25.8%.

In May, there was an increase in prices for certain regulated housing and utility services: water supply tariffs rose by 4.2%, sewage services by 1.6%, gas by 1.5%, and electricity by 1.4%. Tariffs for hot water and central heating remained unchanged in May.

Graph 7. Growth of prices for regulated housing and communal services, Jan-May 2025 y. %



Source: BNS ASPR RK, calculations of the NB RK

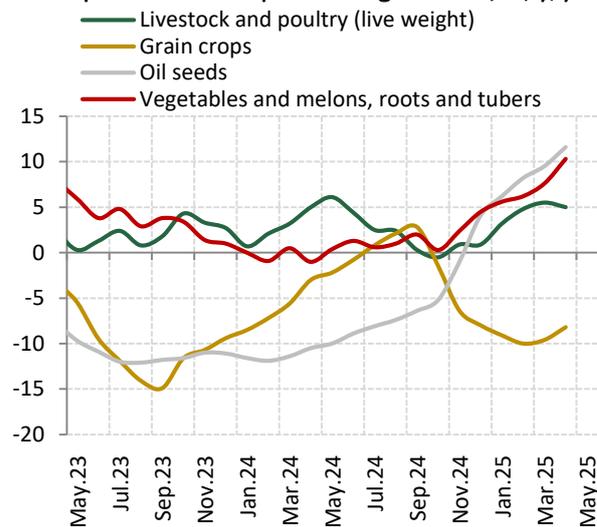
### Producer prices

Production costs continue to rise, contributing to higher final prices for goods and services for consumers.

In agriculture, the upward trend in prices for most types of agricultural products persists. Strong demand from the processing industry and increased exports of raw materials and finished products led to a 14.2% year-on-year increase in prices for oilseeds (April – 11.6%). Producer prices for potatoes also continued to rise, reaching 33.0% year-on-year due to seasonal supply reductions.

At the same time, within crop production, disinflationary effects were observed from lower wheat prices and a decline in the cost of certain types of fruit and vegetable products due to the arrival of the new harvest. Meanwhile, in May, prices for livestock products rose, particularly for live cattle and poultry, which increased by 6.8% year-on-year, and raw milk by 8.4% year-on-year.

Graph 8. Producer prices in agriculture, %, y/y



Source: BNS ASPR RK

The rise in agricultural raw material prices, coupled with higher utility tariffs, led to a 6.7% year-on-year increase in producer prices for food products (April – 6.2%). An additional factor contributing to the growth in food producer prices was the increased cost of storage and warehousing services. Producer prices for beverages rose by 7.4% year-on-year.

In addition to food products, producer prices for petroleum products continued to rise in May, reaching 8.4% year-on-year, amid updated excise tax rates on fuel and lubricants.

