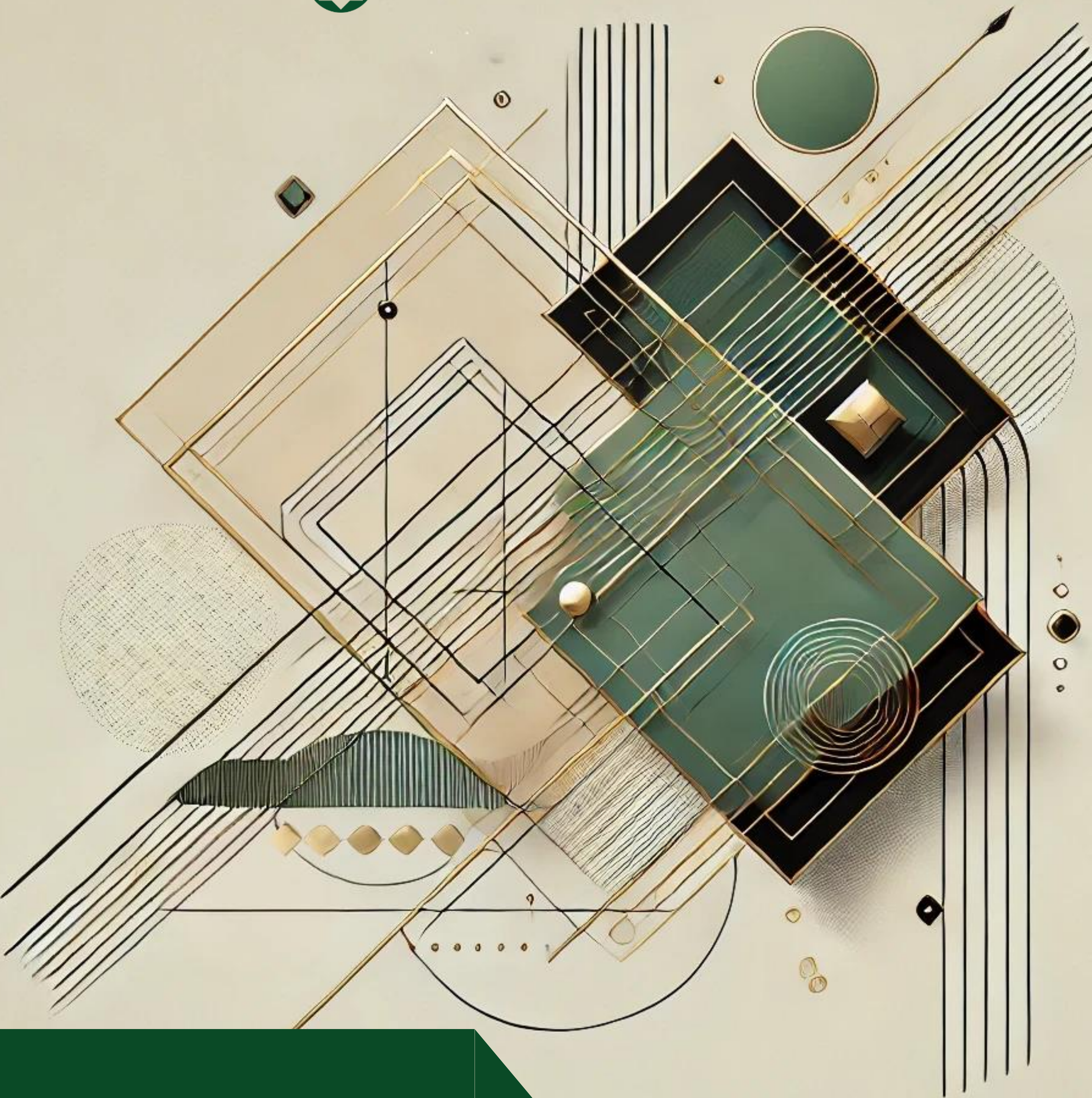
NATIONAL BANK OF KAZAKHSTAN



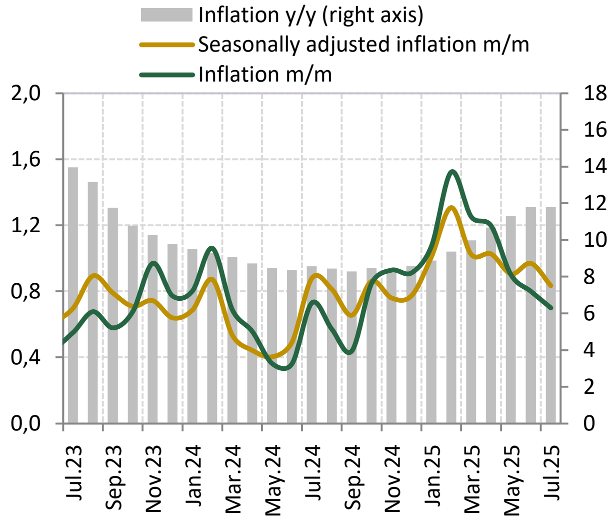
INFLATION TRENDS

July 2025

In July, annual inflation remained at the previous month's level of 11.8%. The acceleration of food inflation was offset by a slowdown in the growth of prices for paid services, while non-food inflation accelerated slightly.

Monthly inflation, despite slowing, remains elevated at 0.7%. Seasonally adjusted inflation slowed compared with the previous month.

Graph 1. Inflation indicators, %

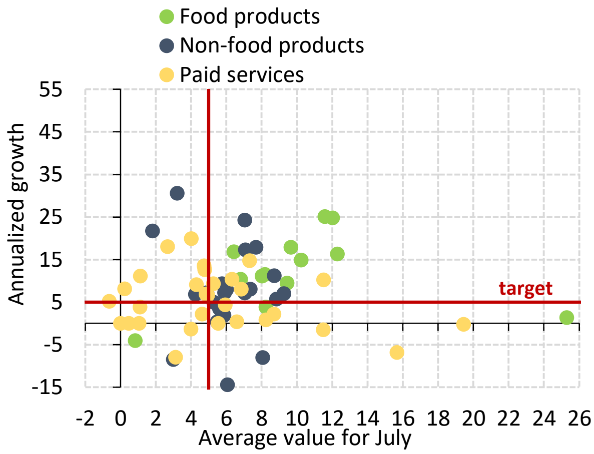


Source: BNS ASPR RK, calculations of the NB RK

Seasonally adjusted price growth rates slowed across all components. Compared with the previous month, the seasonally adjusted growth in food prices declined from 1.22% to 1.10%, in non-food goods from 0.98% to 0.76%, and in services from 0.63% to 0.55%.

Seasonally adjusted data showed an increase in prices for oils and fats, meat, coffee, tea and cocoa, fruits, fish and seafood, audiovisual equipment, personal care items, fuel, medicines, household and gardening tools and equipment, leisure, entertainment and cultural services, maintenance and repair of personal vehicles, rent, as well as shoe repair and rental.

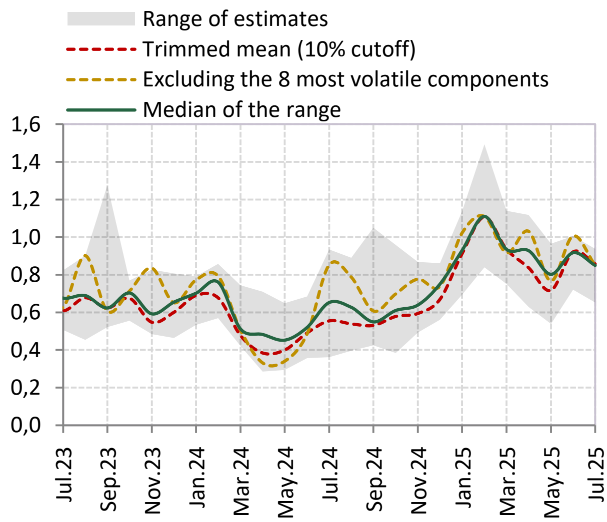
Graph 2. Seasonally adjusted price growth for various CPI groups, m/m, annualized, %



Source: BNS ASPR RK, calculations of the NB RK

The median estimate of seasonally adjusted core inflation, calculated using various methods, slowed compared with the previous month to 0.85% (June - 0.9%). Core inflation measures calculated by trimming 10% of the price distribution from both ends, as well as by excluding the eight most volatile components, also showed a slowdown. However, despite this, their levels remain elevated, indicating persistent inflationary pressures in the economy.

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

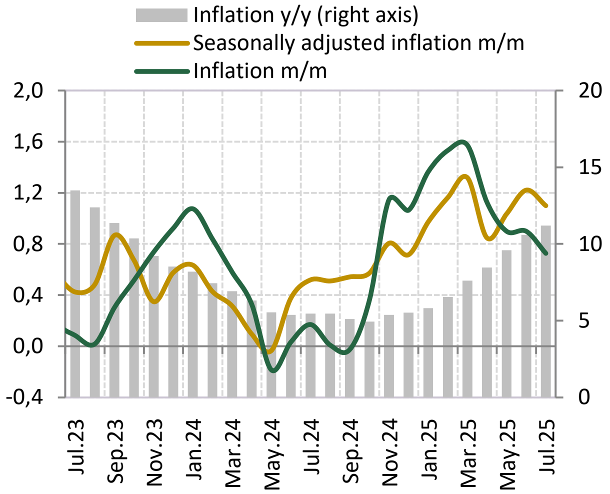


Source: BNS ASPR RK, calculations of the NB RK

Prices for certain food products are rising amid high export volumes, more expensive imports, and higher producer prices. In July, annual food inflation accelerated to 11.2%, with monthly growth of 0.7%.

The increase in global prices for meat and vegetable oils stimulated higher exports, leading to reduced supply in the domestic market. Additional inflationary pressure came from rising producer prices. Prices for coffee, tea, sugar, jam, honey, and chocolate are increasing due to more expensive imports, driven by lower harvests in producing countries. The decline in vegetable prices had a restraining effect on food inflation.

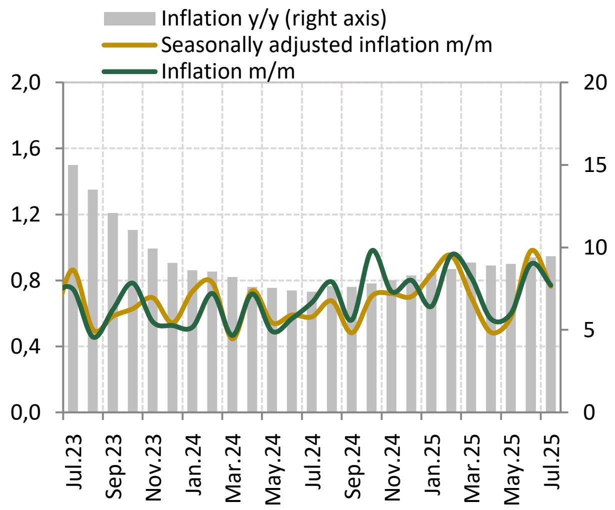
Graph 4. Food inflation, %



Source: BNS ASPR RK, calculations of the NB RK

Non-food inflation remains under pressure from sustained demand and rising import prices for certain goods. Annual price growth accelerated to 9.5%, while monthly inflation slowed to 0.8%. Excluding automobiles, price increases were recorded across all non-food goods, driven by elevated consumer demand. In addition, a number of items experienced significant price hikes linked to higher import costs. In particular, prices for medicines continue to rise.

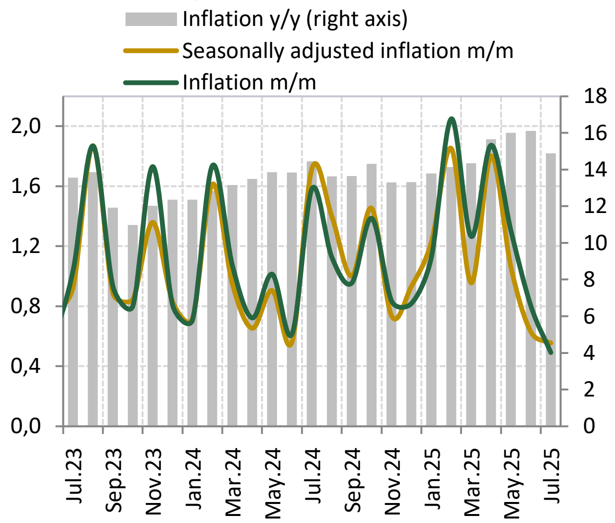
Graph 5. Nonfood inflation, %



Source: BNS ASPR RK, calculations of the NB RK

In July, the rise in service prices was driven solely by certain market-based services, while no increase in regulated utility tariffs was observed. As a result, annual services inflation slowed to 14.9% (June 2025 – 16.1%), and monthly inflation to 0.5%. The largest contributions to price growth came from housing rent, communication services, maintenance of personal vehicles, as well as leisure, entertainment, and cultural services.

Graph 6. Service inflation, %



Source: BNS ASPR RK, calculations of the NB RK

Domestic and International Food Prices

In July 2025, inflationary pressures on global food markets intensified. The FAO Food Price Index rose by 1.6% m/m and 7.6% y/y to 130.1 points, driven mainly by higher prices for meat and vegetable oils. Dairy product prices remained elevated, while cereals and sugar continued to act as a brake on overall price growth.

Cereals fell by 0.8% m/m and 3.8% y/y. Wheat and sorghum prices declined on the back of abundant seasonal supply, although unfavorable weather in North America and limited shipments from Europe and the Black Sea region prevented a sharper fall. Maize prices increased due to drought in Eastern Europe and Ukraine, as well as reduced exports from Argentina and Brazil. Rice prices continued to fall amid ample export availability and subdued demand.

Vegetable oil prices reached a three-year high: palm and soybean oils rose on strong global demand, while sunflower oil gained on reduced shipments from the Black Sea region. Rapeseed oil, however, fell in price on the back of increased new-crop supply in Europe.

Meat prices hit a record high, supported by stronger beef and lamb prices amid robust demand and tight supply, as well as higher poultry prices in Brazil. Pork prices declined due to oversupply in the EU and weak external demand.

Dairy prices fell for the first time since April 2024: butter and milk powder became cheaper due to increased production and export availability in Oceania, while cheese prices continued to rise on the back of sustained demand in Asia and the Middle East and reduced supply in the EU.

Sugar prices fell for the fifth consecutive month, reflecting expectations of a production recovery in India, Thailand and Brazil. However, stronger import demand limited further declines.

The gap between external and domestic prices remains wide for sugar and cereals. Domestic prices for vegetable oils and dairy products are still below global levels, but rapid global price growth could influence producer expectations and push domestic prices higher. An additional risk comes from the narrowing price gap for meat.

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

	2024		2025		
	July	December	May	June	July
Cereal (FAO)	140,9	155,1	149,5	148,0	150,9
CPI for flour	195,5	199,2	198,9	199,1	200,0
Differential, p.p.	54,6	44,0	49,4	51,1	49,1
Vegetable oil (FAO)	164,9	216,6	200,4	206,2	226,9
CPI for vegetable oil	145,2	168,7	182,6	185,6	190,5
Differential, p.p.	19,7	48,0	17,8	20,6	36,4
Sugar (FAO)	178,5	195,0	176,2	167,7	171,9
CPI for sugar	221,0	207,0	225,7	227,3	229,1
Differential, p.p.	42,4	12,0	49,5	59,6	57,2
Meat (FAO)	140,3	153,0	154,8	159,5	165,7
CPI for meat	153,3	155,1	168,2	170,2	173,5
Differential, p.p.	13,0	-2,1	13,4	10,8	7,7
Dairy products (FAO)	153,1	185,9	198,2	201,8	207,1
CPI for dairy products	173,2	180,2	183,5	183,5	184,2
Differential, p.p.	20,2	5,8	14,8	18,3	22,9

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

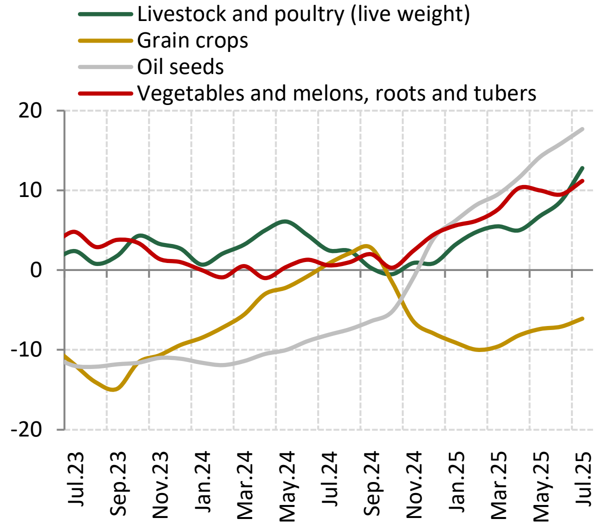
Note: The table presents FAO food price indices converted into tenge using the average monthly exchange rate of the tenge to the US dollar. Red indicates that domestic prices exceed international prices (negative gap), while green indicates the opposite – international prices exceed domestic ones.

Producer prices

In July 2025, prices increased across most subsectors of the food industry. The key factor was the rise in raw material costs at the agricultural production stage. Producer prices for livestock and poultry, milk, and oilseeds went up. The manufacturing sector is generating higher demand for raw materials used in food production. Amid increased export deliveries, domestic market sales have become less attractive, reducing supply and contributing to price growth.

Additional upward pressure on prices is coming from higher production costs, including expenses for energy resources and logistics.

Graph 7. Producer prices in agriculture, %, y/y

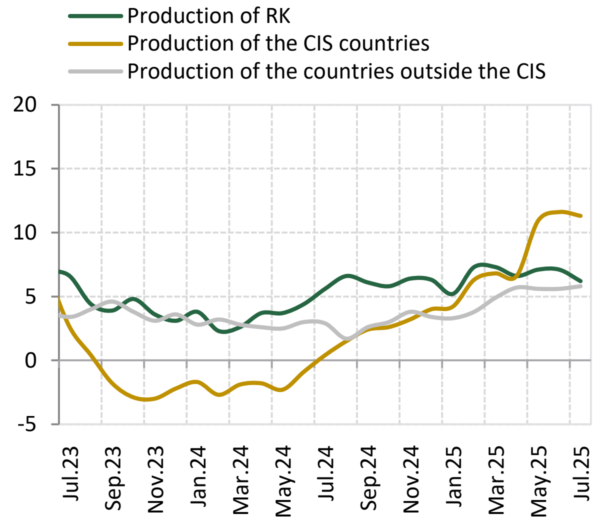


Source: BNS ASPR RK

In addition to the rise in domestic production costs, prices for imported food products have also increased. In the segment of imports from CIS countries, wholesale prices have gone up for meat products, canned goods, cheese and curd, as well as bakery and confectionery items. The main factors driving this growth are persistently high inflation in Russia and the depreciation of the tenge against the Russian ruble.

At the same time, imports from non-CIS countries are becoming more expensive at a more moderate pace. Price increases have been observed for olive oil, cheese and curd, seafood, spices, coffee, cocoa, chocolate, and confectionery products. This rise is driven by the depreciation of the tenge against the US dollar and higher global prices for certain product categories.

Graph 8. Wholesale prices for food products, %, y/y



Source: BNS ASPR RK