



NATIONAL BANK OF KAZAKHSTAN

INFLATION TRENDS

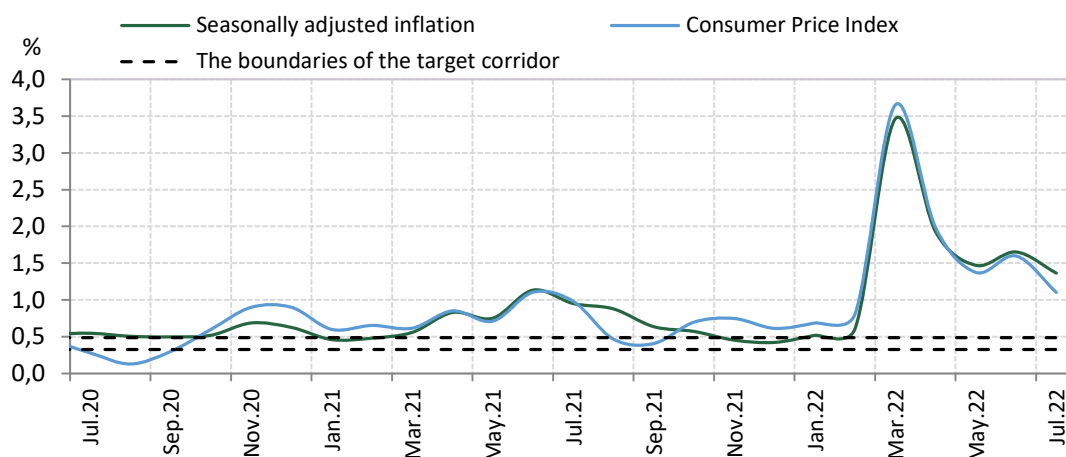
July 2022

Monthly inflation in July 2022 amounted to 1.1%, annual price growth accelerated to 15%. The main contribution to annual inflation is made by food products, the further growth of which was offset by a slowdown in the growth of prices for fruits and vegetables. The weakening of the tenge exchange rate continues to influence the dynamics of prices of non-food products. Among paid services, the dynamics of market services stands out.

Monthly consumer price growth in July 2022 was 1.1%, which is the highest value for this month since 2000. In annual terms, the price growth accelerated to 15%.

Monthly seasonally adjusted inflation in July this year was 1.4% and continues to exceed the target level since the beginning of 2022.

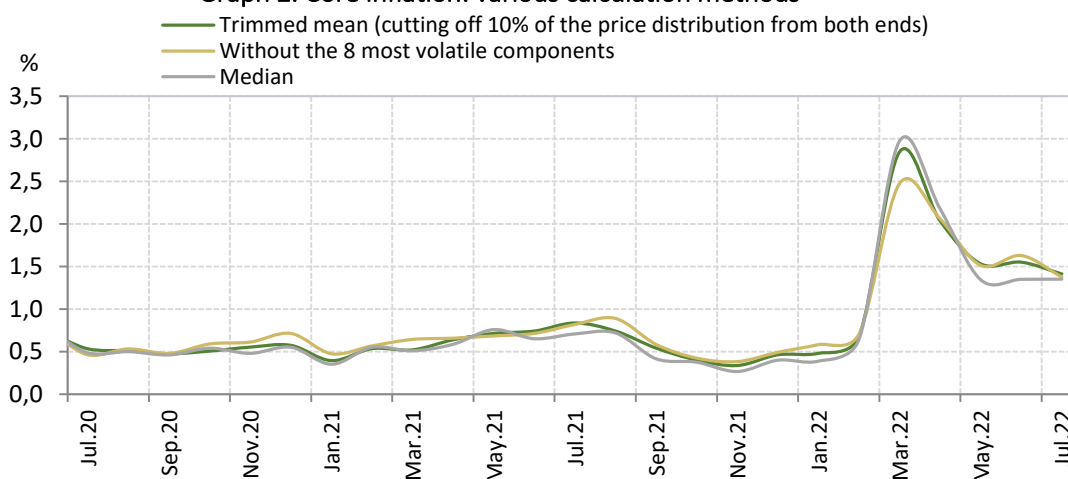
Graph 1. Monthly seasonally adjusted inflation



Source: BNS ASPR RK, calculations of the NB RK

The core seasonally adjusted inflation, calculated by various methods, has gradually slowed down from the June values, but despite this it is at values significantly exceeding the target corridor, which is a signal of a continuing pro-inflationary environment.

Graph 2. Core inflation: various calculation methods ¹

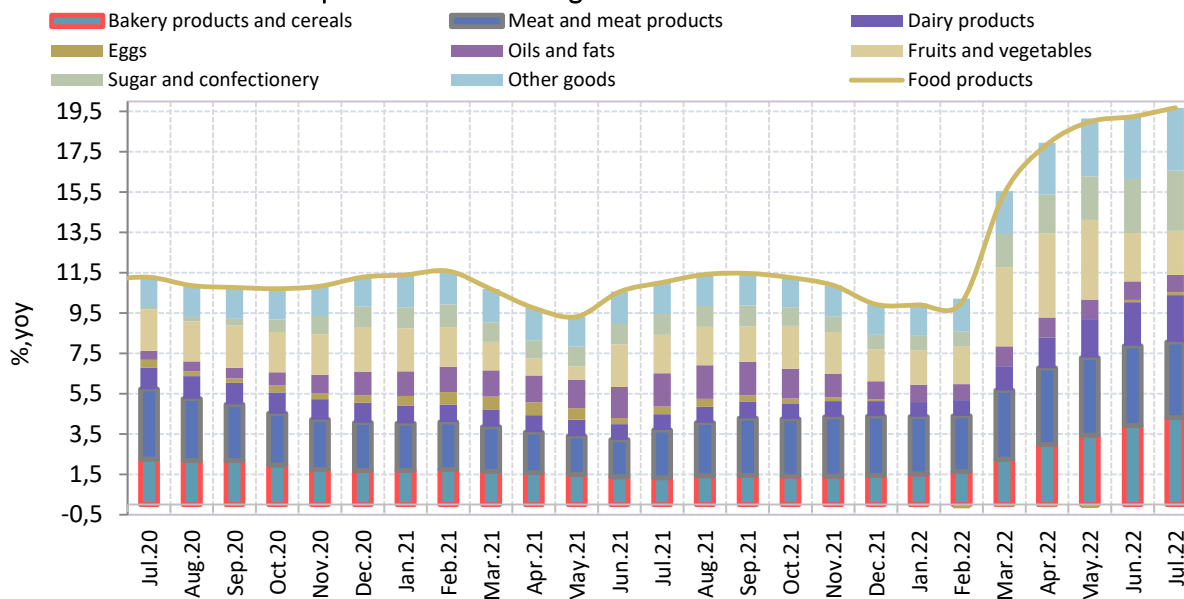


Source: BNS ASPR RK, calculations of the NB RK

¹ Core inflation is a value that characterizes a steady change in prices. The trimmed mean 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 those 8 components whose standard deviation of seasonally adjusted price changes over the past 2 years is the maximum; the median is a 50% percentile distribution of seasonally adjusted price changes in a given month.

Food inflation accelerated to 19.7% in July this year (19.2% in June 2022). Despite a significant slowdown in the growth of prices for cereals on world markets, the ninth month continues to accelerate the growth of domestic prices for bakery products and cereals, due to limited wheat stocks from producers of the flour and cereal industry. Prices for dairy products and eggs have accelerated. The increased demand along with the limited supply of sugar led to a higher increase in the cost of sugar and confectionery. The withdrawal from the calculations of the high values of July 2021 was reflected in the slowdown in the growth of prices for meat products, oils and fats. The further increase in food prices was offset by a slowdown in the increase in prices for fruits and vegetables, in particular, apples, grapes, cabbage, with a decrease in prices for carrots and beets.

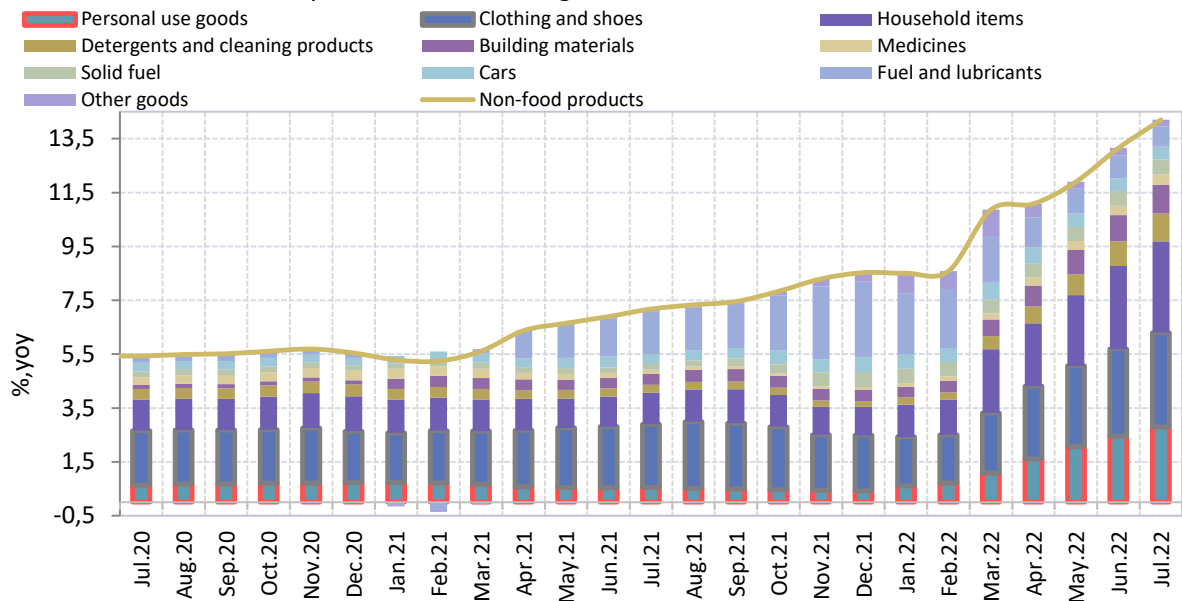
Graph 3. Contribution of goods to annual food inflation



Source: BNS ASPR RK, calculations of the NB RK

The annual increase in prices for **non-food** products accelerated in July 2022 to 14.2% (in June 2022 – 13.2%). There was an acceleration in the growth of prices for clothing and shoes, household items, pharmaceutical products, personal goods, detergents and cleaning products, building materials. Taking into account the high share of the import component in the consumption of these goods, the higher price increase was provoked by the weakening of the tenge exchange rate and the increase in the cost of transport services.

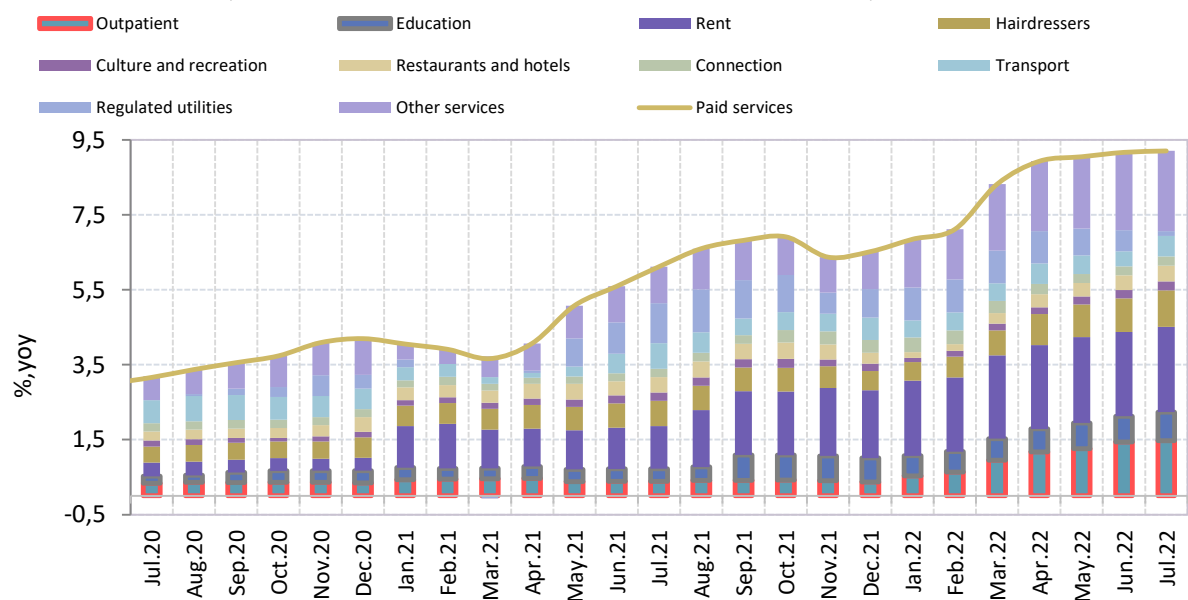
Graph 4. Contribution of goods to annual non-food inflation



Source: BNS ASPR RK, calculations of the NB RK

The inflation of **paid services** in July 2022 remained at the level of 9.2%. Before the start of the new academic year, the services of secondary vocational and higher education have become more expensive. In the field of culture and recreation, prices continued to rise for the services of children's attractions, cinemas and photographers. The cost of rail and air passenger transport services has increased significantly. In addition, prices for services of hairdressers and beauty salons, as well as catering enterprises have increased.

Graph 5. Contribution of services to the annual inflation of paid services



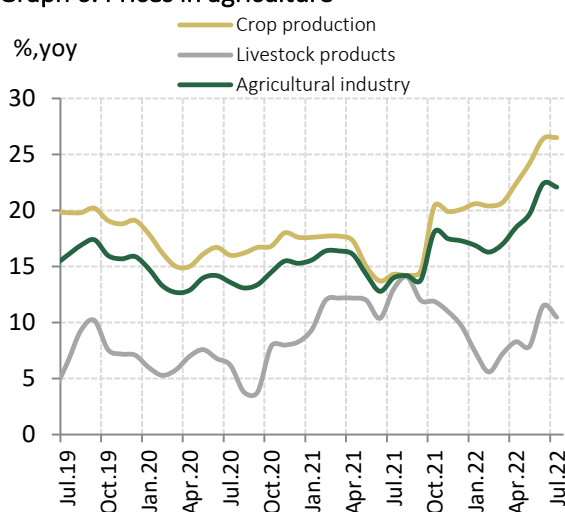
Source: BNS ASPR RK, calculations of the NB RK

After the slowdown in price growth from March to June in the manufacturing industry, there is a tendency to accelerate, at the same time, there is a lower increase in prices of agricultural producers.

In the manufacturing industry, the annual growth of producer prices accelerated to 16.4% in July this year (14.9% in June 2022). Among food-producing enterprises, the growth of prices for meat, oils and fats has slowed down. On the other hand, the price growth of producers of sugar, dairy products, flour and cereals, bakery and pasta products accelerated.

In agriculture, producer prices in July 2022 slowed slightly to 22.1% in annual terms (in June 2022 – by 22.4%). In crop production, the growth of wheat prices accelerated, while the inflation of fresh vegetables, oilseeds and fodder crops slowed down. Among livestock products, the slowdown in the growth of prices for live poultry continued.

Graph 6. Prices in agriculture



Source: BNS ASPR RK

Graph 7. Prices in industry

