



NATIONAL BANK OF KAZAKHSTAN

INFLATION TRENDS

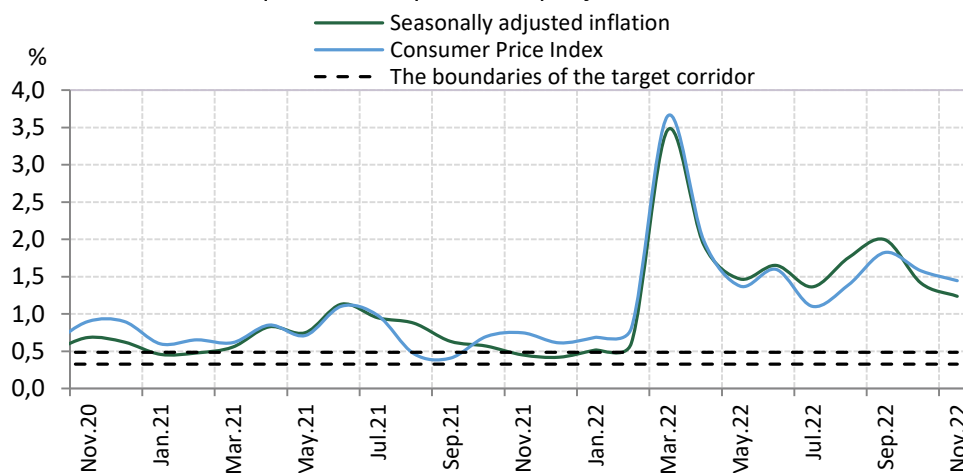
November **2022**

Monthly inflation in November 2022 was 1.4%, in annual terms consumer price growth accelerated to 19.6%. Prices for fruit and vegetable products, eggs, warm clothes and shoes, solid fuel and winter diesel fuel have increased seasonally. Against the background of an increase in domestic production, the growth of sugar prices slowed down. In non-food products, goods with a high share of imports, in particular detergents, cleaning products and personal goods, continue to become more expensive. In November, there is an increase in tariffs for hot water, central heating and garbage collection. At the same time, the growth of prices for rent of comfortable housing has slowed down in the group of paid services.

Inflation in November 2022 in monthly terms amounted to 1.4%, annual price growth accelerated to 19.6% (in October 2022 – 18.8%).

Monthly seasonally adjusted inflation continued to slow in November 2022. It was formed below the overall inflation at the level of 1.2%. The seasonal rise in the price of certain goods (fruits, vegetables, eggs, warm clothes and shoes, solid fuel and winter diesel fuel) led to an excess of total inflation over seasonally adjusted inflation (Graph 1).

Graph 1. Monthly seasonally adjusted inflation

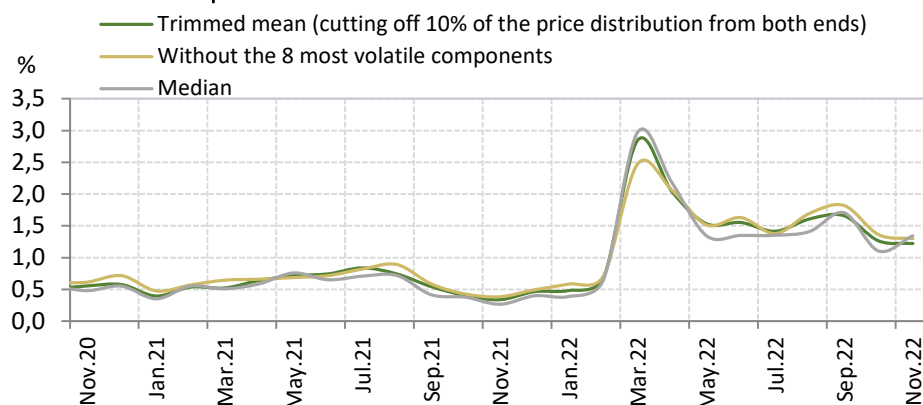


Source: BNS ASPR RK, calculations of the NB RK

The indicators of the core seasonally adjusted inflation¹, calculated by various methods, remains high, despite a slight slowdown in October-November 2022. It is worth noting that while core inflation varied in the range of 0.3-0.9% from the beginning of 2019 to February 2022, it has been formed in the range from 1.1% to 2.3% after the shock of March-April this year (Graph 2).

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.

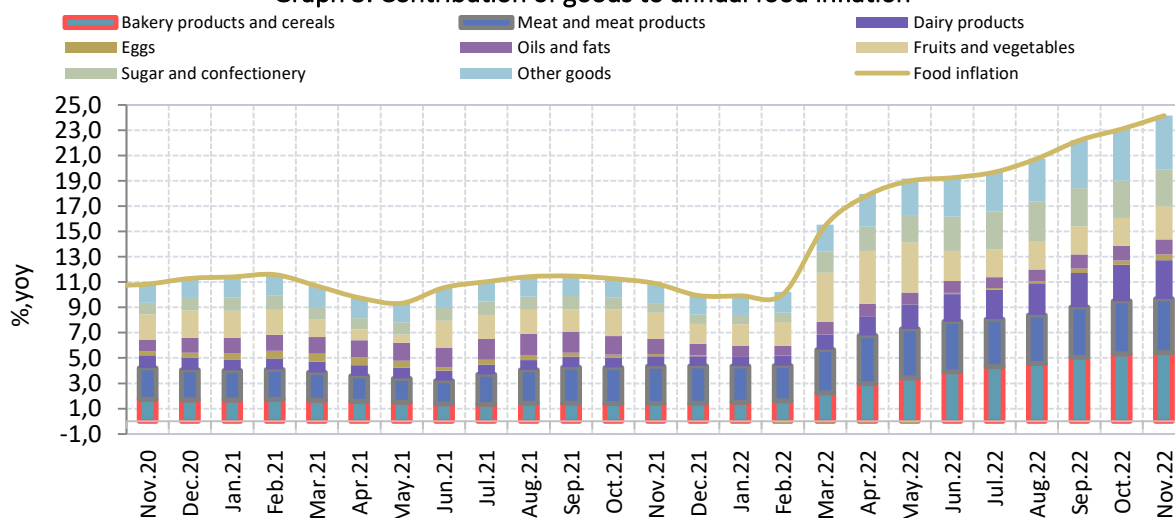
Graph 2. Core inflation: various calculation methods



Source: BNS ASPR RK, calculations of the NB RK

Food inflation accelerated to 24.1% YoY in November 2022 (23.1% in October 2022). The main contribution to the annual price growth continues to be made by bakery products and cereals, the acceleration of price growth of which has been observed since last year. Prices for dairy products and eggs continue to rise both on a monthly and annual basis. In November 2022, there is a significant increase in the price of tomatoes, cucumbers, bananas and oranges. Meanwhile, the monthly deflation of sugar prices observed since September continues due to a significant increase in domestic production. However, the annual growth rates of sugar prices remain high (Graph 3).

Graph 3. Contribution of goods to annual food inflation

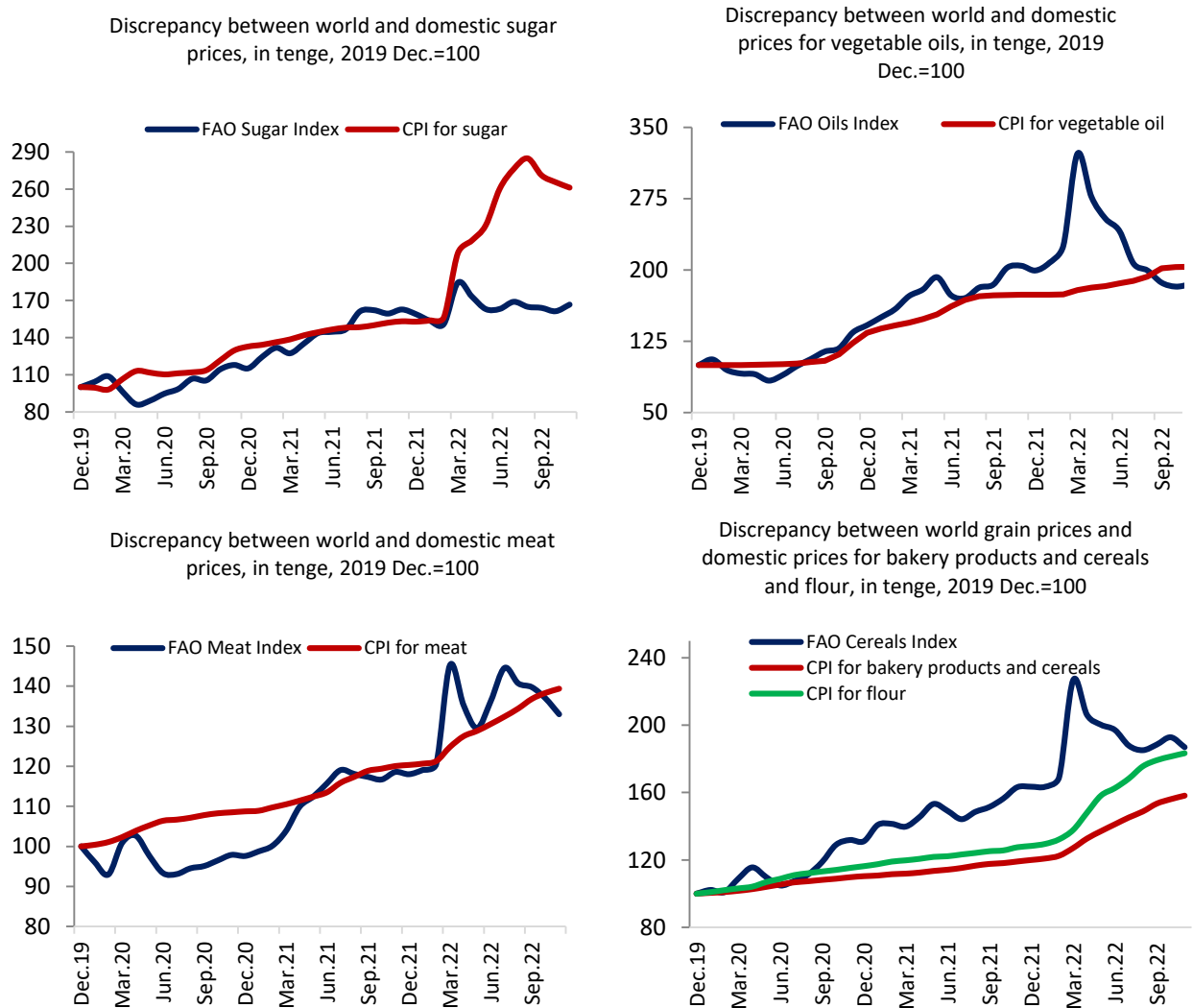


Source: BNS ASPR RK, calculations of the NB RK

If one compares the dynamics of world and domestic food prices calculated by December 2019, taking into account the average monthly exchange rate of tenge against the US dollar, the trajectory of domestic sugar prices continues to approach world prices, but still significantly exceeds them. Meat price indices have had multidirectional dynamics over the past four months. So, if external prices are declining against the background of an increase in global supply, then domestic prices are rising due to rising costs of domestic producers. In vegetable oils, the difference between internal and external prices has remained. At the same time, external prices expressed in tenge remained unchanged as a result of the strengthening of the

tenge against the US dollar. The consumer price index for flour is significantly ahead of the dynamics of prices for bakery products and cereals, almost approaching the world prices.

Graph 4. Dynamics of world and domestic prices for individual food products²

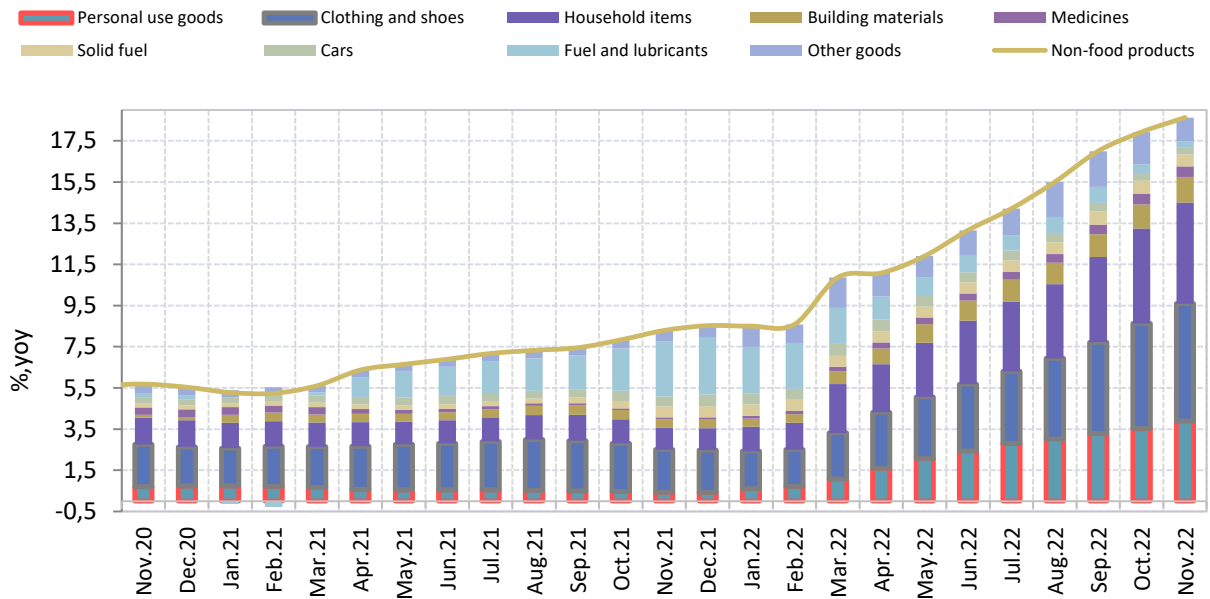


Source: BNS ASPR RK, UN FAO, calculations of the NB RK

The annual increase in prices for **non-food** products in November 2022 accelerated to 18.6% (in October 2022 – 17.9%). Due to the cold snap, the price of winter clothing, shoes and hats continues to rise. Moreover, there is a seasonal increase in prices for winter diesel and solid fuel. Prices for goods with a high share of imports, such as personal goods, detergents and cleaning products, have increased. The cost of books and stationery has risen. In the last three months, against the background of disruption of logistics chains and reorientation of imports, there has been a significant increase in prices for spare parts and tires for cars (Graph 5).

² The change in the corresponding indices since December 2019 (December 2019 = 100), taking into account the average monthly exchange rate of tenge to the US dollar.

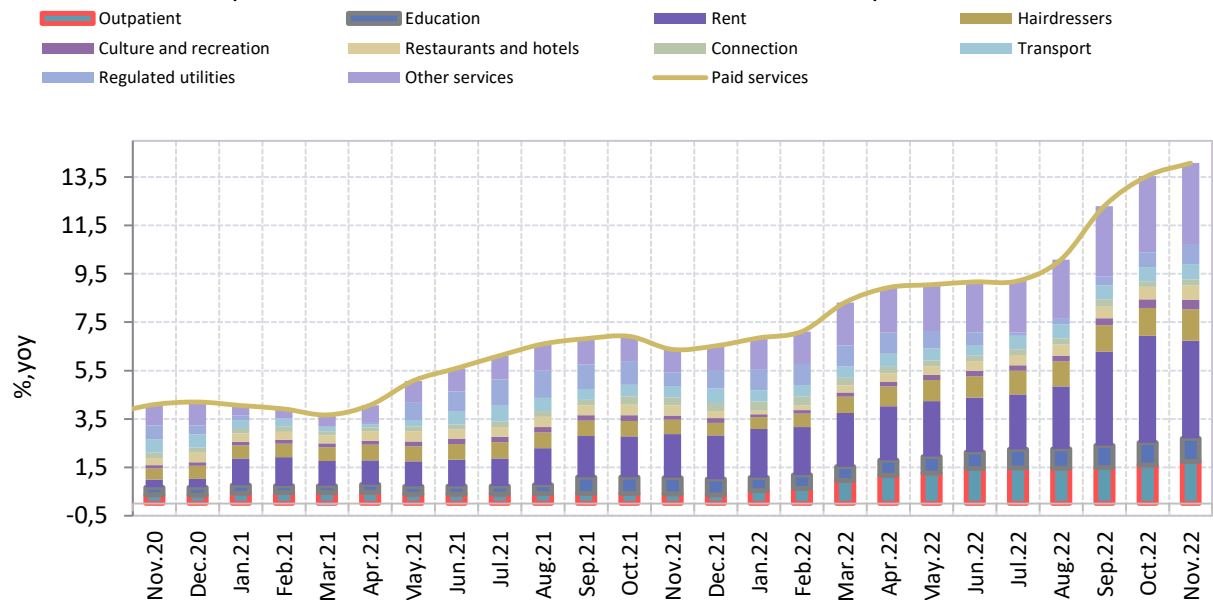
Graph 5. Contribution of goods to annual non-food inflation



Source: BNS ASPR RK, calculations of the NB RK

The inflation of **paid services** accelerated to 14.1% YoY in November 2022 (13.5% in October). For the first time since June 2022, the annual growth in rental prices for comfortable housing began to slow down in the face of weakening demand. Meanwhile, the cost of medical services has increased. Prices for hairdressing services, as well as services in the field of catering, culture and recreation have increased. In regulated services, tariffs for hot water, central heating and garbage collection have increased markedly.

Graph 6. Contribution of services to the annual inflation of paid services



Source: BNS ASPR RK, calculations of the NB RK

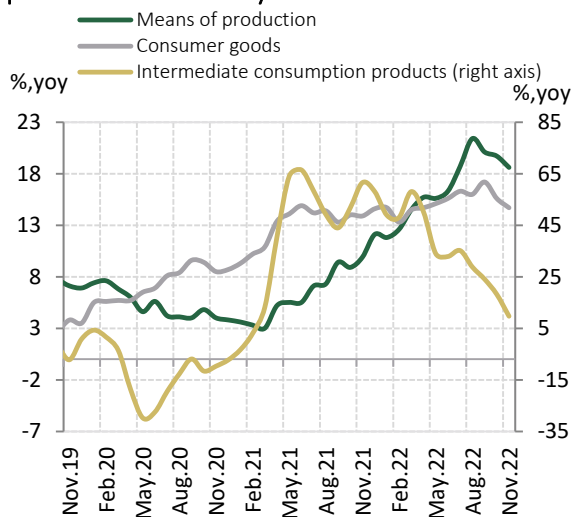
In November 2022, the growth of producer prices in the manufacturing industry significantly slowed down, due to a slowdown in the growth of prices for means of production and intermediate consumption products, as well as industrial services.

In agriculture, there is a slowdown in the growth of producer prices amid monthly price deflation in crop production as a new crop arrives, as well as more moderate growth rates in world food prices.

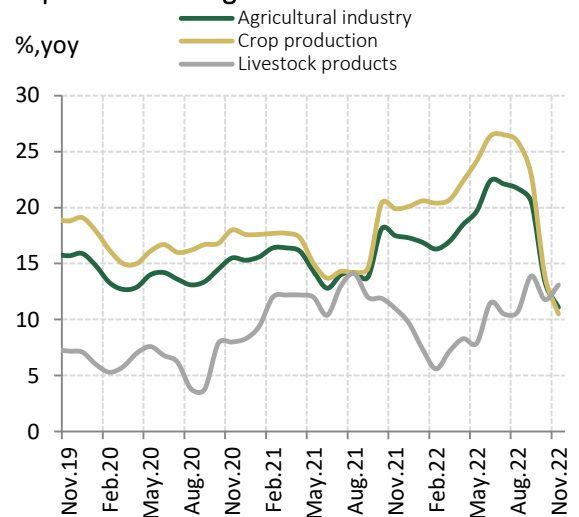
Producer inflation in the manufacturing industry in November 2022 slowed significantly to 9.9% YoY (in October 2022 – 15.1%). The growth of prices of food producers slowed down to 21% (22.9%) against the background of a lower growth in prices of producers of oils, fats, flour, cereals, bakery, pasta and sugar. Meanwhile, the price growth of manufacturers of clothing and pharmaceutical products has accelerated (Graph 7).

In agriculture, producer price growth slowed to 11.1% in November 2022 (13.4% in October 2022). In crop production, there is a decrease in monthly prices for wheat, sunflower seeds, which is due to the arrival of a new crop. There is a slowdown in the annual growth rates of prices for potatoes and cabbage. At the same time, the growth of sugar beet and onion prices has significantly accelerated. In animal husbandry, the growth of prices for egg and cow milk has accelerated against the background of rising production and technical costs.

Graph 7. Prices in industry



Graph 8. Prices in agriculture



Source: BNS ASPR RK