



NATIONAL BANK OF KAZAKHSTAN

# INFLATION TRENDS

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December **2022**

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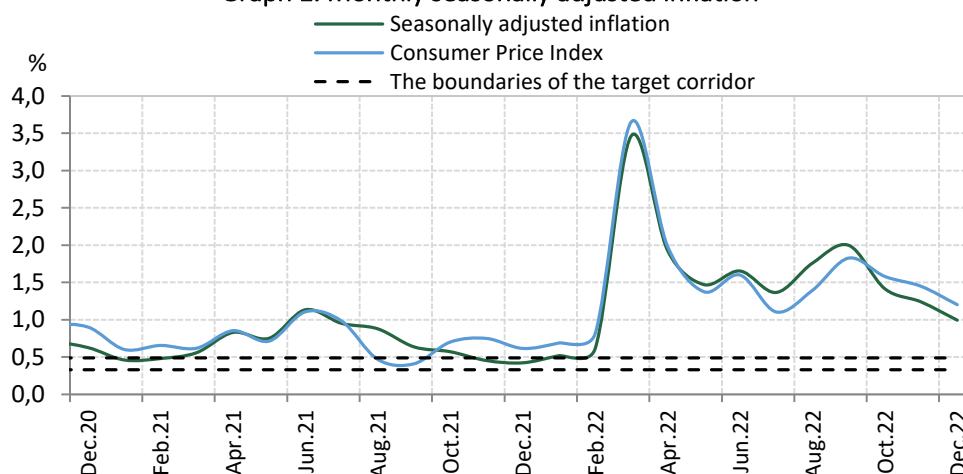
The consumer price index in December 2022 increased by 1.2%, the annual price growth accelerated to 20.3%. The largest contribution to the annual price increase continues to be made by food products, among which bakery products and cereals, as well as fresh vegetables, have significantly risen in price. At the same time, sugar prices have been declining for the fourth month in a row amid the growth of domestic production.

In the structure of non-food products, prices for clothing and shoes, personal goods, building materials and household items have increased. In paid services, there is an increase in the cost of outpatient and hairdressing services, as well as cultural events and catering services. At the same time, against the background of declining demand, the cost of renting comfortable housing has decreased.

Inflation in December 2022 amounted to 1.2%, in annual terms price growth accelerated to 20.3% (November 2022 – 19.6%).

After accelerating in September, monthly seasonally adjusted inflation slows from October to December 2022. In December, monthly seasonally adjusted inflation was 1%, prices for vegetables and fruits, solid fuel and eggs rose seasonally.

Graph 1. Monthly seasonally adjusted inflation

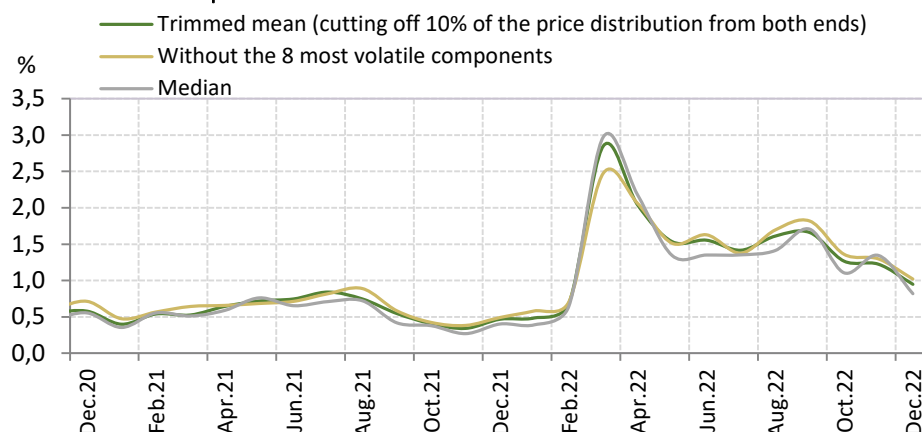


Source: BNS ASPR RK, calculations of the NB RK

The core seasonally adjusted inflation calculated by various methods <sup>1</sup>, as well as the seasonally adjusted consumer price index, is slowing down, which may indicate some weakening of the pro-inflationary pressure. However, these indicators still exceed the targeted range.

<sup>1</sup> 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.

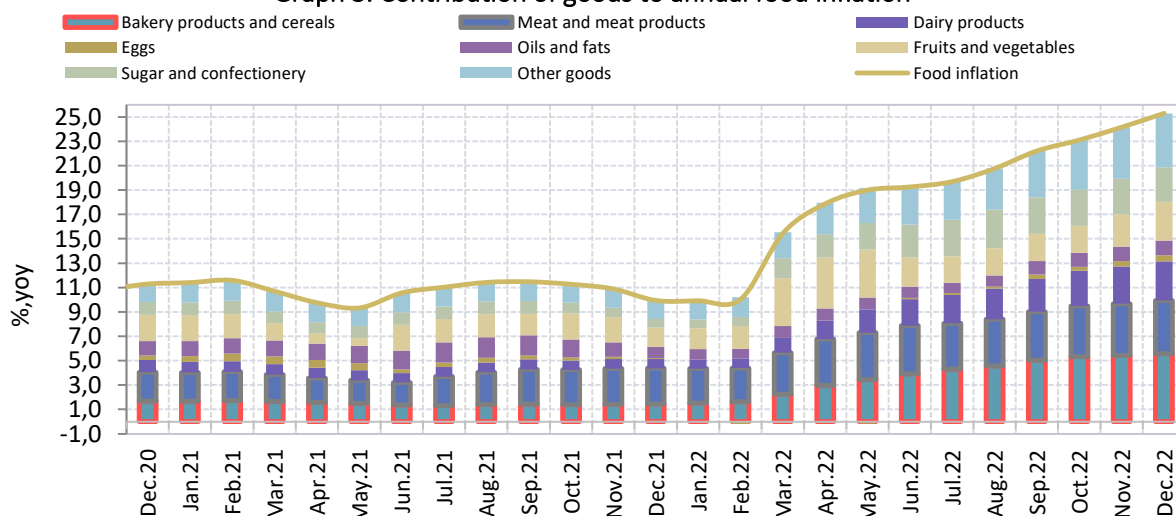
Graph 2. Core inflation: various calculation methods



Source: BNS ASPR RK, calculations of the NB RK

The annual growth of **food** prices in December 2022 accelerated to 25.3% YoY (in November 2022 – 24.1%). In 2022, the largest contribution to the annual price growth was made by bakery products and cereals. Fresh vegetables have become much more expensive. Against the background of a significant increase in domestic production, the decline in sugar prices continues for the fourth month. At the same time, the growth of prices for meat, dairy products and eggs accelerated.

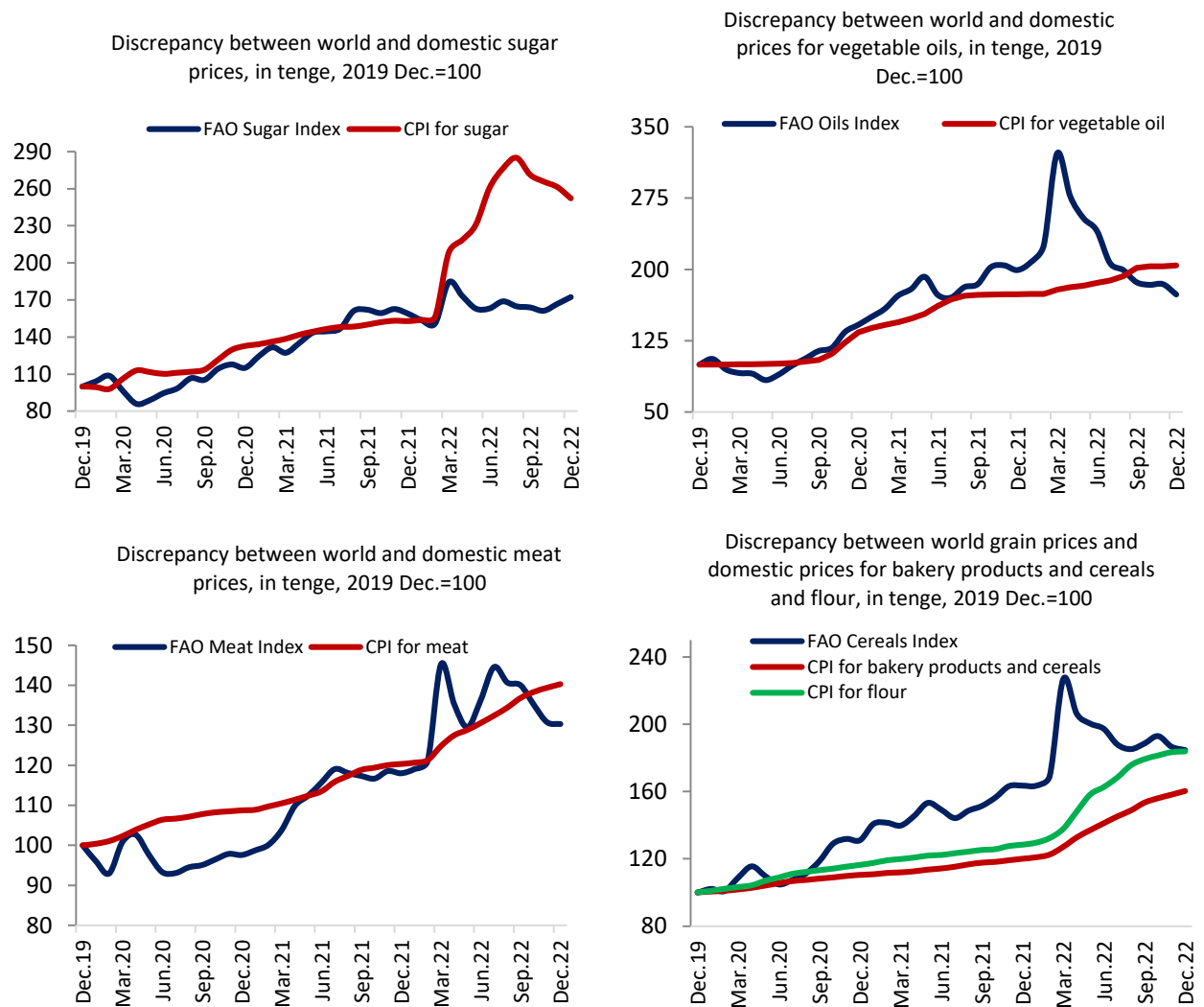
Graph 3. Contribution of goods to annual food inflation



Source: BNS ASPR RK, calculations of the NB RK

Taking into account the slight weakening of the tenge against the US dollar in December 2022, the dynamics of domestic prices for certain goods exceeded the dynamics of world prices calculated by 2019. Domestic sugar prices continue to form significantly higher than world prices, meanwhile, the discrepancy between domestic and world prices has decreased from 56% to 46%. Despite the relative stability of domestic prices for vegetable oils, in December there was an increase in the differential between world and domestic prices. This, in turn, was due to a reduction in world prices for palm and soybean oil due to low import demand and expectations of production growth.

From July to November 2022, there is a decrease in the world meat price index against the background of an increase in the supply of beef in large producing countries. At the same time, the growth of domestic meat prices continued in December. The dynamics of world grain prices in December 2022 reached a point of intersection with domestic flour prices.

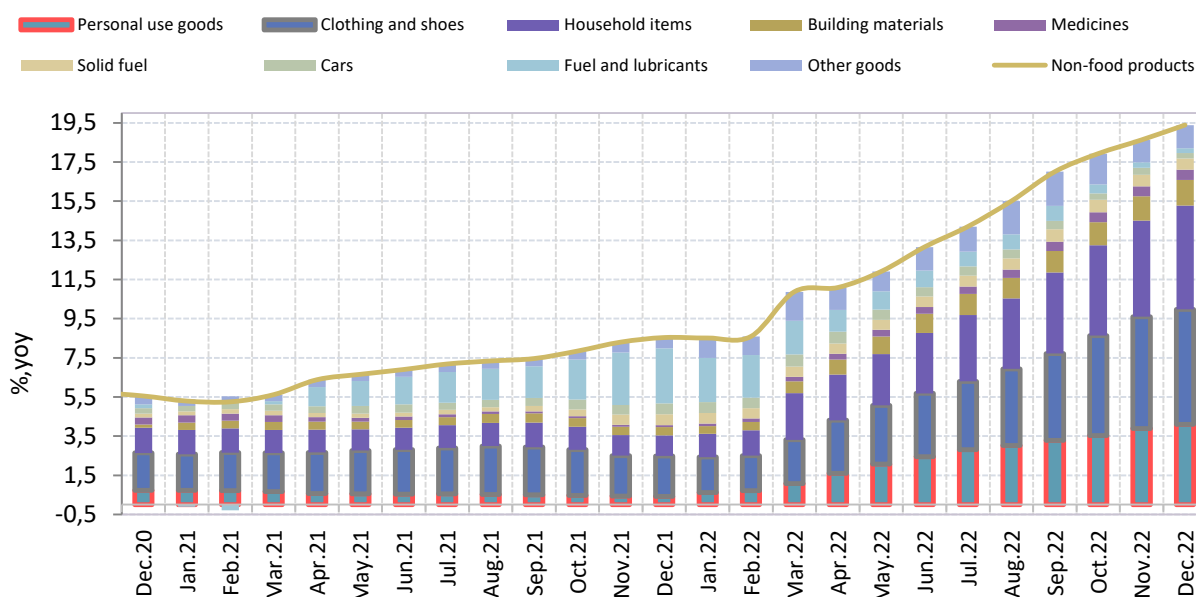
Graph 4. Dynamics of world and domestic prices for individual food products<sup>2</sup>

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

**Non-food inflation** accelerated to 19.4% in December 2022 (18.6% in November 2022). There is an increase in the cost of clothes and shoes. Prices for goods with a high share of imports, including personal goods and construction materials, continue to rise. In the group of household items, the inflation of furniture, household textiles, detergents and cleaning products stands out noticeably.

<sup>2</sup> 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

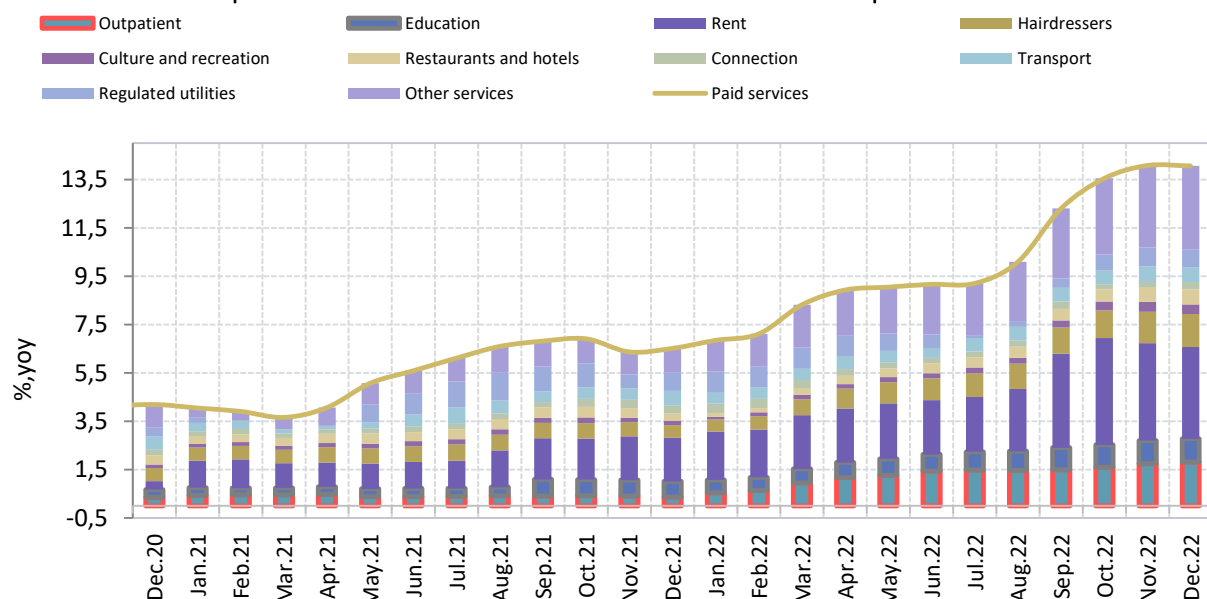


Source: BNS ASPR RK, calculations of the NB RK

The increase in prices for **paid services for the population** in December 2022 remained at the level of November (in November 2022 – 14.1%), interrupting a long period of acceleration that began in December 2021. For the second month in a row, the cost of rent for comfortable housing continues to decrease against the background of cooling demand. In the structure of regulated utilities, it is worth noting a decrease in gas supply prices in annual terms.

The cost of outpatient services has increased. Prices for hairdressing services have increased, as well as for services in the field of catering and cultural events. The growth of prices for air passenger transport services and the organization of complex recreation (tours abroad) has significantly slowed down as a result of the exit from the calculation of the high base of 2021.

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



Source: BNS ASPR RK, calculations of the NB RK

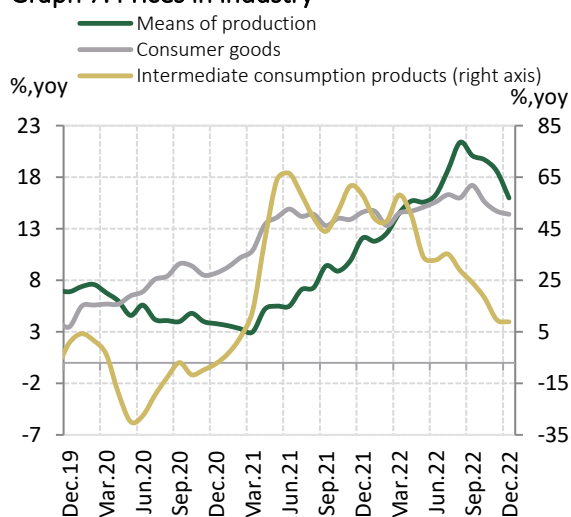
The slowdown in the growth of producers prices of consumer goods against the background of the continuing slowdown in the growth of prices for means of production and intermediate goods.

**Slowing of producer inflation in agriculture in conditions of increasing stocks.**

The price growth of manufacturing enterprises in December 2022 accelerated to 10.5% YoY (in November 2022 – 9.9%). In food products, the slowdown in producer price growth has been occurring over the past three months due to lower price growth for intermediate consumption products and means of production. In the context of goods, the growth of prices of producers of sugar, meat and flour-grain products, bakery and pasta products slowed down, while the growth of prices for oils, fats and dairy products accelerated. In non-food products, the price growth of car and furniture manufacturers has slowed down.

In agriculture, producer inflation slowed to 9% in December 2022 (11.1% in November 2022). In crop production, as a result of a significant increase in stocks, the growth of prices for wheat and oilseeds slowed down, while the growth of prices for tomatoes and cucumbers accelerated. In animal husbandry, there is a slowdown in the growth of prices for poultry in live weight against the background of the exit from the calculation of the high base of 2021.

**Graph 7. Prices in industry**



Source: BNS ASPR RK

**Graph 8. Prices in agriculture**

