



NATIONAL BANK OF KAZAKHSTAN

INFLATION TRENDS

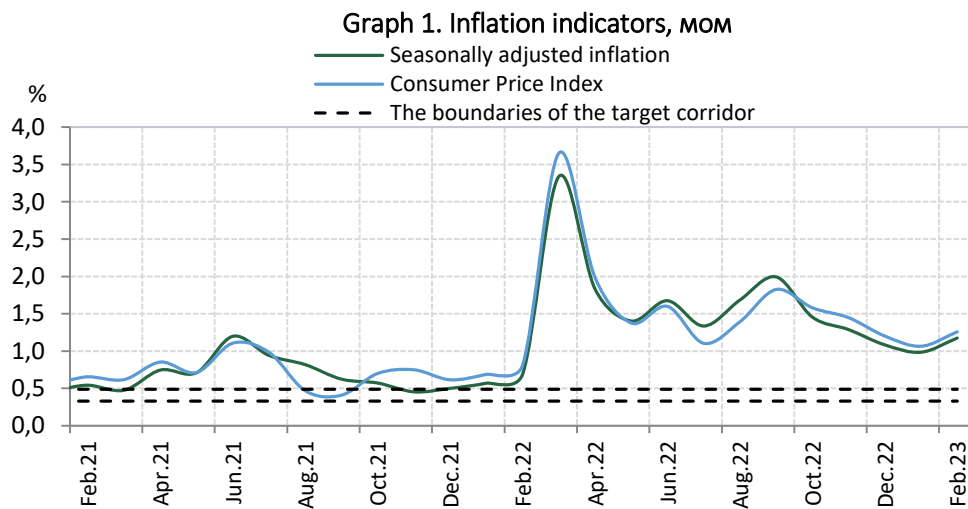
February **2023**

Inflation in February 2023 amounted to 1.3%, annual price growth accelerated to 21.3%. In the structure of food products, prices for fruits and vegetables continued to rise in the context of a decrease in supply. At the same time, after a prolonged acceleration, the growth of prices for meat products, bakery products and cereals, with the exception of rice, slowed down.

The rise in the price of clothing and footwear, personal goods and solid fuel contributed to the rise in prices for non-food products. At the same time, there is a slowdown in the annual growth rates of prices for household appliances, furniture. Among the paid services for the population, tariffs for regulated utilities, as well as for trips by rail and air passenger transport have increased.

The monthly growth of consumer prices in February 2023 amounted to 1.3%, in annual terms the growth accelerated to 21.3% (in January 2023 – 20.7%).

Monthly seasonally adjusted inflation accelerated to 1.2% in February 2023 after slowing from October 2022 to January 2023, still forming above the National Bank's inflation targets (Graph 1). In the context of goods in the autumn-winter period, solid fuel, vegetables and fruits seasonally become more expensive. Thus, the high growth of consumer prices, cleared of seasonality, indicates the persistence of pro-inflationary risks in the economy.

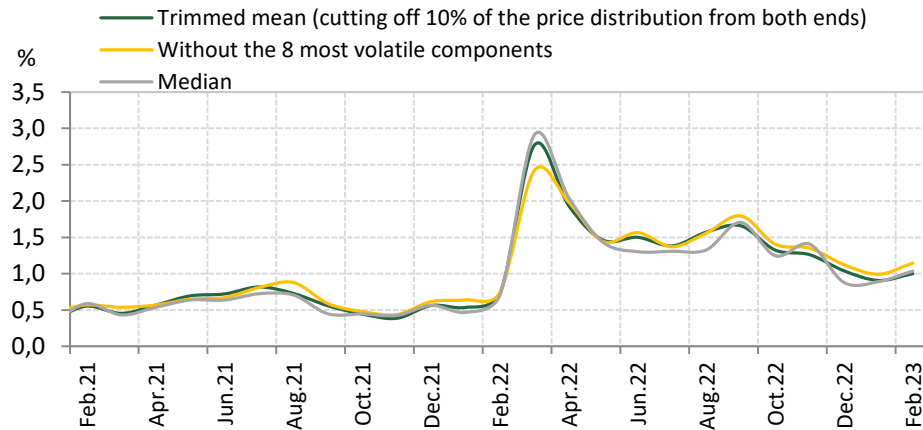


Source: BNS ASPR RK, calculations of the NB RK

Seasonally adjusted core inflation, calculated by various methods¹, accelerated slightly in February 2023 after a slowdown observed since October last 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, mom

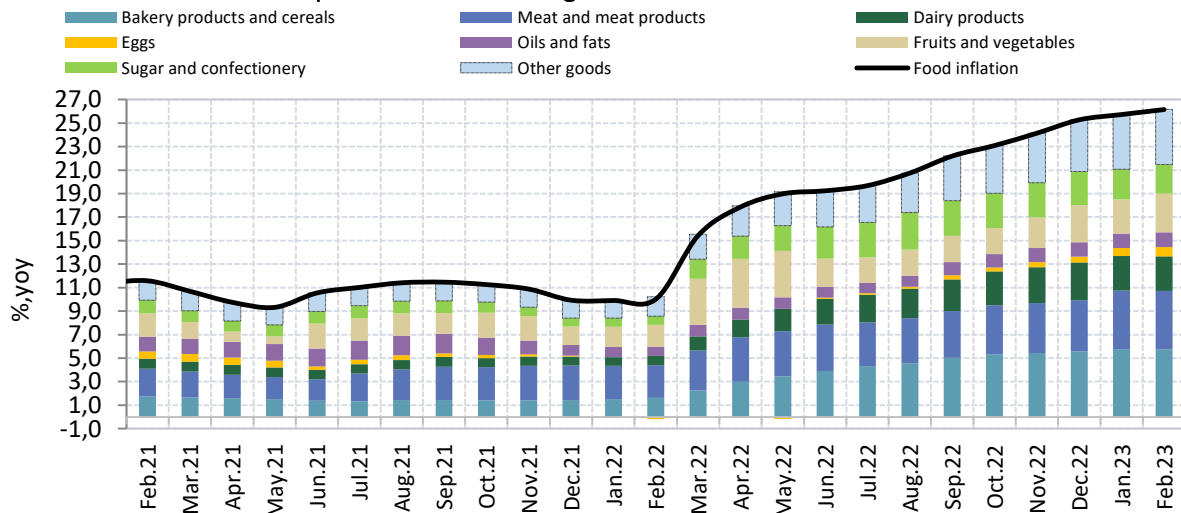


Source: BNS ASPR RK, calculations of the NB RK

The increase in **food** prices in February 2023 amounted to 1.5%, accelerated to 26.2% in annual terms (in January 2023 – 1.4% MoM, 25.7% YoY) (Graph 3). In February, rice prices continued to rise (by 4.4% MoM, 44.9% YoY) as a result of a 14.4% (YoY) decrease in the harvest in 2022, which was due to a reduction in acreage and drought. There is also an increase in rice exports to Russia, which by the end of 2022 increased by 42.2% in physical terms. As a result of abnormal frosts in the south of Kazakhstan and the loss of part of the harvest in February, the rise in price of certain types of fruit and vegetable products continued. Thus, despite the ban on export², the increase in prices for onions amounted to 28.5% MoM, 105% YoY. Cucumbers and tomatoes have also risen in price.

After a prolonged acceleration, the growth of prices for meat products, bakery products and some types of cereals slowed down slightly in February 2023. At the same time, measures to stabilize prices, including an increase in domestic sugar production (by the end of 2022, an increase of 38.6% YoY), led to a continued decline in consumer sugar prices for the sixth month in a row. In February 2023, the decline in sugar prices was 2.2% MoM, in annual terms price growth slowed to 55% (January 2023 – 60.9%).

Graph 3. Contribution of goods to annual food inflation



Source: BNS ASPR RK, calculations of the NB RK

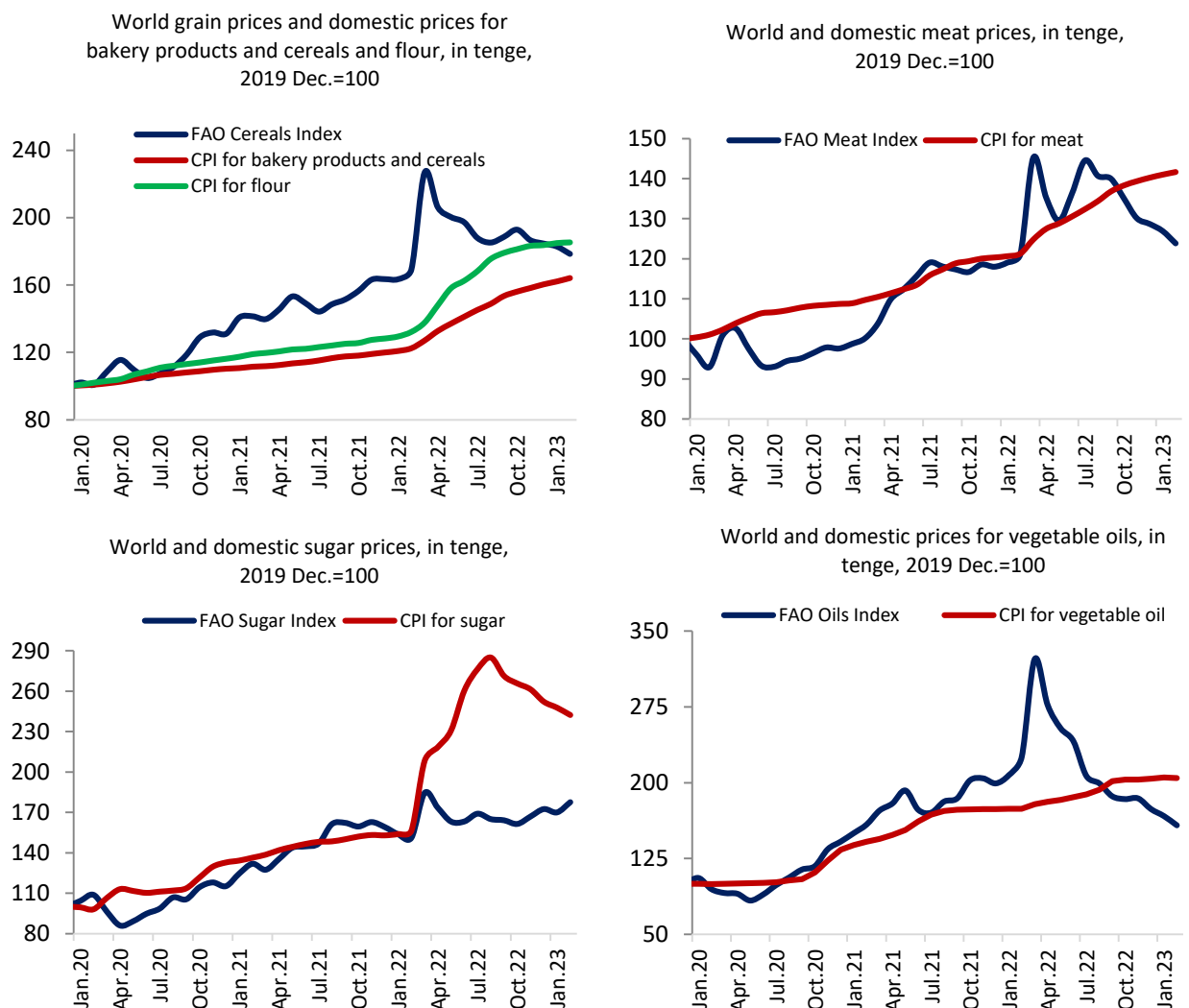
² Order of the Minister of Agriculture of the Republic of Kazakhstan dated January 28, 2023 No. 39 «On the introduction of ban on the export of onions from the territory of the Republic of Kazakhstan».

World prices for meat and grain crops remained virtually unchanged in February 2023 (Graph 4). However, due to the strengthening of the tenge against the US dollar, there is a decrease in external prices expressed in tenge. At the same time, the dynamics of domestic prices for flour, bakery products and cereals, as well as meat, despite a slight slowdown in February, has an upward trend.

The gap between internal and external sugar prices continues to narrow. A significant increase in sugar prices on world markets due to lower forecasts regarding production in India was smoothed out by the strengthening of the tenge exchange rate. In addition, the growth rate of domestic sugar prices has slowed down amid supply growth.

With the stability of domestic prices for vegetable oil, external prices decreased due to a decrease in global import demand, increasing the discrepancy between prices.

Graph 4. Dynamics of world and domestic prices for individual food products³



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

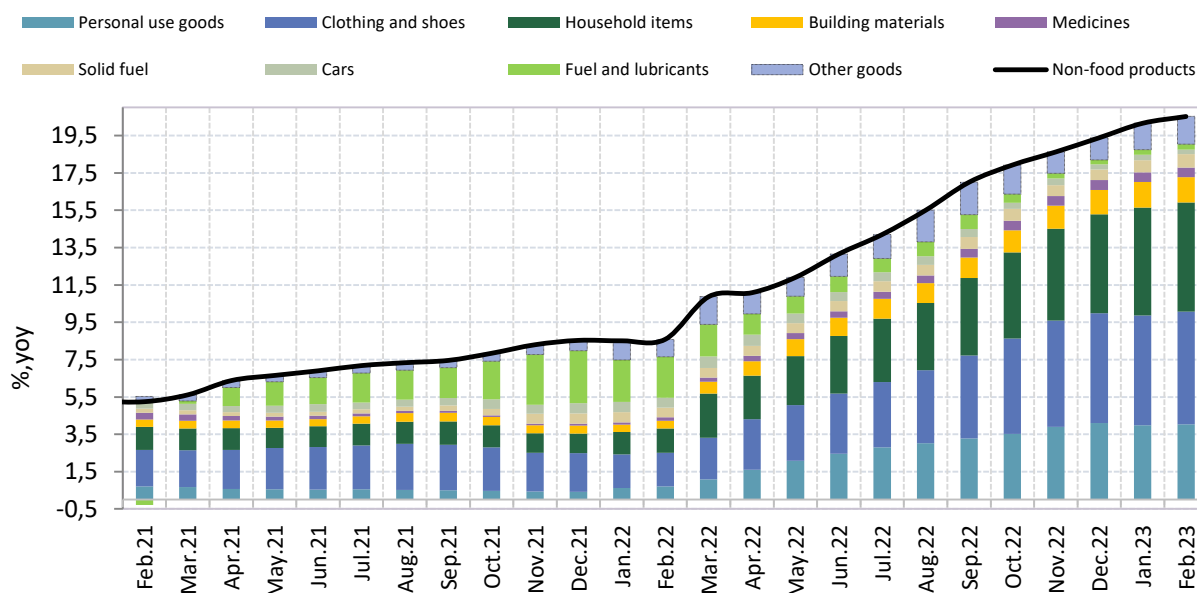
Non-food products in February 2023 became more expensive by 0.8%, annual price growth accelerated to 20.5% (in January 2023 – 0.9 MoM, 20.2% YoY) (Graph 5). In February, prices for used passenger cars decreased by 0.2% YoY (January 2023 – an increase of 1.3%, YoY), while the price growth for new cars slowed to 14.7% (15.3%, YoY). Against the background of the strengthening of the tenge exchange rate, as well as the slowdown in the growth of

³ 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.

import prices for consumer goods, prices for audiovisual equipment (televisions, laptops, tablets, headphones, etc.) decreased by 2.5% in February, the annual growth rate slowed to 3.8% from 7.2% in January 2023. A slowdown in the annual rate of price growth is also observed for household appliances and furniture.

At the same time, in February 2023, the rise in the cost of personal goods and some types of construction materials continued, which may be due to the reorientation to new suppliers and the establishment of new supply chains. Solid fuel prices also continued to rise during the cold season. A significant contribution to the increase in prices for non-food products was made by an increase in the cost of clothing and footwear by 18.7% (YoY).

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

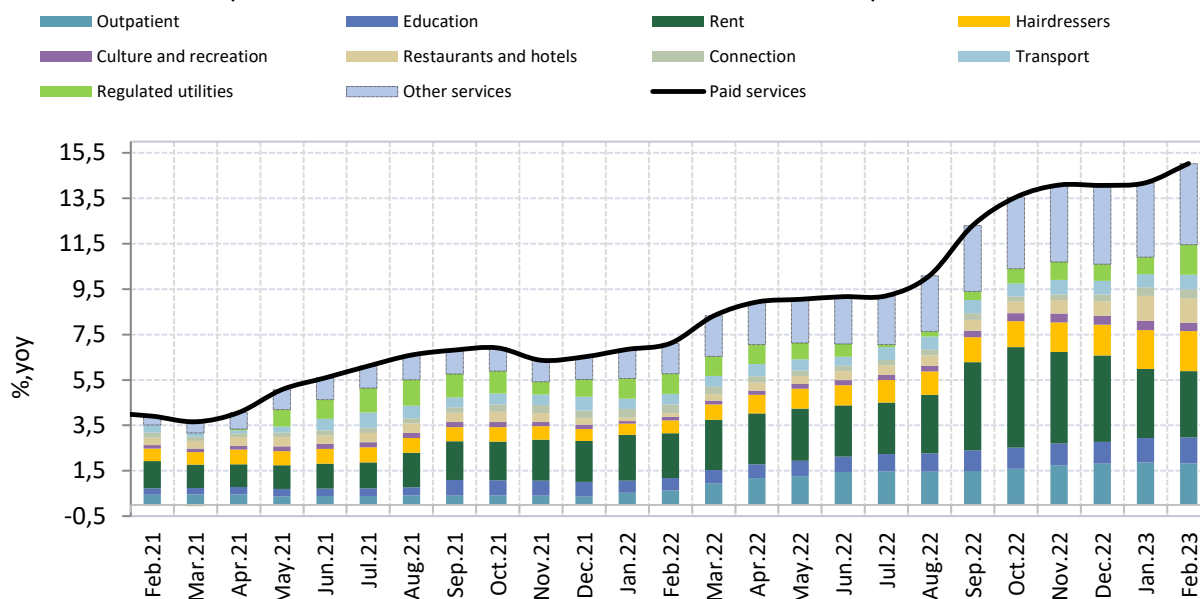


Source: BNS ASPR RK, calculations of the NB RK

Prices for **paid services for the population** in February 2023 increased by 1.3%, in annual terms price growth accelerated to 15% (in January 2023 – 0.7% MoM, 14.2% YoY) (Graph 6). In February, there is an increase in utility tariffs (Graph 7). In particular, heating energy rose by 6.9% MoM (8.6%, YoY), electricity – by 0.7% MoM (7.9%, YoY). House intercom services have become more expensive by 1.7% (6.8%, YoY), payment for housing maintenance has risen by 1.7% (19.9%, YoY). It is worth noting that in February 2023 the acceleration of the growth of prices for educational services continued, especially for preschool and primary education, services of hospitals, hairdressers and personal service establishments. Fares for rail and air passenger transport have increased.

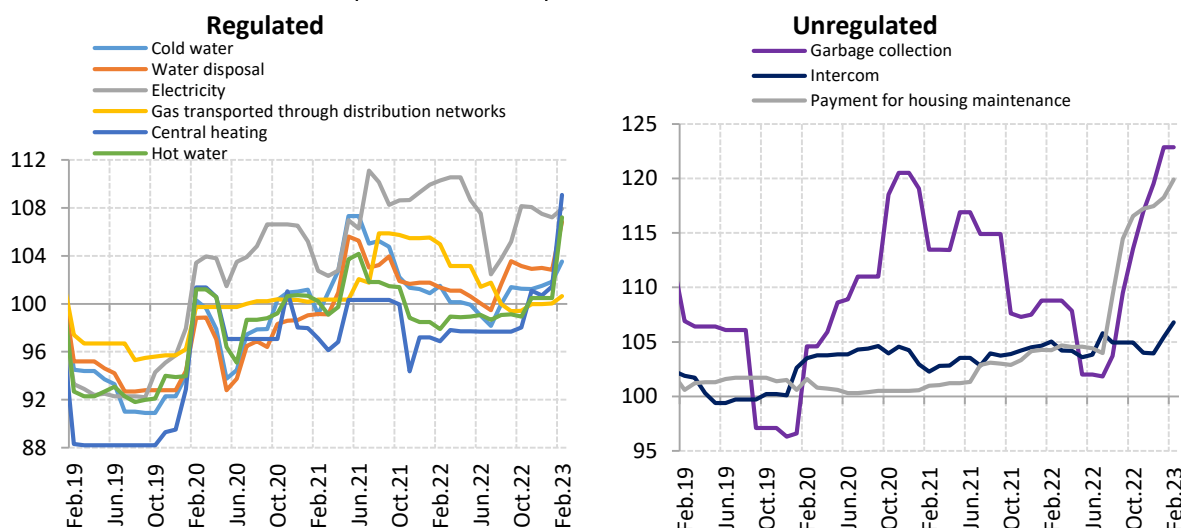
At the same time, in February, the annual growth rates of prices for catering services, hotel services, organization of complex recreation, entertainment and culture slowed down. Prices for insurance services in February 2023 decreased by 2.1%, the annual growth rate slowed to 3.5%.

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



Source: BNS ASPR RK, calculations of the NB RK

Graph 7. Consumer price index for utilities, YoY



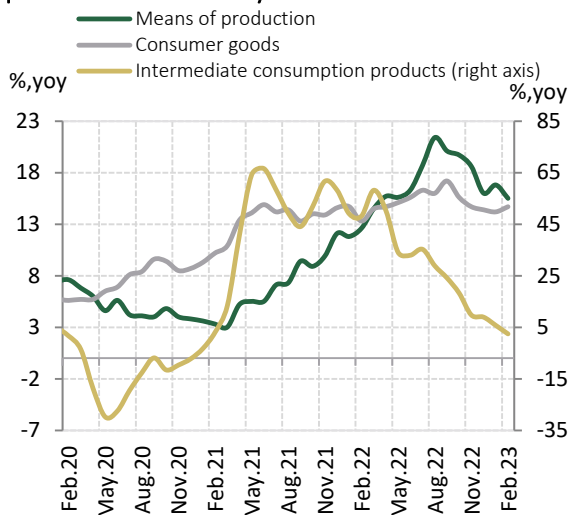
Source: BNS ASPR RK

- Slowdown in price growth in the manufacturing industry due to lower growth in prices for capital and intermediate goods
- Slowing of price growth in agriculture due to cheaper wheat against the background of sufficient stocks

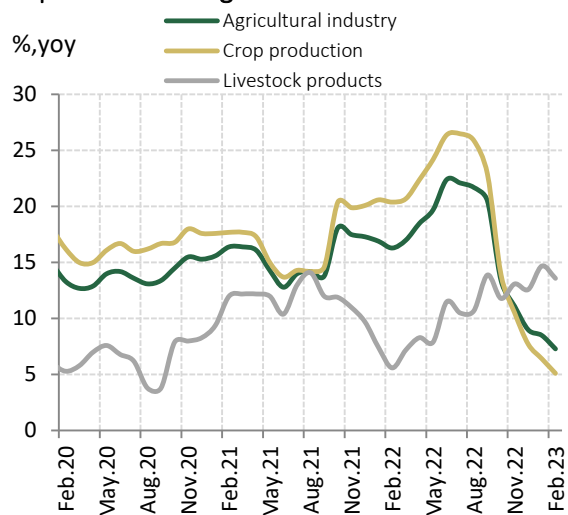
Producer inflation in the manufacturing industry slowed to 9.4% YoY in February 2023 (11% in January 2023) due to a slowdown in the growth of prices for means of production and intermediate goods (Graph 8). The price growth of food-producing enterprises also slowed down slightly. In commodity groups, there is a slowdown in the growth of prices of producers of meat products, flour, cereals and pasta. The price growth of pharmaceutical manufacturers has slowed down significantly. At the same time, the price growth of bakery producers accelerated.

The growth of producer prices in agriculture in February 2023 slowed to 7.3% YoY (in January 2023 – 8.5%). In crop production, price growth continues to slow down due to lower wheat price growth due to a good autumn harvest. At the same time, it is worth noting a noticeable acceleration in the growth of prices for fresh vegetables. In animal husbandry, the growth of prices for live cattle and poultry, as well as raw cow's milk, has slowed down. On the other hand, egg prices continued to rise (Graph 9).

Graph 8. Prices in industry



Graph 9. Prices in agriculture



Source: BNS ASPR RK