



NATIONAL BANK OF KAZAKHSTAN

# INFLATION TRENDS

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March **2023**

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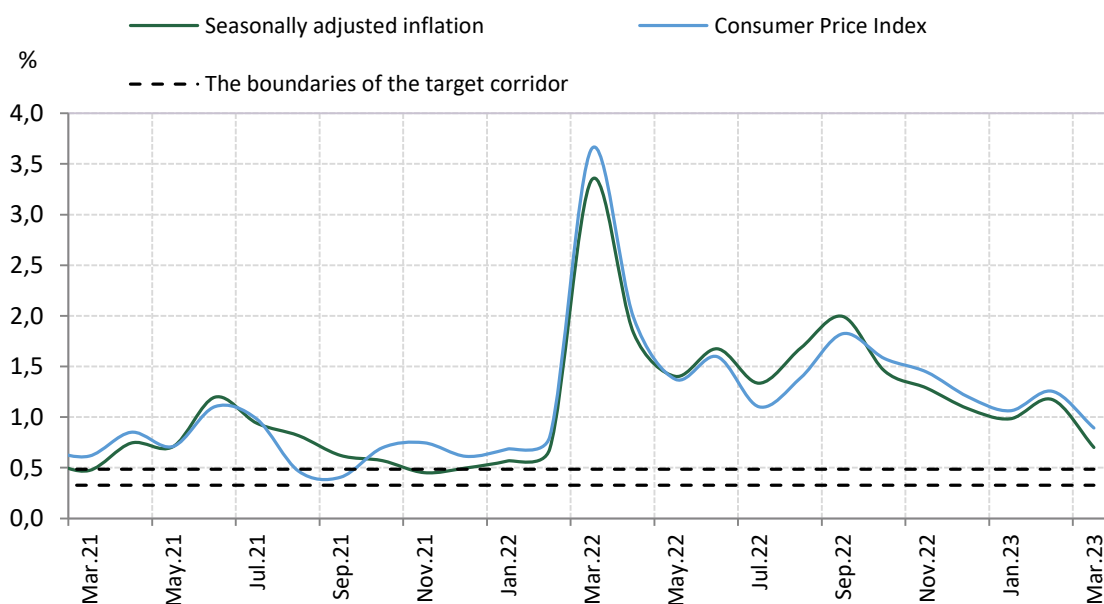
After peaking in February, annual inflation slowed to 18.1% in March 2023. Monthly price growth was 0.9%.

Despite the significant slowdown, food prices continue to make the greatest contribution to overall inflation, with a growth of 20.5% (YoY) in March 2023. The annual growth of prices for non-food products slowed to 18.1%, for paid services for the population - to 14.4%.

The slowdown in annual inflation rates was due to the withdrawal from the calculations of the high base of last year, as well as the slowdown in the growth of prices for certain types of food, household appliances and paid services. At the same time, the monthly growth of consumer prices in March 2023 still exceeds the average value of March in the period from 2017 to 2021 (0.6%).

Monthly seasonally adjusted inflation in March 2023 amounted to 0.7% after a short-term acceleration in February 2023 (Graph 1). Despite the high figure of February and the formation of a seasonally adjusted inflation indicator above the target during the year, we can note the trend of its slowdown since October 2022.

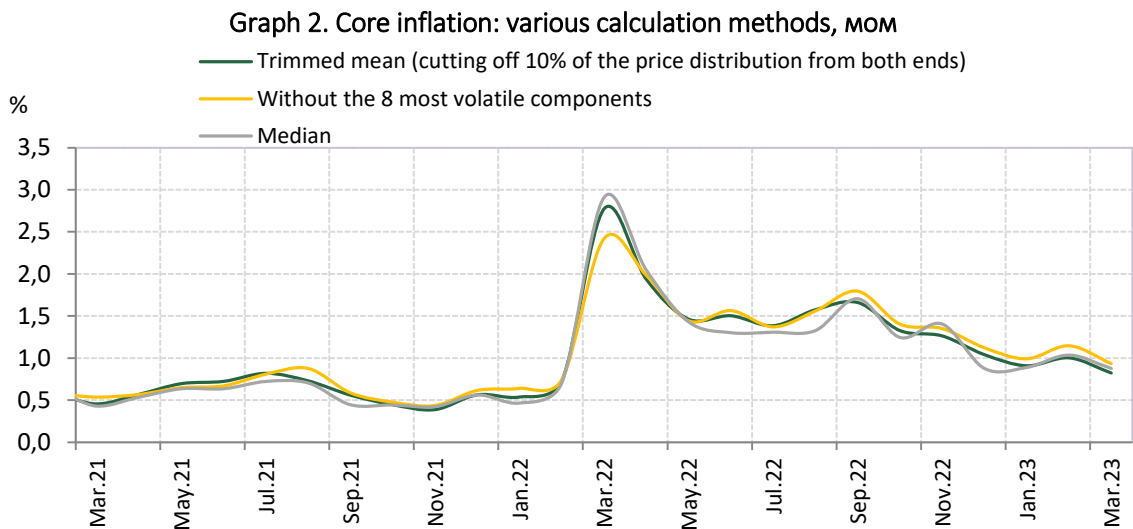
Graph 1. Inflation indicators, mom



Source: BNS ASPR RK, calculations of the NB RK

In February of this year, seasonally adjusted core inflation<sup>1</sup>, calculated by various methods, accelerated a bit. However, in March of this year, core inflation returned to the slowing trend that has been observed since October last year (Graph 2).

<sup>1</sup> Core inflation is a value that characterizes a steady change in prices. The truncated average 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 8 components whose standard deviation of seasonally adjusted price changes over the past 2 years is the maximum; median is a 50% percentile of the distribution seasonally-cleared price changes in a given month.



Source: BNS ASPR RK, calculations of the NB RK

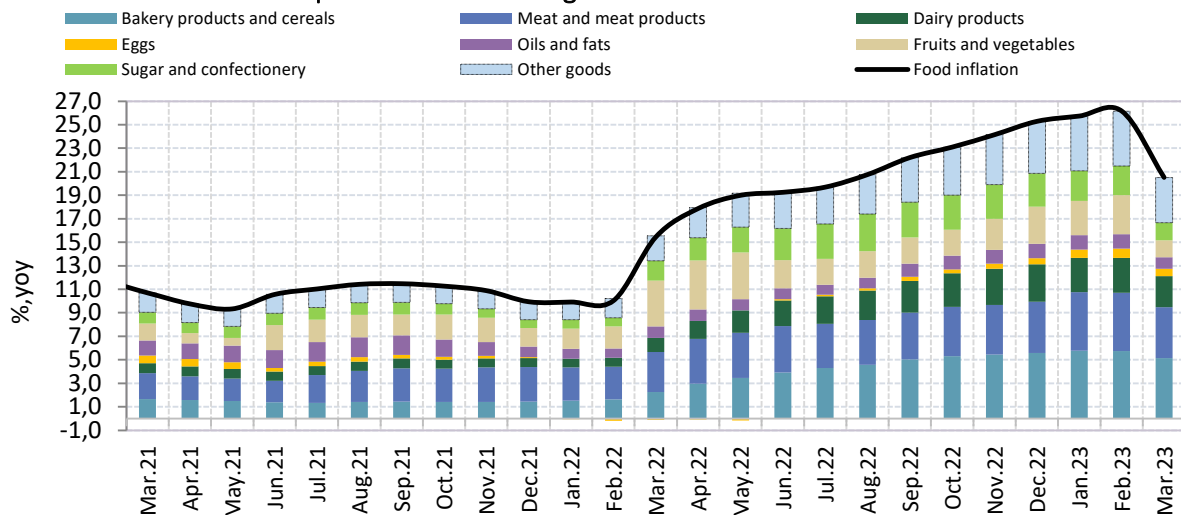
The increase in **food** prices in March 2023 amounted to 1.1%, in annual terms it has slowed down to 20.5% (in February 2023 – 1.5% mom, 26.2% YoY) (Graph 3). In the structure of food products, it is worth noting a significant slowing of the growth of prices for fruits and vegetables (down to 10.6% from 24.1% in February 2023 yoy), sugar (down to 14% from 55%), meat (down to 14.7% from 16.8%), bakery products and cereals (down to 30.4% from 34%).

Meanwhile, despite the slowdown in annual price growth, there is still a significant monthly increase in prices of certain categories of goods. In particular, rice became more expensive (by 3.4% mom, 43.8% yoy) due to the decrease in yield in 2022 (by 14.4% yoy), which was due to a reduction in acreage and drought. In addition, in March, as a result of the supply shock due to crop loss due to abnormal frosts in the south of the country, some types of vegetables significantly rose in price: tomatoes (by 12.7% mom, 13.2% yoy), sweet peppers (by 4.9% mom, 17.8% yoy) and cabbage (by 4.5% mom, decrease by 51.1% YoY).

At the same time, according to BNS ASPR, in January 2023, tomato imports decreased by 47.2% (YoY) in physical terms, while tomato exports increased by 15.2% (yoy) in January. In January, there was also a decrease in imports of sweet pepper by 67.6% (yoy), cabbage – by 56% (yoy). Due to the ban on export, onion prices in March 2023 decreased by 0.7% (mom), annual growth slowed from 105% in February 2023 to 55.1% in March.

With an increase in the slaughter of livestock and poultry by agricultural enterprises (growth in January-February 2023 by 4.6%, YoY), the growth of consumer prices for meat and meat products slowed to 14.7% (yoy) in March 2023 (February – 16.8%). It should also be noted that the positive dynamics of sugar supply growth continued (in January 2023, production increased 2.3 times, YoY), which led to a continued decline in consumer sugar prices for the seventh month in a row by 2.1% in monthly terms (an increase of 14%, yoy).

Graph 3. Contribution of goods to annual food inflation



Source: BNS ASPR RK, calculations of the NB RK

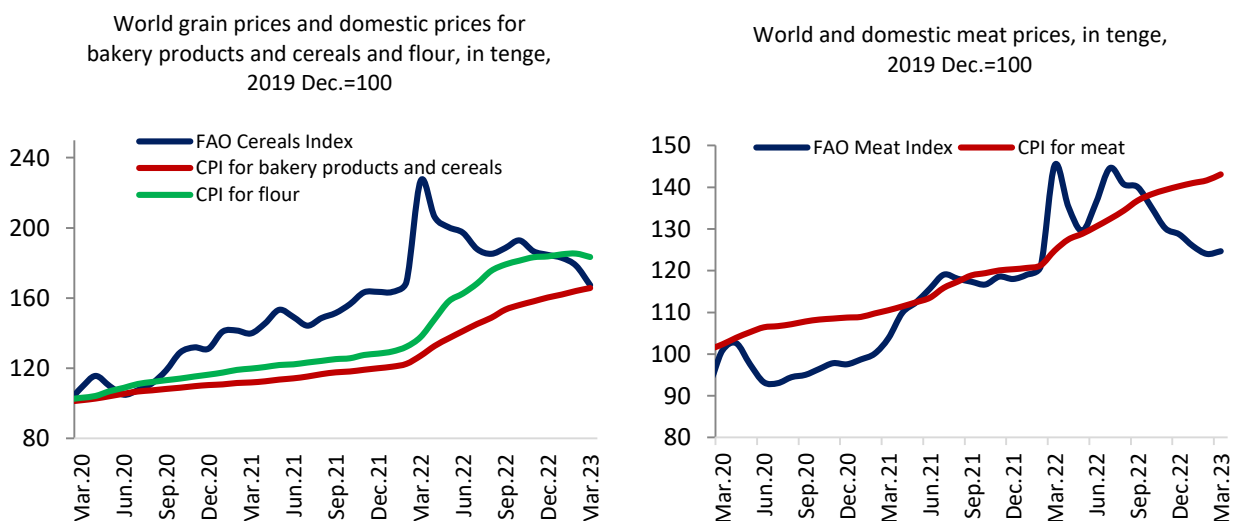
In March 2023, the FAO grain price index decreased by 5.6% amid a drop in world wheat prices to a 20-month low, with an annual decline of 18.6% (Graph 4). This decrease, coupled with the strengthening of the tenge exchange rate, caused a significant slowdown in the grain price index, expressed in tenge. At the same time, the growth of domestic prices for bakery products and cereals continued.

The FAO meat price index, expressed in tenge, increased slightly in March 2023 due to the increase in world beef prices.

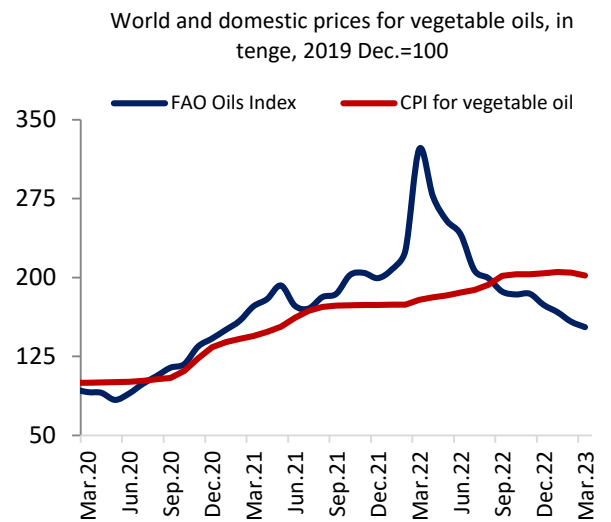
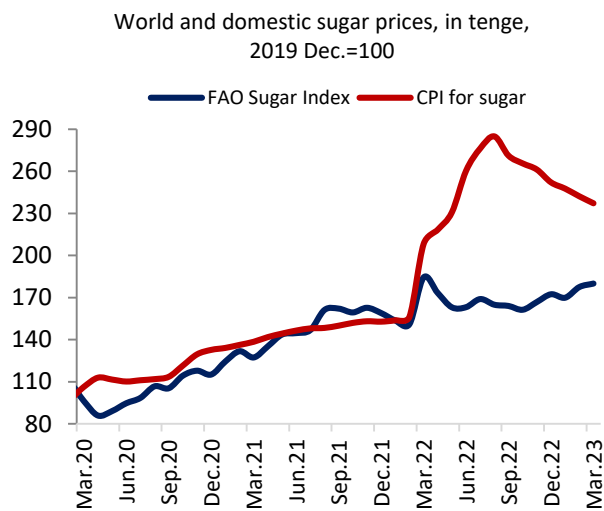
The gap between internal and external sugar prices continues to narrow. A significant increase in sugar prices on world markets due to lower forecasts regarding production in India was smoothed out by the strengthening of the tenge exchange rate. In addition, the growth rate of domestic sugar prices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

The difference between the growth of world and domestic prices for vegetable oils continues to grow, despite a slight slowdown in the growth of domestic prices in March 2023.

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



<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.

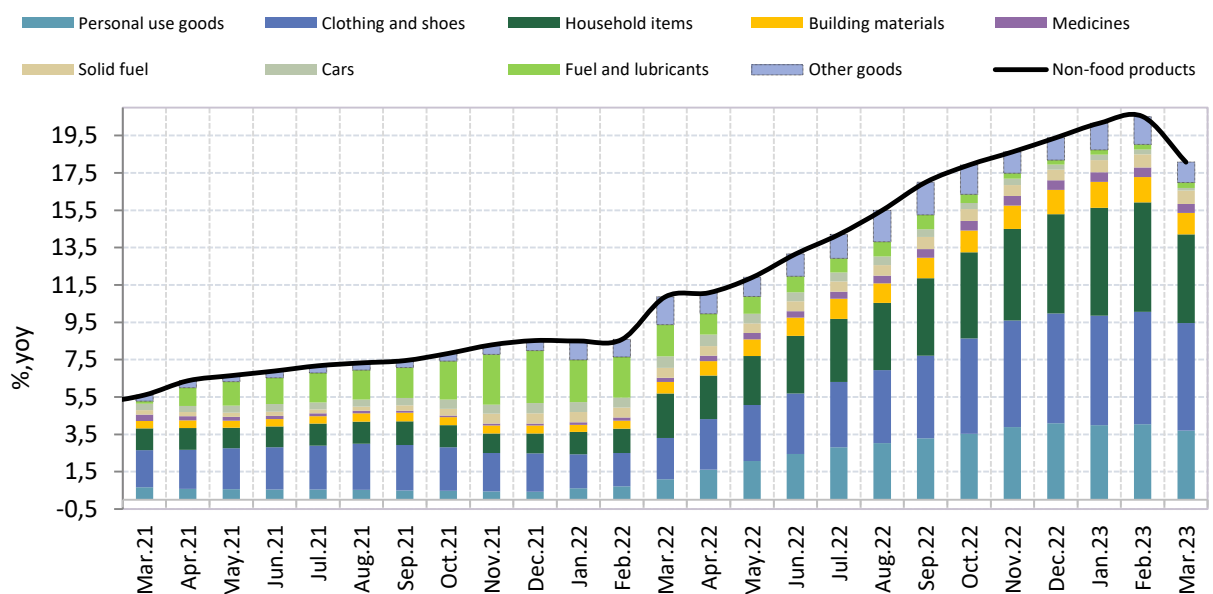


Source: BNS ASPR RK, UN FAO, calculations of the NB RK

**Non-food** products in March 2023 became more expensive by 0.8%, annual price growth slowed to 18.1% (in February 2023 - 0.8 m/m, 20.5% YoY) (Graph 5). Due to the strengthening of the tenge exchange rate, as well as a slowdown in the growth of prices for imported non-food products (8.8% yoy) (Graph 10), a slowdown occurred in the growth of prices for audiovisual equipment (televisions, laptops, tablets, headphones, etc.) to 1% from 3.8% in February 2023, for household appliances to 6.4% from 21.7% and furniture to 25.9% from 28.9%.

The growth of prices for personal use goods and detergents and cleaning products slowed down to the level of December 2022, however, the prices of these categories of goods continue to show significant monthly growth rates by virtue of high import prices (the annual increase in import prices for soap and other detergents amounted to 33%, yoy). Prices for used passenger cars decreased by 1.1% (YoY), and the growth of prices for new cars slowed to 9.2% (February – 15.7%, yoy).

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



Source: BNS ASPR RK, calculations of the NB RK

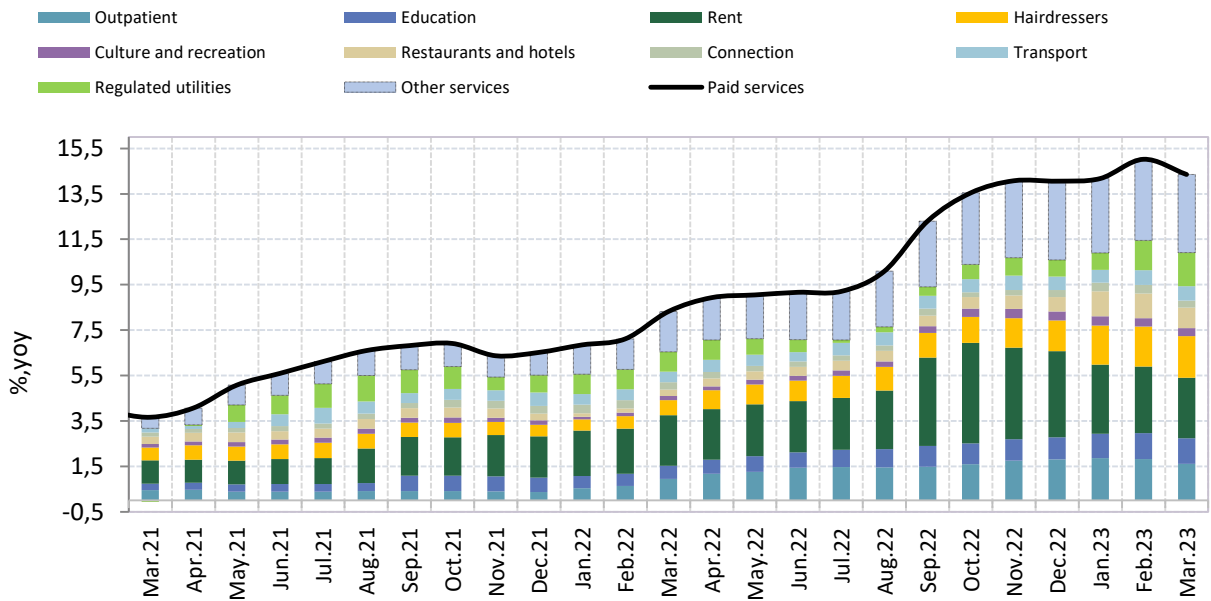
Prices for **paid services** for the population in March 2023 increased by 0.8%, in annual terms, price growth slowed to 14.4% (Graph 6). In the context of paid services, the cost of rail

transport (31.2%) hospital services (21.4%) has sharply increased. At the same time, after a significant rise in prices in February, in March, prices for air passenger transport decreased by 15.3% on a monthly basis (16.6% YoY).

In March 2023, the annual growth rates of prices for catering services (20.4%), hotel services (14%), organization of complex recreation (19.2%), entertainment and culture (14.5%) and rent (30.8%) slowed down. For the second month in a row, prices for insurance services have been declining (2.5% mom, 5.7% YoY).

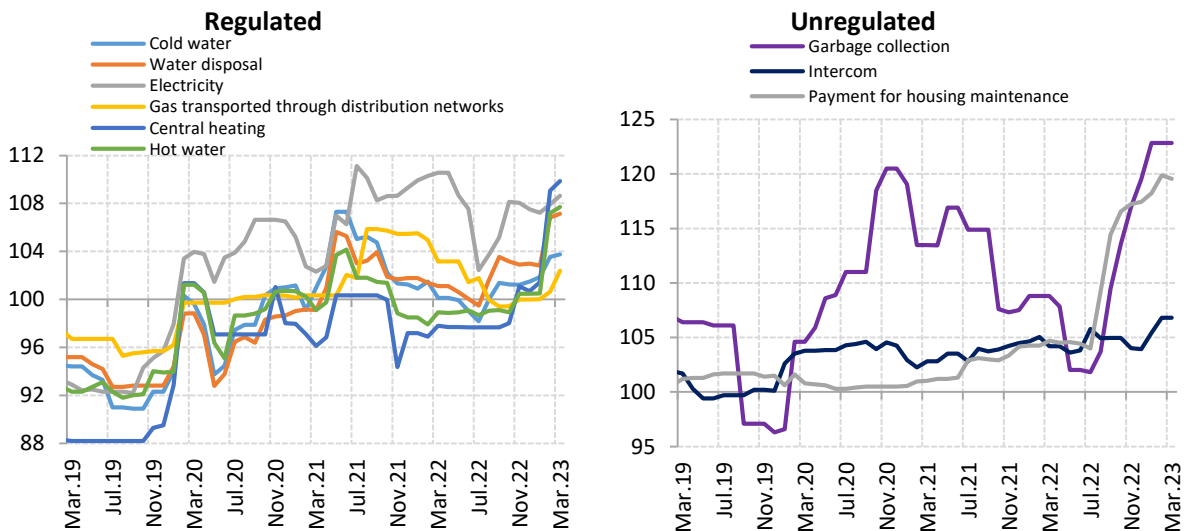
In the context of regulated utilities, electricity prices (0.7% mom, 8.6% YoY), heating (0.6% mom, 9.9% yoy) and hot water (0.4% mom, 7.7% yoy) continued to rise (Graph 7). The prices of unregulated utilities have not changed significantly.

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



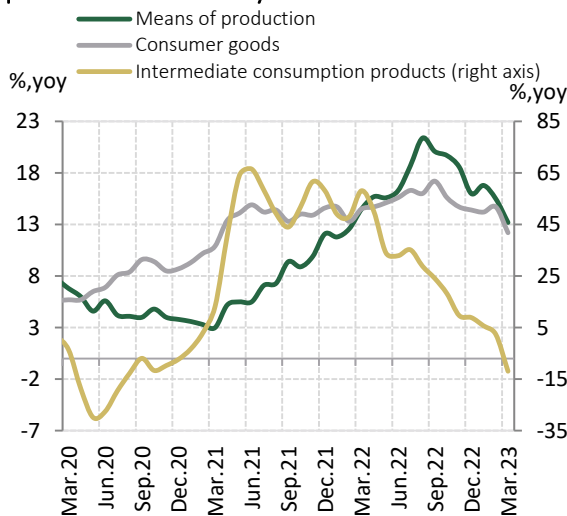
Source: BNS ASPR RK

- Slower price growth in the manufacturing industry due to lower price growth for capital goods and intermediate goods
- Slowing of price growth in agriculture due to cheaper wheat due to the significant slowdown in world price growth and the presence of a large number of domestic stocks

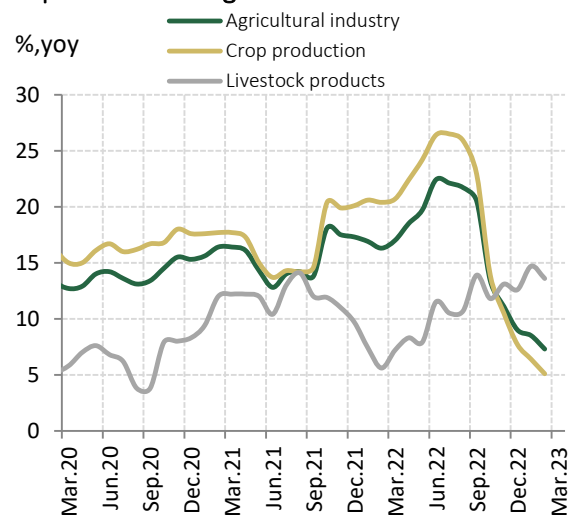
Producer inflation in the manufacturing industry in March 2023 continued to slow down and amounted to 4.9% YoY (in February 2023 – 9.4%) due to a slowdown in the growth of prices for means of production and intermediate goods, both in terms of producer prices (Graph 8) and in terms of wholesale prices (Graph 11). There is a significant slowdown in the growth of prices of food producers, including flour and cereal products, vegetable oils and animal fats. In addition, in the manufacturing industry, there is an annual decline in prices for metallurgical products, a slowdown in the growth of prices of manufacturers of cars, chemical products and paper products.

The growth of producer prices in agriculture in March 2023 slowed down to 4.9% YoY (in February 2023 – 7.3%). In crop production, price growth continues to slow down due to lower growth in world and domestic wheat prices due to a good autumn harvest. It is also worth noting the slowdown 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 and eggs has slowed down (Graph 9).

Graph 8. Prices in industry

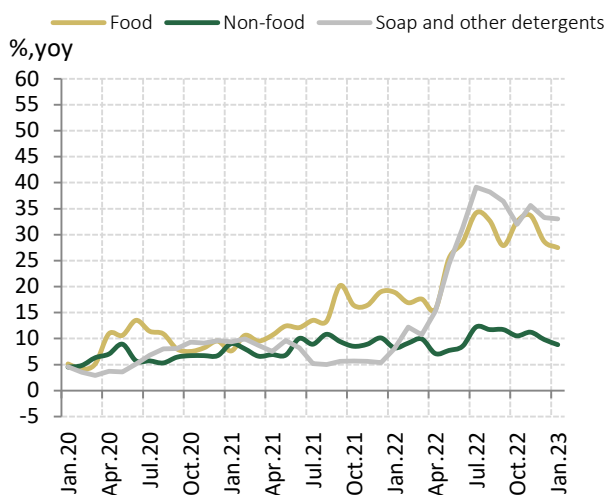


Graph 9. Prices in agriculture



Source: BNS ASPR RK

Graph 10. Import prices



Source: BNS ASPR RK

Graph 11. Wholesale prices

