



NATIONAL BANK OF KAZAKHSTAN

INFLATION TRENDS

April 2023

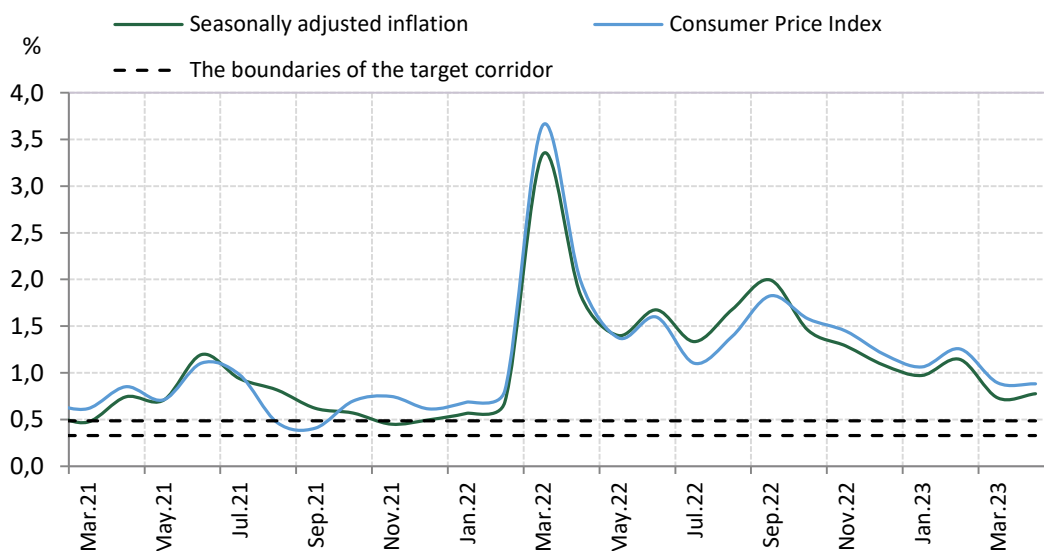
The monthly consumer price index in April amounted to 0.9%, the annual price growth slowed to 16.8% in conditions of exhaustion of the high base of last year. In food products, there is a significant increase in rice prices, which is due to a low harvest. There is an increase in prices for meat and dairy products due to the increase in production costs. Meanwhile, the growth of prices for fruit and vegetable products is slowing down.

In non-food products, there is an increase in the cost of personal goods, clothing and footwear, household appliances as a result of rising import prices. Against the background of the increase in marginal prices, the cost of gasoline and diesel fuel has increased.

In the structure of paid services for the population, prices for outpatient services have increased, including primary doctor's appointments and dentistry. Moreover, the cost of catering and hairdressing services has increased.

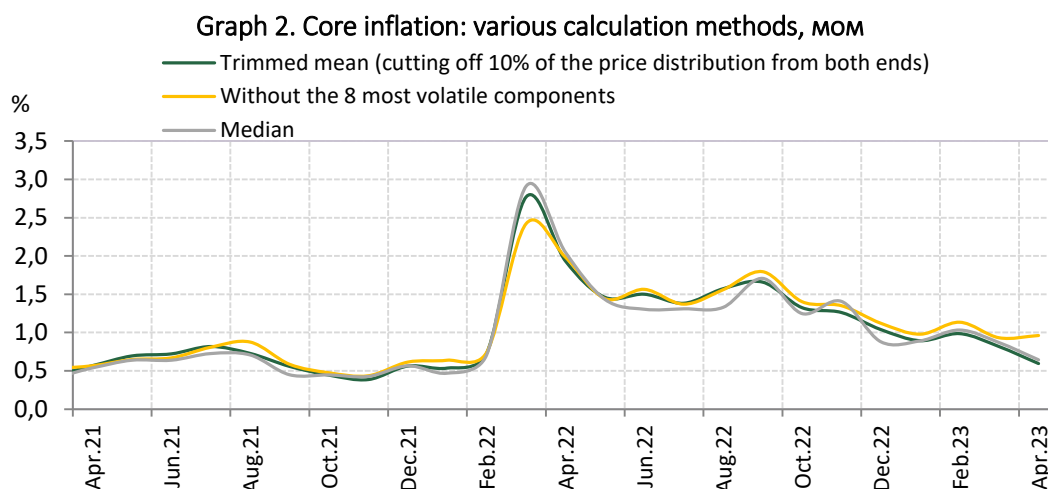
The consumer price index in April 2023 increased by 0.9% compared to March 2023. At the same time, the annual price growth continued to slow down, amounting to 16.8% (in March 2023 – 18.1%), due to the exit from the calculation of the high base of 2022. Inflation, adjusted for seasonal factors, accelerated slightly in April 2023 against the background of a rise in the cost of fuel and lubricants. However, the slowdown trend observed since September 2022 has persisted, the indicators of seasonally adjusted inflation are gradually approaching the upper corridor of target values (Graph 1).

Graph 1. Inflation indicators, mom



Source: BNS ASPR RK, calculations of the NB RK

Seasonally adjusted core inflation, calculated by various methods¹, is also slowing down (Graph 2). So, if in September 2022 the core inflation was formed in the range from 0.8% to 3%, then in April 2023 the values were in the range from 0.5% to 1%. Thus, there is a gradual slowdown in price growth in the least volatile part of inflation.



Source: BNS ASPR RK, calculations of the NB RK

Food products rose in price by 0.9% in April 2023, annual price growth slowed from 26.2% in February to 17.9% in April, mainly due to the effect of a high base. The biggest contribution to the annual price increase in April was made by the rise in the price of bakery products, meat and dairy products. The cumulative contribution of these goods to the growth of food inflation was 10.7 percentage points (Graph 3).

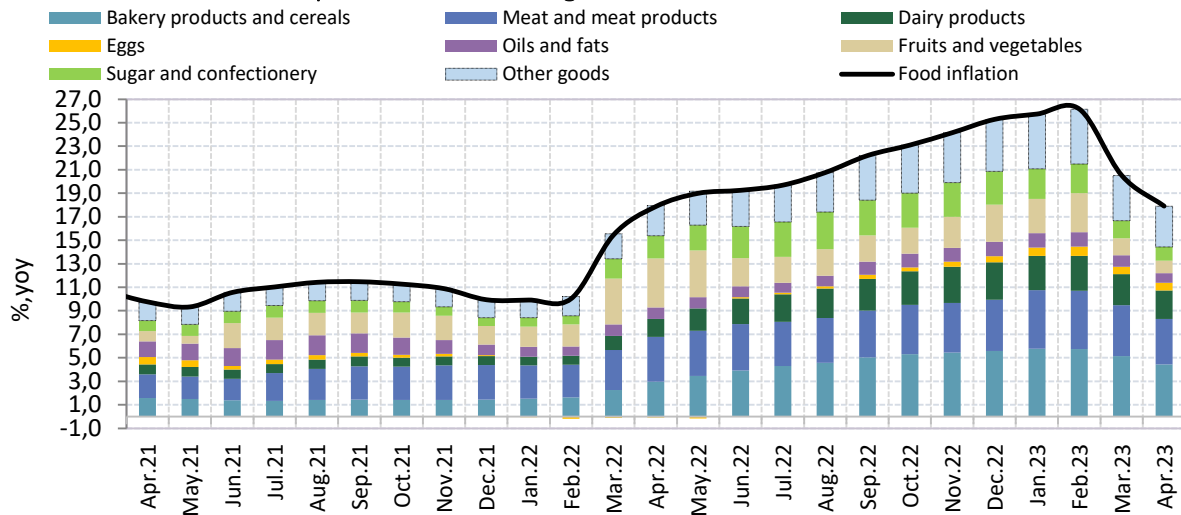
Despite the slowdown in annual price growth, monthly growth continues to exceed the average values for the period from 2017 to 2021. In particular, high monthly price growth rates (more than 1%) have been observed for bakery products and cereals since February 2022. The rise in rice prices has continued since last year due to a poor harvest in conditions of a reduction in acreage and a shortage of water for irrigation. Moreover, an investigation has been initiated against some producers-processors and sellers of rice in suspicion of unfair price increases². The rise in the price of pasta and bakery products is due to a significant increase in prices for intermediate components (eggs, milk, etc.). The increase in prices for meat and dairy products was caused by higher prices for electricity and feed.

At the same time, sugar prices have been declining for the eighth month in a row due to 2.9-fold increase of production in January-February 2023. The annual growth of prices for fruit and vegetable products continues to slow down. Thus, fresh fruit inflation slowed from 21.7% in February to 10.8% in April 2023, including the price growth for apples slowed from 15% to 7.5%, grapes – from 13.4% to 4%, bananas – from 44.5% to 22.3%. Annual price growth for fresh vegetables slowed from 27.9% in February to 3.9% in April 2023. The price growth for onions slowed from 205% to 135.3%, price for carrots fell by 19.2%, potatoes – by 13.9%.

¹ 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. The National Bank of Kazakhstan makes estimates of core inflation through a variety of methods. The description of calculation methods is presented in the article "Various estimates of core inflation for Kazakhstan" on the official website of the National Bank.

² https://forbes.kz/actual/process/antimonopolschiki_viyavili_sgovor_po_zavyisheniyu_tsen_na_ris_kazahstanskimi_proizvoditelyami/

Graph 3. Contribution of goods to annual food inflation



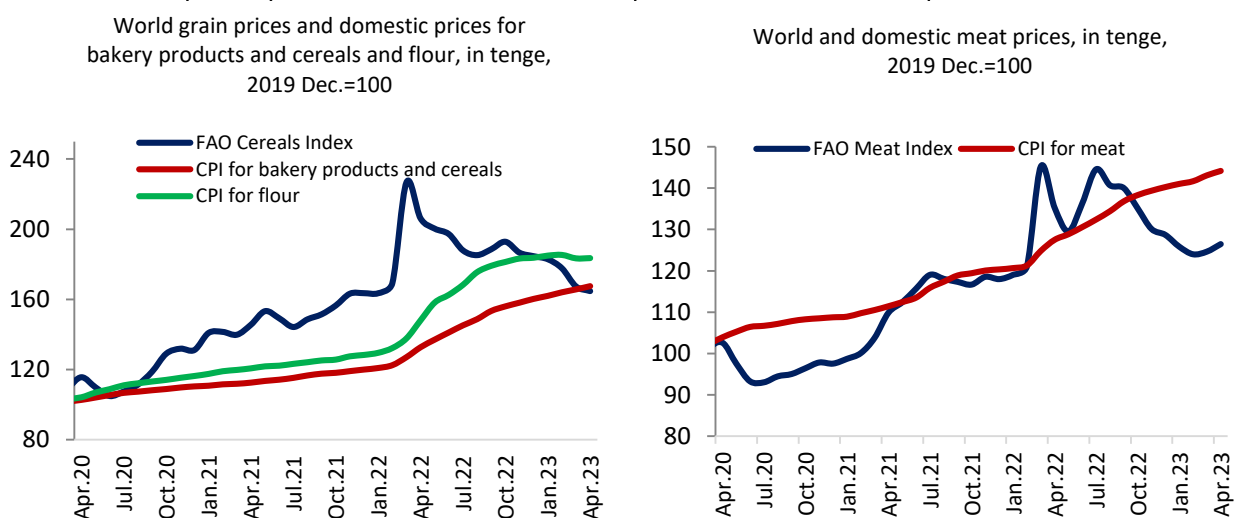
Source: BNS ASPR RK, calculations of the NB RK

In April 2023, world grain prices decreased by 1.7% in the context of a reduction in wheat prices due to abundant supply, in annual terms the decrease was 19.8%. This decrease, coupled with the relatively stable dynamics of the nominal exchange rate, led to a reduction in the grain price index, expressed in tenge (Graph 4). At the same time, the growth of domestic prices for bakery products and cereals continued against the background of rising costs, which led to a reduction in the differential of external and internal prices to a minimum.

The gap between internal and external sugar prices continues to narrow. A significant increase in sugar prices on world markets was associated with lower production forecasts in large exporting countries. In contrast to world sugar prices, domestic prices continue to decline because of production growth.

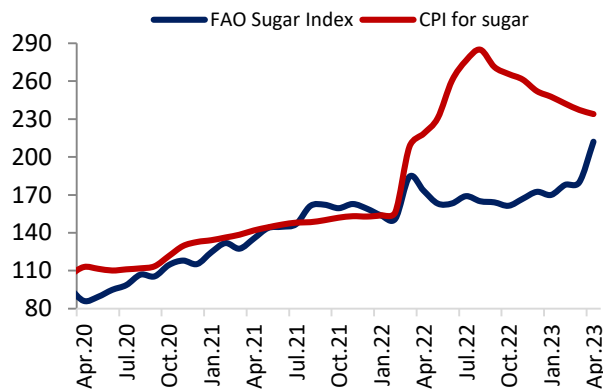
Along with this, there is an expansion of the differential between the prices of meat, dairy products and vegetable oils, which is caused by a tendency to lower external prices and an increase in domestic prices due to an increase in the cost of production and sales.

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

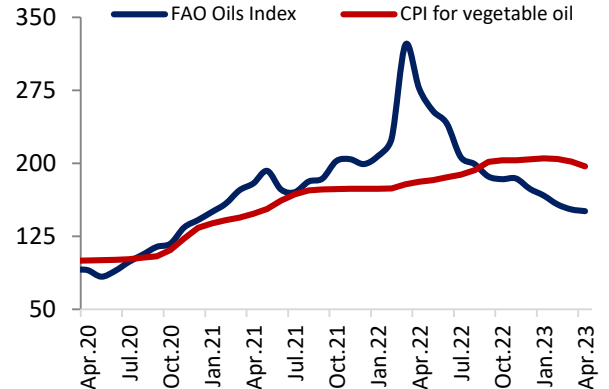


³ The change in the corresponding indices since December 2019 (December 2019 = 100), taking into account the average monthly exchange rate of tenge to the US dollar.

World and domestic sugar prices, in tenge, 2019 Dec.=100



World and domestic prices for vegetable oils, in tenge, 2019 Dec.=100



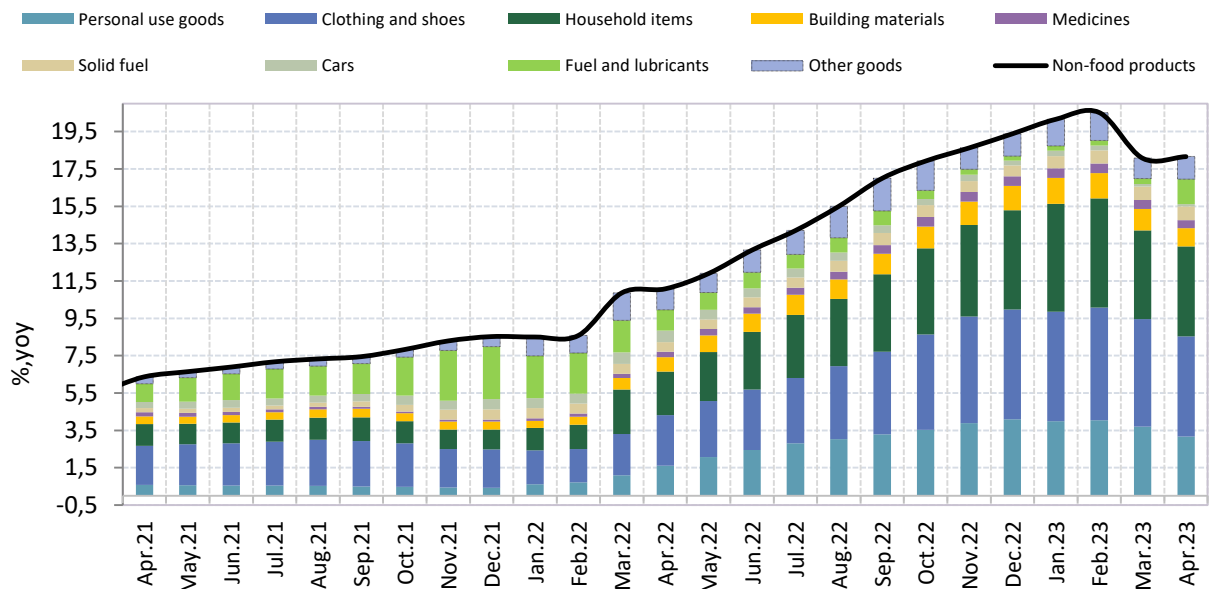
Source: BNS ASPR RK, UN FAO, calculations of the NB RK

The increase in prices for **non-food products** in April 2023 amounted to 1.3%, in annual terms – 18.2% (in March 2023 - 18.1%) (Graph 5).

Against the background of higher import prices, prices for clothing and shoes, personal goods, household appliances continue to rise. The rise in the cost of building materials in Russia has affected the growth of prices in the domestic market. Among pharmaceutical products, a significant increase in prices for paracetamol has been recorded since the beginning of the year due to a shortage of antipyretics in the world due to a shortage of raw materials.

At the same time, due to the increase in marginal prices for fuel and lubricants for retail and wholesale trade of petroleum products from April 12, 2023, in order to prevent the flow to neighboring countries, an increase in the price of diesel fuel and gasoline was recorded in April⁴.

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



Source: BNS ASPR RK, calculations of the NB RK

⁴ Order of the Minister of Energy of the Republic of Kazakhstan No. 140 dated April 12, 2023 «On amendments to the Order of the Minister of Energy of the Republic of Kazakhstan» dated May 19, 2015 No. 361 «On the establishment of marginal prices for the retail sale of petroleum products for which state price regulation has been established»; Order of the Minister of Energy of the Republic of Kazakhstan No. 139 dated April 12, 2023 "On the establishment of marginal prices for the wholesale sale of petroleum products for stationary gas stations, for which state price regulation is established"

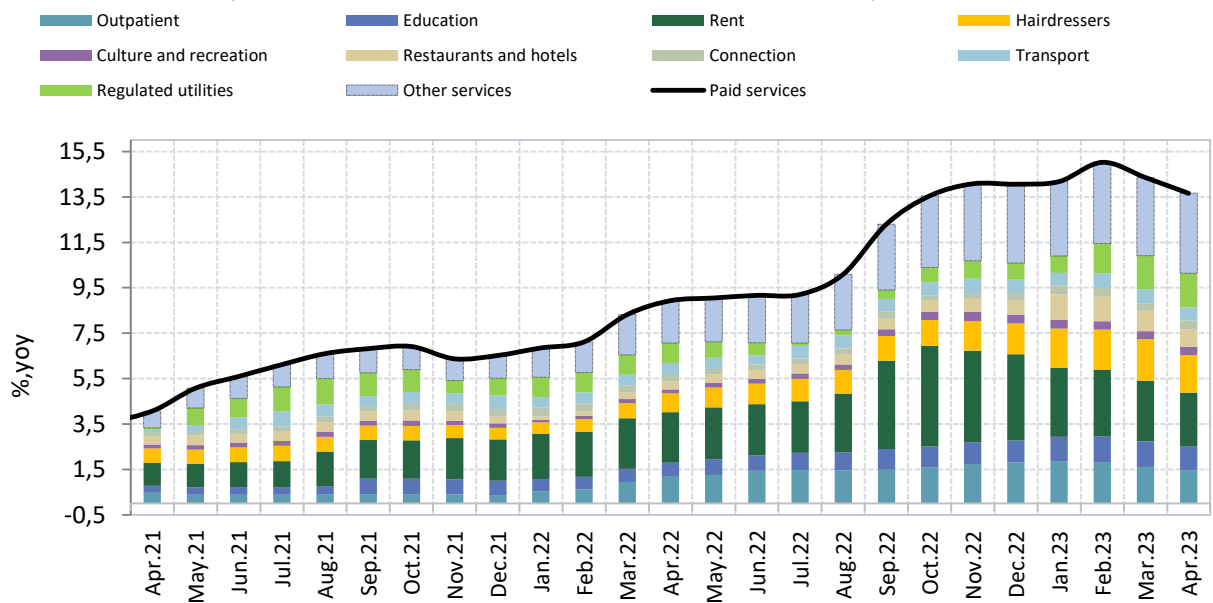
Prices for **paid services for the population** in April 2023 increased by 0.4%, the annual price growth slowed to 13.7% (in March 2023 – 14.4%).

The main contribution to the growth of service inflation in April 2023 was made by the rise in the cost of outpatient services, rent of comfortable housing, regulated utilities and hairdressing services (Graph 6).

Prices for outpatient services, including primary doctor's appointments and dental services, have increased significantly on a monthly basis. Moreover, the rise in the cost of imported components is reflected in the growth of prices for hairdressing services. The increase in food prices, the cost of equipment, utilities, the level of wages for employees and other costs led to an increase in the cost of catering services.

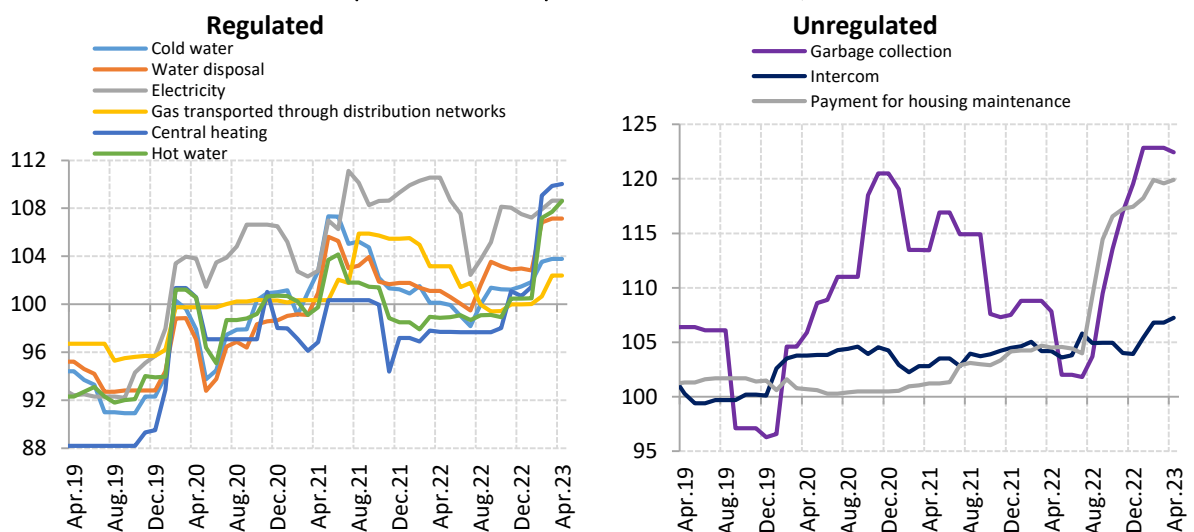
Tariffs for hot water have increased in the structure of regulated utilities (Graph 7).

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



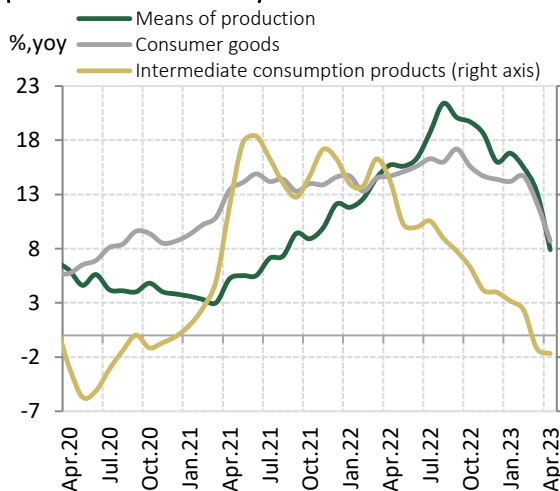
Source: BNS ASPR RK

- The slowdown in price growth in the manufacturing industry continues against the background of lower growth in prices for means of production and lower prices for intermediate goods
- In agriculture, there is a slowdown in the growth of prices for finished products

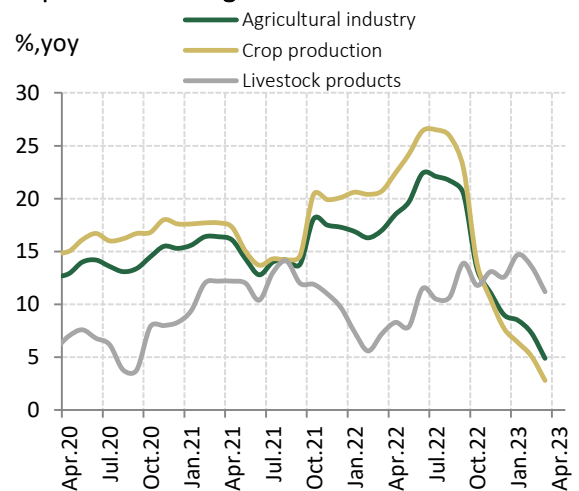
The annual price growth of manufacturing enterprises in April 2023 slowed to 1% (in March 2023 – 4.9%) due to a slowdown in the growth of prices for means of production and a decrease in the cost of intermediate goods (Graph 8). The inflation of food producers has been slowing down since October 2022, within this group, the slowdown in the growth of prices of producers of meat, flour and cereal products and sugar continues for a long period. Moreover, in April there was also a significant slowdown in the growth of prices of producers of oils and fats, dairy, bakery and pasta products. Among non-food products, the growth of prices for the production of clothing, detergents and cleaning products, furniture and cars slowed down. Meanwhile, there is an acceleration in the growth of shoe manufacturers' prices for the third month in a row.

In agriculture, producer price growth slowed to 1.4% YoY in April 2023 (in March 2023 – 4.9%) (Graph 9). Among crop production, wheat prices decreased due to a significant increase in domestic stocks, a larger supply volume in neighboring countries and lower prices on world markets. In addition, there is a slowdown in the growth of prices for fresh vegetables, with the exception of prices for tomatoes. In animal husbandry, there is a lower increase in prices for live cattle and poultry, raw milk and eggs.

Graph 8. Prices in industry



Graph 9. Prices in agriculture



Source: BNS ASPR RK