



NATIONAL BANK OF KAZAKHSTAN

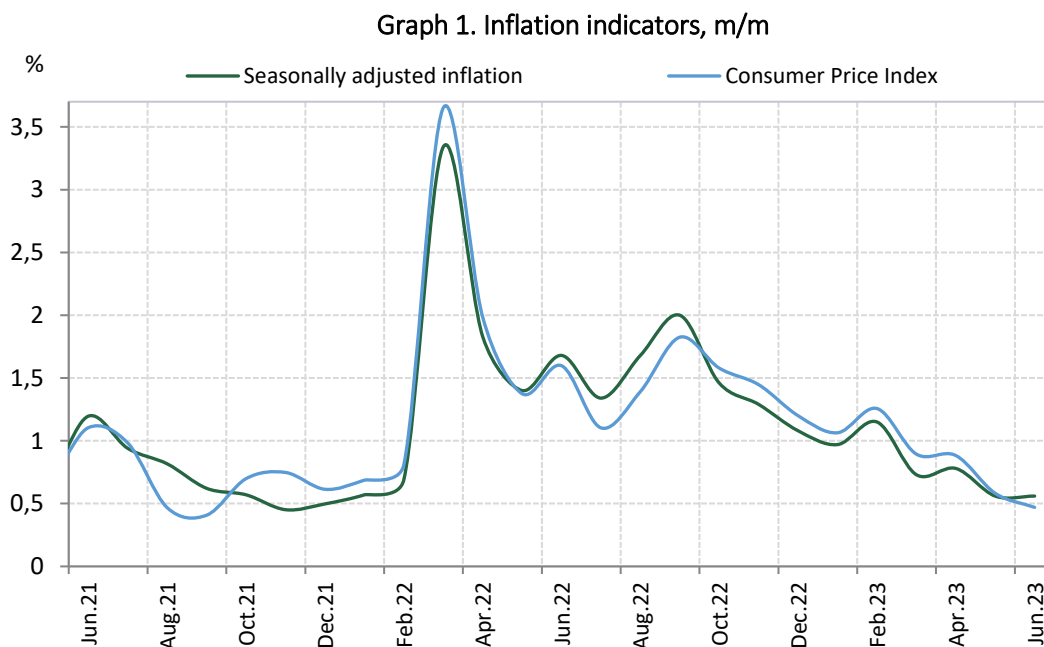
INFLATION TRENDS

June **2023**

In June 2023, monthly inflation was 0.5%, having formed at the level of the average inflation in June in the period from 2017 to 2021 (0.5%)¹. In June 2023, monthly inflation was 0.5%, having formed at the level of the average inflation in June in the period from 2017 to 2021 (0.5%). The annual price growth continued to slow down for the fourth month in a row to 14.6% because of the base effect. Among food products, there is a seasonal reduction in the cost of fruit and vegetable products. The cost of buckwheat and sunflower oil is reduced. Pharmaceutical products, clothing and footwear have become more expensive in the structure of non-food products. Within paid services for the population, there is an increase in the cost of outpatient, hairdressing services, as well as services in the field of recreation, culture and entertainment. Among utilities, tariffs for wastewater disposal and garbage collection have increased, while the cost of hot water has decreased.

In the structure of inflation, there is a slowdown in the annual growth rates of all components of inflation. Along with this, the contribution of food inflation to the overall price increase decreased, which remained the main one until May 2023.

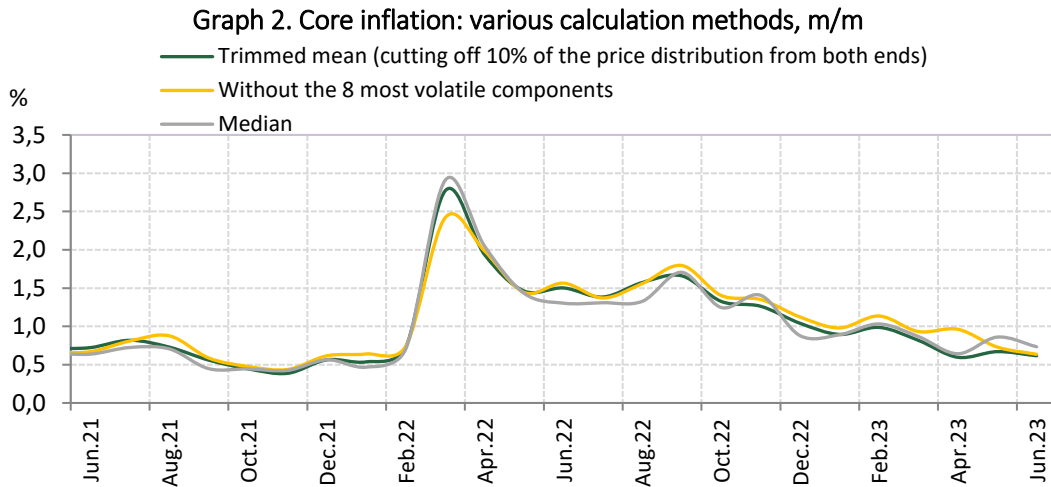
Seasonally adjusted inflation in June remained at the level of last month. Fruit and vegetable products and eggs are becoming cheaper seasonally, while goods and services of a summer tourist nature are becoming more expensive (Graph 1).



Source: BNS ASPR RK, calculations of the NB RK

¹ It is worth noting that in June 2021, monthly inflation was 1.1% due to a sharp increase in prices for certain types of vegetables against the background of supply shocks. If the data on inflation in June 2021 are excluded from the calculation of the historical norm, then monthly inflation in June on average from 2017 to 2020 is 0.3%. In this regard, monthly inflation in June 2023 is still higher than the historical average.

The median of core inflation calculated by various methods², after accelerating in May 2023, slowed down in June (Graph 2).



Source: BNS ASPR RK, calculations of the NB RK

Annual **food** inflation continued to slow down, with an annual price increase of 14.6% in June 2023 (16.5% in May 2023). There is a decrease in the contributions of all commodity groups to annual growth. Traditionally, the main contribution to the rise in price is made by bakery products and cereals, meat and meat products, dairy products (Graph 3).

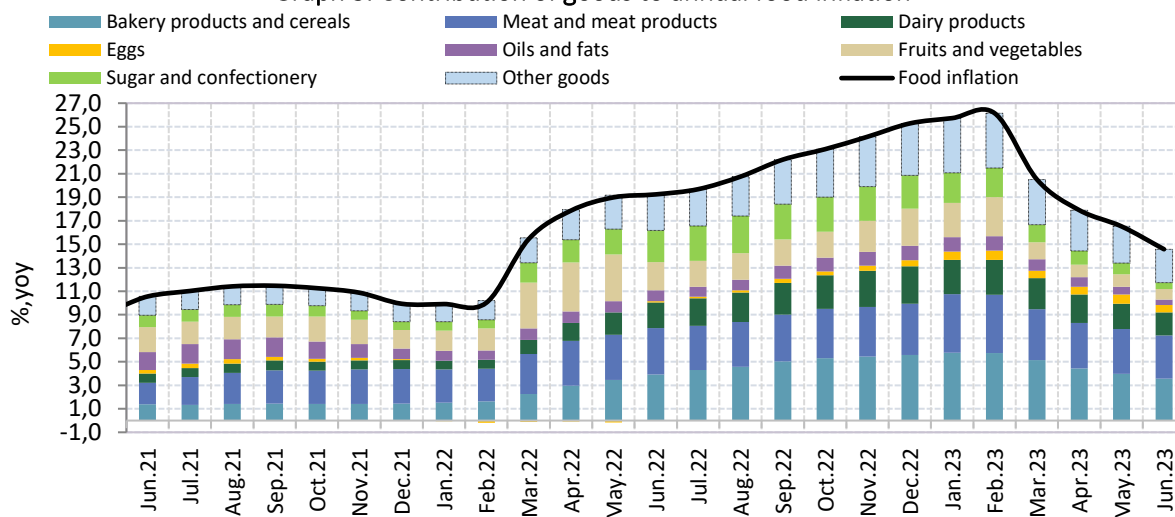
In the structure of bakery products and cereals, a monthly rise in the price of rice continues against the background of a low harvest last year. At the same time, since the beginning of the year, the cost of buckwheat has been reduced as a result of significant reserves of buckwheat.

For the fifth month, the reduction in prices for sunflower oil continues after the introduction of export duties on sunflower seeds, as well as a decrease in world prices for oilseeds. Among fruit and vegetable products, prices for cabbage, onions, beets, cucumbers, tomatoes, garlic and sweet pepper are decreasing as a result of a seasonal increase in supply. Egg prices have been declining for the second month in a row.

On the other hand, there is an increase in the cost of electricity for food producers, as a result of this, as well as the rise in the cost of live cattle, prices for meat and dairy products have increased. After a nine-month reduction, sugar prices rose due to rising prices on world markets.

² 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.

Graph 3. Contribution of goods to annual food inflation



Source: BNS ASPR RK, calculations of the NB RK

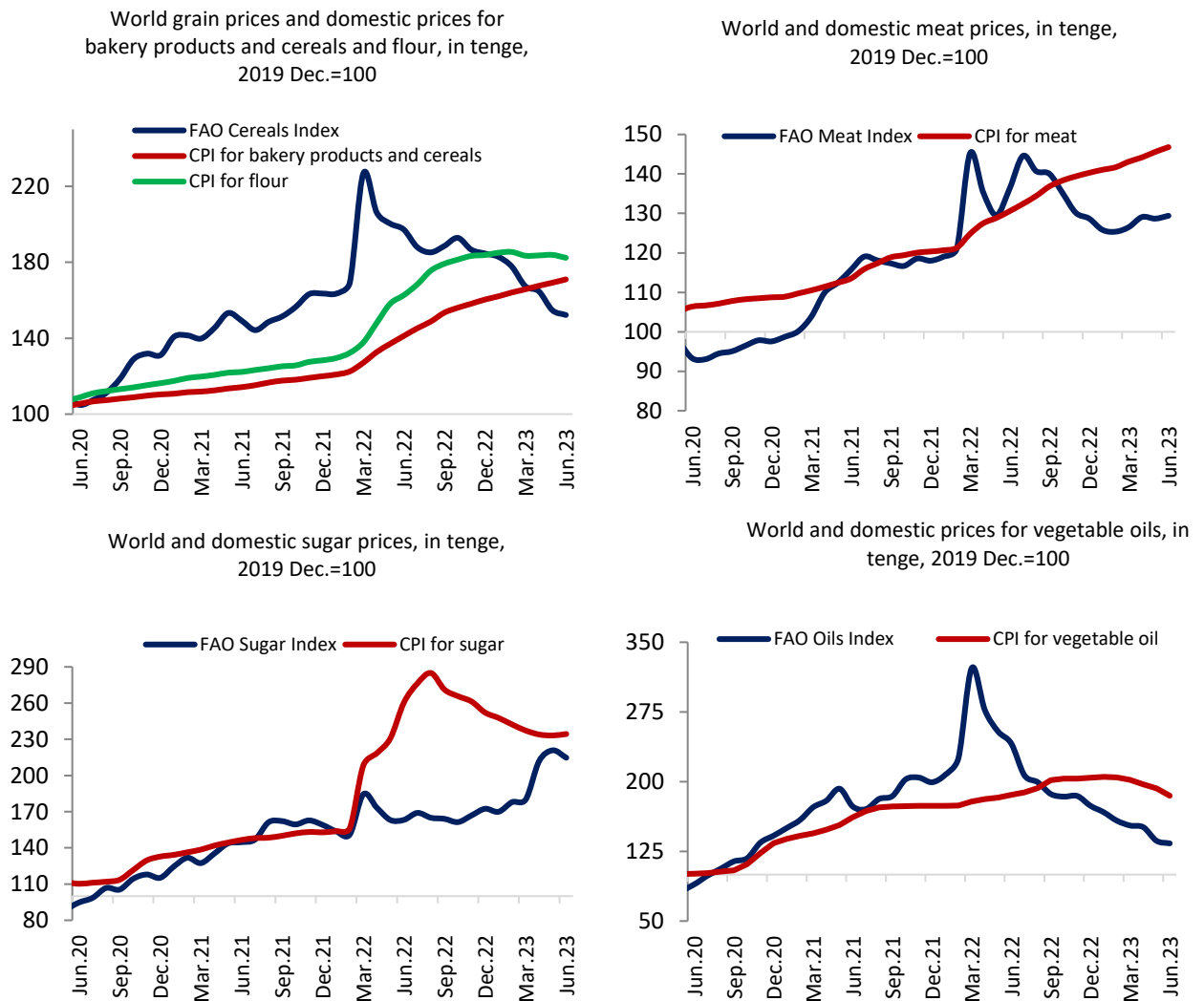
The dynamics of domestic prices for certain types of food continue to be higher than external prices. Thus, with an almost unchanged exchange rate of tenge to the US dollar in June 2023, world prices for grain crops in tenge are declining due to improved harvest expectations and sufficient supply, while the increase in prices for bakery products and cereals in the domestic market continues due to higher domestic production costs, as well as a decrease in the supply of certain types of cereals.

The dynamics of the world meat price index remained virtually unchanged in June. At the same time, domestic prices continue to rise due to higher electricity prices for producers and cost of live cattle.

After a significant increase in February-May, in June, world sugar prices decreased due to a favorable harvest in Brazil and lower global demand, but domestic prices rose in June, starting to reflect the dynamics of previous months on the world market.

An increase in the volume of export supply led to a decrease in world prices for vegetable oils, along with this, domestic prices continued to decrease as a result of the introduction of export duties on sunflower seeds (Graph 4).

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



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

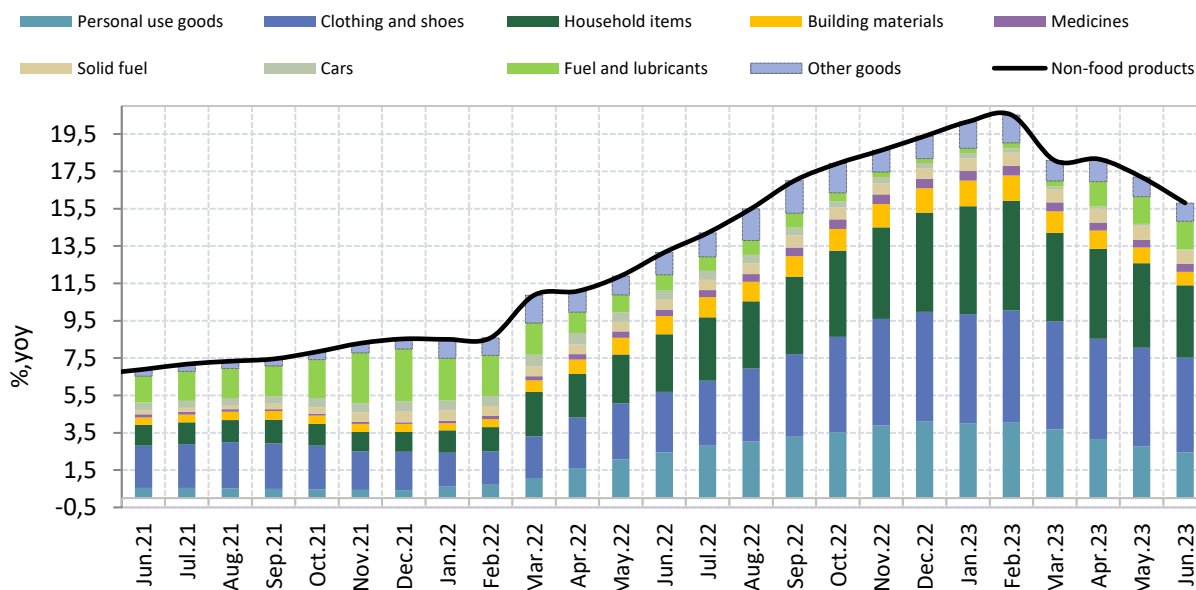
The annual growth of prices for **non-food products** in June 2023 slowed down to 15.8% (in May 2023 – 17.2%) (Graph 5).

The annual growth in prices for personal goods shows a slowdown from 40.5% in February to 24.6% in June, household items – from 31.2% to 20.7%, building materials – from 25.5% to 13.5%.

The increase in import prices, along with higher prices of manufacturing enterprises, led to an increase in the cost of pharmaceutical products. Moreover, the increase in external prices also affected the growth of domestic prices for clothing and footwear. At the same time, prices for imported cars continued to decline.

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.

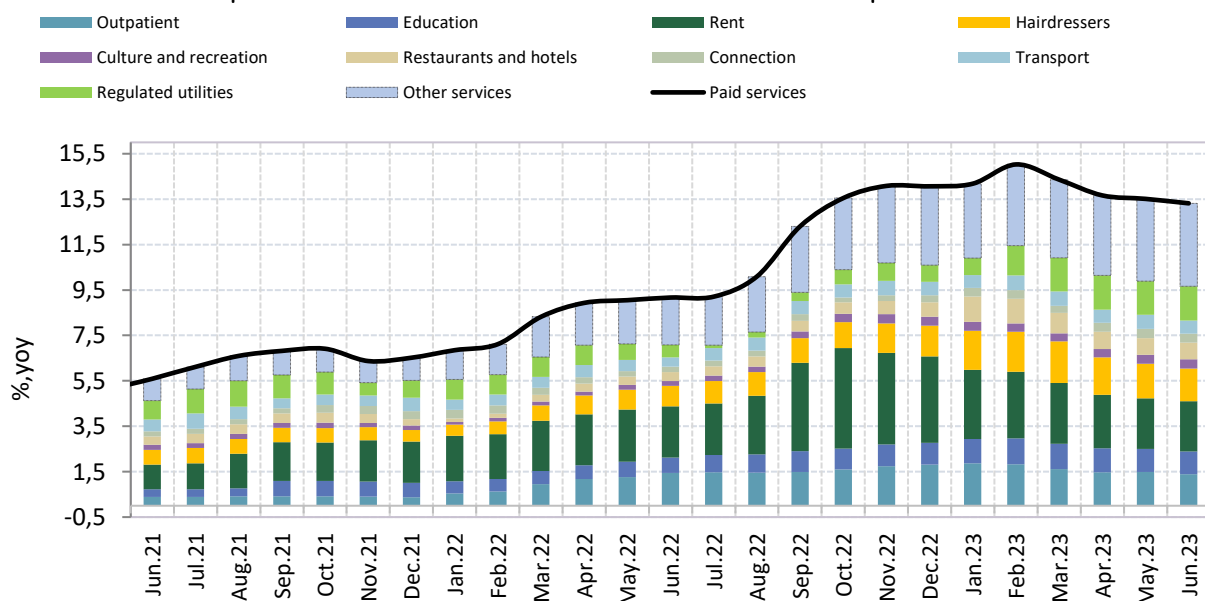
Graph 5. Contribution of goods to annual non-food inflation



Source: BNS ASPR RK, calculations of the NB RK

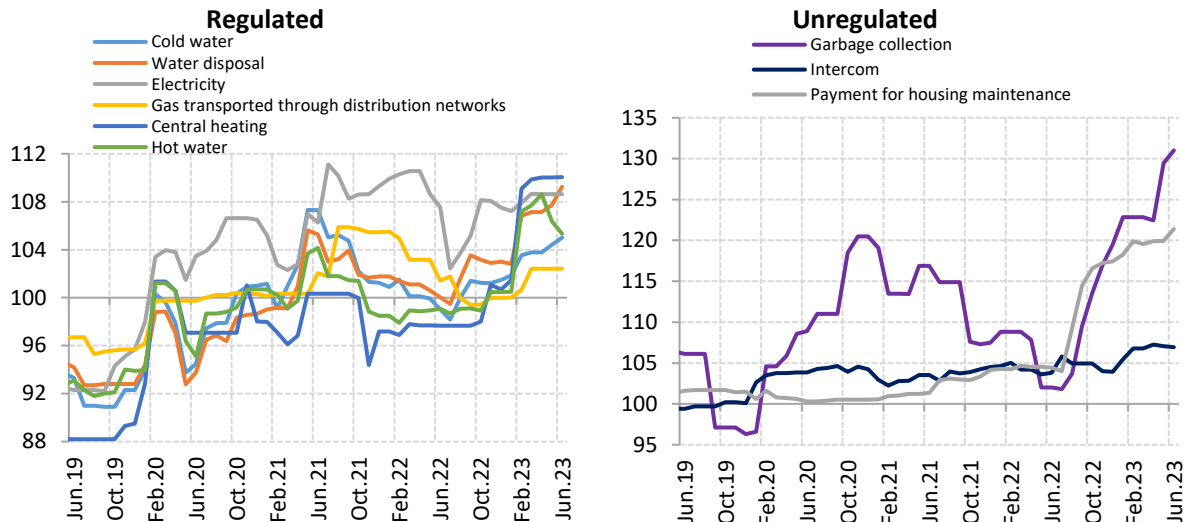
The cost of **paid services for the population** in June 2023 increased by 13.3% in annual terms (in May 2023 – 13.5%) (Graph 6). In June of this year, prices for the services of specialist doctors, nurses and midwives, as well as medical laboratories increased significantly. The rise in the cost of hairdressing and personal service establishments and services in the field of recreation, entertainment and culture continues. The cost of catering services has increased. In the structure of transport services, the prices of air passenger transport have increased significantly, meanwhile, the tariffs of rail passenger transport have fallen in price. Within utilities, water disposal tariffs increased by 1.3%, garbage collection – by 1.2%. At the same time, tariffs for hot water decreased by 3.5% (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

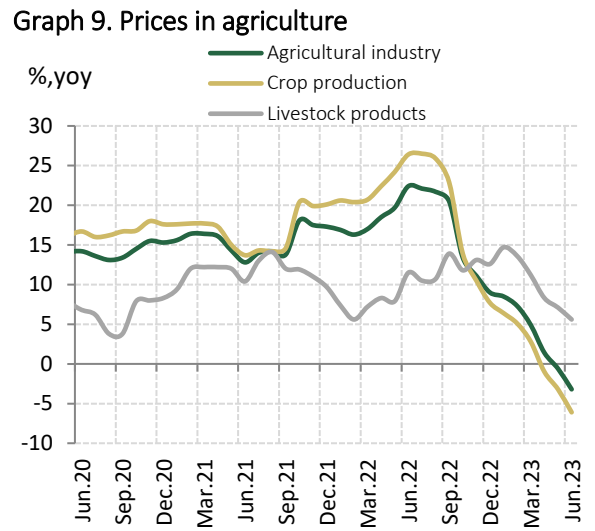
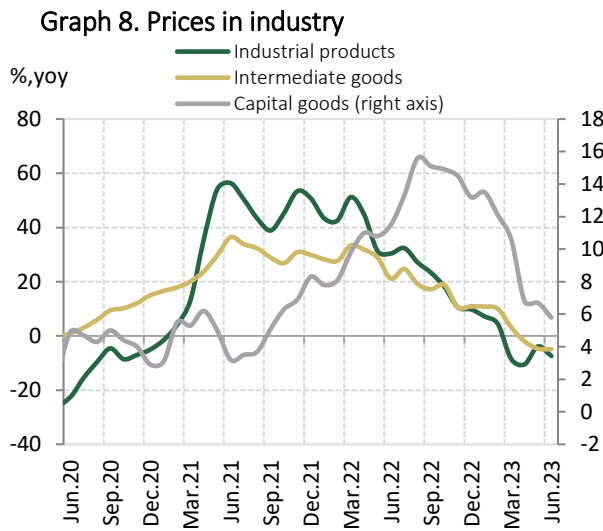


Source: BNS ASPR RK

- The growth of producer prices in the manufacturing industry remained at the level of last month. Among food products, there is a slowdown in the annual growth rates of producer prices.
- The decline in prices in agriculture continued as a result of the ongoing decline in wheat prices.

The annual price growth of manufacturing enterprises in June 2023 remained at the level of the previous month (in May 2023 – 0.4%). Among food products, there is a slowdown in the growth of prices of producers of dairy products, sugar, bakery and pasta products, at the same time, the decline in prices of producers of flour and cereal products, oils and fats accelerated. Meanwhile, the price growth of meat producers accelerated. In the group of non-food products, the price growth of manufacturers of clothing, detergents and cleaning products slowed down. It is also worth noting the acceleration in the growth of prices of manufacturers of pharmaceutical products and footwear.

Prices in agriculture continued to decline and in June decreased by 3.2% in annual terms (in May 2023 – a decrease of 0.6%). In crop production, prices for wheat and buckwheat, as well as fresh vegetables, continue to decline. In animal husbandry, prices for live cattle and poultry are rising. Prices for raw cow's milk and eggs are decreasing.



Source: BNS ASPR RK