



NATIONAL BANK OF KAZAKHSTAN

INFLATION TRENDS

August 2023

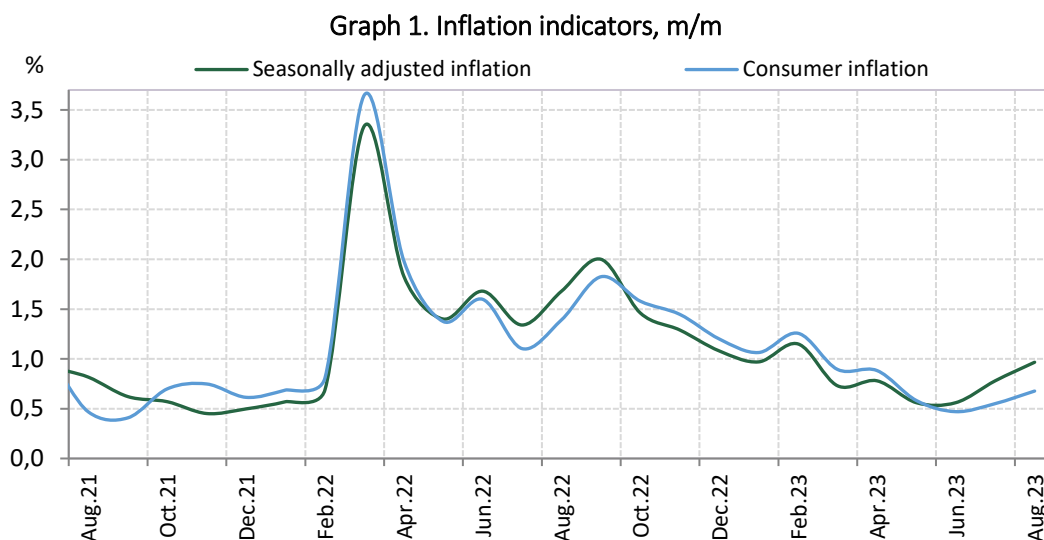
Annual inflation continued to slow for the sixth month in a row, amounting to 13.1% in August (in July – 14%). However, monthly price growth continues to exceed historical averages. Thus, with an increase in consumer prices in August by 0.7% (in July – by 0.6%), the average growth in this period in 2017-2021 was 0.2%.

Food prices in August did not change relative to July. A decrease in prices is noted for flour as a result of a decrease in wheat prices. Sunflower oil prices continue to decline against the background of the introduction of export duties on sunflower seeds. Some fruit and vegetable products are getting cheaper seasonally. Meat products continue to rise in price due to the rise in hay prices, as well as the rise in the cost of electricity.

In the structure of non-food inflation, there is a slowdown in the growth of prices for personal goods, household items, materials for repair of residential premises, cars. Due to the beginning of the school year, there is an acceleration in the growth of prices for children's clothing and shoes. Prices for all types of gasoline continued to rise.

In the structure of paid services, there is an increase in tariffs for regulated utilities in the context of the implementation of the "Tariff in exchange for investment" program. At the same time, rental services for comfortable housing have become more expensive due to increased demand against the background of the beginning of the school year. Transport services have risen in price against the background of rising prices for fuel and lubricants.

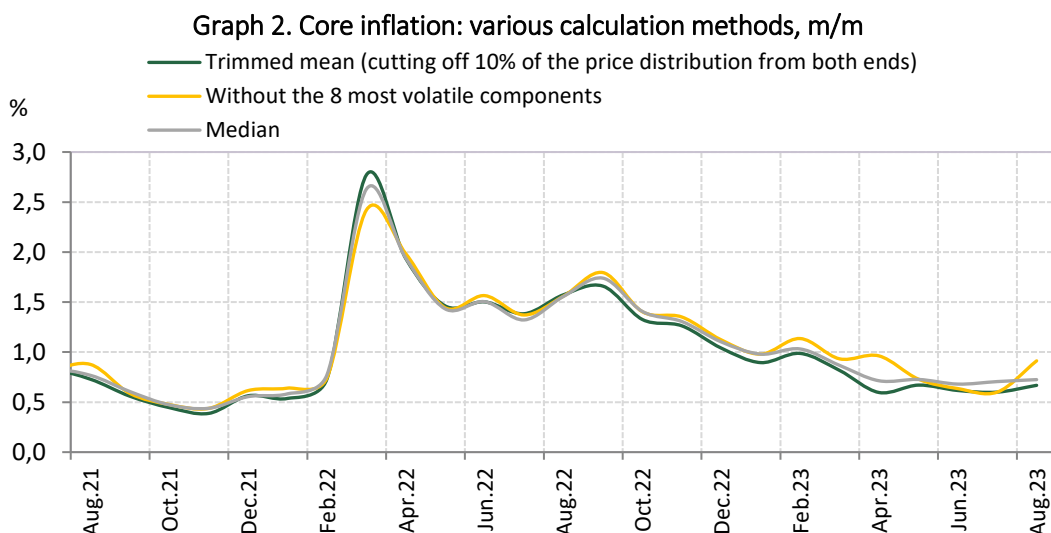
In August 2023, annual inflation continued to slow down, but monthly inflation has been accelerating over the past two months, amounting to 0.7% in August. The structure of the consumer price index shows a slowdown in food and non-food inflation, with a significant acceleration in prices for paid services. Seasonally adjusted inflation accelerated to 1% against the background of rising prices for housing and communal services, as well as fruit and vegetable products (Graph 1).



Source: BNS ASPR RK, calculations of the NB RK

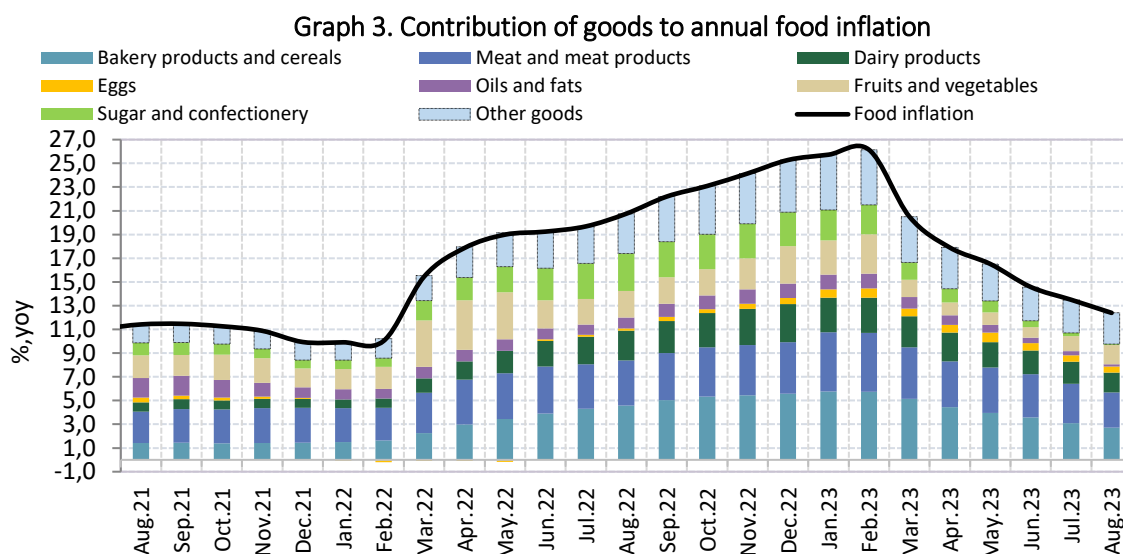
The median estimate of seasonally adjusted core inflation in August was 0.7%, having been fixed at this value since April 2023 (Graph 2). Annualized core inflation was 9.1%. The range of estimates of core inflation has expanded from 0.5%-0.8% to 0.4%-1%. These trends

indicate the persistence of pro-inflationary pressure in the economy and the instability of inflationary processes.



Source: BNS ASPR RK, calculations of the NB RK

Food prices in August did not change relative to July. Annual price growth slowed to 12.4% due to the effect of the high base of last year, as well as a decrease in the contribution of all groups of goods, with the exception of fruits and vegetables (Graph 3).



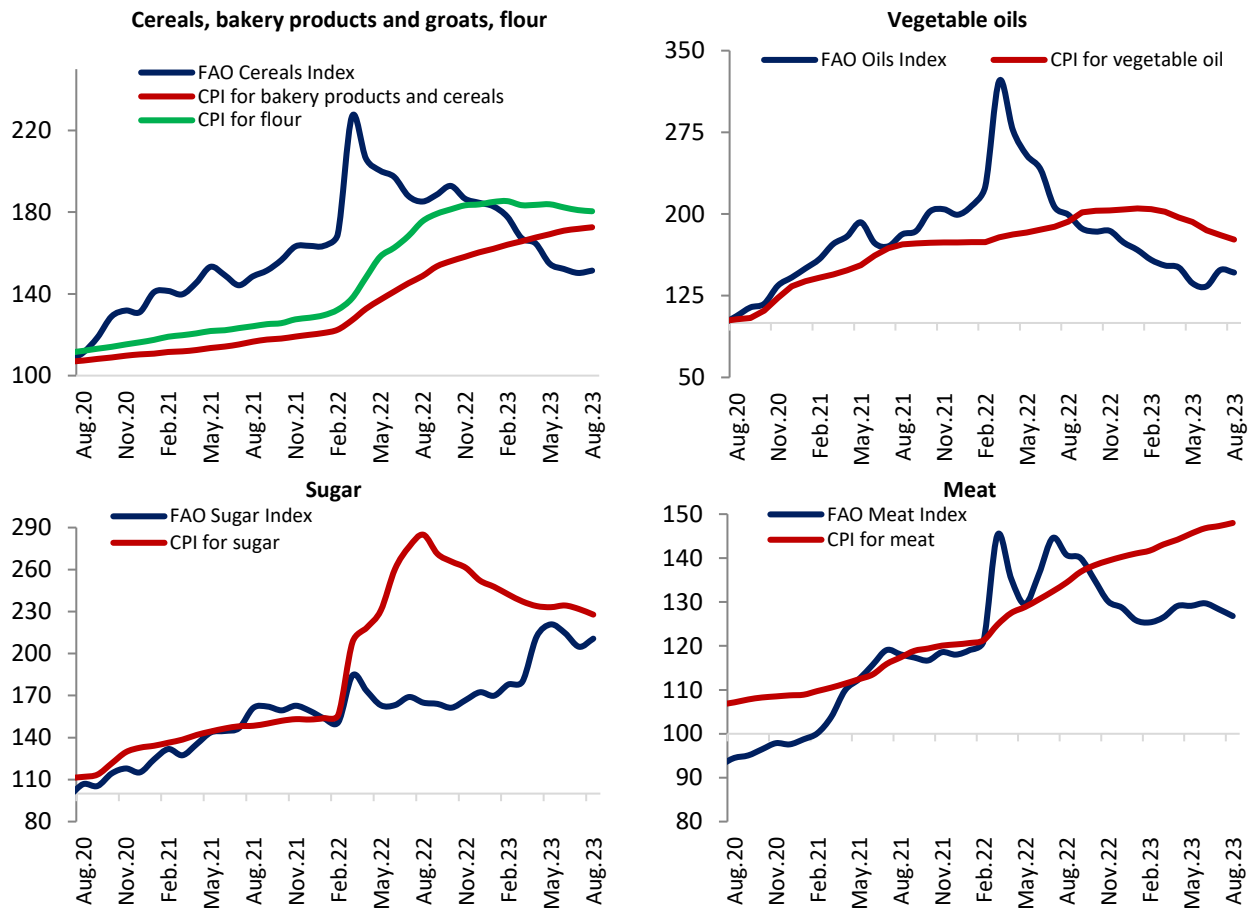
Source: BNS ASPR RK, calculations of the NB RK

The growth of prices for bakery products and cereals in monthly terms slowed to 0.4% (in July – 0.5%). In the structure of the group, the decline in flour prices continued against the background of cheaper wheat, due to a good harvest last year. Also, a decrease in monthly prices is observed for some types of cereals (buckwheat, pearl barley, corn), rice prices have increased, due to a decrease in domestic production in January-June this year by 15.7% (YoY), an increase in world prices. The increase in prices for meat products accelerated to 0.5% (in July – 0.3%) due to the increase in hay prices, as well as the rise in the cost of electricity. Prices for sunflower oil have continued to decline since February of this year, which was noted against the background of the introduction of export duties on sunflower seeds. Seasonal cheapening

is noted for certain types of fruits and vegetables. A significant increase in imports from Russia, as well as an increase in domestic production, contributed to a decrease in sugar prices.

Domestic prices for certain types of food products continue to exceed world prices (Graph 4).

**Graph 4. Dynamics of world and domestic prices for individual food products¹,
In tenge, 2019 Dec. = 100**



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

In August 2023, world prices for grain crops continued to decline, due to the presence of extensive stocks of some types of crops, as well as an increase in supply because of seasonal crop supplies. However, against the background of the weakening of the exchange rate of tenge against the US dollar, world prices expressed in tenge showed an increase. At the same time, domestic flour prices have become lower against the background of cheaper wheat. Prices for bakery products and cereals continue to rise, due to a significant increase in rice prices caused by a reduction in supply.

World prices for vegetable oils decreased due to weakening import demand against the background of high supply volume from major exporters. Domestic prices also continue to decline as a result of the introduction of export duties on sunflower seeds.

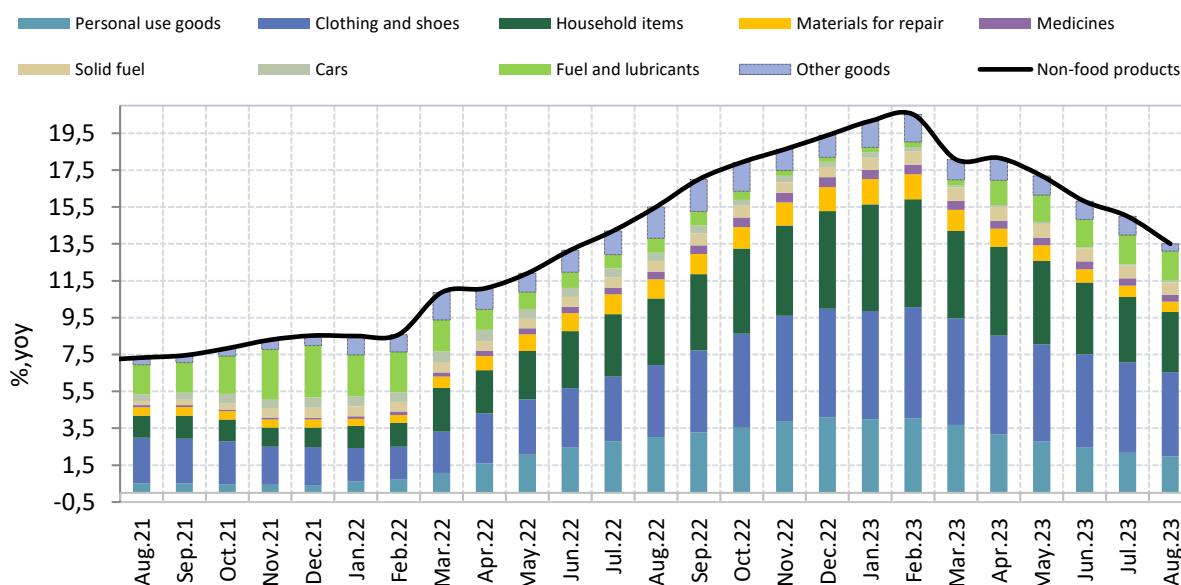
The discrepancy between world and domestic sugar prices decreased in August 2023. The growth of world prices was influenced by the uncertainty factor regarding the expected volumes of world sugar production in the 2023-2024 season. At the same time, domestic prices show a decrease against the background of an increase in supply.

¹ 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.

The expansion of the differential between domestic and world prices for meat products continued in August 2023. An increase in the volume of export supply against the background of sluggish demand from the leading importing countries led to a decrease in world prices for meat products. While domestic prices continue to rise, due to the rise in the price of hay and electricity.

Non-food inflation slowed to 13.5% (YoY) in August 2023 (in July – 15%). Monthly price growth slowed to 0.5% (in July – 0.7%). In August, there is a slowdown in the growth of prices for personal goods, household items, materials for repair of residential premises, cars (Graph 5). At the same time, there is an acceleration in the growth of prices for children's clothing and shoes due to the beginning of the new school year. In the structure of fuel and lubricants, prices for certain types of fuel have continued to rise since April due to an increase in marginal retail prices.

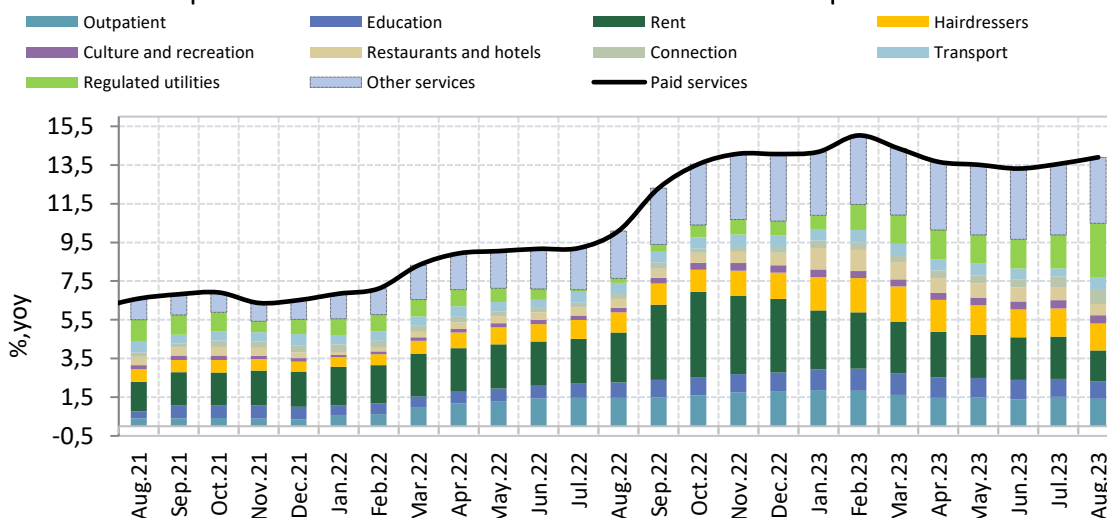
Graph 5. Contribution of goods to annual non-food inflation



Source: BNS ASPR RK, calculations of the NB RK

Prices for **paid services for the population** increased by 1.9% in August 2023, annual price growth accelerated to 13.9% (Graph 6).

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

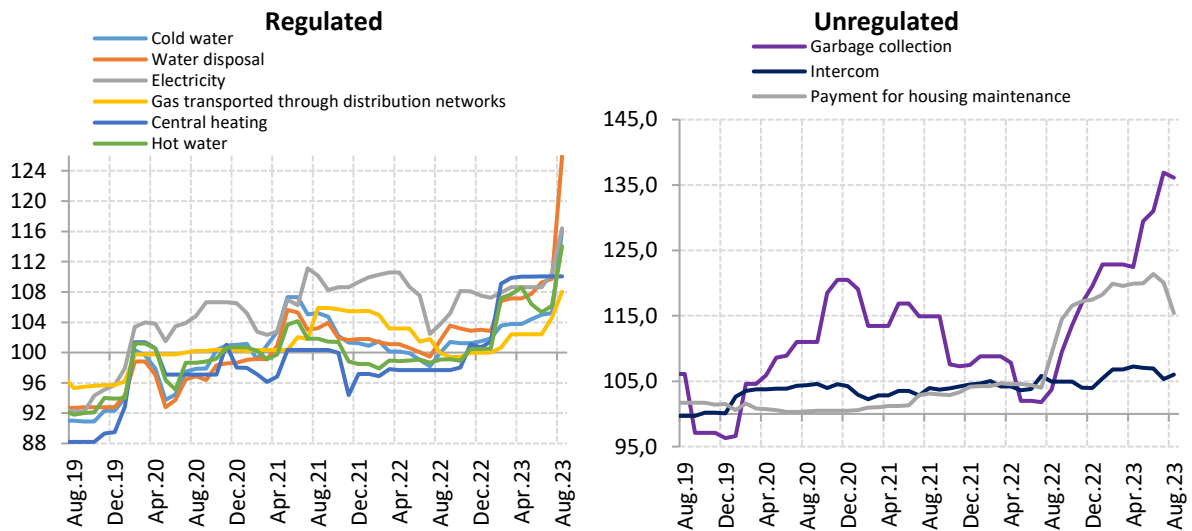


Source: BNS ASPR RK, calculations of the NB RK

In the structure of paid services, there is an increase in tariffs for regulated utilities in certain regions of the country in the context of the implementation of the "Tariff in exchange for investment" program. The growth of tariffs for regulated housing and communal services in August 2023 amounted to 6.1%. The cost of cold water increased by 13.1%, hot water – by 7.8%, sanitation – by 18%, gas supply – by 5.5%, electricity – by 6.7% (Graph 7).

Rental services for comfortable housing have become more expensive due to increased demand against the background of the beginning of the school year. The increase in prices is noted for passenger car transport services against the background of rising prices for fuel and lubricants.

Graph 7. Consumer price index for utilities, YoY



Source: BNS ASPR RK

The annual decline in the prices of manufacturing enterprises slowed down due to the acceleration of the growth in the cost of industrial services and a lower reduction in prices for intermediate goods

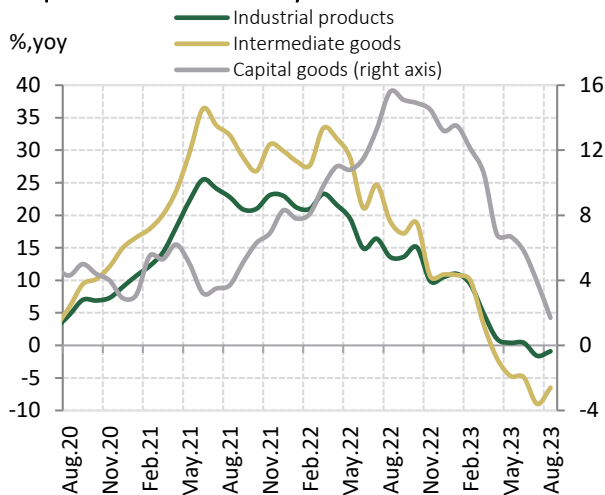
Producer prices in agriculture continued to decline against the background of declining prices for wheat and sunflower seeds

Producer prices in the manufacturing industry decreased in August 2023 by 0.9% in annual terms. The slowdown in the rate of price decline was due to a faster increase in prices for industrial services and a slowdown in the decline in prices for intermediate goods (Graph 8).

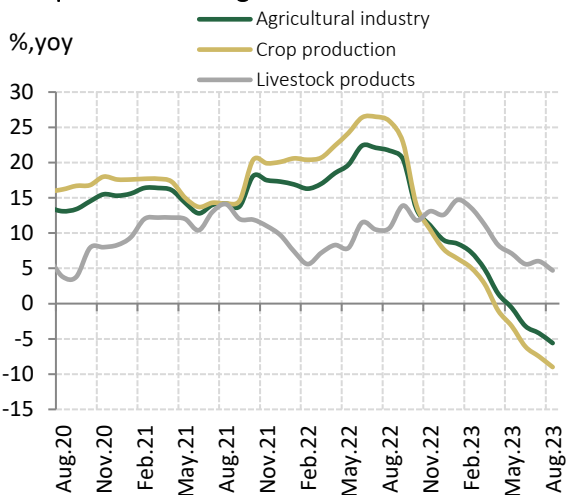
Food producer prices continued to decline in August 2023 (by 2.8% YoY). Thus, the rate of decline in prices for oils and fats, flour and cereal products, sugar has accelerated. At the same time, the prices of producers of meat, dairy, bakery and pasta products grew at a slower pace. In the structure of non-food products, the growth of prices of manufacturers of pharmaceutical products, clothing, furniture, cars, paints and varnishes, detergents and cleaning products has slowed down.

Producer prices in agriculture decreased in August 2023 by 5.6% in annual terms (Graph 9). Wheat prices have been declining in crop production since September 2022. The introduction of export duties, coupled with the presence of significant stocks, continues to exert deflationary pressure on the prices of sunflower seed producers. The prices of producers of peppers, tomatoes and cucumbers are being reduced. Hay prices continued to rise among forage crops. In animal husbandry, the prices of live cattle have increased, at the same time the prices of live poultry and cow's milk have decreased.

Graph 8. Prices in industry



Graph 9. Prices in agriculture



Source: BNS ASPR RK