



НАЦИОНАЛЬНЫЙ БАНК КАЗАХСТАНА

# INFLATION TRENDS

---

October **2023**

---

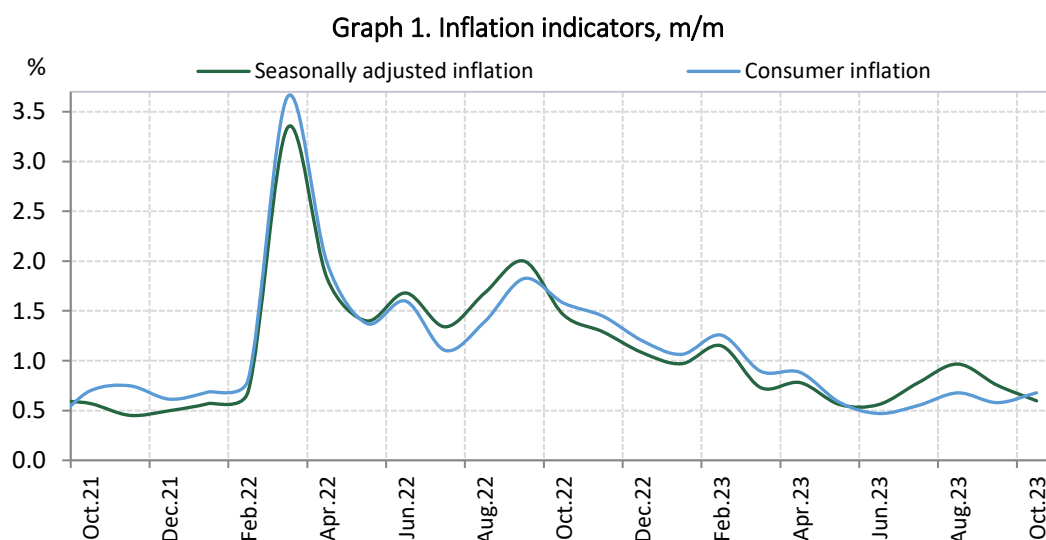
In October 2023, annual inflation amounted to 10.8%, monthly inflation – 0.7%. In the structure of food products, prices for vegetable oils, buckwheat continued to decline due to the presence of significant stocks of sunflower seeds, buckwheat. There is a decrease in the cost of fruits and vegetables of the new harvest. The growth of prices for dairy products has slowed down against the background of a slowdown in producer prices. At the same time, prices for bakery products and cereals have increased due to the rise in the price of flour against the background of a poor wheat harvest this year.

In the group of non-food products, there is a monthly increase in prices for clothing and footwear, pharmaceutical products due to the onset of the autumn season. The growth of prices for audiovisual and photographic equipment, information processing equipment, cars has accelerated.

Among the paid services for the population, the growth of tariffs for regulated utilities continued in the context of the implementation of the "Tariff in exchange for investment" program. The growth of prices for maintenance and repair of personal vehicles, as well as transport services has accelerated against the background of an increase in the cost of taxi fares and other market services (catering, hairdressing and beauty salons, rental housing, hotel services).

After reaching a peak of 21.3% in February this year, annual inflation continued to slow down for the eighth month in a row, reaching 10.8% in October. Monthly price growth accounted for 0.7%, which corresponds to the historical average in October 2017-2021.

Seasonally adjusted inflation slowed to 0.6% against the background of lower prices for oils and fats, fruit and vegetable products, household appliances, household goods and services (Graph 1). The annualized indicator of seasonally adjusted price growth slowed to 7.4% in October 2023. At the same time, this indicator still exceeds the target value and indicates continued price growth for a wide range of goods and services.

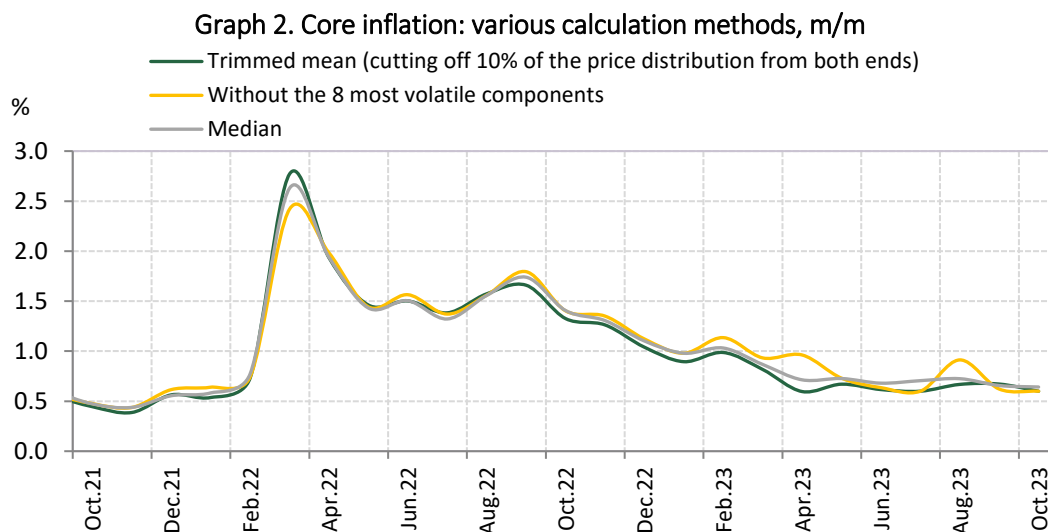


Source: BNS ASPR RK, calculations of the NB RK

The median estimate of seasonally adjusted core inflation calculated by various methods<sup>1</sup> was 0.6%. At the same time, there was a decrease in the variance (range) of estimates

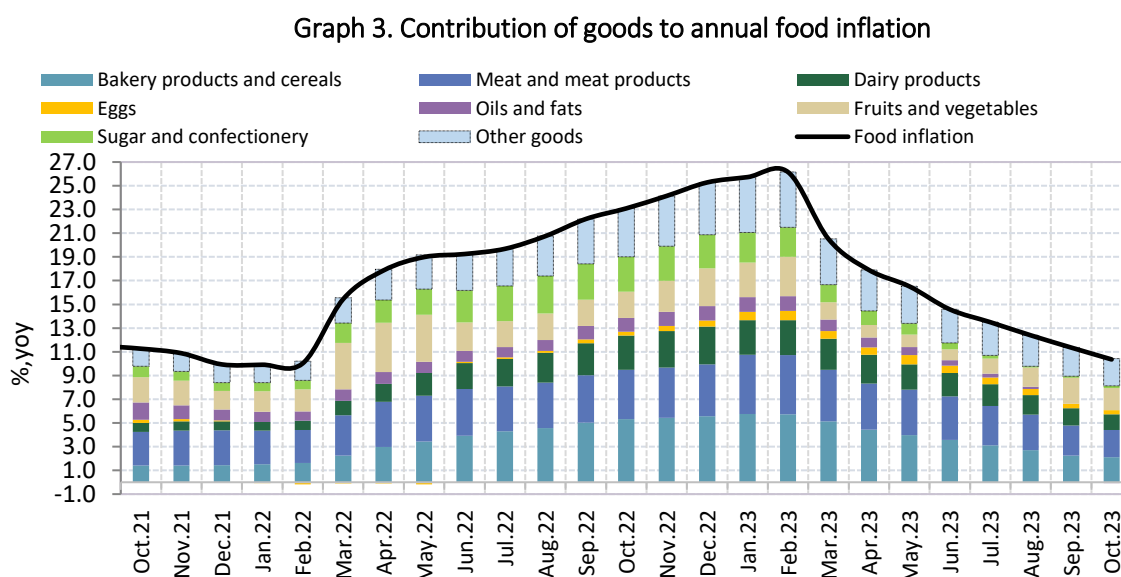
<sup>1</sup> Core inflation is a value that characterizes a steady change in prices. The truncated average is calculated by excluding from the calculation 10% of the smallest and 10% of the largest seasonally adjusted price changes in a given month; core inflation without the 8 most volatile components 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.

of seasonally adjusted core inflation from 0.5%-1.2% in September to 0.5%-0.7% in October this year. A decrease in the upper limit indicates a tendency to stabilization of inflationary processes and a gradual slowdown in the stable part of inflation (Graph 2).



Source: BNS ASPR RK, calculations of the NB RK

**Food inflation** continued to slow down in annual terms, amounting to 10.4% in October 2023 (11.4% in September). In the structure of the food component, there is a decrease in the contribution of the main commodity groups (Graph 3).



Source: BNS ASPR RK, calculations of the NB RK

In monthly terms, in October 2023, food prices rose by 0.5%. Prices for bakery products and cereals increased by 1% (mom) as a result of flour prices rising by 4.3% (mom) due to a poor wheat harvest. Unfavorable weather conditions during the harvest period this year affected the deterioration of the average yield and quality of wheat.

This October rice prices continued to rise in the context of a decrease in domestic production in January-August 2023 by 7.7% (yoy). It is worth noting that the monthly growth

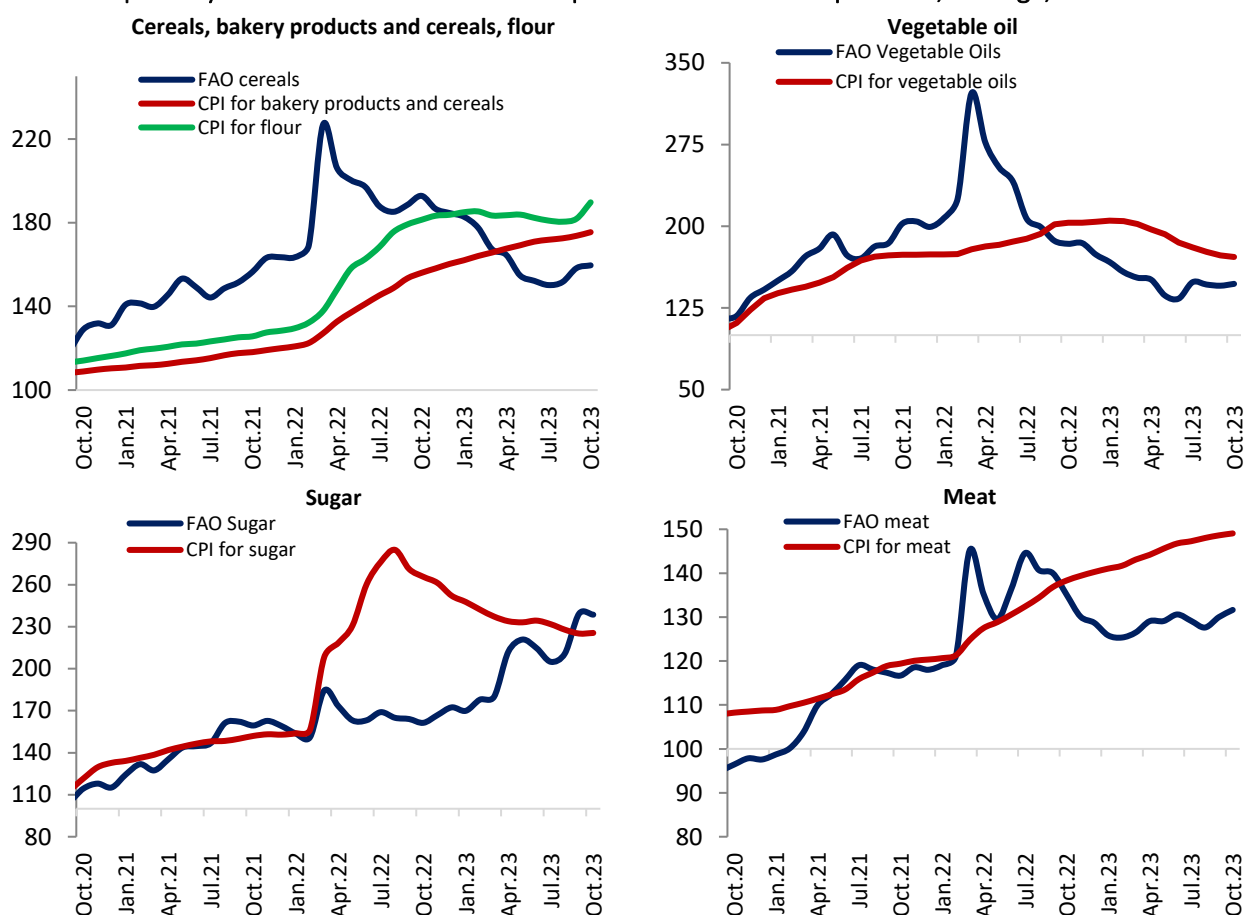
The National Bank of Kazakhstan makes estimates of core inflation through a variety of methods. The description of calculation methods is presented in the article "Various estimates of core inflation for Kazakhstan" on the official website of the National Bank.

rate of rice prices slowed from 3.2% in September to 0.8% in October this year amid a decline in world prices for this type of cereals. In the structure of cereals, prices for buckwheat decreased by 1.2% (mom) (since the beginning of this year, the decrease was 20.7%) due to the presence of significant rolling stocks of buckwheat from last year.

Prices for sunflower oil continued to decline due to the presence of significant stocks of sunflower seeds on the background of the introduction of export duties on sunflower seeds on a permanent basis at the beginning of this year<sup>2</sup>, as well as a decrease in world prices for vegetable oils. After a decline in July-September this year, sugar prices in October increased by 0.2% (mom), at the same time prices for confectionery accelerated to 1.3% due to an increase in prices of sugar producers by 0.1% (mom), cocoa, chocolate and sugary confectionery by 3.2% (mom) in October of this year.

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

Graph 4. Dynamics of world and domestic prices for certain food products, in tenge, 2019 Dec. = 100



Source: BNS CAD RK, UN FAO, calculations of the National Bank of RK

World grain prices in October slightly decreased by 1% (mom) amid an increase in the supply of wheat and corn. However, it is worth noting that the price index expressed in tenge showed an increase of 0.8% (mom) due to the weakening of the tenge against the US dollar. At the same time, the differential of external and internal prices expanded in October 2023 against the background of accelerating growth in domestic consumer prices for flour.

The discrepancy between world and domestic prices for vegetable oils decreased slightly against the background of a faster decline in domestic prices compared to external

<sup>2</sup> Electronic standard control bank of regulatory legal acts of the Republic of Kazakhstan. URL: <http://zan.gov.kz/client/#!/doc/178165/rus>

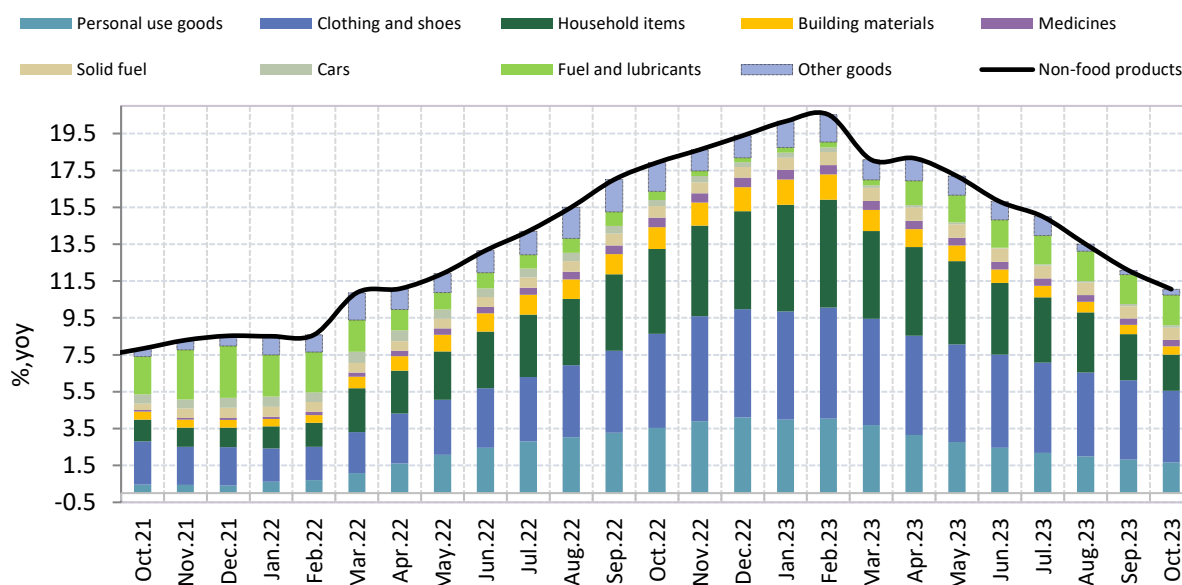
prices and a weakening of the tenge exchange rate. The decline in world prices for vegetable oils continues for the third month in a row, due to seasonal production growth in the leading producing countries, as well as weak import demand in the world.

For the second month in a row, the dynamics of domestic sugar prices are formed below the dynamics of external prices. This October world sugar prices decreased as a result of increased production in Brazil, despite the negative effects of rains on sugar cane processing in the first half of October. Meanwhile, this decrease was largely offset by the weaker dynamics of the tenge exchange rate.

In October the differential between domestic and world prices for meat products decreased slightly. World meat prices decreased by 0.6% (mom) in October, which was mainly due to the continued weak import demand in the world, especially from some East Asian countries. The decrease in prices was also facilitated by an increase in the volume of export supply from some leading suppliers. However, despite the slowdown in world meat prices, prices expressed in tenge showed an increase due to the weakening of the exchange rate of tenge against the US dollar in October. At the same time, domestic prices showed slower growth rates.

**Non-food inflation** slowed to 11.1% in annual terms (in September – 12.1%). The main contribution to the annual price increase was made by the rise in the cost of clothing and shoes, household items, and personal goods. The aggregate contribution of these commodity groups amounted to 7.5 p.p. in October 2023, while the contribution of fuels and lubricants remains stable after its increase in April 2023 due to the increase in fuel prices as part of price deregulation in the domestic energy market (Graph 5).

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



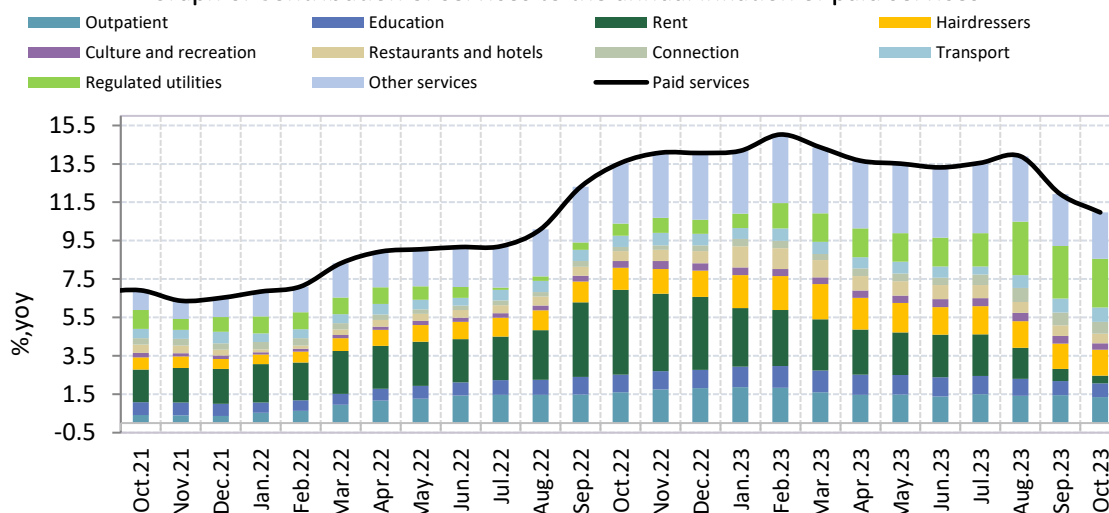
Source: BNS ASPR RK, calculations of the NB RK

Monthly growth in prices for non-food products accelerated to 0.8% (in September – 0.6%). In the structure of the non-food component, there is an increase in prices for warm clothes and shoes due to the onset of the autumn season. At the same time, the seasonal onset of cold weather increased the demand for medicines, which led to an increase in prices for pharmaceutical products by 1.8% (mom).

The increase in prices for audiovisual and photographic equipment, information processing equipment accelerated to 6% mom (4.3% yoy), for cars – 1.2% mom (3.3% yoy).

The growth of **prices for paid services** for the population in October 2023 slowed down to 11% in annual terms (in September – 11.9%). Monthly price growth amounted to 0.8% (0.9% in September) (Graph 6).

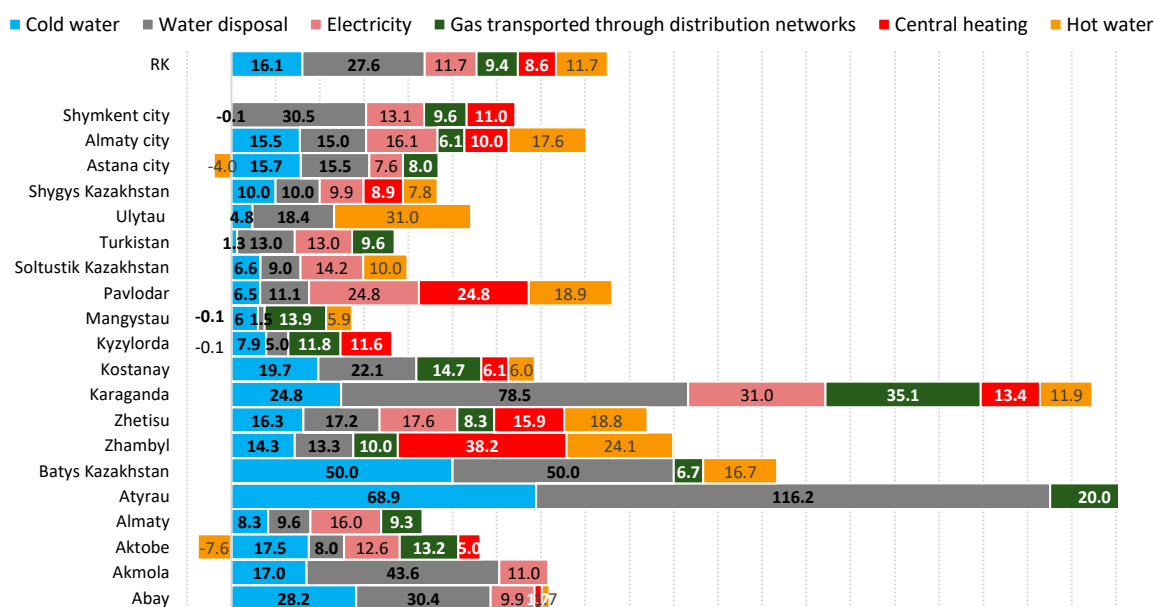
Graph 6. Contribution of services to the annual inflation of paid services



Source: BNS ASPR RK, calculations of the NB RK

In the structure of paid services, the growth of tariffs for regulated utilities continued 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 October 2023 amounted to 0.8%. The cost of cold water increased by 0.9% (mom), sanitation – by 3%, gas supply – by 0.5%, electricity – by 1.2%, tariffs for hot water and heating have not changed (Graph 7).

Graph 7. Growth of prices for regulated utility services by region, January-October 2023, %



Source: BNS ASPR RK

In October 2023, there is an acceleration in the growth of prices for catering services by 1.0% mom (September – 0.2%), hotel services – by 2.2% (0.2%), hairdressing and beauty salon services – 1.5% (0.3%). Along with this, the cost of maintenance and repair of personal vehicles increased by 0.9% mom, as well as transport services amid rise in the cost of taxi fare by 2.4% mom.

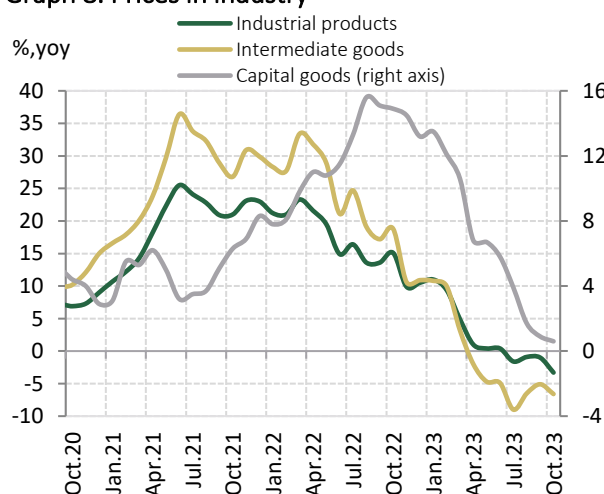
The growth of prices for rental services remained at the level of September (2.3% mom), while the annual growth slowed to 4.5% (in September – 7.3%) against the background of the high base of last year.

**Manufacturing producer prices continue to decline for the fourth month in a row as a result of a reduction in prices for intermediate goods and a slowdown in the growth of prices for capital goods.**

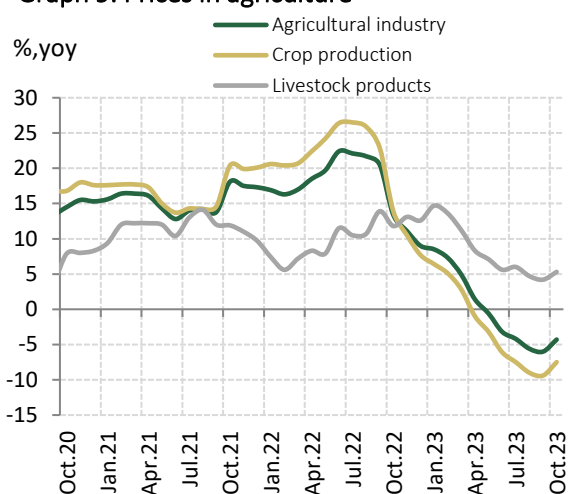
**In October 2023, the decline in producer prices in agriculture slowed down in annual terms against the background of a low grain harvest this year.**

In October 2023, manufacturing producer prices decreased by 3.3% (yoy) due to lower prices for intermediate goods. Annual price growth for industrial services and capital goods has slowed down (Graph 8).

**Graph 8. Prices in industry**



**Graph 9. Prices in agriculture**



Source: BNS ASPR RK

In October 2023 the prices of food producers decreased by 2.3% in annual terms. There was a decrease in the prices of producers of flour-grain products, oils and fats. The prices of producers of meat products, bakery and pasta products, and other food products have increased. At the same time, the price growth of dairy producers has slowed down.

In the structure of non-food products, the price growth of manufacturers of clothing, furniture, cars, detergents and cleaning products continued to slow down.

The decline in producer prices in agriculture in October 2023 slowed to 4.3% in annual terms (in September 2023 – a decrease of 6.0%) (Graph 9). In crop production, prices for grain crops continued to decline, namely wheat, oilseeds, as well as dried legume vegetables. At the same time, this decline occurred at a slower pace due to lower grain harvest due to bad weather conditions in the main grain-growing regions of the country. Among forage crops, there is a decrease in prices for feed grain. In animal husbandry, prices for live cattle and poultry have increased, at the same time, there is a deceleration in the annual growth rates of prices for cow's milk and eggs.