



NATIONAL BANK OF KAZAKHSTAN

INFLATION TRENDS

November **2023**

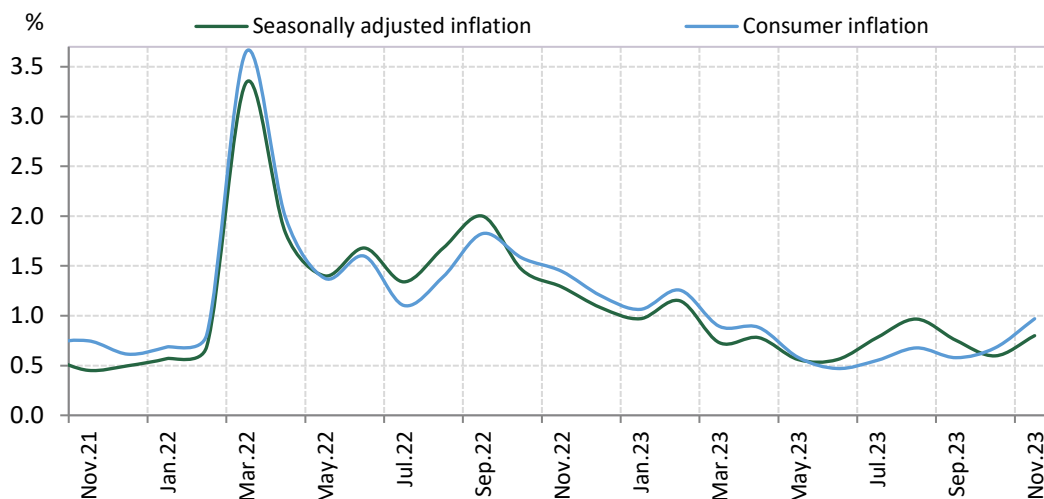
Annual inflation in November 2023 amounted to 10.3%, in monthly terms – 1%. Among food products, prices for buckwheat and sunflower oil continued to decline due to the presence of significant reserves of buckwheat and sunflower seeds. Along with this, there is an increase in the cost of fruits and vegetables against the background of rising prices for producers of fresh vegetables in agriculture, as well as bakery products and cereals due to a poor wheat harvest. Among non-food products, there is a slowdown in the annual growth rate of prices for clothing and shoes. Prices for household appliances, in particular refrigerators, washing machines, continue to decline for the second month in a row. At the same time, there is an increase in the cost of audiovisual equipment and photographic equipment, information processing equipment, as well as cars.

Within paid services for the population, tariffs for regulated utilities continued to rise in the context of the implementation of the “Tariff in Exchange for Investment” program. The growth of prices for transport services accelerated against the background of an acceleration in the growth of prices for air passenger transport. Along with this, there is an acceleration in the growth of prices for telephone services due to the rise in the cost of internet access.

In November, annual inflation continued to slow down for the ninth month in a row amounting to 10.3%. At the same time, the monthly price growth accelerated to 1%.

Seasonally adjusted inflation accelerated to 0.8% against the background of rising prices for housing and communal services, audiovisual equipment and photographic equipment, information processing equipment, and the purchase of motor vehicles (graph 1). The annualized indicator of seasonally adjusted price growth still exceeds the target value, amounting to 9.9% in November 2023, which indicates continued price growth for a wide range of goods and services.

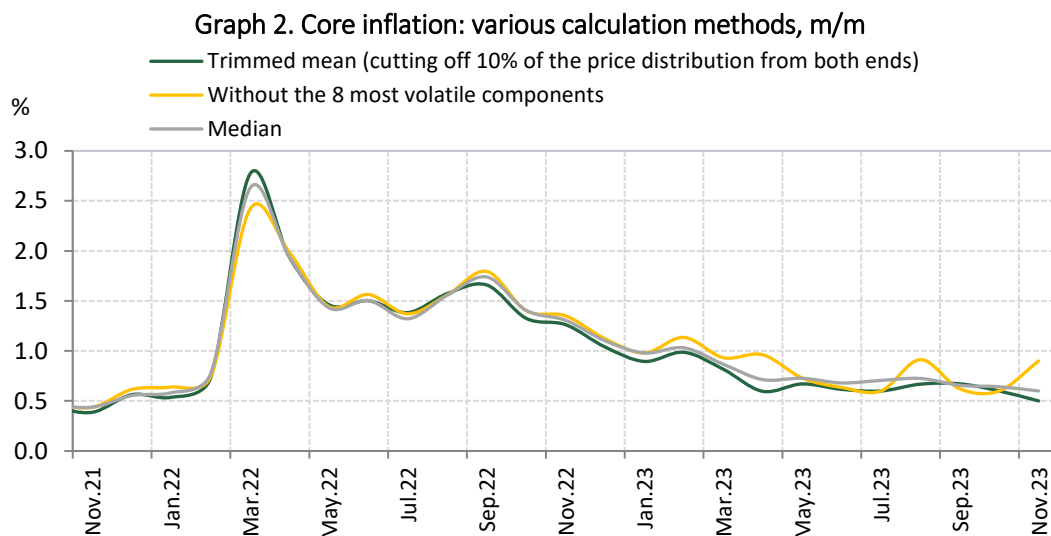
Graph 1. Inflation indicators, m/m



Source: BNS ASPR RK, calculations of the NB RK

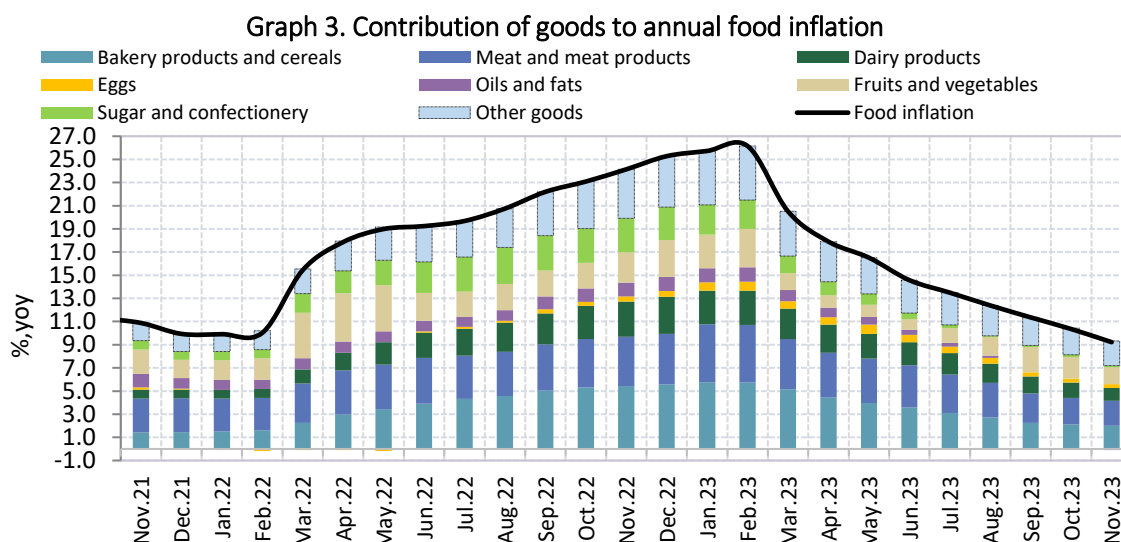
The median estimate of seasonally adjusted core inflation, calculated using various methods¹, stabilized at 0.6%. At the same time, in November there was an increase in the variance (range) of estimates of seasonally adjusted core inflation to 0.4-0.9% from 0.5-0.8% in October, which indicates an increase in the volatility of inflationary processes (Graph 2).

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.



Source: BNS ASPR RK, calculations of the NB RK

The annual increase in **food prices** continued to slow down amounting to 9.2% in November this year (10.4% in October). The structure of the food component shows a decrease in the contribution of the main commodity groups (Graph 3).



Source: BNS ASPR RK, calculations of the NB RK

Food products rose in price by 0.7% in November this year. The increase in prices for bakery products and cereals amounted to 0.7% (mom). The structure of the group shows an increase in the price of flour by 1.2% (mom) due to the poor wheat harvest this year. In November, rice prices continued to rise by 1.4% (mom) against the background of rising prices of rice producers in agriculture. The upward pressure on the acceleration of the food component of inflation in November this year was exerted by an increase in vegetable prices by 4.6% (mom) due to an increase in prices of producers of fresh vegetables (an increase of 2.3% mom, 2.8% yoy).

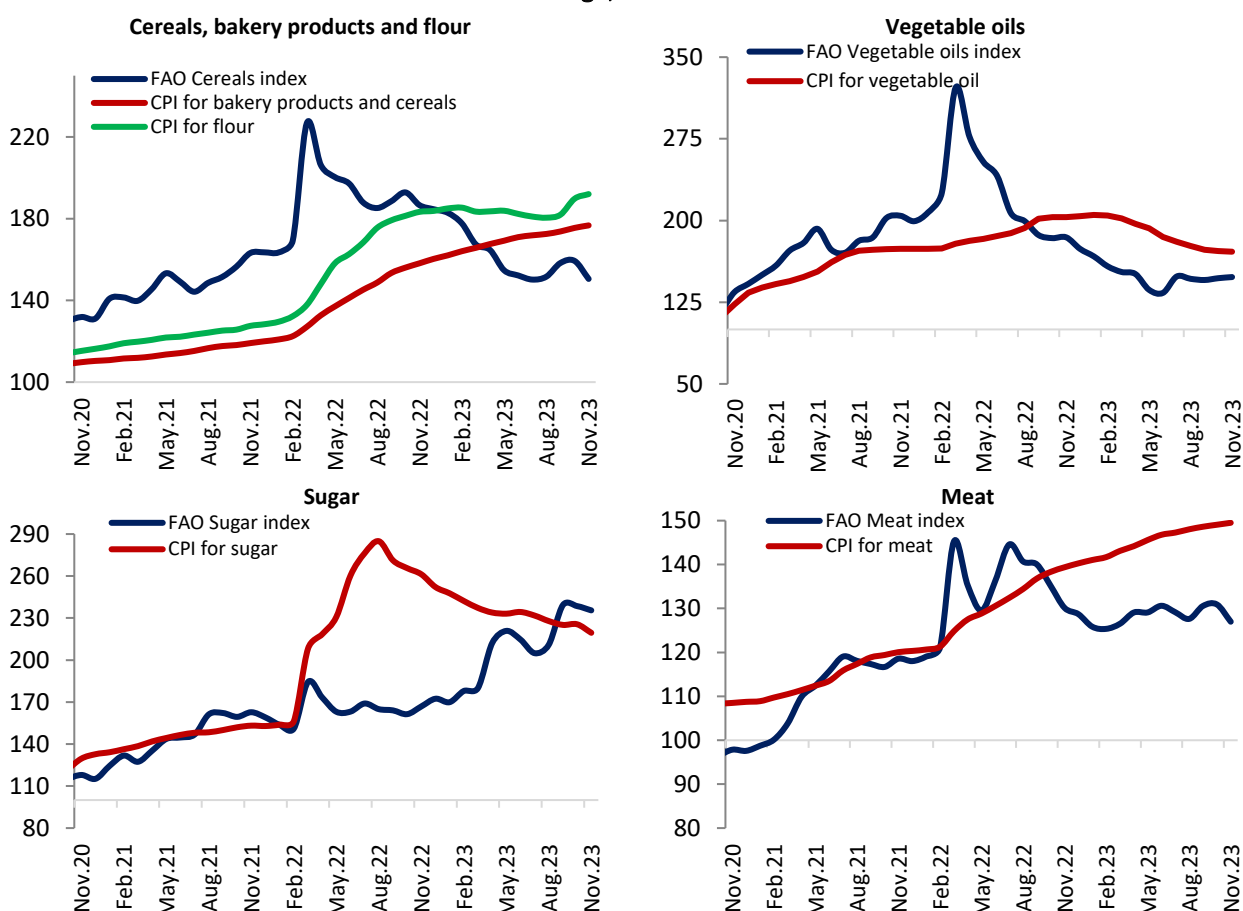
At the same time, prices for buckwheat decreased by 0.4% (mom) (since the beginning of the year prices decreased by 21.1%) due to the presence of significant rolling stocks of buckwheat from last year. Sunflower oil prices continued to decline by 0.3% (mom) (since the beginning of the year the decrease was 16.8%) due to the presence of significant stocks of sunflower seeds against the background of the export duty on sunflower seeds². The price

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

growth for dairy products slowed to 0.2% (mom) amid lower prices for forage crops. Sugar prices decreased by 2.7% (mom) due to lower producer and import prices.

Despite a decrease or slowdown in the growth rate of consumer prices for certain types of food products, domestic prices for cereals, vegetable oils and meat continue to rise faster than world prices. The reverse dynamics is observed only for sugar. In November 2023, a significant differential between the growth rates of domestic and external prices remains for meat products and cereals, while a decrease in the discrepancy is observed for vegetable oils and sugar (graph 4).

Graph 4. Dynamics of world and domestic prices for selected food products³, in tenge, 2019 Dec. = 100



Source: Bureau of National Statistics of ASPRRK, UN FAO, NBRK calculations

World grain prices decreased by 3% (mom) in November this year (a decrease of 19.4%, yoy) mainly as a result of a seasonal increase in wheat supply in Argentina and Australia against the background of good harvest rates. There is also a decrease in prices for corn and barley as a result of increased supply and improvements in projected production volumes. Despite the decline in global grain prices, the continued increase in domestic prices for bakery products and cereals led to an expansion of the differential in November 2023.

The discrepancy in the differential between external and internal prices is observed for meat, which is due to a decrease in world prices while maintaining an increase in domestic prices for meat products. In November 2023, global meat prices decreased by 0.4% (mom) (decrease by 2.4%, yoy) against the background of weak import demand from Asian countries, as well as a significant volume of export supply from some suppliers in Europe ahead of the winter holidays. It is worth noting that due to the strengthening of the nominal exchange rate

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.

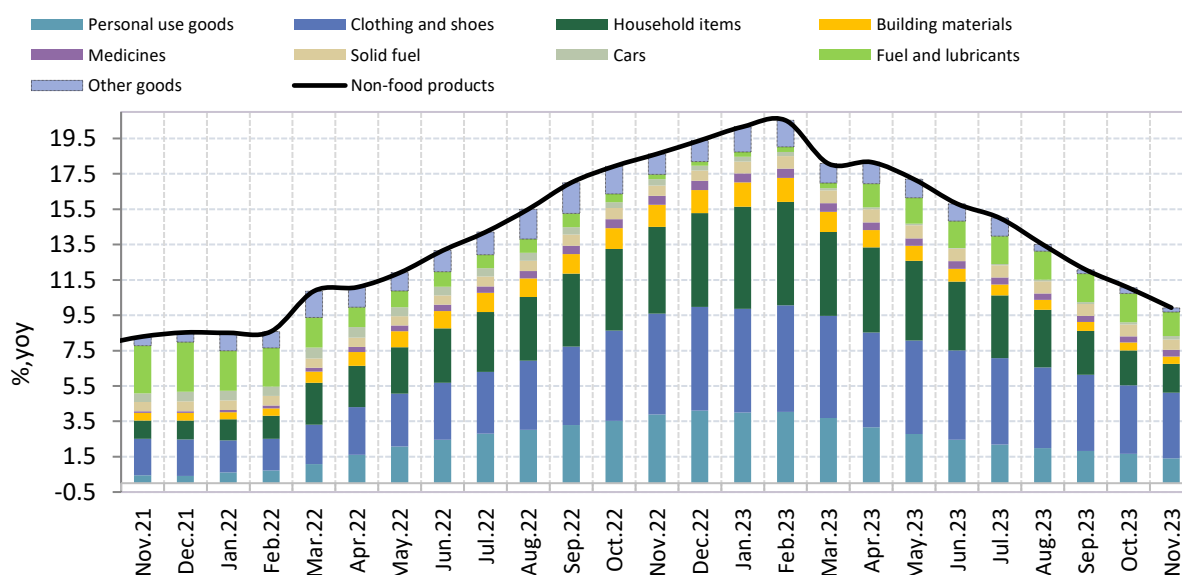
of tenge against the US dollar in November this year, external prices for meat products showed a faster decline.

For vegetable oils, the differential between world and domestic prices continued to decrease. On the one hand, the decline in domestic prices for vegetable oils continued in the presence of significant reserves of sunflower seeds. On the other hand, global vegetable oil prices, after three months of decline in November 2023, showed an increase of 3.4% (mom) (a decrease of 19.8%, YoY), which was mainly due to an increase in purchases by the main importing countries, as well as a seasonal reduction in production in key suppliers.

For the third month in a row, the dynamics of domestic sugar prices is formed below the dynamics of external prices. In November of this year, world sugar prices increased by 1.4% (mom) (an increase of 41.1%, yoy) against the background of a reduction in export supply in the world this season due to the deterioration of crop species in Thailand and India (the main exporters). At the same time, domestic sugar prices continued to decline. A stronger discrepancy in the differential between domestic and foreign sugar prices was offset by the strengthening of the nominal exchange rate of tenge against the US dollar in November this year.

Non-food inflation slowed to 9.9% year-on-year (11.1% in October). There is a slowdown in the annual growth rates of prices for clothing and shoes, household items, personal goods, fuels and lubricants (Graph 5). The cumulative contribution to the annual non-food inflation of these commodity groups in November amounted to 8.1%. At the same time, there is an increase in the contribution of medicines against the background of increased demand due to the onset of cold weather. At the same time, the contribution of the increase in car prices has increased due to the increase in prices of car manufacturers.

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



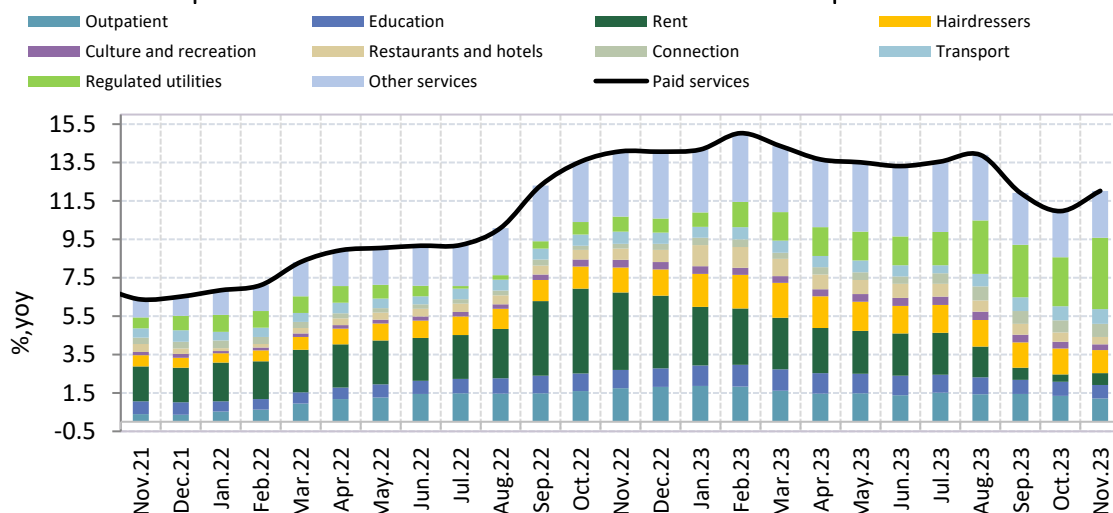
Source: BNS ASPR RK, calculations of the NB RK

Monthly price growth for non-food products slowed to 0.5% (in October – 0.8%). In the structure of the non-food component, there is a decrease in prices for household appliances by 2.3% (mom).

At the same time, due to the onset of cold weather, there is an increase in the cost of warm clothes and shoes.

The increase in **prices for paid services** for the population in November 2023 accelerated to 12% in annual terms (in October – 11%). Monthly price growth was 1.7% (0.8% in October) (Graph 6).

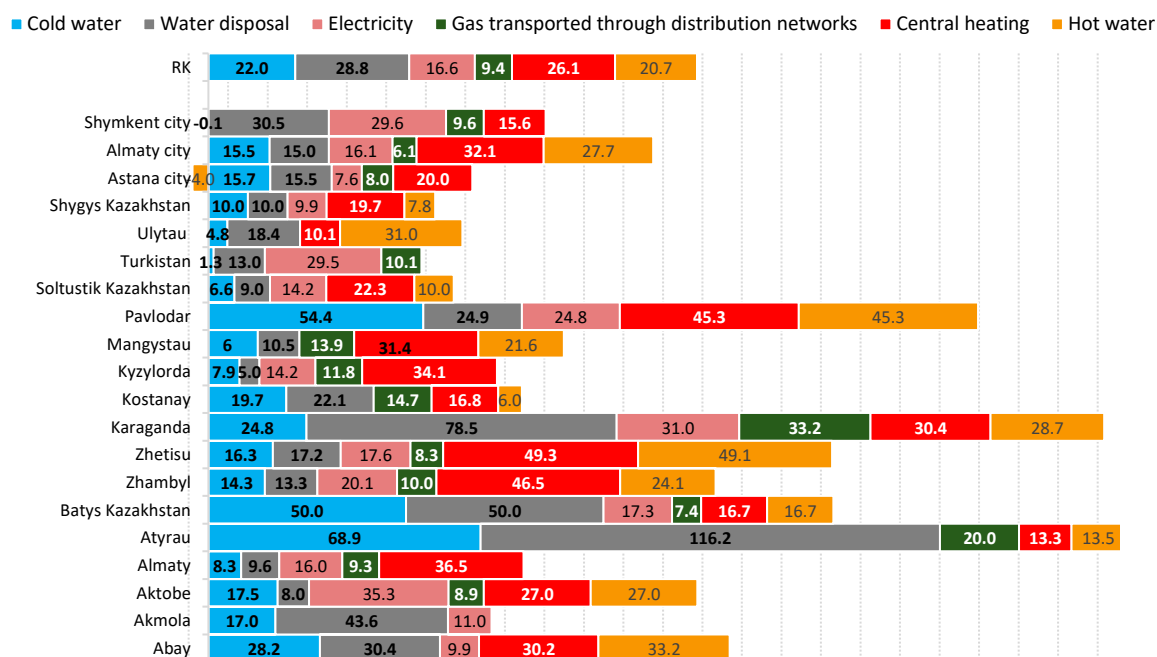
Graph 6. Contribution of services to the annual inflation of paid services



Source: BNS ASPR RK, calculations of the NB RK

In the structure of paid services, tariffs for regulated utilities continued to increase in the context of the implementation of the “Tariff in Exchange for Investment” program. The increase in tariffs for regulated housing and communal services in November 2023 amounted to 6.2%. The cost of cold water increased by 5.0% (mom), sanitation – by 0.9%, electricity – by 4.4%, hot water – by 8.1%, heating – 16.1%, the cost of gas supply tariffs has not changed (Graph 7).

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



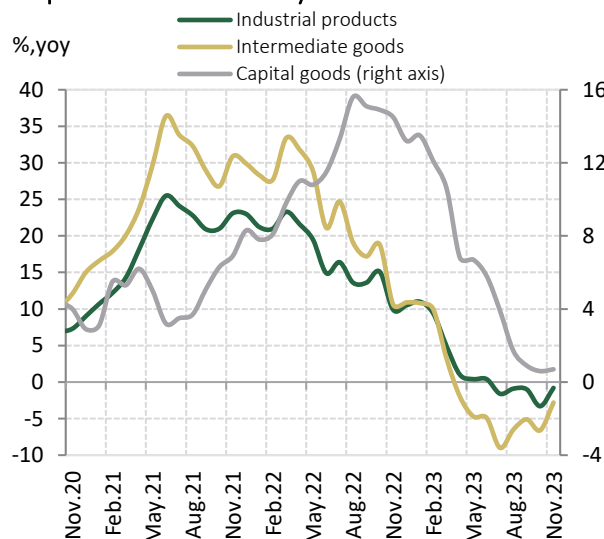
Source: BNS ASPR RK

In November 2023, prices for hairdressing and beauty salons increased by 0.5% (mom). Transport services rose in price by 0.7% against the background of a 27% increase in prices for air passenger transport (mom). The increase in prices for telephone and fax services accelerated to 0.7% due to an increase in the price of the subscription fee for Internet access by 1.9% (mom). The increase in rental prices in November this year slowed to 1.1% (in October – 2.3%).

The annual decline in producer prices in manufacturing industry slowed down due to rising prices for capital goods and a slowdown in the reduction of prices for intermediate goods. Producer prices in agriculture continued to decline against the background of lower prices in crop production and a slowdown in price growth in animal husbandry.

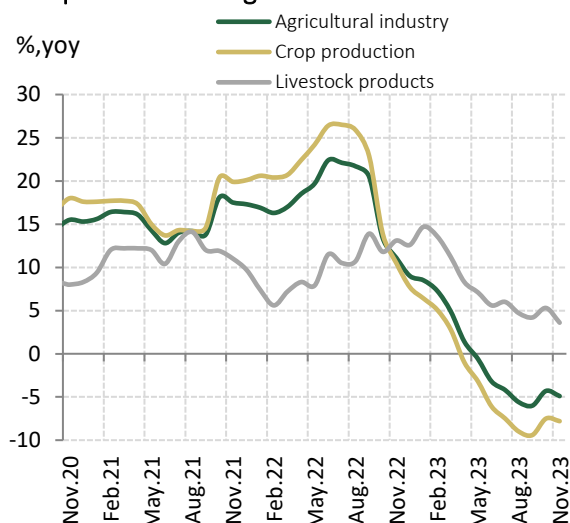
Producer prices in the manufacturing industry decreased by 0.8% (yoy) in November 2023. The slowdown in the rate of price decline was due to a faster increase in prices for industrial services and a slowdown in the decline in prices for intermediate goods (Graph 8).

Graph 8. Prices in industry



Source: BNS ASPR RK

Graph 9. Prices in agriculture



In November 2023, prices of food producers decreased by 1.7% (yoy). There is a decrease in prices for producers of flour-grain products, oils and fats. The price growth of producers of bakery and pasta products, dairy products, and other food products has slowed down. At the same time, prices of meat producers have increased.

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 November 2023 continued and amounted to 4.9% in annual terms (in October 2023 – a decrease of 4.3%) (Graph 9). In crop production prices continued to decrease for grain crops, namely corn and barley, fresh vegetables, as well as dried legumes. At the same time, there is a slowdown in the decline in wheat prices due to lower grain harvest because of bad weather conditions in the main grain-growing regions of the country this year. Among forage crops, the trend towards lower prices for forage crops continues. In animal husbandry, there is a slowdown in the annual growth rate of prices for live cattle (to 4.8%, yoy from 5.4% in October this year) and raw milk (to 8.8% from 13.2% in October this year), as well as a decrease in prices for poultry (decrease by 0.1%, yoy) and eggs (decrease by 0.3%, yoy).