



NATIONAL BANK OF KAZAKHSTAN

# INFLATION TRENDS

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January **2024**

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In January 2024, annual inflation slowed down to 9.5%. The monthly price increase amounted to 0.8%.

In the structure of food products, the monthly rise in the price of fruits and vegetables, eggs and dairy products continued against the background of rising producer prices. Along with this, prices for buckwheat and sunflower oil continued to decline in January 2024 due to the presence of significant reserves of buckwheat and sunflower seeds. At the same time, sugar prices continued to decline amid lower producer prices.

Among non-food products, there is an increase in prices for clothing and shoes, cars, audiovisual equipment and photographic equipment, information processing equipment, detergents and cleaning products. At the same time, prices for household appliances have decreased.

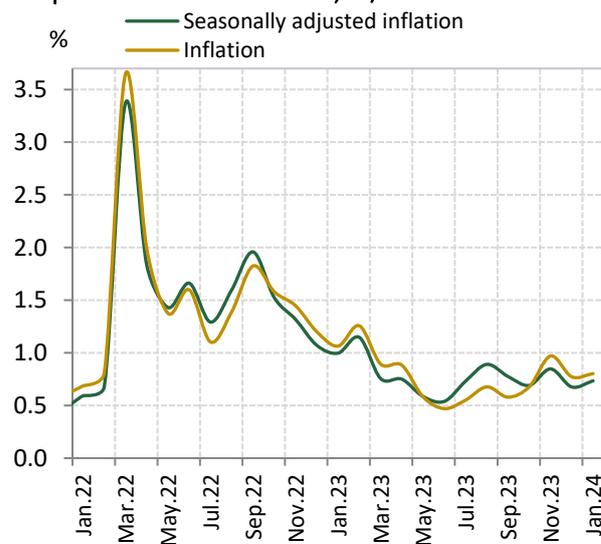
In the structure of paid services for the population, the monthly increase in prices for educational services, outpatient services, and transport services accelerated. Moreover, prices for hairdressing and personal service establishments, services in the field of recreation, entertainment and culture, cleaning and repair of clothes continued to rise. The growth of tariffs for regulated utilities continued, but at a slower pace.

Annual inflation continued to slow for the eleventh month in a row, reaching 9.5% in January 2024. The monthly price growth remained at the level of December last year – 0.8% (Graph 1).

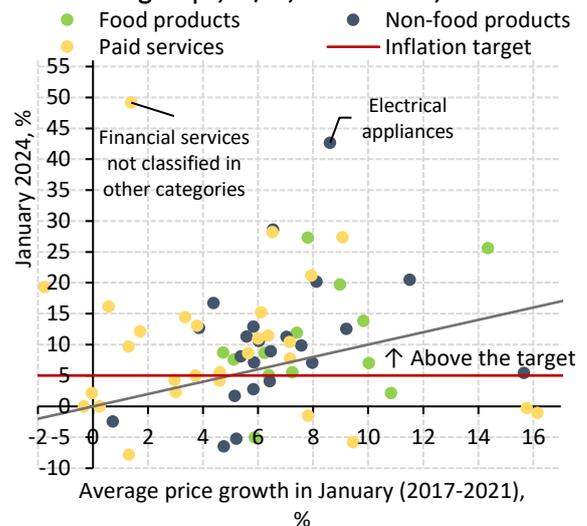
Seasonally adjusted inflation accounted for 0.7%. At the same time, annualized seasonally adjusted inflation accelerated to 9.2% (in December 2023 – 8.4%) against the background of accelerated price growth for fruits, dairy products, cheese and eggs, tobacco products, solid fuels, cars, electrical appliances, outpatient services, transport services, preschool and primary education.

At the same time, seasonally adjusted annualized price growth of 40 out of 66 subgroups of goods and services exceeds the target and the average historical growth in January 2017-2021 (Graph 2).

Graph 1. Inflation indicators, m/m

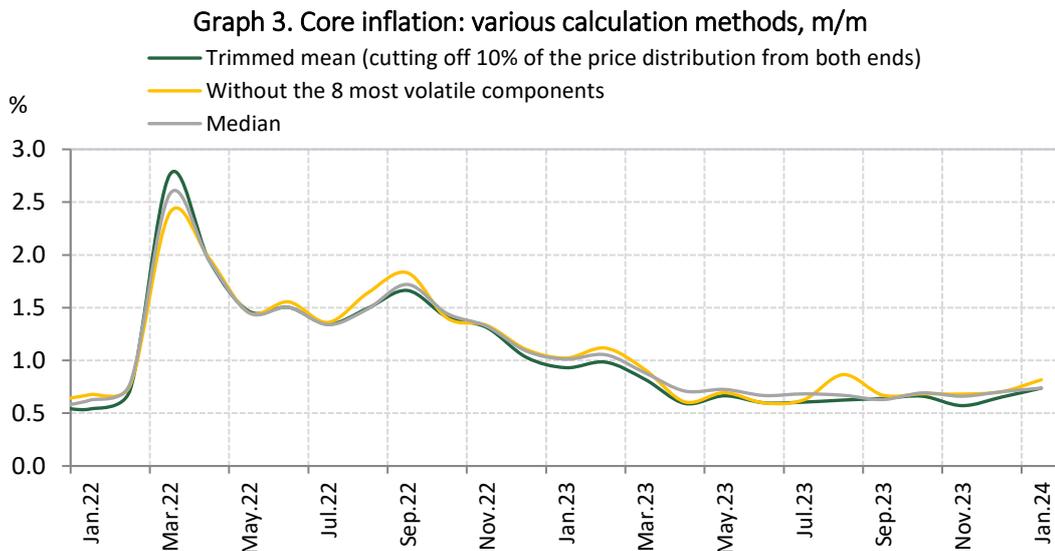


Graph 2. Seasonally adjusted price growth for various CPI groups, m/m, annualized., %



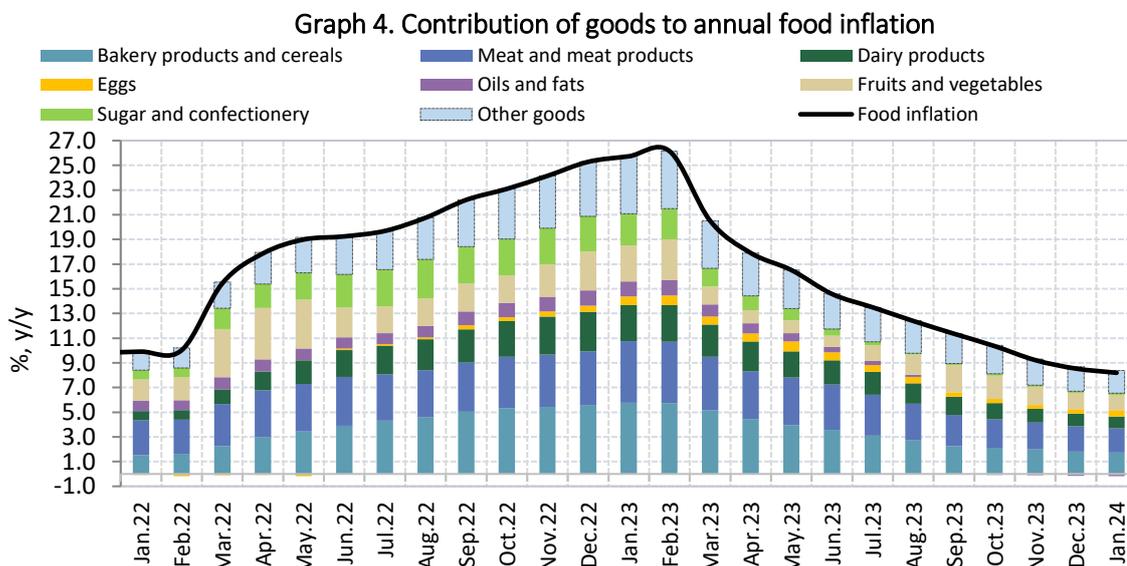
Source: BNS ASPR RK, calculations of the NB RK

At the same time, the median estimate of seasonally adjusted core inflation, calculated by various methods<sup>1</sup>, accelerated slightly by 0.74% m/m (in December 2023 – 0.7%), which may indicate a slight acceleration in price growth in the stable part of inflation (Graph 3).



Source: BNS ASPR RK, calculations of the NB RK

The growth in **food prices** slowed to 8.2% in annual terms (in December – 8.5% y/y). The annual price growth for bakery products and cereals, meat products, dairy products, fruits and vegetables continued to slow down. The cumulative contribution of these commodity groups to annual food inflation amounted to 5.9 p.p. (Graph 4).



Source: BNS ASPR RK, calculations of the NB RK

<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; the median of core inflation is calculated by finding the median in each of the groups of methods for estimating core inflation. The final estimate is also the median of the considered groups of estimation methods, and the maximum and minimum values are the range of values of core inflation.

The National Bank of Kazakhstan makes estimates of core inflation through a variety of methods. Methodology is described in the Working Paper "Various estimates of core inflation for Kazakhstan" published on the official website of the National Bank.

The monthly increase in food prices continued to accelerate since September 2023 and amounted to 1.1% in January 2024 (0.9% in December 2023).

The upward pressure on the food inflation this January was exerted by an increase in vegetable prices by 5.8% (m/m) due to an increase in prices of producers of fresh vegetables (an increase of 0.7% m/m, 1.3% y/y). At the same time, the price increase for food products without fruits and vegetables in January 2024 amounted to 0.6%. There is also an increase in prices for dairy products by 0.5% m/m, fish and seafood – by 0.9% m/m.

At the same time, high monthly price growth for eggs has continued since September last year (in January 2024 growth by 5% m/m, 16.9 y/y) due to an increase in egg producer prices by 4.9% m/m (12.3% y/y). According to the information of the Agency for protection and development of Competition of the Republic of Kazakhstan, the increase in egg prices was due to an increase in the cost of imported premixes, veterinary drugs, packaging materials<sup>2</sup>.

In January 2024, prices for some cereals continued to decrease, including buckwheat by 1.4% (decrease by 23.6%, y/y) amid significant reserves of buckwheat as well as a decrease in prices of buckwheat producers by 12.6% y/y. Prices for sunflower oil decreased by 1.7% m/m (a decrease of 19.8% y/y) as a result of the presence of significant stocks of sunflower seeds against the background of the export duty on sunflower seeds<sup>3</sup>. Sugar prices continued to decline by 1.4% (m/m) due to a decrease in sugar producer prices by 12.8% m/m (decrease by 21.2% y/y).

In January 2024, the excess of domestic prices over foreign prices remained for all major types of food. At the same time, an expansion of the differential is noted for cereals and meat. For vegetable oils and sugar, the differential decreased due to lower domestic prices. It is worth noting that the strengthening of the nominal exchange rate of tenge against the US dollar in January 2024 contributed to a decrease or slower increase in external prices expressed in tenge (Graph 5).

After an increase in December 2023, world grain prices decreased by 2.2% (m/m) in January this year (a decrease of 18.6%, y/y) due to the corn harvesting campaign in the countries of the Southern Hemisphere. The continued intense competition in the market coupled with increased supply affected the decrease in corn prices by 5.9% m/m (decrease of 30.4% y/y). Rice, in turn, continued to grow by 1.2% m/m due to high supply rates in the producing countries and export restrictions from India. The expansion of the differential between domestic and foreign prices for cereals in January 2024 was associated with a decrease in world grain prices with an increase in domestic prices for bakery products and cereals.

The discrepancy in the differential between external and domestic meat prices was also due to a decrease in world prices while maintaining an increase in domestic prices for meat products. In January 2024, world meat prices decreased by 1.4% (m/m) (decrease by 1.2%, Y/y) against the background of weak import demand from Asian countries, as well as due to the significant export supply of poultry meat in large producing countries.

For vegetable oils, there is a slight reduction in the differential against the background of lower domestic prices and a slight increase in world prices for vegetable oils in January 2024 (an increase of 0.1% m/m, a decrease of 12.8% y/y). The rise in global prices was driven by higher palm oil prices amid seasonal declines in producing countries and concerns about adverse weather conditions in Malaysia.

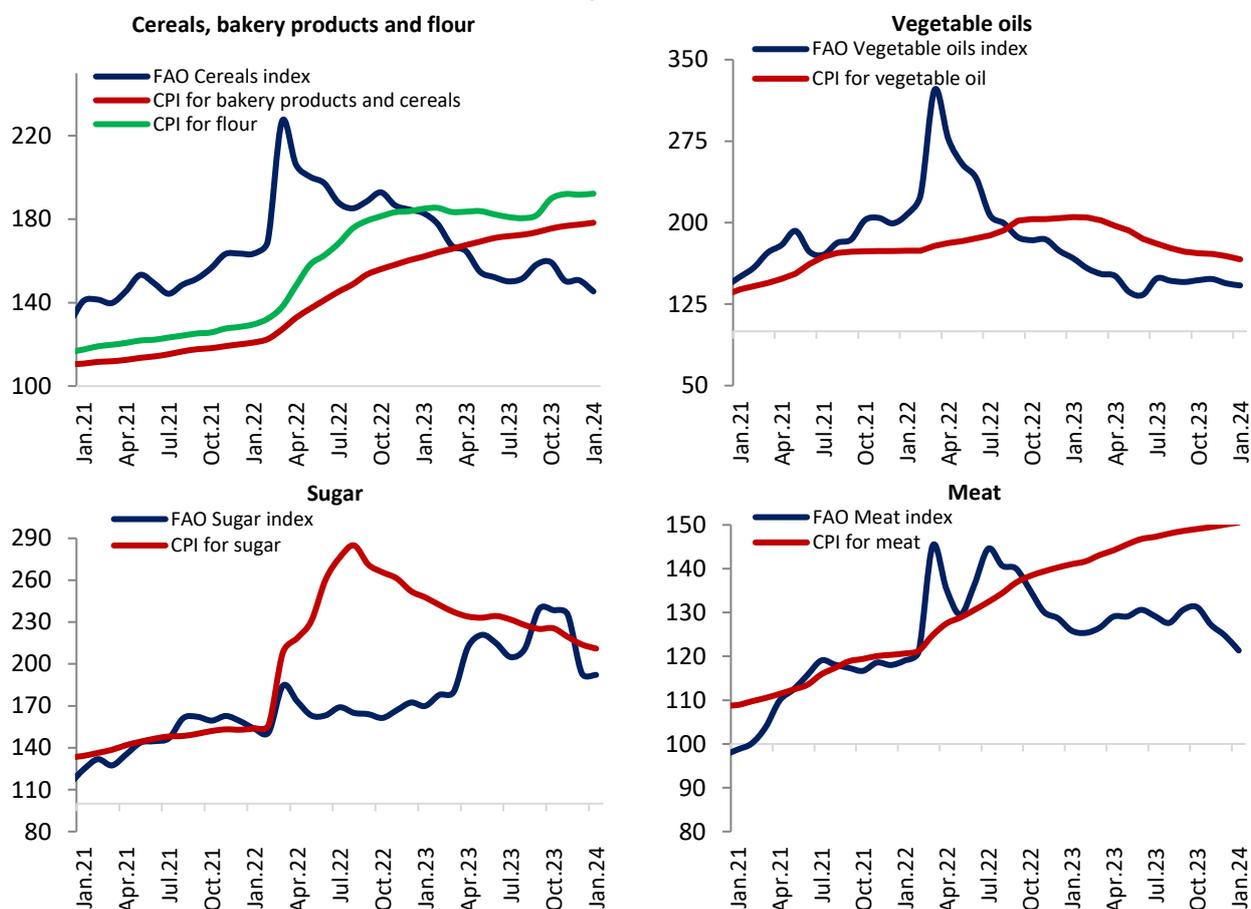
A similar situation was observed in the dynamics of domestic and foreign sugar prices. The price differential in January 2024 decreased as a result of an increase in global and lower

<sup>2</sup> The Agency for Protection and Development of Competition of the Republic of Kazakhstan. URL: <https://www.gov.kz/memleket/entities/zk/press/news/details/690054?lang=ru>

<sup>3</sup> Electronic standard control bank of regulatory legal acts of the Republic of Kazakhstan. URL: <http://zan.gov.kz/client/#!/doc/178165/rus>

domestic sugar prices. The 0.8% increase in world sugar prices in January this year (15.9% y/y) was mainly due to concerns about the upcoming weak sugar cane harvest in Brazil due to low rainfall.

Graph 5. Dynamics of world and domestic prices for selected food products<sup>4</sup>, in tenge, 2019 Dec. = 100



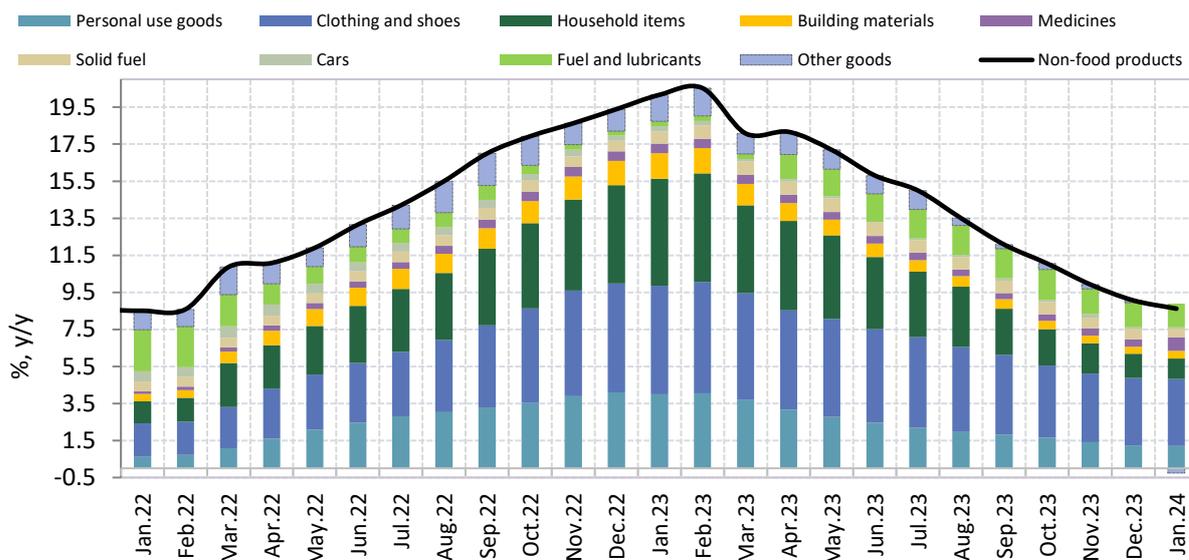
Source: Bureau of National Statistics of ASPRRK, UN FAO, NBRK calculations

In January 2024, the annual increase in prices for **non-food products** continued to slow down amounting to 8.6% (in December – 9.1%). The structure of the component shows a slowdown in the annual growth rates of prices for personal goods, clothing and footwear, solid fuels, fuels and lubricants. At the same time, in January of this year, the acceleration of annual price growth for pharmaceutical products continued (Graph 6).

The monthly increase in prices for non-food products since November last year continues to remain at the level of 0.5%. In January 2024, audiovisual equipment and photographic equipment, information processing equipment, as well as detergents and cleaning products rose in price. At the same time, after a decrease in December 2023 prices for cars went up by 1.6% in January 2024. At the same time, prices for household appliances decreased by 0.4% in January 2024.

<sup>4</sup> 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 6. Contribution of goods to annual non-food inflation

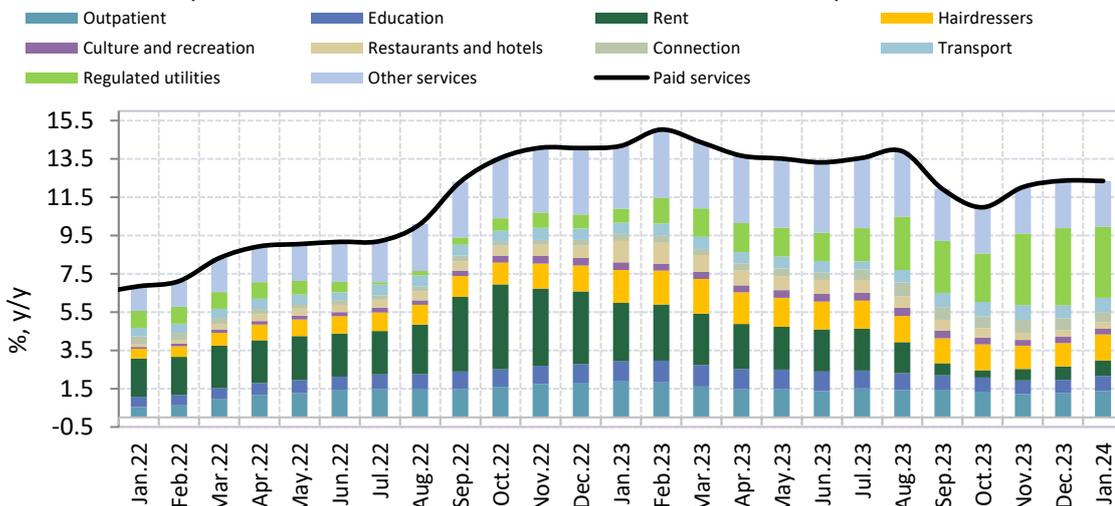


Source: BNS ASPR RK, calculations of the NB RK

The increase in prices for paid services for the population in January 2024 remained virtually unchanged amounting to 12.3% y/y (in December – 12.4% y/y). Monthly price growth was 0.7% (0.8% in December) (Graph 7).

The structure of paid services shows an acceleration in monthly price growth for education services by 1% and outpatient services by 1.6%. Transport services rose in price by 1.8% m/m amid the rise in the cost of rail and road passenger transport. Prices continued to rise for hairdressing and personal service establishments, services in the field of recreation, entertainment and culture, cleaning and repair of clothes.

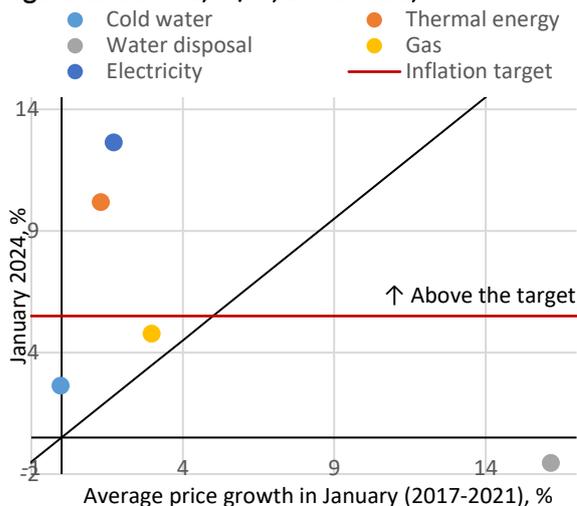
Graph 7. Contribution of services to the annual inflation of paid services



Source: BNS ASPR RK, calculations of the NB RK

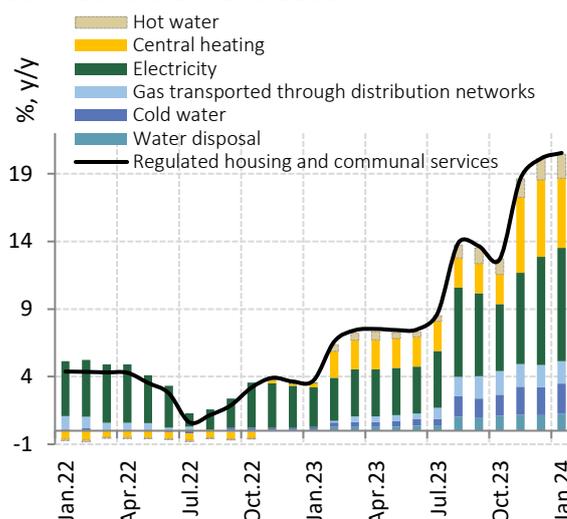
The increase in tariffs for regulated utility services amounted to 0.5% in January 2024, including heating by 1.2%, electricity – by 0.7%. The cost of sanitation decreased by 0.3%, cold water – by 0.1%. At the same time, the cost of hot water and gas supply has not changed (Graph 8, 9).

Graph 8. Seasonally adjusted growth of tariffs for regulated utilities, m/m, annualized, %



Source: BNS ASPR RK, calculations of the NB RK

Graph 9. Dynamics of price growth for regulated utilities and their contribution



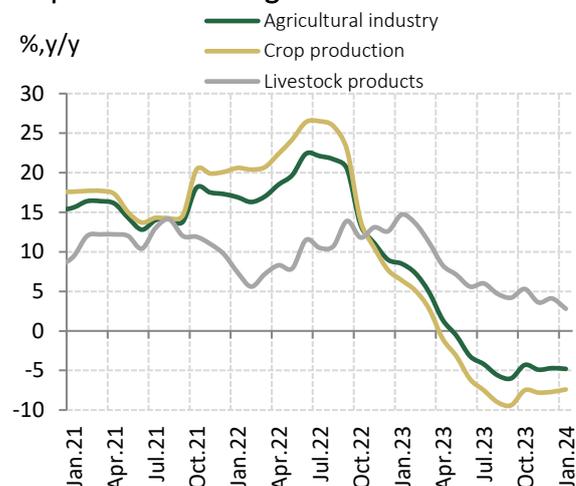
In January 2024, annual producer prices in agriculture continued to decline against the background of decrease of prices in crop production and slower price growth in livestock production.

Producer prices in the manufacturing industry decreased by 2.4% (y/y) in January 2024 (Graph 10).

Graph 10. Prices in industry



Graph 11. Prices in agriculture



Source: BNS ASPR RK

In January 2024, prices in food production decreased by 3.6% (y/y) (in December 2023, a decrease of 2.8%). There is a decrease in prices for producers of meat, flour and cereal products, oils and fats, canning of fruits and vegetables. The price growth of producers of dairy products and bakery and pasta products has slowed down. At the same time, prices of beverage producers have increased.

In the structure of non-foods, the annual growth rate of car manufacturers continued to slow down in January 2024. At the same time, furniture manufacturers' prices moved into the growth zone, and decline in prices for detergents and cleaning products has slowed down.

In January 2024, producer prices in agriculture decreased by 4.8% (y/y) (in December 2023 - a decrease of 4.7%) (Graph 11). In crop production, the annual growth rate of prices for

fresh vegetables, in particular tomatoes and onions, has slowed down. At the same time, there is a decrease in prices for oilseeds and soybeans. Among grain crops, there is a decrease in prices for corn and buckwheat. In animal husbandry, there is a slowdown in the annual growth rates of prices for live cattle and raw milk, as well as a decrease in prices for poultry. At the same time, a significant increase in prices for producers of eggs and natural honey continues (by 12.3% y/y and 13.2% y/y, respectively).