



NATIONAL BANK OF KAZAKHSTAN

INFLATION TRENDS

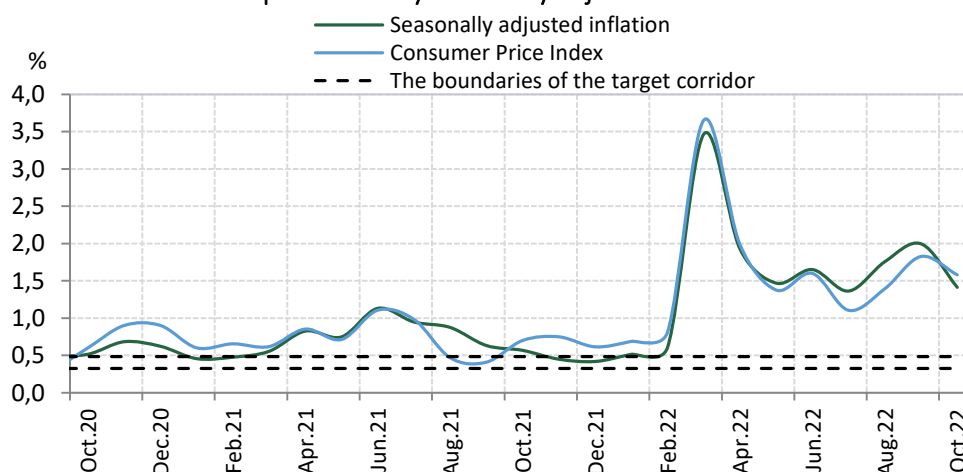
October **2022**

Monthly inflation in October 2022 slowed slightly to 1.6%, with an acceleration in price growth to 18.8% in annual terms. The seasonal reduction in the price of fruits and vegetables has come to an end, egg prices have increased significantly against the background of rising production costs in previous months. With the onset of cold weather, there was an increase in prices for winter clothing, shoes and solid fuel. The rise in the cost of renting housing continued, the cost of electricity increased due to the growth of tariffs for energy-producing companies.

Monthly inflation accounted for 1.6% in October 2022, annual price growth accelerated to 18.8% (in September 2022 – 17.7%).

Monthly seasonally adjusted inflation in October 2022 amounted to 1.4%. From May to September, there was an excess of seasonally adjusted inflation over inflation without seasonal adjustment due to cheaper fruits and vegetables, in October, the dynamics of prices of these products moved into a phase of appreciation (Graph 1).

Graph 1. Monthly seasonally adjusted inflation

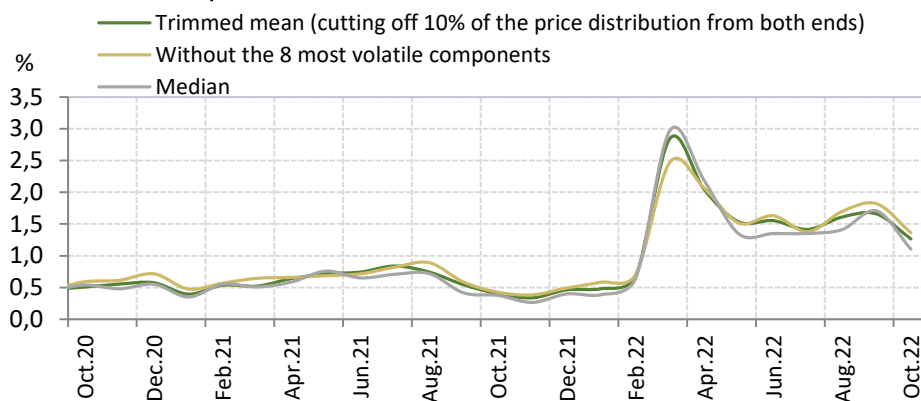


Source: BNS ASPR RK, calculations of the NB RK

The core seasonally adjusted inflation¹, calculated by various methods, has begun to slow down, but is still at high values, which still indicates the predominance of pro-inflationary processes in the stable part of inflation (Graph 2).

¹ Core inflation is a value that characterizes a steady change in prices. The trimmed mean 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 those 8 components whose standard deviation of seasonally adjusted price changes over the past 2 years is the maximum; the median is a 50% percentile distribution of seasonally adjusted price changes in a given month.

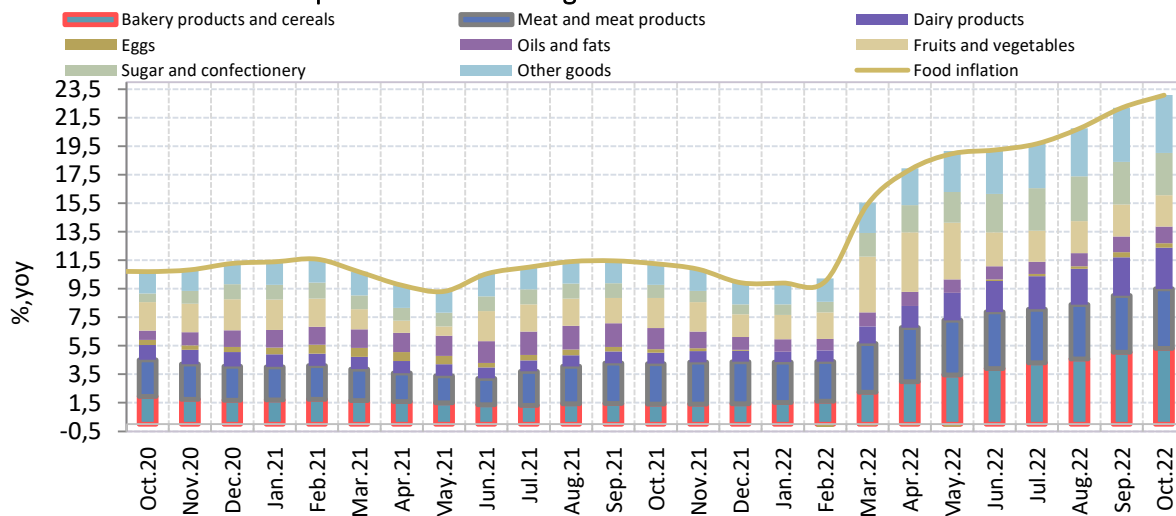
Graph 2. Core inflation: various calculation methods



Source: BNS ASPR RK, calculations of the NB RK

Food inflation accelerated by almost 1 p.p. in October 2022 to 23.1% YoY (in September 2022 – 22.2%). The increase in prices for bakery products and cereals, which has been observed since the beginning of the year, continued. The growth of prices for meat and dairy products has accelerated. There was an increase in the price of eggs. Tomatoes, cucumbers, bananas and oranges have significantly risen in price. At the same time, the growth of sugar prices slows down for the second month in a row against the background of a decline in world prices (Graph 3).

Graph 3. Contribution of goods to annual food inflation



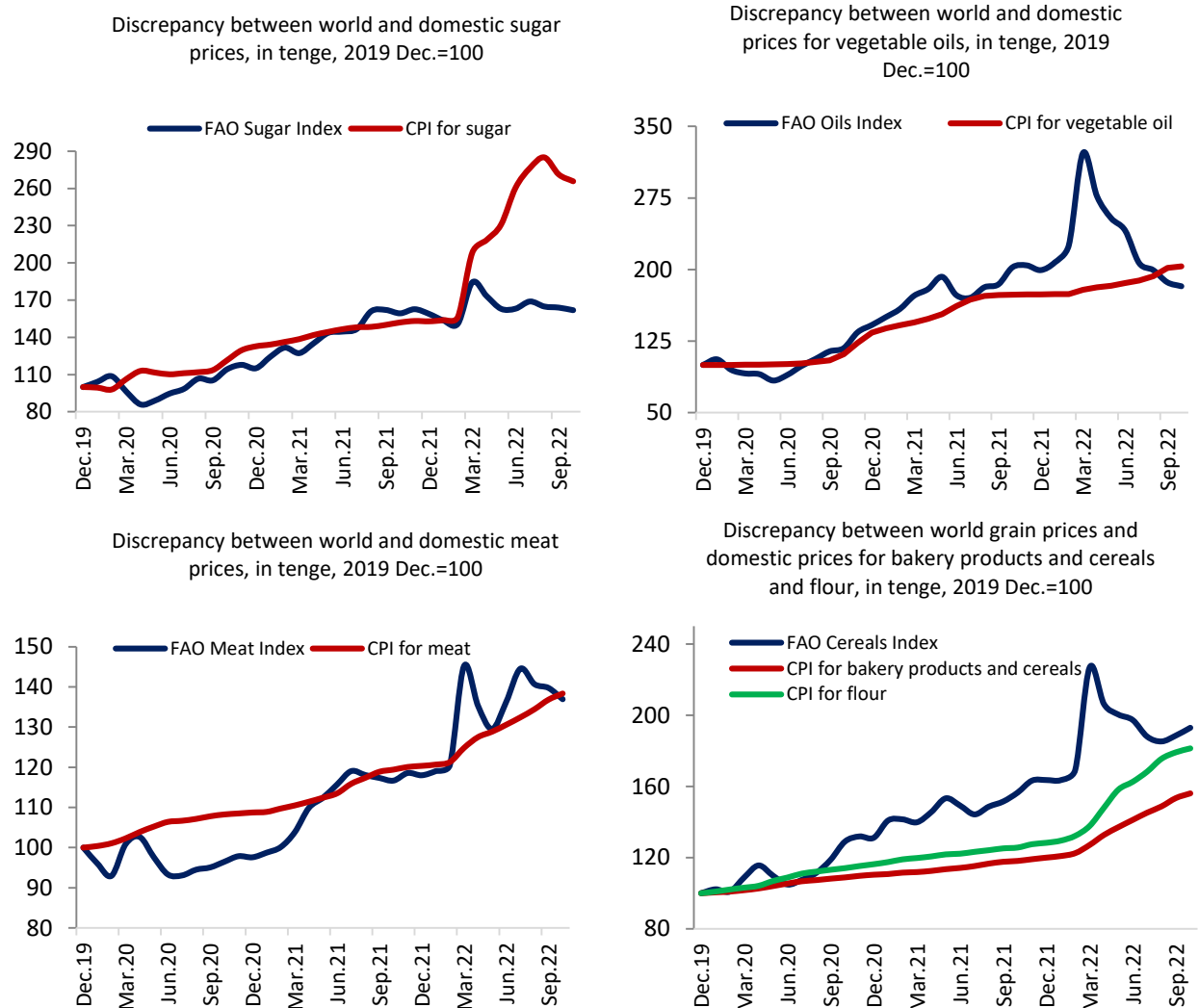
Source: BNS ASPR RK, calculations of the NB RK

When comparing the dynamics of world and domestic food prices calculated to December 2019 base and adjusted to the average monthly exchange rate of tenge against the US dollar, there is a significant excess of the trajectory of domestic sugar prices over world prices since March 2022 due to the persistence of supply and demand imbalances in the domestic market.

At the same time, global and domestic meat prices converged. Consumer price indices for bakery products and flour follow the direction of the world and continue to grow. The world price index for vegetable oils was higher than the domestic CPI from August 2020 to August 2022. Starting from September 2022 domestic inflation began to exceed the dynamics of world prices, while world prices have been declining in the last 7 months, domestic prices on the

contrary are rising due to supply chain disruption, weakening of the tenge exchange rate and rising production costs.

Graph 4. Dynamics of world and domestic prices for individual food products²

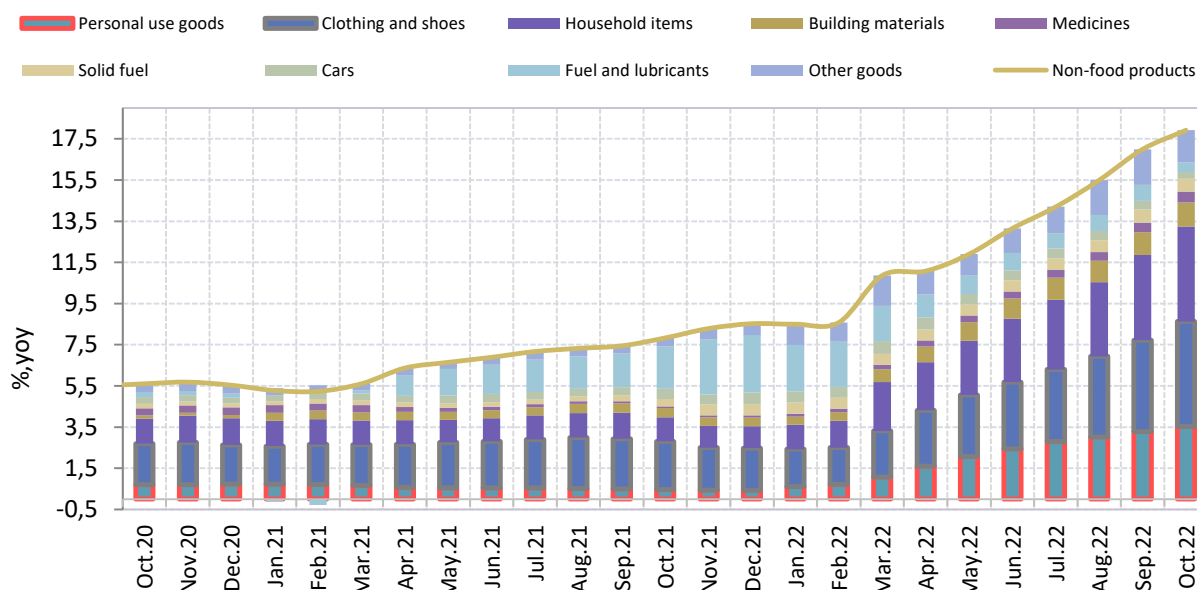


Source: BNS ASPR RK, UN FAO, calculations of the NB RK

The annual increase in prices for **non-food** products in October 2022 accelerated to 17.9% (in September 2022 – 17%). The onset of cold weather contributed to a significant increase in the cost of winter clothing and shoes. The seasonal rise in the price of solid fuel continues. Along with this, there is an acceleration in the growth of prices for goods with a high share of imports, including building materials (22.4%, YoY), household appliances (27.1%), medicines (13.6%) and personal goods (33.1%). At the same time, in the structure of non-food products, there is a slowdown in the growth of prices for fuel and cars as a result of leaving the calculation of the high base of last year (graph 5).

² 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.

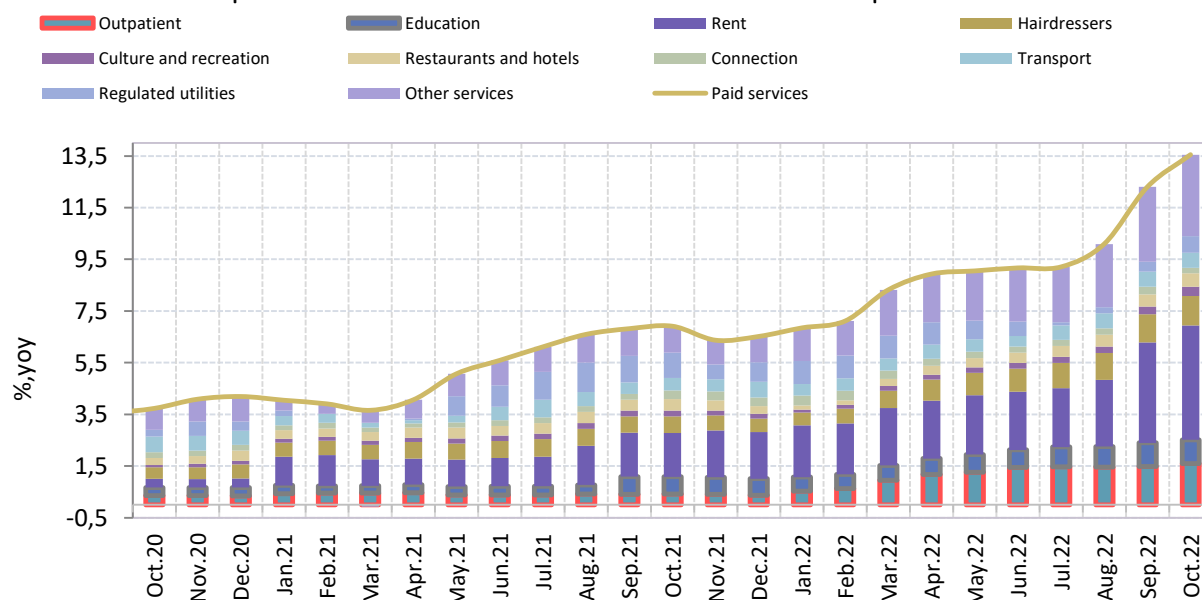
Graph 5. Contribution of goods to annual non-food inflation



Source: BNS ASPR RK, calculations of the NB RK

The inflation of **paid services** for the population in October 2022 accelerated to 13.5%, YoY (in September 2022 – 12.3%). Rents for comfortable housing continue to grow at a high rate, reaching 46.3% YoY in October 2022. Among educational services, the cost of services of children's development centers has increased (9.3%, YoY). Prices for services in the field of recreation and sports events increased (14.8%, YoY), catering (20.3%, YoY) and hotel services (13.0%, YoY). The growth of prices for outpatient services accelerated by 16.2%, YoY. In a number of regions, marginal electricity tariffs for consumers have been increased against the background of rising tariffs at power plants and energy transmission organizations (Graph 6).

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

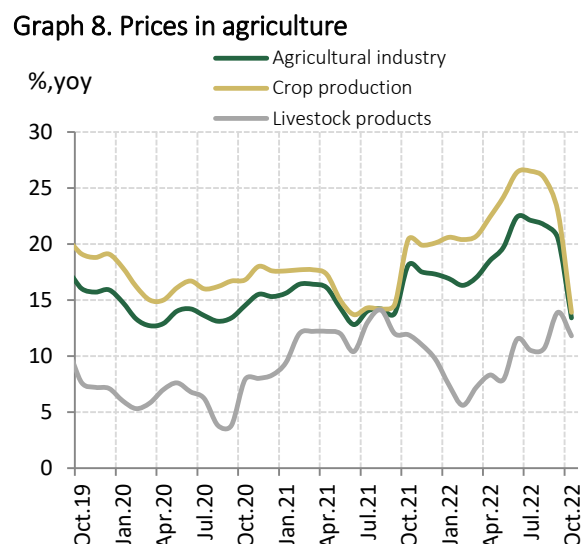
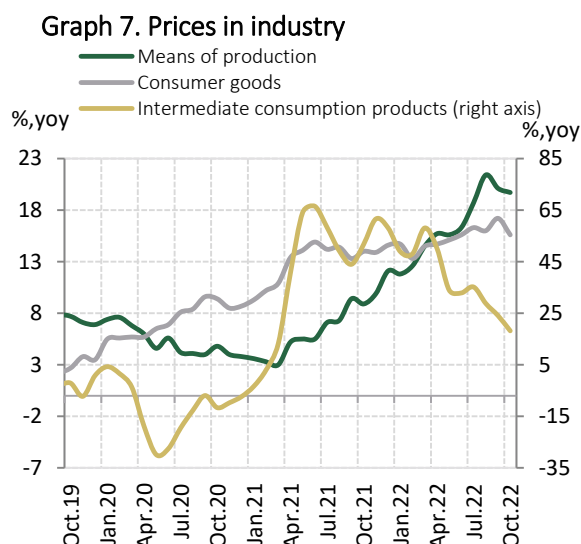


Source: BNS ASPR RK, calculations of the NB RK

In October 2022, there is an acceleration in the growth of producer prices in the manufacturing industry. High growth rates of prices for means of production contribute to the growth of costs. Despite the slowdown in the annual growth rates of agricultural producer prices in October this year, they remain at high levels.

The growth of producer prices in the manufacturing industry in October 2022 accelerated to 15.1% YoY (in September 2022 – 13.6%). The inflation of food producers slowed down to 22.9% (26.2%), where there was a lower increase in prices of producers of meat, bakery, flour, pasta, oils and fats. Meanwhile, the growth of prices for dairy products has accelerated (Graph 7).

In agriculture, producer price growth slowed to 13.4% in October 2022 (in September 2022 – 20.5%). In crop production, there was a slowdown in the annual growth of prices for sunflower seeds (from 27.6% in September to 18.4% in October), potatoes (from 15.5% to 8.7%), carrots (from 15.0% to 1.2%), forage crops (from 6.0% to 2.4%). In animal husbandry, the growth of prices for poultry (from 14.2% to 9.4%), chicken eggs (from 31.3% to 14.1%) has slowed down against the background of the high base of last year (graph 8).



Source: BNS ASPR RK