



NATIONAL BANK OF KAZAKHSTAN

INFLATION TRENDS

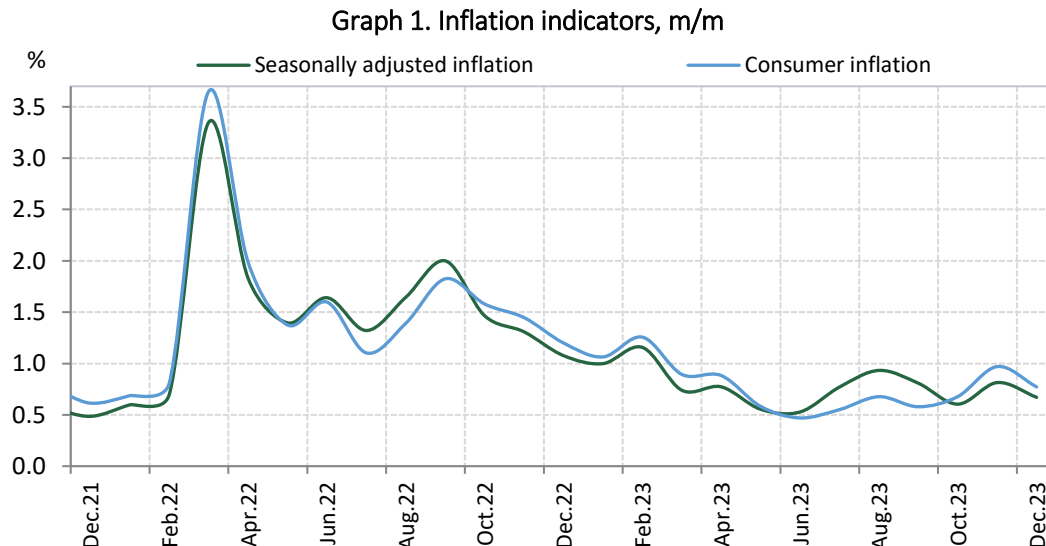
December **2023**

Annual inflation in December 2023 was 9.8%, in monthly terms – 0.8%. In the structure of food products, there is a monthly increase in the price of fruits and vegetables against the background of rising prices for producers of fresh vegetables in agriculture. The rise in prices for fish and seafood has accelerated. Prices for buckwheat and sunflower oil continued to decline due to the significant reserves of buckwheat and sunflower seeds. Along with this, there is a decrease in sugar prices against the background of lower prices for sugar producers. Among non-food products, there is a slowdown in the monthly growth rates of prices for clothing and shoes, audiovisual and photographic equipment, and information processing equipment. There is also a decrease in car prices. At the same time, prices for household appliances have increased.

In the structure of paid services for the population, the monthly increase in tariffs for regulated utilities continued, but at a slower pace. It is worth noting the increase in tariffs for hairdressing and beauty salons, catering services, services in the field of recreation, entertainment and culture, outpatient services, cleaning and repair of clothes. At the same time, prices for transport services decreased against the background of lower prices for air passenger transport.

Inflation in December 2023 amounted to 9.8% YoY, thereby slowing down more than twice compared to the beginning of the year (in February 2023 – 21.3%). The monthly price increase was 0.8%.

Seasonally adjusted inflation slowed to 0.7% against the background of lower prices for vegetables, oils and fats, the purchase of motor vehicles, as well as a slowdown in the growth of prices for clothing and shoes, rents, housing and communal services (Graph 1).

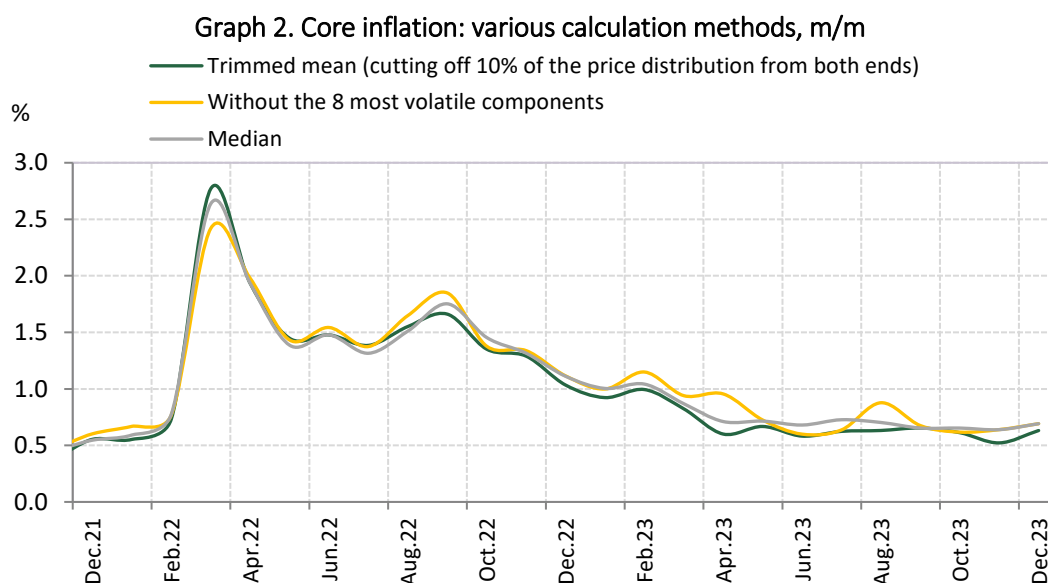


Source: BNS ASPR RK, calculations of the NB RK

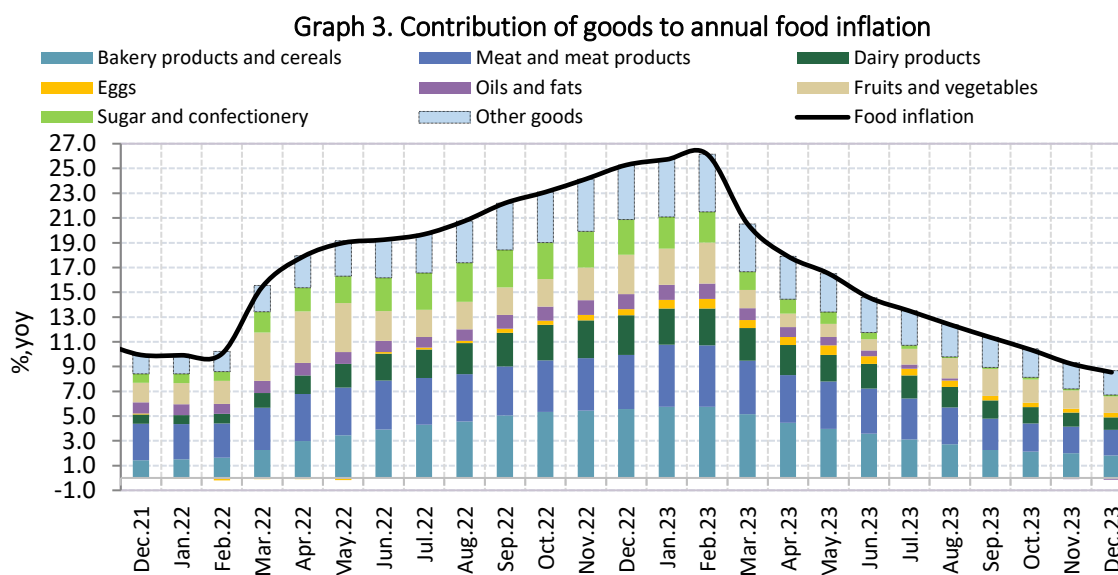
Despite the slowdown in monthly inflation, the median estimate of seasonally adjusted core inflation, calculated using various methods¹, accelerated to 0.7% (Graph 2). The

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.

annualized rate accelerated to 8.6%, which indicates that price growth remains in the stable part of inflation (Graph 2).



The increase in **food prices** slowed to 8.5% (in November – 9.2%). The main contribution to food inflation is made by meat and meat products, bakery products and cereals, fruits and vegetables. The total contribution of these product groups amounted to 5.2% (in November 5.6%) (Graph 3).



The monthly increase in food prices was 0.9% in December 2023 (0.7% in November).

The upward pressure on the food component of inflation in December of this year was exerted by an increase in vegetable prices by 6.4% (MoM) due to an increase in prices of producers of fresh vegetables (an increase of 0.6% MoM, 2.4% YoY). At the same time, there is an increase in prices for fish and seafood, dairy and meat products.

The monthly increase in egg prices was 4.1% (in November – 5.6%). The conclusion of a memorandum by the Ministry of Trade and Integration of the Republic of Kazakhstan with the Union of Poultry Farmers of Kazakhstan and the Association of Egg Producers of Kazakhstan on

stabilization of prices for eggs of the first category until the end of 2023 will have a positive impact on the market situation². Along with this, the price growth for bakery products and cereals slowed down to 0.4% (MoM). In the structure of the group, there is a decrease in prices for flour against the background of a decrease in prices of producers of flour and cereal products. At the same time, prices for some cereals, including buckwheat, decreased by 2% (since the beginning of the year, the decrease was 22.6%), due to the presence of significant reserves of buckwheat. Sunflower oil prices continued to decline by 1.4% (MoM) (since the beginning of the year, the decrease was 18%) due to the presence of significant stocks of sunflower seeds against the background of the export duty on sunflower seeds³. Sugar prices decreased by 2.5% (MoM) due to lower prices of sugar producers.

In December 2023, a significant differential between the growth rates of domestic and external prices remains for meat products and cereals, for vegetable oils and sugar, there is a slight expansion of the differential after a reduction last month of this year (graph 4).

After two months of decline, world grain prices increased by 1.5% (MoM) in December this year (a decrease of 16.6%, YoY) mainly as a result of increased demand and logistical difficulties in the Black Sea region. It is also worth noting the increase in prices for feed grains such as corn and barley due to delays in supplies from Ukraine. Rice, in turn, grew by 1.6% MoM due to weak harvests in producing countries and export restrictions from India. Despite the increase in world grain prices and the continued increase in domestic prices for bakery products and cereals, there is still a significant price differential in December 2023.

The discrepancy in the differential between external and domestic meat prices continued to expand, due to a decrease in world prices while maintaining an increase in domestic prices for meat products. In December 2023, world meat prices decreased by 1.0% (MoM) (decrease by 1.8%, YoY) 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. It is worth noting that due to the strengthening of the nominal exchange rate of tenge against the US dollar in December 2023, external prices for meat products showed a faster decline.

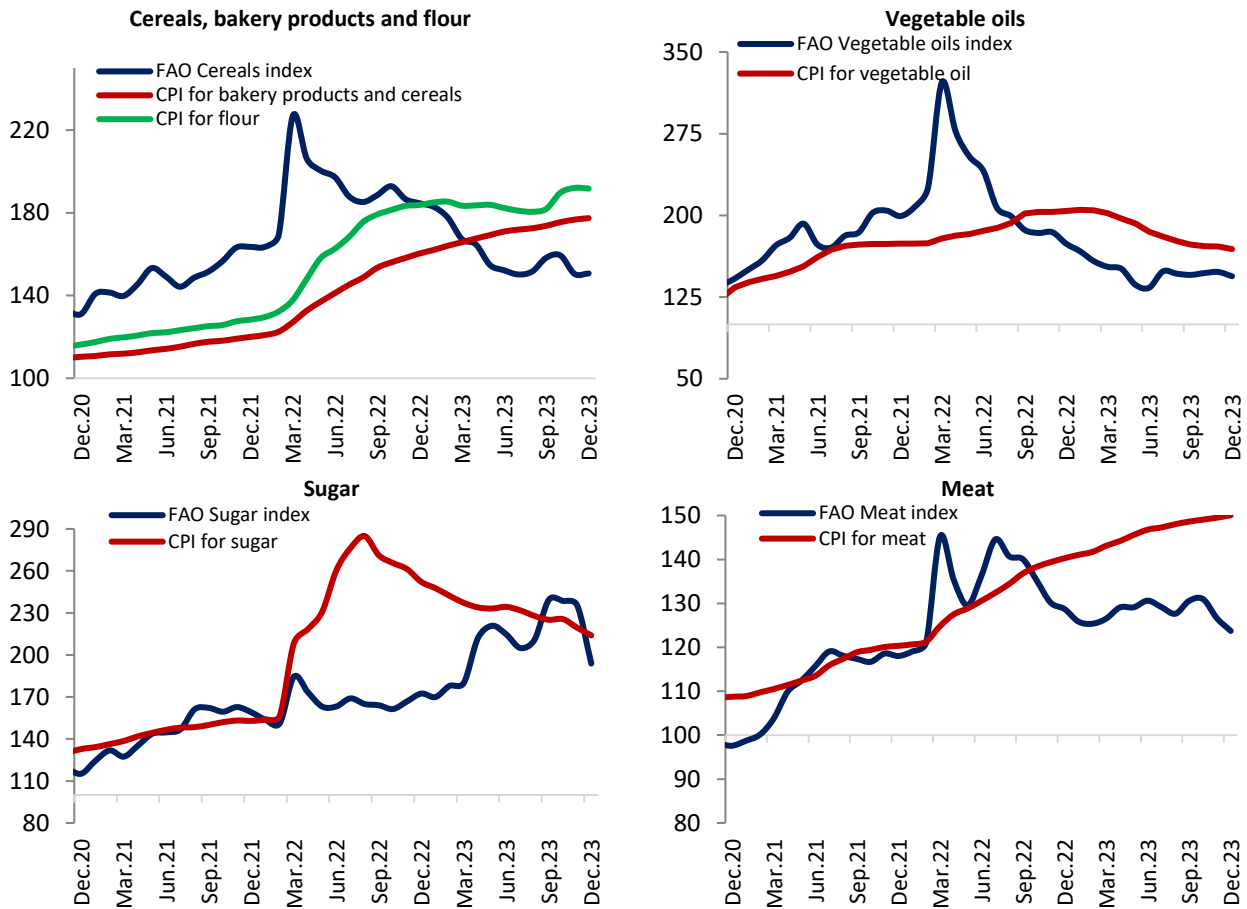
For vegetable oils, there is a slight expansion of the differential against the background of a decrease in world and domestic prices. Global prices have declined amid weak import demand in the world. Nevertheless, due to the strengthening of the nominal exchange rate of tenge against the US dollar in December 2023, the slowdown in world price growth had a stronger impact on the expansion of the differential.

The dynamics of world sugar prices are lower than the dynamics of domestic prices in December 2023 against the background of a stronger slowdown in the growth of sugar prices in the world. This is mainly due to the abundant supply from Brazil, as well as due to the decision of the Indian government to reduce the use of sugar cane for ethanol production in the current season. Thus, world sugar prices turned out to be 16.6% lower than the November value, but 14.9% higher compared to the corresponding period last year.

² Ministry of Trade and Integration of the Republic of Kazakhstan. URL: <https://www.gov.kz/memleket/entities/mti/press/news/details/663927?lang=ru>

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

Graph 4. Dynamics of world and domestic prices for individual food products⁴,
In tenge, 2019 Dec. = 100



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

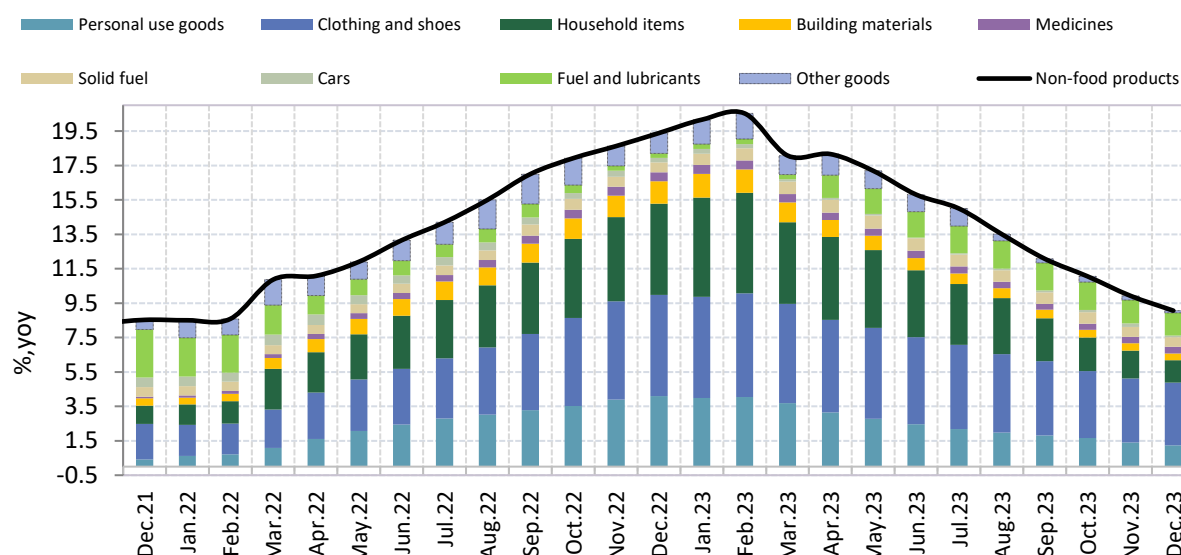
The annual increase in prices for **non-food products** continued to slow down, amounting to 9.1% (in November – 9.9%). In the structure of the component, there is a slowdown in the annual growth rates of prices for clothing and shoes, household items, personal goods, fuels and lubricants (Graph 5). The cumulative contribution to the annual non-food inflation of these commodity groups in December amounted to 7.5%. 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.

The monthly increase in prices for non-food products amounted to 0.5% (in November – 0.5%), including a slowdown in the growth of prices for clothing and shoes, audiovisual equipment and photographic equipment, information processing equipment, and lower prices for cars.

At the same time, after a decrease in prices for household appliances since September 2023, they rose by 2.2% in December. Solid fuel prices continued to rise.

⁴ 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.

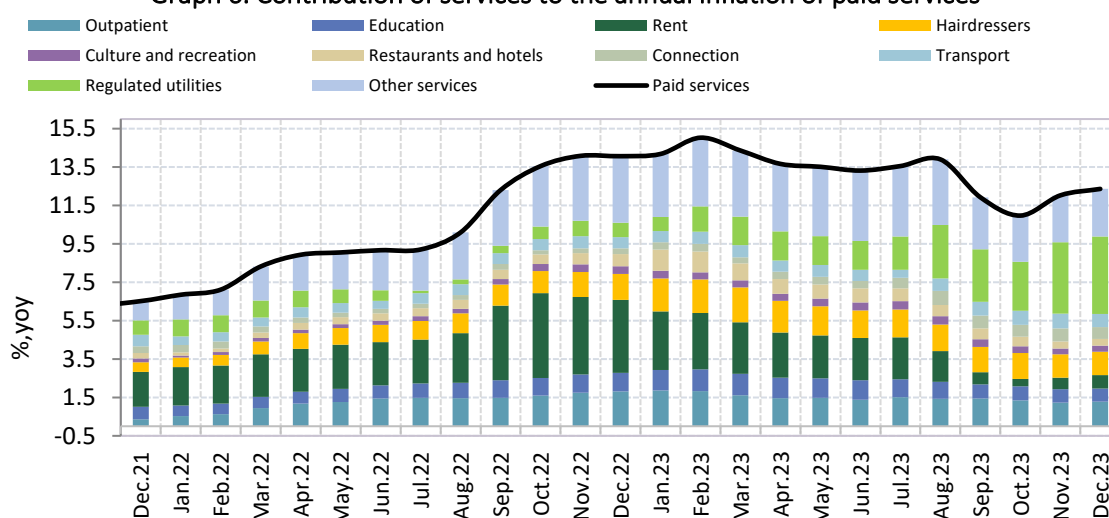
Graph 5. Contribution of goods to annual non-food inflation



Source: BNS ASPR RK, calculations of the NB RK

The annual increase in **prices for paid services** for the population accelerated to 12.4% in December 2023 (12% in November). Monthly price growth was 0.8% (in November – 1.7%) (Graph 6).

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

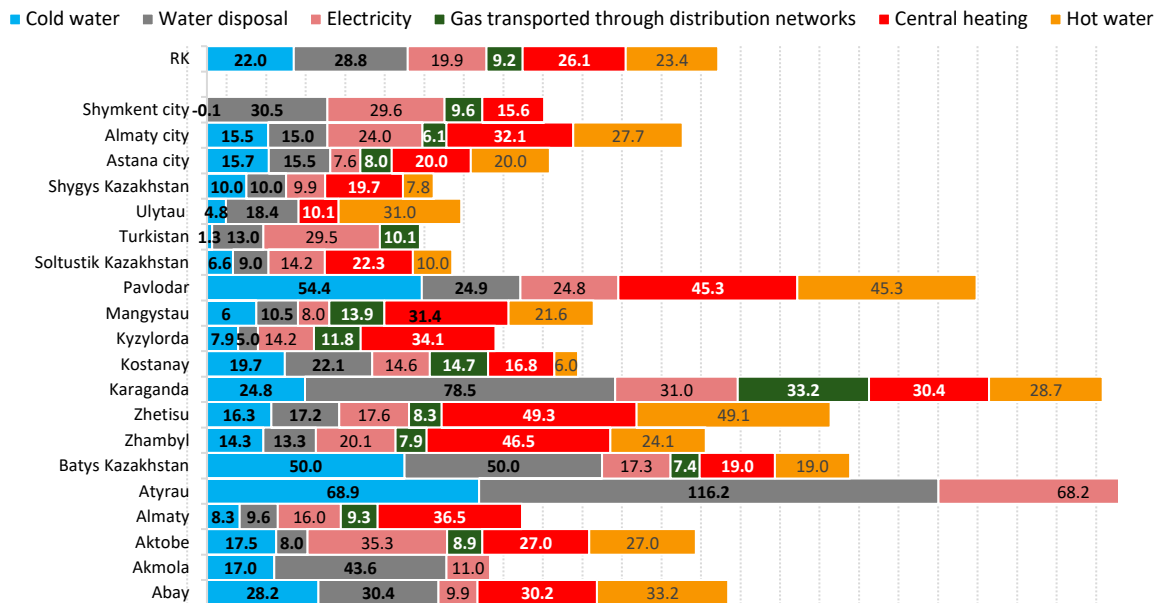


Source: BNS ASPR RK, calculations of the NB RK

The increase in tariffs for regulated utilities in December 2023 amounted to 1.2%, including electricity – by 2.8%, hot water – by 2.2%. The cost of heating, sanitation, and cold water has not changed (Graph 7). At the same time, the cost of gas supply decreased by 0.2%.

In the structure of paid services, there is an acceleration in the growth of prices for hairdressing and beauty salons by 1.6% (MoM), catering services by 1.2%, recreation, entertainment and cultural services by 1.6%, outpatient services by 1.1%, cleaning and repair of clothes by 2.5%. Prices for transport services decreased by 0.2% against the background of a decrease in prices for air passenger transport by 12.8% (MoM).

Graph 7. Growth of prices for regulated housing and communal services by region, January-September 2023, %

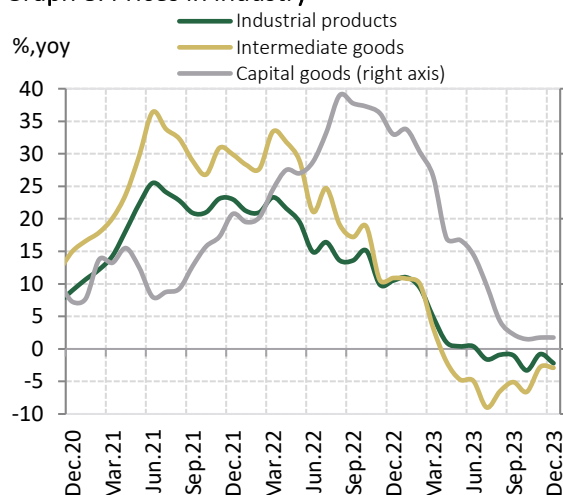


Source: BNS ASPR RK

The producer prices of manufacturing industry decreased as a result of lower prices for intermediate goods and a steady increase in prices for capital goods. In December 2023, the decline in producer prices in agriculture slowed down in annual terms against the background of a slowdown in price cuts in crop production and an increase in prices in livestock.

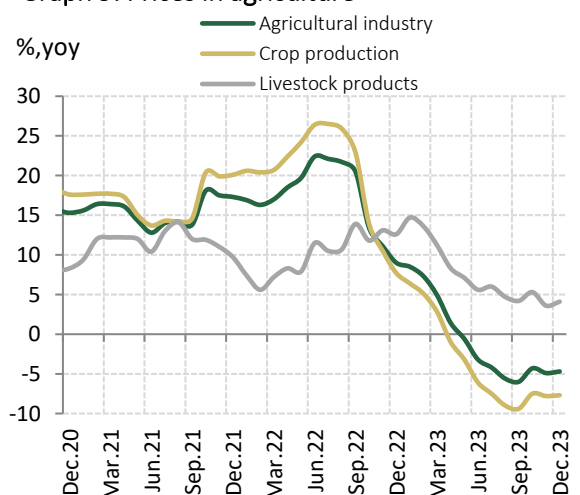
Producer prices in the manufacturing industry decreased by 2.2% (yoy) in December 2023, due to a decrease in prices for industrial services and a weak increase in prices for intermediate goods (Graph 8).

Graph 8. Prices in industry



Source: BNS ASPR RK

Graph 9. Prices in agriculture



In December 2023, prices of food producers decreased by 2.8% (yoy). There is a decrease in the prices of producers of flour-grain products, oils and fats, in the processing and canning of fruits and vegetables. The price growth of meat and dairy producers has slowed

down. At the same time, the prices of producers of bakery and pasta products, as well as other food products, have increased.

In the structure of non-food products, the price growth of manufacturers of furniture, cars, detergents and cleaning products continued to slow down. At the same time, the prices of clothing manufacturers remained unchanged in December 2023.

In December 2023, producer prices in agriculture continued to decline and amounted to 4.7% in annual terms (in November 2023 – a decrease of 4.9%) (Graph 9). In crop production, prices for grain crops, namely wheat and buckwheat, are decreasing. At the same time, there is a decrease in prices for oilseeds and dried legumes, as well as a slowdown in the growth of prices for fresh vegetables. There is a significant decrease in prices for feed grains among forage crops. 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, the prices of producers of eggs and natural honey have increased significantly.