



NATIONAL BANK OF KAZAKHSTAN

INFLATION TRENDS

March **2024**

In March 2024, annual inflation slowed to 9.1%.

Prices for buckwheat and sunflower oil continued to decline due to the presence of significant reserves of buckwheat and sunflower seeds. Prices for fresh vegetables have decreased. The price of eggs continued to rise.

Among non-food products, prices for household appliances, pharmaceutical products, and personal goods have increased. At the same time, there is a slowdown in the growth of prices for cars, detergents and cleaning products, solid fuels, and personal electrical appliances.

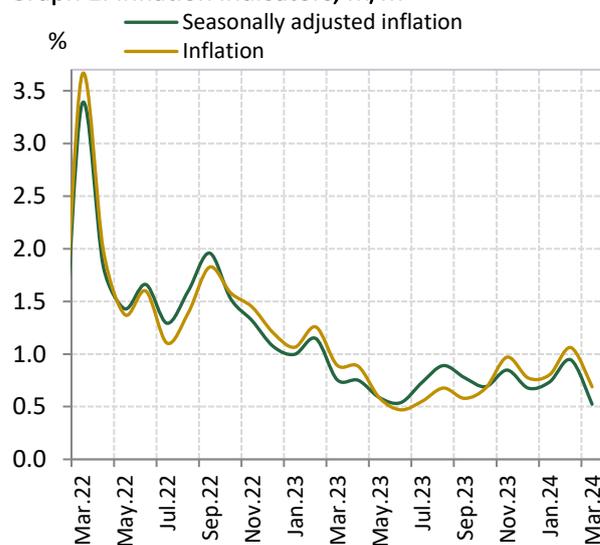
In the structure of paid services for the population, prices for regulated utilities, catering services and individual services continued to rise. At the same time, the growth in prices for outpatient services, transport services as well as for foreign travel packages has slowed down.

Annual inflation continued to slow down in March 2024, amounting to 9.1% (in February – 9.3%). Monthly price growth slowed to 0.7% (1.1% in February) (Graph 1).

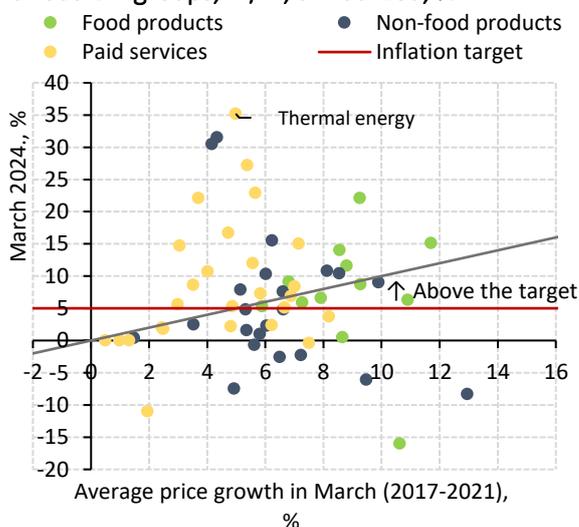
At the same time, seasonally adjusted inflation slowed to 0.52%. The indicator slowed down to 6.5% in annualized terms (in February 2024 – 11.9%). Taking into account the exclusion of seasonality, there is a decrease in prices for vegetables, oils and fats, electric appliances for personal use, the organization of a comprehensive holiday, insurance. Seasonally adjusted price increases have slowed for some types of public and outpatient services, communications and transport services.

Despite the slowdown in inflationary processes, seasonally adjusted annualized price growth of most goods and services by weight in the consumer basket exceeds the target (Graph 2).

Graph 1. Inflation indicators, m/m



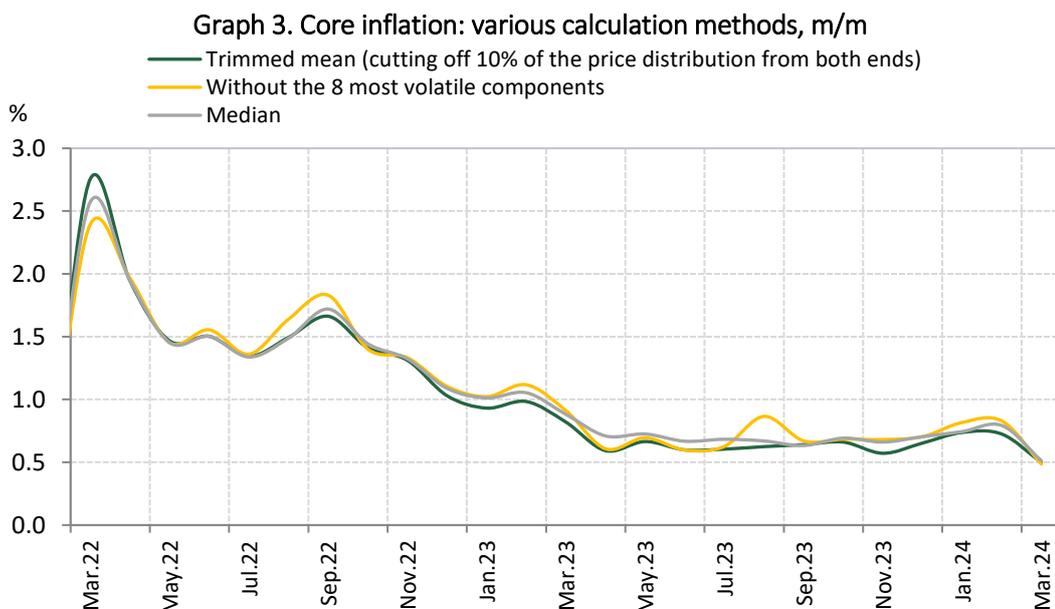
Graph 2. Seasonally adjusted price growth for various CPI groups, m/m, annualized, %



Source: BNS ASPR RK, calculations of the NB RK

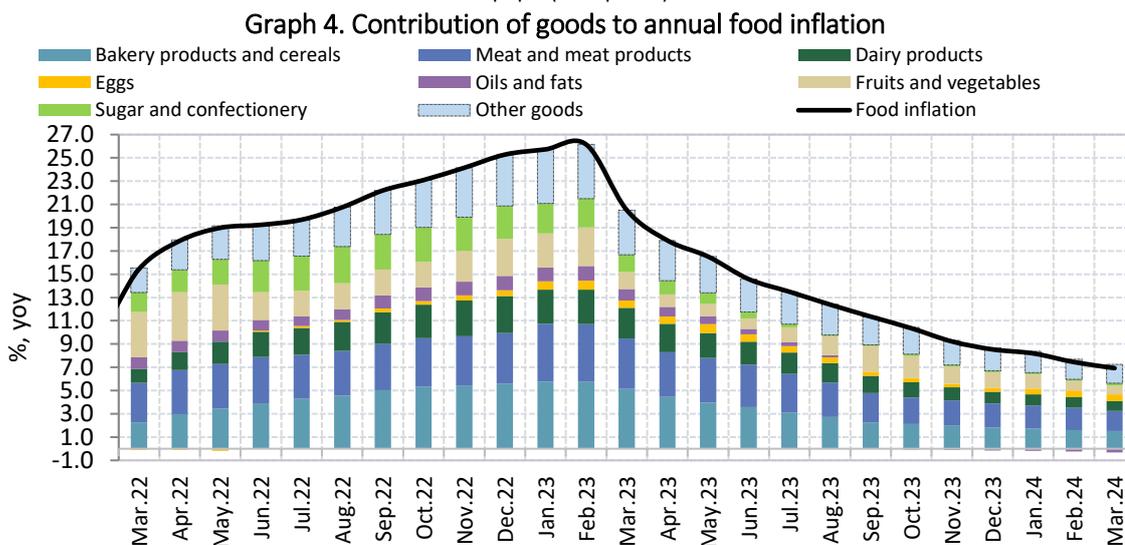
The median estimate of seasonally adjusted core inflation, calculated by various methods¹, slowed down to 0.51% m/m (in annualized terms – 6.3%), which may indicate a slowdown in price growth in the stable part of inflation (Graph 3).

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; 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.



Source: BNS ASPR RK, calculations of the NB RK

The annual growth in **food** prices slowed to 6.9% (in February – 7.4% YoY) as a result of a slowdown in annual price growth for bakery products and cereals, meat and meat products, dairy products, fruits and vegetables. The cumulative contribution of these commodity groups to annual food inflation amounted to 4.8 p.p. (Graph 4).



Source: BNS ASPR RK, calculations of the NB RK

The monthly increase in food prices in March 2024 slowed to 0.6% (in February – 0.8%). The downward pressure on the food component of inflation was exerted by a slowdown in the growth of prices for bakery products and cereals. The increase in flour prices slowed to 0.1% (m/m) against the background of lower prices for producers of flour and cereal products. Along with this, the growth of prices for bread and pasta has slowed down. Among cereals, prices for buckwheat continued to decrease by 3% (a decrease of 25.1%, y/y) due to the presence of significant reserves of buckwheat as well as a decrease in prices of buckwheat producers. The price growth for dairy products slowed slightly to 0.9% against the background of a slowdown in the price growth of dairy producers.

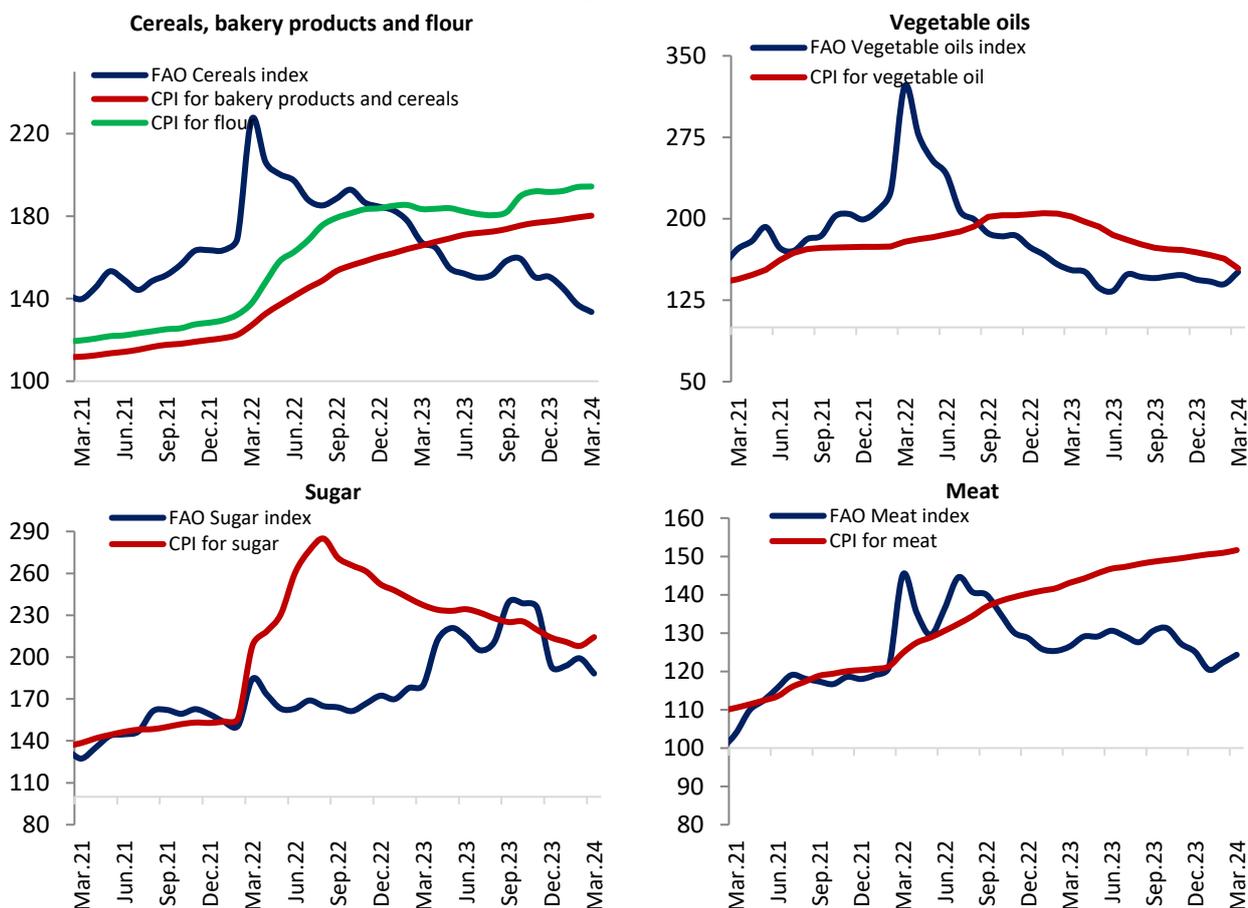
At the same time, prices for sunflower oil continued to decrease by 5.7% m/m (decrease by 24.6% y/y) as a result of the presence of significant stocks of sunflower seeds against the

background of the continuation of the export duty on sunflower seeds². At the same time, in March, prices for fresh vegetables decreased by 0.6%, in particular cucumbers fell in price by 7.1% (a decrease of 1.4% y/y) due to lower producer prices. There is also a decrease in onion prices by 5% m/m (decrease by 45% y/y) as a result of increased supply and difficulties with sale and storage.

Along with this, an upward pressure on the growth of food prices was exerted by a 3% increase in sugar prices against the background of an increase in producer prices in February-March this year. There is also an acceleration in the growth of meat prices to 0.5% m/m against the background of rising producer prices for meat and poultry products in February-March this year. Egg prices continued to rise (1.5% m/m, 19% y/y).

In March 2024, the excess of domestic prices over foreign prices remained for all major types of food. At the same time, the expansion of the differential is noted for cereals and sugar as a result of the multidirectional dynamics of internal and external prices. For vegetable oils, the differential decreased against the background of a simultaneous increase in external and decrease in domestic prices. The reduction in the meat differential is due to a rapid increase in world prices with a more moderate increase in domestic prices (Graph 5).

Graph 5. 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 calculation

The downward trend of world grain prices continued for the third month in a row, falling by 2.6% m/m in March 2024 (a decrease of 20.0% y/y). Wheat prices continued to decline due

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

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.

to continued export competition between the EU, Russia and the United States, as well as lower demand from China in terms of availability of stocks. The increase in corn prices was limited by an increase in supply from Argentina. Rice, in turn, also fell in price by 1.7% m/m due to weak import demand on world markets.

The reduction in the differential between external and domestic meat prices was due to an increase in world prices with a slower increase in domestic prices for meat products. In March 2024, world meat prices increased by 1.7% (m/m) (decrease by 1.5%, y/y) against the background of rising prices for the main types of meat (poultry, beef and pork) due to increased demand from leading importing countries.

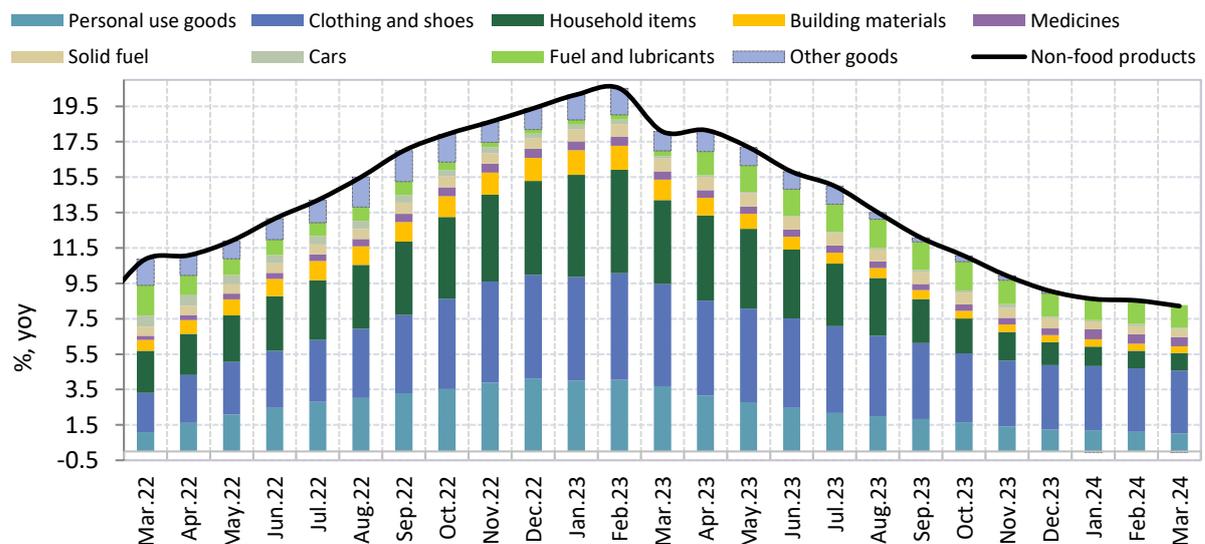
For vegetable oils, there is a reduction in the differential against the background of an increase in world prices and a decrease in domestic prices for vegetable oils in March 2024. The increase in world prices (by 8.0 m/m, a decrease of 0.9% y/y) was due to an increase in prices for all major types of vegetable oil (soybean, rapeseed, palm and sunflower) due to increased demand from leading importing countries. Another factor in the increase in soybean oil prices was the increase in demand for biofuels, in particular, from the United States and Brazil.

After the reduction of the differential in January-February 2024, the differential of external and internal sugar prices expanded in March 2024 amid an increase in internal and a decrease in external prices. The decrease in world sugar prices by 5.4% m/m in March this year (an increase of 4.8% y/y) was due to the revision of the forecast for the sugar harvest upward in India and Thailand. The moderate supply of sugar cane from Brazil also contributed to the decline in world prices.

The annual increase in prices for **non-food** products continued to slow down to 8.2% in March 2024 (8.5% in February). The structure of the component shows a slowdown in the annual growth rates of prices for personal goods, pharmaceutical products, automobiles, solid fuels, household items (Graph 6).

Monthly price growth for non-food products slowed to 0.5% (in February – 0.7%). In March 2024, downward pressure on the non-food component of inflation was exerted by a slowdown in the growth of prices for household appliances, pharmaceutical products, and personal goods. At the same time, there is a decrease in car prices by 0.5%, detergents and cleaning products by 0.2%, solid fuels by 0.2%, and personal electrical appliances by 3.9%.

Graph 6. Contribution of goods to annual non-food inflation

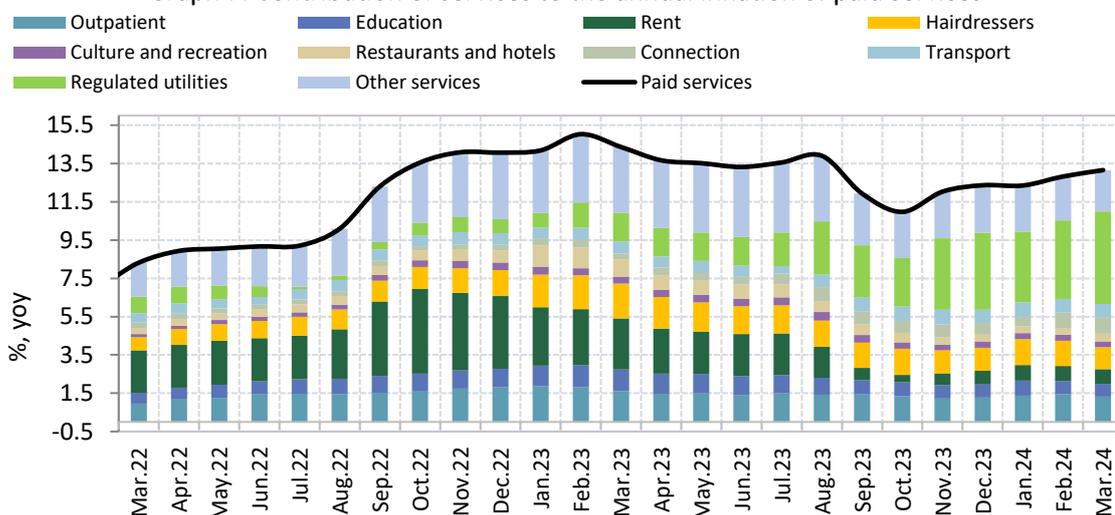


Source: BNS ASPR RK, calculations of the NB RK

The annual increase in prices for **paid services** for the population accelerated in March 2024, amounting to 13.2% y/y (in February – 12.8% y/y). Monthly price growth slowed to 1.1% (in February – 1.7%) (Graph 7).

Among paid services, the monthly price growth for outpatient services and transport services slowed down in March this year. The cost of cellular services has not changed after the increase in February. Along with this, there is an increase in the cost of catering services, hotel services, hairdressing and personal services, services in the field of recreation, entertainment and culture against the background of a steady household demand. At the same time, in March 2024, prices for the organization of comprehensive recreation and insurance decreased in monthly terms.

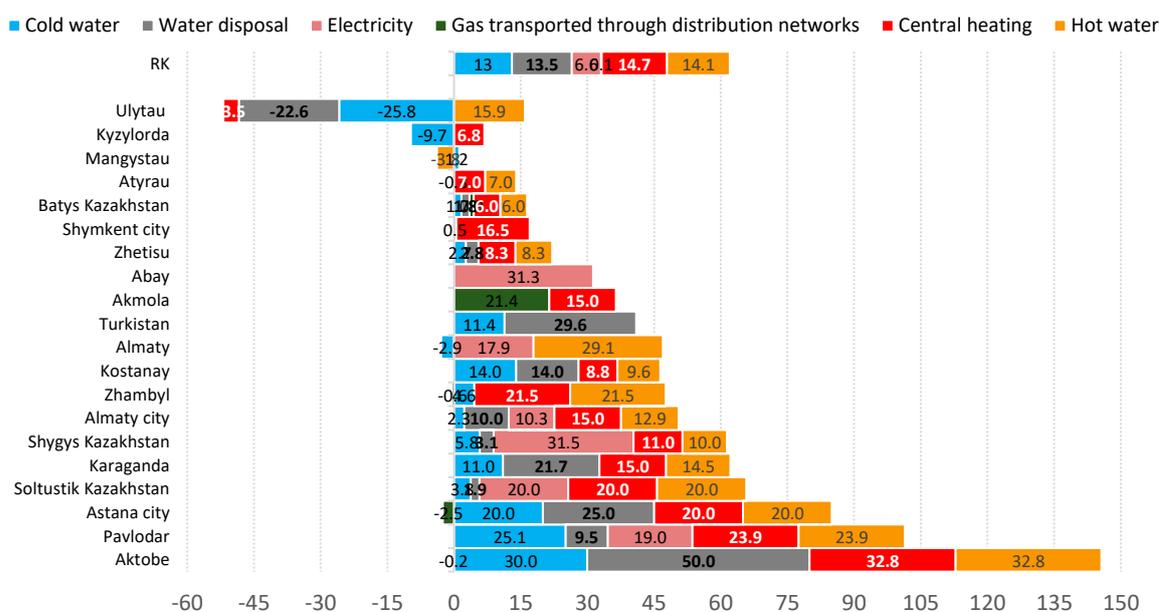
Graph 7. Contribution of services to the annual inflation of paid services



Source: BNS ASPR RK, calculations of the NB RK

The monthly increase in tariffs for regulated utilities in March 2024 amounted to 3.8%, including cold water – by 4.4%, water disposal – by 6.1%, electricity – by 5.9%, heating – by 2.4%, hot water – by 2.3%. The cost of gas supply has not changed (Graph 8).

Graph 8. Growth of prices for regulated housing and communal services by region, January-March 2024, %



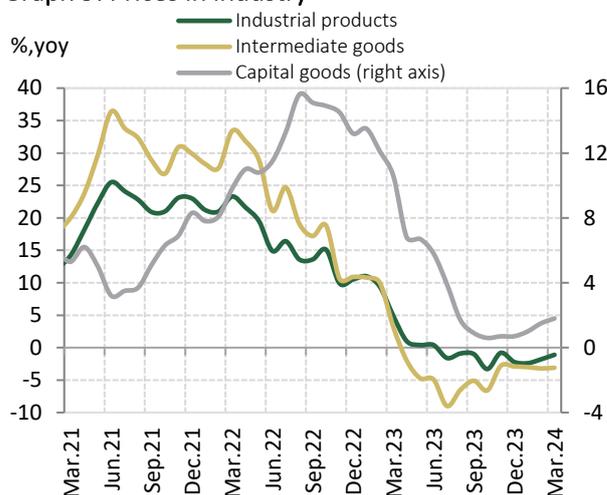
Source: BNS ASPR RK

The decline in producer prices in the manufacturing industry slowed as a result of rising prices for capital goods.

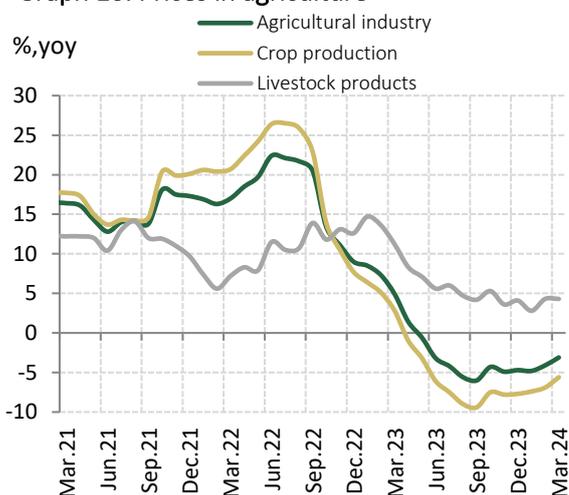
In March 2024, the decline in producer prices in agriculture in annual terms slowed down against the backdrop of a slower price decline in crop production and an increase in prices in livestock farming.

Producer prices in the manufacturing industry decreased by 1.1% y/y in March 2024 as a result of decrease in prices for intermediate goods (Graph 9). At the same time, prices for industrial services have increased.

Graph 9. Prices in industry



Graph 10. Prices in agriculture



Source: BNS ASPR RK

The decline in food producer prices in March 2024 slowed to 2.7% y/y (in February 2024 – a decrease of 3.5% y/y). There has been a decrease in producer prices for flour and cereal products, oils and fats, while at the same time, producer prices for meat and dairy products have increased. The rise in prices for bakery and pasta products has slowed down. At the same time, the rise in prices for beverage producers continued.

In the structure of non-food products, producer prices for cars, mineral products, detergents and cleaning products increased. The rise in prices for furniture production has slowed down.

In March 2024, the decline in producer prices in agriculture amounted to 3.1% y/y (in February 2024 – a decrease of 4.1% y/y) (Graph 10). The rate of decline in prices in crop production slowed down against the backdrop of rising prices for perennial crops (an increase of 11.1% y/y). Prices for wheat, corn, oilseeds and dried legumes, feed crops continued to decline.

There is an increase in prices in animal husbandry due to the continued rise in prices for livestock and poultry. The growth in prices for producers of eggs and natural honey slowed down slightly, remaining at a relatively high level (12.0% y/y and 14.8% y/y, respectively), while the increase in prices for raw milk amounted to 2.7% in in annual terms.