



NATIONAL BANK OF KAZAKHSTAN

INFLATION TRENDS

February**2024**

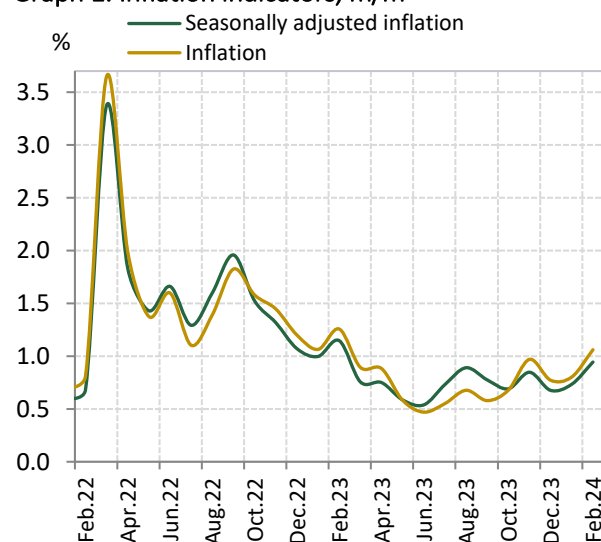
Annual inflation slowed to 9.3% in February 2024. Monthly price growth accelerated to 1.1%. In the structure of food products, prices for buckwheat groats and sunflower oil continued to decrease due to the presence of significant reserves of buckwheat and sunflower seeds. At the same time, there is a decrease in sugar prices against the background of lower producer prices. The growth of meat prices has slowed down due to lower prices for forage crops. Along with this, the monthly rise in the price of fruits and vegetables, eggs and dairy products continued against the background of rising producer prices. Among non-food products, there is an increase in prices for audiovisual equipment and photographic equipment. There is also an increase in the price of pharmaceutical products due to the increase in prices of pharmaceutical manufacturers. Solid fuel prices continued to rise. In the structure of paid services for the population, the monthly increase in prices for hairdressing and personal care services, cellular communication services, catering services, outpatient services accelerated. In February, there was a sharp increase in prices for regulated utilities.

Annual inflation in February 2024 continued to slow down for the twelfth month in a row, amounting to 9.3%. At the same time, the monthly price growth accelerated to 1.1% (Graph 1).

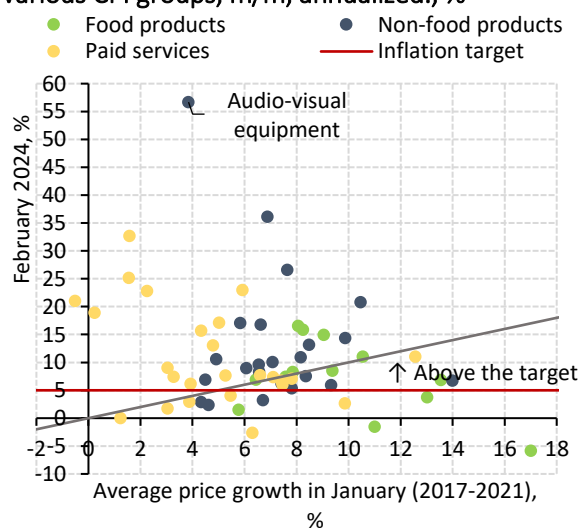
Seasonally adjusted inflation accelerated to 0.9%. In annualized terms, the indicator accelerated to 11.9% (in January 2024 – 9.2%) against the background of accelerated price growth for some utilities, audiovisual equipment and photographic equipment, household appliances, tools and appliances used in household.

At the same time, seasonally adjusted annualized price growth for big share of goods and services exceeds the target and the average historical growth in February 2017-2021 (Graph 2).

Graph 1. Inflation indicators, m/m

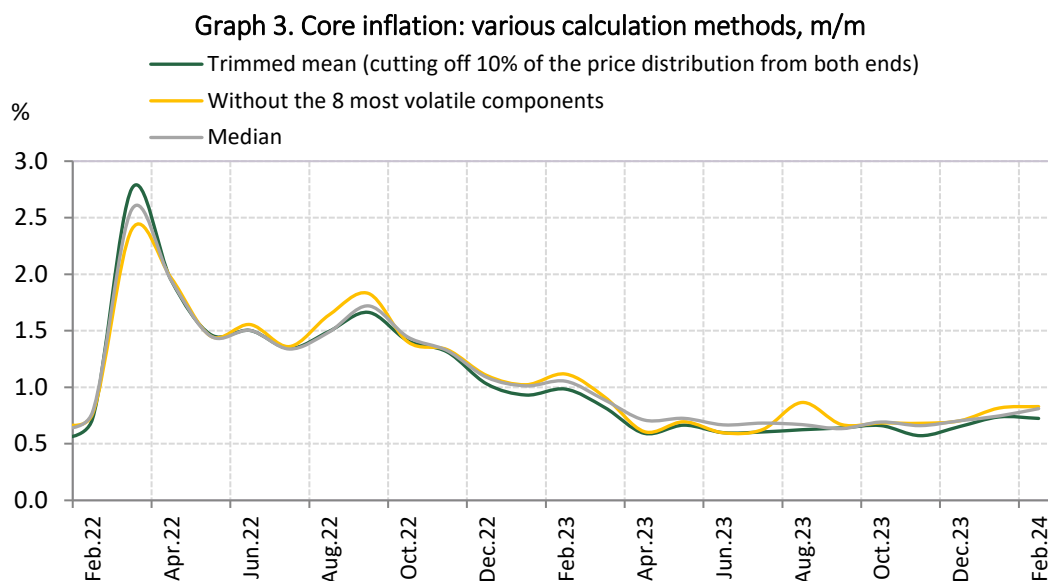


Graph 2. Seasonally adjusted price growth for various CPI groups, m/m, annualized., %



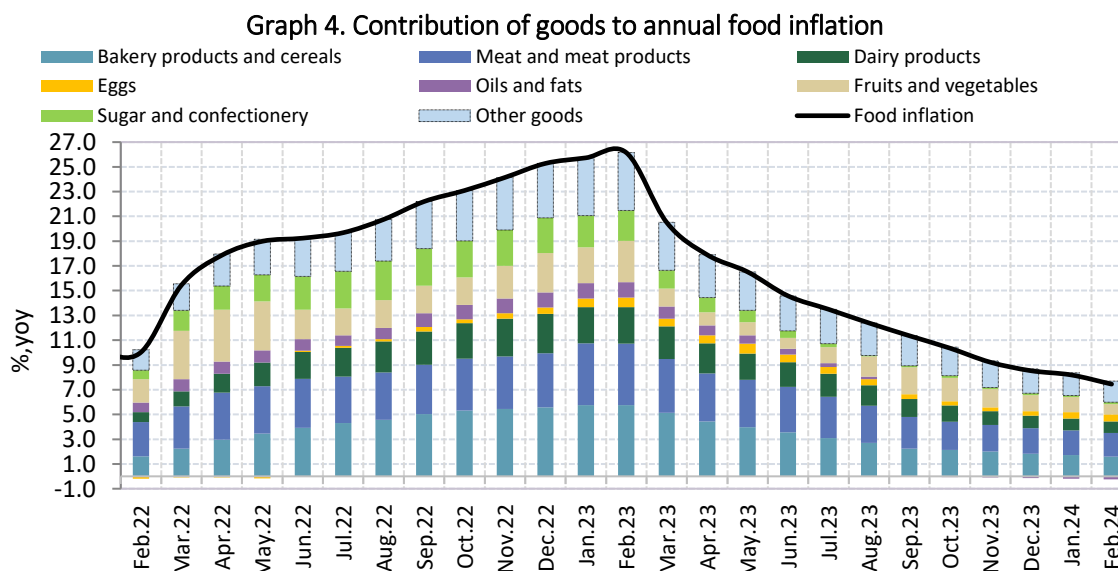
Source: BNS ASPR RK, calculations of the NB RK

The median estimate of seasonally adjusted core inflation, calculated by various methods¹, continued to accelerate for the third month in a row and amounted to 0.81% mom (in annualized terms – 10.2%), which may indicate an acceleration in price growth in the stable part of inflation (Graph 3).



Source: BNS ASPR RK, calculations of the NB RK

The annual growth in **food prices** slowed to 7.4% (in January – 8.2% YoY). The annual price growth for bakery products and cereals, meat and meat products, dairy products, fruits and vegetables continued to slow down. The cumulative contribution of these commodity groups to annual food inflation amounted to 5.3 p.p. (Graph 4).



Source: BNS ASPR RK, calculations of the NB RK

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.

The monthly increase in food prices in February 2024 slowed to 0.8% (in January – 1.1%). Prices for bakery products and cereals increased by 0.6% (mom) as a result of a 1% (mom) increase in the price of flour against the background of rising prices of wheat producers in agriculture due to a poor wheat harvest last year. Meat price growth slows for the second month in a row (an increase of 0.2%) against the background of lower prices for forage crops.

In February 2024, prices for some cereals continued to decline, including buckwheat by 2.4% (a decrease of 24.3%, YoY) due to the presence of significant reserves of buckwheat, as well as lower prices for buckwheat producers. Sunflower oil prices decreased by 2% mom (decrease by 21.2% YoY) as a result of the presence of significant stocks of sunflower seeds against the background of the export duty on sunflower seeds². Sugar prices continued to decline by 1.4% (mom) due to lower prices of sugar producers.

Along with this, the seasonal increase in prices for fruits and vegetables by 3.1% mom on the background of rising prices of producers of fresh vegetables exerted upward pressure on the growth of food prices. In February 2024, the price of eggs continued to rise (an increase of 1.1% mom) due to rising prices of egg producers. There is also an acceleration in the growth of prices for dairy products to 1% mom against the background of rising prices of dairy producers.

In February 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 only for grain crops. For vegetable oils and sugar, the differential decreased due to a decrease in domestic prices, and for meat – due to an increase in external prices. It is worth noting that the strengthening of the nominal exchange rate of tenge against the US dollar in February 2024 contributed to a slower increase in external prices expressed in tenge (Graph 5).

After a decrease in January 2024, world grain prices continued the trend in February this year, decreasing by 5.0% (mom) (decrease by 22.4%, YoY) due to the continuation of 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 9.9% mom (decrease of 37.1% YoY). Rice, in turn, also fell in price by 1.6% mom due to the start of the harvesting campaign in some producing countries, as well as due to weak import demand. The expansion of the differential between domestic and foreign prices for cereals in February 2024 was associated with a decrease in world grain prices with an increase in domestic prices for bakery products and cereals.

The reduction in the differential between external and domestic meat prices was due to an increase in world prices while maintaining an increase in domestic prices for meat products. In February 2024, world meat prices increased by 1.8% (mom) (decrease by 0.8%, YoY) mainly due to higher prices for poultry and beef against the background of increased demand from leading importing countries.

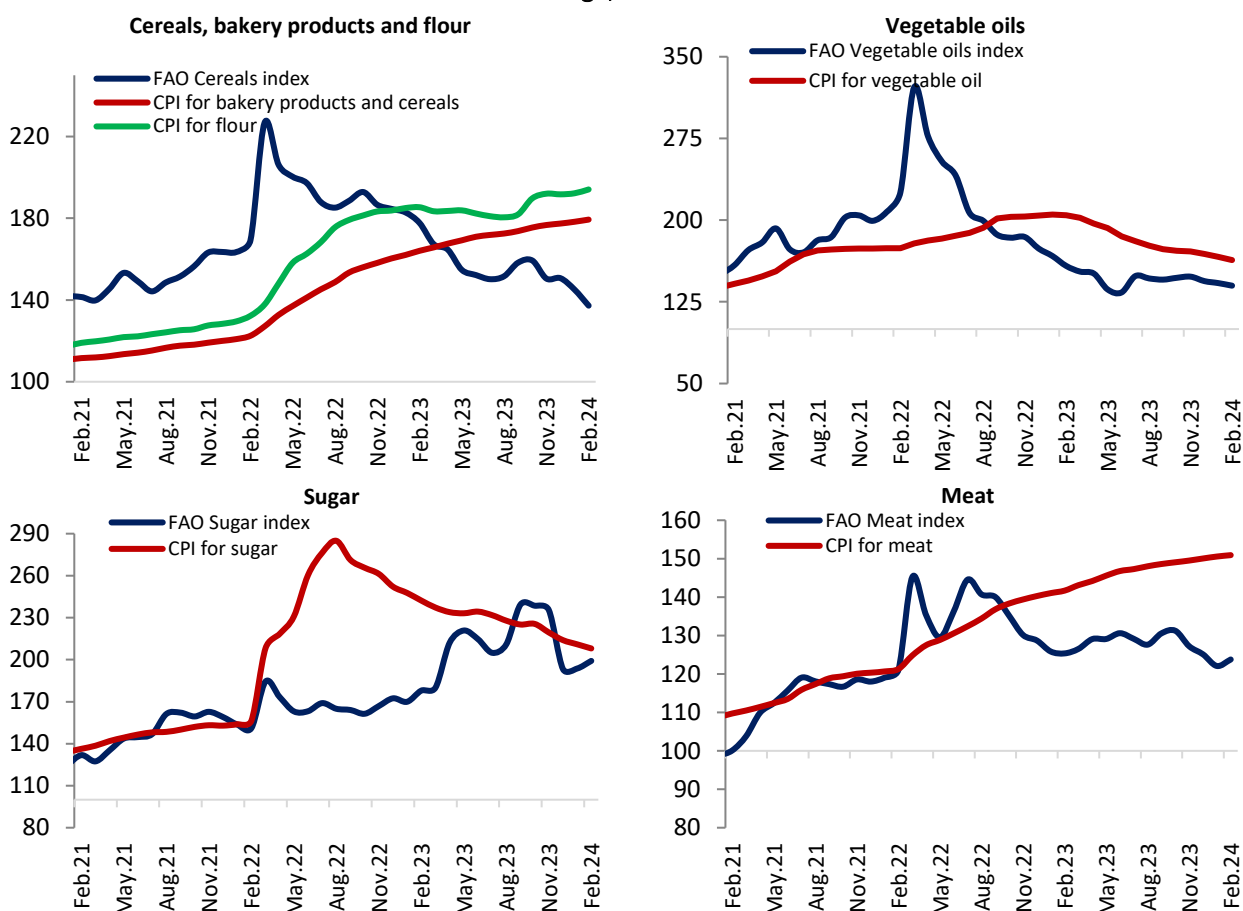
For vegetable oils, there is a slight reduction in the differential against the background of lower world prices and a faster decline in domestic prices for vegetable oils in February 2024. The decrease in world prices (by 1.3% mom, decrease by 11.0% YoY) was due to a drop in prices for soybean and sunflower oil against the background of abundant export supply and positive expectations of the soybean harvest in South America.

A similar situation was observed in the dynamics of domestic and foreign sugar prices. The price differential in February 2024 continued to decrease for the second month in a row as a result of an increase in global and lower domestic sugar prices. The increase in world sugar prices by 3.2% mom in February of this year (12.5% YoY) was mainly due to concerns about the upcoming weak sugar cane harvest in Brazil due to low rainfall. Also, pessimistic forecasts

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

regarding the sugar harvest in other important producing countries, such as Thailand and India, contributed to the increase in world prices.

Graph 5. Dynamics of world and domestic prices for selected food products³,
in tenge, 2019 Dec. = 100



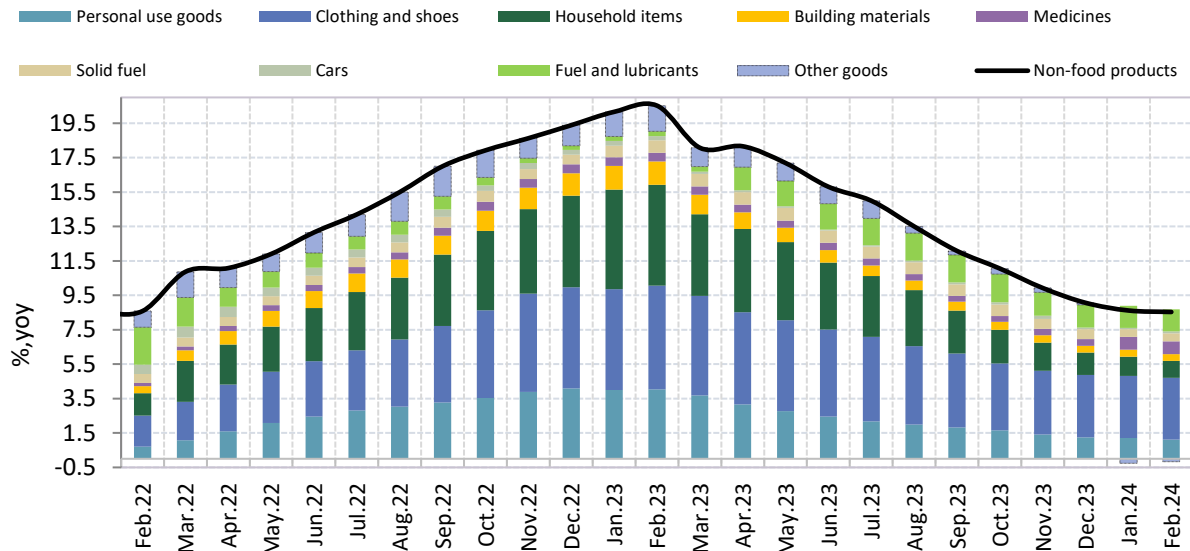
Source: Bureau of National Statistics of ASPRRK, UN FAO, NBRK calculations

The annual increase in prices for **non-food products** continued to slow down, amounting to 8.5% in February 2024 (8.6% in January). In the structure of the component, there is a slowdown in the annual growth rate of prices for personal goods, clothing and shoes, household items. At the same time, in February of this year, the annual growth in prices for solid fuels and cars accelerated (Graph 6).

The monthly increase in prices for non-food products accelerated to 0.7% (in January - 0.5%). In February 2024, an increase in the price of audiovisual equipment and photographic equipment by 3.5% mom, household appliances by 2.2% mom had an upward pressure on the non-food component of inflation against the background of increased demand. Pharmaceutical products rose in price by 1.2% mom amid rising prices of pharmaceutical manufacturers. Solid fuel prices continued to rise by 0.8% mom.

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.

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

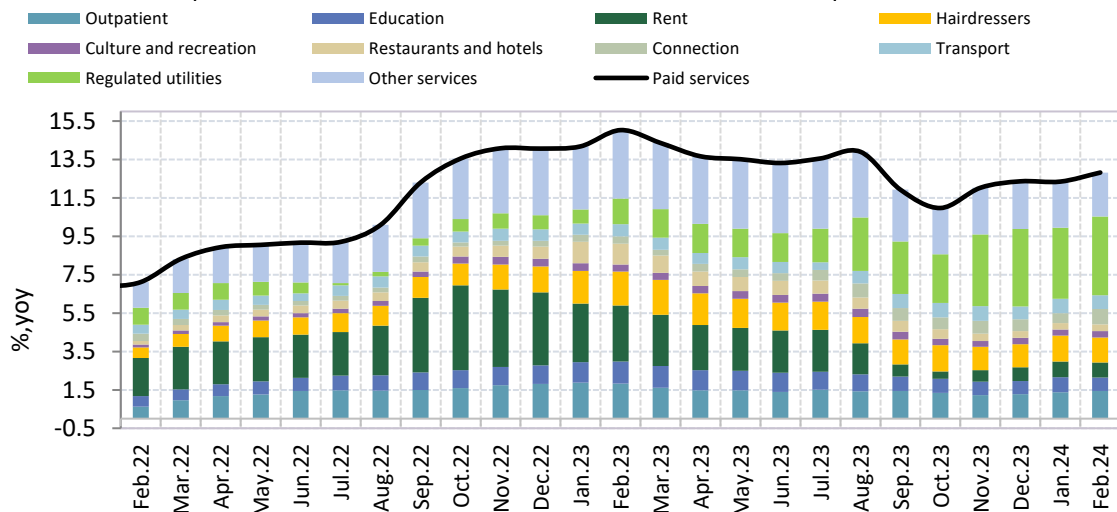


Source: BNS ASPR RK, calculations of the NB RK

The annual increase in prices for **paid services for the population** accelerated in February 2024, amounting to 12.8% YoY (in January – 12.3% YoY). Monthly price growth was 1.7% (0.7% in January) (Graph 7).

Among paid services, there is an acceleration in monthly price growth for hairdressing and personal care services to 1.3%, outpatient services – by 2.1%, telephone and fax services – by 2.6%, catering services – by 1.2%.

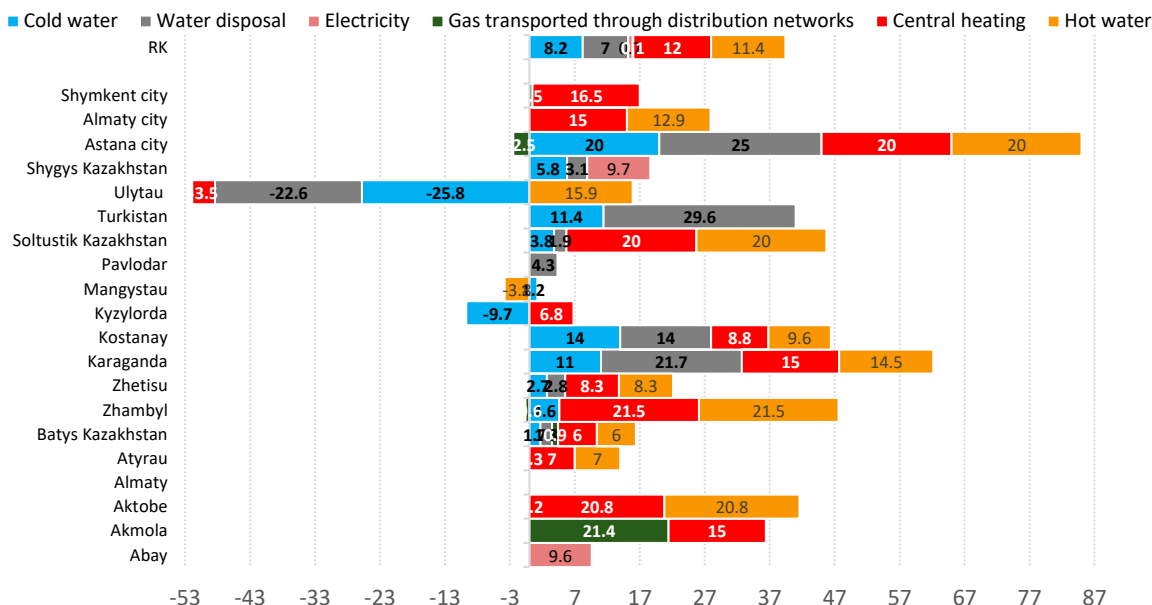
Graph 7. Contribution of services to the annual inflation of paid services



Source: BNS ASPR RK, calculations of the NB RK

The monthly increase in tariffs for regulated utilities in February 2024 amounted to 4.3%, including cold water by 8.3%, sanitation by 7.3%, heating by 10.7%, and hot water by 11.6%. The price of electricity and gas supply has not changed (Graph 8).

Graph 8. Growth of prices for regulated housing and communal services by region, January-September 2023, %



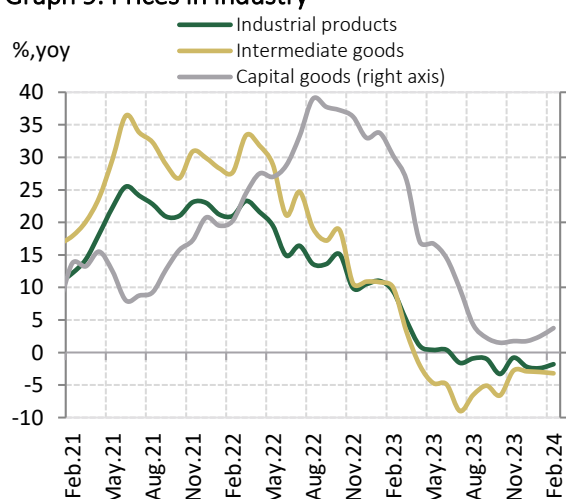
Source: BNS ASPR RK

Producer prices in the manufacturing industry decreased due to a reduction in prices for intermediate goods.

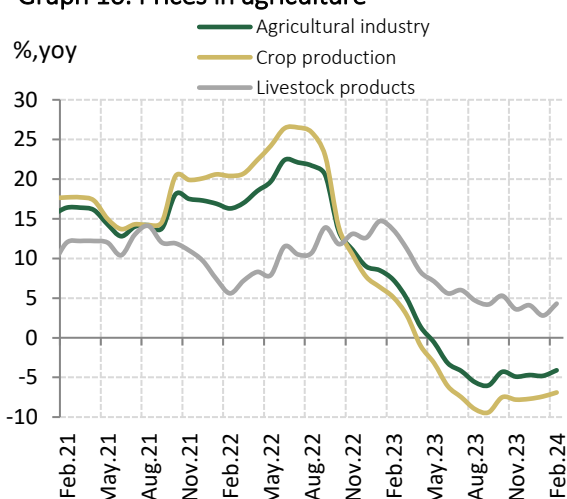
In February 2024, the year-on-year decline in producer prices in agriculture slowed against the backdrop of a slowdown in the decline in prices in crop production and an increase in prices in livestock farming.

Producer prices in the manufacturing industry decreased by 1.8% in annual terms in February 2024, driven by a reduction in prices for intermediate goods (Graph 9). In addition, prices for industrial services increased.

Graph 9. Prices in industry



Graph 10. Prices in agriculture



Source: BNS ASPR RK

In February 2024, producer prices for food products decreased by 3.5% year-on-year (in January 2024, the decrease was 3.6% y/y). There is a decrease in prices for producers of flour-grain products, oils and fats, while prices for beverages, meat products, bakery and pasta

products increased. The decline in prices for fruit and vegetable processing and canning has slowed down.

In the structure of non-food products, the annual growth rate of producer prices for automobiles continued to slow down. There is an increase in prices for clothing production, cleaning products; and a continued increase in prices for furniture production.

In February 2024, the decline in producer prices in agriculture slowed down to 4.1% year-on-year (in January 2024, the decline was 4.8% y/y) (Graph 10). In crop production, prices for grain crops, namely wheat, corn, barley, and buckwheat, are decreasing. At the same time, prices for oilseeds and dried legumes continue to decline. Among feed crops, prices for fodder grains have significantly decreased (by 18.4% y/y). There is an increase in prices in animal husbandry due to the rising prices of livestock and the slowdown in the decline of poultry prices. Additionally, there is a substantial increase in prices for eggs and natural honey (by 16.2% y/y and 15.5% y/y, respectively), while the growth in prices for raw milk slows down (by 4.4% y/y).