



PRICE BAROMETER

August 2022

Periodic research
September 2022

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Main conclusions



Mutual sanctions leading to deglobalization and China's zero-tolerance policy toward COVID-19 have caused disruptions in global supply and production chains, and all of these contribute to the cost increase of production factors



As a result of geopolitical instability, the change in the supply and demand balance for energy sources contributes to the preservation of high prices for them. At the same time, the hike is reflected in the pricing of final goods and services



The level of global inflation is still and expected to remain in the medium term unfavourably high



The internal pro-inflationary background is growing due to pessimistic inflation expectations and the continued consumer demand growth. The latter is provided by budget expenditures and increased activity in consumer lending



The main trigger of consumer inflation has shifted: prices for non-food products have begun to overtake the growth rate of food prices. Food inflation is temporarily restrained by the seasonal reduction in the price of fruits and vegetables



The growth of non-food inflation is supported by high import dependence, increased inflationary background in trading partner countries and the effect of exchange rate transfer

Main conclusions



Seasonal shock and imbalances in the markets of certain types of market services, including those associated with the abolition of temporary restrictive measures of the Government, have made a perverse contribution to consumer inflation



By regions, annual inflation was in the range of 13.6-19.2%. There was an increase in the diversity of inflationary processes in the regions



We expect inflation to rise to 17-17.5% (16-18% according to the updated National Bank of the Republic of Kazakhstan forecast) by the end of the year. The observed strengthening of inflationary processes together with high risks of further acceleration of inflation determine it necessary to take measures to cool consumer demand

The level of global inflation is still and expected to remain in the medium term unfavourably high

Global trend

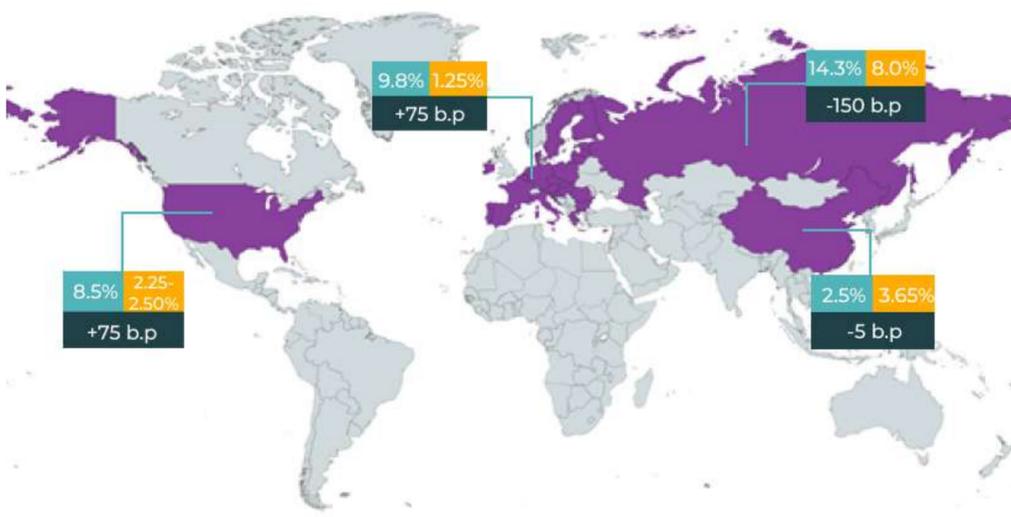
The external inflation background remains elevated in August. Price growth is accelerating in the EU and China, despite a slight softening of the inflationary background, high rates of price growth also remain in the USA and Russia.

Geopolitical tensions around Ukraine, mutual sanctions and a zero-tolerance policy for COVID-19 cases in China lead to disruptions in global production and supply chains, and shortages in certain markets and contribute to the cost increase of production factors.

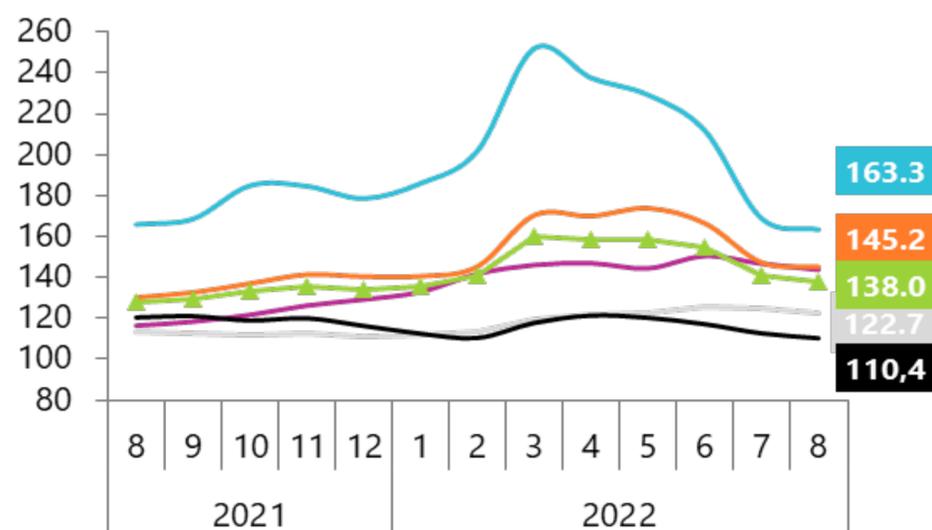
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The FAO Food Price Index fell to 138.0 in August from 140.9 in July. Despite the continued decline, its value is 7.9% higher than in August 2021 and contributes to a further increase in domestic food prices.

The inflation and key rate level of particular countries



FAO Food Price Index



meat, dairy products, cereals, vegetable oil, sugar, FAO Compose Index

Triggers for the growth of domestic inflation shifted in August

Domestic inflation

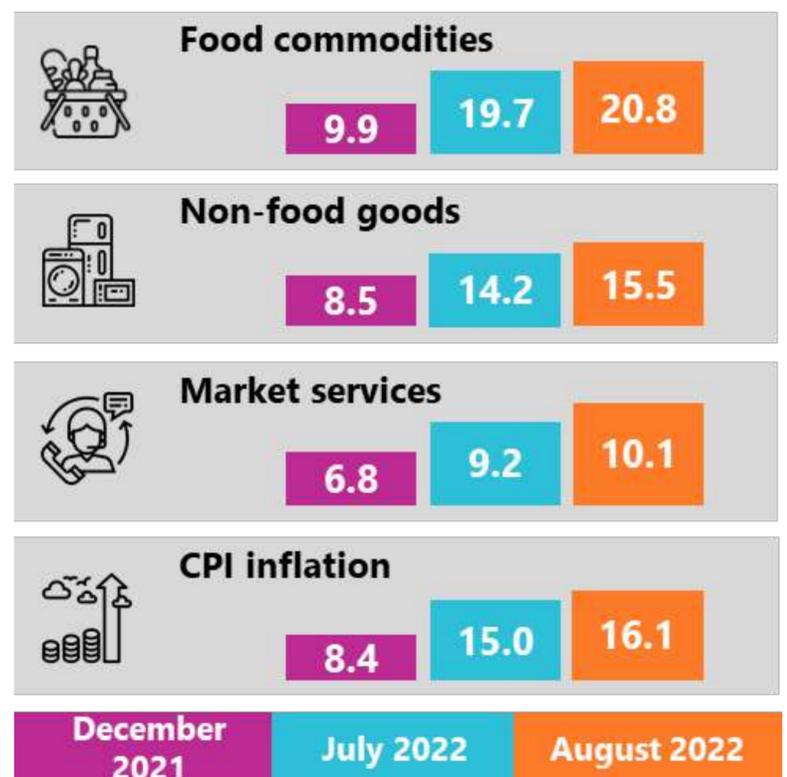
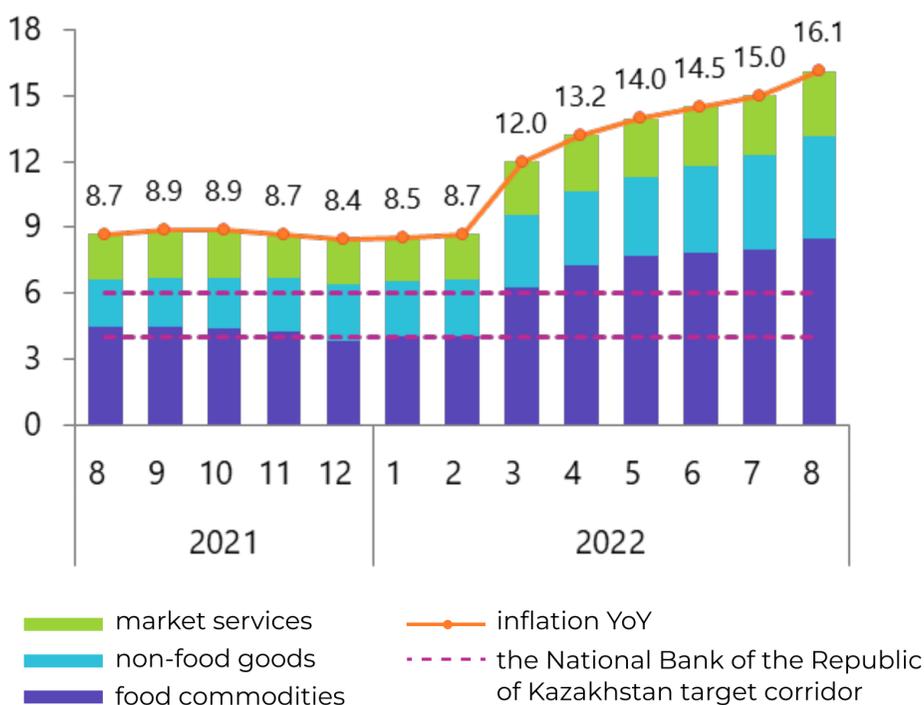
Consumer prices in August rose to 16.1% in annualized terms. The growth of consumer demand, provided by budget expenditures and an increase in activity in consumer lending (+3.5% MoM), with a weak national currency and pessimistic inflation expectations, caused an increase in the pro-inflationary background in the country.

Prices for non-food products began to overtake the growth rate of food prices.

The faster growth of food inflation restrains the seasonal reduction in the cost of fruits and vegetables. At the same time, non-food inflation with the absence of restraining factors has a key growth trigger in the form of high import dependence and an increased inflationary background in trading partner countries.

Sharply increased after a long administrative restriction utility tariffs have begun to make a greater contribution. This also affects the cost increase of consumer goods.

CPI inflation, in % YoY



Monthly inflation in August began an unusual acceleration for this period of the year

Monthly inflation in August amounted to 1.4% (in July +1.1%).

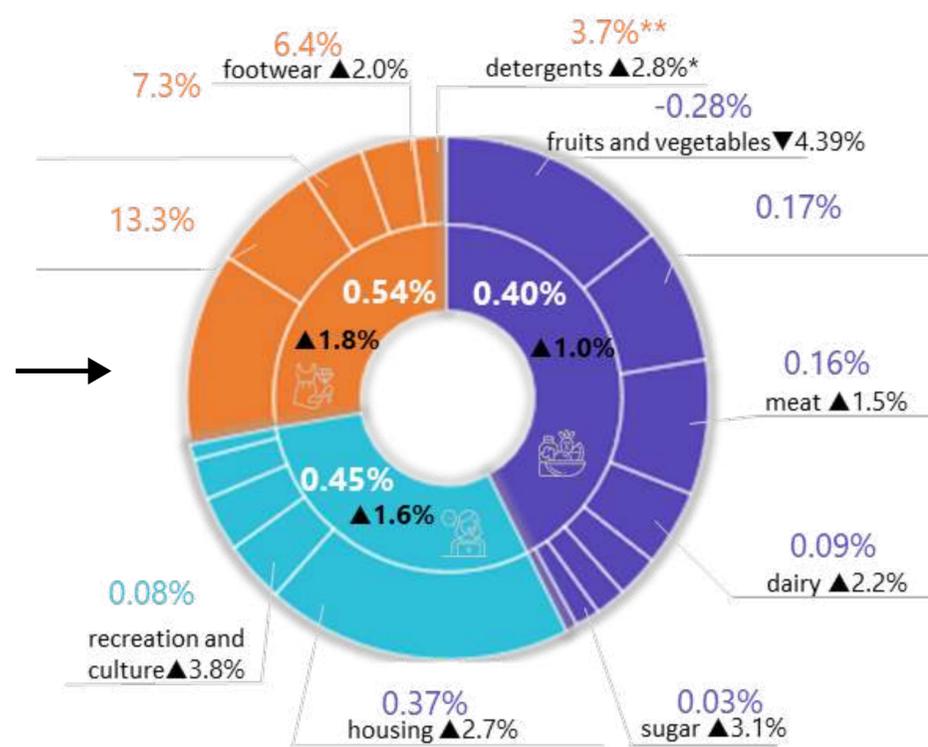
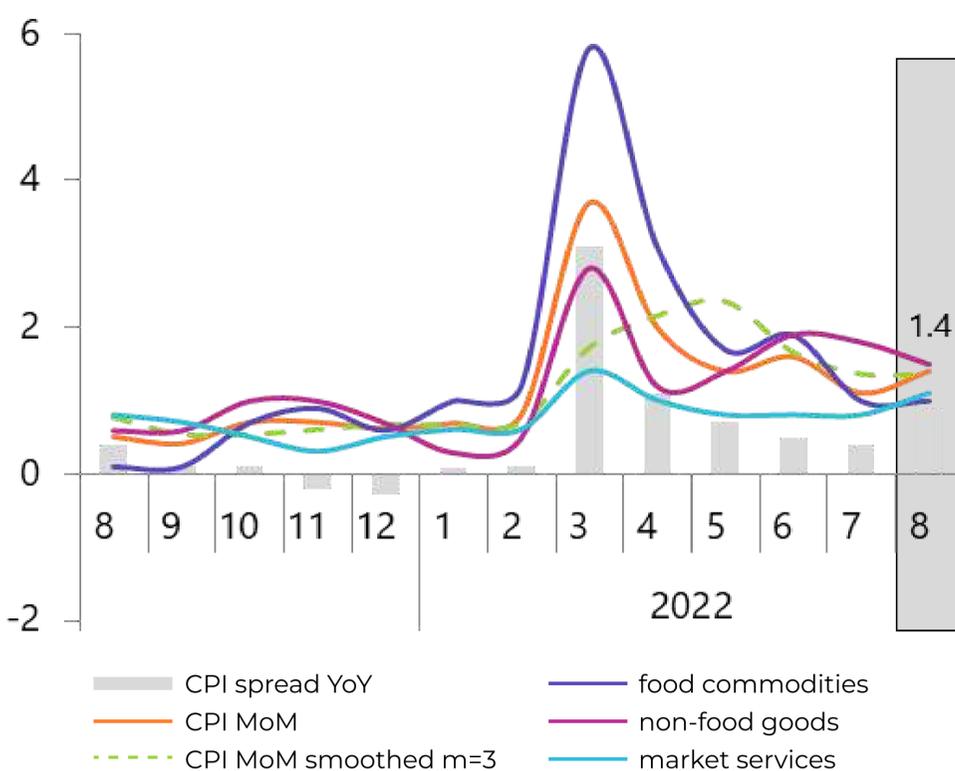
Seasonal cheapening of fruits and vegetables limits a more significant acceleration of food prices, and therefore the rate of price growth remained at the same high level (+1.0%). Due to unfavourable weather conditions and supply problems, the relatively high global wheat prices have an inflationary effect on the prices of basic food products.

So here goes as the influence of the seasonal factor is exhausted, a further rise in the price of food is likely.

The increase in prices of non-food products in August became more noticeable (+1.8%) compared to July (+1.5%).

The growth rate of market services inflation accelerated from 0.8% in July to the observed 1.6%. The accumulated pressure, which was restrained by administrative measures, resulted immediately after their lifting in the current dynamics of price growth.

CPI inflation in %, MoM



* price increase in August (MoM)

**contribution to consumer price growth in August

High world wheat prices have led to a shortage of raw materials for domestic millers and an increase in the price of products from manufacturers of related industries

Food inflation

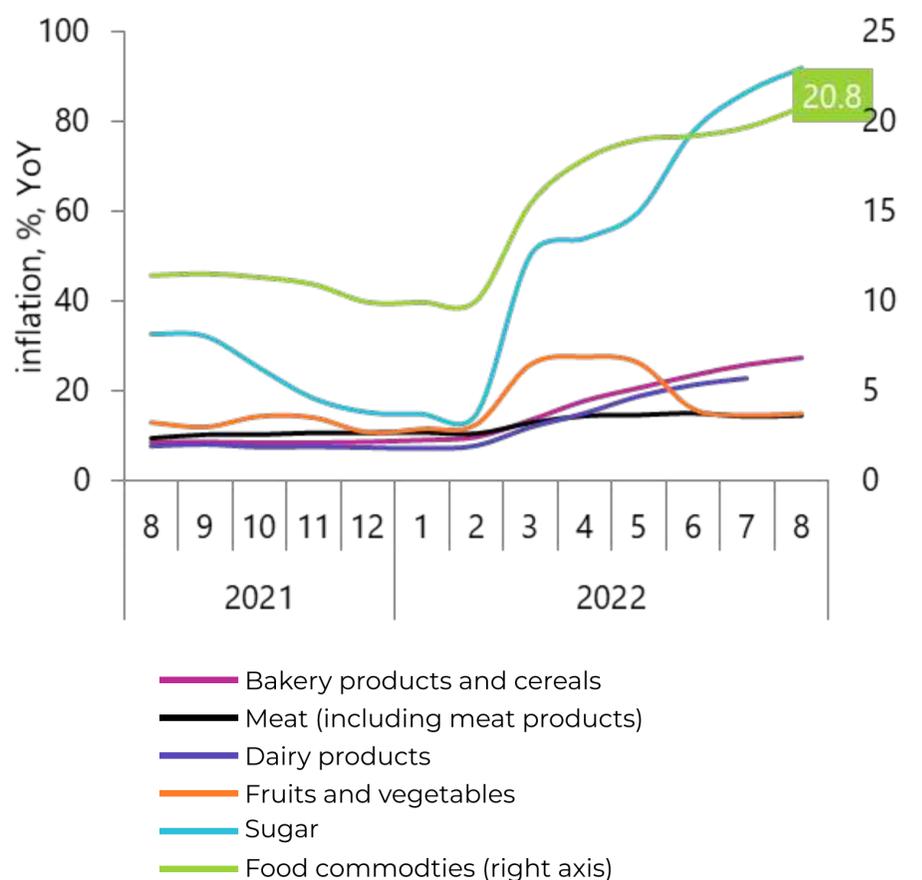
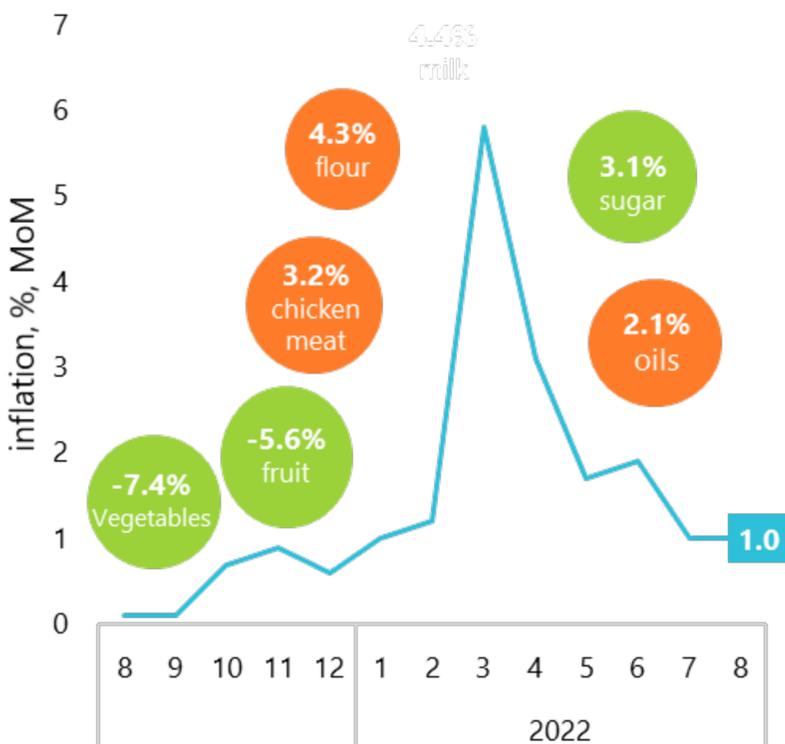
Food prices in August remained at the same level – 1.0% but accelerated by 20.8% in annualized terms. The seasonal reduction in the price of fresh vegetables and fruits by 4.4% (14.8% YoY) had a temporary, relatively weaker, limiting effect on price growth.

The remaining categories of goods from the food basket continue to rise in price. At the same time, meat, dairy products, oils and fats began to accelerate in the price growth rate, which was due to a reduction

in production and an increase in the cost of agricultural products, even despite the easing of pressure on world food markets.

Sugar prices slowed the growth rate to 3.1% MoM (91.9%). This is due to a decrease in hype demand amid the gradual season ending of canning fresh vegetables and fruits, as well as the weakening of the psychological factor caused by a shortage of sugar on market shelves.

Dynamics of inflation



*Inflation in August (▼▲ compared to July 2022)

Increased seasonal demand for some types of non-food products and high import dependence on consumption caused a significant increase in non-food inflation

Non-food inflation

The monthly increase in prices for non-food products showed an acceleration and amounted to 1.8% (+15.5% YoY). For comparison, prices increased by 1.5% in July of this year.

The increase in the external inflationary background in the main trading partner countries, problems with the reorientation of imports, and a weak tenge, growing transportation and storage costs cause the cost increase of non-food products.

Prices of most goods, except for car prices, which have had weak deflation of 0.1% (14.6%) for two months in a row, continue to rise.

The upcoming new school year has caused an increased demand for office supplies, which has pushed their prices significantly up.

The increase in utility tariffs is also reflected in the greater margin of retailers, which they prices in goods.

Dynamics of non-food inflation

Books and office supplies (MoM)

30.0

Detergents and cleaning products

2.8

Personal use goods

2.2

Clothing and footwear

2.0

Household appliances

1.9

Pharmaceuticals

1.2

Office supplies (YoY)



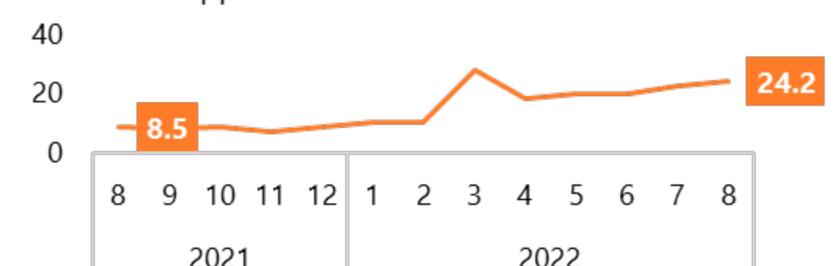
Personal use goods



Detergents and cleaning products



Household appliances



Monopolists in the utility market in July-August announced their plans to revise prices due to rising costs for the repair and maintenance of utility networks. This contributes to the further strengthening of the growth of consumer inflation

Inflation of market services

Service inflation in August jumped twice compared to July, the growth was 1.6% for the month (10.1% YoY).

There was a castling move in the drivers of service inflation growth in August and a significant acceleration in the growth of the renting cost against the background of increased demand from students (insufficient places in dormitories) and the population. The rise in real estate prices with the reduction of soft-window mortgage lending facilities makes the purchase of real estate less affordable and

cools the demand for it. According to the BNS, the number of transactions for the purchase and sale of housing in January-August 2022 decreased by 23.2% compared to the same period in 2021.

There is also a significant increase in prices for housing maintenance and utilities.

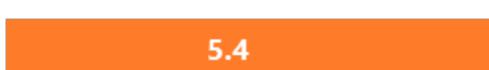
Prices for other types of market services continue to rise in price against the background of rising costs of their provision and continuing high consumer demand.

Dynamics of service inflation, in %

Rental (MoM)



Home maintenance



Water disposal



Cold water



Restaurants and hotels



Mass catering services



Garbage disposal



Rental (YoY)



Mass catering services

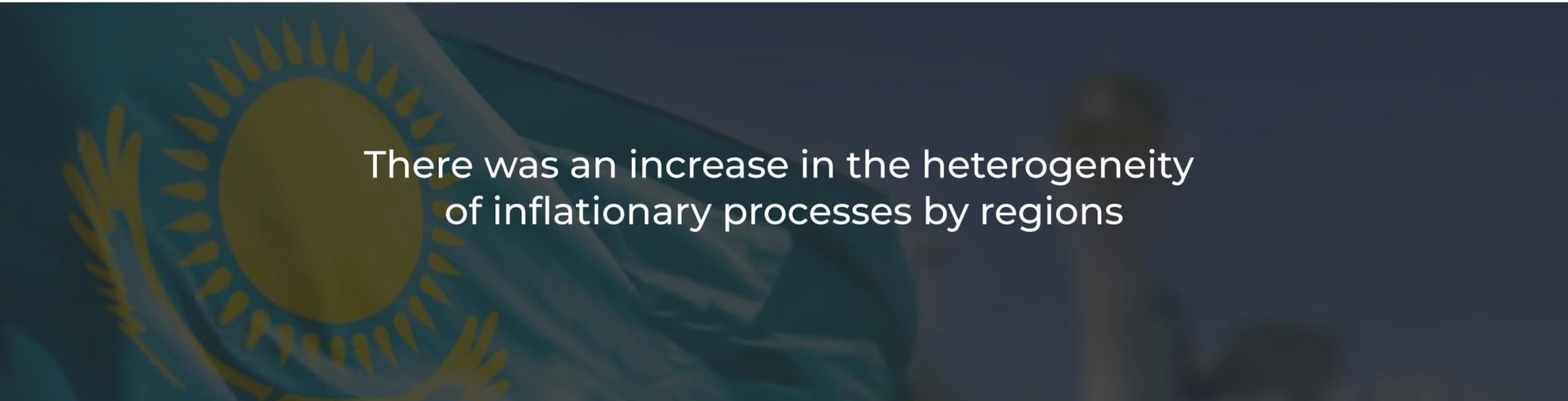


Restaurants and hotel



Home maintenance



A background image showing the Kazakh flag with its sun and eagle emblem, overlaid on a dark, blurred image of a person's face.

There was an increase in the heterogeneity of inflationary processes by regions

Regional inflation

The inflation rate was much lower than the national level in the southern regions of the country, but in Mangystau and the central regions the inflation rate was significantly higher than the national average.

The inflation rate in Almaty region is the lowest across the country, both in annualized (13.6%) and monthly terms (0.6%) for the second month in a row. All components of consumer inflation in this area are much lower than the average inflation level in the regions. However, there is a slight acceleration of monthly inflation from 0.5% in July to 0.6% in August this year.

In Ulytau region, inflation significantly accelerated from 1.4% (15.7%) in July to 2.7% (18.6%) in August due to the country's most significant monthly increase in prices for market services - 6.3% (15.8%).

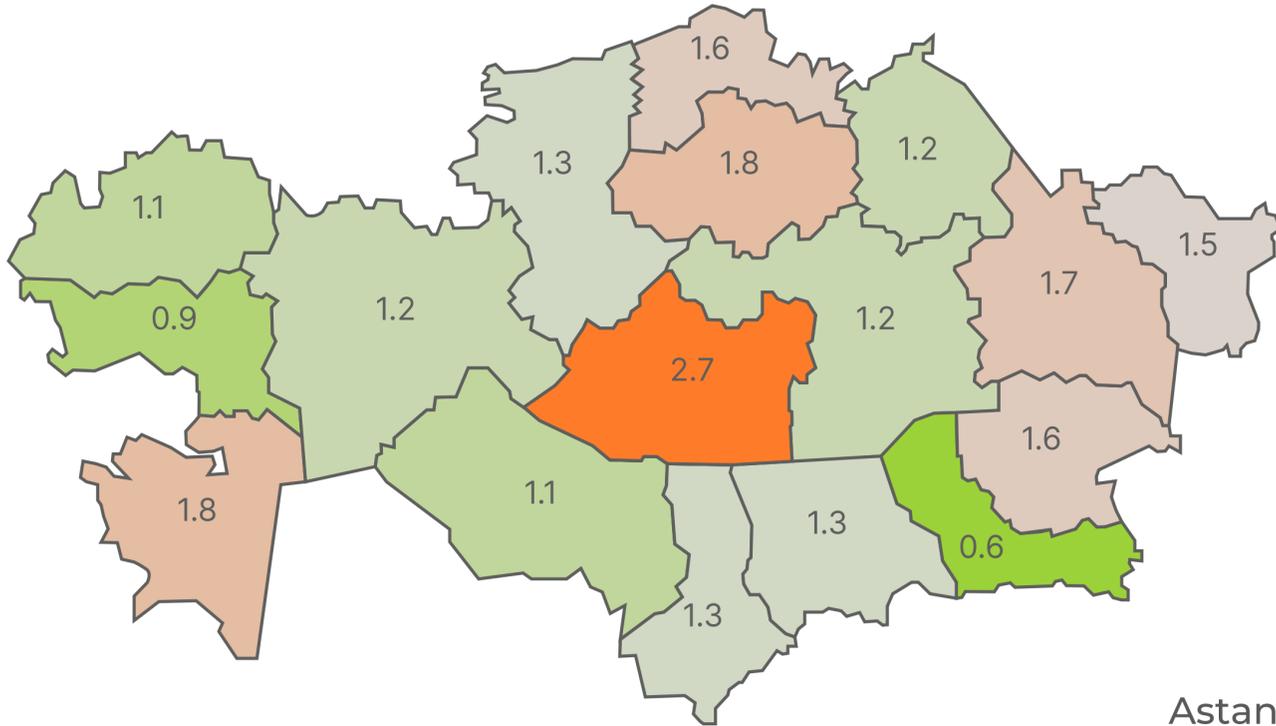
Consumer inflation rates continue to slow down mainly due to slower growth in food prices in Aktobe, Atyrau, East Kazakhstan and Kyzylorda regions.

Despite a slight excess of the national average inflation rate, there is a continuing acceleration in the rate of consumer inflation due to the increased cost of non-food products in Abai region.

And there is the most significant increase in the price of non-food products in the country is 3.2% compared to the average of 1.8% in the capital of Kazakhstan. At the same time, the overall level of consumer prices in Astana is restrained by a slower increase in food inflation.

CPI inflation by regins, %, MoM

Kazakhstan - 1.4



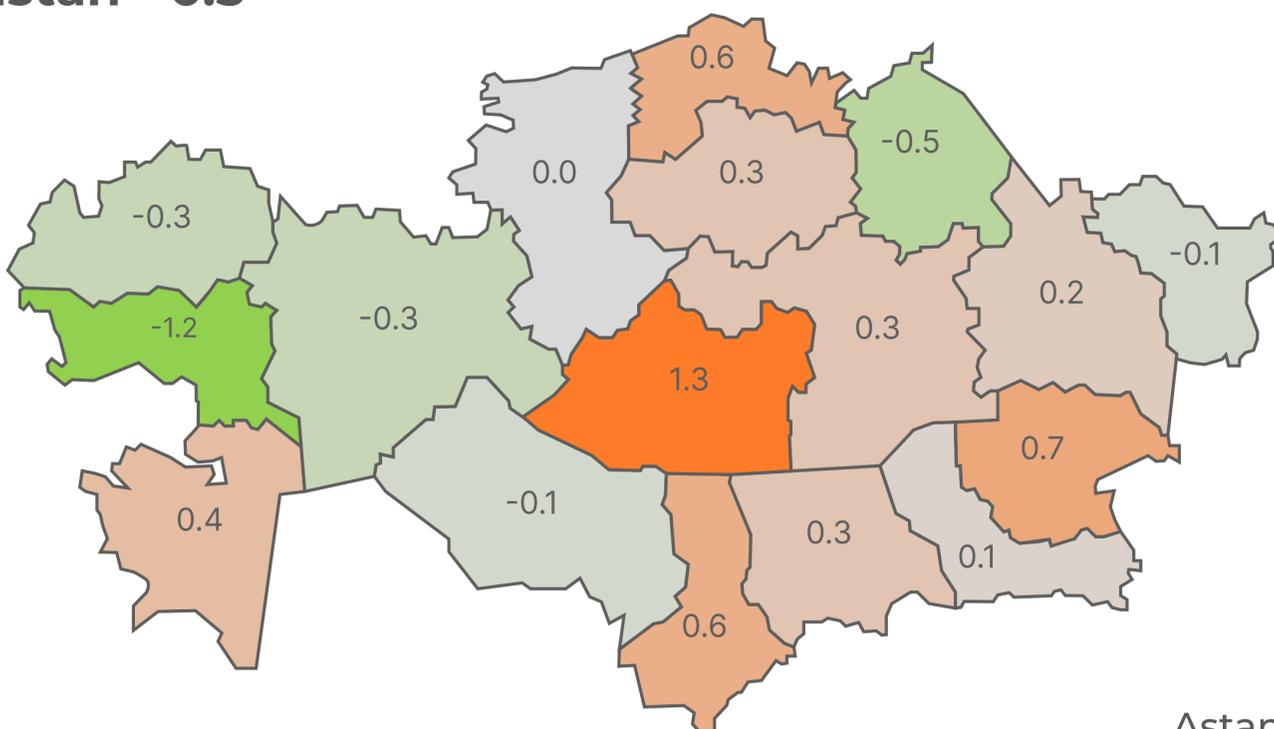
Astana city - 1.9
Almaty city - 1.6
Shymkent city - 1.4

Prices in a region in comparison with national prices



The difference in the monthly inflation increase in August 2022 and July 2022, percentage points

Kazakhstan - 0.3



Astana city - 0.8
Almaty city - 0.7
Shymkent city - 0.3



CPI inflation by regions, %

Region	Goods and services		Food commodities		Non-food goods		Market services	
	YoY	MoM	YoY	MoM	YoY	MoM	YoY	MoM
Republic of Kazakhstan	16.1	1.4	20.8	1.0	15.5	1.8	10.1	1.6
Abai	16.9	1.7	21.1	1.5	17.4	2.6	10.5	0.8
Akmola	17.8	1.8	22.7	1.4	18.1	2.8	10.6	1.2
Aktobe	16.1	1.2	23.5	1.0	15.1	1.7	6.3	0.7
Almaty	13.6	0.6	18.4	0.6	13.1	1.0	7.1	0.1
Atyrau	16.5	0.9	22.2	0.9	16.4	1.2	8.6	0.7
West Kazakhstan	16.0	1.1	20.1	0.8	15.1	1.5	11.0	1.1
Zhambyl	14.8	1.3	20.6	0.9	14.2	2.0	7.3	1.1
Zhetysu	16.2	1.6	21.6	1.9	15.7	1.5	9.0	1.3
Karaganda	16.6	1.2	20.0	0.9	17.5	2.2	10.7	0.6
Kostanay	15.9	1.3	20.9	1.0	15.2	1.7	9.4	1.2
Kyzylorda	15.5	1.1	19.7	1.0	14.9	1.1	10.0	1.1
Mangystau	19.3	1.8	25.8	2.1	17.3	1.7	12.1	1.5
Pavlodar	15.9	1.2	21.3	1.0	15.5	1.5	8.6	1.1
North Kazakhstan	16.3	1.6	21.6	1.4	15.7	2.0	9.6	1.6
Turkestan	16.0	1.3	20.7	1.3	14.7	2.0	10.6	0.6
Ulytau	18.6	2.7	19.9	1.2	19.8	1.7	15.8	6.3
East Kazakhstan	16.8	1.5	20.3	1.4	17.5	2.0	11.2	1.0
Astana city	17.3	1.9	18.6	0.4	21.6	3.2	10.7	2.6
Almaty city	15.9	1.6	21.1	0.5	12.5	1.0	12.0	4.0
Shymkent city	15.5	1.4	20.7	1.3	13.4	1.8	10.3	1.1





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