



September 2022

Price barometer

Periodic research

October 2022

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Main conclusions

 <p>The observed global tightening of monetary conditions is still weakly coping with the inflation slowdown, but it can significantly affect economic growth and reduce aggregate demand</p>	 <p>The increased inflationary background in the economy will remain as long as the changes in supply and demand are out of sync</p>	 <p>Inflation reached 17.7% by the end of September, all its components made a significant contribution. The growth of core inflation and its acceleration indicates a more stable nature of inflation</p>
 <p>According to a survey of the population from the National Bank of the Republic of Kazakhstan, household inflation expectations have worsened and may cause further acceleration of consumer inflation. At the same time, the main reason for their deterioration is the opinion of respondents about a further significant increase in food prices</p>	 <p>This year, the seasonal cheapening for fruits and vegetables is longer than usual. Prices for other groups of food products show acceleration due to higher producer prices against the background of increased production costs</p>	 <p>Double-digit price growth, together with no signs of stabilization, is the reason for the slowdown in the growth of domestic trade as the main indicator of consumption. The simultaneous increase in the deposit base indicates the formation of savings behaviour among a certain part of the population to create a "safety airbag" in the conditions of economic and geopolitical turbulence</p>
 <p>There is an outspoken asymmetry of regional inflationary processes in September. A more significant increase in inflation is noticed in the northern, eastern and central regions of the country. And the regional inflation rate is significantly lower in the south and west of Kazakhstan</p>	 <p>No signs of stabilization in internal inflationary processes, along with frequently changing external conditions, serve as prerequisites for maintaining increased inflationary pressure until the end of this year</p>	

Global trend

September is characterized by the continued **strengthening of the inflationary background in key economies of the world and an increase in interest rates in response to it.**

External inflationary pressure from food and energy products shows some easing but continues to be estimated as increased.

From the trade terms point of view, the international environment was quite favourable for Kazakhstan and contributed to the support of domestic economic activity.

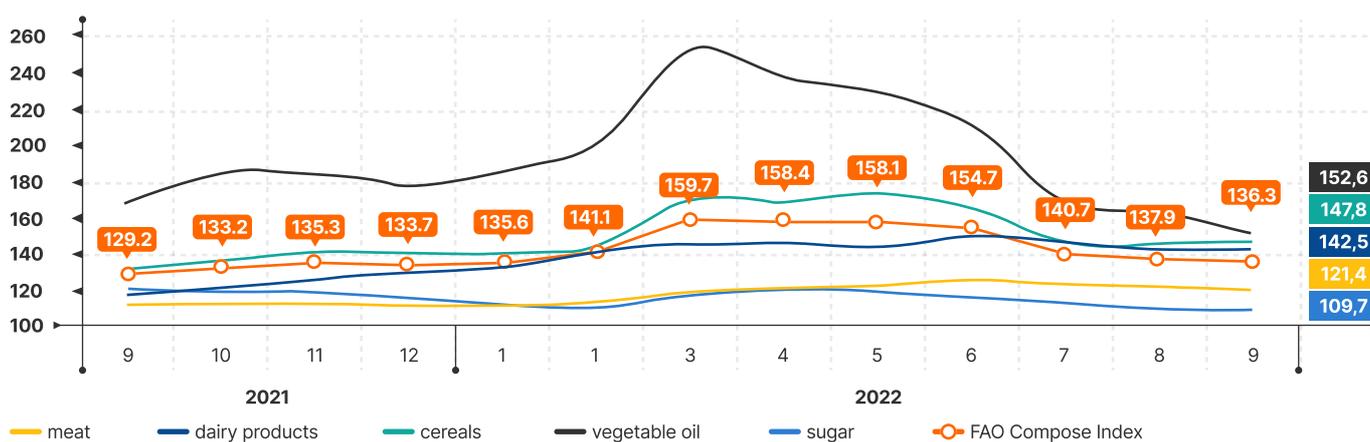
The escalation of geopolitical tensions between Russia and Ukraine causes concerns about the possibility of creating new supply chains to replace those that could be affected.

The Supply Chain Pressure Index is getting lower, but still levels are up (above 0). This means that **there are still restrictions and problems in supply chains.**

FAO Food Price Index

(2014-2016=100, points)

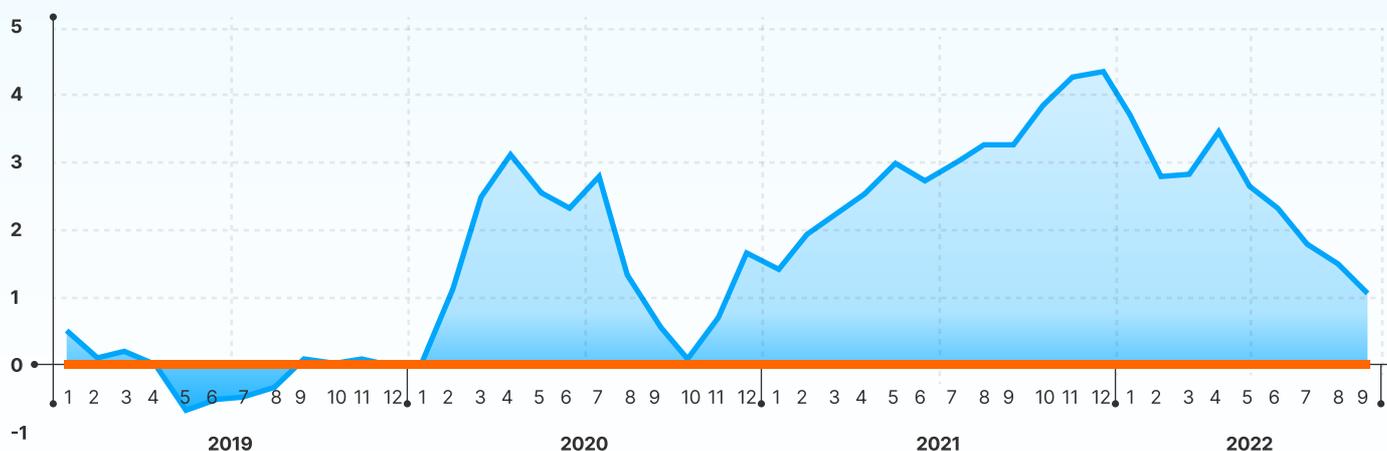
Source: Food and Agriculture Organization of the United Nations



Supply Chain Pressure Index

(number of standard deviations from the average)

Source: Federal Reserve Bank of New York



¹ The Index is designed to help understand the state of global supply chains. It combines several indices in transportation and production fields that are related to delivery time, prices and inventory volume

Domestic inflation

According to the Bureau of National Statistics, consumer prices in September rose to 17.7% in annualized terms. In general, compared to the corresponding period last year, the inflation rate accelerated by 2 times and is 3 times higher than the National Bank's target for the current year.

Inflation increased in all components of the consumer basket:

- Food commodities – 22.2% (20.8% in August);
- Non-food goods – 17% (15.5%);
- Market services – 12.3% (10.1%).

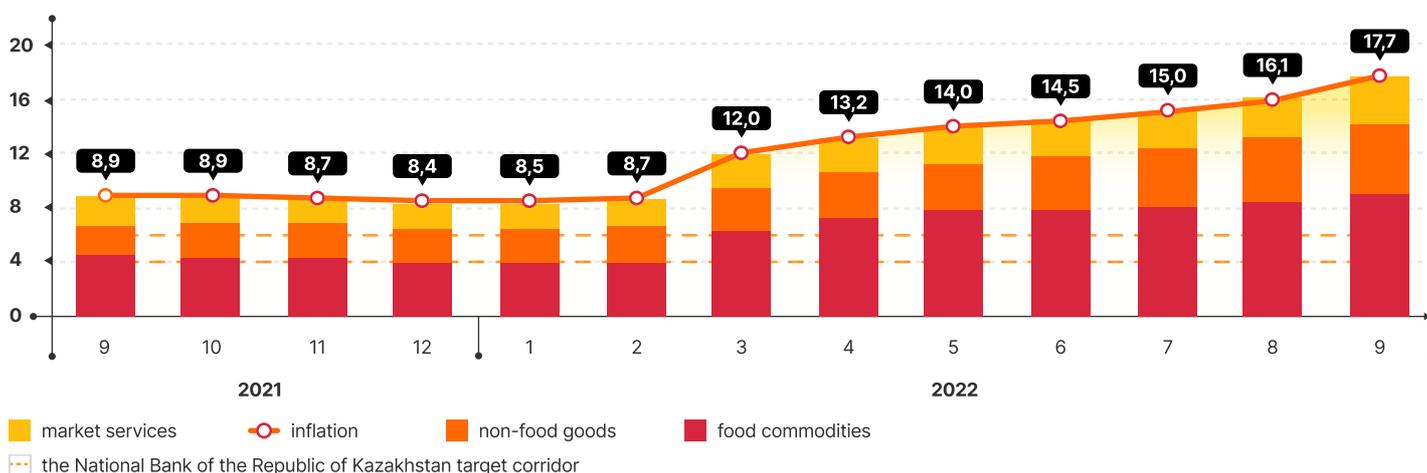
Core inflation, which characterizes the long-term component of the Consumer Price Index, continues to accelerate and indicates the presence of a high and stable inflationary background in the economy.

An increase in the gap between the general consumer inflation and the base indicators shows an increase in price volatility of previously relatively stable components of the consumer basket, which is explained by the contribution of external economic factors.

CPI inflation¹

(in %, YoY)

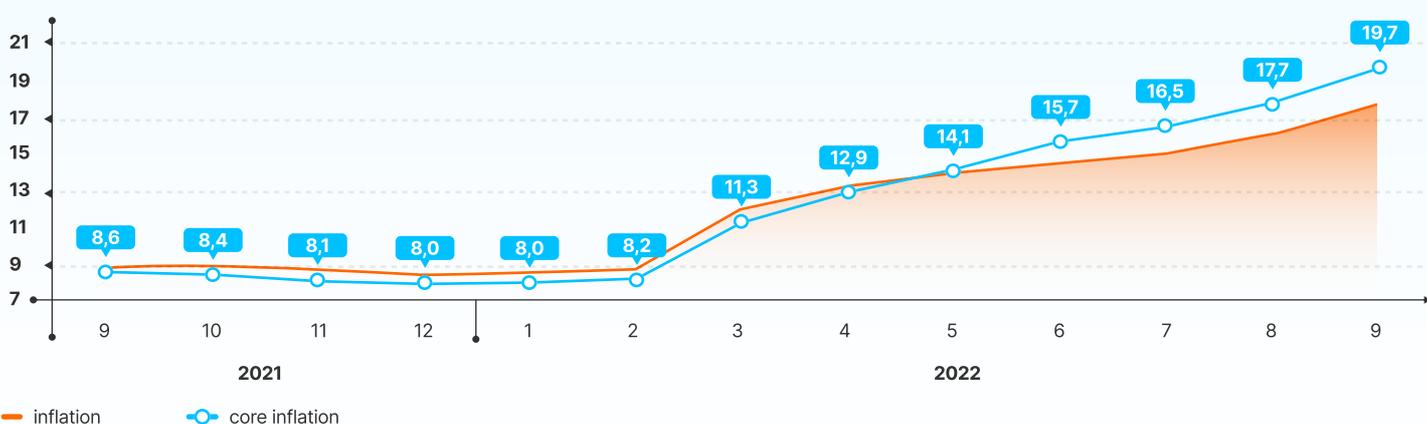
Source: Bureau of National Statistics of the Republic of Kazakhstan, Jusan Analytics calculations



Core inflation²

(in %, YoY)

Source: Bureau of National Statistics of the Republic of Kazakhstan



¹ The dynamics of the consumer inflation components is adjusted for their weighing coefficient in the consumer basket

² Core inflation is excluding fruits and vegetables, housing and public utility services, rail transport, communications, gasoline, diesel fuel and coal.

Domestic inflation

Monthly inflation in September was 1.8% (1.4% in August). The inflation rate accelerated by more than 4 times compared to the corresponding period last year. **The main factor in the formation of the inflationary environment in September was market services.**

The monthly rates of service inflation began to exceed the increase in prices for goods included in the consumer basket for the first time in 2022:

- Food commodities– 1.2% (1.0% in August);
- Non-food goods– 1.9% (1.8% in August);
- Market services– 2.7% (1.6%).

The National Bank of the Republic of Kazakhstan's estimate of inflation expectations rose to 16.5%

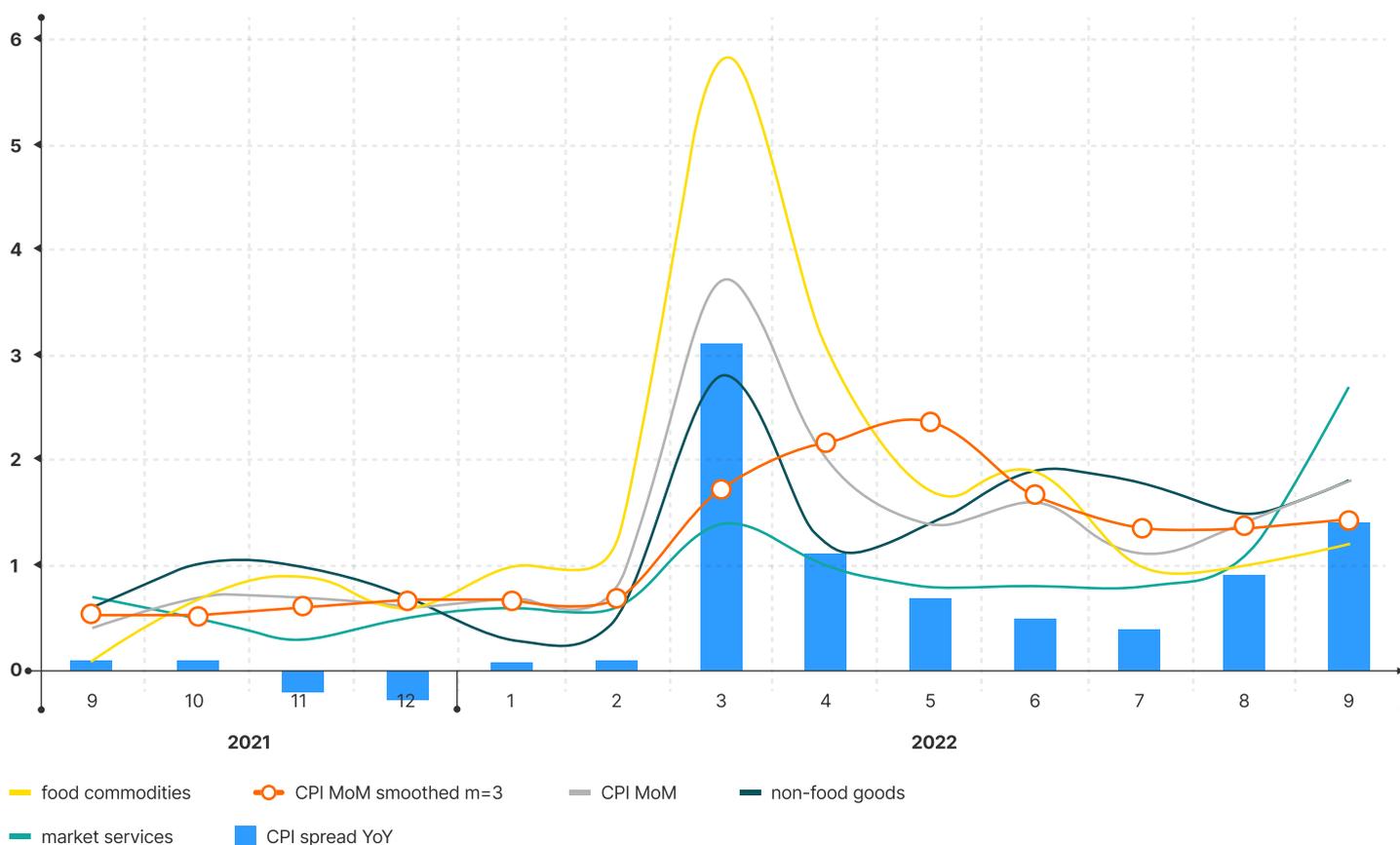
(16.0% in August). More than half of the respondents expect the current or faster price growth rate to remain in the next 12 months. The main factor is the change in food prices.

The current macroeconomic data deviate significantly from the forecast estimates due to unforeseen internal and external shocks that impact aggregate supply and demand simultaneously. In addition, unshored and elevated inflation expectations increase the proinflationary impact of these shocks on the economy.

CPI inflation

(in %, MoM)

Source: Bureau of National Statistics of the Republic of Kazakhstan, Jusan Analytics calculations



Food inflation

The increase in food prices was 1.2% MoM (22.2% YoY), and the contribution of this component to the overall level of consumer prices was 0.5 percentage points MoM (9.0 percentage points YoY). **The inflation acceleration was noticed in almost all food groups, except for the cheapening of fresh fruits and vegetables and the stabilization of the cost of sugar.**

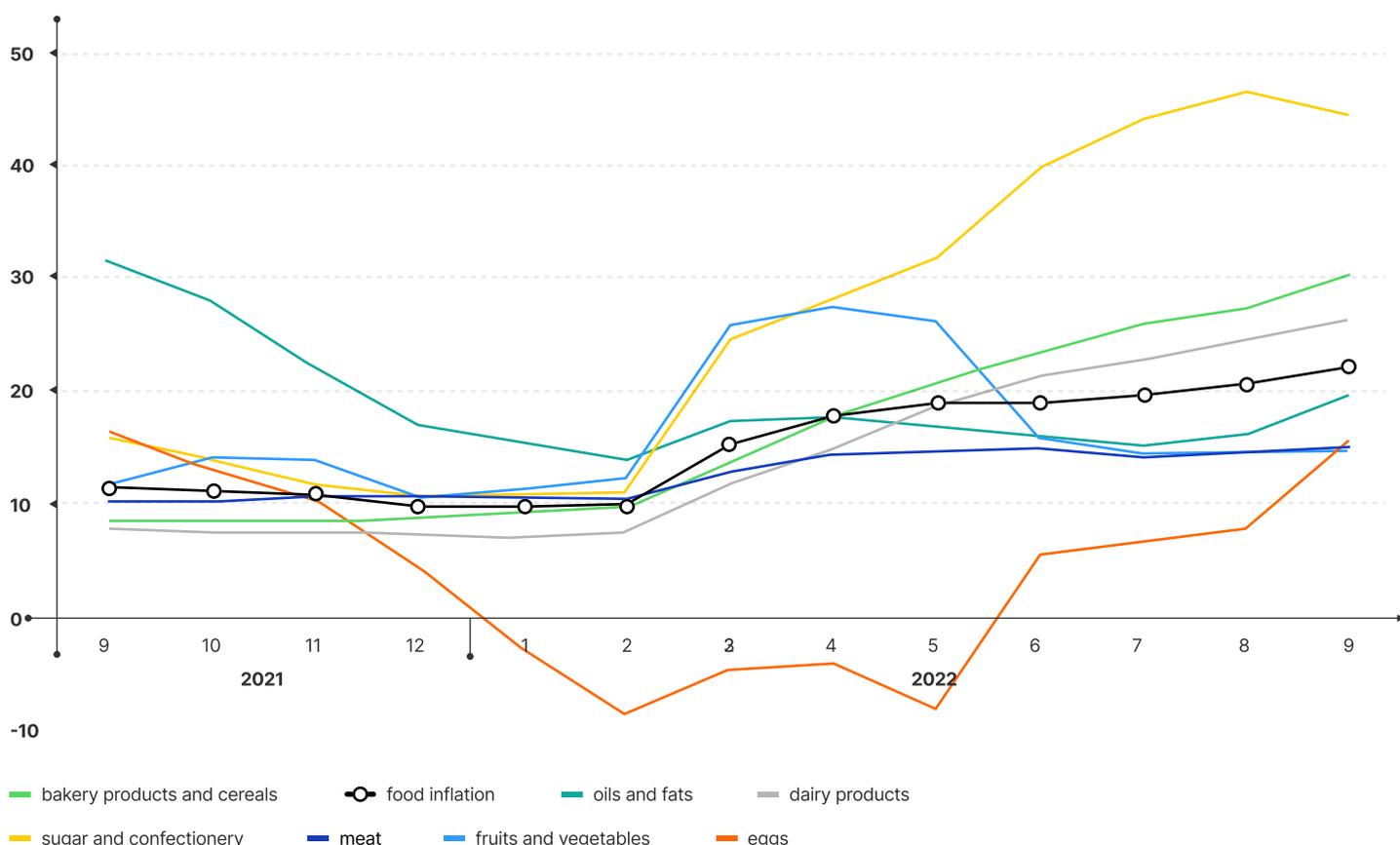
The rise in the cost of livestock products against the background of increased production costs facilitated to the acceleration of consumer prices for chicken eggs, most types of meat and dairy products.

Despite the continued slowdown in grain prices in world commodity markets, the cost of bakery products and cereals is steadily growing. This is due to significant incentives for agricultural producers to export, while representatives of the mill industry do not have enough raw materials, or it is expensive to produce their products. Prices for the flour mill products are subject to administrative restrictions to regulate them as raw materials for the manufacture of socially significant food products, which makes it unprofitable to purchase domestic grain to meet domestic consumer demand.

Dynamics of food inflation

(in %, YoY)

Source: Bureau of National Statistics of the Republic of Kazakhstan

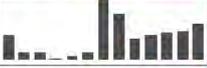
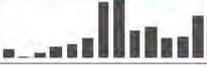


Food inflation

Dynamics of food inflation

Source: Bureau of National Statistics of the Republic of Kazakhstan, Jusan Analytics calculations

(in %)

Name of a component	Change	Dynamics for the last 12 months	Inflation in September 2022	Average inflation level in September 2019-2021	2022 inflation level		
					Maximum	Minimum	Average
Food commodities	MoM		1.2	0.4	5.8	1.0	2.0
	YoY		22.2	10.5	22.2	9.9	17.1
Bakery products and cereals	MoM		3.1	0.8	4.4	0.7	2.8
	YoY		30.4	11.6	30.4	9.1	19.9
Meat (including meat products)	MoM		1.8	1.2	2.9	0.3	1.4
	YoY		15.1	11.4	15.1	10.5	13.6
Fish and seafood	MoM		2.6	0.8	3.6	1.0	2.0
	YoY		22.0	11.0	22.0	9.3	16.0
Dairy products	MoM		2.4	0.8	4.6	0.4	2.5
	YoY		26.4	7.7	26.4	7.1	17.2
Eggs C1	MoM		7.5	3.3	7.5	-6.8	0.7
	YoY		15.8	13.0	15.8	-8.7	0.8
Oils and fats	MoM		3.8	0.6	4.2	0.2	1.9
	YoY		19.8	16.1	19.8	14.1	16.6
Fruits and vegetables	MoM		-4.7	-4.3	13.9	-4.7	1.0
	YoY		14.8	9.7	27.6	11.4	13.4
Sugar and confectionery	MoM		-0.6	0.3	13.3	-0.6	4.1
	YoY		44.5	8.2	46.7	11.0	31.4

Non-food inflation

In September 2022, non-food prices increased by 17.0% YoY (15.5% in August). The contribution of this group of goods to the overall level of consumer prices amounted to 0.6 percentage points (5.1 percentage points). **The negative consequences of the cost increase of utilities and rental are reflected in the prices of non-food products.**

In addition, delays in deliveries, the continued rise in the cost of imported goods and an increase in

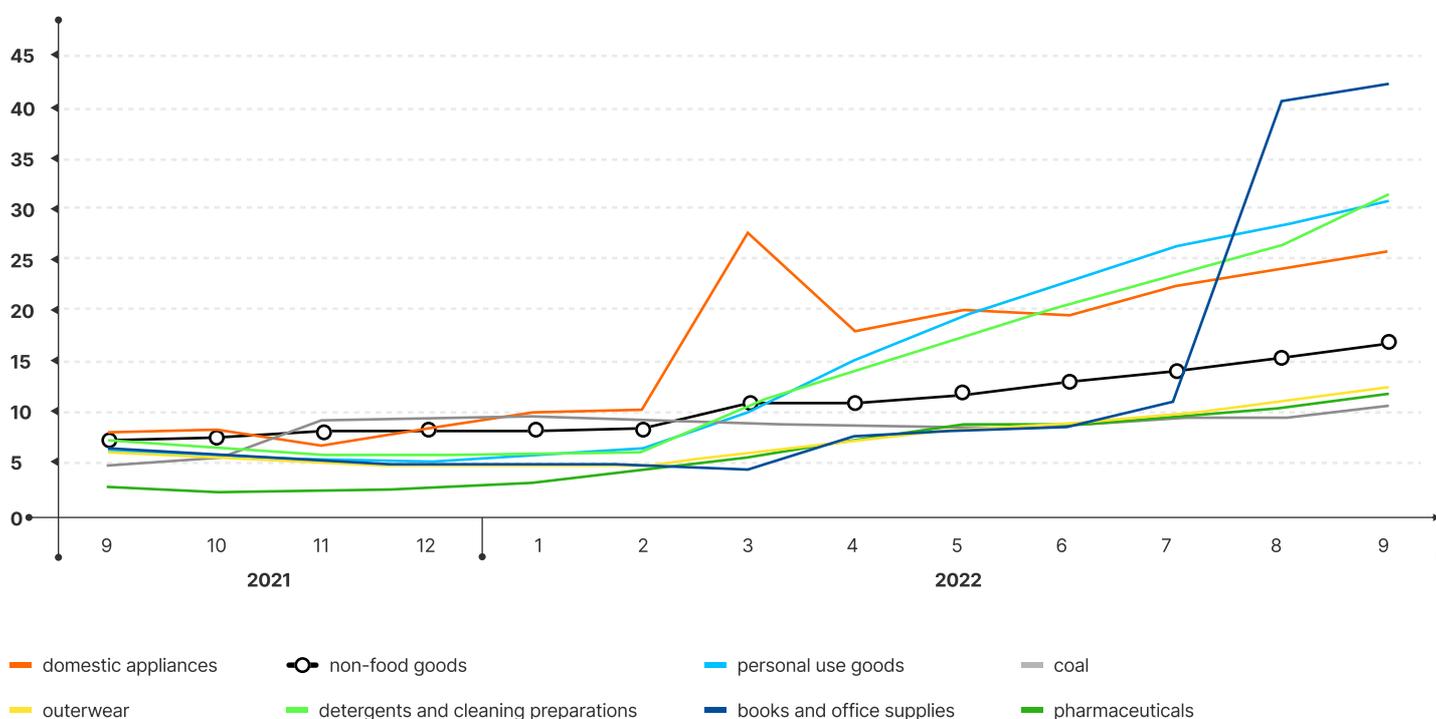
transportation prices have led to an increase in the cost of most groups of goods included in the structure of non-food inflation.

The structure and dynamics of wholesale and retail trade for the 5th month in a row show a significant decrease in the consumption of non-food products. The reason is the high prices for them and the necessity to meet needs that are more important for life and less sensitive to price changes, the cost of which is also growing.

Dynamics of non-food inflation

(in %, YoY)

Source: Bureau of National Statistics of the Republic of Kazakhstan

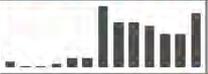
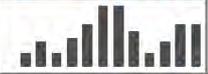
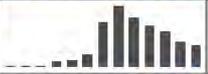
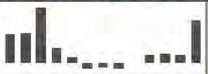


Non-food inflation

Dynamics of non-food inflation

(in %)

Source: Bureau of National Statistics of the Republic of Kazakhstan, Jusan Analytics calculations

Name of a component	Change	Dynamics for the last 12 months	Inflation in September 2022	Average inflation level in September 2019-2021	2022 inflation level		
					Maximum	Minimum	Average
Non-food goods	MoM		1.9	0.5	2.8	0.3	1.5
	YoY		17.0	6.1	17.0	8.5	12.3
Outerwear	MoM		1.6	0.4	2.0	0.3	1.2
	YoY		12.7	5.7	12.7	4.9	8.3
Domestic appliances	MoM		1.6	0.4	13.5	-5.8	2.4
	YoY		25.8	7.6	27.8	10.2	19.9
Detergents and cleaning	MoM		4.4	0.5	5.0	0.8	3.0
	YoY		31.5	7.9	31.5	6.2	17.5
Pharmaceuticals	MoM		1.2	0.4	1.7	0.4	1.1
	YoY		12.0	6.5	12.0	3.3	7.9
Books and office supplies	MoM		1.8	0.7	30.0	0.0	4.4
	YoY		42.4	6.0	42.4	4.8	14.9
Personal use goods	MoM		2.0	0.4	5.2	0.7	2.9
	YoY		30.8	7.4	30.8	5.8	18.4
Hard coal	MoM		2.9	1.1	2.9	-0.4	0.4
	YoY		10.8	4.4	10.8	8.8	9.4

Service inflation

During the month under review, the increase in prices for services amounted to 2.7% MoM (12.3%), and the component contribution to the overall level of consumer inflation was 0.8% (3.6 percentage points).

Despite the continued substantial increase in the cost of food, there was a slowdown in the growth of prices for services of restaurants and hotels, as well as catering activities in September. **This can be facilitated by 2 factors at once: a seasonal decline in demand or its decline against the background of a decrease in disposable household income.**

Prices in the rental market, education and utilities have increased most noticeably in just a month.

The observed increase in prices for renting and utilities contributes to the future strengthening of inflationary pressure in the economy, as business representatives will shift the increase in costs to buyers through an increase in margin.

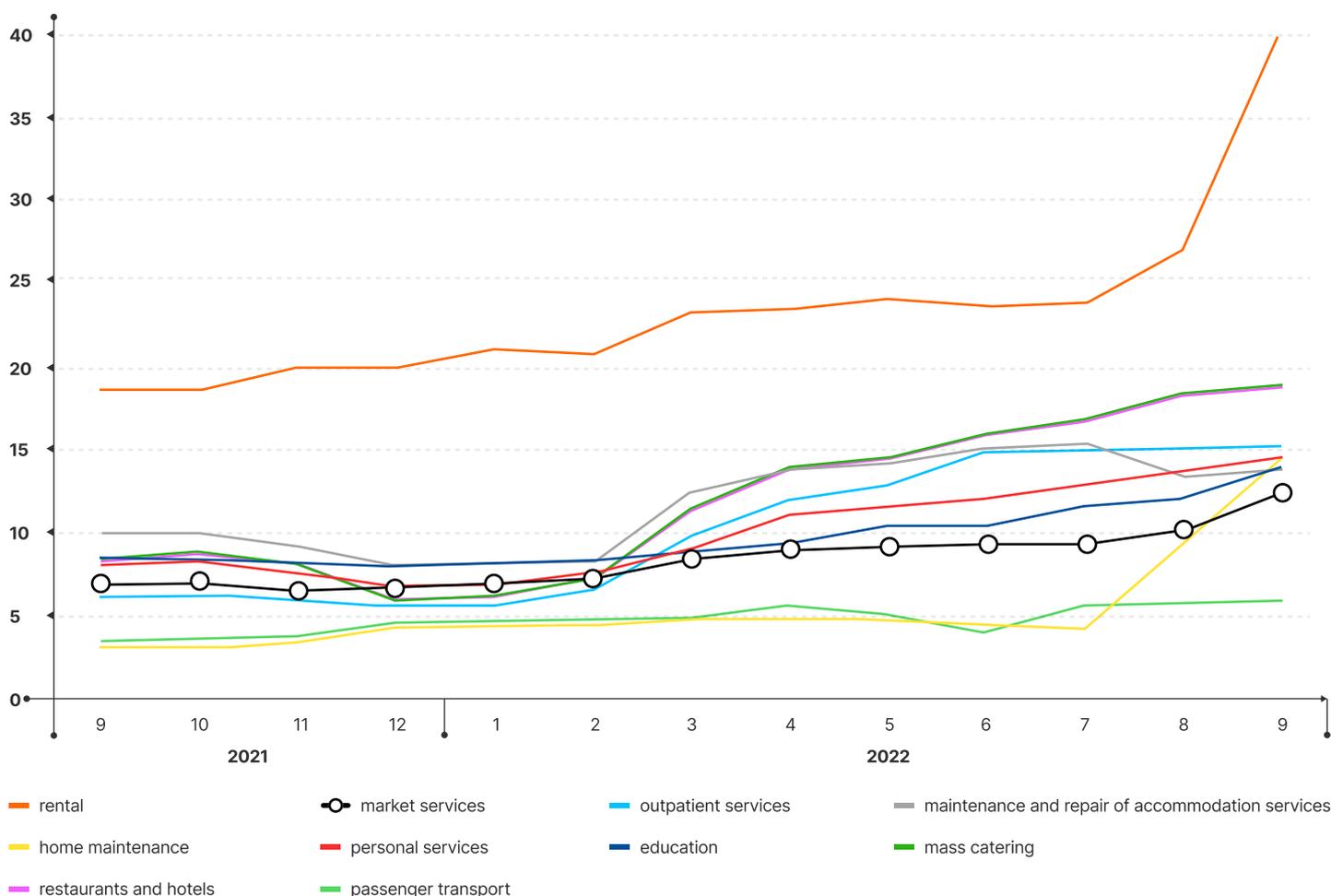
Further expansion of inflation hinders curbing it.

Consumers still manage to spend more compared to last year only **thanks to significant budget expenditures and continuing incentives in consumer lending, expressed in a relatively low level of market rates.**

Dynamics of service inflation

(in %, YoY)

Source: Bureau of National Statistics of the Republic of Kazakhstan



Service inflation

Dynamics of service inflation

Source: Bureau of National Statistics of the Republic of Kazakhstan, Jusan Analytics calculations

(in %)

Name of a component	Change	Dynamics for the last 12 months	Inflation in September 2022	Average inflation level in September 2019-2021	2022 inflation level		
					Maximum	Minimum	Average
Market services	MoM		2.7	0.5	2.7	0.6	1.1
	YoY		12.3	3.7	12.3	6.8	9.0
Rental	MoM		13.1	2.1	13.1	0.1	3.5
	YoY		40.7	18.6	40.7	20.7	25.3
Maintenance and repair of accommodation services	MoM		0.3	0.2	4.4	0.1	1.3
	YoY		13.7	7.9	15.3	7.9	12.6
Home maintenance	MoM		4.8	0.0	5.4	0.0	1.4
	YoY		14.5	1.7	14.5	4.0	6.1
Outpatient services	MoM		0.6	0.4	3.5	0.5	1.5
	YoY		15.1	6.5	15.1	5.5	11.8
Passenger transport services	MoM		-0.8	-0.2	2.4	-0.8	0.5
	YoY		5.7	3.8	5.7	4.0	5.0
Education	MoM		7.9	3.3	7.9	0.1	1.4
	YoY		13.8	4.6	13.8	8.1	10.2
Restaurants and hotels	MoM		0.7	0.4	3.9	0.3	1.8
	YoY		18.7	6.7	18.7	6.1	13.5
Mass catering services	MoM		0.7	0.4	3.9	0.3	1.8
	YoY		18.9	6.8	18.9	6.1	13.7

Regional inflation

Depending on the region of Kazakhstan, annual inflation was in the range of 15.8-21.7%.

Compared to the previous periods of 2022, **the upper bound of the inflation range by region shifted as much as possible up from the national average.**

The maximum of regional inflation is still observed in Mangystau region – 21.7% (due to a significant increase in food prices by 29.7%), and the minimum price growth was noted in Zhambyl region (all components of consumer inflation are much lower than the national ones).

The maximum regional scatter is observed in the growth rates of non-food inflation. The lowest growth rate in the republic is noted in Almaty city

– 13.8%, and in Astana non-food products have risen in price as much as possible (26.3%) compared to other regions of the country.

The greatest acceleration of price growth in September is noticed in Astana, Kostanay, Mangistau and Almaty regions. At the same time, in the capital the acceleration occurred against the background of the growth of the non-food component of the consumer basket, in Kostanay region - due to service inflation, in Mangystau and Almaty regions - due to the acceleration of food prices.

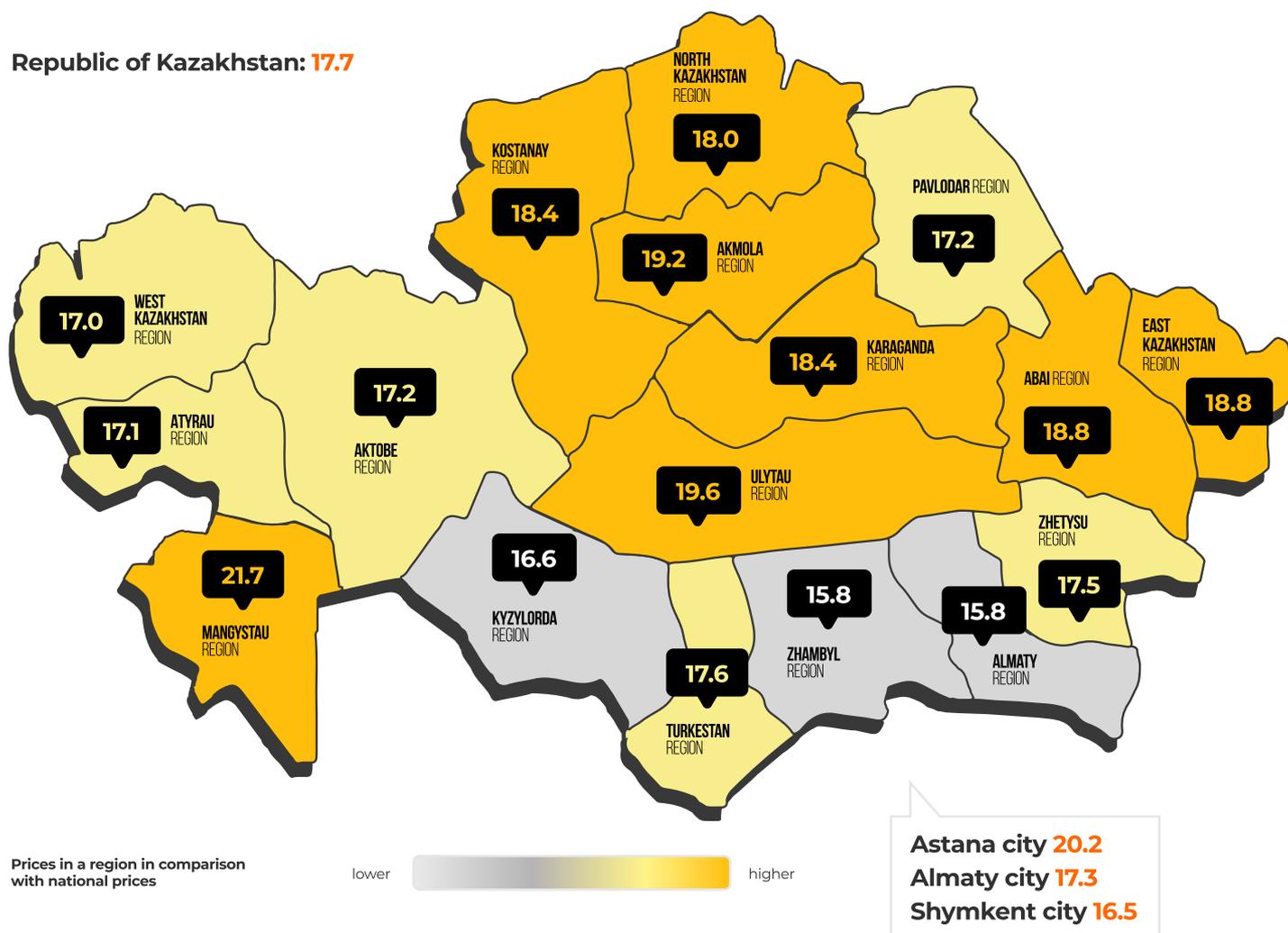
The lowest growth rate of consumer prices in annualized terms in comparison with August is observed in Atyrau, West Kazakhstan, Zhambyl and Ulytau regions and in Shymkent city.

Dynamics of regional inflation

(in %, YoY)

Source: Bureau of National Statistics of the Republic of Kazakhstan

Republic of Kazakhstan: **17.7**

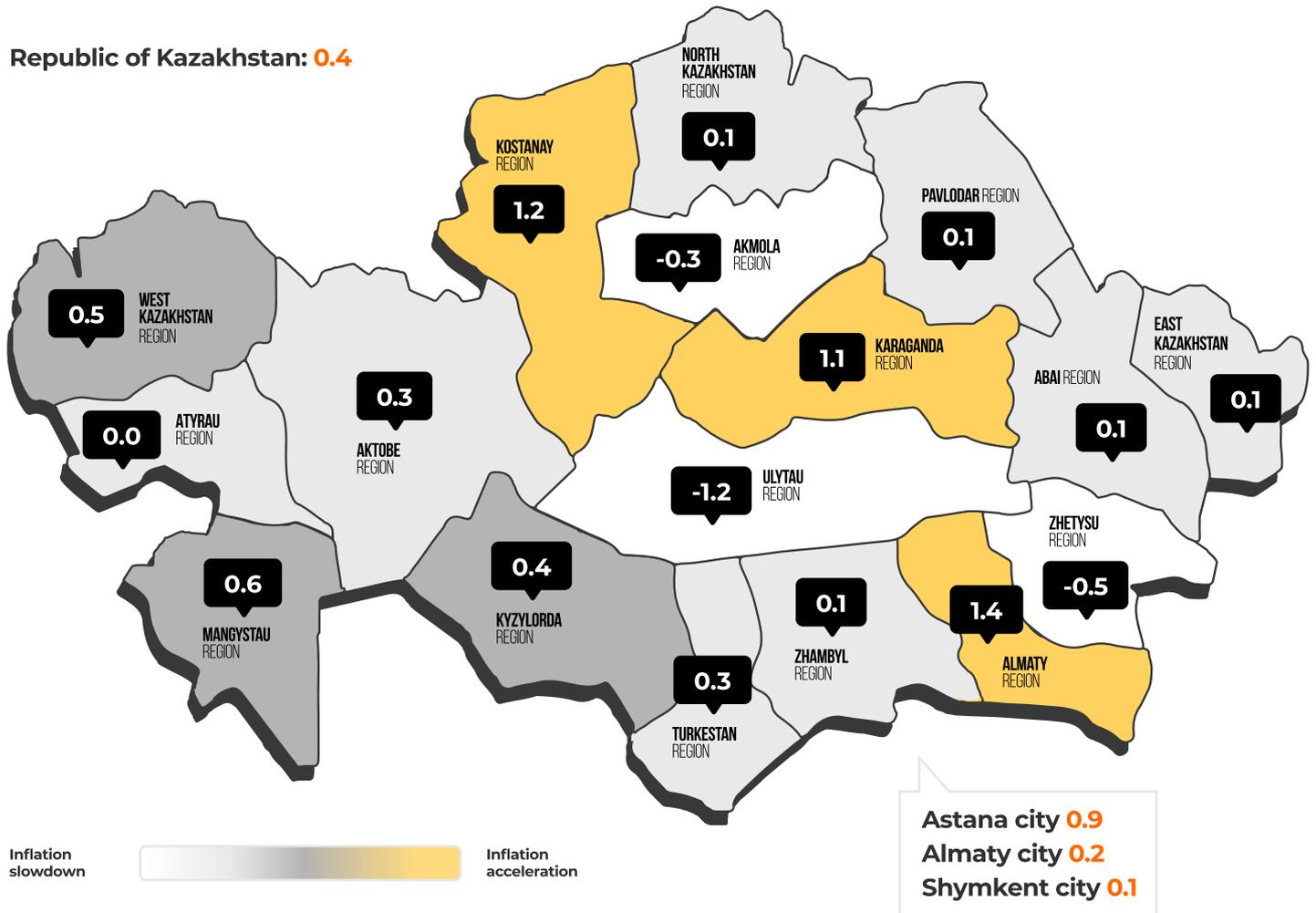


Regional inflation

The difference in the monthly inflation increase
(for September and August 2022, percentage points)

Source: Bureau of National Statistics of the Republic of Kazakhstan

Republic of Kazakhstan: **0.4**



Regional inflation

CPI inflation by regions

(in %)

	Goods and services		Food commodities		Non-food goods		Market services	
	YoY	MoM	YoY	MoM	YoY	MoM	YoY	MoM
Republic of Kazakhstan	17.7	1.8	22.2	1.2	17.0	1.9	12.3	2.7
Abai region	18.8	1.8	23.0	1.1	18.7	2.1	13.1	2.8
Akmola region	19.2	1.5	23.7	1.0	18.5	1.2	13.5	2.8
Aktobe region	17.2	1.5	24.3	0.5	16.3	1.7	8.2	2.8
Almaty region	15.8	2.0	21.4	1.9	14.7	1.9	9.1	2.3
Atyrau region	17.1	0.9	22.2	0.6	17.2	1.1	9.7	1.4
West Kazakhstan region	17.0	1.6	20.9	1.0	16.4	1.4	12.1	2.6
Zhambyl region	15.8	1.4	20.9	0.7	15.4	1.6	9.1	2.4
Zhetysu region	17.5	1.1	23.4	0.8	16.9	1.4	9.7	1.1
Karaganda region	18.4	2.3	21.8	1.7	18.6	2.3	13.5	3.2
Kostanay region	18.4	2.5	22.4	1.1	16.8	1.9	14.5	5.4
Kyzylorda region	16.6	1.5	21.4	1.6	15.9	1.6	10.3	1.3
Mangystau region	21.7	2.4	29.7	3.2	17.8	0.8	14.2	2.9
Pavlodar region	17.2	1.3	22.6	0.9	16.4	1.3	10.5	1.9
North Kazakhstan region	18.0	1.7	22.8	0.8	16.5	1.2	12.8	3.8
Turkestan region	17.6	1.6	21.8	0.1	16.8	2.1	12.2	2.0
Ulytau region	19.6	1.5	21.3	1.3	20.4	1.9	16.5	1.3
East Kazakhstan region	18.8	1.9	22.8	1.5	19.7	2.6	12.4	1.8
Astana city	20.0	2.8	21.0	2.0	26.3	4.3	12.0	2.4
Almaty city	17.3	1.8	21.2	0.8	13.8	1.5	15.5	3.8
Shymkent city	16.5	1.5	21.3	1.0	15.2	2.1	11.0	1.7

Prices in a region in comparison with national prices



Risks and prospects

The current geopolitical situation is such that **high rates of consumer price growth are a problem for the whole world**. And the reason is high energy prices caused by structural imbalances in the energy market, periodic shortages in the food and fertilizer markets, as well as problems with a gap in global production and logistics chains.

The key central banks of the world consider continuing to pursue an aggressive strategy to combat persistently high inflation more important than maintaining the positive dynamics of economic growth. Strong signals about the future intentions of central banks to continue raising interest rates **increase the likelihood of the imminent realization of recession risks in the global economy amid the deteriorating prospects for aggregate demand, increased capital outflows from riskier markets and a corresponding increase in pressure on the currencies of developing countries**.

Along with frequently changing external conditions, which mostly undesirably affect the domestic economy, no signs of stabilization in internal inflationary processes serve as prerequisites for maintaining increased inflationary pressure until at least the end of the 1st quarter of 2023.

It is necessary to neutralize the influence of factors contributing to the emergence of excessive and unbalanced growth in aggregate demand and create opportunities for increasing supply volumes to slow down inflation.



Author: Aizhan Alibekova (A.Alibekova2@jusan.kz)

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6th floor, block B, building 36, Al-Farabi avenue,
A25D5F7, Almaty city, the Republic of Kazakhstan.
analytics@jusan.kz



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