



October 2022

Price barometer

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Main conclusions

 <p>There are signs of inflationary pressure weakening in the context of a general decline in consumer demand in the world economy. Now the prospects for global economic growth are more pessimistic</p>	 <p>The annual growth rate of prices reached 18.8% – all components of the consumer basket made a significant contribution. The core inflation indicator exceeds the value of the general one, which indicates the wide and stable nature of inflationary processes spread</p>	 <p>An acceleration of food inflation was caused by the gradual depletion of the disinflationary effect of seasonal cheapening of fresh fruits and vegetables, while non-food and service slowed down</p>
 <p>Household inflation expectations have worsened and exceeded the actual level of inflation. This means that Kazakhstan citizens have changed their opinion about the imminent inflation slowdown and expect a longer price increase during 1 year</p>	 <p>The deterioration of inflation expectations is one of the key factors in favour of the likely tightening of monetary conditions within the framework of the indicated approaches and rhetoric of the National Bank of Kazakhstan to making decisions on the base rate</p>	 <p>According to our expectations, the main trigger for consumer price growth will be food shortly. Domestic prices may be affected by insufficient domestic production and the global rise in food prices, which may lead to the intention of several countries to ensure their food security</p>
 <p>The consumer prices increase in October is in line with the expectations of Jusan Analytics. Our forecasts suggest an acceleration of inflation to 20.8-21.3% by the end of this year</p>		

Risks and prospects

Following our expectations, the current geopolitical situation assumes the continuation of large-scale inflationary pressure with more obvious demonstrations of recessionary processes until the end of 2023.

The rise in the price of grain on the world commodity markets observed since the beginning of autumn carries the threat of a re-acceleration of external food inflation against the background of growing demand and a simultaneous decrease in supply. We see insufficient supply in the food market that deteriorate estimates of the harvest and supply problems, together with the desire of countries to ensure food security, which can lead to an increase in world prices and will also affect domestic food prices.

The preservation of oil quotes at the current level, the main factors of which are low reserves combined with growing demand at the beginning of winter, allows us to expect further pro-inflationary pressure from import prices with continued growth in oil revenues. And in the context of declining forecasts for the prospects of the domestic economy, this will contribute to further growth of government spending.

Increased inflation in the main trading partners (in the EU – the acceleration of inflation to double-digit values, in Russia - the growth of suppressed inflation and sanctions and geopolitical difficulties), together with the deterioration of conditions in world supply chains, as well as the pressure of the global dollar on tenge, contributes to the preservation of the negative impact of external factors on the inflationary background in Kazakhstan.

Inflation expectations exceeding the current level of inflation directly impact the consumer behaviour of the population and shifts it more towards current purchases and capital investments. At the same time, the corresponding price pressure on households with low incomes and a lack of savings will generate demand for expanding social support and replacing spending with consumer lending.

In addition, the risk of internal supply and demand imbalances in certain commodity markets and the subsequent acceleration of inflation remains high.

In general, the growth of consumer prices corresponds to Jusan Analytics forecasts, which assume an inflation acceleration to 20.8-21.3% by the end of this year, followed by its slowdown to 9.0-9.5% at the end of 2023, which will continue to be above the inflation target.

Global trend

In October, **the external inflationary background was characterized by a slight decrease.**

In China, inflation has fallen to the lowest growth rate for the last more than six months – 2.1% YoY (0.1% MoM). This is due to two following factors: the high base of 2021 and declining consumer demand.

Inflation in the US is showing the first signs of a disinflationary trend. In October, US consumer prices (CPI) slowed to 7.7% YoY, which is lower than market forecasts for the first time (7.9%) and is the lowest since the beginning of 2022 (8.2% in September). The basic indicator of consumer inflation also formed below expectations: 6.3% vs. 6.5%. The US Producer Price Index (PPI), which is considered a key indicator of overall inflation in the US has risen by 8.0% year-on-year (8.5% in September), which is also below forecasts. The dynamics of these macro indicators may mean a slight slowdown in the policy of active tightening of monetary conditions soon.

In Russia, official inflation data correspond to a slowdown of 12.6% YoY (0.2 MoM), which is caused by falling demand and the predominance of a hidden inflationary processes due to the emerging shortage of goods.

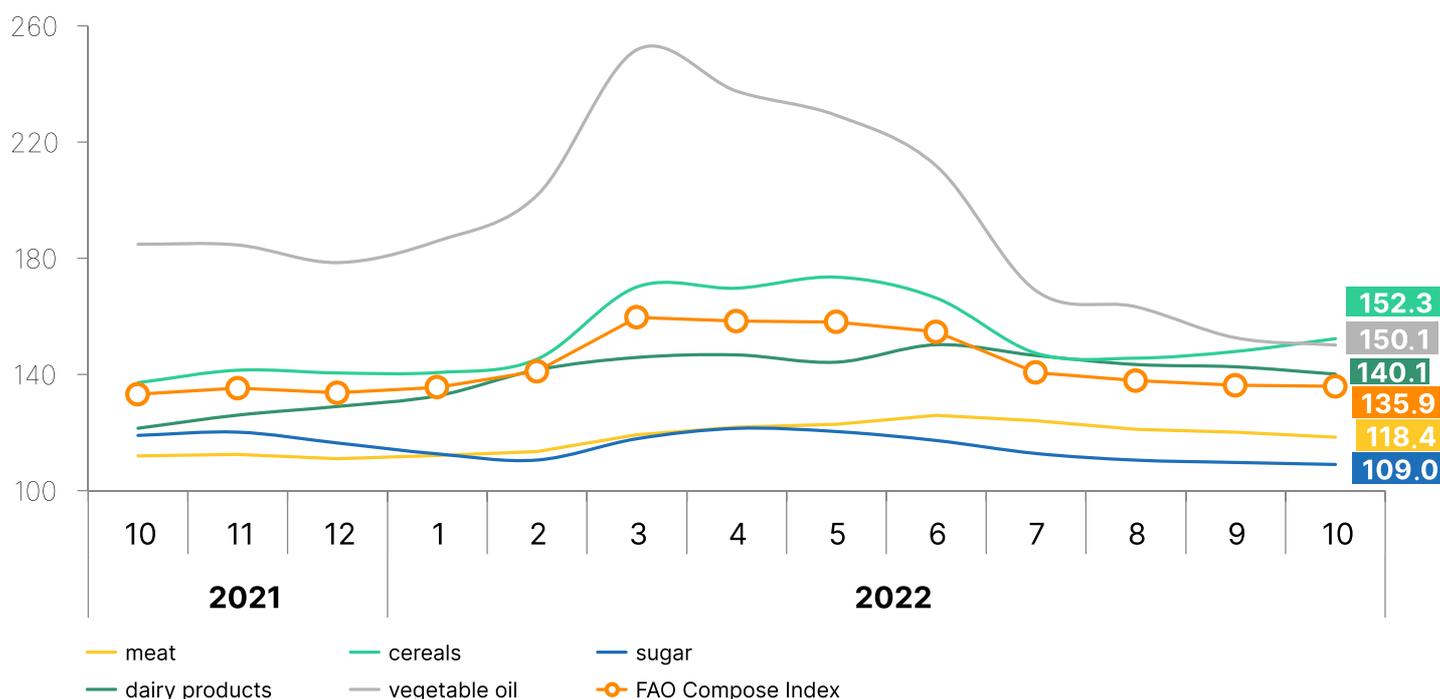
The World Food Price Index has been falling for 7 months in a row. For 7 months, food prices have decreased by almost 15% from peak values. At the same time, grain prices, on the contrary, are growing due to deteriorating estimates of the harvest volume and the continuing uncertainty around the Black Sea Grain Initiative.

The rather aggressive and rapid tightening of financial conditions in response to steadily rising prices has hurt aggregate demand in the global economy, as evidenced by the sudden twofold slowdown in global growth from 6% in 2021 to the current 3.2%.

FAO Food Price Index

(2014-2016=100, points)

Source: Food and Agriculture Organization of the United Nations



Global trend

The pressure in supply chains in October, which is estimated by the corresponding Index of the New York Federal Reserve Bank, **shows an increase after a five-month decline**. It is caused by upward pressure from delivery times to Taiwan, purchases in Taiwan, outbound air transportations from Asia and unfinished orders in the UK.

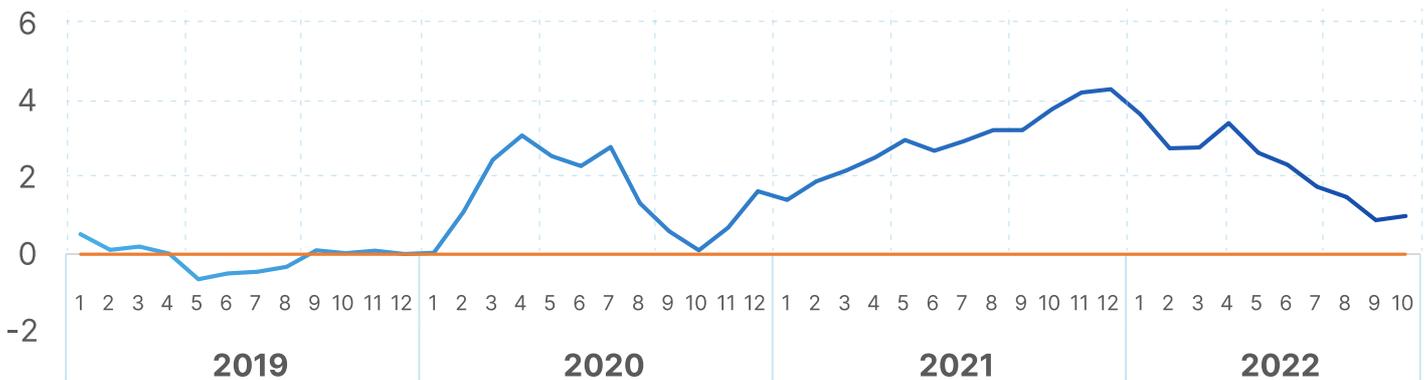
This decrease is explained by the cheaper rates of international freight from/to China. The cost of transportation between the Old and New World shows a less significant increase relative to the fall in China. China's compliance with the zero-tolerance policy, even despite its recent easing, complicates supply chains and leads to a further increase in rates due to low demand for container transportation.

At the same time, the **World Container Index** (Drewry's World Container Index composite) fell by more than 20% compared to September.

Supply Chain Pressure Index

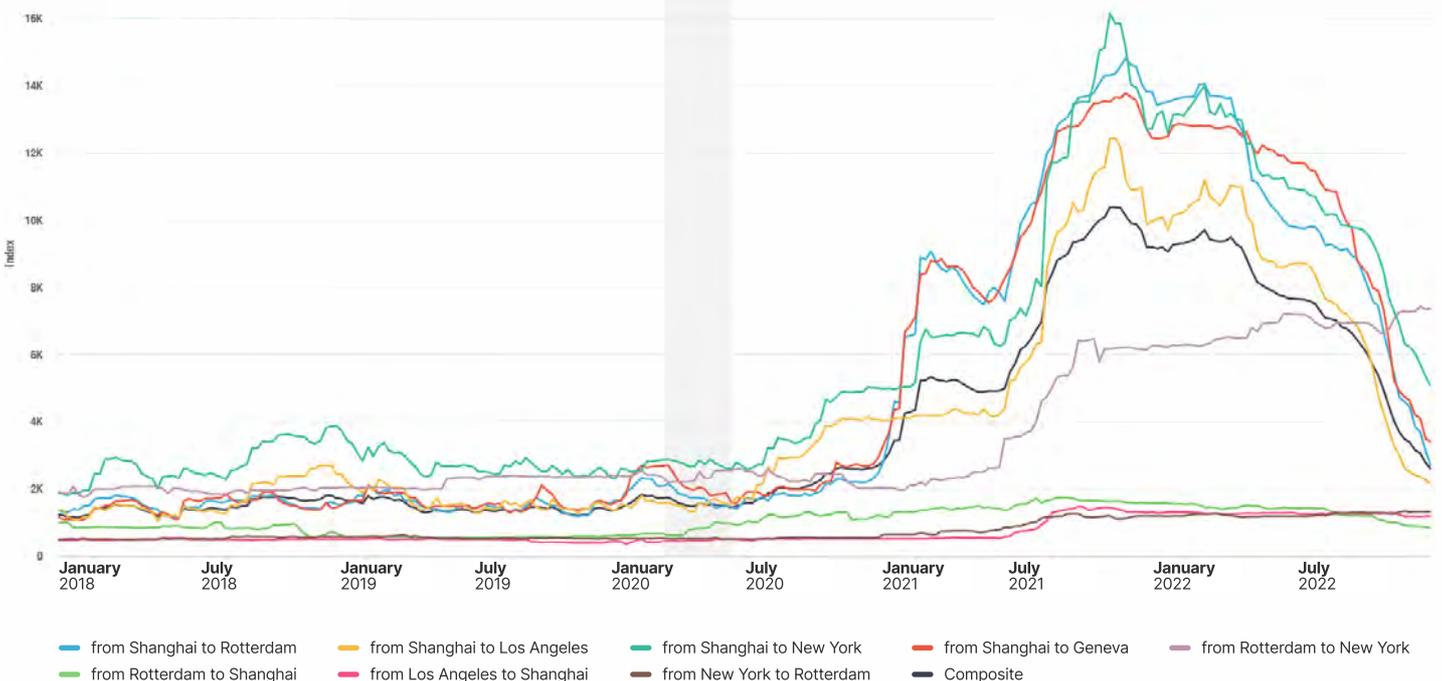
(number of standard deviations from the average)

Source: www.newyorkfed.org



Drewry World Container Index

Source: www.en.macromicro.me



Domestic inflation

According to the BNS, consumer prices in October rose to 18.8% in annualized terms. The observed rate of inflation is 2 times faster than in the same period last year and continues to exceed the target corridor of the National Bank by several times.

The growth of consumer inflation is seen in all components of the consumer basket:

- Food commodities–23.1% (22.2% in September);
- Non-food goods–17.9% (17.0%);
- Market services– 13.5% (12.3%).

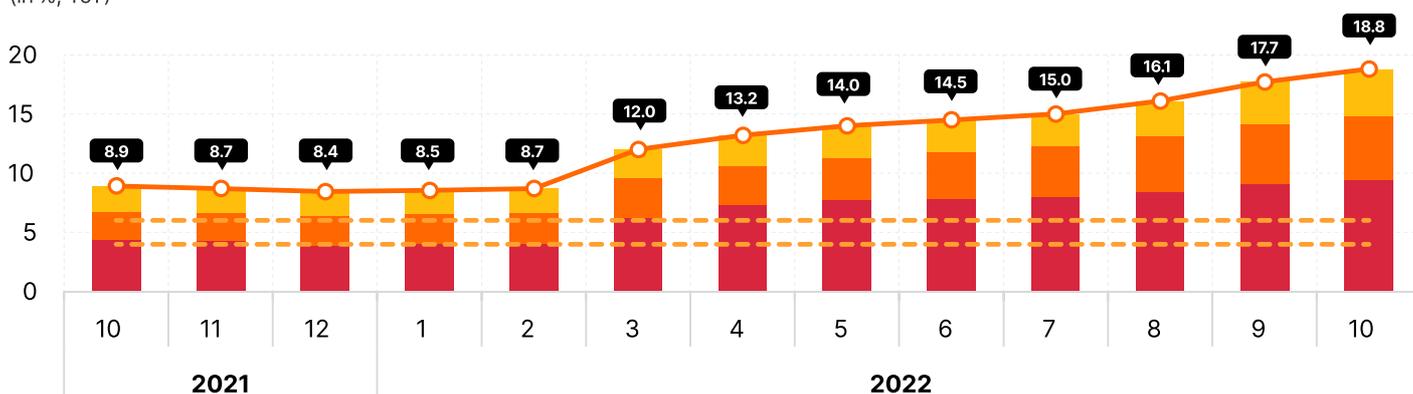
Core inflation continues to form at elevated levels, reaching 21.0%, which is also higher than the general inflation rate and it is a signal of a stable and increased inflationary background in the economy.

Household inflation expectations have deteriorated significantly. The quantified estimate of expected inflation in a year rose to 19.0% (16.5% in September), which is higher than the actual value of consumer inflation. This means that the population has changed their opinion about the temporality of the current inflationary processes and expects a long and fairly steady price growth during one year.

CPI inflation¹

(in %, YoY)

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

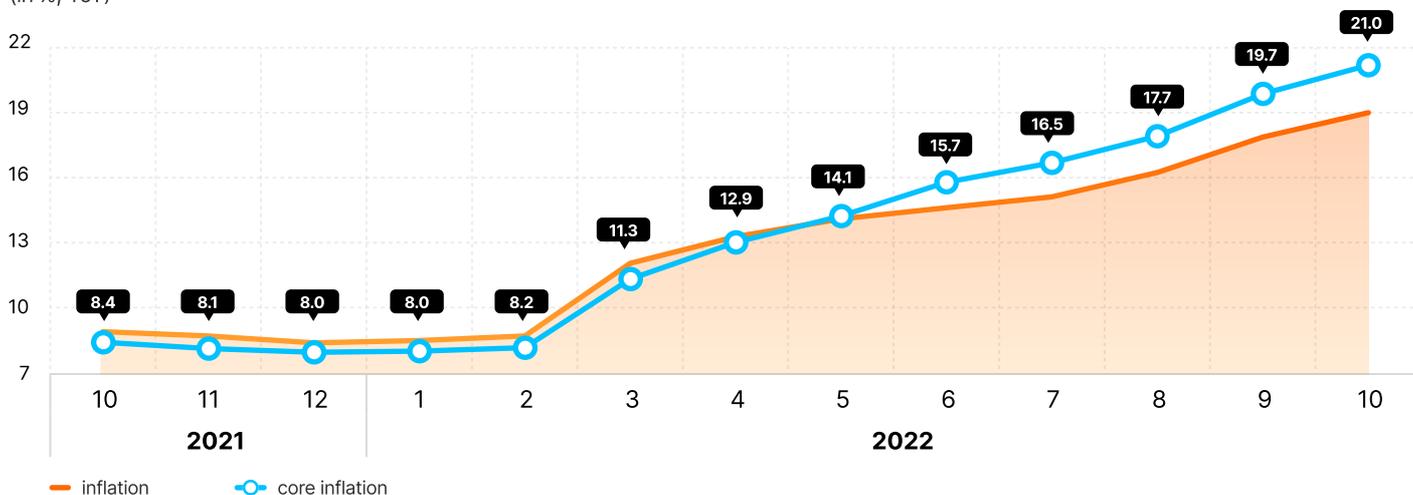


market services the National Bank of the Republic of Kazakhstan target corridor inflation non-food goods food commodities

Core inflation²

(in %, YoY)

Source: Bureau of National Statistics of the Republic of Kazakhstan



inflation core inflation

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

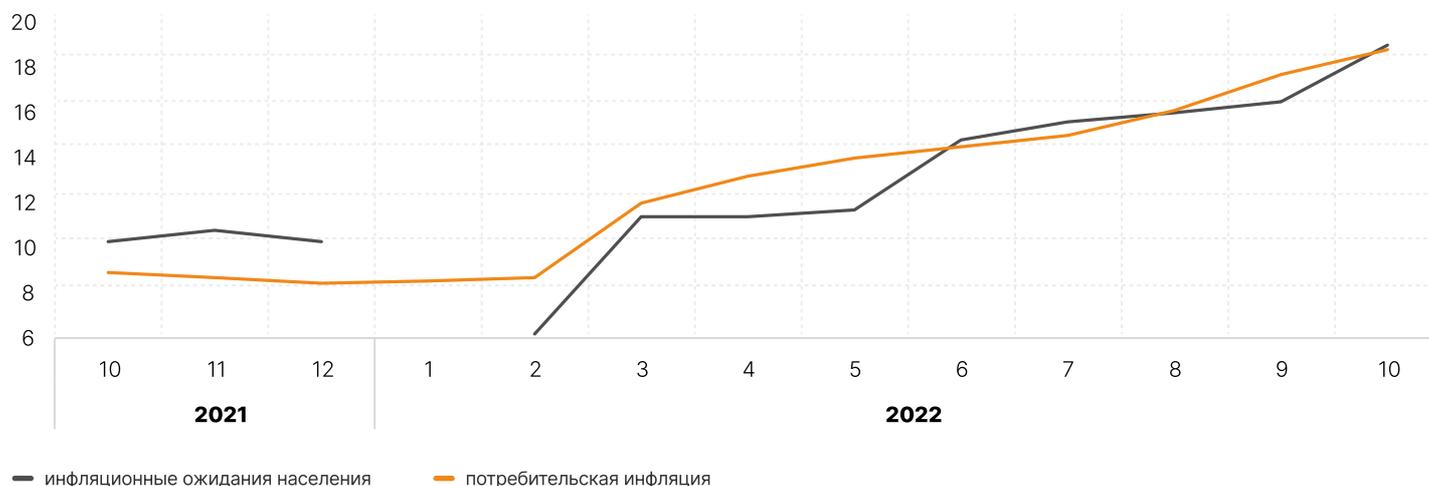
² Core inflation is excluding fruits and vegetables, housing and public utility services, rail transport, communications, gasoline, diesel fuel and coal.

Domestic inflation

Annual consumer inflation and inflation expectations

Source: Bureau of National Statistics of the Republic of Kazakhstan, National Bank of Kazakhstan

(in %)



Monthly inflation in October was 1.6% (1.8% in September). The inflation rate accelerated by more than 2 times compared to the corresponding period last year. **The main factor in the formation of the inflationary environment in October was food products** due to the relatively greater weight in the consumer basket. At the same time, service inflation shows a noticeable slowdown.

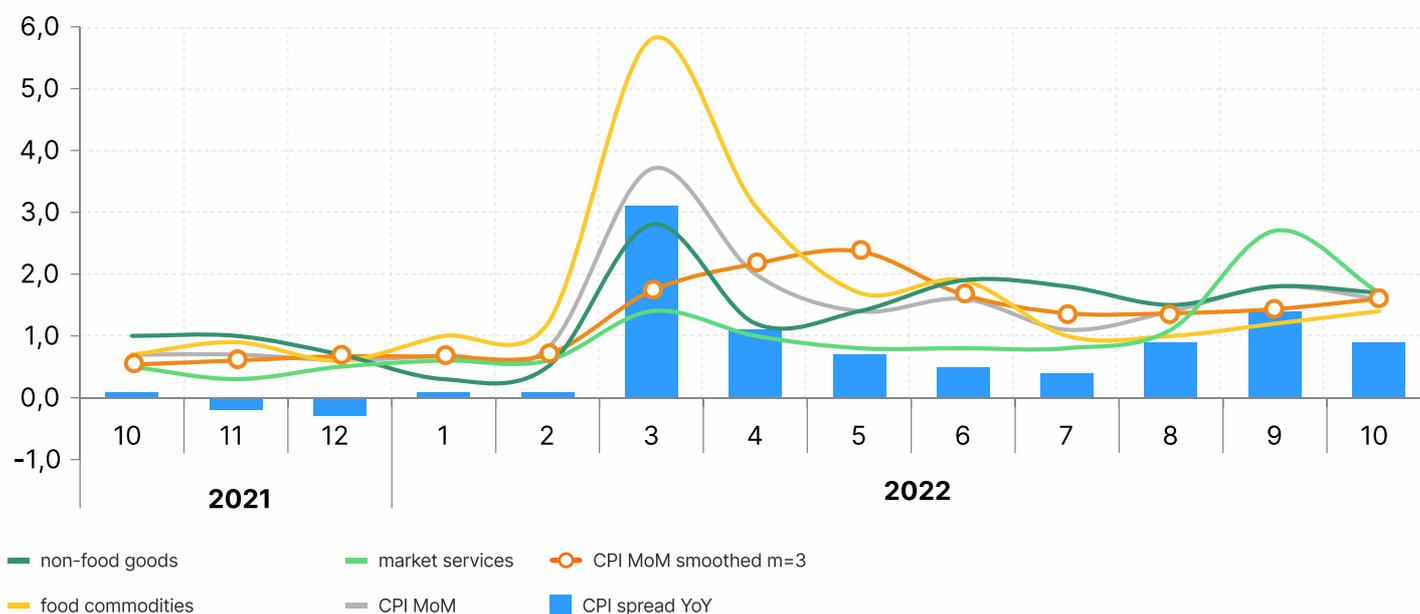
The growth rates of the components of inflation, given their weight ratio in the consumer basket, have become more uniform:

- Food commodities– 1.4% (0.6% given the weight) vs. 1.2% in September;
- Non-food goods– 1.7% (0.5%) vs. 1.9%;
- Market services– 1.7% (0.5%) vs. 2.7%.

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 1.4% MoM (23.1% YoY), and the contribution of this component to the overall level of consumer prices was 0.6 percentage points MoM (9.4 percentage points YoY). Despite the observed monthly slowdown in the growth of prices for most food products, the acceleration of the growth of the food component of inflation was facilitated by **the gradual depletion of the disinflationary effect of the seasonal cheapening of fresh fruits and vegetables.**

The rise in the price of livestock products against the background of the continuing increase in basic production costs is one of the reasons for the continued increase in consumer prices for chicken eggs, most types of meat and dairy products. The increase in production costs is explained by a complex of factors, including an increase in the cost of forage crops amid insufficient domestic production of forage crops due to a decrease in

domestic acreage, an increase in the cost of mineral fertilizers, as well as an increase in the cost of purchasing and transporting imported fodder, vaccines and equipment

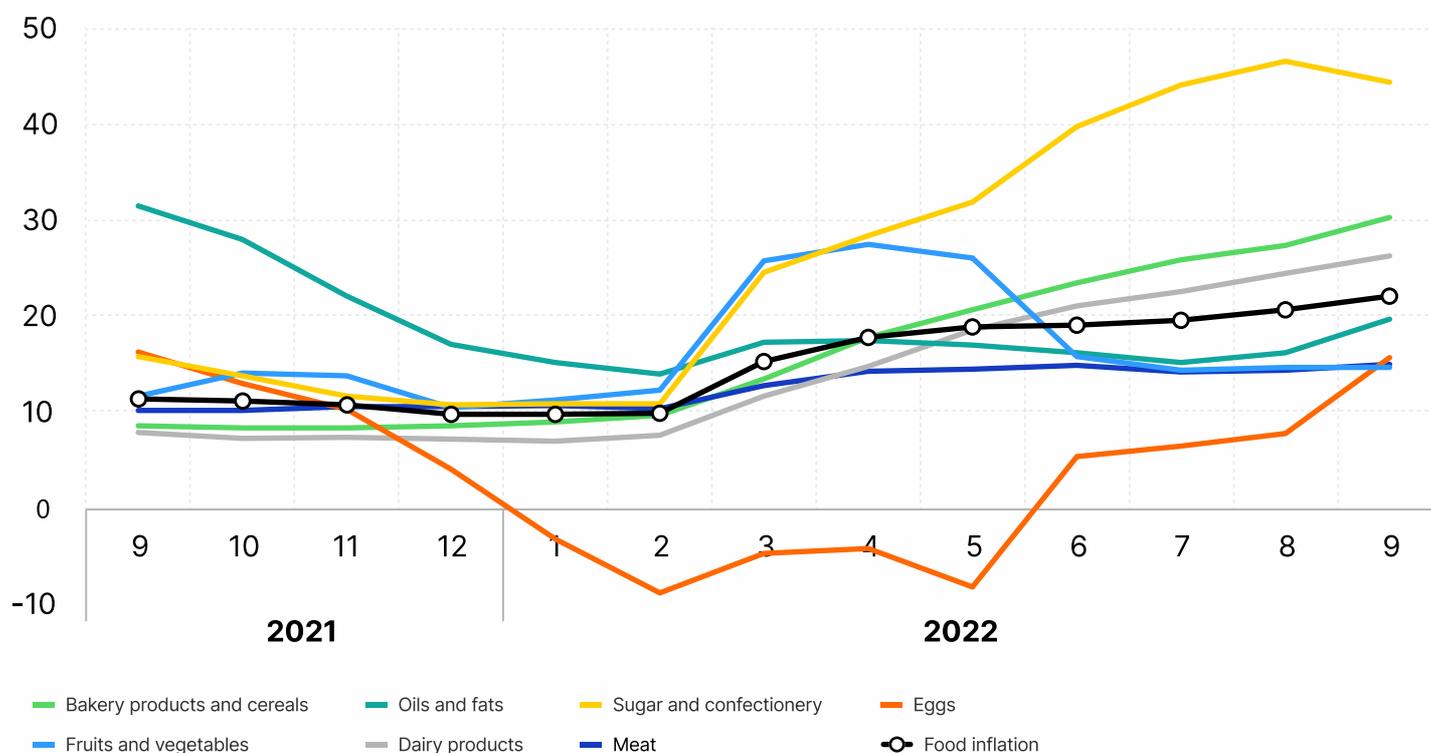
Geopolitical turbulence and deteriorating estimates of grain harvest volumes increase inflationary pressure, which is especially strongly felt in the food market due to their greater specific component in the consumer basket.

In addition, the increase in prices for all types of food, in general, is caused by the margin laid down by intermediaries, since food products go through several stages of gradual price growth before getting on the shelves of stores.

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 October 2022	Average inflation level in October 2019-2021	2022 inflation level		
					Maximum	Minimum	Average
Food commodities	MoM		1.4	0.8	5.8	1.0	1.9
	YoY		23.1	10.4	23.1	9.9	17.7
Bakery products and cereals	MoM		1.7	1.0	4.4	0.7	2.7
	YoY		32.1	11.5	32.1	9.1	21.1
Meat (including meat products)	MoM		1.1	0.7	2.9	0.3	1.4
	YoY		15.9	11.2	15.9	10.5	13.8
Fish and seafood	MoM		2.3	0.8	3.6	1.0	2.1
	YoY		24.3	10.8	24.3	9.3	16.8
Dairy products	MoM		1.7	0.8	4.6	0.4	2.4
	YoY		28.2	7.5	28.2	7.1	18.3
Eggs C1	MoM		6.3	7.0	7.5	-6.8	1.3
	YoY		14.8	13.2	15.8	-8.7	2.2
Oils and fats	MoM		1	1.5	4.2	0.2	1.9
	YoY		20.6	15.4	20.6	14.1	17.0
Fruits and vegetables	MoM		1.3	0.2	13.9	-4.7	1.1
	YoY		14.6	11.6	27.6	11.4	14.3
Sugar and confectionery	MoM		0.1	0.6	13.3	-0.6	3.7
	YoY		43.8	7.8	46.7	11.0	32.6

Non-food inflation

In October 2022, non-food prices increased by 17.9% YoY (17.0% in September). The contribution of this group of goods to the overall level of consumer prices amounted to 0.5 percentage points (5.4 percentage points). **The negative consequences of the increase in utility tariffs, the cost of the rental, as well as the weakening of tenge against foreign currencies since the beginning of the year and difficulties in supply chains explain the rise in the cost of non-food products.**

In addition, the accelerating increase in prices for transportation, warehousing and handling services contributes to an increase in non-food inflation.

A noticeable acceleration in price growth was observed in goods with a high import component,

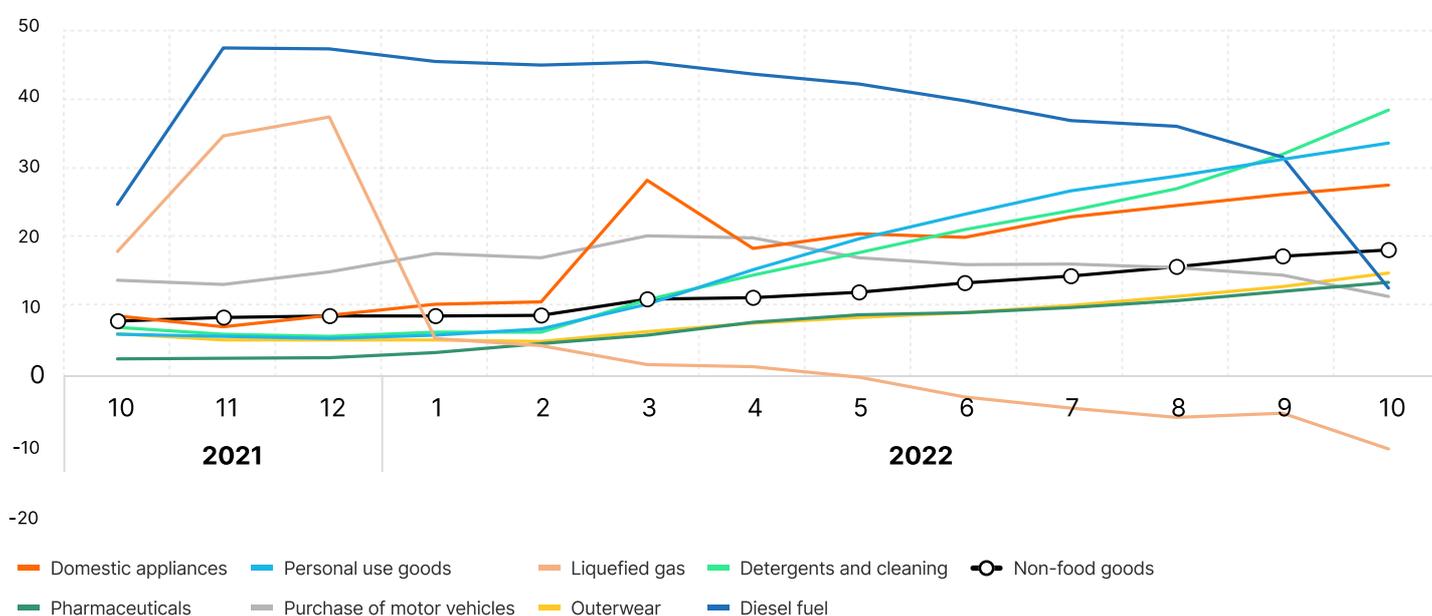
especially for personal use goods, detergents and cleaning products, household appliances and medicines.

The deflation of some types of non-food products contributed to the slowdown in non-food inflation. Liquefied natural gas, diesel fuel, and motor vehicles have noticeably fallen in price among non-food products in annualized terms. Here, the main factor was administrative restrictions on fuel and gas, as well as a decrease in the propensity of the population to make large and expensive purchases with high prices for consumer goods that are more important from the point of view of vital necessity.

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

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 October 2022	Average inflation level in October 2019-2021	2022 inflation level		
					Maximum	Minimum	Average
Non-food goods	MoM		1.7	0.7	2.8	0.3	1.5
	YoY		17.9	6.3	17.9	8.5	12.9
Outerwear	MoM		2.1	0.5	2.1	0.3	1.3
	YoY		14.6	5.5	14.6	4.9	9.0
Domestic appliances	MoM		2.1	0.8	13.5	-5.8	2.4
	YoY		27.1	7.5	27.8	10.2	20.6
Detergents and cleaning	MoM		5.0	0.4	5.0	0.8	3.2
	YoY		37.8	7.8	37.8	6.2	19.5
Pharmaceuticals	MoM		1.6	0.4	1.7	0.4	1.2
	YoY		13.3	6.5	13.3	3.3	8.5
Покупка автотранспортных средств	MoM		0.6	1.5	3.5	-0.4	0.9
	YoY		11.3	10.1	19.9	11.3	16.3
Personal use goods	MoM		2.1	0.5	5.2	0.7	2.8
	YoY		33.1	7.0	33.1	5.8	19.9
Газ сжиженный	MoM		0.6	6.4	2.9	-0.4	0.6
	YoY		-10.4	17.7	5.3	-10.4	-1.7
Diesel fuel	MoM		0.1	16.6	0.7	-1.3	-0.1
	YoY		12.5	24.4	44.7	12.5	37.2

Service inflation

During the month under review, the increase in prices for services amounted to 1.7% MoM (13.5%), and the contribution of the component to the overall level of consumer inflation was 0.5 percentage points (3.9 percentage points).

Service inflation has significantly slowed compared to last month, but it is still at a record high over the past 15 years and exceeds the growth rate of consumer inflation entirely by the end of October 2022.

Prices in the rental market and hotel services have increased most noticeably in a month, which is explained by demand shocks due to the migration of Russian citizens against the background of the announcement of partial mobilization in a neighbouring country and an increase in the cost of housing and utility services.

Due to the planned increase in the cost of services announced by electricity suppliers in the summer amid rising costs for the repair and maintenance of networks, tariffs for housing maintenance and electricity continue to accelerate.

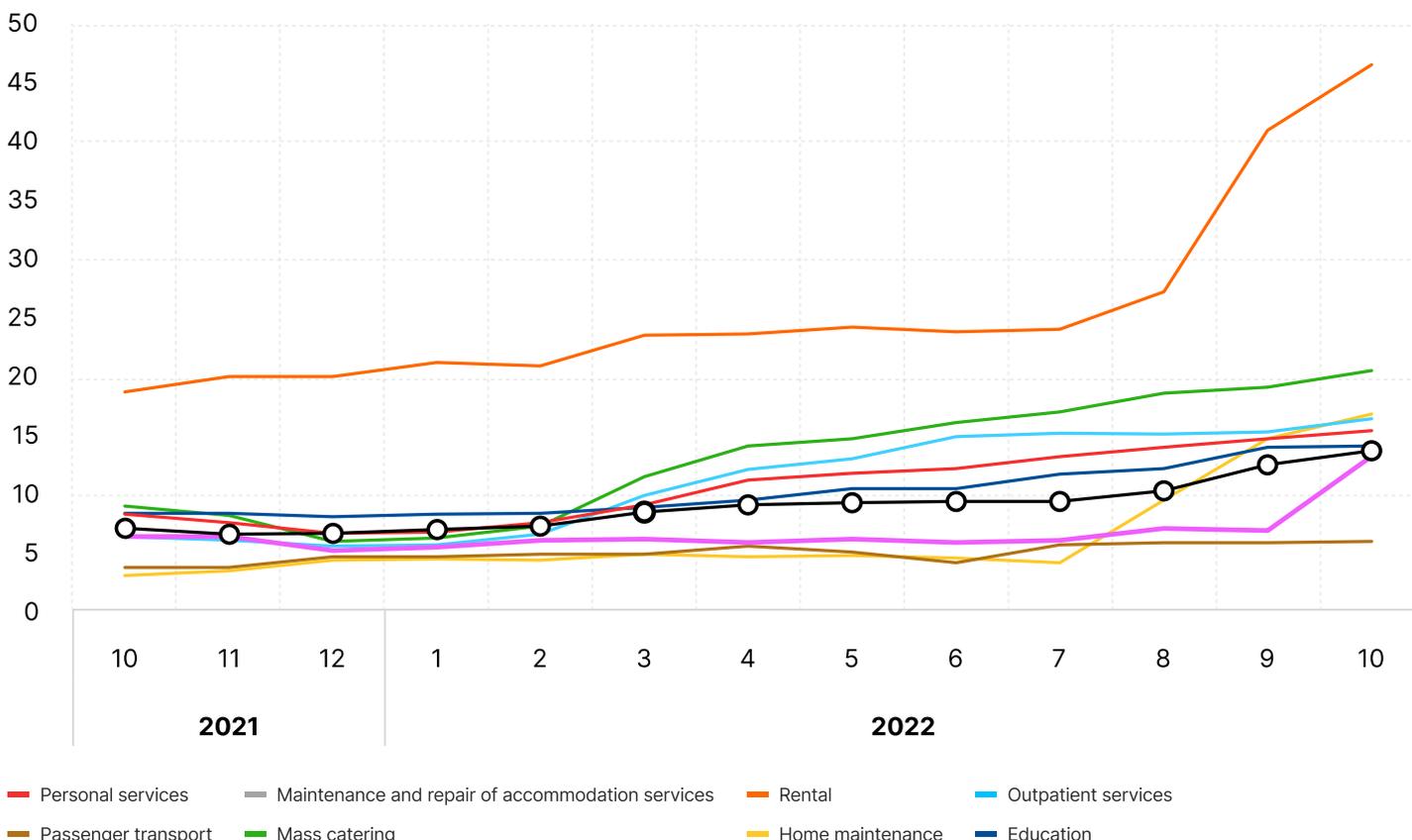
At the same time, tariffs for cold water, sanitation and garbage disposal services are decreasing, and despite the onset of the heating season, the cost of heating and hot water tariffs is falling.

The cost of outpatient and passenger services, mass entertainment and catering services continues to grow.

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

(B %)

Name of a component	Change	Dynamics for the last 12 months	Inflation in October 2022	Average inflation level in October 2019-2021	2022 inflation level		
					Maximum	Minimum	Average
Market services	MoM		1.7	0.4	2.7	0.6	1.2
	YoY		13.5	3.8	13.5	6.8	9.5
Rental	MoM		5.1	1.1	13.1	0.1	3.7
	YoY		46.3	18.5	46.3	20.7	27.4
Home maintenance	MoM		1.8	0.1	5.4	0.0	1.4
	YoY		16.6	1.6	16.6	4.0	7.1
Outpatient services	MoM		1.4	0.4	3.5	0.5	1.5
	YoY		16.2	6.5	16.2	5.5	12.2
Passenger transport services	MoM		0.2	0.1	2.4	-0.8	0.5
	YoY		5.8	3.6	5.8	4.0	5.1
Education	MoM		0.5	0.3	7.9	0.1	1.3
	YoY		13.9	4.6	13.9	8.1	10.6
Hotel service	MoM		6.0	0.1	6.0	0.2	1.2
	YoY		13.0	3.8	13.0	5.3	6.7
Mass catering services	MoM		2.2	0.6	3.9	0.3	1.8
	YoY		20.3	7.0	20.3	6.1	14.3

Regional inflation

Annual inflation was in the range of 16.8-22.7% depending on the region of Kazakhstan.

The maximum regional inflation continues to be observed in Mangystau region – 22.7% (due to a record increase in food prices by 30.8% in the country), and the minimum price growth was noted in Zhambyl region (all components of consumer inflation are much lower than the national average).

The maximum regional variation in growth rates continues in non-food inflation. The lowest growth rate of prices for non-food products in the republic is observed in Almaty city – 15.3% and Almaty region - 15.1%. In Astana, non-food products have risen in price as much as possible (28.7%) compared to other regions.

The most acceleration of annual price growth by the end of October is noted in Astana (1.8 percentage points) and Shymkent cities (2.0 percentage points). At the same time, the acceleration occurred against the background of the

growth of the non-food component of the consumer basket in the capital and in Shymkent city because of the food component.

The lowest growth rate of consumer prices in annualized terms compared to September of this year is observed in Ulytau, Turkestan, Kostanay and East Kazakhstan regions. There is a slight slowdown in regions with previously high monthly consumer inflation growth rates in October 2022 (Astana, Mangystau, Akmola, Almaty, Karaganda and Ulytau regions). At the same time, regions with previously lower monthly inflation growth rates, on the contrary, are beginning to show acceleration (Shymkent, Kyzylorda, Zhetysu).

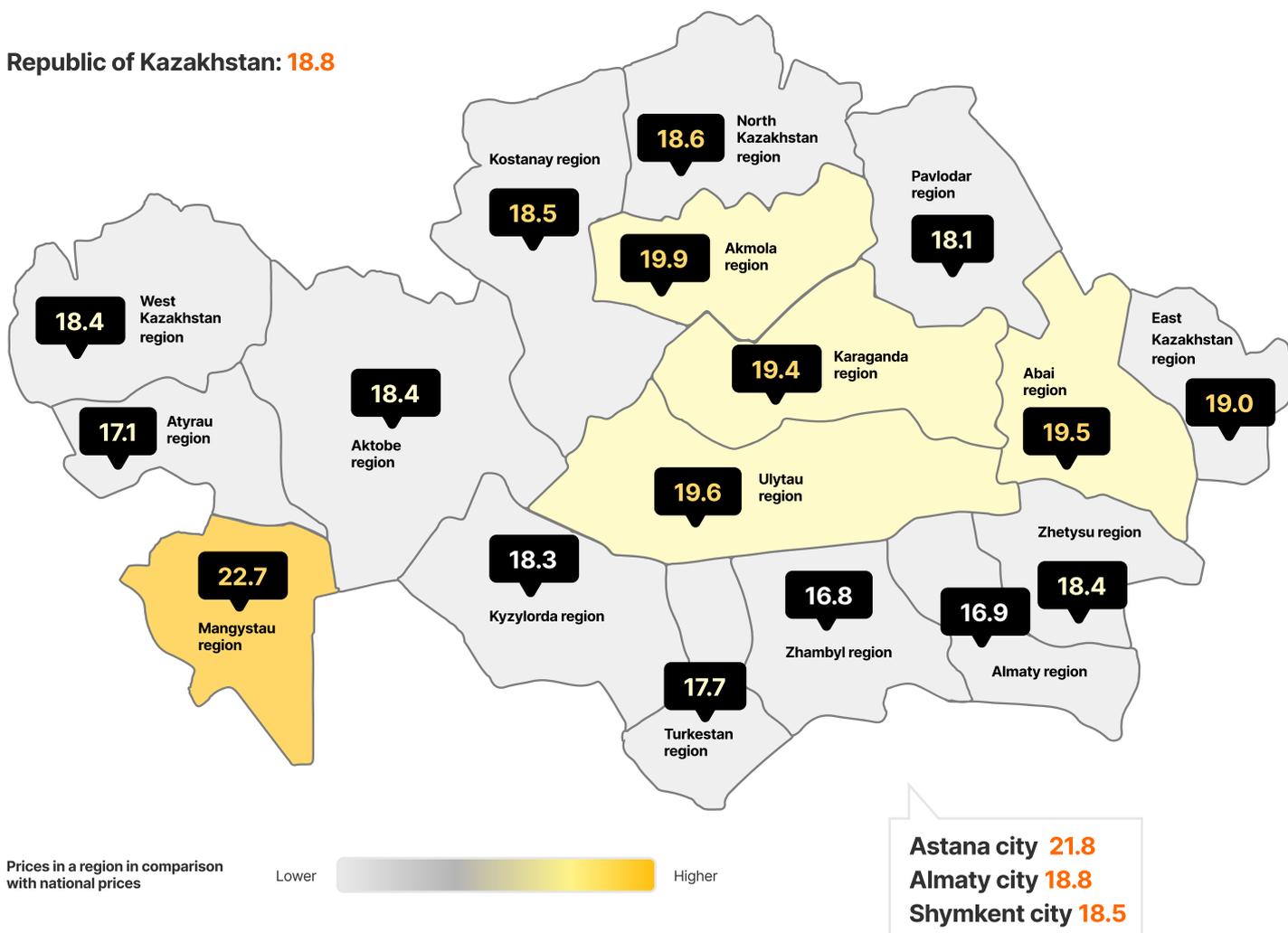
These two trends despite the presence of significant regional extremes, jointly contribute to the homogeneity of inflationary processes in the regions.

Dynamics of regional inflation

(in %, YoY)

Source: Bureau of National Statistics of the Republic of Kazakhstan

Republic of Kazakhstan: **18.8**

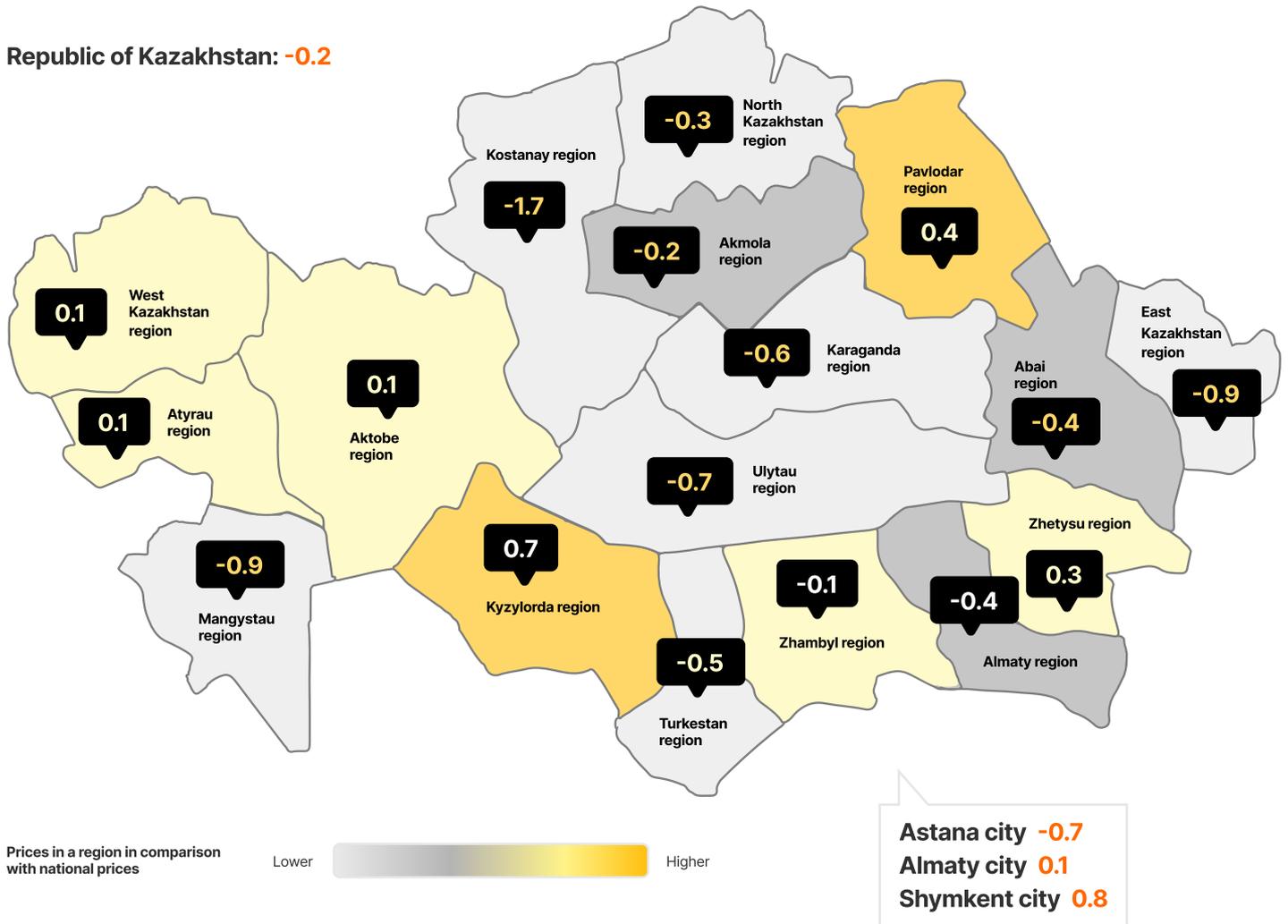


Dynamics of regional inflation

(in %, YoY)

Source: Bureau of National Statistics of the Republic of Kazakhstan

Republic of Kazakhstan: **-0.2**



Regional inflation

Dynamics of regional inflation

(in %, YoY)

Source: Bureau of National Statistics of the Republic of Kazakhstan

	Goods and services		Food commodities		Non-food goods		Market services	
	YoY	MoM	YoY	MoM	YoY	MoM	YoY	MoM
Republic of Kazakhstan	18.8	1.6	23.1	1.4	17.9	1.7	13.5	1.7
Abai region	19.5	1.4	23.4	1.3	19.2	1.5	14.4	1.3
Akmola region	19.9	1.3	24.4	1.5	19.0	1.3	14.3	1.1
Aktobe region	18.4	1.6	25.3	1.3	17.3	2.0	9.7	1.7
Almaty region	16.9	1.6	21.9	0.9	15.1	1.3	11.6	2.9
Atyrau region	17.7	1.0	22.3	0.8	17.8	1.1	11.0	1.2
West Kazakhstan region	18.4	1.7	22.1	1.4	17.3	1.6	14.2	2.2
Zhambyl region	16.8	1.3	22.5	1.5	16.0	1.3	9.8	0.9
Zhetysu region	18.4	1.4	23.8	0.9	17.2	1.2	11.9	2.5
Karaganda region	19.4	1.7	23.2	1.6	18.1	0.9	15.6	2.7
Kostanay region	18.5	0.8	22.8	1.0	17.1	1.2	14.0	0.1
Kyzylorda region	18.3	2.2	22.8	1.7	18.8	3.2	11.4	1.8
Mangystau region	22.7	1.5	30.8	1.8	18.2	1.2	15.6	1.3
Pavlodar region	18.1	1.7	22.8	1.2	17.4	1.9	12.2	2.2
North Kazakhstan region	18.6	1.4	23.2	1.5	17.5	1.8	13.2	0.7
Turkestan region	17.7	1.1	22.2	1.0	17.7	2.2	11.4	0.3
Ulytau region	19.6	0.8	22.4	1.5	19.5	0.6	15.7	0.1
East Kazakhstan region	19.0	1.0	22.5	1.0	19.7	1.1	13.2	1.0
Astana city	21.8	2.1	22.7	2.0	28.7	2.6	13.2	1.7
Almaty city	18.8	1.9	22.2	1.4	15.3	2.2	17.5	2.2
Shymkent city	18.5	2.3	24.4	3.0	16.6	2.0	11.9	1.5

Prices in a region in comparison with national prices

Lower



Higher



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

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