



January 2023

# Price barometer

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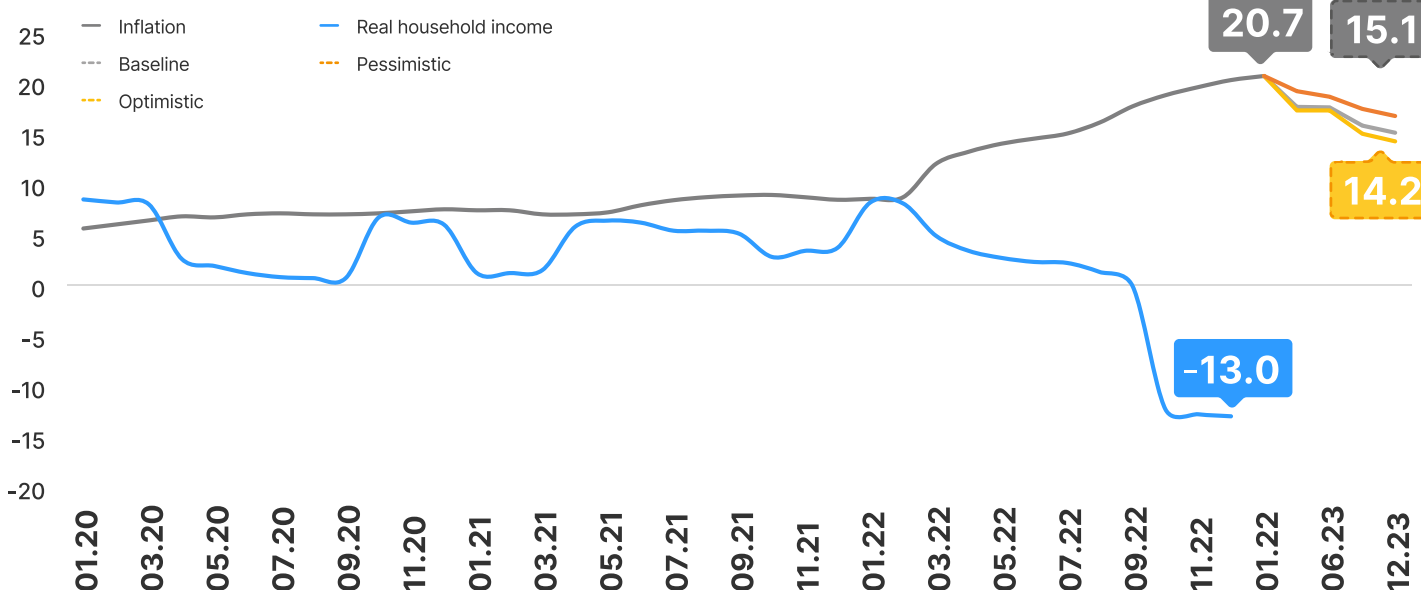
## Risks and prospects

- The balance of inflation risks remains biased in favour of inflation despite a moderate slowdown in the overall growth rate of consumer prices over the past 4 months.
- And despite their decrease in January (this is a common situation that happens every year, and since February they have been growing again as usual) increased household inflation expectations, as well as the continued growth of the underlying inflationary pressure, are factors that require maintaining the base rate at the current level and maintaining hawkish rhetoric even after the reversal of the inflationary trend. At the same time, since the actual increase in inflation corresponds to the forecasts of the regulator, we regard the probability of a further increase in the base rate as minimal.
- The heterogeneity of the dynamics of prices for market services with the continuing fiscal incentives may adversely limit the amplitude of the future decline in inflationary pressure and contribute to a longer period of high prices.
- The cooling of consumer activity since the end of 2022, caused by a prolonged decline in household real incomes, the continuing rise in consumer prices and restraining monetary conditions, contributes to the cooling of inflationary pressure.

- According to our forecasts, inflation during the first quarter of 2023 will continue to accelerate and will peak at 21.0-22.0% annually. And prices will decrease if there are no additional external and internal growth triggers.
- **Revised forecast values of future price growth dynamics will be presented "Price Barometer" for February 2023. Improving the forecasts of Jusan Analytics will mean that we identify stable signs of an improvement in the inflationary environment.**

### Jusan Analytics forecasts on consumer price growth

(in %, YoY)



## Global trend

Global inflationary pressure continues to decline. **We can highlight an increase in the business confidence of entrepreneurs and a corresponding improvement in the aggregate supply as positive signals for the prospects of the global price environment. However, the expected release of pent-up demand from recovering China's economy may give impetus to global economic growth and accelerate the pace of global inflation.**

According to J.P. Morgan Global Composite PMI, **compared to the end of 2022 global economic activity has improved**, the Index value reached 49.8 points and is quite a bit short of the "green zone". The growth factor of business activity was the service sector expansion in Europe and China. At the same time, volume indicators of production and stocks improved due to the production segment of the Chinese economy.

The FAO Price Index continues to decline, and the average value of the Index has dropped to 131.2 points. The decrease is due to a reduction in the price indexes for butter, dairy products and sugar.

Consumer prices in the EU continue to decline. According to the results of January 2023, inflation in the Euro area decreased to 8.5%, and the inflationary pressure weakening is relatively stable. However, the core inflation rate remains at a maximum of 5.2%.

**Following the latest ECB forecasts, inflation in 2023 will be 7.0% (the previous forecast is 7.6%). At the same time, the European Commission has also revised its forecasts and expects an increase in prices in the EU at 5.6%, instead of the previously expected 6.1%.** The EU monetary regulator intends to continue its actions to raise rates, as there are risks of further price increases. Moreover, the likelihood of new shocks due to uncertainty with energy supplies to the EU poses threats of a non-fastening of the slowing inflation trend.

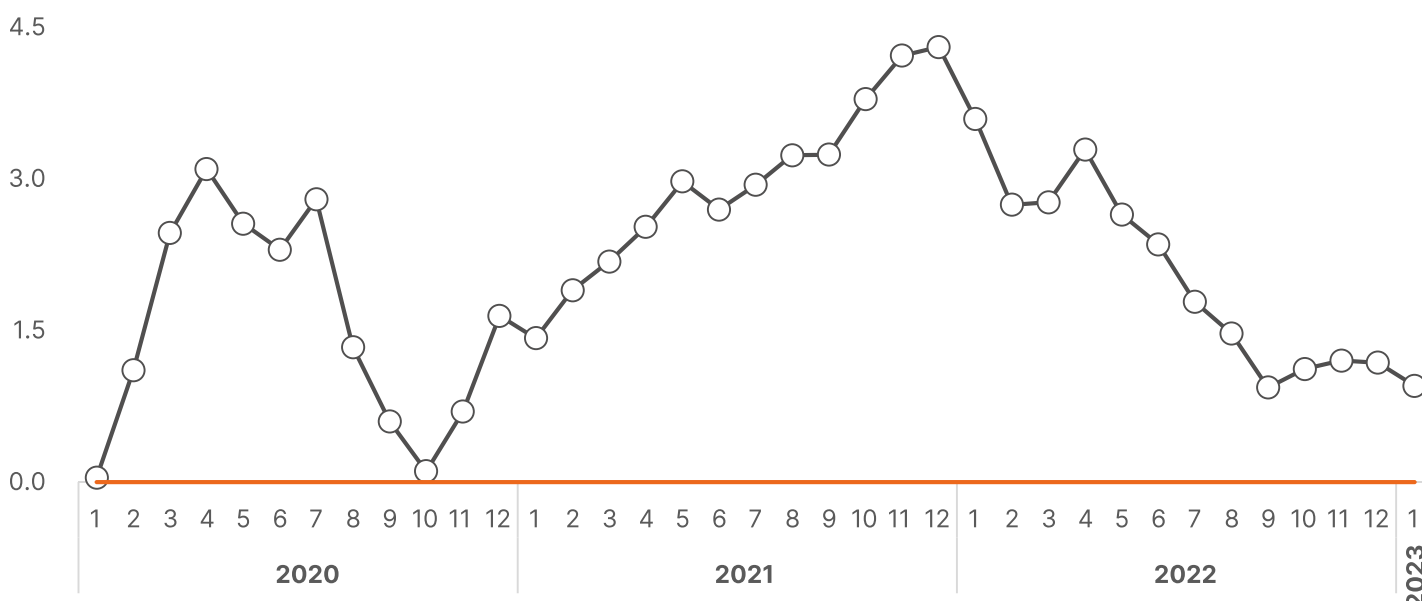
Inflation slowed down in January and formed at the level of 6.4% in the USA (in December was 6.5%). The pressure is easing too slowly although the inflation rate has been declining for 7 months in a row (market expectations are 6.2%). The acceleration is demonstrated by the growth rates of energy prices and gasoline, which became cheaper previously. The asynchronous movement of prices for goods and services in the United States may indicate that inflation there will not weaken as soon as many would like, and that creates prerequisites for further monetary conditions tightening by the Fed.

The improvement in the transportation situation and the growth of orders contributed to the easing of global pressure on supply chains.

## Supply Chain Pressure Index

(number of standard deviations from the average)

Source: [www.newyorkfed.org](http://www.newyorkfed.org)



## Domestic inflation

**The annual increase in consumer prices was 20.7% in the first month of 2023 (0.9% MoM). The Consumer Price Index was characterized by a slowdown in the growth of prices for commodity components as follows:**

- Food commodities – 25.7% (1.4% MoM vs. 1.6% month earlier);
- Non-food goods– 20.2% (0.9% vs. 1.3%);
- Market services– 14.2% (0.7% vs. 0.5%).

According to the NBK, the household median inflation expectations decreased for the first time in 8 months and reached 17.3%. According to the National Bank of Kazakhstan, the expectations of business representatives increased from 11.2% to 11.8%, and on the contrary, decreased from 14.3% to 13.5% according to the AFC.


**At the same time, the predominant improvement in the household inflation expectations is explained by a large positive in the assessments of the current financial situation and expectations for its further improvement, which may be due to the past indexation of wages and an increase in the Monthly Calculation Index values. Food prices are the main factor in maintaining elevated inflation expectations.**

The continued acceleration of the core inflation indicator is a factor in the emergence of doubts about the sustainability of the slowing inflation trend.

**According to the available statistics on the rate of change in retail trade, in January 2023 there was a significantly greater decrease compared with December 2022, than in the same period of 2022 (-50.6% vs. -42.3%). This, in turn, may be a proxy indicator of a slowdown in consumer activity due to a decline in household real incomes, which have continued to decline since October 2022.**

### CPI inflation and inflation expectations for the next 12 months

(in %, YoY)

Year	Month	CPI inflation YoY	YoY including weights			Inflation expectations by		
			Food	Non-food goods	Market services	NBK	AFK	JA*
2021	December	 8.5	4.0	2.6	2.0		7.4	19.4
2022	January	 8.7	4.1	2.6	2.1	6.2	8.3	19.6
	February	 12.0	6.3	3.3	2.4	11.4	8.7	19.7
	March	 13.2	7.3	3.3	2.6	11.4	9.4	19.2
	April	 14.0	7.7	3.6	2.7	13.8	11.7	18.8
	May	 14.5	7.8	4.0	2.7	14.9	10.3	18.3
	June	 15.0	8.0	4.3	2.7	16.5	11.9	17.7
	July	 16.1	8.5	4.7	2.9	16.5	11.7	17.1
	August	 17.7	9.0	5.1	2.6	16.9	12.5	16.5
	September	 18.8	9.4	5.4	3.9	18.3	12.9	16.1
	October	 19.6	9.8	5.6	3.1	18.2	13.9	15.8
	November	 20.3	10.3	5.9	4.1	21.3	14.3	15.4
2023	December	 20.7	10.6	6.1	4.0	17.3	13.5	15.0

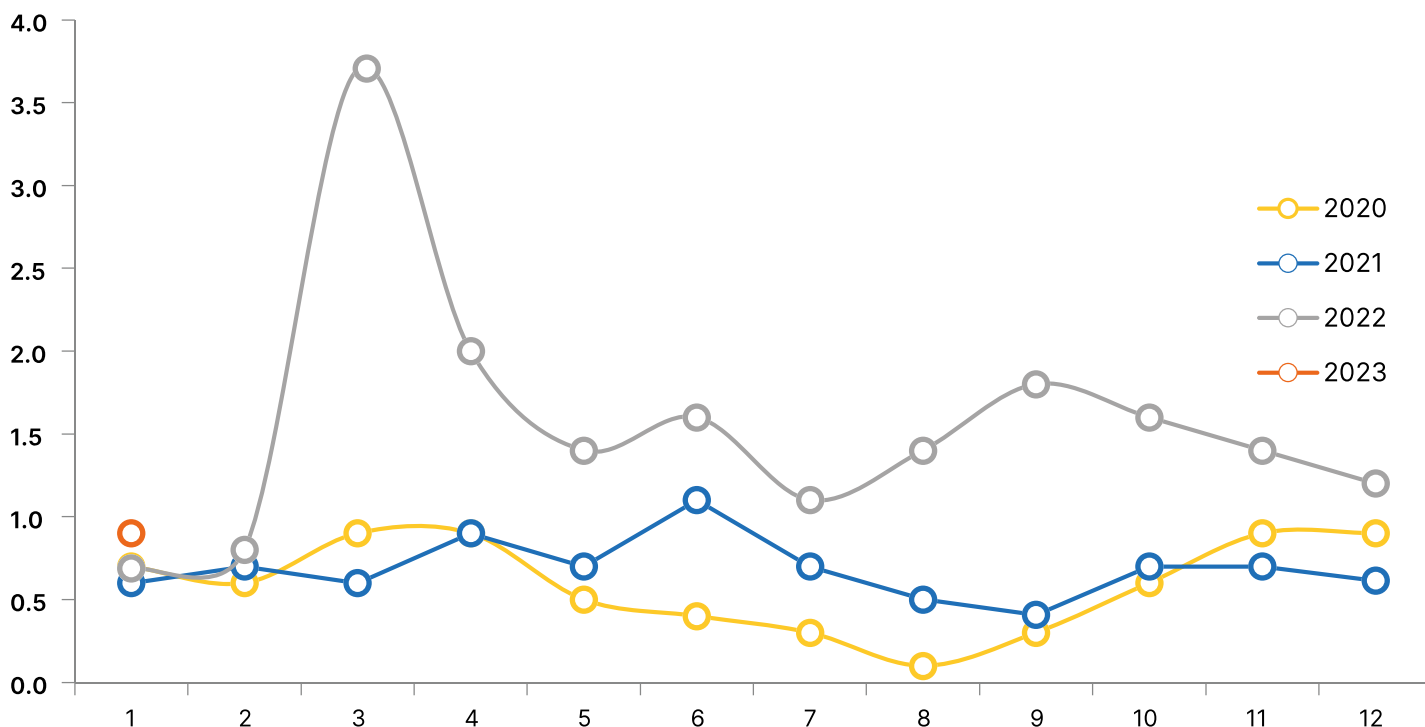
\* Expectations are calculated as a weighted value of the price growth actual level in period t and Jusan Analytics forecasts for inflation in period t+1

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

## Domestic inflation

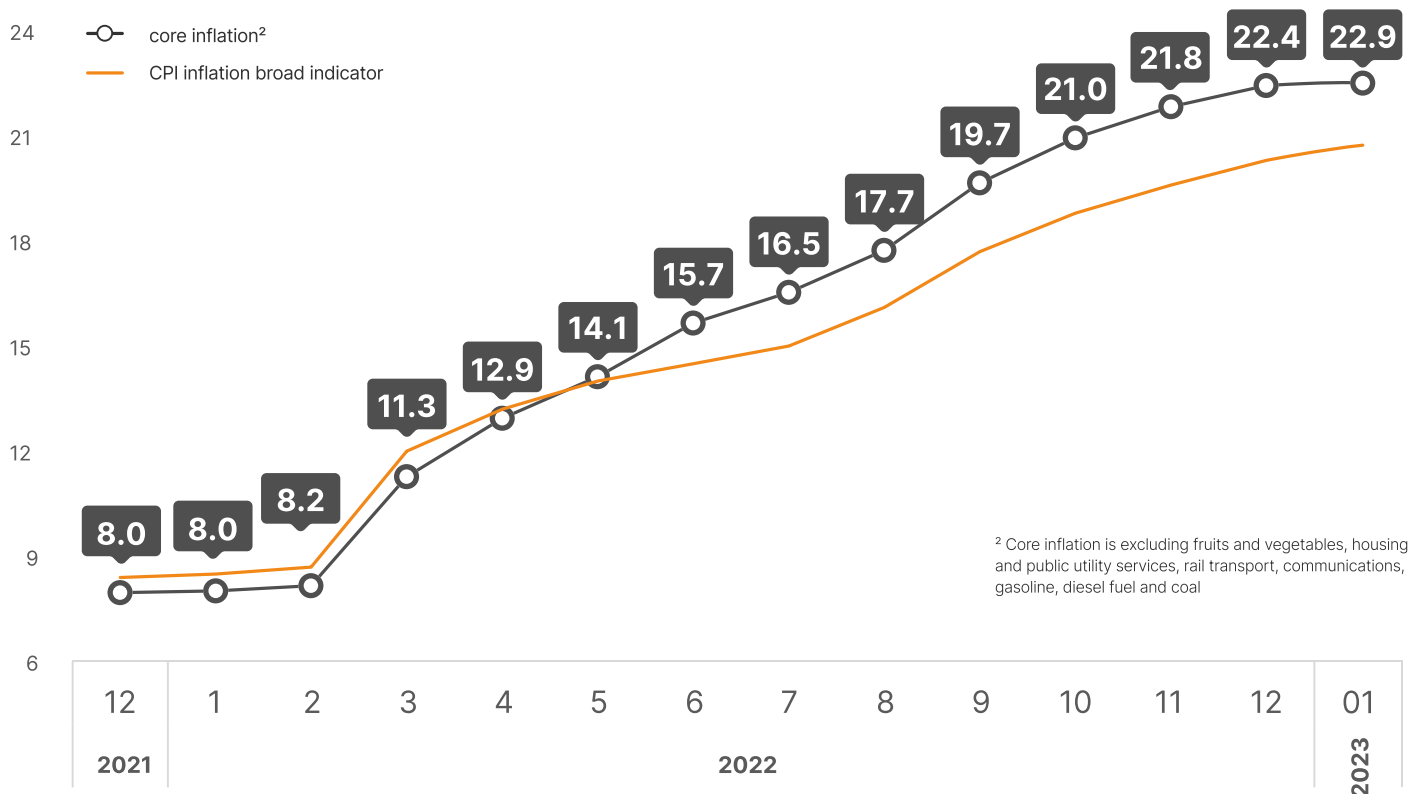
**Chart 3: CPI inflation**

(in %, MoM)



**Chart 4: Core inflation<sup>2</sup>**

(in %, YoY)



## Domestic inflation

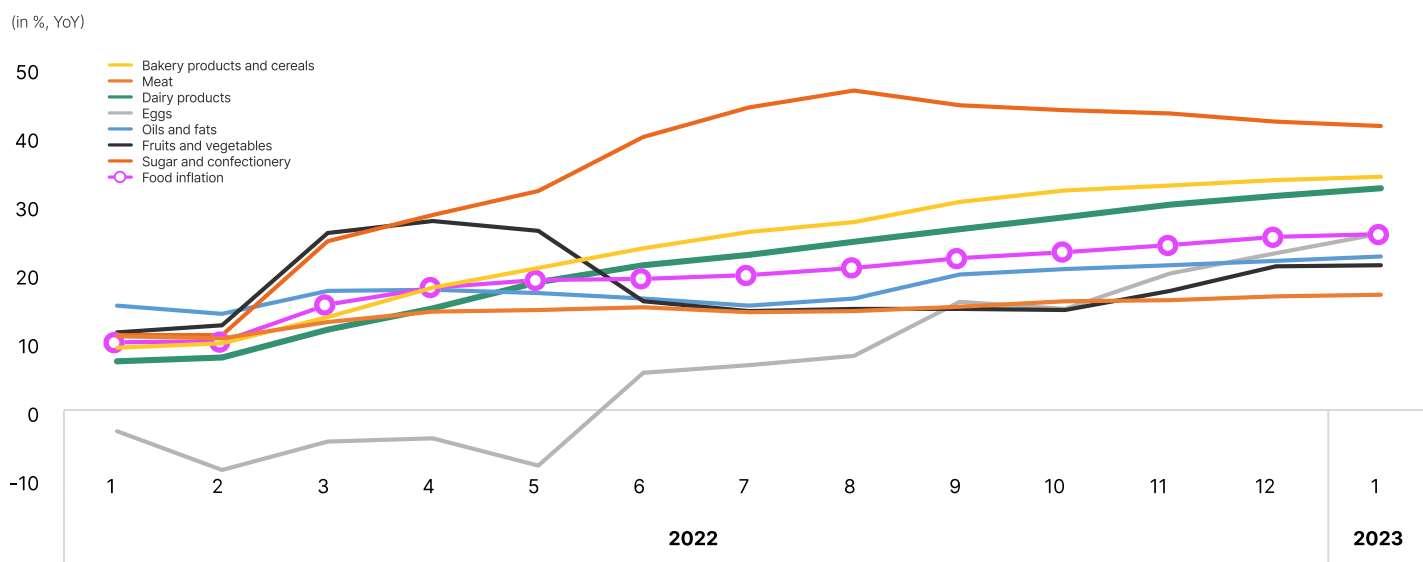
**The annual and monthly growth rates of food prices continue to slow down, their contribution to overall inflation is 10.6% and 0.6%, respectively.** All major food subgroups, except for sugar and confectionery, showed a slowdown in January 2023 and were more restrained than in all previous months of 2022. Prices of all food products show a positive increase, and this corresponds to the absence of deflationary trends in food inflation so far.

**The rise in prices for non-food goods also shows a slowdown, while monthly growth rates are still several times higher than the historical average in absolute terms.**

The contribution from the price hikes for non-food products to consumer inflation was 6.1% YoY (0.3% MoM). The slowdown in monthly price growth was observed for most non-food products. The cost of household appliances in January 2023 showed a negative change. At the same time, the cost of medicines, vehicles and coal continues to accelerate contrary to the general trend. **The slowdown in the growth of prices for books and stationery, toys, detergents and cleaning products is explained by the tenge strengthening against the Russian ruble and the gradual establishment of logistics chains.**

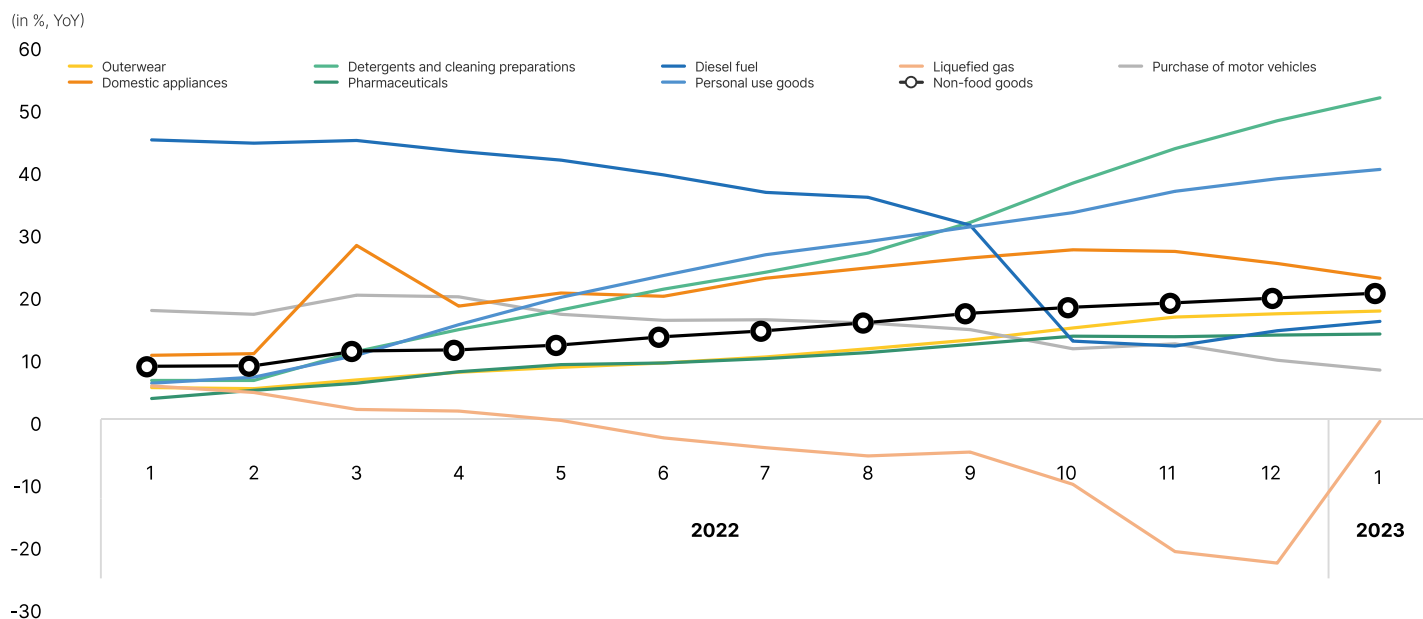
**Chart 5: Dynamics of food inflation**

Source: Bureau of National Statistics of the Republic of Kazakhstan



**Chart 6: Dynamics of non-food inflation**

Source: Bureau of National Statistics of the Republic of Kazakhstan



## Domestic inflation: services

**Service inflation has accelerated slightly relative to December 2022.** However, the observed growth rates of the market service costs are lower than in the second half of the past year (Graph 8). The contribution of the increase in prices for market services to the growth of the general level of consumer prices is 4.0% YoY (0.2% MoM). The price changes for market services are characterized by greater heterogeneity than the increase in prices for consumer goods. The cost of most entertainment services is either stagnating or declining, which is facilitated by a reduction in consumer demand.

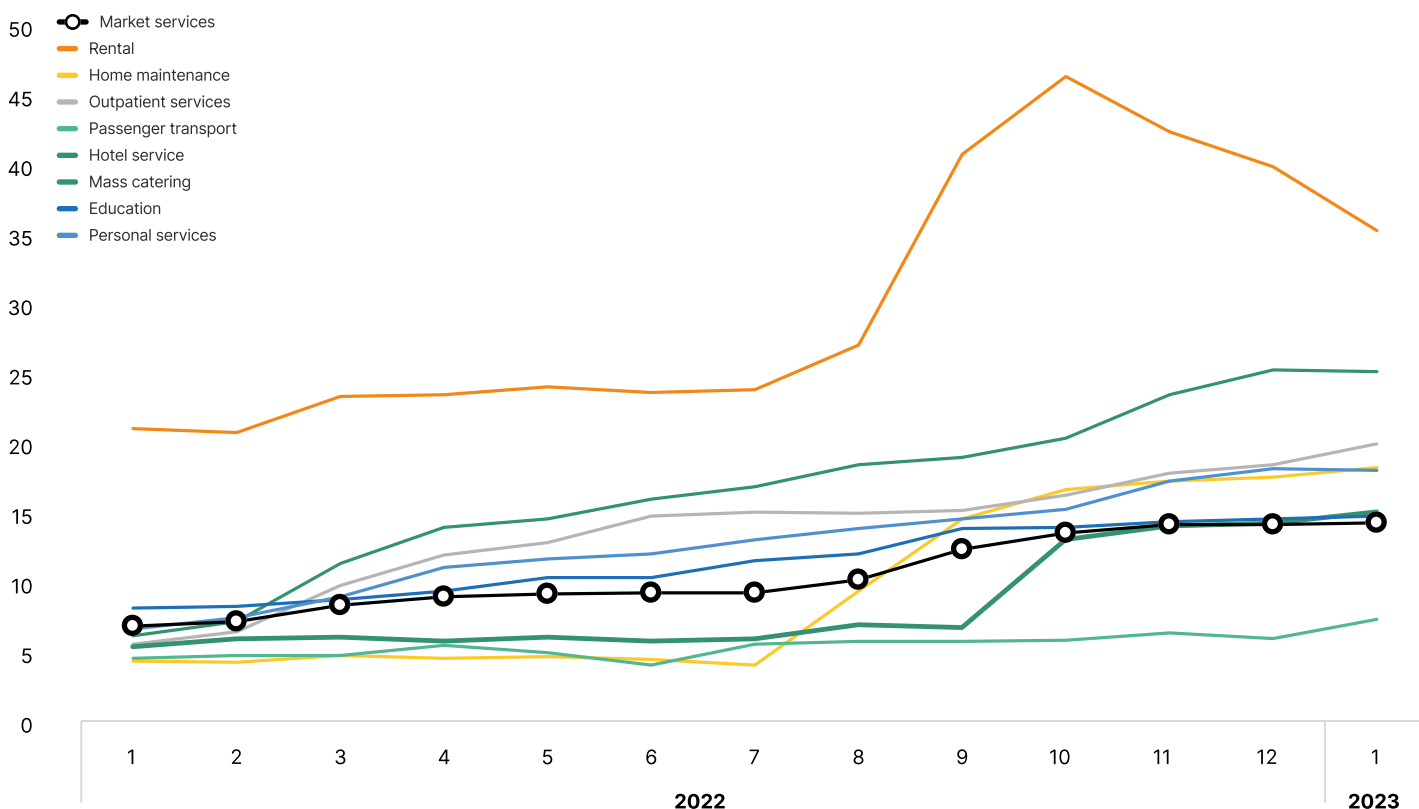
According to the results of January 2023, we note an acceleration in the growth of prices for rental housing, garbage disposal, central heating, outpatient services, and tariffs for railway transport.

At the same time, the prices of passenger transportation by airlines, on the contrary, decreased. At the beginning of the year, the cost of car insurance and notary services sharply increased due to the start of the campaign on the legalization of foreign vehicles.

**Chart 7: Dynamics of service inflation**

(in %, YoY)

Source: Bureau of National Statistics of the Republic of Kazakhstan





## Regional inflation

**Annual inflation by regions was in the range of 18.0-24.1%. (Graph 9).** The maximum annual increase in consumer prices is again observed in Mangystau region (due to the country's record increase in food prices – 31.6% and market services – 17.8%) and Astana (due to the fastest growth rate of non-food products in the republic by 31.7% in annualized terms). The minimum is observed in Almaty and Atyrau regions (the growth rate of the cost of consumer goods and services in these regions is significantly lower than the national average).

The maximum regional variation in growth rates continues taking place in non-food inflation due to a significant gap in the price increase in Astana.

There is a slowdown in the annual rate of price growth in half of the regions of Kazakhstan. They slowed down most noticeably in Karaganda, Turkestan, Kostanay, East Kazakhstan and Zhambyl regions, while the factors in each of these regions were individual.

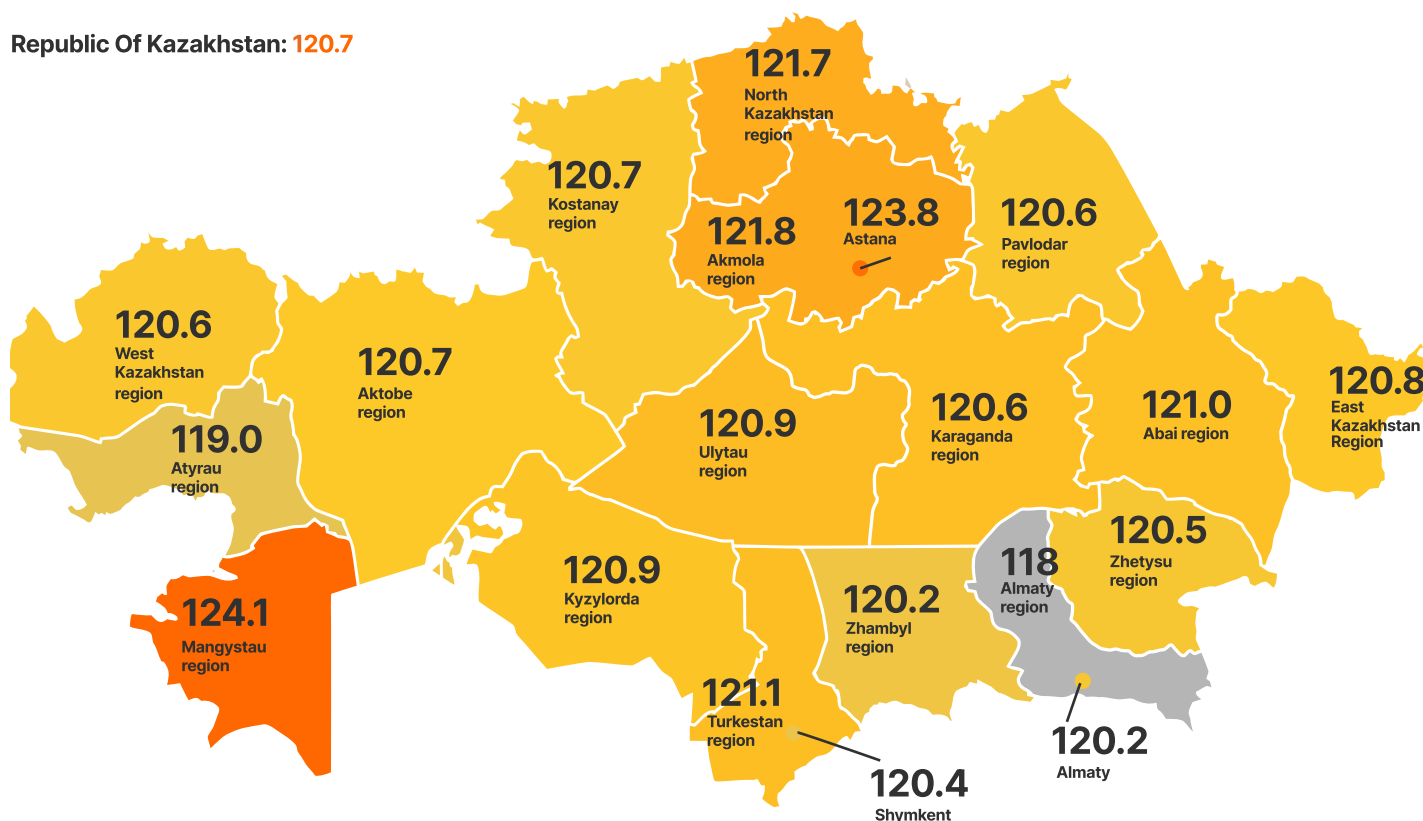
And on the contrary, there is a significant acceleration in consumer price growth compared to the previous month due to the simultaneous increase in prices for all consumer goods and services in Almaty region, Astana, Shymkent and Akmola regions.

### Chart 8: CPI inflation by regions

(January 2023 results, in %)

Source: Bureau of National Statistics of the Republic of Kazakhstan

Republic Of Kazakhstan: **120.7**



Prices in a region in comparison with national prices

Lower



Higher

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