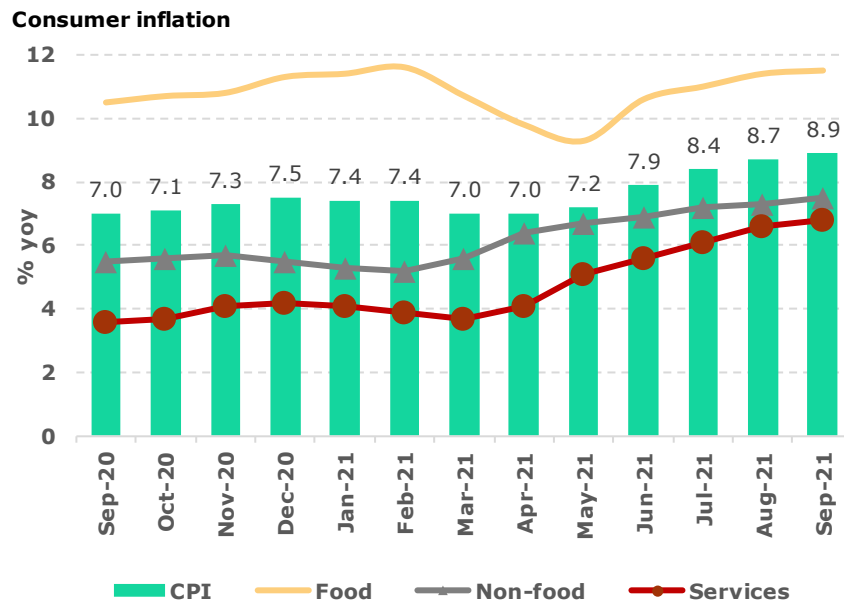


**October 4 2021**

The effect of seasonal drop of fruit and vegetable prices on consumer inflation was offset by the growth of motor fuel (diesel) prices and certain paid services. As a result, the rate of consumer prices in September, though slowed down, however quite insignificantly circa 0.4% mom (0.5% mom in August). The persistent high rate of non-food prices (+0.6% mom) and paid services (0.7% mom) due to the low base effect of last year contributed to the acceleration of CPI to 8.9% in annual terms (the highest rate since 2016). Inflation rate in September indicates that the increased inflationary pressure in the economy remains high whereas the rise in prices is seen across all components of the consumer basket.

According to the Bureau of National Statistics, inflation slowed marginally to 0.4% mom in September from 0.5% mom in August. On an annualized basis, the consumer price index in September reached another high of 8.9% (8.7% yoy in August 2021). The growth in food prices accelerated to 11.5% yoy (11.4% yoy in August 2021), while the cost of non-food products increased by 7.5% yoy (7.3% yoy in August 2021). Paid services rose 6.8% yoy (6.6% yoy in August 2021).



Source: BNS, Halyk Finance

Food prices in September increased by 0.1% mom, providing a 0.04pp contribution to the overall consumer inflation rate. In particular, grew such foodstuffs as meat (+1.3% mom), cereals (+1.2% mom), sugar (+1.1% mom) and bread (+0.9% mom). At the same time decreased prices for carrots (-23.7% mom), onions (-11.9% mom) and potatoes (-9.5% mom).

Prices for non-food products in September increased by 0.6% mom, providing a 0.18pp contribution to the headline consumer inflation. The cost of clothing and footwear increased (+0.4% mom), detergents and cleaning products (+0.5% mom). Diesel fuel prices went up noticeably (+3.8% mom), at the same time gasoline prices declined insignificantly (-0.1% mom).

In the paid services sector, prices increased by 0.7% mom, and their contribution to the overall rise in prices amounted to 0.22pp. The cost of rental housing went up significantly (+2.1% mom), educational services (+6.3% mom) and personal services (+0.4% mom).

**Inflation, %**

Type of good or service	September 2021			September 2020		
	mom	ytd	yoy	mom	ytd	yoy
<b>All goods and services</b>	<b>0.4</b>	<b>6.2</b>	<b>8.9</b>	<b>0.3</b>	<b>4.9</b>	<b>7.0</b>
<b>Food products</b>	<b>0.1</b>	<b>7.5</b>	<b>11.5</b>	<b>0.0</b>	<b>7.4</b>	<b>10.8</b>
Bakery and cereals	0.9	6.6	8.7	0.8	8.2	13.4
Meat	1.3	9.3	10.3	0.6	7.8	10.3
Fruits and vegetables	-4.7	4.3	11.8	-3.8	6.4	13.7
Milk products	0.9	5.7	8.0	0.5	6.3	9.3
Oils, fats	0.8	16.3	31.6	0.9	7.4	9.8
<b>Non-food products</b>	<b>0.6</b>	<b>5.7</b>	<b>7.5</b>	<b>4.0</b>	<b>3.9</b>	<b>5.5</b>
Clothes and footwear	0.4	4.6	6.5	0.5	3.0	5.1
Cleaning materials	0.5	4.9	7.4	0.5	7.6	9.2
Gasoline	-0.1	14.7	14.5	0.1	2.7	2.7
Diesel	3.8	10.4	6.6	-0.1	-3.3	-1.3
<b>Services</b>	<b>0.7</b>	<b>5.1</b>	<b>6.8</b>	<b>0.5</b>	<b>2.5</b>	<b>3.6</b>
House maintenance	0.0	2.9	3.0	0.1	0.4	0.5
Food serving	0.2	4.2	8.3	0.5	3.0	4.5
Education	6.3	7.5	8.4	2.3	3.1	3.3
Health care	0.3	4.5	6.0	0.4	4.7	6.4
Personal services	0.4	5.2	8.0	0.6	4.1	5.8
Telecom services	0.1	1.9	2.1	0.2	2.3	2.6

The table contains the main components of CPI

Source: BNS, Halyk Finance

**Our opinion**

Consumer goods and services prices in September of this year were still under the influence of the seasonal decline in prices for fruit and vegetable products, resulting in the growth of food prices to be the lowest since September 2020 (+0.1% mom). Note that in September last year, food prices did not change at all (0.0% mom).

Despite the low monthly dynamics of food inflation in September, the annual growth in food prices not only remained double-digit, but also accelerated to 11.5% yoy (11.4% in August). At the same time, the global food price index, according to the FAO, in August this year rose sharply again by 32.9% yoy after two months of deceleration. The pickup in inflation occurred amidst of worsening outlooks for the harvest of the leading exporters of agricultural products such as grain, vegetable oil and sugar. The price spike for meat in the world market was due to continued high demand from the importers of meat products.

In its turn, prices for non-food products and paid services remained at a high level, which was backed by the rise in energy prices and a noticeable increase in the cost of educational services and rental housing.

In October, maintenance work is planned at the Pavlodar refinery, which, in our opinion, will affect the further rise in energy prices. In addition, according to the representatives of the Ministry of Energy, the republic may increase the imports of diesel fuel from the Russian Federation where diesel fuel prices had been already affected by inflation.

Besides, the residential real estate market evidences a stable uptrend in prices, which, amid the seasonal growth in demand, increases pressure on rental prices.

To top it all, the upward dynamics of the annual growth rate of prices for non-food products (+7.5% yoy) and paid services (+6.8% yoy) is technically boosted by the low base effect of the last year.

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