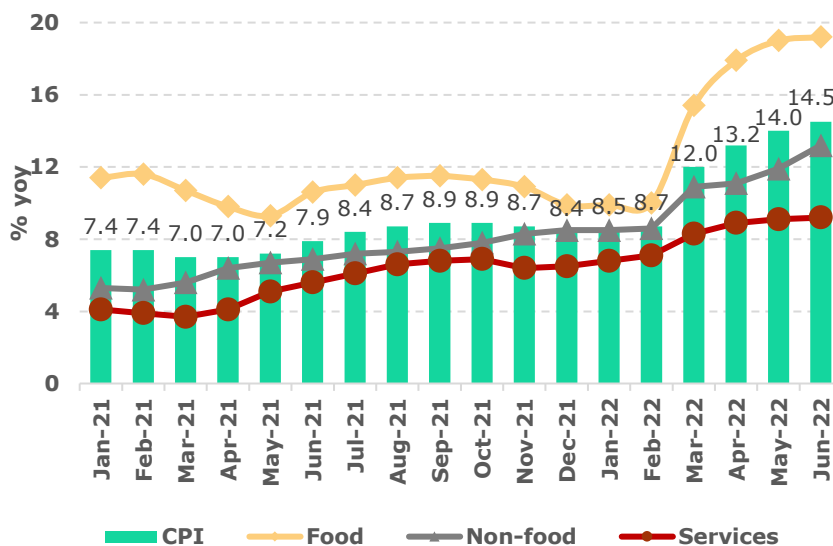


July 4, 2022

In June, consumer inflation rates continued to grow and amounted to 1.6% mom. Food (+1.9% mom) and non-food products (+1.9% mom) had the main impact on consumer price growth against the background of the depreciation of the national currency (2.7% mom). The annual inflation rate in June accelerated to 14.5% from 14.0% in May and reached its maximum reading since autumn 2016. The combination of pro-inflationary factors on the demand side and supply shocks, along with the persistence of geopolitical tensions in the world, will continue to put pressure on consumer inflation rates in the second half of this year.

According to the Bureau of National Statistics of the Republic of Kazakhstan, consumer inflation accelerated in June to 1.6% mom from 1.4% mom in May. In annual terms, the growth of consumer inflation amounted to 14.5% yoy (14.0% yoy in May). Against the background of last year's low base, the consumer price index (CPI) in annual terms has been growing for the sixth month in a row.

The rate of annual price growth accelerated across all components of consumer inflation – food products rose in price by 19.2% yoy (+19.0% yoy in May), non-food products – by 13.2% yoy (+11.9% yoy in May), and paid services – by 9.2% yoy (+9.1% yoy in May).



In June, food prices rose by 1.9% mom, making a 0.7pp contribution to the overall consumer inflation. In particular, rose such food products as sugar (+13.0% mom), cereals (+2.9% mom), flour (+2.8% mom), dairy products (+2.4% mom) and meat (+1.3% mom). Vegetables and fruits fell in price by 1.2% mom.

Prices for non-food products rose by 1.9% mom in June, providing a 0.6pp contribution to the overall consumer inflation. Prices for personal goods went up noticeably (+3.6% mom), detergents and cleaners (+3.4% mom), clothing and footwear (+1.4% mom). The price of gasoline decreased by 0.2% mom, the price of liquefied gas by 1.4% mom, and the cost of diesel fuel did not change.

In the area of paid services, prices increased by 0.8% mom, and their contribution to the overall price growth in June amounted to 0.3pp. The cost of outpatient services increased (+1.8% mom), catering services (+1.5% mom) and personal services (+1.3% mom). At the same time, hot water fell in price (-2.5% mom), cold water (-0.5% mom) and sanitation (-0.1% mom).

Main components of CPI, %

Type of good or service	June 2022			June 2021		
	mom	ytd	yoy	mom	ytd	yoy
All goods and services	1.6	10.5	14.5	1.1	4.6	7.9
Food products	1.9	15.7	19.2	1.7	6.6	10.6
Bakery and cereals	3.0	17.7	23.6	0.6	3.5	8.3
Meat	1.3	8.5	15.0	1.0	4.4	6.7
Fruits and vegetables	-1.2	24.2	15.9	7.7	18.5	14.2
Milk products	2.4	16.9	21.1	0.4	3.5	7.5
Oils, fats	2.0	10.6	16.3	2.6	11.4	29.2
Non-food products	1.9	8.4	13.2	0.8	3.9	6.9
Clothes and footwear	1.4	7.0	9.7	0.7	2.9	6.0
Cleaning materials	3.4	18.5	20.8	0.6	3.6	7.9
Gasoline	-0.2	-0.9	4.1	0.3	14.0	13.6
Diesel	0.0	-2.3	39.1	1.8	2.9	-0.9
Services	0.8	5.3	9.2	0.7	2.8	5.6
House maintenance	0.0	1.2	4.4	0.1	1.0	1.3
Food serving	1.5	11.9	15.9	0.3	2.2	7.4
Education	0.1	3.1	10.3	0.1	0.9	4.1
Health care	1.8	11.8	14.7	0.2	2.8	5.7
Personal services	1.3	9.2	12.0	1.0	3.9	8.2
Telecom services	0.1	0.4	1.9	0.2	1.6	2.0

Source: BNS

Our opinion

After slowing down in May 2022, consumer inflation picked up again in June. Acceleration of inflation dynamics was noted in food and non-food products, while the rate of growth in the cost of services did not change. A significant increase in food prices offset the seasonal reduction in prices for fruits and vegetables. The shortage of sugar in the domestic market, as a result of which its value has increased by more than 70% since the beginning of this year, also supported the growth in food prices at a high level. In addition, there was an increase in the price of certain categories of vegetables, prices for which increased by 40-90% in the first half of the year.

Prices for non-food products also increased against the background of the weakening of the national currency in June by almost 12 tenge to 442 tenge per 1 US dollar. Given that almost 40% of Kazakhstan's imports of goods come from the Russian Federation, inflation in consumer imports is further exacerbated by the depreciation of the tenge against the ruble (+33% ytd).

At the end of 5M2022, Kazakhstan's GDP showed growth of 4.6% yoy, which, among other things, is influenced by economic stimulus due to increased budget spending (+18.9% yoy for 5M2022). Thus, the republic's economy is experiencing inflationary pressure, both from the demand and supply side. The military conflict in Ukraine and sanctions against the Russian Federation further increase the pro-inflationary impact on the economy of the republic.

In July 2022, the moratorium on maintaining marginal prices for fuel in certain regions of the republic expires, along with this, an increase in the tariff for electricity is also expected. As a whole, such changes will put additional inflationary pressure on the economy in the second half of this year.

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