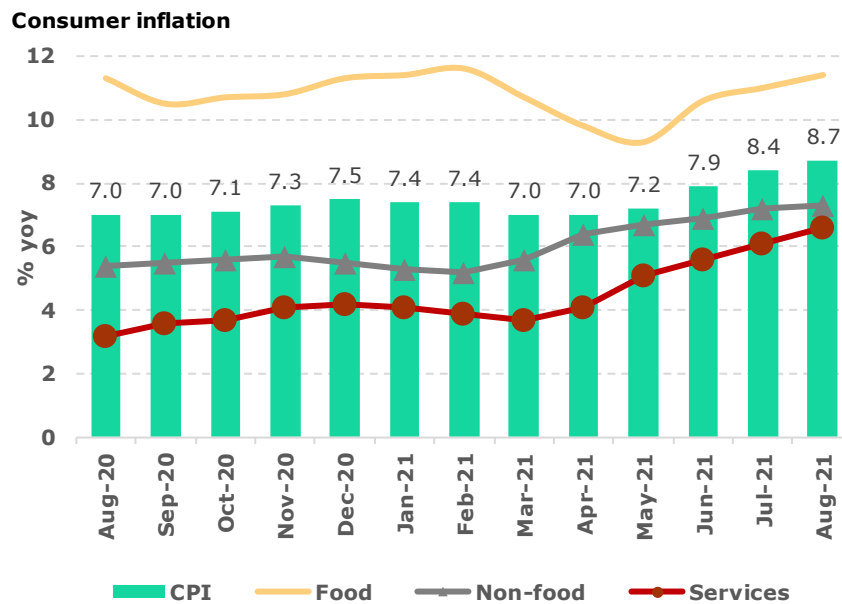


September 2, 2021

The growth rate of consumer prices in August slowed down to 0.5% mom compared to 0.7% mom in July. Due to the seasonal drop in prices for fruits and vegetables inflation in August was at its lowest level this year. At the same time, the pressure on consumer prices from non-food products and paid services persisted. This, in turn, affected the annual inflation growth, which was at its maximum level since the end of 2016 and amounted to 8.7%. Based on the dynamics of consumer prices, we keep our forecast for consumer inflation at the level of 8.5-8.7% at the end of 2021.

According to the Bureau of National Statistics, inflation slowed down to 0.5% mom in August from 0.7% mom in July. On an annualized basis, the consumer price index in August reached 8.7% (8.4% yoy in July 2021). The growth in food prices accelerated to 11.4% yoy (11.0% yoy in July 2021), while the cost of non-food products increased by 7.3% yoy (7.2% yoy in July 2021). Paid services rose by 6.6% yoy (6.1% yoy in July 2021).



Source: BNS, Halyk Finance

In August, prices for food products increased by 0.1% mom, providing a 0.04pp contribution to the general index of consumer inflation. In particular, prices went up for such foodstuffs as cereals (+1.4% mom), meat (+1.3% mom), sunflower oil (+2.2% mom) and bread (+0.7% mom). At the same time, prices decreased for carrots (-26.5% mom), potatoes (-11.5% mom) and bananas (-3.0% mom).

Prices for non-food products increased by 0.6% mom in August, providing a 0.18pp contribution to the headline consumer inflation. There was an increase in the cost of clothes and footwear (+0.8% mom), detergents and cleaning products (+0.2% mom). The price of diesel fuel has noticeably increased (+1.3% mom), but at the same time the price of gasoline has fallen (-0.2% mom).

In the paid services sector, prices increased by 0.8% mom, and their contribution to the overall rise in prices amounted to 0.25pp. The cost of renting housing increased significantly (+4.2% mom), while the cost of outpatient services increased (+1.1% mom), catering services (+1.0% mom) and water disposal (+0.6% mom).

Inflation, %

Type of good or service	August 2021			August 2020		
	mom	ytd	yoy	mom	ytd	yoy
All goods and services	0.5	5.8	8.7	0.1	4.6	7.0
Food products	0.1	7.5	11.4	-0.2	7.3	10.9
Bakery and cereals	1.2	5.6	8.6	0.6	7.4	13.4
Meat	1.3	7.9	9.5	0.4	7.1	11.3
Fruits and vegetables	-4.7	9.4	12.8	-4.7	10.6	13.0
Milk products	0.7	4.7	7.6	0.6	5.8	9.8
Oils, fats	1.3	15.4	31.7	0.9	6.5	9.0
Non-food products	0.6	5.2	7.3	0.5	3.4	5.5
Clothes and footwear	0.8	4.1	6.5	0.5	2.5	5.0
Cleaning materials	0.2	4.3	7.4	0.4	7.1	9.3
Gasoline	-0.2	14.7	14.7	-0.1	2.6	2.4
Diesel	1.3	6.4	2.6	-0.1	-3.2	-1.2
Services	0.8	4.4	6.6	0.3	2.0	3.4
House maintenance	0.3	2.9	3.1	0.1	0.3	0.4
Food serving	1.0	4.0	8.5	0.6	2.5	4.5
Education	0.2	1.2	4.4	0.0	0.8	2.3
Health care	1.1	4.1	6.1	0.7	4.3	6.5
Personal services	0.5	4.8	8.3	0.8	3.4	5.7
Telecom services	0.1	1.8	2.1	0.1	2.1	2.5

The table contains the main components of CPI

Source: BNS, Halyk Finance

Our opinion

Amidst of a seasonal decline in fruit and vegetable prices in August, the food prices were at their lowest since September last year (+0.1% mom). However, it should be noted that in August last year there was observed deflation of food prices by 0.2% mom. In its turn, non-food prices and prices for paid services remained at the record high and were supported by the rise in energy prices as well as rental costs.

Despite the slowdown in monthly index of food prices in August, the annual growth in the prices remained at double digits, accelerating to 11.4% yoy. Low base effect of the last year formed for other components of consumer inflation (non-food products (+7.3% yoy) and paid services (+6.6% yoy)) triggered the upward dynamics, accelerating the annual rate of inflation to 8.7%, the maximum since 2016.

Factors influencing inflation remained in full force and even increased their "upward" pressure in August. Food supply disruptions in the global food markets, accompanied by an increase in prices for them, as well as markup in transportation tariffs due to the global rise in energy prices, exerted significant external pressure on prices in the country through the foreign trade channels.

In the domestic market, there were observed the isolated "spots" of intensive upturn of prices – persistent growth in fuel prices, a notable spike of prices in the residential real estate market, as well as a shortage of livestock feed resulting in uprise of prices for them amidst of a significant decrease in the forecast for this year's harvest.

Based on the dynamics of consumer prices, we keep our forecast for consumer inflation at the level of 8.5-8.7% at the end of 2021.

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