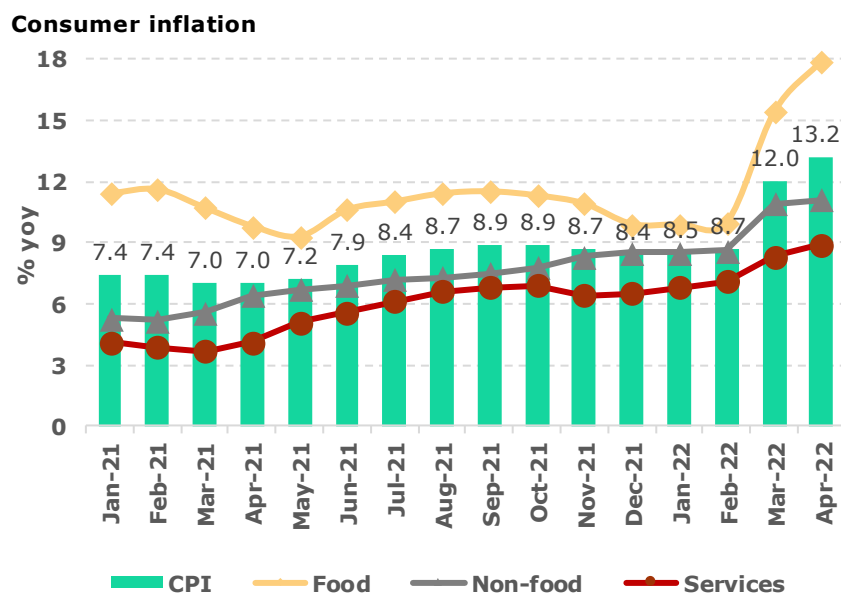


May 4, 2022

After a sharp acceleration in March to 3.7% mom, consumer inflation slowed down in monthly terms to 2% in April. The main impact on the slowdown in consumer price growth was provided by food staples, along with the continued decline in energy prices. The strengthening of the exchange rate of the national currency, which won back most of the losses, is an additional factor behind stabilizing prices in the domestic market. However, in annual terms, inflation accelerated to 13.2%, the highest since October 2016 (11.5% yoy). Accumulated inflation for January-April was at 7.3% and has already exceeded the annual rate in the same period last year. The sanctions pressure on the Russian Federation increases the already high pro-inflationary background, both in the country and in the world, which increases the uncertainty regarding further dynamics of consumer prices.

According to the Bureau of National Statistics, consumer inflation slowed down to 2% mom in April (+3.7% mom in March). In annual terms, the growth of consumer inflation amounted to 13.2% yoy (12% yoy in March). The consumer price index in annual terms shows an upward trend for the fourth month in a row.

The dynamics of annual price growth accelerated across all components of consumer inflation – food products rose in price by 17.9% yoy (+15.4% yoy in March), non-food products – by 11.1% yoy (+10.9% yoy in March), and paid services – by 8.9% yoy (+8.3% yoy in March).



Source: BNS, Halyk Finance

In April, food prices rose by 3.1% mom, making a 1.3pp contribution to the overall consumer inflation. In particular, rose such food products as sugar (+4.5% mom), fruits and vegetables (+3.4% mom), cereals (+3.7% mom) and bread (+3.5% mom). Prices for bananas saw a decrease of 3.7% mom.

Prices for non-food products rose by 1.2% mom in April, providing a 0.4pp contribution to the overall consumer inflation. Detergents and cleaning products went up in price (+3.6% mom), pharmaceutical products (+1.7% mom) and personal goods (+5.2% mom). The price of diesel fuel decreased by 0.3% mom, and that of gasoline by 0.1% mom.

In the area of paid services, prices increased by 1% mom, and their contribution to the overall price growth in April amounted to 0.3pp. The cost of housing rent increased noticeably (+2% mom), outpatient services (+2.2% mom), catering services (+3.5% mom) and personal services (+2.9% mom). At the same time, fell in price hot water (-0.1% mom) and heating (-0.2% mom).

Main components of CPI, %

Type of good or service	April 2022			April 2021		
	mom	ytd	yoy	mom	ytd	yoy
All goods and services	2.0	7.3	13.2	0.9	2.7	7.0
Food products	3.1	11.6	17.9	1.0	4.1	9.8
Bakery and cereals	4.4	10.6	17.9	0.6	1.9	9.6
Meat	2.2	6.0	14.4	0.8	2.5	7.3
Fruits and vegetables	3.4	26.8	27.6	1.9	9.9	5.7
Milk products	3.5	9.8	14.9	0.7	2.6	8.2
Oils, fats	1.7	6.6	17.6	1.6	6.3	25.4
Non-food products	1.2	4.9	11.1	1.0	2.5	6.4
Clothes and footwear	1.7	4.0	8.1	0.4	1.5	5.5
Cleaning materials	3.6	10.5	14.3	0.4	2.1	8.5
Gasoline	-0.1	-0.5	6.7	6.0	11.6	10.0
Diesel	-0.3	-2.2	42.9	0.9	0.2	-4.3
Services	1.0	3.6	8.9	0.5	1.3	4.1
House maintenance	0.0	1.2	4.5	0.2	0.8	1.2
Food serving	3.5	9.0	13.9	1.1	1.2	7.8
Education	1.0	1.9	9.3	0.5	0.7	3.9
Health care	2.2	8.4	11.9	0.2	2.1	6.9
Personal services	2.9	6.0	11.0	1.0	1.8	8.1
Telecom services	0.0	0.2	2.2	0.3	1.1	1.5

Source: BNS

Our opinion

After a sharp acceleration in March this year, consumer inflation slowed down in April, in line with our expectations, although it still remains at a high level. The slowdown in dynamics was traced across all components of the index. However, the maximum contribution, which provided about 77% of the total slowdown in consumer price growth in April, came from food products. We believe that inflation is near its current peak and seasonal disinflationary processes (vegetable and fruit harvests) may start to settle in the economy in the near future. State measures to stabilize consumer inflation rates, which include, among other things, a ban on raising energy prices, which ensured a slight reduction in the cost of automobile and other types of fuel since the beginning of the year, have a restraining effect on the overall consumer inflation rates in the country in the face of internal and external shocks.

In the foreign exchange market, there was an adaptation of the national currency exchange rate to external shocks: having reached a peak of 512.2 per 1 US dollar in March, the tenge strengthened to 446.4 per 1 dollar by the end of April this year (-13%). The rapid recovery of the exchange rate of the national currency is one of the important factors behind stabilizing inflation through the foreign exchange channel. Note that the potential for further strengthening of the tenge in the near future will remain.

Despite the slowdown in consumer inflation, the uncertainty caused by the military actions in Ukraine and related sanctions pressure remains at a high level, and the lack of progress in the peaceful settlement of the conflict will help maintain inflationary expectations of the population and business at a high level. This, in turn, will affect further growth in the cost of the consumer basket in the medium term. Thus, the World Bank expects that due to the military conflict, high inflationary pressure in the world will be observed until the end of 2024.

© 2022 Halyk Finance, a subsidiary of Halyk Bank.

For contact details see the information on Halyk Finance website www.halykfinance.kz or contact Halyk Finance office. All rights reserved. This document and/or information has been prepared by and, except as otherwise specified herein, is communicated by Halyk Finance. This document is for information purposes only. Opinions and views expressed in this document do not necessarily represent the opinions and views held by Halyk Finance, or other subsidiaries of Halyk Bank. The differences of opinion stem from different assumptions, sources information, criteria and methodology of valuation. Information and opinions expressed herein are subject to change without notice; and neither Halyk Finance, or Halyk Bank, or any of its subsidiaries or affiliates are under any obligation to keep them current. This document is not an offer or an invitation to engage in investment activity. It cannot be relied upon as a representation that any particular transaction necessarily could have been or can be effected at the stated price. This document does not constitute an advertisement or an offer of securities, or related financial instruments. Descriptions of any company or companies or their securities or the markets or developments mentioned herein are not intended to be complete. Views and opinions expressed in this document cannot substitute for the exercise of own judgment and do not attempt to meet the specific investment objectives, financial situation or particular needs of any specific investor. The information and opinions herein have been arrived at based on information obtained from sources believed to be reliable and in good faith. Such sources have not been independently verified; information is provided on the basis and no representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness, reliability, merchantability or fitness for a particular purpose of such information and opinions, except with respect to information concerning Halyk Finance and its affiliates. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. Foreign-currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or the price of, or income derived from, the investment. Halyk Finance and its affiliates, directors, representatives, employees, or clients may have or have had interests in issuers described herein. Halyk Finance may have or have had long or short positions in any of the securities or other financial instruments mentioned herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale, of any such securities or other financial instruments at any time, as principal or agent. Halyk Finance and its affiliates may act or may have acted as market maker in the securities or other financial instruments described herein, or in securities underlying or related to such securities. Employees of Halyk Finance or its affiliates may serve or have served as officers or directors of the said companies. Halyk Finance and its affiliates may have or have had a relationship with or have provided investment banking, capital markets, advisory, investment management, and/or other financial services to the relevant companies. Halyk Finance relies on information barriers to avoid the appearance of conflict of interests within Halyk Finance or in its relations with clients, other issuers, and external investors.

The information herein is not intended for distribution to the public and may not be reproduced, redistributed or published, in whole or in part, for any purpose without the written permission of Halyk Finance. Neither Halyk Finance nor any of its affiliates accepts any liability whatsoever for the actions of third parties in this respect. This information may not be used to create any financial instruments or products or any indices. Neither Halyk Finance, nor its affiliates, nor their directors, representatives, or employees accept any liability for any direct or consequential loss or damage arising out of the use of any information herein.

© 2022, All rights reserved

Contacts:

Research department mail to: research@halykfinance.kz

Sales department mail to: sales@halykfinance.kz

Address:

Halyk Finance
Abay av., 109 «B», 5th fl
A05A1B4, Almaty, Kazakhstan
Contact. +7 727 357 59 77
www.halykfinance.kz

Bloomberg

HLFN

Thomson Reuters

Halyk Finance

Factset

Halyk Finance

Capital IQ

Halyk Finance