

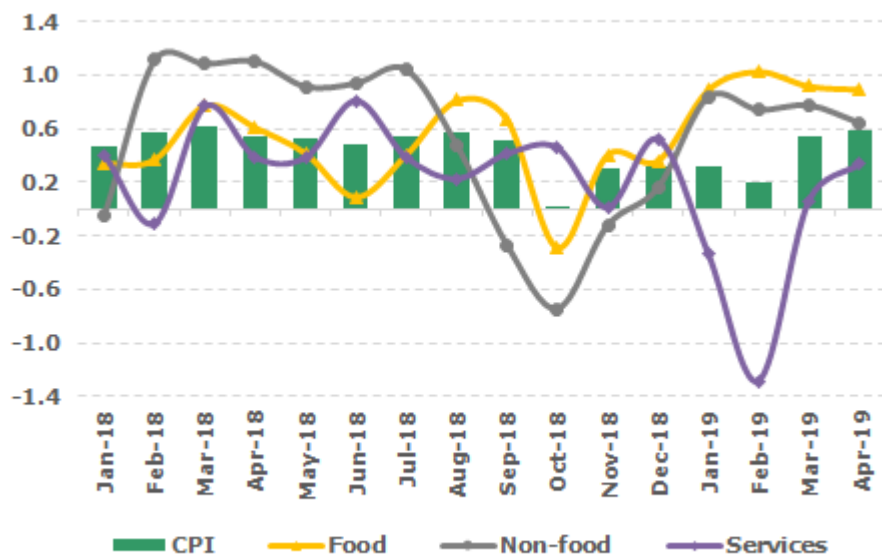
Inflation slightly increased in April

Assan Kurmanbekov — May 03, 2019

Inflation in April remained at the level of the previous month at 0.5%. In annual terms, it slightly increased by 0.1pp to 4.9%. Consumer price dynamics continues to be influenced by the reduction and freezing of tariffs of state monopolies at the beginning of this year.

According to the Committee on Statistics, inflation in April remained at the level of the previous month at 0.5%. In annual terms, it slightly changed by 0.1pp to 4.9%. Taking into account the seasonal adjustment (sa), by our estimate, inflation was 0.6% mom. The main contribution to the rise in prices is still made by food products, while regulated tariffs keep the cost of services at a low level.

Figure 1. Consumer inflation, sa



Source: CS MNE, Halyk Finance

In the group of food products, in April, inflation slowed down to 0.9%, 0.9% mom sa, providing 0.35pp in total inflation. High price increases are supported by bakery products and cereals, which increased by 2.0% mom, bread went up by 2.6% mom, pasta products up by 1.9% mom, meat up by 0.9% mom, fruits and vegetables in a month added 0.7% mom. Prices for eggs decreased (-1.4% mom), buckwheat (-0.5% mom), sour cream (-0.1% mom).

Prices for non-food products increased by 0.4% mom (0.6% mom sa), the contribution of 0.12pp in inflation. The cost of household goods increased (+0.5% mom), medicines (+0.7% mom), clothing and footwear (+0.5% mom). Gasoline prices fell by 0.5% mom.

In the service sector, tariffs increased by 0.1% mom (+0.4% mom sa), with a 0.03pp contribution to price changes. The main factors of increase: health care (+0.7% mom), air transport (+5.2% mom), recreation and entertainment (+0.5% mom). There were no changes in transport services, utilities services.

Table 1. Consumer goods and services inflation, %

Type of good or service	by the end of April				by the end of March		
	mom	momsa	ytd	yoy	mom	momsa	yoy
All goods and services	0.5	0.6	1.8	4.9	0.5	0.5	4.8
Food products	0.9	0.9	4.8	7.1	1.0	0.9	6.7
Bakery and cereals	2.0	2.2	5.5	9.6	1.4	1.4	7.6
Meat	0.9	0.8	2.3	8.0	0.3	0.2	7.7
Fruits and vegetables	0.7	0.3	15.0	-1.3	3.1	2.1	-0.9
Milk products	0.2	0.5	1.3	6.1	0.3	0.4	6.6
Oils, fats	0.1	0.5	1.7	8.7	0.3	0.7	9.4
Non-food products	0.4	0.7	1.3	6.0	0.3	0.6	6.0
Clothes and footwear	0.5	0.8	2.1	8.2	0.5	1.0	8.4
Household appliances	0.7	0.9	2.0	7.9	0.3	0.5	7.6
Gasoline	-0.5	0.3	-3.7	-7.3	-0.6	-0.6	-7.9
Diesel	0.0	1.3	-1.5	24.5	-0.7	0.9	26.0
Services	0.1	0.4	-1.2	1.2	0.2	0.4	1.2
House maintenance, utilities	0.0	0.0	-4.3	-3.5	0.0	0.3	-3.3
Rest, leisure, culture	0.5	0.9	2.0	7.7	0.3	0.7	7.6
Education	0.1	0.3	0.4	3.8	0.0	0.3	3.7
Health care	0.7	0.7	3.1	7.3	0.6	0.7	7.2
Transportation	0.0	0.4	-1.0	1.9	0.0	0.2	1.9
Telecom services	0.1	0.1	0.4	4.2	0.0	0.1	4.3

The table contains the main items of CPI

Source: CS MNE, Halyk Finance estimates

The results of population polls for March, published by the NBRK, demonstrated continued growth of inflation expectations, while maintaining devaluation expectations. The share of respondents who expect price growth to accelerate in the next 12 months increased for the second consecutive month to 18.8% in March (15.4% in March 2018, 28.2% at the peak in September 2018). The share of respondents expecting a decline or unchanged price position declined to the previous month to 9% (9.4% in March 2018), with a minimum of 5.8% in October 2018. In March 2019, the share of respondents who expected a rise in the US dollar decreased to 63.6% compared with the previous month (47.1% in March 2018), which is lower than 70.7% at the peak in September 2018. At the same time, the sum of net expenses (T296 billion) of the population for the purchase of cash dollars in the first quarter increased by 26% over the same period in 2018.

Our opinion

Consumer price dynamics continues to be influenced by the reduction and freezing of tariffs of state monopolies at the beginning of this year. The rise in prices for food products remains at an elevated level in comparison with the same period last year and is due to the rise in prices for agricultural products on foreign markets and a positive increase in imports. Prices for non-food products remain under some pressure and ignore the dynamics of the exchange rate of the tenge to other currencies, which is at a historic highs around 380 to \$ and 5.9 to the ruble. Despite the administrative regulation of state monopoly tariffs, which was reflected in a slowdown in inflation, external inflationary factors, an increase in wages, social payments, double-digit growth rates of consumer lending create risks of accelerating price increases this year.

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