

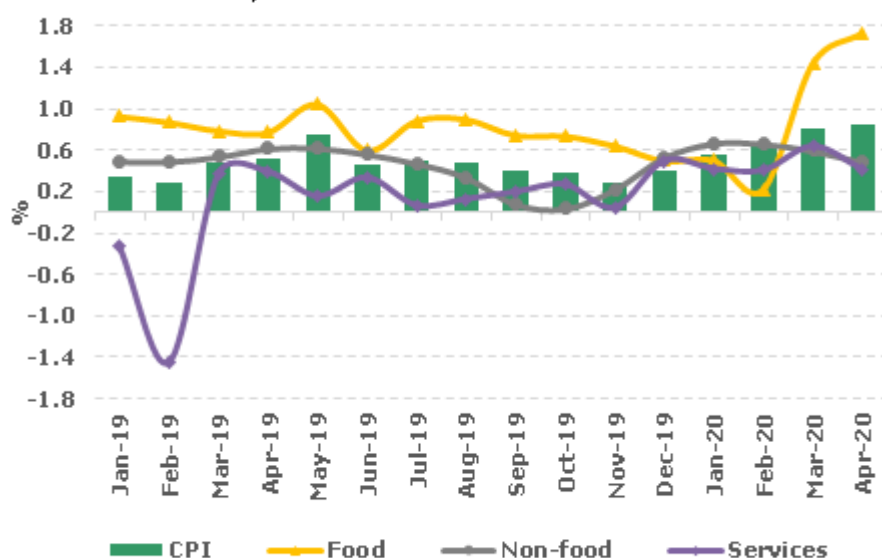
Annual inflation rose to 6.8% in April

Assan Kurmanbekov — May 05, 2020

Inflation in April increased by 0.9% mom, unchanged from the previous month. In annual terms, it increased from 6.4% to 6.8%, which corresponds to the level of the beginning of 2018. At the same time, it should be borne in mind that quarantine measures in connection with coronavirus, as well as limited nominal wage growth below 3% this year amid a recession in the economy will act as a strong disinflation factor.

According to the Committee on Statistics, inflation in April increased by 0.9% mom, unchanged from the previous month. In annual terms, it increased from 6.4% to 6.8%, which corresponds to the level of the beginning of 2018. Given the seasonal adjustment (sa), by our estimates, inflation accelerated slightly from 0.8% mom to 0.9% mom.

Consumer inflation, sa



Source: CS MNE, Halyk Finance

According to the results of April, inflation in the food products group amounted to 1.9% mom (+1.7% mom sa), providing 0.74pp in the total inflation. Fruits and vegetables went up (+5.6% mom), cereals (+3.4% mom), oils and fats (+1% mom), meat (+1.6% mom). Prices for cabbage decreased (-1.9% mom), rice (-0.1% mom), millet (-0.7% mom).

Prices for non-food products increased by 0.3% mom (+0.5% mom sa), providing 0.1 pp of contribution to inflation. The cost of antiseptics showed (+6.6% mom), medicines (+2.7% mom), personal goods (+1.8% mom), household goods (+0.7% mom), automobiles (+0.8% mom). The cost of gasoline decreased (-1.3% mom), diesel fuel (-2.3% mom).

In the service sector, tariffs increased by 0.1% mom (+0.4% mom sa) with a 0.03 pp contribution to price increases. A weak change in tariffs was due to a decrease in the cost of housing and communal services (-0.1% mom), hospital services (-0.2% mom). Legal services rose most significantly (+4.8% mom), communication services (+0.4% mom), transport services (+0.4% mom).

Consumer goods and services inflation, %

Type of good or service	April 2020				April 2019	
	mom	momsa	ytd	yoy	ytd	yoy
All goods and services	0.9	0.9	3.2	6.8	1.8	4.9
Food products	1.9	1.7	5.5	10.4	4.8	7.1
Bakery and cereals	0.9	0.5	2.7	13.0	5.5	9.6
Meat	1.6	1.6	3.9	14.9	2.3	8.0
Fruits and vegetables	5.6	4.7	18.6	9.7	15.0	-1.3
Milk products	0.7	0.8	3.0	8.2	1.3	6.1
Oils, fats	1.0	1.1	3.0	6.5	1.7	8.7
Non-food products	0.3	0.7	1.7	5.4	1.3	6.0
Clothes and footwear	0.1	0.2	0.8	5.3	2.1	8.2
Household appliances	0.7	0.7	2.2	6.3	2.0	7.9
Gasoline	-1.3	-0.1	4.1	3.1	-3.7	-7.3
Diesel	-2.3	-0.7	-2.2	0.5	-1.5	24.5
Services	0.1	0.4	1.5	3.5	-1.2	1.2
House maintenance, utilities	-0.1	0.2	1.0	2.7	-4.3	-3.5
Rest, leisure, culture	0.0	0.3	0.6	5.1	2.0	7.7
Education	0.0	0.2	0.8	2.2	0.4	3.8
Health care	1.0	0.8	2.2	5.7	3.1	7.3
Transportation	-0.2	0.4	3.3	5.0	-1.0	1.9
Telecom services	0.4	0.5	1.6	2.4	0.4	4.2

The table contains the main components of CPI

Source: CS MNE, Halyk Finance

Our opinion

It is worth recalling that in 2019 inflation was 5.4% compared to 5.3% in 2018 with a minimum value of 4.8% in 2013. In March and April, there was a fairly significant increase in inflationary pressure. Since the beginning of the year, inflation reached 3.2% compared with 1.8% for the same period in 2019. The main increase in prices occurs in the group of food products, where the increase in prices has already exceeded 10% in annual terms. After the inflationary expectations of the population sharply strengthened in the wake of panic, the state authorities took urgent measures to stabilize the consumer market - tariffs for housing and communal services were once again reduced, diesel fuel prices already fell below the end of 2019, gasoline prices were lowered in March, although its price managed to increase by 4% since December 2019. Tenge weakening by almost 12% against the dollar since the beginning of this year is partially offset by a 6% appreciation of the tenge against the ruble.

We revised our inflation forecast at the end of this year upward from 5.5% to 8.7%. At the same time, it should be borne in mind that quarantine measures in connection with coronavirus, as well as limited nominal wage growth below 3% this year amid a recession in the economy will act as a strong disinflation factor. As a result of which we do not exclude that our forecast may turn out to be quite pessimistic.

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