

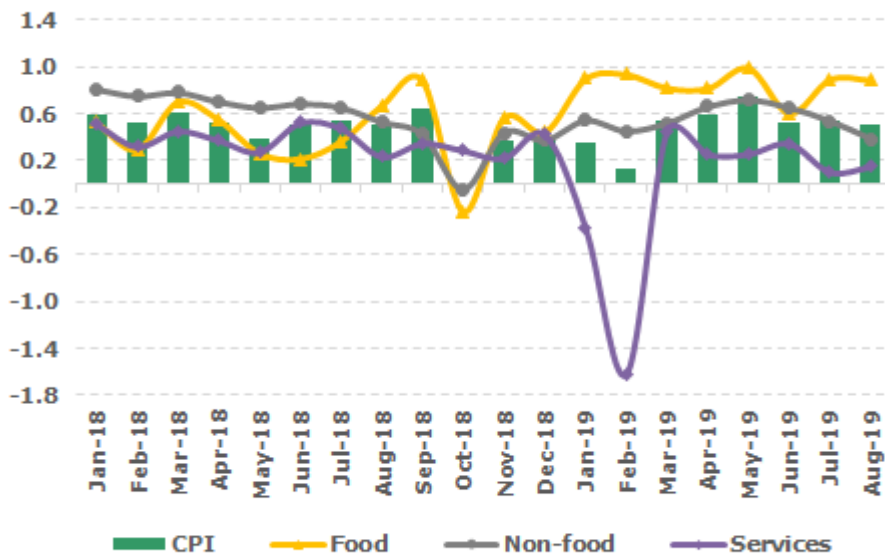
# August data point to sustained inflation pressure

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Inflation in August remained at the level of the previous month at 0.2% and stayed unchanged throughout the summer. In annual terms, inflation increased by 0.1pp to 5.5%. August inflation data indicate a continued trend in accelerating prices, observed for almost two quarters. In addition to food products such as bread and meat, that are almost three times faster than the general price increase, stationery, books, clothes, and rental housing became additional inflation drivers before the start of the school year. Also, due to harvesting, diesel continues to rise in price.

According to the Committee on Statistics, inflation in August remained at the level of the previous month at 0.2% and stayed unchanged throughout the summer. In annual terms, inflation increased by 0.1pp to 5.5%. Given the seasonal adjustment (sa), in our estimation, inflation amounted to 0.5% mom, demonstrating a consistently higher growth rate compared to the actual one starting from the second quarter.

**Figure 1. Consumer inflation, sa**



Source: CS MNE, Halyk Finance

Food inflation in August unchanged at 0.1%, 0.9% mom sa, providing 0.04pp in the total inflation. High prices are supported by bakery products and cereals, which increased in price by 1% mom, cereals went up by 0.7% mom, meat up by 1.8% mom, soft drinks added 0.8% mom, eggs rose immediately by 6.3% mom. There was a decrease in prices for sour milk (-0.3% mom), fruits and vegetables (-4.4% mom), sugar (-2.4% mom).

Prices for non-food products increased by 0.4% mom (0.4% mom sa), a contribution of 0.1pp to inflation. The prices were up for shoes (+0.7% mom), clothes (+0.5% mom), household appliances (+0.5% mom), household items (+ 0.4% mom), newspapers, books and stationery (+1.9% mom). Fuel price began to rise: gasoline (+0.1% mom) and diesel fuel (+0.3% mom).

In the service sector, tariffs increased by 0.1% mom (+0.2% mom sa) with a 0.03pp contribution to price changes. The main factors of increase: housing rental services (+0.5% mom), healthcare (+0.2% mom), personal services (+0.4% mom), leisure and entertainment (+0.7% mom). In the service sector, air transport services turned cheaper.

**Table 1. Consumer goods and services inflation, %**

Type of good or service	August 2019				August 2018	
	mom	momsa	ytd	yoy	ytd	yoy
<b>All goods and services</b>	<b>0.2</b>	<b>0.5</b>	<b>3.0</b>	<b>5.5</b>	<b>2.9</b>	<b>6.3</b>
<b>Food products</b>	<b>0.1</b>	<b>0.9</b>	<b>6.1</b>	<b>9.0</b>	<b>2.3</b>	<b>5.1</b>
Bakery and cereals	1.0	0.9	9.9	12.6	1.4	2.0
Meat	1.8	1.6	8.9	12.8	3.8	6.9
Fruits and vegetables	-4.4	1.7	4.1	2.0	-4.4	1.5
Milk products	0.3	0.6	2.6	5.6	5.1	9.5
Oils, fats	0.2	0.8	2.6	8.2	3.2	5.5
<b>Non-food products</b>	<b>0.4</b>	<b>0.7</b>	<b>2.9</b>	<b>5.7</b>	<b>3.6</b>	<b>8.4</b>
Clothes and footwear	0.6	0.3	4.1	7.4	4.5	8.3
Household appliances	0.7	0.7	4.2	7.8	4.3	6.1
Gasoline	0.1	0.3	-4.5	5.0	-2.3	8.7
Diesel	0.3	-0.8	-0.9	9.6	17.2	41.3
<b>Services</b>	<b>0.1</b>	<b>0.2</b>	<b>-0.6</b>	<b>0.8</b>	<b>3.0</b>	<b>5.7</b>
House maintenance, utilities	0.1	0.1	-4.3	-3.9	2.8	6.1
Rest, leisure, culture	0.7	0.7	5.2	8.5	3.1	5.4
Education	0.0	0.3	0.3	3.1	1.8	4.2
Health care	0.2	0.7	5.2	7.9	4.4	6.8
Transportation	0.1	0.3	-0.4	1.5	2.7	7.8
Telecom services	0.1	0.0	0.8	2.2	2.7	3.2

*The table contains the main components of CPI*

*Source: CS MNE, Halyk Finance estimates*

### Our view

August inflation data indicate a continued trend in accelerating prices, observed for almost two quarters. In addition to food products such as bread and meat, that are almost three times faster than the general price increase, stationery, books, clothes, and rental housing became additional inflation drivers before the start of the school year. Also, due to harvesting, diesel continues to rise in price. The general increase in prices is ahead of last year's level, amounting to 3% from the beginning of the year (+2.9% for 8M2018), and this despite the reduction and freezing of housing and communal services tariffs. In our opinion, the resulting inflationary picture in the economy has sufficient reasons for strengthening due to the weakening of tenge, expanding the scope of tax and customs control, a large-scale package of measures to increase incomes of the population, while bottlenecks in the supply chain remain, and non-monetary inflation factors do not allow to lower the base rate of the regulator, which does not contribute to the softening of monetary conditions.

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