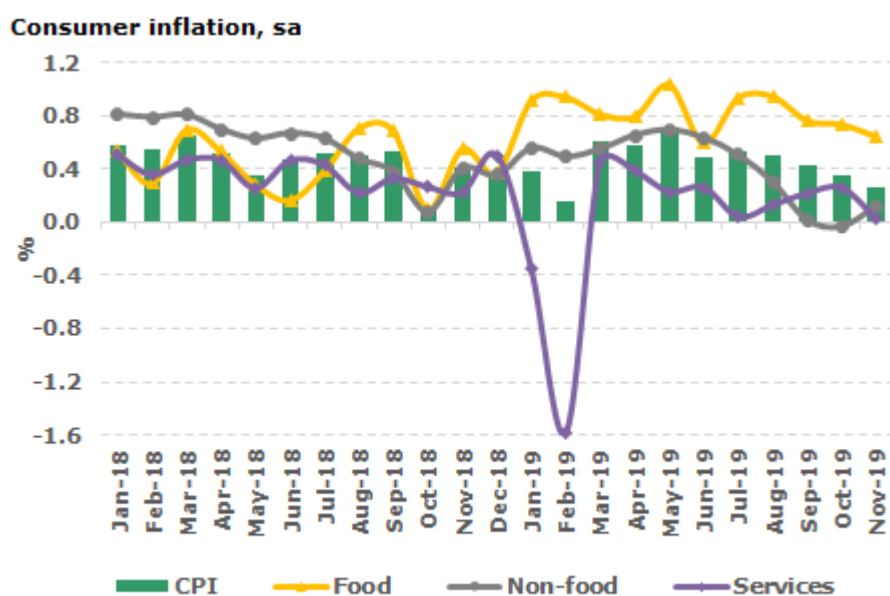


Inflation eased to 5.4% yoy in November

Assan Kurmanbekov — December 04, 2019

Inflation in November accelerated slightly to 0.7% after an increase of 0.6% in October. In annual terms, inflation fell by 0.1pp to 5.4%. Based on November data, we believe that inflation will also be moderate in December, which will be associated with a relatively stable tenge against a background of record low ruble volatility against the dollar and administrative measures to curb inflation by government agencies.

According to the Statistics Committee, inflation in November accelerated slightly to 0.7% after an increase of 0.6% in October. In annual terms, inflation fell by 0.1pp to 5.4%. Given the seasonal adjustment (sa), in our estimate, inflation slowed slightly compared to the previous month and amounted to 0.3% mom - the weakest growth since March.



Source: CS MNE, Halyk Finance

According to the results of November, inflation in the food products group grew by 1.2% mom (+0.6% mom sa), providing 0.4pp in total inflation. Food prices — bakery products and cereals, meat, dairy products, and eggs — still demonstrate high price increases. Price reductions were mainly observed among seasonal vegetables and sugar. Prices for non-food products increased by 0.5% mom (0.1% mom sa), providing a contribution to inflation of 0.14pp. The cost of clothes and shoes, household appliances, diesel fuel has increased. In the service sector, tariffs increased by 0.5% mom (+0% mom sa) with a 0.15pp contribution to price changes. The main factors of increase: transport services and certain utilities.

Consumer goods and services inflation, %

Type of good or service	November 2019				November 2018	
	mom	momsa	ytd	yoy	ytd	yoy
All goods and services	0.7	0.3	4.7	5.4	4.6	5.3
Food products	1.2	0.6	8.4	9.7	3.8	5.0
Bakery and cereals	2.0	2.0	15.3	15.5	3.5	3.6
Meat	0.5	0.6	12.5	13.4	6.6	7.5
Fruits and vegetables	2.7	0.5	2.2	7.5	-10.9	-6.9
Milk products	0.9	0.6	5.7	6.3	7.6	8.3
Oils, fats	0.8	0.2	4.8	5.8	7.8	8.1
Non-food products	0.5	0.7	4.3	4.8	5.9	6.5
Clothes and footwear	0.6	0.4	5.9	6.8	6.8	7.7
Household appliances	0.6	0.2	5.7	6.7	6.8	7.4
Gasoline	-0.1	-1.1	-4.5	-4.5	-2.8	-4.1
Diesel	1.7	-2.0	0.9	1.5	28.8	29.5
Services	0.5	0.0	0.4	0.6	4.2	4.5
House maintenance, utilities	0.8	0.2	-2.8	-3.2	3.6	3.5
Rest, leisure, culture	0.0	0.1	6.1	6.6	5.8	6.5
Education	0.0	0.1	1.8	1.7	4.7	4.8
Health care	0.3	0.2	6.1	6.7	6.5	7.0
Transportation	0.3	-0.3	0.3	0.5	4.4	4.7
Telecom services	0.1	0.1	1.1	1.3	3.9	4.0

The table contains the main components of CPI

Source: CS MNE, Halyk Finance estimates

Our view

Inflation in November moved in line with our expectations. In addition to services, in the second half of the year prices for non-food items declined (seasonally adjusted). Seasonally adjusted food prices also slowed in September. It should be noted that the data on retail trade turnover for 10 months of this year showed a rather moderate increase by 5.5% yoy, while the turnover for non-food products increased by 6.4% yoy, and for food by 5.1% yoy, which is lower than the same indicators last year (+6.5% yoy; -6.3% yoy; +14.1% yoy). This indicates the absence of significant pressure on prices from the demand side. Since the beginning of the year, price growth amounted to 4.7%, which is slightly higher than 4.6% for the same period in 2018. Based on November data, we believe that inflation will also be moderate in December, which will be associated with a relatively stable tenge against a background of record low ruble volatility against the dollar and administrative measures to curb inflation by government agencies.

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Research	Department	Telephone	E-mail
Stanislav Chuyev	Head		s.chuyev@halykfinance.kz
Assan Kurmanbekov	Macroeconomics		a.kurmanbekov@halykfinance.kz
Dmitriy Sheikin	Macroeconomics		d.sheikin@halykfinance.kz
Zhansaya Kantayeva	Fixed income		zh.kantayeva@halykfinance.kz
Madina Meterkulova	Equity		m.meterkulova@halykfinance.kz
Vladislav Benberin	Equity		v.benberin@halykfinance.kz

Sales	Department	Telephone	E-mail
Mariya Pan	Head		m.pan@halykfinance.kz
Aizhan Moldakhmetova	Institutional		a.moldakhmetova@halykfinance.kz
Asel Baizhanova	Institutional		a.baizhanova@halykfinance.kz
Zhanna Nuralina	Retail		zh.nuralina@halykfinance.kz
Shynar Zhakanova	Retail		sh.zhakanova@halykfinance.kz
Aliya Abdumazhitova	Retail		a.abdumazhitova@halykfinance.kz
Alya Mukhametzhanova	Retail		a.mukhametzhanova@halykfinance.kz

Halyk Finance

Abay av. 109 «B», 5th fl.
 Almaty, Kazakhstan, A05A1B4
 Tel: +7 727 331 59 77
www.halykfinance.kz

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