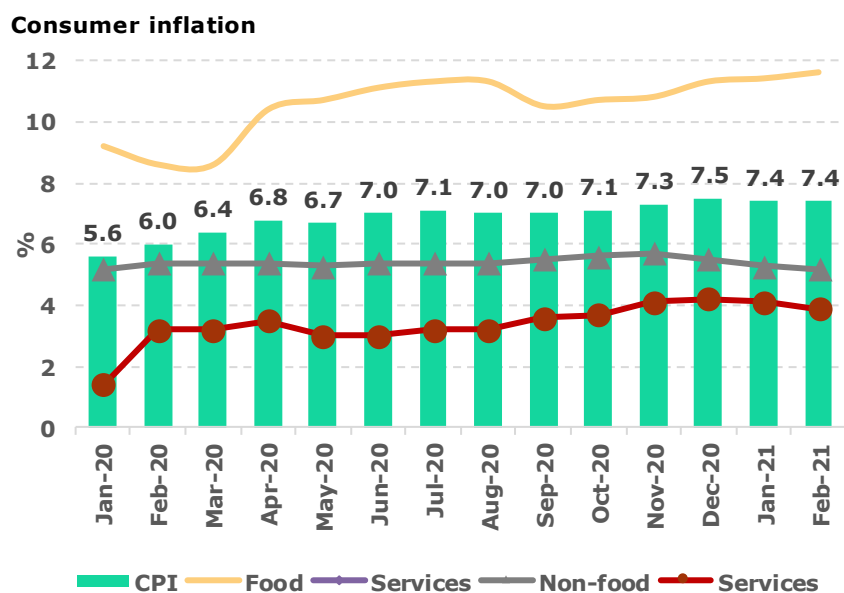


March 2, 2021

The growth rate of prices in February of this year slightly increased to 0.7% mom from 0.6% mom in January, but remained below the values of November-December 2020 at 0.9% mom. The rise in prices for food products in foreign markets and problems on the supply side in certain segments are still holding back price stabilization. In annual terms, the price index remained at the level of 7.4%. A positive moment for domestic prices is the tenge strengthening tendency, which has been observed for 4 months in a row. We maintain our forecast of inflation slowdown to 6.5% yoy in 2021.

According to the Bureau of National Statistics, inflation slightly increased in February from 0.6% mom to 0.7% mom. In annual terms, the consumer price index did not change over the month, remaining at the level of 7.4%. Prices for food products increased by 11.6% yoy, the rise in prices for non-food products was 5.2% yoy, services rose by 3.9% yoy.



Source: BNS, Halyk Finance

In February, prices for food products increased by 1.1% mom, providing a 0.44pp contribution to inflation. In particular, prices for such food products as sunflower oil went up (+2.3% mom), sugar (+1.6% mom), eggs (+3.6% mom), flour (+1.3% mom) fruits and vegetables (+2.4% mom). Rice prices dropped (-0.3% mom), millet (-0.4% mom), cabbage (-2% mom).

Prices for non-food products increased by 0.4% mom, providing a 0.13pp contribution to inflation. The cost of clothing and footwear increased (+0.5% mom), detergents and cleaning products (+0.8% mom), the cost of gasoline (+0.5% mom). The cost of diesel fuel has decreased (-0.1% mom).

In the service sector, prices increased by 0.3% mom, contributing to the rise in prices by 0.1pp. Tariffs increased for outpatient services (+0.9% mom), housing maintenance (+0.4% mom), rental housing (+1.5% mom). Some utilities have dropped in price moderately.

Consumer goods and services inflation, %

Type of good or service	February 2021			February 2020		
	mom	ytd	yoy	mom	ytd	yoy
All goods and services	0.7	1.3	7.4	0.6	1.3	6.0
Food products	1.1	2.2	11.6	0.9	1.9	8.6
Bakery and cereals	0.7	1.1	10.5	0.5	1.0	14.9
Meat	0.8	0.9	8.6	0.7	1.1	13.1
Fruits and vegetables	2.4	6.0	13.2	3.3	6.8	2.6
Milk products	0.5	1.1	8.2	0.6	1.5	7.1
Oils, fats	1.5	3.4	24.0	0.9	1.3	5.2
Non-food products	0.4	0.7	5.2	0.5	1.0	5.4
Clothes and footwear	0.5	0.8	5.2	0.2	0.5	6.0
Cleaning materials	0.8	1.0	10.1	0.8	1.1	5.8
Gasoline	0.5	0.5	-1.9	2.1	5.0	2.9
Diesel	-0.1	-0.2	-7.1	0.0	0.3	2.3
Services	0.3	0.6	3.9	0.5	0.9	3.2
House maintenance	0.4	0.6	1.0	0.0	0.1	1.6
Food serving	0.1	0.1	6.6	0.3	0.4	5.1
Education	0.1	0.2	3.5	0.6	0.7	2.7
Health care	0.9	1.5	6.6	0.6	1.2	6.1
Personal services	0.4	0.5	7.1	0.3	0.3	5.5
Telecom services	0.3	0.3	2.0	0.1	0.4	1.3

The table contains the main components of CPI

Source: BNS, Halyk Finance

Our opinion

Inflation accelerated slightly in February in monthly terms due to continued high growth in food prices and a slight acceleration in the growth of prices for non-food products, while the cost of services declined.

The main pressure on the cost of food is exerted by the following factors: 1) the continued rise in prices in neighboring Russia, where the government decided to introduce duties on the export of agricultural products, which are becoming more expensive in foreign markets; 2) the unfavorable situation with bird flu and the rise in the cost of feed, which led to a drop in egg production in the Republic of Kazakhstan by 8% last year, as a result of which eggs rose in price immediately by 33% yoy.

As a positive moment, it can be noted that the tenge has been strengthening against major currencies for 4 months in a row (strengthening against the dollar from 429 to 419).

The dynamics of price growth in January-February is generally in line with our expectations. In the first quarter, the price level, according to our estimates, will be above the 7% yoy mark, but later we expect a gradual decline to below 7% yoy. At the end of this year, we forecast inflation at 6.5% yoy.

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