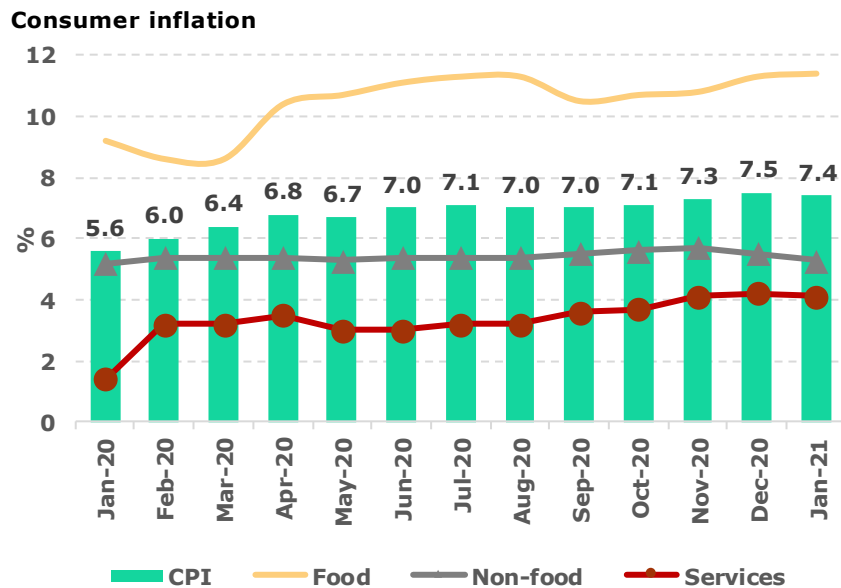


February 2 2021

After accelerating in November and December 2020 to 0.9% mom, inflation in the first month of the new year eased to the level of 0.6% mom seen in October last year. The weakening of price growth in January was traced across all components of the consumer basket. In annual terms, the price index decreased slightly to 7.4%. At the end of 2021, we forecast inflation slowdown to 6.5% yoy under the pressure of weak dynamics of household spending.

According to the Bureau of National Statistics, inflation slowed to 0.6% mom in January from 0.9% mom in December. In annual terms, the consumer price index dropped over the month from 7.5% to 7.4%. Prices for food products increased by 11.4% yoy, prices for non-food products increased by 5.3% yoy, prices for services rose by 4.1% yoy.



Source: BNS, Halyk Finance

In January, food prices increased by 1.1% mom, providing a 0.4pp contribution to inflation. In particular, rose such food products as sunflower oil (+3.6% mom), sugar (+1.1% mom), eggs (+6.9% mom), flour (+1% mom) and fruits and vegetables (+3.6% mom). Rice prices dropped (-0.3% mom), poultry meat (-0.1% mom), prices for beef and bread did not change.

Prices for non-food products increased by 0.3% mom, providing a 0.1pp contribution to inflation. The cost of clothing and footwear (+0.3% mom), detergents and cleaning products (+0.2% mom) increased. The cost of diesel fuel decreased (-0.1% mom), the cost of gasoline remained unchanged.

In the service sector, tariffs increased by 0.3% mom, contributing to price increases of 0.1pp. Tariffs for outpatient services increased (+0.6% mom) and housing maintenance (+0.2% mom).

Consumer goods and services inflation, %				
Type of good or service	January 2021		January 2020	
	mom	yoy	mom	yoy
All goods and services	0.6	7.4	0.7	5.6
Food products	1.1	11.4	0.9	9.2
Bakery and cereals	0.3	10.2	0.5	15.8
Meat	0.1	8.5	0.4	13.0
Fruits and vegetables	3.6	14.3	3.3	4.9
Milk products	0.6	8.3	0.9	6.8
Oils, fats	1.8	23.3	0.4	4.8
Non-food products	0.3	5.3	0.5	5.2
Clothes and footwear	0.3	4.9	0.2	6.8
Cleaning materials	0.2	10.1	0.3	5.5
Gasoline	0.0	-0.2	2.7	-0.8
Diesel	-0.1	-7.0	0.3	1.5
Services	0.3	4.1	0.5	1.4
House maintenance	0.2	0.6	0.2	0.6
Food serving	0.0	6.8	0.5	6.6
Education	0.0	4.0	0.1	1.6
Health care	0.6	6.3	0.5	6.4
Personal services	0.1	6.9	0.1	5.4
Telecom services	0.0	1.7	0.3	1.4

The table contains the main components of CPI

Source: BNS, Halyk Finance

Our opinion

Inflation slowed down noticeably in the first month of 2021 and was below the level of January 2020 (0.7% mom). The slowdown in price growth was facilitated by the stable situation in the foreign exchange market - the tenge exchange rate in January practically did not change against major currencies. A positive impact was a decrease in the rate of increase in the cost of services due to the absence of the traditional for the beginning of the year increase in tariffs for utilities and the cost of motor fuel. The external background also favored the stabilization of prices: after the acceleration of inflation in Russia, the government agencies of this country quickly used administrative levers, which stabilized inflation expectations and eased the pressure from the prices of goods imported by Kazakhstan.

The weakening of price growth in January is broadly in line with our expectations. In the first quarter, the price level, according to our estimates, will be above the 7% mark, but from April we expect a gradual decline to below 7%. For the end of this year, we project inflation at 6.5%.

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Research department

Stanislav Chuev	Head
Asan Kurmanbekov	Macroeconomics
Dmitry Sheikin	Macroeconomics
Vladislav Benberin	Fixed income
Madina Meterkulova	Equity
Almas Almaganbetov	Equity

E-mail

s.chuev@halykfinance.kz
a.kurmanbekov@halykfinance.kz
d.sheikin@halykfinance.kz
v.benberin@halykfinance.kz
m.meterkulova@halykfinance.kz
a.almaganbetov@halykfinance.kz

Address:

Halyk Finance
Abay av., 109 «B», 5th fl
A05A1B4, Almaty, Kazakhstan
Contact. +7 727 357 59 77
www.halykfinance.kz

Bloomberg

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Capital IQ

Halyk Finance