

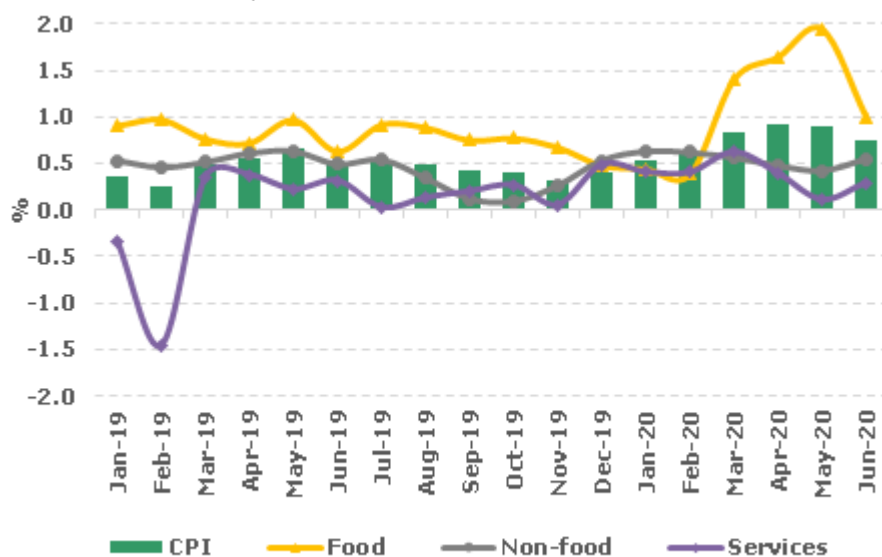
June inflation reached 7% yoy

Assan Kurmanbekov — July 02, 2020

Inflation in June slowed to 0.4% mom from 0.5% mom in the previous month and 0.9% mom in April. In annual terms, price growth accelerated from 6.7% to 7%. Given the recession processes that began in the economy, accompanied by a fall in household incomes, we expect a significant slowdown in inflation, while annual price increases are unlikely to exceed 7% in the second half of this year.

According to the Committee on Statistics, inflation in June slowed to 0.4% mom from 0.5% mom in the previous month and 0.9% mom in April. In annual terms, price growth accelerated from 6.7% to 7%. Given the seasonal adjustment (sa), inflation by our estimates, weakened to 0.7% mom from 0.9% mom.

Consumer inflation, sa



Source: CS MNE, Halyk Finance

According to the results of June, inflation in the food product group amounted to 0.5% mom (+1% mom sa), providing 0.2pp in the total inflation. Bread rose in price (+1% mom), cereals (+3.6% mom), oils and fats (+0.9% mom), meat (+1.1% mom). Prices for fruits and vegetables decreased (-1.6% mom), sugar (-1.2% mom), eggs (-3.3% mom).

Prices for non-food products increased by 0.5% mom (+0.5% mom sa), providing 0.14pp of contribution to inflation. The cost of antiseptics went up (+3.6% mom), medicines (+0.8% mom), personal goods (+0.7% mom), household goods (+1.1% mom), shoes (+0.9% mom). The cost of gasoline and diesel fuel decreased (-0.5% and -0.1% mom).

In the service sector, tariffs grew by 0.2% mom (+0.3% mom sa) with a contribution to price growth of 0.1pp. Tariffs for housing and communal services increased (+0.2% mom), restaurant and hotel services (+1.1% mom), hairdressing and personal services (+0.6% mom). Transport services cheaper (-0.2 mom).

Consumer goods and services inflation, %

Type of good or service	June 2020				June 2019	
	mom	momsa	ytd	yoy	ytd	yoy
All goods and services	0.4	0.7	4.2	7.0	2.6	5.4
Food products	0.5	1.0	7.3	11.1	5.9	8.2
Bakery and cereals	1.4	1.5	5.5	13.5	7.8	11.7
Meat	1.1	1.1	6.4	14.0	5.6	10.6
Fruits and vegetables	-1.6	1.0	18.5	11.9	12.5	0.5
Milk products	0.8	1.0	4.7	9.2	2.0	5.8
Oils, fats	0.9	1.2	4.9	7.7	2.4	9.0
Non-food products	0.5	0.7	2.6	5.4	2.2	6.1
Clothes and footwear	0.6	0.5	1.8	5.2	3.3	7.9
Household appliances	0.7	0.8	4.3	7.5	3.0	7.7
Gasoline	-0.5	-0.1	2.8	2.8	-4.6	-6.1
Diesel	-0.1	0.0	-3.0	-0.6	-1.3	18.8
Services	0.2	0.3	1.4	3.0	-0.9	1.2
House maintenance, utilities	0.2	0.6	0.0	1.7	-4.3	-3.5
Rest, leisure, culture	0.2	-0.1	0.9	3.8	3.6	8.3
Education	0.0	0.1	0.8	2.3	0.3	3.2
Health care	0.7	0.8	4.1	6.0	4.7	8.2
Transportation	-0.8	0.1	4.0	5.3	0.2	2.8
Telecom services	0.0	0.1	1.9	2.4	0.6	3.0

The table contains the main components of CPI

Source: CS MNE, Halyk Finance

Our opinion

Inflation in June showed a slight but slowdown for the second month in a row. The annual inflation rate, as we expected, rose to 7%. At the same time, food products showed the highest growth - bread +10.5% yoy, cereals + 35.5% yoy, flour +21.5% yoy, meat +14% yoy. Partly, a high increase in food prices was formed due to their rise in price last year following an increase in food prices in the world market. In turn, this year the price increase was caused by both a sharp depreciation of the tenge in March and April, and increased inflationary expectations. Direct intervention by government agencies in the pricing of housing and communal services and fuel prices was directly felt in May and June, which eased inflationary pressures and, with a seasonal drop in prices for fruits and vegetables, led to a normalization of prices in the last two months. Given the recession processes that began in the economy, accompanied by a fall in household incomes, we expect a significant slowdown in inflation, while annual price increases are unlikely to exceed 7% in the second half of this year.

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