

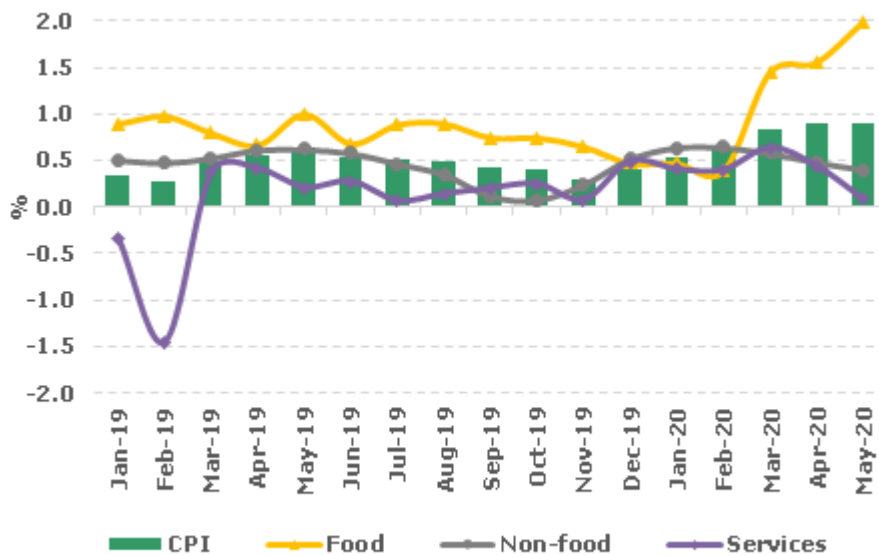
May inflation slowed to 6.7% yoy

Assan Kurmanbekov — June 02, 2020

Inflation in May slowed to 0.5% mom from 0.9% mom in the previous month. In annual terms, the price increase weakened slightly from 6.8% to 6.7%. The reduction in tariffs for housing and communal services and the cost of automobile fuel, initiated by the state agencies, which began in April, continued in May. Significant interference by government agencies in pricing in the consumer market can significantly reduce inflationary pressures this year, as a result of which price increases can be significantly lower than the level of 9-11% targeted by the government and the National Bank.

According to the Committee on Statistics, inflation in May slowed to 0.5% mom from 0.9% mom in the previous month. In annual terms, the price increase weakened slightly from 6.8% to 6.7%. Given the seasonal adjustment (sa), inflation did not change, amounting to 0.9% mom by our estimates.

Consumer inflation, sa



Source: CS MNE, Halyk Finance

According to the results of May, inflation in the food product group amounted to 1.2% mom (+2% mom sa), providing 0.5pp in the total inflation. Fruits and vegetables (+1.5% mom), cereals (+2% mom), oils and fats (+0.9% mom), meat (+1.3% mom). Prices for cabbage decreased (-32.2% mom), rice (-0.2% mom), eggs (-0.2% mom).

Prices for non-food products increased by 0.4% mom (+0.4% mom sa), providing 0.1 pp of contribution to inflation. The cost of antiseptics (+0.8% mom), medicines (+0.7% mom), personal goods (+0.7% mom), household goods (+0.7% mom), automobiles (+0.8% mom). The cost of gasoline and diesel fuel decreased (-0.7% mom).

In the service sector, tariffs fell by 0.3% mom (+0.1% mom sa) with a negative contribution to price increases (-0.1pp). The decrease in tariffs was due to a decline in the cost of housing services (-1.2% mom), the cost of law and education services did not change. Transportation services (+0.3 mom), communication services (+0.2% mom), hairdressing and personal services (+1.4% mom).

Consumer goods and services inflation, %

Type of good or service	May 2020				May 2019	
	mom	momsa	ytd	yoy	ytd	yoy
All goods and services	0.5	0.9	3.7	6.7	2.4	5.3
Food products	1.2	2.0	6.8	10.7	5.7	7.9
Bakery and cereals	1.3	1.4	4.0	13.4	6.5	10.6
Meat	1.3	1.3	5.2	14.7	3.8	9.1
Fruits and vegetables	1.5	1.7	20.3	10.1	16.3	1.4
Milk products	0.8	1.0	3.8	8.8	1.6	5.7
Oils, fats	0.9	1.2	4.0	7.1	2.1	8.9
Non-food products	0.4	0.7	2.1	5.3	1.8	6.1
Clothes and footwear	0.4	0.4	1.2	5.2	2.7	7.9
Household appliances	1.4	1.3	3.6	7.4	2.4	7.5
Gasoline	-0.7	-0.2	2.8	3.4	-4.1	-6.2
Diesel	-0.7	-0.3	-2.9	-0.4	-1.4	21.4
Services	-0.3	0.1	1.2	3.0	-1.0	1.3
House maintenance, utilities	-1.2	-1.1	-0.2	1.4	-4.2	-3.4
Rest, leisure, culture	0.1	0.0	0.7	4.5	2.7	8.1
Education	0.0	0.2	0.8	2.3	0.3	3.7
Health care	1.1	0.8	3.4	5.9	4.1	7.8
Transportation	0.0	0.3	3.3	5.0	-1.0	2.0
Telecom services	0.2	0.4	1.8	2.5	0.5	4.1

The table contains the main components of CPI

Source: CS MNE, Halyk Finance

Our opinion

Inflation in May showed a sharp deceleration of almost two times to 0.5% mom, although taking into account seasonal adjustment it did not change and amounted to 0.9% mom. Given that many restrictions on economic activity still persisted in May, inflation figures most likely do not fully reflect the changes that have occurred. In the consumer market, food products were mainly sold, the share of their sales in April grew to 52% of the total turnover compared with 33% in normal times. Accordingly, it was food products that set the tone for inflation, where the rate of price growth was measured in double digits in annual terms. In turn, in the segment of non-food products, a slight weakening of price growth apparently occurred under the influence of low demand, oriented primarily to everyday goods. The reduction in tariffs for housing and communal services and the cost of automobile fuel, initiated by the state agencies, which began in April, continued in May. Significant interference by government agencies in pricing in the consumer market can significantly reduce inflationary pressures this year, as a result of which price increases can be significantly lower than the level of 9-11% targeted by the government and the National Bank if the situation with prices on the foreign market does not undergo serious negative changes.

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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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