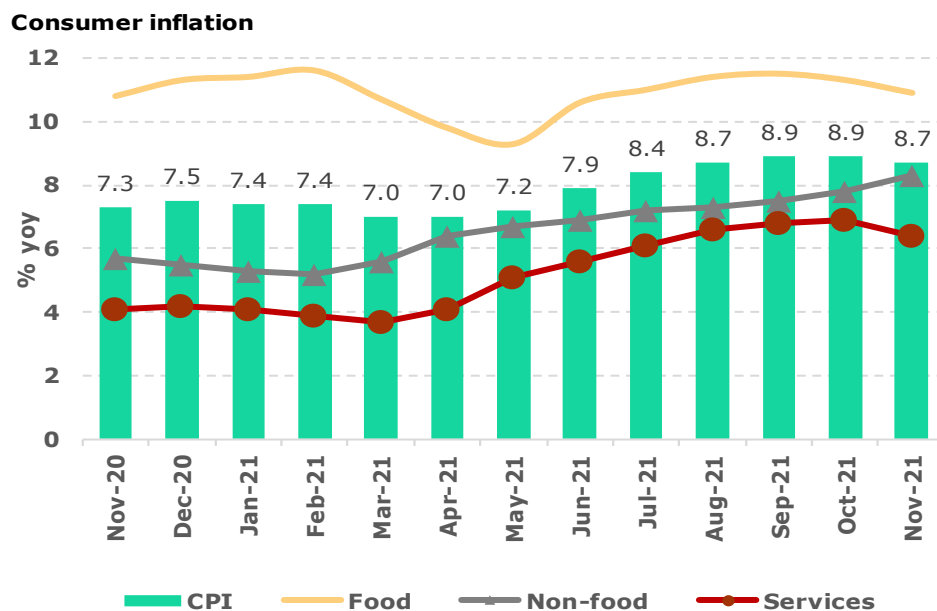


December 3, 2021

Seasonal increase of agricultural commodities prices in November was offset by a slowdown of paid services prices. Monthly non-food prices in November being the same level as in October along with the slowing of services prices led to the stabilization of consumer inflation at the level of 0.7% mom. In annual terms, inflation slowed to 8.7% vs. 8.9% in September and October 2021. We expect a moderate rise in prices in December this year, which, combined with the "high base effect" at the end of last year, will lead to slowdown of inflation to 8.6% yoy.

According to the Bureau of National Statistics, consumer price index (CPI) in November remained at the October level of 0.7% mom. In annual terms, CPI slowed down slightly to 8.7% in November (8.9% in September and October 2021). Growth in food prices slowed to 10.9% yoy (11.3% yoy in October 2021), while the cost of non-food products increased by 8.3% yoy (7.8% yoy in October 2021). Paid services went up by 6.4% yoy (6.9% yoy in October 2021).



Source: BNS, Halyk Finance

By the end of November, prices for food products increased by 0.9% mom, providing a 0.35pp contribution to the CPI. In particular, prices went up for such products as eggs (+2.1% mom), fruits and vegetables (+2.6% mom), cereals (+1.0% mom), sugar (+0.8% mom) and bread (+0.8% mom). At the same time, prices declined for carrots (-5.6% mom), onions (-4.9% mom) and apples (-2.3% mom).

Prices for non-food products in November increased by 1.0% mom, providing a 0.3pp contribution to the headline consumer inflation. Diesel fuel has risen noticeably (+14.6% mom), whereas for solid fuel (+3.2% mom) and gasoline (+2.4% mom) the rise was moderate.

In the paid services, prices increased by 0.3% mom, and their contribution to the overall price increase in November amounted to 0.09pp. The cost of the private property rent increased significantly (+1.4% mom), hot water (+3.5% mom) and garbage collection (+1.3% mom).

Inflation, %

Type of good or service	November 2021			November 2020		
	mom	ytd	yoy	mom	ytd	yoy
All goods and services	0.7	7.8	8.7	0.9	6.5	7.3
Food products	0.9	9.2	10.9	1.3	9.6	10.8
Bakery and cereals	0.8	7.9	8.5	0.8	9.8	10.7
Meat	0.5	10.4	10.7	0.2	8.5	9.2
Fruits and vegetables	2.6	8.5	13.9	2.9	8.7	13.1
Milk products	0.8	6.9	7.5	0.7	8.1	8.8
Oils, fats	0.2	16.9	22.2	5.1	16.3	16.7
Non-food products	1.0	7.8	8.3	0.6	5.1	5.7
Clothes and footwear	0.0	5.0	5.5	0.7	4.4	5.2
Cleaning materials	0.1	5.2	5.9	1.0	9.5	10.2
Gasoline	2.4	18.5	18.4	0.0	2.6	2.6
Diesel	14.6	47.5	46.6	-2.8	-6.0	-5.9
Services	0.3	6.0	6.4	0.8	3.8	4.1
House maintenance	0.4	3.3	3.3	0.0	0.5	0.5
Food serving	0.2	5.4	8.0	0.9	4.3	5.2
Education	0.0	8.0	8.2	0.1	3.8	3.8
Health care	0.4	5.3	5.9	0.6	5.7	6.5
Personal services	0.1	5.8	7.4	0.7	5.2	5.8
Telecom services	0.1	3.1	3.1	0.1	2.5	2.5

The table contains the main components of CPI

Source: BNS, Halyk Finance

Our opinion

Inflation in November of this year was mainly driven by the accelerated growth of food prices accompanied by a hefty rise of non-food prices, while paid services prices slowed. As a result, the seasonal rise of food prices was offset by a slowdown of the cost of paid services, probably due to state regulation of tariffs of natural monopolies. Food prices are under pressure due to seasonal factors, as well as from the "poor" grain harvest in the republic.

Increase of non-food prices was coupled by a fuel shortage in the domestic market, especially diesel fuel, the price of which sky-rocketed 47.5% in January-November. Retail gasoline prices followed the suit (+18.5% from the beginning of the current year). Other energy products prices were seasonally conditioned and additionally were kicked up by the growth in tariffs for transportation of goods and electricity.

Thus, an increase of fuels and lubricants prices as well as other energy products causes an increase in the cost across all goods and services. It is also necessary to note rental property prices, which has been increasing at an accelerated rate (+18.5%) since the beginning of this year and were comparable to the growth in prices for residential real estate.

In our opinion, government measures aimed at regulation of prices led to a slowdown of paid services prices in November, which ultimately resulted in slowdown in the inflation, while consumer demand "stagnated" due to the persistently high inflationary pressure. Thus, the cost of clothing and footwear did not change in November, prices for other non-food consumer goods also virtually did not increase. At the same time, the Bloomberg Commodity Index, which spans the main food and non-food products that are traded in world markets, has been on a downtrend since October and has already lost 9.5% from its October peak, and may indicate a slump in inflationary pressure on a global scale.

Thus, taking into account the slowdown of domestic and global prices as well as the effect of the "high base" of last year, the inflation at the end of this year, according to our expectations, will come down to 8.6% yoy.

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