

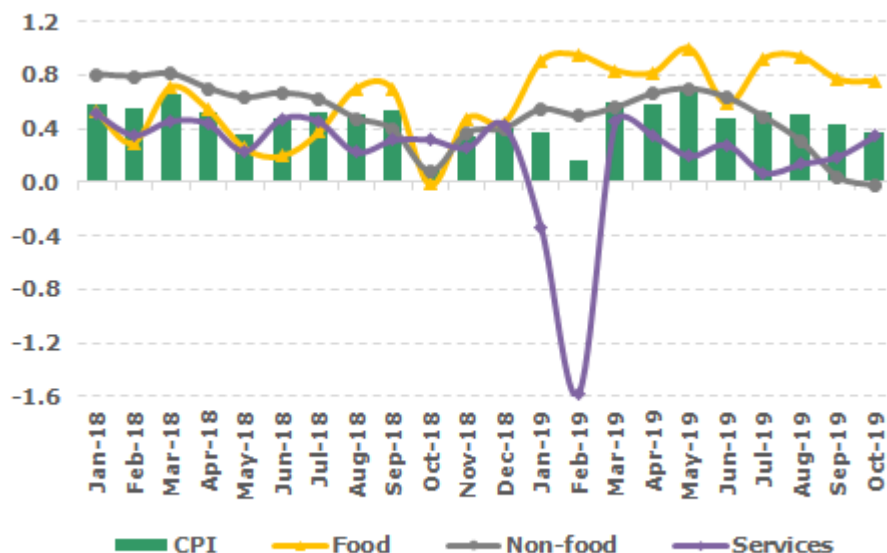
Inflation was at 5.5% yoy in October

Assan Kurmanbekov — November 04, 2019

Inflation in October rose by 0.6% after an increase of 0.3% in September. In annual terms, inflation increased by 0.2pp to 5.5%. For almost the whole year, the main driver of price growth was food products, among which basic food products (bakery, cereals and meat) showed an increase of over 10%. Since the beginning of the year, price growth amounted to 3.9%, which is slightly higher than 3.7% for the same period last year. Nevertheless, we do not expect further serious acceleration of price growth until the end of this year.

According to the Statistics Committee, inflation in October rose by 0.6% after an increase of 0.3% in September. In annual terms, inflation increased by 0.2pp to 5.5%. Given the seasonal correction (sa), by our estimates, inflation has not changed compared to the previous month, amounting to 0.4% mom.

Figure 1. Consumer inflation, sa



Source: CS MNE, Halyk Finance

According to the results of October, inflation in the food product group grew by 0.9% (+0.8% mom sa), providing 0.4pp in total inflation. Food prices, such as bakery products and cereals, meat, dairy products, continue to provide high price increases. Price reductions were mainly observed among seasonal vegetables. Prices for non-food products increased by 0.5% mom (0% mom sa), a contribution of 0.1pp to inflation. The cost of clothes and shoes, household appliances, and medicines has increased. In the service sector, tariffs increased by 0.2% mom (+0.3% mom sa) with a 0.06 pp contribution to price changes. The main factors of increase: housing rental services, electricity, solid fuel, railway transport services.

Table 1. Consumer goods and services inflation, %

Type of good or service	October 2019				October 2018	
	mom	momsa	ytd	yoy	ytd	yoy
All goods and services	0.6	0.4	3.9	5.5	3.7	5.3
Food products	0.9	0.8	7.2	9.7	2.6	4.7
Bakery and cereals	1.9	1.7	12.8	14.0	2.8	2.9
Meat	1.2	1.1	12.0	13.8	5.8	7.4
Fruits and vegetables	-0.1	0.9	-0.5	7.6	-13.7	-7.3
Milk products	1.1	0.5	4.7	6.1	6.8	8.4
Oils, fats	1.1	0.1	3.9	6.2	6.5	7.2
Non-food products	0.5	0.7	3.8	5.2	5.1	6.5
Clothes and footwear	0.7	0.3	5.3	7.0	6.1	7.5
Household appliances	0.4	0.5	5.1	7.0	5.9	7.0
Gasoline	0.1	-1.2	-4.5	-4.6	-2.7	-2.4
Diesel	0.1	-1.6	-0.7	7.2	20.0	31.9
Services	0.2	0.3	-0.1	0.8	3.5	4.8
House maintenance, utilities	0.4	0.1	-3.7	-3.8	3.4	5.1
Rest, leisure, culture	0.2	0.3	6.1	7.9	4.5	5.2
Education	0.1	0.2	1.7	1.9	4.4	4.7
Health care	0.2	0.3	5.7	7.3	5.6	6.6
Transportation	0.2	-0.3	-0.1	1.5	3.0	4.4
Telecom services	0.2	-0.1	1.0	1.4	3.7	4.0

The table contains the main components of CPI

Source: CS MNE, Halyk Finance estimates

Our opinion

Inflation in October was in line with our expectations, for almost the whole year, the main driver of price growth was food products, among which basic food products (bakery, cereals and meat) showed an increase of over 10%. Since the beginning of the year, price growth amounted to 3.9%, which is slightly higher than 3.7% for the same period last year. Nevertheless, we do not expect further serious acceleration of price growth until the end of this year, due to the influence of State policy aimed at increase of household incomes this year (not only budget expenditures, but also a reduction in housing and utilities tariffs and fuel prices, which still give -0.1% for services since the beginning of this year). However, there is a high probability that inflation will be above 5% for the next year, i.e. inflation slowdown has been postponed (5.3% in 2018, 5.4% according to our forecast this year).

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