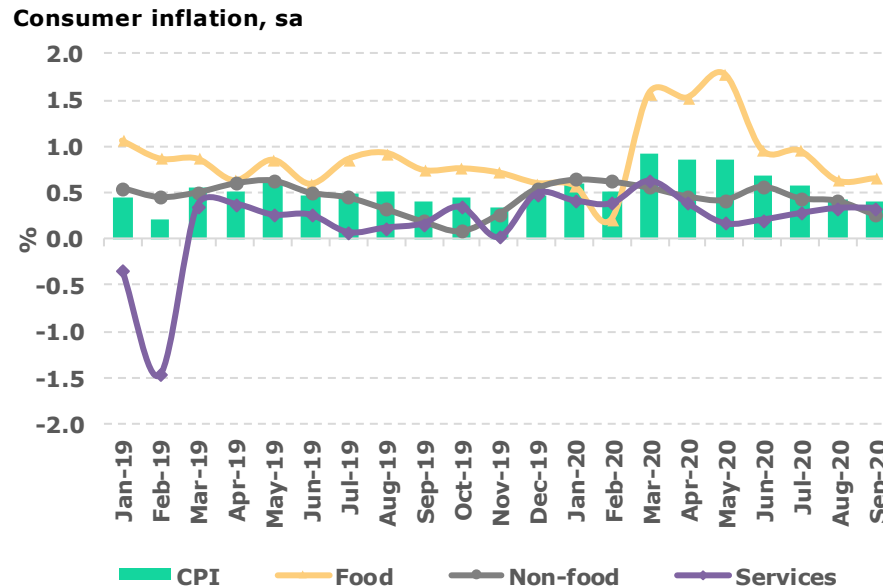


October 2, 2020

Inflation in September remained at 7% yoy

Inflation in September accelerated slightly to 0.3% mom from 0.1% mom in the previous month. In annual terms, the growth in prices did not change and remained at the level of 7%. Inflation in the third quarter of this year slowed sharply to 0.7% from 1.8% in the second quarter and dropped to the level of the third quarter of 2019. The slowdown in inflation in the third quarter was facilitated by food products, which occupy the largest weight in the consumer basket – prices for them did not change in July-September. We keep our inflation forecast for the end of this year at 7.3% yoy.

According to the Committee on Statistics, inflation in September accelerated slightly to 0.3% mom from 0.1% mom in the previous month. In annual terms, the growth in prices did not change and remained at the level of 7%. Taking into account the seasonal adjustment (sa), according to our estimates, inflation amounted to 0.4% mom (0.4% mom in August).



Source: CS MNE, Halyk Finance

Prices for food products remained unchanged in September, amounting to 0% mom (+0.7% mom sa), which was facilitated by a seasonal decline in prices for fruits and vegetables, which offset the increase in prices for other food products. Prices for eggs (+4.4% mom), sugar (+1.5% mom), cereals (+0.9% mom), oils and fats (+0.9% mom), bakery and cereals (+ 0.8% mom). Prices for fruits and vegetables dropped (-3.8% mom) and millet (-0.7% mom).

Prices for non-food products increased by 0.4% mom (+0.3% mom sa), providing a 0.12pp contribution to inflation. The cost of clothing and footwear increased (+0.5% mom), detergents and cleaning products (+0.5% mom), medicines (+0.5% mom). The cost of diesel fuel has decreased (-0.1% mom).

In the service sector, tariffs increased by 0.5% mom (+ 0.3% mom sa), contributing to the rise in prices by 0.16pp. Increased tariffs for electricity (+1.7% mom), solid fuel (+0.8% mom), education (+2.3% mom). A decrease in tariffs was noted for the services of hospitals, railway transport, and certain housing and communal services.

Consumer goods and services inflation, %

Type of good or service	September 2020				September 2019	
	mom	momsa	ytd	yoy	ytd	yoy
All goods and services	0.3	0.4	4.9	7.0	3.3	5.3
Food products	0.0	0.7	7.4	10.8	6.2	9.1
Bakery and cereals	0.8	0.7	8.2	13.4	10.7	12.7
Meat	0.6	0.2	7.8	10.3	10.6	13.5
Fruits and vegetables	-3.8	1.0	6.4	13.7	-0.4	3.5
Milk products	0.5	0.3	6.3	9.3	3.5	5.7
Oils, fats	0.9	0.8	7.4	9.8	2.8	6.8
Non-food products	0.4	0.7	3.9	5.5	3.3	5.4
Clothes and footwear	0.5	0.4	3.0	5.1	4.6	7.1
Household appliances	0.5	0.4	5.5	7.0	4.7	7.4
Gasoline	0.1	-0.1	2.7	2.7	-4.6	-4.8
Diesel	-0.1	-0.4	-3.3	-1.3	-0.9	8.1
Services	0.5	0.3	2.5	3.6	-0.3	0.7
House maintenance, utilities	0.5	0.2	1.3	2.8	-4.1	-4.3
Rest, leisure, culture	0.4	0.2	1.7	2.4	5.8	8.4
Education	2.3	0.3	3.1	3.3	1.6	2.0
Health care	0.3	0.4	5.8	6.8	5.6	7.6
Transportation	0.0	0.2	4.0	5.1	0.5	2.8
Telecom services	0.2	0.2	2.3	2.6	0.9	2.1

The table contains the main components of CPI

Source: CS MNE, Halyk Finance

Our opinion

Inflation in the third quarter of this year slowed sharply to 0.7% from 1.8% in the second quarter and dropped to the level of the third quarter of last year. The main factor that influenced the slowdown in inflation in the third quarter was the prices for food products, which occupy the largest weight in the consumer basket – their change amounted to 0% in July-September. At the same time, the growth in prices for non-food products remained at the level of the previous quarter, but tariffs for services increased by 1.1%.

Consumer demand remains subdued – over 8 months of this year, retail trade turnover decreased by 9.5% in annual terms, which restrains inflationary pressure. The weakening of the tenge against the dollar by 1.3% in September was offset by the strengthening of the tenge against the ruble by 1.4%. Considering that a significant part of goods enter the domestic market from Russia (>30% in total merchandise imports), this limits the negative impact of volatility on the foreign exchange market. We keep our inflation forecast for the end of this year at 7.3% yoy.

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