

08 February 2012

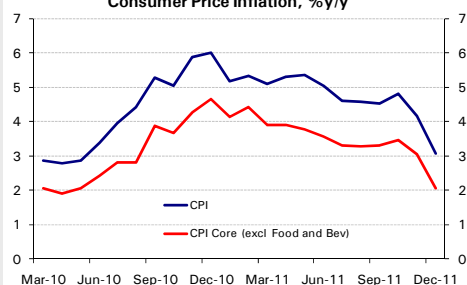
Consumer Price Inflation

CPI inflation fell to 3.1% in December, averaged 4.8% for 2011.

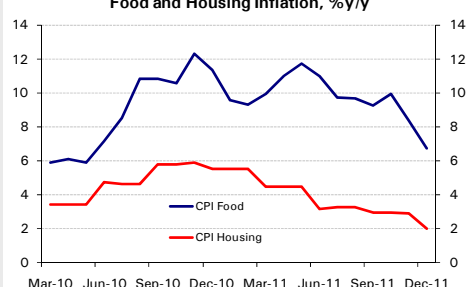
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- Inflation in the **Consumer Price Index (CPI)** slowed further to 3.1% year-on-year (y/y) in December. Inflation was at 6.0% y/y in December 2010 and fell all the way to 3.1% 12 months later, averaging 4.8% for 2011 (versus NBK's estimate of 4.7%). This downward trend should carry over into 2012 as the main sources of pressure abate (primarily food). On a year-to-year basis, food was the only category over 3% inflation in December, in another indication of tamer inflation signs. We forecast a 4.0% average for 2012.
- **Core CPI**, which excludes food and beverage prices from the index, continues to paint a better picture for consumer inflation. It recorded 2.1% y/y in December, a 19-month low. This indicates that most inflationary pressure did stem from international food and commodity prices, not local factors. Core CPI also averaged 3.5% in 2011
- Inflation in **food prices** was 6.7% y/y in December. Upward pressure from food should gradually relent as international food and commodity prices start to come down. Some food items, such as *dairy products and eggs* have kept pressure afloat, while others, such as *fruits and vegetables* (-5.7% y/y) have been a source of downward pressure for the past few months.
- **Clothing and footwear** recorded 2.1% y/y and has averaged 3.5% for 2011. Other components also saw their December rates at their lowest for the year or more: **housing services** (rent) was 2.0%, while the **household goods and services** component recorded a similar 1.9% y/y.
- **Other goods and services**, which make up about 10% of the general index, went up by 2.6%. *Recreational goods and services* (television, cinema, etc), which alone is 4% of the CPI; saw a 1.7% y/y increase.
- CPI inflation began to show signs of easing off after some highs in late 2010/early 2011, averaging 4.8% for the 2011. Prices, especially food, should start to come down, leading to a forecast CPI average of 4.0% for 2012.

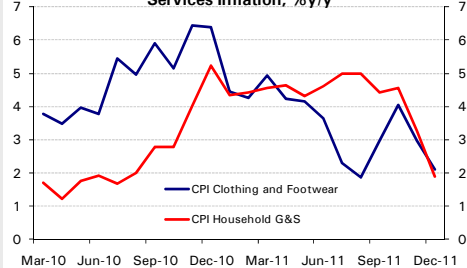
Consumer Price Inflation, %y/y



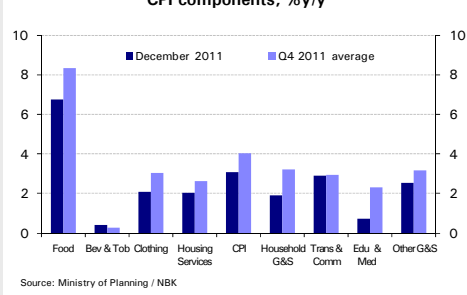
Food and Housing Inflation, %y/y



Clothing, Footwear, and Household Goods and Services Inflation, %y/y



CPI components, %y/y



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Consumer Price Inflation – Monthly 2011

	Index weight	% m/m			% y/y		
	%	Oct	Nov	Dec	Oct	Nov	Dec
Food	18.3	0.3	0.1	1.1	9.9	8.3	6.7
Beverages and tobacco	0.7	0.4	1.0	0.0	-0.4	0.8	0.4
Clothing and footwear	8.9	0.3	0.1	0.1	4.0	3.0	2.1
Housing	26.8	0.0	0.0	0.8	3.0	2.9	2.0
Household goods & services	14.7	0.1	-0.1	0.2	4.6	3.3	1.9
Transport and comm.	16.1	0.0	0.2	0.1	2.9	3.1	2.9
Education and medical care	4.7	0.0	0.0	-1.8	3.4	2.9	0.8
Other goods and services	9.9	0.4	-0.3	0.3	3.7	3.2	2.6
General index	100.0	0.1	0.0	0.5	4.8	4.2	3.1

Source: CSO/NBK



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