

Belarus Watch: Annual inflation remains on upward trend

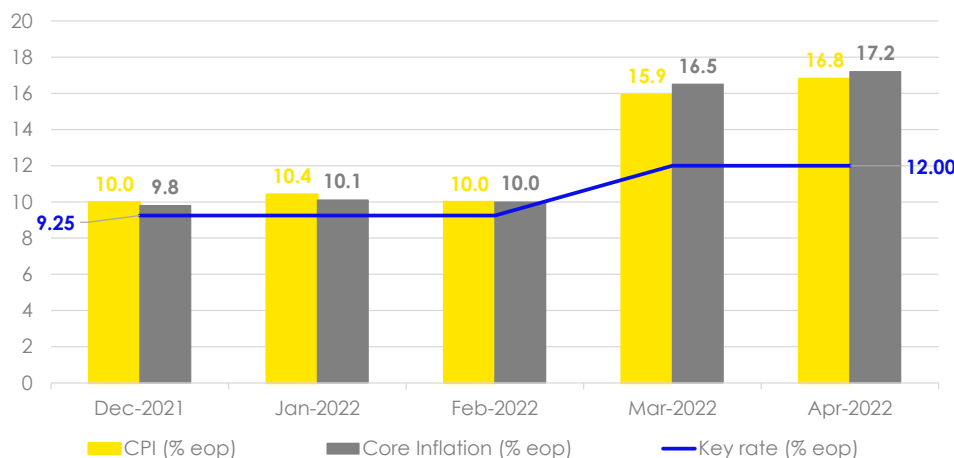
In April 2022 inflation increased further in Belarus and reached 16.8% yoy. However, April's monthly price growth slowed down considerably – 1.6% mom vs. 6.1% in Mar. Food was vanguarding price growth, rising by 3.9% mom and 19% yoy, whereas prices for services dropped by 1.3 mom

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Inflation continues to surge



Belstat, RBI/Raiffeisen Research

Prices in Belarus are still soaring. **April's inflation was 16.8% yoy.** Food inflation amounted to 19% yoy, non-food products increased by 18.6% yoy, and services showed the lowest intensity of price growth with a 10.7% yoy rise.

However, **on a monthly basis, inflation slowed down significantly in April and amounted to only 1.6% mom against 6.1% previously.** Food products retained the strongest price growth and reached 3.9% mom vs. March. In this case, April non-food prices decreased to -0.7% mom against the growth of 10.8% mom in March (vs. February). As for services, -1.3% mom-deflation was recorded in April against a 3.3% mom growth in March.

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In March 2022, prices were significantly affected by a sharp 30% BYN devaluation caused by the war in Ukraine, which made imports much more expensive. **In April, BYN appreciation towards the pre-war level restrained price growth and significantly reduced the intensity of inflation in monthly terms.** However, growth of food prices remains high both on a monthly and annual basis due to, on the one hand, growth of food import prices, and on the other, due to domestic growth of fuel prices. As for non-food products, the sharp hike of March import prices substantially reduced demand for physical imports, while BYN strengthening had no significant downward effect on prices, and together with fuel prices growth pushed the non-food prices up in April 2022.

Overall, **service prices registered deflation.** The key role here, in our opinion, is played by the preferences provided by Russia to Belarus on the gas price and the transition to the payment for energy resources in RUB. This made it possible to maintain prices for housing and utilities and reduce the services prices.

The highest growth of food prices was demonstrated by sugar (+41.6% mom), vegetables (+13.2% mom) and cereals (+5.6% mom), while chicken costs dropped by 1.2% mom. For non-food goods, the leaders of growth became fuel (+3.7% mom) and construction materials (+3.2% mom), while prices for televisions and synthetic detergents declined by 4.6% and 7.6% mom, respectively. In terms of services, prices for public transport (+14% mom) and telecoms (+0.6% mom) rose, while travel and air transport costs dropped by 15.8% and 17.9% mom correspondingly.

April's core inflation reached 17.2% yoy vs. 16.5% yoy in March and 10% yoy in February. On a monthly basis core inflation reached 1.3%, and for the first 4 months of 2022 (ytd) it was 10.7%. Meanwhile, 2020 core inflation was 7.1% yoy and it was 9.8% yoy in 2021.

In order to regulate prices, the authorities keep the administrative price control in place. On April 7, 2022, Belarussian Government adopted the decree No. 214 "On price regulation". According to this document, legal entities and individual entrepreneurs who produce (import) and sell goods on the domestic market are prohibited to raise prices by more than 1.2% per month until the YE 2022 (price hikes on regulated goods/drugs are possible only with the Government approval).

Due to ongoing high geopolitical tensions in the region, as well as existing significant sanctions pressure and high global inflation (incl. Russia), we maintain our inflation forecast at 25% at the end of 2022.

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