

Belarus Watch: The government halted inflation

Tough government price controls halted inflation. In October 2022 CPI growth slowed down substantially and amounted to 15.2% yoy. In monthly terms, prices declined in all segments of goods and services. At the same time, the possible persistence of seasonal pressures remains

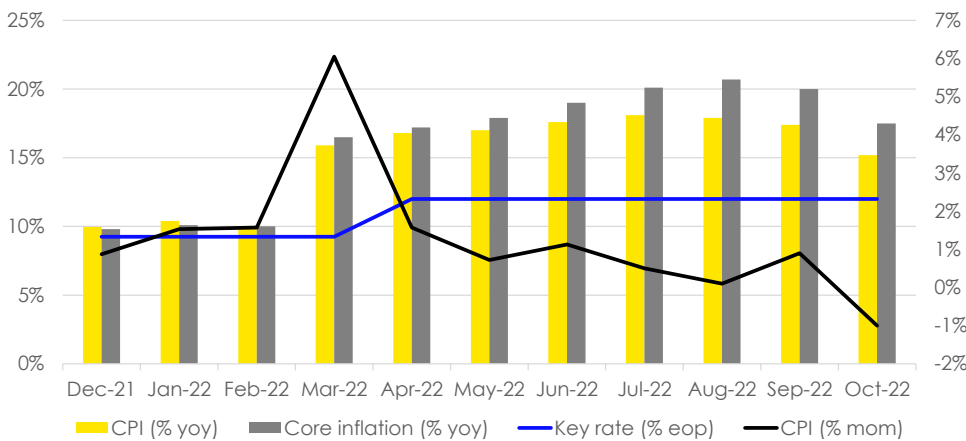
Inflation slowing down in October **1**

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Inflation slowing down in October



Source: Belstat, RBI/Raiffeisen Research

October's inflation turned out significantly lower than expected and amounted to 15.4% yoy, while a 1% deflation was recorded on a month-to-month basis. **Food prices rose by 15.9% yoy**, while on a monthly basis they declined by 0.6%. Prices declined in all goods and services sectors in both annual and monthly terms. **Food prices declined to 15.9% yoy** vs 18.3% yoy in September, while on a monthly basis there was a 0.6% food price deflation. Pasta (-2.9% mom), cereals and beans (-2.9% mom), and fruit (-1.2% mom) dropped the most, while milk and dairy products grew by 0.8% mom. **The non-food prices rose by 17.7% yoy against 20.3% yoy in September**, while month-on-month non-food index fell by 1.6% mom. The price reduction occurred in all groups of non-food products, but the biggest decreases were observed in footwear (-2.8% mom), perfumes and cosmetics (-2.5% mom), household appliances (-1.7% mom), and construction materials (-1.1% mom). **Service prices also decelerated to 10.6% yoy** (11.9% yoy in September), while month services deflation was 0.8%. Tourist services prices dropped by 8% mom, railway services declined by 7.6% mom, while medical services rose by 0.5% mom. An additional positive impact resulted from **a considerable cut in seasonal fruit and vegetable prices** from 10.9% yoy in September to 3.6% yoy in October 2022.

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Core inflation was also on the downward path to 17.5% yoy in October vs. 20% in September. However, it is still well above CPI, an indication of the administrative price regulation.

Given the success of government measures to curb inflation, **we improved our 2022 CPI outlook from 20% eop to 16% eop**. Nevertheless, we keep a conservative approach and believe that seasonal factors will put additional pressure on prices at the end of 2022. In addition, we expect continued monetary stimulation of the economy, which may restrain administrative price controls in the domestic market, therefore, **we maintain our inflation projection at 15% eop in 2023**. Besides, we believe that despite rather high inflation, the **National Bank of Belarus will keep the key rate at the current level of 12%**, and thus will provide financial support to the public sector, whose lending depends on the size of the key rate.

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BY	19.05.2022	Under Revision	Belarus
BY	01.04.2022	Under Revision	Belarus
BY	11.02.2022	Under Revision	Belarus

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Symbol	Date	Recommendation	Company
BY	17.08.2022	Not rated	Belarus
BY	19.05.2022	Not rated	Belarus
BY	01.04.2022	Not rated	Belarus
BY	11.02.2022	Not rated	Belarus

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