

Serbia Watch: Seasonal spike in food prices, pushed monthly inflation (+1.5%)

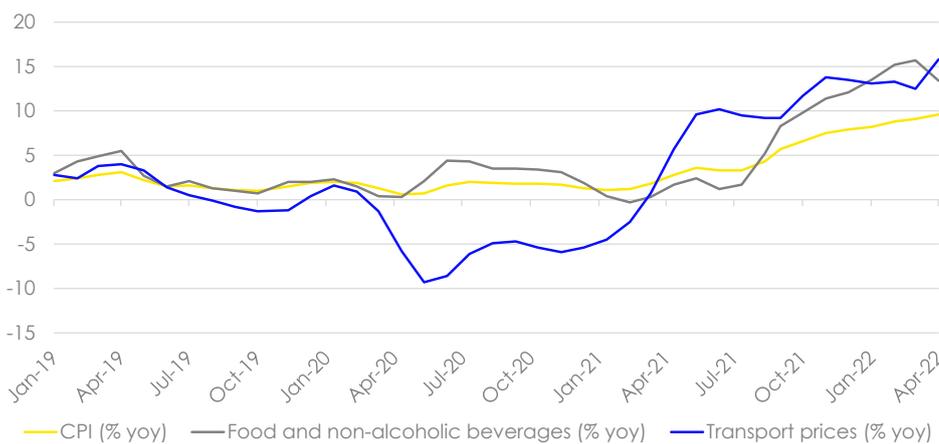
Following the inflation slowdown in March (+0.8% mom), retail prices surged again in April (+1.5% mom) supported by a seasonal spike in fruit prices. Annualized print is quite high (+9.6%) driven by food and transport prices.

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CPI slowing down on a monthly basis, but moving up yoy



Statistical Office of the Republic of Serbia, Raiffeisen Research

The key trigger to the monthly inflation growth (+1.5% mom), were food and non-alcoholic prices (+2.7% mom) after 1.1% mom rise in the month before. Seasonality stood behind April's food prices spike, namely fruit prices spike. Also, the gov't's decision on capping the prices of the key food products (sugar, meat, milk, bread, digestive oil) is obviously having a positive result. Further, clothing prices (+2.1% mom) and recreation and culture prices (+1.2% mom) moved more compared to the previous month. As a result, goods prices went up by 1.8% (March: +1.0% mom), while service prices grew by 0.6% mom (March: +0.1% mom).

The annualized figure is quite high (+9.6% yoy) after 9.1% yoy in March, supported by the food and non-alcoholic beverages prices (+15.8% yoy), transport (+13.4% yoy), alcoholic beverages and tobacco (+6.9% yoy) and apartment equipment and current maintenance (+8.0% yoy).

The government introduced different measures to help citizens and companies deal with the growing energy and food prices including the extension of the decision on capping the prices on the key food products until the end of June and the extension of the price cap of petroleum products. However, industrial producers' prices remain on the growth

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path in April (+15.9% yoy), after 15.3% yoy in March. Also, imports prices went up by 16.2% yoy (March: +15.9% yoy).

Though NBS expects inflation to slow down until the end of the year, we repeat there are upside risks for the inflation staying elevated in H2: a) bottlenecks in the supply of semi-finished products and raw materials, b) the spillover of inflation growth in the euro area through import prices to domestic inflation, c) rising prices of primary agricultural products in global markets and fertilizer prices e) rising metal prices. We expect a positive impact, in terms of calming the growth of inflation, from the good agricultural season and the set of measures adopted by the Government and high base effect from August going forward. In fact, the yields of basic agricultural crops will be crucial for the food prices development, since the production costs are already having an inflationary impact.

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