

# Belarus Watch: Prices stand still

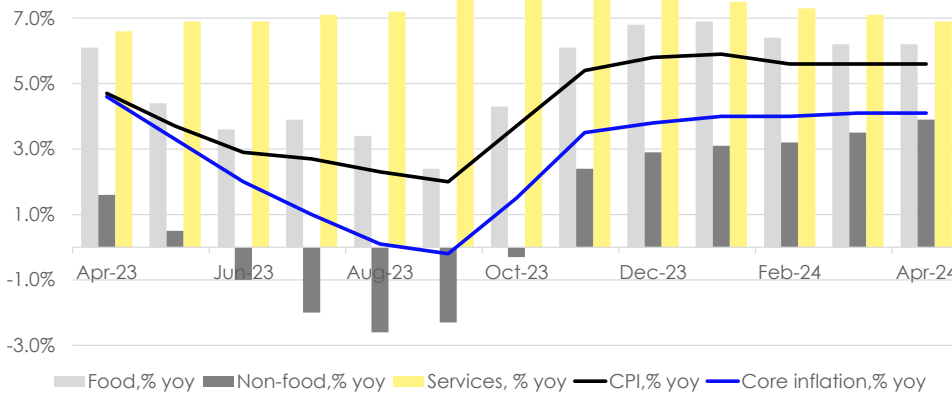
For the third month in a row, the annual CPI remained steady at 5.6%. This low inflation was attributed to the fragile balance in domestic FX and consumer markets, along with the economic support from Russia. These factors have collectively contributed to price stability.

Disclaimer **3**

Analyst **7**



Chart 1 - Inflation flat since February



Source: National Bank of Belarus, Belstat, RBI/Raiffeisen Research

In April 2024, **the inflation rate remained at 5.6% yoy**, consistent with the rates in February and March. **Sector-wise, price growth dynamics were largely stable.** Food prices increased by 6.2% yoy, non-food items by 3.9% yoy, and service costs by 6.9% yoy. Monthly inflation was 0.4%. On a monthly basis prices for food products rose by 0.6%, non-food items by 0.4%, and services by 0.2% mom. Seasonal factors led to significant price increases in vegetables (+4.4% mom) and fruits (+1.6% mom). **The annual price growth of seasonal horticultural products accelerated further**, reaching 12.5% in April compared to 9.7% in March. Service cost growth moderated, influenced by lower international tourism service costs (-0.8% mom) and unchanged prices for housing, utilities, and electricity, supported by preferential energy pricing from Russia. **The pressure from regulated prices and tariffs decelerated slightly**, from 8.3% yoy in March to 8% yoy in April 2024.

**Core inflation**, which strips out volatile items like food and energy, **remained constant at 4.1% yoy.** However, the ongoing **high inflation in Belarus's main trading partners**, a **scheduled increase in housing, utilities, and electricity tariffs** by the government in June 2024, and **elevated inflation expectations** within the country (the National Bank of Belarus reported perceived inflation at 11.4% for Q1 2024 and anticipated inflation for the

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next 12 months at 11%) **lead us to keep our conservative outlook for price growth.** We are maintaining our current forecast of **9% yoy inflation by YE 2024.**

Recently, the NBB kept **the key rate at 9.5%.** We **anticipate the regulator could raise the key rate to 10%** until the end of 2024 if price growth remains. Meanwhile, the NBB will follow its cautious approach to rate regulation in the domestic market, as significant fluctuations in this market (in either direction) could trigger a substantial inflation spike.

The stabilization of the CPI reflects a period of relative calm in the economy, supported by stable FX and consumer markets, as well as external economic support. However, looming risks from high inflation in trading partners, expected tariff hikes, and high deferred inflation expectations warrant a cautious outlook for the remainder of the year. The National Bank's steady interest rate policy aims to manage these risks carefully, ensuring that inflation remains under control while supporting economic stability.

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Symbol	Date	Recommendation	Company
BY	28.02.2024	Under Revision	Belarus
BY	11.09.2023	Under Revision	Belarus

History of long term recommendations			
Symbol	Date	Recommendation	Company
BY	28.02.2024	Not rated	Belarus
BY	11.09.2023	Not rated	Belarus

The distribution of all recommendations relating to the 12 months prior to the publications date (column A), as well as the distribution of recommendations in the context of which services of investment firms set out in Sections A (investment services and activities) and B (ancillary services) of Annex I of Directive 2014/65/EU of the European Parliament and of the Council ("special services") have been provided in the past 12 months (column B).

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