

Belarus Watch: Prices soar further

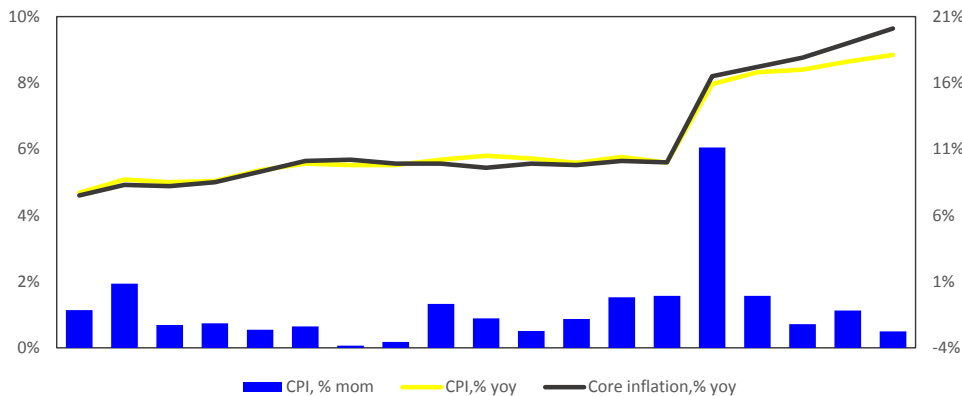
In July 2022, inflation hit a new high of 18.1% yoy. The driver of price growth remains non-food products, while food was deflationary. Meanwhile, core inflation exceeding CPI signals the remaining administrative price controls on socially essential goods and services.

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Chart 1 - Administrative price controls still in place



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

In July 2022 price growth resumed. **The annual CPI reached 18.1%**. At the same time **monthly inflation slowed down** from 1.1% in June to 0.5% in July 2022. As expected, **the seasonal factor eased its pressure** on food. There was 0.2% deflation for food products in July against June 2022, with annual price growth of 19.6% for this group. **Non-food products and services monthly inflation slowed down** to 1.2% and 0.8%, respectively, compared to 1.5% and 1.3% growth in June 2022. On an annual basis, non-food prices jumped by 20.7% and services rose by 12%.

Among food products, **milk & dairy products and meat & meat products registered the largest monthly growth** in July 2022, rising by 1.3% mom and 1.1% mom, respectively, **while fruits and vegetables declined** by 11.3% and 14.2% mom, correspondingly. Overall, in July 2022 **seasonal prices declined to 20%** yoy vs. May's 32.4% yoy increase. The leaders in non-food prices growth were synthetic detergents (+4.6% mom), prints (+3.9% mom) and TV sets (+2.0% mom). Furthermore, we should highlight the fact that in July 2022, **the government suspended the fuel prices increase**, which had been actively started in April 2022. In April-June 2022, petrol prices went up 14 times, and have risen by 18% since the beginning of the year. As for services, nursery school services gained 9.5% mom, travel services rose by 6.6% mom, and railroad services added 4.5% mom.

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Core inflation amounted to 20.1% yoy. The excess of the core index over CPI signals the retention of administrative price control in Belarus, especially for socially essential groups of goods and services.

In H2 2022, price growth is expected to maintain. At the same time, given the existing state regulation of prices for goods and services, as well as preferential access to Russian energy resources, inflation growth is expected to slow down. **By the end of 2022, price growth may reach 22% yoy.**

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