

Belarus Watch: Inflation slowed down in May 2022

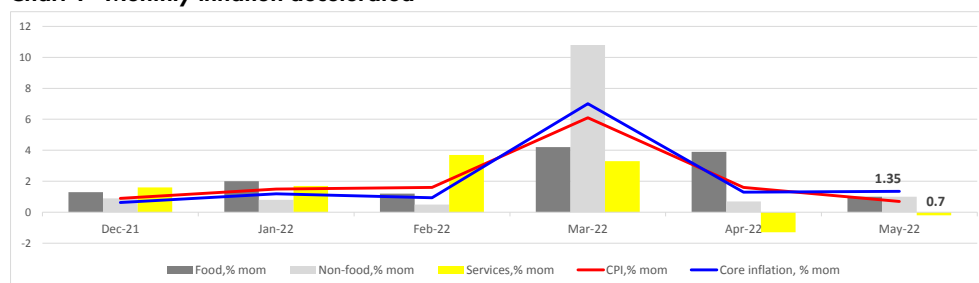
In May 2022, **inflation slowed to 0.7% mom**, mainly due to a noticeable decrease in seasonal price growth. Food and non-food price rises decelerated and flattened out. Current administrative price control and RU energy supply allow for a slight improvement of the inflation outlook.

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Chart 1 - Monthly inflation decelerated



Belstat, RBI/Raiffeisen Research

%, mom

Despite annual inflation growth, the intensity of month-on-month price increases moderated after the surveys in March - against the backdrop of Russia's military invasion into Ukraine. Thus, March's 6.1% mom hike in prices fell to 1.6% mom in April and continued to slow down to 0.7% mom in May. At the same time, **annual inflation amounted to 17% yoy** in May, against 16.8% yoy in April. **Food prices jumped by 19% yoy, non-food prices increased by 18.6%, and price for services rose by 10.7 yoy.** Meanwhile, it should be noted that inflation slowed down considerably month-on-month and flattened out. Food and non-food products were up 1% mom vs. April's data. While services prices have been falling for the second month in a row — in April deflation in services prices reached 1.3% and in May it amounted to 0.2% mom.

Core inflation extended its gains in May and **reached 17.9% yoy** vs. 17.2% yoy in April. While after 45.1% yoy growth of seasonal prices in April, their growth rate declined to 32.4% in May 2022.

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The government keeps actively enforcing administrative regulation of prices and tariffs. On the one hand, this helps to curb inflation, and on the other hand, to support budget revenues through administrative leverage and higher prices for excisable goods (fuel, tobacco, etc.). Regulated prices and tariffs have still been growing and reached 11.3% yoy in May vs, 10.6% yoy growth in April.

In May, vegetable oil (+7.2% mom), cereals and beans (+4.2%), fuel (+3.6% mom), synthetic detergents (+2.8% mom), dry cleaning of clothes (+3.1%), health and sanitary services (+2.8%) showed the highest price growth. At the same time, due to seasonality, vegetables became considerably cheaper (-14.5% mom), as the prices of computers and bicycles declined by 6.3% and 2.5% mom respectively. In addition, the cost of rail and air transport cheapened by 5.8% and 6.7%.

After a price spike fueled by BYN devaluation, there was a gradual deceleration of inflation due to state regulation of tariffs and seasonal reduction of food prices, while there were no price shocks in the energy market. On the other hand, the government leaves a high excise tax burden to replenish budget revenues and stimulate higher prices for excisable goods, thus replacing the drop-out revenues from foreign trade in the budget. Due to this, **we adjusted our inflation forecast and expect 22% inflation** (eop) in 2022.

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